JSE

INTEGRATED ANNUAL REPORT

INTEGRATED ANNUAL REPORT OF THE JSE LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

ABOUT THIS REPORT

Board responsibility for integrated annual report

The directors of the JSE Limited (called “the Company”, “the Exchange”, “the Group” or “the JSE” in this report) acknowledge responsibility for the integrity of the integrated annual report. The directors have applied their minds to the report and believe that it covers all material issues and fairly presents the integrated performance of the Group.

The Board is comfortable with the reliability and integrity of the information contained in this report.

Disclaimer

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

Scope and boundaries

The information presented in this report describes the Exchange, its five financial markets and the investor protection funds associated with certain markets. The report excludes associate Strate (Pty) Limited, in which the JSE holds 44.5%, as Strate has an independent management team and board. The JSE equity accounts for Strate.

This report presents the activities and annual financial statements of the JSE and its consolidated entities as shown in the Group structure (page 4) for the year ended 31 December 2014. It also describes the strategic path that the Group was taken over the past year and the way this fits into the Group’s strategy. It discusses the environment and industry pressures, especially those the Group faces. It also focuses on products and services; people; transformation; technology and stakeholder engagement.

In summary, the report presents all material information stakeholders need to analyse the Company in the short, medium and long term and is to be read in conjunction with supplementary data, which is available on the JSE’s website and which is referenced throughout this document, where relevant. References to online data are highlighted with this icon:

Feedback

A CD copy of this report is available from the Investor Relations department.

THE JSE'S MATERIAL ISSUES

A number of key themes emerge from consideration of the issues that affect or could affect the JSE's strategy and business model, and its ability to optimise these to create value over time.

Each theme has distinct relevance to the JSE in terms of both strategy and operations. The various themes are, however also both closely interlinked and independent, particularly in as far as they relate to elements that drive value for the JSE such as efficiency, integration, growth and innovation.

While these material themes are likely to remain key to the JSE as it pursues its strategic path to 2017 and beyond, the JSE will continue to assess the relevance and particular content of each over time.

Theme	Description
COMPETITIVENESS	The JSE business model – offering a comprehensive range of products and services to a broad range of clients – reduces the Group's vulnerability to on-the-ground competition from traditional exchanges. However, in a global environment, the organisation must remain focused on building its competitiveness in relation to offshore exchanges, prospective local entrants and non-traditional trading venues. Competition from these areas is made possible by the reduction of barriers to entry to the industry brought about by technological advances. The consistent drive to enhance efficiency, continuously improve service levels, upgrade IT infrastructure and assess costs to clients is integral to how the JSE operates to ensure that it can establish, sustain and increase its competitive edge.
INTEGRATED DIVERSIFICATION	Having begun its life as an equity-only exchange, the JSE has diversified strongly over the past 25 years and now offers a comprehensive range of products and services to attract a range of clients and reduce risk. The JSE continues to diversify its services and products; however, it has also prioritised achieving integration in certain operational aspects such as trading, clearing and settlement, to ensure that it provides easy access and economies of scale across asset classes and related services.
TECHNOLOGICAL RELIABILITY, SECURITY AND GOVERNANCE	The JSE is a technology-intensive business, with business areas from trading to post-trade services and market data sales relying heavily on automated systems. The Exchange's surveillance and back office functions are also technology dependent. In this environment, the reliability of technology, as well as the JSE's ability to remain at the cutting edge of advances in the broader industry, have major revenue and reputational impacts.
HUMAN CAPITAL OPTIMISATION	The JSE is a highly specialised environment, with a reliance on financial market and technology expertise in particular. It is necessary to attract, cultivate and retain scarce skills to run and grow the business.
REGULATORY READINESS	The global capital markets regulatory environment has seen a staggering pace of change recently, especially following the global financial crisis of 2008. To ensure the Exchange's sustainability and growth, it must stay ahead of these changes and know how to deal with their implications for the Group and the broader industry.
STAKEHOLDER RESPONSIVENESS	The JSE operates in an environment where a wide range of stakeholders are influenced or impacted by its activities, whether regulatory, commercial or otherwise. A number of these and other stakeholders also impact on the Group's ability to meet strategic objectives and operational priorities in a way that will create value for the organisation and its stakeholders. As is evident from the *stakeholder report (*www.jsereporting.co.za/ar2014/stakeholder.asp), the JSE recognises that understanding and being responsive to the circumstances and needs of its stakeholders is critical to sustaining the organisation. Initiatives and internal structures have been put in place to ensure that the requisite awareness and ability to react are established and exploited.

Profile

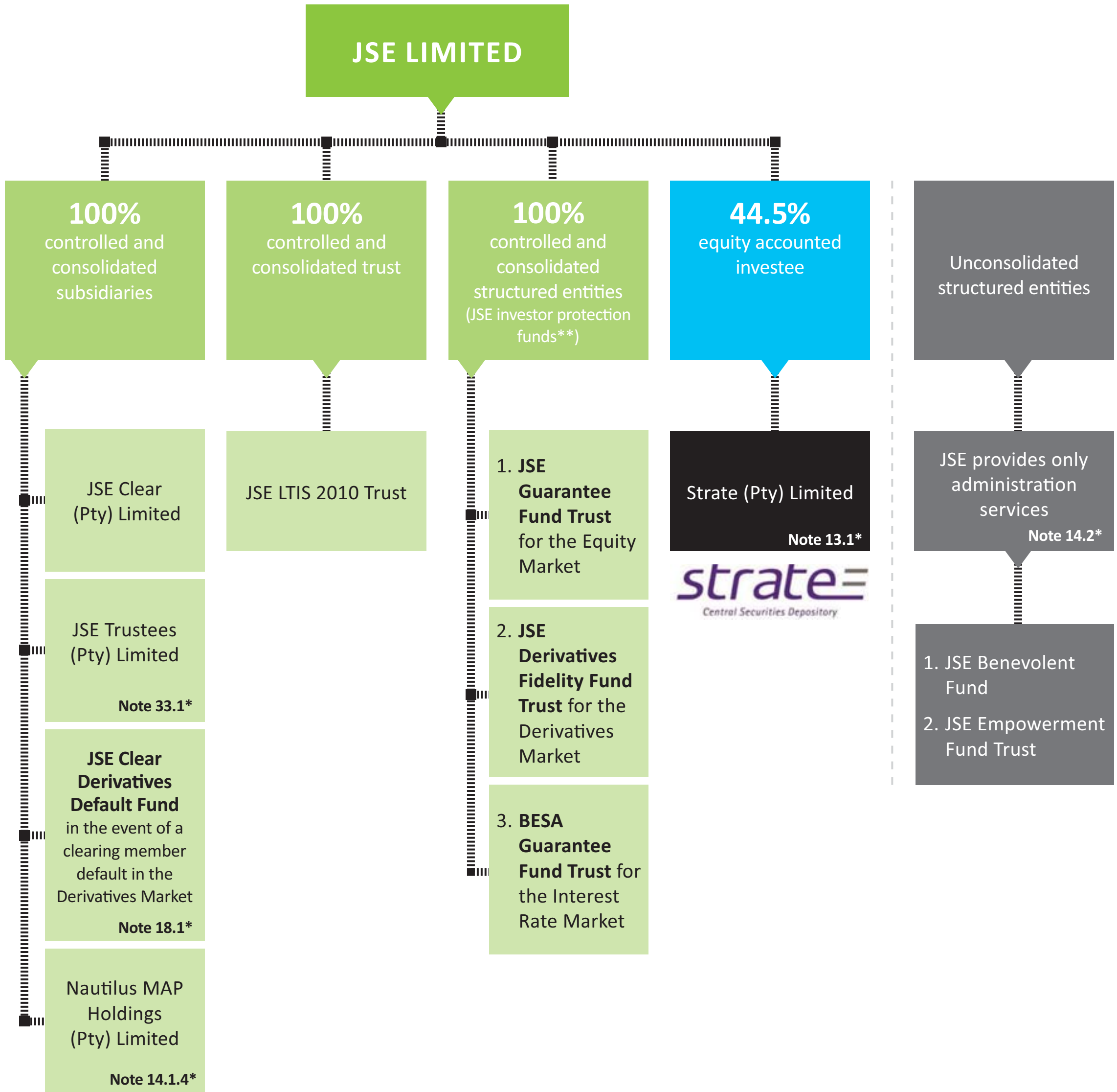
As South Africa's only licensed, full service securities exchange, the JSE is a key feature of the country's economic landscape. The Exchange connects buyers and sellers in a variety of financial markets: equities, financial derivatives, commodity derivatives, currency derivatives and interest rate instruments. The JSE is licensed to operate under the Financial Markets Act, No. 19 of 2012, and is the largest African exchange by market capitalisation and value traded.

The JSE was started more than 128 years ago. It now provides a primary market, secondary market and post-trade services and technology services. It also sells market data, and regulates primary and secondary markets.

Purpose

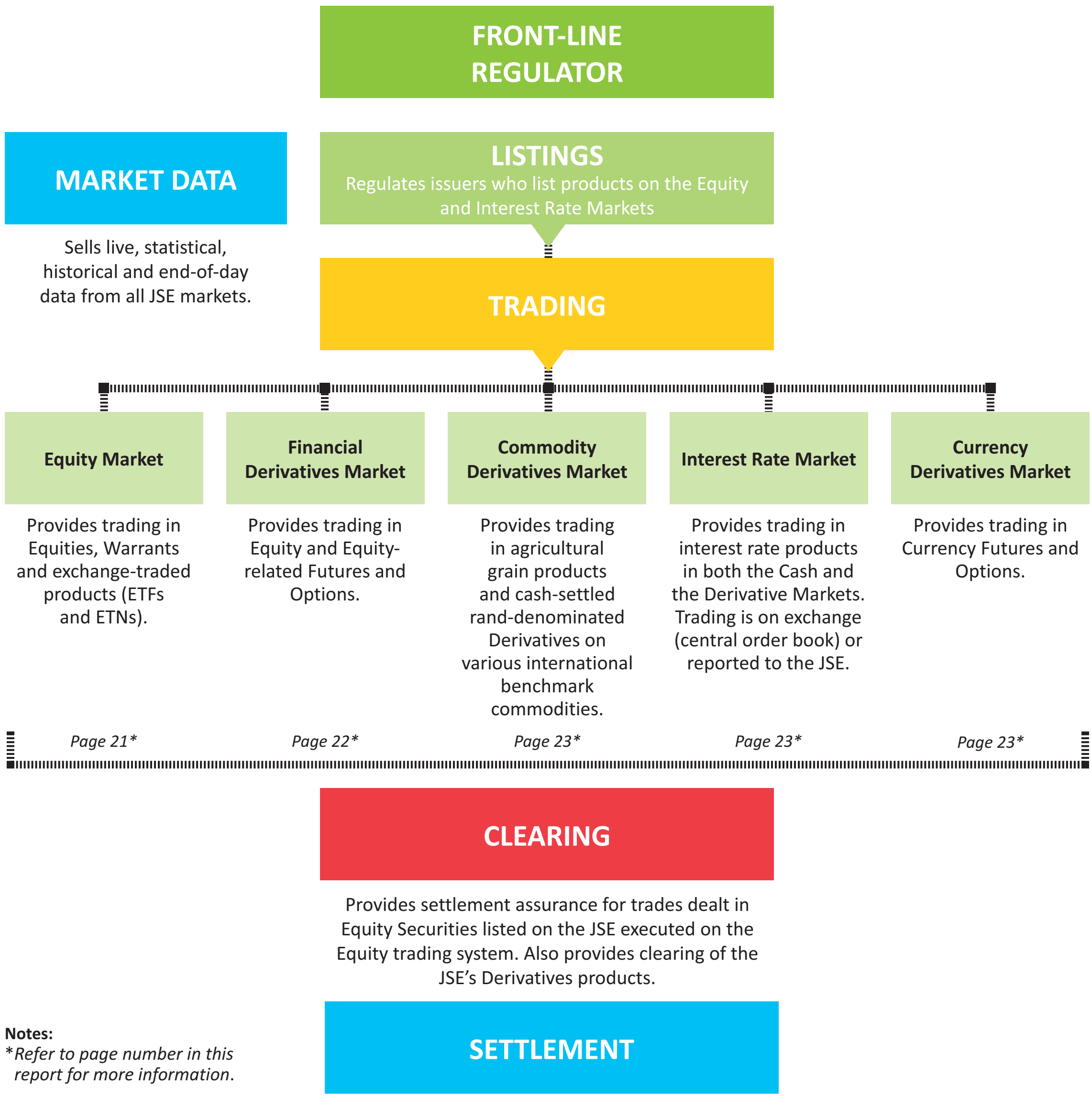
Inspired by a prosperous African future, the JSE provides a secure environment in which growth is made possible by continually ensuring that the best conditions for growth opportunities exist.

Group structure



**Refer to the relevant notes to the consolidated financial statements.*

Business model



In the exchange industry, the JSE is considered horizontally and vertically integrated. In other words, it offers a wide range of products (horizontal axis) and an end-to-end service from listing to clearing/settlement (vertical axis).

Situated in South Africa, the Exchange has global reach through its international investor base and range of tradable instruments. It offers exposure to investments from South Africa, the African continent and further afield.

The *Global Competitiveness Report 2014-2015* published by the World Economic Forum has recognised South Africa as having the best regulated exchange in the world for five consecutive years.

The JSE generates revenue from:

- Listing companies and other instruments;
- Trade and post-trade activity on a per trade basis (with fees related to a combination of the value and/or number of instruments or contracts traded for a trade or post-trade activity); and
- The sale of market data related to various markets or indices to a global client base. The JSE sells live, statistical, historical and end-of-day data from all JSE markets.

All JSE fees are regularly reviewed.

The JSE, as a largely fixed-cost business, benefits from greater activity on its systems.

The JSE also receives dividends from Strate, which is licensed as South Africa's central securities depository. Strate provides electronic settlement for the JSE, money market securities for the South African market and equities for the Namibian Stock Exchange.

The JSE owns 44.5% of Strate.

STAKEHOLDER ENGAGEMENT

The JSE and its stakeholder groups have a symbiotic relationship and it is acknowledged that, by working to create and contribute to an environment in which its stakeholders may be able to flourish, the Exchange will support its own long-term ability to continue creating value for these stakeholders.

Stakeholder and key interest	How the JSE communicates	What the JSE engages about
1. JSE Limited shareholders and analysts JSE financial performance and how we create value	• AGMs • Integrated annual report and interim report • Direct interaction • Notices distributed through SENS • JSE website • Road shows • Radio, TV and newspaper articles	• Performance • Growth areas • Company sustainability • Costs • Dividend policy • Share schemes • Prospects
2. JSE regulator Areas of mutual regulatory interest	• The JSE works closely with the Financial Services Board (FSB) • FSB representatives attend Board and management meetings by invitation • Ad hoc arrangements on relevant topics	• Investment policy • Regulatory issues • Development of products and services • Surveillance • Investor and market protection mechanisms
3. Clients **Issuers** Requirements to bring traded products on market	• Website • Client relationship officers • Client forums • Dedicated extranet • Market notices • One-on-one meetings	• Customer service • Customer expectations
Members Ensuring the JSE understands member needs	• 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
The investor community Understanding the range of investment products available through the JSE and how to invest in them	• 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
Sponsors and designated advisors (DAs)	• Meetings as and when needed • Scheduled meeting update every 18 months • JSE Advisory Committee meeting	• General market conditions • Changes to the JSE Listings Requirements • Service levels and general conduct of staff • Feedback provided on their performance and interaction with their investor relations officer

Stakeholder and key interest	How the JSE communicates	What the JSE engages about
4. Employees Company strategy, values and policies, enhancement of skills, retention and motivation of talent	• Team meetings • Training needs analysis • Performance reviews • Communication sessions • Intranet • JSE website • Employee committees • Email • Whistle-blowers' hotline	• Development and training • Health and safety • Wellness programmes • Remuneration, benefits • Employment equity • Personnel and company financial performance • Code of conduct and ethics • Employee assistance programme • Mentorship programme
5. Potential employees JSE as employer of choice	• Integrated annual report • JSE website • SENS • Interviews • JSE magazine • Employment agencies • Career exhibitions	• Remuneration policy • People development • Career options
6. Suppliers Performance feedback Future requirements of company	• Scheduled meetings • Negotiations	• Monitor performance • Evaluations • Cost assessment • Growth expectations and product and service developments
7. National and local government Areas of mutual interest (stakeholders include the National Treasury; the Department of Agriculture; the Department of Minerals and Energy; the South African Reserve Bank; and the South African Revenue Services)	• Ad hoc meetings as and when necessary	• Financial sector regulatory framework • CPSS-IOSCO compliance • Exchange control matters • Tax issues as they impact capital markets and our clients • Market structure considerations, particularly in relation to new products, where regulatory support is critical
8. 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 • Road shows • 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 • Prospects • Financial literacy and investor education • JSE markets and products • Aspects of JSE business
9. External panels and associations Areas of mutual interest	• Ad hoc meetings • JSE advisory committees • Sponsorship and membership	• Various ongoing initiatives during the year, dealing with service, expectations, prospects, strategies, sustainability and regulation
10. Community Corporate social investment Education and awareness	• JSE website • Education officers • Articles in various media • JSE magazine • CSI strategy	• Education initiatives including: • JSE/Liberty Investment Challenge • Financial literacy initiatives (JEF) • Health care and community development • Sponsorships and donations • JSE Benevolent Fund

The table above is discussed in further detail in the online JSE *Stakeholder report* www.jsereporting.co.za/ar2014/stakeholder.asp

ECONOMIC VALUE CREATED FOR STAKEHOLDERS

	2014 R'000	2013 R'000
Revenue	**1 778 629**	1 577 552
Other income, including share of associate income	**225 055**	234 443
Operating expenses (outside suppliers)	**(669 290)**	(649 779)
Total economic value created	**1 334 394**	1 162 216

EMPLOYEES*

The JSE distributed

R460m

10%

(2013: R420m)
to JSE employees in salaries, short-and long-term incentives and contributions to pension funds and medical aid schemes.

SHAREHOLDERS

The JSE distributed

R348m

60%

(2013: R217m)
to JSE shareholders in the form of dividends.

INCOME TAX

The JSE paid

R233m

2%

(2013: R229m)
to the South African government in the form of taxes.

OUR BUSINESS

The JSE retained

R300m

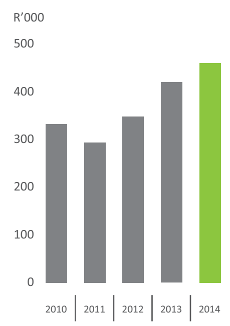
1%

(2013: R296m)
for investment in the growth of the JSE's business.

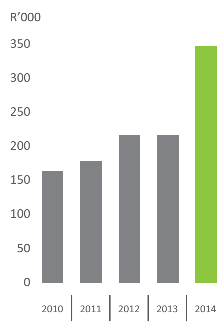
* Refer to the section *performance rewards and outcomes* in the *remuneration report*. www.jsereporting.co.za/ar2014/remuneration.asp

Five-year view of value distribution

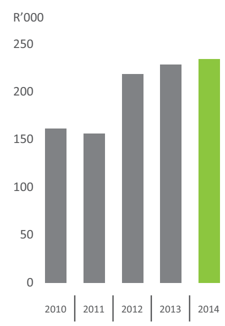
DISTRIBUTED TO EMPLOYEES



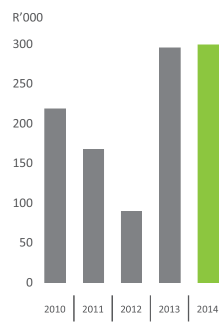
DISTRIBUTED TO SHAREHOLDERS



DISTRIBUTED TO SA INC (TAXES)

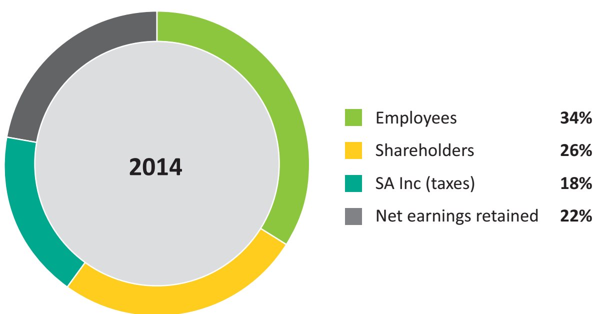


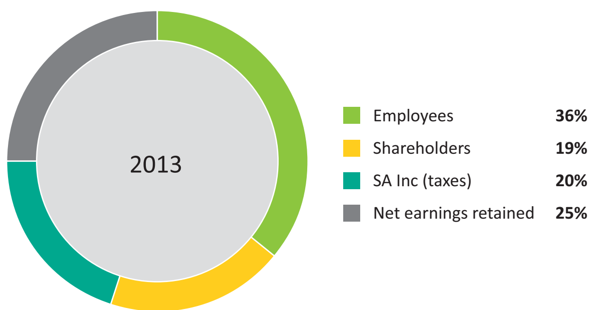
NET EARNINGS INVESTED IN FUTURE EXPANSION



Previous years Current

DISTRIBUTION OF TOTAL ECONOMIC VALUE





THE JSE'S SUSTAINABILITY STRATEGY

The JSE's organisational strategy, which is referred to on page 11, acknowledges the need to build a resilient organisation that is positioned for the future. This includes having a clear picture of the sustainability context and what that means for the Group's ability to create value in the longer term.

As noted in the sustainability framework and expressed in previous reports, the JSE's approach to sustainability is informed by the different dimensions within which it is relevant to the JSE:

- How the Group runs its business and addresses internal corporate sustainability concerns to ensure sustainable value creation for shareholders and broader stakeholders; in comparison with
- The Group's external circle of control and ability to influence the broader debate with regard to the entities connected to it (issuers, investors and the intermediaries that facilitate interaction between them).

These two dimensions (how the Group ensures internal sustainability concerns and its external circle of control) are intertwined in various aspects, for example in the way that our efforts to achieve internal efficiencies not only support the JSE's own business prospects but also inform affect the impact of the outward influence that the Group exerts through these efforts and otherwise.

The four sustainability themes that inform the JSE's efforts blend inward-looking and outward-focused elements to ensure a holistic approach. They link closely to the corporate scorecard key performance indicators and the material issues and are grounded in the organisational strategy. As an overarching objective, the Group wants to ensure that it can position itself positively relative to the key value drivers: efficiency, integration, growth and innovation.

Progress during 2014 is summarised below:

SUSTAINABILITY THEMES AND FOCUS AREAS FOR 2014

OPERATIONS AND TECHNOLOGY	PEOPLE	PRODUCTS AND SERVICES	STAKEHOLDER RELATIONSHIPS
• Governance and regulation • Technology • Managing footprint	• Performance management • Remuneration principles	• Expanded markets and client bases • Evolution of the SRI Index	• Thought leadership, engagement and transparency • Communities in need

Operations and technology

As reflected in the material issues, technological stability and responsiveness remain a priority for the JSE, not only to achieve operational efficiencies and integration, but also to facilitate growth and encourage innovation by ensuring it remains at the forefront of developments. A range of significant technology projects are under way at the JSE in this regard (see *CEO's review* and *key performance indicators*), and this is likely to continue being a core focus area.

From an operational perspective, the recent internal restructuring (see page 20), which moves to a separation in vertical services (across trading, clearing and settlement) while achieving horizontal integration in those services across the various markets of the JSE, enables the JSE to have a holistic perspective of its client base across markets and ensures that the necessary governance and operational structures are in place to optimise service delivery, regulatory responsiveness and product development.

The JSE continues to manage its basic environmental footprint through the initiatives already in place relating to climate change, water and waste (see the *environmental report;* www.jsereporting.co.za/ar2014/environment.asp).

The JSE has sustained its inclusion in the SRI Index, achieving best practice level in the environmental criteria for its impact category. It lacked disclosure on only two core indicators in the governance area to achieve a perfect score. However, it needs to improve on disclosure of how it manages social issues across all areas.

People

To continue embedding a culture of excellence throughout the JSE, the focus during 2014 remained on enhancing the efficiency of the performance management process (while ensuring a smooth transition for the individuals and teams affected by the internal restructuring) and re-aligning the remuneration policies and timelines to the corporate scorecard. The process of accessing and profiling the range of positions throughout each area of the organisation to ensure proper benchmarking and job sizing will be completed in early 2015.

Products and services

Please refer to the *CEO's review* and *key performance indicators* for progress on the ETP project and the Africa strategy. June 2014 saw the listing of the first green bond on the JSE, a R1.46 billion (US$140 million) bond issued by the City of Johannesburg, which will be used to fund green initiatives within South Africa's largest city, and which will mature in 2024. Johannesburg is the first city in the C40 Cities Climate Leadership Group to issue a green bond. The bond auction, which took place in the week before the listing, was 150% oversubscribed, supporting the JSE's perception of a growing interest in a broader range of products that could support sustainable development.

