JOHANNESBURG STOCK EXCHANGE

2011
Integrated Annual Report

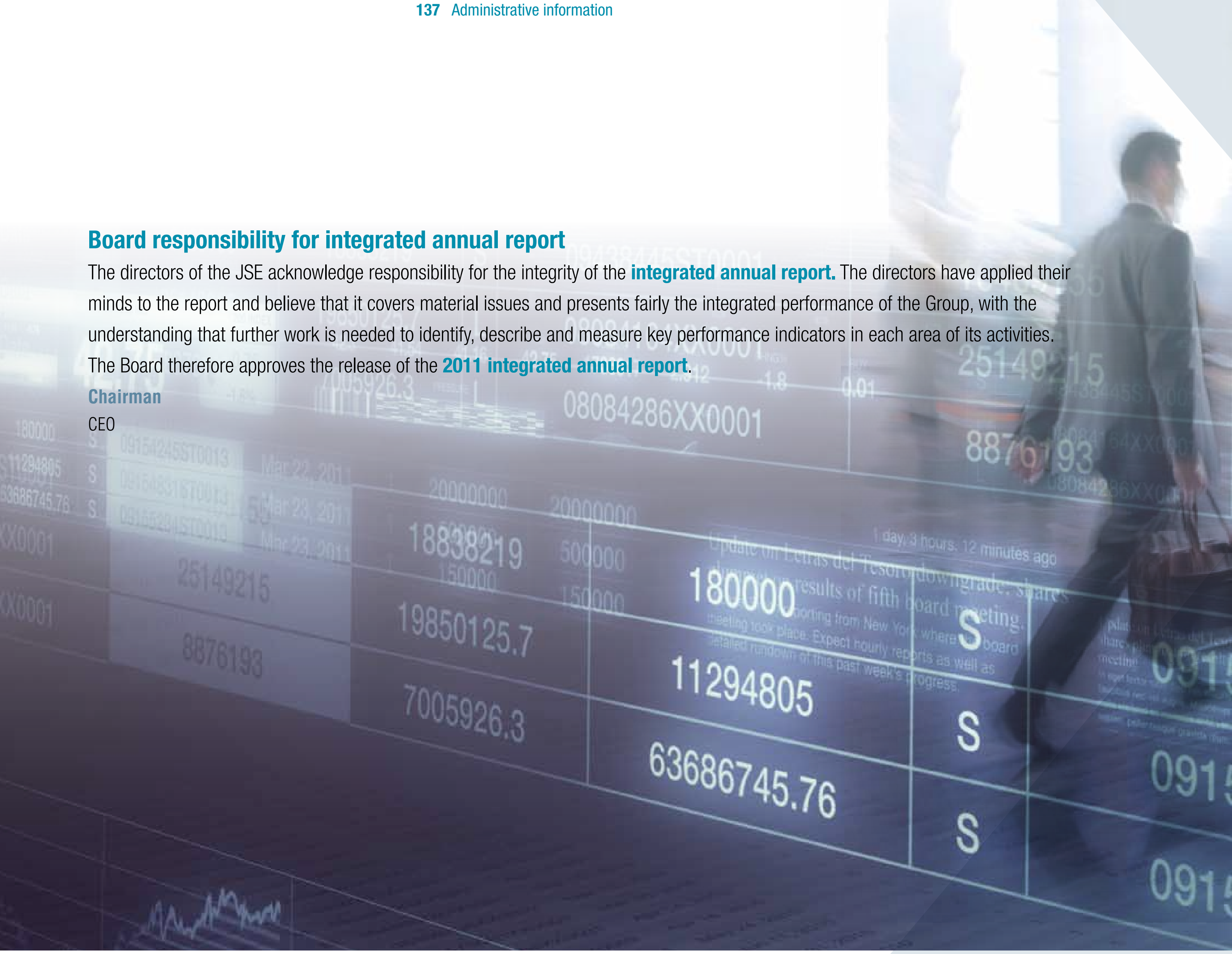
CONTENTS

Board responsibility for integrated annual report

The directors of the JSE acknowledge responsibility for the integrity of the **integrated annual report.** The directors have applied their minds to the report and believe that it covers material issues and presents fairly the integrated performance of the Group, with the understanding that further work is needed to identify, describe and measure key performance indicators in each area of its activities. The Board therefore approves the release of the **2011 integrated annual report**.

Chairman

CEO



Disclaimer

Many of the statements in the integrated annual report constitute forward-looking statements. These are not guarantees or predictions of future performance. As is discussed in the report, the business faces risks and factors outside of our control which may lead to outcomes unforeseen by the company and not reflected in the report. Readers are warned not to put undue reliance on forward-looking statements.

About this report

This integrated annual report presents the activities of the JSE Limited for the year to 31 December 2011, together with painting a picture of our journey over the next few years.

This is the first integrated annual report produced by the JSE. The report aims to present a single, balanced and accessible view of the JSE's activities in terms of the financial, economic, social and environmental issues that are relevant to our strategy and performance. Further work is needed to identify, describe and measure key performance indicators in each area of its activities.

Approach

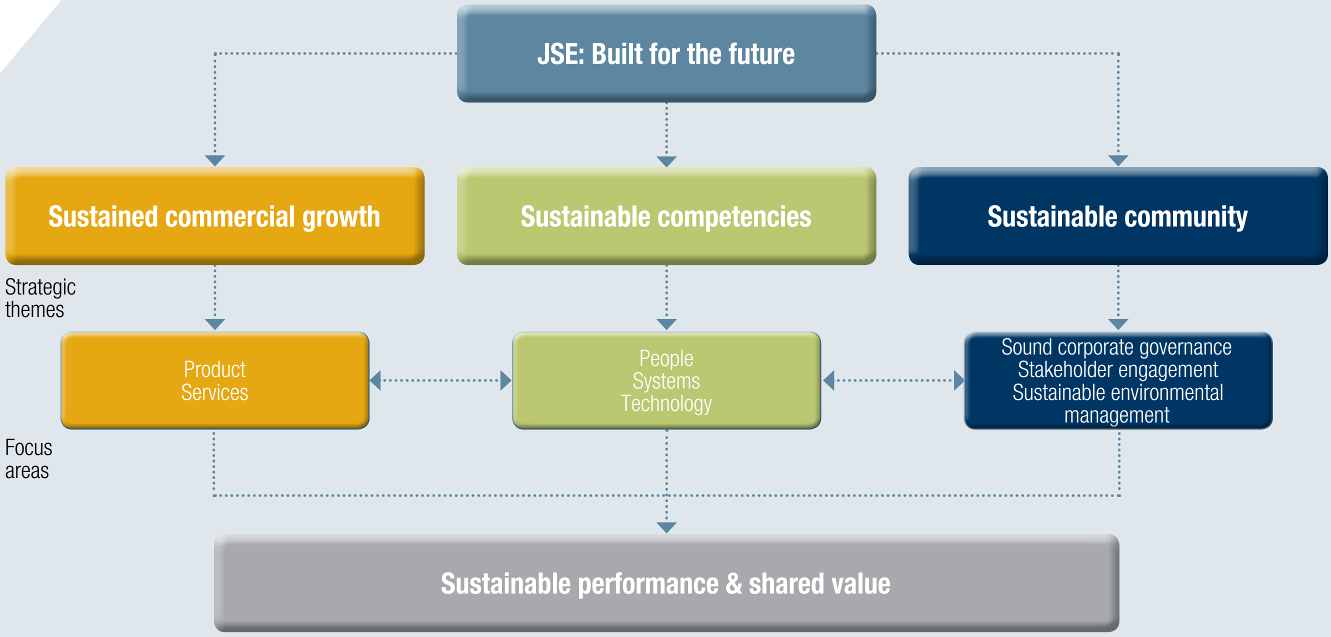
The JSE's corporate strategy seeks to ensure that the Group is resilient and *Built for the Future*.

As indicated in the diagram below, this report is structured around the strategic themes of sustained commercial growth, sustainable competencies and sustainable community. Within these, the report discusses the focus areas of products and services; people, transformation, systems and technology; and stakeholder engagement. These are grounded in our own, and our influence on, sound corporate governance and proactive management of our environment.

Scope and boundaries

The scope and boundaries of the information presented describe the exchange, its five financial markets and the investor protection trusts associated with certain markets, but excludes subsidiary Strate Ltd in which the JSE holds 44.5%, and for which it equity accounts, but which is managed by its own independent management and Board.

The report attempts to present all material information needed for stakeholders to analyse the company in the short, medium and long term. Certain stakeholders may wish for more detailed information on aspects of the report; for this, please refer to www.jse.co.za. Where relevant, stakeholders accessing both paper and electronic versions of the report are referred to more detailed reports on the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome, or to reference documents. For information on Strate, please go to www.strate.co.za.



The JSE aims to be recognised as the South African exchange providing the leading fully integrated financial market for African securities as well as an effective gateway to international products and markets for African investors.

Profile

The JSE is a vertically and horizontally integrated, fully electronic exchange offering issuance, trade and post-trade services (vertical) across five markets – equity, equity derivatives, commodity derivatives, spot and derivative interest rate products, and currency derivatives (horizontal). As a self-regulating organisation, the JSE regulates issuers and investors in terms of the Securities Services Act, 2004, and is supervised by the exchange's regulator, the Financial Services Board. The exchange also packages and sells market-related data.

We continue to diversify our product range across all markets and are recognised for our innovative ability to structure products that meet client needs.

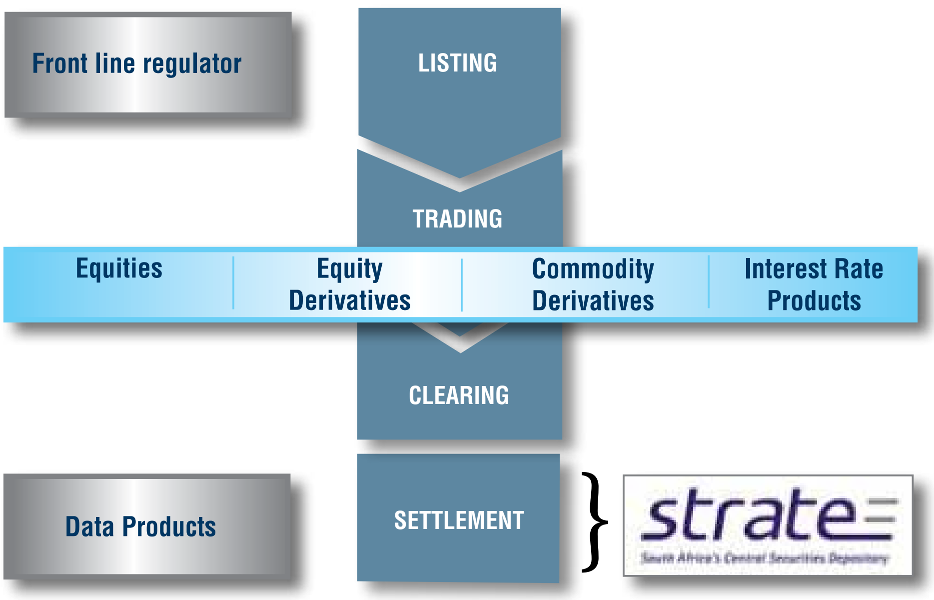
We employ approximately 500 people directly and are a key part of South Africa's financial services ecosystem which has a significant role in the economic development of a wider range of stakeholders.

Feedback

The JSE would welcome your feedback on its first integrated annual report.

Please email IR@jse.co.za

The exchange value chain – vertical and horizontal integration



Key performance indicators and highlights

Group revenue

+ 9.1%

2011: R1.4 billion

2010: R1.3 billion

The strong operational performance of each of our markets and business lines has enabled the JSE to grow operating revenue by 9.1%

Headline EPS

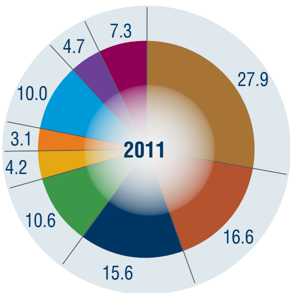
+ 29.0%

2011: 562.4 cents

2010: 436.1 cents

The strong operating performance resulted in a substantial increase in headline earnings per share

Diversified revenue (%)



- Issuer services
- Equity trading
- Risk management, clearing and settlement
- Back-office services (BDA)
- Equity derivatives
- Commodity derivatives
- Interest rate market
- Information Product sales
- Other

Excluding Strate ad valorem fees.
Equity derivatives division includes currency derivatives.

EPS

- 10.0%

2011: 400.8 cents

2010: 445.5 cents

Earnings per share of 400.8 cents were 10.0% lower than in 2010. We took the difficult business decision of recognising an impairment of approximately R223.3 million (2010: R33.2 million) to software under development

HIGHLIGHTS OF 2011

February

New trading platform

The JSE announces that a new equities trading platform will offer faster capabilities. The exchange concludes a licensing agreement with technology solutions provider MillenniumIT to move its equity market trading activity onto Millennium Exchange.

Proactive monitoring of financial results

The JSE announces that it will commence a process of reviewing annual financial statements for compliance with International Financial Reporting Standards (IFRS). Financial statements of every listed company will be reviewed at least once every five years, as well as whenever there is a query. This step reflects the exchange's focus on protecting the interests of investors. The objective of the review process is to contribute towards the production of quality financial reporting of entities listed on the JSE.

March

Product diversification for the currency derivatives market

Aiming for innovative product diversification in the currency derivatives market, the JSE launches a new currency derivative contract which allows investors the flexibility to pick the expiry date of the contract. These products enable investors to structure products as required, while retaining the risk management advantages of listed derivatives.

May

Greater transparency in the hedge fund industry

The JSE becomes the first exchange worldwide to endorse a managed account platform. The purpose of this endorsement is to increase the transparency of hedge fund trading.

This risk management tool, which offers hedge fund investors greater protection by segregating investors' assets from the hedge fund manager, was developed to monitor hedge funds' trading activity to ensure that they remain within the agreed investment mandates.

Consolidated membership, systems and trading rules

The exchange implements a single trading rule book for its interest rate market. This change greatly simplifies the trading of bonds and bond derivatives and the integration makes it possible to trade all listed interest rate instruments on a single trading platform.

USTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GROWT

WFE World Federation of Exchanges South Africa 2011

September

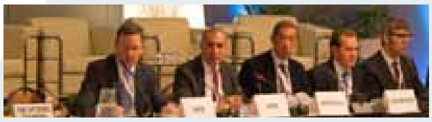
Best regulation of securities exchanges

In a globally competitive environment, markets with strong regulation, solid infrastructure and thriving institutions will be better positioned to attract sustainable capital flows. The latest World Economic Forum (WEF) Global Competitiveness report ranked South Africa first out of 142 countries for its regulation of securities exchanges.

This is the second successive year that South Africa achieves this ranking and, together with several other elements of the report, suggests that the JSE is a sound environment in which to invest.

Computershare Cycle Challenge

The JSE sponsors and donates money to initiatives that improve the lives of ordinary South Africans and advance the general business environment. In line with this, the JSE supports the Mike Thomson Change a Life Trust, which is committed to raising capital for anti-crime projects through participation in a four-day cycle tour run by Computershare, one of the JSE's stakeholders.



October

World Federation of Exchanges general assembly and annual meeting

The World Federation of Exchanges (WFE) plays a vital role in reinforcing the leading position of exchanges as the most attractive venue for listing and trading a range of instruments. Leaders from more than 60 of the world's foremost exchanges gather in Johannesburg for the 51st General Assembly and Annual Meeting to discuss a selection of the most important topics of the time. The event is hosted by the JSE.

BRICS Exchanges Alliance

The exchanges of the BRICS emerging market bloc announce a joint initiative to expose investors to products in these dynamic economies. Investors now have easier access to benchmark equity index derivatives, offered in local currency on the BRICS exchanges, as the BRICSMART range of products are cross-listed on the exchanges involved. Apart from cross-listing products, other opportunities will be explored to promote greater development and understanding between the respective markets.

August

New equities market trading record

A long-term strategy to grow participation in the market and expand the number of equity products among other things helps grow trade in the equities market. A record 230 797 trades valued at more than R29 billion is recorded on 10 August. The previous trading record of 205 784 trades, set on 17 June 2010, is exceeded by 12%.

Youth financial literacy boosted

As part of a drive to develop an investment and saving savvy South African population, the JSE partners with the South African Reserve Bank, the Financial Planning Institute, the South African Savings Institute and the National Credit Regulator to improve the financial literacy of South Africa's youth. The JSE has a contractual agreement with several provincial education departments through which it provides courses to schools, teaching learners and educators about banks, savings, investment and related topics.

June

JSE launches innovative Can Do products on Currency Derivatives Market

The JSE lists the first exotic style currency options contracts on the Currency Derivative Market. The new options offer asset managers and hedge fund participants an exchange traded product similar to what has previously only been available over-the-counter.

JSE JOHANNESBURG STOCK EXCHANGE
YieldX

October

JSE/Liberty Investment Challenge

The JSE/Liberty Investment Challenge, an educational programme that has been running for almost four decades, is aimed at introducing South African learners to the workings of a securities market. The challenge offers high school and university teams the opportunity to learn about investment by managing a virtual portfolio of R1 million over a period of six months from March to September, with an award ceremony in October. Each team is supervised by a teacher or mentor.

December

Progress on Tackling Climate Change

The JSE is aware of its interdependence with its stakeholders and concern of the need for the group to play a role in nurturing the financial eco-system in which it operates. In line with this the exchange reviews 109 companies, including the JSE's biggest, in the 2011 annual Socially Responsible Investment (SRI) Index review. Two thirds of JSE-listed companies assessed fulfil the base requirements to become a constituent of the exchange's SRI Index. The JSE Top 40 companies have made progress on climate change.

Farewell to Russell Loubser

Russell Loubser stands down as CEO at the end of the year, following 15 years as CEO. Nicky Newton-King takes over in January 2012.

	Profile	Financial performance	Activities	Strategic developments
Issuer Regulation	The division is responsible for regulating issuers who list products on the equity and bond markets. The JSE applies its Listings Requirements in the regulation of companies and securities. The division charges fees for new listings, annual listings fees and documentation fees.	The division performed well in 2011, driven by an 7.0% increase in revenue year on year (2011: R91.6 million; 2010: R85.6 million).	The number of new company listings on the JSE rose to 16 despite challenging conditions. There was additional listings activity in other instruments.	The JSE started proactively assessing group financial statements, aiming to enhance investor protection. The team amended the Listings Requirements to enable product diversification.
Equity Market	The equity market provides trade in equities, warrants and exchange traded products. It generates revenue from equity transactions, with billing based on a combination of the number and value of transactions.	The equity market performed well in 2011, driven by an 11.3% increase in the number of transactions year on year (2011: 26.5 million; 2010: 23.8 million). Revenue rose by 8.5% (2011: R352.2 million; 2010: R324.6 million).	Trade numbers grew owing to a strategy to grow participation and diversify equity products, retail investor trade growth and market volatility.	The team aims to increase market participation through revising prices for trades increased retail participation and new technology.
Back-Office Services (BDA)	Equity members are mandated to use the JSE back-office system, which keeps securities records and books of individual broking firms and in respect of their clients. The JSE generates revenue from equity members using the system, called the Broker Deal Accounting (BDA) system.	The division performed well in 2011, driven by transaction growth on the cash equity market. Back-office services contributed R196.8 million or 15.6% of total JSE revenue (2010: R177.5 million or 15.5%).	Revenues are linked to the number of equity transactions on the cash equity market. Revenues do not track equity trading exactly because the divisions have different billing structures.	The use of back-office technology by all equity members has various benefits for the JSE, including regulatory ability driven by client-level transparency. The JSE is working on technology to replace the current system.
Risk Management, Clearing and Settlement	It is critical for the JSE to focus on clearing, settlement and risk management. Basel III no longer makes post-trade services a back-office function, but rather a business requirement and one that provides an opportunity for the exchange to bring clients closer to us.	Driven by cash equity transaction growth, the division contributed R209.0 million (2010: R188.9 million), a 10.6% rise. The revenue growth didn't match equity market exactly, owing to different billing structures.	The JSE risk manages, clears and guarantees the settlement of central order book cash equity transactions. Fees are charged per trade leg with a value-based element.	In line with the JSE's strategic aim of offering an integrated clearing and settlement service, the division will now focus on extending the range of post-trade services provided by the exchange.

	Profile	Financial performance	Activities	Strategic developments
Bonds and Financial Derivatives	The financial derivatives market offers trade in equity and equity-related futures and options. Trading revenue is largely value-based. The currency derivatives market offers trade in currency futures and options. Revenue is earned by charging a fee per contract traded. The interest rate market offers trade in cash and the derivative markets. Revenues are generated from trading fees based on volumes and values of instruments traded.	Financial derivatives revenue grew by 14.8% to R133.3 million. Currency derivatives revenue climbed 63.4% to R16.6 million as the number of contracts traded almost doubled. In the bond market (spot and derivative), strong secondary trade figures resulted in a 10.6% revenue rise to R38.8 million (2010: R35.1 million).	Total financial derivatives contracts fell by 7.1%, with 148.8 million contracts traded (2010: 160.3 million). Value traded rose by 19.0%. Number of contracts traded on the currency derivatives market rose by 96.6%. The interest rate market worked with market participants on their preferred market structure.	To leverage the benefit of an integrated exchange, the interest rate and financial derivative teams have been consolidated, providing opportunities for cross-product strength.
Commodity Derivatives Market	The market offers trade in agricultural products and cash-settled rand-denominated derivatives on commodities under license from the CME Group. Revenue is earned by charging a fee per contract traded, based on the underlying instrument.	The market performed well in 2011. Revenues grew 11.1% (2011: R53.1 million 2010: R47.8 million) signifying increased use by the market as the preferred price risk management platform.	The maize and wheat contracts continue to make up 76.8% of the trade in this market, but trade of Rand-settled foreign-referenced instruments under licence from the CME Group continues to rise.	In line with the strategic aim, adding innovative products, the commodity derivatives team expanded its licensing agreements with other exchanges to include the Kansas City Board of Trade.
Data Sales	The JSE's Data Sales division sells live, statistical, historical and end-of-day data from all JSE markets, distributing it through the JSE's information dissemination system.	The Data team generated revenue growth of 7.6% (2011: R125.5 million; 2010: R116.7 million).	Offshore live data users increased by 10.1% in 2011. The 2011 level is nearing the level seen at end 2008. Terminal numbers rose 16% (users that subscribe to live data).	The Data Sales division is focused on previously untapped markets, particularly in a environment where investors continue to seek yields from new markets.


SUSTAINED COMMERCIAL GROWTH
SUSTAINABLE COMPETENCIES
SUSTAINABLE COMMUNITY

Listening to what our clients want

"The ear of the leader must ring with the voices of the people."
– *Woodrow Wilson*

The JSE needs to grow in a manner that builds long-term resilience and relevance in the context of an increasingly competitive world. The exchange recognises that it is a key part of South Africa's financial services ecosystem with a significant role in the economic development of stakeholders.

HUMPHREY BORKUM
CHAIRMAN

2011 marked a time of significant milestones for the JSE including our fifth year as a listed company, robust operational performance in all our divisions and the seamless transition of leadership from our long time CEO Russell Loubser. 2011 also saw rapid developments in global capital markets – ongoing but not necessarily successful mergers and acquisition activity, regulatory pressure on the entire financial services ecosystem and high levels of market uncertainty.

Against this background, it is appropriate that the new JSE CEO Nicky Newton-King began 2012 with a re-examination of the JSE's own strategy.

The JSE needs to grow and to do so in a manner that builds long-term resilience and relevance in the context of an increasingly competitive world. In doing so, the exchange recognises that it is a key part of South Africa's financial services ecosystem with a significant role in the economic development of many stakeholders. The success of the JSE will not be achieved on its own but rather with and as a function of the success of the other financial services role players.

As indicated in the diagram on page 1 of the Integrated Annual Report, the JSE's strategy is based on the belief that for long-term resilience, the exchange must build sustainability in three thematic areas: commercial growth, core competencies and relations with the broader stakeholder community.

Within each area, the exchange concentrates on specific focal points. For the JSE, commercial growth is about the products and services we offer – which could be provided organically or result from alliances with exchanges or other organisations around the globe. The competencies which we believe are core to our functioning are staff and technology. With regard to stakeholder relations, the exchange focuses on a range of different stakeholder groups. These focal points are grounded in our own, and our influence on, sound corporate governance, transformation and proactive management of our environment.

We have deliberately produced a single Integrated Annual Report which is structured around the JSE's strategy. Further detail is available on our website but it is our clear view that for disclosure to be meaningful to our stakeholders, it should clearly and concisely address the most important elements of the JSE's strategy.

On behalf of the JSE Board, I would like to recognise the enormous contribution to the exchange and the wider South African financial markets made by Russell Loubser, who retired as CEO in December 2011 after fifteen years of bold and successful leadership. I am sure you will join me in wishing Nicky Newton-King, the JSE's new CEO as of January 2012, every success in the future. Finally, I would like to thank the JSE staff and my colleagues on the Board and Board subcommittees for their contribution to a very successful 2011 for the JSE.

Humphrey Borkum

Humphrey Borkum
JSE Chairman

Strong revenue performance and cash flow and tight operating cost control resulted in increased headline earnings although earnings per share are lower as a result of the impairment we made to software under development and the capitalisation of certain staff costs

Review

Despite facing difficult business decisions, the JSE has reported a satisfactory operating year. Strong revenue performance and cash flow and tight operating cost control for the year resulted in headline earnings per share of 562.4 cents, 29% higher than 2010's 436.1 cents per share.

Earnings per share were 400.8 cents, 10% lower than 2010's 445,5 cents per share primarily as a result of impairments we made to software under development and the capitalisation of certain staff costs.

The financial results are discussed in greater detail in the section on page 14 entitled financial performance.

But these debates have highlighted the need for responsible business engagement as we work with Government to get clarity on these types of policy issues.

2011 was marked by challenges ranging from volatile markets, which were difficult to call, and a slow economic pace dampening the appetite for new listings, to economic uncertainty abroad which heightened anxiety on global markets, also affecting the local exchange. Rising debate around key directions such as nationalisation and transaction taxes has increased the climate of uncertainty which, if allowed to continue without resolution, will impact the nature and extent of investment in our economy. But these debates have highlighted the need for responsible business engagement as we work with government to get clarity on policy issues.

These challenges were balanced by National Treasury's continued relaxation of exchange controls, increasing use of technology and growing interest in Africa as an investment destination.

But these debates have highlighted the need for responsible business engagement as we work with Government to get clarity on these types of policy issues.

In any market climate, the financial services sector is a complex ecosystem. Participants are, simultaneously, colleagues, service providers and clients to one another, as well as being competitors. As a component of this ecosystem, the JSE combines being a commercial entity, a regulator and influencer.

We understand that it requires significant work and discussion to find what creates a winning environment for all involved. We remain committed to making a key contribution to the sustainability of the ecosystem and its components, while working to ensure our own longevity and sustained value creation for stakeholders.

Although the business of financial intermediation has been a growth industry, with regulated securities exchanges standing at the apex of burgeoning business, exchanges like the JSE need to evolve if they are to continue playing a critical role in financial intermediation and risk management. Driven by the major trends of technological advancement, rapidly intensifying regulation, competition and growth in emerging markets, coupled with pressure for greater corporate accountability and responsibility, the critical interdependencies between the exchange, the financial services community and its broader stakeholder group become ever more apparent.

It is within this context that the JSE is focused on resilience and sustainability.

Informed by the multiple (and cross-pollinating) roles it fulfils and driven by the notion that the success of the JSE both affects and is affected by the organisations and infrastructure around it, identifying opportunities, developing new revenue streams and countering threats in each of our markets becomes core to managing the JSE. Unless it works towards the continued growth of issuers, investors and broader stakeholders, the exchange does not have a sustainable business.

This report provides an integrated perspective of the past year's performance and efforts, reflecting on the JSE's commercial activities, the competencies required to sustain and grow these, the relationships and stakeholders involved, as well as the environmental and governance context that forms the foundation to the JSE's operations.

Financial performance

The strong operational performance of each of our markets and business lines has enabled the JSE to grow operating revenue by 9.1% to R1 370 billion (2010: R1 255 billion). Other income reduced by 6.7% to R46.9 million (2010: R50.3 million), a result of a R9 million decrease in gains on the disposal of investments in the Investor Protection Funds compared with the previous year.

Excluding the impact of the impairment and the capitalisation of staff and consultant costs in both 2010 and 2011, operating costs increased by 4.7% to R952 million in 2011 (2010: R909 million).

Net interest was unchanged at R86 million.

Although the strong operating performance resulted in a substantial increase in headline earnings per share, we took the difficult business decision of recognising an impairment of approximately R223.3 million (2010: R33.2 million) to software under development for the Systems Replacement Project. After the impairment and the capitalisation of staff costs and consultant fees relating to an increased allocation of resources to new and existing capital projects amounting to R141 million (2010: R65 million), earnings per share of 400.8 cents were lower 10.0% than in 2010.

The effective tax rate rose to 31% (2010: 30%) during the year as a consequence of the deferred nature of the deduction for the impairment to SRP.

The decision to impair SRP was taken after careful and detailed examination of the results of the software testing performed on SRP in the second half of 2011. That testing resulted in us deciding not to implement the SRP system as planned towards the end of 2011. Given the extended period over which the SRP has run and the challenges experienced with it which have resulted in the impairment discussed earlier, we are reviewing the project to ensure that it will still deliver the required benefits to the JSE and clients. Our existing systems continue to operate and are stable.

We are not yet in a position to make a final decision on SRP but are working to that goal as quickly as we can. At that point we will communicate our decision to stakeholders.

For further information on our technology initiatives, please see the section on Information technology below.

Capital expenditure

Capital expenditure was R264 million in 2011 and related mainly to:

- >> R99 million capitalised to SRP; and
- >> The purchase of R107 million of computer hardware and leasehold improvements, mostly for the Disaster Recover Site and the upgrading of the Data Centre, funded by the Investor Protection Funds.

Capital structure and dividend policy

During the year, the JSE acquired the business that administers the hedge fund platform of Managed Account Platform (Pty) Limited, for which we paid R27,5 million, funded by means of a loan from FirstRand Alternative Investment Management (Pty) Ltd to be settled from the revenue generated by the administration fees received from the platform. This is the only long-term borrowing (2010: nil). The JSE has R1,0 billion (2010: R1,0 billion) in cash and cash equivalents on the balance sheet.

The Board has made no change to the dividend policy during the year, which remains an earnings-based dividend cover of between 1.5 and 2.5 times excluding one-off adjustments.

Dividend

The Board is recommending to shareholders a dividend of

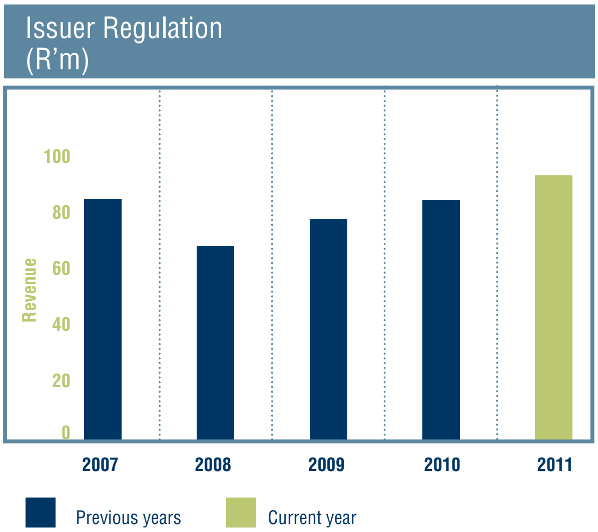
R2.50

dividend cover of 2.19 times

The exchange analyses its capital requirements in three categories:

- >> First, to ensure a smoothly operating stock exchange, the JSE sets aside sufficient cash to fund four months of operations.
- >> Second, as the JSE guarantees all central order book equity trades, it sets aside sufficient cash to meet its obligations assuming the failure of a JSE equity member.
- >> And third, the JSE must be in a position to maintain infrastructure and meet capital needs for expansion, so we set aside a portion of cash to fund these types of expenses.

On the basis of this assessment, the Board has determined how much cash we need. This will be revisited regularly. During 2011, surplus funds, amounting to R200 million, were distributed to shareholders as a special dividend.



Commercial activities

Issuer Regulation

Overview

The JSE's Issuer Regulation division is responsible for regulating issuers who list products on equity and bond markets.

The JSE applies its Listings Requirements in the regulation of companies and securities, whether applying to list or already listed.

The JSE's Issuer Regulation division charges fees for new listings, annual listings fees for all existing issuers, as well as documentation fees for dealing with specific issuer documents produced during a year. New listings fees make up a significant portion of the revenues of this division.

Highlights

The number of new company listings on the JSE

rose to 16

despite challenging conditions;

Additional listings activity in other JSE-listed equity instruments – 14 new ETFs, ETNs and

334 new warrants

(2010: 8 ETFs, ETNs); and

Revenue

R91.6 million

2010: R85.6 million

Percentage of total revenue: 7.3%

Financial performance

The Issuer Regulation division performed well in 2011, driven by a 7.0% increase in revenue year on year (2011: R91.6 million; 2010: R85.6 million).

Listings

The number of new company listings on the JSE rose to 16 (2010: 14), of which 13 were on the Main Board and 3 on AltX. This is a 14% increase on last year's numbers, but it is still subdued, in line with the experience of most other members of the World Federation of Exchanges. The JSE has a listings pipeline, but does not predict future listings numbers; once a listing is approved, the decision of when to list is one made by the prospective issuers rather than the JSE.

17 companies delisted in 2011 (2010: 17). The main reasons for delisting were schemes of arrangements where parties recognised value and opportunities resulting in offers to shareholders.

733 new bonds were issued in the interest rate market in 2011. Issuance by state-owned enterprises accounted for 22 of the new issues. New issuance of bonds (in nominal terms) decreased from R406 billion to R378 billion for 2011. Of the new issuance (in nominal terms), the South African government issued more nominal of existing bonds and accounted for 44% in total. The total amount in issue increased from R1 129 billion to R1 317 billion in 2011.

In 2011, the JSE listed 334 new warrants, 14 new exchange-traded funds (ETFs) and 10 exchange-traded notes (ETNs).

In order to enable continued product development, the Issuer Regulation team amended the Listings Requirements to enable new classes of listings on the exchange. As a result, new South African Depository Receipts (SADRs) listings requirements on the Equity Market were introduced in 2011. The team also added listings requirements for interest rate instruments. Lastly, a new equity market sector was created to enable companies to list their BEE scheme shares. The new BEE segment had its first listing in 2011 and there are ongoing discussions with additional interested parties.

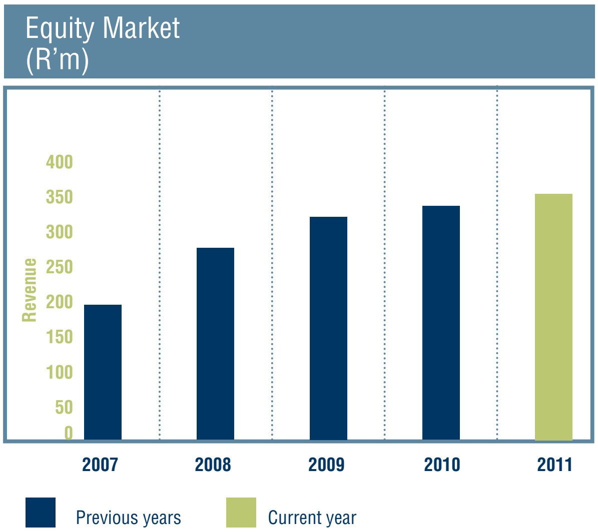
In line with the strategic focus on innovative product development described on page 45, continued development of listings requirements which will enable new product development will continue in 2012 and beyond.

Services

In order to enable the good governance and investor protection that supports systemic sustainability, the JSE regulates issuers across a range of areas. As outlined in the discussion of the JSE's strategy on page 44, regulatory credibility has a positive impact on how the market is perceived and is a necessary foundation to continued growth of the JSE. Work was completed on amending the Listings Requirements as a consequence of the Companies Act 2008, Act No 71 of 2008.

The exchange's success in this area is reflected by the fact that South Africa's securities exchange regulation has been judged the best in the world in the World Economic Forum (WEF)'s Global Competiveness Report 2010 – 2011, for the second consecutive year.

The exchange's Issuer Investigations unit has processed 235 investigations and complaints during the course of 2011. The type of complaints received by or initiated by the Investigations Unit include restatement of results in financial statements, Directors' dealings, trading statements, share incentive schemes, late announcements and circulars, non-disclosure of information to the market and misleading announcements.



Equity Market

Overview

The Equity Market provides trading in equities, warrants and exchange traded products. The Equity Market generates revenue from equity transactions, with billing based on a combination of the number and value of each transaction leg.

Highlights

The JSE set a new trading record of 230 798 transactions in one day, a

12.2%

increase on our previous record of 205 784 transactions

Revenue

R352.2 million

2010: R324.6 million

Percentage of total revenue: 27.9%

Financial performance

The equity market performed well in 2011, driven by an 11.3% increase in the number of transactions year on year (2011: 26.5 million; 2010: 23.8 million). Value traded rose by 9.9%. Trade numbers grew for several reasons, among them a long-term strategy to grow participation in the market and expand the number of equity products; a drive to increase retail investor trade; market volatility during portions of the year; and – deducing from the smaller average equity transaction size – more algorithmic trade.

In August 2011, the JSE set a new trading record of 230 798 transactions, valued at more than R29 billion. The new record, of 230 798 transactions, marks a 12.2% increase on the previous record of 205 784 transactions on a single trading day.

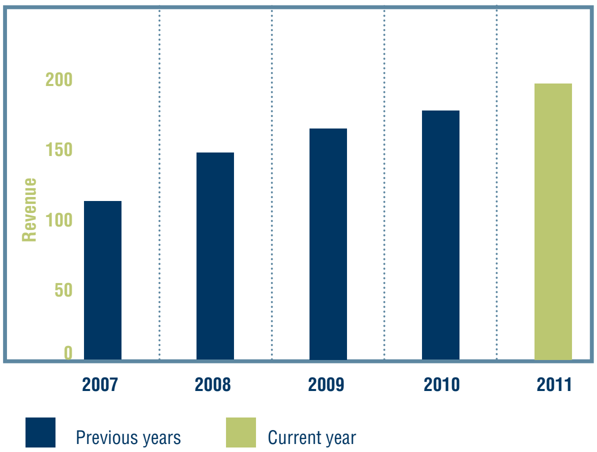
Products and offerings

Algorithmic trade appears to be growing on the JSE. This is suggested by the continued decline in average trade size; algorithmic traders tend to carry out a number of low-volume transactions in a bid to find the required price. In 2011, the average value per cash equity trade was R124 011, compared with R125 854 in the previous year.

In line with the strategic shift described on page 44, the equity team is focused on increasing participation on the JSE in the following ways:

- Revising trading prices, in order to grow trade volumes and revenues. The aim is to reduce total trading costs to clients and reward, and incentivise increased trading while ensuring the JSE itself can also share in the benefits of the increased trade volumes.
- Satisfying the requirements of market makers through fee incentivisation.
- Lowering execution times through the implementation of the new equity trading platform in Johannesburg and commissioning co-location facilities in due course once the system has been bedded down (see information technology, below); and
- Increasing direct retail (individual) investor participation. The retail market is underinvested in SA, for historical reasons and owing to a poor savings culture.
- Growing the number of members (stockbrokers). There are currently 63 members in the equity market. Two additional members joined the JSE in 2011.
- The exchange also has a particular focus on international investors with regard to growing these.
- Offering investors a greater product offering from the African continent through equity, quasi-equity (depository receipt, ETF, etc) and debt markets.

Back-Office Service (BDA)
(R'm)



Back-Office Services (BDA)

Overview

The Back-Office Services give the exchange world-class surveillance capabilities, allowing the JSE to see certain transactions to client level. Equity members are mandated to use the system. The system keeps the securities records and books of individual broking firms and in respect of their clients.

Highlights

The risk management, clearing and settlement business performed well in 2011, driven by transaction growth on the cash equity market performance.

Revenue

R196.8 million

2010: R177.5 million

Percentage of total revenue: 15.6%

The JSE generates revenue from the use by equity members of the back office system, called the Broker Deal Accounting (BDA) system.

Financial performance

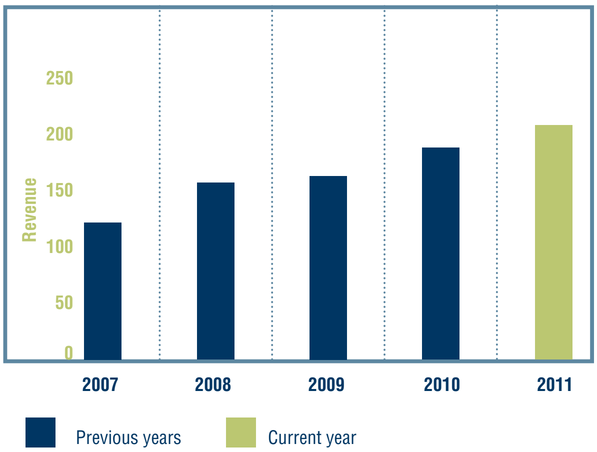
Back-Office Services contributed R196.8 million or 15.6% of total JSE revenue (2010: R177.5 million or 15%). In total, therefore, the cash equity market makes up 60.1% of JSE revenue.

Revenues are somewhat linked to the number of equity transactions that take place on the cash equity market.

Services

The JSE gains much from having the back office solution used by all equity members. Not least of these benefits is our superior regulatory ability driven by client-level transparency. At the same time, the JSE has spent nearly six years working on next generation technology to replace the currency system which is well over 20 years old.

Risk Management, Clearing and Settlement (R'm)



Risk Management, Clearing and Settlement Overview

The JSE is responsible for risk managing, clearing and guaranteeing the settlement of central order book cash equity transactions.

The exchange charges a transaction fee per trade leg for this service, with a value-based element.

