

Strate Limited

Annual Report

for the year ended 31 December 2007



Strate Limited

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Strate Limited

Our Vision, Purpose and Objectives

Vision

We are committed to be the trusted and preferred centralised provider of products and services which are accessible to, and create value for, our current and future stakeholders.

Purpose

Strate Limited's purpose is to provide clearing, settlement and depository services for securities, enabling stakeholders with end-to-end pragmatic, reliable, innovative solutions that facilitate the management of risk and the realisation of value.

Objectives

1. To ensure operational excellence.
2. To manage enterprise risk effectively.
3. To ensure service excellence.
4. To be a learning organisation, satisfying personal aspirations, enabling continuous growth and ensuring good corporate citizenship.
5. To fulfil regulatory and supervisory obligations.
6. To be financially viable and independent, ensuring a fair return to shareholders and cost-effective services to customers.
7. To encourage global best practices and develop value added opportunities.



Strate Limited

Milestones - 2007

January	Strate launches its new brand, website and corporate identity
February	Formation of the Equities Advisory Committee("EAC") on 13 February
March	Strate completes the restructuring of its operations areas inline with it strategic objectives for the future.
April	Strate declares a maiden dividend to its shareholders followings its favourable financial performance in 2006.
May	Strate hosts an international Road Show in London.
June	Following the 1 June 2007 deadline, Strate receives numerous responses to its Request for Information for the Securities Services Enhancement Model (SSEM) project. Analysis of these responses resumes. Strate pays its maiden dividend
July	Strate's SWIFTNet phase 2 upgrade is completed ahead of its 31 July deadline and Strate also implemented Safires application Release 2.7.1 which included significant upgrades to the application.
August	Strate reduces its securities lending and borrowing fees in respect of cash collateral transactions.
September	Strate finished 1 st in the Banking Sector category for the third year in a row in the Deloitte Best Company to Work For competition. Strate hosts an international Road Show in Boston.
October	Strate implemented new mainframe processors and storage disks at its production and disaster recovery sites. Strate restructured a part of its business operations to ensure focus and improve processes. A new division, which would serve as a bridge between the operations and information technology division, was accordingly created. Became a member of the Committee of the SADC Stock Exchanges("CoSSE")
November	Strate announces that it will not be increasing its fees to the market in 2008, for the fourth year in a row. Strate repays share premium to the value of R75 million to existing shareholders. Strate Charity Shares donates R 240 000 to four selected charities, bringing its total donations since inception to R 880 000. Strate successfully implemented the SWIFT 2007 changes.
December	Strate's licences to operate as a Clearing House and Centralised Securities Depository ("CSD") license were renewed by the Financial Services Board ("FSB") in terms of the Securities Services Act, 2004.



Strate Limited

Chief Executive Officer and Chairman's Report

Business review

Market integrity

Strate's activities include the settlement of trades in securities listed on the JSE Limited ("JSE") and the clearing and settlement of trades in securities listed on the Bond Exchange of South Africa Limited ("BESA"). Money Market Instruments ("MMI") electronic settlements are expected to go live in the fourth quarter of 2008 in a pilot phase until the end of the first quarter of 2009.

In the current year, Strate once again settled a significantly higher number of transactions than the previous year, with the increase mainly attributable to a surge in equity trading volumes.

Strate facilitates a wide variety of corporate events which enables the parties involved with these events to reduce their related risk exposures.

On 31 December 2007 the dematerialised value of equities was R4,3 trillion (62,3% of total market capitalisation of R6,9 trillion), which is 40,7% up on the previous year value of R3,07 trillion (61,4 % of total market capitalisation of R5 trillion). On 31 December 2007, the JSE all share index closed on 28 957.97 which is 16,2% up on 30 December 2006 close of 24 915.20.

On 31 December 2007 the market value of bonds in custody was R773 billion, which is 13,7% up on the previous year value of R679,8 billion, and resulted in an increase in the custody fees revenue.

Strate provided an uninterrupted service to the markets that it serves. Operational and service excellence are the key objectives of the company and significant improvement in these areas have been achieved.

Market segment activity

Both the equities and bonds markets performed exceptionally well.

The equities market volumes increased with the daily number of trades for the year under review averaging 45 118 which is 41% up on the previous year's average of 31 920. This upturn, together with increased values, helped to bolster the settlement revenue. The effective netting process marginally limited the impact on revenue. Strate accordingly earned R 205,3 million of its revenue from the equities market, which is 22% up from the previous year's revenue from the equities market of R168,5 million.

The bond market volumes increased with the monthly nominal value of trades for the year under review averaging R1 130,5 billion, which is 21% up on the previous year's average of R933,5 billion. Revenue of R 29 million (2006: R27,3 million) earned from the bond market represents a 6% increase from the previous year.

The performance of the markets in 2007 made it possible for Strate to maintain its pricing structure for 2008. This will be the fourth year for which the company has not increased its prices to the market.



Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Operating results for the year

We are pleased with the operating results for the year under review, posting a 23% increase in after taxation profit of R82,3 million (2006: R66,8 million).

Revenue increased by 20% to R234,3 million from R195,9 million in the previous year, driven mainly by a surge in equity trading volumes.

Operating expenditure increased by 14% to R128,6 million (2006: R112,6 million). The increase is mainly attributable to:

- Staff costs, as the company increased its staff compliment to 117 employees (2006:83 employees) as a number of new positions were created in order to improve our operational capabilities and services to our customers; and
- Consultancy costs as consultants were employed to fill certain vacant positions and to assist with the various projects.

Capital structure

Strate repaid share premium totaling R75 million on 30 November 2007 to the existing shareholders in order to create the correct long term capital structure for the company and to reward the shareholders.

Strate is grateful to its shareholders for the funding that they injected into the company in prior years as it was much needed to help the company to become profitable and self sufficient.

Strate declared its maiden ordinary dividend of R 1 370 per share which was paid on 29 June 2007.

Money Market Instruments

As mentioned under the operating results, the Money Market application is expected to be implemented by the fourth quarter of 2008 as a pilot phase.

Several delays have been experienced with this project since its inception. We are pleased to report that the project is on track based on the revised project plan and is currently in the development phase with the pre acceptance testing completed. Concern have been expressed by some of the market players that they might not be ready to implement their systems during 2008. Strate has taken note of this and is devising alternate strategies that would be agreed with the market, in order to ensure that the planned implementation for the fourth quarter of 2008, as a pilot phase, is not missed.



Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Securities Services Enhancement Model ("SSEM")

During the year a lot of time was dedicated towards the analysis and evaluation of the Request for Information ("RFI") responses. The evaluation process was a lengthy and thorough process and many new concepts which could be used in the improvement of functionality in the South African markets were obtained from these responses.

Given the various initiatives in the market, it was decided that the project would be closed down in its current form, and where possible, included it with other ongoing initiatives. The concepts identified in terms of equities would be proposed for the T+3 project which the JSE is driving. Concepts relating to the other markets and securities would be taken up with the relevant parties and individual projects would be initiated for these, for example SSEM for Bonds.

Corporate governance

Strate monitors its compliance with the King Code on an ongoing basis and is alert to implement additional policies and procedures that are suitable and are of benefit to the company. We performed a self evaluation on our compliance with the code during the year and we are pleased to report that the self assessment did not reveal any material issues which we were not complying with.

Transformation and empowerment

The Transformation Committee, which is a sub-committee of the Board, was very active during the year in order to ensure that the company complies with Broad Based Black Economic Empowerment ("BBBEE") requirements. A report from the committee is included in the Corporate Governance report.

Corporate and social investment

The company donated a total of R654 400 (2006: R327 204) to various corporate and social initiatives. Further details are provided in the Corporate Governance report.



Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Staff matters

Strate took part in the Deloitte Best Company To Work For competition and finished 1st in the Banking sector category and 19th overall. This is the third year in a row that the company finished 1st in the Banking sector category.

Staff have a significant impact and influence on the performance of the company. As a result, a lot of time, money and initiatives are dedicated towards staff matters.

Executives – composition

The names of executives at the date of this report are:

Name	Function
MJ Singer Saul	Chief Executive Officer
MD Higgs	Chief Operating Officer
MR Vermaas	Head - Legal Services
SB Balkind	Head - Issuer and Investor Services (retiring 31 March 2008)
BL Furman	Head – Supervision
DG Connock	Head – Risk
T Knowles	Head - Corporate Communication and Human Resources
H van Eeden	Head - Finance and Company Secretary
IG Seymour-Smith	Head - Clearing and Settlement
M Puri	Head – Information Technology (employed 1 February 2008)

Regulatory responsibility

Strate continues to operate as a Self Regulatory Organisation in terms of the Central Securities Depository (“CSD”) licence granted by the Financial Services Board (“FSB”).

For details of the regulatory progress made by Strate, a Report by the Chairman of the Regulatory and Supervisory Committee is included in the Corporate Governance report. An annual Regulatory and Supervisory report is available from the Company Secretary on request.

The Future

To live our values and to achieve our objectives are our aims.

Several projects and initiatives that are aligned with our vision, mission and objectives are underway. This involves the implementation of enhanced and new processes in order to ensure reliable operational and service delivery. We've had successes in many areas and have implemented several critical upgrades, for example SWIFT and Safires, and plan on building on these achievements..

We believe that 2008 will be another good financial year for Strate. We are wary of the turmoil in the international markets and are ready to act should the need arise.



Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Appreciation

We would like to thank the Board members, committee participants, the FSB, management and staff for the contribution that each has made to Strate in 2007. Our thanks and appreciation to all our stakeholders for their continued support.



Strate Limited

Corporate governance report

This report sets out the key governance principles adopted by the directors in governing Strate Limited.

The Board endorses the principles of accountability, integrity and transparency underlying the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002 (the “King Report 2002”).

The Board is responsible for the ongoing assessment of the company’s policies relating to:

- Strategic and business plans.
- Reviews of management’s performance against objectives.
- Ongoing assessment of policies which include:
 - delegation of powers to Board Committees;
 - responsibilities and Terms of Reference of Board Committees; and
 - level of authority of Board Committees.

In preparing the annual financial statements, the company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable standards. The directors are of the opinion that the annual financial statements fairly represent the financial position of the company at 31 December 2007, and the results of its operations and cash flows for the year then ended.