The JSE progressed well this year on positioning itself to realise the transition process foreseen in the strategy to evolve the SRI Index. Announcements will follow in early 2015, but the JSE is confident that the process will bring more flexibility and expanded opportunities for a product and service offering that will meet the growing interest of its clients in understanding the sustainability impacts of the companies listed on the JSE. The 2014 annual review of the SRI Index saw a record number of 82 constituents, with nine best performers (go to www.jse.co.za/2014-sri-results for the full results).

Stakeholder relationships

Refer to the *CEO's review* and *key performance indicators* for progress on the activities to enhance stakeholder focus. In addition to these activities, the SRI Index annual review again facilitated a number of corporate engagement opportunities. The JSE was particularly pleased with the significant increase in engagement by small cap companies as they become more aware of the need to disclose their impacts and responses. The annual Environmental Social and Governance (ESG) Investor Briefing took place for the fourth year running, with eight of the largest companies on the JSE presenting their sustainability approach to around 100 delegates from across the investment value chain.

Beyond the above, the JSE continues to participate in a wide range of forums that centre their attention on discussing and promoting the response to the sustainability imperative. During 2014, this included continuing involvement with the following:

- the UN-supported Principles for Responsible Investment, of which the JSE is a signatory in the service provider category.
- the Sustainable Stock Exchanges Initiative (see www.sseinitiative.org), of which the JSE is a partner exchange and member of the consultative group, participating in the global dialogue that took place in Geneva during the 2014 World Investment Forum.
- The Integrated Reporting Committee of South Africa (of which the JSE is a founding member) and its working group.
- The King Committee on Governance and the CRISA Committee, on which the JSE is represented.

In March 2014, the World Federation of Exchanges (WFE) established a new working committee to consider the exchange-specific perspective on sustainability disclosure and to develop recommendations on how member exchanges could respond to the challenges in this area. The JSE's Head of Sustainability was elected as vice-chair of the Sustainability Working Group, (now the largest working committee of the WFE, with 19 members), and will serve for two years from May 2014, giving the JSE a unique opportunity to provide insight and leadership into this critical process.

Implementation of the revised CSI strategy continued as planned (see the *stakeholder report at* www.jsereporting.co.za/ar2014/stakeholder.asp for more information).

Looking forward

As a partner exchange of the Sustainable Stock Exchanges Initiative, the JSE has publicly committed to remaining an active participant in the debate around sustainable and responsible business practices, both globally and in South Africa, and will continue to work with issuers, investors, regulators and other key stakeholders to promote ESG disclosure. In 2015, it will do this through the following avenues:

- Maintaining the strong regulatory framework that its listed companies are subject to, while monitoring and enforcing compliance as necessary.
- Evolving the SRI Index in line with its strategy to implement an expanded ESG offering.
- Hosting workshops with issuers regarding changes to disclosure indicators and data collection processes.
- Engaging the investor community regarding the above processes and related service offerings.
- Facilitating the issuer-investor interface through events such as topical seminars and the annual ESG Investor Briefing to showcase SRI Index constituents.

In addition to the externally focused efforts outlined above, the JSE will continue to implement and manage elements of its internal sustainability strategy to consider the impacts, risks and opportunities of its own activities, and produce an integrated annual report and other disclosures to reflect on progress. The Group acknowledges that there are a number of areas where it still needs to do some work to ensure that it understands its impacts, potential challenges and opportunities, and to enhance its disclosure in this respect.

In conclusion, the JSE believes that it will need to maintain a dynamic approach to sustainability that balances proactive thought leadership with responsive engagement.

THE JSE'S STRATEGIC JOURNEY

What success will look like

COST EFFECTIVE
CAPITAL EFFICIENT
AGILE AND INNOVATIVE

INTEGRATED TRADING	INTEGRATED CLEARING AND SETTLEMENT	INNOVATIVE PRODUCTS	INNOVATIVE SERVICES

RIGOROUS COST UNDERSTANDING AND FOCUS

TECHNOLOGY DELIVERY

MARKET AND CLIENT INTELLIGENCE

REGULATORY AND MARKET CREDIBILITY

INTEGRATED, CUSTOMER-FOCUSED, COLLABORATIVE CULTURE

DIVERSIFIED, CAPABLE, RESPECTED WORKFORCE

Corporate scorecard focus areas 2014

FINANCIAL PERFORMANCE

STRATEGY AND NEW BUSINESS

TECHNOLOGY

STAKEHOLDER FOCUS

Key performance indicators 2014

	OBJECTIVES (as reflected in 2014 corporate scorecard)	HOW DID THE JSE PERFORM?	OBJECTIVES FOR 2015
FINANCIAL PERFORMANCE	Deliver financial performance in line with the annual Group budget approved by the Board. Establish sound financial discipline, where cost consciousness and revenue intelligence is achieved through operational practices.	Performance significantly exceeding budget. Actual results for the 2014 year: • Group earnings after tax up 25% to R634 million (2013: R507 million). • Operating expenditure rose 13% (2014: R1.8 billion 2013: R1.6 billion). • EBIT up 22% to R704 million (2013: R578 million). • Group remains strongly cash generative. **Significant highlight**	Deliver financial performance in line with the annual Group budget approved by the Board (revenues and expenditures under control of management carry a higher weight than those not under management control).
STRATEGY AND NEW BUSINESS	Finalise: • The JSE's role in the government bond electronic trading platform (ETP) project. • A comprehensive strategy in respect of the JSE's positioning in respect of Africa ex-SA. • The JSE's brand repositioning.	JSE role in government bond and ETP: • Completed the request for information (RFI) process with the National Treasury (NT) and market participants. • Shortlisted four suppliers, who will be requested to participate in a formal request for proposal (RFP) to supply the necessary technology. • Discussions are continuing with Strate, the SARB, the NT and market participants to finalise the regulatory, settlement and credit risk models. **On-target performance** Africa strategy: • Finalised refreshed Africa strategy in respect of the JSE's positioning in respect of Africa ex-SA. • Attracted two African listings and listed three ZAR-settled African currency derivative pairs. • Hosted 3rd Building African Financial Markets (BAFM) event. • The JSE, Lusaka Stock Exchange (LuSE) and Zambian Commodity Exchange (ZAMACE) announced in December 2014 that they are now able to progress the launch of Derivatives Contracts on Zambian agricultural products after the Zambian government's signing of an executive order enabling this to proceed. • Hosted the board of the Nigerian Stock Exchange at the JSE in April. • Signed MOUs with the Nigerian Stock Exchange and Kenyan Stock Exchange to cross-list products. **On-target performance** JSE brand repositioning: • Rolled out new JSE branding in 2014 on time and on budget. The new brand has been well received by the JSE team and clients and was launched within budget. **Significant highlight**	Identify initial JSE Group capital requirements given emerging regulatory and economic capital regulations. Enable the implementation and take-up of a tax exempt savings account (TESA) that meets the TESA requirements published by the National Treasury. Implement a technology solution and business model that enables derivatives data to be transmitted to, bought and used by clients in the UK to trade on the JSE, against the budget agreed by Exco. Improve on the JSE's current broad-based transformation performance. Complete the RFI for the government bond market ETP.

	OBJECTIVES (as reflected in 2014 corporate scorecard)	HOW DID THE JSE PERFORM?	OBJECTIVES FOR 2015
TECHNOLOGY	Implement T+3 phase 2 and make progress against the agreed project timelines on phase 3. Progress the implementation of the integrated trading and clearing (ITaC) project programme, specifically focused on work needed to migrate the Equity Derivatives and Currency Markets to an integrated trading and clearing platform.	Implement T+3 phase 2 – progress on phase 3: • Phase 2 of T+3 was implemented on 27 October 2014 with no downtime and minimal market disruption. This involved a huge number of staff and a large, very careful and multifaceted stakeholder interaction, given the extensive nature of the change. • Phase 2 implemented under budget. • Business requirement specifications for phase 3 have been completed. **On-target performance** Progress the implementation of the ITaC project: This is a huge project, which fundamentally impacts all the JSE's markets and involves two global IT suppliers and a large amount of internal IT development. All aspects of this work are complex and have progressed very well. • Finalised design across all project phases and in the business requirement specification (BRS) development. • Team deployment and IT development will start in early 2015. In order to get quicker and more efficient decision-making on ITaC, the JSE not only restructured the governance around this project, but also completely restructured the operating model of its business. **On-target performance** Implementation of colocation project: • Colocation was implemented on time and under budget on 12 May. • On-budget number of racks contracted. • The JSE sees an increasing amount of client activity from its colocation environment. **Highlight**	Progress T+3 phase 3 against the project timelines and budget agreed with the Board. Progress the Integrated Trading and Clearing (ITaC) project, against the project timelines and budget agreed with the Board.

	OBJECTIVES (as reflected in 2014 corporate scorecard)	HOW DID THE JSE PERFORM?	OBJECTIVES FOR 2015
STAKEHOLDER FOCUS	Extend and strengthen the JSE's relationships with regulatory bodies and the government. Deliver a measurable improvement in JSE client service levels to primary and secondary market customers.	Focus on issuers, investors, regulatory bodies and the government, reaching out to our stakeholders. • Generally positive feedback from client survey, with most clients indicating sustained high levels of service or improved levels of service. • The JSE met and had constructive discussions with key government roleplayers about the JSE's role and how we might facilitate greater partnership between the government and business. • The JSE continues to foster dialogue between business and critical government roleplayers. • The JSE has strong relationships and ongoing discussions on a number of fronts with the senior leadership of its regulator, the Financial Services Board (FSB), and of the South African Reserve Bank (SARB). • In October, the JSE co-hosted the second South Africa Tomorrow investor conference in New York together with UBS, Standard Bank and the National Treasury. The Minister of Finance and Deputy Governor of the Reserve Bank Mminele spoke, as did a number of chief executives. **Significant highlight**	Staff: make clear progress in building and retaining motivated, settled and productive staff who are inspired to tackle the JSE's demanding priorities with innovation and efficiency. Clients: address operational vulnerabilities in IT (e.g. reduced number and duration of P1s) and business processes (e.g. closing out client queries and valuations) so that fewer operational incidents occur. Retain strong JSE relationships with regulatory bodies and the government and build on and strengthen the JSE's role in facilitating dialogue between JSE clients and relevant government and international stakeholders.

CONTENTS

REPORTS AND REVIEWS

Dear Stakeholder

The JSE delivered excellent financial results, growing Group earnings after tax by 25% to R634 million (2013: R507 million).

I am pleased that, on the basis of strong cash generation, we were able to increase our dividend from 400 cents to 480 cents per share. For more details on our financial performance as well as our future plans, please look at what our CEO, Nicky Newton-King, has to say in her *CEO's review*.

The operating environment in 2014

The Group's results were noteworthy, given the operating environment in which they occurred.

Financial markets faced considerable headwinds in 2014, including patchy and asymmetrical global economic growth. Some major economies, like the US and the UK, showed signs of recovery, but the performance of others, like the euro area and Japan, remained lacklustre. Our emerging market peers, notably Brazil, Russia and, to a lesser extent, China, also showed signs of economic strain. As a result of these factors, together with a collapse in commodity prices and lingering structural impediments across a number of important economies, the expected stronger recovery at the start of 2014 did not materialise.

In Africa, the Ebola outbreak exacted a heavy human toll and is likely to impact economic growth in West Africa through a negative impact on tourism and trade.

The divergent economic conditions in 2014 led to divergent monetary policy stances, with the US reaching the end of its programme of quantitative easing, but Japan stepping up its liquidity provision. One of the most significant unknowns for both the JSE and South Africa in 2015 is the impact of changes in global monetary policy stances on financial markets.

South Africans can take pride in having held their fifth peaceful democratic general election in May. However, the country's stubbornly high unemployment rate, the tension in relations between business and labour and the level of discontent reflected in growing service-delivery protests give cause for concern and are impacting sentiment about South Africa as an investment destination. In its Article IV consultation report released in December, the International Monetary Fund highlighted the need for South Africa to address the problems of low growth, unemployment and the twin deficits by implementing the structural reforms required and highlighted in the National Development Plan, among other measures. It is gratifying to observe government shifting the focus towards implementation of the National Development Plan; we need to encourage this momentum.

The poor performance of the domestic economy in 2014 bears testimony to the need to step up the pace of reforms. After a difficult first half, marred by long-lasting strikes, the economy improved marginally in the second half, but not sufficiently to increase GDP growth significantly. Domestic share prices, as reflected by the All Share Index, maintained an upward trend for most of the year, reflecting a continued decoupling from the real economy. However, share prices started to waver from September through to the end of the year. This correction was prompted by subdued global economic growth, the decline in commodity prices and uncertainty surrounding the timing and pace of the increase in US interest rates. Although the rand was very volatile in 2014, the finance sector remained an important contributor to economic growth.

The economy's unimpressive performance in 2014 brought pressure to bear on the fiscus, as emphasised by the Minister of Finance in October during the Medium-Term Budget Policy Statement. Lower GDP growth suppressed revenue collections, while an expansionary fiscal policy in prior years produced higher debt levels and debt servicing costs. These factors resulted in a high and unsustainable fiscal deficit, which will need to be addressed by reducing spending and finding ways (including selling or listing assets) to raise new funding over the medium term.

Such measures should help to deter further credit rating reductions by the major rating agencies, which downgraded South Africa's sovereign debt in response to the socio-economic environment in the country in 2014. This exerted further pressure on the economy, which nonetheless recovered somewhat in the second half of the year.

However, the business climate remained subdued and 2014 ultimately presented the local economy with significant challenges, many of which we expect to be carried over into 2015.

The operating environment for 2015

The International Monetary Fund is expecting marginally improved global growth in 2015 on the back of stronger growth in advanced economies. However, some countries will undoubtedly continue to struggle more than others to register a recovery.

In South Africa, economic growth prospects will remain key to investor sentiment. In this regard, the electricity crisis is a major cause of uncertainty. Increased private sector participation in power generation will be necessary to ensure an adequate and stable supply in the longer-term. The successful renewable energy programme is a good starting point in this direction. Without this, long-term fixed investment will suffer, with severe consequences for economic growth.

The fiscal policy sketched by the Minister of Finance and a moderate contraction of monetary accommodation by the South African Reserve Bank are positive factors. The Reserve Bank's task of maintaining inflation within the target range will be facilitated by the substantial decline recorded in the international oil price as well as other commodity prices in 2014, provided the rand does not depreciate excessively.

South Africa, like many other emerging markets, benefited from the money released by quantitative easing in the US in recent years. However, with monetary policy in the US likely to enter a tightening cycle, market liquidity is expected to dry up, potentially impacting negatively on portfolio capital flows and the rand's exchange rate. This is expected despite quantitative easing in the euro area and Japan. The current account balance is therefore likely to remain under pressure.

Amid this uncertainty, the global regulatory environment has been changing too. The financial sector finds itself at the epicentre of much of this change, with more stringent capital adequacy regulations being imposed on banks and financial market infrastructures and an increase in regulations defining how higher risks are to be mitigated. In the domestic environment, 2015 will usher in new regulations aimed at aligning South Africa to the G20-agreed standards.

In principle, the proposed twin peaks system of regulation, which will result in the formation of a financial sector conduct authority and a prudential authority, is welcome and much needed. However there is some way to go before these proposals are finalised and however, as with all regulatory developments, it will be important to ensure that the regulation is appropriately balanced and does not result in unintended consequences that hamper business operations in the future. We are concerned that the increasing speed and complexity of new regulation is difficult for our industry to digest.

The year ahead is thus likely to be challenging on a number of fronts, not only for the JSE, but for business in general, for the government, and for consumers.

Global exchange trends

Around the world, economic pressures and competition are pushing businesses to find the most effective way to invest and hedge risks. Today's exchange markets are unquestionably faster and more transparent than the market structures that preceded them. High frequency trading (HFT) has seized the imagination of not just the reading public, but the regulators.

The JSE has avoided exciting the concerns that have been raised in the US – and for good reason. South Africa has a relatively simple market microstructure, with one exchange at present; a colocation environment that provides for equality of access; strong checks on all algorithmic engines requesting authorisation to enter orders into the JSE trading environment; and an exchange that does not pay for order flow and retains a strong regulatory oversight function, unlike many exchanges in other parts of the world.

Despite concerns in certain markets, recent empirical research by the World Federation of Exchanges has concluded that, in most circumstances, HFT has had beneficial impacts on a variety of core market quality metrics, including tighter spreads, increased liquidity, more efficient price formation, reduced transaction costs and lower market volatility. It is important that we should continue to evolve our trading environment in a way that encourages increased liquidity and improved price discovery, but avoids preferring certain types of activity over others.

Another feature of the changing exchange environment is the rise of some Asian exchanges as prominent listing destinations. London and New York remain attractive, but companies are increasingly seeking to list either close to their consumer base or in markets where a particular niche has been created. This enhances the allure of Hong Kong, Shanghai and Singapore as listing venues and is resulting in increased attempts by these markets to create connectivity models between them that allow customers to access stocks listed in each other's markets.

In South Africa, the JSE's restructuring – to combine all Primary Market activity across markets – enables a strong focus on attracting new issuance across asset classes.

Showcasing South Africa

In October 2014 we hosted the second South Africa Tomorrow investor conference in New York to showcase South Africa to international investors, together with our co-hosts the National Treasury, UBS and Standard Bank.

South African Finance Minister Nhlanhla Nene and Deputy Governor of the South African Reserve Bank Daniel Mminele headlined the event, joined by 12 Top 40 chief executives as well as the chief executives of Eskom and Transnet.

More than 100 international investors accepted our invitation, including chief investment officers, portfolio managers and buy-side analysts from leading fund management organisations, many of whom have global and emerging market mandates.

As investors we met commented, there is much that is compelling about the country as an investment destination, when measured against many of our global peers with whom we compete for global investment flows. However, the common concern was identifying the engine to stimulate growth in the future.

We face challenges in growing this country at the rate necessary to achieve the goals of the National Development Plan and we need to be more forthright and vocal in confronting the challenges to that growth. At the same time, we should bear in mind the tone of our dialogue about the future of this country. While being constructively critical, we need to promote our country realistically as an attractive investment destination, an effort in which the JSE is continually engaged.

Changes to directorate and Executive Committee

In 2014, there were a number of changes to our Board and Executive Committee:

- Humphrey Borkum retired as Chairman of the JSE on 8 May 2014 after a long and distinguished career in the industry and I had the privilege of succeeding him;
- Dr Michael Jordaan's appointment to the Board with effect from 1 January 2014 was ratified by shareholders;
- Bobby Johnston retired as a Board member on 10 June 2014 to concentrate on his other interests. Bobby has been a long-standing member of the JSE community, having also served as Chairman of the JSE when it was an Association of Members;
- Gary Clarke, JSE Group Company Secretary for more than 12 years, announced his resignation on 8 July 2014;
- Graeme Brookes, the JSE's director of Governance, Risk and Compliance, was appointed as Group Company Secretary with effect from 14 August 2014;
- Leila Fourie, the JSE's director of Post-Trade and Information Services, was appointed to the JSE Board as an executive director with effect from 14 August 2014; and
- Donna Oosthuyse, previously the managing director and chief country officer of Citi South Africa, joined the JSE executive as the director of Capital Markets on 4 August 2014.

In 2015:

- Sam Nematswerani retires as a Board member on 21 May 2015 after chairing the Audit Committee since December 2002. Sam's wise counsel and steady hand will be sorely missed; and finally,
- We are delighted to welcome Suresh Kana to the Board on 1 July 2015, after his retirement as Senior Partner of PwC Africa.

Appreciation

In conclusion, 2014 was a year of hard work in an environment of uncertainty on a number of fronts, not only for the JSE but for business in general. The JSE team made good use of the year to lay a sound foundation for the challenges ahead.

I take this opportunity to express my appreciation to the Board, the JSE executive and the staff as a whole and thank Humphrey Borkum for his unwavering leadership as outgoing Chairman of the JSE, as well as Bobby Johnston and Sam Nematswerani for their contributions to the JSE Board for many years.

Once again, for the fifth consecutive year, the World Economic Forum ranked South Africa first among 144 countries with regard to securities exchange regulation. We are honoured by this accolade.

As an exchange, we look forward to continuing to improve what we do in providing investors and issuers with a safe and credible environment in which to trade, list and invest.

N Nyembezi-Heita

Nonkululeko Nyembezi-Heita

JSE Chairman

Introduction

The JSE delivered a strong financial performance for 2014, driven by strong revenue growth in core areas of our business.

Our 2014 performance was delivered against the backdrop of a declining economy, wobbly national morale, and dramatically increased regulatory demands.

Against this background, we work on being a centre of excellence on which our clients can rely.

This report reviews the Group's corporate performance during 2014, assessing this against what we set out to achieve during the year. Our strategic vision, which appears on page 11 of the report and is discussed in more detail on page 12 to 14, sets the long-term vision and focuses on strengthening the foundational elements of our business (people, technology and regulation), diversifying revenues (particularly in the Market Data and Post-Trade Services areas), and driving enhanced capital and cost efficiencies.

Progressing the move of the Equity Market to a three-day settlement cycle (T+3) and to the integration of our trading and clearing platforms (ITaC) are our top priorities in 2015 and a substantial portion of our corporate energy will be dedicated to progressing these according to their respective project plans. The T+3 project will move the Exchange from the current T+5 settlement cycle to a three-day settlement cycle. ITaC is part of our strategic journey to migrate all our markets to a single trading and clearing platform as a fundamental strategy to provide all our markets with high capability trading and clearing venues.

Each year, we measure ourselves against a corporate scorecard that reflects a number of key performance indicators (KPIs) across four pillars, approved by the Board. The four KPI pillars are:

- Financial performance;
- Strategy and new business;
- Technology; and
- Stakeholder focus.

Cumulatively, the KPI deliverables in the corporate scorecard are intended to ensure that we will achieve our strategic vision.

Financial review

Strong financial performance

Group earnings after tax for 2014 increased by 25% to R634 million (2013: R507 million), with operating revenue growing by 13% (2013: 12%) to R1.8 billion (2013: R1.6 billion). This is underpinned particularly by strong growth in annuity revenue from listed companies (with 24 new listings in 2014 – the highest since 2008) and products as well as notable cost management. The following areas also made healthy contributions to revenue:

- Equity Market, where billable value traded grew by 7% year-on-year resulting in an 11% increase in revenue to R426 million (2013: R385 million);
- Post-Trade Services, where a combination of billable value traded growth and rebates given in the prior year resulted in growth of 20% to R299 million (2013: R249 million);
- Market Data where revenue grew 15% to R203 million (2013: R177 million) as a result of the growth in the number of data terminals and increased passive tracking; and
- In addition, new revenue lines in colocation and issuer services generated R9 million and R2 million respectively.

Group earnings before interest and tax (EBIT) increased by 22% (2013: 42%) to R704 million (2013: R578 million). The earnings per share (EPS) and headline earnings per share (HEPS) statistics are also pleasing at 742.4 cents (up 25%) and 735.0 cents (up 14%) respectively.

This performance has enabled us to declare a total dividend of R417 million (2013: R348 million) or 480 cents per share (2013: 400 cents), a record high dividend payout.

Sound cost control

We continue to demonstrate sound cost control, with total operating expenses up by 5.5% to R1.14 billion (2013: R1.08 billion).

Personnel, technology and technology related costs (depreciation) continue to be the principal components of our largely fixed cost base. These account for 68% of our cost base.

While we had a slightly lower headcount of 485 (2013: 497), personnel costs increased by 9.4% to R467 million (2013: R427 million). Normalised gross remuneration paid to employees increased by 6%. This is after accounting for one-off items that fall outside basic salaries (in both years), including restructure costs in 2014 of R6 million and a decline in the proportion of remuneration expensed rather than capitalised to internally developed software solution assets of R10 million (2013: 13 million). In addition, the discretionary bonuses linked to Group earnings grew by R15 million.

Other expenses grew by 3% to R669 million (2013: R650 million). Lower growth in non-technology expenses offset the high inflation rate on technology spend of 18% yoy to R202 million (2013: R171 million). Software maintenance, software licenses and labour brokers grew by 18% or R18 million, largely because of an increase in external services for work on the ITaC project, where no capitalisation on human resources cost has yet taken place. Other third party services, mainly related to IT infrastructure licenses, increased 32% yoy or R11 million. There was an increase of 27% or R3 million in server support and maintenance related to the colocation implementation. IT infrastructure connectivity costs also increased by 25% yoy to R2 million. In addition, the R48 million impairment expense in the 2013 base number was not repeated in 2014.