Highlights

The Risk Management, Clearing and Settlement business performed well in 2011, driven by transaction growth on the cash equity market.

Revenue

R209.0 million

2010: R188.9 million

Percentage of total revenue: 16.6%

Financial performance

The Risk Management, Clearing and Settlement business performed well in 2011, driven by transaction growth on the cash equity market. The division contributed R209.0 million (2010: R188.9 million). This implies revenue growth of 10.6% year on year.

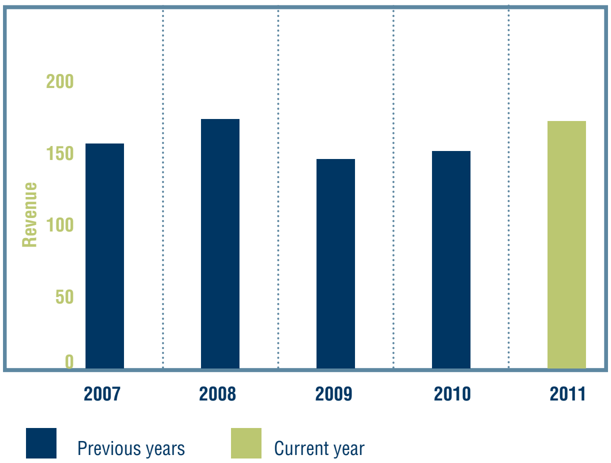
Though the division's revenues are linked to the number of equity transactions that take place on the cash equity market, the increase in clearing and settlement revenues did not track equity trading exactly, because of the different billing structure for equity trading and for risk management.

Value-add offerings and services

It is critical for the JSE to focus on clearing, settlement and risk management. Basel III no longer makes post-trade services a back-office function, but rather a business requirement and one that provides an opportunity for the exchange to bring clients closer to us. The exchange is integrating its equity and derivative clearing teams as well as its market information and indices team under Leila Fourie, who joined the exchange on 1 March as Director of Post-Trade Services from Standard Bank, where she was MD of Card division.

In line with the exchange's strategic aim of offering an integrated clearing and settlement service, the division will now focus on extending the range of post-trade services provided by the JSE.

Bonds and financial derivatives (R'm)



Bonds and Financial Derivatives

Overview

The Financial Derivatives Market provides a platform for trading equity and equity-related futures and options. Revenue is earned by charging a fee per contract traded. The scale depends on the type of contract and whether it is traded on the central order book or reported to the JSE.

The Currency Derivatives Market provides a platform for trading currency futures and options. Revenue is earned by charging a fee per contract traded, on a scale that depends on the type of contract and whether it is traded on the central order book or reported to the JSE.

The Interest Rate Market provides investors with the opportunity to trade products in both the cash and the derivative markets. Clients can trade on-exchange (central order book) or off the central order book.

Highlights

Strong growth in index derivatives and bespoke products traded on-exchange

Currency derivatives market performed well – number of contracts almost doubled and value traded growth exceeded

100%

Bond market volumes increased by

23.6%

to a nominal value of R29.9 trillion in 2011

The value of bond derivatives traded has gone from R160 billion in 2010 to

R206 billion in 2011

Financial derivatives revenue

R133.3 million

2010: R116.1 million

Percentage of total revenue: 10.6%

Interest rate market revenue

R38.8 million

2010: R35.1 million

Percentage of total revenue: 3.1%

Financial performance

Financial derivatives revenue grew by 14.8% to R133.3 million. Although investor confidence in equity markets has recovered somewhat, market activity in the equity derivatives market remains muted. Currency derivatives revenue climbed 63.4% to R16.6 million as the number of contracts traded and open interest almost doubled. The currency products benefit from a volatile exchange rate – market participants seek to hedge imports and exports and traders are offered opportunities to benefit from the changing exchange rate.

In 2011, strong secondary trade figures in the interest rate market resulted in a 10.6% revenue growth to R38.8 million (2010: R35.1 million). Global interest in South African government bonds remains strong as yields offer value relative to the low interest rates in developed economies.

Products and offerings

Financial derivatives

In 2011, total financial derivatives contracts declined by 7.1%, with 148.8 million contracts traded (2010: 160.3 million). Value traded rose by 19.0% to R4.3 trillion (2010: R3.6 trillion), driven largely by growth in Can-Do derivatives products which are frequently of high value. Value traded in Can-Do derivatives rose by 109.1% to R34.5 billion.

The financial derivatives division saw significant growth in trade in international derivatives, where contract volumes rose by 44.0% to 22.3 million (2010: 15.5 million), and open interest rose by 53.0% to 15.8 million (2010: 10.3 million). 2011 showed steady growth in Index Futures with contracts traded and value up by 9.7% and 22.5% respectively.

In 2011, there was a drop in single stock future volumes, open interest and value traded of approximately 26%. An important focus for the team during 2012 will be on the relationships with all relevant stakeholders.

In order to achieve sustained volume growth, the JSE's financial derivatives market has focused on expanding the product range and the team continues to expand existing product categories.

Trade value on the JSE's Currency Derivatives Market rocketed by 111% in 2011 as investors reacted to a change in the billing model aimed at stimulating trade, an increase in the range of instruments traded and the introduction of bespoke, on-market products. The number of contacts traded increased by 97% with contracts traded in 2011 representing 40% of all trading in currency derivatives since its inception.

The currency products benefit from volatility in the Rand exchange rate as this creates uncertainty and encourages hedgers to manage their exposures, as well as offering traders profitable trading opportunities. Growth in this market has been consistent since its formation in 2007.

Continued focus across financial and currency derivative markets has been placed on growing the use of Can-Do products as the move to on-market trade continues. This growth is expected to accelerate with the global changes to the regulation and trading of over-the-counter markets. A focus on product innovation in the currency derivatives market resulted in the launch of Any Day expiry contracts and exotic Can-Do structures in 2011 in response to demand from several South African banks. These enable investors to structure products as required, while retaining the risk management advantages of listed derivatives. The team will continue to look at new products as well as further revising the billing model to encourage trading.

Interest rate market

2011 brought continued work with all market participants on the preferred structure of the interest rate market, but the pace of change was slow. Impetus increased towards end 2011, with positive signs from most players in the fourth quarter. The close working relationship with National Treasury and the Financial Services Board has been positive. Accelerating the pace of change in collaboration with key stakeholders is a focus area for 2012.

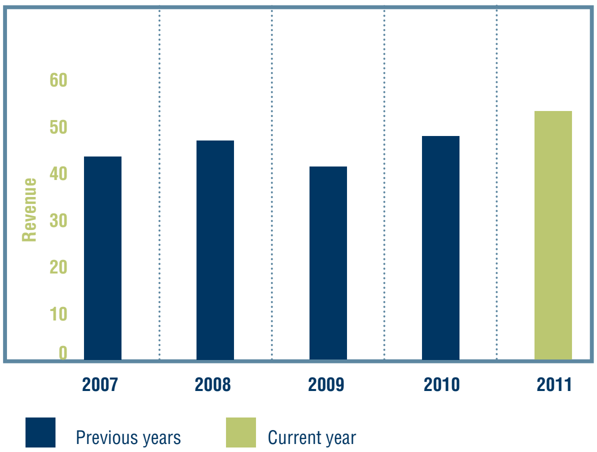
Bond market volumes increased by 23.6% to a nominal value of R29.9 trillion in 2011. Derivatives volumes continued to show steady growth on 2010 volumes, off a low base, and some larger market-makers started to use the central order book for derivatives trading. The value of bond derivatives traded has gone from R160.0 billion in 2010 to R206.2 billion in 2011.

The JSE interest rate market introduced a single set of listings rules and the consolidation of membership, systems and trading rules this year. This is positive step forward in the development of South Africa's interest rate market.

The JSE has consolidated all interest rate trading on a single platform that allowed for the electronic execution and off-market reporting of transactions for both the cash and interest rate derivatives markets. This positions the JSE to exploit further efficiencies and to implement future market structure strategies.

As part of the focus on leveraging the real benefit of an integrated exchange, the interest rate and equity derivative teams have been consolidated under Graham Smale. This gives the exchange a number of opportunities to build cross-product strength, in line with the JSE's strategic focus.

Commodity Derivatives Market
(R'm)



Commodity Derivatives Market

Overview

The Commodity Derivatives Market offers trade in agricultural products and cash-settled Rand-denominated derivatives on commodities including corn, soybeans, wheat, gold, platinum, crude oil, silver and copper under licence from the CME Group. In the most liquid of the physically settled grain derivatives contracts, the underlying crop is traded between 10 and 15 times over.

Revenue is earned by charging a fee per contract traded, based on the underlying instrument.

Highlights

Local maize and wheat contracts continue to make up 76.8% of the trade in this market, but the trade of Rand-settled foreign-referenced instruments under licence from the CME Group continues to rise with corn, gold and crude oil together contributing **7.4%**. 2011 also saw options trade in crude oil and platinum contracts for the first time.

In October 2011,the commodity market achieved a record for open interest of

180 646 contracts

In late 2011, the commodity derivatives market expanded its licensing agreements with other exchanges to include the Kansas City Board of Trade to offer local investors access to their benchmark Hard Red Winter Wheat contract.

Commodity derivatives revenue

R53.1 million

2010: R47.8 million

Percentage of total revenue: 4.2%

Financial performance

The Commodities Derivatives Market performed well in 2011, owing largely to a rise in volumes traded in its oldest product set – agricultural product derivatives – but also aided by the expansion of trade in the new cash-settled products. Revenues grew 11.1% (2011: R53.1 million 2010: R47.8 million), signifying increased use by the market as the preferred price risk management platform.

Products and offerings

In 2011, the Commodity Derivatives Market achieved a new all-time record number of contracts traded. The total number of contracts traded in the commodities market increased by 8.3% to 2.6 million (2010: 2.4 million; 2009: 1.9 million) whereas open interest (number of open positions held) was 17% up on the previous year. October this year saw a new record for open interest of 180 646 contracts. Local maize (both white and yellow) and wheat contracts continue to make up most of the trade in this market.

Trade of cash-settled, foreign-referenced instruments under licence from the CME Group continues to rise, providing local investors with access to international products via the JSE. The most active cash-settled products are corn, gold and crude oil, with further enhancements planned to the contract specifications for 2012 to facilitate currency hedging with these products. This year, the JSE extended the licensing agreement with CME Group to include Soft Red Winter Wheat referencing the Chicago Board of Trade.

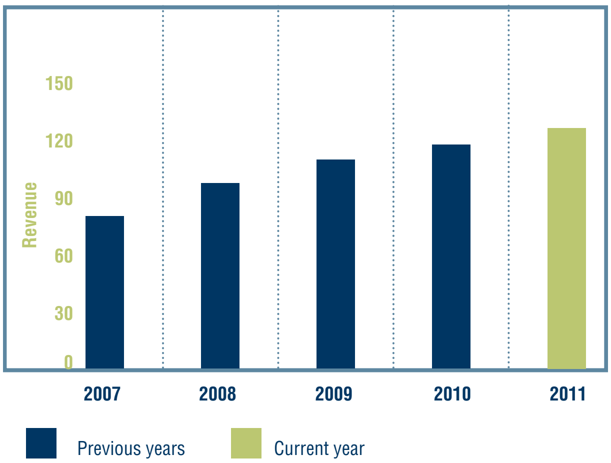
In line with the strategic aim of adding innovative products, in late 2011 the commodity derivatives team further expanded the licensing agreements with other exchanges to include the Kansas City Board of Trade and more particularly to offer local investors access to their benchmark Hard Red Winter Wheat contract. This is the first such contract the Kansas Board of Trade has entered into with another exchange.

The auction of Safex silo receipts introduced in the middle of last year has received much support, with just over R1.3 million paid to sellers through premiums bid during the safex silo receipt auction period. This innovation for derivative exchanges will be further enhanced in 2012 to allow for better price discovery per delivery point.

During 2012, the team is focused on the possible establishment of carbon and/or power markets and is focused on a US Dollar-denominated maize contract. In addition to the above, the team will continue to explore how it can add value by providing price risk management tools in selected African countries.

Chris Sturgess has replaced Rod Gravelet-Blondin as head of the commodity derivatives market after Rod's retirement in December 2012. Chris has been Rod's number two for 14 years.

Data Sales
(R'm)



Data Sales
Overview

The JSE's Data Sales division sells live, statistical, historical and end-of-day data from all JSE markets.

Highlights

The number of terminals displaying JSE data started rising again after a dip in 2010

Terminals accessed by professional users rose by

16%

Revenue from interest rate products grew by

23%

Performance

The Data Sales division generated revenue growth of 7.6% (2011: R125.5 million; 2010: R116.7 million). The JSE has seen increases in users accessing live price information despite continued global contraction in the industry. Revenue from interest rate products rose 23% to R3.9 million and revenue from indices data products rose 15% to R20.9 million, driven by increased sales and a business development focus from the team and additional resources.

Products and offerings

The Data Sales division continued to focus on previously untapped markets in 2011, particularly in a global environment where investors continued to seek yields from emerging markets. Tapping into these markets has paid off and offshore live data users increased by 15,9% in 2011 (2011: 22 680; 2010: 19 569). The 2011 level is exceeds the 21 997 level seen at the end of 2008 nearing to the record number of international terminals to date.

The JSE has seen a 14.7% increase in its total terminal numbers (users that subscribe to live data); this after having decreased 3.5% in 2010. The number of terminals increased from 43 292 in 2010 to 49 673 in 2011, driven by equities (572 terminals), indices (1 193), derivatives (4 442) and interest rate (174).

At the end of 2011, commodity derivative terminals totalled 4 070 and equity derivative terminals 4 558, giving a combined total of 8 728 compared with the 4 286 combined terminals in 2010. Increased derivative terminal figures are attributed to a decision made on 1 December 2011 to report commodity and equity derivatives terminals separately. Previously they were treated as a single market.

The number of terminals accessed by professional users increased by 16% (2011: 37 770; 2010: 32 566). There was an increase of 14,7% in accesses by local professional users and a 16,9% increase in professional offshore terminal numbers. Use of terminals by the retail market grew 11%.

During 2011, the team implemented secure end-of-day data dissemination to clients over the internet, resulting in increased end-of-day product sales through more cost-effective accessibility to JSE end-of-day data, and ending the need for clients to require dedicated lines to the JSE.

Four new FTSE/JSE indices were launched during the year:
>> FTSE/JSE Shariah Capped Top 40 Index
>> FTSE/JSE Equally Weighted Resource 10 Index
>> FTSE/JSE Equally Weighted Financial 15 Index
>> FTSE/JSE Equally Weighted Industrial 25 Index

Commercial policies for these will be implemented during 2012.

In addition to this, the FTSE/JSE Top 40 Index migrated to real-time streaming and became accessible via an iPhone app.

Stakeholder management, environmental management and good governance create the foundation upon which the JSE operates. With this foundation underpinning its operations, the JSE team is able to operate the group's technological infrastructure to conduct JSE business, including running the markets. For this reason, these competencies are regarded as central to a sustainable business. Each is discussed below.

Sustainable competencies

People

Philosophy

The JSE encourages an environment where people feel valued. This is achieved through people policies and team practices that enhance the following factors, among others:
>> Empowerment of others and self, linked to accountability
>> Investment in people and continuous learning
>> A high-performance culture achieved through diverse individuals and teams
>> Equity and democracy in the workplace

All policies relating to employees are the responsibility of the head of the JSE's human resources team, Mpuseng Moloi, who reports to a member of the JSE's Exco.

Culture

The JSE's culture is to encourage innovative self-starters by promoting on merit and rewarding good performance, while promoting team spirit. Developmental policies such as the employment equity plan, individual skills plan and a long-term incentive and retention scheme for key senior employees are in place. We are focusing hard on culture in 2012 as we seek to build a truly integrated business.

The JSE operates in a non-unionised environment, but works to promote good employee relations through detailed policies and engagement; therefore there have been no strike days and no associated financial cost.

It provides a safe environment for its employees, tenants, clients and visitors. The Company will not tolerate any form of sexual or other harassment in the workplace. The JSE has disciplinary and grievance policies and procedures to ensure fair and equitable standards when the organisation's rules are transgressed.

Staff profile

The employee complement of the JSE as at 31 December 2011 was as follows, on a divisional basis:

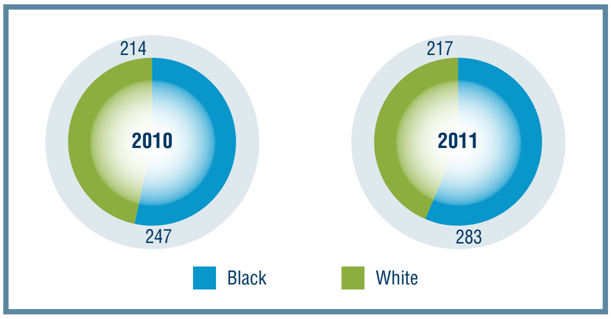
The JSE's employment equity policy aims to eradicate all forms of discrimination and to create opportunities for all employees, with a special emphasis on the business's demographic profile.

	2010		**2011**	
	Permanent	Fixed-term contractor	**Permanent**	**Fixed-term contractor**
Permanent				
Commodity Derivatives	6	–	6	–
CEO's Office	4	1	4	1
Class of Project	–	9	0	14
Clearing and Settlement (including Settlement Authority)	17	1	19	0
Company Secretariat (including Building Facilities Management and Mail Room)	17		17	0
Equity Derivatives	19		21	1
Education (including Africa Board)	12		11	0
Equity Market	44	1	44	1
Finance	19		19	0
Government and International Affairs	3		3	0
Human Resources	9		9	1
Information Products Sales	12	2	13	3
Information Services	19	–	17	1
Issuer Services	32	1	35	0
Interest Rate Market	11	1	13	1
IT	146	26	163	28
Marketing and Business Development	18	1	18	1
Surveillance	23	1	23	1
Strategy and Legal Counsel	14		14	0
Risk and Internal Audit	1	1	1	1
Total	426	45	450	54

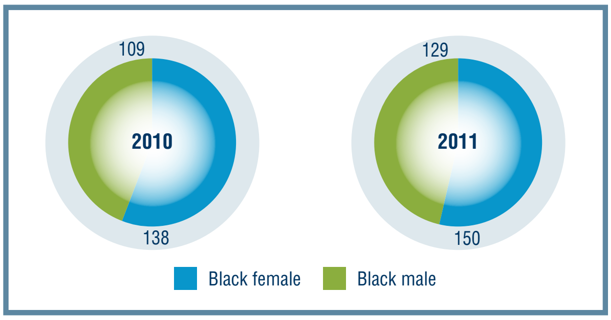
Note: The figures above are correct as at 31 December 2011 and do not reflect the new organisational structure. A number of senior staff left the JSE after 31 December 2011.

The exchange's demographic profile is depicted in the graphs below.

Total number of employees



Total number of employees



Staff turnover and recruitment

The JSE's staff turnover for 2011 was 8.67%, with compares favourably with the average percentage labour turnover for the Financial Industry in the same year, which was 13%. Of the terminations of employment in 2011, 32 were due to resignations, three to dismissals and four to retirements.

Training and development

The JSE is committed to supporting the development of its people and to attracting, developing and retaining the best talent and skills.

The JSE promotes a culture of learning among its employees, as it relies on their knowledge and skills to provide the best service to its clients and stakeholders. The learning and development policy provides guidelines within which all JSE employees can develop the competencies necessary for business and individual growth, including through JSE-sponsored courses.

In 2011 the JSE spent R4.9 million (2010: R4.8 million) on training and development, including JSE-sponsored courses.

The JSE's Class of Project is part of this learning and development approach. Through it, the exchange hires graduates with excellent academic records but no work experience to fill relevant vacancies. This gives the recruits work experience and enables the JSE to introduce bright young talent. Successful candidates are offered projects or trainee positions on a 12-month fixed-term contract.

The JSE also has a formal internal mentorship programme aimed at developing employees' capabilities to meet future business needs and to facilitate transformation. Eleven mentors and mentees completed the programme in 2011. The primary objectives and purposes of the programme are to:

- support continuing personal and management development;
- entrench the organisational culture and core values;
- enable the JSE to develop and retain excellent people; and
- ensure that the JSE becomes a learning organisation.

Health and wellness

The JSE has several services in place to enhance employee health and safety and to provide early warning signals in accordance with international standards for building infrastructure and ensuring safety. The exchange adheres to the Occupational Health and Safety Act, 1993 and other relevant regulations. Safety issues are the responsibility of the building management team, which reports to the Group company secretary, a member of the JSE executive management.

There have been no fines, accidents or other significant social incidents in the period under review.

The JSE commits itself to creating and maintaining an environment free from all forms of unfair discrimination, including discrimination against people living with HIV/Aids and other life-threatening illnesses. The JSE acknowledges that the HIV/Aids epidemic will affect its workplace. It has a policy in place to provide guidelines for handling this pandemic.

To provide support to employees and their immediate families on a range of issues, the JSE subscribes to a 24-hour, 365-days-a-year employee assistance programme, operated by an independent external organisation called ICAS. The programme helps employees and their families to deal with everyday situations and more serious concerns anonymously and confidentially.

Transformation

The JSE is committed to transformation.

The JSE's current BEE status, verified by a SANAS-accredited agent, is a Level 5 contributor (valid until September 2012).

The 2011 assessment shows the following developments:

dti scorecard	Weighting	2010 score Audited	**2011 score Audited**
Human resource development	15	6.12	6.4
Procurement and enterprise development	35	35	35
Skills development	15	1.5	1.0
Ownership and control	30	14.2	9.9
Socio-economic development	5	5	5
Total	100	61.8	57.3
dti level recognition		Level 05	**Level 05**

Skills development

	Total R'm	Black R'm	%	Black females R'm	%
Spend	4.9	1.9	38.2	0.8	16.0

Black management representation at the JSE was as follows as at 31 December 2011:

	Total	Black	%	Black females	%
Executive management	16	1	6.3	1	6.3
Senior management	41	6	14.6	2	4.9
Middle management	203	81	39.9	31	15.3
Junior management	214	162	75.7	93	43.5

Procurement

BEE procurement at the JSE has been in the region of 70% and above since measurement criteria became applicable.

The audited 2011 percentage is not available; however, spend with BEE vendors as determined by the dti codes was 76.3% (2010: 79.3%).

Top six BEE suppliers	Category	Actual spent R'm	BEE status	BEE spend R'm
Dimension Data (Pty) Ltd	Various IT	74	Level 3	81
Business Connexion (Pty) Ltd	Various IT	55	Level 3	75 .4
EOH Mthambo (Pty) Ltd t/a Connection 42	Various IT	40.4	Level 3	55.5
Aptronics (Pty) Ltd	IT hardware	20	Level 2	24.7
SQS Group Ltd	IT consulting	15.5	Level 3	21
Securities & Trading Technology (Pty) Ltd	Software maintenance and support	14.6	Level 4	14.6

Equity ownership

Option shareholders (black shareholders who are part of the Black Shareholders' Retention Scheme) who satisfied the requirements of the scheme for the full duration (28 March 2006 to 1 June 2011) exercised their share options during June 2011. The JSE will be monitoring the impact of this exercise.

Black equity ownership was 14.11%.

Information technology

Technology is a critical value driver in the pursuit of excellence, competitiveness and sustainability in the exchange industry. The pace of change is rapid. Having the best-of-best systems gives an exchange a ticket to play in a globalised and competitive industry. In the trading environment, a state-of-the-art system can attract activity, which prompts trade volume growth. In the post-trade environment, technology enables efficient risk management, clearing and settlement – an area which the JSE sees as holding considerable opportunity as clients in SA and offshore adjust to demands of Basel III and regulatory changes.

The JSE's drive to upgrade and replace its trading systems and back-office technology over the last decade has been accompanied by trade volume growth and is a factor in the exchange's global recognition as a strong market operator and regulator. The exchange continues this drive in a bid to maintain growth.

The completion of the primary data centre to Tier III standards enables the exchange to relocate the equity trading engine to South Africa and to offer co-location services in future. Production infrastructure for the new equity trading system will be deployed directly into the new data centre.

The JSE also successfully implemented the remote disaster recovery site.

The remote disaster recovery site enables the JSE to continue operating should a crisis render the JSE building inoperable. The JSE is now ready to switch to the remote disaster recovery site in the event of a disaster, however a market simulation test will be conducted with JSE clients to ensure that the market community can. In delivering the remote disaster recovery site, the JSE has, as far as possible, implemented virtualisation of our infrastructure, positioning the JSE for the more cost-effective use of infrastructure and driving towards more sustainable IT through the resultant savings in power consumption.

As discussed previously, the JSE has taken the decision to impair SRP after careful examination of the results of the software testing performed on SRP in the second half of 2011. Please refer to page 14 for more detail.

The JSE has completed the interest rate trading platform which positions the JSE for further implementation of the interest rate strategy and introducing cost efficiencies. The JSE has consolidated all interest rate trading on a single platform that allows for the electronic execution and off market reporting of transactions across cash and interest rate derivatives markets. This positions the JSE to exploit further efficiences and to implement further market structure strategies.

Significant progress was also made in the implementation of the new equity trading system, owned by MillenniumIT (MIT), a wholly owned subsidiary of the London Stock Exchange (LSE) Group.

The system offers world-class trading technology and – along with its relocation to Johannesburg – significantly reduces latency and transaction execution times. The implementation of the system is critical for business and is a part of moving clients closer to the exchange. This also reduces reliance on international links, which enhances the system's operational stability. The project is one of the JSE's primary technology objectives for 2012 and is expected to be completed in July 2012.

The JSE has previously indicated that the implementation of T+3 is dependent on the implementation of SRP and consequently the implementation of T+3 will unfortunately be deferred. Given the JSE model of guaranteed irrevocable settlement with no failed trades, the JSE does not believe that the delay of T+3 poses additional risk to the JSE or the market participants.

Following the implementation of the equity trading engine locally, the JSE aims to offer co-location services which represents a new revenue stream for the JSE. The business and service model for co-location is being developed.

Beyond this, the JSE plans a review of its derivatives trading platforms to improve stability. The exchange also envisages ongoing application and technology enhancements, as is the nature of the exchange industry worldwide.

Governance

The JSE subscribes to sound values of good corporate governance, supporting the King Code of Governance for South Africa (King III). Corporate governance is fundamentally important to the achievement of the Group's strategy, its financial objectives and the fulfilment of its corporate responsibilities. The JSE is accordingly committed to applying the core governance principles of fairness, accountability, responsibility and transparency in the JSE's dealings with its stakeholders.

The credibility that comes with good governance and regulation has become integral to the survival of entities in the financial services sector. The JSE strictly separates its role as regulator from its existence as a listed company. To ensure transparency in this regard and avoid any consequent conflicts of interest, an observer from the JSE's regulator, the Financial Services Board, is invited to attend all Board, Board Committee and Executive Committee meetings.

To bolster this position, a new formal Board subcommittee under the chairmanship of Andile Mazwai an independent non-executive Director, was created in the second half of 2011 and held its inaugural meeting in October. The committee is called the Self-Regulatory Organisation Oversight Committee, and aims to enhance regulation in the JSE and to specifically to address perceptions of conflict between the JSE's commercial and regulatory functions. Refer to the JSE website http://ohx.corporate-ir.net/phoenix.zhtml for more details.

The Listings Requirements of the JSE call for companies to provide a narrative statement of how they have applied the principles as set out in the latest King Code, providing explanations that enable their shareholders to evaluate how the principles have been applied, as well as statements of the extent of compliance and non-compliance. Refer to the JSE's website for the JSE's statement of compliance. Refer to the JSE's website at http://ohx.corporate-ir.net/phoenix.zhtml?c=1981208p=irol-irhome for the JSE's statement of complains.

Environmental management

The JSE is aware of its interdependence with its environment and, particularly at a time of growing concern about the environmental impact of non-sustainable social and business practices, of the need for the Group to play a role in nurturing its eco-system. To the exchange, this means starting by better managing its direct environmental impacts such as its consumption of limited resources and its production of waste, and endeavouring to influence broader change in the environmental practices of its clients, suppliers and other stakeholders as and where possible.

The JSE's single biggest indirect impact on it environment is its influence over listed entities' governance and ESG. This influence is effected through the JSE's Listings Requirements, which draw on King III and the SRI Index.

The JSE's environment policy can be found at http://ohx.corporate-ir.net/phoenix.zhtml?c=1981208p=irol-irhome.

Carbon footprint

The JSE's 2011 carbon footprint self-assessment again revealed that the most significant component was the purchase of energy from Eskom. The exchange has undertaken work to reduce power usage and to diversify power supplies to reduce dependency on the electricity grid. Please refer to JSE website.

Please refer to the full environmental report on the JSE website.

ESG thought leadership

Significant initiatives and developments in which the JSE has been involved over the reporting period include the following:

- The ongoing evolution of the internationally respected Socially Responsible Investment (SRI) Index, which assesses JSE-listed companies' environmental, social and economic sustainability practices and corporate governance;
- Continued participation in the Integrated Reporting Committee of South Africa and its working group, which aims to provide guidance on integrated reporting, pursuant to the recommendations of the third King Code on Corporate Governance (King III);
- Involvement in the development of the draft Code on Responsible Investment for institutional investors in South Africa (CRISA), which was launched in July 2011 and comes into effect in 2012;
- Continued discussions regarding the United Nations Principles for Responsible Investment (UNPRI), to which the JSE has been a signatory since 2009;
- Participation in various sustainable investing and good corporate governance-related working groups and advisory panels of organisations such as Unisa, the Institute of Directors (IoD), and the UN Principles for Responsible Investment (PRI) (including its SA network).

Stakeholder engagement

The JSE and its stakeholder groups have a symbiotic relationship. To ensure its long-term sustainability, the exchange needs to help its stakeholders to flourish.

Stakeholder and why we engage	How we engage	What we engage about
1. JSE Limited shareholders and analysts To create awareness of JSE Ltd	AGMs Annual report and interim report Direct interaction Notices distributed through Sens JSE website Roadshows Radio, TV and newspaper articles	Performance Growth areas Company sustainability Costs Dividend policy Share schemes Future prospects
2. The investor community To create awareness of investment products and to promote financial literacy	Investor education Showcases for listed companies Webinars and presentations about new and existing products Press releases and interviews Radio, TV and newspaper articles JSE website	Financial literacy and investor education JSE markets and products Aspects of JSE business
3. Media To create awareness of investment products and to promote financial literacy	Results announcements Annual report and interim report Notices distributed through Sens JSE website Roadshows Press releases and interviews Showcases on listed companies Webinars and presentations about new and existing products JSE website	Performance Growth areas Company sustainability Dividend policy Share schemes Future prospects Financial literacy and investor education JSE markets and products Aspects of JSE business
4. Clients Understand the JSE's customers' needs Bring traded products on market Enhance brand and profile The JSE's clients include: >> issuers >> members of the exchange	Service hotline Website Advertising Press releases Social media Customer relationship officers Customer forums Dedicated extranet Market notices One-on-one meetings	Customer service Customer expectations Companies' prospects Companies' strategies
5. Employees Promote company values, enhance commitment and align strategy	Team meetings Training needs analysis Performance reviews Communication sessions Intranet JSE website Employee committees Email Whistleblowers' hotline Engagement with former market employees	Development and training Health and safety Wellness programmes Remuneration, benefits Employment equity Financial performance Code of conduct and ethics "Class Of" programme Employee assistance programme Mentorship programme

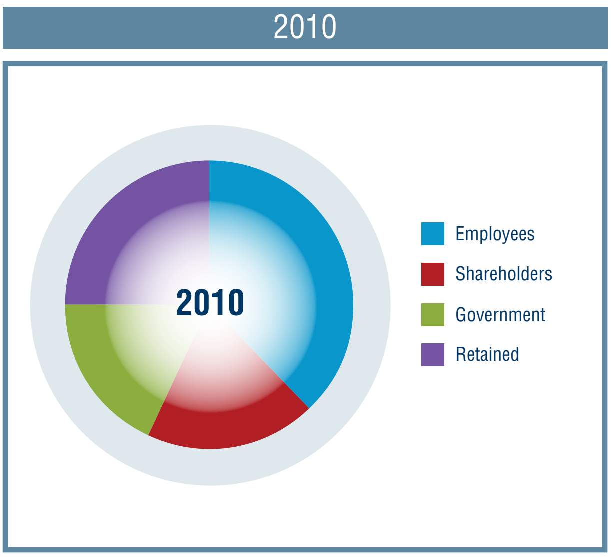
Stakeholder and why we engage	How we engage	What we engage about
6. Potential employees Enhance brand as employer of choice	Annual report JSE website Sens Interviews JSE magazine Employment agencies Career exhibitions	Remuneration policy People development Career options "Class Of'" programme
7. Suppliers Performance feedback Future requirements of company	Scheduled meetings Negotiations	Monitor performance Evaluations Cost assessment Growth expectations and product and service developments
8. National and local government National Treasury; Department of Trade and Industry; Department of Agriculture; South African Reserve Bank; and South African Revenue Services	JSE representatives attend meetings by invitation Ad hoc arrangements on relevant topics	Employment equity Product development Investment policy Regulatory issues
9. JSE regulator Financial Services Board (FSB)	The JSE works closely with the FSB FSB representatives attend meetings by invitation Ad hoc arrangements on relevant topics	Investment policy Regulatory issues Development of products and services Surveillance Investor and market protection mechanisms
10. External panels and associations Association for Savings and Investment SA; The World Federation of Exchanges; Financial Markets Advisory Board; The Securities Regulation Panel; The King Committee; Business Unity South Africa; Business Leadership South Africa; Committee of SADC Stock Exchanges; JSE's advisory committee structure	JSE representatives attend meetings by invitation JSE advisory committees	Various initiatives ongoing during the year dealing with service; expectations; prospects; strategies; sustainability; and regulation
11. Community investment Social responsibly Brand awareness	JSE website Education officers Articles in various media JSE magazine	Education initiatives including: >> JSE/Liberty Investment Challenge >> Financial literacy initiatives Health care JSE Benevolent Fund Anti-crime sponsorships

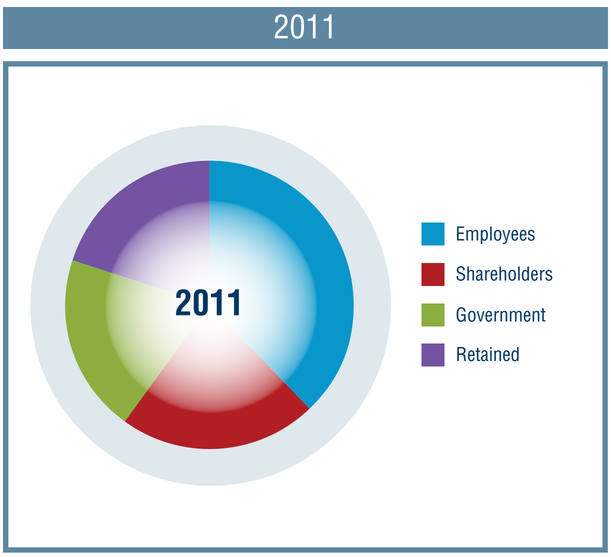
Economic value created for stakeholders

The JSE's strategy is aimed at creating value for stakeholders. Economic value created by the JSE is shown in the table and graphs below.

	2010		2011	
	Rm	**%**	Rm	%
Revenue	**1 255.1**		1 369.8	
Net interest income	**87.0**		86.1	
Other income, including share of associate income	**76.7**		78.8	
Operating expenses	**(541.1)**		(737.5)	
Direct economic value created	**877.7**	**100**	797.2	100
To remunerate employees for their services	**(338.1)**	**38.5**	(299.2)	37.5
To shareholders – dividends paid	**(163.5)**	**18.6**	(178.8)	22.4
To government – taxation from JSE Limited	**(161.7)**	**18.4**	(156.3)	19.6
Economic value distributed	**(663.3)**	**75.6**	(634.3)	
Value retained				79.6
To sustain future expansion and growth	**214.4**	**24.4**	162.9	20.4

Value created decreased by 9.1% compared with 2010. Value distributed to employees decreased by 3% in the period under review. Investors' share of the value distributed increased by 21% and the government's share increased by 7%. A special dividend was also paid in September to the value of R182.3 million. The value retained in the business decreased by 17%.





	2011	2010
Employees	38%	38%
Shareholders	22%	19%
Government	20%	18%
Retained	20%	25%

1. Engagement with JSE Limited shareholders

JSE Limited's shareholders provide the listed Group with equity capital that funds its operations and capital spending. Investors assist the Group in its drive for long-term growth. The Board has worked hard to get close to the JSE's shareholders and analysts.

The Investor Relations division is known to major investors and its contact details are available on the Company website. Information is distributed through various channels. The website continually addresses queries from analysts, investors and potential shareholders. The security and integrity of the information is carefully maintained, while ensuring all critical information reaches shareholders simultaneously.

The JSE's Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Head of Investor Relations engage shareholders through regular communication sessions, meetings and other processes. They regularly meet investors and analysts to foster dialogue and communicate the JSE's strategy and performance.

The Annual General Meeting is attended by all directors. Shareholders are encouraged to be present and to ask questions. Shareholders are also afforded the opportunity, when they wish, to meet with directors and management.

2. Investor community

The JSE values its relationship with both institutional and private investors and adopts a positive and proactive approach to ensure that communication is handled appropriately. There is regular two-way communication with the investor community. The JSE engages in financial literacy initiatives proactively and on request.

3. Media

The JSE has developed a close relationship with the media community. Media and PR are housed in the Investor Relations division. All press releases relevant to the JSE are available on the JSE website at http://www.jse.co.za/About-Us/Media/Press-Releases.aspx.

A number of press conferences are hosted at the JSE throughout the year and senior JSE spokespersons are readily available for comment to the local and international press community. The JSE engages in financial literacy initiatives on request and recently hosted a JSE media day, giving interested journalists the opportunity to engage with spokespersons from various JSE markets and to file stories on the JSE's strategies.

4. Clients

As the JSE operates largely in the service industry, it forms part of a complex ecosystem engaging with a number of stakeholders. The JSE consistently focuses on building a sustainable business model, with depth and breadth, focusing on products, staying close to customers and giving them the services that they require.

The exchange continues to grow its product range and trade volumes while constraining costs and fees to customers. This is achieved despite a fairly fixed cost infrastructure and a significant investment in technology. It has enabled the JSE to remain competitive.

The JSE's website, www.jse.co.za, gives customers access to detailed information on the JSE.

4.1 Issuers

The JSE focuses on attracting top quality equity issuers and ensures their quality by setting and enforcing its Listings Requirements. These are based to a large extent on the listings requirements of the London Stock Exchange (LSE). The JSE operates a fully automatic electronic central order book for its equities market.

The JSE provides issuers with visibility to local and international investors every year through investor showcases and roadshows. The JSE also lists a number of exchange-traded fund products, as well as futures and options.

4.2 JSE members

The JSE interacts with its members through:

- >> Account management
- >> Broker forum sessions
- >> Ad hoc meeting requests
- >> One-on-one training sessions
- >> On-site support at member's offices
- >> Communication sessions
- >> Technical workgroups
- >> Other communication

Finally, the JSE interacts with its members through the JSE's Customer Support helpdesk, which provides business support and application functional support to equity members' front, middle and back-office operations.

The Customer Support helpdesk also provides the following services:

- >> First level support to all JSE paying subscribers on all JSE services to which they subscribe

- Customer enablement by ensuring that all new equity members are enabled for production and test services
- User training
- Customer incident management through which JSE helpdesk(s) and business teams communicate with the exchange's customers, using various communication channels (email, SMS, broadcast messages)
- First line technical support for equity derivatives, commodity derivatives and interest rate markets customers

5. Employees

The JSE engages with it employees in many ways and is committed to supporting the development of its people. The exchange prides itself on the people it employs and therefore encourages an environment where people feel valued. This is achieved through people policies and team practices, which are focused on:

- Empowerment of others and self, linked to accountability
- Investment in people and continuous learning
- A high-performance culture achieved through diverse individuals and teams
- Equity and democracy in the workplace

All policies relating to employees are the responsibility of the head of the JSE's human resources team, Mpuseng Moloi, who reports to a member of the JSE's Executive Management Committee.

6. Potential employees

The JSE aims to be an employer of choice, engaging with prospective employees in a number of ways. Indirectly, it does so through its annual report, the JSE website, Sens statements, articles in the media and the JSE magazine. Directly, it engages through interviews, education officers, employee referrals, employment agencies and career exhibitions.

The JSE engages with potential employees about the exchange itself and its activities, as well as policies related to JSE employees, including remuneration, people development, career options and the Class Of programme for new job market entrants. The Class Of programme affords graduates an opportunity to gain work experience and exposure while learning about the JSE and its different divisions. Successful candidates are offered projects or trainee positions.

Consistent with the vision to encourage an environment where people feel valued, the JSE has used its participation in Deloitte's Best Company to Work For initiative to ascertain where it can improve interaction with employees.

The following initiatives were achieved during 2011:

- Improved internal communication with staff
- Performance management improvements
- A project to improve employees' ability to manage and adapt to change

7. Suppliers

Supplier engagement includes measuring supplier performance in accordance with contractual service levels and educating suppliers on the importance of complying with applicable South African legislation. It also includes determining a supplier's risk and business continuity management to ensure an uninterrupted supply of product or service.

The JSE seeks to partner with suppliers in a relationship that benefits both parties and ensures this through ongoing service review meetings. In selecting new partners, we govern selection of new suppliers through appropriate selection processes. The JSE has a number of partners that are strategic to the business and we acknowledge the importance of their services to the effective and efficient running of the JSE.

8. National and local government

The JSE's engagement with government authorities occurs mainly at an executive level.

Regulatory responses in the JSE's major global competitor market places, including in relation to increased transparency and the regulation for alternative execution venues and over-the-counter (OTC) products, have direct implications for South Africa and the JSE. This also applies to the final policy direction from National Treasury in relation to the implementation of the move to prudential regulation and in relation to the development of the spot and derivative interest rate markets.

The JSE not only participates in the debates but also takes the necessary steps to implement strategies to best position the JSE once the policy directions are clear.