Board of Directors – composition

The names of the directors in office at the date of this report are:

Director	Independent	Non-executive	Executive
ME King (Chairman)	Yes		
RG Cottrell	Yes		
A van der Merwe	Yes		
SV Zilwa	Yes		
RGM Ndlovu	Yes		
MJ Singer Saul (Chief Executive Officer)			Yes
PL Campher		Yes	
MR Johnston		Yes	
RM Loubser		Yes	
SPM Yates		Yes	

The shareholders of Strate play a key role in the governance of the company by appointing directors who have the necessary expertise and know-how to guide the company. The Board has an appropriate balance between independent and non-executive directors. The Chief Executive Officer is the only executive director at present.



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Corporate governance report *(continued)*

Attendance at Board meetings

Director	Alternate	1	2	3	4	Total
		18 April	19 June	13 August	12 November	
ME King (Chairman)		Y	Y	Y	Y	4
RG Cottrell	NG Payne*	Y	Y	Y	Y	4
A van der Merwe		Y	Y	Y	Y	4
HJ Sonn		N	Y	N	Y	2
SV Zilwa		N	Y	Y	Y	3
RGM Ndlovu		n/a	n/a	N	Y	1
MJ Singer Saul (CEO)		Y	Y	Y	Y	4
PL Campher		N	Y	Y	Y	3
MR Johnston	DJ Davidson	Alt	Y	Y	Y	4
RM Loubser	N Newton-King	Y	N	Y	Y	3
SPM Yates	AB le Grange	Y	Y	Y	Y	4
NG Payne *		Y	Y	Y	Y	4
Observers						
FSB Representatives**		N	Y	Y	Y	3

* NG Payne, alternate non executive director to RG Cottrell, is invited to attend the Board meetings in his capacity as Chairman of the Audit and Risk Committee.

** Financial Services Board (“FSB”) representatives attend Board meetings as observers.

The directors were also invited to attend the Annual General Meeting that was held on 29 June 2007.

Board committees

The Board has established five permanent committees to assist in the execution of its responsibilities. These committees are the Audit and Risk Committee, Regulatory and Supervisory Committee, Remuneration Committee, Nomination Committee and the Transformation Committee.

Authority is delegated to each of these permanent committees by the Board. Committee meeting agendas, papers and minutes are made available to all members of the Board on request.

Sub-committees are also formed on an ad hoc basis to deal with specific matters.

Audit and Risk Committee

The Audit and Risk Committee was established to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, the internal control systems and governing external and internal audit.

A report by the Chairman of the Committee is included on pages 24-25.



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Corporate governance report *(continued)*

Remuneration committee and Nomination committee

The functions of the Remuneration and the Nomination committee are structured to operate as two separate committees.

The nominations and transformations committees are engaged in ongoing discussion with regards transformation.

A report by the Chairman of the Remuneration Committee is included on page 26.

A report by the Chairman of the Nomination Committee is included on page 27.

Regulatory and Supervisory Committee

The Regulatory and Supervisory Committee was established to assist the Board in supervising the activities of the Central Securities Depository Participants (“CSDPs”) in terms of its Central Securities Depository (“CSD”) licence which is based on Self Regulatory Organisation (“SRO”) principles.

A report by the Chairman of the Regulatory and Supervisory Committee is included on pages 28-29.

Transformation Committee

The Transformation Committee was established to assist the Board in defining a Black Economic Empowerment Policy that is in line with the Financial Sector Charter.

A report by the Chairperson of the Transformation Committee is included on page 30.

Internal control, Internal audit and risk management

Internal control

The directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

To enable the directors to meet these responsibilities, management sets standards and implements systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. The systems of internal control are also designed with fraud in mind as management aim to detect and prevent incidents of fraud. These controls include:

- the proper delegation of responsibility within a clearly defined framework;
- effective accounting procedures; and
- adequate segregation of duties

Internal audit

The role of the internal audit function is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the internal operating and financial controls, systems and practices;



Strate Limited

Corporate governance report *(continued)*

- assist the Board in meeting its corporate governance and regulatory responsibilities; and
- provide consulting services to management in order to enhance the control environment and improve business performance.

Based on information provided by the internal and external auditors and explanations provided by management, the directors are of the opinion that:

- the company's internal controls are adequate and effective. To the extent that breakdowns have been experienced, appropriate manual interventions have been introduced to mitigate against the potential impacts of such breakdowns; and
- the company's assets are protected and used as intended in all material respects with appropriate authorisation.

Internal Audit in Strate is independent of the Risk Management and the Supervision functions.

Risk management

The focus of risk management is to identify, assess and implement controls for all the major risks to which there is an exposure. Although risk cannot be eliminated, actions to mitigate risk exposures are initiated by identifying risks and ensuring that the appropriate controls, systems, practices and ethics are implemented.

Strate's core business, as defined in its purpose, is to provide clearing, settlement and depository services for securities, enabling stakeholders with end to end pragmatic, reliable, innovative solutions that facilitate the management of risk and realisation of value.

The risks that are faced by Strate and the market due to the implementation of the electronic settlement process have been identified and are described below. The parties responsible for managing these risks have also been identified and are reflected in the risk matrix below. References to Strate are in its capacity as the CSD. This section on risk management also refers to the limited proprietary risks Strate bears in managing its own affairs.

Risk matrix - Electronic settlement in the Strate environment

Type of risk	EQUITIES				BONDS			
	Strate	JSE (Settlement Authority)	CSDPs	Brokers	Strate	BESA	CDPs	Brokers
Principal	No	No	No	No	No	No	Yes	Yes
Tainted scrip	No	No	Yes	Yes	No	No	Yes	Yes
Settlement	No	Yes *	Yes**	Yes*	No	No	Yes	Yes
Credit	No	Yes	Yes	Yes	No	No	Yes	Yes
Liquidity	No	Yes	Yes	Yes	No	No	Yes	Yes
Systemic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Operational or technology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* *T + 0 to final confirmation*

** *From final confirmation*



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Corporate governance report *(continued)*

Risk Management *(continued)*

Principal risk

Definition

Principal risk is the risk that a party to a trade will lose the full value involved in the transaction. This could occur when there is a disconnection between the payment and transfer of ownership of the securities.

Equities

There is no principal risk in Strate Limited as the settlement model is to reserve the securities, effect payment of funds in Central Bank funds using the Continuous Batch Processing Line (“CBPL”) functionality and, without any delay, transfer ownership of the securities at the Central Securities Depository Participant (“CSDP”) level. Transfer is final and irrevocable in law. Strate complies with the Simultaneous Final Irrevocable Delivery versus Payment (“SFIDvP”) principle. This ensures that the final and irrevocable transfer of the securities occurs simultaneously with the final and irrevocable transfer of funds in Central Bank funds.

Bonds

The situation is the same as described above, except that Continuous Processing Line (“CPL”) payment functionality is used.

Tainted scrip risk

Definition

Tainted scrip risk arises when security certificates which are tainted are dematerialised into the Strate environment.

Equities

Strate bears no tainted scrip risk as, once in Strate, the record is sacrosanct and no rectification is possible. Strate does not take responsibility for the dematerialisation process. The sub-registers, where the record of ownership of investors is kept, are maintained by CSDPs.

Bonds

The situation is the same as described above except for the fact that in the Bond environment dematerialisation and immobilisation is allowed. The Participants in the Bond environment are known as Central Depository Participants (“CDP’s”).

Settlement risk (also known as replacement cost risk, which includes price risk)

Definition

Settlement risk is the risk that a party to an open transaction, for completion at a future date, will fail to perform on the settlement date. This failure may leave the counterparty with an unhedged or open market position or deny the counterparty unsettled gains on the position. The resulting exposure is the cost of replacing, at current market prices, the original transaction.

Equities

Strate bears no settlement/replacement cost or price risk. For on-market trades between two brokers, the JSE Limited (“the JSE”) accepts settlement and price risk for both cash and securities if the broker that introduced the trade is unable to settle. The JSE, in turn, has recourse against the broker that introduced the



Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Equities(continued)

trade for the price risk and an administration charge will be levied as part of the penalty stipulated in terms of the JSE rules. For off-market trades, if settlement does not take place, the trade is taken out of the system at end of day on T + 5 (five business days after transaction date) and it is left to the contracting parties to remedy the “failed trade”. In addition the CSDPs may facilitate the settlement process for off-market trades by reporting the off-market instruction to the CSD for the next available settlement date. This facilitation process may continue for a maximum of five business days after the settlement date of the original instruction after which the original instruction will be cancelled.

Bonds

Strate bears no settlement/replacement cost or price risk. In general the Bond Exchange of South Africa (“BESA”) does not bear the risk either. BESA only bears the risk for both cash and securities in the event of broker default. BESA has a guarantee fund in place for these events.

Credit risk

Definition

Credit risk refers to the risk borne in the event of a counterparty not settling an obligation for full value, either when due or at any time thereafter. Credit risk comprises the risk of loss from a counterparty defaulting during settlement.

Equities

Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CSDPs in respect of settlements for which they have irrevocably committed to settle. The JSE, on behalf of its members, also assumes credit risk exposure in respect of those transactions introduced by them and to which the CSD participants are not prepared / unable to add their commitment.

Bonds

Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CDP’s in respect of settlements for which they have irrevocably committed to settle. The only instance where BESA may bear the risk will be in the event of Broker default, as explained under settlement risk above.

Liquidity risk

Definition

Liquidity risk is the risk that a party will not have sufficient liquidity, i.e. cash or securities, to meet its settlement obligations.

Equities

Strate bears no liquidity risk as it neither acts as a bank nor deals with investors directly. It only deals with CSDPs. The CSDPs, the JSE and its members bear liquidity risk.

Bonds

Strate bears no liquidity risk as it neither acts as a bank or deals with investors directly. It only deals with CDP’s, who bears liquidity risk. The only instance where BESA may bear the risk will be in the event of Broker default, as explained under settlement risk above.



Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Systemic risk

Definition

Systemic risk refers to the scenario when a disruption at a CSDP, the JSE, BESA, Strate or the Central Bank could cause a “domino effect” throughout the financial markets.

Equities

One aspect of the supervision of the CSDP’s by Strate’s Supervision Department is to mitigate systemic risk in the clearing and settlement of securities transactions.

Bonds

The situation is the same as explained above for equities.

Operational risk and technology risk

Definition

Operational and technology risk is the risk that improper operations, trade processing or management systems will result in financial loss. It includes the risk of loss due to a breakdown in internal controls.

Equities and Bonds

On the financial side, proper management procedures including adequate books and records are maintained. Strong internal controls have been implemented and are reviewed regularly to ensure that the risk exposures are mitigated.

