

# 2003

## MISSION

The provision of secure and efficient primary and secondary capital markets across a diverse range of instruments, supported by cost effective services



# Highlights 2003

## January

Introduction of regular communication sessions with JSE members and stakeholders.

## February

Appointment of Mpuseng Tlhabane as General Manager: Human Resources.

## March

The listing of Telkom Ltd.

Signature of a Memorandum of Understanding with the Tunisia Stock Exchange.

Signature of a Memorandum of Understanding with National African Federated Chamber of Commerce and Industry (NAFCOC).

## April

Chairman's roadshow – Johannesburg, Cape Town, Port Elizabeth and Durban.

## May

Initiation of project Thusanang, a project aimed at offering the JSE's world class trading system to other African Stock Exchanges with a view to uplifting their trading volumes.

Participated in the "Bring a Girl Child to Work" initiative.

Formalised relationship with the International Marketing Council to promote South Africa.

## June

Initiation of a project by the Shareholders of STRATE investigating the feasibility of developing a central securities register.

Launch of the NewRand ETF, a customised index product.

Positioning the JSE as the lowest cost destination is crucial if we – and this in turn is vital if there is to be any prospect of a vibrant

Willing to  
**interact**  
and  
innovate



## July

Launch of the CAPI and SWIX indices, benchmark indices for the FTSE/JSE Africa Index Series.

## August

Co-sponsor of Nurturing Orphans of Aids for Humanity (NOAH) fund raiser resulting in R850 000 being donated to NOAH.

Merger of STRATE, UNEXcor and the Central Depository to create a single settlement infrastructure for the securities markets.

Nicky Newton-King voted as Business Woman of the Year.

## September

Revised Listing Requirements become effective.

## October

Implementation of STRATE shared SWIFTNet Connection.

JSE Schools Challenge Awards for 2003.

Launch of Alt\*, an alternative market for small and medium enterprises.

Publication of the JSE SRI Index Criteria.

Appointment of Geoff Rothschild as Director: Corporate Marketing and Communications.

Signature of a Memorandum of Understanding with the Department of Trade and Industry.

## November

3rd Anniversary of 100% equities settlement rate following the launch of electronic settlement via STRATE.

## December

Appointment of Wendy Luhabe as JSE non-executive director.

## Ongoing

JSE continues its close association with the World Federation of Exchanges with Russell Loubser continuing as Chairman of the Working Committee.

are to keep the market in South African securities in South Africa  
brokerage and investment community in this country.



# Involved in NEPAD, part of the JSE's contribution to stability and growth in the Southern African region



**From left to right:**

**John Burke**

Director: Listings  
Years service: 14

**Richard Miller**

Director: IT  
Years service: 16

**Nicky Newton-King**

Deputy CEO  
Years service: 8

**Gary Clarke**

Exchange Secretary  
Years service: 6

**Des Davidson**

Director: Clearing and Settlement  
Years service: 4

**Mpuseng Thabane**

General Manager: Human Resources  
Years service: 10 months

**Allan Thomson**

Director: Equities and Derivatives Trading  
Years service: 2

South Africa continues to need a new means of providing access to capital for aspirant entrepreneurs, particularly those from previously disadvantaged backgrounds, if we are to succeed in developing a truly diverse and broad ownership of our economy.



**Russell Loubser**

CEO  
Years service: 7

**Freda Evans**

Chief Financial Officer  
Years service: 3

**Bill Urmson**

Director: Surveillance  
Years service: 7

**Geoff Rothschild**

Director: Corporate Marketing and Communications  
Years service: 3 months

**Rod Gravelet-Blondin**

General Manager: Agricultural Products  
Years service: 8

**Leanne Parsons**

Chief Operating Officer  
Years service: 19

# BOARD OF DIRECTORS



**From left to right:**

**Bobby Johnston**

Director of Companies  
Honorary Life Member of the South African Institute of Stockbrokers  
Past Chairman of the JSE  
Member of the Financial Markets Advisory Board  
Appointed to the Board in 2000

**Gary Clarke**

Exchange Secretary

**Norman Muller**

Head of Financial Markets, FSB

**John Burke**

Executive Director  
Member of the King Committee on Corporate Governance  
Chairman of Listings Advisory Committee

**Leanne Parsons**

Chief Operating Officer  
Director of JSE related companies

**Anton Botha**

Chairman of the Human Resources Committee of the JSE  
CEO Gensec Bank (temporary appointment for restructure)  
Director of Companies  
Past CEO of Genbel SA Ltd, Genbel Securities Ltd and non-Executive Chairman of Gensec Bank  
Appointed to the Board in 2000

**Nicky Newton-King**

Deputy CEO  
Member of the Financial Markets Advisory Board, the Financial Centre for Africa's Strategy Committee and the Standing Advisory Committee on Company Law  
Global Leader of Tomorrow 2002  
SA Businesswoman of the Year 2003.

**Sam Nematswerani**

Alternate Director  
Chairman of the Audit Committee of the JSE  
CEO of AKA Capital (Pty) Limited  
Director of Companies

**Gloria Serobe**

CEO: Wipcapital (Pty) Ltd  
Chairman of Metropolitan and the NAC  
Director of Companies  
Appointed to the Board in 2000

**Geoff Rothschild**

Executive Director  
Member of the South African Institute of Stockbrokers  
Past Chairman of the JSE  
Previous Director of SASFIN Frankel Pollak Securities and STRATE

As we look ahead, **we intend to build on, and strengthen** relationships with all our clients and stakeholders



**Humphrey Borkum**

Chairman of the JSE  
Chairman of Merrill Lynch SA (Pty) Limited  
Member of the South African Institute of Stockbrokers  
Appointed to the Board in 2000

**Russell Loubser**

CEO of the JSE  
Board of Directors of the World Federation of Exchanges  
Chairman of the World Federation of Exchanges' Working Committee

**Reuel Khoza**

Founder and Executive Chairman of Co-Ordinated Network Investments (Pty) Limited  
Chairman of Eskom, AKA Capital (Pty) Limited and Akani Leisure (Pty) Limited  
Director of Companies  
Appointed to the Board in 2000

**Wendy Luhabe**

Non-Executive Chairman of Vodacom, Industrial Development Corporation, Alliance Capital Management, Vendome SA and Women Private Equity Fund 1  
Director of Companies  
Appointed to the Board in 2003

**Nigel Payne**

Alternate Director  
Chairman of the Risk Management Committee of the JSE  
Director of Companies  
Member of the King Committee on Corporate Governance

**Not pictured**

**Ray Cadiz**

Founder and CEO of Cadiz Holdings Limited  
Appointed to the Board in 2001

**Paul Barnard**

Group CEO and founder member of Barnard Jacobs Mellet Limited  
Member of the South African Institute of Stockbrokers  
Appointed to the Board in 2000

**Stephen Koseff**

CEO of Investec Bank Limited  
Director of Companies  
Chairman of the Independent Banks Association  
Appointed to the Board in 2000

For the past number of years, the JSE has focused on making a number of strategic investments to position it as the world's preferred destination for trading South African investment instruments through offering lowest transaction costs, secure and efficient trading and settlement and market integrity.

These investments include the alliances with the London Stock Exchange (LSE) and FTSE, the implementation of guaranteed, contractual, rolling electronic settlement on T+5 through STRATE and the acquisition of the South African Futures Exchange, including the agricultural products and financial derivatives markets. Positioning the JSE as the lowest cost destination is crucial if we are to keep the market in South African securities in South Africa – and this in turn is vital if there is to be any prospect of a vibrant brokerage and investment community in this country.

Achieving any vision, of course, takes time and **2003 has been a challenging year** for the JSE to move closer towards its goal.

Although the **equities market ended the year on a stronger note**, the JSE felt the effect of weak global equities markets in lower year-on-year volumes, listing, and membership. The number of trades was 13.6 % lower than 2002 with the average deal value higher at 228 938 shares, (2002: 212 406). The number of trades per day increased in the second half of 2003 and that trend has continued in 2004. The impact of lower equity trade volumes has, however, been felt by our members and left its mark on the JSE's financial performance.

We face stiff competition for the trade in South African securities from large international exchanges. Without the constraints of exchange control, these exchanges

have, up until now, been able to attract primary and secondary listings of South African companies and hence attract trade away from the local market without the JSE being able to offer local investors the opportunity to buy international stocks on the JSE. For many months, we have been working with National Treasury on a policy under which the inward dual listing of foreign companies will be permitted on the JSE. This has culminated in the recent Budget speech announcement that **inward dual listings will now be permitted**. If we are successful in attracting foreign listings to the JSE, this will provide local investors with a more cost effective means to diversify their portfolios through the JSE which will, in turn, mean more business for local brokers, intermediaries and vendors.

South Africa continues to need a new means of **providing access to capital for aspirant entrepreneurs**, particularly those from previously disadvantaged backgrounds, if we are to succeed in developing a truly diverse and broad ownership of our economy. The JSE has been aware that the Venture Capital Market (VCM) and Development Capital Market (DCM) have not been successful in this regard and hence in recognition of our commitment to find solutions for the country's financial markets, **we launched Alt\* in October through a joint venture with the Department of Trade and Industry**. We are encouraged by the interest in Alt\* and expect this market to grow gradually over time. An appropriate way of dealing with the VCM and DCM is being investigated.

The highlight of the listings calendar was **the listing of Telkom in March 2003**, a momentous occasion at the JSE at which we were privileged to host many Cabinet Ministers. There were however 57 delistings, due to some extent, to the prevailing economic circumstances in the country but also as a result of a deliberate decision by the JSE to remove from the exchange those companies which no longer met the JSE's Listings Requirements. We took this action because we did not believe that it was in the public interest to have companies listed on the JSE when, in fact, they no longer met the criteria for listing. The delistings had no noticeable effect on the JSE's equity market capitalisation or turnover.

**The Financial Derivatives Market performed well** with the numbers of both options and futures contracts traded higher than 2002. Single stock futures showed the highest growth of 106%. We listed 35 new instruments in this market during the year and welcomed three new members to the market.





“I truly believe that we have an incredibly **capable and dedicated Executive and team of staff**, led by a committed and dedicated CEO, Russell Loubser. I salute them all”.

***Undoubtedly the best performing of the JSE's markets was the Agricultural Products Market***

where turnover on options contracts was up 23.1% on 2002 and futures contracts up 14.5%. As a result, we were able to reduce contract fees on the APD by 20% for clients of members from 1 January 2004. Ten new members joined this market during 2003, a net gain of seven members.

While we currently have a world class trading system in JSE SETS for equities, the derivatives trading engines have not been as stable as we would have liked. The technical issues that have affected these markets have caused the members of these markets and the JSE much frustration. Detailed investigations indicate the underlying cause to be the phenomenal growth in the markets post 2000. The systems now operate beyond the parameters for which they were first specified and designed. We spent significant time during 2003 investigating the options to replace or upgrade these systems. A phased upgrade and redevelopment of the systems is now underway and special focus is being placed on stabilising the APD system.

***For the third consecutive year, the JSE has zero failed trades for on-market equities transactions.***

This follows the implementation of guaranteed, contractual, rolling, electronic settlement on T+5 through STRATE. This was a crucial building block in positioning our market as a preferred destination for trading South African instruments.

During the year, the JSE assisted in ***the merger of STRATE and UNEXcor***, the bond settlement entity. This will create the opportunity to reduce the cost of settlement for all instruments through the leverage of technology and skills which previously resided in the two entities separately. Following the merger, the JSE's shareholding in STRATE reduced to 41% (from 50%) and

the number of directors the JSE has on the STRATE Board reduced to four (from five).

Much has been written about the cost of trading on the JSE. Unfortunately, most of this ignores the fact that in the days of floor-based trading and paper-based settlement, not only were clients not assured of proper price discovery but over 50% of trades did not, in fact, settle by the end of the following settlement period. Hence, many clients and members had huge hidden opportunity costs and hefty interest charges resulting from delayed settlements. Comments on pricing often ignore the fact that ***JSE costs account for only a small proportion (depending on transaction value) of the average costs of a typical trade*** – with the remainder attributable largely to settlement intermediaries and other institutions.

It is also important to emphasise that ***despite the strategic initiatives undertaken to modernise the JSE, the JSE has not needed to revert to its members for any funding since deregulation in 1995***. Indeed, we believe that the JSE's financial reserves as well as the cost savings achieved in 2003, will allow us to fund the various projects planned for the coming year without placing member firms under additional financial strain through any special levies for that purpose.

***The JSE is committed to reducing its cost base as far as possible so that it can, in due course, look to reduce its fees.*** This is demonstrated by the far reaching action taken by management during 2003 to reduce the JSE's two most significant cost items: staff and IT.

As a result of a ***JSE restructuring exercise***, 42 staff members were retrenched, of which 31 were voluntary retrenchments. This together with the cancellation of unfilled positions and the termination of contracts of various independent contractors resulted in savings of approximately R26 million per annum in our operational costs. This difficult process meant we had to bid farewell to many close colleagues but we are tremendously grateful to the manner in which the remaining JSE staff



For the third consecutive year, the **JSE has zero failed trades** for on-market equities transactions.

have indicated their support and willingness to tackle the challenges we face. Further detail in respect of the activities of the Board's Human Resources Committee is dealt with in the report of the Chairman of that Committee set out in the Corporate Governance report to the Annual Financial Statements.

During the year, a great deal of time was devoted to analysing how best to address the combined problems of the high costs of running our existing IT infrastructure and the need to undertake a programme to modernise our legacy IT systems, some of which are nearly 20 years old. As a result of this investigation, the Board agreed to mandate management to initiate negotiations with a leading local company for the outsourcing of the JSE's IT infrastructure, operations and services to them and also the feasibility of contracting that company to **completely re-engineer the JSE's application, data and technical architecture**. These negotiations are nearing completion and, if successful, will result in substantial savings in the cost of operation of the JSE's IT environment.

During the first half of 2003, the JSE again investigated the possibility of demutualisation and listing. The listing of the JSE was ruled out at this stage, as there is no compelling business case for such a move, particularly under unfavourable market conditions. After careful consideration and consultation by the Executive Committee, the Board further decided that there was **no business case for demutualisation** either. As conditions change, these issues will be revisited.

The **outlook for South Africa in 2004 appears to be more positive** than it was a year ago. The South African Reserve Bank has wrestled inflation to within its target range, albeit at the cost of high interest rates for two years and we are now starting to see the benefits in terms of lower interest rates and increased consumer spending. While the strong rand has created near-term

problems for many companies, there are indications that it is settling into a more stable trading range. There appears to be growing evidence of a sustained recovery in the US economy which, provided it continues into 2004, should further support equity prices in the year ahead. There are also flickerings of life in the Japanese economy after more than a decade of stagnation. This augurs well for global markets in 2004.

As we look ahead, we intend to **build on and strengthen the relationships we have with all our clients and stakeholders**. We look forward to the implementation of the Financial Services Charter (in whose development we participated) which we believe will pave the way for a truly representative financial services industry in this country – one which in due course will be able to fulfil Government's vision of the country as the Financial Centre for Africa. We need to ensure that the JSE is able to play its part in making this vision a reality but we will only succeed if all the JSE's stakeholders join together towards this end.

Finally, we extend our sincere thanks to all Board members for their guidance and unstinting support during the year. The JSE is lucky to have a Board with the calibre of members such as ours. Our thanks also to the Executive team and all our staff members for their unwavering commitment and for rallying behind us during the year-it is greatly appreciated!



**Humphrey Borkum**  
Chairman



**Russell M Loubser**  
CEO

## MEETING THE CHALLENGES

We have in place the core elements to be a meaningful player in the financial markets. Despite (and perhaps even because of) the increasing competition for and pressure on the businesses of the JSE and its members, we need clear strategies to exploit our advantages and **reduce our costs so as to attract more business** to our markets. This is where we are focusing our energies in 2004.

### Trading and listing strategies

We operate central orderbook markets which offer transparency and efficient price discovery and hence work to eliminate opportunities for front running and other improper trading practices. We will be seeking to:

- leverage our existing trading technologies to **introduce a broader range of innovative products and markets to our members** and other clients. These include the possible introduction of an interest rate market in which it is intended to trade a full range of products across the yield curve and customised indices;
- **bring foreign companies to list** on the JSE;
- **list new exchange traded funds** including one which has a major foreign index as an underlying;
- build on the new listings that have already been attracted to Alt\* so that we can give entrepreneurs every opportunity to raise capital through Alt\*;
- use JSE technology to bring a vision of a **Pan African Market** closer to reality; and
- clarify the manner in which we allow investors to have **access to our market**. During 2003 and after extensive market consultation, we decided not to allow full Direct Market Access (DMA) to our equities trading system because we were concerned about the impact this might have on the local broking community. We did allow order routing, DMA for proprietary trading purposes and DMA for controlled clients as this will assist retail client members.

### Clearing efficiency

Historically, equities and derivatives trades have been cleared and risk managed separately. This has, in our view, resulted in a sub-optimal use of capital by members and investors. This in turn results in an implicit cost of trading on our market for members and investors which we need to find a means of reducing. Equities trades are risk managed to T+5 by the JSE's Settlement Authority in an extremely cost effective process. Derivatives trades are cleared through the SAFEX Clearing Company (a clearing house) and the clearing members manage risk. No cross collateralisation is possible and neither is margin offset between spot trades and their derivatives. We have through **SAFCOM initiated a project to:**

- investigate the feasibility (including timing and costs) of **establishing a multi-product, central clearing house;**
- determine whether such a clearing house would in fact reduce the overall cost of trading and clearing multiple products (including equities and OTCs); and
- determine what the impact (including costs) of such a clearing house would be on the equities clearing and settlement process given that such a proposal would involve a change in the manner in which equities trades are currently risk managed.

### Rekindling the retail investor

Although South Africans in formal employment are invested in the JSE indirectly through pension funds, focus on **bringing the retail investors back to the market** as direct investors, is also important. This is not only necessary to broaden the base of investors on the JSE but also, it will in itself bring increased trading to the JSE. This will be addressed through:

- introducing **more retail products:** such as Satrix and single stock futures both of which offer cheap access to quality stocks. This will provide an increased range of products in which to invest. In 2003, R100 million new capital was invested in Satrix and we will be working to increase this in 2004
- working to **lower the total cost of trading** and keep it low: this will make it more affordable to trade on the JSE. Already the **JSE proportion of the average cost of a typical equities trade is much smaller than** the costs of other settlement intermediaries and institutions which are outside JSE control and make up



Although South Africans in formal employment are invested in the JSE indirectly through pension funds, focus on bringing the retail investors back to the market as direct investors, is also important.



the remainder. We now need to work with these players to get them to reduce their portion of the costs. Working with members, **we restructured our billing methodology** in all our markets with effect from 1 January 2004. One of our aims was to limit the burden on smaller retail participants. We expect to see this benefit flowing through to members' clients in due course. The JSE's aggressive restructuring and cost cutting exercises in 2003 meant that we **reduced certain of our costs** and where there were increases in costs to our users these were kept to a minimum and mostly below inflation. The introduction of a host-to-host link between the JSE and STRATE computer systems in February 2002 for the direct routing of settlement related messages rather than via the SWIFT network, has resulted in an **annual saving of approximately R7 million in messaging costs to our members. In October 2003**, when SWIFT moved away from their established X.25 network to a Secure Internet Protocol Network, we were able to implement a Shared SWIFTNet Connection with STRATE. This avoided the need to build a duplicate infrastructure at Exchange Square. Over the years, the revenue gained from data sales has shown good growth, particularly in the proportion of revenue that we gain from foreign data clients. This too has enabled us to **limit increases in charges for trading and other services. We will continue to keep a firm eye on all costs;** and

- **demystifying investment:** this is necessary so that we can start to introduce new investors and specifically previously disadvantaged investors to our market. We are actively involved in basic investment education and the listing of Telkom brought a whole host of new investors to the market off the back of a Telkom nationwide marketing and education programme. **Working with all our stakeholders**, we now need to find innovative ways of further demystifying investment on our market. This includes The **JSE/Liberty Schools Challenge** which introduces thousands of school learners each year to the mechanics of securities investment, while simultaneously initiating them into broad-based economic and commercial dynamics.



Let's talk about IT

As with most modern exchanges, **information technology forms the backbone of the JSE** – it is integral to what enables us to provide a service to our clients every day. IT is one of the JSE's major costs but much of our current IT runs off expensive legacy technology which severely limits the services, flexibility and functionality we can provide our clients. So we face the competing challenges of needing to reduce our IT costs while at the same time investing in moving our IT onto next generation technology. We are thus intending:

- **outsourcing the bulk of the operation of our IT environment;**
- undertaking the **transformation of our legacy IT environment onto next generation technology.** The cost of this transformation will be funded from reserves and out of a portion of the savings achieved through the restructuring exercise and members will not be asked to contribute financially to the IT transformation process. We do envisage needing the input of clients and other stakeholders over the course of the transformation process to ensure that we fully understand their business requirements and are able to include these in the transformation process;
- reaching an agreement with the existing supplier of the derivatives trading system to ensure that the **current performance issues with those systems are eliminated** and that the systems are rewritten to next generation technology; and
- completing these exercises over a period of two years to minimize the impact of legacy system costs and inefficiencies on the JSE and its members.

Market status

As a market, the JSE is currently rated as an "advanced emerging market" by FTSE. In the medium term, countries such as China and India are likely to be elevated to this status with the result that we will attract a smaller percentage of money tracking advanced emerging markets. With:

- a relatively large market size and good diversity of products;

- a stable, independent market structure not dominated by any one interest group or subject to government interference;
- a world class primary market with globally comparable listings requirements and corporate governance principles;
- protection of minorities in line with other developed markets;
- world class equities trading operations and market model through our relationship with the LSE and the use of its trading technology;
- leading secondary market regulation through BDA and the Insider Trading Act;
- an internationally unprecedented record of zero failed trades;
- strong enforcement of our primary and secondary market obligations;
- no foreign ownership limits, registration processes or withholding taxes,

we meet and often exceed most objective criteria for developed market status. The issue we intend to progress this year in discussion with our stakeholders is whether we should actively seek to be upgraded to developed market status and if so, what the consequences of such an upgrade would be.

Our corporate citizenship

As corporate citizens we are committed to being part of the solution to the emergence of a strong South Africa and through that, a strong continent. Consistent with this approach, the **JSE intends launching the Socially Responsible Investment Index ("SRI Index") during 2004**, which will measure performance of qualifying listed companies in relation to the triple bottom line. In this regard, the JSE has received funding of approximately R5 million from the Financial Deepening Challenge Fund, a fund run by the British Government.