Keeping the cost base under control demands ongoing attention. Over the past four years, the compound annual growth rate of other expenses is 7% (excluding impairments), a positive reflection of these efforts.

Financial strength and cash generating ability

We end the year in a strong cash position, with R1.6 billion in cash (2013: R1.4 billion) and almost no debt.

Ongoing investment in the business remains crucial. We continue to apply cash to strategic investment projects for the year in accordance with our project capex rollout plan. Our planned third party capex spend for 2015 is R211 million (2014: R116 million).

Dividend

The Board and management remain confident in the underlying strength of our operations and our Group's continued strong cash flows. All currently planned investments and capital requirements for 2015 can be funded from our own resources. Accordingly, the Board has decided to declare an ordinary and special dividend for the year ended 31 December 2014 of 400 cents and 80 cents per ordinary share, respectively. This represents an increase of 20% yoy.

The Board has noted the increased global attention on the capitalisation of key financial market infrastructures, such as exchanges and clearing houses. The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements.

Strategy and new business

Exchange-traded platform for government bonds

Our work with National Treasury and market participants to implement an electronic trading platform (ETP) for government bonds continues. We have requested four suppliers to participate in a formal request for proposal (RFP) to supply the necessary technology. In parallel, discussions are continuing with Strate, the SARB, the NT and market participants to finalise the regulatory, settlement and credit risk models.

Africa strategy

The JSE is an African exchange. Therefore we will continue to engage with African financial markets and companies to see how we can best leverage our deep and liquid capital markets, global connectivity and long-established capabilities in operating an exchange to be part of the solution in linking top African issuers with investors who are excited by the African story.

In 2014, we hosted our third Building African Financial Markets (BAFM) event. Delegates from 20 African countries joined us to workshop what it takes to build robust financial markets. We also hosted the Board of the Nigerian Stock Exchange in April.

The Kenyan and Nigerian exchanges both achieved significant milestones. The Nigerian Stock Exchange was admitted as a full member of the World Federation of Stock Exchanges (WFE) and the Nairobi Securities Exchange (NSE) succeeded in demutualising and successfully listing in the middle of the year. The JSE continues to explore areas of mutual benefit with both exchanges.

We attracted one African listing and listed three ZAR settled African currency pairs (Nigerian naira: ZAR; Zambian kwacha: ZAR; Kenyan shilling: ZAR). Additionally, together with the Lusaka Stock Exchange (LuSE) and the Zambian Commodity Exchange (ZAMACE), we announced in December 2014 that we are now able to progress the launch of derivatives contracts on Zambian agricultural products after the Zambian government's signing of an executive order enabling this to proceed.

JSE brand positioning

During the evolution from chalkboard trading and paper share certificates to high-frequency trading, the JSE has transitioned into a world-class exchange well recognised by our stakeholders. However, brands need to be continually refreshed and revitalised and we changed our visual identity by redesigning our logo and colour palette, giving our website a makeover to ensure easy navigation and better accessibility, and retiring noted brand names such as the Bond Exchange of South Africa (BESA) and The South African Futures Exchange (Safex).

The JSE's derivatives clearing house, Safcom, is now known as JSE Clear. We have retained the name of our hedge fund platform management business, Nautilus, which is a differentiated business within our Group.

Clearing over the counter (OTC) products

Definitive market support for a local clearing solution remains elusive. While we very much believe that it is important that there is a local OTC clearing house, our perspective remains that, without a clear regulatory imperative and stakeholder support, the JSE cannot justify implementing a local OTC solution on its own. We continue to engage with the various stakeholders in this regard.

Technology

Although we experienced a number of disappointing IT challenges during 2014, we are pleased to report we are achieving increasing levels of IT system uptime. This requires continuous attention.

T+3

The JSE's move to a T+3 settlement cycle will further align the South African market with global best practice and improve its efficiency and credibility. Apart from mitigating both systemic and settlement risk, the move to T+3 has numerous benefits for the market, including attracting foreign investors by harmonising settlement with international standards and boosting liquidity, as assets are released from the settlement process more quickly. We successfully implemented phase 2 the project in October 2014. Much of our effort in 2015 will be devoted to the third and final phase.

Colocation

The JSE successfully launched its colocation centre in May 2014.

The colocation centre allows our clients to place their trading equipment in our data centre, thus providing them with the lowest latency connectivity for trading and real time data. Demand for colocation has come from JSE members, their clients, data vendors, managed service providers and shared infrastructure providers, both locally and internationally. Most international demand comes from firms based in the UK. Value traded and the number of trades from our colocation facility accounted for 18.8% and 19.2% of the respective total by year-end December.

Integrated trading and clearing (ITaC)

We need to leverage our technology investments in order to provide all our markets with robust technology that can handle the growth we expect.

We have therefore decided to migrate all trading on our derivatives markets, commencing with equity derivatives, to the Millennium IT Exchange technology, which we successfully deployed for equities trading during 2013. We expect this transition, which is complex, to take a number of years.

The decision to migrate to a single trading platform for all our markets also necessitates implementing a new clearing solution and we will therefore be implementing the Cinnober solution to provide clearing services for all our derivatives markets.

The IT project involves two global IT suppliers and a large amount of internal IT development.

Stakeholder focus

There has been good improvement in our business relationships with key stakeholders over the past two years. This area requires constant attention, since the JSE exists to provide a service that its clients value.

We also remain in close contact with our regulatory bodies and the government. We maintain strong relationships with senior leadership at our regulator, the Financial Services Board (FSB), and with the National Treasury and the South African Reserve Bank.

Regulation

It would not be overstressing the point to note that our industry has been in the eye of a storm of new regulations for a number of years now. While in South Africa, many of these regulatory moves are still in draft form and are thus being discussed with the industry. The impact of the draft regulations, whether in relation to capital, twin peaks or OTC trading and clearing systems is potentially far reaching. We remain closely engaged with these regulatory developments since it is important that the regulatory kudos that South Africa has earned, even as we evolve our financial markets landscape.

Prospects

The JSE is a largely fixed-cost business. Costs are tightly controlled and the necessary capital investments are made in areas that will enhance the Group's sustainability. Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance in 2015.

Notwithstanding the difficult economic environment that the Chairman describes out in her letter and in which we will be operating, we are clear about our 2015 priorities and hence the issues that we need to tackle in order to achieve our strategy. This sets us up for a demanding number of years of investment and delivery which, while impacting our income statement in the short term, are necessary to ensure our long-term sustainability.

Appreciation

This 2014 has been a year of restructuring our operating model to better integrate our business and to enable us to respond both faster and more cost efficiently to the competitive threats and opportunities we anticipate. These will, I believe, be critical elements in establishing long-term sustainability.

I would like to thank all our stakeholders for their frank engagement with me and the JSE team. We have worked hard to build a more collaborative relationship and I look forward to continuing our work in this regard in 2015.

As we tackle this year, I would like to thank all my colleagues at the JSE, and particularly the members of Exco, for their willingness to help chart our new path. It is such a pleasure to work alongside this team.

Nicky Newton-King
Chief Executive Officer

Operations

Capital Markets

The Capital Markets division was created in 2014 following the restructuring of the JSE's operating model to better leverage the JSE's multi-product nature to more effectively serve its clients.

It comprises the:

- Primary Market: attracting new and retaining existing listings to the Equity and Interest Rate Markets; and the
- Secondary Market: providing markets to trade Equity; Bonds and Financial Derivatives; and Commodity Derivatives.

Division responsibilities

The JSE's Primary Market sources issuers to list on the JSE's Equity and Interest Rate Markets. The team also focuses on retaining existing listed products.

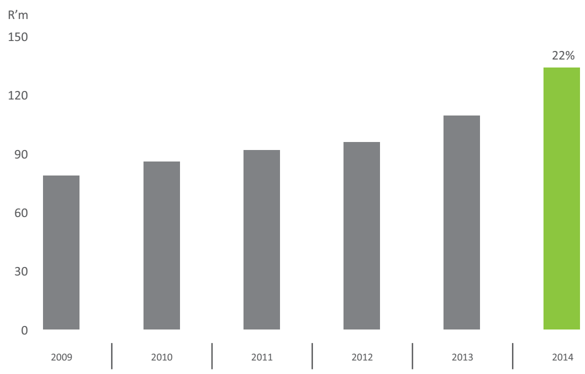
In the Secondary Market, the Equity Market's main focus is on providing trading in Equities, including Primary and Dual Listed Ordinary Shares, Preference Shares, Depository Receipts, property entities like Real Estate Investment Trusts (REITS), Special Purpose Acquisition Companies (SPACs), Warrants, Structured Products and exchange traded products (ETFs and ETNs). It also provides many ancillary trading services and customer support services.

The Bonds and Financial Derivatives Markets provide Secondary Market access to Financial Derivatives and to Debt Instruments.

- The Financial Derivatives Market provides a secure and efficient on-exchange market for trading Derivatives on financial assets in South Africa. The market provides professional traders and private investors with a platform for trading Index and Single Stock Futures and Options, Can-Do Futures and Options, Exchange Traded Contracts for Difference (CFDs) and other sophisticated Derivative Instruments in a liquid and transparent environment.
- The Financial Derivatives Market spans a number of product groups across the equities, currencies and interest rate asset classes. Clients can trade through a transparent central order book or simply report trades to the JSE.
- This market also provides access to Cash Debt Markets, trading the full spectrum of Cash Instruments listed on the JSE Debt Board. This includes Bonds, Floating Rate Notes, Commercial Paper and Hybrid Instruments.

The Commodity Derivatives Market remains the preferred platform for price risk management and price discovery for the physically-settled agricultural grain market in South Africa. It offers investors a range of cash-settled rand denominated derivatives on various international benchmark commodities, including softs, energy and various metals, under license from the CME Group.

Primary Market



How money is made

Revenue is earned through fees for new issuances, annual listings fees for all existing issuers, as well as documentation fees for dealing with specific corporate actions undertaken by companies during the year. In previous years, this revenue was disclosed under Issuer Regulation.

2014 in review

Revenue rose by 22% to

R134 million

(2013: R110 million) because of a rise in capital raising and new listing activity.

Percentage of total operating revenue (excluding Strate ad valorem fees): 8%.

Ended 2014 with 24 new company listings, compared with 13 last year. Listed seven new Exchange Traded Funds (ETFs), five Exchange Traded Notes (EFNs), 248 Warrants and 83 Structured Products.

837 new bonds issued during the year (2013: 815). The total nominal listed bond value by year-end December 2014 was R2.0 trillion (2013: R1.8 trillion), with 1 695 listings in total by year-end December 2014 (2013: 1 539).

AltX: Celebrated the 11th birthday of the AltX Board for small and medium-sized companies (SMEs). Since inception, AltX has supported the listing of more than 100 SMEs, resulting in 29 migrations to the Main Board. There were six new listings in 2014. AltX will remain relevant to the real economy of SA by affording SMEs an opportunity to raise capital and migrate to the Main Board.

Commodity Derivative products added: Diesel Hedge and new Can Do contracts

Launched new African Currency Derivatives

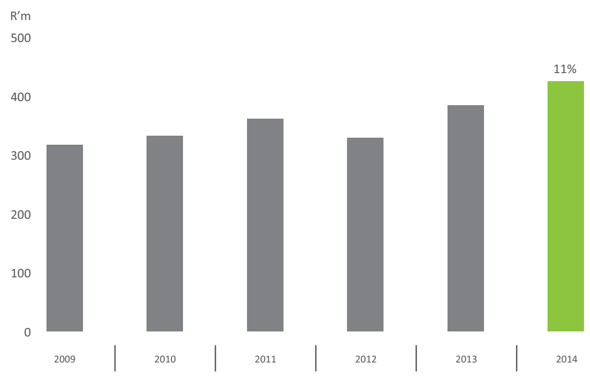
Looking ahead to 2015

The JSE will continue to encourage listings by promoting inward and fast track listings across asset classes as well as alternative risk structures using AltX's flexible listing requirements.

It also focuses on attracting meaningful African cross-listings and other new products that enable participation in the African growth story.

The team will continue to pursue new ETNs, ETFs, indices and cross-listings.

Secondary Market
Equity Market



How money is made

Revenue is earned mainly from equity transactions, charged on the value of each transaction leg with a 0.0053% value based charge with a maximum fee per transaction of R300. The value based model has been in place for the whole of 2014. The model discounts the highest value trades through the trade cap. The dynamic of fewer large reported trades, the increase in the number of trades, and the smaller average trade sizes resulted in revenue growth despite a modest increase in value traded.

In addition to this, colocation volumes and value traded accelerated in the second half of the year.

The Equity Market remains the JSE's biggest revenue generator.

2014 in review

Revenue rose by 11% to

R426 million

(2013: R385 million).

Percentage of total revenue (excluding Strate ad valorem fees): 25%.

The number of transactions year-on-year rose 19% to 46 million (2013: 39 million).

Value traded increased marginally, by 2%.

Average size per trade continued to decline (2014: 1 333; 2013: 1 640; 2012: 2 296).

R345 billion in value was traded for December. This was the highest turnover for the month of December ever recorded.

An all-time high in daily value traded was reached on 18 December, with value traded at R53.7 billion.

There was a net inflow of R13.4 billion from foreigners in 2014 (compared with a R165.0 million net outflow in 2013).

The colocation facility went live in the second quarter of 2014.

Approximately 65% of the JSE's Equity Market value traded can be attributed to computer based electronic trading, which includes algorithmic trading activity. During 2014, the average number of trades stood at 185 936 *per day*, compared with 120 000 *per month* in 1996 when the JSE implemented its first electronic trading system. The largest number of trades for 2014 occurred during October, when daily trade volumes reached almost 395 969 transactions – a significant increase compared with the previous record of just fewer than 300 000 trades.

Since go-live, there has been a steady increase in the average number of order messages and trade executions from the JSE's colocation venue. For year-end December 2014, colocation trade executions made up 19% of the overall market (October 2014: 21%; July 2014: 17%; May 2014: 10%).

Colocation introduced R9.2 million in revenue in 2014 and this new revenue line forms part of the JSE's strategic focus on innovative services.

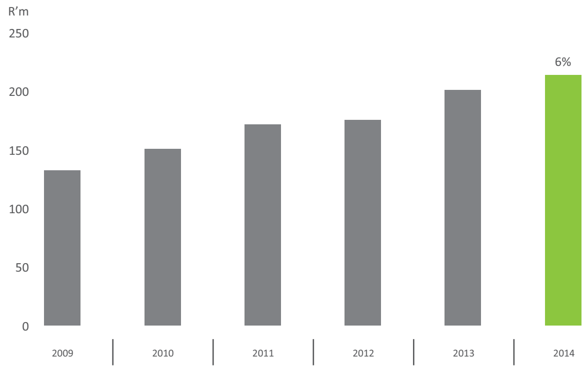
Looking ahead to 2015

On-screen Equity Market trading remains a central component to the JSE's trading revenue. Key business development areas include focusing on the improvement of liquidity and market efficiency and extracting synergies between its Equity and Equity Derivatives Markets.

The local and international markets' adoption of the JSE's colocation facility continues to be a strong potential growth area. Increased engagement with policymakers will remain an important action item, with the aim of breaking down barriers to foreign exposure in the domestic space.

The focus will remain on new clients and new products in 2015.

Bonds and Financial Derivatives Markets



How money is made

Revenue is earned by making use of a range of fee models, either based on the contracts traded or on the market value of transactions. In order to promote on-screen trading, the fee associated with on-screen trading is always lower than that for reported trades. Certain markets have value-based incentives in the fee model. For markets that require the support of market-makers, the fee model may also include specific incentives for this activity.

2014 in review

Total divisional revenue rose by 6% to

R214 million

(2013: R202 million).

Percentage of total revenue (excluding Strate ad valorem fees): 13%.

Equity Derivatives Market

Equity Derivatives revenue rose by 12% to

R147 million

(2013: R132 million).

Value traded rose to R6.0 trillion (2013: R5.1 trillion), an 18% increase.

The number of contracts rose by 16% to 252.4 million (2013: 217.5 million).

Equity Derivative Futures performed strongly, with a 23% increase in value traded for December.

Index Futures and Single Stock Futures underscore gains in value traded, which grew by 18% in 2014.

Foreign participation in Index Futures increased 19% year-on-year to 37%; increased participation contributed to increased liquidity.

The weakening rand also contributed to a bigger appetite for the JSE's international derivative (IDX) product range (resulting in 47% growth in IDX value traded), as investors are interested in investing offshore.

An all-time high in daily value traded was achieved on 17 June, recording a value traded of R157 billion.

Currency Derivatives Market

Currency Derivatives revenue declined by 2% to

R23 million

(2013: R24 million).

The number of contracts traded increased by 30% year-on-year to 44.6 million (2013: 34.3 million).

Open interest as at 31 December 2014 also increased by 94% to 3.5 million contracts (2013: 1.8 million contracts).

Launched new African Currency Derivatives. The US Dollar/Rand Contract contributed to the larger volumes traded in the market.

Interest Rate Market

Interest Rate Cash Market revenue declined by 6% to

R43 million

(2013: R46 million).

Bond Market volumes declined by 4% to a nominal value of R18.8 trillion in 2014 (2013: R19.5 trillion).

The number of Interest Rate Derivatives contracts traded rose by 37% to 5.0 million (2013: 3.7 million).

This market implemented a reduced billing model in July 2014.

Open interest in the Interest Rate Derivatives Market as at 31 December 2014 rose by 19% from 380 365 contracts in 2013 to 453 330 contracts in 2014.

Progress is being made with the migration of the Equity Derivatives and Currency Markets to the same trading engine as the JSE's Equity Market and to a new clearing engine. This will leverage the JSE's investment in advanced trading technology. This decision forms part of the JSE's commitment to an integrated trading and clearing vision. (See *CEO's review – ItaC*, on page 19).

Work with the National Treasury and industry participants to implement an electronic trading platform (ETP) for the South African Government Bond market continues. For progress on this platform, see the *CEO's review – exchange traded platform for government bonds*, on page 19.

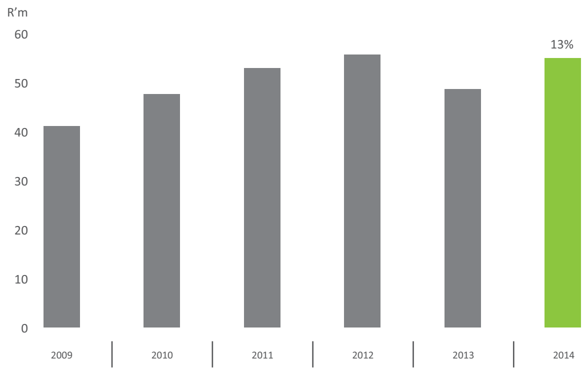
Looking ahead to 2015

Product innovation remains a driver for growth in all of the Financial Derivatives Markets.

The JSE will continue to progress its multi-asset-class integrated trading requirements. The team will close out on sourcing technology for an ETP for government bonds. There will also be a focus on simplifying billing models and market maker incentive programmes to enhance onscreen liquidity. The JSE sees important opportunities related to the real economy, debt cap raising in the local currency, and refinancing renewable energy transactions.

The Currency Market team will continue to roll out more African Currency Futures.

Commodity Derivatives Market



How money is made

Revenue is earned by charging a fee per contract traded, based on the underlying instrument. In addition to this revenue, a fee per ton of grain physically delivered is collected. To grow trade of the foreign commodities exposed to the US dollar exchange rate, the Market introduced Quanto Futures fixing the daily dollar-rand exchange rate on a one-to-one basis. In the most liquid of the physically-settled Grain Derivatives contracts, the underlying crop is traded 14 times over.

2014 in review

Revenue rose 13% to

R55 million

(2013: R49 million).

Percentage of total revenue (excluding Strate ad valorem fees): 3%.

Introduced the Diesel Hedge contract. Open interest continues to grow and is currently at 13 million litres.

Expanded the number of commodity Can Do contracts listed – 30 840 contracts traded by December 2014.

Secured the support of the Ministry of Agriculture and Livestock in Zambia in issuing the statutory instrument to progress with the issuing of warehouse receipts.
That will allow the division to proceed to list a range of Grain Derivatives products with specific delivery points in Zambia.

The basis premium platform is more widely adopted by the market. The combined record premiums paid this past year were just short of R8 million. Over half a million metric tonnes were traded through the platform, totalling this premium.

Looking ahead to 2015

The team will focus on introducing a commodity index, which is based on a number of Quanto Futures contracts that are already listed, including a minimum of five commodities. This index could be used by financial players in the market looking to diversify their exposure and include a commodity component.

The JSE will continue with its education programme to expand participants' knowledge of the commodity products available and how these can be referenced, either for hedging or for investment purposes. These initiatives all form part of the JSE's strategic focus on innovative product development. Through the reintroduction of a Mini-Maize Contract (equivalent of 10 tonnes) with the support of a market maker, the JSE remains committed to providing smaller market participants, including emerging grain producers, with access to an efficient hedging platform.

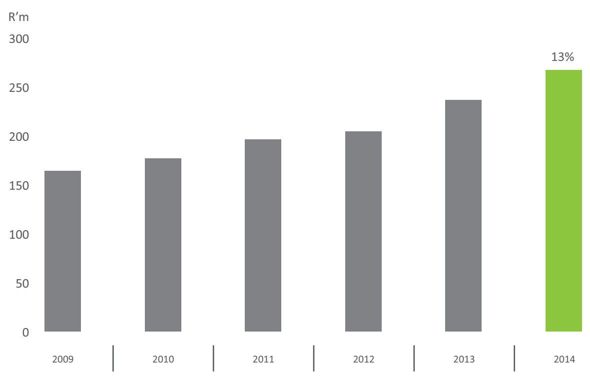
In February 2015, Euronext and the JSE signed a license agreement that will provide the JSE with the right to list the flagship Milling Wheat contract currently traded on Euronext.

The team will also present contract specifications for a cash settled beef contract and is in discussions with market participants to reintroduce a product for the beef industry to manage their price risk. In addition to this, it is researching the potential for Weather Derivative products as well as preparing its platform for the trading and clearing of carbon credits as the government progresses the implementation of a carbon tax.

The team continues to explore a range of new commodity products to provide the premier platform for price discovery and price risk management. By improving access to the market, the JSE performs a pivotal role in aiding the sustainability of this sector.

Trading and Market Services

Back-Office Services (BDA)



This division includes the JSE's Back-Office Services (BDA).

Division responsibilities

Back-Office Services (called the Broker Deal Accounting (BDA) system) gives the Exchange world class surveillance capabilities, allowing the JSE to see certain transactions to client level in real time. Equity members are mandated to use the system. The system keeps the securities records and books of individual broking firms and of their clients. It also enables the Exchange to provide settlement assurance for central order book equity transactions.

How money is made

Revenues for Back-Office Services are somewhat linked to the number of equity transactions that take place on the cash Equity Market. BDA fees are mostly charged on a per BDA transaction basis, with connectivity, subscription and dissemination fees being charged differently.

2014 in review:

Revenue rose by 13% to

R268 million

(2013: R238 million).

Percentage of total revenue (excluding Strate ad valorem fees): 16%.

The JSE also paid R5 million in rebates to equity members as a result of the growth in the number of transactions being significantly out of line with the growth in value traded.

Looking ahead to 2015

The division will be revising the existing BDA billing model and consultation on this issue will take place during 2015.

In line with the National Treasury's initiative to encourage a savings-driven society, the JSE will enable a low-cost client account in BDA. The JSE is collaborating with member firms and other stakeholders in this regard.

The division will continue to do ongoing maintenance to BDA in addition to making significant changes required to accommodate T+3, improve functionality, deliver on clients' requirements and meet increasing regulatory demands.

Post-trade and Information Services (PTIS)

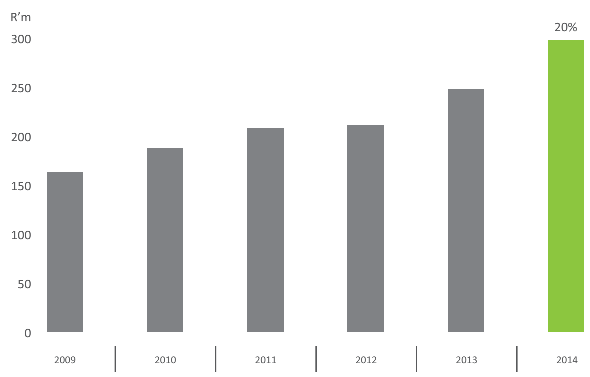
These services include Equity Risk Management and Market Data.

Division responsibilities

PTIS includes Market Data, Group Economics, Public Policy, Indices, Business Intelligence Analytics, and Valuations and Risk Management, and is also responsible for clearing and guaranteeing the settlement of central order book equity transactions and managing the Group's derivatives clearing business.