The controls that Strate has implemented to manage its risk exposure are categorised as follows:

- Management controls;
- Financial controls;
- Operational controls;
- System and data processing controls; and
- Business continuity.

Management controls

Controls throughout Strate are a key accountability of line management and are monitored on an ongoing basis by management to ensure compliance with documented policies and operational procedures.

Management controls are an integral part of the control environment of the company. Management has to ensure that the risks in their respective areas of responsibility are managed within the tolerance levels of the company.

Compliance with documented policies and operational procedures, which are accessible to all employees, is part of Strate’s terms of employment.

To ensure that the staff are adequately informed, human resource policies and procedures are communicated on an ongoing basis.



Strate Limited

Corporate governance report *(continued)*

Financial controls

Comprehensive financial controls are implemented to ensure that:

- Financial information is reliable; and
- Assets are safeguarded against unauthorised use or disposal.

Financial information is used in decision making and preparation of management reports and financial statements. Regular communication of accounting conventions, taxation and other relevant information takes place to ensure that the finance staff are equipped to produce reliable financial information. Strate actively encourages all staff to use the generous training allowances.

Financial planning is also key as Strate's solvency and ability to operate as a going concern needs to be ensured and managed. Strate's revenues are dependant on the trading volumes of securities. Strate has to have the resources, means and ability to see through prolonged periods of adverse trading conditions, as well as potential contingencies. Information on matters such as operating and capital expenditure, identification of contingent liabilities, insurance cover, legislation and fluctuation in trading volumes is used in performing sensitivity analyses. The sensitivity analyses provide information on the impact on various key items, such as cash and profitability.

Internal controls are documented. Regular review of these controls takes place and, where necessary, these are updated to ensure appropriateness.

A high degree of segregation of duties and delegation of authority is achieved despite a relatively small staff compliment. Care is taken to ensure that staff members are not able to perform tasks or execute transactions from beginning to end. Management review and oversight plays an important role in mitigating the risk to acceptable levels in areas where it is not possible to segregate duties and delegate authority. The controls are considered to be adequate.

Operational controls

Operational procedures with respect to clearing, settlement and corporate action processing are largely automated and an integral part of the CSD system. There were no significant weaknesses or areas of concern, but recommendations have been provided to automate some of these manual processes to eliminate manual intervention as far as possible and to further improve Straight Through Processing ("STP").

The operational controls are based on the following key principles that are consistent with internationally recognised standards for securities settlement systems:

- Simultaneous Final Irrevocable Delivery versus Payment ("SFIDvP") in Central Bank funds.

The settlement model involves the reservation of securities balances, the transfer of value in Central Bank funds and the simultaneous release and transfer of securities. This provides the basis for SFIDvP which is enabled by Strate and the South African Multiple Options System ("SAMOS") which provide for the electronic transfer of securities and funds respectively.



Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Rolling settlement cycle on a trade day plus basis.

The time as to when a trade will settle is easily determinable. Settlement of a trade is scheduled based on the settlement cycle applicable to the type of security. On market equity trades currently settle on a T+5 basis and on market bond trades on a T+3 basis.

- Risk based

Controls are implemented to manage the risk inherent in the specific transaction or process.

- Group settlement

Equity settlement obligations are grouped per security and per dependency. The groups formed are structured in a manner to minimize and isolate the impact of a settlement failure to a specific group.

Bond settlement is not ring fenced as settlement is a process and a single fail could result in total settlement failure. The settlement process limitation is proactively managed and monitored.

- Efficient netting

The settlement system has functionality that nets cash and security positions. This functionality limits the number of transfers between safe custody accounts and reduces the cash funding requirements of the Central Bank by the settling banks.

- Securities lending and borrowing

The securities lending and borrowing functionality improves liquidity and reduces the risk of failed settlement. Securities can be sourced by willing borrowers from willing lenders to expedite settlement in an extremely automated and secure environment where collateral and securities pass simultaneously in one group settlement.

- Corporate actions- automation of process

The corporate action process enables electronic payment of entitlements in Central Bank funds on due date. There are certain manual activities that present risk, but those are closely controlled.

Payments to Participants are only made once Strate has been funded, thereby eliminating credit risk. The rolling contractual basis of settlement ensures that market claims are eliminated.

- Minimum participant eligibility standards

Applicants are required to meet minimum standards in order to be accepted as a Participant, and once approved and accepted, to continue to operate as a Participant.

Eligibility standards are risk based to ensure that the clearing and settlement processes are, and remain to be, of a high standard given the potential systemic risk implications.



Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Security messages developed in terms of the International Standardisation Organisation standards (“ISO standards”)

As an international CSD, securities messages conform to the latest ISO standards.

Information technology

Strate provides high-quality, reliable and responsive processing and network services in an operationally and physically secure environment.

Strate operates a mainframe-based processing environment. The mainframe is located at its data centre, a separate site from its operations, and provides Strate with the infrastructure to securely host its core applications for its electronic holdings, clearing and settlement business.

Business continuity

A fully documented Business Continuity Plan exists to deal with a potential business interruption in operations or systems, effectively and efficiently. The plan ensures that the business of the company will continue in the event of an emergency. Strate has a fully mirrored disaster recovery site at a separate site. The Disaster recovery site and related processes implemented, which is mentioned in the systems and data processing controls above, is an integral part of the total business continuity plan.

Procedures for the back-up and retention of data exist. Information is regularly backed up and stored in a secure off site location.

Elements of the Business Continuity Plan are tested on a regular basis to ensure that the stated objectives are satisfactorily achieved.

Stakeholder relations

Strate has established channels of communication with its stakeholders through various standing advisory groups and industry forums.

Advisory groups are also formed on an ad hoc basis to deal with specific matters.

Ethical practices

Strate’s code of conduct is designed to set standards of behaviour. All employees and suppliers are required to maintain the highest ethical standards aimed at ensuring that the company’s business practices are conducted in a manner which is above reproach. Emphasis is placed on respecting client confidentiality, avoiding conflicts of interest, and conducting business with integrity and honesty. Failure to comply with the code of ethics is viewed as a serious disciplinary breach which is subjected to disciplinary action. We will cease doing business with any supplier not complying with our code.

No violations of this code have come to light during the year under review.



Strate Limited

Corporate governance report *(continued)*

Safety, health and environment (“SHE”)

Safety

Strate is committed to perform in accordance with the Occupational Health and Safety Act (No.85 of 1993) in providing a workplace that prevents accidents and fatalities.

Health

Management and selected senior staff members are compelled to go for annual health check-ups in terms of the company’s policies and conditions of employment.

Environment

Strate is conscious of its environmental responsibility and actively promotes the recycling of waste and limited use of scarce resources.

Sustainability report

Due to Strate’s financial performance over the last financial year, the Corporate Social Investment budget increased to R654 400 (2006: R327 204).

Strate selected a number of charities ranging from secondary and tertiary educational institutions, AIDS children through to those with medical conditions. A provision was also made for Strate staff to get involved through volunteering and by selecting charities of their choice.

Contributions were made to:

Read Educational Trust

READ’s primary school courses train educators to implement a language programme that produces literacy learners who are equipped for the demands of high school.

Incorporating an internationally respected book-based Balanced Language approach, READ offers a holistic, curriculum-compliant educator training package that has proven to accelerate learners’ acquisition of reading and writing skills by up to two grades.



Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

Thuthuka Bursary Fund

The accounting profession and particularly the South African Institute of South Africa Chartered Accountants (“SAICA”) has over the last 18 years been running numerous programmes to assist students from disadvantaged backgrounds with entry into the profession.

The Thuthuka Education Upliftment Fund and Thuthuka Bursary Fund were created to be vehicles through which the consolidated strategy is driven. The core objective is to establish and maintain structures for carrying out and promoting skills development activities which will contribute to changing the membership demographics of the Chartered Accountancy profession with the ultimate aim that the membership of the profession will reflect the country’s population demographics.

Strate sponsored two students during 2007.

Cell C – Take a Girl Child to Work

On an annual basis Cell C runs the ‘Take a girl child to work’ programme which enables young girls to visit various corporate businesses for the day. These young girls are provided with an overview of Strate and the financial markets, career guidance, shadowing a Strate employee and a motivational talk from Monica Singer.

Strate hosted 20 girls between the ages of 16-18 as part of this initiative.

Ebenezer Care Centre

Over the past 7 years Strate has built up a committed and sustainable partnership with Ebenezer Care Centre, a home for the aged and abandoned children.

Ebenezer Care Centre provides a loving home environment for about 80 destitute people and encourages and empowers them to be self-reliant by enhancing skills development. Ebenezer also ensures that the children get the necessary education to enable them to lead fulfilling happy lives.

Strate not only provides ongoing financial support but also recognises the value of staff involvement and encourages a philosophy of employee volunteering, thus enabling staff to take on a more hands-on approach in the lives of all of those living at Ebenezer Care Centre.

During 2007, Strate assisted Ebenezer by buying monthly groceries and purchasing a bread slicer, concrete mixer and delivery vehicle for business purposes.

JSE/Liberty Schools Challenge

During 2007, Strate supported the JSE/Liberty Life Investment Challenge by sponsoring the five schools namely, Parkhill Secondary, Central Secondary, Lenasia Secondary, Letsatsing Science School and St. Francis College.



Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

A contribution to the “Adopt A School” programme offers the following benefits to each school:

- Pay the registration costs for disadvantaged schools.
- Provide these schools with a 6 month subscription for the Financial Mail, Business Day and Sunday Times. Teaching learners to trade shares research and interoperate the South African economic environment that affects trading activities.
- Inspire a competitive spirit amongst teams/schools and an interest in the progress of other schools.

Employee involvement / nominations

On a bi-monthly basis, staff are able to nominate a charity or worthy cause within their community. All the nominations are presented to the Management Team who decide on which charity will receive a tangible donation worth R10 000 from the CSI budget. This initiative involves all staff in Strate’s CSI programme and gave the smaller community based charities a chance to receive a much needed donation.

Payroll Giving

The concept of “Payroll Giving” is rooted in the collection of seemingly insignificant donations given to worthy causes on a monthly basis. Through Payroll Giving, an agreed amount is deducted voluntarily from an employee’s salary on a monthly basis and paid directly to the South African Children’s Charity Trust. An employee can choose to donate any amount (from as little as R5) that he/she feels comfortable with.

For every amount donated by a staff member to this cause, Strate matched this amount.

Other initiatives that Strate is involved in include:

Strate Charity Shares (“SCS”)

SCS is a charity donation programme run by Strate and Computershare Investor Services. SCS serves as a convenient mechanism whereby shareholders can quickly and easily donate small or large amounts of shares to charity. It does not cost the person making the donation anything and is tax-deductible.

