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**A SELECTED ANALYSIS OF ANNOUNCED BLACK ECONOMIC EMPOWERMENT EQUITY
TRANSFER VERSUS EFFECTIVE NET EQUITY INTEREST BEE SHAREHOLDING**

Research done by

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It is with great honour that I dedicate this dissertation to two particular individuals, Gilbert Nii Anyetei and Richmond Ako Anyetei. Thank you very much for your support, courage and laughter when I needed it the most. I love you very much and I am blessed to have two siblings like you.

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Abstract

The equity transfer of Black Economic Empowerment deals has been the basis that still defines the Black Economic Empowerment landscape. Black Economic Empowerment concepts are identified with endeavours in South Africa to increase the participation of Black people in business and the mainstream economy. In recent years, equity transfer has been the main benchmark to signify the extent to which a company is empowered. This new construct is Black Economic Empowerment. Black Economic Empowerment is a concept, which is broadly accepted in principle, but is still controversial in its meaning and practice. This report looks at the commonly, agreed and understood Black Economic Empowerment net equity transfer of selected Black Economic Empowerment transactions versus the effective net equity transfer. It also examines the role that funding structures, funding institutions, the government and private sector play in Black Economic Empowerment transaction. The effect of debt in Black Economic Empowerment transactions, and the impact it has on the effective transfer of net equity interest to Black people will also be examined in this report. The study will also look into the need for Affirmative Action, the state of Black Business and its historical development and its contribution to Black Empowerment. The successes of Black Economic Empowerment transaction are contrasted against the transaction failures, while the report examines the cause of these failures. The findings of the study concludes that only **one percentage** of the selected transaction in the study yielded a net effective interest greater or equal to the announced transaction.

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CHAPTER 1: INTRODUCTION

1. Introduction

1.1. Introduction

To understand what Black Economic Empowerment (BEE) is, we first need to have a clear understanding of the core historical context within which it was incubated and subsequently pursued. The historical evolution of the South African history has been predicated on the domination, exploitation and marginalization of people; from the early San people to the current majority Black population. Oppression during apartheid was not mere prejudice, but ultimately about using power and control in the interests of a minority of the population, the white race.

During the early colonial period, reliance was placed on the theft of land from Black people and the institutionalization of an economic system that used Black people as cheap labour. In the 1910s the government launched Afrikaner corporations like the Nasionale Pers, Salam and Santam by mobilizing the capital of the relatively wealthy people. On the strength of nationalistic fever, the Afrikaner Handelsinstituut organized the first economic Volkskongres (congress) in 1939. (BEECOM, 2001:1)

In 1948, the coming of power of the National Party (NP) signified an intensification of discrimination against Black people. This was accompanied by aggressive implementation of Afrikaner empowerment programmes utilizing the full might of the State to eradicate. (BEECOM, 2001:2)

BEECOM (2001) noted that during the early years of the 1970s, growth rates declined sharply and the South African economy entered into a long term period of secular decline with average annual growth in real GDP per capita falling to zero between 1970 and 1979, and -3.4% between 1980 and 1989. This crisis, which included high levels of unemployment, highly unequal distribution of income and low levels of growth and investment, implied that the South African system could not continue to develop along the same policy of discrimination and exclusion as before. (BEECOM, 2001:2)

The Black Economic Empowerment Commission (BEECOM) noted that, *"The growing saturation of the white consumer market limited not only sales, but also the ability of the manufacturing sector to benefit from economies of scale. Since expansion of the Black consumer market was not then contemplated, this made more urgent the State's often re-iterated, yet difficult to realize, call for an increase in exports. In terms of this explanation the continued marginalization of the Black majority was, therefore the cause of the crisis. It acted as a depressant on aggregate demand, which in turn restricted prospects for economic expansion and/or only allowed for a form of growth that reproduced the narrow economic base that continues to marginalize the majority."*¹

The apartheid system systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed with access to skills and self-employment racially restricted. The accumulation process under apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on Black communities. The result is an economic structure that today, still excludes the vast majority of South Africa. (*South Africa's Economic Transformation: A strategy for BBBEE page 4*)

During the apartheid era, which ended in 1994, social engineering resulted in a gross imbalance in socio-economic status between Black and white. The exclusively white government engineered laws first through colonialism, and subsequently apartheid, to monopolise the economic resource of the country. Not only were Black people specifically excluded from economic participation, but they were also denied the right to economic and intellectual growth through various destabilization mechanisms.

¹ BEECOM (2001: 3)

Colonial legislation limited land and business ownership by Africans. In order to retain cheap labour for the mines (which, at the time owned by key white political figures), colonial policy discouraged Black commercial agriculture and in 1913, the Land Act prevented Africans from owning land outside their designated areas. Forced communal ownership of agricultural land in these areas further destabilized Black commerce. (Jack, 2008:5)

Since the beginning of the 1900s, the initial impetus for the formation of the African National Congress (ANC) – as an organisational expression of Black Nationalism -- derived from a combined "protest" over the lack of political and economic opportunities of the small, but influential Black petty. It was this social force, which wanted to find a political and organisational means to stem the racialised assault on its own specific class interests – as well, of course, on what they saw as the political and economic wellbeing of Africans in general. (McKinley, 9th February 2011)

The impact of this systematic disempowerment not only resulted in a landless Black majority with restricted access to skills development, but also deliberately prohibited Black people from generating self-employment and entrepreneurship. South Africans were systematically deprived of viable business opportunities as a result of the following:

- Apartheid confined the majority of Black people to homeland areas, which were not only the poorest in terms of living conditions, infrastructure and business opportunities, but also lack a dynamic business infrastructure and environment
- Racially segregated areas enforced through the Group Areas Act not only uprooted millions from their places of residence, but also led to large capital losses and virtually destroyed the fabric of Black small enterprises
- The drastic curtailment of property ownership rights of Black people made impossible for them to acquire assets that could serve as collateral for loan financing; it also excluded Black people from the long-run process of capital accrual and growth (*South Africa's Economic Transformation: A strategy for BBBEE, 2001:6*)

South Africa's first democratic government was elected in 1994 with a clear mandate to redress the inequalities of the past in every sphere: political, social and economic.

Since 1994, government embarked upon a comprehensive programme to provide a legislative framework for the transformation of the economy. New laws have restored rights to land and tenure; have prescribed unfair discrimination; and, introduced specific active measures to overcome the distortions in the labour market as well as provide new economic opportunities to the historically disadvantage people.

1.2. Importance of study

The absence of significant change at the level of ownership has perhaps been one of the most visible and widely reported failures of the empowerment project. Black Economic Empowerment is defined by the Black Economic Commission as an *"integrated and coherent socio-economic process within the context of the national transformation programme, which is aimed at redressing the imbalances of the past by substantially and fairly transferring the ownership, management and control of South Africa's financial and economic resource to the majority of its citizens"*²

BEE ownership targets have the potential to overshadow the need for transformation on a more 'real' level, and while billions are being invested in the pursuit of transformation at the level of ownership, other aspects of empowerment with greater potential to redress the imbalances of the past are neglected. It is commonly argued that efforts to transform the ownership of the mining industry serve

² Black Economic Empowerment Commission presentation prepared for the Portfolio Committee on Trade and Industry September 13, 2000

to benefit a small group of elite Black business people, while the majority of the country's Black population remains impoverished and disempowered.

It is a requirement that Black shareholders receive a portion of dividends as a direct benefit, instead of the full dividend being used to service transaction debt. This will make it more expensive and more difficult to finance empowerment deals. It may also mean that some transactions will simply be unable to access the required finance (Kohler: 2010, 15 November 2010)

1.3. Problem Statement

The issue of **BEE** ownership in business is the dimension most often equated with empowerment because of the way empowerment was viewed in the late 1990s. Just as subprime loans were meant to allow people without capital to buy houses, BEE deals were designed to allow "capitalists without capital" to become capitalists. Unencumbered equity ownership by Black South African will play a critical role in achieving the transfer 25% of the South African economy, as set out by government's regulations on Black economic empowerment.

Government and other stakeholders have backed the broad-based empowerment principle, which usually seems intuitively more beneficial. But there is still leeway for companies when designing BEE deals and choosing their partners. The benefits of broad-based empowerment deals are not always achieved as hoped. Funding arrangements linked to the share price can unravel when product prices or financial markets weaken, as occurred two years ago. (McNulty, 2010:10)

Net equity interest in a BEE transaction usually only fulfills the requirements by the codes of conduct once the ownership of those shares are unencumbered but, companies still announce the transfer of the full empowerment shareholdings from the inception of the BEE transaction.

The type of funding and the funding structure used play a critical role in BEE transaction. According to Kgaboesele, *"One of the key characteristics of BEE is funding models. BEE partners have traditionally relied on structured finance instruments that allow them to borrow money to invest with little or no equity or collateral of their own. This historic landscape of BEE deal making has yielded mixed results for third party funders and recipients of funds"*. (Mabotja, 14 November 2010) At present, Black people, according to a study conducted by the stock exchange, own about 18% of available share capital of JSE-listed companies.

The impact of funding structure, type of funding and the sources of finance, used to finance BEE deals may result in effective BEE ownership that may be significantly less than the stated ownership level announced and achieved by the parties. One of the key challenges to BEE transactions has been the lack of capital required by Black investors to acquire BEE stakes in business. This has led to the reliance on debt to finance these acquisitions.

Ownership of equity in companies and access to other corporate assets play a critical role in the process of Black Economic Empowerment. The purpose of this study is to investigate the unencumbered net equity ownership of BEE participants in announced BEE transactions from the period of 1st January 2002 to 31st December 2009 ("stated period"), after taken into account the funding structure on net equity ownership and the impact of interest rates and dividend streams on the final net equity ownership. This study will focus exclusively on listed corporate to allow for the easy access of information.

In planning BEE deals, certain dilemmas, on issues such as funding and the shareholding structure can arise. Black investors often borrow from third parties to finance BEE transaction, which lead to high levels of financing cost. This high cost of financing should be covered by equity from the Black investors, but unfortunately, Black People lack this equity capital. This shortage of capital to Black investors is a key obstacle to a successful BEE programme. The lack of collateral and equity

contribution result in BEE transactions been structured in a risky ways, increasing their vulnerability during economic downturns.

The majority of BEE transactions rely on dividend payment to service the interest portion of the debt, and share price appreciation to repay the final bullet payment at maturity of the transaction. *“In 2004, some 240 BEE transactions with a value of more than R62bn were concluded (Businessmap Foundation, 2005). By 2008, Moody’s investor services estimated the total value of BEE deals at R200bn (Business Day, 2008). Since direct control could not usually be purchased by poorly resourced Black investors, complex financial structures were often required”.*

In this study, we shall analyse BEE transaction in relationship to announced BEE shareholding versus net equity ownership and compare it to the target set by the government in the ownership scorecard, taking into account market variables that impact BEE financing which inevitably affects the net equity interest. The following analysis will be conducted to understand the effects of market variables on BEE financing:

- Analysis of interest rates in South Africa and their impact on BEE transactions
- Investigations into the different valuation techniques used to BEE equity ownerships
- Analysis of dividend and the repayment of debt

The rationale behind the study is premised on the fact that many BEE transactions rely on borrowed money, and market variables that affect the repayment and the characteristics of debt will affect the unencumbered net equity ownership, which has an element of debt in it.

To understand whether the announced transfer of equity to the BEE parties is the actual net equity transfer, we will look into the effective BEE ownership of various BEE deals during the stated period and analyse:

- the funding structures and their impact on BEE transactions;
- the different sources of funding for BEE transactions
- BEE funding and the effect to the stated ownership target;

Funding challenges determine which type of funding structures to use in BEE transaction. In response to these challenges, new funding models and structures were developed. However, this still does not help in accelerating the transfer of unencumbered ownership in BEE transactions.

1.4. Limitation of study

This topic like the one done by Buthelezi 2008 is highly specific and access to the detailed structure behind some of the BEE transactions is restricted. The study is limited by the data contraction due to companies being delisted or stopped making publicity available their annual financial reports. The study attempts to make a meaningful contribution to the understanding of BEE financing structures and their impacts on net equity ownership of Black participants in BEE transactions versus the announced transfer of equity to the Black participants in the transaction.

1.5. Layout of study

The study follows a progression that ultimately builds up to the specific research question. Chapter 1 starts with introduction to BEE and deals with the origins and the definitions of BEE.

Chapter 2 gives a comprehensive literature review of BEE and the ownership scorecard, it also deals with BEE funding structures associated with transactions and market variables that impact net equity interest and sources of BEE funding. This chapter presents a deeper understanding of BEE and net equity interest for the chosen subject and act as the foundation for conducting the research.

The Literature review will establish the research that was done prior and lead to refined, insightful questions about the research question.

Chapter 3 looks at the research design and methodology.

Chapter 4 will look at the analysis of the BEE deals by “announced equity transfer” compared to the NEV, on the JSE from 1st January 2002 to 31st December 2010. The results of the research will be presented in this chapter 4 as well

Chapter 5 presents the findings and conclusion by providing concluding remarks in an attempt to make the reader understand how funding models and structures affect the announce equity transfer of BEE deals versus the net equity interest of the BEE party.

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CHAPTER 2: LITERATURE REVIEW

2. LITERATURE REVIEW

2.1. Introduction

In order to understand the meaning, origin and objective of BEE in the South African context, we need to discuss what BEE is and the main drivers of BEE. According to the Government Gazette (2004), the Black Economic Empowerment Act was passed to establish a legislative framework to promote Black economic empowerment. The legislation is expected to provide broad outlines for the transfer of ownership of the economy to previously disadvantaged South African. This policy is also expected to ensure that BEE trickles down to small business and benefit ordinary people rather than just a few high profile people.

The objective of this chapter is to give a literature review on Black Economic Empowerment and define the different variables that affect the unencumbered Black shareholding in an empowerment transaction. In analysing the different variables, one will be able to identify and understand the reasons why announced equity transfer differs from net equity interest as described by the BEE ownership scorecard.

We will investigate the different BEE funding models, the sources of BEE funding and the components of BEE funding that affect the unencumbered Black shareholdings in a funding transaction that lead to the difference in the announced equity transfer and net equity interest

2.2. Black Economic Empowerment (BEE)

In 1994, the new government inherited a country of gross inequities with high unemployment. While significant progress has been made in education, health care, housing and providing basic services, poverty continues to be widespread, income disparities remain, unemployment is still high and many people lack necessities.

The South African government initiated two basic redistributive macro-economic policies namely, Growth, Employment and Redistribution (GEAR) plan. The basic social development policy, the Reconstruction and Development Programme (RDP), addresses needs such as housing, land, health, education and services

2.2.1. Reconstruction and Development Programme (RDP)

In the early 1990s unions, the civic movement and social organizations began to develop a plan for social transformation needed for post-apartheid South Africa. The plan resulted in the Reconstruction and Development Programme.

The aim of the RDP was to address the many social and economic problems facing South Africa. A key aspect of the policy was the link between reconstruction and development. The policy recognized that all the problems (lack of housing, a shortage of jobs, inadequate education and health care, a failing economy) are connected.

It proposed job creation through public works — and the building of houses and provision of services, would be done in a way that created employment. The five key programs were:

- Meeting basic needs
- Developing human resources,
- democratizing the state and society,
- Building the economy, and
- Implementing the RDP. (Knight, 2001:1)

The goals of the RDP policy were intended to address the following:

<p>Housing: Provide well-located and affordable shelter for all by the year 2003. Build one million houses in five years</p>	<p>Water: Supply 20 to 30 liters of clean water each day to every person in two years and 50 to 60 liters per day within five years from a point no more than 200 meters from their dwelling.</p>
<p>Electricity: Supply 2.5 million more households and all schools and clinics with electricity by the year 2000.</p>	<p>Health care: Give free medical care to children under 6 years and to homeless children; improve maternity care for women; organize programs to prevent and treat major diseases like TB and AIDS.</p>
<p>Land reform: Implement land reform based on redistribution of residential and productive land to those who need it but can not afford it and restitution to those who lost land because of apartheid laws.</p>	<p>Job Creation through public works: A national public works program to provide basic needs such as water supply, sewerage and roads and at the same time create jobs, particularly in poor and rural areas.</p>
<p>Social security and social welfare: A new system to provide for all people regardless of their race, gender or physical disability. A pension system to meet the needs of workers in the formal and informal sectors.</p>	<p>Education and training: Literacy for all. Equal opportunity, 10 years of free and compulsory education, class sizes of no more than 40 pupils, training workers to meet the challenges of the new political and economic conditions.</p>

(Source: Knight 2001:3)

2.2.2. Growth, Employment and Redistribution (GEAR)

GEAR was a macroeconomic strategy adopted by the South African Department of Finance in June 1996 as a five-year plan, which aimed at strengthening economic development, broadening of employment, and redistribution of income and socioeconomic opportunities in favor of the poor. The key goals of the policy according to Knight (2001)³ are to achieve:

- Economic growth of 6% in the year 2000
- Inflation less than 10%
- Employment growth above the increase in economically active population
- Deficit on the current account and the balance of payments between 2 and 3 percent
- A ratio of gross domestic savings to GDP of 21.5 percent in the year 2000,
- Improvement in income distribution
- Relaxation of exchange controls and

³ Knight, 2001 page 3

- Reduction of the budget deficit to below 4 percent of GDP.

The government at the time acknowledged that GEAR's stringent limits on expenditure limited their ability to meet social development goals tabulated in the RDP programme. As the South African National Housing, code notes, "*The most significant goals of GEAR in respect of our capacity to implement the housing programme are those that have to do with availability of funds for housing. GEAR is clear about promising tighter fiscal policy measures, which are being brought about by a cut in government expenditure and a more cost-effective civil service... Consequently, it is unlikely that government will have the capacity to expand the scope of subsidies or grants, beyond those already accepted as housing policy.*" (Knight, 2001:5)

This inability of these two policies to solve the redistribution problem faced by South Africa post 1994 gave rise to the BEE policy. This chapter will outline government's approach to the definition and measurement of BEE as well as the policy instrument that will be utilized to achieve BEE.

*"The need to create employment and a better life for our people is the central objective of the economic policy of this government. The Reconstruction and Development Program (RDP) remains the basic policy framework to achieve this objective. The Growth, Employment and Redistribution (GEAR) program is the associated macroeconomic strategy used. At the beginning of this year the President announced an Action Plan to Accelerate Growth. This action plan marked an increased emphasis on macroeconomic reform to further increase investment..."*⁴

2.2.3. Definition of BEE

The diverse nature of BEE has meant that this phenomenon is not clearly defined and various interpretations have led to a great deal of confusion about what the term BEE actually encompasses. Part of the problem is that government has historically provided no clear guidelines on BEE. This has lead various interest groups to assume an interpretation of BEE to suit their own particular interest at the cost of a broad-based approach to BEE. Therefore, two distinct interpretations are given to the concept of BEE. Firstly, there is the narrow definition that has been promoted by the corporate sector and financial institutions. The second is a far broader interpretation as defined by the Black Economic Empowerment Bill (Phillips, 2004, 2).

John Friedmann (1992) defines empowerment as an improvement in the conditions of life and livelihood of the excluded majority. It is an alternative development because it aims to redress the historical process of systematic disempowerment or exclusion of the vast majority of people from economic and political power. According to Friedman, empowerment aims to humanize the system that has shut out the majority, and its long-term aim is to fundamentally transform the whole society.⁵ (Friedmann, 1992:12)

Black economic empowerment is defined by De Witt as a multi-layered, multi-strategy that requires achievement at a higher level while simultaneously contributing to the development of disadvantage individuals and groups (De Witt, 2003:36).

The challenge in defining BEE is to find the appropriate balance between a very broad definition and an overly narrow one. To define BEE too broadly equates BEE with economic development and transformation in general. The strategy is then commensurate with the totality of government's programme of reconstruction and development. To define BEE too narrowly limits it to a set of transactions transferring corporate assets from white to Black ownership.

⁴ Alec Erwin, Minister of Trade and Industry, May 2001

⁵ Friedman, J. 1992. Empowerment: "The Politics of Alternative Development". Blackwell Publishers, Cambridge page 12

Narrow-based BEE is driven by ownership and exclusivity, these was expected to result in empowerment being driven from the top. Once Black people shared control of a company, they would be able to drive transformation from within, thus simulating a Black middle class. Unfortunately, in most cases, the Black ownership in the companies did not have effective real control (Jack, 2007:22). Narrow-based BEE was an important of part transformation but due to the slow growth in the Black middle class, there was a move to a more broad-based approach.

Broad-Based BEE was the outcome of Black Economic Empowerment Commission report to address initiatives that could stimulate transformation at all levels of the wealth chain. It addresses the middle and lower-income groups, offering a practical opportunity for people at low-income levels to participate in the economy. Broad-based BEE tries to drive transformation from all levels as opposed to waiting for it to happen on a purely free-market basis, which would need more time than is politically available.

The Black Economic Empowerment Commission was established in 1998 and released a comprehensive report in 2000. It was formed with the objective of developing a powerful case for an accelerated National Black Economic Empowerment Strategy and to design concrete recommendations that could be accepted and implemented by government.

The idea originated at a Black Management Forum (BMF) Conference in 1996 where many concerns were raised about the weaknesses and inadequacies in the BEE process until then. The BMF handed over the task of forming and driving the Commission to the Black Business Council, a federation of 11 Black business organisations.

The Black Economic Commission defines BEE Act as “An integrated and coherent socio-economic process within the context of the national transformation programme, which is aimed at redressing the imbalances of the past by substantially and fairly transferring the ownership, management and control of South Africa’s financial and economic resource to the majority of its citizens” (BEECom, 2002:4).

The objectives of the Act is to promote economic transformation and provide meaningful participation of Black people in the economy, according to Jack (2007), these include:

- Broad-based groups in the form of communities and collective investment groups playing an active role in the economy;
- An increased inclusion of Black women and rural and local communities participating in business and economic activities;
- Promotion of investment programmes resulting in active participation in the economy of Black people; and
- Promotion of access to finance to facilitate BEE

It is evident from the above definition that the concept of BEE is broad and refers to any economic activity that leads to the empowerment of Black South Africans. For the purpose of this study, therefore, we will focus on a narrower definition of BEE transactions, which the government defines as:

- All transactions for the acquisition, by Black people, of direct ownership in an existing or new entity in the financial or any other sectors of the economy: and
- Debt financing or any other form of credit extention to equity investments in BEE companies. (Republic of South Africa, 2007:5)

“Economic inequality is one of the main barriers to sustainable growth. A pyramid economy with most of the population at the bottom and the wealthy few at the top will eventually tumble down if mobility into the upper chambers is denied” (Mtandana. W, 2010:40)

There are both push and pull factors that have contributed towards the current levels of progress achieved in BEE. The push factors are regulatory in nature and can be seen through:

- The New South African Constitution
- The Employment Equity Act, and
- The Broad Based Black Economic Empowerment

The lack of pull factors contributing to the progress in BEE is based on three perceived constraints:

- The perception that BEE only benefits a small group of Black elite;
- The general perception of skills shortage of suitably qualified Black job entrants; and
- A high turnover of Black staff employed

2.2.4. First Phase of BEE

The year 1993 marked the landmark for the “first wave” of BEE in South Africa. In that year, the first BEE deal was concluded where Sanlam via Sankorp sold its controlling interest in Metropolitan Life (Metlife) to the Black shareholders of Metlife Investment Holdings (Methold), a consortium formed by prominent Black businesspeople and community leaders. The consortium eventually became New Africa Investments Limited (Nail). In time, Nail grew into one of the largest Black-owned publicly traded companies. By the end of 1998, it has a market capitalization of approximately R6 billion (Jack, 2007:8).

The issue facing empowerment deals during this period was the sustainability of the funding mechanism used in the deals, as most Black people did not have sufficient capital or collateral to offer. This need for an innovative financing mechanism gave rise to the Special Purpose Vehicle (SPV), which will be discussed in detail later in the research.

SPVs helped Black people obtain loans used to buy their shares in established companies. The funder provided the capital to the SPV in exchange for a combination of debt and equity instruments. The BEE Company retained its voting rights, while the funder was compensated by the performance of the underlying shares up to a predetermined hurdle rate. The returns exceeding the hurdle rate were allocated to the BEE Company. The SPV structure worked well in a bull market where there was a steady inflow of dividends and cash to cover the debt repayment.

With the downturn in the market in the second half of 1998, Interest rates started increasing and dividends from underlying investments failed to cover the debt instrument hurdle rates, BEE companies were unable to cover their debt obligations under the SPV structure. The downturn revealed the deficiencies and risk inherent in the SPV structure as a complex financing mechanism whose underlying benefit often remain in favor of the funders. As a result, many BEE companies and consortia went under because of poor capitalisation (Jack, 2007:8).

Between 1994 and 2003, the first wave of BEE implementation focused largely on equity transfer, which led to an influx of BEE transactions that empowered a few elite. BusinessMap report (2000)⁶ highlighted the following as shortcomings of the first wave of BEE:

- Empowerment was too narrow which only focused on corporate ownership and control
- BEE benefited a limited number of Black people
- A number of Black people have shares in more than one company and hold director’s position in a number of companies
- Since empowerment is premised on acquisition, there has been a lack of organic growth in wealth and therefore lacked the necessary sustainability

⁶ BusinessMap report 2000 page 12

- Too little attention had been paid in transforming corporations and transferring skills
- Most Black shareholders were not taking part in the operation of the business and thus unable to understand the operations of these companies, with strategic decisions still in the hands of white people
- Venture capital was not made available to Black business, hence, the use of complicated funding structures that were introduced to help Black shareholders without capital to acquire large amounts of shares, more emphasis fell on transferring control of major corporations to inexperienced Black companies, with the old control structures remaining intact
- The distortions of or deviations from business principles and practices were extreme. In order to accommodate BEE, certain business rules and regulations such as company law and tax law had to be contravened
- In an attempt to give previously disadvantaged individuals access to the business sector, financiers and established white-owned companies paid less attention to the conditions and requirements prevail in any regular investment. Risk-taking reporting mechanisms and performance linked remuneration played little role in the corporate-related BEE arena; and
- Government has been the primary motivator for empowerment related investments and has forced companies to enter into equity relationships with Black groups by specifying empowerment conditions for state contracts, licenses or quotas. While government as used its buying power to encourage commitments to training and affirmative action, as well as small enterprise and community development, its own approach to empowerment has been ad hoc and without a coherent strategic framework. This led to increase in fronting tactics rather than buy-in and proper implementation by the corporate.

Given these failure of the strategy to address the issue of poverty alleviation and the reduction of unemployment, the DTI revised the Black Empowerment Act, to address the shortfalls and challenges of the first phase implementation of BEE. The Broad Based Black Empowerment Act aimed to extend BEE to a significantly broader base of enterprises and individuals was introduced. The broad based approach not only consider equity and ownership but include other elements of direct empowerment, indirect empowerment and human resource development and putting emphasis on including women and people with disabilities to be part of empowerment. (Nhlapo, 2008:8)

2.2.5. Second wave of BEE

Following the failure of the first wave of BEE outline in the previous point, the lack of common definitions benchmarks and standards for BEE had spurred the formation of the BEECom. In 2000, BEECom released a report affirming the broad-based approach to BEE. It introduced a change in approach from the exclusive focus on ownership to other elements such as employment equity, skills development and preferential procurement. The report paved the way for government's BEE Strategy Document released in 2003 and the Draft Codes of Good Practice on Broad-Based BEE released by the DTI. (Jack, 2007:11)

Similar to the first wave of BEE, the critical variables in financing BEE deals were still the cost of financing, the security required and terms attached to that security. There were not enough Black capital to buy stakes in established companies, and debt was still the most accessible form of capital for BEE deals. The Mining and Liquid fuels Charter provided a new opportunity for Black people to become directly involved in the investments made through BEE deals. Passive ownership of shares was frowned upon and active participation gave rise to shareholder activism. Fewer prominent Black individuals benefited from deals made during the second wave of BEE. (Jack, 2007:12)

“Moving from BEE to Broad Based Black Empowerment was an outstanding move with the inclusion of other spheres of the Empowerment Dividend. Even with the introduction of the 7 codes of good practice, there is still a leaning towards other aspects of the codes and some are neglected”. Lindi Mdaki (National Empowerment Fund, 2010:14)

The question of whether the new approach would be able to transfer 25% of unencumbered ownership into the hands of Black people within ten years arose. The high debt brought on by the “leverage buyout” meant that the ownership element would not succeed on its own in reaching the target. This led to the advent of the third wave of BEE.

2.2.6. Third wave of BEE

The idea behind the third wave of BEE revolved around leveraging off government’s purchasing needs to drive economic development in small medium and micro business arena. To stimulate a certain sector, government procurement officers would look at that sector favorably. It was understood that government spend has the capacity to drive compliance within the BEE model through directing procurement contracts towards BEE contributors.

The distinguishing factor about the third wave of BEE is that Black people will start their businesses from scratch and grow them using procurement and enterprise development opportunities arising from Black Economic Empowerment.

2.2.7. Risk of BEE

2.2.7.1. Systematic risk

Systematic risk is a risk that implies to the whole market, it is the opposite of idiosyncratic risk that applies to specific shares or other financial investments. Systematic risks often originate from political or economical problems, wars, interest rate changes, and calamities. They are usually hard to avoid; and avoidance steps should come from higher authorities like governments.

Systematic risks often trigger a chain reaction in an economy. They necessitate change of plans and strategies by governments, companies, banks, financial markets and individual portfolios. Systematic risks are also a major cause for failure of banks. The beta value of a stock gives information about the systematic risk it faces. (Noble Trading, 14 November 2010).

All companies operating within a BEE scenario are subject to systematic risk. Jack (2008) uses the example of a sector reliance on imports, the systematic risk from a BEE perspective is that such a company will not be capable of improving its procurement score because most of its procurement is imported.

