



Broad-Based Black Economic Empowerment Verification Report

Issued to:

Birdi Clothing (Pty) Ltd

Registration No: 2005/008199/07

6 June 2008



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This Verification Certificate, Scorecard and Report have been prepared by Veri-Com. Information for this report have been supplied by the client. The reliability of this document is related directly to the reliability of this information. This information is accepted as an accurate reflection of the environment in the customer's organisation pertaining to the subject matter of this report.

The information in this document was and is provided in the strictest confidence and contains sensitive information proprietary to the client.

The report is an independent and impartial assessment on the BEE status of the measured entity, based on the Codes of Good Practice on Broad-Based Black Economic Empowerment gazetted on 9 February 2007 in Government Gazette No 29617.

This Certificate and Scorecard have been compiled in good faith based on information provided by the client. The authors will not accept any responsibility for any omission, nor will they be held liable for any loss or damage that may arise as a result of reliance on the document or the information contained herein.

Declaration of accuracy and disclosure by Measured Entity

I, the undersigned, being the authorised representative of the measured entity, hereby declare and bear oath that, within my personal knowledge and to the best of my belief, the information provided, which forms the basis of this Certificate, Scorecard and Report, is true and accurate and contains a full disclosure of information pertaining to the Black Economic Empowerment status of the company.

I further declare that there is no deliberate circumvention or attempted circumvention of the Broad Based Black Economic Empowerment Act and the Codes and that this report contains no intentional misrepresentation.

Signed: (Signed original on file)

Name: Len Lewison

Title: Managing Director

Date: 6 June 2008

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Verification Certificate

Scorecard

1 Executive Summary

Birdi Clothing qualifies as a **Level 1 Contributor to BEE** with a total BEE score on the scorecard of 100 points.

The Income Statement shows that the entity is a **Qualifying Small Enterprise**.

The business was originally founded by its current owner in 1995 and there is **no significant fronting risk identified** during the verification.

Morui Investments, a 100% Black investment company acquired a 27.5% shareholding in the Company in 2005. The shareholders of Morui are 4 Black male executives.

The Business supplies its own brand of golf and related sports clothing and products and has an **Unrestricted Operational Capacity**.

The Company is run by the founder Len Lewison and the Non-Executive Chairman is Victor Nosi.

Based on the Income Statement of the Measured Period, the Company qualifies as a Value Adding Enterprise as defined in the Codes.

The company selected that the four elements of the QSE Codes to be measured would be:

1.1 Ownership Element – Code 801

This element, measures the entitlement of black people to participate in the ownership of an enterprise.

The BEE Shareholder is Morui Investments and it is 100% Black as defined in the Codes. The Purchase Consideration of their shares has been fully settled.

1.2 Management Control Element – Code 802

This element measures the effective control of enterprises by black people.

The company is run by the MD but all major decisions are taken by the board of directors, either at board meetings or in informal interactions and email. There are 7 Directors of whom 4 are black males.

1.3 Enterprise Development Element – Code 806

This element measures the extent of implementation of initiatives intended to assist and accelerate the development of enterprises.

The Company invests and participates extensively in promotional and sponsorship activities. It ranges from Sponsorships of events to clothing sponsorships for Development Organisations in Golf and individuals. The company has significantly exceeded the BEE targets for SED Participation.

1.4 Socio-Economic Development Element – Code 807

This element, measures socio-economic development contributions initiated and implemented with the specific objective of facilitating sustainable access to the economy.

Most of the funds made available for sponsorships and other programmes that the Company participates in have the development of Black Professional Golfer, Black Women and Disabled. The company has significantly exceeded the BEE targets for SED Participation.

2 Verification Basis

This Verification Report is based on information provided to Veri-Com by the client. The report is an independent and impartial assessment on the BEE status of the measured entity, based on the Codes of Good Practice on Broad-Based Black Economic Empowerment gazetted on 9 February 2007 in Government Gazette No 29617.

Data was collected during on site visits, meetings and from documentation provided by the measured entity. The Client File contains all relevant documents and is kept at Veri-Com.

The Financial information used for this verification is the signed audited Financial Statement for the Company for the year ending 28 February 2008.

All requested documents were made available and declarations duly completed.