SCS is a highly effective vehicle for disposing of small holdings of shares that are too costly to sell through a stockbroker, since shareholders incur no cost if they donate their shares to charity.

The donations have helped organisations like The Salvation Army, Bethany House Trust, Lifeline and The African Children’s Feeding Scheme.

Education of staff

Strate encourages its employees and the market participants to be involved in educational projects to broaden the general knowledge of custody and settlement in South Africa. As result of this initiative a number of staff completed the Strate exam. The qualification obtained by passing this exam is recognised by the Compliance Institute of South Africa.



Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

Educational support

The staff policies of Strate make provision for educational support to children of qualifying staff members. Each qualifying staff member is entitled to support to the value of R5 000 per annum subject to the conditions stipulated in the staff policies.

Graduate programme

Strate implemented a Graduate programme and employed three recent graduates to be part of the programme. The graduates gained a lot of exposure during this time and two of the graduates applied for permanent positions and are now part of the permanent staff compliment.

We are in the process of selecting the graduates which will be part of the second program.

Mentorship

A mentorship programme, which forms part of Strate's transformation activities, was introduced. The programme duration was more than a year and we are currently in the closeout phase for the first group that have participated.

Strate is in the process of selecting the participants for the second run of the programme.

HIV / AIDS

Strate implemented an HIV / AIDS education initiative and wellness programme for staff members.

Society and Transformation

Black Economic Empowerment ("BEE")

Strate supports the concept of Black Economic Empowerment ("BEE").

Strate believes that BEE is an essential ingredient in facilitating the meaningful transformation of the South Africa's economy in order to ensure sustainable socio-political and economic stability and the sustainability of the economic growth and development at all levels.

Strate's approach to BEE is based on the perspective that BEE is an economic and business imperative. Strate seeks to play an active role in transformation by engaging shareholders, directors, employees, customers, business partners, suppliers and the community in this process.

Employment Equity ("EE")

Strate is committed to creating a workplace in which individuals of ability, potential and application can develop rewarding careers at all levels, regardless of their background, race or gender. To this end, the company continues to implement employment equity policies. These policies emphasise opportunity for all, and seek to identify, develop and reward each employee who demonstrates the qualities of individual initiative, drive, determination, hard work and loyalty in his or her job.



Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

The workforce profile statistics for Strate are as follows:

Classification		2007 Percentage	2007 No. of Staff	2006 Percentage	2006 No. of Staff
Gender	Female	51%	60	51%	43
	Male	49%	57	49%	42
		100%	117	100%	85
Race	White	51%	59	59%	50
	Coloured	16%	19	12%	10
	Black	22%	26	20%	17
	Indian	11%	13	9%	8
		100%	117	100%	85
Disabled	Disabled	1%	1	1%	1
	Not disabled	99%	116	99%	84
		100%	117	100%	85

Expansion into Africa

Strate is aligned to international best practices and continually strives to bring further efficiencies and enhancements for the good of Southern Africa's financial community.

Strate became a member of the Committee of the SADC Stock Exchanges ("CoSSE") in October 2007 in order to further this initiative. Quarterly reports, containing an update of the various initiatives and operations of Strate, are submitted to CoSSE.

We believe that our membership to this Committee will assist us in our drive to expand into Africa.



Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2007

As Chairman of the Audit and Risk Committee, it is my pleasure to submit the Strate Audit and Risk Committee report for 2007.

The committee is committed to the principles of integrity, transparency and accountability.

The overall objective of this Board Committee is to assist the Board of Directors in the discharge of its duties relating to corporate accountability. The Committee has terms of reference approved by the Board. We are satisfied that we have complied with our mandate, particularly in the areas of:

- evaluating the independence and effectiveness of the external auditors;
- reviewing the annual report and financial statements to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the company;
- evaluating the company's risks, the measures taken to mitigate those risks and the treatment of the residual risk;
- maintaining a comprehensive and effective control environment in the organisation; and
- compliance by the company with legislation impacting on it.

The committee, which met on six occasions during the year, is thrilled to have been able to introduce Ms Linda de Beer into membership with effect from 2 November 2007. We welcome her and look forward to her valuable input.

Meeting attendance for 2007 was as follows:

Member	Classification	1	2	3	4	5	6	Total
N G Payne (Chairman)	Independent	Y	Y	Y	Y	Y	Y	6
L de Beer	Independent	n/a	n/a	n/a	n/a	n/a	Y	1
R M Loubser	Non-Executive	N	N	Y	Y	N	Y	3
H J Swanepoel	Non-Executive	Y	Y	Y	Y	N	Y	5
S V Zilwa	Independent	Y	Y	N	N	Y	Y	4

The Chief Executive Officer, other members of management as appropriate, and representatives from the external and internal auditors attend the meetings by invitation.

The Committee has reviewed and considered various issues delegated to it by the Board. Issues worth noting include:

- the committee reviewed and recommended the appointment of the external auditors;
- the committee reviewed and recommended the proposal to outsource the internal audit function as well as the appointment of PricewaterhouseCoopers;
- reviewed the audit plan prepared by the external auditors for the year end audit, as well as the audit plan from the internal auditors;
- reviewed the annual financial statements, interim financial statements, forecast and budgets, and recommended these to the board for its consideration and approval;
- conducted ongoing reviews of the risks relevant to Strate Limited and how these have been mitigated; and
- reviewed the activities of the internal auditors in accordance with the agreed internal audit plan, taking note of the findings and recommendations for the improvement of the controls environment within Strate limited, and the resultant actions by management.



Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2007 *(continued)*

The Audit and Risk Committee has no reason to believe that the auditors, KPMG Inc have not at all times acted with unimpaired independence during the audit of the financial statements. The Audit and Risk Committee was not requested to approve any non-audit services during the financial year.

The Committee is satisfied that all material issues have been dealt with in terms of its Terms of Reference and constitution.

I am grateful to my fellow committee members for their efforts and contributions during the year as well as to the board, management, the auditors and the user community for their ongoing focus and commitment to transparency, accountability and operational excellence within Strate.

A handwritten signature in black ink, appearing to read 'NG Payne', written in a cursive style.

NG Payne
Chairman, Audit and Risk Committee
Independent Board member



Strate Limited

Corporate governance report *(continued)*

Remuneration Committee report for the financial year ended 31 December 2007

The overall objective of the Committee is to make recommendations to the Board in the discharge of its duties relating to remuneration.

During the year the Committee met twice, on 13 August 2007 and 16 October 2007. The attendance at the meeting was as follows:

Member	Classification	13 Aug In attendance	16 Oct In attendance	Total
ME King (Chairman)	Independent	Y	Y	2
RG Cottrell	Independent	Y	Y	2
NG Payne	Independent	Y	Y	2
RM Loubser	Non-Executive	Y	N	1

The Chief Executive Officer (“CEO”) is invited to attend the meetings but recuses herself when her remuneration is discussed.

The Committee reviewed and considered various issues referred to it by the Board. Issues worth noting are as follows:

- The Committee recommended the remuneration of the Chief Executive Officer (“CEO”) and senior management;
- The Committee recommended a review of draft Long Term Incentive Scheme for retaining key management and staff.; and
- The Committee recommended the remuneration of the Board Members

ME King
Chairman, Remuneration Committee
Chairman of Board



Strate Limited

Corporate governance report *(continued)*

Nominations Committee report for the financial year ended 31 December 2007

The overall objective of the Committee is to make recommendations to the Board in the discharge of its duties in advising and making recommendations to the Board on the appointment of Directors

During the year the Committee met on 13 June 2007. The attendance at the meeting was as follows:

Member	Classification	13 June 2007 In attendance	Total
ME King (Chairman)	Independent	Y	1
RG Cottrell	Independent	N	0
NG Payne	Independent	N	0
RM Loubser	Non-Executive	Y	1

The Chief Executive Officer (“CEO”) was invited to attend the meeting. Transformation Committee Chairperson, Ms HJ Sonn, was also invited to attend the meeting.

The Committee reviewed and considered various issues. Issues worth noting are as follows:

- The Committee considered candidates to replace Ms R Morathi, who resigned from the Board;
- The Committee discussed succession planning of the Chairperson and Chairpersons of sub-committees; and
- The Committee discussed the shareholders representation at the Board


ME King
Chairman, Nominations Committee
Chairman of Board



Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2007

The overall objective of this Board Committee is to assist the Board of Directors in the discharge of its regulatory and supervisory responsibilities in terms of the Securities Services Act of 2004 (“SSA”).

The rules for Strate under the SSA confer the power and the responsibility on the Board, as the controlling body, to:

- make, alter and rescind rules and directives;
- enforce the rules and directives;
- initially admit Participants and monitor their suitability to remain Participants;
- monitor Participants’ compliance with the rules and directives;
- monitor the record keeping, internal controls and risk management procedures of the Participants;
- approve Nominees in terms of Section 36(1)(b) of the SSA and Directive SAB; and
- carry out investigations and disciplinary functions.

The Financial Services Board (“FSB”) is responsible for licensing Exchanges, namely the Bond Exchange of South Africa (“BESA”) and the JSE Limited (“the JSE”), and Central Securities Depositories (“Strate”). A co-regulatory relationship exists within the South African financial markets with the Bank Supervision Department of the South African Reserve Bank (“SARB”) being responsible for regulating banks, BESA and the JSE for regulating brokers (“Authorised Users”) and Strate for supervising compliance by Central Securities Depository Participants (“Participants”). In addition, SARB is responsible for the National Payments System.

A separate Regulatory Report has been published which details the regulatory and supervisory activities of Strate during the year under review.



Strate Limited

Corporate governance report (continued)

Regulatory and Supervisory Committee report for the financial year ended 31 December 2007 (continued)

During the year the Committee met nine times (including four special purpose meetings). The members of the Committee and their attendance at the meetings were as follows:

Member	Classification	1 27 Feb 2007	2 7 March 2007 S	3 10 April 2007	4 14 June 2007	5 7 August 2007	6 8 November 2007	Total
RG Cottrell (Chairman)	Independent	Y	Y	Y	Y	Y	Y	6
MR Johnston	Non-Executive	Y	Y	Y	Y	Y	Y	6
NG Payne	Independent	Y	N	N	Y	Y	Y	4
SPM Yates	Non-Executive / Market Practitioner	Y	R	Y	Y	Y	Y	5
S Zilwa	Non-Executive	N	N	Y	N	Y	Y	3
H Sonn	Non-Executive	N	N	N	Y	Y	N	2
Observers								
FSB Representative		Y	R	Y	Y	Y	Y	5
S Davies	General Manager: JSE Surveillance	Y	R	Y	Y	Y	Y	5
G Greubel	CEO : BESA	N	R	N	N	Y	N	1
J Shayi * alternate to G Greubel	Head of Regulation: BESA	Y	R	Y	Y	N	Y	4
M Singer (CEO)	Executive	Y	R	N	N	Y	Y	3

S – Special purpose meeting
Y - attended meeting
R - recused from meeting
N - did not attend meeting

The Committee is satisfied that all material issues arising from its Terms of Reference have been dealt with. I would like to thank the members of the Committee and relevant members of Strate's staff for their contributions to the Committee's activities.