2.2.7.2. Company Specific Risk

Company-specific risk in terms of BEE is the risk of an individual company not being able to contribute to BEE due to its inability to contribute to the various elements. BEE is a risk factor that a company must take into account within the overall risk management function. Jack (2008) highlighted that the difference between company-specific risk and systematic risk is ownership. All companies can participate in Black ownership, whereas choosing not to participate is a company specific risk.

The combination of the first, second and third wave of BEE lead the DTI to develop a working policy to give effect to the Codes of Good Practice.

2.2.8. Codes of Good Practice

The codes of good practice is used to assist and advice both the public and private sectors in their implementation of the Broad-Based BEE Act. The codes provide principles and guidelines that would facilitate and accelerate the implementation of broad-based BEE in a meaningful and sustainable manner (DTI 2004:4).

The codes are issued in terms of Section 9 of the Broad Based Black Economic Empowerment Act of 2003. They function to promote the objectives of the Act, which are to:

- Transform South Africa's economy to allow meaningful participation by Black people;
- Substantially change the racial profile of companies' owners, managers and skilled professionals;
- Increase the ownership and management of companies by Black women, communities, workers, cooperatives and others, and help them access more economic opportunities;
- Promote investment that leads to broad-based and meaningful participation in the economy by Black people;
- Help rural and local communities access economic opportunities; and
- Promote access to finance for Black economic empowerment.

University of Cape Town

The 10 codes deal with the different elements of BEE, how they are to be weighted, and how BEE compliance is to be regulated. They are as follows:

Figure 2.1: Elements of the Codes of Good Practice

CODE	Statement
Code 000 Framework of the Measurement of BBBEE (Carries General Principles and Generic Scorecard)	Statement 000 The General Principles and the Generic Scorecard Statement 001 The Qualifying Small Enterprise (CSE) Scorecard and Exempted Small and Micro Enterprises Statement 003 Guidelines for the Development and Gazetting of Transformation Charters and Sector Codes Statement 004 Recognition for the Sale of Assets
Code 100 Measurement of the Ownership Element of BBBEE (Measures the effective ownership of enterprises by Black people)	Statement 100 The General Principles for Measuring Ownership Statement 102 The Recognition of Qualifying Ownership Transactions Statement 103 The Recognition of Equity Equivalent for Multinationals
Code 200 Measurement of the Management Control Element of BBBEE (Measures effective control of enterprise by Black people)	Statement 200 The General Principles for Measuring Management Control
Code 300 Measurement of the Employment Equity Element of BBBEE (Measures initiatives intended to achieve equality in the workplace)	Statement 300 The General Principles for Measuring Employment Equity
Code 400 Measurement of the Skills Development Element of BBBEE (Measurement of the extent to which employers carry out initiatives designed to develop the competencies of Black people)	Statement 400 The General Principles for Measuring Skills Development
Code 500 Measurement of the Preferential Procurement Element of BBBEE (Measures the extent to which enterprises buy goods and services from BEE compliant suppliers)	Statement 500 The General Principles for Measuring Preferential Procurement
Code 600 Measurement of the Enterprise Development Element of BBBEE (Measures the extent to which enterprises carry out initiatives aimed at contributing to socio-economic and enterprise development)	Statement 600 The General Principle for Measuring Enterprise Development
Code 700 Measurement of the Socio-Economic Development Element of BBBEE (Measures the extent to which enterprises carry out initiatives aimed at contributing to socio-economic development and promoting access to the economy for Black people)	Statement 700 The General Principles for Measuring Socio-Economic Development
Code 800 Qualifying Small Enterprise	Statement 800 General principles for QSEs in all the elements of the scorecard

Source: Department of Trade and Industry website (14 November 2010)

2.2.9. BEE Scorecard

The BEE scorecard was developed to have consistency of approach, appropriate and flexible to respond to different economic and enterprise conditions and the ability to measure the progress of BEE. The 'balance scorecard' is used to measure progress made in achieving BEE by enterprise, and where sector-specific charters are developed, the terms set out in those charters will apply. Using a common scorecard by the different stakeholders provides a basic framework against which to benchmark the BEE process in different enterprises and sectors. The scorecard assists the process of setting measurable targets for BEE, BEE rating and other measurement purpose.

Figure 2.2: The BEE Scorecard

Core component of BEE	Indicators	Conversion Factor	Raw Score	Weighting	Total Score
Direct empowerment score					
Equity Ownership	% share of economic benefits			20%	
Management	% black persons in executive management and/ or executive board and board committees			10%	
Human resource development and employment equity score					
Employment equity	Weighted employment equity analysis			10%	
Skills development	Skills development expenditure as a proportion of total payroll			20%	
Indirect empowerment score					
Preferential procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement			20%	
Enterprise development	Investment in black-owned and empowered enterprises as a proportion of total assets			10%	
Residual 10%					
To be determined by sector/ enterprise				10%	
Total Score out of 100%					

Source: Department of Trade and Industry website (14 Nov 2010)

The scorecard allows for a measure of flexibility so that it can be adapted to the particular circumstances of specific sectors or enterprises, and at the same time bringing a measure of standardization to the definition and measurement of BEE. The scorecard measure three-core elements of BEE:

- Direct empowerment through ownership and control of enterprise and assets,
- Human resource development and employment equity, and
- Indirect empowerment through preferential procurement and enterprise development.

(Republic of South Africa, 2003:21)

For this study, we shall only be focusing on the equity ownership of the statement, so we will not into further details of the scorecard as it is beyond the scope of this study.

2.2.10. Ownership scorecard

Statement 100 establishes the recognition and measurement criteria for ownership of enterprise by Black people. This statement deals with the role of equity ownership in BEE and with the recognition and measurement criteria of ownership of enterprises. As stated above, one of the objectives of BEE is to increase the number of Black people that manage, own and control enterprises and productive assets. The narrow-based BEE incorporated only the ownership and management elements. Ownership has been and still is the primary focus of BEE. The idea behind the initial narrow-based BEE approach is that once Black ownership has been achieved Black owners will drive empowerment from within the organization.

Figure 2.3: The Generic Ownership Scorecard

Category	Ownership indicator	Weighting points	Compliance Target
Voting rights:			
	Exercisable Voting Rights in the Enterprise in the hands of black people	3	25%+1 vote
	Exercisable Voting Rights in the Enterprise in the hands of black women	2	10%
Economic Interest:			
	Economic Interest of black people in the Enterprise	4	25%
	Economic Interest of black women in the Enterprise	2	10%
	Economic Interest of the following black natural people in the Enterprise: 1. black designated groups; 2. black Participants in Employee Ownership Schemes; 3. black beneficiaries of Broad based Ownership Schemes; or 4. black Participants in Co-operatives	1	2.5%
Realisation points:			
	Ownership fulfilment	1	
	Net Value	7	
Bonus points:			
	Involvement in the ownership of the Enterprise of black new entrants;	2	10%
	Involvement in the ownership of the Enterprise of black Participants: 1. in Employee Ownership Schemes; 2. of Broad-Based Ownership Schemes; or 3. Co-operatives.	1	10%

Source: Department of Trade and Industry website (14 Nov 2010)

In order to achieve different Black ownership objectives within the broad-based Black economic empowerment framework, the ownership allocation table allocates 20 ownership points. Two key principles underpin the proposed table to allocate ownership points. These include:

- Allocation by Black people's ability to exercise ownership rights, including:
 - Unrestricted voting rights
 - The right to receive economic interest such as dividends and capital gains, and
 - Unrestricted and unencumbered entitlement to economic interest
- Allocation by the beneficiary base, taking into account participation by:

- Black women
- New entrants, and
- Black designated groups, such as Black workers, Black youth, and Black people with disabilities and Black people living in rural areas.

2.2.11. Elements of the Ownership scorecard

The Codes categories ownership into three groupings namely:

- Control, represented by voting rights
- Economic interest
- Realisation of unencumbered interest represented by net value

2.2.11.1. Voting Rights

Voting rights are the most powerful way to convey the stance of an investor and influence the direction of an enterprise. The difficulty arises when the Black party does not have sufficient cash to finance the BEE acquisition. Financial assistance presents an encumbrances to the BEE shares, which sometimes includes the voting, rights, and taking away one of the most important tools available to the BEE party.

Voting rights measure the ability of Black people to exercise control over the economic resources managed by the executives of an enterprise and is determined through the Black shareholder's ability to exercise voting rights at shareholder meetings. These category help to identify the ultimate ownership of shares and expose the substance of ownership for measurement purposes. Voting rights and economic interest give points for the legal structure of ownership, whereas realization points are for the economic substance behind the ownership. (Jack, 2007:188)

The realization points, through current equity interest are designed to encourage companies to eliminate financial encumbrances from Black ownership as expediently.

2.2.11.2. Economic Interest

Economic interest measures the right of a BEE party to share in the economic value of the enterprise. Like any other investment, it is the legal right of a BEE party to share in the income and capital gains of the company.

The Codes defines economic interest as *"a claim against an enterprise representing a return on ownership of the enterprise similar in nature with a dividend right, measured using Flow through and where applicable, Modified Flow-Through Principle"*.

As can be seen from the above definition, economic interest is a claim on the enterprise representing a return on ownership, including all participants' claims to dividends, capital gains and other economic rights to the shareholder.

2.2.11.3. Realisation Points

The lack of capital held by Black people is the primary reason for the existence of BEE. To facilitate the financing of BEE transaction, various mechanisms are utilized including debt. When the BEE party uses debt to finance their BEE stake, legal ownership may vest with the BEE party but majority of the time economic benefits are often still in favour of the financiers through the debt structure. Jack (2008) states that *"where repayment terms are onerous, interest payments undermine dividends received and the BEE party has no access to working capital while the white financier continues to enjoy a cash benefit through interest"*. He also goes on to explain, *"The BEE party is normally reliant*

on dividends from the measured entity to service debt. The shares are often held by the lender as security and revert to the financier if the BEE party defaults on the loan. Alternatively, the original owner repurchases the shares at a nominal price. The net effect is a compromised ownership for BEE'

This scenario was quite evident in the narrow-based BEE deals in the first phase of BEE when the economy experience a downturn, dividends were tightened and interest rates were high.

The focus of the study will be to analyse selected BEE transaction from 1 January 2000 to 31 December 2009 to identify whether the announced equity transfer is equal or greater than the actual equity transfer in terms of the realisation of unencumbered interest.

This research focuses on Net Equity Value of the realization points of the ownership scorecard. Looking at the ownership scorecard, 7 points are allocated to the Net Equity Value out of the overall total equity ownership points including bonus points of 23 points. This is the highest score in the whole scorecard that indicates the value the government places on NEV. The policy emerging is that, the true ability of Black people to benefit from their equity holding is what is relevant?

Net Equity Value is defined by Balshaw et al as *"the value of the instrument to which a Black participant's equity interest in a measured enterprise (including without limitation, the value of economic interest received since date of acquisition of the instrument) after deducting the value of any third party rights or claims that may exist against the Black participant rights or claims that may exist against the Black participant (including without limitation, the value of all interest payable in respect of such transaction) measured as a percentage of the total value of the Measured Enterprise"*.

Jack defines Net Equity Interest as *"a measure of a Black shareholder's unrestricted entitlement to ownership. It is the market value of the Black participant's equity above acquisition debt specific to ownership of that equity reflected as a percentage of the targeted BEE ownership of the measured entity against preset annual targets."*

The Net Equity value calculation determines the Black shareholder's holdings free of encumbrances as a percentage of the total value of the measured enterprise and determines the unencumbered value of the Black shareholding.

The unencumbered Black shareholding percentage can be calculated as:

$$\frac{\text{Market value of equity instrument} - \text{Capital balance of the acquisition loan}}{\text{Market value of the measured entity}}$$

The challenge arises in the valuation of the measured entity and, potentially, the valuation of the Black shareholdings. In this study, we will use the market value of listed companies because we can obtain the market values fairly easily.

The "capital balance of the acquisition loan" which will be referred to herewith as the capital balance, plays a critical role in measuring the unencumbered Black shareholding in an enterprise. Understanding the factors that drive the capital balance and how they affect the capital balance is important for understanding the problems and challenges faced by BEE transactions. To illustrate this, a further literature review will be undertaken to better understand the factors that impact on the capital balance of the acquisition loan. We will continue to evaluate BEE transactions with the view of explaining the impact certain factors have on the balance of the capital balance.

2.3. Components of Unencumbered Black Shareholding

2.3.1. South African Interest Rate Environment

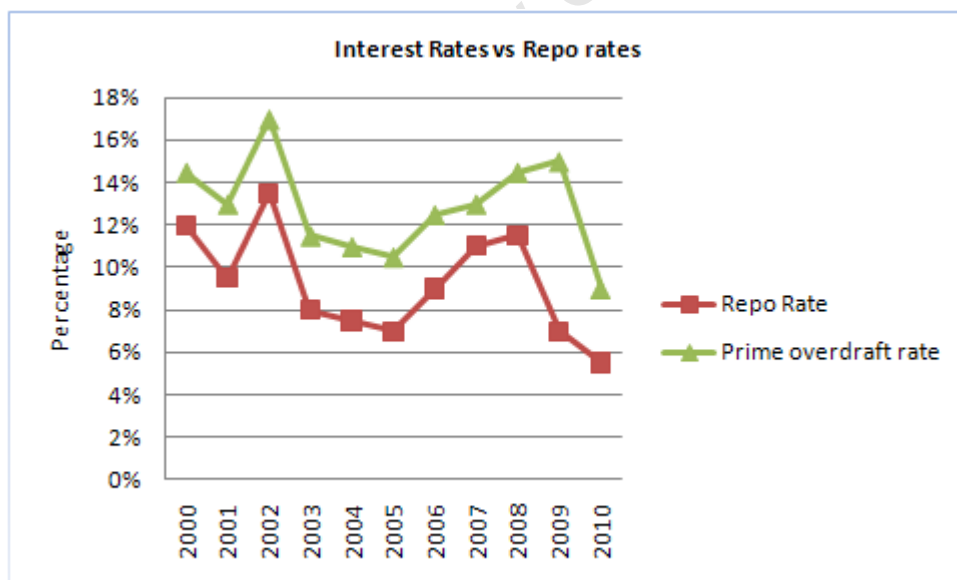
The level and spectrum of interest rates in the South African economy performs a crucial function in the economy, the most important being that of balancing the interest of savers with that of borrowers. Most borrowers and savers would benefit if interest rates do not fluctuate excessively. Stable interest rates would bring greater certainty to the BEE party and assist with forward planning. (Mnyande, 2001:1)

From a BEE transaction point of view, it is beneficial if nominal interest rates are lower rather than higher. However, sustainability is important: a very low interest rate environment cannot be sustained and has to make room for a high interest rate environment is extremely damaging, particularly to borrowers.

In South Africa, there is the repo rate and the prime rate, the "repurchase rate" or the repo rate is the interest at which the South African Reserve Bank routinely lends funds to banks. The repo rate is also used to control the inflationary trend as well as the interest rate trend, and have a significant impact on investors. The prime rate is the interest rate that banks use to lend money to the general public. If the economy is growing too fast, the South African Reserve Bank will raise the repo rate to hold back the inflationary trend.

Finally, there is also the "real" interest rate. The real interest rate is the average prime overdraft rate minus the inflation rate. Most economists use the real interest rate for analysis to determine the general future direction of interest rates and the overall market.

Figure 2.4: Changes in interest rate vs. the Repo rate



In South Africa, short-term nominal lending rates were very volatile and often very high in the 1980s and 1990s. In the 1980s in particular, the authorities used interest rates with anticyclical intentions, but found that results were more than stop and go policies that confused both lenders and borrowers alike.

The strong increase in 1998 in the nominal prime overdraft rate was related to the Asian Crisis. The real (or inflation-adjusted) prime overdraft rate was very volatile in both the 1980s and the 1990s, but

has been less volatile and well below previous highs in recent years. The flexibility inflation-targeting framework for monetary policy has contributed to this outcome. Real central bank interest rates depend on country circumstances. (Mnyande, 2001:1)

The margin between the repo rate and the prime overdraft is based on convention rather than regulation. With the review and change to the structure of money-market interest rates almost ten years ago, the margin between the SARB's repo rate and prime overdraft rate was widened from 300 to 350 basis points on 5 September 2001. The magnitude of this margin is essentially a convention or an understanding between the SARB and the private-sector banks.

Currently, all the major banks in South Africa have the same prime overdraft rate that helps clients compare the pricing of various banks relative to the same benchmark and to choose and negotiate on a better informed bases.

2.3.2. Maturity

The maturity date of debt is define as the date that the principal amount of a debt instrument becomes due, and is repaid to the financial institutions and interest payments stop. It can also be referred to the termination or due date on which an installment loan must be paid in full.

Short-term maturity liabilities render a company particularly vulnerable as the shorter and more concentrated the debt maturity the more likely debt crisis and default will occur. In addition, short-term debt may increase a company's exposure to sharp increases in interest rates, which may have additional negative consequences, as companies may need additional cash flow in order to service the debt.

Many academics and policy makers, after observing the link between the maturity structure of corporate debt and financial crisis, have argued that companies need to increase the maturity of debt to enable them to ride the wave of financial crisis.

However, companies usually have to pay a higher premium on long-term debt; a premium may reflect the uncertainties about a company's ability to repay the loan funds.

Alfaro and Ksnczuk 2006 modeled and calibrated the arguments in favour and against short-term and long-term debt. Their arguments broadly include *maturity premium, sustainability and service smoothing*. This study was largely focused on sovereign government but it has some implications for corporate as well.

They note that, *market premium* captures the observation that long-maturity debt tends to be more expensive than short-maturity debt.

Sustainability refers to how maturity structure of the debt makes a sovereign more or less prone to default, shorter and more concentrated debt structure increases the likelihood of a debt crisis. Longer maturity implies smaller quantities of debt to be rolled over in every period and long-term is more sustainable (or less vulnerable to roll over risk)

The third channel that was considered is *service smoothing, which* can be associated with a company's desire to smooth prices over different states of the economy to maximise profits. Long-term debt allows accommodating negative shocks to corporate earnings, expenses and in particular interest rate. Short-term debt, because it needs to be rolled over every period, is, in contrast, subject to current shocks. As maturity increases, the amount of debt rolled over each period decrease, and thus roll over risk is decreased. (Alfaro 2006:6)

2.3.3. Collateral

Borrowing funds often requires the designation of collateral on the part of the recipient of the loan. Collateral is simply assets that have been pledged by the recipient as security on the value of the loan. In the event that circumstances make it impossible for the recipient to repay the loan, ownership of the collateral is transferred to the entity that issued the loan in order to settle the debt. Different types of assets that may be used as collateral in different situations.

In the case of BEE financing, the shares are normally retained as collateral by the finance institution for the duration of the loan. Essentially, the financial institution that grants the loan retains interest in the shares until the BEE Party pays the loan in full. Once the debt obligation is discharged, the financial institution considers the business arrangement to be concluded and releases all claims to the shares. This type of loan generally has a lower interest rate because the financial institution is taking a lower risk because it can collect the collateral if the BEE party defaults on payments. There are various structures that can be implemented to allow the BEE party to retain the voting rights on the shares; these structures will be discussed later in the chapter.

Depending on the circumstances, just about any asset that is clearly owned by an individual may be used as collateral, as long as the entity that makes the loan is willing to accept the asset as being sufficient to guarantee the loan amount.

Providing collateral usually does not mean surrendering possession of the asset that is used as collateral. However, the borrower is covenanting to retain control of the asset for as long as it takes to repay the loan. This helps to provide the lender with a reasonable amount of confidence that the investment made in the borrower will be recouped, either through the systematic repayment of the loan, or by taking possession of the collateral.

The shortage of so called “Black capital is the key obstacle to BEE transactions, Black businesspeople often have to borrow 100% from third parties to finance BEE transaction due to the lack of collateral. This may lead to high levels of financing costs in the form of interest. The lack of collateral and equity contribution may result in BEE transactions having to use high debt that attract financial structuring, increasing the vulnerability of BEE transactions especially during economic downturn. (Nhlapo 2006: 20)

The BEE party is normally reliant on dividends from the measured entity to service debt. The shares are often held by the lender as collateral and revert to the financier if the BEE party defaults on the loan. While legal ownership of the shares may vest in the BEE party, the economic benefits are often still in favour of the financiers. (Jack, 2007:129).

2.3.4. Dividends

Dividends are one way in which companies “distribute wealth” generated by running the company. They are usually a cash payment, often drawn from earnings, paid to the investors in a company – the shareholder. These are commonly paid on an annual or, commonly a semi basis.

Companies use dividends to pass their profit directly to their shareholders. Most often, dividend comes in the form of cash but it can also be paid out in the form of shares and strips, property or other dividends. Dividends can be determined by a fixed rate known as preferred dividends, normal paid to preference shareholders, or a variable rate based on the company’s latest profits, known as common dividends.

Companies that offer dividends are often companies that have progressed beyond the growth phase: that is, they can no longer sustain the rate of growth commonly desired by shareholders. A company should only pay out dividend if it is unable to reinvest its cash at a higher rate of return than the

shareholders of the business would be able to if the money was in their hands. Hence, when companies no longer benefit sufficiently by reinvesting their profits, they usually choose to pay them out to their shareholders.

2.3.4.1. Dividend payout ratio

Dividend payout ratio is defined as “the percentage of net income that is paid out in the form of dividends”. This ratio is important in projecting the growth of a company and is calculated as:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Paid}}{\text{Net Income per Share}}$$

The inverse of this ratio is the retention ratio, which is the amount not paid out to shareholders in the form of dividends and reinvested in the company to facilitate growth.

2.3.4.2. Dividend yield

The dividend yield shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a share. Dividend yield is calculated as:

$$\text{Dividend Yield} = \frac{\text{Annual Dividend per Share}}{\text{Price per Share}}$$

The ratio conveys to the investor how much they are earning on a share from the dividend alone based on the current market price.

Since dividend yield is calculated using the share price, it will continually change with the share price. If the share price increases, then the dividends yield gets smaller and vice versa. Seemingly, it is tempting to look for shares that have a higher dividend yield than other shares, but there are two potential problems with a higher dividend yield. Firstly, if it is a result of a dropping share price then it could mean that the company is not doing well financially and might be about to lower the dividend.

Secondly, sometimes a company will keep increasing its dividend at a higher rate than its earnings, which will eventually lead to a situation where the company might be paying out more in dividends than it earns which will lead to a “dividend cut”.

The dividend yield is normally lower than the return on interest at a bank. An investor must consider whether factors such as low dividend yield might reflect a high capital growth or the company might be in financial difficulty.

For BEE transactions in the late 1990s, third parties utilising Special Purpose Vehicles (SPV) typically funded Black investors. The BEE investor would be issued with 100% of the SPV's ordinary shares at nominal value and the SPV would be capitalised through the issue of redeemable preference shares to a financial institution. The capital would then be used by the SPV to acquire the relevant equity stakes for the Black investor. Dividend income received from the equity investment would be used by the SPV to pay the preference dividends and to redeem the preference shares at the end of their term. (Davids and Ashleigh: 2004:24)

Thayser states “*BEE financing structures that were heavily reliant on dividend flows created tension between the need for companies to re-invest in the business and the requirements of empowerment shareholders to access enough funds to meet their commitments to the funders*”. Dividend payments by companies had become an important component in financing empowerment transactions. However new financing structures do not envisage a substantial increase in dividend yield, but rather an undertaking to maintain the current dividend policy. (Mweb.co.za, 14 November 2010).

2.4. South African Equity Markets

In South Africa, The Johannesburg Stock Exchange (JSE) was established as a stock exchange in 1887. It has operated as a market place for the trading of financial products. In this time, the JSE has evolved from a traditional floor based equities trading market to a modern securities exchange providing electronic trading, clearing and settlement in equities, financial and agricultural derivatives and other associated instruments and has extensive surveillance capabilities.

The JSE is an essential cog in the functioning of South Africa's economy, providing an orderly market for dealing in securities and thereby creating new investment opportunities in the country. Its main function is to facilitate the raising of capital by re-channeling cash resources into productive economic activity, thus building South Africa's economy while enhancing job opportunities and wealth creation. (Investing in South Africa, 14 November 2010)

A share can be defined as the interest of a shareholder in a company and it is mostly traded on an exchange.

A shareholder is a part owner of a company but does not own any of the company's assets. The assets are owned as a separate legal entity by the corporate.

There are three types of share:

- Ordinary shares – These shares belong to the true owners of the company and they are entitled to the income after all expenses and taxes have been paid
- Preference shares – These shares give a shareholder preference over normal shareholders in two respects, they receive dividends payments and payments in liquidation before ordinary shareholders
- Deferred shares – This is a special form of shares and the owners of these shares only receive dividends once the ordinary shareholders have received a specified minimum amount.

According to Pierce, the board of directors and the general meetings of shareholders are each organs of a company, having original powers. The directors exercise the managerial and executive powers of the company, save to the extent that the company's articles limit their rights. The shareholders have a right to:

- Dividends, when declared by the directors
- A return of capital if the company is wound up or reduces its capital
- Vote at general meetings of shareholders
- Appoint and remove directors
- The right to be offered new shares when issued in proportion to existing shareholding, also known as pre-emptive rights. (Pierce, 2008:48)

“According to one interpretation of the efficient-market hypothesis (EMH), only changes in fundamental factors, such as the outlook for margins, profits or dividends, ought to affect share prices beyond the short term, where random 'noise' in the system may prevail. (However, this largely theoretic academic viewpoint—known as 'hard' EMH—also predicts that little or no trading should take place, contrary to fact, since prices are already at or near equilibrium, having priced in all public knowledge.) The 'hard' efficient-market hypothesis is sorely tested by such events as the stock market crash in 1987 and 2007”. (Basu, 1977:667)

There are two types of companies, namely public and private companies. Private companies may not offer their shares to the public but a public company has the right to offer its shares to company and is regulated accordingly. The shares of a public company may be listed on a stock exchange, in this case the JSE. Investors buy shares to get a return in the form of capital gains or dividends.

In order to establish the value of a share, investors tend to look at the income generated by the company and its future prospects. There are a few ways to value a company's shares but the common valuation methods are, dividend discount model, asset value approach, shareholder value approach, discounted cash flow approach and the market multiple approach.

2.5. Equity Ownership on the Johannesburg Stock Exchange

Most BEE funding models depends on the achievement of share price performance, dividends, and the discount given at the inception of the transaction. All of these will determine the success of the BEE transaction and if not applied correctly and will cause the transaction to fail.

The Johannesburg Stock Exchange lists more than 400 companies and has market capitalization of over **\$182 billion (put in stock market price)**, making it the largest exchange in Africa and among the top ten largest in the world. The exchange trades shares for a wide variety of industries, with the largest portion of market capitalization coming from the mining industry. (ADVFN 14 November 2010)

Capital will remain one of the hurdles that prevent Black companies from heading for the JSE in droves. It seems many companies prefer to have a majority ownership rather than full ownership. However, so far those who have less than 50% Black shareholding are already benefiting from government contracts. (Black Diamond Connection 14 November 2010)

Many Black-owned companies are unlisted and although some benefit heavily from BEE requirements as companies procure from them to meet the empowerment targets, they seem not to have realised the benefits of being listed, or are rather shy from listing.

One reason for this is that some companies do not have enough capital for the listing and have realised that even though they want to remain Black owned it will be inevitable that they will issue shares that will likely be snapped up by institutional investors.

In September 2010, the JSE released its findings on ownership composition of companies listed on the JSE. According to the study, Black South African investors currently own 18% of the available share capital in the top 100 companies listed on the exchange. The available capital was calculated according to requirements set out by the DTI. (Business Day 09 September 2010)

The DTI Code requires a company's BEE economic interest to be calculated by taking the total share capital and excluding mandated investments (such as pension funds), investments held by the State, treasury shares (which a company owns in itself) and foreign operations (that is, operations owned by the company outside of South Africa). In addition, cross holdings between entities listed in the top 100 were identified and removed where necessary, to eliminate the capital that is effectively duplicated on

the exchange. The analysis was prompted by the extensive debate that has for some time taken place about Black ownership on the JSE, which is seen as a good indicator of South Africa's economic progress and transformation. (Business Day 09 September 2010)

There are also very few Black-owned private equity funders and even those that are around are heavily funded by banks, which in most cases tend to take up equity in exchange for cash in those companies. (TradelInvest 18 Nov 2007)

Figure 2.5: Total Black shareholding on the JSE

Total market capitalisation of SA traded equity	100%
Less Cross holdings & Treasury shares	11%
Actual capital	89%
Less Mandated investments (38% of 89%)	34%
Less State held shares	1%
Total capital measured	54%
Less Foreign operations % of total capital measured (19%)	11%
Total available share capital	44%
Black shareholding 8% ÷ Total available share capital	18%

Note: numbers have been rounded. Source: Business Day September 2010

2.6. Funding of Black Economic Empowerment

2.6.1. Funding Structures

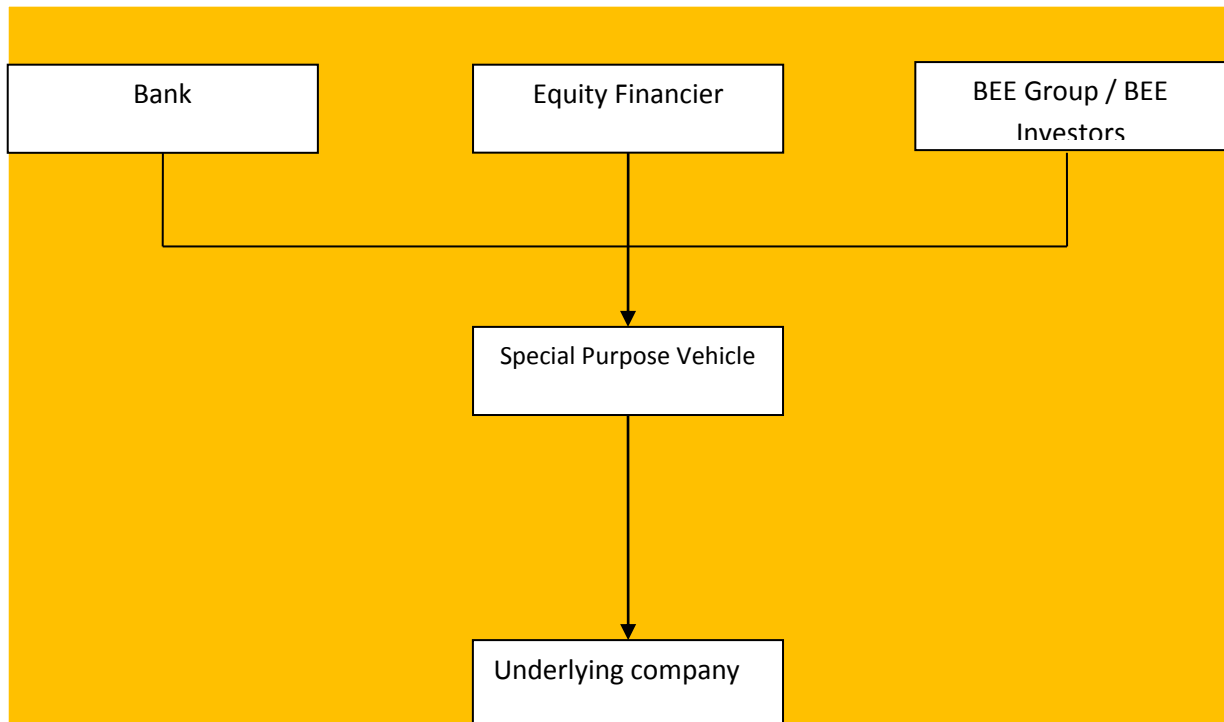
There is no perfect funding structure or vehicle suitable for all business for driving empowerment transactions. The business and funding institution must construct the funding structure according to their specific environment and their specific requirement. Appropriate funding is the underlying issue facing all empowerment deals due to the lack of capital by Black people who wish to enter into the market.