9. JSE regulator: the FSB

The JSE is regulated under the SSA by the Financial Services Board (FSB) established in terms of the Financial Services Board Act, No. 97 of 1990. The FSB is the regulatory authority tasked with ensuring that the JSE operates its securities markets in the public interest and in accordance with the legislation governing the operation of an exchange in South Africa.

The Issuer Regulation's division interacts with the FSB in the following ways:

- The FSB has a permanent seat on the JSE's Issuer Services Advisory Committee and the Debt Issuer Advisory Committee. Through these committees the FSB participates actively in the consultation process when changes are being proposed to the Listings Requirements;
- The JSE meets with the FSB on a regular basis to advise them of new developments and projects that the teams are developing. This includes proposed rule changes and also the listing of new products;
- The FSB is invited to the SRO Oversight Committee meetings where the JSE's SRO activities are discussed and assessed;

- The JSE meets with the FSB on a regular basis to discuss matters pertaining to S76 of the SSA. This provision deals with False and Misleading Statements.

To date, the FSB has been accorded the highest standing by the International Organisation of Securities Commissions (IOSCO). South Africa is one of only 36 countries that have been able to secure a multi-lateral memorandum of understanding (MOU) with other developed markets. This allows the FSB the option of cross-border co-operation and information exchange with other securities markets.

It is also pleasing that South Africa's securities exchange regulation has been judged the best in the world in the World Economic Forum (WEF)'s Global Competiveness Report 2010 – 2011. This accolade, accorded JSE and the FSB, reflects the enormity of the fundamental transformational journey the JSE has been on for the past 15 years. It has moved from being a sluggish single-product equity exchange to being a fully horizontally and vertically integrated exchange, recognised as a world leader.

10. External panels and associations

There are many other industry players with whom the JSE interacts regularly, both domestic and international: the Financial Markets Advisory Board (FMAB); the Securities Regulation Panel; the King Committee; Business Unity South Africa (BUSA); Business Leadership South Africa (BLSA); the World Federation of Exchanges (WFE); the Committee of SADC Stock Exchanges (COSSE); and various industry committees/lobby groups such as our Advisory Committee Structure.

Stakeholder engagement through JSE advisory committees

Through the JSE's advisory committees, stakeholders are able to discuss and influence JSE activity including trading on all markets, clearing and settlement, indices and Listings Requirements. The committees consider and advise on principle and operational matters and, where appropriate, propose amendments to the JSE rules, directives and Listings Requirements.

The appointment of all advisory committee members is approved by the JSE Board to ensure the correct combination of stakeholders from the industry and JSE representation. Mandates are also approved by the Board.

The Africa Board Advisory Committee

Purpose:

- Continue to increase the number of new listings on the Africa Board.
- Build relationships with exchanges by strengthening their structures and building capacity where necessary, in line with the expected role of the JSE as the pre-eminent exchange on the continent

Approach:

- The JSE hopes that the exchanges on the continent will be able to draw on its experience and systems to assist in the development of their own systems and control structures
- Members accompanied the business development team on travel throughout the continent and were instrumental in arranging meetings with key stakeholders in countries where they have influence

Meetings are arranged as and when required.

The committee was launched in Ghana in April 2011. The launch was followed by an advisory committee meeting.

The advice of the committee will be sought as the JSE moves to consolidate its broader Africa strategy. The Africa Board team liaises regularly with the chairman. Once the strategy process has been finalised, there will be more engagement with the committee in 2012.

The committee is chaired by Nathan Mintah, a private equity practitioner.

Clearing and Settlement Advisory Committee

Purpose:

- Consider and advise on principle and operational matters relating to clearing and settlement of cash markets – equities and bonds
- Propose amendments to the JSE Rules and directives relating to the clearing and settlement of equities and bonds securities

Approach:

- The committee makes recommendations to the JSE executive management on the basis of reasonable consensus
- Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question are referred to JSE executive management or, where appropriate, to the JSE Board for determination

The committee met twice in 2011. Meetings are arranged as and when required.

Material developments/highlights for the Clearing and Settlement Advisory Committee in 2011:

- Implementation of a BEE segment for the trading of BEE shares and the associated clearing and settlement rules and directives
- Discussions on the Securities Ownership Register for equities
- Agreement of the impact analysis and implementation timelines for the move to T+3
- JSE/BESA system migration onto one trading, clearing and settlement platform
- Approval of the rules and directives for the clearing and settlement of bonds

- >> Discussions on margin collateral – taking of securities as opposed to cash for collateral purposes
- >> Discussions on CPSS-IOSCO principles for financial market infrastructures
- >> System replacement programme (SRP) – continue planned development and system testing across the work streams
- >> Discussions on Strate's Debt Instruments Solution project

The committee is chaired by Des Davidson, JSE.

Commodity Derivatives Advisory Committee

Purpose:

- >> Discuss and advise on issues pertinent to the agricultural products traded. In many instances, this involves issues that extend to the physical grain market, such as storage and grading

Approach:

- >> Endeavour to ensure extensive consultation on relevant topics with the market participants – agricultural industry representatives and registered members, who provide feedback on behalf of their customers
- >> The JSE executive management remains the ultimate decision-maker, should the committee not be able to reach agreement on any item discussed

Meetings are scheduled every second month, but the committee only meets as and when required. The committee met six times in 2011.

Material developments/highlights for the Commodity Derivatives Advisory Committee in 2011:

- >> Agreed to proceed with the re-introduction of the Cape Wheat contract
- >> Agreed to maintain the use of location differentials. It was decided Randfontein should remain the reference point for the majority of the grain contracts
- >> Support was granted to investigate if there is any improvement to the current process used to determine the location differentials. This remains ongoing
- >> Process to determine the wheat origin discount was debated
- >> Trading of Safex silo receipts was discussed and supported

In 2011, the committee was chaired by Rod Gravelet-Blondin, JSE. It is now chaired by Chris Sturgess, JSE.

Currency Derivatives Advisory Committee

Purpose:

- >> Structure and enhance the JSE's currency derivatives market for the benefit of the greater financial markets

Approach:

- >> The committee confirms/agrees on an approach, which is presented to JSE executive management for discussion
- >> If need be, any unresolved issues are taken to JSE executive management for further comment and, where necessary, discussed with the FSB

Meetings are arranged quarterly and ad hoc as and when required. The committee met twice in 2011.

Material developments/highlights for Currency Derivatives Advisory Committee in 2011:

- >> 8 March 2011: The series spread margin was implemented (offset between currency pairs). The objective is to get participants to trade in different currencies and have the correct risk mitigation applied accordingly
- >> In an attempt to encourage day traders, it was agreed that the JSE will zero the second leg of any transaction that takes place intraday
- >> Any-day contracts were launched in March 2011; the contract remains standardised and only the delivery or expiry date will be different
- >> Exotic structures – can-do structures were introduced in March 2011
- >> Central order book rollovers were implemented in June 2010 and on 28 March 2011. New software was implemented to mandate any contracts under 201 to trade through the central order book or through the spread window. There are live prices in these windows; and any second leg that goes through the spread window will be zero flagged accordingly
- >> Good-till-day orders were implemented and these orders are primarily aimed at the retail market, where participants do not have to resubmit their orders to the market daily. The system will automatically resubmit the order the next morning unless the order is matched or cancelled
- >> Market maker incentives agreed and introduced in April 2011
- >> A new fee structure was introduced, effective from 3 May 2011, to encourage more trading on the currency futures and options markets
- >> Launched new currency pairs: Botswana pula/rand and New Zealand dollar/rand

The committee is chaired by Graham Smale, JSE.

The Equity Derivatives Advisory Committee

Purpose:

- >> Ensure strategic communication and agreement between the JSE and equity derivative (ED) market participants to ensure an efficient, transparent equity derivative market with true price discovery and best execution
- >> Create a forum where relationships are built between the JSE and market participants to grow the ED market together

Approach:

>> It is the desire and hope of the JSE that committee members should not drive their own business agenda during advisory committee meetings, but rather act in the interest of the South African derivatives market as a whole

Four meetings were held in 2011.

Material developments/highlights for Equity Derivatives Advisory Committee in 2011:

>> Reintroduction of the minimum off-market trading rules continued during 2011. These rules require that trades below a specified minimum lot size have to be traded on the Nutron (ATS) central order book. The underlying assumption is that growth in the equity derivative market will be accomplished through transparent markets that are electronically accessible. The minimum off-market trading rules were rolled out to the entire FTSE/JSE Top 40 constituency by March 2011

As a result of the continued drive towards trading on the Nutron central order book, multiple technical issues were experienced on this trading platform. The JSE and its software provider (STT) embarked on a major technical project to improve the stability and scalability of the Nutron platform to cope with the rapid increase in the volumes of orders. These enhancements are planned to be deployed second quarter 2012. In an effort to focus resources and therefore resolve technical issues, a moratorium was placed on new business functionality developments on the Nutron trading platform.

The committee is chaired by Graham Smale, JSE.

Equities Trading Advisory Committee

Purpose:

>> Consider and advise on principle and operational matters relating to the equities members

>> Propose amendments to the JSE rules and directives relating to the clearing and settlement of equities securities

Approach:

>> The committee makes recommendations to the JSE executive management on the basis of reasonable consensus

>> Where reasonable consensus on any issue considered by the committee cannot be reached, the conflicting views on the issue in question are referred to the JSE executive management or, where appropriate, to the JSE Board for determination

Meetings are arranged as and when required. The committee met three times in 2011.

Material developments/highlights for Equities Trading Advisory Committee in 2011:

>> The Trading Advisory Committee was reconstituted to ensure sufficient representation at small, medium and large member firm level as well as other financial institution representation e.g. ASISA, Fund Managers

>> Change in methodology for the futures close out to an auction rather than 100 price iterations. This will be implemented on the new trading system

>> J200 index changed from pulse (every 15 seconds) to streamed (at every price change)

>> A remote membership sub-committee was formed to evaluate the feasibility of offering remote membership within the current SSA framework. The initiative was later put on hold to focus on the key JSE projects

>> JSE formed an STT working group with representation from the Banking Association, members of the JSE and fund managers

>> A Securities Ownership Register (SOR) discussions and implications for trading

>> Replacement and relocation of the trading engine to South Africa. We believe that the interests of developing a better, faster, more efficient trading engine, the heart of JSE operations, is line with its strategy to constantly upgrade its IT infrastructure to satisfy the needs of clients and the capital markets of South Africa

>> Introduction of a BEE Board to facilitate the listing and trading of BEE scheme shares within a generic framework. The first listing was in February 2011

The committee is chaired by Leanne Parsons, JSE.

FTSE/JSE Advisory Committee

Purpose:

>> Consider and advise on principle and operational matters relating to and proposed amendments to the ground rules governing the management of the FTSE/JSE Africa Index Series and the FTSE/JSE All Africa Index Series

>> Ensure that best practice is used in the construction and management of the index series

>> Review the selection methodology for constituent companies and the treatment of securities within the FTSE/JSE Africa Index Series and may make recommendations arising from this review to FTSE and the JSE

Approach:

>> The committee was set up by FTSE and the JSE

>> The committee operates independently of FTSE and the JSE, subject to the committee acting within its constitution and terms of reference

>> FTSE and the JSE will use their reasonable endeavours to implement the decisions of the committee regarding the operation of the FTSE/JSE Africa Index Series

The committee met four times in 2011. In addition, a special meeting of the committee was held in response to the announcement by National Treasury on the reclassification of inward foreign listings as domestic assets. The committee met to discuss the impact such an announcement would have on the FTSE/JSE Africa Index Series.

Material developments/highlights for the FTSE/JSE Advisory Committee in 2011:

>> All corporate actions with major impact on the index series were discussed in the context of their conformance to the ground rules
>> All technical outages impacting the index series were discussed in terms of their impact on the index series
>> The Equally Weighted Resi10, Equally Weighted Indi25 and Equally Weighted Fini15 as well as the Capped Shariah 40 and the Top 40 Dividend Index were launched this year
>> Amendments and improvements were made to the FTSE/JSE ground rules document. Some end-of-day product modifications were made
>> Going into 2012, the December liquidity screening criteria will be investigated thoroughly. There will also be further investigations into improving the current indices, as well as the creation of new indices

Membership:

The membership of the committee, which operates differently from the other advisory committees as it is created under the JSE's joint venture with FTSE, is intended to be representative of the users of the FTSE/JSE Africa Index Series and should consist of representatives from domestic and international investors and investment banks as well as domestic and international actuaries.

The committee is chaired by Francois Oosthuizen, Sanlam.

Interest rate advisory committees

Two committees were established during 2011.

Purpose of both committees:

>> Create and be responsible for the secondary market trading of a diverse set of products across the cash, repo/carry and derivatives markets
>> The Bond Advisory Committee (BAC) will focus on all bond-related products in both the cash and derivatives markets
>> The Interest Rates Advisory Committee (IRAC) will focus on all the non-bond products

Approach:

>> Both committees operate on the same grounds
>> The committees are to be able to canvass and converse with the members of the market about:
  – amendments to trading and settlement rules
  – the development of new products
  – fees and changes to the billing model
  – subjects appropriate to the general evolution of the market, for example:
    • pre- and post-trade transparency
    • electronic vs. reported trading
    • clearing (this is more specifically covered in the Safcom Risk Committee meetings, but aspects of clearing may have a direct relationship to trading)
    • endeavour to achieve reasonable consensus on topics of discussion but, where not possible and depending on the nature of the lack of consensus, it may be necessary to poll a wider set of opinions across the market, or to refer the matter to the JSE executive management or the JSE Board for further consideration
    • deliberations and decisions by the committees are not binding on the JSE, which retains full discretion as to whether to implement or go against a decision of the committee. In doing so, the JSE will take into account its regulatory duty to include the interests of the market as a whole and not only the interests as represented at the committees

Material developments/highlights for the Bond Advisory Committee (BAC) in 2011:

>> The first meeting of the BAC was on 15 February 2011. The prime issue discussed was the transparency in the cash bond market. This was the core issue that the 2009 Strawman Proposal from the JSE was intended to address
>> At the second meeting on 17 May 2011, the BAC considered a proposal tabled by National Treasury whereby primary dealers would be required to satisfy their market-making obligations in the secondary market for SA government bonds on an electronic platform operated by the JSE

Material developments/highlights for the Interest Rate Advisory Committee (IRAC) in 2011:

>> The market volatility in Jibar was low and the Jibar futures product was consequentially slow to take off. The IRAC focused on the role of market-makers, on developing an on-screen market and the off-screen rules required to protect market-makers that are on-screen

The committee is chaired by Graham Smale, JSE.

Issuer Services Advisory Committee

Purpose:

>> To consider and advise on proposed amendments to the JSE Listings Requirements
>> To consider objections and appeals in relation to the Listings Requirements

Approach:

- >> Make recommendations to the JSE on the basis of reasonable consensus
- >> Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question shall be referred to the JSE executive management or, where appropriate, to the Board for determination
- >> Individual members of the committee may be requested to:
  - – assist the Issuer Services division in an advisory capacity,
  - – assist the Issuer Services division with objections from relevant parties, or
  - – serve on the Issuer Services Appeal Committee

Meetings are arranged as and when required. The committee did not meet formally during the year, but members were consulted ad hoc on many matters pertaining to proposed changes to the Listings Requirements. In light of the Issuer Services division's regulatory responsibility for the debt market, it was decided to establish a separate Debt Issuer Advisory Committee during the course of the year.

Both committees are chaired by John Burke, JSE.

JSE SRI Index Advisory Committee

Purpose:

- >> Consider and advise on principle and operational matters relating to and proposed amendments to the ground rules
- >> Ensure that best practice is used in the construction and management of the JSE SRI Index
- >> Review the selection methodology for constituent companies and the treatment of securities within the JSE SRI Index, and may make recommendations arising from this review to the JSE
- >> Consider and advise on introducing new indices to the series
- >> Oversee the annual reviews

Approach:

- >> Make recommendations to the JSE on the basis of reasonable consensus
- >> The JSE will use its reasonable endeavours to implement the recommendations of the advisory committee regarding the operation of the JSE SRI Index
- >> Where reasonable consensus cannot be reached on any issue considered by the committee, the conflicting views on the issue in question shall be referred to the JSE executive management or, where appropriate, to the Board for determination
- >> The JSE is responsible for the appointment of the members of the JSE SRI Index Advisory Committee
- >> The committee operates independently of the JSE, subject to the committee acting within its terms of reference

Meetings are arranged as and when required. The committee met three times in 2011.

Material developments/highlights for the JSE SRI Advisory Committee in 2011

- >> The committee approved a higher climate change entry level threshold, as well as a new environmental best performer threshold, which were subsequently introduced in the annual review. The committee continues its discussions regarding the index's approach to the increasing interest from a broad range of stakeholders, including investors and non-governmental organisations (NGOs), and is planning a strategy session in 2012 to consider some of the proposals in this regard
- >> The overall annual assessment results were presented to the committee for confirmation and then announced publicly

Membership:

The membership of the committee is intended to be representative of the users of the SRI Index and of the sustainability industry. The committee's membership therefore includes experts from the social responsibility and sustainability arenas, independent investment professionals, academics and listed companies. The committee also includes the JSE SRI Index data provider.

The committee is chaired by Raymond Ndlovu, Black Elephant Investment Holdings.

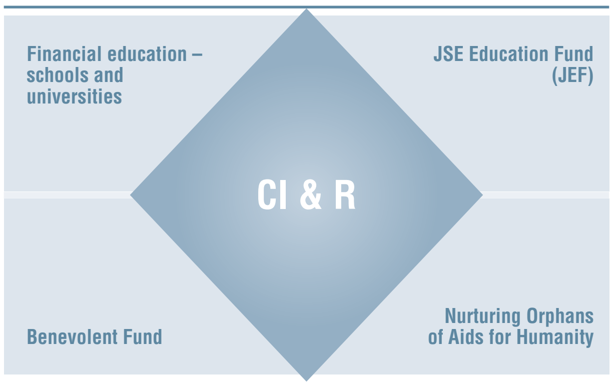
11. Community

The JSE is committed to making a difference in the lives of South Africans by investing time, effort and money into various initiatives. The JSE also believes that this difference should be sustainable and should ensure that individuals benefit directly through positive and meaningful contributions.

Two areas constitute the JSE's main focus in this regard:

- >> Financial education and literacy
- >> HIV/Aids orphans

The JSE increased its corporate social investment (CSI) spend by 5% in 2011 to R12.7m (2010: R12.0m) year. A summary of these initiatives is shown below:



CSI initiatives	**2011**	2010
	R'm	R'm
Financial education – schools and universities	**9.7**	8.8
Education for students in the field of finance – JEF	**4.7***	2.7*
Aids orphans – Noah	**0.8**	0.8
Benevolent Fund	**0.4***	0.3*

**Does not affect JSE cash flow.*

Education

The JSE's educational initiatives are aimed at increasing understanding about the financial markets (particularly among pupils and university students), encouraging investment among South Africans and growing the pool of potential employees in the financial markets. The JSE believes that this assists in growing the number of people who might become investors or businesses that might list.

JSE/Liberty Investment Challenge

The JSE/Liberty Investment Challenge aims to educate learners about the workings of the stock market. This challenge is open to all South African high school learners. In 2011, learners were introduced to the challenge at several events held in various provinces.

	2011	2010
– Number of schools (number of Adopt-a-School* schools)	**360 (34)**	435 (54)
– Number of teams	**6 688**	8 512
– Number of learners	**1 672**	2 128

**The Adopt-a-School initiative aims to assist schools with few resources. The schools are adopted by stock broking firms, listed companies and other institutions. Schools are given funds to enter the game and to receive daily newspapers and business publications.*

The JSE/Liberty University Challenge aims to educate university students. Three winners are chosen each year. The JSE plans to open the challenge to the public in time.

	2011	2010
– Number of universities and private colleges	**38**	30
– Number of students	**3 492**	2 425
– Number of teams	**1 313**	911

Investment education through the curriculum at schools

The JSE has partnered with the South African Reserve Bank (SARB) and financial literacy organisations to promote the financial literacy of South Africa's youth. The JSE also has a contractual agreement with several provincial education departments, through which the exchange provides courses to schools, teaching learners and educators about banks, saving, investment and related topics. The JSE has succeeded in making this part of the syllabus in some provinces. This is helping to develop an investment and savings-savvy South African population.

Educate professional groupings

In 2011, the JSE embarked on an initiative to improve the financial literacy of professional groups by offering structured training programmes.

The groups included the Judicial Officers Association of South Africa, the South African Medical Association, and the South African Woman Entrepreneurs' Network. This initiative supplemented public education seminars held across the country.

JSE Empowerment Fund (JEF) Trust

The JEF Trust provides promising black students with the finance and support to acquire the appropriate qualifications and the opportunity to enter the financial services sector on completion of their university training.

As part of the JSE's broad-based initiative launched in 2006, 1.7 million shares (2.04% of JSE's issued share capital) were issued to the JEF Trust. Through the dividends received as a result of its shareholding, the JEF Trust is able to provide the financial assistance reflected in the table below and this financial assistance does not affect the JSE's cash flow.

In 2011, progress was as follows:

Institution	Students	Tuition cost (R)	Progress/ comments
Thuthuka Bursary Fund	3	105 000	3 students funded annually
CIDA City Campus	14	831 600	3 students completed third year, 11 completed second year
Reunert College	5	199 500	5 students completed grade 12

Institution	Students	Tuition cost (R)	Progress/ comments
University of Johannesburg	5	277 521	5 students completed Honours level
University of Pretoria	37	2 817 110	7 students completed Honours, 13 completed third year and 17 completed second year
University of the Witwatersrand	5	420 243	5 students completed Honours level
Vaal University of Technology	1	29 960	1 student completed third year
Total 2011	70	R4 680 935	

1.1 Aids – Noah (Nurturing Orphans of Aids for Humanity)

Noah is an organisation that looks after approximately 22 000 Aids orphans and other vulnerable children in KwaZulu-Natal and Gauteng.

In 2010, the JSE adopted the Freedom Park Ark. All JSE employees are encouraged to participate in activities that involve volunteer work at the Freedom Park Ark as part of Project HOPE. The main aim is to make a visible and sustainable difference over a two-year period. During the past two years, JSE employees have supported the running of Noah through a number of donations and sponsorships, such as the annual gala dinner, CEO breakfasts and book breakfasts.

Through Project HOPE, the JSE employees and management contributed in the following ways at the Freedom Park Ark:

- >> Fun days for the children
- >> Gardening and tiling
- >> Cash, food and blanket donations
- >> Sports activities
- >> First aid training for staff
- >> Graduation party

The Benevolent Fund

The Benevolent Fund, managed by the JSE, was set up by JSE stockbrokers and member firms to assist unemployed indigent persons employed by the broking community and the JSE before November 1995 and who find themselves in dire financial circumstances because of their inability to find new employment.

At present an aggregate of R362 500 (2010: R341 300) is distributed among about 147 beneficiaries per month. Beneficiaries are also offered non-financial assistance.

The financial assistance described above does not affect the JSE's cash flow.

Anti-crime sponsorships and other contributions

The JSE sponsors and donates money to initiatives that it believes indirectly improve the lives of ordinary South Africans and constructively advance the general business environment.

In 2011, the JSE invested R1.5 million (2010: R1.6 million) in the following initiatives:

Initiative (spend)	Description of initiative
Mike Thomson Change a Life Trust (R435 000)	The Change a Life Cycle, a fundraising vehicle for the Mike Thomson Change a Life Trust, is committed to raising more than R3 million each year for anti-crime projects through participation in a four-day cycle tour run by Computershare, one of the JSE's stakeholders
Business Against Crime South Africa (R350 000)	Business Against Crime South Africa (BACSA) was established in response to a call from Nelson Mandela during his time as president of South Africa, for the business community to join the fight against crime
Business Leadership South Africa (R200 000)	Business Leadership South Africa (BLSA) is an independent association of CEOs, chairs and major multinational investors in South Africa. BLSA aims to provide leadership on economic and societal issues of national importance, aiming to facilitate business dialogue with the government
Business Unity SA (Busa) (R100 000)	Busa represents South African business on macro-economic and high-level issues that affect it at national and international levels. Busa's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive

F W de Klerk Foundation (R100 000)
The F W de Klerk Foundation supports and promotes the constitution through the activities of its Centre for Constitutional Rights. The centre monitors developments that might affect the constitution; makes submissions to parliament; participates in the national debate on constitutional issues; helps people to claim their rights and opposes unconstitutional action

Buffelshoek Trust (R100 000)
Constituted in 2001 by Sidney Frankel, one of the JSE's long-term stakeholders, to uplift the Manyeleti villages, the Buffelshoek Trust focuses on two needs of this poverty-stricken, rural community – education and healthcare

Institute of Chartered Secretaries and Administrators (R61 450)
This sponsorship is aimed at encouraging excellence in producing annual reports to promote transparent and comprehensive disclosures to stakeholders. This is an important aspect for the JSE's Issuer Services division, which monitors compliance with regard to a listed company's continuing obligations in terms of meeting the Listings Requirements

Institute of Directors (IoD) (R101 400)
The JSE's Director of Issuer Regulation is deputy chairman of the IoD. The JSE's involvement is aimed at uplifting the standards required of directors in South African companies

National Advisory Council on Innovation
The Director of Government and International Affairs for the JSE has been appointed by the Minister of Science and Technology to serve on this body. The purpose of Naci is to assist in using technological and social innovation to address shortcomings in the South African environment

Nepad Business Foundation (R30 420)
The Director of Government and International Affairs for the JSE is a director on the Board, the purpose of which is to promote sustainable private sector development on the African continent in pursuit of the Nepad ideal of alleviating poverty. Nepad is an African Union initiative. At present, the NBF is involved with:

- TransFarm Africa projects
- Water projects (done in conjunction with the World Economic Forum)
- Leadership development

Community investment and relations as well as all sponsorships and contributions are the responsibility of the Director: Government and International Affairs, who is a member of the JSE executive management.

Way forward

Over the past 15 years, the JSE has achieved significant growth. However, the various political, economic, social, technological and regulatory forces that are at play will directly and indirectly affect the local environment and, consequently, the way in which the JSE operates its business. Specifically:

- >> We expect policy uncertainty to continue for 2012 while political leadership is contested both locally and internationally
- >> The emergence of the BRICS nations presents opportunities for the JSE to source new clients for our products and services
- >> The increasing number of young, mobile South Africans represents an opportunity for us to develop a new retail client base
- >> The growing income disparities both locally and globally will present challenges for businesses to ensure that they remain relevant to a broader range of stakeholders or face the risk of increasing focus from the economically disenchanted
- >> The demand for corporate accountability will rise
- >> Regulatory focus on transparency and appropriate risk management will place a premium on well-regulated exchange-type services
- >> Technology will continue to be central to the manner in which exchange clients seek to interface with us and through which we will be able to pull them closer to the capital market ecosystem.

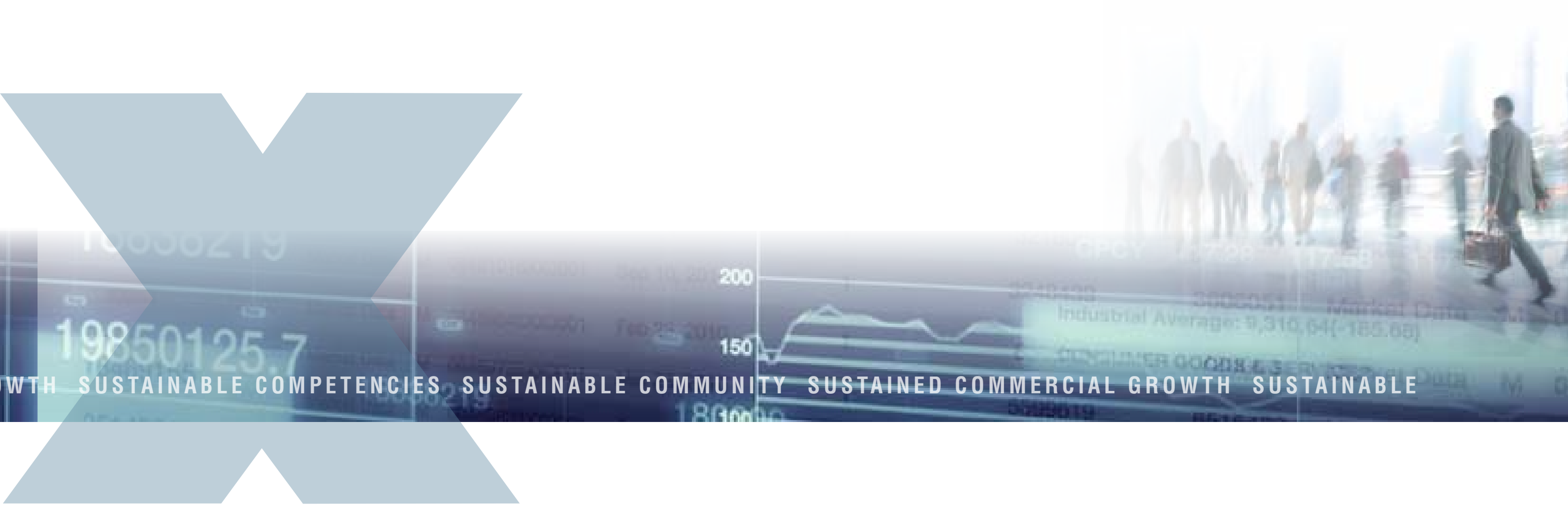
Off the back of the strategy, the JSE executive has been restructured to a smaller team of 12 people and me with the necessary focus on issuer and investor relations, public policy and regulation, each of our markets, data sales, issuer and market regulation, post trade services, technology, finance and corporate services.

Stakeholders of the JSE will appreciate that revenue projections for the Group are not feasible, given the dependence on trading volumes in all the markets. Although we retain tight control of what is essentially a fixed cost base, expenses are expected to increase from 2013 as a result of depreciation charges starting once the Group's major systems have been implemented. As we chart this new strategic path we will enhance our agility, cost effectiveness, capital efficiency and innovativeness. The JSE's team is extremely excited about this journey.

A critical part of any resilient organisation is a strong foundation. The following are the foundations upon which we will build:

>> Diversified, capable, respected workforce

We need a diverse workforce that is respected by our clients and which is capable of handling the challenges and opportunities facing the JSE. These challenges and opportunities will continue to become more demanding and complex and, as they do, so we need a workforce which grows in its ability to handle them. Our people policies are driven to achieve this strength and diversity.



>> Integrated, customer-focused, collaborative culture
Our clients are a central component of our business. Becoming more customer-focused will enable us to better understand our clients in order to truly add value to their businesses. In order to achieve this, we need a collaborative JSE approach ensuring specifically that the manner in which we engage across our product and service lines is integrated and focused on delivering our clients what they need.

>> Regulatory and market credibility
Over the years, the JSE has built a strong reputation as a credible regulator in touch with and often leading the regulatory winds and this has undoubtedly had a positive impact on how the market is perceived both internationally and domestically. The ability to maintain and enhance our regulatory credibility, is therefore a core foundational aspect of the JSE's offering and directly related to the manner in which we interact with the market and our policymakers.

>> Market and client intelligence
In order for us to deliver more customer-focused products and services and to be more proactive, we need to understand both our markets and our clients. Market intelligence will enable us to get a better understanding of our business and how it works as well as the interrelations between different business areas.

>> Technology delivery
We are predominantly a technology business and effective technology delivery is central to our ability to achieve everything we set out to achieve. In the short term, we are prioritising the decision about how to proceed with SRP and the delivery of our Equity Market Trading system. We also aim to make significant progress with several other key technology projects including co-location and the upgrading of our derivatives technology so that we are better able to link our clients into the financial market ecosystem.

>> Rigorous cost understanding and focus
A rigorous cost understanding and focus will help us prioritise new products and services.

A strong foundation, however, is only the beginning – we also need to focus on the core pillars that will position us for the future:

>> Integrated trading
Integrating our various markets will make it easier for our customers to trade across markets or trade in one market and, for example, hedge in another.

>> Integrated clearing and settlement
The changing nature of the world is such that clients will increasingly value effective risk management services and regulators will increasingly demand that our clients use them. We need to ensure that all our clearing and settlement systems are CPSS-IOSCO and Basel III compliant so that we can offer clients maximum benefit from clearing and settling through the JSE and so that we can then attract OTC products into the clearing space we operate.

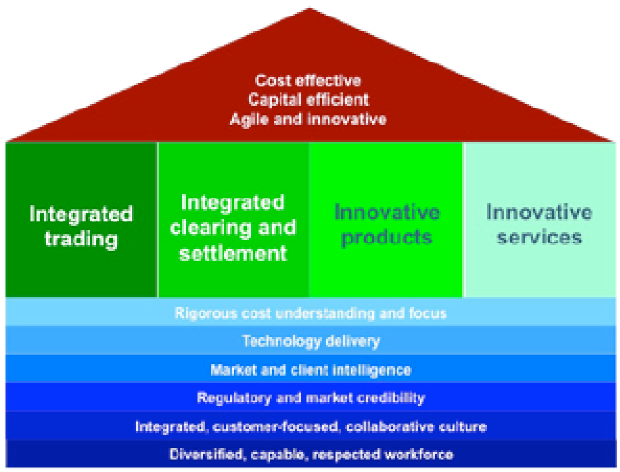
>> Innovative products and services
In a rapidly changing world, the ability to innovate is critical. We need to provide our clients with products and services that are of value to them and serve as a differentiating factor.

Appreciation

I would like to recognise the contribution to the JSE made by Rod Gravelet-Blondin, who retired in December 2011 as head of the commodity derivatives market. Rod joined the JSE in 2001 on the acquisition of the South African Futures Exchange. He has led the market's growth into the foremost commodities market in Africa, and, while he will continue to consult to the JSE, he will be greatly missed as a full-time executive.

I would like to recognise the key role played by Russell Loubser, who retired during the same month after 15 years as the JSE's CEO. He is the giant on whose shoulders the recent history of the JSE has been built.

Nicky Newton-King
Chief Executive Officer




SUSTAINED COMMERCIAL GROWTH
SUSTAINABLE COMPETENCIES
SUSTAINABLE COMMUNITY
SUSTAINED COMMERCIAL GRO

Rebalancing our business by working together

"Now is a very good time to do the rebalancing game. Let's go where we're not."

- *David Caruso*

The Listings Requirements of the JSE Limited call for companies to provide a narrative statement of how they have applied the principles as set out in the latest King Code, providing explanations that enable their shareholders to evaluate how the principles have been applied as well statements of the extent of compliance and non-compliance. Refer to the JSE website http://ohx.corporate-ir.net/phoenix.zhtml for the JSE's narrative.

Board of Directors

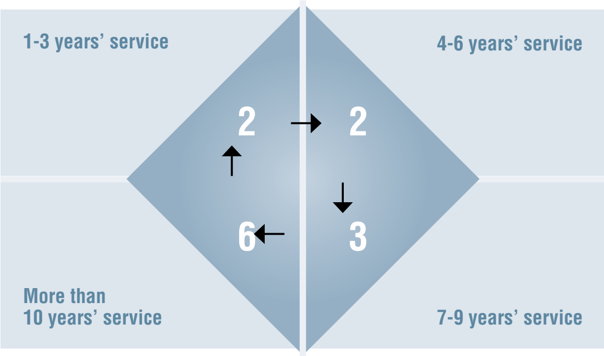
The JSE currently has a unitary Board made up of 13 (2010: 16) Directors, most of whom are non-executive. The Board is headed by a chairman who is elected from the non-executive Directors. As at December 2011, there were three executive Directors: a Chief Executive Officer (CEO), a Deputy CEO, and a Chief Financial Officer (CFO). The Director of Equity Markets and the Director of Issuer Regulation were alternate Directors. Following the retirement of Russell Loubser in December 2011, there are only two executive Directors on the Board, the current CEO Nicky Newton-King and the CFO. The Director of Equity Markets and the Director of Issuer Regulation remain alternative Directors on the Board.

The Board assumes overall responsibility for the JSE's compliance with applicable legislation and governance provisions. The Board meets four times each year – excluding an annual strategy meeting and ad hoc meetings held if necessary – and retains full and effective control over all the companies in the Group. It also monitors executive management in implementing Board plans and strategies.

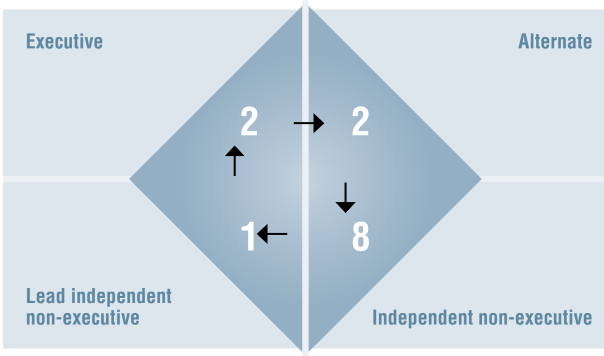
The Board, after a rigorous assessment of the Directors who have served longer than nine years, is satisfied that there are no relationships or circumstances likely to affect, or appear to affect, the Directors' judgements and that their independence is not impaired by their length of service. Knowledge of JSE business, gained over time, ensures continuity and enhances the direction that the Board provides to the JSE executive.

Wendy Luhabe and Gloria Serobe, both non-executive Directors of the JSE, resigned as Directors in April 2011 after 7 and 11 years of valuable input to the business. KK Zitulele Combi, currently a non-executive Director, will not make himself available for re-election at the April 2012 annual general meeting of the JSE. The Nominations Committee is currently considering the structure of the Board.

Length of service



Composition



Both diagrams correct as at 1 January 2012

Board duties and responsibilities

Directors have a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders. The Board is aware that these duties are included in the new 2008 Companies Act.

In addition to upholding the King III principles applicable to Board duties and responsibilities, the Board also operates in terms of a Board charter. The relevance and applicability of the charter are assessed from time to time and changes are made where appropriate. Refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for the main duties and responsibilities of the Board covered by the charter.

Appointment of Directors

The nomination of Board members is delegated to the Nominations Committee, which makes recommendations to the Board for consideration, subject to shareholder approval. The committee elects Directors to the Board on the basis of their skills, knowledge and experience, appropriate to the strategic direction of the JSE. Refer to the Nominations Committee chairman's report on page 41. Please refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for the appointment process that applies to Directors.

The chairman, the chief executive officer and the Board of Directors

The JSE's philosophy of Board leadership is premised on the principle that the running of the Board of Directors and the executive responsibility for the running of the exchange's business are two separate and distinct tasks and that there should be a clear division of responsibilities between these two roles to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

Consistent with this approach, the roles of Chairman and CEO are separate, with specific responsibilities divided between them. Refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for the roles and responsibilities of the chairman and CEO.

The Board monitors and evaluates the performance of the CEO against agreed objectives annually.

Only decisions of the Board acting as a unitary body are binding on the CEO. Decisions or instructions of individual members of the Board, officers or committees are not binding, except in those instances where specific authority is delegated by the Board.

The day-to-day management of the JSE Group has been assigned to the CEO by the Board. The Executive Committee was formed to assist the CEO in discharging her duties and is made up of all heads of divisions and the company secretary. A representative from the JSE's regulator, the Financial Services Board, is invited to attend Executive Committee meetings.

As communicated with the release of the 2010 annual results in March 2011, Russell Loubser retired as CEO with effect from 31 December 2011. Nicky Newton-King, Deputy CEO for almost nine years, was appointed as CEO with effect from 1 January 2012.

Chief financial officer

The Chief Financial Officer of the Company is Freda Evans. The appropriateness of her expertise and experience to fulfil this role as well as that of her team and available resources was considered and confirmed by the Audit Committee at its meeting held on 8 November 2011.

Retirement of Directors

At the annual general meeting to be held on Thursday, 25 April 2012, at least one-third of non-executive Directors will retire by rotation. Accordingly, shareholders will be asked to confirm the reappointment of Nigel Payne and Nku Nyembezi-Heita, who will retire by rotation in accordance with article 24 and, being eligible, have offered themselves for re-election. KK Combi, following two years' service, also retires but will not be seeking re-election. Refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for a five-year history of retirement of Directors.

Independence of Directors

The JSE's non-executive Directors fulfil the following definition from King III: "An independent Director should be independent in character and judgement and there should be no relationships or circumstances which are likely to affect, or could appear to affect, this independence. Independence is the absence of undue influence and bias, which can be affected by the intensity of the relationship between the Director and the Company rather than any particular fact such as length of service or age."

The Board considers all its non-executive Directors to be independent. Refer to the JSE the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for non-executive Directors' interests in JSE Ltd.

Board and Board subcommittee meetings

The Board is required to meet a minimum of four times a year and more frequently should circumstances require. Directors are required to declare any interests in contracts and other appointments at every Board meeting. Meetings are conducted according to a formal agenda. For a detailed review of Board meetings, refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome.

Attendance during 2011, by Director, was as follows:

Director	Board	Board subcommittees				
		Audit	Risk	HR&SEC	SRO	Nom
H J Borkum (Chairman of Board; Nom)	5	3/3	4/4	5/5		3/3
A D Botha (Chairman of HR; SEC)	5	3/3		5/5		3/3
R M Loubser	5		3/4			
N Newton-King	5					
F Evans	5		4/4			
S Nematswerani (Chairman of Audit)	5	3/3	4/4		2/2	
N Payne (Chairman of Risk)	5	3/3	4/4		2/2	
A Mazwai (Chairman of SRO)	5	2/2	3/3	4/4	2/2	
M R Johnston	5	3/3	4/4			3/3
D Lawrence	5		4/4	4/5		
N Nyembezi-Heita	4/5			3/3		1/1
L Parsons	4/5		3/4			
J Burke	5/5					
Z L Combi	5					
G Serobe	1/1	0/1				2/2
W Luhabe	0/1			1/2		

Board committees

The Board has established a number of committees to facilitate efficient decision making and to assist the Board in the execution of its duties, powers and authority.