Market Data provides financial market participants with fast, reliable and accurate information as well as investable index solutions. The division promotes and sells live, statistical, historical and end-of-day data for all JSE markets. It is also responsible for the licensing of all JSE indices as well as the promotion and sale of colocation services.

Risk management



How money is made

Currently, Risk Management revenue reflects only the Equity Market clearing and settlement fees, which involves the Exchange charging a value-based clearing and settlement fee implemented at the end of June. The JSE implemented a billing model change on 30 June 2014, when the existing hybrid model was replaced with a 0.0034 value based charge and a maximum fee per transaction leg of R130. A value based billing model was in place for the second half of the year and a trade based model for the first half. The market dynamic has been changing over time and smaller trades have been occurring. This change in behaviour has resulted in an overall drop in the average size of the trade, even though the number of trades has been increasing. There has been a drop in large reported trades, which historically increased value traded, but did not bring large revenue because of the trade cap. Larger trades are therefore effectively less expensive.

Though Risk Management revenues are linked to the number of Equity transactions that take place on the Equity Market, the increase in clearing and settlement revenues did not track Equity trading activity exactly, because of the different pricing points between Equity trading and clearing (both of which are value based, but at different pricing points).

Although the division risk manages the clearing of Derivative transactions, the JSE does not bill separately for this service. Derivative transactions are billed using a per contract fee, which is accounted for in the Bonds and Financial Derivatives division.

2014 in review

Revenue rose by 20% to

R299 million

(2013: R249 million).

Percentage of total revenue (excluding Strate ad valorem fees): 18%.

Implemented phase 2 of the T+3 settlement model for the Equity Market.

In the Derivatives Markets, structural improvements were made to risk management, including the introduction of a new mutualised default fund and new liquidity lines to enhance settlement assurance.

The team started working towards achieving compliance with the European Securities and Markets Authority (ESMA) requirements to enable multinational clearing bank members to comply with European extra-territoriality requirements.

The JSE's top priority project to reduce the settlement cycle from five days to three is progressing well. Phase 2 of the T+3 project was successfully implemented in October and phase 3 is currently under way. The move to T+3 is a major step in aligning the JSE with global best practice, and fulfils obligations stipulated by its regulator, the Financial Services Board. This move will improve the efficiency and credibility of local markets, which have long lagged their foreign counterparts in terms of settlement cycle length. Benefits associated with a shorter settlement cycle range from a reduction in the value of unsettled trades to improved liquidity and numerous operational efficiencies.

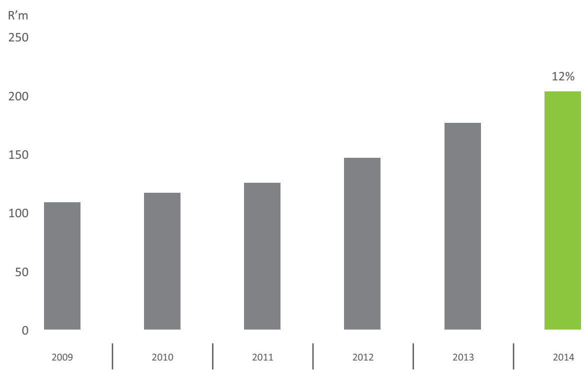
Looking ahead to 2015

Phase 3 of the T+3 project will be implemented in 2016.

A new integrated clearing solution for all markets will be implemented over the next four years. This solution will introduce real-time clearing and will enable a central point of risk management across markets. Benefits from this technology include margin offset and cross-collateralisation. There will be a continued focus on various initiatives to strengthen the on-exchange clearing business, including the revision of the equity risk model and risk enhancements to the central counterparty (CCP) revised valuation services.

The division continues to make enhancements to the sophistication of post-trade risk and capital management in all markets. In addition, the JSE Group capital requirements are being reviewed, given the recent regulatory guidance. All of these initiatives are in line with our strategic focus on integrated clearing and settlement.

Market Data



How money is made

Revenue is earned by providing licences for the use of data or indices and by charging a fee per user or terminal.

2014 in review

Revenue rose by 15 % to

R203 million

(2012: R177 million), which is attributed to a growth in terminals, increased licensing of passive tracking funds and a growth in the number of international clients.

Percentage of total revenue (excluding Strate ad valorem fees): 12%.

Revised and implemented a new commercial policy and methodology for non-display usage. Revised the commercial policy for passive tracking licensing, for implementation in 2015.

35 new clients have signed up for Market Data products (20 local clients and 15 international clients).

Continued to grow products tracking JSE indices.

The growth in assets under management increased by 12% (2014: R559 billion compared with 2013: R499 billion).

The number of passive tracking products linked to JSE indices increased by 12 in 2014. The number of terminals accessing JSE data has increased by 6%, compared with global industry growth of 1.5%.

The number of international and local client terminals by year-end were 17 322 and 22 000 respectively (2013: 17 035; 20 116).

Successfully completed the implementation of phase 2 of automation to further enhance performance and delivery.

Launched key investment index.

Looking ahead to 2015

To grow revenue, the team will continue to focus on expanding the JSE's international client base and will launch new indices products and services, as well as exploring other market data products across all markets. A total of 49% of Market Data's revenue is generated outside of South Africa, with the largest revenue growth coming from the US.

The team will also focus on standardising indices contracts across all markets and reviewing commercial policies for specific market data product lines.

During 2015, Market Data will focus on completing the final phase of the automation, driving the initiative to facilitate the delivery of derivatives data internationally to expand derivatives data sales. It will also focus on product development across all markets to create a pipeline of new products for future growth.

TRANSFORMATION AT THE JSE

Transformation at the JSE is regarded as a business and moral imperative, and the Group continues to do the right thing by playing its part in addressing South Africa's socio-economic challenges. The JSE remains committed to responding in the best, most practical and affordable manner to the challenges facing the organisation and the wider financial sector.

Major highlights of 2014

- Improvement in BEE status from Level 4 to Level 3. This was verified by a South African National Accreditation System (SANAS) accredited agent in September 2014, under the existing Financial Sector Charter (FSC) Code, and is valid until September 2015.
- A renewed discussion and review of the existing transformation strategy that will be completed in the first quarter of 2015.

Summary of key performance elements for 2014

	Black	Black females
Equity ownership of JSE Limited (calculated using the high water mark principle)	18.35%	6.89%

Management control and representation at the JSE was as follows as at 31 December 2014:

Board members*: 12	
Black	50%
Black female	33%
Black African	25%

Exco members: 11	
Black	27%
Black female	27%
Black African	9%

Senior management: 51	
Black	16%
Black female	6%
Black African	4%

Middle management: 212	
Black	47%
Black female	20%
Black African	22%

Junior management: 184	
Black	80%
Black female	46%
Black African	50%

Staff with disabilities: 4	
Black	2
Black female	2
Black African	2

Skills spend: R4.3m	
Black	R2m
Black female	R0.5m
Black African	R1.1

Learnerships: 15	
Black	6
Black female	1
Black African	2

Overall gender	
Male	48%
Female	52%

**Non-executive and executive directors.*

Challenges and potential responses

Like most organisations, the JSE is concerned that the revised Financial Sector Code may set unrealistic hurdles. Nevertheless, while the areas listed in the table below remain challenges, the JSE is committed to achieving the best possible outcomes for all stakeholders. The Human Resources, Social and Ethics Committee is charged with oversight in this regard and reports progress made by the executive team to the JSE Board.

Area	2014 and beyond
Executive and senior management	Recruiting skilled staff at senior levels and retaining talent in the black senior management category remain challenges. Ongoing efforts are concentrated on employment equity. However, the JSE continues to experience the same challenges with regard to senior management that are faced generally in its industry. The JSE mitigates this by encouraging all employees to continually enhance and develop their skills, knowledge and competencies in their areas of expertise. More attention will be given to investigating ways to eliminate internal barriers to the growth and development of staff into leadership positions. In addition, the process to identify and develop employees with potential to fill key leadership positions needs to be enhanced.
Skills development	Initiatives are in place to support the ongoing development of employees, including learnerships; the JSE mentorship programme; sponsored education; the annual training and development budget; and formal performance management reviews that require any manager-employee agreed learning and development initiatives to be recorded and facilitated by the learning and development teams. While the above initiatives exist, the JSE needs to investigate new ways to refresh and/or reignite learnership programmes, graduate trainee programmes or other appropriate interventions.
Procurement	The JSE’s challenge in this area remains the procurement of goods and services from 30% black female-owned businesses and, to a lesser extent; from qualifying small enterprises (QSEs) and exempt micro-enterprises (EMEs). During 2015 we plan to focus on supplier development initiatives and preferential procurement practices to bring about the desired results in this area.

King Code principles (King III)

The Board of Directors of the JSE regard corporate governance as fundamentally important to the achievement of the JSE's mission, its financial objectives and the fulfilment of its corporate responsibilities. The Board is committed to applying the King III core governance principles, which prescribe accountability, integrity, fairness and transparency in all of the JSE's business dealings with its stakeholders.

The directors confirm that the company applied the principles as set out in King III, in particular focusing on explanations for any departure or non-compliance, where practical and appropriate. This enables stakeholders to evaluate how the principles were applied and assess statements of the extent of compliance or non-compliance. The full King III narrative statement can be found at www.jsereporting.co.za/ar2014/king.asp. This governance report sets out the key governance principles adopted by the directors in governing the Company.

Ethical leadership and responsibilities

The Board continues to perform its fiduciary duties, to act in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders, in terms of the King III principles, the 2008 Companies Act and other codes of good practice. Through these practices, the directors are able to contribute to the future sustainability of the Company; enhance long-term shareholder value creation and ensure that other key stakeholders, such as clients, employees, regulators and suppliers, benefit from ongoing success. For a breakdown of these stakeholders and how the Board and the entire organisation engages with them, refer to the online *stakeholder engagement report at* www.jsereporting.co.za/ar2014/stakeholder.asp.

BOARD CHARTER

- A written policy document that clearly defines the respective roles, responsibilities and authorities of the Board of directors (both individually and collectively) and management in setting the direction, management and control of the JSE.
- The Board operates in terms of an approved board charter, which is assessed for relevance and applicability from time to time and changes made where appropriate. Refer to the JSE website at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govConduct for the main duties and responsibilities of Board as covered by the charter.

BOARD LEADERSHIP

- The JSE's philosophy of Board leadership is premised on the principle that the running of the Board and the executive responsibility for the running of the Exchange's business are two separate and distinct tasks.
- Consistent with this approach, the roles of Chairman and CEO are separate, with specific responsibilities divided between them, and there is 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, or can dominate the Board's decisions.
- 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 Board retains full and effective control over all the companies in the Group and assumes overall responsibility for the JSE's compliance with the applicable legislation and governance provisions.

SEPARATE ROLES

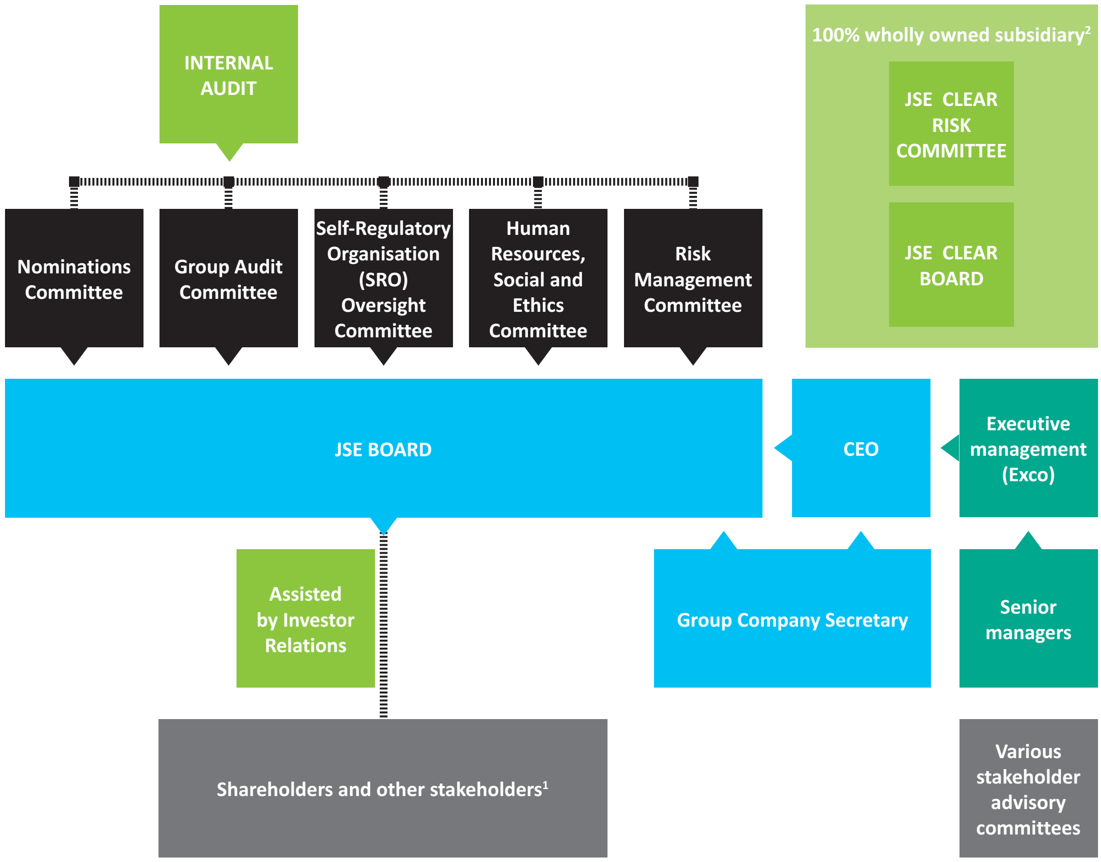
Chairman

- The Chairman is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its activities and setting its agenda.
- It is the responsibility of the Chairman to ensure that directors receive accurate, timely and reliable information.
- The Chairman also ensures that no individual Board member has unfettered powers in respect of decision-making.
- The Lead independent director (LID), provides guidance to the Board in situations where the impartiality of the Chairman is impaired or when a conflict of interest arises.

CEO

- The day-to-day management of the JSE Group has been assigned to the CEO by the Board.
- The CEO is responsible and accountable to the Board for all JSE operations.
- The Executive Committee was formed to assist the CEO in discharging her duties and is made up of all heads of divisions and the Group Company Secretary.
- 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.

Governance structure



Notes:
[1] The JSE's regulator, the FSB, is invited to attend any Board and Board committee meetings.
[2] JSE Clear subsidiary.
- The Chairman of the JSE Clear board, who is the CEO of the JSE, reports on all JSE Clear material matters to the JSE Board.
In terms of the JSE Clear board charter, the management of the business of JSE Clear is outsourced to the JSE and overseen by the Responsible Officer (RO), who also has executive management responsibility for the Post-Trade and Information Services division and is also an executive director of the JSE Board.

Tenure and composition of the Board

LENGTH OF SERVICE			
0-3	**4-6**	**7-10**	**>10**
A Takoordeen	N Nyembezi-Heita	DM Lawrence	AM Mazwai
P Mnxasana		NS Nematswerani	AD Botha
M Matooane		NG Payne	NF Newton-King
M Jordaan			
L Fourie			

COMPOSITION	
3	executive directors
1	non-executive director
8	independent non-executive directors
2	alternate directors

Male	Female
50%	50%

Black	Black female
50%	33%

The Board is made up of a majority of independent non-executive directors. The Board is headed by a Chairman who is elected from the non-executive directors. As at December 2014, there were three executive directors: a chief executive officer (CEO), a chief financial officer (CFO) and an executive director. Refer to the *Nominations Committee report* for further information.

Appointment of directors

NOMINATIONS COMMITTEE

The nomination of directors is delegated to the Nominations Committee, which makes recommendations to the Board.

BOARD

The Board considers all recommendations put forward by the Nominations Committee before making an appointment.

SHAREHOLDERS

In accordance with article 12.6.2 of the JSE's memorandum of incorporation (MOI), the Board tables approved nominations for confirmation at the next annual general meeting of shareholders.

The Nominations Committee proposes directors to the Board on the basis of their skills, knowledge and experience, appropriate to the strategic direction of the JSE. Knowledge of JSE business, gained over time, ensures continuity and enhances the direction that the Board provides to the JSE executive. Refer to the *Nominations Committee report*.

Retirement of directors by rotation

In terms of article 12.6.1 of the JSE's MOI, at least one-third of all directors are required to retire by rotation each year. Retiring directors, if eligible, may be re-elected by shareholders. At the next annual general meeting, to be held on Thursday, 21 May 2015, shareholders will be asked to confirm the reappointments as shown below.

	PREVIOUS RETIREMENT BY ROTATION			
2015	**2014**	**2013**	**2012**	**2011**
Mantsika Matooane	Nicky Newton-King	Anton Botha	Nigel Payne	Anton Botha
Nomavuso Mnxasana	Andile Mazwai	Bobby Johnston	Nku Nyembezi-Heita	Wendy Luhabe
Aarti Takoorden	Nigel Payne	David Lawrence	KK Combi	Andile Mazwai
Sam Nematswerani*	Nku Nyembezi-Heita	Sam Nematswerani		Gloria Serobe

**Not available for re-election.*

Independence of the Board of directors

DEFINITION	ASSESSMENT	OUTCOME
The independence of the JSE's non-executive directors is measured according to 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."	An assessment of the independence of the directors (and a more rigorous assessment for those directors who have served longer than nine years) was conducted in 2014. The Board is once again 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. The Board also reiterated that one of the outcomes of the Board's 2014 director evaluation of the independence of its directors was that the complexity and specialist nature of the JSE's business created the need for long-serving directors, while acknowledging that there should be a healthy balance between long-serving and new directors.	With the exception of one non-executive director, the Board considers all of its non-executive directors to be independent. Refer to the *directors' report* for non-executive directors' interests in JSE Limited.

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. This includes directors who serve on the Board appointed committees.

Director development/induction

ACCESS	JSE BUSINESS
All directors have access to senior management, including the Company Secretary, and to information required to enable them to carry out their duties and responsibilities fully and effectively. Directors are kept up to date, wherever relevant, of any new legislation and changing business risks that may affect the Group's future sustainable operations and finances.	Directors are encouraged to keep pace with JSE business. Guidelines on director duties and responsibilities are made available to directors. Newly appointed Board members undergo an induction programme run by the Group Company Secretary, aimed mainly at facilitating their understanding of the JSE, its complex business environment and the various markets it operates, together with its competitive stance, strategic plans and objectives and general corporate governance requirements. The Board is aware that these duties are further entrenched in the 2008 Companies Act.

Director induction programme

Each director is provided with, among other things, the following:

BACKGROUND	• on the structure of JSE (including its MOI, regulations and applicable laws). • on Board and governance structures, the triple-bottom line approach to sustainability and an overview of its key risks, policies and processes.
ONGOING GUIDANCE	• on the business of the JSE (business processes, corporate strategies, organisation, management, staff and comparison with international benchmarks).
CLEAR UNDERSTANDING	• of the expectations the Chairman and the Board as a whole have of the director concerned.
FORMAL INDUCTION AND ONGOING EDUCATION AND AWARENESS	• in terms of directors' fiduciary duties and responsibilities. • regarding relevant legislation and compliance relevant to the JSE business. • providing access to subject matter of relevant interest to the JSE business.

No distinction is drawn between directors and alternative directors and the rights and obligations ascribed to directors in terms of the JSE's board charter apply equally to alternate Board members duly appointed in terms of the MOI of the JSE. During the year under review, Leila Fourie and Graeme Brookes underwent induction.

Evaluation of JSE Board effectiveness

Each year the Board undertakes an assessment of its effectiveness as well as that of the Board Committees and the individual directors. These evaluations involve one-on-one engagements between the Chairman and individual directors, as well as meetings with relevant stakeholders such as the Financial Services Board. In alternate years, an independent advisor assists with the assessments. The Chairman is supported in the evaluation process by the Lead Independent Director and the Group Company Secretary. All directors are encouraged to raise any matters of concern with the Chairman, or with the Lead Independent Director, if the matter directly involves the Chairman.

For the 2014 year, the assessment process involved one-on-one meetings between the Chairman and all directors. The outcomes of these meetings were reported to and discussed by the Nominations Committee and by the Board during November 2014.

In overall terms, the directors are of the view that the Board is functioning well, is effective and is independent. The Board will continue to strive for a balance between trust in executive management and challenging management's views, and to ensure there is space for fresh perspectives on the risks and opportunities facing the JSE.

Specific outcomes from the 2014 effectiveness review included:

Board composition, induction, development and succession

- The size and structure of the board and the mix of skills and experience represented on the Board are considered appropriate for the JSE.
- The existing induction programme for new directors will be refreshed and the focus on ongoing director development will be intensified.
- A formal programme to refresh the Board from time to time will be prepared.

Board Committees

- Workload across the non-executive directors will be rebalanced for 2015.
- Board Committee membership will be streamlined.
- Succession at Audit Committee will be addressed.

Board responsibilities

- Sufficient oversight is exercised over Group strategy.
- There is an open channel of communication to executives, with timely and insightful information flow from management.
- An appropriate balance is being exercised between governance and business strategy.
- The tenor and quality of Board debates are pitched at a suitable level.
- Non-executive sessions will be convened regularly in 2015.

The results from the evaluation of individual directors are available to the external auditors, should they be required.

Board and Board committee meetings

The Board is required to meet a minimum of four times a year and more frequently, should circumstances require, excluding an annual strategy meeting. Meetings are conducted according to a formal agenda, with supporting documentation delivered to directors at least six days prior to the scheduled meetings. The Board may form, and delegate authority to, committees and may delegate authority to one or more designated members of the committee.

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. Members of each committee and its chairman are nominated by the Board and the committee as a whole must have sufficient qualifications and experience to fulfil the duties of the committee. The duties and responsibilities of the members of each committee are in addition to those assigned to them as members of the Board. Each committee of the Board:

- acts in terms of the delegated authority of the Board as recorded in its terms of reference. It has the power to investigate any activity within the scope of its terms of reference;
- is governed and guided by individual terms of reference, which can be viewed at http://phx.corporate-ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights;
- in the fulfilment of its duties, may call upon the chairmen of other committees, any of the executive directors, officers, or the Group Company Secretary to provide it with information, subject to following a Board approval process;
- has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities; and
- has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to following a Board approval process.

A summary of attendance at Board and Board committee meetings during 2014 is shown below.

Director attendance	Status of director*	Board	Audit	Risk	HRSE	IoF	SRO	Nom
			Board committees					
Number of scheduled meetings held during the year*		5**	3	4	4	3	3	2
NMC Nyembezi-Heita (chairman of Board; Nominations)	INED	5/5	1[1]	2[1]	4/4			2/2
HJ Borkum (previous chairman)	INED	2/2	1[1]	2/2	3/3			2/2
NF Newton-King (CEO)	ED	5/5	3[1]	4	4[1]			
A Takoordeen (CFO)	ED	5/5	3[1]	4[1]		2/2		
L Fourie – appointed 14 August 2014	ED	3/3		1[1]				
AD Botha (chairman of HRSE)	INED	5/5	3/3		4/4			1/2[3]
NS Nematswerani (chairman of Group Audit)	INED	5/5	3/3	4/4			3/3	
NG Payne (chairman of Risk Management)	INED	5/5	3/3	4/4			3/3	
AM Mazwai (chairman of SRO)	INED	5/5		3/4[3]	2/4[3]	2/2	3/3	
DM Lawrence	NED	5/5		4/4	4/4			
MA Matooane	INED	5/5		3/4[3]				
NP Mxnasana	INED	5/5	3/3					
M Jordaan	INED	5/5						
LV Parsons (alternate)	ED	5/5						
JH Burke (alternate)	ED	5/5						
GA Brookes – appointed 14 August 2014	Company Secretary	2/2	2/2	2/2	1/1	2/2	2/2	1/1

INED = independent non-executive director, NED = non-executive director and ED = executive director.
** *Inclusive of a board strategy session held on 7 May 2014.*
[1] *Attendance is by invitation only.*
[2] *Away on JSE business.*
[3] *Apologies received for not being able to attend.*
[4] *Ms Nyembezi-Heita replaced Mr Borkum as Chairman of the Board with effect from 9 May 2014.*

Invitee attendance (These persons are not entitled to vote on any matter at the meeting)	Board	Audit	Risk	HRSE	SRO	Nom
		Board and Board committees				
Financial Services Board representative	5/5	3/3	4/4		3/3	
CIO			4/4			
Internal Audit	2/2	1/1	2/2			
Head: Trading and Market Services			4/4			
Head: Issuer Regulation			4/4		3/3	
Head: Market Regulation			4/4		3/3	
Head: Post-Trade and Information Services			2/2			
Head: Human Resources			1/1	1/1		

Company Secretary

The JSE's Group Company Secretary plays a pivotal role in the functioning of the Board, ensuring that all directors have full and timely access to the information that helps them to perform their duties and obligations properly, and enabling the Board to function effectively. He is responsible for the duties set out in section 88 of the Companies Act, 2008 (as amended) and for ensuring compliance with the Listings Requirements of the JSE Limited. All directors have unlimited access to the Group Company Secretary.