RG Cottrell
Chairman, Regulatory and Supervisory Committee
Independent Board member



Strate Limited

Corporate governance report *(continued)*

Transformation Committee report for the financial year ended 31 December 2007

The Transformation Committee was established on 6 September 2007 to assist the Board in defining a Black Economic Empowerment (“BEE”) Policy that is in line with the Financial Sector Charter.

The Committee met for the first time, on 6 October 2007. The attendance at the meeting was as follows:

Member	Classification	In attendance	Total
H Sonn (Chairman)	Independent	Y	1
SV Zilwa	Independent	Y	1
PL Campher	Independent	Y	1
RM Loubser	Non-Executive	Y	1

The Chief Executive Officer (“CEO”) is invited to attend the meetings.

The Committee reviewed and considered the following issues:

- the employment equity plan and report submitted to the Department of Labour ;
- the mentorship program implemented;
- the Corporate and Social Investment (“CSI”) activities that the company are involved with;
- the procurement procedures of Strate;
- the succession plan for the CEO, management and key staff members; and
- the Strate BEE scorecard.

The Committee would like to compliment Strate on the commitment displayed with regards to transformation, the work that has been done and the transparency and willingness to share information with this committee. The statistics however demonstrate that we have many milestones to achieve. The Transformation Committee has determined the shareholding of Strate and the further transformation of the Board including the succession of the Chairman as key priorities. Other areas will be prioritised based on their current position in accordance with the gazetted Codes of Good Conduct.

HJ Sonn

Chairperson, Transformation Committee
Independent Board member



Strate Limited

Value added statement

	Notes	2007 R'000	2006 R'000
Revenue		234 313	195 859
Other income		2 291	1 231
Paid to suppliers for services rendered	1	<u>(60 850)</u>	<u>(46 904)</u>
Value added		175 654	150 186
Loss on sale of fixed assets		82	-
Finance income		<u>10 200</u>	<u>9 832</u>
Total wealth created		<u>186 039</u>	<u>160 018</u>
Wealth Distribution:			
Salaries and other benefits	2	54 397	39 387
Finance expenses		3	2
Government	3	36 398	27 741
Reinvested to maintain and develop operations		116 974	66 236
Depreciation		13 035	13 339
Impairment loss		-	12 677
Retained earnings/(loss)		104 155	35 254
Deferred tax release		(216)	4 966
Value added ratios:			
Number of employees (31 December)		117	85
Revenue per employee (R'000)		2 022	2 319
Wealth created per employee (R'000)		1 590	1 883
NOTES			
1. Paid to suppliers for services rendered:			
All amounts are paid in accordance with agreed terms.			
2. Salaries and other benefits:			
Personnel remuneration		49 157	33 309
Contributions to defined contribution plan		1 792	1 567
Executive directors' emoluments		3 448	4 511
		<u>54 397</u>	<u>39 387</u>
3. Central and local government:			
Taxation		35 955	27 301
Regional services council levies (RSC)		-	212
Skills development levy (SDL)		443	228
		<u>36 398</u>	<u>27 741</u>



Strate Limited

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 December 2007, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal financial control. The Board has ultimate responsibility for the system of internal controls and reviews the effectiveness of its operation.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the company's policies and procedures. These controls are implemented by trained, skilled personnel with clearly defined lines of accountability and an appropriate segregation of duties. The controls are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, and incorporate responsible disclosure in line with the accounting philosophy of the company. The financial statements are based on appropriate accounting policies, consistently applied, except as otherwise stated, and supported by reasonable and prudent judgements and estimates.

The directors believe that the company will be a going concern in the year ahead as set out in the directors' report. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

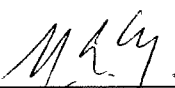
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Group financial statements

Group annual financial statements for Strate Limited and its subsidiary company, CD Nominees (Proprietary) Limited have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 9 April 2008 and are signed on its behalf by:



ME King
Chairman



MJ Singer Saul
Chief Executive Officer



Strate Limited

Declaration by the company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'H van Eeden', written over a horizontal line.

H van Eeden



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Fax +27 (11) 647 8000
Docex 472 Johannesburg
Internet <http://www.kpmg.co.za/>

Report of the Independent Auditors

To the members of Strate Limited

We have audited the annual financial statements of Strate Limited, which comprise the balance sheet at 31 December 2007, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 35 to 71.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strate Limited at 31 December 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Registered Auditor

Per VT Yuill

Chartered Accountant (SA)

Registered Auditor

Director

9 April 2008

KPMG Inc, a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:

Chief Executive: RM Kgosana

Executive Directors: TH Bashall, DC Duffield, A Han, TH Hoole, FB Leith, JS McIntosh, AM Mokgabudi, D van Heerden

Other Directors: LP Fourie, A Jaffer, E Magondo, S Motau, CM Read, Y Suleman (Chairman of the Board), A Thunström, JM Vice

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

Strate Limited

Directors' report

for the year ended 31 December 2007

The directors have pleasure in presenting their report for the year ended 31 December 2007.

Principal activities

Strate's activities for the year under review include clearing and settlement of trades in securities listed on the JSE Limited ("JSE") and clearing and settlement of trades in securities listed on the Bond Exchange of South Africa Limited ("BESA").

Strate is also a licensed Central Securities Depository ("CSD") in terms of the licence that was granted by the Financial Services Board ("FSB"). In terms of the licence, Strate assumes additional responsibilities in terms of the CSD Rules and the Securities Services Act ("SSA"). These include:

- the responsibility for the regulation of the business activities of the Equity and Bond participants; and
- the responsibility of the Board to be the controlling body of the CSD in addition to the Board's normal fiduciary duties.

Operating results

During the year ended 31 December 2007, profit from operations increased by R23,7 million to a profit of R108,0 million (2006: R84,3 million).

Record trading volumes, mainly in the equities market, saw revenues increase by 19% to R234,3 million (2006: R195,8 million). The effect of the increase in revenue was however reduced by the 28% increase in operating expenditure excluding impairment losses.

Operating expenditure, excluding impairment losses, increased to R128,6 million (2006: R100,1 million), mainly as result of;

- staff costs, as the company increased its staff compliment to 117 employees (2006: 83 employees) as a number of new positions were created in order to improve our operational capabilities and services to our customers; and
- consultancy costs, as consultants were employed to fill certain vacant positions and to assist with the various projects.



Strate Limited

Directors' report *(continued)* for the year ended 31 December 2007

The contributions of the various segments to profit from operations was as follows:

	2007 R'000	2006 R'000
Equities profit	108 670	84 748
Bonds profit	6 654	3 569
MMI loss	(7 299)	(4 022)
Profit from operations	108 025	84 295

The MMI segment relates to the proposed electronic settlement of Money Market Instruments ("MMI"). The implementation of this application is estimated to be the fourth quarter of 2008.

Share capital

The company did not issue any shares during the year under review.

Details of the company's authorised and issued share capital appear in notes 13 and 14 to the annual financial statements.

The company repaid share premium to the value of R75 million during the financial year in order to create the correct long term capital structure for the company.

Ownership

The shareholders of Strate Limited and their percentage holdings at the date of this report, are as follows:

	Current %	2006 %
JSE Limited	44,547	44,547
Absa Bank Limited	12,679	12,679
Citibank N.A.	0,103	0,103
FirstRand Bank Limited	12,679	12,679
Nedbank Limited	14,996	14,996
The Standard Bank of South Africa Limited	14,996	14,996
	100,000	100,000



Strate Limited

Directors' report *(continued)* *for the year ended 31 December 2007*

Dividends

The company's first ordinary dividend of R 1 370 per share was declared and paid during the financial year.

An ordinary dividend of R1 686 per share is proposed to be paid by 30 April 2008.

Directors

The directors of Strate Limited at the date of this report are set out in the Corporate Governance report on page 10. The following appointments and resignations have taken place since the previous annual report:

Directors' appointments

R G M Ndlovu	(Non executive)	(appointed 27 June 2007)
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Directors' resignations

H J Sonn	(Non executive)	(resigned 29 February 2008)
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Company secretary and registered office

The company secretary at the date of this report is H van Eeden.

Business address

9 Fricker Road
Illovo Boulevard
Illovo
Sandton
2146

Postal address

PO Box 78608
Sandton
2146

Contracts

No contracts in which directors and officers had an interest and that significantly affected the affairs or business of the company were entered into during the year.

Basis of presentation of financial information

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the previous year.



Strate Limited

Directors' report *(continued)* *for the year ended 31 December 2007*

Going concern

The directors believe that the company has adequate resources to continue as a going concern in the foreseeable future.

Auditors

KPMG Inc continue in office as the auditors of Strate Limited.

Post-balance sheet events

No other material events occurred after the balance sheet date that would require adjustment or disclosure in the annual financial statements.