Audit Committee

Report prepared by its chairman, Sam Nematswerani

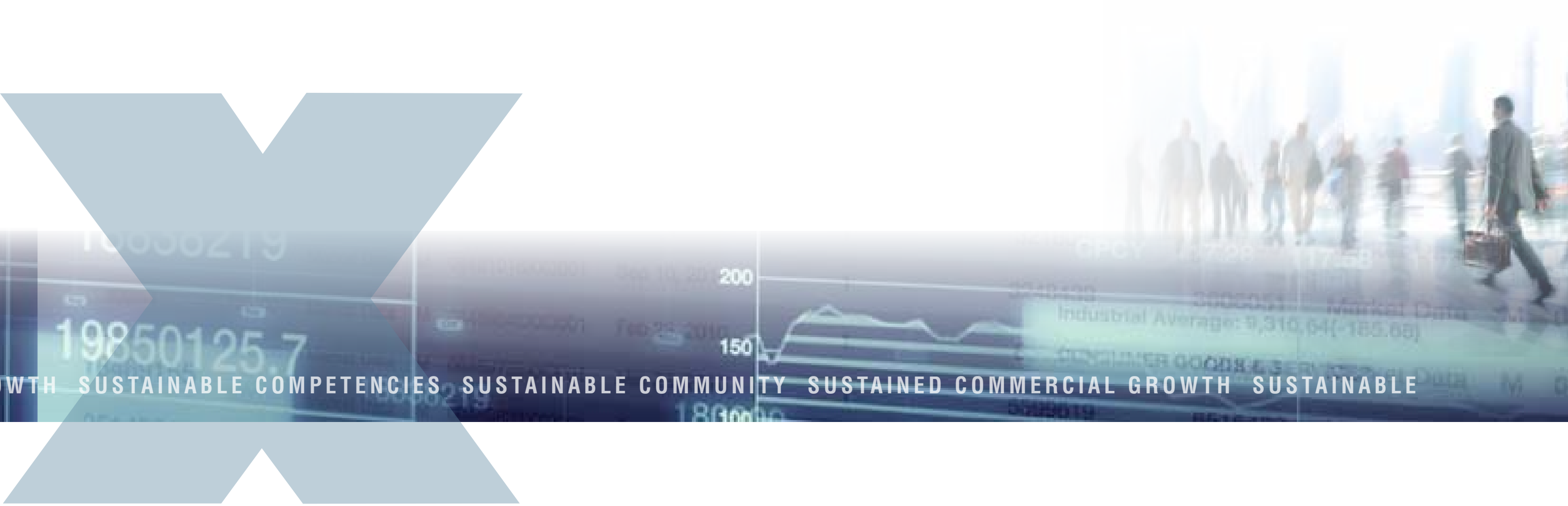
During the year under review, three Audit Committee meetings were held.

The Audit Committee is composed of its chairman, who is an independent non-executive Director, and four other non-executive Directors, including the chairman of the Risk Committee. The chairman, CEO, CFO, Company Secretary, representatives of the external auditors and the Head of Internal Audit attend all meetings of the committee by invitation.

The committee is suitably skilled to perform the role required. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company.

The committee has formal terms of reference approved by the Board, which are reviewed annually to ensure that they are being complied with and are still relevant. The committee can perform any other functions determined by the Board.

In terms of King III and the new Companies Act of 2008, the committee complied with its responsibilities. Refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for more information.



The JSE continues to:

The Head of Internal Audit is contracted to the JSE to perform this function, and reports administratively to the CEO and for all internal audit purposes to the Audit Committee. External auditors have unlimited access to the chairman of the committee.

The chairman of the Audit Committee attends annual general meetings and is available to answer any questions.

The committee is satisfied that the 2011 audit conducted by the external auditors was an independent one.

Chairman: **N S Nematswerani**

Nominations Committee

Report prepared by its chairman, Humphrey Borkum

During the year under review, three Nominations Committee meetings were held.

The Nominations Committee is composed of its chairman and three independent non-executive Directors. The committee operates in terms of written terms of reference approved by the Board and meets as and when required.

The committee is responsible for identifying suitable candidates with the appropriate skills for election or co-option to the Board. It also reviews the size, structure and composition of the Board and Board committees, one aim being the achievement of demographic equity.

During the year under review, the committee reconsidered the composition of the Board in the context of, amongst other things, Russell's communicated resignation. As part of this exercise, the Nominations Committee appointed an executive search firm to identify suitable candidates to be considered by the committee for the position of CEO. Following this process, the committee recommended to, and the Board approved the appointment of NNK as the new CEO with effect from 1 January 2012. Furthermore, in the context of its optimum size, composition, required skills as well as transformation initiatives, the committee will be looking for new Board members during 2012.

During the year, the committee complied with its terms of reference. Refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for more information.

The committee does not have the authority to appoint Directors, but makes recommendations for consideration by the Board and shareholders.

The chairman of the Nominations Committee attends Annual General Meetings to respond to any questions related to the committee.

Chairman: **H J Borkum**

Human Resources and Social and Ethics Committee.

Report prepared by its chairman, A Botha.

Pursuant to the provisions of the Companies Act 2008, and upon the recommendation of the Nomination Committee, the Board agreed to expand the terms of reference of this committee to include the duties and responsibilities of the statutorily required Social and Ethics Committee.

The main issue considered by the Board in making this decision was that the issues required to be covered by the Social and Ethics Committee were to a large degree congruent with the issues that the JSE Human Resources Committee was already responsible for. Prior to making this decision, consultation on the appropriateness of proceeding in this way took place with the Companies and Intellectual Property Commission, which had no objection to the proposed approach.

The Committee is now called the Human Resources and Social and Ethics Committee.

The chairman of the Human Resources and Social and Ethics Committee attends annual general meetings to respond to any questions related to the committee.

Chairman: **A D Botha**

Self-Regulatory Organisation (SRO) Oversight Committee

Report prepared by its chairman, Andile Mazwai

The JSE is a self-regulatory organisation (SRO) as defined in the Securities Services Act, 2004 (SSA). As an SRO, the JSE is required to fulfil a number of regulatory duties in compliance with the requirements of the SSA and is directly accountable to the FSB for the regulation of its markets, market integrity and investor protection. In this light, the JSE must at all times have considerable regard for the following objectives:

>> The JSE's obligations regarding regulation and its commercial interests are to be closely aligned, in that well-regulated markets are key to the provision of fair, efficient and transparent markets and the fulfilment of the JSE's commercial objectives.

>> The JSE considers it important to ensure and demonstrate its commitment to ensuring that the JSE meets its obligations under the SSA with regard to regulation.

To reinforce regulation in the JSE and specifically to address any perceptions of conflict between the JSE's commercial and regulatory functions, the JSE has introduced this committee as an additional, independent layer of oversight and reporting. The SRO Oversight Committee is a standing committee established by resolution, and is accountable directly to the JSE Board. It specifically serves as an independent check on the appropriateness of the JSE's SRO activities and the manner in which conflicts of interest are managed by the JSE, and it will create a direct reporting line between the SRO-focused divisions of the JSE and the JSE Board, in addition to the direct reporting line between the CEO and the heads of the two regulatory-focused divisions.

It is intended that this committee should report to the JSE Board twice a year and that it has fairly broad powers to require input from the heads of the JSE's regulatory-focused divisions.

During the year under review, two SRO Oversight Committee meetings were held.

Chairman: **A Mazwai**

Risk Management Committee

Report prepared by its chairman, Nigel Payne

During the year under review, four Risk Management Committee meetings were held.

The Risk Management Committee is composed of its chairman, who is an independent non-executive Director, the CEO, the Director of the Equity Market, the Chief Financial Officer, the head of Risk and Internal Audit, the chairman of the Audit Committee and one other independent non-executive Director. A representative of the JSE's regulator, the Financial Services Board, is invited to attend all Risk Management Committee meetings as an observer. The committee follows written terms of reference approved by the Board and is required to meet at least three times a year.

The committee is, inter alia, responsible for assisting the Board with the identification, assessment, evaluation and monitoring of actual and potential risk areas as they pertain to the JSE, and the mitigation of each risk. The Board is ultimately responsible and accountable for the governance of risk, focusing on establishing, maintaining and monitoring the effectiveness of the processes, policies and plans of risk management and systems of internal control. See page 44 for more information.

During the year under review, the committee complied with its terms of reference. Please refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for more information.

The committee works closely with Internal Audit function, the Audit Committee and the Executive Committee to oversee the management of risk at the JSE.

The JSE's enterprise-wide risk matrix is updated quarterly, with risks being ranked according to an appropriate methodology. The management of each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety. In addition and in line with King III recommendations, the JSE has an integrated risk reporting strategy to enhance the current risk assessment and management approach. Please refer to the JSE website http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome for the JSE's approach in this regard.

Independent assurance is obtained on all key risk areas and related systems of internal control through the internal audit process. The committee is comfortable that the overall level of risk management at the JSE is good and continues to improve. In addition, the committee is satisfied with the effectiveness of the system and process of risk management and it believes that appropriate action is being taken to mitigate all risks where it is cost-effective to do so.

The collaboration of the committee, the head of Internal Audit, the Executive Committee and the Board has ensured a thorough understanding of the risks accepted by the JSE in pursuance of its objectives.

The chairman of the Risk Management Committee attends annual general meetings to respond to any queries related to issues considered by this committee.

Chairman: **N Payne**

Ethical foundation of business

The JSE Board and management are mindful that JSE employees' work ethic and performance must adhere to the highest standards. They are also aware that the JSE's reputation is built on employee interactions and that when employees display the expected behaviour and values, not only is the JSE reputation strengthened, but a healthy workplace is promoted where original and innovative thinking occurs. Conversely, unethical behaviour is detrimental to the JSE.

The JSE Board and executive management and employees commit to the following expected behaviour and values:

- >> services delivered with professionalism and excellence;
- >> displaying unquestionable integrity and honesty in all business transactions with all stakeholders, including all suppliers as stated in the procurement policy and the JSE's internal dealing policies;
- >> treating everyone fairly and with mutual respect;
- >> demonstrating commitment and a positive attitude; and
- >> understanding the importance of disclosing potential conflicts of interest.

This is a summary of the interventions in place and compliance with these

Intervention	Status	Compliance
Code of ethics	Policy in place	No incidents reported
Code of conduct	Policy in place	No incidents reported
Whistle-blower facility	Fully implemented	No incidents reported
Fraud and illegal acts	Policy in place	No incidents reported
Interest in contracts	Policy in place	No incidents reported
Dealing in JSE Ltd securities	Policy in place	No incidents reported
Dealing in other listed securities	Policy in place	One transgression reported

Please see more detail on JSE website

External audit and external auditor independence

The Group annual financial statements have been audited by independent auditors, KPMG Inc. The Audit Committee considered the position of KPMG and resolved that KPMG is independent of the Group and has recommended the reappointment of KPMG as auditors. This view and recommendation was endorsed by the Board on 22 November 2011. The reappointment of the auditors will be a matter for consideration by the shareholders at the annual general meeting to be held on 25 April 2012.

The JSE Board believes KPMG has observed the highest level of business and professional ethics and has no reason to believe that it has not at all times acted with unimpaired independence.

Fees paid to the external auditors for audit and non-audit services are fully disclosed in the financial statements. The JSE has a policy, determined and approved by the Audit Committee, to regulate the use of the external auditors for non-audit services, including consulting services.

Accountability

The CEO is responsible and accountable to the Board for all JSE operations. The heads of the diverse divisions of the JSE assist the CEO in discharging this responsibility. The duties and responsibilities of all divisional heads are detailed in formal job descriptions, together with prescribed limits of authority agreed with the Board. These duties and responsibilities are reviewed and approved annually by the CEO.

Going-concern statement

The Board is of the opinion that, after making enquiries, it has reasonable expectation that the Group has sufficient resources to maintain its operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going-concern basis in preparing the financial statements.

Company Secretary

Gary Clarke is the Group Company Secretary. He is suitably qualified and has access to the Group's secretarial resources. The Company Secretary is responsible for the duties set out in section 88 of the 2008 Companies Act and for ensuring compliance with the Listings Requirements of the JSE Limited. He provides guidance and support to the Board, Board committees and the Executive Committee in matters relating to governance, sustainability, transformation and ethics. All Directors have unlimited access to the Company Secretary. He assists the Board as a whole, and all Board committees or Directors individually, with the discharge of their fiduciary duties. He also facilitates training and induction for Directors.

Independent advice

The Board recognises that there may be occasions when one or more Directors feel it necessary to take independent advice at the Company's expense. There is an agreed procedure in terms of which they can do so.

Ombudsman for JSE complaints and disputes

On 21 February 2007, the JSE was authorised in terms of section 14(a) of the Financial Services Ombud Scheme Act (Ombud Act), to operate a financial services ombud scheme in terms of the Ombud Act.

The rules applicable to the scheme are set out in the rules of the JSE. The rules regulate the resolution of complaints and disputes between authorised users and clients, and authorised users and authorised users. The Ombud Act requires that a monitoring body be appointed by the scheme to monitor the ongoing compliance of the scheme. The monitoring body of the scheme is the Executive Committee of the JSE. The ombud of the scheme is Judge C F Eloff, a retired judge and former judge president of the Transvaal. Through the scheme, the JSE is able to facilitate the resolution of complaints that are made by or against clients and authorised users in a timely and cost-effective way that eliminates the need for either party to resort to slow legal proceedings.

In 2011, one matter was referred to the Ombud but was withdrawn before being heard.

Section 16(1)(b) of the Ombud Act requires the monitoring body of the scheme to confirm that, insofar as it is required to, the scheme has, during the period under review, complied with its constitution and provisions and with the Ombud Act. The monitoring body duly confirms this.

RISK MANAGEMENT

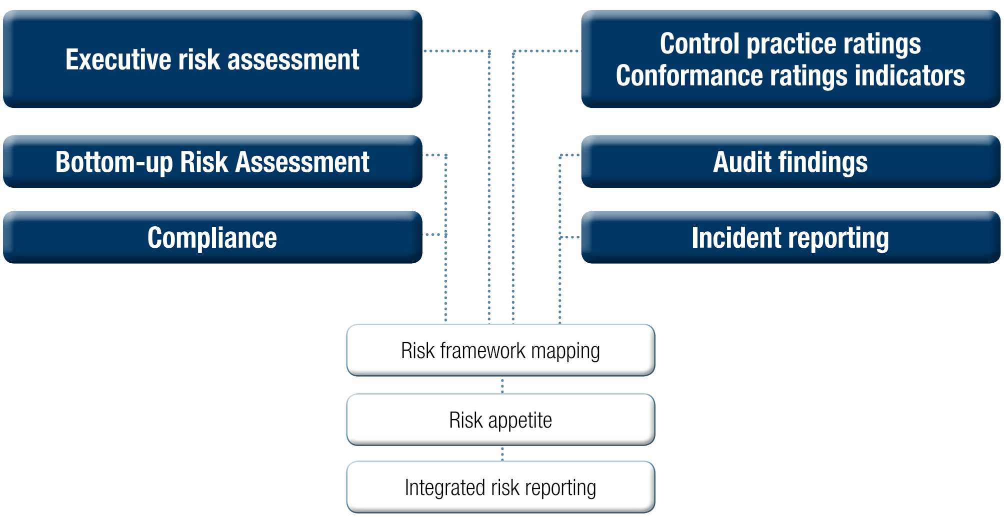
Philosophy and framework

Managing risk is an integral part of generating sustainable shareholder value and increased stakeholder interest. The JSE recognises its role in the eco-system within which it operates and has applied the principles of King III to guide the Group to ensure that an integrated risk-based approach is established and implemented.

The JSE has implemented an enterprise risk management framework that drives its risk management and reporting practices. This framework covers the three major risk areas namely, operational risk, financial risk and strategic risk and forms the basis for how the exchange identifies risk.

The JSE's enterprise-wide risk matrix is updated quarterly, with risks being ranked according to an appropriate methodology. The management of each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety. In addition and in line with King III recommendations, the JSE has an integrated risk reporting strategy to enhance the current risk assessment and management approach. Please refer to the JSE website for the JSE's approach in this regard.

Executive risk assessment	Risk assessment is done at Executive Committee level with ongoing reporting against identified risks.
Bottom-up risk assessment	The Executive Committee risk assessment process aims to have the ability to formally escalate risks emanating from various committees or functions.
Compliance	Although this function is a specialisation and reporting area in its own right, integration of the reporting schemes is driven by the Group Company secretary and the head of IT Governance.
Control practice ratings	The same measurement methodology already in place for IT Governance at a more granular level and ensures that controls are in place through conformance self-assessment against expected controls and, where appropriate, indicators.
Audit findings	This is the representation of internal and external audit findings in the integrated reporting rather than duplicating any of the audit efforts. The idea is to create a complete picture with all the reporting elements available for risk management.
Incident reporting	Incidents can indicate a lack of or failing controls. The integrated reporting approach defines a formal structure for including incident reporting into the risk picture, with formal escalation thresholds.
Risk framework mapping	All of the reporting elements will be mapped into a consistent framework to give the integrated view.
Risk appetite	Depending on the thresholds and appetite indications from the Risk Committee, reporting will be included into the integrated report.
Integrated risk reporting	A representation of items 1 to 6 within a framework structure based on set criteria for inclusion into risk committee reporting.



Material issues

The JSE defines its key material issues as follows:

Material issue	Commentary	Risks and opportunities	Page references
Remaining competitive in view of the changing landscape	The JSE has focused on driving out a co-ordinated strategy and structure across the JSE. Emphasis has been given to ensuring the JSE remains competitive and key strategic risks are considered. Special emphasis is being given to delivering an integrated client support services model. The overall JSE strategic process needs to enable the JSE to grow sustainably over the medium and long term. Close and transparent relationships with the regulators are in place and are being maintained.	The JSE, aware of the risk of stakeholders viewing the exchange as having an unattractive, uncompetitive offering, is taking action to ensure that the exchange remains competitive. Strategic goals and measurements are being driven out across the enterprise. Key strategic risks are being analysed and addressed. A portfolio management function as well as a formal prioritisation discipline is being further matured to ensure strategically aligned projects.	1, 2, 13–45
Ensuring that the JSE business is underpinned by an appropriate system and technology offering	The JSE's technological infrastructure is the backbone upon which the exchange operates. Improvements in the past year included service management and physical infrastructure improvements. Technology updates and improvements have occurred combined with project delivery requirements to support business changes. Remote disaster recovery has been improved, with client connectivity an outstanding issue. The stability of systems is actively managed but a concerted effort is required to ensure the trend of incidents remains downwards. IT delivery remains integral and various ways to further improve are being explored.	IT delivery models, processes and structures are being reviewed to increase IT service delivery. Interventions to reduce outages further are being driven out regardless of the success to date of dramatically decreasing outages. Key projects are tracked with various actions in place to manage the associated risk. Exco is also focusing on cost allocation to ensure appropriate business decision making and a key driver of that will be IT costs.	30
Attracting, growing and retaining the best talent	Owing to a general skills shortage within the financial and technology industry, combined with the unique business the JSE operates within a South African context, it is crucial for the JSE to attract new and nurture its existing talent. Formal HR disciplines have been in place for many years and are generally mature. A number of improvement areas have been identified, including a focus on employment equity, career development, key man dependencies and remuneration.	The JSE has completed a renewal of the remuneration policy. The revised policy is being implemented. JSE career planning is underway and EE targets are being re-set.	56–61
Ensuring the JSE's security is sufficient to ensure trustworthy operation	The information security strategy is being formalised, underpinned by independent assessment, focusing on identified areas. All deviations from security policy are managed through a formal dispensation process and approved at the appropriate management level or committee.	In order to retain and grow stakeholder trust in JSE security, and to guard against reputational damage, the ongoing operational focus on key issues will continue with a renewed focus placed on strategic planning. Awareness and governance is a continuous process.	48–54
Improving JSE procurement and vendor control	Procurement discipline, backed by a strong financial function, is in place, but there remains room for improvement. This function has matured considerably within Information Technology, with some work remaining.	A new focus area has been created to ensure that third-party vendor management is pushed to higher maturity levels.	Stakeholder report http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome
Staying ahead of the legal and regulatory forces affecting the JSE	The JSE understands that it needs to set the example in complying with both regulatory and legal requirements. The JSE legal function keeps abreast of changes in this landscape and advises on what is required. The various business areas have taken full ownership of relevant compliance areas and have driven the requirements into their business areas. The JSE keeps abreast of regulatory changes that might affect its operation.	Although this area has been traditionally well controlled, focus is now required on measuring and demonstrating compliance within its governance structures.	48–54

Dear Shareholder

My purpose in writing to you is to draw attention to the key remuneration matters addressed by the Human Resources and Social and Ethics Committee (HR Committee) during the year ended 31 December 2011. In particular, I wish to highlight the smooth transition in the leadership of the JSE, the compensation earned by executives during 2011 and certain policy changes approved by the committee.

Additional information on the JSE's remuneration governance framework and policies is contained in a supplementary report available online at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome. I would urge you to peruse the supplementary remuneration report, which expands on the matters addressed below, and to offer your support by voting in favour of the JSE's remuneration policies at the annual general meeting on 25 April 2012.

Remuneration in context

The JSE's remuneration philosophy, developed by the HR Committee and endorsed by the Board, serves as a guideline for the effective governance of compensation within the JSE. This philosophy aims to promote a culture that supports innovation, enterprise and the execution of Company strategy and that aligns the interests of staff with attaining profitable (and sustainable) long-term growth for the benefit of all stakeholders.

The compensation framework also takes into account the reality of the JSE's size and role within the South African financial sector. The nature of the business, its risk profile, the competitive environment and the issue of financial affordability all serve to shape the overall level of rewards that can be paid to executives and staff. These rewards must be balanced with rewards paid to the suppliers of capital (in the form of dividends) and to wider society (through taxation and corporate social responsibility).

Like most financial services organisations, the JSE remuneration mix for permanent staff comprises:

- >> base (guaranteed) pay and benefits (including retirement and medical aid benefits);
- >> annual variable remuneration linked to performance; and
- >> long-term incentives to both retain and incentivise key staff.

This mix varies with seniority, with an increasing element of variable pay at senior levels. For executives the targeted mix of guaranteed pay / annual incentives / long-term incentives tends towards 25 / 50 / 25. Naturally, the actual remuneration mix varies each year given that incentive payouts differ based on individual and corporate performance.

No changes to the JSE's core remuneration philosophy were effected during the year under review. Details of our remuneration philosophy, practices and programmes are contained in the online supplementary remuneration report at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-irhome.

Year in review

For the JSE the past year has definitely been a year of significant change, not least the transition in leadership. Russell Loubser has devoted 15 years to the JSE, leading the organisation through a metamorphosis from "club" to respected global exchange, demutualised, listed and ranked (for the last two years) as the number one regulated securities market in the world by the World Economic Forum. Russell also leaves the JSE in a healthy financial position (with some R1 billion in cash reserves) and for the 2011 year, has again delivered a solid operating performance, even providing headroom for the declaration of a special dividend last August. These achievements, and Russell's investment in a strong management team, provide a firm foundation for future growth.

The Board has recognised these accomplishments, which are reflected in the retiring CEO's remuneration for the current year and in his long-term incentives (summarised below, and outlined in detail in the supplementary remuneration report at http://ohx.corporate-ir.net/phoenix.zhtml.

The JSE has reported a strong set of operating results for 2011, with headline earnings up **29%** to R479.6 million (prior to impairments). The **10%** decline in net profit after tax reflects, of course, the impact of impairments to one of our key technology projects. Notwithstanding these impairments, the JSE's return on equity for 2011 still stands at **19.3%** (2010: **21.1%**).

Looking back over the past five years, the JSE's reported revenue has more than doubled to R1.4 billion while EBIT has grown by a compound **24.1%** per annum. Over this same period, the total shareholder return (TSR) enjoyed by JSE shareholders has averaged **11.8%** per annum, a return that is firmly within the top third of the FINI index constituents, and which outpaces all but four of the top 20 global exchanges.

Total personnel costs for 2011 (all permanent staff and fixed-term contractors, but excluding the IFRS impact of long-term incentives) amounted to R361.2 million being an increase of **10%** on the 2010 figure of R328.5 million. A portion of total personnel costs are capitalised each year where these costs represent work-in-progress on technology projects – in 2011 the capitalised portion totalled R75.7 million (2010: R26.1 million).

	2011	Y-on-Y % Δ
Staff complement at year-end	504	↑ 7%
Current year remuneration – staff and executives		
>> **Guaranteed pay:**		
Staff	R202.3 million	↑ 22.3%
Executive management [1]	R30.6 million	↑ 2.8%
>> **Variable pay:**		
Staff	R58.8 million	↑ 12.9%
Executive management [1]	R24.9 million	↑ 3.1%
>> **Ratio:** Retiring CEO guaranteed pay to junior staff pay	26 times	
>> **Total variable pay** [2]	R83.7 million	↑ 9.1%
>> **Total variable pay as % of NPAT**	24.5%	↑ 4.2% points
Long-term remuneration – executives		
>> Incentives vesting in 2011	R10.7 million	↓ 67.4%
>> New share awards (LTIS 2010) granted in 2011	R14.8 million	↓ 20.6%
On retirement		
>> Incentives accelerated in 2011 for retiring CEO and executive	R7.4 million	n/a
>> Cash payment in lieu of LTIS 2010 award for retiring CEO	R2.1 million	n/a

[1] *All executives (being directors and other members of executive management) are prescribed officers within the meaning of the Companies Act, 2008. Individual disclosure of the remuneration of executives (and prescribed officers) is contained in note 27 to the annual financial statements.*

[2] *Thirty-percent of the special bonus award for 2011 withheld pending satisfactory progress in 2012 on key technology deliverable (to be assessed by HR Committee by end-2012). This withheld portion translates into an amount of R12 million reflected within total variable pay of R83.7 million.*

HR Committee – key decisions

In addition to discharging its usual responsibilities during 2011, the HR Committee has been involved in:

- >> Determining all aspects of Russell Loubser's retirement package as retiring CEO
- >> Benchmarking the guaranteed package for Nicky Newton-King as incoming CEO
- >> Considering improvements to LTIS 2010, the JSE's existing long-term incentive scheme
- >> Re-examining the JSE's non-executive director fee model
- >> Holding the JSE's first say-on-pay advisory vote at the AGM in April 2011

Retiring CEO package: Three aspects of Russell Loubser's package for 2011 required specific decisions by the HR Committee:

- >> **Annual salary increase for 2011:** A 6% increase was awarded by the HR Committee for the 2011 year in line with CPI expectations for the year.
- >> **Variable pay for 2011:** The Board stipulated a number of performance objectives for the retiring CEO, including financial performance targets, technology delivery targets and various strategic objectives. Based on an assessment of the retiring CEO's overall performance, including the JSE's solid operating performance and the smooth transition in leadership, the HR Committee awarded a contractual bonus of R3.2 million (being **85%** of the retiring CEO's maximum contractual bonus) as well as a discretionary bonus of R2.6 million (of which 30% was withheld pending satisfactory progress during 2012 on a key technology deliverable and which discretionary bonus was a portion of the discretionary bonus awarded to all staff). Russell Loubser remains eligible to receive this withheld portion notwithstanding his retirement.

- **Long-term incentive awards for 2011:** The HR Committee decided not to award Russell Loubser a fresh award under LTIS 2010 in his retirement year (notwithstanding his entitlement to such a share award). Instead, the HR Committee was of the view that it would be in the JSE's best interests to grant the retiring CEO a cash award in lieu of shares, adjusted to take account of the likely expected performance over the next four years of a notional share award. This cash award totalled R2.1 million being **67%** of the value of the notional share award of R3.2 million that he would have received as an allocation under LTIS 2010.

As retiring CEO, Russell Loubser was also entitled to various contractual benefits under the Cash LTIS schemes and his original service contract. The HR Committee noted these benefits, being the retiring CEO's right to –

- **Long-term incentives vesting in normal course of business:** R1.7 million under Cash LTIS 2008
- **Long-term incentives accelerated and paid-out on retirement:** R5.5 million under Cash LTIS 2008 & 2009
- **Contractual restraint payment due on retirement:** R3.7 million (equal to CEO's guaranteed pay in final year of employment)

Appointment of new CEO: On behalf of the Board, the HR Committee managed the process of identifying a successor to Russell Loubser. Having selected an independent, international executive search agency, the HR Committee reviewed the evaluations prepared by the agency in respect of each potential candidate and subsequently interviewed the shortlisted candidates. Following an extensive process, the Board appointed Nicky Newton-King, the JSE's Deputy CEO since 2002, as CEO-elect. Nicky assumed office on 1 January 2012.

As part of this CEO appointment process, the HR Committee obtained independent advice on an appropriate guaranteed salary package. Based on this independent benchmark data, the Committee decided on a guaranteed annual salary of R3.3 million for 2012 for the incoming CEO, this salary being at the median of a peer group of local financial services companies.

Performance management / short-term incentives: Early in 2012 the JSE's new CEO presented to the HR Committee a proposed new approach to performance management within the JSE. This new approach creates an explicit linkage to corporate and individual performance scorecards with a clear emphasis on delivery in order to earn variable pay awards. Individual performance ratings will now apply to both the budgeted bonus pool and any corporate-level bonus, the latter being subject to the JSE's overall financial performance for 2012.

LTIS 2010: This restricted share scheme constitutes the JSE's preferred long-term reward mechanism as it encompasses a corporate performance component (thereby creating alignment with shareholder interests) and assists in building over time a shareholder base within the senior staff corps. However, the HR Committee has decided to amend the existing retention component of the scheme for all future allocations. Retention share allocations to be granted from 2012 onwards will now be subject to a participant's personal performance over the vesting period. This is intended to place a greater emphasis on pay for performance with a move away from pure retention shares.

Total personnel costs: As a knowledge-centric business the JSE relies heavily on its "human capital" for sustained success. With a staff complement of some 500 people and a vertically-integrated business model, total personnel costs average between **22%** – **26%** of total annual revenue. By contrast, many other global exchanges outsource their technology and are responsible for neither issuer regulation (listings) nor market regulation (surveillance) – critical functions that are at the heart of the JSE's business and which are staffed by some 250 people in all (technology and regulation). These different business models make it difficult to draw comparisons between exchanges. The HR Committee remains comfortable that total personnel costs at the JSE continue to represent value for money and a reasonable percentage of total revenue.

Non-executive director fees: The HR Committee is proposing a change to the JSE's existing retainer and meeting fee model. Details of this proposed change are outlined below and in our supplementary remuneration report.

Current year remuneration

Current year remuneration comprises guaranteed and variable pay. Both these pay elements are reviewed regularly by the HR Committee in an effort to keep pay levels competitive with the market and to ensure that variable pay reflects the contributions made by individual executives.

Guaranteed pay is structured on a total cost-to-company basis, and benchmarked against independent survey data. For the year under review the average salary increment for members of executive management was **4.9%** (2010: **6.3%**) whilst for staff the average increase amounted to **6.9%** (2010: **8.9%**).

Annual variable pay comprises awards under the contractually-guaranteed deferred compensation scheme and the discretionary special bonus scheme, together with the retiring CEO's contractual annual bonus. Variable pay awards granted in 2011 comprise:

- R40.5 million in deferred compensation (2010: R37.2 million)
- R3.2 million for the retiring CEO's annual contractual bonus, being **85%** of the maximum possible bonus (2010: R3.6 million)
- R40 million in special bonus awards (2010: R36 million) of which **30%** has been withheld pending satisfactory progress on a key outstanding technology project during the course of 2012

A detailed analysis of the remuneration paid to individual members of executive management (and prescribed officers) is included in the supplementary remuneration report (available on-line) and in notes 22 and 27 to the annual financial statements, together with details of management's direct beneficial holdings in the JSE.

Long-term remuneration

Long-term incentives are intended to align management interests with those of shareholders, and thereby drive sustainable value creation over a longer horizon. By design, our long-term incentives are aimed at retaining and incentivising selected key staff within the JSE.

During 2011 the long-term incentive profile for executive management changed as follows:

- **Lapsed:** Penultimate portion of LTIS 2006 (Tranche 2) lapsed as the JSE share price remained below the base price of R85.45 per Share Appreciation Right (these Rights were issued in November 2007, and have not been subsequently re-priced)
- **Vested:** R10.7 million in cash being the first 50% portion of Cash LTIS 2008 together with interest calculated at JSE Trustee's rate
- **Accelerated:** R7.4 million in cash being the remaining Cash LTIS 2008 & 2009 awards (inclusive of interest) held by the retiring CEO and another executive (who are entitled to receive accelerated awards in terms of these two cash schemes)
- **Forfeited:** R4 million in cash under Cash LTIS 2008 & 2009 schemes and R3.5 million in JSE shares under LTIS 2010, held by two executives (M Dlamini and A Thomson) whose employment terminated during 2011
- **Awarded:** R14.8 million in new share awards under LTIS 2010 (Allocation 2) which are scheduled to vest in May 2014 and May 2015, subject to both time and performance criteria

No fresh awards were issued during the year under the JSE's legacy schemes (LTIS 2006 and the two Cash LTIS 2008 & 2009 schemes) as these schemes are being wound down. Our restricted share scheme (LTIS 2010) remains our primary long-term reward mechanism, and requires at least threshold corporate performance to be achieved across the vesting term in order for any portion of the performance shares to vest.

As explained above, the retiring CEO did not participate in LTIS 2010 Allocation 2 (notwithstanding his entitlement to a share award in his retirement year), but received a cash award in lieu of shares.

Retirement benefits / termination payments

On retirement, employees are contractually entitled to certain benefits as circumscribed in their service / employment contracts and the JSE's HR policies. In the case of retiring executives who hold unvested long-term incentives, the relevant provisions of the applicable long-term incentive schemes also apply.

At the end of the financial year two executives, RM Loubser and R Gravelet-Blondin, retired from the JSE after 15 and 17 years' service respectively. Details of the contractual benefits due to these executives are set out in the table below.

During the year, A Thomson was dismissed from the JSE following a disciplinary process. Mr Thomson was entitled to his accumulated leave pay, and received an ex gratia payment authorised by the retiring CEO. All deferred short-term incentives as well as all unvested long-term incentives held by Mr Thomson were forfeited on exit.

	Long-term incentives					
Executive management	Accelerated payouts per Scheme rules	Payment in lieu of LTIS 2010 Allocation 2	Contractual restraint payment	Accumulated leave payout	Ex-gratia payment	**Total 2011 R'000**
RM Loubser	**5 476**	**2 168**	**3 715**	**36**		**11 395**
R Gravelet-Blondin	**1 905**			**204**		**2 109**
A Thomson				**21**	**931**	**952**
M Dlamini (resigned)				**85**		**85**
Total	**7 381**	**2 168**	**3 715**	**346**	**931**	**14 541**

Non-executive directors

During the year under review, and in light of recent governance and regulatory developments, the HR Committee undertook a detailed review of the compensation structure and level of fees paid to JSE non-executive directors. As a consequence, the HR Committee is proposing various revisions to the existing compensation model:

Change to a single fee model	The role of a non-executive director, especially within financial services companies, extends substantially beyond attendance at meetings. Emoluments should therefore be a function of board and committee membership rather than a reward for attending meetings, as meeting attendance on its own remains a poor measure of actual contribution to the affairs of a company. A single annual retainer, reflective of the role and responsibilities being discharged by a non-executive director, has the advantages of being administratively simpler, easy to understand and allows for clear comparisons by shareholders from year-to-year. JSE non-executive directors attend almost all scheduled Board and Board Committee meetings. To the extent that meeting attendance does become an issue, it is better addressed by the Chairman on a one-on-one basis, and via the annual Board evaluation process, rather than attempting to encourage attendance via a meeting fee model.
Two-year fee approval cycle	The Companies Act, 2008 requires non-executive director emoluments to be approved in advance by shareholders by way of a special resolution at intervals of not more than two years. To align with this statutory requirement, shareholders will be requested to consider and approve specific emoluments for a two-year period in the interests of administrative efficiency.
Retrospective payments	Current JSE practice is for shareholders to approve non-executive director emoluments for a twelve-month period extending from one annual general meeting to the next. As this twelve-month period bisects the financial year, it renders annual fee comparisons less meaningful. To simplify annual comparisons, it is proposed that once emoluments have been approved by shareholders at the annual general meeting, these emoluments be applied retrospectively to the beginning of that financial year, and any adjustments to fees be paid to non-executives as required.
Premium for Board Committee Chairpersons	The Chairpersons of Board Committees play a crucial role in shaping the annual agenda of each Committee, leading each Committee and liaising with management on an on-going basis. As a guideline, it is proposed that the Chairperson of each Committee receive an annual retainer equal to twice the annual fee earned by a Committee member (2.5 times for Audit Committee Chairperson).
Recognition of Lead Independent Director role	Having a Lead Independent Director has been a feature of the JSE Board for a number of years, although the incumbent has only been remunerated as an ordinary non-executive. It is now proposed that this role be formally recognised by shareholders through payment of an annual fee. Research indicates that fees for Lead Independent Directors in South Africa are usually calculated as a premium on the annual retainer, with actual market data reflecting this premium to be **30%**.

In determining the level at which to set non-executive director emoluments, the HR Committee has reference to independent market data for a selected peer group of financial services companies, the data being supplied by PwC. Having reviewed the latest data, the HR Committee has concluded that existing (annual aggregate) emoluments for JSE Board members are above the median (of the peer group), and by contrast, emoluments for Board Committee members are in almost all cases substantially lagging the market. The HR Committee is therefore proposing that shareholders consider and approve a series of fee increases for members of JSE Board Committees whilst maintaining the annual retainers for Board members at the existing level. This proposal translates into a projected cumulative fee expense of R5.9 million for 2012 and an expense of R6.4 million for 2013, being modest year-on-year increases of **6.5%** and **7.2%** respectively.

The proposed amendments to the fee model will be tabled for consideration and approval by shareholders at the annual general meeting on 25 April 2012, together with the schedule of proposed emoluments (contained in the on-line supplementary remuneration report and in the Notice for the annual general meeting).

Looking forward

The HR Committee's principal focus is to ensure that the JSE's remuneration policy and practices directly support the achievement of the company's business goals, to the ultimate benefit of shareholders and the wider universe of stakeholders. This must be achieved within the context of responsible governance. The Committee also remains committed to the publication of clear, timely and comprehensive information regarding JSE remuneration, and in the year ahead will aim to improve the quality of disclosure and extend a constructive engagement with key stakeholders. Management's bi-annual presentations to shareholders provide an opportunity for such engagement, and we would welcome comment on our remuneration policies, practices and disclosures.

We look forward to working with the new Chief Executive, Nicky Newton-King, as she seeks to drive out a revitalised business strategy with an emphasis on pay for performance.

I wish to thank my fellow HR Committee members for their support and wise counsel during a challenging year.

As I mentioned earlier, our supplementary remuneration report (available on-line) forms an integral element of our remuneration report-back to shareholders. Our remuneration policies as outlined here and in our supplementary report are subject to a non-binding advisory vote by shareholders at the annual general meeting on 25 April 2012. A separate (and binding) shareholders' resolution covers the approval of non-executive director emoluments.

Your support for the JSE's remuneration policy and practices is solicited. As Chairperson of the HR Committee, I will be available at the annual general meeting to respond to any questions raised by shareholders in connection with the report.

A D Botha
Chairperson: Human Resources, Social and Ethics Committee

BOARD OF DIRECTORS

Humphrey Borkum (67)

Chairman

Number of years in service: 12

Executive chairman of Merrill Lynch SA, a subsidiary of Bank of America Corporation.

Appointed to the Board in 2000

Russell Loubser (61)

CEO (retired as CEO, Director and member of Board subcommittees on 31 December 2011)

Number of years in service: 15

Previous Executive Director of financial markets at Rand Merchant Bank Limited; previous chairman of the South African Futures Exchange.

Appointed to the Board in 2000

Nicky Newton-King (45)

CEO (appointed 1 January 2012)

Number of years in service: 15

Deputy Chief Executive Officer; member of the Financial Markets Advisory Board and Standing Advisory Committee on Company Law; member of the Presidential Remuneration Commission.

Appointed to the Board in 2000

Freda Evans (53)

Chief Financial Officer

Number of years in service: 11

Appointed to the Board in 2008

Leanne Parsons (46)

Director: Equity Market (alternate Board member)

Number of years in service: 26

Director of JSE-related companies.

Appointed to the Board in 2000

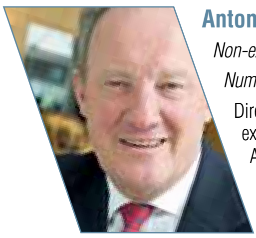
John Burke (46)

Director Issuer Regulation (alternate Board member)

Number of years in service: 22

Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; Deputy Chairman of the Institute of Directors.

Appointed to the Board in 2001



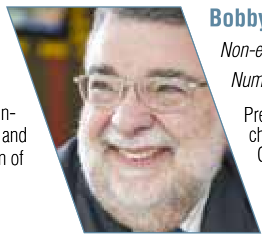
Anton Botha (58)

Non-executive Director

Number of years in service: 12

Director and co-owner of Imalivest; non-executive Director of Sanlam Limited and African Rainbow Minerals; Chairman of Vukile Property Fund.