Various financing mechanisms are used to facilitate BEE transactions and while financing provides opportunities for Black people to participate in BEE, it can create a burden on the BEE participant, as the debt hanging over the BEE party undermines ownership. If the terms of the debt are not met due to restraint economic inflow, the shareholding is undermined.

“BEE is a structured buyout of 25% the South African Economy by Black people. The catch is that Black people do not have the finance to make this buyout. The only way to facilitate the financial requirement of this buyout is by using banks, other third parties and vendors. Banks are looking to maximise their return through lending money at minimum risk, which is their business”. (Jack, 2007:383)

2.6.1.1. Special Purpose Vehicles (SPV)

Figure 2.6: SPV Structure



According to Van Der Nest (2004:18) an SPV is a special purpose vehicle established by a “BEE company” with a view to facilitate the purchase of an equity stake in a “target company”. The target company can be either a listed company on the JSE or a private company.

The mechanics of an SPV structure is that the financier provides funds to the SPV in exchange for a combination of equity and debt instruments. The BEE Company acquires the voting rights, but the financier enjoys the performance of the underlying shares up to a certain return. The return is usually the institution’s prime lending rate, plus an additional margin.

In the case of BEE, the BEE Company raises the required means to fund the deal either through a 100% loan from the equity financiers or a bank, with the SPV issuing preference shares to the financiers or the bank. The BEE Company holds 100% of the ordinary shares in the SPV and controls the votes. The preference share entitles the financier to a determined dividend rate from the SPV, normally expressed as a percentage of the prime lending rate. The capital raised would then be used by the SPV to acquire the equity investment for the Black investor in the target company. The dividend income from the equity investment into the target company would be used by the SPV to pay the preference dividends and to redeem the preference shares at the end of the term. (Nhlapo 2008:24)

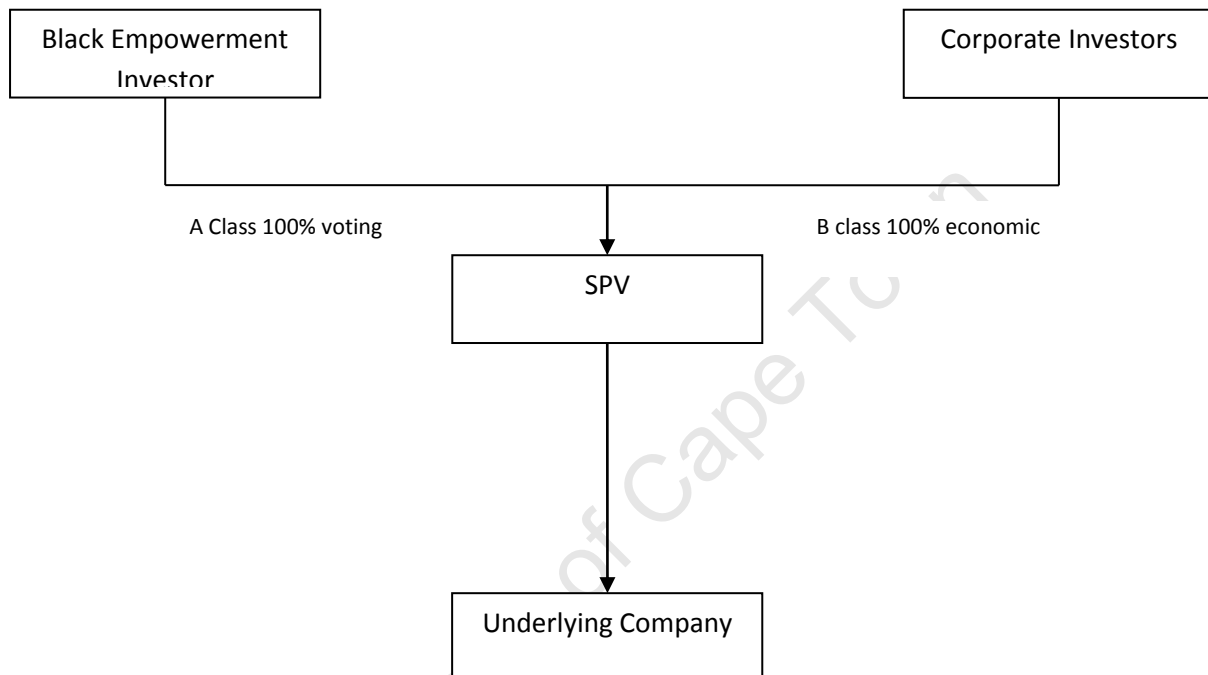
The SPV method of financing is easier when structuring BEE transactions to provide finance for the BEE beneficiaries to buy shares. The ring-fence nature of the SPV structure, provides security for the transaction and also makes it possible to isolate the shares purchased by the BEE beneficiaries within the SPV.

In her study, Nhlapo outlines three main funding methods employed by funders to structure BEE transactions:

1. Equity participation without economic facilitation

Under this structure, the Black investor acquires shares in the listed company by forming a SPV that is funded by corporate investors. The investors hold low voting Class B shares in the SPV, while voting control will cede to the Black investors through Class A voting shares.

Figure 2.7: Equity Participation Structure



Nhlapo notes that in this structure there are immediate economic benefits to the Black investor because the corporate investor owns the shares in the listed company until the Black investor has sufficient cash to pay and acquire the Class B shares.

2. Equity participation at a discount

In this structure, the shares in the listed company are sometimes sold to the Black investor at a discount to the ruling market price and the discount becomes a benefit to the Black investor through percentage shareholding in Class B shares. The Black investor may or may not have an anticipatory right on the remainder of the Class B shares held by the corporate investor. In the way, the Black investor is guaranteed to own a direct stake, which is the portion of the discount in the listed company, i.e. the Black investor will acquire 25% Class B shares at a discount of 10% in the listed company guaranteeing the Black investor an effective and direct interest of at least 2.5% in the shareholding of the listed entity. This can be regarded as shares received free of charge. (Nhlapo 2008:2)

3. Put option granted by existing shareholding

The Black investor is offered shares in the empowered company in which the financier through a loan funds the purchase consideration. This debt is guaranteed by a put option against the existing

shareholders in the empowered company. The Black investor owns the ordinary shares in an established SPV. The financier then provides funding to the SPV through buying preference shares in the SPV. The loan will then be used to subscribe for the portion of the offered shares in the empowered company. In the event that the Black investor is unable to redeem the preference shares, the financier can sell the preference shares it holds in the SPV to the existing shareholders in terms of the put option arrangement.

The SPV structure works well in a bullish market as the cash flow (i.e. dividends) exceeds the cost of financing to cover the repayment of preference share dividends. Usually during bear markets, the cash flow falls short of the SPV financing requirements, the structure results in excessive risk on the BEE party's assets. Banks capitalised the shortfall, often leaving the BEE party with more debt than equity.

2.6.1.2. Loan Arrangement

Loan arrangement, usually comes in the form of a loan from a third party and a set rate of interest is paid. These types of loans are known as senior debt. Loan finance is more effective in a bull market as it gains from the increase in dividends payments to service the interest portion of the debt. On the other hand it exposes the BEE party to risk by BEE party losing the equity interest through a lack of dividends and cash flow to service the interest portion of the debt.

2.6.1.3 Preference Share Funding

In a preference share funding structure, the financier subscribes for preference share in the BEE Company for cash and the BEE Company in turn acquires shares in the target company using the proceeds received from the financier for the preference shares. The dividends received from the target company is used by the BEE company to pay for the both the preferred dividends and the redemption of the of the preference share at maturity. The financier does not have direct access to the cash flows of the target company but usually holds the shares of the target company as security. The preference share in this way is convertible to ordinary shares if the BEE Company defaults on the preferred payments.

The existence of preference shares raises some issues in the context of the measurement of ownership. Preference shares are regarded as hybrid instruments in that they combine characteristics' of debt and equity. However, the rights attaching to preference shares can vary enormously and will depend on the rights in respect of dividends, return on capital, voting, conversion and redemption. (Luiz and Van Der Linde, 2006: 415)

Cumulative, non-participation and nonvoting redeemable preference shares have the characteristics of debt and will be treated as ordinary loans and any preference dividend attached to that preference share will not be regarded as economic interest.

If an instrument has a hybrid nature in that it enjoys the characteristics of debt and equity, an appropriation is necessary so that only the equity portion will be recognised as giving rise to an economic interest.

2.6.1.3. Derivative instruments

Options

An option (in the case of BEE) gives the BEE party the right but not the obligation to either buy or sell a share at a predetermined date and at a predetermined price. The company grants the BEE party an option to buy shares in the company at a particular strike price within a specific period. This has the effect of delaying the capital outflow from the BEE party until it has the necessary capital.

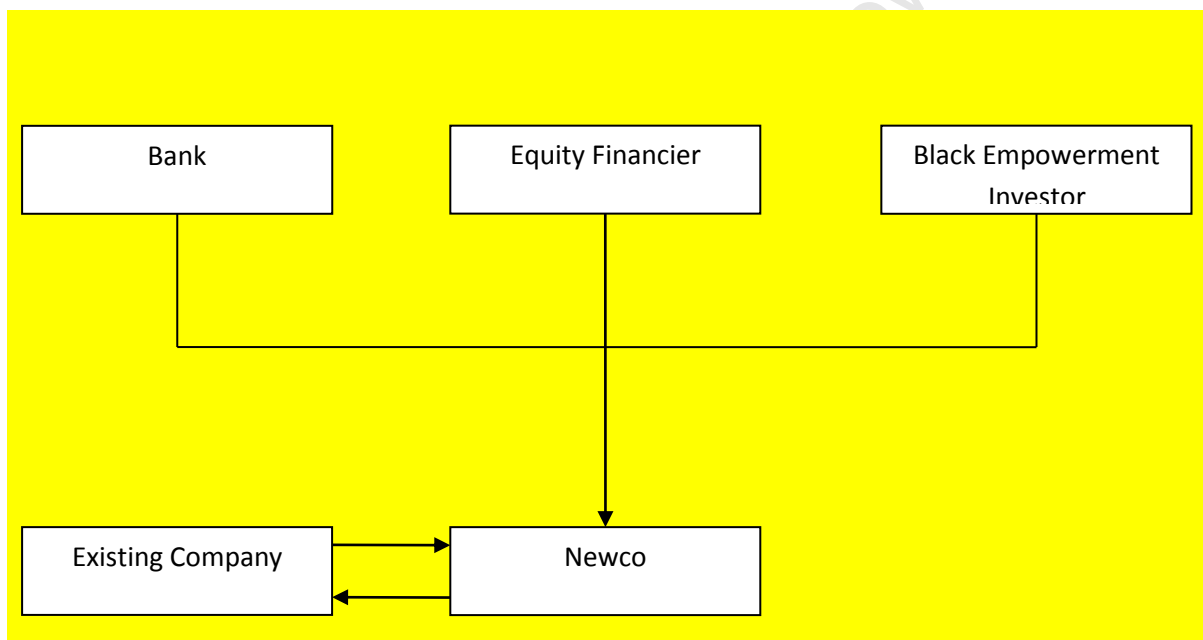
The advantage of an option in BEE financing is that it gives the BEE Investor an opportunity to both delay the initial capital outlay and to profit from price movement in the underlying share. However the BEE investor does not own the underlying share by holding an option, ownership only transfers when the BEE investor exercises the option. Hence, the BEE investor does not receive dividends paid to ordinary shareholders.

The target company grants the option to the BEE investor to acquire shares in the target company at a predetermined price within an agreed period. The strike price of the call option is the funding obligation required by the BEE Company. By holding the call option, the BEE Company defers the need to raise finance but also defers the economic benefit and net value points on the BEE scorecard.

2.6.1.4. Leveraged Buyout

Leveraged buyout structure techniques are borrowed largely from the international market but have been customised to deal with local requirements, particular issues relating to tax, the taking of security, exchange control and financial assistance.

Figure 2.8: Leverage Buyout Structure



In this structure, the bank, an equity financier and the BEE Company forms a New Company ("Newco").

Newco buys all the existing assets and liabilities of the existing company (company to be empowered) from existing shareholders by a combination of:

- Senior debt
- Mezzanine debt
- High-yield bonds
- Preference shares and/ or debentures
- A combination of the above

Shareholders wishing to remain investors would buy into the equity financier company. The cash generated by Newco dividends is used to repay bank financing

Using the this structure, Newco is able to register a large portion of net value points immediately because there is no direct encumbrance on the BEE Company's shares, the encumbrances is on Newco.

According to Jack 2008, the benefits of a leveraged buyout structure for BEE financing are as follows:

- There is a secure structure for any BEE party, because manipulation becomes difficult with the bank collusion, which is an unlikely scenario
- It is unlikely the bank would invest in such a structure unless it is confident of success
- The BEE party is not reliant on company dividends to finance the BEE holding debt, potentially resulting in default during economic lows
- The success of the structure is reliant on operating efficiency as opposed to economic cycles.
- Collectively the bank involvement, although more expensive, results in a more robust structure from the BEE party's point of view

The disadvantages of leveraged buyouts are:

- The added cost of financing by bringing in outside funders
- Debt risk through the use of debt
- Possible encumbrance of all shares through separate agreements: and
- Slow initial flow of economic benefits, as most profits will be allocated against debt in the early stages.

Even though the development of the leveraged finance market in South Africa is relatively recent by international standards, the last four years has seen the rapid rise of sophisticated structures including the leveraged acquisitions of Alexander Forbes, Edcon, Primedia, Peermont Global and Gold Reef Resorts. Moreover, the South African legal market increasingly offers a platform upon which to launch pan-African transactions. (Shawe and Gamble, 2007:1)

2.6.1.5. Vendor Financing

This involves the sale of shares to the BEE Company, shares that are financed by the target company. The target company finances the BEE Company by buying the shares in the company. Vendor companies facilitate BEE transactions, through providing loan guarantees, price discounts, or internal financing at below market rates, to BEE investors to acquire shares from established business (Cargill, 2005:23)

Nhaplo highlighted in her paper that Vendor finance companies are regarded as a necessity to enable dealmakers to negotiate lower interest rates. Empowerment cannot work without vendor finance especially when interest rates are high. High inflation coupled with the fact that Black investor lack assets to pledge as security for borrowings, results in financing that require high return rates. This in turn necessitates that the BEE investor must earn a high return on investment to be able to make loan repayments. (Nhlapo 2008:30)

According to Section 38 of the Companies Act (Act 61/1973), a holding company may not assist in purchasing the shares if a subsidiary, but not its own shares. Companies may not grant any form of security over assets, or issue any surety or guarantee, or otherwise provide financial assistance in connection with the acquisition of issued shares or the shares of the holding company.

Holding companies can facilitate BEE deals without violating section 38 by selling its operations to a new company, which becomes a wholly owned subsidiary, the holding company then finances the BEE party's purchase of the new company's shares.

Draft changes to section 38 are currently in circulation specifically aimed at facilitating BEE deals, the changes will allow companies to finance the purchase of their own shares if the transaction has no impact on the liquidity and solvency of the entity.

According to Du Plessis, in the past, companies could not give any financial assistance to investors that wanted to buy shares in the company. This was particularly troublesome in BEE transactions, where BEE parties typically had no capital, and little access to capital, but could contribute something meaningful to the future growth of the business. The amendment introduces a new exception to the prohibition on financial assistance, but lists three prerequisites, and the assistance must comply squarely with all three, or it falls foul of the legislation with all that entails – namely, the contract will be voided and there may be criminal prosecution.

He continues to say that, if the three tests are met, a company can provide such financial assistance directly, or provide guarantees or other security to a financial backer of such a deal. This further opens the door to a greater BEE deal flow, but also to other types of transactions such as private equity.

The three tests are:

- the board must be satisfied that subsequent to the transaction, the assets of the company will exceed its liabilities (in other words, the business remains solvent)
- for the duration of the assistance, the company can continue to service its debts in the ordinary course (in other words, it remains liquid); and
- Shareholders of the company must have approved the terms of the transaction by special resolution – meaning a 75% approval of shareholders.

2.6.1.6. Employee Share Scheme

Companies who wish to empower their employees rather than utilising outsiders who do not understand the business usually use employee share schemes to transfer BEE ownership. The use of employee share scheme as a means for affecting BEE ownership has been growing in many of the larger BEE deals. This structure can be used as a tool to avoid the mass exodus and loss of key staff by being incorporated into the ownership structure, while at the same time empowering the company.

According to Cargill (2005), there is a link between shares for BEE purposes and the underlying performance by those people receiving the shares. Where shares are linked to performance, no cash is paid upfront by those employees for their shares because they would have earned them by performing well at their jobs.

The most common structure used to create employee share scheme is a trust, the company sells shares to the trust with a corresponding loan. The trust allocates the shares to qualifying Black employees with a loan attached to it. Interest on the loan is capitalised until and dividends received are used to reduce the debt.

Employee ownership schemes often invite dissatisfaction from non-Black employees. The conflict that faces companies is how to allocate shares to Black people without alienating their white staff and other Black people who do not meet the definition of Black.

2.7. Sources of Funding

Due to the significant size of the funding requirement, and the insufficient capital base of most BEE investor, various sources of funding will be required to meet the ownership target of 25% set by the government.

BEE deals usually involve loans or other financing arrangements that have the effect of limiting the immediate enjoyment of the ownership rights by Black people. The rights of financiers, created primarily to secure repayment of such loans advanced for acquisition of an instrument to which an economic interest attaches has to be taken into account. (Luiz and Van Der Linde 2006:412)

Research reveals that BEE equity ownership on the JSE amounted to approximately R240bn in September 2008 but whilst significant progress has been made in equity ownership transformation, it is estimated that approximately R425 billion in additional investments is required to meet the ownership target of 25% for JSE listed companies.

The BEE funding estimate was calculated by assuming certain ownership targets for the JSE as a whole, less crossholdings, foreign assets and BEE deals already announced. A similar exercise was done for non-listed companies. The financial service sector in terms of the financial service charter has committed itself to BEE funding of R75 billion. (Ryan: 2004:1)

What this means is that there needs to be more vendor finance participation to meet the demand shortfall. The high cost of funding BEE transactions in the traditional way, using a mixture of debt and equity, will dilute the BEE shareholding, and we will end up with more failed BEE transactions. However, if vendors provide higher levels of support for BEE transactions, the picture improves dramatically. For the current empowerment target to be fulfilled, funding requirements are going to be extremely demanding on the existing institutional sources of funding in South Africa.

According to Lagea Securities research, there are considerable doubts concerning the capacity of private lenders to fund necessary transactions requirement to meet the empowerment ownership targets. Some of this funding will have to be raised through equity or the inevitable subsidizing of assets. Even if the various BEE groups managed to raise some financing, they will still be dependent on receiving funding from government or traditional institutions given the extremely high ownership targets.

Currently, the primary source of funding includes private equity, Industrial Development Corporation, the National Empowerment Fund, the financial service sector and the Public Investment Corporation.

2.7.1. Private Equity and Venture Capital

Venture Capital and private equity funding is likely to play a critical role in financing of Black entrepreneurs for South Africa. Venture capital funders are better equipped to aid entrepreneurial growth because they understand the processes and sources of financing. They also have the ability to use their relationships with the business community to help match entrepreneurial companies with appropriate business opportunities.

According to the KPMG and SAVCA Private Equity and Venture Capital Survey in 2009, the South African private equity sector represents 3% of the South African GDP. The international norm sits at 2.7%. The above should also be seen in the context of the strengthening Rand value over the past year as many of these funds were raised on the back of a US\$-Rand exchange rate of US\$ 9.34 in 2008 against R7.38 in 2009. The resultant exchange rate loss on these funds is R4.5 billion with a consequent reduction of the amount available in undrawn commitments. The 3% figure, therefore, remains encouraging and the rand value it represents (R32.9 billion) available in undrawn commitments for future investment is positive. The South African economy has been fortunate as it has not suffered the general toxic debt exposure faced globally and has benefited from a significant reduction in interest rates (15% to 10.5%) over the past year.

In the BEE space, (and while there are many categories to define BEE-compliant deals) private equity role has grown from R68.6 billion in 2008 to R81.7 billion in 2009, this illustrates a positive development of 19.1% and illustrates the importance of this sector to the economy. BEE compliant fund managers also have undrawn commitments of R23.4 billion (the equivalent of 70.1% of the total

undrawn commitments in the BEE sector). The private equity sector significantly supports the BEE influence in the South African economy. (Watkins, 2010:3)

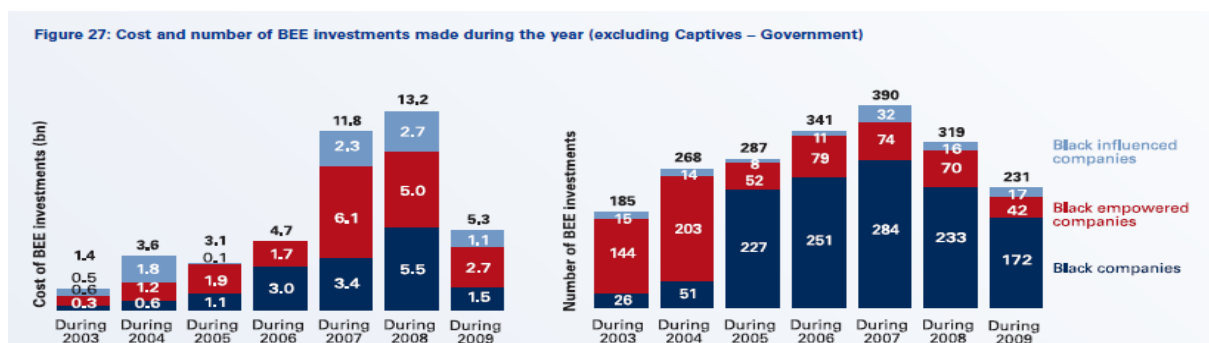
The South Africa's private equity industry plays a very significant in the development of BEE. The industry's impact on BEE is far reaching, and it is specifically, according to the survey, important to note that:

- Private equity transactions enable higher gearing, whereby a combination of private equity investment and bank loans allow the implementation of an appropriately geared financial structure, allowing management of the investee company to acquire a significant stake in the company. This leveraged model also creates opportunities for the involvement of Black management and other BEE parties in the ownership and management of the investee company.
- The vast majority of transactions concluded by the industry have a significant BEE component and the majority of private equity fund managers have a BEE element to their own shareholding structure.
- The Codes of Good Practice for Broad-Based BEE stipulate the conditions under which a company may treat its ownership arising from a private equity fund. The code treats it as if Black people held ownership. These requirements were finalised in June 2007 and can be summarised as follows:
 - More than 50% of the profits made by the private equity fund manger after realising any investment made by it, must by written agreement, accrue to Black people.
 - The private equity fund manger must be a Black-owned company, as defined in the BEE Codes.
 - Over a 10-year period, the private equity fund must have more than 50% of the value of funds invested, invested in Black-owned enterprises that have at least 25% direct Black ownership.

According to the survey, Captives-Government and fund managers that are themselves Black-owned, empowered or influenced (that is, have at least 5% Black ownership) had R81.7 billion of funds under management at 31 December 2009, an increase of 19.1% (2008: R68.6 billion). 76.6% of total funds under management are thus at least Black-influenced or classified as Captives-Government (2008: 62.8%).

R26.7 billion of the funds under management of at least Black-influenced companies and Captives-Government at 31 December 2009 (2008: R29.4 billion) remained undrawn at the year-end. Of the combined Black owned, empowered or influenced companies, R24.6 billion of their funds under management remain undrawn at year-end. This represents 74.8% of the total undrawn commitments (2008: R27.2 billion / 82.7%).

Figure 2.9: Cost and Number of BEE investments since 2003



Source: SAVCA KPMG Private Equity Survey 2009

The average Black economic empowerment deal size in 2009 was R22.9 million compared to R41.4 million during 2008. These are investments into Black owned, empowered or influenced companies.

2.7.2. Industrial Development Corporation (IDC)

The Industrial Development Corporation of South Africa Limited (the IDC) is a development finance institution established in terms of the Industrial Development Corporation Act, No 22 of 1940, as amended (the IDC Act). The South African government, through the Minister of Trade and Industry, is the sole Shareholder of the IDC, but with effect from 1 April 2010, the administration of, powers and functions entrusted by legislation in terms of the Constitution of the Republic of South Africa have been transferred to the Minister of Economic Development (IDC, 2010:92)

The IDC is a self-financing, state-owned, development finance corporation, which provides financing to entrepreneurs engaged in competitive industries, follows normal company policies and procedures in its operations, pays income tax at corporate rates and pays dividends to its Shareholder. (IDC, 2010:100)

According to the IDC's loan, funding requirements are sourced mainly from international development agencies and from commercial facilities raised through the IDC's relationships with commercial banks. The IDC Mini-Group's general funding requirements for 2010 amounted to R8,7 billion (2009: R11,7 billion), consisting of financing advances of R6,0 billion and borrowing redemptions of R2,7 billion. These requirements were partly met out of R6,0 billion of internally generated funds, namely repayments received and profits. New borrowings were limited to R1,7 billion for the year. (IDC 2010: 103)

The function of a development finance institution (DFI), during times when businesses are facing difficulty in accessing capital, is to play a countercyclical role and continue to provide funds and ensure liquidity. During the recession, the IDC did not tighten its credit criteria, and, apart from funding companies in distress, continued to assess applications for funding as before the recession. This is evident through the R9,4 billion approved for funding in the financial year, the second highest amount approved in a year since IDC's inception whereas credit extension by commercial financial institutions generally declined.

The Corporation allocated R6,1 billion over 2010 and 2011 financial years. R1,4 billion of this funding was approved to 28 companies in 2010. Although uptake was below expectations, an estimated 8 800 jobs will be saved through the provision of this funding. This was in addition to the R500 million of funding, saving 2 500 jobs, that was provided for businesses in 2009 (IDC, 13 November 2010)

An examination of the role of the IDC provides critical insights on proactive project financing of empowerment. The IDC has played a leading role in financing BEE transactions. The organisation's involvement with BEE funding commenced in the early 1990s when the IDC secured the inclusion of Historically Disadvantaged Persons in companies such as National Sorghum Breweries, NAIL and MTN. Since 1990, the IDC has financed over 690 empowerment deals worth more than R6.6 billion. In its business execution, the IDC considers the development impact of BEE in terms of job creation, SME development and regional development. (DTI, 10 October 2010)

The issue of promotion of Black entrepreneurship is very closely aligned to the imitative of BEE. The promotion of Black entrepreneurship remains a key priority for the IDC and it has established an empowerment strategic business unit, which aims to provide acquisition-funding, development and support emerging Black entrepreneurs and facilitate the transfer of ownership skills. This particular business unit assists Black entrepreneurs to acquire shareholding or take-over business ventures through financial mechanisms such as management buy-ins or management buy-outs and so forth. It is evident that this government institution can play a critical role. (Philips 2004:128)

2.7.3. National Empowerment Fund

The National Empowerment Fund Act No 105 of 1998 (NEF Act), and its aim were to promote and facilitate Black economic equality and transformation. The government intends creating investment opportunities for Black people that will generate income and capital growth through the NEF. It aims to empower the Black community through sales of small amounts of shares to as large numbers of Black people as possible rather than only enriching a few Black people. (Industrial Development Corporation 2007:1)

According to NEF, the fund differentiates itself not only with a focused mandate for BB-BEE, but by also assuming a predominantly equity-based risk to maximise the Empowerment Dividend. Its mandate and mission is to be the catalyst of Broad-based Black Economic Empowerment (BB-BEE).

- To foster and support business ventures pioneered and run by Black enterprises.
- To improve the universal understanding of equity ownership among Black people.
- To contribute to the creation of employment opportunities.
- To encourage the development of a competitive and effective equities inclusive of all persons in South Africa.
- To encourage and promote savings, investments, and meaningful participation by Black people.
- To provide Black people with opportunity of, directly or indirectly, acquiring shares or interest in private business enterprises.
- State allocated investment (SAIs) that are being restructured or in private business enterprises.
- To generally employ schemes businesses and enterprises as may be necessary to achieve the objectives of the NEF Act.