The JSE supports the **rewarding of companies for conducting themselves in a socially responsible way** and we hope the SRI Index will go a long way to achieve this.

In the pursuit of the triple bottom line, we will look to:

- **fostering improved stakeholder relations:** the regular communication sessions, advisory committee meetings and strategy sessions held with our numerous stakeholders during 2003 will continue with particular focus and attention to **ensure that we are properly hearing, and are being heard by our clients and stakeholders;**
- **continuing our contribution to national initiatives:** the JSE was intimately involved in the development of the Financial Services Charter, and the sound relationships established between the various participants during the drafting process ensured that it was well received when launched. **The JSE fully supports the Charter and the transformation of our industry** that the Charter seeks to achieve and so will, on behalf of its members, consider taking a position on the Charter Council which will oversee implementation of the Charter. We have been actively involved in the development of National Treasury's policy **to position South Africa as the Financial Centre for Africa** as we see this resulting in an inflow of investment into our financial markets with the concomitant positive impact on the businesses of our stakeholders. Likewise, we intend to continue to assist in driving businesses response to NEPAD;
- **remain committed to upholding ethical and good corporate governance practices** in everything we do: We have a Board Charter and Constitution, which governs the operation of the Board. and are in the process of compiling a comprehensive code of ethical practice for the JSE. It is the intention that the code be completed in the first half of 2004;
- **place ongoing focus on safety, health and environmental (SHE) issues:** we comply with all statutory SHE obligations and there is an ongoing process that allows for the identification of risks and hazards in the workplace. Active steps are taken by the JSE to eliminate or mitigate these where

possible. From a health perspective, we launched a second **HIV/AIDS initiative during 2003.**

Presentations to staff were made not only to educate staff on HIV/AIDS, but also to challenge perceptions and highlight any behaviour that could put staff at risk. Concurrently, **prevalence testing took place.**

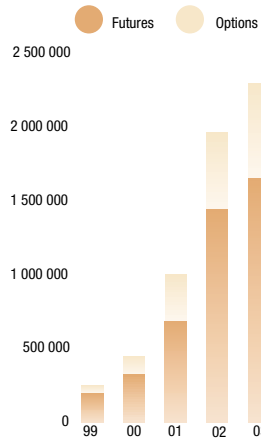
Out of a total number of 264 employees who were in the office on the day, 210 participated and 3.8% tested positive. We have stressed the availability of voluntary and free counselling services for concerned staff through ICAS (an employee assistance programme) and the fact that **JSE policies forbid discrimination on the basis of HIV/AIDS status.** Part of the strategy going forward is to provide appropriate interventions as identified;

- **playing our part in the transformation of society,** both from a gender and equity perspective: we will be progressing our initiatives to ensure the representivity of our workforce. As at 1 January 2004, we had 247 staff members of whom 50% are black and 50% are white. 56% of our staff are female. We will be working with the Department of Trade and Industry to **bring further companies to AIT\*** and progress Project Thusanang (meaning "to work together" in Sotho) aimed at allowing other African exchanges to leverage off the infrastructure of the JSE with the ultimate objective of creating a Pan-African Board. The Namibian Stock Exchange already reaps the benefit of using the JSE infrastructure for electronic trading, clearing and settlement. The Seed Trust which provides **assistance for disadvantaged and needy students in the economic and accounting fields** who excel academically needs to be reviewed in light of the Charter to see how best it could be leveraged for the benefit of our members and the JSE. In 2003, the Seed Trust assisted a total of 16 students at a cost of R377 188; and
- **working to support social causes** such as NOAH which tackles the problem that the death of both parents causes for surviving children. We have in the past made donations to, and intend to continue donating some of the contributions executives receive for speaking engagements and other ad hoc work to NOAH as our way of making some difference to the scourge that HIV/AIDS represents to our country.

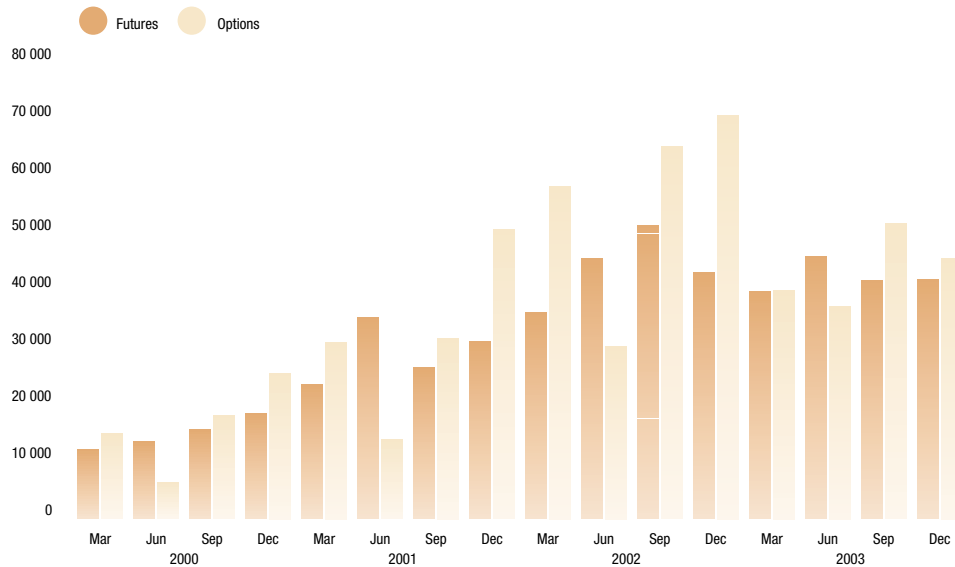
Through the pursuit of the various initiatives set out above, the JSE team intends to attract as much business to our market as possible and become a more meaningful participant in the financial market arena.

# SUMMARY OF MARKET INFORMATION AGRICULTURAL PRODUCTS

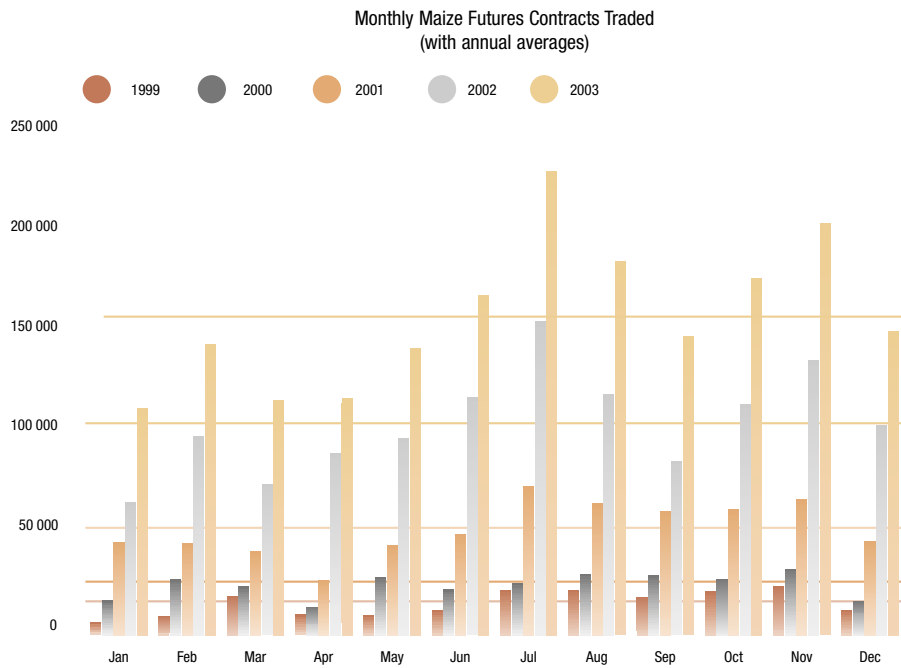
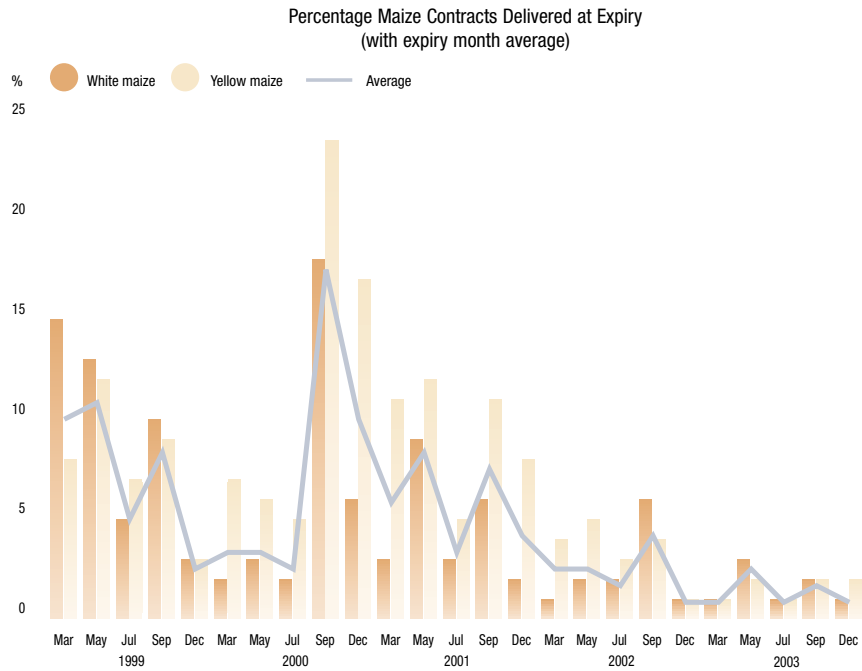
Total Annual Contracts Traded



Quarter End Open Contracts

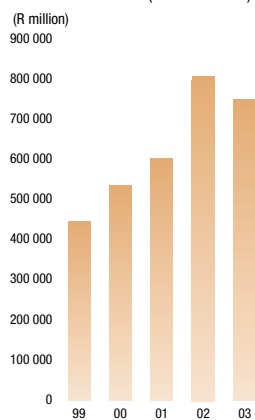




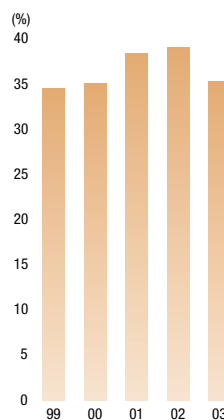


# SUMMARY OF MARKET INFORMATION EQUITIES

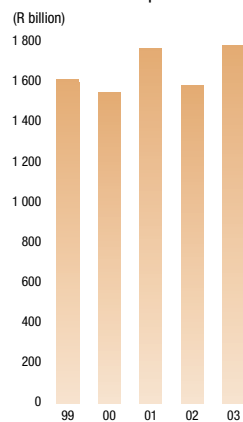
Turnover (Value Traded)



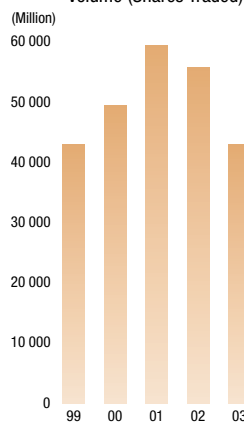
Liquidity



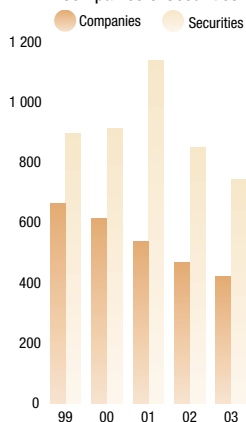
Market Capitalisation



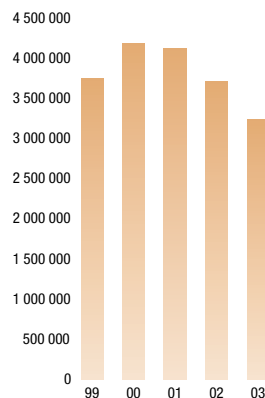
Volume (Shares Traded)



Number of Listed Companies & Securities



Number of Deals



**JSE position in the world league as at 31 December 2003 (as calculated by the World Federation of Exchanges)**

	JSE		JSE	
	Dec 2003	Ranking	Year 2002	Ranking
Market Capitalisation (Domestic) (US\$ million)	260 748 <sup>†</sup>	18	181 998	14
Market Turnover (US\$ million)	102 173	23	78 999	19
*Liquidity %	30.1	35	42.4	23

*\* The liquidity figure has been adjusted for Off Order Book Principal Trades.*

**Emerging Stock Markets as at 31 December 2003 (Provided by Standard & Poors)**

	Volume Traded (Million)	Number of Companies Listed	Value Traded (Million US\$)	Market Capitalisation (Million US\$)
South Africa	3 305	426	9 326	267 745 <sup>†</sup>
Brazil	806 999	367	7 452	234 560
Mexico	1 280	159	1 846	122 532
Korea	18 160	1 563	58 106	329 616
Malaysia	12 033	897	5 422	168 376
Taiwan	60 774	669	42 045	379 023
China	112 133	1 296	75 482	681 204
Russia	15 095	214	6 801	230 786

*†The difference in the two figures can be explained by the use of differing translation rates by the two information providers.*

# SUMMARY OF MARKET INFORMATION

## EQUITIES (continued)

Market Capitalisation by Sector (as at 31 December 2003)

Sectors	(R million)	% of Total JSE	% of Sectors
<b>Total JSE</b>	<b>1 787 194<sup>1</sup></b>	<b>100,00</b>	
<b>Resources</b>	<b>744 020</b>	<b>41,63</b>	<b>100</b>
Mining	675 610	37,80	91
Coal	36	0,00	0
Gold Mining	164 122	9,18	22
Platinum	125 231	7,01	17
Mining Finance	6 440	0,36	1
Diamond	3 086	0,17	0
Other Mineral Extractors	376 695	21,08	51
Oil and Gas	68 410	3,83	9
<b>Basic Industries</b>	<b>72 554</b>	<b>4,06</b>	<b>100</b>
Chemicals	11 745	0,66	16
Construction and Building Materials	23 115	1,29	32
Forestry and Paper	23 359	1,31	32
Steel and Other Metals	14 336	0,80	20
<b>General Industrials</b>	<b>46 146</b>	<b>2,58</b>	<b>100</b>
Engineering and Machinery	2 008	0,11	4
Diversified Industrials	30 098	1,68	65
Electronic and Electrical Equipment	14 041	0,79	30
<b>Cyclical Consumer Goods</b>	<b>95 756</b>	<b>5,36</b>	<b>100</b>
Household Goods and Textiles	91 114	5,10	95
Automobiles and Parts	4 641	0,26	5
<b>Non Cyclical Consumer Goods</b>	<b>134 452</b>	<b>7,52</b>	<b>100</b>
Beverages	81 904	4,58	61
Food Producers and Processors	31 789	1,78	24
Health	16 107	0,90	12
Pharmaceuticals	4 651	0,26	3

<sup>1</sup>Total excludes venture capital, development capital and other securities.

Sectors	(R million)	% of Total JSE	% of Sectors
<b>Cyclical Services</b>	<b>135 159</b>	<b>7,56</b>	<b>100</b>
General Retailers	54 577	3,05	40
Leisure and Hotels	12 120	0,68	9
Media and Photography	26 223	1,47	19
Support Services	29 804	1,67	22
Transport	12 435	0,70	9
<b>Non Cyclical Services</b>	<b>103 832</b>	<b>5,81</b>	<b>100</b>
Food and Drug Retailers	17 881	1,00	17
Telecommunication Services	85 951	4,81	83
<b>Financials</b>	<b>404 960</b>	<b>22,66</b>	<b>100</b>
Banks	161 690	9,05	40
Insurance	22 064	1,23	5
Life Assurance	97 503	5,46	24
Investment Companies	46 699	2,61	12
Real Estate	50 533	2,83	12
Speciality and Other Finance	26 472	1,48	7
<b>Information Technology</b>	<b>16 350</b>	<b>0,91</b>	<b>100</b>
Information Technology Hardware	2 138	0,12	13
Software and Computer Services	14 211	0,80	87
<b>Venture Capital</b>	<b>701</b>	<b>0,04</b>	<b>100</b>
<b>Development Capital</b>	<b>248</b>	<b>0,01</b>	<b>100</b>
<b>Specialist Securities</b>	<b>32 388</b>	<b>1,90</b>	<b>100</b>
Corporate Debt	654	0,04	2
Preference Shares	4 785	0,27	14
Warrants	8 809	0,49	26
Investment Products	12 523	0,70	37
Exchange Traded Funds	5 617	0,31	17
<b>Other securities</b>	<b>1 577</b>	<b>0,09</b>	<b>100</b>

# SUMMARY OF MARKET INFORMATION

## EQUITIES (continued)

### Top 10 by Market Capitalisation as at 31/12/2003

Equity Name	Equity Code	Market Capitalisation (Rand)
Anglo American Plc	AGL	211 063 258 835
BHP Billiton Plc	BIL	143 152 526 116
Richemont Securities AG	RCH	80 962 200 000
Anglogold Ltd	ANG	70 060 696 084
SabMiller Plc	SAB	67 948 230 733
Sasol Ltd	SOL	63 666 256 875
Anglo American Platinum Ltd	AMS	62 769 788 708
Standard Bank Group Ltd	SBK	52 451 428 353
Firststrand Ltd	FSR	48 706 063 587
MTN Group Ltd	MTN	47 175 635 345

### Top 10 by Value Traded for 2003

Equity Name	Equity Code	Value (Rand)
Anglo American Plc	AGL	91 682 903 888
BHP Billiton Plc	BIL	39 582 131 752
Impala Platinum Holding Ltd	IMP	37 944 487 347
Sasol Ltd	SOL	35 984 554 084
Gold Fields Ltd	GFI	33 662 491 491
Harmony G M Co Ltd	HAR	33 470 851 782
Naspers Limited -N-	NPN	29 935 139 925
Sappi Ltd	SAP	28 997 886 006
Standard Bank Group Ltd	SBK	28 797 477 037
SabMiller Plc	SAB	27 086 743 570

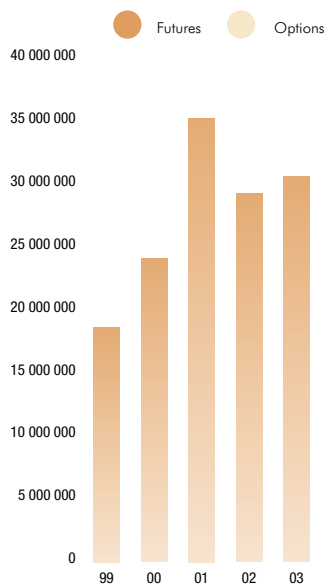
### Top 10 By Volume for 2003

Equity Name	Equity Code	Volume (Number of Shares)
Firststrand Ltd	FSR	2 020 381 782
Richemont Securities AG	RCH	1 959 536 509
Old Mutual Plc	OML	1 853 567 028
Sanlam Ltd	SLM	1 716 897 037
MTN Group Ltd	MTN	1 293 265 336
Dimension Data Holdings Plc	DDT	1 178 350 767
Standard Bank Group Ltd	SBK	909 211 580
Metro Cash and Carry Ltd	MTC	889 015 872
BHP Billiton Plc	BIL	863 652 103
Anglo American Plc	AGL	726 451 133

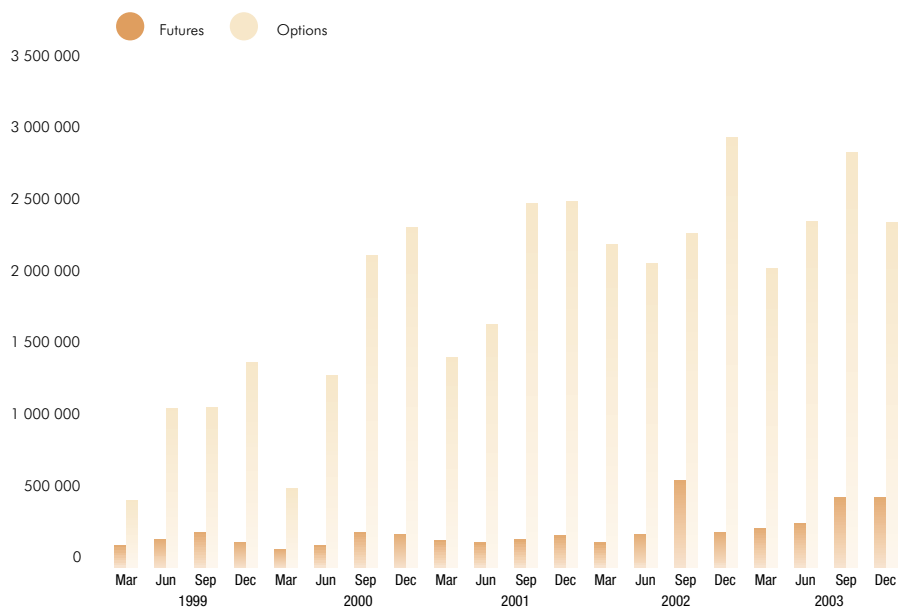
# SUMMARY OF MARKET INFORMATION

## FINANCIAL DERIVATIVES

Total Annual Contracts Traded

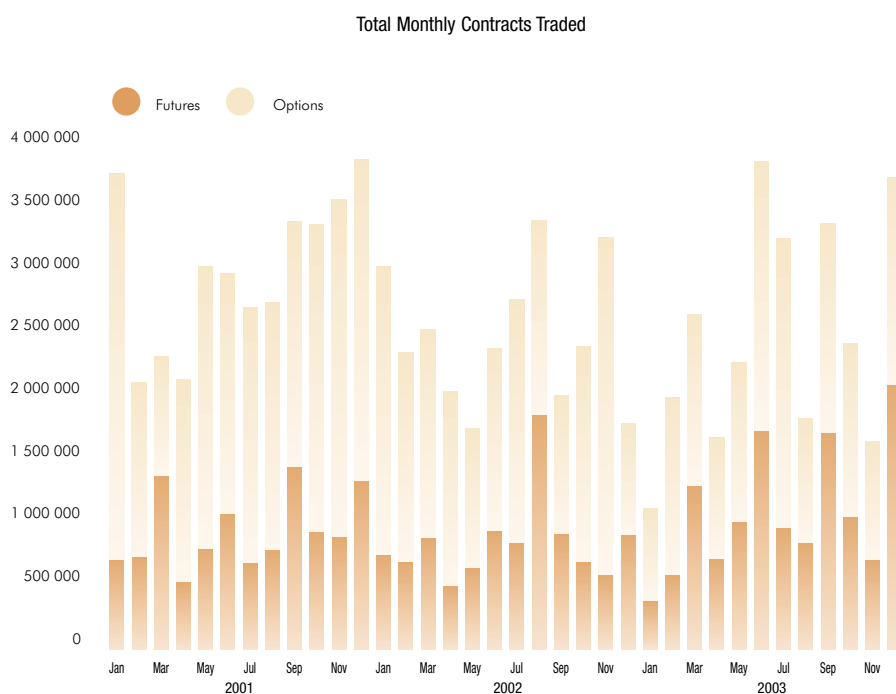
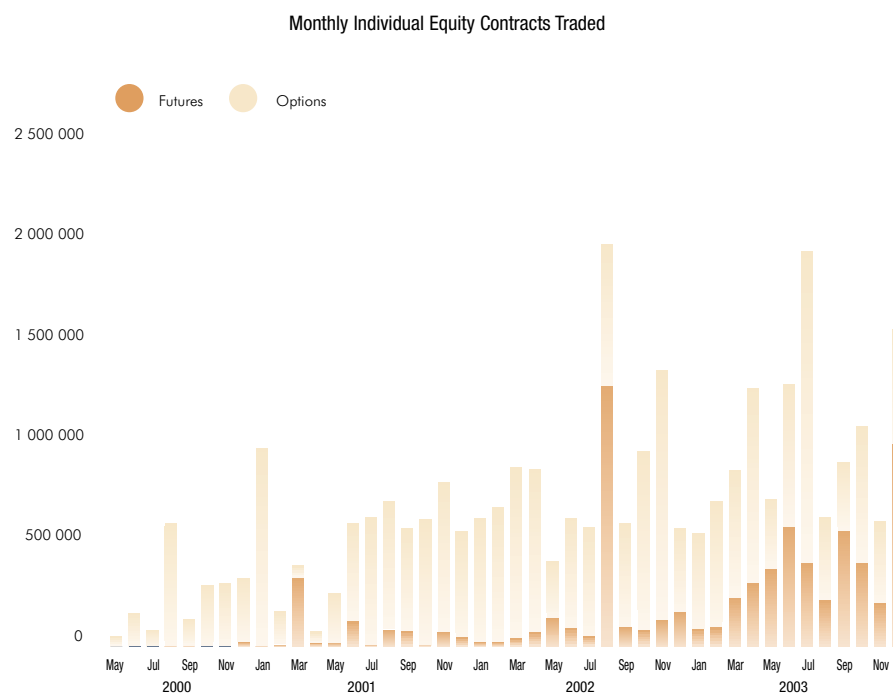