Appointed to the Board in 2000



Bobby Johnston (62)

Non-executive Director

Number of years in service: 12

Previous chairman of the JSE; chairman of Strate Limited; previous Chief Executive Officer of First National Equities Limited

Appointed to the Board in 2000

David Lawrence (60)

Non-executive Director

Number of years in service: 3

Deputy Chairman of Investec Bank; previous Chairman and Managing Director of Citibank SA; director of various companies

Appointed to the Board in 2008

Andile Mazwai (40)

Non-executive Director

Number of years in service: 7

Former Group Chief Executive Officer of Barnard Jacobs Mellet; founder of Mazwai Securities

Appointed to the Board in 2004

Sam Nematswerani (50)

Non-executive Director

Number of years in service: 7

CEO Aka Capital (Pty) Ltd

Director of various companies

Appointed to the Board in 2005

Nigel Payne (52)

Non-executive Director

Number of years in service: 16

Director of companies. Non-executive Director of Strate; member of the King Committee on Corporate Governance

Appointed to the Board in 2005

Gary Clarke (46)

Director: Group Company Secretary

Number of years in service: 14

Director of JSE-related companies.
Appointed Company Secretary in 2001

Zitulele (KK) Combi (61)

Non-executive Director

Executive chairman of Thembeka Capital

Number of years in service: 2

Director of companies: PSG Group Limited, PSG Financial Services, Pioneer, Vividend Income Fund

Appointed to the Board in 2009

Nonkululeko Nyembezi-Heita (51)

Non-executive Director

Number of years in service: 4

Non-executive Director of Old Mutual (South Africa), Macsteel International. Executive Director of ArcelorMittal South Africa

Appointed to the Board in 2009

MEMBERS OF THE EXECUTIVE COMMITTEE

Russell Loubser (61)
CEO (retired 31 December 2011)
Number of years in service: 15

Nicky Newton-King (45)
CEO (appointed 1 January 2012)
Number of years in service: 15

Freda Evans (53)
Chief Financial Officer
Number of years in service: 11

Leanne Parsons (46)
Director: Equity Market
Number of years in service: 26

Gary Clarke (46)
Director: Group Company Secretary
Number of years in service: 14

Shaun Davies (45)
Director: Market Regulation
Number of years in service: 16

John Burke (46)
Director: Issuer Regulation
Number of years in service: 22

Des Davidson (58)
Director: Clearing and Settlement
Number of years in service: 22
(Stepped down from Executive Committee in March 2012)

Jannie Immelman (52)

Senior general manager: Information Services (stepped down from Executive Committee in March 2012)

Number of years in service: 15

Ana Forssman (47)

Senior general manager – Information Products Sales

Number of years in service: 23

Geoff Rothschild (65)

Director: Government and International Affairs

Number of years in service: 8

Riaan van Wamelen (42)

Chief information officer

Number of years in service: 4

Mpuseng Moloi (49)

Senior general manager: Human Resources (stepped down from Executive Committee in March 2012)

Number of years in service: 8

Graham Smale (53)

Director: Interest Rate Products

Number of years in service: 2

For more detailed information go to www.jse.co.za

These annual financial statements have been prepared under the supervision of the Chief Financial Officer, Ms Freda Evans CA(SA), and have been audited in compliance with section 30 of the 2008 Companies Act.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors are responsible for the preparation and fair presentation of the Group annual financial statements and the annual financial statements of JSE Limited, comprising the statements of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

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

Approval of annual financial statements

The Group annual financial statements and the annual financial statements of JSE Limited, as identified in the first paragraph, were approved by the Board of Directors on 13 March 2012 and signed on its behalf by

H J Borkum
Chairman

N Newton-King
Chief Executive Officer

DECLARATION BY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2011

The JSE Limited has complied with all statutory and regulatory requirements in accordance with the Securities Services Act, and all directives issued by the Financial Services Board. In terms of section 88 of the Companies Act, as amended, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

G C Clarke
Group Company Secretary

Independent auditor's report

To the shareholders of JSE Limited

We have audited the Group annual financial statements and the annual financial statements of JSE Limited, which comprise the statements of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 37 to 108.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the JSE Limited at 31 December 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered auditor

Per T Middelmiss
Chartered Accountant (SA)
Registered auditor
Director
13 March 2012

85 Empire Road
Parktown
2193

The Directors are pleased to present the annual financial statements of the JSE Group for the year ended 31 December 2011.

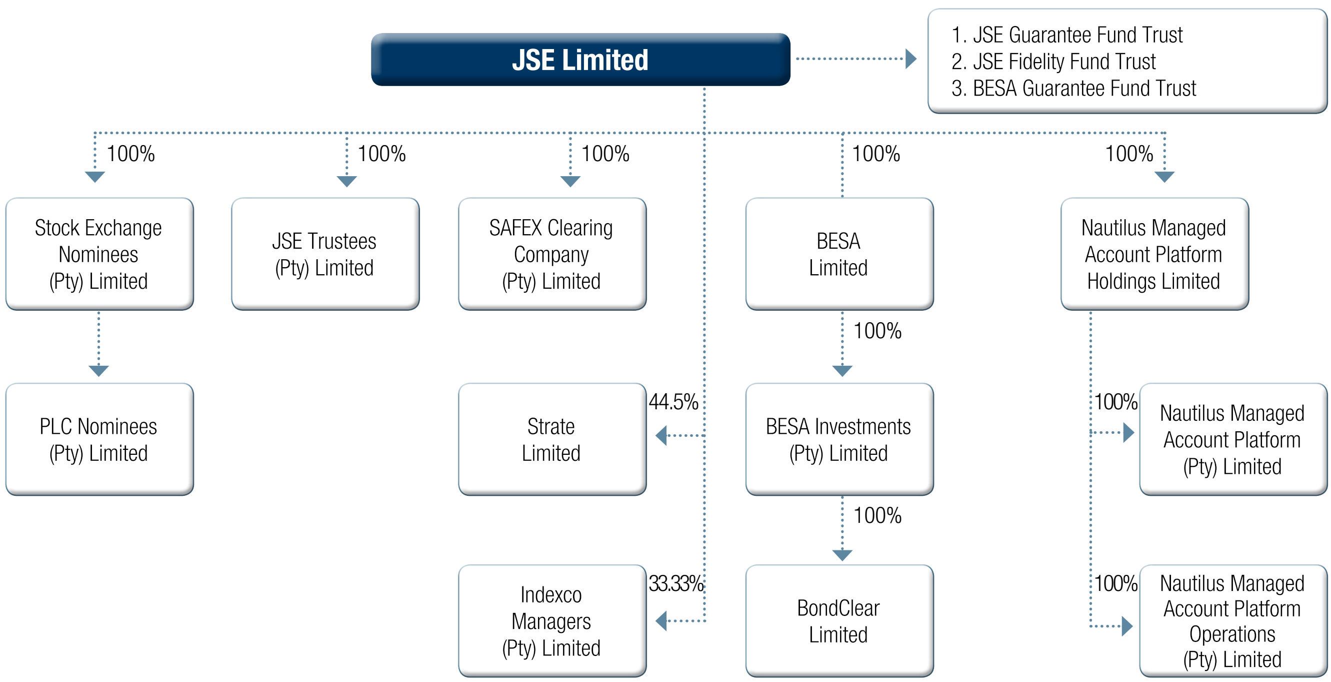
Business activities

The JSE is licensed as an exchange under the Securities Services Act of 2004 and carries on business at One Exchange Square, 2 Gwen Lane, Sandown. The postal address is Private Bag X991174, Sandton, 2146. The JSE is a full-service, modern securities exchange providing fully electronic trading, clearing and settlement of equities, derivatives (equities and commodities), interest rate products and other associated instruments. It has extensive surveillance capabilities and is also a major provider of financial information products.

The JSE has the following main lines of business: issuer services, trading, clearing and settlement services, technology and other technology-related services, and information product sales. The contribution of these business lines to revenue is set out in note 8.1 to the financial statements.

Further information on the business activities of the JSE is also set out in the CEO's statement.

JSE subsidiaries and strategically important investments



Nautilus Managed Account Platform

In May 2011, the Competition Commission approved the JSE's acquisition of MAP (Managed Account Platform) from Momentum. MAP, which was renamed to Nautilus MAP, provides a methodology for monitoring the compliance with mandates of hedge fund managers.

Payment to Momentum (R27.5 million) for the platform will not be made in cash. Rather, the JSE will take a portion of the fee that is charged to the investor of the funds for participating on the platform.

BESA Limited (BESA), BESA Investments (Pty) Limited (BESA Investments) and BondClear Limited (BondClear)

As the businesses of all BESA entities have been incorporated into JSE business, none of the entities conducted any operations in the year under review. As a consequence, the three entities will be deregistered as soon as all formalities in relation to this process have been addressed.

Strategically important investments

Strate Limited (Strate)

The JSE owns 44.55% (2009: 44.55%) of the 9 756 issued ordinary shares in Strate. Strate is a central securities depository licensed under the Securities Services Act and is responsible for the electronic settlement of all transactions on the JSE's equities and warrants markets. It also settles spot bonds on Yield-X and transactions from the former Bond Exchange of South Africa. Electronic custody of shares eliminates the risks inherent in paper settlement and the costs relating to lost, stolen or forged documents. The electronic records of shareholding are subject to extensive controls.

Strate uses the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network to achieve true simultaneous final and irrevocable delivery versus payment (SFIDvP) in central bank funds. Other features of Strate include disclosure of beneficial shareholding through the beneficial owner download and the enablement of automated securities lending and borrowing for clients.

The financial performance of Strate is closely correlated to that of the JSE and to the financial markets. The contribution from the business of Strate is set out in note 14.1.

General review of JSE operations

The operating results and the state of affairs of the Company and the Group are fully set out in the attached statement of financial position and described in the CEO's statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The Group's attributable earnings to shareholders amounted to R341 million (2010: R378 million).

Authorised users

As at 31 December 2011, there were 412 authorised users (2010: 397), which can be broken down as follows:

	2011	2010
Equities members	63	61
Equity derivatives members	128	125
Commodities derivatives members	100	96
Interest rate	121	115
Total	412	397

Financial results

Profit for the year ended 31 December 2011 amounted to R341 million (2010: R378 million), representing earnings per share of 400.8 cents (2010: 445.5 cents). Headline earnings were 562.4 cents per share (2010: 436.1 cents per share). The most noteworthy item on the consolidated statement of the financial position is liquid assets of R16 billion (2010: R16 billion). This predominantly represents margins held for open positions in the derivatives market.

It should be noted that the JSE maintains the JSE Guarantee Fund Trust, the BESA Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust for investor protection purposes, as required under the Securities Services Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the Group in terms of International Financial Reporting Standards.

Dividend policy

The Directors are conscious of the fact that the JSE needs to provide the most cost-effective services to its clients while providing an acceptable return to its shareholders. In particular, the Directors do not expect to increase the prices of the JSE's services for the sole purpose of being able to provide a larger dividend to shareholders.

The exchange analyses its capital requirements in three categories:

- First, to ensure a smoothly operating stock exchange, the JSE sets aside sufficient cash to fund four months of operations.
- Second, as the JSE guarantees all central order book equity trades, it sets aside sufficient cash to meet its obligations assuming the failure of a JSE equity member (broker).
- Third, the JSE must be in a position to maintain infrastructure and meet capital needs for expansion, so we set aside a portion of cash to fund these types of investments.

On the basis of this assessment, the Directors has determined how much cash we need. This will be revisited regularly. During 2011, surplus funds, amounting to R200 million, were distributed to shareholders as a special dividend.

The Directors have made no change to the dividend policy during the year, which remains an earnings-based dividend cover of between 1.5 and 2.5 times, excluding once-off adjustments.

The Directors declared a dividend of 250 cents per ordinary share on 13 March 2012, which translates to a dividend cover of 2.19.

Ordinary dividend	2011	2010
Dividend per share (cents)	250	210
Rand value	R217 million	R178 million
Declaration date	13 March 2012	15 March 2011
Last date to trade cum dividend	18 May 2012	20 May 2011
Shares commence trading ex dividend	21 May 2012	23 May 2011
Record date	25 May 2012	27 May 2011
Payment date	28 May 2012	30 May 2011

Although the new dividends tax will become effective from 1 April 2012, the receipt of dividend no. 9 in May 2012, by JSE shareholders will not attract dividends tax as the JSE will be liable for Secondary Tax on Companies.

Regulatory and supervisory structure

The Financial Services Board (FSB) is responsible for supervising the JSE's listing and regulates its ongoing compliance with the JSE Listings Requirements. During the year under review, the JSE complied with all its rules, Listings Requirements and procedures in a manner that warrants its continued listing and there were no conflicts of interest that were required to be referred to the FSB. To further mitigate the possibility of such conflict of interest, an SRO Oversight Board subcommittee was set up in the last quarter of the year. For more information on its mandate and function, refer to page 20.

Share capital

Full details of the authorised, issued and unissued capital of the JSE are contained in note 21 to the annual financial statements. In July, 1 737 550 new shares were listed as a consequence of the remaining participants in the 2006 JSE black shareholders' retention scheme exercising their allocated options. These additional shares are identical in nature to the shares already in issue and listed as described below. Approval for this issue was given in May 2006.

Rights attaching to shares

Each ordinary JSE share is entitled to identical rights in respect of voting, dividends, profits and a return of capital. The variation of rights attaching to JSE shares requires the prior consent of at least three-fourths of the issued shares of that class or the sanction of a special resolution passed at a special general meeting of the holders of the JSE shares of that class.

The issue of JSE shares, whether in the initial or in any increased capital, is subject to shareholder approval.

Special resolutions

The following special resolutions were passed or withdrawn in 2011:

Special resolution 1 was passed

Resolved that, as a general approval contemplated in sections 85 to 89 of the Companies Act, No. 71 of 2008, as amended or to be replaced (the 1973 Act); or

as a general approval for purposes of section 48 of the 2008 Act, including as contemplated in section 48(8)(a), as may be appropriate, the Directors be authorised to determine that the Company, or a subsidiary of the Company, from time to time, acquire issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, including acquiring such shares from directors or prescribed officers of the Company, or persons related to such directors or prescribed officers, but subject to the provisions of the 1973 Act or the 2008 Act, as the case may be, and the JSE Listings Requirements.

Special resolution 2 was withdrawn

Special resolution 3 was passed

Resolved that, with effect from 1 May 2011, the annual retainers and meeting fees to be paid to non-executive Directors of the Company for their services as Directors be and are hereby increased by 12%.

Directors and Company Secretary

Directors

Non-executive Directors	Executive Directors
H J Borkum (Chairman)	R M Loubser (CEO) retired 31 December 2011
A D Botha (lead independent director)	N F Newton-King (new CEO) effective 1 January 2012
M R Johnston	F Evans (CFO)
A M Mazwai	**Alternate Directors**
N S Nematswerani	L V Parsons (Director: Equity Market)
N Payne	J H Burke (Director: Issuer Regulation)
D Lawrence	**Group Company Secretary**
N Nyembezi-Heita	G C Clarke
Z L Combi	
G T Serobe – resigned 28 April 2011	
W Y N Luhabe – resigned 28 April 2011	

Directors' interests and shareholding

Directors' interest as at 31 December 2011

Director	Direct beneficial	Indirect beneficial	Held by associates	Total	%
R M Loubser (CEO)**	**1 000**	**–**	**–**	**1 000**	**0.0012**
N F Newton-King (deputy CEO)**	**3 400**	**–**	**–**	**3 400**	**0.0039**
F Evans (CFO)**	**1 000**	**–**	**–**	**1 000**	**0.0012**
L V Parsons**	**2 000**	**–**	**–**	**2 000**	**0.0023**
J H Burke**	**3 200**	**–**	**–**	**3 200**	**0.0037**
H J Borkum (chairman)	**15 000**	**–**	**–**	**15 000**	**0.0173**
A D Botha	**25 000**	**–**	**–**	**25 000**	**0.0288**
A M Mazwai*	**5 000**	**–**	**–**	**5 000**	**0.0058**
W Y N Luhabe	**214**	**–**	**–**	**214†**	**0.0002**
All other Directors hold no interests in the JSE	**–**	**–**	**–**	**–**	**0.0000**
Total	**55 814**	**–**	**–**	**55 814**	**0.0642**

* *18 March 2011 – Andile Mazwai purchased 1 057 shares.*

** *These Directors participate in the LTIS 2010 scheme and are recipients of shares that will vest from 2013 onwards. For further details refer to note 27.3*

Directors' interest as at 31 December 2010

Director	Direct beneficial	Indirect beneficial	Held by associates	Total	%
R M Loubser (CEO)**	1 000	–	–	1 000	0.0012
N F Newton-King (deputy CEO)**	3 400	–	–	3 400	0.0040
F Evans (CFO)**	1 000	–	–	1 000	0.0012
L V Parsons**	2 000	–	–	2 000	0.0023
J H Burke**	3 200	–	–	3 200	0.0038
H J Borkum (chairman)	15 000	–	–	15 000	0.0176
A D Botha	25 000	–	–	25 000	0.0293
A M Mazwai	3 943	–	–	3 943	0.0046
W Y N Luhabe	214	–	–	214†	0.0003
All other Directors hold no interests in the JSE	–	–	–	–	0.0000
Total	54 757	–	–	54 757	0.0643

†*Shares received in the form of a dividend in specie.*

** *These Directors participate in the LTIS 2010 scheme and are recipients of shares that will vest from 2013 onwards. For further details refer to note 27.3.*

The JSE is in a closed period for approximately six months of the year:

Event	Closed period	
2010	Annual financial statements being prepared	1 December 2010 to 15 March 2011
2011	Interim financials being prepared	1 June 2011 to 17 August 2011
2011	Annual financial statements being prepared	1 December 2011 to 13 March 2012

All Directors' and executive members' dealings in share transactions during 2011 were disclosed through SENS.

A summary of these approved dealings is shown below:

Director	Transactions
Andile Mazwai	18 March 2011 – purchased 1 057 shares

Retirements by rotation

In terms of the JSE's memorandum of incorporation, Nigel Payne, Nonkululeko Nyembezi-Heita and K K Combi retire by rotation at the 2012 annual general meeting to be held on Wednesday, 25 April 2012. Nigel Payne and Nonkululeko Nyembezi-Heita are eligible and available for re-election. A brief curriculum vitae for each director up for re-election appears in the notice of the annual general meeting. KK Combi has not made himself available for re-election.

Service contracts with Directors

The Chief Executive Officer, all executive Directors, the Company Secretary and the executive management of the JSE have signed contracts of employment with the JSE. Apart from the contract with the Chief Executive Officer, all such contracts have a three-month notice period for resignation or termination of employment. The Chief Executive Officer's notice period for resignation or termination of employment is four months. The Chief Executive Officer's service contract makes provision for a 12-month restraint of trade payable on termination of the Chief Executive Officer's employment. All the other clauses of the service contracts are standard clauses for contracts of this nature.

Material commitments, lease payments and contingencies

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 shares in the company that owns the building be available for purchase, the JSE has a right of first refusal to buy the shares at a price yet to be determined. The operating lease payments escalate at 11% per annum.

The JSE is party to a contract with the London Stock Exchange (LSE) for the use of the LSE's trading and information systems. The licence fees are payable quarterly in advance in pound sterling.

The JSE and Strate have entered into an agreement in terms of which Strate will provide settlement services for trades on the JSE's equities and spot interest rate markets.

State of affairs at company – material matters

Although the strong operating performance resulted in a substantial increase in headline earnings per share, we took the difficult business decision of recognising an impairment of approximately R223 million (2010: R33 million) to software under development for the Systems Replacement Project.

The decision to impair SRP was taken after careful and detailed examination of the results of the software testing performed on SRP in the second half of 2011. That testing resulted in us deciding not to implement the SRP system as planned towards the end of 2011. Given the extended period over which the SRP has run and the challenges experienced with it which have resulted in the impairment discussed earlier we are reviewing the project to ensure that it will still deliver the required benefits to the JSE and clients.

We are not yet in a position to make a final decision on SRP but are working to that goal as quickly as we can. At that point we will communicate our decision to stakeholders.

For further information on our technology initiatives, please see the section on Information technology.

Post-reporting date events

There have been no changes to the directors' interests in the ordinary share capital of the Company between 31 December 2011 and the date of this report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		Group		Exchange		Investor Protection Funds*	
	Note	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Revenue	8.1	1 369 810	1 255 148	1 392 304	1 278 487	—	—
Other income	8.2	46 980	50 267	175 408	38 436	26 866	36 082
Personnel expenses	9.1	(299 184)	(338 098)	(299 184)	(338 098)	—	—
Other expenses	9.2	(737 530)	(541 087)	(860 943)	(514 240)	(7 780)	(15 334)
Profit before net finance income		380 076	426 230	407 585	464 585	19 086	20 748
Finance income	9.3	911 776	1 027 947	57 528	55 392	7 423	8 886
Finance costs	9.4	(825 646)	(940 957)	(9 013)	(7 556)	—	—
Net finance income		86 130	86 990	48 515	47 836	7 423	8 886
Share of profit of equity-accounted investees (net of income tax)	14.2	31 905	26 446	—	—	—	—
Profit before income tax		498 111	539 666	456 100	512 421	26 509	29 634
Income tax expense	10.1	(156 316)	(161 659)	(155 850)	(161 607)	—	—
Profit for the year		341 795	378 007	300 250	350 814	26 509	29 634
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	8.3	1 057	29 660	—	—	1 057	29 660
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	8.3	(22 931)	(31 893)	—	—	(22 931)	(31 893)
Income tax on other comprehensive income	10.3	—	—	—	—	—	—
Other comprehensive loss for the year, net of income tax		(21 874)	(2 233)	—	—	(21 874)	(2 233)
Total comprehensive income for the year		319 921	375 774	300 250	350 814	4 635	27 401
Earnings per share							
Basic earnings per share (cents)	11.1/5	400.8	445.5	352.1	413.5	31.1	34.9
Diluted earnings per share (cents)	11.2/5	396.1	438.4	348.0	406.9	30.7	34.4

** Investor Protection Funds comprise the JSE Guarantee Fund Trust, JSE Derivatives Fidelity Fund Trust and BESA Guarantee Fund Trust (the "Trusts").*

The JSE maintains these Trusts for investor protection purposes as required under the Securities Services Act No 36, of 2004. The JSE is required to consolidate the Trusts into the results of the Group in terms of International Financial Reporting Standards (IFRS). However, as these Trusts are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of these Trusts. For enhanced understanding, the Trusts have been shown separately (before intercompany adjustments), although, for compliance with IFRS, the results form part of the Group financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000	Investor Protection Funds 2011 R'000	Investor Protection Funds 2010 R'000
Assets							
Non-current assets		**954 338**	943 010	**780 815**	894 850	**169 883**	218 032
Property and equipment	12	**189 318**	113 272	**189 318**	113 272	**—**	—
Intangible assets	13.3/6	**352 952**	423 039	**324 343**	422 729	**—**	—
Investments in equity-accounted investees	14.1	**100 798**	95 017	**21 416**	21 416	**—**	—
Investments in subsidiaries	15	**—**	—	**104 351**	243 783	**—**	—
Other investments	16.2	**169 885**	218 034	**2**	2	**169 883**	218 032
Derivative financial instruments	17	**625**	3 015	**625**	3 015	**—**	—
Loan to the JSE Empowerment Fund Trust	18.2	**13 228**	13 910	**13 228**	13 910	**—**	—
Deferred taxation	23.1/3	**127 532**	76 723	**127 532**	76 723	**—**	—
Current assets		**16 374 566**	16 223 383	**1 080 403**	1 119 078	**113 505**	116 075
Trade and other receivables	18.1	**191 794**	187 379	**129 780**	126 327	**3 329**	4 035
Income tax receivable		**56 907**	61 783	**56 507**	61 031	**—**	—
Due from Group entities	15.6	**—**	—	**6 333**	9 097	**—**	—
Margin deposits	19.1	**15 080 456**	14 923 444	**13 548**	10 382	**—**	—
Collateral deposits	19.2	**4 320**	4 447	**4 320**	4 447	**—**	—
Cash and cash equivalents	20	**1 041 089**	1 046 330	**869 915**	907 794	**110 176**	112 040
Total assets		**17 328 904**	17 166 393	**1 861 218**	2 013 928	**283 388**	334 107
Equity and liabilities							
Total equity	21.3	**1 769 068**	1 791 104	**1 407 305**	1 449 012	**282 535**	331 847
Share capital		**8 605**	8 466	**8 605**	8 466	**—**	—
Share premium		**129 642**	130 658	**129 642**	130 658	**—**	—
Capital contribution		**—**	—	**—**	—	**121 873**	121 873
Reserves		**476 363**	508 030	**183 770**	166 125	**51 567**	73 442
Retained income		**1 154 458**	1 143 950	**1 085 288**	1 143 763	**109 095**	136 532
Non-current liabilities		**164 742**	170 630	**232 259**	220 521	**—**	—
Finance leases	29.2.3	**167**	1 279	**167**	1 279	**—**	—
Borrowings	21.6	**26 770**	—	**—**	—	**—**	—
Employee benefits	22.1	**28 972**	46 105	**28 972**	46 105	**—**	—
Deferred taxation	23.1/3	**4 535**	4 757	**3 310**	4 648	**—**	—
Operating lease liability	29.2.1	**52 571**	65 562	**52 571**	65 562	**—**	—
Deferred income	30	**50 592**	51 847	**146 104**	101 847	**—**	—
Due to SAFEX members	24	**1 135**	1 080	**1 135**	1 080	**—**	—
Current liabilities		**15 395 094**	15 204 659	**221 654**	344 395	**853**	2 260
Trade and other payables	25	**219 580**	174 155	**112 648**	102 658	**594**	581
Employee benefits	22.1	**78 145**	94 113	**78 145**	94 113	**—**	—
Operating lease liability	29.2.1	**12 593**	8 500	**12 593**	8 500	**—**	—
Due to Group entities	15.7	**—**	—	**400**	124 295	**259**	1 679
Margin deposits	19.1	**15 080 456**	14 923 444	**13 548**	10 382	**—**	—
Collateral deposits	19.2	**4 320**	4 447	**4 320**	4 447	**—**	—
Total equity and liabilities		**17 328 904**	17 166 393	**1 861 218**	2 013 928	**283 388**	334 107

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

Group	Note	Share capital R'000	Share premium R'000	Non-distri-butable reserve R'000	BBBEE reserve R'000	JSE LTIS 2010 reserve R'000	Retained earnings R'000	Total exchange and sub-sidiaries R'000	Investor Protection Funds R'000	Total equity R'000
Balance at 1 January 2010		8 514	162 779	10 058	160 192	—	903 367	1 244 910	359 814	1 604 724
Total comprehensive income for the year										
Profit for the year		—	—	—	—	—	348 373	348 373	29 634	378 007
Other comprehensive income										
Net change in fair value of available-for-sale financial assets		—	—	—	—	—	—	—	29 660	29 660
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		—	—	—	—	—	—	—	(31 893)	(31 893)
Total other comprehensive loss		—	—	—	—	—	—	—	(2 233)	(2 233)
Total comprehensive income for the year		—	—	—	—	—	348 373	348 373	27 401	375 774
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Share options lapsed reclassified to retained earnings	21.3	—	—	—	(311)	—	311	—	—	—
Dividends paid to owners	21.5	—	—	—	—	—	(163 469)	(163 469)	—	(163 469)
Distribution from the BESA Guarantee Fund Trust[1]		—	—	—	—	—	5 368	5 368	(5 368)	—
Distribution from the JSE Guarantee Fund Trust[2]		—	—	—	—	—	50 000	50 000	(50 000)	—
Treasury shares	21.3	(48)	(32 056)	—	—	—	—	(32 104)	—	(32 104)
Treasury shares – share issue costs	21.3	—	(65)	—	—	—	—	(65)	—	(65)
Equity-settled share-based payment		—	—	—	—	6 244	—	6 244	—	6 244
Total contributions by and distributions to owners		(48)	(32 121)	—	(311)	6 244	(107 790)	(134 026)	(55 368)	(189 394)
Total transactions with owners		(48)	(32 121)	—	(311)	6 244	(107 790)	(134 026)	(55 368)	(189 394)
Balance at 31 December 2010		8 466	130 658	10 058	159 881	6 244	1 143 950	1 459 257	331 847	1 791 104
Total comprehensive income for the year										
Profit for the year		**—**	**—**	**—**	**—**	**—**	**315 286**	**315 286**	**26 509**	**341 795**
Other comprehensive income										
Net change in fair value of available-for-sale financial assets		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1 057**	**1 057**
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(22 931)**	**(22 931)**
Total other comprehensive loss		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(21 874)**	**(21 874)**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**315 286**	**315 286**	**4 635**	**319 921**
Transactions with owners recognised directly in equity										
Contributions by and distributions to owners										
Share options lapsed reclassified to retained earnings	21.3	**—**	**—**	**—**	**(2 433)**	**—**	**2 433**	**—**	**—**	**—**
Share options granted		**—**	**—**	**—**	**7 888**	**—**	**—**	**7 888**	**—**	**7 888**
Dividends paid to owners	21.5	**—**	**—**	**—**	**—**	**—**	**(361 158)**	**(361 158)**	**—**	**(361 158)**
Distribution from the BESA Guarantee Fund Trust[1]		**—**	**—**	**—**	**—**	**—**	**2 947**	**2 947**	**(2 947)**	**—**
Distribution from the JSE Guarantee Fund Trust[2]		**—**	**—**	**—**	**—**	**—**	**51 000**	**51 000**	**(51 000)**	**—**
Treasury shares	21.3	**(43)**	**(28 946)**	**—**	**—**	**—**	**—**	**(28 989)**	**—**	**(28 989)**
Treasury shares – share issue costs	21.3	**—**	**(79)**	**—**	**—**	**—**	**—**	**(79)**	**—**	**(79)**
Sale of treasury shares		**8**	**6 091**	**—**	**—**	**—**	**—**	**6 099**	**—**	**6 099**
Ordinary shares issued		**174**	**21 918**	**—**	**—**	**—**	**—**	**22 092**	**—**	**22 092**
Equity-settled share-based payment		**—**	**—**	**—**	**—**	**12 190**	**—**	**12 190**	**—**	**12 190**
Total contributions by and distributions to owners		**139**	**(1 016)**	**—**	**5 455**	**12 190**	**(304 778)**	**(288 010)**	**(53 947)**	**(341 957)**
Total transactions with owners		**139**	**(1 016)**	**—**	**5 455**	**12 190**	**(304 778)**	**(288 010)**	**(53 947)**	**(341 957)**
Balance at 31 December 2011		**8 605**	**129 642**	**10 058**	**165 336**	**18 434**	**1 154 458**	**1 486 533**	**282 535**	**1 769 068**

[1] *The BESA Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect R2.9 million (2010: R5.4 million), before intercompany adjustments, was transferred to the JSE Limited for the defrayment of market regulatory expenditure.*

[2] *This represents the monies distributed by the JSE Guarantee Fund Trust for the specific purpose of funding the establishment of the JSE's data centre (2010: disaster recovery site).*

Exchange	Note	Share capital R'000	Share premium R'000	BBBEE reserve R'000	JSE LTIS 2010 reserve R'000	Retained earnings R'000	Total Exchange R'000
Balance at 1 January 2010		8 514	162 779	160 192	—	956 107	1 287 592
Total comprehensive income for the year							
Profit/total comprehensive income for the year		—	—	—	—	350 814	350 814
Total comprehensive income for the year		—	—	—	—	350 814	350 814
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Share options lapsed transferred to retained earnings		—	—	(311)	—	311	—
Dividends paid to owners	21.5	—	—	—	—	(163 469)	(163 469)
Treasury shares	21.3	(48)	(32 056)	—	—	—	(32 104)
Treasury shares – share issue costs		—	(65)	—	—	—	(65)
Equity-settled share-based payment		—	—	—	6 244	—	6 244
Total transactions with owners		(48)	(32 121)	(311)	6 244	(163 158)	(189 394)
Balance at 31 December 2010		8 466	130 658	159 881	6 244	1 143 763	1 449 012
Total comprehensive income for the year							
Profit/total comprehensive income for the year		—	—	—	—	300 250	300 250
Total comprehensive income for the year		—	—	—	—	300 250	300 250
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Share options lapsed transferred to retained earnings		—	—	(2 433)	—	2 433	—
Share options granted		—	—	7 888	—	—	7 888
Dividends paid to owners	21.5	—	—	—	—	(361 158)	(361 158)
Treasury shares	21.3	(43)	(28 946)	—	—	—	(28 989)
Treasury shares – share issue costs		—	(79)	—	—	—	(79)
Sale of treasury shares		8	6 091	—	—	—	6 099
Ordinary shares issued		174	21 918	—	—	—	22 092
Equity-settled share-based payment		—	—	—	12 190	—	12 190
Total transactions with owners		139	(1 016)	5 455	12 190	(358 725)	(341 957)
Balance at 31 December 2011		8 605	129 642	165 336	18 434	1 085 288	1 407 305

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

		Group		Exchange		Investor Protection Funds	
		2011	2010	2011	2010	2011	2010
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Cash flows from operating activities							
Cash generated by/(used in) operations	26.1	664 575	529 238	671 054	566 653	(8 866)	(14 562)
Interest received		912 360	1 048 586	57 216	55 802	7 838	8 724
Interest paid		(826 264)	(960 943)	(8 997)	(7 738)	—	—
Dividends received		3 905	4 045	—	—	3 905	4 045
Taxation paid		(202 471)	(200 966)	(203 471)	(200 811)	—	—
Net cash generated by/(used in) operating activities		552 105	419 960	515 802	413 906	2 877	(1 793)
Cash flows from investing activities							
Proceeds on sale of other investments		82 306	102 170	—	—	82 306	102 170
Acquisition of other investments		(33 100)	(51 007)	—	—	(33 100)	(51 007)
Loan to JSE Empowerment Fund Trust		—	(14 695)	—	(14 695)	—	—
Dividends from equity-accounted investees		26 124	24 303	26 124	24 303	—	—
Proceeds from disposal of property and equipment		83	46	83	46	—	—
Leasehold improvements		(47 406)	(8 787)	(47 406)	(8 787)	—	—
Acquisition of intangible assets		(179 126)	(99 311)	(150 485)	(99 311)	—	—
Acquisition of property and equipment		(62 083)	(48 712)	(62 083)	(48 712)	—	—
Net cash (used in)/from investing activities		(213 202)	(95 993)	(233 767)	(147 156)	49 206	51 163
Cash flows from financing activities							
Distribution from/(by) Investor Protection Funds		—	—	51 000	50 000	(53 947)	(53 440)
Proceeds from issue of new shares		22 092	—	22 092	—	—	—
Proceeds from sale of treasury shares		6 099	—	6 099	—	—	—
Loan raised		26 770	—	—	—	—	—
Acquisition of treasury shares		(29 068)	(32 168)	(29 068)	(32 168)	—	—
Dividends paid		(361 158)	(163 469)	(361 158)	(163 469)	—	—
Net cash used in financing activities		(335 265)	(195 637)	(311 035)	(145 637)	(53 947)	(53 440)
Net increase/(decrease) in cash and cash equivalents		3 638	128 330	(29 000)	121 113	(1 864)	(4 070)
Cash and cash equivalents at 1 January		1 046 330	920 796	907 794	789 477	112 040	116 110
Effect of exchange rate fluctuations on cash held		(8 879)	(2 796)	(8 879)	(2 796)	—	—
Cash and cash equivalents at 31 December	20	1 041 089	1 046 330	869 915	907 794	110 176	112 040

1. Reporting entity

JSE Limited (the "JSE", the "Company" or the "Exchange") is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Securities Services Act, No 36 of 2004. The JSE has the following main lines of business: trading, issuer services, clearing and settlement services, technology and other technology-related services and information product sales. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries and controlled special purpose vehicles (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

When reference is made to the "Group" in the accounting policies it should be interpreted as referring to the Company where the context requires, unless otherwise noted.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements and the separate financial statements of the Exchange have been prepared in accordance with International Financial Reporting Standards (IFRS) and the AC500 series as issued by the Accounting Practices Board, the JSE Listings Requirements and the requirements of the Companies Act, 2008.

The consolidated financial statements and the separate financial statements were authorised for issue by the Board of Directors on 13 March 2012.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, measured at fair value as described below:

- derivative financial instruments;
- available-for-sale financial assets; and
- liabilities for cash-settled share-based payment arrangements.

The methods used to measure fair values are discussed further in note 4.

2.3 Functional and presentation currency

The consolidated and separate financial statements are presented in South African rand (which is the Company's functional currency), rounded to the nearest thousand, except when otherwise indicated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13	– intangible assets
Note 17	– derivative financial instruments
Note 22	– employee benefits
Notes 22.5 and 22.7	– measurement of share-based payments
Note 29.1	– contingent liabilities
Notes 29.2.1, 29.2.3 and 29.2.4	– lease classifications

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and the separate financial statements of the Exchange, and have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for by using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the acquisition date fair value of any contingent consideration and a portion or all of the market-based measure of share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group financial statements incorporate the assets, liabilities and results of the operations of the SAFEX Clearing Company (Pty) Limited (Safcom), the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust, JSE Trustees (Pty) Limited, BESA Limited, BondClear Limited, BESA Investments (Pty) Limited and the BESA Guarantee Fund Trust. As a result of the business combination effective 1 July 2011 (refer to note 7), the JSE also accounts for Nautilus MAP Holdings (Pty) Limited and Nautilus MAP Operations (Pty) Limited as subsidiary companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the separate financial statements of the Exchange, investments in subsidiaries are carried at cost less accumulated impairment losses. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3. Significant accounting policies continued

3.1 Basis of consolidation (continued)

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Special purpose entities

The JSE Guarantee Fund Trust, JSE Derivatives Fidelity Fund Trust and BESA Guarantee Fund Trust are special purpose entities (SPEs) set up for investor protection. The Group does not have any direct or indirect shareholding in these entities, however, based on the evaluation of the substance of the relationship with the Group and the SPEs' risks and rewards, the Group controls the financial and operating policies of these entities and the results are thus consolidated. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(vi) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost, which includes transaction costs. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The equity method is applied to the Group's investments in Strate Limited and Indexco Managers (Pty) Limited. In applying the equity method, account is taken of the Group's share of the income and expenses and equity movements of equity-accounted investees from the effective date on which the enterprise became an associate until significant influence ceases. The share of associated companies' retained earnings and reserves is determined from the latest audited financial statements.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. In the separate financial statements of the Exchange the associate is accounted for at cost less accumulated impairment losses.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of non-monetary available-for-sale equity instruments, which are recognised directly in other comprehensive income.

3. Significant accounting policies continued

3.3 Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade receivables, interest receivable and other receivables, margin and collateral deposits, cash and cash equivalents, borrowings, trade payables, interest payable, amounts due to and from Group companies and amounts due to SAFEX members.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Available-for-sale financial assets

The Group's investments in equity and debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are carried at fair value with any resultant gain or loss being recognised directly in other comprehensive income. Impairment losses and monetary items such as debt securities and foreign exchange gains and losses, are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established. Refer to note 16 (Other investments) for the financial assets classified as available-for-sale.

Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. No financial instruments have been designated at fair value through profit or loss upon initial recognition. Derivative financial instruments are classified as financial instruments at fair value through profit or loss.

Loans and receivables and financial liabilities measured at amortised cost

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses on financial assets. Other non-derivative financial instruments include trade and other receivables, borrowings, trade and other payables, cash and cash equivalents, amounts due to and from Group companies, margin and collateral deposits and amounts due to SAFEX members.

(ii) Derivative financial instruments

The Exchange holds derivative financial instruments to economically hedge its exposure to risks arising from operational activities. The Exchange does not hold derivative financial instruments for trading purposes. Derivative instruments are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and the resultant gains or losses are recognised in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised in profit or loss.

3. Significant accounting policies continued

3.3 Financial instruments (continued)

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented against share capital and share premium. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.4 Property and equipment

(i) Recognition and measurement

Items of property and equipment (including leasehold improvements) are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

>> computer hardware	3 – 10 years
>> leased assets	3 years
>> vehicles	5 years
>> leasehold improvements	15 years
>> furniture and equipment	3 – 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies continued

3.5 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.(i).

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount on goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of direct consulting charges, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

>> trademarks	5 – 10 years
>> customer relationships	6 – 10 years
>> capitalised development costs	3 – 7 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(vi) Derecognition

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. This gain or loss is recognised in profit or loss when the asset is derecognised.

3.6 Leased assets

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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 profit or loss on a straight-line basis over the period of the lease. When the amount of lease payments does not represent the time pattern of the lessee's benefits under the lease agreement, prepaid rent or accrued liabilities for rental payments is recognised.

3. Significant accounting policies continued

3.7 Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In the case of an available-for-sale equity financial asset, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the financial asset is impaired. In the case of a financial asset measured at amortised cost, suspension of the debtor, significant liquidity concerns in respect of the debtor, and default in payments are considered indicators that the financial asset is impaired.

Individually significant financial assets are tested for impairment on an individual basis. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. The carrying amount of the impaired financial asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generated cash inflows that largely are independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of other assets of the cash-generating unit pro rata. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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

3.8 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

3. Significant accounting policies continued

3.8 Employee benefits (continued)

(ii) Short-term employee benefits

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

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

The JSE accrues for the value of leave due on the basis of the number of days owing and the relevant costs associated therewith.

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee became unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

3.9 Revenue

Revenue comprises derivatives trading and clearing fees, equities trading fees, equities risk management fees, clearing and settlement fees, data sales, issuer regulation fees, interest rate market fees, fees for technology and related services, platform management fees, redemption fees and funds management. Revenue is recognised in the year in which the service relates.

3.10 Other income

Other income comprises rental income, net foreign exchange gains, dividend income, profit on sale of associates, profit on sale of financial assets, profit on sale of property and equipment, and other sundry income. Dividend income is recognised in profit or loss on the date the dividend is declared. Rental income is recognised on a straight-line basis over the term of the lease. Gains on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment. On derecognition of a financial asset in its entirety, the difference between: a) carrying amount and b) the sum of consideration received and any cumulative gain or loss that has been recognised in other comprehensive income shall be recognised in profit or loss.

Distributions from special purpose entities

Investor Protection Funds approved for distribution by the Financial Services Board are recognised initially as deferred income at fair value when the funds are received and the Group will comply with the conditions associated with the distribution of the funds. These funds are then recognised in profit or loss as other income on a systematic basis over the useful life of the related assets.

3.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3. Significant accounting policies continued

3.12 Finance income and expenses

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

Finance expenses comprise finance lease charges, interest expense on margin and collateral deposits and on the investor protection levies. Interest expense is recognised in profit or loss using the effective interest method.

3.13 Income tax expense

(i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes Secondary Tax on Companies.

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

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

(ii) Secondary Tax on Companies

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

3.14 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to qualifying black shareholders.