In 2010, The NEF achieved the highest level of investment activity in its history, with annual approvals of R749 million (up 51% from 2009) and disbursements of R549 million (up 81% from 2009). Since its inception, the NEF has approved a total value of 228 transactions worth R1.804 billion, and 205 transaction disbursements of R1.527 billion. As a driver of the Codes of Good Practice for Broad-Based Black Economic Empowerment, the NEF has developed finance products ranging from R250 000 up to R75 million for Black entrepreneurs. (National Empowerment Fund, 2010:9)

Figure 2.10: NEF Deals Approved since 2003

YEAR	NEF APPROVED DEALS					
	Value Approved in Period	Target Value of Approvals for Period	Cumulative Value Approved	Number Approved	Target Number of Approvals for Period	Cumulative Number Approved
Apr 03 – Mar 04	R5m		R5m	1		1
Apr 04 – Mar 05	R30m		R35m	16		17
Apr 05 – Mar 06	R357m		R393m	54		71
Apr 06 – Mar 07	R205m		R578m	23		94
Apr 07 – Mar 08	R128m	R587	R726m	23	75	121
Apr 08 – Mar 09	R329m	R687m	R1 055m	46	74	167
Apr 09 – Mar 10 FMD*	R685m	R560m	R1 740m	54	77	221
Apr 09 – Mar 10 SPF**	R64.2m	R460m*	R1 804m	7	-	228

* This is the budget set-aside for total transaction value.
 • Fund Management Division
 •• Strategic Projects Fund

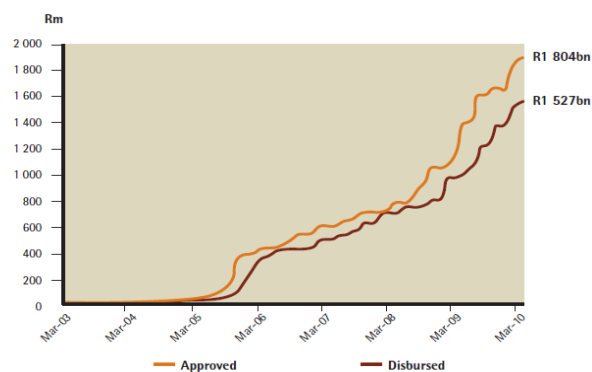


Figure 1: NEF Approved and Disbursed deals by value Since Inception to 31 March 2010.

Source: National Empowerment Fund Annual Financial Statement 2010

Although the NEF has been relative successful, challenges do remain. While the spending performance of some government-related funding institutions is on track, in others billion of rand remain unspent. In the case of NEF, there was a time lag between announcing the fund and getting down to the actual implementation of funding. However, government has also recognized these shortfalls, and the Minister of Finance in a recent speech that the NEF would be the vehicle to spearhead government's project to assist with BEE where it would be mandated to ensure that resources allocated for empowerment are efficiently employed. (Philips, 2004:133)

2.7.4. Public Investment Corporation

PIC is wholly owned by the South African Government and invests funds on behalf of public sector entities, mainly pension, provident, social security and guardian funds. Of the 36 clients whose funds are managed by PIC, the top five are the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund (UIF), the Associated Institutions Pension Fund (AIPF), the Compensation Commissioner Pension Fund (CCPF) and the Compensation Commissioner Fund (CC). (PIC 2010:2)

The listed equities portfolio was a major contributor to the growth achieved, increasing in value from R270 billion to R437 billion by the end of the 2009/10 financial year. This represents a growth of 62%.

The PIC has committed R575 million to support six start-up BEE private equity fund managers. Collectively these BEE incubator fund managers have invested R353 million and their underlying investments at year-end were worth R485 million. (PIC 2010:32).

Assets under PIC management have grown from R308 billion as at 31 March 2003 to R910,9 billion as at 31 March 2010.

2.7.5. Financial Service Sector

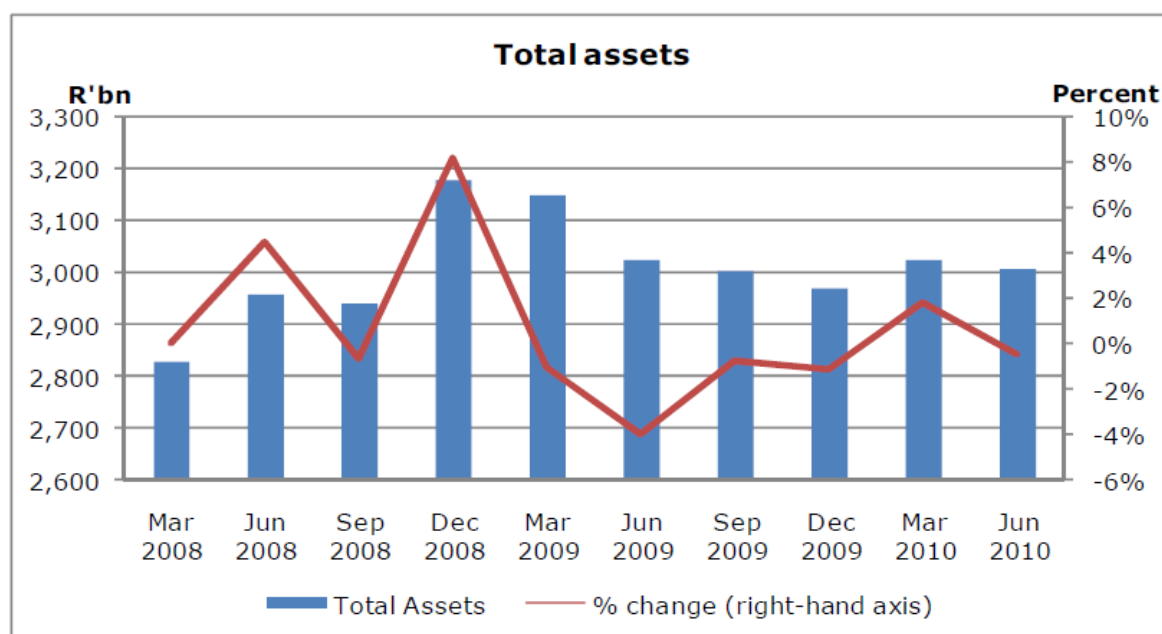
Commercial banks are frequently used as a source of finance for BEE transactions. South Africa has a developed and well-regulated banking system, which compares favourably with those of industrialised countries. The sector has undergone many changes in the past 20 years, with the early 1990s being characterised by a process of consolidation resulting from mergers of a number of banks including Allied, Volkskas and United to form ABSA and the proposed merger between Nedcor and Stanbic, which failed eventually.

The SA banking industry is currently made up of 19 registered banks, 2 mutual banks, 13 local branches of foreign banks, and 43 foreign banks with approved local representative offices.

The financial (including real estate and business services) services sector is the biggest contributor to the South African economy, with the sector representing about 21,2 percent of gross domestic product (GDP) during the second quarter of 2010. After a contraction in growth for the most part of 2009, growth in the sector improved in fourth quarter of 2009 and has continued to improve, growing by 2,9 percent in the second quarter of 2010.

The assets of the banking sector reached a peak of R3,177 billion in December 2008. As the country was in an economic recession, assets continued to decline for 2009 but started to improve at the beginning of 2010, with a level of R3 021 billion (from R2 967 billion in December 2009) being recorded at the end of June 2010.

Figure 2.11: Total Assets of South African Banking Sector



Source: Annual Economic Report 2010

The four major banks: ABSA, FirstRand, Nedbank and Standard Bank represented about 84 percent of total banking assets. Standard Bank is the largest bank in terms of assets, with a market share of 26 percent, followed by ABSA with 22 percent. FirstRand and Nedbank had a market share of about 19 percent and 18 percent respectively.

Figure 2.12: Individual Bank Assets

Individual Bank Assets (June 2010)

Bank	Assets (R'bn)	Market Share
The Standard Bank of South Africa	R 781,947,804	25.47%
ABSA	R 663,076,327	21.60%
FirstRand Bank	R 578,078,265	18.83%
Nedbank	R 546,961,735	17.82%
Total	R 2,570,064,131	83.72%
South Africa - Total	R 3,069,936,863	100%
Percentage Share of Top 4 Banks	84%	

The financial Service Charter 2006 outlines the challenges facing the financial sector and notes that financial sector is confronted by a number of challenges which include the fact that:

- It is characterised by the presence of a few very large institutions. Many of the smaller and foreign institutions have exited the market in recent years;

- there are low levels of Black participation, especially of Black women, in meaningful ownership, control, management and high-level skilled positions in the sector;
- there has been an inadequate response by the sector to the increasing demand for access to financial services;
- the sector has not effectively provided credit to entrepreneurs, particularly Black businesses;
- the national level of savings and investment is inadequate to support sustained economic growth and individual financial security;
- there is insufficient investment of the savings pool under the control of the sector into targeted investments of national priority;
- a large pool of funds circulates outside the formal financial system, including but not limited to funds held by stokvels, informal traders and in other forms of short-term savings;
- there has been limited support for new Black firms in the financial sector by Government and the private sector; and
- They need to find meaningful ways to support the Proudly South African Campaign.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

In this research, we will use the descriptive study methodology, which makes use of both quantitative and qualitative research methods.

According to Glattorn 1998, a descriptive study is one that attempts to explain the characteristics of the population by examining the samples of that population. Descriptive study makes use of both quantitative and qualitative research methods. This research method is defined by Creswell (2003) as *“mixed approach which implies that the researcher collects both quantitative and qualitative data in phases or that they gather it at the same time”*

This study will attempt to assess how much effective net equity interest has actually been transferred to BEE participants relative to the announced equity transfer. The goal of the study is to develop an understanding to show how that actual net equity interest is different to the announced equity transfer due to funding structures and market variables.

3.2. Approach

The mixed approach, which has been selected for this research aims to ensure a comprehensive, and throughout understanding and analysis of the research question.

The benefit of using a mixed approach in this study allows us to preserve chronological flow and see precisely which events led to which consequences, and drive fruitful explanation. It also focuses on meaning and allows the researcher to gain deeper insight into the contextual issues surrounding the implementation of BEE in South Africa (Miles and Huberman 1989:1)

Case study research generally answers one or more questions that begin with "how" or "why." The questions are targeted to a limited number of events or conditions and their inter-relationships.

The research object in a case study is often a program, an entity, a person, or a group of people. Each object is likely to be intricately connected to political, social, historical, and personal issues, providing wide-ranging possibilities for questions and adding complexity to the case study

A key strength of the case study method involves using multiple sources and techniques in the data gathering process. The researcher determines in advance what evidence to gather and what analysis techniques to use with the data to answer the research questions. Data gathered is normally largely qualitative, but it may also be quantitative. Tools to collect data can include surveys, interviews, documentation review, observation, and even the collection of physical artifacts. (Case Study as a Research Methodology 1997:2)

3.3. Data Gathering and Techniques

A key strength of the case study method involves using multiple sources and techniques in the data gathering process.

Throughout the design phase, one has to ensure that the study is well constructed to allow for construct validity, internal validity, external validity, and reliability. According to case study research model that was done, *“construct validity requires the researcher to use the correct measures for the concepts being studied. Internal validity (especially important with explanatory or causal studies) demonstrates that certain conditions lead to other conditions and requires the use of multiple pieces of evidence from multiple sources to uncover convergent lines of inquiry. The researcher strives to establish a chain of evidence forward and backward. External validity reflects whether or not findings*

are generalizable beyond the immediate case or cases; the more variations in places, people, and procedures a case study can withstand and still yield the same findings, the more external validity.

Techniques such as cross-case examination and within-case examination along with literature review help ensure external validity. Reliability refers to the stability, accuracy, and precision of measurement. Exemplary case study design ensures that the procedures used are well documented and can be repeated with the same results over and over again. (Case study 1997:2)

3.4. Methodology

3.4.1. BEE Transactions

There were a total of 1349 transactions that were announced between 1st Jan 2000 to 31st December 2009 according to Empowerdex. Of these, 51 BEE transactions were selected for the research. The 51 transactions were selected based on the following criteria and the reason for exclusion:

Excluded Transactions	Reason for Exclusion	Number of Excluded
Unlisted Deals	The research focused on the all listed rather than unlisted transactions due to the availability of in-depth information on listed transactions. Unlisted companies are under no obligation to make public details regarding their company's dealings and financial reports. This makes finding information on their BEE transaction details and structure very difficult to obtain. To that end, where the company or asset are unlisted the transaction was excluded in the research	602
Dead Deals	Deals that were started but were never concluded, the condition precedent never met, restructured or dead / failed were excluded from the research	100
Current value unknown	Deals with the current value unknown according to the Empowerdex deals list were also omitted from the research as information required to work out the net equity interest were unavailable.	402
Restructured deals	Restructured deals were excluded from the research	56
Sale of Asset	Where empowerment was a result of a sale of asset to the BEE party, the transactions were excluded based on the lack of information and valuation on the asset sold	13
Companies that delisted from the JSE	Companies that delisted from the JSE before 31 st December 2009 were excluded from the research as gathering information needed to calculate the net equity interest proved to be difficult	100
Companies Suspended from the JSE	Companies suspended from the JSE were also excluded from the research	82
Size of Equity Stake	Of the listed transactions selected, the focus was on the announced equity transfer rather than the value / size of the deal. Announced equity transfers below 5% were ignored due to the significant size of the stake	50

Interest rates

Preference shares dividend payments are usually quoted as a percentage of the prime overdraft rate. The overdraft prime rate from 1 January 2000 to 31 December 2009 was used depending on the period of the transaction. Floating rates are interest rates that change on a periodic basis, the changes in these rates are usually tied to movement of an outside indicator, usually the prime overdraft rate.

Preference share transaction are usually quoted on a floating rate basis in that changes in the prime overdraft rate will either increase or decrease all in interest rate payment to the facility provider.

Figure 4.1: Repo rate and Prime overdraft rate movement from 1 January 2000 to 31 December 2009

Year	Repo Rate	Prime overdraft rate
2000	12%	15.00%
2001	10%	13.00%
2002	14%	17.00%
2003	8%	11.50%
2004	8%	11.00%
2005	7%	10.50%
2006	9%	12.50%
2007	11%	13.00%
2008	12%	14.50%
2009	7%	15.00%
2010	6%	9.00%

Real vs. Nominal Interest Rate (move to methodology)

The nominal interest rate is the amount, in money terms, of payable interest whereas the real interest rate measures the purchasing power of interest receipt and is calculated by adjusting nominal rate charged to consider inflation.

Real interest rate = Nominal interest rate – Inflation

Dividends

All dividends, return of capital and capital redistribution by the empowered company between the years of deal inception to 31 December 2009 are used to cover the interest rate portion of the deal; excess cash received was used to pay down the principal.

Equity value appreciation

To calculate the equity value appreciation of the empowered company, the following formula can be used:

$$\text{Equity Value Appreciation} = (P_{t2} - P_{t1})(\text{shareholding})(\text{mcap}_{t2})$$

Where:

P_{t1} share price at inception (Jan, 2000)

P_{t2} share price at conclusion (Dec, 2009)

shareholding the % BEE shareholding

mcap the market cap of the company as at Dec 2009.

3.4.2. BEE Transaction Structuring Example

An example of the BEE transaction between ISA Holdings Limited ("ISA") and its BEE partner Viewcrest Trading 3 (Pty) Ltd (Viewcrest) will be done to illustrate how net equity interest was calculated in the research.

On the 30 June 2006, the board of directors announced the conclusion of a BEE transaction resulting in 35% of ISA's shares being owned by Viewcrest.

Salient details of the transaction

- On the 26 June 2006, ISA issued a new shares for cash, whereby 62,592,593 ordinary shares were allocated to Viewcrest at a subscription price of 35.234 cents
- The price for the issue of shares was determine on the 3rd May 2006 and was based on the weighted average trading price from the period of 15th March 2006 to 2nd May 2006, less a discount of 19.8%
- The consideration amount is R22.1 million for 35%.
- The purchase consideration is funded through the issue of R22.1 m worth of Preference shares to the bank at a dividend rate of 75% of prime rate.
- The preference shares are redeemable in 5 years in a bullet payment
- Since the research period is limited to 31 December 2009, this case study will look at the effective net equity transfer as at 31 December 2009.
- All dividends, return of capital and capital redistribution by ISA are used pay interest on the preference shares.
- We will use this case study scenario to determine the effective NEV versus the announced value and determine possible outcome, for Viewcrest at 31 December 2009.
- If preference share investment was used to fund the transaction, we will assume that:
 - Interest on the loan will be charged on a semiannual basis starting from the month of deal inception
 - Interest rate will be the prevailing prime overnight rate at the time of the transaction, multiply by a margin i.e. 75%
 - Dividend received will be used to pay off the interest portion of the loan
 - Surplus dividend received will be used to amortise the principal of the loan
 - any shortfall between the dividend payments and dividend on the loan will be capitalized on the loan
 - The residual of the loan will be paid at maturity.

Figure 4.2: Interest Rate Calculation

Interest rate calculation

Margin 75% of prime

Period	Prime	All in rate
Jan-02	14.00%	10.500%
Mar-02	15.00%	11.25%
Jun-02	16.00%	12.00%
Sep-02	17.00%	12.75%
Jun-03	15.50%	11.63%
Aug-03	14.50%	10.88%
Sep-03	13.50%	10.13%
Oct-03	12.00%	9.00%
Dec-03	11.50%	8.63%
Aug-04	11.00%	8.25%
Apr-05	10.50%	7.88%
Jun-06	11.00%	8.25%
Aug-06	11.50%	8.63%
Oct-06	12.00%	9.00%
Dec-06	12.50%	9.38%
Jun-07	13.00%	9.75%
Aug-07	13.50%	10.13%
Oct-07	14.00%	10.50%
Dec-07	14.50%	10.88%
Apr-08	15.00%	11.25%
Jun-08	15.50%	11.63%
Dec-08	15.00%	11.25%
Feb-09	14.00%	10.50%
Mar-09	13.00%	9.75%
May-09	12.00%	9.00%
May-09	11.00%	8.25%
Aug-09	10.50%	7.88%

All in rate is calculated as the prevailing prime overdraft interest rate at that date multiply by the margin rate of 75%.

Interest payment is calculated as:

$$\text{Interest Rates} = (P)(R)^{1/m}$$

Where:

P outstanding principal

R rate applicable at the date

Figure 4.4: Amortisation Table for ISA Holding BEE Transaction (change colour of tables)

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
May-06			R 22,053,874.22		
Jul-06	R 294,102.01	R 2,503,703.72	R 19,844,272.51	(R 2,209,601.71)	(R 2,209,601.71)
Oct-06	R 450,165.96	R 1,251,851.86	R 19,042,586.61	(R 801,685.90)	R 3,011,287.61
Nov-06	R 154,949.27		R 19,197,535.87	R 154,949.27	R 2,856,338.34
May-07	R 892,488.18		R 20,090,024.06	R 892,488.18	R 1,963,850.16
Jul-07	R 316,624.28	R 3,129,629.65	R 17,277,018.69	(R 2,813,005.37)	(R 4,776,855.53)
Nov-07	R 621,262.66		R 17,898,281.35	R 621,262.66	R 4,155,592.87
May-08	R 970,552.69		R 18,868,834.04	R 970,552.69	R 3,185,040.17
Aug-08	R 540,863.50	R 3,129,629.65	R 16,280,067.89	(R 2,588,766.15)	R 5,773,806.33
Nov-08	R 487,398.47		R 16,767,466.36	R 487,398.47	R 5,286,407.86
May-09	R 685,973.13		R 17,453,439.49	R 685,973.13	R 4,600,434.73
Jul-09	R 232,752.37	R 1,564,814.83	R 16,121,377.04	(R 1,332,062.45)	R 5,932,497.18
Nov-09	R 434,780.29		R 16,556,157.33	R 434,780.29	R 5,497,716.89
Dec-09	R 100,017.33		R 16,656,174.66	R 100,017.33	R 5,397,699.56

Equity value

Share Price (31/12/2009)	R 0.43
Number of shares	62,592,593.00
Share value	R 26,795,889.06

Total loan balance (31/12/09)	R 16,656,174.66
Upside/(Downside) equity value	R 10,139,714

Market Cap - 31 Dec 2009	R 84,740,000.00
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BEE Holding NEV	11.97%
------------------------	---------------

Interest payments is calculated as:

Interest payments =

In the first year, end of 2006, dividend received amounts to R3.7 million, whilst total interest payments amounts to R899.2k, the different of R2.8 million will be used by Viewcrest to amortise the principal payment on the preference share. This will decrease the balance of the preference shares from R22.1 million to R19.12 million.

At the end of 2009, the share price of ISA is 43 cents, multiply by the BEE shareholding of 62.6 million yields R26.8 million, which is the value of Viewcrest sharing holding in ISA. The balance owing to the bank on the 31 December 2009 is R16.7 million. This reflects an unencumbered equity of R10.1 million. The total market capitalization for ISA at 31st December 2009 was R84.7 million. This outcome reflects 11.97% NEV for the BEE Party compared to the 35% initially announced for the transaction. Hence, after four years only 11.97% of equity has been effectively transferred to Viewcrest.

3.4.2.1. Effect of Interest rate margin on Net Equity Interest

Figure 4.5: Effect on Interest Rate Margin on Net Equity Interest

Interest Margin	BEE Holding NEV
50%	14.68%
60%	13.63%
70%	12.53%
75%	11.97%
80%	11.39%
90%	10.19%
100%	8.94%

Interest rate charged on a transaction play a critical role in the effective NEV transferred. As we can see from figure 4.5 that the higher the interest margin and overdraft rate, the higher the interest payments on the loan amount leading to a lower BEE Holding NEV.

3.4.3. Effect of share price on Net Equity Interest

Figure 4.6: Effect of Share Price on Net Equity Interest

Increase in share price	Value	BEE Holding NEV
10%	R 0.39	8.90%
15%	R 0.41	10.27%
20%	R 0.42	11.57%
25%	R 0.44	12.88%
30%	R 0.46	14.18%
35%	R 0.48	15.48%
40%	R 0.49	16.78%
45%	R 0.51	18.08%
50%	R 0.53	19.38%
72%	R 0.61	25.11%

In figure 4.6, all else equal, as the share price increases so does the BEE Holding NEV. In order for the 25% level to be achieved, the share price will have to increase by 72%.

4. CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1. Data Presentation

The purpose of this chapter is to provide the results of the research, which focuses on the NEV of BEE transactions. It will focus on the explanation of the results seen in figure 12 based on the case study research of each transaction.

Although 1500 transactions were originally announced from 1 January 2000 to 31 December 2009, only 51 transactions yielded the right information to be included in the research. As mentioned in the previous chapter, the exclusion was based on parameters that did not fit the scope of the research.

Figure 4.1: Results of Research

Results	Positive Net Interest	Negative Net Equity Interest	Effective transfer of equity achieved	OTHER	Total Transaction analysed
Number	31	18	1	1	51
Percentage of Transactions analysed	60.78%	35.29%	1.96%	1.96%	100.00%

Looking at figure 4.1, Of the 51 transactions analysed, 31 transactions yielded a positive Net Equity interest i.e. 60.78%, indicating that although the effective equity transfer has not occurred, and there was still value from the transaction itself.

Negative net equity interest, being transactions that resulted in the destruction of value occurred in 18 transactions, 35.29% of the total transactions analysed.

Only the Netcare Limited transaction (transaction 13 in figure 4.2) achieved a net equity interest equal or higher to the announced equity transfer.

Looking at figure 4.2, the average effective net equity transfer was 1.37%. The average excludes three outliers in the sample, being:

Transaction number	Company	Net Equity Interest
9	Onelogix Group Limited	(- 92.56%)
18	Simeka BSG Ltd	(- 563.5%)
20	Simeka BSG Ltd	(- 747.6%)

Of the 51 transactions analysed, only 41% were above the average NEV of 1.37%, the rest were below 1.37% of equity transfer.

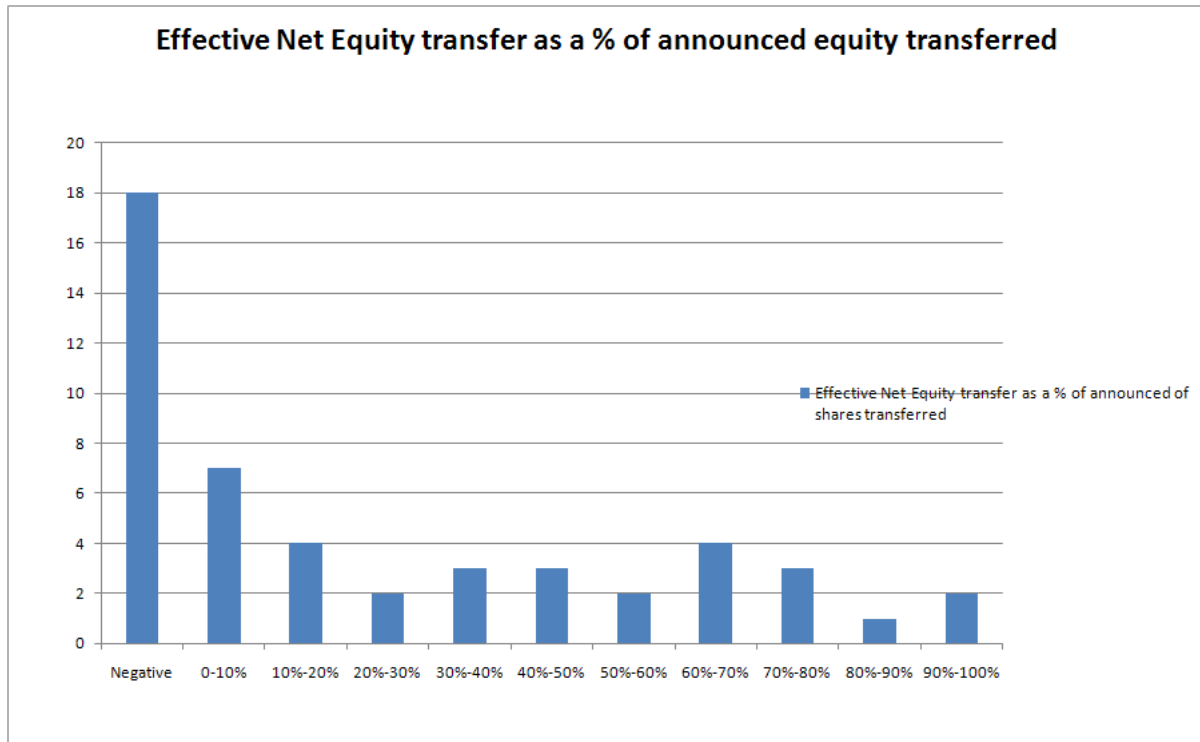
Out of the 51 transactions analysed, 35% resulted in some form of value lost due to the implementation of the BEE transaction. Value lost was a result

- Decrease in the share price from the inception of the transaction
- No dividend payment by the empowered company; or
- the empowered company dividend payments not matching the interest coupon on the loan / preference share

Of the 15 transactions that resulted in value lost, 75% had a depreciation of the share price during the period under review, highlighting the dependence on the appreciation in the equity value of the share

to support the transaction. The remaining 25% was a result of insufficient dividends to cover the interest payments on the transaction. In the next section, we will discuss in detail the results of 31 selected transactions to give some clarity on the some of the reasons for such a low effective net equity transfer in the data sample.

Figure 4.3: Effective equity transfer as a percentage of announced equity transferred



The common theme arising from the transactions that resulted in lost in value is the depreciation of the share price of the empowered company, and decrease in the dividend payments of the empowered company. The principal repayment at the maturity of the transaction depends on the performance of the underlying share price, which is affected by market condition. The value of the underlying company's share price is positively correlated to the total value created or destroyed.

Decrease in dividends payments by the empowered company negatively affected the interest repayments on the loan used to finance the transactions. Insufficient dividend to service the interest portion of the debt caused the principal amount to appreciate, further increasing the interest burden to the BEE party.

The time horizon of the transaction also has an impact on the result of the transaction. Long maturity transactions allow interest payments to be spread over a longer period, which decreases interest repayments. This decreases the amount of dividends required to service the interest repayments. Long maturity transactions also give an empowered company's share price to recovered if its depreciated since the inception of the transaction. Majority of the transactions analysed in this research have a term of five to seven year.