The Group Company Secretary is not an executive director of the JSE, nor is he related to or connected to any of the directors. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

GC Clarke resigned as the Group Company Secretary on 8 July 2014. The Board appointed GA Brookes as his replacement with effect from 14 August 2014, after confirming that he is suitably qualified. In addition to his role as Group Company Secretary, GA Brookes also serves as the executive responsible for Governance, Risk and Compliance (GRC), and reports to the chief executive officer.

In compliance with paragraphs 3.84(i) and (j) of the JSE Listings Requirements, the performance of the Group Company Secretary is monitored by the chief executive officer and formally assessed by the Board on an annual basis. The Board and the chief executive officer are satisfied that the Group Company Secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the Board on good governance;
- maintains an arm's length relationship with the Board and the directors; and
- has discharged his responsibilities for the period under review.

In reaching their assessment, the Board and the chief executive officer have considered and concluded:

- explicit independence – there is no direct or indirect relationship between the directors and the Group Company Secretary; and
- implicit independence – the Company Secretariat function is properly resourced, and the Group Company Secretary has provided advice and guidance to the Board across the period under review in an independent and objective manner in accordance with the principles of King III, the JSE's Board Charter and its Code of Ethics.

The Group Company Secretary is accountable to the Chairman of the Board, and his specific responsibilities include:

COMPANY SECRETARY KEY DUTIES

PROVIDE

counsel and guidance to the Board, Board committees and the Executive Committee on their individual and collective powers and duties, as well as in matters relating to governance, sustainability, legal compliance, transformation and ethics.

INDUCT

new directors. This includes a briefing on their fiduciary and statutory duties and responsibilities (including those arising from the JSE Listings Requirements), as well as induction sessions held at the JSE's offices.

COLLATE AND DISTRIBUTE

relevant information such as Board meeting agenda items, corporate announcements, investor communications and information relating to any other developments affecting the JSE or its operations.

RENDER

ongoing support and resources to enable directors to extend and refresh their skills, knowledge and understanding of the JSE Group, and of proposed changes to laws and regulations affecting the Group.

ASSIST

the Chairman with the annual evaluation of the effectiveness of the Board.

FACILITATE

professional and skills training where required and access to all information and independent advisors as required by the Board.

Nomination Committee Report

Prepared by its independent chairman:

NMC Nyembezi-Heita

Composition:

(i) Independent non-executive directors:

AD Botha

(ii) Attendance by invitation only:

CEO

Group Company Secretary

Refer to the JSE website for more information:

http://phx.corporate- ir.net/phoenix. zhtml?c=198120&p=irol-govHighlights

TWO MEETINGS WERE HELD

- Required to hold sufficient scheduled meetings subject to a minimum of two meetings per year.
- Quorum is a majority of members present.

BRIEF RESPONSIBILITIES

- Assist the Board to ensure that it has the appropriate composition for it to execute its duties effectively.
- Ensure that directors are appointed through a formal process.
- Ensure that induction and ongoing training and development of directors take place.
- Ensure that formal succession plans for the Board are in place.
- Identify suitable candidates with the appropriate skills for election to the Board.
- Review 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.
- No authority to appoint directors, but makes recommendations for consideration by the Board and shareholders.

DURING THE YEAR THE COMMITTEE:

- Recommended for appointment to the Board:
  - Leila Fourie as an executive director, with effect from 14 August 2014.
  - Graeme Brookes as Group Company Secretary, with effect from 14 August 2014.
- Reviewed the retirement by rotation of the directors.
  - Accepted that Humphrey Borkum will retire as independent non-executive director and Chairman of the JSE at the AGM on 8 May 2014.
  - At the same time played a role in nominating a successor to Humphrey and recommended to the Board to appoint Nku Nyembezi-Heita as independent non-executive Chairman of the Board, with effect from 9 May 2014.
- Complied with its terms of reference.

All recommendations made by the committee were accepted by the Board.

The chairman attended the annual general meeting to respond to any questions related to the committee.

IN THE YEAR AHEAD THE COMMITTEE:

- Will continue to assist the Board in ensuring that it has the appropriate composition for it to execute its duties effectively.
  - In particular it will confirm at its first meeting in 2015, the possible recommendations it will make to the Board regarding a more balanced and diverse composition of the Board and Board committees.
  - It will also finalise its approach towards annual Board evaluations.

Human Resources, Social and Ethics (HRSE) Committee report

The online remuneration report constitutes the committee's formal remuneration report-back to shareholders. The remuneration policies of the JSE as set out in the online report are subject to a non-binding advisory vote by shareholders at the annual general meeting on 21 May 2015.

The HRSE committee recommends that shareholders review the online *remuneration report* at www.jsereporting.co.za/ar2014/remuneration.asp, and vote in favour of the JSE's remuneration policies at the annual general meeting.

Prepared by its independent chairman:

AD Botha

Composition:

(i) Independent non-executive directors:

NMC Nyembezi-Heita

AM Mazwai

(ii) Non-executive director

DM Lawrence

(iii) Attendance by invitation only:

CEO

Director: Human Resources

Group Company Secretary

Professional advisors

Other Board members

Refer to the JSE website for more information:

www.jsereporting.co.za/ar2014/social.asp

FOUR MEETINGS WERE HELD

- Required to hold sufficient scheduled meetings subject to a minimum of three meetings per year.
- Quorum is a majority of members present.
- No members of the HRSE committee have any day-to-day involvement in the management of the JSE.

BRIEF RESPONSIBILITIES

- Remuneration oversight role:
  - Responsible for all strategic human resource issues facing the JSE.
  - Assists the Board in ensuring that the Company remunerates directors, executives and staff fairly and responsibly.
  - Ensures that the disclosure of director remuneration is accurate, complete and transparent.
- Social and ethics statutory oversight role:
  - Responsible for the social and ethics mandate prescribed by the Companies Act, 2008.

DURING THE YEAR THE COMMITTEE:

- Reviewed the JSE's remuneration policies and practices to ensure their continued relevance and effectiveness.
- Reviewed independent salary benchmark data, and determined the annual salary increases for the CEO and executive management as well as the overall salary adjustment for staff.
- Assessed corporate and CEO performance for the year, and determined the CEO's annual bonus awards for 2014, as well as the bonus pool for other executives and staff.
- Assessed corporate performance over the relevant vesting period in accordance with the pre-set vesting criteria applicable to the JSE's long-term incentive scheme (LTIS 2010) and determined the percentage of the corporate performance shares for the 2010 and 2011 allocations that would vest in 2014.
- Granted share awards (LTIS 2010 Allocation 5) to selected senior staff, which awards will vest over three and four years subject to corporate performance over the vesting periods.
- Introduced a new critical skills cash retention scheme for highly-skilled technical staff, excluding all senior managers who participate in LTIS 2010.
- Reviewed compliance with the Financial Sector Charter and noted the JSE's employment equity report.
- Reviewed the JSE's code of conduct and ethical standards.
- Reviewed the HRSE Committee terms of reference.
- Complied with its terms of reference and discharged its statutory duties.

The JSE's *remuneration report* is published in online format only, and can be found at www.jsereporting.co.za/ar2014/remuneration.asp.

The JSE's *social and ethics report* is published in online format only, and can be found at www.jsereporting.co.za/ar2014/social.asp.

The chairman attended the annual general meeting to respond to any questions related to the committee.

IN THE YEAR AHEAD THE COMMITTEE:

- Will re-examine the JSE's incentive models to ensure their continued relevance and effectiveness.
- Will determine the key performance indicators for 2015 for both the corporate and CEO scorecards.

Self-Regulatory Organisation (SRO) Oversight Committee report

South Africa has a strong self-regulatory model, with the allocation of a number of regulatory functions to self-regulatory organisations (SROs). One aspect of the operation of SROs that continues to receive ongoing attention, both internationally and locally, is the management of actual and perceived conflicts of interest within an SRO, particularly the mechanisms that SROs have employed in dealing with those conflicts between their commercial and regulatory functions.

As an SRO, the JSE is required to fulfil a number of regulatory duties in compliance with the requirements of the Financial Markets Act, 2012 (FMA). The JSE considers it important to ensure and demonstrate its commitment to ensuring that the JSE meets its obligations under the FMA with regard to regulation. The JSE also considers its obligations regarding regulation and its commercial interests 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 FMA places further scrutiny on the management of conflicts of interest. In particular, the Financial Services Board determines certain requirements to be adhered to in relation to the types of arrangements that need to be put in place to ensure that conflicts of interest are handled appropriately.

The purpose of the committee is to oversee the SRO activities of the JSE. It 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. It also creates a reporting line between the SRO focused divisions of the JSE, Issuer Regulation and Market Regulation, and the Board. The committee reports to the JSE Board at least twice a year and it has broad powers to require input from the heads of the regulatory focused divisions and the JSE staff.

Members of the committee recuse themselves when a matter being discussed involves information that could give rise to a potential conflict of interest. The Company Secretary confirms that there were no such conflicts during the period.

The National Treasury has commenced an investigation into the self-regulatory organisation models employed in South Africa. The scope of this work is likely to be far broader than the JSE, and to consider the self-regulatory model at policy level. The National Treasury has indicated that, while it is in favour of self-regulation, it continues to examine ways to strengthen the model.

Prepared by its independent chairman:

AM Mazwai

Composition:

(i) Independent non-executive directors:

NS Nematswerani

NG Payne

(ii) Attendance by invitation only:

FSB representative

Head: Market Regulation

Head: Issuer Regulation

Group Company Secretary

Refer to the JSE website for more information:

http://phx.corporate- ir.net/phoenix. zhtml?c=198120&p=irol-govHighlights

THREE MEETINGS WERE HELD

- Required to hold sufficient scheduled meetings subject to a minimum of two meetings per year.
- Quorum is a majority of members present.

BRIEF RESPONSIBILITIES

- Review the arrangements, resources and infrastructure maintained by the JSE to ensure they are sufficient to fulfil the JSE's obligations under the FMA, as referred to in paragraph 2.1 of the mandate, and to report to the JSE Board on its conclusions.
- Monitor and report to the JSE Board on the implementation of the procedures and measures put in place by the JSE to meet its obligations in respect of its own listing, as referred to in paragraph 2.2 of the mandate above.
- Review the enforcement and disciplinary action undertaken by the JSE and report to the JSE Board on whether the JSE has applied its regulations fairly and consistently to its authorised users and issuers and has imposed appropriate sanctions for non-compliance.
- Report to the JSE Board on whether the JSE has cooperated with the Financial Services Board and other SROs to investigate and enforce the applicable laws and regulations.
- Report to the JSE Board on whether the JSE has appropriately managed actual and perceived conflicts of interest in relation to its SRO functions and has avoided using its regulatory authority to allow itself or any market participant to gain an unfair advantage.
- Report to the JSE Board on whether the JSE has followed professional standards of behaviour on matters such as confidentiality and procedural fairness in performing its SRO activities.

DURING THE YEAR THE COMMITTEE:

- Continued to examine and review the JSE's regulatory function to the extent required to fulfil its statutory obligation as a self-regulatory organisation. It found it to be satisfactory in all material forms.
- Complied with its terms of reference.
- Reviewed its terms of reference.

The chairman attended the annual general meeting to respond to any questions related to the committee.

IN THE YEAR AHEAD THE COMMITTEE:

- Will continue to fulfil its responsibilities as set out above, with a particular focus on managing conflicts of interest that may result from the JSE fulfilling its regulatory function.

Risk Management Committee report

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 46 for more information on the governance of risk.

Prepared by its independent chairman:

NG Payne

Composition:

(i) Independent non-executive directors:

NS Nematswerani

AM Mazwai

MA Matooane

Non-executive directors:

DM Lawrence

(ii) Other members:

CEO

(iii) Attendance by invitation only:

NMC Nyembezi-Heita

CFO

FSB representative

CIO

Group Company Secretary

Head of Internal Audit

Head of Trading and Market Services

Head of Post-Trade and Information Services

The committee works closely with the Governance, Risk and Compliance Division (including the Internal Audit function), the Audit Committee and the Executive Committee to oversee the management of risk at the JSE.

This collaboration has ensured a thorough understanding of the risks accepted by the JSE in pursuance of its objectives.

Refer to the JSE website for more information:

ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights

FOUR MEETINGS WERE HELD

- Required to hold sufficient scheduled meetings, subject to a minimum of three meetings per year.
- Additional meetings may be convened at the request of any one of the members of the committee.
- Quorum is a majority of members present.

BRIEF RESPONSIBILITIES

- Assist 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.

DURING THE YEAR THE COMMITTEE:

- Obtained Independent assurance on all key risk areas and related systems of internal control through the internal audit process, on a combined assurance basis.
- Established risk appetite.
- Evaluated actual risks against this.
- Reviewed its terms of reference.
- Complied with its terms of reference.

The committee is comfortable that the overall level of risk management at the JSE is good and continues to improve.

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 risk where it is cost-effective to do so.

The chairman attended the annual general meeting to respond to any questions related to the committee.

IN THE YEAR AHEAD THE COMMITTEE:

- Will continue to assist 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.

Investment of Funds Committee report

Prepared by its independent chairman:

AM Mazwai

Composition:

CFO

Group Company Secretary

Refer to the JSE website for more information.

ir.net/phoenix.zhtml?c=198120&p=irol-govHighlights

THREE MEETINGS WERE HELD

- Required to hold sufficient scheduled meetings, subject to a minimum of two meetings per year.
- Quorum is a majority of members present.

BRIEF RESPONSIBILITIES

- Facilitate the management of funds held by the following entities and funds held by such other entities as the Board of the JSE may determine from time to time:
  - The Guarantee Fund Trust;
  - The Derivatives Fidelity Fund Trust;
  - The Benevolent Fund; and
  - The BESA Guarantee Fund Trust.
- Set, and from time to time amend, the benchmarks to be achieved by the investment manager appointed by the JSE Board.
- Negotiate and agree the fee to be levied by the investment manager.
- Monitor that the investment manager achieves the agreed benchmark and, in the event that the investment manager does not achieve the benchmark, take the appropriate remedial action.

DURING THE YEAR THE COMMITTEE:

- Examined the nature of all JSE investment funds and decided that all such funds be subject to oversight by this committee.
- Complied with its existing terms of reference.
- Reviewed and amended its terms of reference.

IN THE YEAR AHEAD THE COMMITTEE:

- Will recommend to the JSE Board that the amended terms of reference be reviewed and approved.
- Will investigate the mandate of each of the funds to determine how best to invest them.

Ethics and compliance

Culture of ethics

The Board is mindful that JSE management and employees' work ethic and performance must adhere to high standards. It is also aware that the JSE's reputation is built on management and employee interactions with all stakeholders. When management and employees display the expected behaviour and values, the JSE reputation is strengthened and a healthy workplace is promoted where original and innovative thinking occurs. This embeds a robust culture of ethics and integrity at the JSE.

The current value system was launched to all JSE staff in 2013 and is based on the following model:

DEFINE HOW
we behave internally; and how the brand delivers itself externally.

DEVELOP
a clear and compelling purpose statement for the JSE.

FOCUS
the organisation internally and assist in breaking down silos.

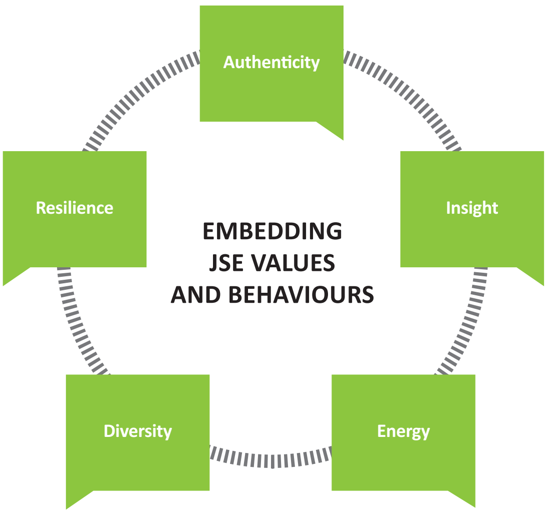
ACT
as a rallying cry for internal alignment and focus.

REFLECT
the JSE's values in JSE priorities, reinforced by leaders.

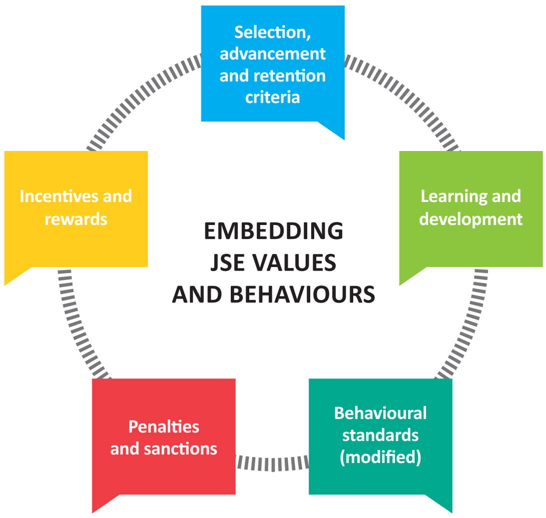
TRANSLATE
the JSE's values into behavioural patterns that begin to transform performance.

INFLUENCE
The JSE's attitudes, an important driver of behaviour used to make judgements.

THE JSE'S FIVE VALUES



PEOPLE PROCESSES TO DRIVE VALUES



Whistle-blower facility

Contributing to this culture, an independent service provider operates a 24-hour toll-free hotline 365 days a year. Employees are encouraged to participate by reporting any unethical behaviour identified, anonymously, confidentially and in a choice of five languages.

During the year under review, no incidents were reported.

POLICY	MITIGATION	WHO AFFECTED
Controls the disclosure of: • interests in contracts to avoid any potential conflicts of interest; or • other appointments. Where appropriate, persons who disclose the above potential conflicts of interest are required to recuse themselves from the affected discussions and decisions.	This disclosure is critical to assess and mitigate any potential conflict in fiduciary duties.	All directors, executives, senior managers and all employees.

Conflicts of interests and interests in contracts

During the year under review, none of the directors, executives or employees had any significant interest in any material contract or arrangement entered into by the Company or its subsidiaries and associates.

Dealing in Company securities and insider trading

A dealing policy is in place for employees and directors dealing in JSE shares. These rules prohibit directors and employees from dealing in JSE shares when they possess price-sensitive information. Dealing is permitted only during two limited open periods of the year immediately following the release of the annual financial and interim financial statements. Directors and employees may not deal during other periods. A director may not deal in JSE shares without obtaining prior written approval from the Chairman of the Board or, failing her, the CEO.

In the case of the Chairman of the Board, approval must be obtained from the lead non-executive director or, failing him, the CEO.

A dealing policy is in place for employees and directors dealing in all listed securities other than JSE shares. Prior approval for these transactions is mandatory.

Staff members in the Issuer Regulation division are prohibited from dealing in any listed securities as a result of their ongoing exposure to company information. Refer to the *directors' report* for a listing of dealings by directors and prescribed officers.

2014 Financial Year				
CLOSED PERIOD	OPEN PERIOD	CLOSED PERIOD	OPEN PERIOD	CLOSED PERIOD
1 Dec 2013 to 11 Mar 2014	11 Mar 2014 to 31 May 2014	1 Jun 2014 to 14 Aug 2014	14 Aug 2014 to 30 Nov 2014	1 Dec 2014 to 5 Mar 2015
Preparation of annual results		Preparation of interim results		Preparation of annual results

2015 Financial Year				
CLOSED PERIOD	OPEN PERIOD	CLOSED PERIOD	OPEN PERIOD	CLOSED PERIOD
1 Dec 2014 to 5 Mar 2015	5 Mar 2015 to 31 May 2015	1 Jun 2015 to 14 Aug 2015	14 Aug 2015 to 30 Nov 2015	1 Dec 2015 to Feb/Mar 2016
Preparation of annual results		Preparation of interim results		Preparation of annual results

Corruption, fraud and illegal acts

APPROACH

The JSE does not engage in, accept or condone engaging in any illegal acts, including but not limited to any form of bribery, facilitation payments, political donations or any corruptive practice in the conduct of its business.

The Board's policy is to actively pursue and encourage the prosecution of perpetrators of fraudulent and other illegal activities should it become aware of such acts.

A strict zero-tolerance approach has been adopted.

YEAR UNDER REVIEW

No fraud misdemeanours, bribery or corruptive practices were reported during the period under review.

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 JSE Exco. The ombud of the scheme is Judge E Goldstein, a retired judge. 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 legal proceedings.

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.

Policy Steering Committee

The Policy Steering Committee's function is to drive policy awareness across the JSE. This means that any new or amended internal policies across the JSE's divisions will be tabled, discussed and approved at a central committee, made up of representatives from each division of the JSE. This will ensure due diligence and appropriate governance and will also allow for increased engagement across all business areas. Below is a summary of some 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 Limited securities and other listed securities	Reviewed policy in place	No incidents reported

Compliance statement

Compliance remains a focus area for the JSE. The JSE has continued with its risk based compliance approach. Key compliance concerns are highlighted, looking at the JSE compliance universe, defined in the JSE risk tools and methodologies. A specific privacy initiative is also under way in the JSE that will enhance not only privacy practices, but also the JSE compliance approach in general.

The risk and governance teams currently assist the various business units with reviewing, monitoring and recording the necessary and required compliance.

Both areas report to the director of Governance, Risk and Compliance, who is also the Group Company Secretary, who reports to the CEO and the Chairman of the Board, respectively, in each of these roles.

JSE business units remain primarily responsible for compliance with the applicable laws, rules, codes and standards. During the year under review, there were no contraventions or fines.

Philosophy

2014 has seen the JSE risk function further mature as well an improvement in the interaction between the risk and internal audit functions as a result of changing the reporting structure. The risk and internal audit functions maintain independence to ensure appropriate lines of defence, but information sharing is benefiting both functions. JSE enterprise risk now forms part of the Governance, Risk and Compliance division.

Risk management is not about eliminating risk but rather about managing of how much risk the entity is prepared to and does accept as it strives to create value.

The JSE enterprise risk function supports enterprise objectives by evaluating itself against the JSE enterprise risk philosophy, outlined in six principles:

SUPPORTS ENTERPRISE OBJECTIVES AND INCORPORATES OPPORTUNITIES

A risk view must be provided in the context of achieving business goals and objectives. Risk must not only be seen as a hazard (possibility of a negative event) but must also incorporate the context of recognising the inherent relationship between risk and return through opportunities.

APPROPRIATE FOR THE JSE

Only applicable components will be used from best practices to ensure that its risk practices are fit for purpose for the JSE while still meeting any legal and regulatory requirements. All risk management activities will be within the context of the JSE risk appetite.

OPERATES EFFECTIVELY

The measure of a risk process lies in its ability to focus on and execute the appropriate risk response strategy (transfer, mitigate, accept or avoid) for every major exposure. Risk management must also be embedded into the way the JSE operates.

IS CONSISTENT AND VALIDATED

Risk processes incorporate not only management perspectives but also the judgement of risk management and independent assurance (audit) views.

MUST ADD VALUE

Risk management must not simply be a function that exists to meet governance, legal and regulatory requirements and provide reporting, but must add value, where appropriate, to the enterprise through the application of insight and skills.

ACCOUNTABILITY MUST BE CLEARLY DEFINED

Because risk management operates across governance, compliance and specialist risk and business management functions, clear accountability areas must be defined in order to avoid duplication of effort or unmanaged areas.

Roles and responsibilities

JSE Board and Risk Management Committee

King III indicates, and the JSE subscribes to the fact, that the Board should:

- be responsible for the governance of risk;
- determine the levels of risk tolerance;
- delegate to management the responsibility to design, implement and monitor risk management;
- ensure that risk assessments are performed continually;
- ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
- ensure continual risk monitoring by management;
- receive assurance regarding the effectiveness of the risk management process; and
- ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.

The JSE Board has constituted the Risk Management Committee to assist with the discharging of its duties and responsibilities with regard to risk management. Enterprise risk management oversight is provided by the JSE Risk Management Committee by monitoring the implementation of the JSE risk framework and driving corrective actions.

Approach

Enterprise risk reporting has been enhanced to align with enterprise objectives by tracking risk areas in relation to the JSE strategic vision and reporting them in that format to the JSE Board Risk Management Committee. This report is compiled using the existing JSE risk profile supported by underlying risk methodologies that incorporate ISO 31000 principles. Risk reporting has been emphasised to ensure the right focus and discussions at the JSE Board Risk Management Committee as well as continuing to ensure that the business drives risk management in its operations.