3.15 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Executive Committee (Exco), which represents the Group's chief operating decision-maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. Information technology and other corporate overheads are not generally allocated to a particular segment.

Exco reviews the revenue streams from each segment.

No measure of segment assets or liabilities is presented as total assets and total liabilities for each reportable segment are not regularly provided to Exco.

4. New standards and interpretations not yet adopted

There are a number of forthcoming new standards and interpretations, which have been issued by IASB prior to the publication of these financial statements, but are only effective in future accounting periods, unless early adoption is chosen. The extent of the impact of these new standards and interpretations are currently being considered. The following will be applicable to the entity:

Improvement to IAS 1 – Presentation of items of other comprehensive income

The amendment will impact the presentation of items of other comprehensive income that will be reclassified into profit or loss in the future and those that will never be reclassified to profit or loss. The amendment will be adopted by the entity for its financial reporting period ending 31 December 2013.

Improvements to IFRS 2010 – IFRS 7 Financial Instruments: Disclosures

The amendments require additional disclosure if the entity transfers financial assets that are not derecognised in their entirety or that are derecognised in the entirety but for which the JSE retains continuing involvement. The amendment will be adopted by the entity for its financial reporting period ending 31 December 2012.

Amendments to IFRS 9

The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities. The amendment will be adopted by the entity for its financial reporting period ending 31 December 2015.

IFRS 10 – Consolidated Financial Statements

This standard introduces a new model to be applied in the analysis of control which may result in more entities being consolidated or some no longer being consolidated. This standard will be adopted by the entity for its financial reporting period ending 31 December 2013.

IFRS 12 – Disclosure of Interests in Other Entities

This standard requires additional disclosures for interests in subsidiaries, associates and unconsolidated structured entities. These requirements will be adopted by the entity for its financial reporting period ending 31 December 2013.

IFRS 13 – Fair Value Measurement

This standard replaces the fair value guidance in IFRS, therefore this will affect all assets and liabilities measured or disclosed at fair value. This standard will be adopted by the entity for its financial reporting period ending 31 December 2013.

IAS 28 – Investments in Associates and Joint Ventures

The requirements of this standard may become applicable to the entity if there is an intention to sell any of its investments in associates or portions of its investments in associates or if an investment in an associate becomes an investment in a joint venture. These requirements will be adopted by the entity for reporting periods ending 31 December 2013.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Intangible assets

The fair value of trademarks and customer relationships acquired in a business combination is based on the discounted estimated future cash flows attributable to the identified cash-generating units. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

5. Determination of fair values continued

5.2 Investments in equity and debt securities

The fair value of the financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

The fair value of available-for-sale financial assets is determined by reference to the quoted bid price for equity instruments and the clean price from a quoted exchange for interest-bearing instruments, at the reporting date. In respect of unit trusts, valuations are carried out in accordance with the articles, which provide that units in collective investment schemes shall be valued by reference to their middle market price where the units have a bid/offer spread, or to their most recently published net asset value (NAV). In the absence of final bid/offer prices or final net asset values, estimated figures may be relied upon. The value of any underlying fund is provided by the manager or the administrator of that fund. Should the manager be in any doubt as to the valuations, the manager will request an independent third party to review the valuations in order to confirm their fairness. The NAV per share is calculated and rounded down to four decimal places, any rounding to be retained for the benefit of the fund.

5.3 Non-derivative financial instruments

The carrying value (less impairment allowance where relevant) of short-term non-derivative financial instruments are assumed to approximate their fair values.

5.4 Share-based payment transactions

The fair values of the participation interests granted in terms of the LTIS 2006 scheme, the shares granted to employees in terms of the LTIS 2010 incentive scheme as well as the options granted to qualifying black shareholders in respect of the BBBEE initiative are all measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of instrument, expected volatility (based on weighted average historic volatility, adjusted for changes expected due to publicly available information), weighted average expected life of the instrument, expected dividends, and the interest rate (based on the notional amount compounded annually (NACA) rate). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6. Operating segments

The Group has five reportable segments, as stated below. The business units offer different products and services, and are managed separately because they require different technology and marketing strategies. Management has determined the operating segments based on the monthly reports reviewed by the Executive Committee (Exco). Exco reviews the revenue streams as set out in note 8.1. Financial and personnel resources are allocated according to the needs of the various divisions in order to apply the strategy and operating plans agreed to during the budgeting process. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. Information Technology and other corporate overheads are not generally allocated to a particular segment.

Information about reportable segments

	Equity[1] division R'000	Equity and currency derivatives R'000	Commodity derivatives R'000	Interest[2] rate market R'000	Data sales R'000	Other[3] R'000	Total R'000
For the year ended 31 December 2011							
External revenues	**846 055**	**133 305**	**53 142**	**52 040**	**125 547**	**159 721**	**1 369 810**
For the year ended 31 December 2010							
External revenues	772 885	116 077	47 827	47 745	116 727	153 887	1 255 148

[1] Comprises equities trading fees, risk management, clearing and settlement fees, membership fees, issuer services and back-office services (BDA).
[2] Includes R13.2 million (2010: R12.6 million) of issuer regulation listing fees relating to the bond market.
[3] Comprises funds management and Strate ad valorem fees.

7. Acquisition of subsidiary

Business combination

On 1 July 2011, the Group acquired the entire issued share capital of Momentum Managed Account Platform Holdings (Pty) Limited for a purchase consideration of R1. Subsequent to the acquisition the name was changed to Nautilus MAP Holdings (Pty) Limited. In addition, a newly created company of the Group, Nautilus MAP Operations (Pty) Limited, acquired the business that administers the hedge fund platform of Momentum Managed Account Platform (Pty) Limited (MOMMAP), as a going concern for a purchase consideration of R27 499 999 from FirstRand Alternative Investment Management (Pty) Limited (FRAIM). This purchase consideration will be funded from a portion of the cash flows generated by the platform. MOMMAP will also be party to certain *en commandite* partnership agreements, effective from 1 July 2011. The platform will offer hedge fund investors greater protection by segregating investors assets from the hedge fund manager and monitoring hedge funds trading activity, thereby ensuring that the funds remain within the agreed investment mandates.

In the six months to 31 December 2011 Nautilus MAP Operations (Pty) Limited contributed revenue of R3.5 million and profit of R1.9 million to the Group's results. If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue would have been R5.6 million, and consolidated profit for the year would have been R0.9 million. In determining these amounts management has assumed that the fair value adjustments that arose at the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	R'000
Consideration transferred	
Consideration paid	27 500
Identifiable assets acquired and liabilities assumed	
Customer relationships	4 078
Deferred taxation	(1 142)
Total net identifiable assets	2 936
Goodwill	
Goodwill on the acquisition of the business has been recognised as follows:	
Total consideration transferred	27 500
Less: Value of net identifiable assets	(2 936)
Goodwill	24 564

The goodwill is attributable mainly to the skills and technical talents of the workforce, and the synergies expected to be achieved from integrating the business acquired into the Group's existing business. The goodwill recognised is not deductible for income tax purposes. Refer to note 13.9 for the goodwill impairment test.

Acquisition-related costs

The Group incurred acquisition-related costs of R1.1 million (2010: R0.4 million) relating to external legal and consulting fees. These costs have been recognised in other expenses in the Group's consolidated statement of comprehensive income.

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
8. Revenue and other income				
8.1 Revenue comprises:				
Equities trading fees	**352 188**	324 576	**352 188**	324 576
Risk management, clearing and settlement fees	**208 962**	188 943	**208 962**	188 943
Back-office services (BDA)	**196 816**	177 518	**196 816**	177 518
Issuer regulation	**91 622**	85 591	**91 622**	85 591
Membership fees	**9 689**	8 896	**9 689**	8 896
Equity derivatives fees	**116 753**	105 950	**116 436**	105 950
Currency derivatives fees	**16 552**	10 127	**16 552**	10 127
Commodity derivatives fees	**53 142**	47 827	**53 142**	47 827
Interest rate market fees	**38 818**	35 106	**41 403**	38 124
Data sales	**125 547**	116 727	**125 547**	116 727
Funds management	**50 088**	46 326	**70 314**	66 647
Total revenue before Strate ad valorem fees	**1 260 177**	1 147 587	**1 282 671**	1 170 926
Strate ad valorem fees	**109 633**	107 561	**109 633**	107 561
Total revenue	**1 369 810**	1 255 148	**1 392 304**	1 278 487
8.2 Other income comprises:				
Recognised in profit or loss				
Investor Protection Funds	**26 866**	36 082	**—**	—
– contributions to BESA Guarantee Fund Trust	**30**	145	**—**	—
– dividend income	**3 905**	4 044	**—**	—
– net realised gain on disposal of available-for-sale financial assets	**22 931**	31 893	**—**	—
Rental income	**10 069**	8 658	**10 069**	8 658
Dividends received	**—**	—	**26 124**	24 303
Waiver of loan due to BESA Limited	**—**	—	**123 682**	—
Profit on disposal of property and equipment	**83**	—	**83**	—
Income recognised from deferred income (Data Centre and Disaster Recovery)	**—**	—	**5 488**	—
Foreign exchange gain	**5 146**	—	**5 146**	—
Bad debts recovered	**—**	8	**—**	8
Sundry income	**4 816**	5 519	**4 816**	5 467
	46 980	50 267	**175 408**	38 436
8.3 Recognised in other comprehensive income				
Net unrealised fair value changes in available-for-sale financial assets	**1 057**	29 660	**—**	—
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	**(22 931)**	(31 893)	**—**	—
	(21 874)	(2 233)	**—**	—

	Note	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
9. Profit before taxation comprises:					
9.1 Personnel expenses					
Remuneration paid to employees		**226 713**	230 417	**226 713**	230 417
Contribution to defined contribution plans		**10 293**	10 653	**10 293**	10 653
Directors' emoluments		**36 760**	44 721	**36 760**	44 721
– executive directors	27.1/3	**31 434**	39 726	**31 434**	39 726
– non-executive directors	27.5	**5 326**	4 995	**5 326**	4 995
Long-term incentive schemes (refer to note 22)		**13 760**	35 706	**13 760**	35 706
– first tranche charge		**—**	17 751	**—**	17 751
– second tranche (write-back)/charge		**(1 329)**	1 110	**(1 329)**	1 110
– european call option fair value adjustment		**2 389**	(1 564)	**2 389**	(1 564)
– deferred cash bonus 2008		**4 010**	7 350	**4 010**	7 350
– deferred cash bonus 2009		**(3 500)**	4 815	**(3 500)**	4 815
– JSE LTIS 2010		**12 190**	6 244	**12 190**	6 244
Fixed term contractors		**11 658**	16 601	**11 658**	16 601
		299 184	338 098	**299 184**	338 098
9.2 Other expenses					
Amortisation of intangible assets		**25 273**	25 842	**24 933**	25 803
Auditors' remuneration		**5 230**	5 443	**3 845**	4 133
– audit fee		**4 331**	3 782	**3 402**	2 858
– fees for other assurance services		**31**	56	**31**	56
– fees for other services		**884**	1 145	**432**	821
– prior year (over)/under accrual		**(16)**	460	**(20)**	398
Consulting fees		**23 639**	35 560	**23 457**	35 560
Depreciation		**30 674**	31 467	**30 674**	31 467
– computer hardware		**20 174**	19 957	**20 174**	19 957
– furniture and equipment		**2 340**	3 260	**2 340**	3 260
– leased assets		**3 317**	4 110	**3 317**	4 110
– leasehold improvements		**4 810**	4 107	**4 810**	4 107
– vehicles		**33**	33	**33**	33
Foreign exchange loss		**—**	1 315	**—**	1 315
Impairment of monies due from Group entities		**—**	—	**3 636**	55
Impairment of other receivables		**19**	2 572	**19**	2 572
Impairment of intangible assets		**223 342**	33 179	**223 342**	33 179
Impairment of trade receivables		**2 180**	162	**2 180**	162
Impairment of investment in BESA Limited		**—**	—	**139 432**	—
Insurance premium		**8 034**	14 619	**1 908**	1 826
Legal fees		**5 975**	4 133	**5 975**	4 133
Loss on disposal of property and equipment		**—**	16	**—**	16
Mainframe operations		**53 589**	53 511	**53 589**	53 511
Operating lease charges		**38 749**	35 504	**38 749**	35 504
– building		**37 950**	34 449	**37 950**	34 449
– office equipment		**799**	1 055	**799**	1 055
Other computer operations		**13 119**	11 616	**13 119**	11 616
Software maintenance		**55 216**	49 359	**55 173**	49 359
Strate ad valorem fees		**109 633**	107 561	**109 633**	107 561

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
9. Profit before taxation continued				
9.2 Other expenses continued				
Marketing and advertising	**19 636**	21 464	**19 616**	21 464
Recruitment fees	**2 805**	3 205	**2 805**	3 205
Swift charges	**4 517**	4 851	**4 517**	4 851
Transaction charges	**24 216**	20 964	**24 216**	20 964
Other expenses	**91 684**	78 744	**80 125**	65 984
	737 530	541 087	**860 943**	514 240
9.3 Finance income				
Own funds	**52 808**	50 117	**52 327**	50 104
Investor Protection Funds	**7 422**	8 886	**—**	—
Finance income earned on collateral deposits	**1 353**	1 875	**1 353**	1 875
Finance income earned on margin deposits	**850 193**	967 069	**3 848**	3 413
– equities	**3 848**	3 413	**3 848**	3 413
– derivatives	**846 345**	963 656	**—**	—
	911 776	1 027 947	**57 528**	55 392
9.4 Finance costs				
Finance costs on all funds excluding collateral and margin deposits	**6 134**	3 987	**5 317**	3 987
Finance costs on collateral deposits	**51**	353	**51**	353
Finance costs on margin deposits	**819 461**	936 617	**3 645**	3 216
– equities	**3 645**	3 216	**3 645**	3 216
– derivatives	**815 816**	933 401	**—**	—
	825 646	940 957	**9 013**	7 556
10. Income tax expense				
10.1 Taxation				
Current tax expense				
– current year	**174 951**	154 907	**174 485**	154 855
Secondary Tax on Companies				
– current year	**33 511**	13 917	**33 511**	13 917
Deferred tax asset				
– origination and reversal of taxable temporary differences	**(51 924)**	(6 335)	**(50 809)**	(6 335)
Deferred tax liability				
– origination and reversal of taxable temporary differences	**(222)**	(830)	**(1 337)**	(830)
	156 316	161 659	**155 850**	161 607
10.2 Reconciliation of effective tax rate	**%**	%	**%**	%
Current tax rate	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
– Non taxable income	**(10.61)**	(3.30)	**(9.61)**	(1.10)
– Adjustment for prior periods	**(2.24)**	—	**(2.24)**	—
– Non-deductible expenses	**10.67**	3.91	**10.67**	1.92
– Secondary Tax on Companies	**7.35**	2.72	**7.35**	2.72
– Share of profit of equity accounted investees	**(1.79)**	(1.37)	**—**	—
	31.38	29.96	**34.17**	31.54

10. Income tax expense continued

10.3 The following tax rates are applicable to the various entities within the Group:

JSE Limited	28% (2010: 28%)
Safex Clearing Company (Pty) Limited	28% (2010: 28%)
Strate Limited	28% (2010: 28%)
Nautilus MAP Holdings (Pty) Limited	28% (acquired during 2011)
Nautilus MAP Operations (Pty) Limited	28% (newly formed company)
JSE Trustees (Pty) Limited	28% (2010: 28%)
JSE Derivatives Fidelity Fund Trust	Exempt from income tax in terms of section 10(1)(d) of the South African Income Tax Act, No 58 of 1962.
JSE Guarantee Fund Trust	Exempt from income tax in terms of section 10(1)(d) of the South African Income Tax Act, No 58 of 1962.
BESA Limited	28% (2010: 28%)
BESA Investments (Pty) Limited	28% (2010: 28%)
BondClear Limited	28% (2010: 28%)
BESA Guarantee Fund Trust	Application for income tax exemption in terms of section 10(1)(d)(iii) of the South African Income Tax Act, No 58 of 1962 has been submitted to SARS.

11. Earnings and headline earnings per share

11.1 Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 of 400.8 (2010: 444.5) cents per share was based on profit for the year attributable to ordinary shareholders of R341.8 million (2010: R378.0 million) and a weighted average number of ordinary shares of 85 279 409 (2010: 84 843 695) calculated as follows:

	Group		Exchange	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Profit for the year attributable to ordinary shareholders	**341 795**	378 007	**300 250**	350 814
Weighted average number of ordinary shares:				
Issued ordinary shares at 1 January	**85 140 050**	85 140 050	**85 140 050**	85 140 050
Shares issued during the period	**864 338**	—	**864 338**	—
Effect of own shares held (JSE LTIS 2010)	**(724 979)**	(296 355)	**(724 979)**	(296 355)
Weighted average number of ordinary shares at 31 December	**85 279 409**	84 843 695	**85 279 409**	84 843 695
Basic earnings per share (cents)	**400.8**	445.5	**352.1**	413.5

11. Earnings and headline earnings per share continued

11.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2011 of 396.1 (2010: 438.4) cents per share was based on the profit for the year attributable to ordinary shareholders of R341.8 million (2010: R378.0 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 86 280 587 (2010: 86 215 531) calculated as follows:

	Group		Exchange	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Profit for the year attributable to ordinary shareholders	**341 795**	378 007	**300 250**	350 814
Weighted average number of ordinary shares (diluted):				
Weighted average number of ordinary shares at 31 December (basic)	**85 279 409**	84 843 695	**85 279 409**	84 843 695
Effect of share options in issue	**1 001 178**	1 371 836	**1 001 178**	1 371 836
Weighted average number of ordinary shares (diluted)	**86 280 587**	86 215 531	**86 280 587**	86 215 531
Diluted earnings per share (cents)	**396.1**	438.4	**348.0**	406.9

The average market value of the Exchange's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.

11.3 Headline earnings per share

The calculation of headline earnings per share at 31 December 2011 of 562.4 (2010: 436.1) cents per share was based on headline earnings attributable to ordinary shareholders of R479.6 million (2010: R370.0 million) and a weighted average number of ordinary shares of 85 279 409 (2010: 84 843 695) during the year as calculated in note 11.1.

	Group		Exchange	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Reconciliation of headline earnings:				
Profit for the year attributable to ordinary shareholders	**341 795**	378 007	**300 250**	350 814
Adjustments are made to the following:				
(Profit)/loss on disposal of property and equipment	**(60)**	12	**(60)**	12
Gross amount	**(83)**	16	**(83)**	16
Taxation	**23**	(4)	**23**	(4)
Impairment of monies due from Group entities[1]	**—**	—	**3 636**	55
Impairment of intangible assets	**160 806**	23 889	**160 806**	23 888
Gross amount	**223 342**	33 179	**223 342**	33 179
Taxation	**(62 536)**	(9 290)	**(62 536)**	(9 291)
Impairment of Investment in BESA Limited[1]	**—**	—	**139 432**	—
Net realised gain on disposal of available-for-sale financial assets[1]	**(22 932)**	(31 893)	**—**	—
Headline earnings	**479 609**	370 015	**604 064**	374 769
Headline earnings per share (cents)	**562.4**	436.1	**708.3**	441.7

[1] *No taxation effect.*

SUSTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GRO

	Group		Exchange	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
11. Earnings and headline earnings per share continued				
11.4 Diluted headline earnings per share				
The calculation of diluted headline earnings per share at 31 December 2011 of 555.9 (2010: 429.2) cents per share was based on headline earnings for the year of R479.6 million (2010: R370.0 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 86 280 587 (2010: 86 215 531). Refer to notes 11.2 and 11.3 for detailed calculations.				
Diluted headline earnings per share (cents)	**555.9**	429.2	**700.1**	434.7
11.5 Effect on earnings and net asset value per share of Investor Protection Funds				
The contribution these funds make to the Group is as follows:				
Basic earnings per share (cents)	**31.1**	34.9		
Diluted earnings per share (cents)	**30.7**	34.4		
Headline earnings/(loss) per share (cents)	**4.2**	(2.7)		
Diluted headline earnings/(loss) per share (cents)	**4.1**	(2.6)		
Net asset value per share (cents)	**331.3**	391.1		

The JSE maintains the JSE Guarantee Fund Trust, JSE Derivatives Fidelity Fund Trust and BESA Guarantee Fund Trust for investor protection purposes as required under the Securities Services Act, No 36 of 2004. The JSE is required to consolidate these funds into the results of the Group in terms of International Financial Reporting Standards (IFRS). However, as these Trusts are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of such Trusts.

	Computer hardware R'000	Furniture and equipment R'000	Leasehold improve-ments R'000	Vehicles R'000	Total owned assets R'000	Finance lease assets R'000	Total assets R'000
12. Property and equipment							
12.1 Cost							
Group and Exchange							
2011							
Balance at 1 January 2011	**117 555**	**36 978**	**66 504**	**264**	**221 301**	**19 914**	**241 215**
Additions	**59 496**	**2 084**	**47 406**	**39**	**109 025**	**464**	**109 489**
Disposals	**(2 922)**	**—**	**(32)**	**—**	**(2 954)**	**(4 266)**	**(7 220)**
Balance at 31 December 2011	**174 129**	**39 062**	**113 878**	**303**	**327 372**	**16 112**	**343 484**
Group and Exchange							
2010							
Balance at 1 January 2010	74 753	34 907	57 740	264	167 664	19 871	187 535
Additions	44 538	2 071	8 787	—	55 396	2 103	57 499
Disposals	(1 736)	—	(23)	—	(1 759)	(2 060)	(3 819)
Balance at 31 December 2010	117 555	36 978	66 504	264	221 301	19 914	241 215
12.2 Accumulated depreciation							
Group and Exchange							
2011							
Balance at 1 January 2011	**53 754**	**23 394**	**35 466**	**172**	**112 786**	**15 157**	**127 943**
Depreciation charge for the year	**20 174**	**2 340**	**4 810**	**33**	**27 357**	**3 317**	**30 674**
Disposals	**(443)**	**—**	**—**	**—**	**(443)**	**(4 008)**	**(4 451)**
Balance at 31 December 2011	**73 485**	**25 734**	**40 276**	**205**	**139 700**	**14 466**	**154 166**
Group and Exchange							
2010							
Balance at 1 January 2010	35 489	20 134	31 365	139	87 127	13 107	100 234
Depreciation charge for the year	19 957	3 260	4 107	33	27 357	4 110	31 467
Disposals	(1 692)	—	(6)	—	(1 698)	(2 060)	(3 758)
Balance at 31 December 2010	53 754	23 394	35 466	172	112 786	15 157	127 943
12.3 Carrying amounts							
Group and Exchange							
2010							
At 31 December 2010	63 801	13 584	31 038	92	108 515	4 757	113 272
At 31 December 2011	**100 644**	**13 328**	**73 602**	**98**	**187 672**	**1 646**	**189 318**
Group and Exchange							
2010							
At 31 December 2009	39 264	14 773	26 375	125	80 537	6 764	87 301
At 31 December 2010	63 801	13 584	31 038	92	108 515	4 757	113 272

Finance lease assets

The Group leases computer hardware and other equipment under a number of finance lease agreements.

	Note	Goodwill R'000	Customer relation-ships R'000	Trade names R'000	Computer software R'000	Software under develop-ment R'000	Total intangible assets R'000
13. Intangible assets							
13.1 Cost							
Group							
2011							
Balance at 1 January 2011		**83 145**	**—**	**2 217**	**242 595**	**343 381**	**671 338**
Additions		**—**	**—**	**—**	**7 285**	**143 199**	**150 484**
Disposals		**—**	**—**	**—**	**(4 772)**	**—**	**(4 772)**
Acquisitions through business combinations	7	**24 564**	**4 078**	**—**	**—**	**—**	**28 642**
Balance at 31 December 2011		**107 709**	**4 078**	**2 217**	**245 108**	**486 580**	**845 692**
Group							
2010							
Balance at 1 January 2010		83 145	—	2 217	235 085	251 580	572 027
Additions		—	—	—	7 510	91 801	99 311
Balance at 31 December 2010		83 145	—	2 217	242 595	343 381	671 338
13.2 Accumulated amortisation and impairment losses							
Group							
2011							
Balance at 1 January 2011		**158**	**—**	**630**	**193 811**	**53 700**	**248 299**
Amortisation for the year		**—**	**340**	**366**	**24 567**	**—**	**25 273**
Disposals		**—**	**—**	**—**	**(4 174)**	**—**	**(4 174)**
Impairment loss	13.8	**—**	**—**	**—**	**—**	**223 342**	**223 342**
Balance at 31 December 2011		**158**	**340**	**996**	**214 204**	**277 042**	**492 740**
Group							
2010							
Balance at 1 January 2010		158	—	225	168 374	20 521	189 278
Amortisation for the year		—	—	405	25 437	—	25 842
Impairment loss	13.8	—	—	—	—	33 179	33 179
Balance at 31 December 2010		158	—	630	193 811	53 700	248 299
13.3 Carrying amounts							
Group							
2011							
At 31 December 2010		82 987	—	1 587	48 784	289 681	423 039
At 31 December 2011		**107 551**	**3 738**	**1 221**	**30 904**	**209 538**	**352 952**
Group							
2010							
At 31 December 2009		82 987	—	1 992	66 711	231 059	382 749
At 31 December 2010		82 987	—	1 587	48 784	289 681	423 039

	Note	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
13. Intangible assets continued						
13.4 Cost						
Exchange						
2011						
Balance at 1 January 2011		82 987	1 829	221 082	343 381	649 279
Additions		—	—	7 285	143 202	150 487
Disposals		—	—	(4 772)	—	(4 772)
Balance at 31 December 2011		82 987	1 829	223 595	486 583	794 994
Exchange						
2010						
Balance at 1 January 2010		82 987	1 829	213 572	251 580	549 968
Additions		—	—	7 510	91 801	99 311
Balance at 31 December 2010		82 987	1 829	221 082	343 381	649 279
13.5 Accumulated amortisation and impairment losses						
Exchange						
2011						
Balance at 1 January 2011		—	552	172 298	53 700	226 550
Amortisation for the year		—	366	24 567	—	24 933
Disposals		—	—	(4 174)	—	(4 174)
Impairment loss	13.8	—	—	—	223 342	223 342
Balance at 31 December 2011		—	918	192 691	277 042	470 651
Exchange						
2010						
Balance at 1 January 2010		—	186	146 861	20 521	167 568
Amortisation for the year		—	366	25 437	—	25 803
Impairment loss	13.8	—	—	—	33 179	33 179
Balance at 31 December 2010		—	552	172 298	53 700	226 550
13.6 Carrying amounts						
Exchange						
2011						
At 31 December 2010		82 987	1 277	48 784	289 681	422 729
At 31 December 2011		82 987	911	30 904	209 541	324 343
Exchange						
2010						
At 31 December 2009		82 987	1 643	66 711	231 059	382 400
At 31 December 2010		82 987	1 277	48 784	289 681	422 729

13.7 Amortisation and impairment charge

The amortisation and impairment loss is included as other expenses in the statement of comprehensive income. Refer to note 13.8 for detail.

13. Intangible assets continued

13.8 Impairment loss

Software under development

During the year, a special review of the software development costs was conducted. Certain elements relating mainly to the SRP project totalling R223.3 million (2010: R33.2 million) were identified as not being able to deliver value and have therefore been impaired. Management prepared a value in use impairment calculation, (discounted at the weighted average cost of capital), for assessing the overall impairment of total costs. Based on this calculation, no further impairment was required. The decision to impair SRP was taken after careful and detailed examination of the results of the software testing performed on SRP in the second half of 2011. That testing resulted in management deciding not to implement the SRP system as planned towards the end of 2011. Given the extended period over which the SRP project has run and the challenges experienced with it which have resulted in the impairment, we are reviewing the project to ensure that it will still deliver the required benefits to the JSE and clients. We are not yet in a position to make a final decision on SRP but are working to that goal as quickly as we can. At that point we will communicate our decision to stakeholders. For further information on our technology initiatives, please see the section on Information Technology.

13.9 Impairment testing for cash-generating units containing goodwill

A cash generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purposes which is not higher than the Group's operating segments as reported in Note 6.

(i) Goodwill on the acquisition of BESA Limited

All BESA functions are integrated into the JSE. However, as the cash inflows generated have not changed the interest rate market previously defined as a CGU, has not changed. This CGU was not grouped with other CGUs for the purpose of the impairment test as the interest rate market is an operating segment as defined in IFRS 8.

All other functions relating to the interest rate market (eg cash management and creditors) are managed holistically across the JSE, with practical difficulties in allocating the assets and liabilities related to these integrated functions on a reasonable and consistent basis to the BESA CGU. For example, the portion of the JSE's overall cash balance attributable to the interest rate market cannot be identified without undue effort. Other assets and liabilities relating to the running of the interest rate market have also been integrated with the JSE. The integration has resulted in effective synergies and therefore using the costs attributable to BESA in the prior periods as an allocation method is unlikely to be an accurate reflection of the corporate costs associated with the interest rate market in the current period.

A second impairment test was performed. This test was performed at the next highest group of CGUs to which the corporate assets could be allocated on a reasonable and consistent basis. As the JSE monitors corporate assets and expenses holistically the second impairment test was performed at a JSE level. An impairment was not recognised at this level as the market capitalisation significantly exceeded the net asset value.

(ii) Goodwill on the acquisition of the business of Nautilus MAP Operations (Pty) Limited

On 1 July 2011 a newly created company of the Group, Nautilus MAP Operations (Pty) Limited, acquired the business of Momentum Managed Account Platform (Pty) Limited (MOMMAP), a hedge fund platform, as a going concern. Note 7 refers. For the purposes of impairment testing the business of Nautilus MAP Operations (Pty) Limited was defined as the cash-generating unit. The recoverability of this cash-generating unit was based on its value in use and was determined with the assistance of independent valuers by discounting the future cash flows to be generated from the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount. An impairment loss was therefore not recognised.

Key assumptions used in the calculation of the recoverable amount were the discount rates (a weighted average cost of capital of 19.3%), terminal growth rate (5.6%) and management's estimates of future cash flows. Seven years of future cash flows have been included in the discounted cash flow model.

The discount rate is a pre-tax measure based on the risk-free rate of an annualised yield on a bootstrapped zero coupon perfect fit government bond curve as at 31 December 2011, adjusted for a risk premium for emerging markets and the systematic risk of the business operations.

The values assigned to the key assumptions represent management's assessment of future trends for the business which were based on both external sources and internal sources (forecasts and budgets).

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
14. Investments in equity-accounted investees				
14.1 Carrying amount				
Strate Limited				
– Carrying amount at beginning of year	**94 970**	92 833	**21 416**	21 416
– Dividends received	**(26 124)**	(24 303)	**—**	—
– Share of profit	**31 899**	26 440	**—**	—
– Carrying amount at end of year	**100 745**	94 970	**21 416**	21 416
Indexco Managers (Pty) Limited				
– Carrying amount at beginning of year	**47**	41	*****	*
– Share of profit	**6**	6	**—**	—
– Carrying amount at end of year	**53**	47	*****	*
Total investments in equity-accounted investees	**100 798**	95 017	**21 416**	21 416

** Less than R1 000.*

	Strate Limited 2011 R'000	Strate Limited 2010 R'000	Indexco Managers (Pty) Limited 2011 R'000	Indexco Managers (Pty) Limited 2010 R'000	Total 2011 R'000	Total 2010 R'000
14.2 Group share of post-acquisition profit						
Share of opening accumulated profit	**128 848**	102 408	**47**	41	**128 895**	102 449
Share of profit after tax	**31 899**	26 440	**6**	6	**31 905**	26 446
Share of closing accumulated profit	**160 747**	128 848	**53**	47	**160 800**	128 895
14.3 Summarised financial statements at 31 December						
Non-current assets	**98 435**	79 563	**—**	—	**98 435**	79 563
Current assets	**184 204**	184 760	**1 080**	989	**185 284**	185 749
Total assets	**282 639**	264 323	**1 080**	989	**283 719**	265 312
Equity	**244 309**	234 693	**136**	99	**244 445**	234 792
Non-current liabilities	**9 059**	11 263	**161**	161	**9 220**	11 424
Current liabilities	**29 271**	18 367	**783**	729	**30 054**	19 096
Total equity and liabilities	**282 639**	264 323	**1 080**	989	**283 719**	265 312
Revenue and other income	**300 585**	285 730	**45**	47	**300 630**	285 777
Expenses	**(193 029)**	(181 881)	**(21)**	(20)	**(193 050)**	(181 901)
Taxation	**(35 954)**	(34 558)	**(7)**	(8)	**(35 961)**	(34 566)
Profit for the year	**71 602**	69 291	**17**	19	**71 619**	69 310

14. Investments in equity-accounted investees continued

14.4 Unlisted associated companies

	Effective holding 2011 %	Effective holding 2010 %	Number of shares held 2011	Number of shares held 2010	Directors' valuation 2011 R'000	Directors' valuation 2010 R'000
Group						
Strate Limited	**44.55**	44.55	**4 346**	4 346	**363 000**	360 000
Indexco Managers (Pty) Limited	**33.33**	33.33	**50**	50	**53**	39
			4 396	4 396	**363 053**	360 039
Exchange						
Strate Limited	**44.55**	44.55	**4 346**	4 346	**363 000**	360 000
Indexco Managers (Pty) Limited	**33.33**	33.33	**50**	50	**53**	39
			4 396	4 396	**363 053**	360 039

15. Subsidiaries

	Issued share capital	Percentage holding 2011 %	Percentage holding 2010 %	Carrying value of shares held 2011 R'000	Carrying value of shares held 2010 R'000
15.1 SAFEX Clearing Company (Pty) Limited					
– ordinary shares of 12.5 cents each	**8 300**	**100**	100	**1**	1
– zero-coupon redeemable convertible preference shares of 12.5 cents each	**160**	**100**	100	**3 200**	3 200
				3 201	3 201
The zero-coupon redeemable convertible preference shares are redeemable or convertible at the option of SAFEX Clearing Company (Pty) Limited.					
15.2 BESA Limited					
– ordinary shares of 12.5 cents each	**1 925**	**100**	100	**101 150**	240 582
BESA Limited holds 100% of the ordinary shares in BESA Investments (Pty) Limited and 80% of the ordinary shares of BondClear Limited. The remaining 20% of the ordinary share capital in BondClear Limited is held by the JSE.					
During the year the investment in BESA Limited was written down by R139.4 million. Refer to note 9.2.					
15.3 Nautilus MAP Holdings (Pty) Limited					
1 ordinary share of R1 each	**1**	**100**	—	*	n/a

This company was acquired with effect from 1 July 2011 and holds 100% of the ordinary shares in Nautilus MAP Operations (Pty) Limited. Refer to note 7 for further details.

** Less than R1 000.*

	Issued share capital	Percentage holding 2011 %	Percentage holding 2010 %	Carrying value of shares held 2011 R'000	Carrying value of shares held 2010 R'000
15. Subsidiaries continued					
15.4 JSE Trustees (Pty) Limited					
– ordinary shares of R1.00 each	7	#	#	*	*

Certain of the Directors of the JSE hold these shares as nominees on behalf of the Exchange. The Exchange has control over the operating and decision making activities of JSE Trustees (Pty) Limited.

15.5 Investor Protection Funds

In terms of section 9.1(e) of the Securities Services Act, the JSE is required to have an investor protection mechanism in place to enable it to provide compensation to clients. In compliance with this requirement, the JSE has guarantee funds (JSE Guarantee Fund Trust and BESA Guarantee Fund Trust) which covers the equities and interest rate markets respectively, and a fidelity fund (JSE Derivatives Fidelity Fund Trust) which cover the derivatives markets. The three funds are housed within formalised trusts. The funds are administered in terms of their respective trust deeds and their sets of rules. Certain JSE Directors are trustees. As a result of the control exercised over these funds we are required to consolidate them.

 # Less than 1%.
** Less than R1 000.*

	Exchange 2011 R'000	Exchange 2010 R'000
15.6 Amounts due from Group entities		
SAFEX Clearing Company (Pty) Limited	1 290	2 752
JSE Guarantee Fund Trust	—	1 420
JSE Trustees (Pty) Limited	4 786	4 597
BondClear Limited	—	69
BESA Guarantee Fund Trust	257	259
	6 333	9 097

All entities are incorporated in the Republic of South Africa.

Amounts due from Group entities comprises mainly of management fees payable to the Exchange. These fees are invoiced on a monthly basis by the Exchange and are payable within 30 days from invoice date.

	Exchange 2011 R'000	Exchange 2010 R'000
15.7 Amounts due to Group entities		
BESA Limited	400	124 295

BESA Limited is incorporated in the Republic of South Africa. The amount due to BESA Limited is interest free, unsecured and repayable on demand. During the year BESA Limited waived R123.7 million (2010: R nil) of the monies due by the Exchange. Refer to note 8.2.

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
16. Other investments				
16.1 Investor Protection Funds available-for-sale financial assets				
16.1.1 JSE Derivatives Fidelity Fund Trust				
Bonds – fair value	**6 967**	6 930	**—**	—
Listed equities – fair value	**55 932**	58 854	**—**	—
Foreign unit trusts – fair value	**16 422**	10 565	**—**	—
	79 321	76 349	**—**	—
16.1.2 JSE Guarantee Fund Trust				
Bonds – fair value	**8 206**	14 750	**—**	—
Listed equities – fair value	**60 753**	98 763	**—**	—
Foreign unit trusts – fair value	**19 558**	26 220	**—**	—
Local unit trusts – fair value	**2 045**	1 950	**—**	—
	90 562	141 683	**—**	—
Total	**169 883**	218 032	**—**	—
The listed equities held by the Investor Protection Funds were impaired by Rnil (2010: Rnil) in the current year.				
16.2 Other				
Open Outcry Investment Holdings Limited[1]	**1**	1	**1**	1
Stock Exchange Nominees (Pty) Limited	**1**	1	**1**	1
Total	**2**	2	**2**	2
Total other investments	**169 885**	218 034	**2**	2
[1] This entity is in the process of being deregistered and fair value is assumed to approximate cost.				
17. Derivative financial instruments				
European call options	**625**	3 015	**625**	3 015
Refer to note 22.5 for further details.				

		Group		Exchange		Investor Protection Funds	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
18.1	**Trade and other receivables**						
	Trade receivables	113 259	102 363	111 483	102 195	4	—
	Prepaid expenses	13 157	16 592	9 934	13 368	2 916	3 210
	Interest receivable	54 078	54 663	2 172	1 861	409	825
	Other receivables	11 300	13 761	6 191	8 903	—	—
		191 794	187 379	129 780	126 327	3 329	4 035

The age analysis of trade receivables is as follows:

	Group		Exchange		Investor Protection Funds	
	Gross R'000	Allowance for impairment losses R'000	Gross R'000	Allowance for impairment losses R'000	Gross R'000	Allowance for impairment losses R'000
At 31 December 2011						
Fully performing: 0 – 30 days	111 018	11	110 106	11	2	—
Past due: 31 – 90 days	1 675	17	906	17	2	—
Past due: More than 90 days	3 201	2 607	3 106	2 607	—	—
Total	115 894	2 635	114 118	2 635	4	—
At 31 December 2010						
Fully performing: 0 – 30 days	101 574	119	101 406	119	—	—
Past due: 31 – 90 days	124	13	124	13	—	—
Past due: More than 90 days	1 263	466	1 263	466	—	—
Total	102 961	598	102 793	598	—	—

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

	Group		Exchange		Investor Protection Funds	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
At 1 January	598	717	598	717	—	—
Increase in allowance for impairment	2 180	162	2 180	162	—	—
Receivables written off during the year as uncollectible	(143)	(281)	(143)	(281)	—	—
At 31 December	2 635	598	2 635	598	—	—

All trade receivables are both individually and collectively assessed for impairment taking into consideration the customer's payment record and industry in which the entity operates.

An impairment is raised in respect of trade receivables where there is liquidity concerns about the debt and a potential default in payment.

Based on historic default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as the amounts relate to customers that have a good payment record with the Group and there has been no objective evidence to the contrary.

		Group		Exchange	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
18.2	**Loan to the JSE Empowerment Fund Trust**	13 228	13 910	13 228	13 910

In accordance with the JSE's holistic transformation strategy, a loan to facilitate enterprise development was granted to the JSE Empowerment Fund Trust. The intention of this loan is to assist the sustainability of the financial and operational independence of the Fund. The loan was renewed for a further two years and will remain in effect until 31 December 2013 or until such time as the JSE requires the loan to be repaid. For the time being, the loan is interest free. The JSE has the option to terminate the agreement with the Fund on one month's written notice charging interest at JIBAR on any outstanding amounts.

	Group		Exchange		Investor Protection Funds	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
19. Margin and collateral deposits						
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.						
19.1 Margin deposits						
– equities	13 548	10 382	13 548	10 382	—	—
– derivatives funds held by SAFEX Clearing Company (Pty) Limited	15 066 908	14 913 062	—	—	—	—
	15 080 456	14 923 444	13 548	10 382	—	—
19.2 Collateral deposits	4 320	4 447	4 320	4 447	—	—
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 R4.3 million (2010: R4.4 million) have been lodged as security against securities-lending transactions with a market value of R3.2 million (2010: R3.5 million).						
20. Cash and cash equivalents						
Cash and cash equivalents comprise:						
Bank balances	52 283	77 310	51 770	77 107	3	4
Call deposits	988 806	969 020	818 145	830 687	110 173	112 036
	1 041 089	1 046 330	869 915	907 794	110 176	112 040

The effective interest rate on call deposits earned during 2011 was 5.00% (2010: 5.90%). The deposits have an average maturity of 21 days (2010: 21 days).