Figure 4.1: Equity appreciation

	Company	Year of Inception	Share Price at Inception (cents)	Price (cents) 31-Dec-09	Growth in Share Price	Market Capitalisation 31-Dec-09	Value of created / (loss) as at 31st Dec 09	Announced % of Shares transferred	Effective Net Equity Transferred 31-Dec-09
1	Bidvest Group Limited	Jul-03	R 35.19	R 126.08	258.25%	R 44,907,626,496.00	R 3,573,496,500	15.00%	7.96%
2	Mvelaphanda Resources Limited	Feb-04	R 19.15	R 37.10	93.73%	R 10,490,900,480.00	(R 175,905,699)	100.00%	-1.68%
3	Eastern Platinum Ltd	Mar-07	R 16.04	R 6.75	-57.92%	R 4,622,744,064.00	(R 774,680,724)	83.20%	-16.76%
4	Vukile Property Fund Limited	Sep-04	R 4.98	R 10.70	114.88%	R 3,191,949,312.00	R 588,275,444	55.90%	18.43%
5	Sekunjalo Investments Limited	Jan-05	R 0.71	R 0.72	1.55%	R 157,228,640.00	(R 8,768,701)	81.56%	-5.58%
6	Simmer and Jack Mines Limited	Feb-05	R 0.25	R 1.80	614.57%	R 2,198,372,352.00	R 459,184,412	50.9%	20.89%
7	Group Five Ltd (1)	Aug-05	R 17.07	R 37.70	120.89%	R 4,629,229,568.00	R 288,933,755	26.10%	6.24%
8	Group Five Ltd (2)	Aug-05	R 17.07	R 37.70	120.89%	R 4,629,229,568.00	R 82,135,247	26.10%	1.77%
9	Onelogix Group Ltd	Aug-05	R 0.33	R 0.43	33.08%	R 98,761,696.00	(R 91,410,361)	25.00%	-92.56%
10	Nampak LIMITED	Feb-05	R 13.04	R 15.16	16.22%	R 10,257,566,720.00	R 380,816,354	5.00%	3.71%
11	Comair Ltd	Jul-06	R 1.35	R 2.86	112.19%	R 1,260,000,000.00	R 120,937,138	16.10%	9.60%
12	Afrocentric Investment Corp Ltd	Jun-06	R 1.24	R 1.58	26.97%	R 461,819,104.00	R 42,821,863	50.10%	9.27%
13	Netcare Ltd	Oct-05	R 8.47	R 13.22	56.17%	R 19,701,675,800.00	R 870,830,174	3.75%	4.42%
14	Capitec Bank Holdings Ltd	Dec-06	R 31.92	R 75.52	136.64%	R 6,544,832,512.00	R 373,021,206	12.21%	5.70%
15	ISA Technology Ltd	Jul-06	R 0.34	R 0.43	25.76%	R 84,740,744.00	R 10,139,714	32.50%	11.97%
16	Zaptronix Ltd	Mar-06	R 0.12	R 0.03	-74.90%	R 11,379,568.00	R 0	30.00%	0.00%
17	Basil Read Holdings Ltd	Jul-07	R 26.02	R 12.87	-50.54%	R 1,607,067,392.00	(R 34,260,990)	100.00%	-2.13%
18	Simeka BSG Ltd	Aug-07	R 1.50	R 0.22	-85.33%	R 13,443,552.00	(R 75,749,701)	100.00%	-563.46%
19	Northam Platinum Ltd	Sep-07	R 42.60	R 48.22	13.19%	R 17,312,608,256.00	R 1,640,069,408	100.00%	9.47%
20	Simeka BSG Ltd	Oct-07	R 1.50	R 0.22	-85.33%	R 13,443,552.00	(R 100,500,000)	100.00%	-747.57%
21	Eastern Platinum Ltd	Jun-07	R 16.04	R 6.75	-57.95%	R 4,622,744,064.00	(R 284,606,742)	42.39%	-6.16%
22	Ansys Ltd	Jan-08	R 2.46	R 0.46	-81.30%	R 65,424,896.00	(R 7,356,583)	100.00%	-11.24%

	Company	Year of Inception	Share Price at Inception (cents)	Price (cents) 31-Dec-09	Growth in Share Price	Market Capitalisation 31-Dec-09	Value of created / (loss) as at 31st Dec 09	Announced % of Shares transferred	Effective Net Equity Transferred 31-Dec-09
23	Vunani Ltd	Feb-08	R 0.79	R 0.10	-87.30%	R 134,861,792.00	(R 51,567,278)	100.00%	-38.24%
24	Ansys Ltd	Jan-08	R 2.46	R 0.46	-81.30%	R 65,424,896.00	(R 1,441,264)	100.00%	-2.20%
25	Aquarius Platinum Ltd	Oct-08	R 26.08	R 47.98	83.97%	R 22,150,656,000.00	R 1,424,438,546	100.00%	6.43%
26	Telkom SA Ltd	Nov-08	R 30.67	R 35.40	15.43%	R 19,503,368,192.00	R 0	100.00%	0.00%
27	Gold Fields	Mar-09	R 112.65	R 97.24	-13.68%	R 69,095,809,024.00	R 674,082,149	15.00%	0.98%
28	Grindrod Ltd (Calulo)	Feb-09	R 14.49	R 17.79	22.80%	R 8,238,931,968.00	R 900,249,606	15.00%	10.93%
29	Grindrod Ltd (AAS)	Feb-09	R 14.49	R 17.79	22.80%	R 8,238,931,968.00	R 600,977,709	10.00%	7.29%
30	Adcock Ingram Ltd (Kagiso Health)	Nov-09	R 51.00	R 54.10	6.08%	R 9,410,582,528.00	R 29,629,562	7.15%	0.31%
31	Adcock Ingram Ltd (ESOP)	Nov-09	R 51.00	R 54.10	6.08%	R 9,410,582,528.00	R 18,270,129	3.25%	0.19%
32	Spar Group Ltd (ESOP)	Jun-09	R 56.39	R 71.04	25.98%	R 12,127,797,248.00	R 139,016,467	6.00%	1.15%
33	Spar Group Ltd	Jun-09	R 56.39	R 71.04	25.98%	R 12,127,797,248.00	R 208,524,628	6.00%	1.72%
34	Tiger Brands (Black Management)	Aug-05	R 18.02	R 162.01	798.84%	R 32,490,688,512.00	R 169,087,467	2.72%	0.52%
35	Tiger Brands (Thusani)	Aug-05	R 18.02	R 162.01	798.84%	R 32,490,688,512.00	R 55,934,580	0.94%	0.17%
36	Tiger Brands (General Staff)	Aug-05	R 18.02	R 162.01	798.84%	R 32,490,688,512.00	R 89,196,064	0.34%	0.27%
37	Sun-International	Nov-05	R 78.22	R 94.36	20.63%	R 10,545,149,952.00	R 321,144,849	7.00%	3.05%
38	Distell	Sep-05	R 31.77	R 63.00	98.30%	R 12,668,797,952.00	R 1,225,031,544	15.00%	9.67%
39	Growthpoint	Aug-05	R 9.56	R 13.95	45.90%	R 21,649,831,936.00	R 200,002,685	14.20%	0.92%
40	Aspen	Mar-05	R 19.88	R 72.75	265.96%	R 31,765,100,544.00	R 1,689,487,922	10.40%	5.32%
41	Aveng	Aug-04	R 7.47	R 39.90	434.22%	R 15,800,662,016.00	(R 748,202,164)		-4.74%
42	Reunert	Nov-06	R 77.15	R 58.18	-24.59%	R 11,467,196,416.00	(R 230,930,690)	9.50%	-2.01%
43	WBHO	Sep-06	R 60.76	R 107.02	76.14%	R 7,094,340,096.00	(R 704,141,563)	15.00%	-9.93%
44	Murray and Roberts	Aug-05	R 55.15	R 45.84	-16.89%	R 15,426,368,512.00	R 1,053,505,940	10.00%	6.83%
45	Medi-Clinic	Oct-05	R 16.01	R 25.43	58.84%	R 14,400,120,832.00	R 691,310,823	8.00%	4.80%
46	Imperial Holdings Limited (1)	Apr-05	R 87.32	R 88.02	0.80%	R 20,830,414,848.00	(R 683,700,624)	7.25%	-3.28%
47	Old Mutual	May-05	R 14.44	R 13.09	-9.37%	R 72,729,788,416.00	R 804,485,592	2.83%	1.11%
48	Nedbank	May-05	R 76.07	R 123.53	62.38%	R 61,843,681,280.00	R 2,994,665,149	5.35%	4.84%
49	Sasol (Employee Trust)	Sep-07	R 300.18	R 297.00	-1.06%	R 199,096,778,752.00	(R 2,632,691,463)	4.00%	-1.32%
50	Sasol (Inzalo)	Sep-07	R 300.18	R 297.00	-1.06%	R 199,096,778,752.00	(R 951,365,678)	1.50%	-0.48%
51	Woolworths	May-07	R 20.77	R 17.48	-15.84%	R 14,854,604,800.00	(R 691,003,011)	10.00%	-4.65%

5. CHAPTER 5: CONCLUSION

5.1. Summary overview of the study

This research analysed the net equity interest value of BEE funding using selected transactions from 1 January 2002 to 31 December 2009 using available data, existing research and discussions with market experts to determine whether NEV and announced BEE equity transfer conform to each other. In order to understand Black Economic Empowerment in South Africa and its progress, the origin and evolution of BEE from the narrow based approach to Broad Based Black Equity Empowerment has been discussed. The following section will discuss the conclusion and recommendation based on the literature review and results.

Out of the 1349 transactions announced between 1 January 2000 to 31 December 2009, 1298 transactions were eliminated. These transactions were eliminated because

- Transactions unlisted
- Transaction was never concluded
- Current value of the transaction is unknown
- Transaction was restructured
- Empowerment was a result of a sale of asset
- Companies involved delisted from the JSE
- Companies were suspended from the JSE and
- Research focused on equity stake greater than 5%

Chapter 1 discussed the background to the study, followed by the problem statement and the research objectives.

Chapter 2 looked at the literature review and presented the origin, definition and evolution of BEE in South Africa. The chapter also looked at the three different phases of BEE and discussed the intention and shortcomings of each phase with the third phase leading to Broad Based Black Economic Empowerment.

Black empowerment during the first wave of BEE was based exclusively on ownership contribution. Black people received "ownership"; although often without any form of control, the downturn in the market revealed that BEE based entirely on ownership were not a sustainable approach and the need for a more broad based approach.

The chapter discussed risk attached to BEE and looked at systematic risk and company specific risk. The code of good practice is discussed in detail as it is used to assist and advise both the public and private sectors in their implementation of the Broad-Based BEE Act. The chapter discussed the ownership scorecard and the elements of the scorecard to explain how the points are allocated to the different categories.

The chapter further looks at the components of unencumbered Black shareholdings and how each component affects the NEV. Dividend payments, interest rates and share price appreciation critical to the implementation of a successful BEE transaction.

Chapter 3 focused on the research design and methodology used in the research with an accompanying example to illustrate how NEV was derived for each of the selected transaction.

Chapter four presents the results of the research obtained from empirical investigation conducted on the question of Black shareholding NEV and shows that announced BEE transfer and NEV differ. Netcare BEE transaction was the only transaction that reflected a NEV greater than or equal to the announced value and the intended transfer of equity.

5.2. Shortcomings of the study

Numerous shortcomings were identified whilst conducting the research. Information and the structuring behind the BEE transaction was required to conduct an accurate NEV for each BEE deal. Private companies are not required by law to disclose their yearend financials to the public and to that end unlisted transactions were excluded from the research.

The interest rate margin at which transactions are funded are often kept confidential by the funding institution which makes finding the rate at which the transaction was funded difficult, hence a single interest rate margin was used for the interest calculation of each transaction.

5.3. Key Finding

In the past few years, the South African markets have been dominated by BEE transactions with most companies either initiating a BEE transaction, or being a beneficiary to one. Government initiated policy to transfer at least 25% of equity to Black people within a certain timeframe (according to the industry charter) has proved to be more challenging than initially thought. These targets have pressure on the transformation process, resulting in much inefficiency, such as complex structures that are not effective that fail to transfer the intended net equity shareholding to the Black participants.

The question that needed to be answered was whether the announced equity transfer at any point is equal or greater than the NEV BEE shareholdings. Chapter 3 of this research showed that, of the investigated BEE transactions concluded from 1 January 2000 to 31 December 2009, only one transaction, namely the Netcare transaction NEV BEE shareholding of the BEE participants was equal or greater than the announced equity transfer.

Most BEE transactions depended on three important components in order to achieve the intended NEV namely, the level of interest rates, and the dividend payments of the empowered company and the share price appreciation of the empowered company.

When funding is used to structure the transaction, dividend payments are the only components under the direct control of the company whilst market forces control the other two. Hence the state of the economy plays a critical role in the success of the BEE transaction as evident in the failure of the first phase of BEE. It is evident from chapter 3 that NEV is not met when funding is used for the empowerment transaction.

5.4. Further Research

Further research can be conducted on the NEV of the listed transaction post 31 December 2009 to ascertain whether NEV has changed due to the changing economic environment, taking into consideration

- Changes in interest rates
- Changes in corporate dividend policies
- Structuring methodology used to structure or restructure the transaction and
- Appreciation or depreciation in the share price

Further research can also be done looking at the efficient deal structuring and mechanisms, which will lead to NEV and announced BEE to be equal.

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Annexure 1: Results

Company	Transaction (Sens announcements)	Results of Transaction as at 31 Dec 2009
<p>Bidvest Group Limited ("Bidvest")</p> <p><i>Annexure 2.1</i></p>	<p>9 Jul 2003: Bidvest announced a major empowerment initiative in which Bidvest initiated the introduction of a 15% Black Economic Empowerment shareholding by Dinatla for a total consideration of R2.1 billion</p>	<ul style="list-style-type: none"> • Loan of R2.1 billion • Total interest incurred between Jul 03 to the 31 Dec 09 amounted to R624.2 million • dividend received during the same period was R651.8 million • dividend payment over the period was greater than interest payment by R27.5 million • Total roll up as a percentage of original loan was only 1% as a result of higher dividends payments • Share price increased by 258%, increasing the equity value of Dinatla to R5.8 billion from R2.1 billion • NEV amounted to 7.91%, but although this is less than the intended equity transfer of 15%, value in the transaction is maximised as the dividend is suffice to cover the interest and amortise the principal
<p>Mvelaphanda Resources Limited ("Mvela Resources")</p> <p><i>Annexure 2.2</i></p>	<p>12 Feb 2004: Mvela Resources acquired the entire issued share capital of and loan accounts against Khumama Platinum (Proprietary) Limited ("Khumama") from three Black Economic Empowerment consortia whose interests in Khumama are held through Marafe Ea Khumo Bathong (Proprietary) Limited, Newshelf669 (Proprietary) Limited and Majweng Mining and Energy (Proprietary) Limited. The purchase consideration is valued at approximately R313 million</p>	<ul style="list-style-type: none"> • Loan of R313 million • Total interest accrued between Feb 09 to the 31 Dec 09 amounted to R200.5 million • There was no dividend payment during the period of the transaction leaving the principal to rolled up to the amount of the interest • total roll up amounts to R513.4 million, a 64% appreciation • On 31st December 09, no equity has actually been gained from the transaction and value loss amounted to R200.5 million, 1.91% of Mvela Resource market cap.
<p>Impala Platinum Holdings Limited "Impala"</p> <p><i>Annexure 2.3</i></p>	<p>21 Apr 04: Implats announced the sale of its indirectly held 83.2% stake in Barplats to the Salene Platinum Consortium. The asset was eventually acquired by Eastern Platinum Limited in Mar 2007</p>	<ul style="list-style-type: none"> • Loan of R389 million (assume Eastern Plats issued shares for the purchase of the asset). Share price of Eastern Plat at 21st Apr 09 was at R16.04 per share translating to the issue to 24.2 million shares • Total interest incurred between Apr 04 to the 31 Dec 09 amounts to R274.4 million • There was no dividend payment during the period of the transaction hence the principal rolled up by the amount of the interest • Total roll up as a percentage of original loan amounted to 70.5% due to interest roll up • Value of R774.6 million was lost at the 31st Dec 09, which is equivalent to

		16.7% of Eastern Platinum market cap
Vukile Property Fund Limited “Vukile” <i>Annexure 2.4</i>	<p>8 Sep 04: Vukile’s unit holders were advised that the fund submitted written notice to the board of directors of MICC of its intention to make a conditional offer to the unit holders of MICC to acquire all their linked units.</p> <p>The offer consideration was 12 Vukile linked units for every 10 MICC linked units held. Based on Vukile’s listing price of 500 cents per linked unit, which price was not dissimilar to Vukile’s market price at that time. The implied value of the offer is 600 cents per MICC linked unit.</p>	<ul style="list-style-type: none"> • Total purchase consideration was R361.8 million • The total units outstanding for MICC were 60.3 million at a unit price of R6.00. • Vukile’s unit price was R5.00 so in order for Vukile to meet the purchase consideration, they had to issue 72.4 million units at a price of R5.00 • Total interest incurred amounts to R149.1 million with total dividends at R319.1 million, a surplus dividends payment over interest of R170 million • The surplus dividends help amortise the principal by 47% to R191.8 million from the original purchase consideration at 31st Dec 2009. • the unit price of Vukile’s fund appreciated by 114.88% between Aug 04 to Dec 09 to R10.70 helping unlock more value in the transaction • at 31st Dec 09, the value of Vukile’s issued units amounted to R780.1 million, <ul style="list-style-type: none"> ◦ if one assumes that the units were placed with a financial institution or a third party funder, the upside in the transaction will amount to R588.2 million (been value of the placed units of R780 million less the outstanding loan balance of R191.8 million). This represents 18.43% of Vukile’s market cap. • Value in the transaction increased by 63%
Sekunjalo Investments Limited “Sekunjalo” <i>Annexure 2.5</i>	<p>31 Jan 05: Sekunjalo acquired 81.56% of the entire issued Capital of Synergy (‘the acquisition’). The majority of the Synergy shares to be acquired (88%) were held by Dale Investments Limited and JLP Properties.</p> <p>The consideration for the acquisition is R19 574 400. The consideration will be settled through the issue of 30 114 462 Sekunjalo shares at R0.65 per ordinary share.</p>	<ul style="list-style-type: none"> • Amount raised from the issue of shares was R19.6 million • Total interest incurred between inception of deal to the 31 Dec 09 amounts to R10.9 million • There was no dividend payment during the period of the transaction hence the principal rolled up by the amount of the interest • Total roll up as a percentage of the original loan amounted to 56% due to interest roll up • Share price increased by 1% during the period with the net effect of the interest roll up resulting in a R10.87 million worth of value being lost, equivalent to 5.58% of Sekunjalo market cap • 31st December 09, no upside had actually been gained from the transaction.
Nampak Limited “Nampak” <i>Annexure 2.6</i>	<p>18 Aug 05: Nampak announce its had concluded a 10% Black Economic Empowerment (‘BEE’) transaction pursuant to which approximately:</p> <ul style="list-style-type: none"> • 5% of the issued share capital of Nampak will be owned by Nampak employees; and • 5% will be owned by BEE groups comprising a broad base of 	<ul style="list-style-type: none"> • Amount raised from the issue of preference shares was R279.1 million • Total interest incurred between Aug 05 to the 31 Dec 09 was R77.3 million • dividend payment over the same period was R254.6, R177.3 million greater than interest payment • The surplus dividends help amortise the principal by 64% to R101.8 million from the original preference share investment of R279.1 million at 31st Dec

	<p>Black people.</p> <p>The proposed BEE transaction had a value of approximately R980.97 million with average share price of R15.13. Due to the fact that Nampak holds significant offshore assets, the transaction represents approximately 12% of the value of Nampak's South African operations.</p> <p>Nampak issued to Red Coral a new class of share (preferred ordinary share) equivalent to 5% of Nampak's net shares in issue which will entitle Red Coral to fixed and preferential dividends for a period of approximately 5 years. Approximately 58% of the preferred ordinary shares will be issued to Red Coral at R15.13.</p> <p>Approximately 42% of the preferred ordinary shares will be issued at their par value through a structure whereby Nampak shareholders effectively provide Red Coral with 10 year facilitation. These enable Red Coral to procure the majority of its total funding requirement from third party financiers. The primary purpose of the preferred ordinary shares is to provide certainty to the BEE groups and third party financiers as to the dividend available to service the funding.</p>	<p>2009</p> <ul style="list-style-type: none"> • Share price of Nampak increased by 398.9% during the period which added additional value to the transaction, • The value of Red Coral equity stake in Nampak at 31st Dec 09 was R482.6 million compared with outstanding preference share of R101.8 million • This resulted in a NEV of 3.81% • Although there is value in the transaction, the NEV still falls short of the 5% initially announced at the inception of the deal
<p>Simmer and Jack Mines Limited "Simmers" Annexure 2.7</p>	<p>31 Jan 05: Jaganda (Pty) Ltd ("Jaganda"), a BEE company, on completion of the rights offer, owned 50,9% of the issued share capital of Simmers.</p> <p>The shareholders of Jaganda are a BEE Company, owning 51%, and a consortium of Simmers management owning 49% of Jaganda. JCI subscribed for 5-year redeemable preference shares in Jaganda in the amount of R89, 3 million, the proceeds of which subscription was used by Jaganda to acquire the shares in Simmer. A consortium of Simmers management will subscribe for 5-year redeemable preference shares in Jaganda in the amount of R5 million, the proceeds of which subscription was used by Jaganda to acquire the in Simmers. Jaganda subscribed for 377 374 000 Simmers shares in the amount of R94, 3 million.</p>	<ul style="list-style-type: none"> • Amount raised from the issue of preference shares was R94.3 million, which was used to acquire 337.3 million shares in Simmer • Total interest accrued between Jan 05 to the 31 Dec 09 was 52.1 million • There was no dividend payment during the period under review and the hence the principal rolled up by the amount of the interest • The outstanding amount on the preference share at 31st Dec 09 was R146 million, in a 55% appreciation on the original preference share investment. • Share price of Simmers increased by 614.6% The value of equity stake of Jaganda in Simmers at 31st Dec 09 was R605.6 million compared with outstanding preference share of R146.4 million • NEV in the transaction was at 23.26% compared with the announced 50.9% at the inception of the deal • There is still some value in the transaction as the value of the shares has increased.

<p>Netcare Limited “Netcare”</p> <p>Annexure 2.8</p>	<p>1 Jul 05: Netcare announced its Health Partners for Life (‘HPFL’) initiative, a strategy to effect broad-based Black economic participation and transformation within the Netcare Group. On implementation of the equity ownership component of the Health Partners for Life transaction, a broad grouping of predominantly Historically Disadvantaged Individuals (‘HDI’s’) will acquire 160 million Netcare shares equal to approximately 10% of the equity in Netcare, an acquisition valued at almost R1 billion.</p>	<ul style="list-style-type: none"> • Amount raised from the issue of preference shares was R1 billion • Total interest incurred between Jul 05 to the 31 Dec 09 was R438.4 million • Dividend payment over the period was R193.6 million compared with interest of R438.4 million. • Dividend payments was R244.8 million less than interest payment, which lead to a 24% appreciation in the total preference share investment Netcare’s share price appreciated by 56.17% to R13.2 in Dec 09 which resulted in HPFL’s stake in Netcare at R2.12 billion • NEV in the transaction was 4.42% on the 31st Dec 09 • Yet again although there is value in the transaction, the NEV still falls short of the announced value of 10%
<p>Group Five Limited “Group Five” Transaction 1</p> <p>Annexure 2.9</p>	<p>10 Aug 05: Group Five commenced its Black Economic Empowerment ownership initiative that introduced Black people into the shareholding structure of the Company.</p> <p>Key highlights of the BEE Transaction</p> <ul style="list-style-type: none"> • Resultant direct Black ownership of 26.1% of Group Five with immediate voting and economic rights; • A consortium formed of two broad-based empowerment entities, namely, the iLima Consortium and Mvelaphanda Group Ltd (‘Mvelaphanda’) - iLimaMvela Consortium (‘iLimaMvela’); • Introduction of new BEE ownership entrant, namely, the iLima Consortium, a 100% Black owned consortium; • iLima Mvela will hold 21.6% (20.95 million shares) and Black Management (current and future) and broad-based employees(collectively ‘Employee Schemes’) will hold 4.5%; and <p>Proposed structure of the BEE Transaction</p> <p>The owners of the shares issued are:</p> <ul style="list-style-type: none"> • iLima Consortium 10.8%; • Mvelaphanda 10.8%; 	<p>The iLima Mvela transaction was financed through an internal funding mechanism but we will assume the same funding parameters outlined in the methodology will apply.</p> <ul style="list-style-type: none"> • Loan of R336 million • Total interest accrued between the Aug 05 to the 31st Dec 09 amounts to R165.1 million • There was no dividend payment during the period of the transaction leaving the principal rolled up by the amount of the interest • Total roll up as a percentage of original loan amounted to 49.13% Group Five share price increased by 120% during this period, resulting in iLima Mvela stake in the company increasing to R790 million. • This resulted in an NEV of 1.74% at year end December 09, compare with the initial 26.1% announced.
<p>Group Five Limited “Group Five” Transaction 2</p> <p>Annexure 2.10</p>	<p>Proposed structure of the BEE Transaction</p> <p>The owners of the shares issued are:</p> <ul style="list-style-type: none"> • iLima Consortium 10.8%; • Mvelaphanda 10.8%; 	<p>The Black Management Scheme announced BEE holding in Group Five was 4.5%. Group Five provided the Trust with a loan to enable the Black Management Trust to subscribe for Group Five shares. Annual interest on the loan will equate to the lesser of dividends received on the Group Five shares and the prime overdraft rate per annum. Since no dividend was paid by Group Five during the period under review, the effective interest paid on the loan was zero.</p> <ul style="list-style-type: none"> • Total loan R60.8 million • Since no dividend or interest was paid during this time, the outstanding

		<p>balance on the loan remained at R60.8 million</p> <ul style="list-style-type: none"> • The NEV depends purely on the appreciation of Group Five shares, which appreciated by 120% to R37.70 per share • On the 31st Dec 09, the scheme share value was R142.9 million, an appreciation of 135%. • The NEV of the scheme at 31st Dec 09 was 1.77%, 2.73% less than the announced equity transfer of 4.5%
<p>Onelogix Group Limited “Onelogix”</p> <p>Annexure 2.11</p>	<p>30 Aug 05: Onelogix Group has reached an agreement with Izingwe Capital (Proprietary) Limited (“Izingwe”) regarding proposals to advance broad based Black economic empowerment and transformation within the group OneLogix Group facilitated the acquisition of 25% of the group’s wholly owned operating subsidiary, OneLogix (Proprietary) Limited (‘OneLogix’), by a consortium led by Izingwe Capital and including Black employees of the group.</p> <p>The acquisition was structured to vest in the consortium from the outset the full economic benefit of and voting rights in respect of 25% of the issued shares of OneLogix, on an unencumbered basis. The consortium undertook to retain its shareholding for an extended period. Ultimately, the consortium’s shareholding in OneLogix will convert into listed shares in OneLogix Group.</p> <p>Izingwe and the trust will subscribe at par for so many shares in OneLogix as, after the subscription, constitute 20% and 5% respectively of the issued shares of OneLogix. In addition, Izingwe subscribed at par for one ‘A’ ordinary share in OneLogix, with the result that the consortium will hold more than 25% of all voting rights and 25% of the economic benefit of ordinary shares in Onelogix.</p>	<ul style="list-style-type: none"> • Total loan of R65 million was used to acquire 25% of the group’s wholly owned operating subsidiary, OneLogix (Proprietary) Limited. This is to convert into OneLogix listed shares after 8 years • There was no dividend payment during the period of the transaction leaving the principal to rolled up by the amount of the interest • Total interest accrued for the period under review amounted to R51.1 million resulting in a 78% appreciation in the original loan of R65 million • Market cap of OneLogix on the 31st Dec 2009 was R98.8 million. Izingwe 25% holding was valued at R24.7 million. • The outstanding balance on the loan was R116.1 million, leaving the BEE Company R91.4 million out the money on the transaction. • Value loss was equivalent to 92.56% of Onelogix market cap as of 31st Dec 09 • The lost value in the transaction was mainly a result of the lack of dividends payments and the depreciation in the equity value of OneLogix
<p>Comair Limited “Comair”</p> <p>Annexure 2.12</p>	<p>25 Jul 06: Comair entered into a Black economic empowerment transaction pursuant to which shares equivalent to approximately 15% of Comair’s post transaction issued share capital was be issued to an empowerment consortium led by Thelo Aviation Investments (Proprietary) Limited (“Thelo Aviation Investments”), Pursuant to the BEE Transaction, Thelo Aviation Investments has</p>	<p>In this structure we assumed that the purchased of the additional shares by Thelo Aviation Investments was secured through loan financing making the total purchase consideration for the BEE equity stake R73 million</p> <ul style="list-style-type: none"> • Loan of R73 million. • Total interest incurred between Jul 06 to the 31 Dec 09 amounts to R27.2 million

	<p>agreed to purchase an additional 6 172 550 Comair ordinary shares ("Ordinary Shares") for cash from certain shareholders. This resulted in Thelo Aviation Investments and the empowerment consortium holding in aggregate approximately 16.1% of Comair's issued share capital post the BEE Transaction.</p>	<ul style="list-style-type: none"> • There was no dividend payment during the period of the transaction hence the principal rolled up by the amount of the interest, leaving the outstanding loan at R100.2 million from the original loan of R73 million • Total roll up as a percentage of original loan amounted to 37% due to interest roll up • Share price increased by 112.2% to R2.9 per share, increasing the stake of Thelo Investment by 12.1% to R221.4 million. • The increase in Thelo Investment equity stake was not substantial enough (given no dividend payments) and NEV at 31st Dec 09 was 9.6%, still lower than the announced equity transfer of 16.1%.
<p>Afrocentric Investment Corporation Limited "Afrocentric" Annexure 2.13</p>	<p>23 Jun 06: On 20 December 2005 control of AfroCentric changed when Messrs Meyer Kahn (Chairman of SABMiller plc) and Michael (Motty) Sacks (Chairman of Netcare Limited) purchased 80% of the issued share capital. Their purpose was to reconstitute AfroCentric which was then a cash shell as a broad-based Black empowered diversified investment holding company that would actively participate in the economic transformation presently occurring in South Africa</p>	<ul style="list-style-type: none"> • Preference share issue of R15 million and a rights offer of R84.6 million • Assuming the preference shares are not redeemed at the 31st Dec 09 • Interest on preference share accrues over the term of the preference as no dividend payments are made to cover the interest. • Interest accrued on the preference shares amount to R6.1 million as at 31st Dec 09. • Total Balance outstanding on the preference share investment on the 31st Dec 09 was R21.21 million, a 40% increase on the original preference share investment. • Value created in the transaction amounted to R42.82 million on the 31st Dec 09, a 58% increase from June 06. • With a market cap of R461.8 million at 31st Dec 09, the equity stake in the transaction represent 9.2% of AfroCentric market cap.
<p>Capitec Bank Holdings Limited "Capitec" Annexure 2.14</p>	<p>15 Dec 06: Capitec agreed, subject to shareholder approval, to issue 10 million shares in the ordinary share capital of Capitec at 3 000 cents per share to a consortium of Black companies, trusts and Black individuals ("the specific issue"). In terms of the subscription agreement between Capitec, Coral and Ash Brook, Coral will subscribe for 10 million ordinary shares thereby obtaining an interest of 12.21% in Capitec. The Industrial Development Corporation of South Africa Limited ("IDC") has agreed to finance R285 million of the subscription price of the specific issue through subscription for preference shares to be issued by Coral. Capitec Bank will subscribe for preference shares to the value of R15 million to be issued by Ash</p>	<ul style="list-style-type: none"> • Amount raised from the issue of preference shares was R300 million being both the IDC and Capitec preference share investment • Total interest incurred during the period under review amounted to R123.2 million • Dividend payment over the same period was R40.9 million, R82 million less than the interest incurred • Short fall in dividend payments lead to a 27% appreciation in the total preference share investment to R382 million. • Capitec share price appreciated by 136.6% to R75.5 per share on the 31st Dec 09 which resulted in the BEE consortium stake in Capitec of R755 million against the preference share liability of R382.2 million • NEV in the transaction at 31st Dec 09 was 5.70%, which is less than the