Quarter End Open Contracts



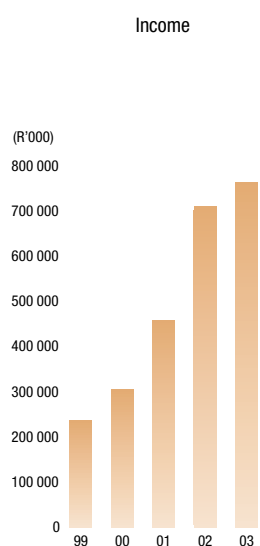
# SUMMARY OF MARKET INFORMATION

## FINANCIAL DERIVATIVES (continued)





# SUMMARY OF FINANCIAL AND RELATED INFORMATION



## FIVE YEAR FINANCIAL SUMMARY

R'000	1999	2000	2001	2002	2003
Income	238 690	306 469	459 704	711 591	766 630
Expenditure	187 478	266 728	398 262	663 621	747 059
<b>Income over Expenditure</b>	<b>51 212</b>	<b>39 741</b>	<b>61 442</b>	<b>47 970</b>	<b>19 571</b>
Staff numbers	291	299	306	297	292
Cost to Income Ratio %	78,54	87,03	86,63	93,26	97,45

The five year financial summary reflects the Exchange's results in 1999 and the Group's results in 2000, 2001, 2002 and 2003. Non-recurring items have been excluded from income and expenditure in order to make the comparisons more meaningful.

As corporate citizens, we are committed to being part of the solution to the emergence of a strong South Africa, and through that, a strong continent.



# ANNUAL FINANCIAL STATEMENTS

Corporate Governance Report	28
Directors' Responsibility for the Annual Financial Statements	36
Declaration by Secretary	36
Report of the Independent Auditors	37
Directors' Report	38
Income Statements	40
Balance Sheets	41
Statements of Changes in Reserves	42
Cash Flow Statements	43
Notes to the Financial Statements	44
Appendices to the Financial Statements	68

The first and second King Reports on Corporate Governance ("King Code") detail the importance of corporate governance in achieving financial objectives and fulfilling corporate responsibilities. The JSE is committed to achieving optimum compliance with the King Code. Consistent with this approach, the JSE was the first exchange to include corporate governance requirements in its listing requirements. Many leading international exchanges have followed the JSE's lead in this regard.

The Board is responsible for the ongoing assessment of JSE policies relating to duties of the Board and the delegation of powers and responsibilities. This is to ensure that corporate governance requirements are met and that the core principles of accountability, integrity and transparency are adhered to.

The Board strives to adhere to the recommendations detailed in the King Code. In compliance with the King Code and after extensive consultation with Board members, a Board Charter was adopted on 25 November 2003.

The Board recognises that the JSE, by virtue of its regulatory role, sets the benchmark against which companies listed on the JSE will measure their corporate governance practices. The content of the Charter reflects this and the Board strives to surpass expectations in this regard.

The Board is of the opinion, based on the information and explanations given by management and the comments by the internal auditors and external auditors on the results of their audit, that the JSE's internal controls are adequate, so that the financial records may reasonably be relied on for preparing the annual financial statements and for maintaining accountability for assets and liabilities.

The Board believes that the JSE's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the Board to indicate that any material breakdown in the function of these controls, procedures and systems has occurred during the year under review.

In preparing the annual financial statements, the JSE has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The Board is of the opinion that the annual financial statements fairly present the financial position of the Group and the Exchange at 31 December 2003 and the results of their operations and cash flow information for the year then ended. The directors have a reasonable expectation that the JSE has adequate resources to continue in operation for the foreseeable future. For this reason, they adopt the going concern basis in preparing the annual financial statements.

## **BOARD OF DIRECTORS ("THE BOARD")**

The Board Charter sets out, amongst other things, the Board's responsibility for the adoption of strategic plans, monitoring of operational performance and management, determination of policy and procedures to ensure the integrity of the JSE risk management and internal controls, communications policy, and director selection, orientation and evaluation. The Charter is available on the Exchange's website at [www.jse.co.za](http://www.jse.co.za).

As at 31 December 2003, the Board consisted of fourteen directors, being the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Operating Officer, two executive directors and nine non-executive directors. The Chairman is elected from the nine non-executive directors and may hold office for a maximum of two consecutive three year periods. In addition to the directors, a representative from the Financial Services Board attends Board meetings as an observer. Wendy Luhabe was appointed as a director with effect from 26 November 2003, the day after the last meeting of 2003.

In terms of the JSE's rotation policy, at least one third of the non-executive members of the Board become due for retirement each year. Retiring members may stand for re-election. The term of office of executive directors is determined by the Chairman and Chief Executive Officer.

The Exchange considers the majority of its non-executive directors to be independent, however a number of these directors have certain remote interests in common with the JSE. Accordingly, it is arguable that they may fall outside of the definition of independent directors as set out in the King Code. The Board is mindful of this and the potential conflict of interests that may arise, however remote. A process has been implemented to identify and address any such conflicts should they arise.

During the year under review, the JSE conducted an extensive Board assessment process. This process entailed:

- an evaluation of the effectiveness of the Board generally;
- an assessment of individual Board members;
- an assessment of Board committees; and
- an evaluation of the Chairman's performance.

The process has proved to be extremely useful in identifying areas that require further attention and measures to address these areas are currently being implemented.

The process will be repeated in 2004. Thereafter a decision will be made as to the frequency of further assessments.



**DIRECTORS as at 31 December 2003**

PA Barnard <sup>6</sup>	
HJ Borkum <sup>2,3,6,7</sup>	Chairman
AD Botha <sup>2,3,6,7</sup>	Lead Non-Executive Director
J Burke	Executive Director
RFG Cadiz <sup>6</sup>	
MR Johnston <sup>3</sup>	
RJ Khoza <sup>2,6,7</sup>	
S Koseff <sup>2,6</sup>	
RM Loubser <sup>4</sup>	Chief Executive Officer
W Luhabe <sup>5,6</sup>	
NF Newton-King	Deputy Chief Executive Officer
LV Parsons <sup>4</sup>	Chief Operating Officer
G Rothschild <sup>8</sup>	Executive Director
GT Serobe <sup>3,6,7</sup>	

**ATTENDANCE AT BOARD MEETINGS**

During the year under review, four Board meetings were held. Attendance, by director, was as follows:

Director	Alternate	1	2	3	4	Total attendance
PA Barnard <sup>6</sup>	S Rebe <sup>6</sup>	✓	alt	✓	alt	4
HJ Borkum <sup>2,3,6,7</sup>	A Horowitz <sup>6</sup>	✓	✓	✓	✓	4
AD Botha <sup>2,3,6,7</sup>	N Payne <sup>4,6</sup>	✓	✓	alt	✓	4
J Burke		✓	✓	✓	✓	4
RFG Cadiz <sup>6</sup>	N Smith <sup>6</sup>	✓	✓	alt	x	3
MR Johnston <sup>3</sup>		✓	✓	✓	✓	4
RJ Khoza <sup>2,6,7</sup>	S Nematswerani <sup>3,4,6</sup>	alt	✓	alt	✓	4
S Koseff <sup>2,6</sup>	D Nurek <sup>6</sup>	✓	alt	x	x	2
RM Loubser <sup>4</sup>		✓	✓	✓	✓	4
W Luhabe <sup>5,6</sup>		–	–	–	–	–
NF Newton-King	WF Urmson	✓	✓	✓	✓	4
LV Parsons <sup>4</sup>		✓	✓	✓	✓	4
G Rothschild <sup>8</sup>		✓	✓	✓	✓	4
GT Serobe <sup>3,6,7</sup>		✓	✓	✓	x	3

<sup>2</sup> Member of Human Resources Committee

<sup>3</sup> Member of Audit Committee

<sup>4</sup> Member of Risk Management Committee

<sup>5</sup> Appointed 26 November 2003

<sup>6</sup> Independent Non-Executive Director

<sup>7</sup> Member of Nominations Committee

<sup>8</sup> Non-Executive Director appointed as an Executive Director with effect from 1 October 2003

✓ Attended

alt Alternate

## BOARD COMMITTEES

### Audit Committee report prepared by its Chairman, Sam Nematswerani

In addition to the Audit Committee Chairman, the Committee comprises four non-executive directors, Anton Botha, Humphrey Borkum, Bobby Johnston and Gloria Serobe. Geoff Rothschild resigned from the Committee on 1 October 2003 as a consequence of his appointment as an executive director of the JSE, but will continue to attend Audit Committee meetings by invitation for the foreseeable future. Martin Shaw (a retired senior member of the audit profession) has been appointed to the Committee with effect from 17 February 2004. His specialised input will further enhance the expertise of the Committee and we look forward to his participation. Representatives from the internal and external auditors, the Chief Executive Officer and the Chief Financial Officer attend Audit Committee meetings by invitation. The Committee operates in accordance with a written mandate and is required to meet a minimum of three times a year.

In 2003, the Committee met only twice. A third meeting scheduled for 17 November 2003 was cancelled. This meeting was scheduled primarily to consider the 2004 budget and the year end audit plan. As a result of the envisaged CBOX IT Project, and its major impact on the budget, the 2004 budget was not complete at this time. The 2004 budget, inter alia, was tabled and approved at the Audit Committee meeting held on 17 February 2004. The audit plan for 2004 was approved by the Committee via round robin resolution prior to that meeting.

The Committee is required to review the audit plan, interim and annual financial results, budgets, forecasts and other significant audit issues. This Committee also reviews the reports by the internal auditors (PricewaterhouseCoopers and Nkonki) regarding the adequacy and effectiveness of accounting systems and internal controls. It is the responsibility of the Audit Committee to review the annual financial statements of the JSE and its entities, and to make appropriate recommendations regarding their approval by the Board.

Given the complex nature of the business and the existence of extensive audit and corporate governance requirements, the Audit Committee's task is an enormous one. The Committee has focused on the key material issues and made enormous strides in dealing with the area of its responsibility and the JSE as a business will certainly benefit from this.

Consistent with 2002, the Exchange continues to prepare its annual financial statements in compliance with International Financial Reporting Standards. From an annual financial reporting point of view, a comparison with various leading exchanges has indicated that the Exchange is a leader as it:

- prepares group accounts;
- complies with National Accounting Standards;
- complies with International Financial Reporting Standards; and
- completes this within an acceptable timeframe.

In conjunction with the statutory audit work of our external and internal auditors, the JSE's financial and accounting functions can only grow stronger and more effective.

### Attendance by Committee members was as follows:

Member	1	2	Total attendance
S Nematswerani	✓	✓	2
AD Botha	✓	✓	2
HJ Borkum	✓	✓	2
MR Johnston	✓	✓	2
GT Serobe	x	✓	1
G Rothschild	✓	✓	2

### Human Resources Committee report prepared by its Chairman, Anton Botha

The Human Resources Committee is responsible for strategic human resources issues such as succession planning, human resources policies, including employment equity and HIV/Aids issues, and the remuneration of office-bearers. In addition to the Human Resources Committee Chairman, the Committee comprises non-executive directors: Humphrey Borkum, Reuel Khoza and Stephen Koseff. Stephen Koseff was appointed to the Committee with effect from 1 January 2004. His depth of knowledge and insight into human resources matters will strengthen the Committee going forward. The Chief Executive Officer attends these meetings by invitation. Remuneration of the Board is approved as follows:

- Humphrey Borkum, Anton Botha and Reuel Khoza review the remuneration of the Executive Committee members including the Chief Executive Officer;



- Anton Botha and Reuel Khoza review the remuneration of the Chairman and the Deputy Chairman, if appointed; and
- Humphrey Borkum, in consultation with the Chief Executive Officer, reviews the remuneration of the non-executive members of the Board, excluding the Chairman.

Stephen Koseff will now also review the remuneration of the Executive Committee members, the Chief Executive Officer, Chairman and Deputy Chairman (if appointed).

In 2003 the Committee met four times and remuneration issues dominated the work of the Committee. All employees were moved to a “cost to company” basis of remuneration from January 2003.

In light of the ongoing initiatives to ensure that the JSE remains relevant in a brutally competitive market, the Committee as part of its function, reviews the circumstances under which all JSE staff are remunerated. An independent company, 21st Century Business and Pay Solutions which is a specialist remuneration consultant, was appointed to advise the Board in this regard. Their report stressed that the JSE needed to:

- introduce long-term retention and incentive mechanisms for its key staff and executives; and
- bring more differentiation into the fixed compensation and bonus levels of employees and executives in particular and bring this in line with comparable industry levels.

The Board intends to implement their broad proposals over time. The first steps towards this were taken at the end of 2003, through the adjustment of the salaries of three senior executive directors. The Committee considered these increases (which still resulted in salaries that are below those recommended by the independent consultants) to be absolutely necessary. Notwithstanding the difficult year faced by the JSE and the restructuring exercise, these executive directors were identified as being key to the ongoing operation of the JSE and significant shortfalls in their packages had been identified. The Chief Executive Officer received a 7% increase, which is in line with the average increase received by staff.

Non-executive directors’ remuneration was also closely examined in 2003, however it was decided that it was inappropriate to adjust these to a more market related level at that point. This will be reviewed during the course of the current year.

Subject to the long-term retention strategies, other increases, bonuses and new appointments were minimised to take account of the financial position of the JSE.

Retrenchments were monitored in terms of JSE policy.

The JSE 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 sexual orientation. To this end, the JSE continues to revise its 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.

These policies include appropriate educational support programmes, promotion and recruitment targets, training and development programmes and innovative management development practices. These programmes, targets and practices enjoy priority as business objectives, and constitute an integral part of management’s performance assessments. This focus will continue until the diversity of our workforce is so evident at all levels of the Exchange that any concern with racial and gender profiles will be unnecessary. Employment Equity plans and progress were monitored. Goals were not achieved however steps will be taken during 2004 to address these deficiencies and we anticipate that good progress in this regard will be made.

The issues considered by the Committee were extensive, complex and of a sensitive nature. Despite these challenges, decisions recommended by the Committee and implemented by the Board will ensure that the JSE continues to operate efficiently and achieves the goals that the JSE has set itself.

**Attendance by Committee members was as follows:**

Member	1	2	3	4	Total attendance
AD Botha	✓	✓	✓	✓	4
HJ Borkum	✓	✓	✓	✓	4
RJ Khoza	✓	✓	✓	x	3
G Rothschild#	✓	✓	✓	#	3

# Resigned from the Committee by virtue of his appointment as an executive director.

#### Nominations Committee report prepared by its Chairman, Humphrey Borkum

The Nominations Committee is responsible for formalising and managing the nominations process governing the appointment of directors, the Chairman and Board committees. In addition to the Chairman, this Committee comprises three non-executive directors Gloria Serobe, Anton Botha and Reuel Khoza. The Chief Executive Officer attends these meetings by invitation.

The Committee met once in 2003 and at that meeting the general composition of the Board was reviewed. This review took into account optimum size, demographic make up and the executive to non-executive director ratio. As a result of the review, an additional non-executive director, Wendy Luhabe was appointed to the Board. In addition and as a result of Geoff Rothschild's change of status to an executive director, the Committee recommended to the Board that Martin Shaw and Stephen Koseff be appointed to the Audit and Human Resources committees respectively. The meeting was called at short notice and as a result Reuel Khoza was not able to attend. He was, however, fully briefed on the issues by the Chairman and concurred with the recommendations made. The recommendations were accepted by the Board.

The Committee will continue to strive to achieve the correct balance between experience, expertise and demographic make up at Board level to ensure that the JSE continues to meet future challenges.

#### Attendance by Committee members was as follows:

Member	1	Total attendance
HJ Borkum	✓	1
GT Serobe	✓	1
AD Botha	✓	1
RJ Khoza	x	x

#### Risk Management Committee report prepared by its Chairman, Nigel Payne

The Risk Management Committee is responsible for assisting the Board with the identification and evaluation of actual and potential risk areas as they pertain to the JSE and the mitigation of each risk. It operates in accordance with a written mandate. The internal audit function reports to this Committee which in turn works closely with the Audit Committee and Executive Committee to manage risk at the JSE. In addition to the Risk Management Committee Chairman, the Committee comprises the Chief Executive Officer, the Chief Operating Officer, the Director: IT, the Chief Financial Officer, the Director: Surveillance and the Chairman of the Audit Committee.

The Committee met three times in 2003. An enterprise-wide risk matrix has been compiled, which is to be updated on an annual basis. Each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety, under the oversight of the Risk Management Committee for the ongoing management of each identified risk. Through the internal audit process, an independent assurance on all key risk areas is provided. The first full assessment will be completed during the coming financial year. The Committee believes that enormous strides were made in 2003 with the overall process of risk management. In addition, it believes that appropriate action is being taken to mitigate all risks where it is cost effective to do so. Through the ongoing collaboration of the Committee, the internal and external auditors, the Executive Committee and Board, it is anticipated that a thorough understanding of the risks accepted by the JSE in pursuance of its objectives, together with the employment of a strategy to mitigate these risks will be achieved in 2004.

#### Attendance by Committee members was as follows:

Member	1	2	3	Total attendance
N Payne	✓	✓	✓	3
S Nematswerani	✓	✓	✓	3
G Rothschild	✓	x	#	1
RM Loubser	✓	✓	✓	3
LV Parsons	✓	x	✓	2
FM Evans	✓	✓	✓	3
R Miller	✓	✓	✓	3
WF Urmson†	–	–	x	0

# Resigned from the Committee by virtue of appointment as an executive director.

† WF Urmson appointed to the Committee with effect from 26 September 2003.



## **RISK MANAGEMENT REVIEW**

With the introduction of electronic settlement for equities through STRATE, the licensed central securities depository, the ability to identify, manage and mitigate risk has improved dramatically.

Risks influencing the environment in which the JSE operates are described below.

As part of its risk management procedures, the JSE has insurance cover across all areas of its business.

### **Principal risk**

Principal risk is the risk of a party losing the full value of a transaction which may result from a delay between payment and the transfer of ownership of securities.

The implementation of STRATE eliminated this risk through simultaneous final irrevocable delivery versus payment thereby substantially reducing the overall risk of participating in the equities market.

Credit risk between a member and the Central Securities Depository Participant ("CSDP") remains but the JSE plays no part in this.

### **Technology and systems risk**

The JSE provides a market for dealing in securities and financial instruments which is highly reliant on information technology. Dealing is performed electronically through JSE SETS (equities) and the ATS (derivatives) electronic trading systems. In addition, trades in securities conducted through JSE SETS are settled through the electronic settlement system operated by STRATE. In parallel with the provision of this service, the JSE also requires all equities members to maintain all their financial records on the Broker Deal Accounting system ("BDA").

The technology and systems risk is the risk that the systems and applications will be unable to manage and control the business processes and information. The JSE bears this risk, but has limited legal liability should either or all of the systems referred to above not function efficiently or not function at all, resulting in the JSE being unable to provide an efficient operational market.

The JSE Information Technology Services Department, under the supervision of the Director: Information Technology, manages this risk and specifically the risk associated with BDA, JSE SETS and the ATS, which includes a comprehensive redundancy and disaster recovery infrastructure. In addition, a comprehensive audit is conducted by independent consultants to monitor and make recommendations in respect of the integrity of these systems. The JSE is currently investigating outsourcing its Information Technology infrastructure and services to a local supplier including a complete re-engineering of its application, data and technical architecture. Any risks resulting from this process are being managed.

### **Settlement and liquidity risk**

Settlement risk is the risk that a party to an outstanding transaction will fail to perform on the prescribed settlement date and that a transaction will fail as a result.