	Group		Exchange	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
21. Share capital and reserves				
21.1 Authorised share capital				
400 000 000 ordinary shares with a par value of 10 cents per share	40 000	40 000	40 000	40 000
21.2 Issued share capital				
Balance 1 January	8 466	8 514	8 466	8 514
Ordinary shares issued (refer to note 21.3, footnote 4(ii))	174	0	174	0
Acquisition of treasury shares (refer to note 22.7)	(43)	(48)	(43)	(48)
Sales of treasury shares	8	0	8	0
Balance at 31 December	8 605	8 466	8 605	8 466

21. Share capital and reserves continued

21.3 Share capital and reserves

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
Share capital[6] (refer to note 21.2)	**8 605**	8 466	**8 605**	8 466
Share premium[6]	**129 642**	130 658	**129 642**	130 658
Non-distributable reserve[1]	**10 058**	10 058	**—**	—
Investor Protection Funds	**282 535**	331 847	**—**	—
Fair value reserve[2]	**51 567**	73 442	**—**	—
– JSE Derivatives Fidelity Fund Trust	**20 474**	21 763	**—**	—
– JSE Guarantee Fund Trust	**31 093**	51 679	**—**	—
Capital and accumulated funds	**230 968**	258 405	**—**	—
– JSE Derivatives Fidelity Fund Trust[3]	**66 982**	62 497	**—**	—
– JSE Guarantee Fund Trust[3]	**63 818**	97 244	**—**	—
– BESA Guarantee Fund Trust[3]	**100 168**	98 664	**—**	—
BBBEE reserve[4]	**165 336**	159 881	**165 336**	159 881
– Shares issued to the JSE Empowerment Fund	**69 024**	69 024	**69 024**	69 024
– Black shareholders' retention scheme	**96 312**	90 857	**96 312**	90 857
JSE LTIS 2010 reserve	**18 434**	6 244	**18 434**	6 244
Retained earnings	**1 154 458**	1 143 950	**1 085 288**	1 143 763
Total	**1 769 068**	1 791 104	**1 407 305**	1 449 012

[1] Arose on the purchase of additional shares in Strate Limited.

[2] This reserve comprises fair value adjustments in respect of available-for-sale financial assets.

[3] This fund was established for the purpose of investor protection in the event of a member defaulting in the equity derivative and bond market.

[4] Implementation of a broad-based black economic empowerment initiative (BBBEE).

(i) JSE Empowerment Fund

The JSE Empowerment Fund (JEF) was established to provide financial assistance for education initiatives targeted at bringing black people into the financial sector and at demystifying investment in the stock market. 1 737 550 JSE shares were set aside to be issued to JEF at par value for cash. The first and second tranches totalling 1 303 163 JSE shares were issued during 2006 (R38.7 million). The remainder of 434 387 JSE shares were issued in one tranche during 2007 (R30.3 million). This represented the final issue of the 1 737 550 JSE shares that were set aside to be issued to JEF at par for cash.

(ii) Black Shareholder Retention Scheme (the BBBEE Scheme)

The BBBEE Scheme was established to encourage qualifying black shareholders to retain their qualifying black shareholding until 1 June 2011 via the issue of options to subscribe for shares. The granting of options was tranched in amounts determined by the Board over a period of three years – at 5 June 2006, 1 June 2007, and 1 June 2008 respectively, to qualifying black shareholders proportionately to their qualifying black shareholding at those dates. The strike price of the options for each tranche was 20% of the 30-calendar day value weighted average price (VWAP) immediately prior to and including the effective date of the issue of the tranche of options in question. During the year options that had previously been forfeited by the original black shareholders in terms of the rules of the Black Shareholder Retention Scheme were reissued to JEF at a cost of R7.9 million. All options were exercised in June 2011 resulting in issued share capital increasing by 1.7 million shares to 86.9 million shares. As at 31 December 2011, there were no options outstanding.

Lapsed options

During the year 33 575 (2010: 5 781) options with a grant date value of R2.4 million (2010: R0.3 million) lapsed.

[5] JSE LTIS 2010 reserve.

The reserve relates to the portion of the LTIS 2010 that has been expensed to date.

[6] These amounts were restated to enhance disclosure for the effect of treasury shares.

21. Share capital and reserves continued

21.4 Reconciliation of BBBEE share options

The number and weighted average exercise price of share options are as follows:

	First tranche		Second tranche		Third tranche		
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Total number of options
2011							
Group and Exchange							
Outstanding at 1 January 2011	**R68.69**	**316 174**	**R68.69**	**674 075**	**R68.69**	**624 073**	**1 614 322**
Lapsed during the year				**(32 523)**		**(1 052)**	**(33 575)**
Reissued during the year		**—**		**—**	**R64.50**	**156 536**	**156 536**
Exercised during the year		**(316 174)**		**(641 552)**		**(779 557)**	**(1 737 283)**
Outstanding at 31 December 2011		**—**		**—**		**—**	**—**

The maximum number of options, 1 737 550, were issued which included options lapsed due to rounding.

The weighted average share price at measurement date for share options reissued during the period was R64.50 (2010: no options reissued).

The weighted average share price during the period of the exercise of the share options was R64.50 (2010: no options exercised).

	First tranche		Second tranche		Third tranche		
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Total number of options
2010							
Group and Exchange							
Outstanding at 1 January 2010	R52.75	317 557	R52.75	676 117	R52.75	626 429	1 620 103
Lapsed during the year		(1 383)		(2 042)		(2 356)	(5 781)
Outstanding at 31 December 2010	R68.69	316 174	R68.69	674 075	R68.69	624 073	1 614 322
Exercisable at 31 December 2010		—		—		—	—

These options are exercisable during June 2011. The options outstanding at 31 December have an exercise price in the range of R4.85 to R15.20 (2009: R4.85 to R15.20).

	Exchange 2011 R'000	Exchange 2010 R'000

21. Share capital and reserves continued

21.5 Dividends declared and paid

	Exchange 2011 R'000	Exchange 2010 R'000
Ordinary dividend of 210.0 cents (2010:192.0 cents) per share	178 794	163 469
Ordinary dividend of 210.0 cents on unallocated treasury shares	(27)	—
Special dividend of 210.0 cents (2010: nil cents) per share	182 443	—
Special dividend of 210.0 cents on unallocated treasury shares	(52)	—
	361 158	163 469

21.6 Borrowings

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000	Investor Protection Funds 2011 R'000	Investor Protection Funds 2010 R'000
Loan from FirstRand Alternative Investment Management (Pty) Limited	26 770	—	—	—	—	—

The purchase consideration for the acquisition of the business that administers the hedge fund platform was funded via a loan from the seller, FirstRand Alternative Investment Management (Pty) Limited. Note 7 refers. The loan is denominated in South African rands. It is repayable in monthly instalments and bears interest in accordance with the 12-month Short-Term Fixed Interest Index (STEFI), compounded monthly in arrears. Monthly instalments are calculated in accordance with an agreed-upon formula and will terminate as soon as the cumulative amount of the loan, excluding interest, has been repaid.

22. Employee benefits

22.1 Group and Exchange

	Note	2011 R'000	2010 R'000
Non-current liabilities		28 972	46 105
Compensation on termination of contract	22.8	—	3 638
Special bonus	22.3	11 997	—
Cash-settled share-based payment liability (LTIS 2006 – Tranche 2)	22.5	—	1 030
Cash-settled liability (Cash LTIS 2008 and 2009)	22.6	16 975	41 437
Current liabilities		78 145	94 113
Deferred compensation	22.2	20 306	19 135
Leave pay accrual		17 431	16 123
Cash-settled share-based payment liability (LTIS 2006 – Tranche 2)	22.5	415	41 820
Cash-settled liability (Cash LTIS 2008 and 2009)	22.6	39 993	17 035

22. Employee benefits continued

22.2 Deferred compensation

The contractually guaranteed Deferred Compensation Scheme constitutes an annual incentive for qualifying employees. Specialists and staff from junior-management level upwards (excluding the outgoing CEO) are eligible to participate in this scheme. Awards are assessed on individual performance with a maximum award at executive director level equal to 3.74 months' guaranteed pay. Deferred compensation is awarded in December each year, with 50% of awards under this scheme being subject to a six-month deferral based on continued employment (the deferred portion attracts interest at 5% per annum). No performance claw-back provisions apply to these awards.

The outgoing CEO does not qualify for awards under the deferred compensation scheme, but is eligible for a discretionary bonus up to a maximum of his annual guaranteed cost-to-company package. For the year under review, the outgoing CEO was awarded a discretionary bonus equal to 85% of his annual package.

Total deferred compensation (including the outgoing CEO's discretionary bonus) awarded in 2011 amounted to R43.7 million (2010: R37.2 million) of which R11.0 million (2010: R11.4 million) was paid to Executive Committee members.

22.3 Special bonus

The discretionary special bonus scheme constitutes an annual incentive for qualifying employees. All permanent staff members are eligible to participate in this scheme. Awards are assessed on individual performance, but are also subject to the JSE's satisfactory financial performance each year as determined by the Board. Historically, the maximum award at executive director level has been nine months' guaranteed pay. Special bonuses are awarded and paid in December each year.

In the light of the financial results reported by the JSE in 2011, the Board authorised a discretionary special bonus payment to an aggregate value of R40.0 million (2010: R36.5 million). Of this, an amount of R13.9 million (2010: R12.7 million) was awarded to Executive Committee members. Thirty percent of the total special bonus award has been withheld pending satisfactory progress on a key outstanding technology project during the course of 2012. The Board will consider releasing this withheld portion to participants pending a review of progress made on the project.

22.4 Retirement benefits

The JSE provides retirement benefits for all permanent employees through the JSE Pension Scheme which is a defined contribution retirement scheme. The members' interest in the JSE Pension Scheme is based on the market value of the fund and is recalculated monthly for changes in market value. This fund is governed by the Pension Funds Act, 1956, as amended.

22.5 Cash-settled share-based payment liability (LTIS 2006)

At the time of its listing in 2006 the JSE implemented a share appreciation rights scheme (LTIS 2006) to attract, incentivise and retain selected key staff over the long term.

LTIS 2006 pays participants a certain amount in cash based on the number of participation interests which vest in the hands of a participant at each future vesting date, and which cash amount is calculated by reference to the growth in the JSE share price from a base price.

The Board issued the second tranche of participation interests effective 1 January 2007.

As at 31 December 2011, the total number of all participation interests held in terms of Tranche 2, (after taking into account the participation interests that vested on 31 December 2011 and 31 December 2010 respectively), were as follows:

	2011 (Tranche 2 only)	2010 (Tranche 2 only)
Executive directors (refer to note 27.6)	62 438	181 625
Other key executives (refer to note 27.7)	73 000	114 700
Other employees	86 325	183 250
	221 763	479 575

22. Employee benefits continued

22.5 Cash-settled share-based payment liability (LTIS 2006) continued

Tranche 1 of participation interests

The participation interests under this tranche have all vested by 31 December 2010.

Tranche 2 of participation interests

Tranche 2 was issued at a base price of R85.45 in November 2007 and also had a three-year vesting profile: 50% due in December 2010, 25% due in December 2011 and 25% due in December 2012.

As at 31 December 2011, no payout (2010: Rnil) was due in respect of the second portion (25%) of Tranche 2 as the JSE share price was below the base price on the year-end vesting date. The remaining portion of Tranche 2 vests in December 2012 (25%).

During January 2008, the JSE's exposure under Tranche 2 was hedged through cash-settled European call options, with a view to establishing an economic hedge over the life of the issue. The resultant impact to profit or loss for the year ended 31 December 2011 is a net fair value charge/(write-back) of R1.1 million (2010: (R0.5 million)).

Based on the Black-Scholes valuation methodology, the following assumptions were used to calculate the profit or loss impact as at 31 December (after taking into account the participation interests that vested on 31 December 2010):

	2011	2010
a) Tranche 2 participation interests		
Base price	**R85.45**	R85.45
30-calendar day VWAP	**R72.53**	R79.49
Total number of participation interests in issue	**221 763**	479 575
Vesting dates:		
25% of participation interests vest on 31 December 2011	**—**	239 787
25% of participation interests vest on 31 December 2012	**221 763**	239 788
Volatility	**20.35%**	16.46%
Dividend yield	**5.62%**	2.30%

b) Derivative financial instruments – European call options

The same assumptions were used in the valuation of the European call options.

However, the number of participation interests economically hedged is 1 050 350 (2010: 1 050 350).

22. Employee benefits continued

22.6 Cash-settled liability (Cash LTIS 2008 and 2009)

In November 2008, the Board decided not to issue any further tranches under LTIS 2006, but rather to implement a cash-only long-term incentive (Cash LTIS 2008) as an interim arrangement. An identical cash-only scheme (Cash LTIS 2009) also applied for the 2009 financial year. These schemes are an alternative to a traditional long-term incentive (the preferred share-based retention scheme, considered for implementation by the Board in November 2008, having been rendered ineffective by a change in tax legislation). Applicable, as before, to key senior employees of the JSE, the Cash LTIS 2008 vests in three annual tranches – 50% at 31 December 2011, 25% at 31 December 2012 and 25% at 31 December 2013, while Cash LTIS 2009 also vests in three annual tranches – 50% at 31 December 2012, 25% at 31 December 2013 and 25% at 31 December 2014.

The unvested portions of both Cash LTIS schemes attract interest at the commercial rate earned by the JSE Trustees on funds under management. As with LTIS 2006, there are no performance hurdles or claw-back provisions applicable to either Cash LTIS scheme.

In order to calculate the net present value impact to profit or loss of all unvested tranches under the Cash LTIS schemes, the unvested portions have been discounted on an annual basis at the weighted average cost of capital. This net present value and interest movement in both schemes resulted in a charge to profit or loss of R0.5 million (2010: R12.2 million).

	Cash LTIS 2009 R'000	Cash LTIS 2008 R'000
Total cash value of grant approved by Board	34 200	32 000
Portion of grant awarded to Executive Committee members	20 631	20 109

22.7 Long-term Incentive Scheme 2010 (LTIS 2010)

A new long-term incentive scheme was approved by shareholders at the annual general meeting in April 2010. This new scheme (LTIS 2010) replaces the previous long-term schemes operated by the JSE and, accordingly no further awards will be issued under these earlier schemes.

Scheme objective and design

The main objective of LTIS 2010 is to retain and incentivise selected senior employees of the JSE over rolling three- and four-year time horizons. To this end, LTIS 2010 comprises a retention component and a performance component, with the objectives, qualifying criteria and potential rewards applicable to each component being clearly distinguished. In particular, the performance component is intended to align the interests of scheme participants with the interests of JSE shareholders.

LTIS 2010 is a full-value, restricted share scheme which provides scheme participants with exposure to JSE shares, these shares having been acquired on an annual basis in the open market by a trust established by the JSE. A scheme participant gets immediate beneficial ownership of the JSE shares from the date of the award, although this beneficial ownership is subject to restrictions, being the participant's continued employment and the JSE achieving certain Group-level performance conditions over the vesting period. Shares awarded under LTIS 2010 may be forfeited if either the employment requirement or performance conditions are not achieved.

22. Employee benefits continued

22.7 Long-term Incentive Scheme 2010 (LTIS 2010) continued

The following assumptions, using the Black-Scholes valuation methodology, were used to calculate the profit or loss or value charge of R12.2 million (2010: R6.2 million).

	Retention shares	Performance shares
Allocation No 1 under LTIS 2010		
The first award under LTIS 2010 was granted in May 2010.		
Share price at grant date (Rand per ordinary share)	66.48	66.48
Total number of shares granted	327 400	155 500
Dividend yield	2.30%	2.30%
Vesting dates:		
50% of the shares awarded vest on 1 May 2013	163 700	77 750
50% of the shares awarded vest on 1 May 2014	163 700	77 750

Under allocation No 1, members of the JSE's Executive Committee, which includes the executive directors and Company Secretary, have been granted 124 100 retention shares and 155 500 performance shares.

	Retention shares	Performance shares
Allocation No 2 under LTIS 2010		
The second award under LTIS 2010 was granted in May 2011.		
Share price at grant date (Rand per ordinary share)	67.44	67.44
Total number of shares granted	317 500	109 400
Dividend yield	3.00%	3.00%
Vesting dates:		
50% of the shares awarded vest on 1 May 2014	158 750	54 700
50% of the shares awarded vest on 1 May 2015	158 750	54 700

Under allocation No 2, members of the JSE's Executive Committee, which includes the executive directors and Company Secretary, have been granted 109 400 retention shares and 109 400 performance shares.

Vesting of allocations Nos 1 and 2

All shares awarded under LTIS 2010 are held in trust and are restricted until the relevant vesting conditions are fulfilled, whereupon the shares vest. Should some or all of the vesting conditions not be fulfilled, the share awards may be forfeited.

The performance metrics applicable to the performance shares recognise the JSE's long-term institutional role and incentivise management to develop successful longer-term strategies that will contribute to sustainable growth in shareholder value.

22.8 Compensation on termination of contract

The outgoing CEO is the only member of staff with a specific service contract, which terminated with the outgoing CEO's retirement on 31 December 2011. This contract was originally for a three-year term, and was subject to a four-month notice period and a one-year restraint. The agreed restraint precludes the outgoing CEO from being engaged by any stock exchange, bond market or futures market carried on in South Africa for a period of one year from the date of termination of his employment. A guaranteed end-of-contract payment, equal to the outgoing CEO's annual guaranteed cost-to-company remuneration at the time, is payable at the conclusion of the contract as compensation for the restraint.

A one-year restraint payment of R1.8 million (2010: Rnil) was also made to another executive, Rod Gravelet-Blondin, who retired as head of the JSE's Commodity Derivatives division on 31 December 2011.

23. Deferred tax assets and liabilities

23.1 Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Group						
Property and equipment	**318**	318	**(283)**	—	**35**	318
Intangible assets	**76 507**	13 968	**(1 411)**	(621)	**75 096**	13 347
Operating lease liability	**18 245**	20 737	**—**	—	**18 245**	20 737
Operating lease asset	**173**	—	**(646)**	(646)	**(473)**	(646)
Employee benefits	**29 993**	39 261	**—**	—	**29 993**	39 261
Derivative financial instruments	**382**	881	**—**	—	**382**	881
Allowance for impairment losses	**553**	126	**—**	—	**553**	126
Prepayments	**—**	—	**(1 735)**	(2 158)	**(1 735)**	(2 158)
Finance lease asset	**—**	—	**(460)**	(1 332)	**(460)**	(1 332)
Finance lease liability	**442**	1 265	**—**	—	**442**	1 265
Empowerment Fund	**411**	—	**—**	—	**411**	—
Income received in advance	**508**	167	**—**	—	**508**	167
Total	**127 532**	76 723	**(4 535)**	(4 757)	**122 997**	71 966

23.2 Movement in temporary differences during the year

	Balance 1 January 2010 R'000	Recognised in profit or loss R'000	Balance 31 December 2010 R'000	**Recognised in profit or loss R'000**	**Balance 31 December 2011 R'000**
Group					
Property and equipment	318	—	318	**(283)**	**35**
Intangible assets	4 060	9 287	13 347	**61 749**	**75 096**
Operating lease asset	20 809	(72)	20 737	**(2 492)**	**18 245**
Operating lease liability	—	(646)	(646)	**173**	**(473)**
Employee benefits	38 000	1 261	39 261	**(9 268)**	**29 993**
Derivative financial instruments	3 856	(2 975)	881	**(499)**	**382**
Allowance for impairment losses	150	(24)	126	**427**	**553**
Prepayments	(3 073)	915	(2 158)	**423**	**(1 735)**
Finance lease asset	(1 893)	561	(1 332)	**872**	**(460)**
Finance lease liability	1 812	(547)	1 265	**(823)**	**442**
Empowerment Fund	—	—	—	**411**	**411**
Income received in advance	762	(595)	167	**341**	**508**
Total	64 801	7 165	71 966	**51 031**	**122 997**
Acquired on business combination:					
Deferred taxation raised against goodwill on the purchase of the business operations of Nautilus MAP Operations (Pty) Limited				**1 115**	
		7 156		**52 146**	

There are no current and deferred tax implications relating to items charged/credited directly to equity since these relate to Investor Protection Funds which are exempt from tax.

23. Deferred tax assets and liabilities

continued

23.3 Deferred tax assets and liabilities are attributable to the following:

	Assets 2011 R'000	Assets 2010 R'000	Liabilities 2011 R'000	Liabilities 2010 R'000	Net 2011 R'000	Net 2010 R'000
Exchange						
Property and equipment	318	318	(283)	—	35	318
Intangible assets	76 507	13 968	(256)	(512)	76 251	13 456
Operating lease liability	18 245	20 737	—	—	18 245	20 737
Operating lease asset	173	—	(646)	(646)	(473)	(646)
Employee benefits	29 993	39 261	—	—	29 993	39 261
Derivative financial instruments	382	881	—	—	382	881
Allowance for impairment losses	553	126	—	—	553	126
Prepayments	—	—	(1 665)	(2 158)	(1 665)	(2 158)
Finance lease asset	—	—	(460)	(1 332)	(460)	(1 332)
Finance lease liability	442	1 265	—	—	442	1 265
Empowerment Fund	411	—	—	—	411	1 265
Income received in advance	508	167	—	—	508	167
Total	127 532	76 723	(3 310)	(4 648)	124 222	73 340

23.4 Movement in temporary differences during the year

	Balance 1 January 2010 R'000	Recognised in profit or loss R'000	Balance 31 December 2010 R'000	Recognised in profit or loss R'000	Balance 31 December 2011 R'000
Exchange					
Property and equipment	318	—	318	(283)	35
Intangible assets	4 169	9 287	13 456	62 795	76 251
Operating lease liability	20 809	(72)	20 737	(2 492)	18 245
Operating lease asset	—	(646)	(646)	173	(473)
Employee benefits	38 000	1 261	39 261	(9 268)	29 993
Derivative financial instruments	3 856	(2 975)	881	(499)	382
Allowance for impairment losses	150	(24)	126	427	553
Prepayments	(3 073)	915	(2 158)	493	(1 665)
Finance lease asset	(1 893)	561	(1 332)	872	(460)
Finance lease liability	1 812	(547)	1 265	(823)	442
Empowerment Fund	—	—	—	411	411
Income received in advance	762	(595)	167	341	508
Total	64 910	7 165	72 075	52 147	124 222

	Group		Exchange		Investor Protection Funds	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
24. Due to SAFEX members						
Non-current liability	**1 135**	1 080	**1 135**	1 080	**—**	—
The amount due to SAFEX members is pending the resolution of potential claims against SAFEX that existed at the time of the purchase of SAFEX entities.						
	1 135	1 080	**1 135**	1 080	**—**	—
25. Trade and other payables						
Trade payables	**146 493**	99 839	**109 185**	98 600	**594**	581
Current portion of finance lease	**1 413**	3 240	**1 413**	3 240	**—**	—
Interest payable	**69 861**	70 479	**237**	221	**—**	—
Receipts in advance	**1 813**	597	**1 813**	597	**—**	—
	219 580	174 155	**112 648**	102 658	**594**	581
26. Notes to the cash flow statement						
26.1 Cash generated by operations						
Profit for the year before tax	**498 111**	539 666	**456 100**	512 421	**26 509**	29 634
Adjustments for:						
– depreciation of property and equipment	**30 675**	31 467	**30 675**	31 467	**—**	—
– amortisation of intangible assets	**25 272**	25 842	**24 932**	25 803	**—**	—
– impairment losses on software development costs	**223 342**	33 179	**223 342**	33 179	**—**	—
– impairment of monies due from Group entities	**—**	—	**3 636**	—	**—**	—
– impairment of other receivables	**19**	2 572	**19**	2 626	**—**	—
– BBBEE options	**7 888**	—	**7 888**	—	**—**	—
– JSE LTIS 2010	**12 190**	—	**12 190**	—	**—**	—
– share of profit of equity-accounted investees	**(31 905)**	(26 446)	**—**	—	**—**	—
– interest paid	**825 646**	940 957	**9 013**	7 556	**—**	—
– interest received	**(911 776)**	(1 027 946)	**(57 528)**	(55 392)	**(7 423)**	(8 886)
– dividend income	**(3 905)**	(4 045)	**(26 124)**	(24 303)	**(3 905)**	(4 045)
– non-cash items in respect of employee benefits	**(42 631)**	—	**(42 631)**	—	**—**	—
– waiver of loan due to BESA Limited	**—**	—	**(123 682)**	—	**—**	—
– impairment of investment in BESA Limited	**—**	—	**139 432**	—	**—**	—
– change in fair value of European call options	**2 389**	(1 564)	**2 389**	(1 564)	**—**	—
– (profit)/loss on sale of property and equipment	**(83)**	16	**(83)**	16	**—**	—
– change in fair value of loan to JSE Empowerment Fund	**682**	784	**682**	784	**—**	—
– gain on disposal of investment securities	**(22 931)**	(31 893)	**—**	—	**(22 931)**	(31 893)
Surplus/(deficit) from operations	**612 983**	482 589	**660 250**	532 593	**(7 750)**	(15 190)
Changes in:						
– decrease/(increase) in trade and other receivables	**7 227**	5 472	**8 212**	(6 160)	**(1 130)**	4 021
– increase/(decrease) in trade and other payables and employee benefits	**44 365**	41 177	**2 592**	40 220	**14**	(3 393)
Cash generated by/(used in) operations	**664 575**	529 238	**671 054**	566 653	**(8 866)**	(14 562)

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000	Investor Protection Funds 2011 R'000	Investor Protection Funds 2010 R'000
26. Notes to the cash flow statement continued						
26.2 Taxation paid						
Taxation receivable at beginning of year	**(61 783)**	(29 641)	**(61 031)**	(28 992)	**—**	—
Deferred tax effects	**51 031**	7 165	**52 145**	7 165	**—**	—
Per statement of comprehensive income	**156 316**	161 659	**155 850**	161 607	**—**	—
Taxation receivable at end of year	**56 907**	61 783	**56 507**	61 031	**—**	—
	202 471	200 966	**203 471**	200 811	**—**	—

27. Directors' and executives' remuneration[4]

27.1 Executive directors – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000	Medical[1] aid, UIF and other R'000	Total guaranteed pay R'000	CEO's[1] discretionary bonus and deferred compensation[2] R'000	Special[1, 3] bonus R'000	Total annual incentives R'000	Total current year remuneration R'000
2011									
R M Loubser	Chief Executive Officer[5]	**2 851**	**724**	**140**	**3 715**	**3 158**	**2 582**	**5 740**	**9 455**
N F Newton-King	Deputy Chief Executive Officer	**1 942**	**129**	**84**	**2 155**	**688**	**1 477**	**2 165**	**4 320**
F M Evans	Chief Financial Officer	**1 485**	**97**	**30**	**1 612**	**514**	**701**	**1 215**	**2 827**
		6 278	**950**	**254**	**7 482**	**4 360**	**4 760**	**9 120**	**16 602**
2010									
R M Loubser	Chief Executive Officer	2 729	714	65	3 508	3 572	1 992	5 564	9 072
N F Newton-King	Deputy Chief Executive Officer	1 853	123	77	2 053	636	1 306	1 942	3 995
L V Parsons	Chief Operating Officer	1 523	410	87	2 020	636	987	1 623	3 643
J H Burke	Director: Issuer Services	1 786	120	101	2 007	620	801	1 421	3 428
F M Evans	Chief Financial Officer	1 415	92	31	1 538	476	738	1 214	2 752
		9 306	1 459	361	11 126	5 940	5 824	11 764	22 890

Footnotes (1) – (8) below are applicable to notes 27.1 – 27.7.

[1] Represents short-term employee benefits.

[2] 50% of deferred compensation awards are subject to six-month deferral (full award reflected here).

[3] 30% of the special bonus award has been withheld, pending performance during 2012 on a key technology project (full award reflected here).

[4] All executive directors and other key executives are full-time employees of JSE Limited.

[5] Retired 31 December 2011.

[6] Resigned 31 August 2011.

[7] Dismissed 4 November 2011

[8] R Gravelet-Blondin is a retiring executive under the Rules of the LTIS 2010 scheme and, accordingly, 6 533 shares will vest on 1 January 2012 with the balance of 4 667 shares being forfeited.

27. Directors' and executives' remuneration[4] continued

27.2 Other key executives – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000	Medical[1] aid, UIF and other R'000	Total guaranteed pay R'000	CEO's[1] discretionary bonus and deferred compensation[2] R'000	Special[1, 3] bonus R'000	Total annual incentives R'000	Total current year remuneration R'000
2011									
J H Burke	Director: Issuer Services	1 800	126	102	2 028	670	1 138	1 808	3 836
G C Clarke	Company Secretary	1 223	98	79	1 400	446	650	1 096	2 496
D J Davidson	Director: Clearing and Settlement	1 617	129	107	1 853	592	718	1 310	3 163
S A Davies	Director: Surveillance	1 251	68	96	1 415	452	603	1 055	2 470
M Dlamini	Senior general manager: Education[6]	772	51	106	929	—	—	—	929
A Forssman	Senior general manager: Information Products Sales	1 221	59	38	1 318	421	714	1 135	2 453
R Gravelet-Blondin	Senior general manager: Commodity Derivatives[5]	1 218	139	38	1 395	445	648	1 093	2 488
N Greenhill	Senior general manager: Marketing and Business Development	1 059	53	153	1 265	404	490	894	2 159
J Immelman	Senior general manager: Information Services	1 167	49	49	1 265	404	490	894	2 159
M Moloi	Senior general manager: Human Resources	1 084	104	41	1 229	392	333	725	1 954
L V Parsons	Chief Operating Officer	1 587	430	136	2 153	688	1 167	1 855	4 008
G Rothschild	Director: Government and International Affairs	1 629	100	66	1 795	573	685	1 258	3 053
G H Smale	Director: Interest Rate Products	1 701	70	37	1 808	577	793	1 370	3 178
A R Thomson	Director: Derivatives Trading[7]	1 360	84	140	1 584	—	—	—	1 584
R van Wamelen	Chief Information Officer	1 571	72	73	1 716	548	797	1 345	3 061
		20 260	1 632	1 261	23 153	6 612	9 226	15 838	38 991

27. Directors' and executives' remuneration[4] continued

27.2 Other key executives – Current year remuneration continued

		Basic[1] salary R'000	Defined contri-bution pension plan R'000	Medical[1] aid, UIF and other R'000	Total guaranteed pay R'000	CEO's[1] discre-tionary bonus and deferred compen-sation[2] R'000	Special[1, 3] bonus R'000	Total annual incentives R'000	Total current year remu-neration R'000
2010									
G C Clarke	Company Secretary	1 160	100	73	1 333	413	480	893	2 226
D J Davidson	Director: Clearing and Settlement	1 548	123	97	1 768	547	566	1 113	2 881
S A Davies	Director: Surveillance	1 192	65	96	1 353	418	486	904	2 257
M Dlamini	Senior general manager: Education	1 104	72	31	1 207	368	386	754	1 961
A Forssman	Senior general manager: Information Products Sales	1 167	49	39	1 255	378	729	1 107	2 362
R Gravelet-Blondin	Senior general manager: Commodity Derivatives	1 153	132	47	1 332	412	479	891	2 223
N Greenhill	Senior general manager: Marketing and Business Development	1 027	51	127	1 205	369	434	803	2 008
J Immelman	Senior general manager: Information Services	1 093	47	65	1 205	368	463	831	2 036
M Moloi	Senior general manager: Human Resources	1 029	99	43	1 171	363	234	597	1 768
G Rothschild	Director: Government and International Affairs	1 549	96	65	1 710	530	470	1 000	2 710
G H Smale	Director: Interest Rate Products	1 621	67	33	1 721	268	679	947	2 668
A R Thomson	Director: Derivatives Trading	1 525	96	154	1 775	550	782	1 332	3 107
R van Wamelen	Chief Information Officer	1 498	69	67	1 634	506	720	1 226	2 860
		16 666	1 066	937	18 669	5 490	6 908	12 398	31 067

27. Directors' and executives' remuneration continued

27.3 Executive Directors – Long-term remuneration and other benefits

		LTIS 2006 Tranche 1 payout R'000	LTIS 2008 50% payout R'000	LTIS 2008 accelerated payout R'000
2011				
R M Loubser	Chief Executive Officer[5]	—	1 734	1 734
N F Newton-King	Deputy Chief Executive Officer	—	986	—
F M Evans	Chief Financial Officer	—	717	—
		—	3 437	1 734
2010				
R M Loubser	Chief Executive Officer	5 339	—	—
N F Newton-King	Deputy Chief Executive Officer	3 239	—	—
L V Parsons	Chief Operating Officer	3 239	—	—
J H Burke	Director: Issuer Services	3 239	—	—
F M Evans	Chief Financial Officer	1 780	—	—
		16 836	—	—

27.4 Other key executives – Long-term remuneration and other benefits

		LTIS 2006 Tranche 1 payout R'000	LTIS 2008 50% payout R'000	LTIS 2008 accelerated payout R'000
2011				
J H Burke	Director: Issuer Services	—	956	—
G C Clarke	Company Secretary	—	527	—
D J Davidson	Director: Clearing and Settlement	—	717	—
S A Davies	Director: Surveillance	—	567	—
M Dlamini	Senior general manager: Education[6]	—	—	—
A Forssman	Senior general manager: Information Products Sales	—	509	—
R Gravelet-Blondin	Senior general manager: Commodity Derivatives[5]	—	548	548
N Greenhill	Senior general manager: Marketing and Business Development	—	467	—
J Immelman	Senior general manager: Information Services	—	509	—
M Moloi	Senior general manager: Human Resources	—	299	—
L V Parsons	Chief Operating Officer	—	836	—
G Rothschild	Director: Government and International Affairs	—	509	—
G H Smale	Director: Interest Rate Products	—	—	—
A R Thomson	Director: Derivatives Trading[7]	—	—	—
R van Wamelen	Chief Information Officer	—	836	—
		—	7 280	548

LTIS 2009 accelerated payout R'000	LTIS 2010 accelerated pro rata vesting R'000	Payout in lieu of LTIS 2010 allocation 2 award R'000	Contractual restraint payouts R'000	Total long-term remuneration R'000	Accumulated leave payout R'000	Ex gratia payout R'000	Total long-term and other benefits R'000
3 742	—	2 168	3 715	13 093	36	—	13 129
—	—	—	—	986	—	—	986
—	—	—	—	717	—	—	717
3 742	—	2 168	3 715	14 796	36	—	14 832
—	—	—	—	5 339	—	—	5 339
—	—	—	—	3 239	—	—	3 239
—	—	—	—	3 239	—	—	3 239
—	—	—	—	3 239	—	—	3 239
—	—	—	—	1 780	—	—	1 780
—	—	—	—	16 836	—	—	16 836
—	—	—	—	956	—	—	956
—	—	—	—	527	—	—	527
—	—	—	—	717	—	—	717
—	—	—	—	567	—	—	567
—	—	—	—	—	85	—	85
—	—	—	—	509	—	—	509
917	441	—	1 800	4 254	204	—	4 458
—	—	—	—	467	—	—	467
—	—	—	—	509	—	—	509
—	—	—	—	299	—	—	299
—	—	—	—	836	—	—	836
—	—	—	—	509	—	—	509
—	—	—	—	—	—	—	—
—	—	—	—	—	21	931	952
—	—	—	—	836	—	—	836
917	441	—	1 800	10 986	310	931	12 227

SUSTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GRO

27. Directors' and executives' remuneration continued

27.4 Other key executives – Long-term remuneration and other benefits continued

		LTIS 2006 Tranche 1 payout R'000	LTIS 2008 50% payout R'000	LTIS 2008 accelerated payout R'000
2010				
G C Clarke	Company Secretary	1 424	—	—
D J Davidson	Director: Clearing and Settlement	1 780	—	—
S A Davies	Director: Surveillance	716	—	—
M Dlamini	Senior general manager: Education	1 424	—	—
A Forssman	Senior general manager: Information Products Sales	1 424	—	—
R Gravelet-Blondin	Senior general manager: Commodity Derivatives	1 424	—	—
N Greenhill	Senior general manager: Marketing and Business Development	1 424	—	—
J Immelman	Senior general manager: Information Services	1 424	—	—
M Moloi	Senior general manager: Human Resources	1 424	—	—
G Rothschild	Director: Government and International Affairs	1 424	—	—
G H Smale	Director: Interest Rate Products (appointed 1 October 2009)	—	—	—
A R Thomson	Director: Derivatives Trading	2 135	—	—
R van Wamelen	Chief Information Officer	—	—	—
		16 023	—	—

27.5 Non-executive Directors

		Retainer fees R'000	Other services R'000	Meetings R'000	Total R'000
2011					
H J Borkum	Board Chairman, Chairman of Nominations Committee	957	—	440	1 397
A D Botha	Chairman of Human Resources Committee	230	—	352	582
J Berman		—	—	—	—
Z L Combi		153	—	110	263
M R Johnston		153	37	333	523
D Lawrence		153	—	283	436
W Luhabe		47	—	20	67
A R Mazwai		153	—	353	506
N S Nematswerani	Chairman of Audit Committee	253	—	315	568
N Nyembezi-Heita		153	—	178	331
N Payne	Chairman of Risk Management Committee	230	—	315	545
GT Serobe		47	—	61	108
		2 529	37	2 760	5 326

LTIS 2009 accelerated payout R'000	LTIS 2010 accelerated pro rata vesting R'000	Payout in lieu of LTIS 2010 allocation 2 award R'000	Contractual restraint payouts R'000	Total long-term remuneration R'000	Accumulated leave payout R'000	Ex gratia payout R'000	Total long-term and other benefits R'000
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 780	—	—	1 780
—	—	—	—	716	—	—	716
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	1 424	—	—	1 424
—	—	—	—	—	—	—	—
—	—	—	—	2 135	—	—	2 135
—	—	—	—	—	—	—	—
—	—	—	—	16 023	—	—	16 023

		Retainer fees R'000	Other services R'000	Meetings R'000	Total R'000
27.5 Non-executive Directors					
2010					
H J Borkum	Board Chairman, Chairman of Nominations Committee	861	—	360	1 221
A D Botha	Chairman of Human Resources Committee	207	—	281	488
J Berman		67	—	20	87
Z L Combi		138	—	59	197
M R Johnston		138	88	281	507
D Lawrence		138	—	218	356
W Luhabe		138	—	178	316
A Mazwai		138	—	319	457
N S Nematswerani	Chairman of Audit Committee	221	—	240	461
N Nyembezi-Heita		138	—	40	178
N Payne	Chairman of Risk Management Committee	207	—	240	447
G T Serobe		138	—	142	280
		2 529	88	2 378	4 995

SUSTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GRO

27. Directors' and executives' remuneration continued

27.6 Executive Directors

		LTIS 2006 Tranche 2 Number of PIs not yet vested Units	Cash LTIS 2008 Remaining 50% of grant value R'000
2011			
R M Loubser	Chief Executive Officer[5]	43 250	—
N F Newton-King	Deputy Chief Executive Officer	14 750	824
F M Evans	Chief Financial Officer	4 438	599
		62 438	1 423
2010			
R M Loubser	Chief Executive Officer	86 500	2 896
N F Newton-King	Deputy Chief Executive Officer	29 500	1 647
L V Parsons	Chief Operating Officer	29 500	1 397
J H Burke	Director: Issuer Services	27 250	1 597
F M Evans	Chief Financial Officer	8 875	1 197
		181 625	8 734

Cash LTIS 2009 Remaining 100% of grant value R'000	Total R'000	Number of retention shares	Number of performance shares	Number of retention shares	Number of performance shares	Total number of shares
—	**—**	**15 200**	**30 300**	**—**	**—**	**45 500**
1 606	**2 430**	**8 700**	**13 100**	**9 300**	**9 300**	**40 400**
1 201	**1 800**	**6 500**	**9 800**	**7 000**	**7 000**	**30 300**
2 807	**4 230**	**30 400**	**53 200**	**16 300**	**16 300**	**116 200**
3 357	6 253	15 200	30 300	—	—	45 500
1 606	3 253	8 700	13 100	—	—	21 800
1 606	3 003	8 700	13 100	—	—	21 800
1 565	3 162	8 500	12 700	—	—	21 200
1 201	2 398	6 500	9 800	—	—	16 300
9 335	18 069	47 600	79 000	—	—	126 600

27. Directors' and executives' remuneration continued

27.7 Other key executives

		LTIS 2006 Tranche 2 Number of PIs not yet vested Units	Cash LTIS 2008 Remaining 50% of grant value R'000
2011			
J H Burke	Director: Issuer Services	13 625	799
G C Clarke	Company Secretary	4 250	440
D J Davidson	Director: Clearing and Settlement	5 750	598
S A Davies	Director: Surveillance	5 375	473
M Dlamini	Senior general manager: Education[6]	—	—
A Forssman	Senior general manager: Information Products Sales	6 000	425
R Gravelet-Blondin	Senior general manager: Commodity Derivatives[5]	4 250	—
N Greenhill	Senior general manager: Marketing and Business Development	6 000	390
J Immelman	Senior general manager: Information Services	3 500	425
M Moloi	Senior general manager: Human Resources	3 500	250
L V Parsons	Chief Operating Officer	14 750	699
G Rothschild	Director: Government and International Affairs	6 000	425
G H Smale	Director: Interest Rate Products	—	—
A R Thomson	Director: Derivatives Trading[7]	—	—
R van Wamelen	Chief Information Officer	—	699
		73 000	5 623
2010			
G C Clarke	Company Secretary	8 500	880
D J Davidson	Director: Clearing and Settlement	11 500	1 197
S A Davies	Director: Surveillance	10 750	947
M Dlamini	Senior general manager: Education	6 700	780
A Forssman	Senior general manager: Information Products Sales	12 000	850
R Gravelet-Blondin	Senior general manager: Commodity Derivatives	8 500	947
N Greenhill	Senior general manager: Marketing and Business Development	12 000	780
J Immelman	Senior general manager: Information Services	7 000	850
M Moloi	Senior general manager: Human Resources	7 000	500
G Rothschild	Director: Government and International Affairs	12 000	850
G Smale	Director: Interest Rate Products (appointed 1 October 2009)	—	—
A Thomson	Director: Derivatives Trading	18 750	1 397
R van Wamelen	Chief Information Officer	—	1 397
		114 700	11 375

The value of the LTIS 2006 Tranche 2 unvested participation interests are:	Executive Directors	R0.1 million (2010: R0.7 million)
	Other key executives	R0.1 million (2010: R0.4 million)
The value of LTIS 2010 allocation No 1 is as follows:	Executive Directors	R2.5 million (2010: R1.7 million)
	Other key executives	R5.2 million (2010: R2.1 million)
The value of LTIS 2010 allocation No 2 is as follows:	Executive Directors	R0.3 million (2010: Rnil)
	Other key executives	R1.6 million (2010: Rnil)

LTIS 2010 has not yet vested. Refer to note 22.7 for further details.