	Brook in return for a 5% stake in Ash Brook being issued to the Capitec Bank Share Empowerment Trust.	12.21% intended equity transfer
Zaptronix Limited "Zaptronix" Annexure 2.15	31 Mar 06: Zaptronix entered into a transaction with Royal Bafokeng Capital (Proprietary) Ltd ("RBC") resulting in 30% of the existing issued ordinary share capital in the Company being owned by RBC. The BEE transaction is being facilitated by Strider by the transfer 113 795 700 Zaptronix ordinary shares to RBC at a price of 16 cents per share. As part of the BEE transaction, Zaptronix granted RBC the right to subscribe in future for a maximum of 113 795 700 new Zaptronix shares at 16 cents per share.	The 31 st Mar 09, the share price of Zaptronix was 3 cents, with a strike price of 16 cents, RBC will allow the option to expire out the money and the conversion will never occur leaving Zaptronix unempowered.
Basil Read Holdings Limited "Basil Read" Annexure 2.16	22 Mar 07: Basil Read announced that the company, through its wholly owned subsidiary, has reached agreement with Blasting & Excavating (Proprietary) Limited ("the vendor") to acquire all the share in and claims on loan account against all the subsidiaries of the vendor ("the businesses") for a consideration of R100 million. The acquisition includes the exclusive right to the proprietary name "Blasting & Excavating" and any derivative thereof available to the vendor. The consideration of R100 million was settled as follows: <ul style="list-style-type: none"> • An initial cash payment of R70 million payable on the effective date; and • the balance will be payable in three instalments of R10 million each over three years subject to the business meeting profit targets set in respect of each completed financial year. The executives of the businesses will also receive a performance bonus in terms of performance contracts covering the next three years. The acquisition will be funded by the private placement of 2.5 million Basil Read Holdings Limited shares and the balance from available cash and bank facilities.	<ul style="list-style-type: none"> • The structure assumes that: <ul style="list-style-type: none"> ○ R65.1 million will be raised through private placement for the transaction (2.5 million shares at R26.02 per share) ○ R4.95 million will be paid for through existing cash resources and ○ the resultant R20 million will be raised through a loan (R10 million paid over a 3 year period starting from Jul 07) • Dividend received will be used to pay off the interest portion of the loan with the principal been paid as a bullet at maturity • Interest accrued on the loan at 31st Dec 09 amounted to R4.1 million • Dividend payment for the same period amounted to R2.7 million, a R1.45 million deficit. • Deficit in interest payments caused the initial loan to appreciate to R21.5 million • Share price of Basil Read at 31st Dec 09 was R12.87, 50.54% depreciation on the issue price. • The transaction, as of 31st Dec 09 was out-the-money by R34.26 million, been: <ul style="list-style-type: none"> ○ The appreciation in the loan of R1.4 million ○ Lost in share value of R32.8 million and • R34.26 million worth of value was destroyed by 31st Dec 09 the by the BEE transaction. • Lost in value amounted to 2.13% of Basil Read market cap as of 31st Dec 09

<p>Simeka BSG Limited "Simeka"</p> <p><i>Annexure 2.17</i></p>	<p>20 Aug 07: Simeka BSG concluded an agreement for the acquisition of 91,24% of the issued share capital of Premium Ideas ("the PI acquisition") for a purchase consideration of up to R135, 163,150.00.</p> <p>The purchase consideration for Premium Ideas is a maximum of R135,163,150.00 to be settled as follows:</p> <ul style="list-style-type: none"> • within 30 days of the transaction becoming unconditional <ul style="list-style-type: none"> - R40,000,000.00 in cash - R33,989,284.00 to be paid by the issue of 19,989,706 Simeka BSG shares at a price of R1,70 per share; within 30 days of the approval of the audited financials of Premium Ideas for the financial year ended 30 June 2008, subject to the under mentioned terms: <ul style="list-style-type: none"> - a maximum of R27,978,568 in cash; - a maximum of R33,989,284 to be paid by the issue of 19,530,676 Simeka BSG shares at a price of R1,70 per share; 	<ul style="list-style-type: none"> • R67.1 million will be raised through the issue of shares for the transaction <ul style="list-style-type: none"> ○ Jun 07: 19.9 million shares @ R1.70 per share ○ Jun 08: 19.5 million shares @ R1.70 per share • R67.9 million will be finance by a loan • Dividend received will be used to pay off the interest portion of the loan with the principal been paid as a bullet at maturity • Interest accrued on the loan at 31st Dec 09 amounted to R17.4 million and since dividend no was paid during the period under review, the loan amount rolled up by the amount of the interest to R85 million. • Share price of Simeka BSG at 31st Dec 09 was 22 cents, 85.3% depreciation on the issue price. • The transaction, as of 31st Dec 09 was out-the-money by R75.7 million, been: <ul style="list-style-type: none"> ○ R17.3 million in loan appreciation ○ Lost in share value of R58.4 million, • R75.7 million worth of value was lost by 31st Dec 09 due to the implementation of the BEE transaction, equivalent to 563% of Simeka's market cap as of 31st Dec 09
<p>Northam Platinum Limited "Northam"</p> <p><i>Annexure 2.18</i></p>	<p>4 Sep 07: Mvela Resources acquired Anglo Platinum's 50% interest in Booyendal and its entire 22.4% interest in Northam for R4 billion; in cash and Northam will acquire 100% of Booyendal from Mvela Resources in exchange for 125 million new Northam ordinary shares to be issued to Mvela Resources.</p> <p>On implementation of the Transaction, Mvela Resources will own approximately 63.4% of the issued share capital of Northam, which, in turn, will own 100% of Booyendal, including full control of the smelting, refining and marketing of its production.</p>	<p>This transaction assumes all the funding necessary for the acquisition of the Mvela Resource stake will be finance through Mvela Resource issuing preference share investment</p> <ul style="list-style-type: none"> • Amount raised from the issue of preference shares was R4 billion • Total interest incurred between Sep 07 to the 31 Dec 09 was R896.8 million • Dividend payment over the period was R386.8 million resulting in an interest deficit of R386.8. • Interest deficit rolled up, which resulted in the appreciation of the preference share obligation to R4.4 billion. • Northam share price was R48.22 in Dec 09, a 13.2% increase. • Increase in share price increased Mvela Resource equity capital in Northam to R6 billion • On implementation of the transaction, Mvela Resource shareholding was to

<p>Eastern Platinum Limited "Eastern Platinum" <i>Annexure 2.19</i></p>	<p>18 Jun 07: Eastern Platinum Limited (the "Company") announced that it has completed the acquisition of 42.3% of the shares of Gubevu Consortium Investment Holdings (Proprietary) Limited ("Gubevu"), which company holds 26% of the shares of Barplats Investments Ltd. The purchase price was R43 million. In addition, the Company settled certain fees and expenses of Gubevu totalling R21, 600,000. In conjunction with the purchase of the Gubevu shares, the Company also acquired certain loans of Gubevu and Barplats from third party lenders in consideration of payments totalling US\$37,500,000, representing the principal and interest owing on such loans together with related fees and expenses.</p>	<p>hold 63.4% in Northam but their effective NEV holding is actually 9.47%</p> <p>Assuming the total purchase consideration was funded through a loan secured by shares in Eastern Platinum</p> <ul style="list-style-type: none"> • Total purchase consideration of R332.7 million comprise of <ul style="list-style-type: none"> ○ Purchase price of R43 million ○ Fee and Expenses (capitalised) R21.6 million ○ Loans, at the R/\$ exchange rate of 7.15 on the 18 Jun 07, of R268.2 million • Interest accrued on the loan at the 31st Dec 09 amounted to R91.8 million and since dividend no was paid during the period under review, the loan amount rolled up to the amount of the interest. • Share price of Eastern Platinum as at 31st Dec 09 was R6.75, a depreciation of 57.95%. • The transaction, as of 31st Dec 09 was out-the-money by R284 million, been: <ul style="list-style-type: none"> ○ R91 million appreciation on the outstanding loan ○ Lost in share value of R192.8 million, less • R284 million worth of value was lost on the 31st Dec 09 by the implementation of the BEE transaction, which is equivalent to 6.16% of the company's market cap at 31st Dec 09
<p>Ansys Limited "Ansys" <i>Annexure 2.20</i></p>	<p>9 Jan 07: Ansys entered into an agreement to purchase with effect from 1 December 2007, all the issued share capital in and claims on loan account in Optocon from the vendors. The purchase consideration is a maximum of R 14.5 million subject to the conditions defined below. The purchase price is payable as follows: Initial Payment</p> <ul style="list-style-type: none"> • An amount of R 2 500 000 in cash within 7 days from the acquisition becoming unconditional. <p>Additional payments</p> <ul style="list-style-type: none"> • The second payment will be 125 000 Ansys shares for each R1 million profit after tax achieved for the year 	<p>Net profit target was not met on the 28 Feb 09 (Ansys Limited AFS for year ended 29 Feb 09: 22). Optocon made a loss of R416 000</p> <ul style="list-style-type: none"> • Total loan of R6.5 million will be raised by Ansys, this consists of: <ul style="list-style-type: none"> ○ R2.5 million initial cash outlay ○ R4 million recapitalisation shareholders loan • No additional payment was made since Optocon fail to meet the profit target • There was no dividend payment during the period of the transaction and the principal rolled up by the amount of the interest, leaving the outstanding loan balance at R7.94 million Total roll up as a percentage of the original loan was 22% • On the 31st Dec 09, there was a value loss in the BEE transaction of R1.4 million being the interest roll up on the loan, equivalent to 2.2% of Ansys

	<p>ending 28 February 2009, subject to a maximum of 2 million shares. This payment will be settled by the issue of Ansys ordinary shares at 300 cents per ordinary share.</p> <ul style="list-style-type: none"> The third payment will be 125 000 Ansys shares for each R 1 million profit after tax achieved for the year ending 28 February 2010, subject to a maximum of 2 million shares. This payment will be settled by the issue of Ansys ordinary shares at 300 cents per ordinary share. <p>Ansys will recapitalise Optocon with an R 4 million shareholders loan for the upgrading of equipment and for use as working capital.</p>	<p>market cap</p>
<p>Vunani Limited “Vunani”</p> <p><i>Annexure 2.21</i></p>	<p>14 Apr 08: Vunani entered into an agreement with two partnerships comprising the Wessel van der Merwe, Esna Colyn, Henk Engelbrecht, Stef Greeff, Martha van der Westhuizen, Marion Degener, Stephen Barnett, Kim Van Es and Cindy Van Der Knaap (collectively "the vendors") in respect of the acquisition of certain business relationships, existing mandates, contracts and the transfer of a team of JSE Limited ("JSE") Approved Executives and senior management ("certain assets"), previously associated with SME Corporate Solutions (Proprietary) Limited ("Corporate Solutions" or "Corporate Solutions Assets") and inter alia, Exchange Sponsors (Proprietary) Limited ("Exchange Sponsors"), for a maximum purchase consideration of R90 750 000 ("the acquisition").</p> <p>The maximum purchase consideration payable to the vendors for the Corporate Solutions assets is R90.75 million which will be discharged as follows:</p> <ul style="list-style-type: none"> - R12 million in cash; - R57.25 million by way of the issue and allotment of 57 250 000 Vunani ordinary shares at an issue price of R1.00 (one Rand) per ordinary share, being the market price at the time that the transactions were agreed upon; <p>and</p>	<p>Net profit target was not met on the 28 Feb 09 (Reviewed Condensed Consolidated Financial Results for the year ended 31 December 2008: 1). Vunani made a loss of R758 million so no additional share were issued on the 31 Dec 09</p> <ul style="list-style-type: none"> Total purchase consideration of R69.3 million will be raised by Vunani, being: <ul style="list-style-type: none"> o R12 million - initial cash outlay o R57.3 million – share issue Interest payment amounted to R2.2 million There was no dividend payment during the period of the transaction and the principal rolled up by the amount of the interest, leaving the outstanding loan balance at R14.2 million Total roll up as a percentage of original loan amounted to 18.3% Share price of Eastern Platinum as at 31st Dec 09 was 10 cents, a depreciation of 87.3%. On the 31st Dec 09, there was a value loss in the BEE transaction of R51.6 million, made up of: <ul style="list-style-type: none"> o Loan appreciation of R2.2 million o Loss in share value of R49.4 million

	<p>- R21.5 million, which is dependent upon a warranted audited profit after taxation of R19.5 million ("warranted PAT") being achieved for the year ending 31 December 2008, by way of the issue and allotment of 21 500 000 Vunani ordinary shares at an issue price of R1.00 (one Rand) per ordinary share, being the market price at the time that the transactions were agreed upon. This portion of the purchase consideration will be adjusted on a pro rata basis in the event that the warranted PAT is not met.</p> <p>The vendors will become shareholders in Vunani subsequent to the acquisition. The ordinary shares to be issued by Vunani to the vendors will be "locked up" for a period of three years from the effective date.</p>	
<p>Ansys Limited "Ansys"</p> <p><i>Annexure 2.22</i></p>	<p>30 Jan 08: Ansys entered into an agreement, subject to the fulfilment of the conditions precedent to purchase with effect from 1 December 2007, all the issued share capital in and claims on loan account in Quadsoft from the vendors.</p> <p>The purchase consideration is a maximum of R 16.75 million subject to the conditions defined below.</p> <p>The purchase price is payable as follows: Initial Payment</p> <ul style="list-style-type: none"> • An amount of R 3 381 750 in cash on 31 January 2008. <p>Additional payments</p> <ul style="list-style-type: none"> • The second and third payments are based on profit performance for the years ending 28 February 2008 and 28 February 2009. The amounts are payable 50% in cash and 50% by the issue of Ansys ordinary shares at an issue price of 300 cents per share. 	<p>Net profit target was met on the 28 Feb 09 (Ansys Limited AFS for year ended 29 Feb 09: 22). Quadsoft made a profit of R661 000</p> <ul style="list-style-type: none"> • Purchase consideration of R16.75 million was funded by: <ul style="list-style-type: none"> ○ Initial loan of R3.8 million ○ Additional loan of R3.42 in 28 Feb 08 and 28 Feb 09. . ○ Issue of shares to the amount R6.7 million • Interest payment amounted to R1.69 million • There was no dividend payment during the period of the transaction and the principal rolled up by the amount of the interest, leaving the outstanding loan balance at R11.76 million. • Total roll up as a percentage of original loan amounted to 247%% • Share price of Ansys at 31st Dec 09 was 46 cents, a depreciation of 81.3%. • On the 31st Dec 09, there was a value loss in the BEE transaction of R7.4 million made up of: <ul style="list-style-type: none"> ○ Loan appreciation of R1.69 million ○ Loss in share value of R5.659 million
<p>Simeka Business Solution Group Limited "Simeka"</p> <p><i>Annexure 2.23</i></p>	<p>15 Apr 08: With reference to the companies `cautionary announcements dated 31 March 2008, River Group announced that the SUHL board has received a firm intention to make an offer from SIMEKA for the acquisition of 100% of SUHL`s issued shares for a purchase consideration of up to 150 million SIMEKA shares ("consideration price") on the</p>	<p>Value of Simeka transaction on the 15th Apr 09 amounted to R133.5 million,</p> <ul style="list-style-type: none"> • Share price at 15 Apr 08 was 89 cents per share • Total max shares issued was 150 million <p>At 31st Dec 09:</p> <ul style="list-style-type: none"> • Share price of Simeka was 22 cents per share resulting in value lost of

	<p>terms set out below.</p> <p>SIMEKA made an offer, subject to the conditions precedent to all the shareholders of SUHL (the "Offerees") to acquire all of their ordinary shares in the issued share capital of SUHL (the "SUHL Shares"), free from all encumbrances and together with all rights attaching thereto (the "Offer").</p>	R100.5 million.
<p>Aquarius Platinum Limited ("Aquarius Platinum")</p> <p><i>Annexure 2.24</i></p>	<p>27 Oct 08: Aquarius Platinum Limited (Aquarius) announced it has completed the final phase of its South African Black Economic Empowerment (BEE) transaction with the Savannah Consortium (SavCon). SavCon will exchange, as originally envisaged and agreed, its 32.5% shareholding in Aquarius' principle South African operating subsidiary, Aquarius Platinum (South Africa) (Proprietary) Limited (AQPSA), into 65,042,856 new shares in AQP, comprising approximately 20% of the enlarged share capital of Aquarius</p>	<ul style="list-style-type: none"> • Savannah 20% shareholding in Aquarius Platinum at the inception of the transaction amounted to R1.7 billion • In Dec 09, the value of the shareholding had increased to R3.1 billion, a R1.42 million appreciation. • Savannah's value of the appreciated shares are equivalent to 6.43% of Aquarius Platinum market cap compared with the original exchange of 20% equity
<p>Telkom SA Limited "Telkom"</p> <p><i>Annexure 2.25</i></p>	<p>10 Nov 08: Acquisition of MWEB Africa and majority equity stake in MWEB Namibia Telkom International (Proprietary) Limited, a wholly-owned subsidiary of Telkom, today announced it has entered into agreements to acquire 100% of MWEB Africa Limited ("MWEB Africa") and 75% of MWEB Namibia (Proprietary) Limited. The purchase price for the MWEB Africa group including AFSAT and MWEB Namibia is US\$63 million (approximately R610 million). These shareholdings acquired from Multichoice Africa Limited and MIH Holdings Limited respectively, which are members of the Naspers Limited Group.</p>	<p>Assuming Telkom on the 10 Nov 08 issued shares for the purchased of the MWEB Africa and MWEB Namibia stake</p> <ul style="list-style-type: none"> • With a share price at R30.67 per share in Nov 08, the total number of shares to be issued was 19.9 million • At the 31st Dec 09, the shared price for Telkom had increase by 15.43% to R35 per share increasing the valued of the issued shares to R704 million, a R94.1 million increase in value. • Increase in value of the share amounts to 0.48% of Telkom

<p>Gold Fields Limited “Gold Fields”</p> <p><i>Annexure 26</i></p>	<p>17 Mar 09: Gold Fields Limited (Gold Fields) announced that, in terms of the R4.1 billion Black Economic Empowerment transaction approved by shareholders of Gold Fields on 8 March 2004, and which reached maturity on the 17 Mar 09, Mvelaphanda Resources (Mvela Resources) took receipt, through its wholly owned subsidiary Mvelaphanda Gold (Proprietary) Limited ("Mvela Gold"), of its 15% shareholding in GFI Mining South Africa (Proprietary) Limited ("GFIMSA"), a subsidiary of Gold Fields which owns and operates the South African gold mining assets of Gold Fields ("the GFIMSA Shares").</p> <p>Immediately upon receipt of the GFIMSA Shares, Mvela Gold exercised its right to require the exchange of the GFIMSA Shares for 50 million new ordinary shares in the issued share capital of Gold Fields Limited.</p> <p>Gold Fields therefore issued 50 million new ordinary Gold Fields Limited shares, listed on the JSE Limited, to Mvela Gold in exchange for the GFIMSA shares, which represents a 15% equity stake in the South African gold mining assets of Gold Fields. This brings the total number of listed Gold Fields shares to 703,839,976.</p> <p>Pursuant to the above transactions, Mvela Gold now owns approximately 7% of the listed shares of Gold Fields Limited, and Gold Fields again owns 100% of GFIMSA</p>	<p>It is assumed that Mvela Gold issued preference shares to fund the acquisition of the 50 million Gold field shares to raise the total purchase consideration of R4.1 billion</p> <ul style="list-style-type: none"> • Total interest incurred between Mar 09 to 31st Dec 09 was R229.5 million • Dividend payment over the same period was R40 million compared with interest of R229.5 million. • Dividend payments was R189.5 million less than interest payment, which lead to a 2.14% appreciation in the total preference share investment to R4.19 billion. • Gold Fields share price depreciated by 13.68% to R97.24 in Dec 09 hence Mvela Gold's stake in Gold Fields at this date was R4.86 billion • With a total preference investment of R4.2 billion, NEV of Mvela Gold's BEE holding in Gold Fields amounted to 0.98%. • Yet again although there is value in the transaction of R674.1 million, the NEV is less than the 15% initial BEE holding announced by the company
<p>Grindrod Limited “Grindrod”</p> <p><i>Annexure 27</i></p>	<p>23 Feb 09: Grindrod concluded a R274 million Broad Based Black Economic Empowerment transaction resulting in the sale of 25% plus 1 share of its subsidiary, Grindrod (South Africa) (Pty) Ltd ("GSA") to Calulo Petrochemicals (Pty) Ltd ("Calulo") (15%) and Adopt-a-School Foundation ("AAS" or "the Foundation") (10%) by way of the issue of new equity for a total consideration of R274 million. The BBEE partners' shares in GSA will be subject to the normal restrictions on alienation and encumbrance for a period of ten years from the commencement date of 1 January</p>	<p>The Calulo Petrochemicals transaction was financed through an internal funding preference share structure but we will assume the same funding parameters outlined in the methodology will apply.</p> <ul style="list-style-type: none"> • Preference share investment of R164.4 million been 60% of the total BEE transaction value; • Total interest accrued from Feb 09 to the 31st Dec 09 amounted to R9.8 million • Dividend payment over the same period was R68.1 million. A surplus of R58.2 million • Surplus in the dividend payment resulted in the depreciation of the preference

	2009 ("lock-in period").	<p>share investment by 35.5% to R106 million</p> <ul style="list-style-type: none"> • Share price of Grindrod appreciated to R17.79 per share, resulting in an appreciation of Calulo's stake to R1 billion • Total value in the transaction amounted to R900.3 million with Calulo BEE Holding NEV at 10.22% compared to the intended transfer of 15%. <p>The Adopt-a-School transaction was also financed through an internal funding preference share structure and we will also assume that funding parameters outlined in the methodology will apply.</p> <ul style="list-style-type: none"> • Total consideration of R109.6 million, made up of <ul style="list-style-type: none"> ○ Preference share investment of R99.6 million been 400% of the total BEE transaction value; ○ Interest free loan of R10 million • Total interest accrued from the Feb 09 to the 31st Dec 09 amounted to R5.8 million • Dividend payment over the same period was R44.4 million. A surplus of R39.6 million • Surplus in the dividend payment resulted in the depreciation of the preference share investment by 29.75% to R69.9 million (this includes interest free loan of R10 million) • Share price of Grindrod appreciated to R17.79 per share, resulting in an appreciation of Calulo's stake to R670.9 million • Total value in the transaction amounted to R600 million with AAS BEE Holding NEV of 7.29% compared to the intended transfer of 10%.
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<p>Adcock Holdings “Adcock Ingram”</p> <p><i>Annexure 28</i></p>	<p>24 Nov 09: DETAILED CAUTIONARY ANNOUNCEMENT RELATING TO THE PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION (THE "TRANSACTION") TO BE UNDERTAKEN BY ADCOCK</p> <ul style="list-style-type: none"> - R1.3 billion BEE transaction - Broad-based inclusive transaction - Adcock's South African Black employees and selected strategic partners - R93.75 million equity contributed by strategic partners - 10 year transaction term for strategic partners - 7 year transaction term for qualifying employees - 5% entry discount - 9.5% fixed notional vendor finance rate - Dividend reinvestment requirement on fixed percentage of dividends received <table border="1" data-bbox="403 710 1176 965"> <thead> <tr> <th>BEE Participant</th> <th>Number of Shares</th> <th>% Adcock Value</th> <th>Market Value</th> </tr> </thead> <tbody> <tr> <td>Kagiso Health</td> <td>14.3 million</td> <td>7.15%</td> <td>R726.5 million</td> </tr> <tr> <td>Kurisani</td> <td>5.2 million</td> <td>2.60%</td> <td>R264.2 million</td> </tr> <tr> <td>Employee Trust</td> <td>6.5 million</td> <td>3.25%</td> <td>R330.2 million</td> </tr> <tr> <td>Total</td> <td>26 million</td> <td>13%</td> <td>R1.320 billion</td> </tr> </tbody> </table>	BEE Participant	Number of Shares	% Adcock Value	Market Value	Kagiso Health	14.3 million	7.15%	R726.5 million	Kurisani	5.2 million	2.60%	R264.2 million	Employee Trust	6.5 million	3.25%	R330.2 million	Total	26 million	13%	R1.320 billion	<p>We assume both the Strategic partners, being Kagiso Trust (Proprietary) Limited ("KTI") and Kurisani, equity contribution will be paid in cash and will be proportionate to the amount of their holdings in Adcock Ingram.</p> <p>The structures of the Strategic partners' transactions are similar so we expect to get the same result for the NEV therefore we will focus on the Kagiso Trust Investment and the Employee Share Trust transaction.</p> <p>Kagiso Trust:</p> <ul style="list-style-type: none"> • Preference share issue of R666.5 million, being <ul style="list-style-type: none"> ○ the R726.5 million consideration price less ○ the equity contribution of R60 million • Interest on the preference shares accrued over the period as no dividend was paid by the company during the same period • Interest accrued on the preference shares amount to R5.99 million as at 31st Dec 09. • Total balance outstanding on the preference share investment on the 31st Dec 09 is R732.3 million, a 0.8% increase on the original preference share investment. • Kagiso Trust equity stake in Adcock Ingram amounted to R773.6 million on the 31st Dec 09, • NEV of Kagiso Investment Trust was 0.0044% compared to the initial 7.15% announced
BEE Participant	Number of Shares	% Adcock Value	Market Value																			
Kagiso Health	14.3 million	7.15%	R726.5 million																			
Kurisani	5.2 million	2.60%	R264.2 million																			
Employee Trust	6.5 million	3.25%	R330.2 million																			
Total	26 million	13%	R1.320 billion																			
		<p>Employee Share Trust:</p> <ul style="list-style-type: none"> • Preference share issue of R330.2 million • Interest on preference share accrues over the term of the preference shares as no dividend payments are made to cover the interest. • Interest accrued on the preference shares amount to R3.2 million as at 31st Dec 09. • Total balance outstanding on the preference share investment on the 31st Dec 09 is R333.4 million, a 0.8% increase on the original preference share investment. • The Employee Share Trust equity stake in Adcock Ingram amounted to 																				

		<p>R351.7 million on the 31st Dec 09 NEV of the Employee share Trust was 0.00194%, compared to the initial 7.15% announced</p>
<p>The Spar Group Limited "Spar"</p> <p><i>Annexure 29</i></p>	<p>16 Jul 09: Spar announced its proposed broad-based Black economic empowerment ("BBBEE") scheme ("the Scheme"). The Scheme resulted in certain full-time employees of Spar ("the Spar Employees") and its member retailers' employees ("the Retailer Employees") holding an effective 10% of the total issued share capital of Spar. Spar created two trusts for each of the Spar Employees and the Retailer Employees, being The Spar BBBEE Employee Trust and The Spar BBBEE Retailer Employee Trust ("the Trusts").</p> <p>On the fifth business day after the fulfilment of the conditions precedent the Trusts will subscribe for, and Spar will issue to them, a total of 18 911 349 convertible, redeemable preference shares ("Scheme Shares") at a par value of 0.06 cents per share in order to implement the Scheme. At the Subscription Date the Scheme Shares will represent 10% of the issued share capital of Spar after the implementation of the Scheme.</p> <p>On the 7th anniversary of the Subscription Date ("Vesting Date"), the Notional Loan attached to each Scheme Share shall be deemed to have been increased by notional interest deemed to have accrued on the Notional Loan for the duration of the Scheme (calculated at a rate of 80% of the prime interest rate) and decreased by notional dividends deemed to have been earned on the Scheme Shares (being the aggregate of all dividends actually declared and paid by Spar per Spar ordinary share to its shareholders for the duration of the Scheme)</p>	<p>Spar Employee Trust</p> <ul style="list-style-type: none"> • Notional loan of R400 million. • Total interest incurred between inception of deal to the 31 Dec 09 amounts to R13.5 million • Dividend payment over the same period was R15.1 million. A surplus of R1.6 million • Surplus in the dividend payment resulted in the depreciation of the notional loan by 0.41%% to R398.4 million • Share price increased by 28.98% to R71 per share, increasing the stake of The Employee Share Trust in Spar to R537.4 million, a 34% increase • NEV of the Employee Share Trust was 1.15% on the 31 Dec 09, significantly lower than the 4% announced <p>Spar Retailer Employee Trust</p> <ul style="list-style-type: none"> • Notional loan of R600 million. • Total interest incurred between inception of deal to the 31 Dec 09 amounts to R20.2 million • Dividend payment over the same period was R22.7 million. A surplus of R2.5 million • Surplus in the dividend payment resulted in the depreciation of the notional loan by 0.41%% to R597.5 million • Share price increased by 28.98% to R71 per share, increasing the stake of The Retailer Share Trust in Spar to R537.4 million, a 34% increase • NEV of the Employee Share Trust was 1.72% on the 31 Dec 09, significantly lower than the 6% announced