Liquidity risk is closely associated to settlement risk and is the risk that a party will not have sufficient liquidity to meet its settlement obligations.

#### **(1) Equities**

There is no settlement or liquidity risk to the JSE in respect of an off-market trade. The contracting parties to an off-market trade bear this risk.

Settlement performance is the cornerstone of any securities exchange and therefore the JSE, in certain prescribed circumstances, guarantees settlement and is required to manage settlement, bearing the liquidity and price risk for both the cash and securities.

The failure by a party to perform its settlement obligations may result in a counterparty having an open position. To address this situation it is necessary to incur the cost of replacing, at current market prices, the securities subject to the agreed transaction. This risk is exacerbated by liquidity risk and price risk, which is the possibility that the price of replacing the required securities has materially and negatively changed. The JSE environment comprises a hierarchical risk structure with the obligations of the client being guaranteed by the client's JSE member. The JSE member's obligations in this regard are guaranteed by the JSE. The JSE has recourse in respect of any negative price movement against the JSE member who introduced the trade. Accordingly, the JSE's settlement risk in this regard is directly proportional to the extent that both the client and the JSE member are not able to fulfil their obligations.

The JSE has, through its rules, taken steps to address and limit settlement, price and liquidity risk. The Settlement Authority is appointed in terms of the JSE rules and is currently the Director: Clearing and Settlement who is dedicated to facilitating and managing settlement. The Settlement Authority has a wide range of intellectual and information technology resources at its disposal as well as far reaching powers to manage the relevant risks and facilitate the settlement of transactions in listed securities. These powers include the ability to impose collateral requirements on members and to act as lender of last resort (securities and cash) to a party who is potentially not able to comply with his obligations. The Settlement Authority has through various avenues secured access to settlement facilities. To date, only securities have been borrowed in this regard and there has been a hundred percent success rate of settling trades on due date.

(2) **Derivatives**

Warrants are traded in the same manner as equities, through JSE SETS and the situation set out in 1 above applies to these. In respect of derivatives traded on the financial derivatives and agricultural products market, provided that a transaction is traded through the ATS system, the considerations set out below will apply.

With regard to the derivatives business, a hierarchical risk management structure exists. In terms of this structure, members guarantee client obligations and clearing members guarantee member obligations. The JSE is the guarantor of last resort and only to the extent that the client, member and clearing member are not able to perform. The clearing members are major financial institutions of substance. This structure in conjunction with the margining system is effective in managing the settlement, liquidity and price risks. The Director: Equities and Derivatives Trading is responsible for risk management regarding financial derivatives, while the General Manager: Agricultural Products is responsible for risk management regarding agricultural derivatives.

**Systemic risk**

Systemic risk is the risk where a disruption to the JSE, STRATE, a CSDP, clearing and settlement members or the settlement system as a whole, causes a knock-on effect throughout the financial markets, toppling one financial institution after another resulting in a loss of confidence in the system. This may result from a lack of solvency on the part of a stakeholder resulting in an inability to settle a multitude of transactions. Alternatively an operational issue may contribute towards large-scale non-fulfilment of transactions.

The JSE is subject to systemic risk, which is managed by the various stakeholders who participate in the financial markets. The JSE manages the risk insofar as it can through the Risk Management committee and its various divisions, including the Settlement Authority, Surveillance, Information Technology, Trading and Legal divisions of the JSE by means of a uniform and flexible policy of risk management and controls. A Guarantee Fund, Fidelity Fund and financial reserves are in place in the event that control procedures in place fail.

In addition, an "In-and-Out" fidelity insurance policy with cover of R750 million is in place to cover fidelity related claims by equities members and the JSE.

**Fidelity risk**

This is the risk of employees or agents of the JSE committing fraud or an unauthorised activity. The JSE has a large amount of funds under its management, including monies deposited in JSE Trustees (Pty) Limited, SAFEX Clearing Company (Pty) Limited, the JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust. The Chief Financial Officer is responsible for managing this risk which is mitigated through the enforcement of stringent delegation of powers, segregation of duties, rules setting out checks and balances, low risk investment policies as well as fidelity and similar insurance.

**Legal risk**

This is the risk that a transaction or contract cannot be consummated due to a legal impediment. The JSE is subject to this risk. The Deputy Chief Executive Officer is responsible for addressing this risk and heads up the Legal division, which consists of six legal professionals who, in conjunction with external legal counsel, including Senior Counsel, attend to managing this risk.

**Currency risk**

This is the risk of increased costs of doing business as well as defaulting on foreign currency payment obligations as a result of the devaluation of the Rand.



The JSE is exposed to this risk in terms of:

- an agreement with the LSE in terms of which the LSE provides the JSE with the JSE SETS and InfoWiz systems; and
- an agreement with GL Trade in terms of which the JSE provides front end technology to the equity market (known as TALX).

This risk is managed by the Chief Financial Officer, in consultation with a currency risk committee comprised of JSE staff and industry specialists, through the use of derivative financial instruments to cap exposure.

### **Reputational risk**

Reputational risk is the risk of damage to the JSE's reputation. Given the nature of a financial market and the importance of the integrity of the market, this is a very grave risk and is a risk which is a natural consequence of all other risks set out above.

STRATE is a crucial element of the market. The risk associated with electronic settlement of equities transactions is not directly within the control of the JSE. This risk, if not managed, will result in the tarnishing of the JSE's reputation and affect the ongoing viability of the securities market. The JSE is represented by four directors on the STRATE board of directors, and thereby influences the management of the STRATE business, including the management of all STRATE related risk issues. In this way, the reputation risk to the JSE resulting from a STRATE related default, is managed and mitigated. An international survey has highlighted the enormous improvements to operational and settlement risks which should have a beneficial effect, particularly on the non-resident clientele of the market.

The Chief Executive Officer is generally responsible for managing this risk and under his guidance all aspects of the JSE business are focused on ensuring a safe, transparent and efficient market.

# Directors' responsibility for the annual financial statements

for the year ended 31 December 2003



The directors are responsible for monitoring the preparation and integrity of the financial statements and related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for the system of internal controls and reviews 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 JSE's policies and procedures. Trained, skilled personnel with an appropriate segregation of duties implement these controls. The controls are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

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

The directors believe that the JSE and its entities will be able to continue as going concerns in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements for the year ended 31 December 2003 set out on pages 38 to 71 have been approved by the Board on 24 February 2004 and are signed on its behalf by:

Handwritten signature of HJ Borkum in black ink.

**HJ Borkum**  
*Chairman*

Handwritten signature of RM Loubser in black ink.

**RM Loubser**  
*Chief Executive Officer*

## **DECLARATION BY SECRETARY**

In my capacity as Secretary, I hereby confirm that the JSE has complied with all statutory and regulatory requirements in accordance with the Stock Exchanges Control Act, No 1 of 1985, as amended, and the Financial Markets Control Act, No 55 of 1989, as amended, and all directives issued by the Financial Services Board. I further confirm that all required returns are true and up to date.

Handwritten signature of GC Clarke in black ink.

**GC Clarke**  
*Secretary*



## **TO THE RIGHTS HOLDERS OF THE JSE SECURITIES EXCHANGE SOUTH AFRICA**

We have audited the annual financial statements and the consolidated annual financial statements of the JSE Securities Exchange South Africa ("the Exchange") and its entities ("the Group") set out on pages 38 to 71 for the year ended 31 December 2003. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### **SCOPE**

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### **AUDIT OPINION**

In our opinion, the annual financial statements and the consolidated annual financial statements fairly present, in all material respects, the financial position of the Exchange and the Group at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Stock Exchanges Control Act, No. 1 of 1985, as amended and the Financial Markets Control Act, No. 55 of 1989, as amended.

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

**KPMG Inc.**

*Registered Accountants and Auditors*

Johannesburg

24 February 2004

The directors have pleasure in presenting their report for the year ended 31 December 2003.

#### BUSINESS ACTIVITIES

The JSE is a stock exchange and financial market licensed in terms of the Stock Exchanges Control Act, No.1 of 1985 and the Financial Markets Control Act, No. 55 of 1989.

#### GENERAL REVIEW OF OPERATIONS

As at 31 December 2003, there were:

	<b>2003</b>	2002
• 8 281 <sup>2</sup> / <sub>4</sub> (2002 – 8 281 <sup>2</sup> / <sub>4</sub> ) JSE rights in issue; and		
• a total of 236 (2002 – 242) JSE members comprised as follows:		
• Equity broking members comprising:	<b>53</b>	66
– Equity broking members only	<b>33</b>	42
– Equity broking, custody and settlement members	<b>20</b>	24
• Financial derivatives members	<b>102</b>	101
• Agricultural products members	<b>78</b>	72
• Custody and settlement members only	<b>3</b>	3

The staff complement (excluding fixed term and independent contractors) of the JSE as at 31 December 2003, on a departmental basis, was as follows:

	2004	<b>2003</b>	2002
Administration	17	<b>22</b>	21
Agricultural Products	5	<b>5</b>	5
CEO's Office	3	<b>4</b>	4
Class of Project	4	<b>7</b>	4
Clearing and Settlement (Settlement Authority)	10	<b>13</b>	13
Corporate Marketing and Communications	15	<b>15</b>	13
Equities and Derivatives Trading	15	<b>19</b>	16
Finance	19	<b>19</b>	17
Human Resources	10	<b>12</b>	11
Inspectorate	20	<b>24</b>	23
Information Technology	38	<b>54</b>	70
Listings	36	<b>45</b>	43
New Business and General Counsel	22	<b>19</b>	19
Strategy (Including Customer Services and Support)	33	<b>34</b>	38
<b>Total</b>	<b>247*</b>	<b>292</b>	<b>297</b>

\*This number reflects the total staff complement of the JSE as at 1 January 2004.

During the year under review, the following significant events occurred:

1. In the last quarter of 2003 the JSE embarked on a restructuring process. This was primarily as a result of poor market conditions, low trading volumes and the knock-on effect on the Exchange's profitability. Staff and IT costs comprise the bulk of the JSE's operating expenditure and the retrenchments were seen as a necessary part of reducing the JSE cost base. Following extensive consultation in terms of the requirements of the Labour Relations Act, 42 employees were retrenched, of which 31 were voluntary. As a result, the reduction in the JSE's salary bill will be approximately R13 million per year. In addition, eight employee vacancies were cancelled and the positions of consultants and independent contractors appointed by the JSE were also reviewed as part of the process. The cancellation of vacancies and the termination of various contracts will result in further cost reductions of approximately R13 million per annum.



2. On 1 October 2003, the Board mandated the executive committee to initiate negotiations with a leading local supplier to investigate the outsourcing of its Information Technology infrastructure operations and services, as well as to investigate a complete re-engineering of its application, data and technical architecture. These initiatives, if implemented, will have a significant impact on the 2004 results.
3. As was reported in 2002, the JSE entered into a contract with the London Stock Exchange ("LSE") which allowed the JSE to implement JSE SETS and InfoWiz. This agreement has increased the Exchange's foreign currency exposure. Foreign currency commitments have been hedged through the purchase of forward exchange contracts. The recent approval for the JSE to hold Pound and Dollar Customer Foreign Currency Accounts will also facilitate the hedging of this exposure.
4. Alt\* was launched in October 2003. Alt\* has been set up as a division of the JSE. The main objective of Alt\* is to provide a mechanism for small and medium sized companies to list and raise capital. This will allow newer, smaller companies to acquire a public profile and raise capital within a regulated environment. The alternative market is also anticipated to benefit black economic empowerment in South Africa. By year end, three companies had received approval to list on Alt\*. The initiative is therefore not anticipated to have any impact on the JSE's 2004 revenue.
5. 57 companies have delisted over the past year. The number of listed companies has fallen from 700 companies in 1999 to less than 425 companies in 2003. The large number of delistings was in some measure due to the prevailing economic environment but also as a result of deliberate action by the JSE to remove from the Exchange companies that no longer meet JSE Listing Requirements. This will have an impact on the JSE's revenue.
6. With effect from 1 August 2003, STRATE acquired the businesses of Universal Exchange Corporation Limited ("UNEXcor") and Central Depository Limited ("CD"). The purchase consideration was settled via the issue of STRATE shares. The transaction has had the effect of diluting the Exchange's shareholding in STRATE from 50% to 41%. STRATE will continue to be accounted for as an associated company of the Exchange.

#### **PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements have been prepared as follows:

- "Exchange" means the JSE
- "Group" includes the Exchange, SAFEX Clearing Company (Proprietary) Limited, JSE Guarantee Fund Trust and JSE Derivatives Fidelity Fund Trust.

#### **Equity Accounted Entities:**

STRATE Limited in which the JSE has a 41% (2002: 50%) holding; and  
Indexco Managers (Proprietary) Limited in which the JSE has a 33% holding.

Other entities for which disclosure is made as funds under management:

JSE Trustees (Proprietary) Limited; and  
Indexco I, II and III Limited.

#### **SECRETARY**

The Secretary at the date of this report is GC Clarke.

#### **Business address**

One Exchange Square  
Gwen Lane  
Sandown

#### **Postal address**

Private Bag X991174  
Sandton  
2146

#### **AUDITORS**

KPMG Inc.

# Income statements

for the year ended 31 December 2003



	Notes	Group		Exchange	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>Revenue</b>	2.1	<b>329 702</b>	349 437	<b>336 790</b>	355 833
Personnel expenses	3.1	<b>(131 708)</b>	(118 436)	<b>(131 708)</b>	(118 436)
Other operating expenses	3.2	<b>(252 067)</b>	(233 067)	<b>(237 693)</b>	(215 749)
<b>(Deficit)/surplus from operations</b>		<b>(54 073)</b>	(2 066)	<b>(32 611)</b>	21 648
Other operating income	2.2	<b>13 212</b>	11 877	<b>12 198</b>	10 763
Interest received	3.3	<b>409 145</b>	350 277	<b>36 933</b>	45 111
Interest paid	3.4	<b>(363 284)</b>	(304 154)	<b>(4 983)</b>	(11 906)
Attributable profit/(loss) from associated companies	7.1	<b>14 571</b>	(7 964)	<b>14 571</b>	(7 964)
<b>Net surplus for the year</b>		<b>19 571</b>	47 970	<b>26 108</b>	57 652
<b>Headline earnings</b>	4	<b>9 576</b>	49 644	<b>8 656</b>	59 326



# Balance sheets

as at 31 December 2003



	Notes	Group		Exchange	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>Assets</b>					
<b>Non-current assets</b>					
		<b>229 081</b>	235 451	<b>153 527</b>	168 829
Property, plant and equipment	5	<b>114 079</b>	138 752	<b>114 079</b>	138 752
Investments	6	<b>78 758</b>	75 026	<b>4</b>	4
Investment in associated companies	7	<b>36 244</b>	21 673	<b>36 244</b>	21 673
Interest in subsidiaries	8	<b>–</b>	–	<b>3 200</b>	8 400
<b>Current assets</b>					
		<b>3 729 190</b>	3 130 047	<b>367 246</b>	403 905
Accounts receivable	9	<b>52 464</b>	51 065	<b>45 970</b>	42 939
Forward exchange contracts	18	<b>4</b>	–	<b>4</b>	–
Margin deposits	10.1	<b>3 317 254</b>	2 731 375	<b>20 626</b>	28 357
Collateral deposits	10.2	<b>17 089</b>	4 448	<b>17 089</b>	4 448
Cash on deposit and bank balances	11	<b>342 379</b>	343 159	<b>283 557</b>	328 161
<b>Total assets</b>					
		<b>3 958 271</b>	3 365 498	<b>520 773</b>	572 734
<b>Reserves and liabilities</b>					
<b>Reserves</b>					
	12	<b>528 807</b>	509 236	<b>386 406</b>	360 298
<b>Non-current liabilities</b>					
		<b>42 418</b>	36 892	<b>43 915</b>	38 409
Finance lease	17	<b>402</b>	1 111	<b>402</b>	1 111
Provisions	13	<b>23 362</b>	17 127	<b>23 362</b>	17 127
Due to SAFEX members	15	<b>18 654</b>	18 654	<b>18 654</b>	18 654
Due to subsidiaries	8	<b>–</b>	–	<b>1 497</b>	1 517
<b>Current liabilities</b>					
		<b>3 387 046</b>	2 819 370	<b>90 452</b>	174 027
Accounts payable	16	<b>40 929</b>	38 715	<b>40 963</b>	38 933
Forward exchange contracts	18	<b>4 792</b>	6 942	<b>4 792</b>	6 942
Margin deposits	10.1	<b>3 317 254</b>	2 731 375	<b>20 626</b>	28 357
Collateral deposits	10.2	<b>17 089</b>	4 448	<b>17 089</b>	4 448
Due to SAFEX members	15	<b>6 982</b>	37 890	<b>6 982</b>	37 890
Due to Fidelity Fund		<b>–</b>	–	<b>–</b>	57 457
<b>Total reserves and liabilities</b>					
		<b>3 958 271</b>	3 365 498	<b>520 773</b>	572 734

Statements of changes in reserves  
for the year ended 31 December 2003



	JSE Guarantee Fund Trust R'000	JSE Derivatives Fidelity Fund Trust R'000	JSE rights R'000	ECH reserve R'000	Non- distributable reserve R'000	Accumulated surplus R'000	Total R'000
<b>Group</b>							
Balance at 1 January 2002	101 010	57 457	169 619	18 400	–	114 780	461 266
Transfer from ECH reserve	–	–	–	(18 400)	–	18 400	–
Net surplus/(deficit) for the year	(10 258)	–	–	–	–	58 228	47 970
Balance at 31 December 2002	90 752	57 457	169 619	–	–	191 408	509 236
<b>Balance at 1 January 2003</b>	<b>90 752</b>	<b>57 457</b>	<b>169 619</b>	<b>–</b>	<b>–</b>	<b>191 408</b>	<b>509 236</b>
Net surplus/(deficit) for the year	<b>1 911</b>	<b>(7 457)</b>	–	–	–	<b>25 117</b>	<b>19 571</b>
Transfer of unrealised gain to NDR	–	–	–	–	<b>10 058</b>	<b>(10 058)</b>	–
<b>Balance at 31 December 2003</b>	<b>92 663</b>	<b>50 000</b>	<b>169 619</b>	<b>–</b>	<b>10 058</b>	<b>206 467</b>	<b>528 807</b>
<b>Exchange</b>							
Balance at 1 January 2002			169 619	18 400	–	114 627	302 646
Transfer from ECH reserve			–	(18 400)	–	18 400	–
Net surplus for the year			–	–	–	57 652	57 652
Balance at 31 December 2002			169 619	–	–	190 679	360 298
<b>Balance at 1 January 2003</b>			<b>169 619</b>	<b>–</b>	<b>–</b>	<b>190 679</b>	<b>360 298</b>
Net surplus for the year			–	–	–	<b>26 108</b>	<b>26 108</b>
Transfer of unrealised gain to NDR			–	–	<b>10 058</b>	<b>(10 058)</b>	–
<b>Balance at 31 December 2003</b>			<b>169 619</b>	<b>–</b>	<b>10 058</b>	<b>206 729</b>	<b>386 406</b>

# Cash flow statements

for the year ended 31 December 2003



	Notes	Group		Exchange	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>Cash (utilised)/generated by operations</b>	21.1	<b>(47 797)</b>	42 891	<b>(16 477)</b>	59 712
Interest received		<b>409 145</b>	350 277	<b>36 933</b>	45 111
Interest paid		<b>(363 284)</b>	(304 154)	<b>(4 983)</b>	(11 906)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1 936)</b>	89 014	<b>15 473</b>	92 917
<b>Cash flows from investing activities</b>					
<i>Investment to maintain operations</i>		<b>(14)</b>	(1 619)	<b>(14)</b>	(1 619)
Replacements of property, plant and equipment.		<b>(66)</b>	(1 778)	<b>(66)</b>	(1 778)
Proceeds on disposals of property, plant and equipment.		<b>52</b>	159	<b>52</b>	159
<i>Investment to expand operations</i>		<b>1 170</b>	(60 134)	<b>(2 606)</b>	(53 855)
Recovery of long-term deposit		–	6 109	–	6 109
Proceeds on maturity of fund investments		<b>19 048</b>	14 334	–	–
Proceeds on sale of investment property		–	5 200	–	–
Additions to investments		<b>(15 272)</b>	(25 813)	–	–
Investment in associated companies		–	(30 000)	–	(30 000)
Leasehold improvements		<b>(25)</b>	(746)	<b>(25)</b>	(746)
Additions to property, plant and equipment		<b>(2 581)</b>	(29 218)	<b>(2 581)</b>	(29 218)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1 156</b>	(61 753)	<b>(2 620)</b>	(55 474)
<b>Cash flows from financing activities</b>					
Fidelity Fund payment		–	–	<b>(57 457)</b>	–
<b>Net cash outflow from financing activities</b>		–	–	<b>(57 457)</b>	–
Net (decrease)/increase in cash and cash equivalents		<b>(780)</b>	27 261	<b>(44 604)</b>	37 443
Cash and cash equivalents at beginning of the year		<b>343 159</b>	315 898	<b>328 161</b>	290 718
<b>Cash and cash equivalents at end of year</b>	11	<b>342 379</b>	343 159	<b>283 557</b>	328 161

## 1. ACCOUNTING POLICIES

The JSE is a stock exchange and financial market domiciled in South Africa. The annual financial statements incorporate the principal accounting policies set out below, and are in all material respects, consistent with those adopted in the previous financial year. The accounting policies of the associated companies are consistent with those of the JSE.

### 1.1 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the Standing Interpretations Committee of the IASB.

### 1.2 Basis of preparation

The financial statements are presented in Rand, rounded to the nearest thousand. The Exchange and Group financial statements are prepared on the historical cost basis, except for the items stated at fair value as described below.

### 1.3 Basis of consolidation

#### 1.3.1 Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities. The Group financial statements incorporate the assets, liabilities and results of the operations of the SAFEX Clearing Company (Proprietary) Limited ("Safcom"), the JSE Derivatives Fidelity Fund Trust and the JSE Guarantee Fund Trust.

#### 1.3.2 Investments in associated companies

An associate is an enterprise over whose financial and operating policies the Group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the Group. The equity method of accounting for associated companies is adopted in the Group and Exchange financial statements. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate. The share of associated companies' retained earnings and reserves is determined from the latest audited financial statements.