The company premises and reception is shared with two other businesses being owned by members of the Lewison family, but is observed a simple matter of facility convenience and the companies are not deemed related enterprises in terms of the Codes.

3 Verification Process

The verification process is detailed in the comprehensive Veri-Com Manual. This manual has been compiled in accordance with the dti and SANAS guidelines and requirements. The process consists of the following main activities.

3.1 Proposal

A Proposal for the Verification is presented to the client.

3.2 Initial Verification Meeting

The Verification Process and requirements are discussed with the client and in the case of a QSE, the Elements of the Codes selected for verification is confirmed.

3.3 Client Verification File completed

The Client completed the questionnaires and provides the required documentation.

3.4 Verification Review and Assessment

Based on the Information a Review is done and the On-site Verification planned.

3.5 On-Site Verification

On-Site Verification is done.

3.6 Draft Report presented

A draft report is presented to the client to consider for factual correctness and the conclusions of the process.

3.7 Client Feedback on Draft Report

Any input from the Client is considered for the final report.

3.8 Vericom Committee Approval

The Report is presented to the Vericom Verification Committee for approval.

3.9 Final Certificate, Scorecard and Report

The Final Certificate, Scorecard and Report is completed and presented to the Client.

4 Codes of Good Practice on Broad Based Black Economic Empowerment

4.1 The Qualifying Small Enterprises Codes

The following table represents the Qualifying Small Enterprises Scorecard and contains the Elements of the scorecard, the weightings, and the primary reference Codes which specify the mechanisms for measurement and calculation of each of the Elements of the scorecard (Codes 801 – 807).

Element	Weighting	Primary Codes Reference
Ownership	25 points	Code 801
Management control	25 points	Code 802
Employment equity	25 points	Code 803
Skills development	25 points	Code 804
Preferential procurement	25 points	Code 805
Enterprise development	25 points	Code 806
Socio-Economic Development	25 points	Code 807

The following applies:

- A Qualifying Small Enterprise may elect to be measured using four of the seven elements of broad-based black economic empowerment.
- Should there be no employees in the employ of the measured enterprise; the enterprise cannot include the employment equity Elements as one of the elected elements.
- Each indicator will have a weighting of 25 percent.

4.2 The Qualifying Small Enterprises B-BBEE Status

An enterprise will be evaluated as falling into one of the following BEE Compliance Levels based on its overall performance in terms of the Qualifying Small Enterprises Scorecard:

- the BEE Status will be determined using the points qualification as specified in the centre column; and
- The BEE Status attained will determine the BEE procurement recognition level that the enterprise will obtain for the purposes of measurement of the preferential procurement Element contemplated in Code 1500.

BEE Status	Qualification	BEE procurement recognition level
Level One Contributor	>100 points on the Generic Scorecard	135%
Level Two Contributor	>85 but <100 points on the Generic Scorecard	125%
Level Three Contributor	>75 but <85 on the Generic Scorecard	110%
Level Four Contributor	>65 but <75 on the Generic Scorecard	100%
Level Five Contributor	>55 but <65 on the Generic Scorecard	80%
Level Six Contributor	>45 but <55 on the Generic Scorecard	60%
Level Seven Contributor	>40 but <45 on the Generic Scorecard	50%
Level Eight Contributor	>30 but <40 on the Generic Scorecard	10%
Non Compliant Contributor	<30 on the Generic Scorecard	0%

4.3 Enhanced Recognition in Preferential Procurement

4.3.1 Black Owned Enterprises

Recognition in the Codes has the intention to promote the use by measured entities of black-owned professional service providers and entrepreneurs as suppliers.

Specifically Black-owned professional service providers that are QSE's qualify for recognition in all three criteria in the preferential procurement scorecard, and additionally may qualify as value-adding suppliers thereby attracting further benefits.

The Company does not qualify as a Black Owned or Black Women Owned Enterprise.

4.3.2 Value Adding Enterprise

As a Value-Adding Supplier, the recognisable broad-based black economic empowerment procurement spend that can be attributed to that supplier is multiplied by a factor of 1.25.