ANNEXURE 2

Annexure 2.1

Company Name	Bidvest Group
BEE Parties	Dinatla
Lock in period	5 years post 16 October 2006

Workings

Loan value	R 2,100,000,000.00
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AMORTISATION

Dividend history

Date	Dividend	Amount
Apr-07	199.67	R 89,851,500.00
Sep-07	250.50	R 112,725,000.00
May-08	218.00	R 98,100,000.00
Jun-08	272.30	R 122,535,000.00
Oct-08	218.00	R 98,100,000.00
Mar-09	99.90	R 44,955,000.00
Mar-09	190.00	R 85,500,000.00

Amortisation Table

Period	Interest	Payments	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Oct-06			R 2,100,000,000		
Apr-07	R 94,241,096	R 89,851,500	R 2,104,389,596	R 4,389,596	R 4,389,596
Sep-07	R 89,314,042	R 112,725,000	R 2,080,978,638	(R 23,410,958)	(R 19,021,362)
Oct-07	R 17,959,131	0	R 2,098,937,769	R 17,959,131	(R 1,062,231)
Apr-08	R 118,388,716	0	R 2,217,326,485	R 118,388,716	R 117,326,485
May-08	R 20,502,676	R 98,100,000.00	R 2,139,729,161	(R 77,597,324)	R 39,729,161
Jun-08	R 21,126,162	R 122,535,000.00	R 2,038,320,322	(R 101,408,838)	(R 61,679,678)
Oct-08	R 83,141,668	R 98,100,000.00	R 2,023,361,990	(R 14,958,332)	(R 76,638,010)
Mar-09	R 81,613,553	R 130,455,000.00	R 1,974,520,544	(R 48,841,447)	(R 125,479,456)
Apr-09	R 16,350,653	0	R 2,039,712,643	R 65,192,100	(R 60,287,357)
Oct-09	R 80,533,723	0	R 2,120,246,366	R 80,533,723	R 20,246,366
Dec-09	R 1,059,901	0	R 2,121,306,267	R 1,059,901	R 21,306,267

1.0146%

	Interest	Dividends	Surplus / (Deficit)
Total	R 624,231,320.47	R 651,766,500.00	R 27,535,179.53

Equity

Share Price (31/12/2009)	R 126
Number of shares	45,000,000
Equity value	R 5,673,496,500
Loan depreciation / (appreciation)	(R 21,306,267.31)
Increase / (decrease) in asset value	R 3,573,496,500.00
Value created / (loss)	R 3,573,496,500.00
Market Cap (31-Dec-09)	R 44,907,626,496
BEE Holding NEV	7.96%

Annexure 2.2

Company Name	Mvelaphanda
BEE Parties	Marafe Ea Khumo Bathong
Lock in period	None
Workings	
Loan value	R 313,000,000.00

AMORTISATION

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total Roll up / (depreciation)
Feb-04			R 313,000,000.00		
Aug-04	R 12,875,876.71	R 0.00	R 325,875,876.71	R 12,875,876.71	R 12,875,876.71
Feb-05	R 13,552,865.23	R 0.00	R 339,428,741.94	R 13,552,865.23	R 26,428,741.94
Aug-05	R 13,255,157.34	R 0.00	R 352,683,899.28	R 13,255,157.34	R 39,683,899.28
Feb-06	R 14,001,067.67	R 0.00	R 366,684,966.96	R 14,001,067.67	R 53,684,966.96
Aug-06	R 15,683,316.96	R 0.00	R 382,368,283.92	R 15,683,316.96	R 69,368,283.92
Feb-07	R 18,070,829.86	R 0.00	R 400,439,113.77	R 18,070,829.86	R 87,439,113.77
Aug-07	R 20,105,609.07	R 0.00	R 420,544,722.84	R 20,105,609.07	R 107,544,722.84
Feb-08	R 23,055,068.23	R 0.00	R 443,599,791.07	R 23,055,068.23	R 130,599,791.07
Aug-08	R 25,713,596.11	R 0.00	R 469,313,387.18	R 25,713,596.11	R 156,313,387.18
Feb-09	R 24,841,464.77	R 0.00	R 494,154,851.95	R 24,841,464.77	R 181,154,851.95
Aug-09	R 19,297,423.89	R 0.00	R 513,452,275.84	R 19,297,423.89	R 200,452,275.84

64%

	Interest	Dividends	Surplus / (Deficit)
Total	R 200,452,275.84	R 0.00	(R 200,452,275.84)

Equity value

Share Price (31/12/2009)	R 27.09
Number of shares	12,460,191.08
	R 337,546,576.43
Loan depreciation / (appreciation)	(R 200,452,275.84)
Increase / (decrease) in asset value	R 24,546,576.43
Value created / (loss)	(R 175,905,699.41)
Market Cap (31-Dec-09)	R 10,490,900,480.00
BEE Holding NEV	-1.68%

Annexure 2.3

Company Name **Impala**

BEE Parties **Salene Platinum Consortium
(eventually sold to Eastern
Plat)**

Lock in period

Workings

Loan value **R 389,000,000.00**

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Mar-04			R 389,000,000.00		
Sep-04	R 16,178,136.99	R 0.00	R 405,178,136.99	R 16,178,136.99	R 16,178,136.99
Mar-05	R 15,822,761.29	R 0.00	R 421,000,898.27	R 15,822,761.29	R 32,000,898.27
Sep-05	R 17,509,023.66	R 0.00	R 438,509,921.93	R 17,509,023.66	R 49,509,921.93
Mar-06	R 18,755,309.64	R 0.00	R 457,265,231.57	R 18,755,309.64	R 68,265,231.57
Sep-06	R 20,746,060.92	R 0.00	R 478,011,292.49	R 20,746,060.92	R 89,011,292.49
Mar-07	R 22,222,614.03	R 0.00	R 500,233,906.52	R 22,222,614.03	R 111,233,906.52
Sep-07	R 24,586,839.13	R 0.00	R 524,820,745.65	R 24,586,839.13	R 135,820,745.65
Mar-08	R 26,496,258.33	R 0.00	R 551,317,003.98	R 26,496,258.33	R 162,317,003.98
Sep-08	R 29,182,039.77	R 0.00	R 580,499,043.75	R 29,182,039.77	R 191,499,043.75
Mar-09	R 31,305,200.14	R 0.00	R 611,804,243.90	R 31,305,200.14	R 222,804,243.90
Sep-09	R 34,696,843.42	R 0.00	R 646,501,087.32	R 34,696,843.42	R 257,501,087.32
Dec-09	R 16,884,305.79	R 0.00	R 663,385,393.11	R 16,884,305.79	R 274,385,393.11

71%

	Interest	Dividends	Surplus / (Deficit)
Total	R 274,385,393.11	R 0.00	(R 274,385,393.11)

Equity value

Share Price (31/12/2009) **R 6.75**

Number of shares **24,161,490.68**

163,090,062.11

Loan depreciation /
(appreciation) **(R 274,385,393.11)**

Increase / (decrease) in asset
value **(R 500,295,331.00)**

Value created / (loss) **(R 774,680,724.11)**

Market Cap (31-Dec-09) **R 4,622,744,064.00**

BEE Holding NEV **-16.76%**

Annexure 2.4

Company Name **Vukile Property Fund Limited**

BEE Parties **MICC Property Fund**

Lock in period **None**

Workings

Amount raised	R 361,829,706.66
Number of units	60,304,951.11
Unit price	R 6.00
Vukile Unit Price	R 5.00
Number of units to be issued by Vukile to cover the purchase consideration	72,365,941.33

AMORTISATION

Dividend History

Date	Dividend (cents)	Amount
Dec-04	30.00	21,709,782.40
Jun-05	31.50	22,795,271.52
Dec-05	31.50	22,795,271.52
Jun-06	36.00	26,051,738.88
Dec-06	37.75	27,318,142.85
Jun-07	41.00	29,670,035.95
Dec-07	40.25	29,127,291.39
Jun-08	48.00	34,735,651.84
Dec-08	44.10	31,913,380.13
Jun-09	53.80	38,932,876.44
Dec-09	47.00	34,011,992.43

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Aug-04			R 361,829,706.66		
Dec-04	R 9,323,310.66	R 21,709,782.40	R 349,443,234.92	(R 12,386,471.74)	(R 12,386,471.74)
Feb-05	R 5,528,862.14	R 0.00	R 354,972,097.06	R 5,528,862.14	(R 6,857,609.60)
Jun-05	R 8,577,681.91	R 22,795,271.52	R 340,754,507.45	(R 14,217,589.61)	(R 21,075,199.21)
Aug-05	R 5,072,807.68	R 0.00	R 345,827,315.13	R 5,072,807.68	R 16,002,391.53
Dec-05	R 8,505,930.74	R 22,795,271.52	R 331,537,974.36	(R 14,289,340.78)	R 30,291,732.30
Feb-06	R 5,007,131.74	R 0.00	R 336,545,106.10	R 5,007,131.74	R 25,284,600.56
Jun-06	R 8,519,662.41	R 26,051,738.88	R 319,013,029.63	(R 17,532,076.47)	R 42,816,677.03
Aug-06	R 5,201,441.90	R 0.00	R 324,214,471.53	R 5,201,441.90	R 37,615,235.13
Dec-06	R 9,493,266.20	R 27,318,142.85	R 306,389,594.88	(R 17,824,876.65)	R 55,440,111.78
Feb-07	R 5,508,717.03	R 0.00	R 311,898,311.91	R 5,508,717.03	R 49,931,394.75
Jun-07	R 9,331,313.88	R 29,670,035.95	R 291,559,589.84	(R 20,338,722.07)	R 70,270,116.82
Aug-07	R 5,580,570.37	R 0.00	R 297,140,160.21	R 5,580,570.37	R 64,689,546.45
Dec-07	R 10,092,589.41	R 29,127,291.39	R 278,105,458.24	(R 19,034,701.97)	R 83,724,248.42
Feb-08	R 5,800,213.15	R 0.00	R 283,905,671.39	R 5,800,213.15	R 77,924,035.27
Jun-08	R 10,217,687.33	R 34,735,651.84	R 259,387,706.88	(R 24,517,964.51)	R 102,441,999.78
Aug-08	R 5,700,311.35	R 0.00	R 265,088,018.23	R 5,700,311.35	R 96,741,688.43
Dec-08	R 9,314,394.07	R 31,913,380.13	R 242,489,032.17	(R 22,598,986.06)	R 119,340,674.49
Feb-09	R 4,882,998.32	R 0.00	R 247,372,030.49	R 4,882,998.32	R 114,457,676.17
Jun-09	R 8,824,065.31	R 38,932,876.44	R 217,263,219.36	(R 30,108,811.13)	R 144,566,487.30
Aug-09	R 3,234,394.57	R 0.00	R 220,497,613.93	R 3,234,394.57	R 141,332,092.73
Dec-09	R 5,343,782.33	R 34,011,992.43	R 191,829,403.84	(R 28,668,210.09)	R 170,000,302.82

-46.98%

	Interest	Dividends	Surplus / (Deficit)
Total	R 149,061,132.51	R 319,061,435.33	R 170,000,302.82

Equity value

Share Price (31/12/2009)	R 10.78
Number of shares	72,365,941.33
	R 780,104,847.56

Loan depreciation / (appreciation) R 170,000,302.82

Value created / (loss) in units R 588,275,443.72 63%

Market Cap (31-Dec-09) R 3,191,949,312.00

BEE Holding NEV **18.43%**

Annexure 2.5

Company Name **Sekunjalo
Investment
Holdings Limited**

BEE Parties **Dale Investment
Limited**

Lock in period None

Workings

Amount raised	R 19,574,400.00
Issue of Shares	30,114,462.00
Price per share	R 0.65

AMORTISATION

Dividend history None

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jan-05			R 19,574,400.00		
Jul-05	R 764,407.13	R 0.00	R 20,338,807.13	R 764,407.13	R 764,407.13
Jan-06	R 807,422.78	R 0.00	R 21,146,229.92	R 807,422.78	R 1,571,829.92
Jul-06	R 865,112.54	R 0.00	R 22,011,342.46	R 865,112.54	R 2,436,942.46
Jan-07	R 1,040,262.08	R 0.00	R 23,051,604.53	R 1,040,262.08	R 3,477,204.53
Jul-07	R 1,114,529.29	R 0.00	R 24,166,133.82	R 1,114,529.29	R 4,591,733.82
Jan-08	R 1,324,833.80	R 0.00	R 25,490,967.63	R 1,324,833.80	R 5,916,567.63
Jul-08	R 1,477,603.14	R 0.00	R 26,968,570.77	R 1,477,603.14	R 7,394,170.77
Jan-09	R 1,529,450.45	R 0.00	R 28,498,021.22	R 1,529,450.45	R 8,923,621.22
Jul-09	R 1,165,881.38	R 0.00	R 29,663,902.60	R 1,165,881.38	R 10,089,502.60
Dec-09	R 787,210.89	R 0.00	R 30,451,113.49	R 787,210.89	R 10,876,713.49

56%

	Interest	Dividends	Surplus / (Deficit)
Total	R 10,876,713.49	R 0.00	(R 10,876,713.49)

Equity value

Share Price (31/12/2009)	R 0.72
Number of shares	30,114,462.00
	R 21,682,412.64

Loan depreciation /
(appreciation) **(R 10,876,713)**

Increase / (decrease) in
asset value R 2,108,013

Value created / (loss) **(R 8,768,701)**

Market cap (31 Dec 09) R 157,228,640.00

Value loss **(R 8,768,701)**

BEE Holding NEV **-5.58%**

Annexure 2.7

Company Name	Simmer and Jack Mines Limited
BEE Parties	Jaganda (Pty) Ltd
Lock in period	None
Workings	
Loan value	R 94,300,000.00

AMORTISATION

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Feb-05			R 94,300,000.00		
Aug-05	R 3,682,544.18		R 97,982,544.18	R 3,682,544.18	R 3,682,544.18
Feb-06	R 3,889,772.78		R 101,872,316.96	R 3,889,772.78	R 7,572,316.96
Aug-06	R 4,357,134.82		R 106,229,451.78	R 4,357,134.82	R 11,929,451.78
Feb-07	R 5,020,432.99		R 111,249,884.77	R 5,020,432.99	R 16,949,884.77
Aug-07	R 5,585,734.80		R 116,835,619.57	R 5,585,734.80	R 22,535,619.57
Feb-08	R 6,405,152.73		R 123,240,772.30	R 6,405,152.73	R 28,940,772.30
Aug-08	R 7,143,744.22		R 130,384,516.52	R 7,143,744.22	R 36,084,516.52
Feb-09	R 6,901,448.93		R 137,285,965.45	R 6,901,448.93	R 42,985,965.45
Aug-09	R 5,361,205.01		R 142,647,170.46	R 5,361,205.01	R 48,347,170.46
Dec-09	R 3,754,747.10		R 146,401,917.56	R 3,754,747.10	R 52,101,917.56

55.25%

	Interest	Dividends	Surplus / (Deficit)
Total	R 52,101,917.56	R 0.00	(R 52,101,917.56)

Equity value

Share Price (31/12/2009)	R 1.80
Number of shares	337,374,000.00
	R 605,586,330.00
Loan depreciation / (appreciation)	(R 52,101,917.56)
Increase / (decrease) in asset value	R 511,286,330.00
Value created / (loss)	R 459,184,412.44
Market Cap (31-Dec-09)	R 2,198,372,352.00
BEE Holding NEV	23.26%

Annexure 2.9.1

Company Name	Group Five Ltd
BEE Parties	iLimaMvela Consortium
Lock in period	None
Workings	
Loan value	R 336,045,858.00
AMORTISATION	
Dividend history	None

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Aug-05			R 336,045,858.00		
Feb-06	R 13,340,560.23		R 349,386,418.23	R 13,340,560.23	R 13,340,560.23
Aug-06	R 14,943,448.55		R 364,329,866.78	R 14,943,448.55	R 28,284,008.78
Feb-07	R 17,218,329.32		R 381,548,196.10	R 17,218,329.32	R 45,502,338.10
Aug-07	R 19,157,116.79		R 400,705,312.89	R 19,157,116.79	R 64,659,454.89
Feb-08	R 21,967,433.73		R 422,672,746.62	R 21,967,433.73	R 86,626,888.62
Aug-08	R 24,500,544.21		R 447,173,290.83	R 24,500,544.21	R 111,127,432.83
Feb-09	R 23,669,556.11		R 470,842,846.93	R 23,669,556.11	R 134,796,988.93
Aug-09	R 18,387,058.16		R 489,229,905.10	R 18,387,058.16	R 153,184,047.10
Dec-09	R 11,927,492.10		R 501,157,397.20	R 11,927,492.10	R 165,111,539.20

49.13%

	Interest	Dividends	Surplus / (Deficit)
Total	R 165,111,539.20	R 0.00	(R 165,111,539.20)

Equity value

Share Price (31/12/2009)	R 37.70
Number of shares	20,957,325
	R 790,091,152.50

Loan depreciation / (appreciation)	(R 165,111,539.20)
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Increase / (decrease) in asset value	R 454,045,294.50
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Value created / (loss)	R 288,933,755.30
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Market Cap - 31 Dec 2009	R 4,629,229,568.00
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BEE Holding NEV	6.24%
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Annexure 2.9.2

Company Name **Group Five Ltd**

BEE Parties **Black Management Scheme**

Lock in period **2 to 4 years**

Workings

Loan value **R 60,789,562.00**

AMORTISATION

Dividend history

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Aug-05			R 60,789,562.00		
Feb-06	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Aug-06	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Feb-07	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Aug-07	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Feb-08	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Aug-08	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Feb-09	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Aug-09	R 0.00		R 60,789,562.00	R 0.00	R 0.00
Dec-09	R 0.00		R 60,789,562.00	R 0.00	R 0.00

0%

	Interest	Dividends	Surplus / (Deficit)
Total	R 0.00	R 0.00	R 0.00

Equity value

Share Price (31/12/2009) R 37.70
 Number of shares 3,791,109
 R 142,924,809.30 2.73%

Loan depreciation / (appreciation) R 0.00

Increase / (decrease) in asset value R 82,135,247.30

Value created / (loss) R 82,135,247.30

Market Cap - 31 Dec 2009 R 4,629,229,568.00

BEE Holding NEV 1.77%

Annexure 2.10

Company Name **Onelogix Group Ltd**

BEE Parties **Izingwe Capital (Pty) Ltd**

Lock in period **Conversion into shares in 8 years**

Workings

Loan value **R 65,000,000.00**

AMORTISATION

Interest rate calculation

Rate **71.00%**
 Margin **2.00%**
 All rate margin **1.42%**

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Aug-05			R 65,000,000.00		
Feb-06	R 3,863,386.30	R 0.00	R 68,863,386.30	R 3,863,386.30	R 3,863,386.30
Aug-06	R 4,412,011.13	R 0.00	R 73,275,397.43	R 4,412,011.13	R 8,275,397.43
Feb-07	R 5,141,885.20	R 0.00	R 78,417,282.63	R 5,141,885.20	R 13,417,282.63
Aug-07	R 5,801,847.67	R 0.00	R 84,219,130.31	R 5,801,847.67	R 19,219,130.31
Feb-08	R 6,758,942.85	R 0.00	R 90,978,073.16	R 6,758,942.85	R 25,978,073.16
Aug-08	R 7,675,658.02	R 0.00	R 98,653,731.17	R 7,675,658.02	R 33,653,731.17
Feb-09	R 7,668,719.41	R 0.00	R 106,322,450.58	R 7,668,719.41	R 41,322,450.58
Aug-09	R 6,284,734.62	R 0.00	R 112,607,185.20	R 6,284,734.62	R 47,607,185.20
Dec-09	R 3,493,599.36	R 0.00	R 116,100,784.55	R 3,493,599.36	R 51,100,784.55

78.62%

Total	Interest R 51,100,784.55	Dividends R 0.00	Surplus / (Deficit) (R 51,100,784.55)
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Equity value

Market Cap (31-Dec-09) **R 98,761,696.00**
 BEE share **25%**
R 24,690,424.00

Loan depreciation / (appreciation) **(R 51,100,784.55)**

Increase / (decrease) in asset value **(R 40,309,576.00)**

Value created / (loss) **(R 91,410,360.55)**

Market Cap - 31 Dec 2009 **R 98,761,696.00**

BEE Holding NEV **-92.56%**

Annexure 9

Company Name **Nampak**
 BEE Parties **Red Carol**
 Lock in period **None**

Workings

Preference share **R 279,102,139.72**

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jan-06	100.00	31,824,645.35
Jul-06	100.00	31,824,645.35
Jan-07	100.00	31,824,645.35
Jul-07	100.00	31,824,645.35
Jan-08	100.00	31,824,645.35
Jul-08	100.00	31,824,645.35
Jan-09	100.00	31,824,645.35
Jul-09	100.00	31,824,645.35

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Aug-05			R 279,102,139.72		
Jan-06	R 8,370,196.70	R 31,824,645.35	R 255,647,691.07	(R 23,454,448.65)	(R 23,454,448.65)
Feb-06	R 2,482,058.92	R 0.00	R 258,129,749.99	R 2,482,058.92	(R 20,972,389.73)
Jul-06	R 7,934,837.79	R 31,824,645.35	R 234,239,942.44	(R 23,889,807.56)	(R 44,862,197.28)
Aug-06	R 2,490,804.87	R 0.00	R 236,730,747.30	R 2,490,804.87	R 42,371,392.42
Jan-07	R 8,451,774.11	R 31,824,645.35	R 213,357,876.07	(R 23,372,871.24)	R 65,744,263.65
Feb-07	R 2,466,037.09	R 0.00	R 215,823,913.16	R 2,466,037.09	R 63,278,226.56
Jul-07	R 7,539,054.50	R 31,824,645.35	R 191,538,322.31	(R 24,285,590.85)	R 87,563,817.41
Aug-07	R 2,390,949.26	R 0.00	R 193,929,271.57	R 2,390,949.26	R 85,172,868.15
Jan-08	R 8,031,461.24	R 31,824,645.35	R 170,136,087.46	(R 23,793,184.11)	R 108,966,052.26
Feb-08	R 2,281,105.42	R 0.00	R 172,417,192.88	R 2,281,105.42	R 106,684,946.84
Jul-08	R 7,523,176.21	R 31,824,645.35	R 148,115,723.74	(R 24,301,469.14)	R 130,986,415.98
Aug-08	R 2,122,822.96	R 0.00	R 150,238,546.70	R 2,122,822.96	R 128,863,593.02
Jan-09	R 6,436,589.79	R 31,824,645.35	R 124,850,491.14	(R 25,388,055.56)	R 154,251,648.58
Feb-09	R 1,616,215.26	R 0.00	R 126,466,706.41	R 1,616,215.26	R 152,635,433.31
Jul-09	R 3,887,551.91	R 31,824,645.35	R 98,529,612.96	(R 27,937,093.44)	R 180,572,526.76
Aug-09	R 956,614.56	R 0.00	R 99,486,227.53	R 956,614.56	R 179,615,912.19
Dec-09	R 2,318,165.38	R 0.00	R 101,804,392.91	R 2,318,165.38	R 177,297,746.81

-63.52%

	Interest	Dividends	Surplus / (Deficit)
Total	R 77,299,415.99	R 254,597,162.80	R 177,297,746.81

Equity value

Share Price (31/12/2009)	15.165
Number of shares	31,824,645.35
	R 482,620,746.73
Loan depreciation / (appreciation)	R 177,297,746.81
Increase / (decrease) in asset value	R 203,518,607.01
Value created / (loss)	R 380,816,353.82
Market Cap (31-Dec-09)	R 9,986,768,896.00
BEE Holding NEV	3.81%

Annexure 10

Company Name	Netcare
BEE Parties	Health Partners for Life
Lock in period	None
Workings	
Loan value	R 1,000,000,000.00

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jan-06	15.00	24,000,000.00
Jul-06	12.00	19,200,000.00
Jan-07	15.00	24,000,000.00
Jul-07	13.00	20,800,000.00
Jan-08	18.00	28,800,000.00
Jul-08	14.00	22,400,000.00
Jan-09	18.00	28,800,000.00
Jul-09	16.00	25,600,000.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Oct-05			R 1,000,000,000.00		
Jan-06	R 19,849,315.07	R 24,000,000.00	R 995,849,315.07	(R 4,150,684.93)	(R 4,150,684.93)
Apr-06	R 19,337,211.02	R 0.00	R 1,015,186,526.08	R 19,337,211.02	R 15,186,526.08
Jul-06	R 20,880,857.11	R 19,200,000.00	R 1,016,867,383.19	R 1,680,857.11	R 16,867,383.19
Oct-06	R 23,067,566.94	R 0.00	R 1,039,934,950.13	R 23,067,566.94	R 39,934,950.13
Jan-07	R 24,573,805.33	R 24,000,000.00	R 1,040,508,755.46	R 573,805.33	R 40,508,755.46
Apr-07	R 24,052,856.50	R 0.00	R 1,064,561,611.96	R 24,052,856.50	R 64,561,611.96
Jul-07	R 25,877,596.99	R 20,800,000.00	R 1,069,639,208.96	R 5,077,596.99	R 69,639,208.96
Oct-07	R 28,308,807.56	R 0.00	R 1,097,948,016.51	R 28,308,807.56	R 97,948,016.51
Jan-08	R 30,095,807.96	R 28,800,000.00	R 1,099,243,824.47	R 1,295,807.96	R 99,243,824.47
Apr-08	R 30,831,530.56	R 0.00	R 1,130,075,355.03	R 30,831,530.56	R 130,075,355.03
Jul-08	R 32,752,834.69	R 22,400,000.00	R 1,140,428,189.72	R 10,352,834.69	R 140,428,189.72
Oct-08	R 32,338,169.22	R 0.00	R 1,172,766,358.94	R 32,338,169.22	R 172,766,358.94
Jan-09	R 33,255,155.66	R 28,800,000.00	R 1,177,221,514.59	R 4,455,155.66	R 177,221,514.59
Apr-09	R 28,301,695.32	R 0.00	R 1,205,523,209.91	R 28,301,695.32	R 205,523,209.91
Jul-09	R 24,795,795.89	R 25,600,000.00	R 1,204,719,005.80	(R 804,204.11)	R 204,719,005.80
Oct-09	R 23,912,847.12	R 0.00	R 1,228,631,852.91	R 23,912,847.12	R 228,631,852.91
Dec-09	R 16,169,973.32	R 0.00	R 1,244,801,826.24	R 16,169,973.32	R 244,801,826.24

24.48%

Total	Interest	Dividends	Surplus / (Deficit)
	R 438,401,826.24	R 193,600,000.00	(R 244,801,826.24)

Equity value

Share Price (31/12/2009)	R 13.22
Number of shares	160,000,000.00
	R 2,115,632,000.00
Loan depreciation / (appreciation)	(R 244,801,826.24)
Increase / (decrease) in asset value	R 1,115,632,000.00
Value created / (loss)	R 870,830,173.76
Market Cap - 31 Dec 2009	R 19,701,675,800.00
BEE Holding NEV	4.42%

Annexure 11

Company Name	Comair
BEE Parties	Thelo Aviation Investments
Lock in period	No dividends
Workings	
Loan value	R 73,000,000.00
AMORTISATION	
Dividend history	None

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jul-06			R 73,000,000.00		
Jan-07	R 3,450,000.00	R 0.00	R 76,450,000.00	R 3,450,000.00	R 3,450,000.00
Jul-07	R 3,696,305.14	R 0.00	R 80,146,305.14	R 3,696,305.14	R 7,146,305.14
Jan-08	R 4,393,774.15	R 0.00	R 84,540,079.29	R 4,393,774.15	R 11,540,079.29
Jul-08	R 4,110,037.55	R 0.00	R 88,650,116.84	R 4,110,037.55	R 15,650,116.84
Jan-09	R 5,027,554.57	R 0.00	R 93,677,671.41	R 5,027,554.57	R 20,677,671.41
Jul-09	R 3,832,443.37	R 0.00	R 97,510,114.78	R 3,832,443.37	R 24,510,114.78
Dec-09	R 2,692,882.07	R 0.00	R 100,202,996.85	R 2,692,882.07	R 27,202,996.85

37.26%

	Interest	Dividends	Surplus / (Deficit)
Total	R 27,202,996.85	R 0.00	(R 27,202,996.85)

Equity value

Share Price (31/12/2009)	R 2.86
Number of shares	74,117,647
	R 211,813,411.60

Share price at inception	R 1.35
Number of purchased shares	6,172,550
Increase / (decrease) value	R 9,326,723.05

Total increase in share value	R 148,140,134.65
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Loan depreciation / (appreciation)	(R 27,202,996.85)
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Increase / (decrease) in asset value	R 148,140,134.65
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Value created / (loss)	R 120,937,137.79
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Market Cap - 31 Dec 2009	R 1,260,000,000.00
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BEE Holding NEV	9.60%
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Annexure 12

Company Name	Afrocentric Investement Corporation
BEE Parties	AfroCentric Empowerment Trust
Lock in period	None

Workings

Raised	R 84,600,000.00
New Shares Issued	84,600,000
Issue Price	R 1.00
Raised	R 15,140,580.00
Preference shares	16,638,000
Issue Price	R 0.91
Loan value	R 15,140,580.00

AMORTISATION

Dividend history	None
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Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jun-06			R 15,140,580.00		
Dec-06	R 711,659.11	R 0.00	R 15,852,239.11	R 711,659.11	R 711,659.11
Jun-07	R 770,679.41	R 0.00	R 16,622,918.52	R 770,679.41	R 1,482,338.52
Dec-07	R 906,347.55	R 0.00	R 17,529,266.07	R 906,347.55	R 2,388,686.07
Jun-08	R 1,021,680.07	R 0.00	R 18,550,946.14	R 1,021,680.07	R 3,410,366.14
Dec-08	R 1,046,349.60	R 0.00	R 19,597,295.74	R 1,046,349.60	R 4,456,715.74
Jun-09	R 806,173.69	R 0.00	R 20,403,469.42	R 806,173.69	R 5,262,889.42
Dec-09	R 805,587.67	R 0.00	R 21,209,057.09	R 805,587.67	R 6,068,477.09