#### 1.3.3 Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

### 1.4 Intangible assets

#### Research and development

Expenditure and research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognised in the income statement as an expense as 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 product or process is technically and commercially feasible and the Exchange has sufficient resources to complete the development. The expenditure capitalised includes the cost of direct consulting charges, direct labour and an appropriate proportion of overheads.

Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated depreciation and impairment losses.

### 1.5 Financial instruments

#### Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

#### Trade and other receivables

Trade and other receivables originated by the Group are stated at cost less impairments to receivables.

#### Trade and other payables

Trade and other payables are stated at cost.



## 1. ACCOUNTING POLICIES (continued)

### 1.5 Financial instruments (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value.

#### *Financial liabilities*

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

#### *Derivative financial instruments*

The Exchange uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. The Exchange does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value and the resultant gains or losses are recognised in the income statement.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are carried at fair value, which is calculated by reference to exchange quoted selling prices at the close of business on the balance sheet date. Gains and losses arising from a change in fair value are included in other income in the period in which the change arises.

### 1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated on the straight line basis, over the estimated useful lives of the assets. Subsequent expenditure relating to an asset is capitalised when it is probable that future economic benefits from the use of that asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

### 1.7 Impairments

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

### 1.8 Finance leases

Leases in terms of which the Exchange assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

### 1.9 Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

### 1.10 Revenue

Revenue comprises trading fees, clearing fees, risk management clearing and settlement fees, data vending services, membership fees, listing fees, Broker Deal Accounting services, funds management fees and publication sales. Revenue is recognised in the financial year to which it relates. All revenue is reflected excluding VAT.

### 1.11 Interest

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the JSE.



## 1. ACCOUNTING POLICIES (continued)

### 1.12 Other income

Other income comprises investment income, foreign exchange gains and sundry income.

### 1.13 Taxation

The JSE is exempt from normal taxation in terms of section 10(1)(d) of the Income Tax Act, No. 58 of 1962. The JSE subsidiary, SAFEX Clearing Company (Proprietary) Limited, is subject to normal taxation in terms of the Income Tax Act, No 58 of 1962. Taxation arising from this entity is immaterial and has not been separately disclosed.

National Treasury has indicated that the tax status of the JSE is to be reviewed.

### 1.14 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange differences on translation are recognised in the income statement.

### 1.15 Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

### 1.16 Employee benefits

#### 1.16.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

#### 1.16.2 Pension and provident funds

The above funds are defined contribution funds. Contributions to these funds are charged against revenue as incurred and in the period in which the employee renders the service.

#### 1.16.3 Medical aid

The JSE's policy is not to provide post retirement medical benefits to employees.

### 1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, all of which are available for use by the Group unless otherwise stated.

### 1.18 Segment reporting

The services provided by the JSE are not subject to materially different risks and are regarded as a single business segment for annual financial statement reporting purposes.

### 1.19 Funds under management

The JSE performs the administrative and management function for JSE Trustees (Proprietary) Limited, Indexco Limited, Indexco II Limited and Indexco III Limited. The JSE does not control these entities and accordingly has not consolidated their results into the consolidated financial statements. Abridged financial statements for these entities are disclosed as appendices to the annual financial statements.

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>2. REVENUE</b>				
<b>2.1 Revenue comprises –</b>				
Derivatives trading and clearing fees	<b>73 700</b>	65 156	<b>73 700</b>	65 156
– Financial Derivatives Division	<b>23 908</b>	22 121	<b>23 908</b>	22 121
– Agricultural Products Division	<b>49 792</b>	43 035	<b>49 792</b>	43 035
Equities trading fees	<b>62 171</b>	61 949	<b>62 171</b>	61 949
Risk management, clearing and settlement fees	<b>22 590</b>	24 853	<b>22 590</b>	24 853
Data vending services	<b>44 888</b>	48 450	<b>44 888</b>	48 450
General administration levy	–	5 253	–	5 253
Membership fees	<b>7 023</b>	6 805	<b>7 023</b>	6 805
Listing fees	<b>47 962</b>	54 879	<b>47 962</b>	54 879
Broker Deal Accounting services	<b>60 907</b>	71 648	<b>60 907</b>	71 648
Funds management and other	<b>10 461</b>	10 444	<b>17 549</b>	16 840
	<b>329 702</b>	349 437	<b>336 790</b>	355 833
<b>2.2 Other operating income comprises -</b>				
Bad debts recovered	–	6 109	–	6 109
JSE Guarantee Fund Trust	<b>8 471</b>	639	–	–
– dividend income	<b>1 500</b>	1 121	–	–
– revaluation of investments	<b>5 819</b>	(2 926)	–	–
– other operating income	<b>1 152</b>	2 444	–	–
Rental income	<b>3 587</b>	3 289	<b>3 587</b>	3 289
Sundry income	<b>1 154</b>	1 840	<b>8 611</b>	1 365
– Fidelity Fund write back	–	–	<b>7 457</b>	–
– other	<b>1 154</b>	1 840	<b>1 154</b>	1 365
	<b>13 212</b>	11 877	<b>12 198</b>	10 763
<b>3. (DEFICIT)/SURPLUS FROM OPERATIONS</b>				
<b>3.1 Personnel expenses</b>				
Remuneration paid to employees	<b>101 642</b>	96 030	<b>101 642</b>	96 030
Cost of retrenchments	<b>8 618</b>	–	<b>8 618</b>	–
Directors' emoluments (refer note 23)	<b>10 391</b>	10 003	<b>10 391</b>	10 003
– executive directors	<b>8 583</b>	8 044	<b>8 583</b>	8 044
– non-executive directors	<b>1 808</b>	1 959	<b>1 808</b>	1 959
Remuneration paid other than to employees for technical services	<b>11 057</b>	12 403	<b>11 057</b>	12 403
	<b>131 708</b>	118 436	<b>131 708</b>	118 436

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>3. (DEFICIT)/SURPLUS FROM OPERATIONS (continued)</b>				
<b>3.2 Other operating expenses</b>				
are arrived at after taking into account –				
Auditors' remuneration	<b>1 054</b>	1 253	<b>954</b>	1 186
– audit fee	<b>840</b>	785	<b>740</b>	718
– fees for special audit	<b>40</b>	203	<b>40</b>	203
– prior year under accruals	<b>174</b>	265	<b>174</b>	265
• audit fee	<b>109</b>	15	<b>109</b>	15
• other services	<b>65</b>	250	<b>65</b>	250
Consulting fees	<b>31 881</b>	15 694	<b>31 881</b>	15 694
– strategic	<b>23 737</b>	20 685	<b>23 737</b>	20 685
– capitalised	<b>–</b>	(10 523)	<b>–</b>	(10 523)
– other	<b>8 144</b>	5 532	<b>8 144</b>	5 532
Depreciation	<b>27 229</b>	20 792	<b>27 229</b>	20 792
– Computer hardware	<b>4 491</b>	6 178	<b>4 491</b>	6 178
• owned	<b>3 914</b>	5 889	<b>3 914</b>	5 889
• leased	<b>577</b>	289	<b>577</b>	289
– Computer software	<b>17 227</b>	9 107	<b>17 227</b>	9 107
– Furniture and equipment	<b>2 091</b>	2 104	<b>2 091</b>	2 104
– Leasehold improvements	<b>3 403</b>	3 397	<b>3 403</b>	3 397
– Vehicles	<b>17</b>	6	<b>17</b>	6
Foreign exchange loss	<b>9 830</b>	8 236	<b>9 830</b>	8 236
Impairment to trade receivables (written back)/raised	<b>(2 960)</b>	1 880	<b>(2 960)</b>	1 880
Information systems upgrade	<b>–</b>	1 800	<b>–</b>	1 800
Legal fees	<b>1 915</b>	1 930	<b>1 915</b>	1 930
Loss on sale of property, plant and equipment	<b>63</b>	1 674	<b>63</b>	1 674
(Profit)/loss on sale of investments	<b>(1 688)</b>	1 815	<b>–</b>	–
Mainframe maintenance	<b>39 478</b>	43 573	<b>39 478</b>	43 573
Operating lease charges	<b>19 427</b>	18 111	<b>19 427</b>	18 111
– buildings	<b>18 257</b>	16 994	<b>18 257</b>	16 994
– office equipment	<b>1 170</b>	1 117	<b>1 170</b>	1 117
Post-retirement medical benefits	<b>–</b>	(16 070)	<b>–</b>	(16 070)
– paid current year	<b>–</b>	(8 796)	<b>–</b>	(8 796)
– current service cost	<b>–</b>	1 319	<b>–</b>	1 319
– gain on change in benefit plan	<b>–</b>	(10 839)	<b>–</b>	(10 839)
– interest cost	<b>–</b>	2 246	<b>–</b>	2 246



# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>3. (DEFICIT)/SURPLUS FROM OPERATIONS (continued)</b>				
<b>3.3 Interest received</b>				
Own funds	31 920	30 945	31 336	30 679
JSE Guarantee Fund Trust and JSE Derivatives				
Fidelity Fund Trust	5 203	5 613	–	–
Interest received on guarantees	2 109	6 052	2 109	6 052
Interest received on margin deposits	369 913	307 667	3 488	8 380
– equities	3 488	8 380	3 488	8 380
– derivatives	366 425	299 287	–	–
	409 145	350 277	36 933	45 111
<b>3.4 Interest paid</b>				
Finance costs	245	159	245	159
Interest paid on guarantees	2 109	6 052	2 109	6 052
Interest paid on margin deposits	360 930	297 943	2 629	5 695
– equities	2 629	5 695	2 629	5 695
– derivatives	358 301	292 248	–	–
	363 284	304 154	4 983	11 906
<b>4 RECONCILIATION OF HEADLINE EARNINGS</b>				
Net surplus for the year	19 571	47 970	26 108	57 652
<i>Adjustments are made for the following:</i>				
Loss on disposal of property, plant and equipment	63	1 674	63	1 674
Unrealised gain on dilution in investment in STRATE Limited	(10 058)	–	(10 058)	–
Fidelity Fund write-back	–	–	(7 457)	–
<b>Headline earnings</b>	<b>9 576</b>	<b>49 644</b>	<b>8 656</b>	<b>59 326</b>
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>				
	<b>Depreciation rates</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
	<b>%</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>5.1 Group and Exchange</b>				
<b>2003</b>				
Computer hardware	12,5 to 33,3	50 439	44 497	5 942
Computer software	12,5 to 33,3	101 216	48 057	53 159
Furniture and equipment	10,0	20 047	6 654	13 393
Leased assets	33,3	1 732	866	866
Leasehold improvements	6,7	51 632	10 964	40 668
Vehicles	20,0	101	50	51
		225 167	111 088	114 079

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Depreciation rates %	Cost R'000	Accumulated depreciation R'000	Carrying value R'000			
<b>5. PROPERTY, PLANT AND EQUIPMENT (continued)</b>							
<b>5.1 Group and Exchange (continued)</b>							
2002							
Computer hardware	12,5 to 33,3	44 648	36 964	7 684			
Computer software	12,5 to 33,3	101 102	30 944	70 158			
Furniture and equipment	10,0	19 917	4 564	15 353			
Leased assets	33,3	5 424	3 981	1 443			
Leasehold improvements	6,7	51 607	7 561	44 046			
Vehicles	20,0	101	33	68			
		222 799	84 047	138 752			
<b>5.2 Reconciliation of carrying value</b>							
	Computer hardware R'000	Computer software R'000	Furniture and equipment R'000	Leased assets R'000	Leasehold improve- ments R'000	Vehicles R'000	Total R'000
<b>Group and Exchange 2003</b>							
Beginning of year	7 684	70 158	15 353	1 443	44 046	68	138 752
Additions	2 207	309	131	-	25	-	2 672
Disposals	(35)	(81)	-	-	-	-	(116)
Depreciation	(3 914)	(17 227)	(2 091)	(577)	(3 403)	(17)	(27 229)
End of year	5 942	53 159	13 393	866	40 668	51	114 079
2002							
Beginning of year	10 729	55 623	16 790	-	46 692	13	129 847
Additions	9 676	88 092	1 046	1 732	1 235	63	101 844
Disposals	(6 832)	(64 450)	(379)	-	(484)	(2)	(72 147)
Depreciation	(5 889)	(9 107)	(2 104)	(289)	(3 397)	(6)	(20 792)
End of year	7 684	70 158	15 353	1 443	44 046	68	138 752

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>6. INVESTMENTS</b>				
<b>6.1 JSE investments</b>				
Emerging Enterprise Zone (Proprietary) Limited	1	1	1	1
Open Outcry Investment Holdings (Proprietary) Limited	1	1	1	1
Indexco Limited, Indexco II Limited and Indexco III Limited	1	1	1	1
Stock Exchange Nominees (Proprietary) Limited	1	1	1	1
	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>6.2 JSE Guarantee Fund Trust investments</b>				
Bonds – market value	36 473	36 465	–	–
Equities – market value	35 529	31 180	–	–
Foreign unit trusts – fair value	6 142	6 842	–	–
Unit trusts – fair value	610	535	–	–
	<b>78 754</b>	<b>75 022</b>	<b>–</b>	<b>–</b>
<b>Total investments</b>	<b>78 758</b>	<b>75 026</b>	<b>4</b>	<b>4</b>
<b>7. INVESTMENT IN ASSOCIATED COMPANIES</b>				
<b>7.1 Carrying amount</b>				
Carrying amount at beginning of year				
– STRATE Limited	21 698	(428)	21 698	(428)
– Indexco Managers (Proprietary) Limited	(25)	65	(25)	65
Current year investment				
– STRATE Limited	–	30 000	–	30 000
Share of profit/(loss)	14 571	(7 964)	14 571	(7 964)
– STRATE Limited	14 582	(7 874)	14 582	(7 874)
• Earnings for the year	4 524	(7 874)	4 524	(7 874)
• Gain on dilution	10 058	–	10 058	–
– Indexco Managers (Proprietary) Limited	(11)	(90)	(11)	(90)
Carrying amount at end of year	36 244	21 673	36 244	21 673

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	STRATE Limited		Indexco Managers (Proprietary) Limited		Total		
	2003	2002	2003	2002	2003	2002	
	R'000	R'000	R'000	R'000	R'000	R'000	
<b>7. INVESTMENT IN ASSOCIATED COMPANIES (continued)</b>							
<b>7.2 Post acquisition share of (loss)/income</b>							
Share of opening accumulated (loss)/income	(73 302)	(65 428)	(25)	65	(73 327)	(65 363)	
Share of income/(loss) after tax	4 524	(7 874)	(11)	(90)	4 513	(7 964)	
Gain on dilution	10 058	–	–	–	10 058	–	
Share of closing accumulated (loss)/income	(58 720)	(73 302)	(36)	(25)	(58 756)	(73 327)	
<b>7.3. Summarised financial statements</b>							
Non-current assets	93 986	100 352	4 196	2 071	98 182	102 423	
Net current (liabilities)/assets	(2 941)	46 994	(3 380)	(988)	(6 321)	46 006	
	91 045	147 346	816	1 083	91 861	148 429	
Share capital	225 000	190 000	1	1	225 001	190 001	
Accumulated loss	(136 513)	(146 604)	(110)	(79)	(136 623)	(146 683)	
Share capital and reserves	88 487	43 396	(109)	(78)	88 378	43 318	
Shareholders' loans	–	–	5	387	5	387	
Non-current liabilities	2 558	103 950	920	774	3 478	104 724	
	91 045	147 346	816	1 083	91 861	148 429	
Revenue	110 949	81 713	10 908	18 462	121 857	100 175	
Operating expenses	(95 977)	(85 638)	(10 376)	(18 422)	(106 353)	(104 060)	
Net finance costs	(4 881)	(11 823)	(563)	(314)	(5 444)	(12 137)	
<b>Income/(loss) for the year</b>	<b>10 091</b>	<b>(15 748)</b>	<b>(31)</b>	<b>(274)</b>	<b>10 060</b>	<b>(16 022)</b>	
	<b>Carrying amount</b>	<b>Effective group holding</b>		<b>Number of shares held</b>		<b>Directors' valuation</b>	
		2003	2002	2003	2002	2003	2002
	R'000	%	%			R'000	R'000
<b>7.4 Unlisted associated companies</b>							
STRATE Limited	36 280	41	50	12 000	12 000	36 280	21 698
Indexco Managers (Proprietary) Limited	(36)	33	33	50	50	(36)	1
	36 244			12 050	12 050	36 244	21 699

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Issued share capital R'000	Percentage holding		Shares at cost		Loans due to	
		2003	2002	2003	2002	2003	2002
		%	%	R'000	R'000	R'000	R'000
<b>8. SUBSIDIARIES</b>							
<b>8.1 Investment in subsidiaries</b>							
<b>Issued share capital directly held</b>							
SAFEX Clearing Company (Proprietary) Limited	8,3	11	11	3 200	3 200	1 497	1 517
F.S.G. Financial Services (Proprietary) Limited	0,1	100	100	–	5 200	–	–
				<b>3 200</b>	8 400	<b>1 497</b>	1 517

The JSE has full management control over SAFEX Clearing Company (Proprietary) Limited.

All subsidiaries are incorporated in South Africa.

F.S.G Financial Services (Proprietary) Limited has not been consolidated as its property was sold during the year, and the majority of the proceeds distributed.

	Exchange	
	2003 R'000	2002 R'000
<b>8.2 Net investment in subsidiaries</b>		
Shares at cost less amounts written off	3 200	8 400
Net loan from subsidiary	(1 497)	(1 517)
Net investment in subsidiaries	<b>1 703</b>	6 883

	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>9. ACCOUNTS RECEIVABLE</b>				
Trade receivables	27 255	29 767	27 073	29 762
JSE Guarantee Fund Trust	6 463	8 121	–	–
Prepaid expenses	11 059	5 640	11 059	5 640
Interest receivable	1 745	2 803	1 745	2 803
Other	5 942	4 734	6 093	4 734
	<b>52 464</b>	51 065	<b>45 970</b>	42 939

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>10. MARGIN AND COLLATERAL DEPOSITS</b>				
Margin and collateral deposits received are managed and invested on behalf of members in terms of the JSE's rules. These funds have been placed with A1 and A1+ rated banks.				
<b>10.1 Margin deposits</b>				
Total margin deposits	<b>3 317 254</b>	2 731 375	<b>20 626</b>	28 357
– equities	<b>20 626</b>	28 357	<b>20 626</b>	28 357
– derivatives	<b>3 296 628</b>	2 703 018	–	–
<b>10.2 Collateral deposits</b>	<b>17 089</b>	4 448	<b>17 089</b>	4 448
The JSE acts as an agent in securities lending transactions necessary to facilitate electronic settlement in the STRATE environment. At year-end, interest bearing collateral deposits of R17,1 million (2002: R4,4 million) have been lodged as security against securities lending transactions with a market value of R16,8 million (2002: R3,1 million).				
<b>11. CASH ON DEPOSIT AND BANK BALANCES</b>				
Cash on deposit and bank balances comprises –				
Current and call accounts	<b>285 010</b>	335 540	<b>283 557</b>	328 161
JSE Guarantee Fund Trust – call	<b>7 369</b>	7 619	–	–
JSE Derivatives Fidelity Fund Trust – call	<b>50 000</b>	–	–	–
	<b>342 379</b>	343 159	<b>283 557</b>	328 161

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Group		Exchange	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>12. RESERVES</b>				
<b>12.1 JSE rights</b>				
The total number of rights in issue 8 281 <sup>2</sup> / <sub>4</sub> (2002 – 8 281 <sup>2</sup> / <sub>4</sub> )	<b>169 619</b>	169 619	<b>169 619</b>	169 619
In terms of the constitution of the JSE, holders of rights have no entitlement to any distribution of surpluses other than on winding up.				
<b>12.2 JSE Guarantee Fund Trust</b>	<b>92 663</b>	90 752	–	–
The fund is ring-fenced for the purpose of investor protection in the event of a member defaulting on equities trades in certain circumstances.				
<b>12.3 JSE Derivatives Fidelity Fund Trust</b>	<b>50 000</b>	57 457	–	–
The fund was established for the purpose of investor protection in the event of a member defaulting on derivatives trades in certain circumstances.				
<b>12.4 Non-distributable reserve</b>	<b>10 058</b>	–	<b>10 058</b>	–
Arising on change in STRATE shareholding				
<b>12.5 Accumulated surplus</b>	<b>206 467</b>	191 408	<b>206 729</b>	190 679
Total	<b>528 807</b>	509 236	<b>386 406</b>	360 298

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Personnel related R'000	Other R'000	Total' R'000
<b>13. PROVISIONS</b>			
<b>Group</b>			
<b>2003</b>			
Balance at 1 January 2003	14 605	2 522	17 127
Raised during the year	16 423	1 575	17 998
Reclassification from Accounts Payable	3 700	–	3 700
Utilised during the year	(15 379)	(84)	(15 463)
<b>Balance at 31 December 2003</b>	<b>19 349</b>	<b>4 013</b>	<b>23 362</b>
2002			
Balance at 1 January 2002	14 587	1 874	16 461
Raised during the year	9 055	1 372	10 427
Utilised during the year	(9 037)	(724)	(9 761)
Balance at 31 December 2002	14 605	2 522	17 127
<b>Exchange</b>			
<b>2003</b>			
Balance at 1 January 2003	14 605	2 522	17 127
Raised during the year	16 423	1 575	17 998
Reclassification from Accounts Payable	3 700	–	3 700
Utilised during the year	(15 379)	(84)	(15 463)
<b>Balance at 31 December 2003</b>	<b>19 349</b>	<b>4 013</b>	<b>23 362</b>
2002			
Balance at 1 January 2002	14 587	1 834	16 421
Raised during the year	9 055	1 372	10 427
Utilised during the year	(9 037)	(684)	(9 721)
Balance at 31 December 2002	14 605	2 522	17 127

<sup>1</sup>Personnel related provisions have been made in line with the JSE's Human Resources policy relating to deferred compensation, bonuses and leave pay. Other provisions relate to tribunal costs and additional rates and taxes that may be payable by the JSE. These provisions are considered to be non-current.



# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 14. EMPLOYEE BENEFITS

### 14.1 Employee remuneration

With effect from 1 January 2003, all employees were moved to the cost to company package philosophy, allowing increased flexibility for benefit choice by the employee and reduced exposure to uncapped liabilities for the employer.