CSD Participants

The CSD participants at 31 December 2007 are:

Absa Bank Limited
Computershare Limited
FirstRand Bank Limited
Nedbank Limited
Société Générale, Johannesburg Branch
The Standard Bank of South Africa Limited
The South African Reserve Bank



Strate Limited

Income statement

for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Revenue	4	234 313	195 859
Other income		2 291	1 231
Total income		236 604	197 090
Operating expenditure		(128 579)	(112 795)
Personnel expenses	5	(50 949)	(34 876)
IT expenditure	5	(22 889)	(22 427)
Consulting fees		(21 716)	(9 103)
Depreciation and amortisation expense	5	(13 035)	(13 339)
Impairment loss	9	–	(12 677)
Other operating expenditure	5	(19 990)	(20 373)
Profit from operations		108 025	84 295
Finance income		10 200	9 832
Finance expenses		(3)	(2)
Profit before taxation		118 222	94 125
Taxation	6	(35 955)	(27 301)
Profit attributable to ordinary shareholders		82 267	66 824
Basic and diluted earnings per share (Rands)	7	8 432	6 850



Strate Limited

Balance sheet

at 31 December 2007

	Note	2007 R'000	2006 R'000
Assets			
Non-current assets			
Equipment	9	49 324	43 276
Current assets			
Current tax assets		117	–
Trade and other receivables	10	26 416	24 110
Cash and cash equivalents	11	65 751	105 318
Total assets		141 608	172 704
Equity and liabilities			
Equity			
Ordinary and preference share capital	13	124 205	130 304
Share premium	14	10	10
Capital redemption reserve fund		19 990	94 990
Retained earnings		50	50
		104 155	35 254
Non-current liabilities			
Deferred taxation	12	6 021	4 966
Employee benefits	21	4 750	4 966
		1 271	–
Current liabilities			
Current tax liabilities		11 382	37 434
Trade and other payables	15	–	24 115
Employee benefits	21	10 715	12 785
		667	534
Total equity and liabilities		141 608	172 704



Strate Limited

Statement of changes in equity for the year ended 31 December 2007

	Share capital R'000	Share premium R'000	Capital redemption reserve fund R'000	Retained earnings/(loss) R'000	Total R'000
Balance at 1 January 2006	10	224 990	50	(31 570)	193 480
Redemption of preference shares	–	(130 000)	–	–	(130 000)
Profit attributable to ordinary shareholders	–	–	–	66 824	66 824
Balance at 31 December 2006	10	94 990	50	35 254	130 304
Balance at 1 January 2007	10	94 990	50	35 254	130 304
Repayment of share premium	–	(75 000)	–	–	(75 000)
Dividends paid	–	–	–	(13 366)	(13 366)
Profit attributable to ordinary shareholders	–	–	–	82 267	82 267
Balance at 31 December 2007	10	19 990	50	104 155	124 205

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Strate Limited

Cash flow statement

for the year ended 31 December 2007

	Note	2007 R'000	2006 R'000
Cash flows from operating activities			
Cash generated by operations	17.1	118 182	110 903
Finance income	17.2	10 188	9 645
Finance expenses		(3)	(2)
Taxation paid	17.3	(60 403)	–
Dividends paid		(13 366)	–
Net cash inflow from operating activities		54 598	120 546
Cash flows from investing activities			
Investment in equipment	9	(19 199)	(14 915)
Investment to maintain operations		(8 296)	(4 086)
Investments to expand operations		(10 903)	(10 829)
Proceeds on disposal of equipment		34	–
Net cash outflow from investing activities		(19 165)	(14 915)
Cash flows from financing activities			
Repayment of share premium		(75 000)	–
Redemption of preference shares		–	(130 000)
Net cash outflow from financing activities		(75 000)	(130 000)
Net decrease in cash and cash equivalents		(39 567)	(24 369)
Cash and cash equivalents at beginning of the year		105 318	129 687
Cash and cash equivalents at the end of the year		65 751	105 318

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007

1. Reporting entity

Strate Limited is a company domiciled in South Africa. The address of the Company's registered office is:

1st floor, 9 Fricker Road,
Illovo Boulevard
Illovo, Sandton
2196

The company is primarily involved in providing clearing, settlement and depository services for securities.

2. Basis of preparation

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of South Africa.

The financial statements were approved by the Board of the Directors on 9 April 2008.

2.2 Basis of measurement and presentation

The financial statements have been prepared on the historical cost basis, except for the items stated at fair value as described below in the notes. The financial statements are presented in Rand, which is the company's functional currency, rounded to the nearest thousand.

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 3.3 and 9 - Equipment
Note 3.4 and 9 - Impairment



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007

3 Significant accounting policies

The accounting policies, set out below, have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in currencies other than the entity's functional currency are recognised at the rate of exchange ruling on the date of the transactions. Monetary assets and liabilities denominated in such currencies are translated to the entity's functional currency at the rates ruling at balance sheet date.

Gains or losses arising on exchange differences are recognised in the income statement.

3.2 Financial instruments

3.2.1 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Measurement

Financial instruments are initially measured at fair value, which includes directly attributable transaction costs, except for instruments carried at fair value through profit and loss. Subsequent to initial recognition these instruments are measured as set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are measured at fair value.

Trade and other receivables

Trade and other receivables are stated at amortised cost, using the effective interest method, less impairment losses.

Trade and other payables

Trade and other payables are stated at amortised cost, using the effective interest method.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.2.2 Share capital

Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognised as a distribution within equity.

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the shareholders, or if dividends are discretionary. Dividends thereon are recognised as a finance expense in the income statement.

3.3 Equipment

Recognition and Measurement

Equipment comprises furniture, computer equipment, computer software and motor vehicles and is stated at cost less accumulated depreciation and amortisation and accumulated impairment losses (refer to accounting policy 3.5.2). Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an item of software is considered integral to the functionality of the related hardware, it is capitalised as part of equipment and computer software.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets to reduce the value of the assets to their residual values.

The estimated useful lives are as follows:

Furniture	5 - 6 years (2006: 5 - 6 years)
Motor vehicles	5 years (2006: 5 years)
Computer equipment	3 - 7 years (2006: 3 - 7 years)
Computer software	2 - 5 years (2006: 2 - 5 years)

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.3 Equipment

Recognition and Measurement (continued)

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains/(losses) on the disposal of equipment are credited/(charged) to the income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads and costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the income statement as an expense as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure relating to an asset is capitalised when it is probable that future economic benefits from the asset will be realised and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.4 Impairment

3.4.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in the income statement.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised costs, the reversal is recognised in the income statement.

3.4.2 Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For capitalised development expenditure that is not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.5 Employee benefits

3.5.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.5.2 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5.3 Long-term employee benefits

The company's net obligation in respect of long-term obligation other than pension plans is the amount of future benefits that employees have earned in return to their service in the current and prior periods; that benefit is discounted to determine its present value, and the value of any related assets is deducted.

The discount rate is the yield at the reporting date of listed corporate bonds, adjusted for company specific circumstances, that have maturity dates approximating the terms of the company's obligation. The present value of the amount payable to employees in respect of the long term incentive scheme, which will be settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the carrying value of the liability is recognised as a personnel expense in the income statement.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.6 Revenue

Revenue, comprising members fees, settlement charges, non settlement charges i.e. queries, contract note fees, corporate action charges, front and licence fees, depository fees, issuer fees, data sales host-to-host and SWIFT bureau charges and connectivity fees is recognised in the financial year in which the related service is performed. All revenue is reflected excluding Value Added Taxation.

3.7 Lease payments

Leases where the lessor retains substantially all the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases recognised in income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.9 Income tax

Income taxation on the income statement for the year comprises current and deferred tax. Income taxation is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised using the balance sheet method, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.9 Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.10 Earnings per share

The company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the income statement attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the income statement attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares.

3.11 Segmental reporting

A segment is a distinguishable component of a company that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risk and returns that are different from those of other segments. The company's segment report is based on business segments. The business segments are determined based on the company's management and internal reporting structure.

Strate provides electronic settlement systems for equities and bonds and is developing the application to extend the service to Money Market Instruments ("MMI"). On a primary basis, the company is organised across these lines of business. The basis of segment reporting is representative of the internal structure used for management reporting. On a secondary basis, the company operates in one geographic segment, namely South Africa.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities do not include income tax items.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

3.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

3.13 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these annual financial statements:

- IFRS 8 - *Operating Segments* introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the company’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the company’s Management Committee in order to assess each segment’s performance and to allocate resources to them. Currently the company presents segment information in respect of its business segments (see note 23). Under the new management approach, the company does not expect significant revisions to the segmental information previously reported.
- Revised IAS 23 - *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the company’s 2009 financial statements and will constitute a change in accounting policy for the company. In accordance with the transitional provisions the company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

The following standards and interpretation, not yet effective, are not expected to have any impact on the annual financial statements:

- IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRS 3 – *Business Combinations*

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
4. Revenue		
Revenue consists of the following:		
Settlement and non-settlement charges	102 030	85 507
Contract note fees	92 837	75 928
Issuers fees	10 606	8 812
Depository fees	7 429	6 789
Connectivity fees	5 219	5 898
Corporate action charges	6 219	5 077
Host-to-host and SWIFT bureau charges	4 007	3 641
Front end licence and membership fees	2 794	2 407
Data sales	3 172	1 800
	234 313	195 859
5. Operating expenditure		
is arrived at after taking into account:		
<i>Personnel expenses</i>	50 949	34 876
– salaries	39 652	26 591
– contributions to defined contributions plans(refer note 21)	1 792	1 567
– increase in liability for leave pay accrual	829	43
– expense related to long-term incentive scheme(refer note 21)	1 271	–
– short-term incentive scheme(refer note 21)	7 405	6 675
A portion of the short term incentive for management is retained and paid in the following year. The retained portion, which is included in the above expense, amounts to R667 118 (2006: 534 485)		
<i>IT expenditure</i>	22 889	22 427
IT expenditure includes expenditure in respect of Hardware and software maintenance, Communication costs (SWIFT and Wide Area Network) as well as the Local Area Network.		
<i>Depreciation (refer note 9)</i>	13 035	13 339
– furniture and fittings	98	117
– computer equipment	4 430	3 774
– software in use	8 507	9 448
<i>Directors' emoluments (refer note 22)</i>	4 866	5 854
– fees for services as directors	1 324	1 220
– fees for consulting services	94	123
– salaries of executive directors	1 799	3 039
– long term incentive scheme: executive directors	302	–
– short term incentive scheme: executive directors	1 347	1 472

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Strate Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
5. Operating expenditure (continued)		
<i>Operating lease payments</i>	2 714	2 584
– property rentals	2 588	2 461
– equipment	126	123
<i>Auditor's remuneration</i>	556	719
– external audit fee	556	531
– other services	–	188
<i>Foreign exchange loss</i>	78	24
<i>Legal fees</i>	90	279
<i>Claims paid</i>	35	22
6. Taxation		
Current taxation	34 500	24 115
Deferred taxation	(216)	3 186
Secondary tax on companies (STC)	1 671	–
	35 955	27 301

Tax rate reconciliation

	2007 %	2007 R'000	2006 %	2006 R'000
Profit before taxation		118 222		94 125
Standard rate of South African normal taxation	29,00	34 284	29,00	27 296
<i>Taxation effect of:</i>				
Taxation rate adjustment			–	–
Non-deductible expenses	–	–	0,01	5
Secondary tax on companies (STC)	1,41	1 671	–	–
Current year's charge as a percentage of profit before taxation	30,41	35 955	29,01	27 301