To be recognised as a Value Adding Enterprise the requirements include that the company must be registered as a vendor under the Value-Added Tax of 1991, and its net profit before tax summed with its total labour cost must exceed 25% of the value of its total revenue;

Based on the Income Statement of the Measured Period, the Company meets the criteria of a Value Adding Enterprise as defined in the Codes.

5 Verification Elements

This section contains the actual verification results. Due to confidentiality issues the financial data are not disclosed in this report. Financial results and other confidential information relating to the company have not been included in this report and it is kept on file at Veri-Com. Access thereto will only be made available upon written instruction from the Company to do so.

5.1 Ownership Element - Code 801

This element measures the entitlement of black people to participate in the ownership of an enterprise.

The Shareholders of the Company Are as follows:

Alan Althuler	16.85%
Charlene Lewison	16.85%
Leonard David Lewison	33.75%
Morui Investments	27.50%
Beacham Capital	5.00%
Alan Althuler and Charlene Lewison jointly	0.05%
Total	100.00%

The BEE Shareholder is Morui Investments (Pty) Ltd with 27.5%. The shareholders of Morui are Black Male Executives, Joe Nalane, Kenny Setzin, Victor Nosi and Phillip Zondo each holding 25% in their personal capacity.

The transaction originated with the conclusion of a Heads of Agreement which was signed in October 2004 and subsequent Shareholders Agreement signed in August 2005. In February 2008 an amendment to the Shareholders Agreement was signed confirming that the conditions of the sale of shares was fully met, that there were no outstanding debt or moneys owed and that there were no encumbrances on the shares.

B-BBEE Scorecard Element	Indicators	Indicator Weighting	Compliance target	Current Status	Current Compliance
Ownership Code 801	Exercisable Voting Rights in the Enterprise in the hands of Black people	6	25.% + 1 vote	27.5%	6
	Economic Interest of Black people in the Enterprise	9	25%	27.5%	9
	Ownership Fulfilment	1	Yes	Yes	1
	Net Equity Value	9	40% in Fourth Year	100%	9
	Bonus Points: Involvement in the ownership of the Enterprise by Black Women	2	10%	0%	0
	Bonus Points: Involvement in the ownership of the Enterprise by Black participants in Employee Ownership Schemes, Co-operatives or Broad-based Ownership Schemes	1	10%	0%	0
Ownership		25			25

This secures 25 points for this element of the Codes

- *Exercisable Voting Rights in the Enterprise in the hands of Black people.* The full 6 points are scored.
- *Economic Interest of Black people in the Enterprise.* The full 9 points are scored.
- *Ownership Fulfilment and Net Equity Value.* The full score of 10 points are scored.
- *Bonus Points.* None of the bonus points have been scored.

5.2 Management Control Element - Code 802

This element measures the effective control of enterprises by black people.

There are 7 Directors. 4 of them are the shareholders of Morui, i.e. Black Males and the other shareholders consisting of two white males and a white female. The business is effectively controlled by the Managing Director, Len Lewison. Charlene Lewison is the only other full time employee and therefore executive Director. Outside of the Board of Directors, there are no other management-level staff in the company.

Minutes of meetings, e-mail correspondence and the general conduct of the board is functional and sufficient evidence of active involvement by Morui in the business. For the purposes of this score the group is treated as one and the score is determined accordingly.

The score exceeds the Compliance target for Black Representation but achieves none of the bonus points related to Black Woman participation.

B-BBEE Scorecard Element	Indicators	Indicator Weighting	Compliance target	Current Status	Current Compliance
Management Control Code 802	Black representation at Top Management level	25	50.1%	57%	25
	Bonus Points: Black Women representation at Top Management Level	2	25%	0%	0
Management Control		25			25

5.3 Enterprise Development Element – Code 806

This element measures the extent of implementation of initiatives intended to assist and accelerate the development of enterprises.

The Compliance Target for Enterprise Development was determined from the Profits shown in the Income Statement Included in the Annual Financial Statements for the year ending February 2008.

A project was started to set up the first Birdi Retail outlet at OR Tambo with Mmantshema Trading Enterprise, a wholly black women owned enterprise.

This project has accumulated some R30k in expenses and qualifies for recognition at 125% of cost in terms of the Codes.