Cash LTIS 2009 Remaining 100% of grant value R'000	Total R'000	LTIS 2010 Allocation 1 – Grant value: Number of retention shares	LTIS 2010 Allocation 1 – Grant value: Number of performance shares	LTIS 2010 Allocation 2 – Grant value: Number of retention shares	LTIS 2010 Allocation 2 – Grant value: Number of performance shares	Total number of shares
1 565	2 364	8 500	12 700	9 100	9 100	39 400
834	1 274	5 700	5 700	6 000	6 000	23 400
1 105	1 703	7 500	7 500	6 100	6 100	27 200
845	1 318	5 700	5 700	6 100	6 100	23 600
—	—	—	—	—	—	—
785	1 210	5 300	5 300	5 700	5 700	22 000
—	—	5 600	5 600	—	—	11 200
754	1 144	5 100	5 100	5 500	5 500	21 200
754	1 179	5 100	5 100	5 500	5 500	21 200
586	836	4 000	4 000	5 300	5 300	18 600
1 606	2 305	8 700	13 100	9 300	9 300	40 400
835	1 260	5 700	5 700	5 700	5 700	22 800
1 078	1 078	7 300	7 300	7 800	7 800	30 200
—	—	—	—	—	—	—
1 023	1 722	6 900	6 900	7 400	7 400	28 600
11 770	**17 393**	**81 100**	**89 700**	**79 500**	**79 500**	**329 800**
834	1 714	5 700	5 700	—	—	11 400
1 105	2 302	7 500	7 500	—	—	15 000
845	1 792	5 700	5 700	—	—	11 400
755	1 535	5 100	5 100	—	—	10 200
786	1 636	5 300	5 300	—	—	10 600
831	1 778	5 600	5 600	—	—	11 200
754	1 534	5 100	5 100	—	—	10 200
754	1 604	5 100	5 100	—	—	10 200
586	1 086	4 000	4 000	—	—	8 000
835	1 685	5 700	5 700	—	—	11 400
1 078	1 078	7 300	7 300	—	—	14 600
1 111	2 508	7 500	7 500	—	—	15 000
1 023	2 420	6 900	6 900	—	—	13 800
11 297	22 672	76 500	76 500	—	—	153 000

28. Related parties

28.1 Identity of related parties

The JSE is the main provider of risk management, clearing and settlement, and accounting systems to equity member firms (many of whom are shareholders). Revenue earned from this source, and from providing trading and market data to member firms, amounted to R909.8 million (2010: R826.8 million) for the year. These transactions are conducted on an arm's length basis.

The allowance for impairment losses in respect of related parties as at 31 December 2011 was Rnil (2010: Rnil).

The associated companies and subsidiaries of the Group are identified in notes 14 and 15 respectively.

The directors are listed in note 27.

28.2 Material related party transactions

Strate ad valorem fees	– see notes 8.1 and 9.2
Amounts due to and from Group entities	– see notes 15.6 and 15.7
Directors' emoluments	– see note 27
Other key executives	– see note 27
Impairment of investment in BESA Limited	– see note 9.2
Waiver of loan due to BESA Limited	– see note 8.2
Waiver of monies due from Group entities	– see note 9.2
Income recognised from deferred income (Data Centre and Disaster Recovery)	– see note 8.2

The JSE provides secretarial services to all the Group entities for no consideration.

With effect from 1 July 2011 the JSE through Nautilus MAP Operations (Pty) Limited acquired the business that administers the hedge fund platform of MOMMAP as a going concern from FRAIM. In addition, the JSE acquired 100% of the shares in Nautilus MAP Holdings (Pty) Limited. Refer to note 7.

During the year surplus assets amounting to R51.0 million (2010: R50.0 million) were distributed by the JSE Guarantee Fund Trust to the JSE for the establishment of the JSE's Data Centre (2010: Disaster Recovery Site). The transfer of the funds was formally approved by the Financial Services Board. The funds received are recognised in deferred income in the JSE's separate financial statements and is released to profit or loss on a systematic basis over the useful life of the assets comprising the Data Centre and the Disaster Recovery Site. Also refer to note 30.

29. Contingent liabilities and commitments

29.1 Contingent liabilities

29.1.1 The JSE has a contingent liability as a result of the JSE guaranteeing the settlement of central order book equity market trades in the event that one member fails to settle. This risk is mitigated through various mechanisms, being the member firms' deposits and bank guarantees of R27.2 million (2010: R21.6 million), the JSE Guarantee Fund Trust and the JSE's own trade monitoring system. The JSE retains reserves to meet this contingent liability.

29.1.2 The JSE was one of 25 defendants who had been served with a summons relating to losses incurred by the Joint Municipal Pension Fund (JMPF), in the amount of approximately R1.9 billion. The JMPF has since withdrawn its claim against the JSE in its entirety.

29.1.3 The JSE has a contingent liability in respect of a guarantee of R0.7 million (2010: R0.7 million) issued to the Financial Services Board.

29.1.4 A summons was served on the JSE during December 2011 in terms of which Pinnacle Point Holdings (Pty) Limited, (PPG), and four other plaintiffs have instituted action against the JSE for payment R1.4 billion. These losses were allegedly suffered as a result of the transaction concluded between the Acc-Ross group of companies and PPG. The JSE has informed its insurers of the claim and has briefed our attorneys and senior counsel to defend the claim. Our external advisers are of the view that the claim is spurious and without any merit and that the PPG claim will be dismissed by the courts.

29.1.5 The JSE will potentially be liable for increased service fees of R5.0 million payable to the London Stock Exchange should the implementation of the new equities trading engine be delayed.

29. Contingent liabilities and commitments continued

29.2 Commitments

29.2.1 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, the JSE has the right to extend the lease for an initial seven-year period and thereafter for five-year periods ad infinitum. The operating lease payments escalate at 11% per annum.

The BESA Group leases a building at Melrose Arch and accounts for the lease as an operating lease. The lease was renewed for a further five-year period during 2007 and terminates on 30 June 2012. The lease payments escalate at 10% per annum.

	Group		Exchange	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Total future minimum lease payments under non-cancellable operating lease:				
Not later than one year	**43 283**	40 212	**43 283**	40 212
Between one and five years	**135 546**	178 829	**135 546**	178 829
	178 829	219 041	**178 829**	219 041
Note: The disclosure on the face of the statement of financial position represents the accrual from the straight-lining of the rental income.				
29.2.2 The JSE is party to a contract with the London Stock Exchange for the use of their technology solution. The licence fees are payable quarterly in advance in pounds sterling.				
Total future minimum payments:				
Not later than one year	**6 420**	10 526	**6 420**	10 526
Between one and five years	**—**	2 632	**—**	2 632
	6 420	13 158	**6 420**	13 158
In addition, the JSE pays transaction fees to the London Stock Exchange quarterly in arrears for use of the LSE technology solution.				
Future commitments are payable in Pounds sterling and have been converted at the closing rates at 31 December.				
29.2.3 Certain contracts relating to information technology operations have been classified as finance leases.				
Total future minimum payments:				
Not later than one year	**1 784**	4 019	**1 784**	4 019
Between one and five years	**170**	1 599	**170**	1 599
	1 954	5 618	**1 954**	5 618
Total present value minimum payments:				
Not later than one year	**1 416**	3 240	**1 416**	3 240
Between one and five years	**162**	1 279	**162**	1 279
	1 578	4 519	**1 578**	4 519
29.2.4 The JSE has entered into an operating lease contract for the Disaster Recovery Site.				
Total future minimum payments:				
Not later than one year	**5 122**	9 052	**5 122**	9 052
Between one and five years	**5 548**	22 289	**5 548**	22 289
	10 670	31 341	**10 670**	31 341

	Group 2011 R'000	Group 2010 R'000	Exchange 2011 R'000	Exchange 2010 R'000
30. Deferred income				
Investor Protection Levy	**50 592**	51 847	**50 592**	51 847
Distribution from the JSE Guarantee Fund Trust	**—**	—	**95 512**	50 000
	50 592	51 847	**146 104**	101 847

Investor Protection Levy

This amount represents unexpended levies received from investors in terms of the Investor Protection Levy together with interest thereon. These levies are raised to finance the market regulatory activities of the Financial Services Board and are committed to this purpose. These funds are included in the cash and cash equivalents balances.

Distribution from the JSE Guarantee Fund Trust

This represents the monies distributed by the JSE Guarantee Fund Trust for the specific purpose of funding the establishment of the JSE's Disaster Recovery site (2010: R50 million) and Data Centre (2011: R51 million). This is a transaction between related parties as disclosed in note 28 and is eliminated on consolidation. The income transferred from deferred income to profit or loss is based on the relating depreciation charge of the Disaster Recovery Site and the Data Centre.

31. Financial risk management

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

- Operational risk
- Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other market risk)
- Liquidity risk
- Credit risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in its role by internal audit. internal audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported to the Risk Committee.

31. Financial risk management continued

31.1 Operational risk

The Board accepts overall responsibility for operational risk with the responsibility of day-to-day management of operational risk delegated to management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- >> Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- >> Requirements for the reconciliation and monitoring of transactions
- >> Compliance with regulatory and other legal requirements
- >> Documentation of controls and procedures
- >> Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- >> Requirements for the reporting of operational losses and proposed remedial action
- >> Development of contingency plans
- >> Training and professional development
- >> Ethical and business standards
- >> Risk mitigation, including insurance where this is effective.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

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 Group'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. These include, inter alia, disaster recovery processes, power back-up, succession plans and diagnostic tests.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

31.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

31. Financial risk management continued

31.2 Market risk continued

31.2.1 Currency risk

The majority of the JSE's transactions are concluded in its functional currency (South African Rand) with the result that its exposure to foreign currency risk from operating transactions is limited. The JSE's finance department monitors the net foreign currency exposure, which is primarily represented by USD-denominated cash and cash equivalents, ensuring that it remains within acceptable levels as set out in the Group's risk management policies and procedures. Note that no foreign currency balances were held in the Investor Protection Funds.

The Group's exposure to foreign currency risk based on notional amounts was as follows:

	Group			Exchange		
	USD R'000	GBP R'000	EUR R'000	USD R'000	GBP R'000	EUR R'000
2011						
Financial assets	**17 583**	**8**	**—**	**17 583**	**8**	**—**
Trade receivables	**6 742**	**—**	**—**	**6 742**	**—**	**—**
Cash and cash equivalents	**10 841**	**8**	**—**	**10 841**	**8**	**—**
Financial liabilities	**(52)**	**(6 410)**	**(93)**	**(52)**	**(6 410)**	**(93)**
Trade payables	**(52)**	**(6 410)**	**(93)**	**(52)**	**(6 410)**	**(93)**
Net exposure	**17 531**	**(6 402)**	**(93)**	**17 531**	**(6 402)**	**(93)**
2010						
Financial assets	31 647	7	—	31 647	7	—
Trade receivables	5 052	—	—	5 052	—	—
Cash and cash equivalents	26 595	7	—	26 595	7	—
Financial liabilities	(1 296)	(4 988)	(63)	(1 296)	(4 988)	(63)
Trade payables	(1 296)	(4 988)	(63)	(1 296)	(4 988)	(63)
Net exposure	30 351	(4 981)	(63)	30 351	(4 981)	(63)

As at 31 December 2011:

Bank buying rates	Bank selling rates
USD – 7.8787 (2010: 6.4468)	USD – 8.2523 (2010: 6.7315)
GBP – 12.2104 (2010: 10.0634)	GBP – 12.8406 (2010: 10.5263)
EUR – 10.2059 (2010: 8.6400)	EUR – 10.7200 (2010: 9.0322)

31. Financial risk management continued

31.2 Market risk continued

31.2.1 Currency risk continued

Sensitivity analysis

A 14% (2010: 15%) strengthening of the Rand against the USD and a 12% (2010: 10%) strengthening of the Rand against the GBP and EUR respectively at 31 December would have increased profit or loss by R1.7 million (2010: R4.1 million) and equity by Rnil (2010: Rnil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2010.

	Group		Exchange	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2011				
USD	**2 454**	**—**	**2 454**	**—**
GBP	**(768)**	**—**	**(768)**	**—**
EUR	**(11)**	**—**	**(11)**	**—**
Net impact	**1 675**	**—**	**1 675**	**—**
2010				
USD	4 553	—	4 553	—
GBP	(498)	—	(498)	—
EUR	(6)	—	(6)	—
Net impact	4 049	—	4 049	—

A 14% (2010: 15%) weakening of the Rand against the USD and a 12% (2010: 10%) weakening of the Rand against the GBP and EUR respectively at 31 December would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

SUSTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GRO

31. Financial risk management continued

31.2 Market risk continued

31.2.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk of the JSE being exposed to fluctuations in the fair values or future cash flows of financial instruments because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in respect of its floating rate financial assets and financial liabilities as set out below and to fair value interest rate risk in respect of fixed rate bonds classified as available-for-sale financial assets. Cash flow interest rate risk is managed by the JSE ensuring that the floating rate financial assets are at least equal to or greater than the floating rate financial liabilities. The fair value interest rate risk arising from fixed rate bonds are managed by a reputable asset manager according to approved guidelines. There is no interest rate risk on the margin and collaterals as there is an equal liability to off-set the asset.

The following table analyses the interest rate risk profile for assets and liabilities at year-end:

	Group		Exchange		Investor Protection Funds	
	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000
2011						
Assets	**6 770 173**	**9 370 865**	**455 000**	**427 414**	**15 173**	**110 176**
Investments	**15 173**	**—**	**—**	**—**	**15 173**	**—**
Margin and collateral deposits	**6 300 000**	**8 784 776**	**—**	**17 868**	**—**	**—**
Cash and cash equivalents	**455 000**	**586 089**	**455 000**	**409 546**	**—**	**110 176**
Liabilities	**(6 300 000)**	**(8 784 776)**	**—**	**(17 868)**	**—**	**—**
Margin and collateral deposits	**(6 300 000)**	**(8 784 776)**	**—**	**(17 868)**	**—**	**—**
Net exposure	**470 173**	**586 089**	**455 000**	**409 546**	**15 173**	**110 176**
2010						
Assets	6 026 680	9 969 221	405 000	517 623	21 680	112 040
Investments	21 680	—	—	—	21 680	—
Margin and collateral deposits	5 600 000	9 327 891	—	14 829	—	—
Cash and cash equivalents	405 000	641 330	405 000	502 794	—	112 040
Liabilities	(5 600 000)	(9 313 062)	—	—	—	—
Margin and collateral deposits	(5 600 000)	(9 313 062)	—	—	—	—
Net exposure	426 680	656 159	405 000	517 623	21 680	112 040

Floating rate assets yield interest at call rates.

31. Financial risk management continued

31.2 Market risk continued

31.2.2 Cash flow and fair value interest rate risk continued

Sensitivity analysis

A change of 100 (2010: 100) basis points on the fixed rate bonds and 100 (2010: 200) basis points in the floating rate instruments at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2010.

	Group		Exchange		Investor Protection Funds	
	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Equity R'000
2011						
Fixed rate bond: +100 bps	—	(658)	—	—	—	(658)
Fixed rate bond: -100 bps	—	698	—	—	—	698
Floating rate instruments: +100 bps	5 969	—	4 204	—	1 101	—
Floating rate instruments: – 100 bps	(5 969)	—	(4 204)	—	(1 101)	—
2010						
Fixed rate bond: +100 bps	—	(1 044)	—	—	—	(1 044)
Fixed rate bond: -100 bps	—	1 115	—	—	—	1 115
Floating rate instruments: +200 bps	11 289	—	10 498	—	266	—
Floating rate instruments: -200 bps	(11 289)	—	(10 498)	—	(266)	—

31.2.3 Other market price risk

The Group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets because of changes in market prices (other than changes in interest rates and currencies). With regard to the unit trusts, the Group is exposed to fluctuations in the fair value of the unit trusts (which is determined by the fair value movement of the underlying equity instruments).

To manage its other market price risk arising from the available-for-sale financial assets, the investments are managed by a reputable asset manager according to approved guidelines. The JSE's finance department monitors the investments in unit trusts and equity instruments by review of the monthly reports from the asset manager. The portfolio of instruments held is regularly reviewed and amended to manage the Group's exposure to market risk.

The Group is further exposed to the risk of fluctuations in the fair value of the call options because of changes in market prices. The Group has entered into European call options to economically hedge its exposure to changes in the cash-settled share-based payment liability. The Group is exposed to changes in the fair value of the European call options on JSE Limited shares.

Sensitivity analysis – other market price risk

The available-for-sale financial assets considered in the sensitivity analysis below exclude the listed bonds and the cash component of the foreign unit trusts as management believes that the majority of the sensitivity of these instruments lies within their exposure to interest rates, which are included in the interest rate sensitivity analysis in note 31.2.2.

The equity investments are listed on the JSE Limited with the majority of the investments included in the JSE All Share Index. A 7% (2010: 12%) increase in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased equity by R8.1 million (2010: R18.9 million) and profit or loss by R0.1 million (2010: R0.4 million) (in respect of the options on the JSE shares); an equal change in the opposite direction would have decreased equity by R8.1 million (2010: R18.9 million) and profit or loss by R0.1 million (2010: R0.4 million) (in respect of the options of the JSE shares). This analysis is performed on the same basis as 2010.

The unit trusts are predominantly benchmarked against the MSCI World Index. A 10% (2010: 12%) increase in the MSCI World Index at the reporting date, with all other variables held constant, would have increased equity by R3.6 million (2010: R4.4 million); an equal change in the opposite direction would have decreased equity by R3.6 million (2010: R4.4 million). The analysis is performed on the same basis as 2010.

31. Financial risk management continued

31.3 Liquidity risk

Liquidity risk is the risk that the JSE will be unable to meet its short-term funding requirements. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

This risk is managed by the JSE by maintaining the members' funds and the JSE's own funds in current and call accounts. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The following table analyses the terms of receipt of financial assets and repayment of financial liabilities existing at year-end.

	Group		
	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
2011			
Financial assets	**16 473 886**	**499**	**2**
Other investments	**169 883**	**—**	**2**
Trade and other receivables (excluding payments in advance)	**124 060**	**499**	**—**
Interest receivable	**54 078**	**—**	**—**
Due from Group entities	**—**	**—**	**—**
Margin and collateral deposits	**15 084 776**	**—**	**—**
Cash and cash equivalents	**1 041 089**	**—**	**—**
Financial liabilities	**(15 302 543)**	**—**	**(27 905)**
Borrowings	**—**	**—**	**(26 770)**
Due to SAFEX members	**—**	**—**	**(1 135)**
Trade payables	**(147 906)**	**—**	**—**
Interest payable	**(69 861)**	**—**	**—**
Due to Group entities	**—**	**—**	**—**
Margin and collateral deposits	**(15 084 776)**	**—**	**—**
Net exposure	**1 171 343**	**499**	**(27 903)**
2010			
Financial assets	16 362 244	797	2
Other investments	218 032	—	2
Trade and other receivables (excluding payments in advance)	115 328	797	—
Interest receivable	54 663	—	—
Margin and collateral deposits	14 927 891	—	—
Cash and cash equivalents	1 046 330	—	—
Financial liabilities	(15 101 449)	—	—
Trade payables	(103 079)	—	—
Interest payable	(70 479)	—	—
Margin and collateral deposits	(14 927 891)	—	—
Net exposure	1 260 795	797	2

Exchange			Investor Protection Funds		
Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
1 013 463	**499**	**2**	**280 468**	**—**	**—**
—	**—**	**2**	**169 883**	**—**	**—**
117 175	**499**	**—**	**—**	**—**	**—**
2 172	**—**	**—**	**409**	**—**	**—**
6 333	**—**	**—**	**—**	**—**	**—**
17 868	**—**	**—**	**—**	**—**	**—**
869 915	**—**	**—**	**110 176**	**—**	**—**
(128 703)	**(400)**	**(1 135)**	**(335)**	**—**	**—**
—	**—**	**—**	**—**	**—**	**—**
—	**—**	**(1 135)**	**—**	**—**	**—**
(110 598)	**—**	**—**	**(594)**	**—**	**—**
(237)	**—**	**—**	**—**	**—**	**—**
—	**(400)**	**—**	**259**	**—**	**—**
(17 868)	**—**	**—**	**—**	**—**	**—**
884 760	**99**	**(1 133)**	**280 133**	**—**	**—**
1 034 786	797	2	330 897	—	—
—	—	2	218 032	—	—
110 302	797	—	—	—	—
1 861	—	—	825	—	—
14 829	—	—	—	—	—
907 794	—	—	112 040	—	—
(116 890)	—	—	(581)	—	—
(101 840)	—	—	(581)	—	—
(221)	—	—	—	—	—
(14 829)	—	—	—	—	—
917 896	797	2	330 316	—	—

31. Financial risk management continued

31.4 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, margin and collateral deposits, trade and other receivables (excluding payments in advance), derivatives, interest receivable, other investments and amounts due from Group entities. Credit risk on cash and cash equivalents, margin and collateral deposits, and interest receivable is minimised through ensuring funds are only placed with F1 (A1) and F1+ (A1+) rated banking institutions, with no concentration of funds in one specific banking institution. Segregation of duties, multiple signatories, third-party confirmation of investments and monitoring of compliance with investment mandates are applied on a daily basis to monitor and control exposure to credit risk associated with other investments. Trade and other receivables are monitored by the JSE's finance department on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The JSE is exposed to credit losses in the event of default by a clearing member. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. A significant number of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

31.5 Capital risk

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The JSE Board monitors the level of capital, which the Group defines as total share capital and reserves (refer to note 21). In order to maintain or adjust the level of capital, the Group may issue new shares, adjust the amount of dividends paid to shareholders or return capital to shareholders. In addition, the Board of Directors monitors the return on capital, which the Group defines as the result from operating activities divided by total shareholders' equity.

The JSE Board also monitors the level of dividends declared to ordinary shareholders.

The Group considers capital risk to reside in three main areas:
- Settlement guarantee
- Operating costs
- Capital or opportunity needs

Settlement guarantee is the money that would be required to settle a failed trade by replacing the defaulting party. This would either entail a settlement in cash or the acquisition of equities required to settle a trade. If it is the latter, the risk is one of the price of the equities moving against the JSE since, although the cash would be forthcoming, it may be less than the original transaction.

Operating costs: Globally, the prudential requirements for operating reserves are between two and six months of operating costs. The JSE Board considers four months to be appropriate.

Capital or opportunity needs: In light of the ongoing need to maintain a world-class technology environment, a high level of cash is maintained. This level of cash is also maintained to allow flexibility in negotiating potential corporate actions. This cash is managed by the JSE's treasury department and is invested with only F1 (A1) and F1+ (A1+) rated institutions, with a view to maximise interest received without exposing the JSE to risks higher than the JSE Trustees' funds.

Refer to note 21 (footnote 4) for a discussion on our Broad-based black economic empowerment Initiative (BBBEE).

There were no changes to the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

32. Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2011					
Assets					
Other investments					
– Equity securities (available-for-sale)	16.1/2	**116 685**	**38 025**	**—**	**154 710**
– Debt investments (available-for-sale)	16.1/2	**15 173**	**—**	**—**	**15 173**
Derivative instruments (fair value through profit or loss)	17	**—**	**625**	**—**	**625**
Total assets		**131 858**	**38 650**	**—**	**170 508**
2010					
Assets					
Other investments					
– Equity securities (available-for-sale)	16.1/2	157 617	38 735	—	196 352
– Debt investments (available-for-sale)	16.1/2	21 680	—	—	21 680
Derivative instruments (fair value through profit or loss)	17	—	3 014	—	3 014
Total assets		179 297	41 749	—	221 046

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions on an arm's length basis, at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing market transactions on an arm's length basis and are regularly occurring transactions. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For all other financial assets and liabilities the carrying value approximates the fair value.

SUSTAINED COMMERCIAL GROWTH SUSTAINABLE COMPETENCIES SUSTAINABLE COMMUNITY SUSTAINED COMMERCIAL GRO

	Group		Exchange	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
33. Minimum lease payments expected from sub-leases				
Total future minimum lease receipts				
Not later than one year	5 510	7 125	5 510	7 125
Between one and five years	2 805	14 927	2 805	14 927
	8 315	22 052	8 315	22 052

The Group sub-leases areas of the building in which it operates. Refer to note 8.2.

34. Funds under management

34.1 JSE Trustees (Pty) Limited

JSE Trustees (Pty) 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 for the account of their clients. JSE Trustees charges an administration fee for this service.

	Year ended 31 December 2011 R'000	Year ended 31 December 2010 R'000
Assets under administration		
Interest receivable	87 444	96 589
Fixed deposits	13 277 000	13 535 000
Current and call accounts	10 465 380	9 708 441
Total assets under administration	23 829 824	23 340 030

In terms of rule 2.100.7 of the JSE Rules, the JSE Trustees acts as an agent on behalf of members, who in turn act as agents on behalf of their clients. JSE Trustees' principal activities, while acting as agent, are acceptance of monies on deposit for account of clients of members of the Exchange and the later repayment of such monies. These monies are invested in various interest-earning bank accounts. JSE Trustees earns an administration fee for the services rendered. Funds so deposited or invested neither form part of the assets of JSE Trustees nor of any member acting on behalf of a client.

Credit risk on assets under administration is minimised through ensuring funds are only placed with F1 (A1) and F1+ (A1+) rated banking institutions.

To monitor liquidity risk, duration limits have been set and authorised for JSE Trustees. The authorised duration limits have been tailored to the liquidity requirements of JSE Trustees and the weighted average duration of funds invested may not exceed 40 (2010: 40) days.

34.2 Total assets under management on the Nautilus Managed Account Platform

Nautilus MAP Holdings (Pty) Limited provides a legal structure allowing investors to pool their assets with other investors and invest into a number of trading portfolios which are set up as separate legal entities that are legally separated from the trading adviser and one another. Nautilus MAP Holdings (Pty) Limited houses these partnerships and fund-of-funds portfolios. The entity issues notes to institutional and retail investors in return for proceeds. The proceeds of such notes are invested into a number of MAP partnerships.

As at 31 December 2011, the combined assets under management on the Nautilus MAP platform was R2.5 billion.

Liquidity risk is managed by instituting limits on fund managers when investing in less liquid stocks; which means that in an ordinary trading environment it is unlikely that a redemption will not be facilitated. In the event that the unwinding of positions will result in a significant loss for all investors in the fund, a consultative process is employed to determine whether the redemption period may be extended or whether the investor would prefer their redemption in specie rather than cash.

Credit risk is mitigated by Nautilus MAP Operations (Pty) Limited in only taking counterparty risk to entities who are required by an independent regulatory body to hold capital against over-the-counter products which are not traded or regulated on an exchange, for example banks and insurance companies.

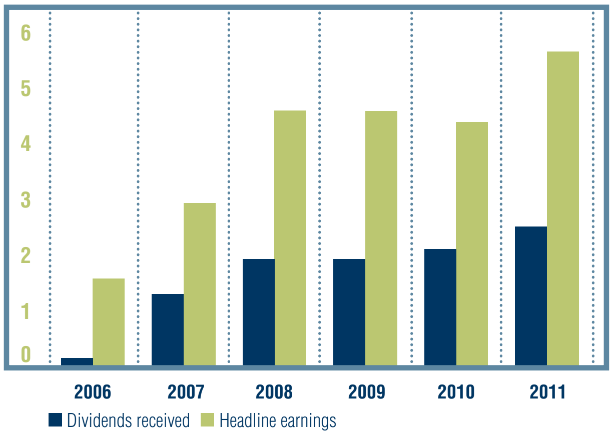
Revenue earned is based on a fee of 30 bps per annum based on assets under management.

Shareholder diary

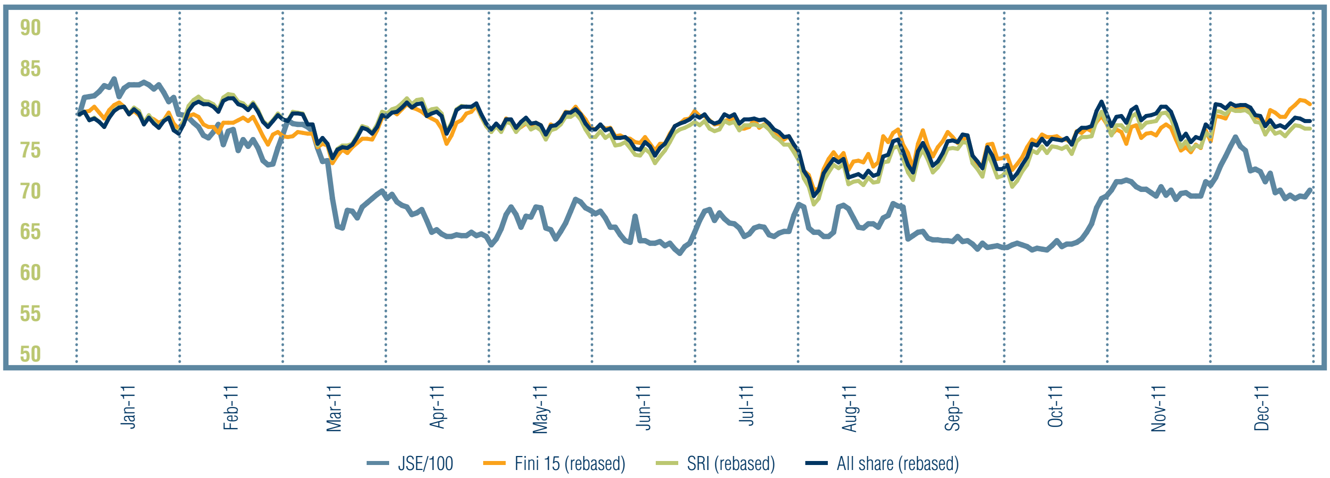
2011 financial year end	31 December 2011
Reports	
Interim report for the six months ended 30 June 2011	17 August 2011
Summarised annual financial statements with the declaration of a dividend	13 March 2012
Publication of integrated annual report	23 March 2012
Annual general meeting	25 April 2012
Dividends payable	28 May 2012

The dividend policy of the Group is to distribute between 40% and 67% of earnings, after deducting non-recurring items. This equates to dividend cover of between 2.5 and 1.5 times. In terms of the policy, the directors propose to declare ordinary dividend No. 9 of 250 cents per share.

Dividends and headline earnings (Rand per share)



Share price tracked against selected indices



The graph reflects how the daily JSE closing price has tracked the indices shown for the financial year under review. All indices have been rebased to start at the JSE closing price of R80 on 3 January 2011.

Shareholder analysis

The JSE has a primary listing on the JSE Limited and no other listing. Various analyses of shareholding in the JSE as at 31 December 2011 follow.

Shareholder bands

	Number of shareholders	%	Number of shares	% of shares in issue
1-5 000	4 067	86.5	3 006 301	3.5
5 001-10 000	214	4.6	1 723 234	2.0
10 001-50 000	239	5.1	5 617 645	6.5
50 001-100 000*	62	1.3	4 615 678	5.3
100 001-1 000 000**	101	2.2	26 857 404	30.9
Greater than 1 000 000	16	0.3	44 228 738	50.8
Treasury shares – JSE 2010 LTIS	1	0.0	828 600	1.0
Total	4 700	100	86 877 600	100

* *Includes 84 beneficial holders in the JSE employee share scheme.*
** *Includes 41 beneficial ex-rightsholder shareholdings.*

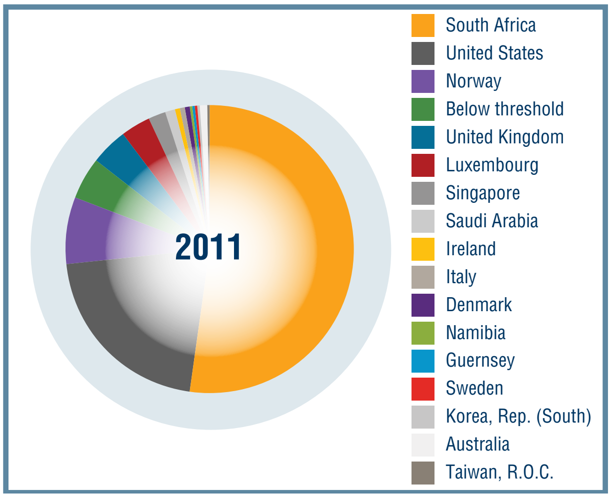
Shareholder spread

	Number	Shareholding	%
Public shareholders	4 528	85 898 442	98.9
Non-public shareholders	172	979 158	1.1
Directors	9	55 814	0.1
Prescribed officers (executive management)	4	8 068	0.0
Employee share scheme	84	86 676	0.1
LTIS 2010 – allocation 1+2	75	828 600	1.0
Total	4 700	86 877 600	100.00

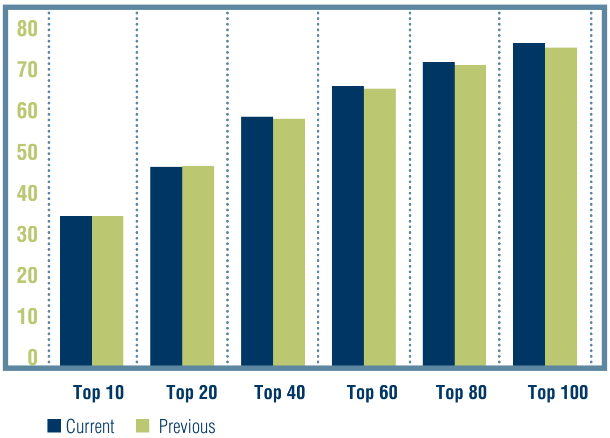
Rank	Name of shareholder	Shares held	% held
1	Government Employees Pension Fund	11 101 421	12.8
2	Skogen Kon-Tiki Verdipapirfond	6 464 519	7.4
3	American Funds Small Cap World Fund	5 100 245	5.9
4	Fidelity Investment Trust: Fidelity International Growth Fund	2 789 935	3.2
5	Fidelity Fund Serv	2 368 906	2.7

To the best of their ability, the directors have identified the above beneficial shareholders in accordance with section 56(7)(b) of the Companies Act, No 71 of 2008, as amended or to be replaced.

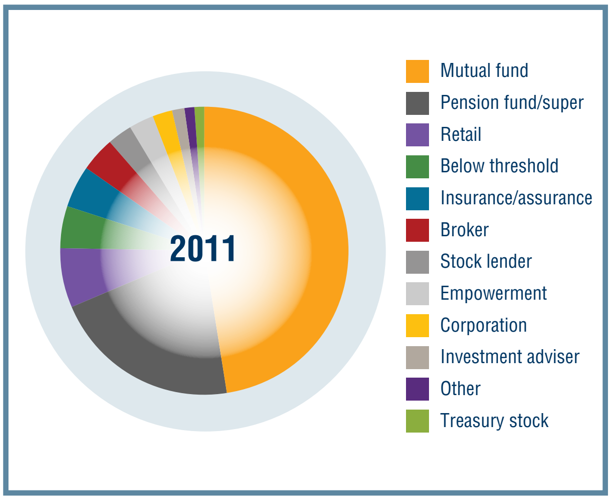
Beneficial shareholders by country (%)



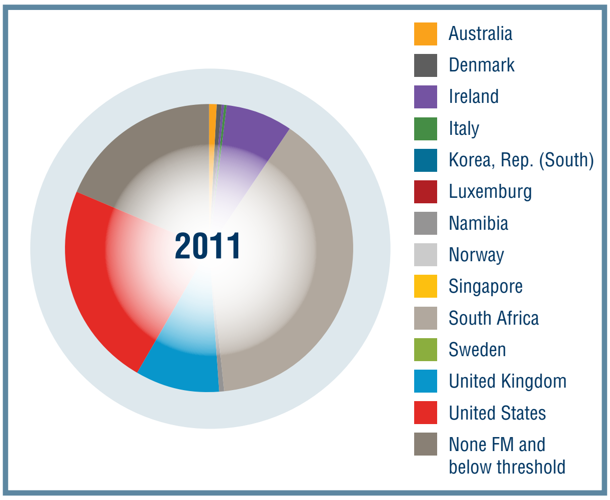
Concentration of shareholders (% shares)



Beneficial shareholder type (%)



Fund managers by country (%)



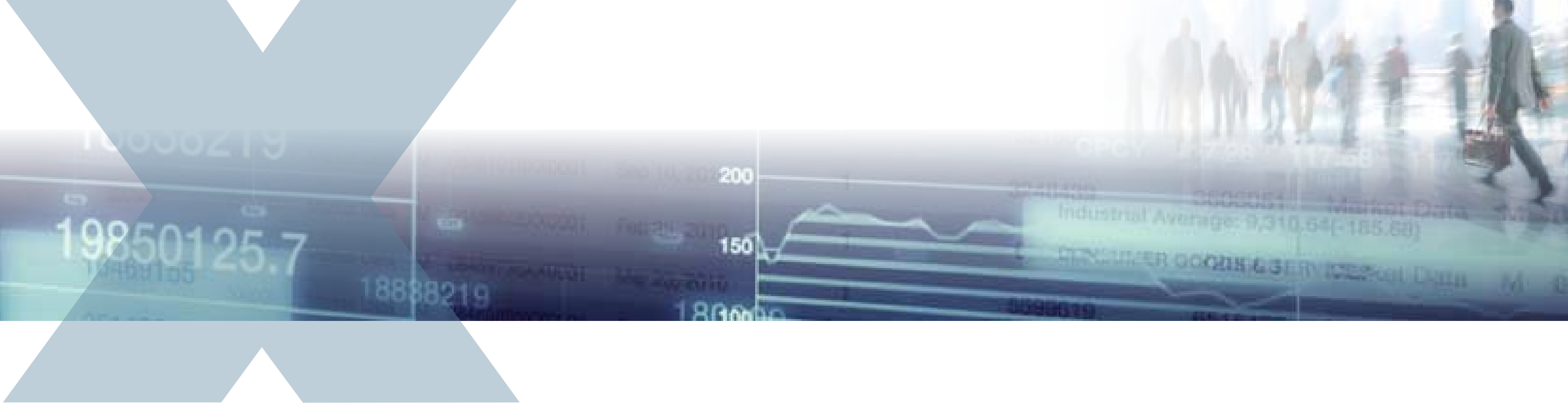
Share statistics

Listed 5 June 2006 (cents) 2 425

Year	2011	2010	2009	2008	2007	2006	Average
Number of shares in issue	86 877 600	85 140 050	85 140 050	85 140 050	85 140 050	84 705 663	85 053 173
Total equity	1 769 068 000	1 791 106 000	1 604 724 000	1 373 492 000	1 108 678 000	833 540 000	
Net asset value (cents)	2 036.2	2 103.7	1 884.8	1 613.2	1 302.2	984.0	1 578
Number of shares traded	72 979 588	54 911 839	63 131 759	78 756 854	94 055 338	37 560 000	65 683 158
% of shares in issue	84%	64.5%	74.2%	92.5%	110.5%	44.3%	77.2%
Value of shares traded (rand)	5 037 694 829	3 774 368 313	3 323 120 750	4 325 627 249	6 534 027 334	1 296 624 000	3 850 753 529
% of market capitalisation	82%	56.1%	64.7%	138.8%	88.2%	29.2%	75.4%
Market price (cents) close at 31 December	7 100	7 900	6 028	3 660	8 700	5 250	6 308
– 12-month high	8 450	8 456	6 400	9 250	9 500*	5 250	7 339
– 12-month low	6 317	5 501	3 650	3 500	4 900	1 950**	4 388
Cumulative appreciation of share price	4 675	5 475	3 603	1 235	6 275	2 825	3 883
Effective annual rate of return	21.2%	29.4%	28.9%	17.3%	124.1%	275.9%	95.1%
Actual dividends declared (cents)	250	210	192	130	106.4	81.8	144.0
Annualised rolling adjusted dividend	203.6	192	192	130	15.40	13.6	
Dividend yield as at 31 December***	2.87%	2.4%	3.2%	3.6%	0.2%	0.3%	1.9%
Actual headline earnings per share (cents)	562.4	436.1	456.1	456.9	292.1	158.3	359.9
Annualised rolling headline earnings per share	476.6	436.1	474.0	452.8	93.5	224.5	
Earnings yield as at 31 December***	6.71%	6.2%	7.9%	12.4%	1.1%	4.3%	6.4%
PE ratio	14.89	16.1	12.7	8.1	93.1	23.4	30.7
PE ratio for sector	9.8	12.6	11.2	5.7	8.9	n/a	9.6
Market capitalisation (Rand)	6 168 309 600	6 726 063 950	5 132 242 214	3 116 125 830	7 407 184 350	4 447 047 308	5 365 732 730

A shareholder who purchased a JSE share on 5 June 2006 at R24 would have received R11.22 in dividends and earned R46.75 in capital appreciation until 31 December 2011, based on a closing price of R71.00 per share on this date, representing a compound annual growth of 21.2%.

* *Highest price since listing.*
** *Lowest price since listing.*
*** *Calculated using the annualised figures.*



ADMINISTRATION

JSE Limited
Registration number 2005/022939/06
Share code: JSE
ISIN No.: ZAE000079711

Registered office	One Exchange Square 2 Gwen Lane Sandown Sandton 2196
Postal address	Private Bag X991174 Sandton 2146
Telephone	+27 (0) 11 520 7000
Web	www.jse.co.za
Email	ir@jse.co.za

Transfer secretary	Computershare Investor Services (Proprietary) Limited Ground Floor 70 Marshall Street Johannesburg 2001
Telephone	+27 (0) 11 370 5000
Auditor	KPMG Inc
Sponsors	RMB, Morgan Stanley
Bankers	First National Bank

BASTION GRAPHICS

JOHANNESBURG STOCK EXCHANGE

WWW.JSE.CO.ZA