Strate Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000				
7. Basic and diluted earnings per share						
Profit attributable to ordinary shareholders	82 267	66 824				
Weighted average number of ordinary shares	9 756	9 756				
Basic and diluted earnings per share (Rands)	8 432	6 850				
8. Headline earnings reconciliation						
Profit attributable to ordinary shareholders	82 267	66 824				
Adjusted for:						
Impairment of software under development	–	12 677				
Headline earnings	82 267	79 501				
Weighted average number of ordinary shares	9 756	9 756				
Headline earnings per share (Rands)	8 432	8 149				
9. Equipment						
	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Software in use R'000	Software under development R'000	Total R'000
Cost						
Balance at 1 January 2006	16 771	1 092	90	117 691	10 270	145 914
Additions	9 920	205	–	704	4 086	14 915
Transfer/ reallocation	(253)	–	–	1 932	(1 679)	–
Disposals	(84)	–	–	–	–	(84)
Balance at 31 December 2006	26 354	1 297	90	120 327	12 677	160 745
Balance at 1 January 2007	26 354	1 297	90	120 327	12 677	160 745
Additions	5 829	292	–	4 782	8 296	19 199
Disposals	(2 775)	(7)	–	–	–	(2 782)
Balance at 31 December 2007	29 408	1 582	90	125 109	20 973	177 162

Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

9. Equipment (continued)

	Computer equipment R'000	Furniture and Fittings R'000	Motor vehicles R'000	Software- in use R'000	Software - under development R'000	Total R'000
Accumulated depreciation/ amortisation and impairment losses						
Balance at 1 January 2006	(8 413)	(805)	(37)	(82 282)	–	(91 537)
Depreciation / amortisation charge for the year	(3 774)	(117)	–	(9 448)	–	(13 339)
Transfer/reallocation	146	–	–	(146)	–	–
Impairment loss	–	–	–	–	(12 677)	(12 677)
Disposals	84	–	–	–	–	84
Balance at 31 December 2006	(11 957)	(922)	(37)	(91 876)	(12 677)	(117 469)
Balance at 1 January 2007	(11 957)	(922)	(37)	(91 876)	(12 677)	(117 469)
Depreciation/ amortisation charge for the year	(4 430)	(98)	–	(8 507)	–	(13 035)
Disposals	2 660	6	–	–	–	2 666
Balance at 31 December 2007	(13 727)	(1 014)	(37)	(100 383)	(12 677)	(127 838)
Carrying value						
At 1 January 2006	8 358	287	53	35 409	10 270	54 377
At 31 December 2006	14 397	375	53	28 451	–	43 276
At 1 January 2007	14 397	375	53	28 451	–	43 276
At 31 December 2007	15 681	568	53	24 726	8 296	49 324

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
10. Trade and other receivables		
Trade receivables - related parties	15 944	14 504
Trade receivables- other customers	7 847	8 406
Other receivables	265	472
Rebates on SLB fees	(493)	-
Allowance for impairment losses	(229)	(229)
Trade receivables	<u>23 334</u>	<u>23 153</u>
Prepayments	2 883	770
Finance income receivable	<u>199</u>	<u>187</u>
	<u>26 416</u>	<u>24 110</u>

11. Cash and cash equivalents

Cash on deposit and bank balances comprise:

Current account	6 268	4 426
Call deposits	<u>59 483</u>	<u>100 892</u>
	<u>65 751</u>	<u>105 318</u>

Finance income of R10,2 million (2006: R9,8 million) was earned on bank deposits.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

12. Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Accruals	444	292	-	-	444	292
Operating lease	73	179	-	-	73	179
Employee benefits	649	230	-	-	649	230
Equipment	1 403	1 838	(7 157)	(8 638)	(5 754)	(6 800)
Income received in advance	49	851	-	-	49	851
Prepayments	-	-	(836)	(223)	(836)	(223)
Allowance for impairment losses	50	50	-	-	50	50
Leave pay accrual	575	455	-	-	575	455
	<u>3 243</u>	<u>3 896</u>	<u>(7 993)</u>	<u>(8 861)</u>	<u>(4 750)</u>	<u>(4 966)</u>



Strate Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

12. Deferred taxation (continued)

Movement in temporary differences during the year are attributable to the following:

	Balance at 1 January 2006 R'000	Recognised in income statement in 2006 R'000	Balance at 31 December 2006 R'000	Recognised in income statement in 2007 R'000	Balance 31 December 2007 R'000
Accruals	454	(162)	292	152	444
Operating lease asset	0	179	179	(106)	73
Employee benefits	0	230	230	419	649
Equipment	(12 965)	6 165	(6 800)	1 046	(5 754)
Income received in advance	387	464	851	(802)	49
Prepayments	(277)	54	(223)	(613)	(836)
Allowance for impairment losses	45	5	50	-	50
Provision for leave pay	334	121	455	120	575
Tax loss carried forward	35 453	(35 453)	-	-	-
	23 431	(28 397)	(4 966)	216	(4 750)

13. Share capital

Authorised

10 000 ordinary shares of R1 each

10 10

Issued

9 756 ordinary shares (2006 : 9 756) of R1 each

10 10

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
14. Share premium		
<i>Ordinary share capital</i>		
Opening balance	94 990	94 990
Share premium repaid	(75 000)	–
Opening balance	<u>19 990</u>	<u>94 990</u>
<i>Preference share capital</i>		
Opening balance	–	130 000
Redemption of preference shares	–	(130 000)
Closing balance	<u>–</u>	<u>–</u>
Total share premium	<u>19 990</u>	<u>94 990</u>
15. Trade and other payables		
Trade payables due to related parties	81	6
Trade payables	6 476	4 856
Deferred income	170	2 935
Accrued expenses	3 988	4 988
	<u>10 715</u>	<u>12 785</u>

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 16.

Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

16. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included through these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee, which is a sub-committee of the board, has as part of its Term of Reference the responsibility to monitor risk management in the company.

The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular ad hoc reviews of risk management controls and procedures, the results which are reported to the Audit and Risk Committee.

The company, through training and managing standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The company's risk management policies are established to identify and analyse the risk faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

16.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. More than 90% of the company's revenue is attributable to transactions with our Participants and the JSE. The outstanding balances are disclosed in note 18.

No material changes have taken place in respect of our client base as the company has been servicing the same customers since its inception. Unrecoverable amounts have been limited and were mainly attributable to services provided to Issuers.

The need for our services is supported by the Securities Services Act ("The SSA") as we are the only company that is licensed to act as a CSD at present.

Cash and cash equivalents

The company has an Investment policy which provides guidelines in respect of the day-to-day administration of cash within the company. The primary objective of the policy is to preserve capital. The policy also deals with permitted investments types and service providers as well as limits of funds to be placed with service providers.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

16.1 Credit risk (continued)

The company's maximum exposure to credit risk at the reporting date was:

	2007	2006
	R'000	R'000
Trade and other receivables, excluding prepayments	23 533	23 340
Cash and cash equivalents	65 751	105 318
	<u>89 284</u>	<u>128 658</u>

The ageing of trade receivables at the reporting date was:

	Gross 2007 R'000	Impairment 2007 R'000	Gross 2006 R'000	Impairment 2006 R'000
Not Passed due	21 932	27	21 428	–
Passed due 0-30 days	874	3	7 06	–
Passed due 31- 90 days	16	5	417	–
Passed due 91 days and over	969	194	358	229
	<u>23 791</u>	<u>229</u>	<u>22 909</u>	<u>229</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007 R'000	2006 R'000
Balance as at 1 January	229	257
Impairment loss recognised/(reversed)	–	(28)
Balance as at 31 December	<u>229</u>	<u>229</u>

The Company believes that no additional impairment allowance is necessary in respect trade receivables. The allowance for impairment is based on specific customer circumstances and is not a general allowance. Specific allowances were made in respect of listed companies that were delisted or suspended on the JSE. The allowance for impairment losses for 2006 was left unchanged as the company is confident that all customer balances, besides those specifically included in the allowance, are recoverable.

The trade receivables are monitored and reviewed monthly. Problematic balances are identified, reported to management and followed up.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

16.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company has determined a minimum level of cash flow in order to ensure its ongoing operations. The level is currently set at R 65 million and represents approximately six months of the present cash operating expenditure. The level is assessed on an ongoing basis to ensure that the adequate level of cash flow is maintained give the nature of the company.

The company does not have any debt that needs to be serviced.

The following table analyses the terms of the contractual maturities of non-derivative financial instruments existing at the reporting date:

	Up to 3 Months	3 to 12 Months	1 to 5 Years	Carrying amount
2007	R'000	R'000	R'000	R'000
Non-derivative financial assets	89 284	–	–	89 284
Trade and other receivables, excluding prepayments	23 533	–	–	23 533
Cash and cash equivalents	65 751	–	–	65 751
Non-derivative financial liabilities	(10 715)	–	–	(10 715)
Trade and other payables	(10 715)	–	–	(10 715)
Net exposure	78 569	–	–	78 569

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

16.2 Liquidity risk (continued)

	Up to 3 months	3 to 12 Months	1 to 5 years	Carrying amount
2006	R'000	R'000	R'000	R'000
Non-derivative financial assets	128 658	–	–	128 658
Trade and other receivables, excluding prepayments	23 340	–	–	23 340
Cash and cash equivalents	105 318	–	–	105 318
Non-derivative financial liabilities	(12 785)	–	–	(12 785)
Trade and other payables	(12 785)	–	–	(12 785)
Net exposure	115 873	–	–	115 873

16.3 Interest rate risk

Interest rate risk is the effect of a company's exposure to the effect of future changes in the prevailing level of interest rates.

Strate currently has no material exposure to interest rate risk on its liabilities.

Interest receivable is received on a floating rate basis. Funds are invested in permitted investments and with services providers in accordance with the Investment policy guidelines. The majority of our funds are on call.

The interest rate risk profile for non-derivative financial assets at year end is as follows:

	Fixed Rate	Floating Rate	Total
2007	R'000	R'000	R'000
Non-derivative financial assets	–	65 751	65 751
Cash and cash equivalents	–	65 751	65 751
2006			
Non-derivative financial assets	–	105 318	105 318
Cash and cash equivalents	–	105 318	105 318

All other financial assets and liabilities are non-interest bearing.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

16.3 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit by the amounts shown below. The analysis assumes that all other variables remain constant.