Current risk profile

Seven key strategic and business risk focus areas were noted at the most recent JSE Board Risk Management Committee meeting. These areas were drawn from interactions with management, a review of the enterprise risk register, and the application of judgment by the enterprise risk management (ERM) team. The areas were:

1. Risk caused by operational vulnerabilities
2. Delivery of the T+3 project (phase 2)
3. Delivery of the ITaC project
4. Impact of regulatory trends
5. Digestibility risk: the ability of the JSE and its clients to deal with the required change
6. Responding appropriately to the changing strategic landscape
7. An internal and external view of the JSE's compliance profile.

These areas are actively managed by the JSE and tracked formally by the JSE risk team.

Risk-based compliance with laws, rules, codes and standards

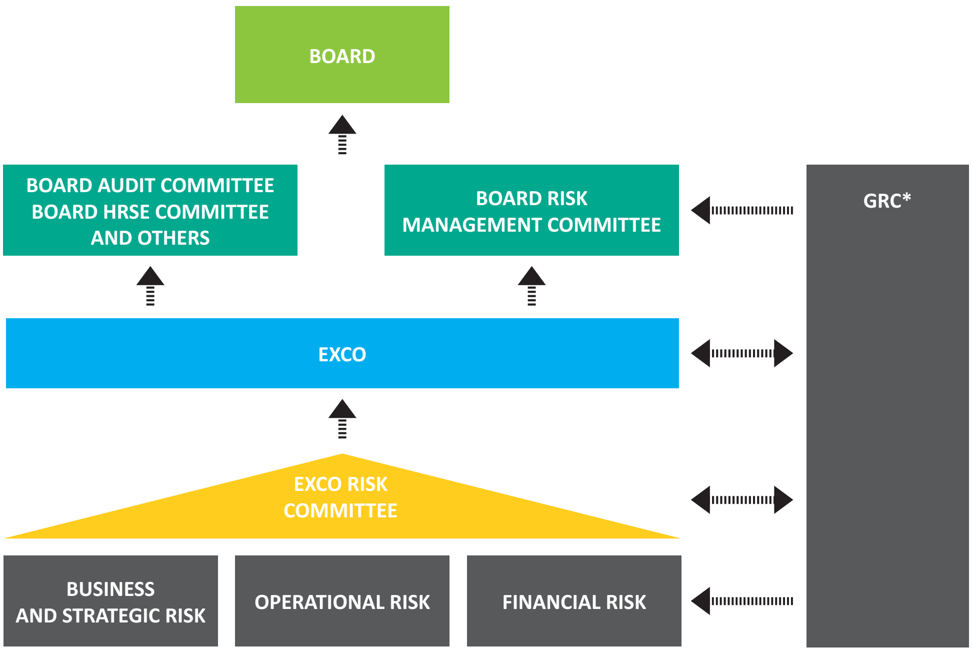
Compliance remains a focus area for the JSE. The JSE has continued with its risk based compliance approach. This will receive ongoing attention within the new JSE structure as well. Compliance is an ongoing focus for the JSE and inherently part of the JSE's DNA because of its regulatory culture. 2015 will see constant attention to this area, with some increased focus on formally maturing the JSE compliance profile.

JSE site management risk

JSE occupational health and safety requirements have been further embedded into the way the JSE operates after assessments carried out in 2013.

Information Security

In the previous annual report, it was noted that a formal information security office was established under the CIO. An approved information security programme now addresses the governance, risk, compliance, process, people and technology aspects of information security. A number of new technical and non-technical security controls have been implemented successfully during 2014 and more are planned for 2015. The security controls are being implemented to mitigate information risk and to improve the JSE's overall information security posture. The security controls are part of a defence-in-depth strategy to ensure the confidentiality, integrity and availability of our information assets. The status and efficiency of security controls are continuously managed, monitored and reported through an information security management system (ISMS) that provides ongoing assurance of an adequate security posture. The JSE information security programme is aligned with information security best practices, includes cybercrime defences and considers the efforts of our counterparts through participation in the WFE's Global Cyber Security Working Group.



**Governance, Risk and Compliance Division, including Enterprise Risk Management function and Internal Audit.*

Risk reporting

Risk reporting is submitted to the Exco Risk Committee. Exco receives risk reporting prior to it being submitted to the JSE Risk Management Committee. This reporting flows into Board reporting (including the Board receiving the JSE Risk Committee minutes). The reporting structure supports the specialist team's oversight function through allowing, in extreme cases, for independent escalation to the JSE Risk Management Committee on items where agreement on reporting could not be reached through the management reporting structures.

Oversight

The JSE enterprise risk team has also increased its oversight activities in order to bolster the risk lines of defence for the JSE. This is over and above risk reporting. The close cooperation with Internal Audit has also facilitated this.

Oversight areas include:

- Strategic projects;
- IT governance;
- Information security;
- Business continuity; and
- Information governance.

BOARD OF DIRECTORS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1. Nonkululeko Nyembezi-Heita (55)
Independent non-executive chairman
Number of years in service: 6

Non-executive director of Old Mutual plc, Macsteel International Holdings BV, CEO of IchorCoal N.V.

Ms Nonkululeko Nyembezi-Heita replaced Humphrey Borkum as the new Chairman with effect from 9 May 2014.

Appointed to the Board in 2009

2. Nicky Newton-King (48)
Chief executive officer
Number of years in service: 18

Director of JSE-related companies. World Economic Forum Young Global Leader; Yale World Fellow 2006.

Appointed to the Board in 2000
Appointed CEO in January 2012

3. Aarti Takoordeen (35)
Chief financial officer
Number of years in service: 2

Appointed CFO in March 2013

4. Leila Fourie (46)
Executive Director: Post-Trade Services
Number of years in service: 3

Director of JSE-related companies.

Chairman of Clearing Advisory Committee, Director of Strate and JSE Clear Board.

Appointed to the Board in 2014

5. Anton Botha (61)
Independent lead non-executive director
Number of years in service: 15

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

Appointed to the Board in 2000

6. Andile Mazwai (43)
Independent non-executive director
Number of years in service: 11

Chief executive officer of National Stokvel Association of South Africa (NASASA).

Appointed to the Board in 2004

7. Nigel Payne (55)
Independent non-executive director
Number of years in service: 10

Independent non-executive chairman of Mr Price Group Limited. Independent non-executive director of Bidvest Group Ltd, Vukile Property Fund Ltd, BSI Steel Ltd and Strate (Pty) Ltd.

Appointed to the Board in 2005

8. David Lawrence (63)
Non-executive director
Number of years in service: 7

Deputy chairman of Investec Bank Limited. Director of various companies.

Appointed to the Board in 2008

9. Dr Mantsika Matooane (39)
Non-executive director
Number of years in service: 3

Group executive (Information Management) at Transnet SOC Ltd. Non-executive director of NMG Consultants and Actuaries (Pty Limited.

Appointed to the Board in 2012

10. Nomavuso Mnxasana (58)
Independent non-executive director
Number of years in service: 2

Non-executive director of Nedbank Group Limited, Pareto Limited, Winhold Limited, Land and Agricultural Development Bank of South Africa, Telkom Limited, Optimum Coal Holdings Limited, Atterbury Investment Holdings Limited and other investee companies.

Appointed to the Board in 2012

11. Dr Michael Jordaan (47)
Independent non-executive director
Number of years in service: 1

Chief executive officer of Montegray Capital (Pty) Limited; chairman of Mxit SA (Pty) Limited.

Appointed to the Board in 2014

12. Sam Nematswerani
Independent non-executive director
Number of years in service: 10

CEO of Aka Capital (Pty) Ltd. Director of various companies.

Appointed to the Board in 2005

Alternate directors

13. Leanne Parsons (49)
Director of Equity Market
Number of years in service: 29

Director of JSE-related companies.

Appointed to the Board in 2000

14. John Burke (49)
Director of Issuer Regulation
Number of years in service: 25

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

Appointed to the Board in 2001

Group Company Secretary

15. Graeme Brookes (47)
Number of years in service: 5

Director of JSE-related companies.

Appointed Group Company Secretary in 2014

MEMBERS OF THE EXECUTIVE COMMITTEE

1. Nicky Newton-King (48)
Chief executive officer
Number of years in service: 18

BA LLB, University of Stellenbosch, LLM, University of Cambridge.

Director of JSE-related companies.

World Economic Forum Young Global Leader; Yale World Fellow 2006.

Appointed as CEO in January 2012, appointed to Exco in January 1997

2. Aarti Takoordeen (35)
Chief financial officer
Number of years in service: 2

BCompt (Hons), CTA, University of South Africa, (CA) SA.

Appointed in February 2013

3. Leila Fourie (46)
Director of Post-Trade Services
Number of years in service: 3

MCom (Economics), University of Johannesburg.

Director of JSE-related companies.

Chairman of Clearing Advisory Committee, Director of Strate and JSE Clear Board.

Appointed in March 2013

4. Riaan van Wamelen (45)
Chief information officer
Number of years in service: 7

BCom (Hons) (Informatics), University of Pretoria, MBA, Stellenbosch.

Appointed in May 2008

5. Graeme Brookes (47)
Director of Governance, Risk and Compliance and Group Company Secretary
Number of years in service: 5

BCom, University of the Witwatersrand.

Director of JSE-related companies.

Appointed as Group Company Secretary in August 2014

6. Leanne Parsons (49)
Director of Equity Market
(alternate director of the JSE Board)
Number of years in service: 29

BCom, University of South Africa.

Chairman of the Equity Trading Advisory Committee; member of the Risk Management Committee.

Appointed in March 1997

7. John Burke (49)
Director of Issuer Regulation
(alternate director of the JSE Board)
Number of years in service: 25

BCom (Hons) Investment Management, HDip Corporate Law, RAU (now University of Johannesburg).

Chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; director of the Institute of Directors; Member of the Takeover Regulation Panel.

Appointed in March 1997

8. Siobhan Cleary (41)
Director of Strategy and Public Policy
Number of years in service: 8

BA LLB, University of Cape Town, Masters (International Relations and Economics), School of Advanced International Studies, Johns Hopkins University.

Represents the JSE on the Working Committee of the World Federation of Exchanges. Yale World Fellow 2011.

Appointed in August 2012

9. Zeona Jacobs (51)
Director of Issuer and Investor Relations
Number of years in service: 2

Diploma: Business Management, Damelin; Diploma: Management Advancement Programme, Wits Business School.

Chairman of the Johannesburg Social Housing Company.

Appointed in September 2012

10. Njabulo Mashigo (32)
Director of Human Resources
Number of years in service: 2

BA Industrial Psychology, Rhodes University; MBA, Gordon Institute of Business Science.

Appointed in January 2014

11. Donna Oosthuyse (57)
Director of Capital Markets
Number of years in service: 7 months

MA in Comparative Area Studies/Economics – Cum Laude (Georgetown University, Washington DC); BA in Latin American studies/Economics (Duke University Durham, North Carolina).

Member of the New Products Committee and Risk Committee by invitation; Board Member of AMCHAM, Operation HOPE and Junior Achievement.

Appointed in August 2014

CONTENTS

2014 ANNUAL FINANCIAL STATEMENTS

Declaration in terms of the Companies Act, No. 71 of 2008 ("Companies Act")

The preparation of these financial statements has been supervised by the chief financial officer, Aarti Takoordeen, CA(SA), in terms of section 29 and 30 of the Companies Act. The financial statements have been audited in compliance with the applicable requirements of the Companies Act.

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2014

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of the JSE Limited, comprising the statements of financial position at 31 December 2014, 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, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the *directors' report*.

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.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of the JSE Limited, as identified in the first paragraph, were approved by the Board of Directors on 5 March 2015 and signed by:

Nonkululeko Nyembezi-Heita
Chairman

NF Newton King
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

For the year ended 31 December 2014

The JSE Limited has complied with all statutory and regulatory requirements in accordance with the Financial Markets 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.

GA Brookes
Group Company Secretary

REPORT OF THE AUDIT COMMITTEE

Prepared by its chairman, Sam Nematswerani.

The Audit Committee presents its report for the financial year ended 31 December 2014.

Composition and meeting procedures

- 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 three other independent non-executive directors, including the chairman of the Risk Committee.
- The Chairman of the Board, CEO, CFO, Company Secretary and representatives of the external auditors and Internal Audit attend meetings by invitation.
- The committee is suitably skilled to perform the role required, as reflected in the table below. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company. However, it is not expected that each member should possess all the required qualifications, skills and experience. The Chairman of the Board is not the chairman of the Audit Committee.

Primary roles and responsibilities

- The committee acts in accordance with its statutory duties, the delegated authority of the Board as recorded in its terms of reference, and within the guidelines of King III.
- The committee must prepare a report describing how it carried out its functions as specified in section 94(7) of the Companies Act.
- It has power to investigate any activity within the scope of its terms of reference.
- The committee has an independent role with accountability to both the Board and shareholders.
- The committee, in fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or the Company Secretary to provide it with information. The committee has reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The committee members who were approved by shareholders at the annual general meeting in May 2014 to serve until the next annual general meeting are:

Name	Qualification(s)	Director	Appointed by the Board in
Sam Nematswerani*	CA(SA)	Independent non-executive	Feb 2003
Bobby Johnston**	CA(SA)	Independent non-executive	Dec 2000
Anton Botha	BCom; BProc; BCom(Hons)	Independent non-executive	Dec 2000
Nigel Payne***	CA(SA)	Independent non-executive	Aug 2005
Nomavuso Mnxasana	CA(SA)	Independent non-executive	Dec 2012

Except as highlighted above, committee members will be subject to shareholder approval at the AGM scheduled for 21 May 2015.

* *Sam Nematswerani will be retiring from the Board at the next AGM and will thus not be available for re-election*

** *Bobby Johnston retired from the Board with effect from 10 June 2014.*

*** *The Board has elected Nigel Payne to succeed Sam Nematswerani as chairman of the Audit Committee. Nigel Payne will relinquish chairmanship of the Risk Committee but will remain a member of that Board committee.*

The Board is satisfied that:

- the Group Audit Committee, acting as a collective, is adequately skilled to perform its role having regard to the size and circumstances of the Company;
- individual members of the committee possess appropriate qualifications, skills and experience to discharge their responsibilities; and
- all members shown in the table meet the provisions of the Companies Act and that they are independent, and therefore recommends their appointment at the annual general meeting on 21 May 2015.

The committee has discharged all its responsibilities and carried out all the functions assigned to it. In particular, the committee did the following:

Responsibilities	How discharged
In respect of the finance function:	
Annually assessed and confirmed the appropriateness of the expertise and experience of the chief financial officer (CFO) and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the financial function.	Applied at the meeting of the Audit Committee held on 12 November 2014, where the committee satisfied itself that the finance function was adequately and appropriately resourced.
Undertook the appointment and dismissal of the CFO.	Not applicable.
In respect of the external auditor and the external audit:	
Nominated for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Company and determined their terms of engagement and fee [section 94(7)(a) and (b)].	At the 12 November 2014 meeting, the committee reviewed the independence of the external auditors and recommended them for appointment by shareholders at the AGM in 2015, with Ms Tracy Middlemiss as the designated auditor. It also determined the fees to be paid and the terms of engagement.
Ensured the appointment of the auditor complies with the applicable legislation [section 94(7)(c)].	Ensured that the appointment process complied with the statutory requirements. Refer to the 2014 and 2015 AGM notice.
Evaluated the independence, effectiveness and performance of the external auditors.	The committee satisfied itself at the 12 November 2014 meeting that the auditors are independent.
	External auditors have unlimited access to the chairman of the committee.
Determined the nature and extent of non-audit services that the auditor may provide and pre-approved any agreement for the provision of these services by the auditor to the company, or a related company. Approved the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence [section 94(7)(d) and (e)].	Applied at the 12 November 2014 meeting in accordance with the Board-approved non-audit services policy.
In respect of the financial statements:	
Confirmed the going concern as the basis of preparation of the interim and annual financial statements.	Reviewed and recommended to the Board for approval. The Board has subsequently approved the integrated annual report.
Reviewed the accounting policies and procedures adopted by the Group and the JSE and ensured that financial statements were prepared on the basis of appropriate accounting policies and International Financial Reporting Standards [section 94(7)(f)].	Applied.
	The CFO prepares financial statements in accordance with all applicable legislation and submits them to this committee for review. Recommended to the Board for approval.
Reviewed financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.	Applied.
	At the first meeting of the year, the committee reviewed the full integrated report and recommended it to the Board for approval.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Responsibilities	How discharged
In respect of internal control:	
Reviewed the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions.	This role was performed in part by this committee and in part by the Risk Management Committee. Internal Audit forms part of the Governance, Risk and Compliance Division. PwC is contracted to assist the Internal Audit function in carrying out its duties and to ensure the required degree of independence. Internal audit reports to the Audit Committee.
Reported on the effectiveness of the internal financial controls and risk management.	This role was performed in part by this committee and in part by the Risk Management Committee.
Monitored the appropriateness of the Company's combined assurance model overseeing risk.	This role was performed in part by this committee and in part by the Risk Management Committee.
Ensured that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	This role was performed in part by this committee and in part by the Risk Management Committee.
Annually evaluated the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covered all significant areas of financial reporting.	Applied in consultation with the internal audit function each year.
Other:	
Received and dealt with complaints and concerns from within and outside of the Company relating to accounting practices and internal audit; content or auditing of the financial statements; internal financial controls; or any other related matter [section 94(7)(g)].	No complaints were received.
Made submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting [section 94(7)(h)].	Applied.

The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost. The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board outside of the statutory duties, the committee makes recommendations for approval by the Board.

The JSE continues to prepare Group accounts that comply with International Financial Reporting Standards and these responsibilities are completed within an acceptable timeframe.

The Audit Committee's composition, purpose and duties are set out in the committee's charter. The Board approves amendments of the committee's charter from time to time. The committee is satisfied with the way it has discharged its duties as well as complied with its terms of reference.

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

NS Nematswerani

Chairman: Audit Committee

Our business

A description of the JSE's business, its value chain and Group structure is set out on pages 4 to 5.

The Company does not have a controlling shareholder and is managed by its directors for its stakeholders. The JSE Limited has its primary and only listing in South Africa on the securities exchange operated by the JSE.

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 committee was set up in the last quarter of 2011. Its terms of reference have been refined to take into account the requirements of the Financial Markets Act. For more information on its mandate and function, refer to page 39.

Corporate governance

The *governance report* is set out on pages 29 to 45.

Financial results

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.

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 Financial Markets 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.

Major operating subsidiary: JSE Clear (previously Safcom)

JSE Clear (Pty) Ltd is a licensed associated clearing house in terms of the provisions of the Financial Markets Act, No. 19 of 2012, and subject to an annual review conducted by the FSB. Partly as a consequence of the recent global financial crisis, global financial regulators have issued directives (Basel III) for the capitalisation of bank exposures to central counterparties (CCPs). At the end of 2012, JSE Clear was deemed a qualifying CCP by the FSB in terms of the Principles for Market Infrastructures issued by these global regulators (CPSS-IOSCO).

JSE Clear Derivatives Default Fund

JSE Clear's objective is to act as an associated clearing house and to operate as a CCP by interposing itself between parties to derivative contracts listed on the JSE. Significant refinements have been implemented with regard to its risk management processes. One of these is the creation of a new fund, the JSE Clear Default Fund. This default fund reduces systemic risk and, more specifically, clarifies and limits clearing members' exposure to counterparty credit risk when clearing through JSE Clear. Clearing members that are banks will consequently need to hold less capital for centrally cleared exposures under Basel III regulations.

The JSE Clear Default Fund policy requires that fund contributions by the clearing members and the JSE must be held in a legal entity separate and bankruptcy remote from JSE Clear and the JSE. Thus, in 2013, a new private company, JSE Clear Derivatives Default Fund (Pty) Ltd, operating as the JSE Clear Derivatives Default Fund, was constituted for the purpose of ring-fencing the abovementioned contributions, which are to be used only in the event of a clearing member default.

Authorised users of the JSE (members of the JSE)*

As at 31 December 2014, there were 380 authorised users (2013: 389), broken down as follows:

Category of members	2014	2013
Equity members	61	62
Equity derivatives members	116	121
Commodities derivatives members	89	93
Interest rate members	104	103
Clearing members	10	10
Total	**380**	**389**

* *These numbers include passive and active members. During 2015, the respective membership liaison teams will embark on a process to clean up the lists of passive members.*

Ordinary share capital

The Company did not issue any shares during the year under review. Full details of the authorised, issued and unissued capital of the JSE are contained in note 20 to the annual financial statements.

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.

Changes to directorate and Company Secretary

The details of the directors of the Company and the Group Company Secretary are contained here.

- 8 May 2014 (AGM):
  - Humphrey Borkum retired as independent non-executive director and chairman of the JSE at the AGM held on 8 May 2014. Humphrey was appointed to the Board in 2000 as deputy chairman and appointed as chairman of the JSE in 2002. He has served the JSE with distinction in a number of capacities for many decades.
  - Dr Michael Jordaan's appointment by the Board with effect from 1 January 2014 was ratified by shareholders.
- 9 May 2014:
  - Ms Nonkululeko Nyembezi-Heita, who joined the Board in June 2009 as an independent non-executive director, succeeded Humphrey Borkum as independent non-executive chairman with effect from 9 May 2014.
- 10 June 2014:
  - Bobby Johnston retired as a Board member on 10 June 2014 to concentrate on his other interests. Bobby has been a long-standing member of the JSE community, having also served as chairman of the JSE when it was an Association of Members.
- 8 July 2014:
  - Gary Clarke, the Group Company Secretary, resigned, with approval of the Board and in the absence of any contention by Gary Clarke, as provided for in section 89(2) of the Companies Act.
- 14 August 2014:

  The Board announced:
  - that Leila Fourie, the executive head of the Post-Trade and Information Services division, would join the JSE Board as an executive director with immediate effect; and
  - that Graeme Brookes would serve as Group Company Secretary, also with immediate effect.
- 5 March 2015:
  - Suresh Kana appointed to the Board with effect from 1 July 2015, after his retirement as Senior Partner of PwC Africa.
- 21 May 2015:
  - Sam Nematswerani retires as Board member.
- All appointments were made in compliance with the Companies Act and the JSE's MOI.

Directors' interests and shareholding (including directors' associates)

Director	Direct beneficial	Indirect beneficial	Total	%
Directors' interest as at 31 December 2014				
NF Newton-King (CEO)*	**17 952**	**134 741**	**152 693**	**0.1758**
A Takoordeen (CFO)*	**–**	**33 820**	**33 820**	**0.0389**
L Fourie*	**–**	**50 320**	**50 320**	**0.0579**
AD Botha	**37 000**	**30 960**	**67 960**	**0.0782**
AM Mazwai	**5 000**		**5 000**	**0.0058**
LV Parsons (alternate)*	**8 887**	**65 351**	**74 238**	**0.0855**
JH Burke (alternate)*	**18 360**	**60 161**	**78 521**	**0.0904**
Other directors hold no interests in the JSE	**–**	**–**	**–**	**–**
Total	**87 199**	**375 353**	**462 552**	**0.5324**
Graeme Brookes (Group Company Secretary)*	**6 600**	**16 870**	**23 470**	**0.0270**

There has been no change in directors' interests from the end of the financial year until 5 March 2015. A SENS announcement was released on 9 March 2015 disclosing those executive directors whose holdings increased.

** These directors and officers participate in the LTIS 2010 scheme and are recipients of shares that vested from 2013 onwards. For further details, refer to note 27.*

Director	Direct beneficial	Indirect beneficial	Total	%
Directors' interest as at 31 December 2013				
NF Newton-King (CEO)*	6 905	106 787	113 692	0.1305
A Takoordeen (CFO)*	–	15 700	15 700	0.0181
HJ Borkum	15 000	–	15 000	0.0173
AD Botha	25 000	–	25 000	0.0288
AM Mazwai	5 000	–	5 000	0.0058
LV Parsons (alternate)*	8 887	65 087	73 974	0.0851
JH Burke (alternate)*	7 586	60 879	68 465	0.0788
Other directors hold no interests in the JSE	–	–	–	–
Total	68 378	248 453	316 831	0.3647

** These directors and officers participate in the LTIS 2010 scheme and are recipients of shares that vested from 2013 onwards. For further details, refer to note 27.*

Details of transactions in JSE Limited shares by directors and prescribed officers were disclosed on SENS during 2014 and are summarised in the table below. The purchases, other than that of Mr AD Botha, are in relation to Allocation 5 of the JSE 2010 LTIS Trust.