### 14.2 Retirement benefits

The JSE provides retirement benefits for all its permanent employees through the JSE Pension Scheme, the SAFEX Pension Scheme and the SAFEX Provident Fund, all of which are defined contribution retirement schemes. During 2003 the JSE Provident Fund was put into voluntary liquidation.

The members' interest in the JSE Pension Scheme is based on the market value of the fund and is adjusted monthly for changes in market value. Both the JSE Pension Scheme and the JSE Provident Fund are governed by the Pension Funds Act, 1956 as amended. JSE member firms may, at their option, also become employer members of this fully funded pension scheme. Contributions to fund obligations for the payment of retirement benefits to their permanent staff are paid by the member firms directly to the scheme. The SAFEX Pension Scheme and the SAFEX Provident Fund are based on market values of the funds and are adjusted monthly for changes in market value.

### 14.3 Post retirement medical benefits

In previous years, the JSE had made provision for post retirement benefits in the form of health care plans for current and retired employees. During December 2002, after a process of negotiation, this provision was replaced by purchasing individual annuities. This liability has consequently been extinguished.

### 14.4 Other

The investigation into the potential shortfall in the pension fund annuities which began during the previous financial year, continues and the pension fund is proceeding towards litigation.

Based on specialist legal advice, the JSE considers it unlikely that the outcome of the investigation will have any impact on its operations or the reserves of the Exchange.

	Group		Exchange	
	2003	2002	2003	2002
	R'000	R'000	R'000	R'000
<b>15. DUE TO SAFEX MEMBERS</b>				
The amount due to SAFEX members is a portion of the purchase price retained pending the resolution of potential claims against SAFEX at the time of the purchase. During the course of the year certain of these claims were resolved. The attributable portion of the purchase price has consequently become due and payable to the SAFEX members.				
Non-current liability	18 654	18 654	18 654	18 654
Current liability	6 982	37 890	6 982	37 890
	<b>25 636</b>	56 544	<b>25 636</b>	56 544
<b>16. ACCOUNTS PAYABLE</b>				
Trade payables	38 313	35 821	38 347	36 039
Current portion of finance lease	709	599	709	599
Income received in advance	1 907	2 295	1 907	2 295
	<b>40 929</b>	38 715	<b>40 963</b>	38 933

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Less than one year R'000	Between one and five years R'000	More than five years R'000	Total R'000
<b>17. FINANCE LEASE</b>				
<b>Group and Exchange 2003</b>				
Minimum lease instalments	844	422	–	1 266
Finance costs	(135)	(20)	–	(155)
Lease liability	709	402	–	1 111
2002				
Group and Exchange				
Minimum lease instalments	844	1 267	–	2 111
Finance costs	(245)	(156)	–	(401)
Lease liability	599	1 111	–	1 710

	Group 2003 R'000	2002 R'000	Exchange 2003 R'000	2002 R'000
<b>18. FORWARD EXCHANGE CONTRACTS</b>				
Fair value				
– assets	4	–	4	–
– liabilities	(4 792)	(6 942)	(4 792)	(6 942)
Net	(4 788)	(6 942)	(4 788)	(6 942)

Forward exchange contracts are entered into to economically hedge anticipated foreign currency commitments.

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

### 19.1 Contingent liabilities

19.1.1 There is a contingent liability in terms of section 12(1)(k) of the Stock Exchanges Control Act whereby the JSE is committed to settle with another member on behalf of a member were the latter to fail to settle. This risk is mitigated by various guarantee mechanisms, being the member firms' deposits and bank guarantees, the JSE Guarantee Fund Trust and the JSE's reserves.

19.1.2 The JSE is party to an agreement whereby the JSE is committed to purchase fifty percent of the STRATE Limited "A" redeemable preference shares currently in issue should STRATE Limited default on the declaration or payment of preference share dividends, or default on redemption of the preference shares on maturity. In the event of default the JSE's maximum exposure is R25 million plus any related interest. The commitment expires on 7 June 2005.

### 19.2 Operating lease obligations

The JSE leases a building and accounts for the lease as an operating lease. The lease commenced on 1 September 2000 for a period of 15 years. On termination of the lease, should the landlord wish to sell the building, the JSE has an option to buy the building at a price yet to be determined. The operating lease payments escalate at 11% per annum.

	Group 2003 R'000	2002 R'000	Exchange 2003 R'000	2002 R'000
Total future minimum lease payments under non-cancellable operating lease:				
Not later than one year	20 265	18 257	20 265	18 257
Between one and five years	105 943	95 444	105 943	95 444
Later than five years	286 237	317 001	286 237	317 001
	412 445	430 702	412 445	430 702

# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 20. RELATED PARTIES

### 20.1 Identity of related parties

The JSE is the main provider of risk management, clearing and settlement, and accounting systems to member firms. Revenue earned from this source, and from providing trading and market data to member firms, amounted to R197,6 million (2002–R218,9 million) for the year. These transactions are conducted on an arm's length basis.

The JSE earned revenue from STRATE Limited of R1,6 million (2002 – R1,4 million) predominantly in respect of rentals in terms of the lease agreement with STRATE Limited. This lease agreement was terminated on 30 November 2003.

The associated companies and subsidiaries of the Group are identified in notes 7 and 8 respectively.

The directors are listed in the Corporate Governance report.

### 20.2 Material related party transactions

Loans to and from related parties – see notes 7 and 8

Directors' emoluments – see note 23

The Exchange provides the following services for no consideration:

- Secretarial services to the Group entities.
- Administers the operations of the Group entities.

	2003 R'000	Group 2002 R'000	2003 R'000	Exchange 2002 R'000
<b>21. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>21.1 Cash generated by operations</b>				
Net surplus attributable to rights holders	<b>19 571</b>	47 970	<b>26 108</b>	57 652
Adjustments for non-cash and separately disclosable items:				
– depreciation	<b>27 229</b>	20 792	<b>27 229</b>	20 792
– fair value adjustments	<b>(5 819)</b>	2 926	–	–
– gain on change in benefit plan	–	(10 839)	–	(10 839)
– attributable (profit)/loss of associated company	<b>(14 571)</b>	7 964	<b>(14 571)</b>	7 964
– interest paid	<b>363 284</b>	304 154	<b>4 983</b>	11 906
– interest received	<b>(409 145)</b>	(350 277)	<b>(36 933)</b>	(45 111)
– loss on disposal of property, plant and equipment	<b>63</b>	1 674	<b>63</b>	1 674
– (profit)/loss on disposal of investments	<b>(1 688)</b>	1 815	–	–
– write-down F.S.G Financial Services	–	–	<b>5 200</b>	–
– unrealised foreign exchange loss	–	6 942	–	6 942
(Deficit)/surplus from operations before working capital changes	<b>(21 076)</b>	33 121	<b>12 079</b>	50 980
Working capital changes –				
(Increase)/decrease in accounts receivable	<b>(1 403)</b>	5 426	<b>(3 035)</b>	5 790
(Decrease)/ increase in accounts payable and provisions	<b>(25 318)</b>	4 344	<b>(25 521)</b>	2 942
Cash (utilised)/ generated from operating activities	<b>(47 797)</b>	42 891	<b>(16 477)</b>	59 712

# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 22. SEGMENTAL INFORMATION

The JSE provides exchange and auxiliary services in South Africa. The revenue streams derived from the services are described in note 2 to the annual financial statements. The services provided by the JSE are not subject to materially different risks and are regarded as a single business segment.

	Basic salary R'000	Bonus paid <sup>1</sup> R'000	Other R'000	Contri- bution to provident fund <sup>2</sup> R'000	Total R'000
<b>23. DIRECTORS' AND EXECUTIVES' REMUNERATION</b>					
<b>23.1 Directors' emoluments 2003</b>					
<i>Executive directors</i>	<b>5 023</b>	<b>2 576</b>	<b>984</b>	<b>–</b>	<b>8 583</b>
RM Loubser Chief Executive Officer	<b>1 922</b>	<b>1 000</b>	<b>435</b>	<b>–</b>	<b>3 357</b>
NF Newton-King Deputy Chief Executive Officer	<b>997</b>	<b>528</b>	<b>127</b>	<b>–</b>	<b>1 652</b>
LV Parsons Chief Operating Officer	<b>853</b>	<b>528</b>	<b>274</b>	<b>–</b>	<b>1 655</b>
JH Burke Director: Listings	<b>1 002</b>	<b>488</b>	<b>122</b>	<b>–</b>	<b>1 612</b>
G Rothschild Director: Corporate (appointed 1 October 2003) Marketing and Communications	<b>249</b>	<b>32</b>	<b>26</b>	<b>–</b>	<b>307</b>
<i>Other key executives</i>	<b>7 268</b>	<b>2 566</b>	<b>1 277</b>	<b>–</b>	<b>11 111</b>
GC Clarke Exchange Secretary	<b>747</b>	<b>266</b>	<b>104</b>	<b>–</b>	<b>1 117</b>
DJ Davidson Director: Clearing and Settlement	<b>981</b>	<b>313</b>	<b>145</b>	<b>–</b>	<b>1 439</b>
FM Evans Chief Financial Officer	<b>757</b>	<b>309</b>	<b>88</b>	<b>–</b>	<b>1 154</b>
R Gravelet-Blondin General Manager: Agricultural Products	<b>667</b>	<b>277</b>	<b>181</b>	<b>–</b>	<b>1 125</b>
S Maree (resigned 31 August 2003) Director: Corporate Marketing and Communications	<b>673</b>	<b>108</b>	<b>156</b>	<b>–</b>	<b>937</b>
RB Miller Director: Information Technology	<b>826</b>	<b>427</b>	<b>220</b>	<b>–</b>	<b>1 473</b>
A Thomson Director: Equities and Derivatives Trading	<b>1 002</b>	<b>375</b>	<b>120</b>	<b>–</b>	<b>1 497</b>
M Tlhabane General Manager: Human (appointed 1 February 2003) Resources	<b>566</b>	<b>87</b>	<b>81</b>	<b>–</b>	<b>734</b>
WF Urmson Director: Surveillance	<b>1 049</b>	<b>404</b>	<b>182</b>	<b>–</b>	<b>1 635</b>
	<b>12 291</b>	<b>5 142</b>	<b>2 261</b>	<b>–</b>	<b>19 694</b>

<sup>1</sup>According to JSE policy, the maximum bonus payable to directors and senior executives is equal to 400% of one month's package over a period of two years. A maximum amount of 330% of one month's package will be payable two years after the inception of the deferred compensation system and every December thereafter. A maximum amount of 70% of one month's package will be payable every June. Payment is dependent on the directors and senior executives being in office at the time of payment. The bonus of the Chief Executive Officer is determined by the Board and awarded on the achievement of certain prescribed deliverables.

<sup>2</sup>Refer to Note 14.2

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Basic salary R'000	Bonus paid <sup>1</sup> R'000	Other R'000	Contri- bution to provident fund R'000	Total R'000
<b>23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)</b>					
<b>23.1 Directors' emoluments (continued)</b>					
2002					
<i>Executive directors</i>					
	4 205	2 937	525	377	8 044
RM Loubser	1 764	1 263	247	154	3 428
NF Newton-King	833	558	94	53	1 538
LV Parsons	775	558	90	117	1 540
JH Burke	833	558	94	53	1 538
<i>Other key executives</i>					
	7 718	2 817	803	627	11 965
P Birley (contract terminated on 31 July 2002)	715	–	–	–	715
GC Clarke	654	257	75	40	1 026
DJ Davidson	825	359	105	52	1 341
FM Evans	646	321	76	40	1 083
R Gravelet-Blondin	608	134	66	84	892
S Maree	879	317	110	55	1 361
RB Miller	804	462	116	64	1 446
FR Molobi (resigned 30 September 2002)	782	38	49	131	1 000
A Thomson	895	452	87	53	1 487
WF Urmson	910	477	119	108	1 614
	11 923	5 754	1 328	1 004	20 009

<sup>1</sup>According to JSE policy, the maximum bonus payable to directors and executives is equal to 400% of one month's package over a period of two years. A maximum amount of 330% of one month's package will be payable two years after the inception of the deferred compensation system and every December thereafter. A maximum amount of 70% of one month's package will be payable every June. Payment is dependent on the directors and executives being in office at the time of payment. Included in the bonus is a once-off discretionary bonus, which was paid to employees that were deemed to have made a significant contribution to the successful implementation in 2002 of the new trading and related systems. The bonus of the Chief Executive Officer is determined by the Board and awarded on the achievement of certain prescribed deliverables



	Other services R'000	Retainer fee R'000	Meetings R'000	Total R'000
<b>23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)</b>				
<b>23.1 Directors' emoluments (continued)</b>				
<b>2003</b>				
<i>Non-executive directors</i>	<b>455</b>	<b>745</b>	<b>608</b>	<b>1 808</b>
PA Barnard	-	40	40	80
HJ Borkum Board Chairman, Chairman of Nominations Committee	-	280	88	368
AD Botha Chairman of Human Resources Committee	-	60	88	148
RFG Cadiz	-	40	24	64
MR Johnston	185	40	56	281
RJ Khoza	-	40	56	96
S Koseff	-	40	24	64
A Horowitz (alternate to HJ Borkum)	-	-	-	-
W Luhabe (appointed 26 November 2003)	-	-	-	-
NS Nematswerani Current Chairman of Audit Committee (alternate to RJ Khoza)	-	60	64	124
D Nurek (alternate to S Koseff)	-	-	-	-
N Payne Chairman of Risk Management Committee (alternate to AD Botha)	-	60	56	116
S Rebe (alternate to PA Barnard)	-	-	-	-
G Rothschild Previous Chairman of Audit Committee (appointed executive director 1 October 2003)	270	45	64	379
GT Serobe	-	40	48	88
N Smith (alternate to RFG Cadiz)	-	-	-	-

# Notes to the financial statements (continued)

for the year ended 31 December 2003



	Other services R'000	Retainer fee R'000	Meetings R'000	Total R'000
<b>23. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)</b>				
<b>23.1 Directors' emoluments (continued)</b>				
2002				
<i>Non-executive directors</i>				
	631	840	488	1 959
PA Barnard	–	40	32	72
HJ Borkum				
AD Botha	–	280 <sup>a</sup>	88	368
R Cadiz	–	60	72	132
MR Johnston	–	40	32	72
RJ Khoza	361	40	64	465
S Koseff	–	40	16	56
N Payne	–	–	8	8
(appointed alternate to AD Botha with effect 3 December)				
S Rebe	–	–	8	8
(appointed alternate to P Barnard with effect 3 December)				
G Rothschild	270	260 <sup>a</sup>	80	610
GT Serobe	–	40	48	88

<sup>a</sup>At the meeting of the Board held on 3 December 2002, it was decided to increase the remuneration to the Chairman of the Board to R200 000 per annum. This increase was applied retrospectively to the prior year.

## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 24.1 Operational risk

The Board accepts overall responsibility for operational risk with the responsibility of day-to-day management of operational risk delegated to management of the JSE's specialist departments.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems.

Operational risks are those risks of a non-speculative nature with no potential of showing a profit. The objective of operational risk processes is therefore to mitigate the downside impact of these risks as far as possible, thereby ensuring the optimal application and protection of physical assets, while ensuring the continuity of the Exchange's business.

Operational risk elements can be classified as follows:

- Process risk
- Employee risk
- Systems risk

Risk management controls are in place to lower the probability of operational risk occurring and the seriousness thereof.

# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 24.2 Currency risk

The JSE's activities are primarily conducted in South African Rand. The Group incurs currency risk as a result of purchases and borrowings in foreign currencies. The currencies in which the Group primarily deals are UK Pounds and US Dollars. Forward exchange contracts ("FECs") are used as a means of reducing exposure to fluctuations in foreign exchange rates on payables. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by the opposite effects on the items being hedged. In order to hedge the asset, for foreign currency receivables, a Customer Foreign Currency account has been established which effectively hedges the receivables currency risk.

#### Group 2003

	Rand R'000	US Dollars R'000	GB Pounds R'000	Euro R'000	Total R'000
<b>Assets</b>	<b>3 941 740</b>	<b>16 527</b>	<b>4</b>	<b>–</b>	<b>3 958 271</b>
Property, plant and equipment	114 079	–	–	–	114 079
Investments	108 860	6 142	–	–	115 002
Member firms' deposits at banks	3 334 343	–	–	–	3 334 343
Accounts receivable	48 476	3 988	4	–	52 468
Cash and cash equivalents	335 982	6 397	–	–	342 379
<b>Liabilities</b>	<b>3 427 498</b>	<b>–</b>	<b>1 957</b>	<b>9</b>	<b>3 429 464</b>
Accounts payable and provisions	93 155	–	1 957	9	95 121
Member firms' funds	3 334 343	–	–	–	3 334 343
<b>Net assets and liabilities</b>	<b>514 242</b>	<b>16 527</b>	<b>(1 953)</b>	<b>(9)</b>	<b>528 807</b>
Hedged by forward exchange contracts		1 977	1 957	–	
Net exposure		14 550	4	(9)	
Group 2002	Rand US Dollars R'000	GB Pounds R'000	Euro R'000	Total R'000	R'000
<b>Assets</b>	<b>3 354 488</b>	<b>11 010</b>	<b>–</b>	<b>–</b>	<b>3 365 498</b>
Property, plant and equipment	138 752	–	–	–	138 752
Investments	89 857	6 842	–	–	96 699
Member firms' deposits at banks	2 735 823	–	–	–	2 735 823
Accounts receivable	46 897	4 168	–	–	51 065
Cash and cash equivalents	343 159	–	–	–	343 159
<b>Liabilities</b>	<b>2 853 259</b>	<b>412</b>	<b>2 572</b>	<b>19</b>	<b>2 856 262</b>
Accounts payable and provisions	117 436	412	2 572	19	120 439
Member firms' funds	2 735 823	–	–	–	2 735 823
<b>Net assets and liabilities</b>	<b>501 229</b>	<b>10 598</b>	<b>(2 572)</b>	<b>(19)</b>	<b>509 236</b>
Hedged by forward exchange contracts		–	2 572	–	
Net exposure		10 598	–	(19)	



# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 24.3 Interest rate risk

Interest rate risk is the risk of the JSE being exposed to gains or losses on fluctuations on interest rates where assets or liabilities are linked to fixed interest rates. This risk is managed by the JSE ensuring that assets and liabilities are linked only to floating interest rates. The following table analyses the interest rate risk profile for assets and liabilities at year end:

	Fixed rate R'000	Floating rate R'000	Non- interest sensitive R'000	Total R'000
<b>Group</b>				
<b>2003</b>				
<b>Assets</b>	<b>36 473</b>	<b>3 676 722</b>	<b>245 076</b>	<b>3 958 271</b>
Property, plant and equipment	–	–	114 079	114 079
Investments	36 473	–	78 529	115 002
Member firms' deposits at banks	–	3 334 343	–	3 334 343
Accounts receivable	–	–	52 468	52 468
Cash and cash equivalents	–	342 379	–	342 379
<b>Liabilities</b>	<b>–</b>	<b>3 334 343</b>	<b>95 121</b>	<b>3 429 464</b>
Accounts payable and provisions	–	–	95 121	95 121
Member firms' funds	–	3 334 343	–	3 334 343
Net interest rate risk mismatch	<b>36 473</b>	<b>342 379</b>	<b>149 955</b>	<b>528 807</b>
<b>Reserves</b>				<b>528 807</b>
Floating rate assets yield interest at call rates.				
<b>Group</b>				
<b>2002</b>				
<b>Assets</b>	<b>36 465</b>	<b>3 078 982</b>	<b>250 051</b>	<b>3 365 498</b>
Property, plant and equipment	–	–	138 752	138 752
Investments	36 465	–	60 234	96 699
Member firms' deposits at banks	–	2 735 823	–	2 735 823
Accounts receivable	–	–	51 065	51 065
Cash and cash equivalents	–	343 159	–	343 159
<b>Liabilities</b>	<b>–</b>	<b>2 735 823</b>	<b>120 439</b>	<b>2 856 262</b>
Accounts payable and provisions	–	–	120 439	120 439
Member firms' funds	–	2 735 823	–	2 735 823
Net interest rate risk mismatch	<b>36 465</b>	<b>343 159</b>	<b>129 612</b>	<b>509 236</b>
<b>Reserves</b>				<b>509 236</b>

# Notes to the financial statements (continued)

for the year ended 31 December 2003



## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 24.4 Liquidity risk

Liquidity risk is the risk that the JSE will be unable to meet its short-term funding requirements. This risk is managed by the JSE by maintaining the members' funds and the JSE's own funds in current and call accounts. The following table analyses the terms of expected receipt of assets and repayment of liabilities existing at year end.

	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Non- liquid R'000	Total R'000
<b>2003</b>					
<b>Group</b>					
<b>Assets</b>	<b>3 804 296</b>	<b>3 648</b>	<b>-</b>	<b>150 327</b>	<b>3 958 271</b>
Property, plant and equipment	-	-	-	114 079	114 079
Investments	78 754	-	-	36 248	115 002
Member firms' deposits at banks	3 334 343	-	-	-	3 334 343
Accounts receivable	48 820	3 648	-	-	52 468
Cash and cash equivalents	342 379	-	-	-	342 379
<b>Liabilities</b>	<b>3 377 646</b>	<b>9 400</b>	<b>42 418</b>	<b>-</b>	<b>3 429 464</b>
Accounts payable and provisions	43 303	9 400	42 418	-	95 121
Member firms' funds	3 334 343	-	-	-	3 334 343
Net maturity mismatch	426 650	(5 752)	(42 418)	150 327	528 807
<b>Reserves</b>					<b>528 807</b>
<b>Group</b>					
<b>2002</b>					
<b>Assets</b>	<b>3 205 069</b>	<b>-</b>	<b>-</b>	<b>160 429</b>	<b>3 365 498</b>
Property, plant and equipment	-	-	-	138 752	138 752
Investments	75 022	-	-	21 677	96 699
Member firms' deposits at banks	2 735 823	-	-	-	2 735 823
Accounts receivable	51 065	-	-	-	51 065
Cash and cash equivalents	343 159	-	-	-	343 159
<b>Liabilities</b>	<b>2 815 169</b>	<b>4 201</b>	<b>36 892</b>	<b>-</b>	<b>2 856 262</b>
Accounts payable and provisions	79 346	4 201	36 892	-	120 439
Member firms' funds	2 735 823	-	-	-	2 735 823
Net maturity mismatch	389 900	(4 201)	(36 892)	160 429	509 236
<b>Reserves</b>					<b>509 236</b>



**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**24.5 Credit risk**

Credit risk on the JSE's own funds is minimised through ensuring funds are only placed with A1 and A1+ rated banking institutions. Exposure to credit risk on accounts receivable balances is monitored as part of the JSE finance department's daily procedures. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The JSE is exposed to credit losses in the event of default by a clearing member. The Exchange anticipates, however, that clearing members will be able to fully satisfy their obligations. The Group has collateral in the form of initial margins and guarantees to mitigate this credit risk and monitors the credit standing of clearing members. The Exchange has ultimate recourse to the JSE Derivatives Fidelity Fund Trust and the general reserves of the JSE in the event of a clearing member default.