	100 bp increase R'000	100 bp decrease R'000
31 December 2007		
Variable rate instruments	926	1 299
Cash flow sensitivity	926	1 299
31 December 2006		
Variable rate instruments	1 082	1 596
Cash flow sensitivity	1 082	1 596

16.4 Capital management

The boards aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business.

To be financially self sufficient and to provide the shareholders with a fair return is one of the company's key objectives.

In order to create the correct long terms capital structure for the company, equity has been reduced by:

- redeeming redeemable preference shares to the value of R130 million in 2006; and
- repaying share premium to the value of R75 million in 2007

The current capital structure only consists of equity. The company does not have a targeted debt-to-equity ratio at present. Given the benefits of debt funding, management will be formulating a proposal on the targeted debt-to-equity balance in due course.

Management believe that the current capital structure is adequate to support the company's operations and that it is within the company's means to provide the shareholders with a fair return on their capital.

The company is not subject to externally imposed capital requirements.

The SSA limits the shareholding in Strate to a maximum of 15% per person.

16.5 Fair value

The carrying values of all non-derivative financial instruments approximate fair value.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

	2007 R'000	2006 R'000
17. Notes to the cash flow statement		
17.1 Cash generated by operations		
Profit before taxation	118 222	94 125
Adjustments:		
– depreciation	13 035	13 339
– impairment of money market development cost	–	12 677
– loss on sale of equipment	82	–
– finance income	(10 200)	(9 832)
– finance expenses	3	2
	<hr/>	<hr/>
Operating profit before working capital changes	121 142	110 311
Increase in trade and other receivables	(2 294)	(3 790)
(Decrease)/increase in trade and other payables	(666)	4 382
	<hr/>	<hr/>
	118 182	110 903
17.2 Finance income received		
Receivable at the beginning of the year	187	–
Per income statement	10 200	9 832
Receivable at end of year	(199)	(187)
	<hr/>	<hr/>
	10 188	9 645
17.3 Taxation paid		
Payable at beginning of year	24 115	–
Current taxation and STC charge	36 171	24 115
Receivable at end of year	117	(24 115)
	<hr/>	<hr/>
	60 403	–

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

18. Related parties

Strate Limited defines related parties as:

Shareholders who are CSD participants:

- Absa Bank Limited
- First Rand Bank Limited
- Nedbank Limited
- The Standard Bank of South Africa

Other shareholders:

- JSE Limited

Key management personnel:

- Transactions with entities of which MD Higgs is an owner, shareholder or serve as a director.

Key management personnel include the board of directors and members of executive committees. Key management personnel includes close family members of key personnel members who may be expected to influence or be influenced by that individual in dealing with the company.

Shareholders	Revenue		Trade receivables	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
JSE Limited	86 756	60 001	6 749	4 475
The Standard Bank of South Africa Limited	51 865	46 246	5 165	4 296
FirstRand Bank Limited	26 364	19 384	2 576	1 844
Nedbank Limited	15 404	15 081	1 430	1 180
Absa Bank Limited	9 641	11 913	24	2 709
Total	190 030	152 625	15 944	14 504

Key management personnel	Operating expenditure		Trade payables	
	2007 R'000	2006 - * R'000	2007 R'000	2006 - * R'000
MD Higgs entities	8 147	1 709	71	172
MD Higgs	2 367	799	-	71
Other Consultants and Recruitment fees	5 780	910	71	101

* - services rendered from 30 August 2006

Strate has received funding from certain of its shareholders. The terms and conditions of this funding is market related. For further details, refer to notes 13 and 14.

Furthermore, Strate's revenue, as reflected in note 4, is earned principally from the settlement of bonds and equities. In terms of Strate's business model, these services are provided to CSD participants, some of whom are shareholders of the company. The revenue earned from providing these services, as detailed above, is market related.

Transactions with directors – refer to note 22



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

19. Investment in Central Depository Nominees (Proprietary) Limited ("CD Nominees")

The company's wholly owned subsidiary, CD Nominees, is used as a vehicle, in whose name debt securities deposited with its holding company, Strate Limited, are registered.

The issued share capital of CD Nominees of R1 is represented by cash of R1.

	2007 R'000	2006 R'000
20. Commitments and contingencies		
<i>Commitments</i>		
20.1 Operating leases		
Total future minimum lease payments under non-cancellable operating leases		
– within one year	2 985	2 775
– greater than a year but less than five years	614	4 175
	<u>3 599</u>	<u>6 950</u>
20.2 Capital expenditure:		
Authorised		
– within one year	9 711	6 900

The commitments are to be funded out of working capital.

Contingent liabilities

There are no contingent liabilities that need to be disclosed.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

21. Employee benefits

The company's salary structure is based on the total cost to company principle.

All contributions to the pension scheme and medical aid are included in the salary structure. The company provides retirement benefits for all its permanent employees through defined contribution pension schemes and therefore do not have a liability in terms of retirement benefits.

Members' interests in the schemes are based on the market value of the funds and are adjusted monthly for changes in market value. These schemes are fully funded and are governed by the Pension Funds Act, 1956 as amended.

At 31 December 2007, the company had 117 permanent employees (2006: 85 employees).

	2007 R'000	2006 R'000
Short-term Incentive		
Portion of short-term incentive for management that is retained and paid in the following year.	<u>667</u>	<u>534</u>
Liability for long-term incentive scheme		
During 2007, the Company established a long term incentive scheme that entitles key management personnel and senior employees to long term employment benefits. The mechanics of the scheme are as follows:	<u>1 271</u>	<u>—</u>

It is a five year incentive scheme in which the payment of the benefit awarded, which is 10% of the prior year audited profit after tax, is made in three equal tranches to the participants at the end of years 3, 4, and 5. Tranches are determined every year and participants are also selected every year.

A discount rate of 13,94% was used to arrive at the present value of the liability in respect of the long term incentive scheme.

Strate Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

22. Directors' emoluments		Directors' fees	Consulting fees	Salaries	Bonuses	Total
		R'000	R'000	R'000	R'000	R'000
2007		1 324	94	1 799	1 649 *	4 866
<i>Executive directors</i>						
MJ Singer Saul	Chief Executive Officer	-	-	1 799	1 649 *	3 448
<i>Non-executive directors</i>						
MR Johnston		-	94	-	-	94
<i>Independent non-executive directors</i>						
ME King	Chairman	340	-	-	-	340
PL Campher		100	-	-	-	100
RG Cottrell		208	-	-	-	208
NG Payne		255	-	-	-	255
HJ Sonn		136	-	-	-	136
A van der Merwe		90	-	-	-	90
SV Zilwa		160	-	-	-	160
RGM Ndlovu		35	-	-	-	35

* The bonus includes R302 000 (2006: Nil) in respect of the portion of the long term incentive scheme that accrued during the year, payable in future years (refer note 21) and R258 875 (2006:R299 750) retained in terms of the short term incentive scheme.

The retained portion is payable in November 2008.

Other directors do not receive any form of remuneration other than reimbursements.

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

22. Directors' emoluments

		Directors' Consulting		Salaries	Bonuses	Total
		fees	fees	R'000	R'000	R'000
		R'000	R'000			
2006		1 220	123	3 039	1 472	5 854
<i>Executive directors</i>						
MJ Singer Saul	Chief Executive Officer	–	–	1 635	1 073	2 708
E Solomon (resigned 8 November 2006)	Chief Operating Officer	–	–	1 404	399	1 803
<i>Non-executive directors</i>						
MR Johnston		–	123	–	–	123
<i>Independent non-executive directors</i>						
ME King	Chairman	340	–	–	–	340
PL Campher		90	–	–	–	90
RG Cottrell		178	–	–	–	178
R Morathi		50	–	–	–	50
NG Payne		211	–	–	–	211
HJ Sonn		132	–	–	–	132
A van der Merwe		90	–	–	–	90
SV Zilwa		129	–	–	–	129

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Strate Limited

Notes to the financial statements

for the year ended 31 December 2007 (continued)

23. Segmental reporting

Strate's revenue streams from providing equity and bond settlement services, and from the fourth quarter of 2008, money market settlement services are described in note 4 to the financial statements.

On a primary basis, the company is organised operationally into equity, bonds and money market settlement business segments. Strate is a single geographic segment in terms of the segmental reporting accounting standard.

	Equity settlement R'000	Bond settlement R'000	MMI settlement R'000	Total R'000
2007				
Revenue	205 328	28 985	-	234 313
Other income	2 267	24	-	2 291
Total income	<u>207 595</u>	<u>29 009</u>	<u>-</u>	<u>236 603</u>
Segment result				
Profit/(loss) from operations	<u>108 670</u>	<u>6 654</u>	<u>(7 299)</u>	108 025
Unallocated items				
Finance income				10 200
Finance expenses				(3)
Profit before taxation				<u>118 222</u>
Taxation				(35 955)
Profit attributable to ordinary shareholders				<u>82 267</u>
Dividends				(13 366)
Net income				<u>68 901</u>
Other information				
Segment assets				
Trade receivables	20 912	2 649	-	23 561
Unallocated assets				<u>118 047</u>
Total assets				<u>141 608</u>
Segment liabilities				
Unallocated liabilities				<u>17 403</u>
Total liabilities				<u>17 403</u>
Capital expenditure	-	-	8 296	8 296
Unallocated capital expenditure				10 903
Depreciation and amortisation	11 722	1 313	-	13 035

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Strate Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

23. Segmental reporting (continued)

	Equity settlement R'000	Bond settlement R'000	MMI settlement R'000	Total R'000
2006				
Revenue	168 499	27 330	105	195 934
Other income	1 155	1	–	1 156
Total income	<u>169 654</u>	<u>27 331</u>	<u>105</u>	<u>197 090</u>
Segment result				
Profit/(loss) from operations	<u>84 748</u>	<u>3 569</u>	<u>(4 022)</u>	<u>84 295</u>
Unallocated items				
Finance income				9 832
Finance expenses				(2)
Profit before taxation				<u>94 125</u>
Taxation				<u>(27 301)</u>
Profit attributable to ordinary shareholders				<u>66 824</u>
Other information				
Segment assets				
Trade receivables	18 834	3 846	–	22 680
Unallocated assets				<u>151 495</u>
Total assets				<u>172 704</u>
Segment liabilities				
Unallocated liabilities				<u>42 400</u>
Total liabilities				<u>42 400</u>
Capital expenditure	–	–	–	14 915
Depreciation and amortisation	12 192	1 147	–	13 339
Impairment loss	–	–	12 677	12 677

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