		Purchase	Sale
NF Newton-King	Executive director	49 790	7 300
A Takoordeen	Executive director	18 120	–
L Fourie	Executive director	19 120	–
LV Parsons	Alternate director	22 100	18 347
JH Burke	Alternate director	20 610	7 117
GA Brookes	(current Group Company Secretary)*	6 970	–
GC Clarke	(previous Group Company Secretary)	15 030	4 218
AD Botha	Non-executive	42 960	–
Remaining members of the executive committee	Prescribed officers	48 090	9 352

For further details, refer to note 27 of the annual financial statements and the remuneration report, which can be found online at www.jsereporting.co.za/ar2014/financials/notes.asp and www.jsereporting.co.za/ar2014/download-pdf/remuneration.pdf.

Shareholders other than directors

Information on shareholders is set out on pages 119.

Dividend policy

In considering the payment of the dividends, the Board will, with the assistance of the Audit committee, take the following into account:

- The current financial status of the Company and the payment of a dividend subject to the successful application of the solvency and liquidity test as set out in section 4 of the Companies Act of 2008;
- The future funding and capital requirements of the Company; and
- The intention to pay a dividend and the preference to pay a single dividend in any year.

The Board and management remained confident as to the underlying strength of the JSE's operations and its continued strong cash flows. All planned investments and capital requirements for 2014 were funded from own resources.

Declaration of ordinary and special dividend

The Board has decided to declare both an ordinary and a special dividend for the year ended December 2014 at 400 cents and 80 cents per ordinary share respectively. Accordingly, notice is hereby given that the directors have declared the following:

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	400	15	340
Special	80	15	68
	480	–	408

The dividend has been declared from retained earnings and no secondary tax on companies (STC) credits are available for use. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 12 June 2015.

In compliance with the Companies Act, the directors of the JSE confirm that the Company will satisfy the solvency and liquidity test immediately after completion of the dividend distribution. The dividend will be noted at the AGM to be held on Thursday, 21 May 2015. In compliance with the requirements of Strate, the following salient dates for the payment of the ordinary and special dividend are applicable:

Dividend paid in year	**2015**	**2014**
In respect of financial year ended	**31 December**	**31 December**
Dividend per share (400+80=480 for 2014)	**480 cents**	400 cents
Rand value	**R417 million**	R348 million
Declaration date	**Thur, 5 March 2015**	11 March 2014
Last date to trade JSE shares cum dividend	**Fri, 5 June 2015**	23 May 2014
JSE shares commence trading ex-dividend	**Mon, 8 June 2015**	26 May 2014
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	**Fri, 12 June 2015**	30 May 2014
Date of payment of dividend	**Mon, 15 June 2015**	2 June 2014

Share certificates may not be dematerialised or rematerialised from Monday, 8 June 2015, to Friday, 12 June 2015, both days inclusive. On Monday, 15 June 2015, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated 15 June 2015 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 15 June 2015. The issued share capital of the Company as at the declaration date was 86 877 600. The tax number of the Company is 9313008840.

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.

External audit and external auditor independence

The Group 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 were endorsed by the Board on 12 November 2014. The Board believes that 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, where appropriate.

The reappointment of the auditors will be a matter for consideration by the shareholders at the AGM to be held on 21 May 2015.

Special resolutions

The following special resolutions were passed in 2014:

Special Resolution numbers 1 and 2:	Special Resolution numbers 1 and 2 were withdrawn and replaced with the single combined Special Resolution number 7.
Special Resolution number 3:	General authority to repurchase shares, in terms of section 48 of the Companies Act, but subject to the JSE Listings Requirements.
Special Resolution number 4:	Specific authority to acquire shares for the purpose of the JSE Long Term Incentive Scheme 2010 ("LTIS 2010").
Special Resolution number 5:	Specific financial assistance in respect of the JSE Long Term Incentive Scheme 2010 ("LTIS 2010"), for a period of two years.
Special Resolution number 6:	Non-executive director emoluments for 2014 and 2015.
Special Resolution number 7:	Authorising the Company to provide financial assistance to the entities as defined, all as contemplated in sections 44 and/or 45 of the Companies Act, for a period of two years.

Refer to the 2014 AGM notice for further details on these resolutions that were passed at the AGM held on 8 May 2014.

State of affairs at Company – material matters

Contingent liabilities and commitments:	The JSE's contingent liabilities and commitments are disclosed in *note 30*.
Related party transactions:	To the knowledge of the Company, none of the directors or major shareholders of the Company or their families had an interest directly or indirectly in any transaction during the period under review or in any proposed transaction, that has or will materially affect the Company or its subsidiaries, other than the disclosure made in *note 29*.

Going-concern statement

In accordance with the solvency and liquidity test in terms of section 4 of the Companies Act, 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 and that:

- the Group's assets fairly valued exceed its liabilities fairly valued; and
- the Group will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 31 December 2014.

Accordingly, the Board continues to adopt the going-concern basis in preparing the financial statements.

Post-reporting-date events

There have been no changes to the directors' interests in the ordinary share capital of the Company and no material events that would require adjustment or disclosure in the annual financial statements have occurred between 31 December 2014 and the date of this report.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the JSE Limited

We have audited the consolidated and separate financial statements of the JSE Limited, which comprise the statements of financial position as at 31 December 2014, 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, as set out on pages 63 to 114.

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 due 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 as at 31 December 2014, 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the *directors' report,* the *Audit Committee's report* and the *Company Secretary's certificate* for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

LMiddlemiss

Per T Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director

5 March 2015
85 Empire Road
Parktown
2193

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Revenue	7.1	**1 778 629**	1 577 552	**1 801 576**	1 594 041
Other income	7.2	**61 240**	76 587	**83 576**	90 275
Personnel expenses	8.1	**(466 786)**	(426 678)	**(462 885)**	(426 678)
Other expenses	8.2	**(669 290)**	(649 779)	**(642 335)**	(625 310)
Profit from operating activities		**703 793**	577 682	**779 932**	632 328
Finance income	8.3	**1 539 449**	992 304	**89 718**	86 648
Finance costs	8.4	**(1 412 589)**	(874 236)	**(15 576)**	(7 332)
Net finance income		**126 860**	118 068	**74 142**	79 316
Share of profit of equity-accounted investees (net of income tax)	13.2	**36 955**	39 788	**–**	–
Profit before income tax		**867 608**	735 538	**854 074**	711 644
Income tax expense	9.1	**(233 269)**	(228 910)	**(232 518)**	(228 189)
Profit for the year		**634 339**	506 628	**621 556**	483 455
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**27 143**	49 987	**–**	–
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**(6 379)**	(15 875)	**–**	–
Income tax on other comprehensive income	9.4	**–**	–	**–**	–
Other comprehensive income for the year, net of income tax		**20 764**	34 112	**–**	–
Total comprehensive income for the year		**655 103**	540 740	**621 556**	483 455
Earnings per share					
Basic earnings per share (cents)	10.1	**742.4**	592.1	**727.5**	565.0
Diluted earnings per share (cents)	10.2	**734.1**	588.6	**719.3**	561.7
Other earnings					
Headline earnings per share (cents)	10.3	**735.0**	644.6	**727.5**	636.1
Diluted headline earnings per share (cents)	10.4	**726.8**	640.8	**719.4**	632.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Assets					
Non-current assets		**969 883**	868 074	**626 420**	582 412
Property and equipment	11.3	**161 836**	162 171	**161 836**	162 171
Intangible assets	12.3/6	**283 111**	259 178	**256 273**	231 844
Investments in equity-accounted investees	13.1	**159 284**	142 169	**21 416**	21 416
Investments in subsidiaries	14.1	**–**	–	**104 352**	104 352
Other investments	15	**292 750**	248 786	**1**	1
Due from Group entity	14.3	**–**	–	**9 640**	6 858
Loan to the JSE Empowerment Fund Trust	16	**13 924**	14 022	**13 924**	14 022
Deferred taxation	23.1/3	**58 978**	41 748	**58 978**	41 748
Current assets		**28 241 085**	20 507 267	**2 210 509**	1 611 183
Trade and other receivables	17	**336 546**	216 692	**193 037**	138 769
Income tax receivable		**605**	17 108	**–**	16 365
Due from Group entities	14.4	**–**	–	**39 161**	8 798
JSE Clear Derivatives Default Fund collateral deposit	18.3	**500 000**	516 870	**100 000**	100 000
Margin deposits	18.1	**25 676 434**	18 335 464	**307 606**	75 447
Collateral deposits	18.2	**96 262**	42 181	**96 262**	42 181
Cash and cash equivalents	19	**1 631 238**	1 378 952	**1 474 443**	1 229 623
Total assets		**29 210 968**	21 375 341	**2 836 929**	2 193 595
Equity and liabilities					
Total equity	20.3	**2 473 994**	2 188 466	**1 976 389**	1 724 408
Share capital		**8 541**	8 533	**8 541**	8 533
Share premium		**63 348**	84 671	**63 348**	84 671
Reserves		**449 488**	431 075	**43 937**	44 740
Retained earnings		**1 952 617**	1 664 187	**1 860 563**	1 586 464
Non-current liabilities		**120 522**	122 127	**152 318**	163 124
Finance leases	30.2	**–**	11 352	**–**	11 352
Borrowings	21	**13 977**	19 055	**–**	–
Employee benefits	22.1	**5 761**	–	**5 761**	–
Due to Safex members	25	**1 347**	1 286	**1 347**	1 286
Deferred taxation	23.1/3	**9 077**	12 324	**8 493**	11 549
Operating lease liability	30.2	**74 358**	57 807	**74 358**	57 807
Deferred income	28	**16 002**	20 303	**62 359**	81 130
Current liabilities		**26 616 452**	19 064 748	**708 222**	306 063
Trade and other payables	24	**295 200**	214 541	**155 798**	125 603
Income tax payable		**32 377**	–	**32 377**	–
Employee benefits	22.1	**116 179**	62 534	**116 179**	62 534
Operating lease liability	30.2	**–**	28	**–**	28
Due to Group entities	14.5	**–**	–	**–**	270
JSE Clear Derivatives Default Fund collateral contribution	18.3	**400 000**	410 000	**–**	–
Margin deposits	18.1	**25 676 434**	18 335 464	**307 606**	75 447
Collateral deposits	18.2	**96 262**	42 181	**96 262**	42 181
Total equity and liabilities		**29 210 968**	21 375 341	**2 836 929**	2 193 595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Group	Share capital R'000	Share premium R'000	Total share capital R'000	NDR R'000	JSE LTIS 2010 reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2013	8 571	102 858	111 429	336 183	32 719	368 902	1 390 690	1 871 021
Profit for the year	–	–	–	–	–	–	506 628	506 628
Other comprehensive income	–	–	–	34 112	–	34 112	–	34 112
Total comprehensive income for the year	–	–	–	34 112	–	34 112	506 628	540 740
Allocation 1 – shares vested	–	11 108	11 108	–	(11 108)	(11 108)	–	–
Distribution from the BESA Guarantee Fund Trust[1]	–	–	–	(2 757)	–	(2 757)	2 757	–
Dividends paid to owners	–	–	–	–	–	–	(217 091)	(217 091)
Equity-settled share-based payment	–	–	–	–	23 129	23 129	–	23 129
Sale of treasury shares	8	5 926	5 934	–	–	–	–	5 934
Transfer of profit from Investor Protection Fund	–	–	–	18 797	–	18 797	(18 797)	–
Treasury shares	(46)	(35 117)	(35 163)	–	–	–	–	(35 163)
Treasury shares – share issue costs	–	(104)	(104)	–	–	–	–	(104)
Total contributions by and distributions to owners of the Company recognised directly in equity	(38)	(18 187)	(18 225)	16 040	12 021	28 061	(233 131)	(223 295)
Balance at 31 December 2013	**8 533**	**84 671**	**93 204**	**386 335**	**44 740**	**431 075**	**1 664 187**	**2 188 466**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**634 339**	**634 339**
Other comprehensive income	**–**	**–**	**–**	**20 764**	**–**	**20 764**	**–**	**20 764**
Total comprehensive income for the year	**–**	**–**	**–**	**20 764**	**–**	**20 764**	**634 339**	**655 103**
Allocation 1 – shares vested	**35**	**11 365**	**11 400**	**–**	**(11 400)**	**(11 400)**	**–**	**–**
Allocation 2 – shares vested	**16**	**10 442**	**10 458**	**–**	**(10 458)**	**(10 458)**	**–**	**–**
Distribution from the BESA Guarantee Fund Trust[1]	**–**	**–**	**–**	**(3 280)**	**–**	**(3 280)**	**3 280**	**–**
Dividends paid to owners	**–**	**–**	**–**	**–**	**–**	**–**	**(347 457)**	**(347 457)**
Equity-settled share-based payment	**–**	**–**	**–**	**–**	**21 055**	**21 055**	**–**	**21 055**
Reserves arising on acquisition of Strate (Pty) Limited transferred	**–**	**–**	**–**	**(10 058)**	**–**	**(10 058)**	**10 058**	**–**
Transfer of profit from Investor Protection Fund	**–**	**–**	**–**	**11 790**	**–**	**11 790**	**(11 790)**	**–**
Treasury shares	**(43)**	**(42 974)**	**(43 017)**	**–**	**–**	**–**	**–**	**(43 017)**
Treasury shares – share issue costs	**–**	**(156)**	**(156)**	**–**	**–**	**–**	**–**	**(156)**
Total contributions by and distributions to owners of the Company recognised directly in equity	**8**	**(21 323)**	**(21 315)**	**(1 548)**	**(803)**	**(2 351)**	**(345 909)**	**(369 575)**
Balance at 31 December 2014	**8 541**	**63 348**	**71 889**	**405 551**	**43 937**	**449 488**	**1 952 617**	**2 473 994**
Note	20.3	20.3		20.3	20.3		20.3	

[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, R3.3m (December 2013: R2.8m) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

Exchange	Notes	Share capital R'000	Share premium R'000	Total share capital R'000	NDR R'000	JSE LTIS 2010 reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2013		8 571	102 858	111 429	–	32 719	32 719	1 320 100	1 464 248
Profit for the year		–	–	–	–	–	–	483 455	483 455
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–	483 455	483 455
Allocation 1 – shares vested	22.6	–	11 108	11 108	–	(11 108)	(11 108)	–	–
Dividends paid to owners	20.4	–	–	–	–	–	–	(217 091)	(217 091)
Equity-settled share based payment	22.6	–	–	–	–	23 129	23 129	–	23 129
Sale of treasury shares		8	5 926	5 934	–	–	–	–	5 934
Treasury shares		(46)	(35 117)	(35 163)	–	–	–	–	(35 163)
Treasury shares – share issue costs		–	(104)	(104)	–	–	–	–	(104)
Total contributions by and distributions to owners of the Company recognised directly in equity		(38)	(18 187)	(18 225)	–	12 021	12 021	(217 091)	(223 295)
Balance at 31 December 2013		**8 533**	**84 671**	**93 204**	**–**	**44 740**	**44 740**	**1 586 464**	**1 724 408**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**621 556**	**621 556**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**621 556**	**621 556**
Allocation 1 – shares vested	22.6	**35**	**11 365**	**11 400**	**–**	**(11 400)**	**(11 400)**	**–**	**–**
Allocation 2 – shares vested	22.6	**16**	**10 442**	**10 458**	**–**	**(10 458)**	**(10 458)**	**–**	**–**
Dividends paid to owners	20.4	**–**	**–**	**–**	**–**	**–**	**–**	**(347 457)**	**(347 457)**
Equity-settled share based payment	22.6	**–**	**–**	**–**	**–**	**21 055**	**21 055**	**–**	**21 055**
Treasury shares		**(43)**	**(42 974)**	**(43 017)**	**–**	**–**	**–**	**–**	**(43 017)**
Treasury shares – share issue costs		**–**	**(156)**	**(156)**	**–**	**–**	**–**	**–**	**(156)**
Total contributions by and distributions to owners of the Company recognised directly in equity		**8**	**(21 323)**	**(21 315)**	**–**	**(803)**	**(803)**	**(347 457)**	**(369 575)**
Balance at 31 December 2014		**8 541**	**63 348**	**71 889**	**–**	**43 937**	**43 937**	**1 860 563**	**1 976 389**
Note		20.3	20.3		20.3	20.3		20.3	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		Group		Exchange	
	Notes	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Cash flows from operating activities					
Cash generated by operations	26.1	**899 719**	757 971	**924 260**	790 109
Interest received		**1 477 111**	965 042	**87 088**	86 616
Interest paid		**(1 358 914)**	(850 457)	**(12 207)**	(6 969)
Dividends received		**5 001**	3 946	**–**	–
Taxation paid	26.2	**(204 866)**	(190 871)	**(204 062)**	(189 974)
Net cash generated by operating activities		**818 051**	685 631	**795 079**	679 782
Cash flows from investing activities					
Proceeds on sale of other investments		**35 284**	40 935	**–**	–
Acquisition of other investments		**(51 533)**	(24 675)	**–**	–
Contributions for JSE Clear Derivatives Default Fund		**16 870**	(516 870)	**–**	(100 000)
Dividends from equity-accounted investees		**19 779**	17 523	**19 779**	17 523
Proceeds from disposal of property and equipment		**295**	172	**295**	89
Leasehold improvements		**(6 370)**	(32)	**(6 370)**	(32)
Acquisition of intangible assets		**(65 741)**	(33 384)	**(64 692)**	(33 384)
Acquisition of property and equipment		**(59 093)**	(48 079)	**(59 093)**	(48 079)
Net cash used in investing activities		**(110 509)**	(564 410)	**(110 081)**	(163 883)
Cash flows from financing activities					
Proceeds from sale of treasury shares		**–**	5 919	**–**	5 919
Contributions (paid)/received JSE Clear Derivatives Default Fund		**(10 000)**	410 000	**–**	–
Loan repaid		**(5 078)**	(4 660)	**–**	–
Acquisition of treasury shares		**(43 173)**	(35 252)	**(43 173)**	(35 252)
Dividends paid		**(347 457)**	(217 091)	**(347 457)**	(217 091)
Net cash (used in)/from financing activities		**(405 708)**	158 916	**(390 630)**	(246 424)
Net increase in cash and cash equivalents		**301 834**	280 137	**294 368**	269 475
Cash and cash equivalents at 1 January		**1 378 952**	1 128 776	**1 229 623**	990 109
Effect of exchange rate fluctuations on cash held		**(49 548)**	(29 961)	**(49 548)**	(29 961)
Cash and cash equivalents at 31 December 2014	19	**1 631 238**	1 378 952	**1 474 443**	1 229 623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 Financial Markets Act, 19 of 2012. The JSE has the following main lines of business: primary market services, trading, clearing and settlement services and market data 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 2014 comprise the Company and its subsidiaries and controlled Structured Entities (collectively referred to as the "Group" and individually as "Group entities") and reflect 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 (IFRSs), the SAICA financial reporting guides as issued by the Accounting Practice Commitee, 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 5 March 2015.

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:

- Available-for-sale financial assets; and
- Share based payment transactions.

The methods used to measure fair values are discussed further in note 5.

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 IFRSs 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 that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3.5 and 11 – property and equipment
- Note 3.6 and 12 – intangible assets
- Note 32 – fair value estimation
- Note 22 – employee benefits
- Notes 22.5 and 22.6 – measurement of share based payments
- Note 30.1 – contingent liabilities
- Note 30.2 – lease classifications

2.5 Changes in accounting policies

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

3. Significant accounting policies

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group financial statements incorporate the assets, liabilities and results of the operations of JSE Clear (Pty) Limited, JSE Clear Derivatives Default Fund (Pty) Limited, the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust, JSE Trustees (Pty) Limited, BESA Guarantee Fund Trust, 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.

BESA Limited, BESA Investments (Pty) Limited and BondClear Limited are dormant and are in the process of deregistration.

(ii) Structured entities

The JSE Guarantee Fund Trust, the JSE Derivatives Fund Trust and the BESA Guarantee Fund Trust are trusts established in terms of the Trust Property Control Act, No. 57 of 1988. The Investor Protection Funds have been established in consonance with the statutory obligations imposed on the JSE, as licensed exchange, by the peremptory provisions of section 8(1)(h) of the Financial Markets Act, No. 19 of 2012 that state that a licensed exchange must have a guarantee, compensation fund or warranty in place to enable it to provide compensation to clients, subject to the exchange rules. The funds and assets of these trusts are segregated from the assets of the JSE but the JSE, by virtue of its role as trustee and custodian of these funds, have to consolidate the results of these funds in its Annual Financial Statements. The JSE's control as custodian and trustee of the assets of these Funds are exercised within the ambit of the JSE's powers as trustee, as defined in the trust deeds and rules of these Funds.

(iii) 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, and is net of any accumulated impairment losses. The equity method is applied to the Group's investment in Strate (Pty) Limited. In applying the equity method, account is taken of the Group's share of the income and expenses and other comprehensive income of the equity-accounted investee from the effective date on which the enterprise became an associate until significant influence ceases. The share of the associated company's 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.

3.2 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.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated to South African rand at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 retranslated 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)

3.4 Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade receivables, interest receivable, a loan to the JSE Empowerment Fund Trust and other receivables, margin and collateral deposits, cash and cash equivalents, borrowings, trade payables, interest payable, amounts due to and from Group companies, amounts due to Safex members and JSE Clear Derivatives Default Fund (Pty) Limited.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. 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 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. 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.

The Group classifies non-derivative financial assets into the following categories:

- Available-for-sale financial assets; and
- Loans and receivables.

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 15 (*Other investments*) for the financial assets classified as available-for-sale.

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, a loan to the JSE Empowerment Fund Trust, JSE Clear Derivatives Default Fund (Pty) Limited contribution, 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) 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.

(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.

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 subsequently sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3. Significant accounting policies (continued)

3.5 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 less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life 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 and leasehold improvements 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 to 10 years
• Vehicles	5 years
• Furniture and equipment	3 to 15 years
• Finance leased assets	3 years
• Leasehold improvements	15 years

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

3.6 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. 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.

As such, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of 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 technology. 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 and direct labour. 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.

3. Significant accounting policies (continued)

3.6 Intangible assets (continued)

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the cost can be measured reliably. 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 to 10 years
- Customer relationships 6 to 10 years
- Capitalised development costs 3 to 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.

3.7 Leases

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 are recognised.

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 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.

3.8 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.

3. Significant accounting policies (continued)

3.8 Impairment (continued)

(i) Financial assets (continued)

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.

Individually significant financial assets at amortised cost 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. Impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. 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. When an event occurring after the impairment was recognised causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

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 for debt securities and in other comprehensive income for equity securities.

(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 generates cash inflows that are largely 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 are not reversed.

3.9 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.

(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.

3. Significant accounting policies (continued)

3.9 Employee benefits (continued)

(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.

3.10 Revenue

Revenue comprises primary market fees, trading fees, clearing and settlement fees, market data fees, funds management and Strate ad valorem fees. Revenue is recognised in the year to which the service relates.

3.11 Other income

Other income comprises rental income, net foreign exchange gains, dividend income, 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 when the right to receive payment is established, which is 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) the 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 structured entities

Funds from the JSE Guarantee Fund Trust approved for distribution by the Financial Services Board for the Data Centre and Disaster Recovery 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 lives of the related assets.

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 and the 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 they relate 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.

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 and the Group can control the timing of the reversal. 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 substantively 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.

3. Significant accounting policies (continued)

3.13 Income tax expense (continued)

(i) Income tax (continued)

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) Withholding taxes

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividend tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge, but rather as part of the dividend paid, recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount, with the related withholding tax recognised as part of tax expense, unless it is otherwise reimbursable, in which case it is recognised as an asset.

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 and employees under the long-term incentive scheme.

3.15 Segment reporting

The Group determines and presents operating segments based on the information that is internally 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.

4. New standards and interpretations not yet adopted

There are a number of forthcoming new standards and interpretations or amendments to standards and interpretations, which have been issued by the International Accounting Standards Board (IASB) prior to the publication of these financial statements, but are effective only in future accounting periods, as listed below:

IFRS 9 – Financial Instruments – effective date: 1 January 2018

The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities. The amendment will be adopted by the Group for its financial reporting period ending after the date the statement comes into effect. The Group does not expect a significant impact from the adoption of this statement.

Amendments to IFRS 2 – Share Based Payment – effective date: 1 July 2014

The amendments clarify the definition of "vesting condition" by separately defining "performance condition" and "service condition". The amendment also clarifies how to distinguish between market and non-market performance conditions and the basis on which a performance condition can be differentiated from a non-vesting condition. The Group does not expect a significant impact from the adoption of this statement.

IFRS 15 Revenue from Contracts with Customers – effective date: 1 January 2017

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group does not expect a significant impact from the adoption of this statement.

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 Investments in equity and debt securities

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 agreed principle 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.