**FUNDS UNDER MANAGEMENT**

**JSE Trustees (Proprietary) Limited**

JSE Trustees (Proprietary) Limited ("JSE Trustees") acts as an agent for all funds placed by members of the JSE on behalf of their clients and other counterparties. JSE Trustees invests and administers the funds on behalf of the members and charges an administration fee for this service. The annual financial statements have been prepared based on the balance sheet items held by the JSE Trustees (Pty) Limited.

The year-end of JSE Trustees changed to 31 December (previously 28 February) in the prior reporting period.

	<b>Year ended 31 December 2003 R'000</b>	10 months 31 December 2002 R'000
<b>Abridged income statement for the year ended 31 December 2003</b>		
Administration fee	<b>11 407</b>	9 663
Operating expenses	<b>(11 407)</b>	(9 663)
<b>Net surplus</b>	<b>-</b>	<b>-</b>
<b>Abridged balance sheet at 31 December 2003</b>		
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable	<b>1 142</b>	942
<b>Total assets</b>	<b>1 142</b>	942
<b>Equity</b>		
<b>Shareholder's funds</b>		
Share capital	<b>1</b>	1
<b>Current liabilities</b>		
Accounts payable	<b>30</b>	62
JSE Securities Exchange South Africa	<b>1 111</b>	879
<b>Total equity and liabilities</b>	<b>1 142</b>	942
<b>Funds under management</b>	<b>4 965 526</b>	3 888 532

# Appendix to the financial statements (continued)

for the year ended 31 December 2003



## FUNDS UNDER MANAGEMENT (continued)

### Indexco Limited ("Indexco")

Indexco is a public limited liability company duly registered and incorporated in accordance with the laws of the Republic of South Africa. The entire issued share capital of Indexco is held by or on behalf of the JSE.

In terms of the memorandum and articles of association of Indexco, the main business of the company is to issue financial instruments, Satrix 40 securities, which replicate the price and yield performance of the FTSE/JSE Top40 Index. The liability of R3,1 billion (2002 – R3,5 billion) relates to investments of holders of Satrix 40 securities. The corresponding asset is a claim against the Satrix 40 Trust holding the underlying shares constituting the FTSE/JSE Top40 Index.

	Year ended 31 December 2003 R'000	Year ended 31 December 2002 R'000
<b>Abridged income statement for the year ended 31 December 2003</b>		
Interest	–	15
Fees	–	(15)
Net surplus	–	–
<b>Abridged balance sheet at 31 December 2003</b>		
<b>Assets</b>		
<b>Non-current assets</b>		
Investment in Satrix 40 Trust	3 077 641	3 482 918
<b>Current assets</b>		
Cash at bank	241	241
<b>Total assets</b>	<b>3 077 882</b>	<b>3 483 159</b>
<b>Equity</b>		
Share capital	–	–
<b>Liabilities</b>		
Investors for Satrix 40 securities	3 077 641	3 482 918
Accounts payable	241	241
<b>Total equity and liabilities</b>	<b>3 077 882</b>	<b>3 483 159</b>

## Appendix to the financial statements (continued)

for the year ended 31 December 2003



### FUNDS UNDER MANAGEMENT (continued)

#### Indexco II Limited ("Indexco II")

Indexco II is a public limited liability company duly registered and incorporated in accordance with the laws of the Republic of South Africa. The entire issued share capital of Indexco II is held by or on behalf of the JSE.

In terms of the memorandum and articles of association of Indexco II, the main business of the company is to issue financial instruments, Satrix FINI securities, which replicate the price and yield performance of the FTSE/JSE Financial 15 Index (FTSE/JSE FINI15 Index). The liability of R0,8 million (2002 – R0,7 million) relates to investments of holders of Satrix FINI securities. The corresponding asset is a claim against the Satrix Fini Trust holding the underlying shares constituting the FTSE/JSE FINI15 Index.

	Year ended 31 December 2003 R'000	Year ended 31 December 2002 R'000
<b>Abridged balance sheet at 31 December 2003</b>		
<b>Assets</b>		
<b>Non-current assets</b>		
Investment in Satrix FINI Trust	823 447	668 004
<b>Total assets</b>	<b>823 447</b>	<b>668 004</b>
<b>Equity</b>		
Share capital	–	–
<b>Liabilities</b>		
Investors for Satrix FINI securities	823 447	668 004
<b>Total equity and liabilities</b>	<b>823 447</b>	<b>668 004</b>

## Appendix to the financial statements (continued)

for the year ended 31 December 2003



### FUNDS UNDER MANAGEMENT (continued)

#### Indexco III Limited ("Indexco III")

Indexco III is a public limited liability company duly registered and incorporated in accordance with the laws of the Republic of South Africa. The entire issued share capital of Indexco III is held by or on behalf of the JSE.

In terms of the memorandum and articles of association of Indexco III, the main business of the company is to issue financial instruments, Satrix INDI securities, which replicate the price and yield performance of the FTSE/JSE Industrial 25 Index (FTSE/JSE INDI25 Index). The liability of R0,7 million (2002 – R0,6 million) relates to investments of holders of Satrix INDI securities. The corresponding asset is a claim against the Satrix INDI Trust holding the underlying shares constituting the FTSE/JSE INDI25 Index.

	<b>Year ended 31 December 2003 R'000</b>	Year ended 31 December 2002 R'000
<b>Abridged balance sheet at 31 December 2003</b>		
<b>Assets</b>		
<b>Non-current assets</b>		
Investment in Satrix INDI Trust	<b>726 210</b>	580 522
<b>Total assets</b>	<b>726 210</b>	580 522
<b>Equity</b>		
Share capital	–	–
<b>Liabilities</b>		
Investors for Satrix INDI securities	<b>726 210</b>	580 522
<b>Total equity and liabilities</b>	<b>726 210</b>	580 522

# Broking Members Equities

as at 1 January 2004



**\*ABSA Stockbrokers (Pty) Ltd**

Telephone: 011 647 0875  
Facsimile: 011 647 0877

**African Harvest Securities (Pty) Ltd**

Telephone: 011 263 9500  
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Website: www.africanharvest.co.za

**Afrifocus Securities (Pty) Ltd**

Telephone: 011 290 7800  
Facsimile: 011 290 7878  
Website: www.afrifocus.co.za

**\*Andisa Securities (Pty) Ltd**

Telephone: 011 374 1300  
Facsimile: 011 374 1301  
Website: www.andisa.co.za

**Anglorand Securities (Pty) Ltd**

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Facsimile: 011 484 6647  
Website: www.anglorand.co.za

**Barnard Jacobs Mellet Private Client Services (Pty) Ltd**

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Facsimile: 011 778 0010

**Barnard Jacobs Mellet Securities (Pty) Ltd**

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Facsimile: 011 283 0303  
www.bjm.co.za

**BoE Stockbrokers (Pty) Ltd**

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Facsimile: 011 480 3740  
Website: www.boepersonal.com

**\*BP Bernstein**

Telephone: 011 833 1560  
Facsimile: 011 836 0392

**Brockhouse Cooper SA (Pty) Ltd**

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Facsimile: 011 884 1862  
Website: www.brockhousecooper.co.za

**Cadiz Stock Broking (Pty) Ltd**

Telephone: 011 483 0855  
Facsimile: 011 483 0867  
Website: www.cadiz.co.za

**\*Cazenove South Africa (Pty) Ltd**

Telephone: 011 280 7900  
Facsimile: 011 325 8040  
Website: www.cazenove.com

**Citigroup Global Markets (Pty) Ltd**

Telephone: 011 944 1000  
Facsimile: 011 944 0866  
Website: www.citigroup.com

**CKS Equities (Pty) Ltd**

Telephone: 011 691 8800  
Facsimile: 011 467 4581

**Consilium Capital SA (Pty) Ltd**

Telephone: 011 340 1300  
Facsimile: 011 325 0612

**#CST Outsourcing Ltd**

Telephone: 011 370 7865  
Facsimile: 011838 6496

**Decillion Securities (Pty) Ltd**

Telephone: 021 529 1400  
Facsimile: 021 529 1401  
Website: www.decillion.net

**\*Deutsche Securities (Pty) Ltd**

Telephone: 011 775 7000  
Facsimile: 011 775 7673  
Website: www.db.co.za

**DWM Securities (Pty) Ltd**

Telephone: 012 484 2000  
Facsimile: 012 484 2001  
Website: www.dwm.co.za

**FFO Securities (Pty) Ltd**

Telephone: 011 471 0500  
Facsimile: 011 475 0104

**#Finsettle Services**

Telephone: 011 215 5000  
Facsimile: 011 325 0302  
Website: www.finsettle.co.za

**First South Securities (Pty) Ltd**

Telephone: 011 343 2200  
Facsimile: 011 343 2233  
Website: www.firstsouth.co.za

**Four M Traders (Pty) Ltd**

Telephone: 011 485 4723  
Facsimile: 011 640 7759

**\*Golding Torr & De Decker (Pty) Ltd**

Telephone: 011 442 3200  
Facsimile: 011 442 9192

**\*HSBC Securities (South Africa) (Pty) Ltd**

Telephone: 011 481 4200  
Facsimile: 011 646 8388  
Website: www.hsbc.com

**IDE Securities (Pty) Ltd**

Telephone: 011 476 9297  
Facsimile: 011 476 9792  
Website: www.ide.co.za

**\*Imara SP Reid (Pty) Ltd**

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Facsimile: 011 446 6195  
Website: www.imaraspreid.co.za

**\*Independent Securities (Pty) Ltd**

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Facsimile: 011 489 5499

**\*Investec Securities Ltd**

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Facsimile: 011 286 9595  
Website: www.investec.com

**\*JP Morgan Equities**

Telephone: 011 507 0300  
Facsimile: 011 507 0351

**Kagiso Securities Ltd**

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Facsimile: 011 467 4581/465 2921

**Legae Securities (Pty) Ltd**

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Facsimile: 011 715 3701  
www.legae.co.za

**\*Merrill Lynch South Africa (Pty) Ltd**

Telephone: 011 305 5555  
Facsimile: 011 305 5600

**Nedcor Securities (Pty) Ltd**

Telephone: 011 302 1111  
Facsimile: 011 302 1126

**\*NIB Securities (Pty) Ltd**

Telephone: 011 294 3478  
Facsimile: 011 295 8438

**Noah Financial Innovation (Pty) Ltd**

Telephone: 011 446 7000  
Facsimile: 011 446 9701  
Website: www.mettle.net

\*Also Custody and Settlement members  
#Only Custody and Settlement members



# Broking Members Equities (continued)

as at 1 January 2004



**Peregrine Equities (Pty) Ltd**

Telephone: 011 722 7500  
Facsimile: 011 722 7541

**Philippus de Witt (Pty) Ltd**

Telephone: 011 482 4525  
Facsimile: 011 482 4528

**Prescient Securities (Pty) Ltd**

Telephone: 021 700 3600  
Facsimile: 021 700 3700

**\*PSG Online Securities Ltd**

Telephone: 011 670 0500  
Facsimile: 011 670 0506  
Website: [www.psgonline.co.za](http://www.psgonline.co.za)

**RMB Securities (Pty) Ltd**

Telephone: 011 269 9020  
Facsimile: 011 269 9598  
Website: [www.rmb.co.za](http://www.rmb.co.za)

**\*RMB Stockbroking (Pty) Ltd**

Telephone: 011 269 9260  
Facsimile: 011 269 9595

**SA Stockbrokers (Pty) Ltd**

Telephone: 011 214 7250  
Facsimile: 011 214 7298

**Sanlam Private Investments (Pty) Ltd**

Telephone: 011 778 6600  
Facsimile: 011 778 6699  
Website: [www.gensec.com](http://www.gensec.com)

**Sanlam Securities (Pty) Ltd**

Telephone: 011 778 6000  
Facsimile: 011 778 6946  
Website: [www.gensec.com](http://www.gensec.com)

**\*Sasfin Frankel Pollak Securities (Pty) Ltd**

Telephone: 011 809 7500  
Facsimile: 011 809 7710  
Website: [www.sfpsecurities.com](http://www.sfpsecurities.com)

**Syfrets Securities Ltd**

Telephone: 011 535 4024  
Facsimile: 011 625 7081

**TFS Securities (Pty) Ltd**

Telephone: 011 465 3686  
Facsimile: 011 467 4174

**Thebe Securities Ltd**

Telephone: 011 375 1000  
Facsimile: 011 375 1100  
Website: [www.thebesec.co.za](http://www.thebesec.co.za)

**Tlotlisa Securities (Pty) Ltd**

Telephone: 011 370 1900  
Facsimile: 011 834 8485  
Website: [www.tradek.com](http://www.tradek.com)

**\*UBS Securities (South Africa)(Pty) Ltd**

Telephone: 011 322 7000  
Facsimile: 011 322 7381  
Website: [www.ubs.com](http://www.ubs.com)

**Vector Equities (Pty) Ltd**

Telephone: 021 419 3992  
Facsimile: 021 419 5231

**Watermark Securities (Pty) Ltd**

Telephone: 011 325 4228  
Facsimile: 011 325 5681  
Website: [www.watermarksec.com](http://www.watermarksec.com)

**WJ Morgan & Associates (Pty) Ltd**

Telephone: 012 482 6600  
Facsimile: 012 482 6657

\*Also Custody & Settlement members.

# Agricultural Products Members

as at 1 January 2004



**ABSA Bank Ltd**  
Telephone: 011 350 7828  
Facsimile: 011 350 7816  
Website: www.absa.co.za

**Afagri Operations Ltd**  
Telephone: 012 663 1312  
Facsimile: 012 663 9250  
Website: www.afagri.co.za

**Applied Derivatives (Pty) Ltd**  
Telephone: 021 671 8200  
Facsimile: 021 671 2991

**B & P Group Financial Services (Pty) Ltd**  
Telephone: 031 572 8300  
Facsimile: 031 572 8324

**Bester Feed & Grain Exchange (Pty) Ltd**  
Telephone: 021 887 7188  
Facsimile: 021 887 7166  
Website: www.bester.co.za

**Bolus & Bolus Investments (Pty) Ltd**  
Telephone: 011 884 4482  
Facsimile: 011 884 1862

**Brent Trading (Pty) Ltd**  
Telephone: 056 811 2966  
Facsimile: 056 811 2082  
Website: www.brent.za.net

**Brisen Commodities (Pty) Ltd**  
Telephone: 012 663 8383  
Facsimile: 012 663 8387

**Bushveld Grain (Pty) Ltd**  
Telephone: 012 348 3091  
Facsimile: 012 365 3634

**Cadiz Special Projects Ltd**  
Telephone: 021 657 8300  
Facsimile: 021 657 8303  
Website: www.cadiz.co.za

**Cargill RSA (Pty) Ltd**  
Telephone: 011 799 2000  
Facsimile: 011 465 5775

**Commodity House (Pty) Ltd**  
Telephone: 021 888 8100  
Facsimile: 021 886 7700  
Website: www.tradinghouse.co.za

**Coronation Capital Ltd**  
Telephone: 011 775 6400  
Facsimile: 011 775 6420  
Website: www.coronation.co.za

**Croplink (SA) (Pty) Ltd**  
Telephone: 011 237 6100  
Facsimile: 011 314 7489

**Decillion Securities (Pty) Ltd**  
Telephone: 011 217 9000  
Facsimile: 011 883 0156

**Derived Market Investment & Planning (Pty) Ltd**  
Telephone: 012 543 9705  
Facsimile: 012 543 9705

**DHJ Grain Brokers (Pty) Ltd**  
Telephone: 057 352 2805  
Facsimile: 057 352 7874

**DWT Securities (Pty) Ltd**  
Telephone: 021 914 6460  
Facsimile: 021 914 6458  
Website: www.dwt.co.za

**FAP Futures (Pty) Ltd**  
Telephone: 011 678 1266  
Facsimile: 011 678 1069

**Farmwise Grains (Pty) Ltd**  
Telephone: 011 787 3666  
Facsimile: 011 787 3710

**Farmwise Ltd**  
Telephone: 011 787 3666  
Facsimile: 011 787 3710  
Website: www.farmwise.co.za

**FCB Harlow Butler (Pty) Ltd**  
Telephone: 011 276 9000  
Facsimile: 011 276 9021

**FFO Securities (Pty) Ltd**  
Telephone: 011 471 0500  
Facsimile: 011 475 0104

**First World Trader (Pty) Ltd**  
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Website: www.gt247.com

**FR Waring International (Pty) Ltd**  
Telephone: 011 325 7010  
Facsimile: 012 325 7192

**Futureline (Pty) Ltd**  
Telephone: 021 887 6165/6  
Facsimile: 021 887 6166

**Gensec Trading (Pty) Ltd**  
Telephone: 011 778 6000  
Facsimile: 011 778 6910

**Global Grain Marketing (Pty) Ltd**  
Telephone: 057 899 1200  
Facsimile: 057 899 1049

**Grain Line CC**  
Telephone: 083 610 0682  
Facsimile: 016 351 1797

**Grainman International (Pty) Ltd**  
Telephone: 012 346 8838  
Facsimile: 012 346 0291  
Website: www.grainman.co.za

**Grainvest Futures (Pty) Ltd**  
Telephone: 012 367 0300  
Facsimile: 012 367 0315

**HG Graan Bemarking (Edms) Bpk**  
Telephone: 013 665 3127  
Facsimile: 013 665 5560

**Imex Agricultural Services Ltd**  
Telephone: 011 380 0111  
Facsimile: 011 884 5483  
Website: www.tigerbrands.com

**Incentive Securities (Pty) Ltd**  
Telephone: 011 380 3000  
Facsimile: 011 380 3098

**Investec Bank Ltd**  
Telephone: 011 286 7000  
Facsimile: 011 286 7946

**Jack Radford & Associates (Pty) Ltd**  
Telephone: 056 515 1144  
Facsimile: 056 515 1145

**JP Morgan Equities Ltd**  
Telephone: 011 507 0300  
Facsimile: 011 507 0489

**Kempro Brokers CC**  
Telephone: 018 441 0094  
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**Kernal Maize CC**  
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Facsimile: 056 515 1187

# Agricultural Products Members (continued)

as at 1 January 2004



**Kimtrek (Douglas) (Pty) Ltd**

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**Leeubank Landgoed Trust**

Telephone: 05881 32 362  
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**Lesotho Milling Co. (Pty) Ltd**

Telephone: 05193 34487/8  
Facsimile: 05193 35038

**Market Traders (Pty) Ltd**

Telephone: 033 343 5792  
Facsimile: 033 343 1237

**MGK Bedryfsmaatskappy (Edms) Bpk**

Telephone: 012 381 2839  
Facsimile: 012 381 2861

**National Commodities (Pty) Ltd**

Telephone: 031 269 1573  
Facsimile: 031 269 1639

**Nedbank Ltd**

Telephone: 011 294 3692  
Facsimile: 011 295 3692  
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**Nedcor Investment Bank Ltd**

Telephone: 011 535 4024  
Facsimile: 011 625 7081

**Nedcor Securities (Pty) Ltd**

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Facsimile: 011 302 1116  
Website: www.boe.co.za

**NIB Securities (Pty) Ltd**

Telephone: 011 480 1543  
Facsimile: 011 834 3601

**NWK Ltd**

Telephone: 018 633 1000  
Facsimile: 018 633 1900  
Website: www.nwk.co.za

**PCS Futures (Pty) Ltd**

Telephone: 011 257 4700  
Facsimile: 011 803 3801  
Website: www.pcsfutures.com

**Peregrine Derivatives (Pty) Ltd**

Telephone: 011 722 7500  
Facsimile: 011 722 7422  
Website: www.peregrine.co.za

**Premier Foods Ltd**

Telephone: 012 804 1711  
Facsimile: 012 804 6154

**Propermark Bpk**

Telephone: 051 404 1750  
Facsimile: 051 404 1705  
Website: www.proper.co.za

**PSG Capital Quantitative (Pty) Ltd**

Telephone: 021 657 2803  
Facsimile: 021 657 2817

**Rand Merchant Bank**

a Division of FirstRand Bank Ltd  
Telephone: 011 269 9005  
Facsimile: 011 269 8518  
Website: www.rmb.co.za

**RMB Securities (Pty) Ltd**

Telephone: 011 282 8520  
Facsimile: 011 282 8518

**Robinson Mulder de Waal Financial Services (Pty) Ltd**

Telephone: 012 665 5010  
Facsimile: 012 665 5025/7  
Website: www.rmd.co.za

**S.A. Stockbrokers (Pty) Ltd**

Telephone: 011 214 7250  
Facsimile: 011 214 7298

**Senwes Ltd**

Telephone: 018 464 7800  
Facsimile: 018 464 2558  
Website: www.senwes.co.za/grain/

**Standard Corporate & Merchant Bank**

a Division of the Standard Bank of South Africa  
Telephone: 011 636 4129  
Facsimile: 011 636 6481

**Suidwes Landbou (Edms) Bpk**

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Facsimile: 018 581 2780  
Website: www.suidwes.co.za