The Company is also involved in several other programmes and sponsorships including the South Africa Disabled Golf Association, Women’s World Cup of Golf and Woman Golf Programme, the Professional Golf Association and others. This resulted in benefit, support or sponsorships equalling more than R250k during the measurement period.

Expenditure on Enterprise Development significantly exceeds the requirements of the codes and achieves all 25 of the available points.

B-BBEE Scorecard Element	Indicators	Indicator Weighting	Compliance target	Current Status	Current Compliance
Enterprise Development Code 806	Average Annual value of all Qualifying Contributions as a percentage of Net Profit After Tax	25	2%	>2%	25
Enterprise Development		25			25

5.4 Socio – Economic Development Element - Code 807

This element, as set out under Code 807, measures socio-economic development contributions initiated and implemented with the specific objective of facilitating sustainable access to the economy.

The Compliance Target for Socio-Economic Development was determined from the Profits shown in the Income Statement Included in the Annual Financial Statements for the year ending February 2008.

The Company has been supporting some 50 charitable organisations who have received benefit, support or sponsorships exceeding R40k during the measurement period. Sponsorships for two Black Professional Golfers were recorded which exceeded the total required expenditure.

The expenditure on Socio-Economic Development significantly exceeds the requirements of the codes and achieves all 25 of the available points.

B-BBEE Scorecard Element	Indicators	Indicator Weighting	Compliance target	Current Status	Current Compliance
Socio Economic Development Code 807	Average Annual value of all Qualifying Contributions as a percentage of Net Profit After Tax	25	1%	>1%	25
Socio Economic Development		25			25

Report Ends



Broad Based Black Economic Empowerment Verification Certificate

Issued to:

Birdi Clothing (Pty) Ltd

Registration No: 2005/008199/07

**B-BBEE Status:
Qualifying Small Enterprise
Level 1 Contributor
27.5% Black Owned
100 Points**

Date of Issue: 3 June 2008

Date of Expiry: 2 June 2009

B-BBEE Recognition for Preferential Procurement:

Code	Description	Recognition Level	Value-Adding Supplier	Final B-BBEE Multiplier
2.1.1	B-BBEE Procurement Spend	135%	Yes	168.75%
2.1.2	B-BBEE Procurement Spend from EME and QSE	135%	Yes	168.75%
2.1.3	B-BBEE Procurement Spend: Black Owned Supplier	No		
	Preferential Procurement recognition per R1 spend			R3.38

Measured Entity

VAT No 4110148691
Address 2nd Floor,
 Village Walk Office
 Block, Rivonia Road
 Sandton
Contact Number 011 883 0580
Fax Number 011 883 0587

BEE Status

Validity Period 12 months
Certificate Number VC2008/00116
Certificate Version Final
Applicable Code QSE
Value Adding Supplier Yes
Operational Capacity Unrestricted

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QSE Scorecard

Birdi Clothing (Pty) Ltd

Registration No: 2005/008199/07

The Measured Entity has selected the following elements for its verification:

B-BBEE Scorecard Element	Indicators	Indicator Weighting	Compliance target	Current Status	Current Compliance
Ownership Code 801	Exercisable Voting Rights in the Enterprise in the hands of Black people	6	25.% + 1 vote	27.5%	6
	Economic Interest of Black people in the Enterprise	9	25%	27.5%	9
	Ownership Fulfilment	1	Yes	Yes	1
	Net Equity Value	9	40% in Fourth Year	100%	9
	Bonus Points: Involvement in the ownership of the Enterprise by Black Women	2	10%	0%	0
	Bonus Points: Involvement in the ownership of the Enterprise by Black participants in Employee Ownership Schemes, Co-operatives or Broad-based Ownership Schemes	1	10%	0%	0
Management Control Code 802	Black representation at Top Management level	25	50.1%	57%	25
	Bonus Points: Black Women representation at Top Management Level	2	25%	0%	0
Enterprise Development Code 806	Average Annual value of all Qualifying Contributions as a percentage of Net Profit After Tax	25	2%	>2%	25
Socio Economic Development Code 807	Average Annual value of all Qualifying Contributions as a percentage of Net Profit After Tax	25	1%	>1%	25
Ownership		25			25
Management Control		25			25
Enterprise Development		25			25
Socio Economic Development		25			25
Total Scorecard		100			100