40.08%

Total	Interest R 6,068,477.09	Dividends R 0.00	Surplus / (Deficit) (R 6,068,477.09)
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Equity value

Share Price (31/12/2009)	R 1.58
number of shares	R 84,600,000.00
Value	R 133,490,340.00

Pref depreciation / (appreciation) **(R 6,068,477.09)**

Increase / (decrease) in asset value R 48,890,340.00

Value created / (loss) R 42,821,862.91

Market Cap - 31 Dec 2009 R 461,819,104.00

BEE Holding NEV **9.272%**

Annexure 13

Company Name	Capitec
BEE Parties	Batho-Batho Trust
Lock in period	None

Workings

Preference Share	R 300,000,000
Number of shares issued	10,000,000.00
Price per share	R 30.00

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jun-06	43.90	4,390,000.00
Dec-06	19.50	1,950,000.00
Jun-07	58.50	5,850,000.00
Dec-07	24.40	2,440,000.00
Jun-08	73.15	7,315,000.00
Dec-08	29.30	2,930,000.00
Jun 09	107.30	10,730,000.00
Dec-09	53.60	5,360,000.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Mar-06			R 300,000,000.00		
Jun-06	R 6,238,356.16	R 4,390,000.00	R 301,848,356.16	R 1,848,356.16	R 1,848,356.16
Sep-06	R 6,562,100.56	R 0.00	R 308,410,456.73	R 6,562,100.56	R 8,410,456.73
Dec-06	R 7,208,566.33	R 1,950,000.00	R 313,669,023.06	R 5,258,566.33	R 13,669,023.06
Mar-07	R 7,250,910.64	R 0.00	R 320,919,933.69	R 7,250,910.64	R 20,919,933.69
Jun-07	R 7,886,717.27	R 5,850,000.00	R 322,956,650.97	R 2,036,717.27	R 22,956,650.97
Sep-07	R 7,936,770.30	R 0.00	R 330,893,421.26	R 7,936,770.30	R 30,893,421.26
Dec-07	R 8,971,517.86	R 2,440,000.00	R 337,424,939.13	R 6,531,517.86	R 37,424,939.13
Mar-08	R 9,148,607.00	R 0.00	R 346,573,546.12	R 9,148,607.00	R 46,573,546.12
Jun-08	R 10,155,079.66	R 7,315,000.00	R 349,413,625.78	R 2,840,079.66	R 49,413,625.78
Sep-08	R 10,238,297.88	R 0.00	R 359,651,923.67	R 10,238,297.88	R 59,651,923.67
Dec-08	R 10,087,497.45	R 2,930,000.00	R 366,809,421.12	R 7,157,497.45	R 66,809,421.12
Mar-09	R 8,818,500.47	R 0.00	R 375,627,921.58	R 8,818,500.47	R 75,627,921.58
Jun-09	R 7,811,002.53	R 10,730,000.00	R 372,708,924.12	(R 2,918,997.47)	R 72,708,924.12
Sep-09	R 7,398,016.86	R 0.00	R 380,106,940.98	R 7,398,016.86	R 80,106,940.98
Dec-09	R 7,462,853.06	R 5,360,000.00	R 382,209,794.04	R 2,102,853.06	R 82,209,794.04

27.40%

	Interest	Dividends	Surplus / (Deficit)
Total	R 123,174,794.04	R 40,965,000.00	(R 82,209,794.04)

Equity value

Share Price (31/12/2009)	75.5231
Number of shares	10,000,000.00
	R 755,231,000.00

Loan depreciation / (appreciation)	(R 82,209,794.04)
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Increase / (decrease) in asset value	R 455,231,000.00
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Value created / (loss)	R 373,021,205.96
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Market Cap - 31 Dec 2009	R 6,544,832,512.00
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BEE Holding NEV	5.70%
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Annexure 14

Company Name	ISA
BEE Parties	Viewcrest Trading (Pty) Ltd
Lock in period	None

Workings

Issue price	R 0.35
Number of shares	62,592,593
Loan value	R 22,053,874.22

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jul-06	4.00	R 2,503,703.72
Oct-06	2.00	R 1,251,851.86
Jul-07	5.00	R 3,129,629.65
Aug-08	5.00	R 3,129,629.65
Jul-09	2.50	R 1,564,814.83

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
May-06			R 22,053,874.22		
Jul-06	R 294,102.01	R 2,503,703.72	R 19,844,272.51	(R 2,209,601.71)	(R 2,209,601.71)
Oct-06	R 450,165.96	R 1,251,851.86	R 19,042,586.61	(R 801,685.90)	R 3,011,287.61
Nov-06	R 154,949.27		R 19,197,535.87	R 154,949.27	R 2,856,338.34
May-07	R 892,488.18		R 20,090,024.06	R 892,488.18	R 1,963,850.16
Jul-07	R 316,624.28	R 3,129,629.65	R 17,277,018.69	(R 2,813,005.37)	(R 4,776,855.53)
Nov-07	R 621,262.66		R 17,898,281.35	R 621,262.66	R 4,155,592.87
May-08	R 970,552.69		R 18,868,834.04	R 970,552.69	R 3,185,040.17
Aug-08	R 540,863.50	R 3,129,629.65	R 16,280,067.89	(R 2,588,766.15)	R 5,773,806.33
Nov-08	R 487,398.47		R 16,767,466.36	R 487,398.47	R 5,286,407.86
May-09	R 685,973.13		R 17,453,439.49	R 685,973.13	R 4,600,434.73
Jul-09	R 232,752.37	R 1,564,814.83	R 16,121,377.04	(R 1,332,062.45)	R 5,932,497.18
Nov-09	R 434,780.29		R 16,556,157.33	R 434,780.29	R 5,497,716.89
Dec-09	R 100,017.33		R 16,656,174.66	R 100,017.33	R 5,397,699.56

-24.48%

	Interest	Dividends	Surplus / (Deficit)
Total	R 6,181,930.15	R 11,579,629.71	R 5,397,699.56

Equity value

Share Price (31/12/2009)	R 0.43
Number of shares	62,592,593.00
Share value	R 26,795,889.06
Total loan balance (31/12/09)	R 16,656,174.66
Upside/(Downside) equity value	R 10,139,714
Market Cap - 31 Dec 2009	R 84,740,000.00
BEE Holding NEV	11.97%

Annexure 15

Company Name **Zaptronix**

BEE Parties **Royal Bafokeng Holdings (Pty) Ltd**

Lock in period

Workings

Loan value **R 18,207,312.00**

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Mar-06			R 18,207,312.00		
Sep-06	R 791,643.95	R 0.00	R 18,998,955.95	R 791,643.95	R 791,643.95
Mar-07	R 883,256.26	R 0.00	R 19,882,212.21	R 883,256.26	R 1,674,900.21
Sep-07	R 1,014,809.90	R 0.00	R 20,897,022.11	R 1,014,809.90	R 2,689,710.11
Mar-08	R 1,133,162.49	R 0.00	R 22,030,184.60	R 1,133,162.49	R 3,822,872.60
Sep-08	R 1,291,029.17	R 0.00	R 23,321,213.77	R 1,291,029.17	R 5,113,901.77
Mar-09	R 1,127,564.71	R 0.00	R 24,448,778.49	R 1,127,564.71	R 6,241,466.49
Sep-09	R 970,583.01	R 0.00	R 25,419,361.50	R 970,583.01	R 7,212,049.50
Dec-09	R 340,027.49	R 0.00	R 25,759,388.99	R 340,027.49	R 7,552,076.99

41.48%

	Interest	Dividends	Surplus / (Deficit)
Total	R 7,552,076.99	R 0.00	(R 7,552,076.99)

Equity value

Share Price (31/12/2009) **R 0.03**
 Number of shares **113,795,700.00**
R 3,413,871.00

Strike price of option **R 0.16**

Market Cap - 31 Dec 2009 **R 11,379,568**

BEE Holding NEV **0.00%**

Annexure 16

Company Name	Basil Read Holdings Ltd
BEE Parties	Blasting & Excavating (Pty) Ltd
Lock in period	None
Workings	
Purchase consideration	R 100,000,000
Private Placement	R 65,050,000.00
Price of share placed	R 26.02
Number of shares	2,500,000
Additional loan	R 30,000,000.00
Cash	R 4,950,000.00
Initial payment	R 70,000,000
Additional loan	R 30,000,000
Loan amount	R 10,000,000
instalment	3

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Apr-07	30.00	750,000.00
May-08	50.00	1,250,000.00
May-09	58.00	1,450,000.00

Amortisation Table

Period	Interest	Payment	Additional loan	Closing Balance (depreciation)	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jul-07				R 10,000,000.00		
Jan-08	R 548,219.18	R 0.00		R 10,548,219.18	R 548,219.18	R 548,219.18
May-08	R 334,869.83	R 1,250,000.00		R 9,633,089.01	(R 915,130.17)	(R 366,910.99)
Jul-08	R 265,403.31	R 0.00	R 10,000,000.00	R 19,898,492.32	R 9,350,273.14	R 8,983,362.16
Jan-09	R 1,128,489.84	R 0.00		R 21,026,982.16	R 1,128,489.84	R 10,111,852.00
May-09	R 528,843.00	R 1,450,000.00		R 20,105,825.16	(R 921,157.00)	R 9,190,695.00
Jul-09	R 277,212.51	R 0.00	R 10,000,000.00	R 30,383,037.67	R 10,277,212.51	R 19,467,907.51
Dec-09	R 1,002,952.40	R 0.00		R 31,385,990.07	R 11,280,164.90	R 20,470,859.90

68.24%

Total	Interest R 4,085,990.07	Dividends R 2,700,000.00	Surplus / (Deficit) (R 1,385,990.07)
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Equity value

Share Price (31/12/2009)	R 12.87
Number of shares	2,500,000.00
	R 32,175,000.00
Loan depreciation / (appreciation)	(R 1,385,990.07)
Increase / (decrease) in asset value	(R 32,875,000.00)
Value created / (loss)	(R 34,260,990.07)
Market Cap (31-Dec-09)	R 1,607,067,392.00
BEE Holding NEV	-2.13%

Annexure 17

Company Name **Simeka BSG Ltd**

BEE Parties **Simeka BSG Ltd**

Lock in period **None**

Workings

		Shares	Share Price
Cash (loan - 20/06/07)	R 40,000,000.00		
	R 33,982,500.20	19,989,706	R 1.70
Cash (loan - 20/06/08)	R 27,978,568.00		
	R 33,202,149.20	19,530,676	R 1.70
Total Payment	R 135,163,217.40		
Loan value	R 67,978,568.00		

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Additional	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jun-07				R 40,000,000.00		
Dec-07	R 2,180,958.90	R 0.00		R 42,180,958.90	R 2,180,958.90	R 2,180,958.90
Jun-08	R 2,379,179.43	R 0.00	R 27,978,568.00	R 72,538,706.33	R 30,357,747.43	R 32,538,706.33
Dec-08	R 4,227,863.85	R 0.00		R 76,766,570.18	R 4,227,863.85	R 36,766,570.18
Jun-09	R 4,306,289.11	R 0.00		R 81,072,859.29	R 4,306,289.11	R 41,072,859.29
Dec-09	R 4,267,986.28	R 0.00		R 85,340,845.56	R 4,267,986.28	R 45,340,845.56

66.70%

	Interest	Dividends	Surplus / (Deficit)
Total	R 17,362,277.56	R 0.00	(R 17,362,277.56)

Equity value

Share Price (31/12/2009)	R 0.22
Number of shares	39,987,392.94
	R 8,797,226.45

Value of shares at issue at inception of transaction **R 67,184,649.40**

Loan depreciation / (appreciation) **(R 17,362,277.56)**

Increase / (decrease) in asset value **(R 58,367,422.95)**

Value created / (loss) **(R 75,749,700.52)**

Market Cap (31-Dec-09) **R 13,443,552.00**

NEV of BEE Shareholding **-563.46%**

Annexure 18

Company Name **Northam Platinum**

BEE Parties **Mvelaphanda
Resources Ltd**

Lock in period **None**

Workings

Loan value **R 4,000,000,000.00**

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Feb-07	280.00	350,000,000.00
Aug-07	245.00	306,250,000.00
Mar-08	145.00	181,250,000.00
Sep-08	185.00	231,250,000.00
Mar-09	38.00	47,500,000.00
Sep-09	40.00	50,000,000.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Sep-07			R 4,000,000,000.00		
Mar-08	R 216,934,109.59	R 181,250,000.00	R 4,035,654,109.59	R 35,654,109.59	R 35,654,109.59
Sep-08	R 236,530,387.41	R 231,250,000.00	R 4,040,904,497.00	R 5,250,387.41	R 40,904,497.00
Mar-09	R 195,374,964.69	R 47,500,000.00	R 4,188,779,461.68	R 147,874,964.69	R 188,779,461.68
Sep-09	R 166,238,806.57	R 50,000,000.00	R 4,305,068,268.26	R 116,288,806.57	R 305,068,268.26
Dec-09	R 81,737,323.56		R 4,386,805,591.82	R 81,737,323.56	R 386,805,591.82

9.67%

	Interest	Dividends	Surplus / (Deficit)
Total	R 896,835,591.82	R 510,000,000.00	(R 386,805,591.82)

Equity value

Share Price (31/12/2009) R 48.22
 Number of shares 125,000,000.00
 R 6,026,875,000.00

Loan depreciation / (appreciation) **(R 386,805,591.82)**

Increase / (decrease) in asset value R 2,026,875,000.00

Value created / (loss) R 1,640,069,408.18

Market Cap (31-Dec-09) R 17,312,608,256.00

BEE Holding NEV **9.47%**

Company Name **Simeka BSG Ltd**

BEE Parties **SAB&T Ubuntu
Holings Ltd**

Lock in period **None**

Workings

Value of issued shares (Apr 08) **R 133,500,000.00**

Issue Price **R 0.89**

Max number of share to be issued **150,000,000.00**

Equity value

Share Price (31/12/2009) **R 0.22**

Number of shares **150,000,000.00**
R 33,000,000.00

Increase / (decrease) in asset value **(R 100,500,000.00)**

Value created / (loss) **(R 100,500,000.00)**

Market Cap (31-Dec-09) **R 13,443,552.00**

BEE Holding NEV **-747.57%**

Annexure 20

Company Name **Eastern Platinum Ltd**

BEE Parties **Gubevu Consortium**

Lock in period **None**

Workings

Loan value **R 332,725,000.00**
 Purchase Price R 43,000,000.00 exchange rate 18-Jun07
 Fee and Expenses R 21,600,000.00 7.15
 Loans R 268,125,000.00

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jun-07			R 332,725,000.00		
Dec-07	R 18,141,488.78	R 0.00	R 350,866,488.78	R 18,141,488.78	R 18,141,488.78
Jun-08	R 20,449,988.95	R 0.00	R 371,316,477.73	R 20,449,988.95	R 38,591,477.73
Dec-08	R 20,943,775.30	R 0.00	R 392,260,253.03	R 20,943,775.30	R 59,535,253.03
Jun-09	R 16,136,404.66	R 0.00	R 408,396,657.69	R 16,136,404.66	R 75,671,657.69
Dec-09	R 16,124,674.89	R 0.00	R 424,521,332.57	R 16,124,674.89	R 91,796,332.57
					27.59%
Total	Interest R 91,796,332.57	Dividends R 0.00	Surplus / (Deficit) (R 91,796,332.57)		

Equity value

Share Price (31/12/2009) R 6.75
 Number of shares 20,743,453.00
 R 139,914,590.49

Share price at inception of transaction R 16.04
 Shares required to secure the loan value 20,743,453.87
 value 332,725,000.00

Loan depreciation / (appreciation) **(R 91,796,332.57)**

Increase / (decrease) in asset value **(R 192,810,409.52)**

Value created / (loss) **(R 284,606,742.09)**

Market Cap (31-Dec-09) R 4,622,744,064.00

BEE Holding NEV **-6.16%**

Annexure 21

Company Name	Ansys Ltd
BEE Parties	Quadsoft (Pty) Ltd
Purchase Price	R 16,750,000.00
Total issue of shares	R 6,684,125.00
Total shares to be issued	2,228,041.67
Issue Price	R 3.00
28-Feb-08	
Issue of shares	R 3,342,062.50
Share Issued	1,114,020.83
Issue price	R 3.00
01-Feb-09	
Issue of shares	R 3,342,062.50
Share Issued	1,114,020.83
Issue price	R 3.00
Cash	R 6,684,125.00

Workings

Loan value **R 3,381,750.00**

AMORTISATION

Dividend history None

Amortisation Table

Period	Interest	Additional loan	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jan-08			R 3,381,750.00		
Feb-08	R 28,212.13	R 3,342,062.50	R 6,752,024.63	R 3,370,274.63	R 3,370,274.63
Jul-08	R 258,056.83		R 7,010,081.47	R 258,056.83	R 3,628,331.47
Jan-09	R 410,809.98		R 7,420,891.45	R 410,809.98	R 4,039,141.45
Feb-09	R 70,905.09	R 3,342,062.50	R 10,833,859.04	R 3,412,967.59	R 7,452,109.04
Jul-09	R 467,488.44		R 11,301,347.48	R 467,488.44	R 7,919,597.48
Dec-09	R 461,884.52		R 11,763,232.00	R 461,884.52	R 8,381,482.00

247.84%

	Interest	Dividends	Surplus / (Deficit)
Total	R 1,697,357.00	R 0.00	(R 1,697,357.00)

Equity value

Share Price (31/12/2009)	R 0.46
Number of shares	2,228,041.00
	R 1,024,898.86

Loan depreciation / (appreciation) **(R 1,697,357.00)**

value of shares issued R 6,684,125.00

Increase / (decrease) in share value **(R 5,659,226.14)**

Total value lost or created **(R 7,356,583.14)**

Market Cap (31-Dec-09) R 65,424,896.00

BEE Holding NEV **-11.24%**

Annexure 22

Company Name	Vunani Ltd
BEE Parties	Vunani Ltd
Lock in period	3 years

Issue of shares (01 Jan 08)	R 57,250,000.00	
Issue Price	R 1.00	
Number of shares issued	57,250,000	
Issue of shares (01 Dec 08)	R 21,500,000.00	
Issue Price	R 1.00	
Number of shares issued	21,500,000	78,750,000

Total consideration of deal **R 69,250,000.00**

Workings

Loan value R 12,000,000.00

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Feb-08			R 12,000,000.00		
Aug-08	R 695,589.04	R 0.00	R 12,695,589.04	R 695,589.04	R 695,589.04
Feb-09	R 671,996.66	R 0.00	R 13,367,585.70	R 671,996.66	R 1,367,585.70
Aug-09	R 522,022.53	R 0.00	R 13,889,608.23	R 522,022.53	R 1,889,608.23
Dec-09	R 302,669.78	R 0.00	R 14,192,278.02	R 302,669.78	R 2,192,278.02

18.27%

Total	Interest R 2,192,278.02	Dividends R 0.00	Surplus / (Deficit) (R 2,192,278.02)
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Equity value

Share Price (31/12/2009)	R 0.10
Number of shares	78,750,000.00
	R 7,875,000.00

Total loan balance (31/12/09) R 14,192,278.02

Loan depreciation / (appreciation) **(R 2,192,278.02)**

Increase / (decrease) in asset value **(R 49,375,000.00)**

Value created / (loss) **(R 51,567,278.02)**

Market Cap (31-Dec-09) R 134,861,792.00

BEE Holding NEV -38.24%

Annexure 23

Company Name **Ansys Limited**

BEE Parties **Optocon Systems (Pty) Ltd**

Lock in period **None**

Workings

Issue of shares (28 Feb 09) **R 0.00**
 Issue Price **R 3.00**
 Shares issued **-**

Loan value **R 6,500,000.00**

AMORTISATION

Dividend history **None**

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jan-08			R 6,500,000.00		
Jul-08	R 376,777.40	R 0.00	R 6,876,777.40	R 376,777.40	R 376,777.40
Jan-09	R 389,998.06	R 0.00	R 7,266,775.46	R 389,998.06	R 766,775.46
Jul-09	R 378,370.05	R 0.00	R 7,645,145.51	R 378,370.05	R 1,145,145.51
Dec-09	R 296,118.48	R 0.00	R 7,941,263.98	R 296,118.48	R 1,441,263.98

22.17%

Total **Interest** R 1,441,263.98 **Dividends** R 0.00 **Surplus / (Deficit)** **(R 1,441,263.98)**

Equity value

Share Price (31/12/2009) **R 0.46**
 Number of shares **2,166,667**
R 996,666.67

Total loan balance (31/12/09) **R 7,941,263.98**

Loan depreciation / (appreciation) **(R 1,441,263.98)**

Appreciation / (depreciation) in share value **R 0**

Value created / (loss) **(R 1,441,264)**

Market Cap (31-Dec-09) **R 65,424,896**

BEE Holding NEV **-2.20%**

Annexure 24

Company Name	Aquarius Platinum Limited
BEE Parties	Savannah Consortium
Lock in period	None
Workings	
Share to be exchanged	65,042,856.00
Share price at inception	R 26.08
Value at of shares	R 1,696,317,684.48
Equity value	
Share Price (31/12/2009)	R 47.98
Number of shares	65,042,856.00
Value of shares	R 3,120,756,230.88
Value in shares	R 1,424,438,546.40
Market Cap (31 Dec 09)	R 22,150,656,000.00
NEV BEE shareholding	6.43%

Annexure 25

Company Name	Telkom SA Ltd
BEE Parties	None
Lock in period	None

Workings

Purchased Value	R 610,000,000.00
Telkom Share price (10-Nov-08)	R 30.67
Number of shares to be issued	19,891,412

Equity value

Share Price (31/12/2009)	R 35.40
Number of shares	19,891,412.45
Value of shares	R 704,098,315.75
Capital appreciation	R 94,098,315.75
Market Cap (31 Dec 09)	R 19,503,368,192.00
NEV BEE shareholding	0.482%

Annexure 26

Company Name	Gold Fields
BEE Parties	Mvelaphanda Resources
Lock in period	None

Workings

Preference Share issued	R 4,100,000,000.00
Gold Fields Share price (17-Mar-09)	R 112.65

Dividend history

Date	Dividend (cents)	Amount
Feb-09	30.00	15,000,000.00
Aug-09	80.00	40,000,000.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Mar-09			R 4,100,000,000.00		
Aug-09	R 141,534,246.58	R 40,000,000.00	R 4,201,534,246.58	R 101,534,246.58	R 101,534,246.58
Sep-09	R 21,230,136.99		R 4,121,230,136.99	(R 80,304,109.59)	R 21,230,136.99
Dec-09	R 66,687,713.69		R 4,187,917,850.68	R 66,687,713.69	R 87,917,850.68

2.14%

	Interest	Dividends	Surplus / (Deficit)
Total	R 229,452,097.25	R 40,000,000.00	(R 189,452,097.25)

Equity value

Share Price (31/12/2009)	R 97.24
Number of shares	50,000,000.00
	R 4,862,000,000.00

Loan depreciation / (appreciation) (R 87,917,850.68)

Appreciation / (depreciation) in share value R 762,000,000.00

Value created / (loss) R 674,082,149.32

Market Cap - 31 Dec 2009 R 69,095,809,024.00

BEE Holding NEV 0.98%

Annexure 27.1

Company Name	Grindrod
BEE Parties	Calulo Petrochemicals (Pty) Ltd
Lock in period	10 years
Workings	
Preference share investement	R 164,400,000.00

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Mar-09	68.00	47,262,921.96
Sep-09	30.00	20,851,289.10

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jan-09			R 164,400,000.00		
Mar-09	R 2,590,989.04	R 47,262,921.96	R 119,728,067.08	(R 44,671,932.92)	(R 44,671,932.92)
Jul-09	R 3,601,682.68	R 0.00	R 123,329,749.76	R 3,601,682.68	(R 41,070,250.24)
Sep-09	R 1,649,746.58	R 20,851,289.10	R 104,128,207.24	(R 19,201,542.52)	(R 60,271,792.76)
Dec-09	R 2,044,407.58	R 0.00	R 106,172,614.82	R 2,044,407.58	(R 58,227,385.18) -35.42%

	Interest	Dividends	Surplus / (Deficit)
Total	R 9,886,825.88	R 68,114,211.06	R 58,227,385.18

Equity value

Share Price (31/12/2009)	R 14.48
Number of shares	69,504,297.00
	R 1,006,422,220.56
Loan depreciation / (appreciation)	R 58,227,385.18
Appreciation / (depreciation) in share value	R 842,022,220.56
Value created / (loss)	R 900,249,605.74
Market Cap - 31 Dec 2009	R 8,238,931,968
BEE Holding NEV	10.93%

Annexure 27.2

Company Name	Grindrod
BEE Parties	Adopt-a-School Foundation
Lock in period	10 years

Workings

Preference share investement	R 99,600,000.00
AAS stake in Transaction	R 109,600,000.00
Interest free loan	R 10,000,000.00

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Mar-09	68.00	31,508,614.64
Sep-09	30.00	13,900,859.40

Amortisation Table

Period	Interest	Payment	Interest free loan	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jan-09				R 99,600,000.00		
Mar-09	R 1,569,723.29	R 31,508,614.64		R 69,661,108.65	(R 29,938,891.35)	(R 29,938,891.35)
Jul-09	R 2,095,558.83	R 0.00		R 71,756,667.48	R 2,095,558.83	R 27,843,332.52
Sep-09	R 959,868.30	R 13,900,859.40		R 58,815,676.38	(R 12,940,991.10)	R 40,784,323.62
Dec-09	R 1,154,761.21	R 0.00	R 10,000,000.00	R 69,970,437.58	R 11,154,761.21	R 29,629,562.42

-29.75%

	Interest	Dividends	Surplus / (Deficit)
Total	R 5,779,911.62	R 45,409,474.04	R 39,629,562.42

Equity value

Share Price (31/12/2009)	R 14.48
Number of shares	46,336,198.00
	R 670,948,147.04

Loan depreciation / (appreciation)	R 29,629,562.42
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Appreciation / (depreciation) in share value	R 571,348,147.04
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Value created / (loss)	R 600,977,709.46
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Market Cap - 31 Dec 2009	R 8,238,931,968
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BEE Holding NEV	7.29%
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Annexure 28

Company Name **Adcock Ingram Ltd**

BEE Parties **Employee Trust**

Lock in period 7 years

Workings

Loan value **R 330,200,000**

AMORTISATION

Interest rate calculation

All in interest rate 9.50% nacs

Dividend history

Date	Dividend (cents)	Amount
Jun-09	70.00	4,550,000.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Nov-09			R 330,200,000.00		
Dec-09	R 3,179,871.23		R 333,379,871.23	R 3,179,871.23	R 3,179,871.23

0.96%

	Interest	Dividends	Surplus / (Deficit)
Total	R 3,179,871.23	R 0.00	(R 3,179,871.23)

Equity value

Share Price (31/12/2009) R 54
 Number of shares 6,500,000.00
 R 351,650,000.00

Loan depreciation / (appreciation) **(R 3,179,871.23)**

Appreciation / (depreciation) in share value R 21,450,000.00

Value created / (loss) R 18,270,128.77

Market Cap - 31 Dec 2009 R 9,410,582,528

BEE Holding NEV **0.00194%**

Annexure 29.1

Company Name **Spar Group Ltd**

BEE Parties **Spar
EMPLOYEES**

Lock in period **7 years**

Workings

Loan value **R 400,000,000.00**

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jun-09	122.00	9,228,738.80
Dec-09	200.00	15,129,080.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jul-09			R 400,000,000.00		
Dec-09	R 13,497,534.25	R 15,129,080.00	R 398,368,454.25	(R 1,631,545.75)	(R 1,631,545.75) -0.41%

	Interest	Dividends	Surplus / (Deficit)
Total	R 13,497,534.25	R 15,129,080.00	R 1,631,545.75

Equity value

Share Price (31/12/2009) **R 71.04**
 Number of shares **7,564,540.00**
R 537,384,921.60

Loan depreciation /
(appreciation) **R 1,631,545.75**

Appreciation / (depreciation) in
share value **R 137,384,921.60**

Value created / (loss) **R 139,016,467.35**

Market Cap - 31 Dec 2009 **R 12,127,797,248**

BEE Holding NEV **1.146%**

Annexure 29.2

Company Name **Spar Group Ltd**

BEE Parties **Spar
EMPLOYEES**

Lock in period **7 years**

Workings

Loan value **R 600,000,000.00**

AMORTISATION

Dividend history

Date	Dividend (cents)	Amount
Jun-09	122.00	13,843,106.98
Dec-09	200.00	22,693,618.00

Amortisation Table

Period	Interest	Payment	Closing Balance	Loan roll up / (depreciation)	Total roll up / (depreciation)
Jul-09			R 600,000,000.00		
Dec-09	R 20,246,301.37	R 22,693,618.00	R 597,552,683.37	(R 2,447,316.63)	(R 2,447,316.63)

-0.41%

Total	Interest	Dividends	Surplus / (Deficit)
	R 20,246,301.37	R 22,693,618.00	R 2,447,316.63

Equity value

Share Price (31/12/2009) R 71.04
 Number of shares 11,346,809.00
 R 806,077,311.36

Loan depreciation / (appreciation) R 2,447,316.63

Appreciation / (depreciation) in share value R 206,077,311.36

Value created / (loss) R 208,524,627.99

Market Cap - 31 Dec 2009 R 12,127,797,248

BEE Holding NEV **1.72%**

PLAGIARISM DECLARATION

Presented to the

Department of Finance & Tax

University of Cape Town

by

STUDENT NAME(S): Stanley Anyetei

STUDENT NUMBER: ANYSTA001

COURSE NAME: Master of Financial Management

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Signed by candidate

Date 20/05/2012