**Syfrets Securities Ltd**

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Facsimile: 011 625 7081

**Thebe Securities Ltd**

Telephone: 011 375 1000  
Facsimile: 011 375 1100/1200  
Website: www.plj.co.za

**Tradekor (Pty) Ltd**

Telephone: 011 787 7117  
Facsimile: 011 787 5116

**Tradepost 158 (Pty) Ltd t/a Agrimax**

Telephone: 021 555 1966  
Facsimile: 021 555 1967

**TTSA Securities (Pty) Ltd**

Telephone: 011 834 7368  
Facsimile: 011 833 3539

**Unigrain (Pty) Ltd**

Telephone: 011 692 4400  
Facsimile: 011 692 4452

**UT Grain Management (Pty) Ltd**

Telephone: 011 452 5117/8  
Facsimile: 011 452 5116

**Verus Farming & Commodities (Pty) Ltd**

Telephone: 031 467 0308  
Facsimile: 031 467 1989  
Website: www.verus.co.za

**Vorlon (Pty) Ltd**

Telephone: 011 467 6416/7/8  
Facsimile: 011 467 6415

**Vrystaat Koöperasie Bpk**

Telephone: 058) 863 8277  
Facsimile: 058 863 3317  
Website: www.vkb.co.za

**Vrystaat Mielies (Edms) Bpk**

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Facsimile: 057 388 4154

**W.J. Morgan & Associates (Pty) Ltd**

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Facsimile: 012 482 6658  
Website: www.wjmorgan.co.za

# Financial Derivatives Members

as at 1 January 2004

**AAM Bk**

Telephone: 016 454 8277  
Facsimile: 016 423 4445

**ABSA Bank Ltd**

Telephone: 011 350 7828  
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**ABSA Stockbrokers (Pty) Ltd**

Telephone: 011 647 0817  
Facsimile: 011 647 0818

**Africa Advent Financial Services (Pty) Ltd**

Telephone: 021 794 8912  
Facsimile: 021 794 0041

**African Harvest Securities (Pty) Ltd**

Telephone: 011 263 9500  
Facsimile: 011 784 2550  
Website: www.africanharvest.co.za

**African Merchant Bank Ltd**

Telephone: 011 215 2000  
Facsimile: 011 784 8994

**Afrifocus Securities (Pty) Ltd**

Telephone: 011 290 7800  
Facsimile: 011 290 7878  
Website: www.afrifocus.co.za

**Andisa Securities (Pty) Ltd**

Telephone: 011 636 7327  
Facsimile: 011 636 1792

**Applied Derivatives (Pty) Ltd**

Telephone: 021 671 8200  
Facsimile: 021 671 2991

**Aspen Risk Managers Ltd**

Telephone: 021 794 8020  
Facsimile: 021 794 2161

**Barnard Jacobs Mellet Securities (Pty) Ltd**

Telephone: 011 283 0300  
Facsimile: 011 283 0303  
Website: www.bjm.co.za

**Bex Structured Products (Pty) Ltd**

Telephone: 011 684 1433  
Facsimile: 011 684 1420

**Biz Afrika 124 (Pty) Ltd**

Telephone: 011 315 6595  
Facsimile: 011 315 6594

**BoE Investments Ltd**

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Facsimile: 021 416 9940  
Website: www.ftnibi.co.za

**BOE Stockbrokers (Pty) Ltd**

Telephone: 011 302 1000  
Facsimile: 011 784 4423  
Website: www.boepersonal.com

**Bolus & Bolus Investments (Pty) Ltd**

Telephone: 011 884 4482  
Facsimile: 011 884 1862

**Cadiz Financial Strategists (Pty) Ltd**

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Facsimile: 011 657 8303  
Website: www.cadiz.co.za

**Cadiz Special Projects Ltd**

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Website: www.cadiz.co.za

**Chris Slabbert & Co. (Pty) Ltd**

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**Coronation Asset Management (Pty) Ltd**

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Facsimile: 021 680 2100

**Coronation Capital Ltd**

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Facsimile: 011 775 6420  
Website: www.coronation.co.za

**Credit Agricole Indosuez Co.**

Telephone: 011 448 3300  
Facsimile: 011 240 0447  
Website: www.indosuez.com

**Decillion Securities (Pty) Ltd**

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Facsimile: 011 883 0156

**Deutsche Securities (Pty) Ltd**

Telephone: 011 775 7000  
Facsimile: 011 775 7607  
Website: www.db.co.za

**DWT Securities (Pty) Ltd**

Telephone: 021 914 6460  
Facsimile: 021 914 6458  
Website: www.dwt.co.za

**Electra Investments S.A. Ltd**

Telephone: 021 950 2500  
Facsimile: 021 950 2555

**Escher Structured Products (Pty) Ltd**

Telephone: 021 683 0780  
Facsimile: 021 683 0574

**Eskom**

Telephone: 011 800 4050  
Facsimile: 011 800 4499

**Eskom Pension & Provident Fund**

Telephone: 011 709 7522  
Facsimile: 011 709 7510

**FCB Harlow Butler (Pty) Ltd**

Telephone: 011 276 9000  
Facsimile: 011 276 9021

**FFO Securities (Pty) Ltd**

Telephone: 011 471 0500  
Facsimile: 011 475 0104

**First Financial Futures (Pty) Ltd**

Telephone: 011 728 5645  
Facsimile: 011 728 3559

**First South Securities (Pty) Ltd**

Telephone: 011 343 2200  
Facsimile: 011 343 2233

**First World Trader (Pty) Ltd**

Telephone: 011 214 8000  
Facsimile: 011 214 8028  
Website: www.gt247.com

**Foord Asset Management Foord Asset**

**Management (Pty) Ltd**  
Telephone: 021 531 6988  
Facsimile: 021 531 1935

**Futureline (Pty) Ltd**

Telephone: 021 887 6165/6  
Facsimile: 021 887 6166

**Gensec Bank Ltd**

Telephone: 011 778 6000  
Facsimile: 011 778 6924  
Website: www.gensec.com

**Gensec Trading (Pty) Ltd**

Telephone: 011 778 6000  
Facsimile: 011 778 6910

**Golding, Torr & de Decker (Pty) Ltd**

Telephone: 011 442 3200  
Facsimile: 011 442 9192

# Financial Derivatives Members (continued)

as at 1 January 2004



**Greenwich S.A. (Pty) Ltd**

Telephone: 011 706 9758  
Facsimile: 011 706 9758

**HSBC Securities (South Africa) (Pty) Ltd**

Telephone: 011 481 4200  
Facsimile: 011 486 4608  
Website: www.hsbc.com

**Imara SP Reid (Pty) Ltd**

Telephone: 011 446 6200  
Facsimile: 011 446 6195

**Incentive Securities (Pty) Ltd**

Telephone: 011 380 3000  
Facsimile: 011 380 3098

**Investec Asset Management (Pty) Ltd**

Telephone: 021 416 1000  
Facsimile: 021 416 2001  
Website: <http://www.investecfunds.co.za>

**Investec Bank Ltd**

Telephone: 011 286 7000  
Facsimile: 011 286 7946  
Website: www.investec.com

**Investec Securities Ltd**

Telephone: 011 286 9700  
Facsimile: 011 286 9988

**JP Morgan Equities Ltd**

Telephone: 011 507 0300  
Facsimile: 011 507 0489

**JP Morgan Securities S.A. (Pty) Ltd**

Telephone: 011 507 0300  
Facsimile: 011 507 0494

**Lancaster Securities (Pty) Ltd**

Telephone: 011 880 3137  
Facsimile: 011 880 4258

**Lwazi Capital (Pty) Ltd**

Telephone: 011 482 9821  
Facsimile: 011 482 5494

**Market Traders (Pty) Ltd**

Telephone: 033 343 5792  
Facsimile: 033 343 1237

**Merrill Lynch South Africa (Pty) Ltd**

Telephone: 011 305 5555  
Facsimile: 011 305 5620

**Metropolitan Asset Managers Ltd**

Telephone: 021 940 6001  
Facsimile: 021 940 6969

**Nedbank Ltd**

Telephone: 011 294 3692  
Facsimile: 011 295 3692  
Website: www.nedcor.co.za

**Nedcor Investment Bank Ltd**

Telephone: 011 535 4024  
Facsimile: 011 625 7081

**Nedcor Securities (Pty) Ltd**

Telephone: 011 302 1111  
Facsimile: 011 302 1223  
Website: www.boe.co.za

**NIB Securities (Pty) Ltd**

Telephone: 011 480 1543  
Facsimile: 011 834 3601

**Noah Financial Innovation (Pty) Ltd**

Telephone: 011 446 9700  
Facsimile: 011 446 9701  
Website: www.noahfi.com

**Norton Derivatives (Pty) Ltd**

Telephone: 031 366 1306  
Facsimile: 031 366 1305

**Old Mutual Life Assurance Company (SA) Ltd**

Telephone: 021 509 2357  
Facsimile: 021 509 3517  
Website: www.omam.com

**PCS Futures (Pty) Ltd**

Telephone: 011 257 4700  
Facsimile: 011 803 3801

**Peregrine Derivatives (Pty) Ltd**

Telephone: 011 722 7500  
Facsimile: 011 722 7541

**PeregrineQuant (Pty) Ltd**

Telephone: 021 670 4900  
Facsimile: 021 670 4977  
Website: www.pq.co.za

**Prebon Yamane (South Africa) (Pty) Ltd**

Telephone: 011 643 3131  
Facsimile: 011 643 1162

**Prescient Securities (Pty) Ltd**

Telephone: 021 700 3710  
Facsimile: 021 700 3750  
Website: www.prescient.co.za

**PSG Capital Quantitative (Pty) Ltd**

Telephone: 021 657 2803  
Facsimile: 021 657 2817

**Rand Merchant Bank**

a Division of FirstRand Bank Ltd  
Telephone: 011 282 8000  
Facsimile: 011 269 8518  
Website: www.rmb.co.za

**Real Africa Asset Management (Pty) Ltd**

Telephone: 011 463 0300  
Facsimile: 011 463 0299

**RMB Asset Management (Pty) Ltd**

Telephone: 011 505 1449  
Facsimile: 011 505 1400

**RMB Securities (Pty) Ltd**

Telephone: 011 282 8520  
Facsimile: 011 282 8518

**RMB Stockbroking (Pty) Ltd**

Telephone: 011 269 9260  
Facsimile: 011 269 9595

**Robinson Mulder de Waal Financial Services (Pty) Ltd**

Telephone: 012 665 5010  
Facsimile: 012 665 5025/7  
Website: www.rmd.co.za

**Rodina Investments Ltd**

Telephone: 021 509 2357  
Facsimile: 021 509 3517

**S.A. Reserve Bank**

Telephone: 012 313 4952  
Facsimile: 012 313 3841

**S.A. Stockbrokers (Pty) Ltd**

Telephone: 011 214 7250  
Facsimile: 011 214 7298

**Sanlam Investment Management (Pty) Ltd**

Telephone: 021 950 2500  
Facsimile: 021 950 2555  
Website: www.sim.sanlam.com

**Signal Futures (Pty) Ltd**

Telephone: 021 465 0231  
Facsimile: 021 465 0232  
Website: www.signalfutures.co.za

**Societe Generale**

Telephone: 011 488 8400  
Facsimile: 011 488 8899

# Financial Derivatives Members (continued)

as at 1 January 2004



**Standard Corporate & Merchant Bank**

a Division of the Standard Bank of South Africa Ltd  
Telephone: 011 636 4129  
Facsimile: 011 636 6481

**The Link Asset & Securities Co. (Pty) Ltd**

Telephone: +0944 207 491 9882  
Facsimile: +0944 207 663 4304

**UBS Securities South Africa (Pty) Ltd**

Telephone: 011 322 7000  
Facsimile: 011 322 7381  
Website: www.ubswarburg.com

**Stanlib Asset Management Ltd**

Telephone: 011 448 5000  
Facsimile: 011 448 5555

**Thebe Securities Ltd**

Telephone: 011 375 1000  
Facsimile: 011 375 1100/1200  
Website: www.plj.co.za

**Vector Securities & Derivatives (Pty) Ltd**

Telephone: 021 419 3992  
Facsimile: 021 25 4822

**Strategy Securities (Pty) Ltd**

Telephone: 011 507 2900  
Facsimile: 011 507 2910  
Website: www.stratsec.com

**Thirty Four South Research & Trading (Pty) Ltd**

Telephone: 021 683 2293  
Facsimile: 021 671 1233

**Vorlon (Pty) Ltd**

Telephone: 011 467 6416/7/8  
Facsimile: 011 467 6415

**Syfrets Securities Ltd**

Telephone: 011 535 4024  
Facsimile: 011 625 7081

**Transnet**

Telephone: 011 308 2571  
Facsimile: 011 308 2591  
Website: www.etreasury.co.za

**Watermark Securities (Pty) Ltd**

Telephone: 011 325 4228  
Facsimile: 011 325 5681

**TFS Futures & Options S.A. (Pty) Ltd**

Telephone: 011 465 3686  
Facsimile: 011 467 4174

**TTSA Securities (Pty) Ltd**

Telephone: 011 834 7368  
Facsimile: 011 833 3539

**W.J. Morgan & Associates (Pty) Ltd**

Telephone: 012 482 6600  
Facsimile: 012 482 6658

## Agricultural Products Clearing Members as at 1 January 2004

**ABSA Bank Ltd**

Telephone: 011 350 7828  
Facsimile: 011 350 7816  
Website: www.absa.co.za

**Nedbank Ltd**

Telephone: 011 294 3692  
Facsimile: 011 295 3692  
Website: www.nedcor.co.za

**Standard Corporate & Merchant Bank**

a Division of the Standard Bank of South Africa Ltd  
Telephone: 011 636 4129  
Facsimile: 011 636 6481

**Investec Bank Ltd**

Telephone: 011 286 7000  
Facsimile: 011 286 7946

**Rand Merchant Bank,**

a Division of FirstRand Bank Ltd  
Telephone: 011 269 9005  
Facsimile: 011 269 8518  
Website: www.rmb.co.za

## Financial Derivatives Clearing Members as at 1 January 2004

**ABSA Bank Ltd**

Telephone: 011 350 7828  
Facsimile: 011 350 7816  
Website: www.absa.co.za

**Investec Bank Ltd**

Telephone: 011 286 7000  
Facsimile: 011 286 7946  
Website: www.investec.com

**Rodina Investments Ltd**

Telephone: 021 509 2357  
Facsimile: 021 509 3517

**Electra Investments S.A. Ltd**

Telephone: 021 950 2500  
Facsimile: 021 950 2555

**Nedbank Ltd**

Telephone: 011 294 3692  
Facsimile: 011 295 3692  
Website: www.nedcor.co.za

**Standard Corporate & Merchant Bank**

a Division of the Standard Bank of South Africa Ltd  
Telephone: 011 636 4129  
Facsimile: 011 636 6481

**Gensec Bank Ltd**

Telephone: 011 778 6000  
Facsimile: 011 778 6924  
Website: www.gensec.com

**Rand Merchant Bank,**

a Division of FirstRand Bank Ltd  
Telephone: 011 282 8000  
Facsimile: 011 269 8518  
Website: www.rmb.co.za

Notice is hereby given that the fourth annual general meeting of rights holders of the JSE will be held in the auditorium, One Exchange Square, Gwen Lane, Sandown on Tuesday, 20 April 2004 at 17h30 for the purpose of:

1. adopting the following resolutions –
  - 1.1 that the Financial Statements and the directors' report for the year ended 31 December 2003 together with the auditors' report be adopted; and
  - 1.2 that KPMG be re-appointed as the JSE's auditors for the ensuing year and that the auditors' remuneration be left to the discretion of the Board;
2. re-electing Ms W Luhabe and Messrs HJ Borkum, MR Johnston and S Koseff who retire as directors in terms of the constitution of the JSE, but being eligible, have made themselves available for re-election. Abridged biographies of these directors are set out on page 81 of the enclosed Annual Report;
3. approving the amendment to article 9.3 of the Constitution of the JSE to bring this article in line with the Companies Act 89 of 1998 providing for 21 days' notice of annual general meeting rather than 28 days. The proposed amendment is set out below. Deletions are reflected [ ] and additions: bold and underlined.

"An annual general meeting shall be called by not less than **21 (twenty one)** [28 (twenty eight)] days' notice in writing. Such notice shall specify the place, date and hour of the annual general meeting and the nature of the business to be transacted at the meeting. The inadvertent failure to give notice to any rights holder shall not invalidate any meeting or any resolution passed thereat."; and

4. discussing any matter relating to the finances of the JSE.

Rights holders of the JSE represented in person or by proxy shall be entitled to vote and speak at the meeting and you are encouraged to attend. If you are unable to attend please exercise your right to vote by completing the instrument of proxy set out on the next page.

On a show of hands, every rights holder shall have one vote only irrespective of the number of JSE rights held by such rights holder. On a poll, every rights holder shall have one vote in respect of each JSE right held by such rights holder. On a poll, a rights holder entitled to more than one vote, need not cast any or all his votes, nor if such person casts a vote, cast every vote in the same way.

The instrument appointing a proxy and the power of attorney under which it is signed or a notarially certified copy of such power of attorney shall be lodged with the Chief Executive Officer not less than 24 hours before the meeting.

BY ORDER OF THE BOARD



**GC CLARKE**  
*Secretary*

23 March 2004





## **WENDY LUHABE**

Wendy Luhabe is an accomplished social entrepreneur with business interests in Alliance Capital, a Pension Fund and Asset Management company, in the Private Equity Fund for women owned enterprises and Ogilvy and Mather, an advertising and communications company.

She is non-executive Chairman of Vodacom, Industrial Development Corporation, Alliance Capital Management, Vendome SA and Women Private Equity Fund 1.

Wendy has received various recognition awards for her pioneering and leadership roles. She chairs the International Marketing Council to cultivate an infectious sense of pride in who South Africans are as a nation and what we are capable of i.e. to showcase our remarkable attributes.

## **HUMPHREY BORKUM**

Humphrey Borkum is a Member of the South African Institute of Stockbrokers.

He was Chief Executive Officer and Chairman of Smith, Borkum and Hare from 1990 to 1997.

He is currently Chairman of Merrill Lynch South Africa (Pty) Limited.

Mr Borkum held a number of Board Directorships from which he resigned upon his appointment as Chairman of the JSE board in 2003.

## **MALCOLM ROBERT (BOBBY) JOHNSTON**

Bobby Johnston holds a BCom from the University of the Witwatersrand and is a Chartered Accountant (SA). He is an Honorary Life Member of the South African Institute of Stockbrokers.

He is a past Chairman of the JSE. He retired from active stockbroking at end of 1997 but has remained actively involved in the industry.

He serves as a non-executive director and sits on Audit and Risk Committees of several listed and unlisted companies and a trustee of various trusts. He serves on the Financial Markets Advisory Board as well as the Licensing Committee set up in terms of the FAIS Act.

## **STEPHEN KOSEFF**

Stephen Koseff holds a BCom, CTA, H Dip BDP and MBA from the University of the Witwatersrand and is a Chartered Accountant (SA).

He has been the Chief Executive Officer of Investec Bank Limited since 1996.

Mr Koseff is a Director on numerous boards.

He is also Chairman of the Independent Banks Association.



# Form of Proxy



for the third annual general meeting of rights holders of the JSE to be held on Tuesday, 20 April 2004 at 17h30.

I/We

\_\_\_\_\_  
(NAME IN BLOCK LETTERS)

of

\_\_\_\_\_  
(ADDRESS)

being the holder/s of

\_\_\_\_\_  
JSE rights, hereby appoint (see note 1):

1.

\_\_\_\_\_  
of

\_\_\_\_\_  
or failing him

2. the Chairman of the JSE, or failing him the chairman of the annual general meeting, as my/our proxy to attend and speak for me/us on my/our behalf and to vote or abstain from voting on my/our behalf at the annual general meeting of the JSE to be held at One Exchange Square, Gwen Lane, Sandown on Tuesday, 20 April 2004 at 17h30.

I/We desire to vote as follows:

	For	Against	Abstain
1. Ordinary resolution 1.1			
2. Ordinary resolution 1.2			
3. To re-elect Ms W Luhabe as a director			
4. To re-elect Mr H Borkum as a director			
5. To re-elect Mr MR Johnston as a director			
6. To re-elect Mr S Koseff as a director			
7. To amend article 9.2 of the JSE Constitution as set out in 3 of the Notice of Annual General Meeting			

Signed at

\_\_\_\_\_  
on

\_\_\_\_\_  
2004

Signature

\_\_\_\_\_  
(Sole Proprietor/Partner/Director if a member of the JSE) or (Individual Rights Holder)

1. A rights holder is entitled to appoint one or more proxies to attend, speak and vote or abstain from voting in the place of that rights holder at the annual general meeting. A rights holder may, therefore, insert the name of a proxy of the rights holder's choice in the space provided, with or without deleting "the Chairman of JSE, or failing him the chairman of the annual general meeting". The person whose name stands on the proxy form and who is present at the annual general meeting, will be entitled to act as proxy to the exclusion of the chairman of the JSE or the Chairman of the meeting.
2. A member's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the Chairman of the JSE or failing him the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the rights holder's total holding.
3. The completion and lodging of this form of proxy will not preclude the relevant rights holder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such rights holder wish to do so.
4. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory.
7. This form of proxy must be lodged with the Chief Executive Officer of the JSE at One Exchange Square, Gwen Lane, Sandown (Private Bag X991174, Sandton, 2146), to be received by not later than 17h30 on Monday, 19 April 2004.
8. Set out below are the relevant sections of the JSE Constitution dealing with the annual general meeting for your information:  
"Annual General Meetings:
  - 9.1 An annual general meeting shall be held once in every calendar year at a date to be determined by the Board which date shall not be later than 4 (four) months after the end of each financial year.
  - 9.2 At an annual general meeting –
    - 9.2.1 the ordinary business shall be to –
      - 9.2.1.1 receive and consider the financial statements of the JSE and the reports of the Board and auditors;
      - 9.2.1.2 elect Board members to replace those retiring by rotation;
      - 9.2.1.3 decide on the appointment and remuneration of the auditors; and
      - 9.2.1.4 discuss any matter relating to finances;
    - 9.2.2 all business other than that set out in article 9.2.1 shall be special and shall not be dealt with at any annual general meeting unless the nature thereof has been specified in the notice convening the meeting, or in a notice given under article 9.4.
  - 9.3 An annual general meeting shall be called by not less than 28 (twenty eight) days' notice in writing. Such notice shall specify the place, date and hour of the annual general meeting and the nature of the business to be transacted at the meeting. The inadvertent failure to give notice to any rights holder shall not invalidate any meeting or any resolution passed thereat.
  - 9.4 Notice of any resolution to be proposed at an annual general meeting, other than a resolution contained in the notice convening the meeting, shall be signed by at least 2 (two) rights holders and lodged with the Chief Executive Officer at least 21 (twenty one) days before the meeting and shall forthwith be posted or delivered by the proposing rights holders to all rights holders."