5.2 Share based payment transactions

The fair values of the shares granted to employees in terms of the LTIS 2010 incentive scheme are measured using the Black-Scholes model. Measurement inputs include the share price on measurement date, the exercise price of instrument, the expected volatility (based on weighted average historic volatility, adjusted for changes expected owing to publicly available information), the 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. Each business unit offers different products and services and is managed separately because each requires different technology and a different marketing strategy. Management makes decisions based on management accounting information, which reflects revenue by business unit and costs at a cost category level without specific allocation to business units.

Information about reportable segments

	Cash[1] equities R'000	Equity and currency derivatives R'000	Commodity derivatives R'000	Interest rate[2] market R'000	Market data R'000	Other[3] R'000	Total R'000
For the year ended 31 December 2014							
External revenues	**1 108 731**	**170 551**	**55 191**	**63 018**	**203 852**	**177 286**	**1 778 629**
For the year ended 31 December 2013							
External revenues	965 856	155 765	48 750	61 954	176 641	168 586	1 577 552

[1] *Comprises equities trading fees, risk management, clearing and settlement fees, membership fees, primary market fees and back-office services (BDA).*
[2] *Includes R19.3m (2013: R16.0m) of primary market fees relating to the bond market.*
[3] *Comprises funds under management and Strate ad valorem fees.*

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
7. Revenue and other income				
7.1 Revenue comprises:				
Back-office services (BDA)	**268 096**	237 556	**268 096**	237 556
Commodity derivatives fees	**55 191**	48 750	**55 191**	48 750
Currency derivatives fees	**23 473**	23 858	**23 473**	23 858
Equity derivatives fees	**147 078**	131 907	**147 078**	131 907
Equity market fees	**414 815**	374 283	**414 815**	374 283
Funds under management	**76 186**	68 379	**96 255**	82 450
Interest rate market fees	**43 742**	45 954	**46 620**	48 372
Primary market fees	**134 213**	109 685	**134 213**	109 685
Market data fees	**203 852**	176 641	**203 852**	176 641
Membership fees	**11 617**	11 108	**11 617**	11 108
Post-trade services	**299 265**	249 224	**299 265**	249 224
Total revenue before Strate ad valorem fees	**1 677 528**	1 477 345	**1 700 475**	1 493 834
Strate ad valorem fees	**101 101**	100 207	**101 101**	100 207
Total revenue	**1 778 629**	1 577 552	**1 801 576**	1 594 041

For the year ended 31 December 2014

	Notes	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
7. Revenue and other income (continued)					
7.2 Other income comprises:					
Recognised in profit or loss					
Investor protection funds		**12 045**	19 826	**–**	–
– Contributions to BESA Guarantee Fund Trust		**665**	4	**–**	–
– Dividend income		**5 001**	3 946	**–**	–
– Net realised gain on disposal of available-for-sale financial assets		**6 379**	15 876	**–**	–
Dividends received		**–**	–	**19 779**	17 523
Foreign exchange gain		**18 557**	19 691	**18 557**	19 691
Income recognised from deferred income (data centre and disaster recovery)		**–**	–	**14 470**	16 871
Investor Protection Levy		**22 324**	22 643	**22 324**	22 643
Rental income		**2 740**	2 259	**2 740**	2 259
Sundry income		**5 574**	12 168	**5 706**	11 288
Total other income		**61 240**	76 587	**83 576**	90 275
8. Profit before taxation comprises:					
8.1 Personnel expenses					
Remuneration paid to employees		**391 013**	351 467	**387 252**	351 467
Fixed-term contractors		**21 247**	22 031	**21 247**	22 031
Contribution to defined contribution plans		**13 958**	13 324	**13 818**	13 324
Directors' emoluments		**28 820**	24 763	**28 820**	24 763
– Executive directors	27.1	**22 272**	18 439	**22 272**	18 439
– Non-executive directors	27.3	**6 548**	6 324	**6 548**	6 324
Long-term incentive schemes		**22 070**	28 246	**22 070**	28 246
– Deferred cash bonus 2008 charge		**–**	2 867	**–**	2 867
– Deferred cash bonus 2009 charge		**1 015**	2 250	**1 015**	2 250
– JSE LTIS 2010		**21 055**	23 129	**21 055**	23 129
Total personnel expenses		**477 108**	439 831	**473 207**	439 831
Less: Capitalised to intangible assets		**(10 322)**	(13 153)	**(10 322)**	(13 153)
		466 786	426 678	**462 885**	426 678

8. Profit before taxation comprises: (continued)

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
8.2 Other expenses				
Amortisation of intangible assets	**40 524**	40 681	**39 582**	40 001
Auditor's remuneration	**4 611**	5 492	**3 551**	4 456
– Audit fee	**4 163**	4 587	**3 103**	3 521
– Fees for other assurance services	**22**	11	**22**	11
– Fees for other services	**426**	933	**426**	924
– Prior year over accrual	**–**	(39)	**–**	–
Consulting fees	**26 407**	17 767	**26 284**	16 973
Depreciation	**58 599**	50 080	**58 599**	50 080
– Computer hardware	**37 225**	35 522	**37 225**	35 522
– Furniture and equipment	**2 426**	2 632	**2 426**	2 632
– Leased assets	**9 309**	2 704	**9 309**	2 704
– Leasehold improvements	**9 631**	9 187	**9 631**	9 187
– Vehicles	**8**	35	**8**	35
Impairment of intangible assets	**–**	48 138	**–**	48 138
Impairment of other receivables	**–**	248	**–**	248
Impairment of trade receivables	**431**	356	**431**	356
Investor Protection Levy expense	**22 324**	22 643	**22 324**	22 643
Operating lease charges	**61 608**	56 690	**61 608**	56 690
– Building	**61 608**	50 938	**61 608**	50 938
– Equipment	**–**	5 752	**–**	5 752
Strate ad valorem fees	**110 857**	110 123	**110 857**	110 123
Other expenses	**141 842**	126 879	**118 055**	105 415
Technology costs	**202 087**	170 682	**201 044**	170 187
	669 290	649 779	**642 335**	625 310
8.3 Finance income				
Investor Protection Funds	**7 455**	7 004	**–**	–
Finance income earned on collateral deposits	**4 435**	2 045	**4 435**	2 045
Finance income earned on margin deposits	**1 426 654**	882 932	**13 840**	6 326
– Derivatives	**1 412 813**	876 606	**–**	–
– Equities	**13 841**	6 326	**13 840**	6 326
Finance income earned on all funds excluding collateral and margin deposits	**100 905**	100 323	**71 443**	78 277
	1 539 449	992 304	**89 718**	86 648
8.4 Finance costs				
Finance costs on all funds excluding collateral and margin deposits	**31 349**	24 618	**1 510**	1 551
Finance costs on collateral deposits	**407**	100	**407**	100
Finance costs on margin deposits	**1 380 833**	849 518	**13 659**	5 681
– Derivatives	**1 367 174**	843 837	**–**	–
– Equities	**13 659**	5 681	**13 659**	5 681
	1 412 589	874 236	**15 576**	7 332

For the year ended 31 December 2014

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
9. Income tax expenses				
9.1 Taxation				
– Current tax expense				
– Current year	**253 746**	199 067	**252 805**	198 155
– Overprovision in respect of prior year	**–**	(8 730)	**–**	(8 730)
– Deferred tax asset				
– Reversal of deductible temporary differences	**(17 486)**	31 195	**(17 486)**	31 195
– Deferred tax liability				
– Origination of taxable temporary differences	**(2 991)**	7 378	**(2 801)**	7 569
	233 269	228 910	**232 518**	228 189
9.2 Reconciliation of effective tax rate	**%**	%	**%**	%
Current tax rate	**28**	28	**28**	28
Adjusted for:				
– Non-taxable income	**–**	(2.06)	**(0.02)**	(2.06)
– Adjustment for prior periods	**0.16**	(1.23)	**0.01**	(1.23)
– Non-deductible expenses	**0.02**	7.35	**0.02**	7.35
– Share of profit of equity-accounted investees	**(1.00)**	(0.94)	**–**	–
	27	31	**28**	32

9.3 The Group's consolidated effective tax rate for the year ended 31 December 2014 was 27% (2013: 31%). The reason for the higher 2013 effective tax rate is the impairment of R48m, referred to in note 12.7 below, which was not deducted for tax purposes.

We are currently investigating the tax treatment of software development costs, which may impact the taxation charge in future.

9.4 The following tax rates are applicable to the various entities in the Group:

JSE Limited	28% (2013: 28%)
JSE Clear (Pty) Limited	28% (2013: 28%)
Strate (Pty) Limited	28% (2013: 28%)
Nautilus MAP Holdings (Pty) Limited	28% (2013: 28%)
Nautilus MAP Operations (Pty) Limited	28% (2013: 28%)
JSE Trustees (Pty) Limited	28% (2013: 28%)
JSE Derivatives Fidelity Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act No 58 of 1962
JSE Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act No 58 of 1962
BESA Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act No 58 of 1962
JSE Clear Derivatives Default Fund (Pty) Limited	28% (2013: 28%)

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
10. Earnings and headline earnings per share				
10.1 Basic earnings per share				
Profit for the year attributable to ordinary shareholders	**634 339**	506 628	**621 556**	483 455
Weighted average number of ordinary shares:				
Issued ordinary shares at 1 January	**86 877 600**	86 877 600	**86 877 600**	86 877 600
Effect of own shares held (JSE LTIS 2010)	**(1 435 563)**	(1 315 623)	**(1 435 563)**	(1 315 623)
Weighted average number of ordinary shares at 31 December	**85 442 037**	85 561 977	**85 442 037**	85 561 977
Basic earnings per share (cents)	**742.4**	592.1	**727.5**	565.0
10.2 Diluted earnings per share				
Profit for the year attributable to ordinary shareholders	**634 339**	506 628	**621 556**	483 455
Weighted average number of ordinary shares (diluted):				
Weighted average number of ordinary shares at 31 December (basic)	**85 442 037**	85 561 977	**85 442 037**	85 561 977
Effect of LTIS Share Scheme	**965 962**	514 487	**965 962**	514 487
Weighted average number of ordinary shares (diluted)	**86 407 999**	86 076 464	**86 407 999**	86 076 464
Diluted earnings per share (cents)	**734.1**	588.6	**719.3**	561.7
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.				
10.3 Headline earnings per share				
Reconciliation of headline earnings:				
Profit for the year attributable to ordinary shareholders	**634 339**	506 628	**621 556**	483 455
Adjustments are made to the following:				
Profit or loss on disposal of property and equipment	**37**	27	**37**	27
– Gross amount	**51**	38	**51**	38
– Taxation effect	**(14)**	(11)	**(14)**	(11)
Impairment of intangible assets	**–**	60 795	**–**	60 795
– Gross amount	**–**	48 138	**–**	48 138
– Taxation effect	**–**	12 657	**–**	12 657
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	**(6 379)**	(15 875)	**–**	–
Headline earnings	**627 997**	551 575	**621 593**	544 277
Headline earnings per share (cents)	**735.0**	644.6	**727.5**	636.1
10.4 Diluted headline earnings per share				
Diluted headline earnings per share (cents)	**726.8**	640.8	**719.4**	632.3

For the year ended 31 December 2014

	Notes	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
11. Property and equipment								
11.1 Cost								
Group and Exchange								
2014								
Balance at 1 January 2014		**212 070**	**41 206**	**114 098**	**202**	**367 576**	**40 332**	**407 908**
Additions		**18 339**	**2 448**	**6 370**	**–**	**27 157**	**–**	**27 157**
Transfer from development		**38 307**	**–**	**–**	**–**	**38 307**	**–**	**38 307**
Disposals		**(8 839)**	**(2 236)**	**–**	**–**	**(11 075)**	**(2 185)**	**(13 260)**
Balance at 31 December 2014		**259 877**	**41 418**	**120 468**	**202**	**421 965**	**38 147**	**460 112**
Group and Exchange								
2013								
Balance at 1 January 2013		195 627	40 311	114 066	202	350 206	9 672	359 878
Additions		16 524	895	32	–	17 451	30 660	48 111
Disposals		(81)	–	–	–	(81)	–	(81)
Balance at 31 December 2013		212 070	41 206	114 098	202	367 576	40 332	407 908
11.2 Accumulated depreciation								
Group and Exchange								
2014								
Balance at 1 January 2014		**144 082**	**30 604**	**58 646**	**179**	**233 511**	**12 226**	**245 737**
Depreciation charge for the year	8.2	**37 225**	**2 426**	**9 631**	**8**	**49 290**	**9 309**	**58 599**
Disposals		**(4 124)**	**(1 936)**	**–**	**–**	**(6 060)**	**–**	**(6 060)**
Balance at 31 December 2014		**177 183**	**31 094**	**68 277**	**187**	**276 741**	**21 535**	**298 276**
Group and Exchange								
2013								
Balance at 1 January 2013		108 617	27 972	49 459	144	186 192	9 522	195 714
Depreciation charge for the year	8.2	35 522	2 632	9 187	35	47 376	2 704	50 080
Disposals		(57)	–	–	–	(57)	–	(57)
Balance at 31 December 2013		144 082	30 604	58 646	179	233 511	12 226	245 737
11.3 Carrying amounts								
Group and Exchange								
2014								
At 31 December 2013		67 988	10 602	55 452	23	134 065	28 106	162 171
At 31 December 2014		**82 694**	**10 324**	**52 191**	**15**	**145 224**	**16 612**	**161 836**
Group and Exchange								
2013								
At 31 December 2012		87 010	12 339	64 607	58	164 014	150	164 164
At 31 December 2013		67 988	10 602	55 452	23	134 065	28 106	162 171

	Notes	Goodwill R'000	Customer relations R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets							
12.1 Cost							
Group							
2014							
Balance at 1 January 2014		**107 709**	**4 078**	**2 217**	**322 456**	**442 337**	**878 797**
Additions		**–**	**–**	**–**	**7 033**	**97 015**	**104 048**
Transfer to computer software		**–**	**–**	**–**	**63 746**	**(63 746)**	**–**
Transfer to computer hardware		**–**	**–**	**–**	**–**	**(38 307)**	**(38 307)**
Disposals		**–**	**–**	**–**	**(1 126)**	**(158)**	**(1 284)**
Balance at 31 December 2014		**107 709**	**4 078**	**2 217**	**392 109**	**437 141**	**943 254**
Group							
2013							
Balance at 1 January 2013		107 709	4 078	2 217	290 037	441 797	845 838
Additions		–	–	–	2 186	31 198	33 384
Transfer to computer software		–	–	–	30 658	(30 658)	–
Disposals		–	–	–	(425)	–	(425)
Balance at 31 December 2013		107 709	4 078	2 217	322 456	442 337	878 797
12.2 Accumulated amortisation and impairment losses							
Group							
2014							
Balance at 1 January 2014		**158**	**1 700**	**1 570**	**215 994**	**400 197**	**619 619**
Amortisation for the year	8.2	**–**	**680**	**183**	**39 661**	**–**	**40 524**
Balance at 31 December 2014		**158**	**2 380**	**1 753**	**255 655**	**400 197**	**660 143**
Group							
2013							
Balance at 1 January 2013		158	1 020	1 204	176 607	352 059	531 048
Amortisation for the year	8.2	–	680	366	39 635	–	40 681
Impairment loss		–	–	–	–	48 138	48 138
Disposals		–	–	–	(248)	–	(248)
Balance at 31 December 2013		158	1 700	1 570	215 994	400 197	619 619
12.3 Carrying amounts							
Group							
2014							
At 31 December 2013		107 551	2 378	647	106 462	42 140	259 178
At 31 December 2014		**107 551**	**1 698**	**464**	**136 454**	**36 944**	**283 111**
Group							
2013							
At 31 December 2012		107 551	3 058	1 013	113 430	89 738	314 790
At 31 December 2013		107 551	2 378	647	106 462	42 140	259 178

For the year ended 31 December 2014

	Notes	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets (continued)						
12.4 Cost						
Exchange						
2014						
Balance at 1 January 2014		**82 987**	**1 829**	**300 943**	**442 340**	**828 099**
Additions		**–**	**–**	**5 984**	**97 015**	**102 999**
Transfer to computer software		**–**	**–**	**66 386**	**(66 386)**	**–**
Transfer to computer equipment		**–**	**–**	**–**	**(38 307)**	**(38 307)**
Disposals		**–**	**–**	**(1 048)**	**(158)**	**(1 206)**
Balance at 31 December 2014		**82 987**	**1 829**	**372 265**	**434 504**	**891 585**
Exchange						
2013						
Balance at 1 January 2013		82 987	1 829	268 524	441 800	795 140
Additions		–	–	2 186	31 198	33 384
Transfer to computer software		–	–	30 658	(30 658)	–
Disposals		–	–	(425)	–	(425)
Balance at 31 December 2013		82 987	1 829	300 943	442 340	828 099
12.5 Accumulated amortisation and impairment losses						
Exchange						
2014						
Balance at 1 January 2014		**–**	**1 650**	**194 408**	**400 197**	**596 255**
Amortisation for the year	8.2	**–**	**179**	**39 403**	**–**	**39 582**
Disposals		**–**	**–**	**(525)**	**–**	**(525)**
Balance at 31 December 2014		**–**	**1 829**	**233 286**	**400 197**	**635 312**
Exchange						
2013						
Balance at 1 January 2013		–	1 284	155 095	352 059	508 438
Amortisation for the year	8.2	–	366	39 635	–	40 001
Impairment loss	12.8	–	–	–	48 138	48 138
Disposals		–	–	(322)	–	(322)
Balance at 31 December 2013		–	1 650	194 408	400 197	596 255
12.6 Carrying amounts						
Exchange						
2014						
At 31 December 2013		82 987	179	106 535	42 143	231 844
At 31 December 2014		**82 987**	**–**	**138 979**	**34 307**	**256 273**
Exchange						
2013						
At 31 December 2012		82 987	545	113 429	89 741	286 702
At 31 December 2013		82 987	179	106 535	42 143	231 844

12. Intangible assets (continued)

12.7 Impairment loss

Software under development

The impairment loss of R48m in the 2013 financial year relates to the carrying value of the surveillance components of SRP. The functionality of this component was re-assessed in light of the new integrated trading and clearing project. This software component is no longer compatible with the new architecture and therefore the decision to impair.

12.8 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 in 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, is still defined as such. All other functions relating to the Interest Rate Market (e.g. 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 that administers the hedge fund platform of Momentum Managed Account Platform (Pty) Limited (MOMMAP), as a going concern. 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 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 2014: 14.25% (2013: 18.7%), terminal growth rate of 5.0% (2013: 5.0%) and management's estimates of future cash flows. Five years of future cash flows have been included in the discounted cash flow model.

This rate is estimated from the rate implicit in current market transactions for similar assets or from the weighted average cost of capital of a listed entity that has a single asset (or a portfolio of assets) similar in terms of service potential and risks to the asset under review.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2014

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
13. Investments in equity-accounted investees				
13.1 Carrying amount				
Strate (Pty) Limited				
– Carrying amount at beginning of year	**142 109**	119 844	**21 416**	21 416
– Dividends received	**(19 779)**	(17 523)	**–**	–
– Share of profit	**36 955**	39 788	**–**	–
– Carrying amount at end of year	**159 284**	142 109	**21 416**	21 416
Indexco Managers (Pty) Limited				
– Carrying amount at beginning of year	**–**	60	**–**	*
– Share of profit	**–**	–	**–**	–
– Carrying amount at end of year	**–**	60	**–**	*
Total investments in equity-accounted investees	**159 284**	142 169	**21 416**	21 416

**Less than R1 000*

	Strate (Pty) Limited	
	2014 R'000	2013 R'000
13.2 Group share of post acquisition profit		
Share of opening accumulated profit	**235 584**	195 796
Share of profit after tax	**36 955**	39 788
Share of closing accumulated profit	**272 539**	235 584
13.3 Summarised financial statements at 31 December		
Non-current assets	**208 449**	115 409
Current assets	**282 488**	271 598
Total assets	**490 937**	387 007
Equity	**376 846**	338 849
Non-current liabilities	**8 652**	13 844
Current liabilities	**105 439**	34 314
Total equity and liabilities	**490 937**	387 007
Revenue	**347 411**	332 579
Other income including finance income	**12 649**	17 257
Expenses	**(244 542)**	(225 037)
Taxation	**(32 473)**	(35 387)
Profit for the year	**83 045**	89 412

	Effective holding		Number of shares held	
	2014 %	2013 %	**2014**	2013
13.4 Unlisted associated companies				
Group and Exchange				
Strate (Pty) Limited*	**45**	45	**4 346**	4 346
Indexco Managers (Pty) Limited	**–**	33	**–**	50

** Strate (Pty) Limited is the authorised Central Securities Depositary (CSD) for the electronic settlement of all financial instruments and is incorporated in South Africa.*

	Issued share capital/ trust capital	Percentage holding 2014 %	2013 %	Carrying value of shares held 2014 R'000	2013 R'000
14. Subsidiaries – Exchange					
14.1 Investments in subsidiaries					
14.1.1 JSE Clear (Pty) Limited[1]					
– Ordinary shares of 12.5 cents each	**8 300**	**100**	100	**3 201**	3 201
14.1.2 JSE Clear Derivatives Default Fund (Pty) Limited[2]					
– Ordinary shares of R1 each	**1**	**100**	100	*	–
14.1.3 JSE Trustees (Pty) Limited					
– Ordinary shares of R1 each	**7**	**100**	100	*	*
The Group elected directors to hold shares in their capacity as nominees for the Exchange. The Exchange has control over the operating and decision-making activities of JSE Trustees (Pty) Limited.					
14.1.4 Nautilus MAP Holdings (Pty) Limited					
– 1 ordinary share of R1 each	**1**	**100**	100	*	*
Nautilus MAP Holdings (Pty) Limited holds 100% of the ordinary shares in Nautilus MAP Operations (Pty) Limited.					
14.1.5 JSE LTIS 2010 Trust					
– Trust capital	**1 000**	**100**	100	**1**	1
14.1.6 BESA Limited					
– Ordinary shares of 12.5 cents each	**1 925**	**100**	100	**101 150**	101 150
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. All three entities are in the process of being deregistered.					
Total				**104 352**	104 352

14.1.7 Investor protection funds

In terms of section 9.1(e) of the Financial Markets Act, the JSE is required to have an investor protection mechanism in place to enable it to provide compensation to clients in certain circumstances. In compliance with this requirement, the JSE has guarantee funds (The JSE Guarantee Fund Trust and The BESA Guarantee Fund Trust) that cover the Equities and Interest Rate Markets respectively, and a fidelity fund (The JSE Derivatives Fidelity Fund Trust) that covers the derivatives markets. The three funds are housed in 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 R1 000.*

[1] JSE Clear (Pty) Limited operates as the JSE's appointed clearing house in terms of the Financial Markets Act, 2012. In order to achieve recognition as a qualifying central counterparty (QCCP) under the CPSS-IOSCO provisions, clearing houses are required to establish a default fund for mutualising losses in the event of a clearing member default. JSE Clear (Pty) Limited has established such a default fund, and has been recognised by the Financial Services Board (FSB) as a QCCP with effect from January 2013.

[2] JSE Clear Derivatives Default Fund (Pty) Limited is incorporated as a private for profit company wholly owned by JSE Limited with a limited purpose of holding these funds.

14. Subsidiaries – Exchange (continued)

14.2. Involvement with unconsolidated structured entities

The table below describes the structured entities that the Group does not consolidate but in which it holds an interest.

Name of structured entity	Nature and purpose	Interest held by the Group
The JSE Benevolent Fund	The purpose of the fund is to provide financial assistance and poverty relief for specific persons in distress, namely: stockbrokers and employees of authorised members of the JSE, as well as all full-time employees of the JSE prior to 8 November 1995 and their dependants. The assets of the fund are applied by the Board according to the applicable rules and their discretion.	The provision of administrative services. This is a fund and JSE does not have any investments in this fund. This is a structured fund for which the JSE provides administrative services. JSE does not earn any revenue in return for the provision of these services and the JSE does not provide financial support to this unconsolidated fund.
The JSE Empowerment Fund Trust	The purpose of the fund is to provide, "education and development" as contemplated in paragraph 3 of Part II of the Ninth Schedule of the Income Tax Act No 58 of 1962 by way of bursaries or financial assistance.	The provision of administrative services. This is a fund and JSE does not have any investments in this fund. This is a structured fund for which the JSE provides administrative services. JSE does not earn any revenue in return for the provision of these services to this unconsolidated fund.
Nautilus MAP (Pty) Limited	The purpose of the company is to allow investors to invest into alternative assets where the operational risks are mitigated.	The provision of administrative services. The JSE holds 100% of the issued share capital at a cost of R1. The JSE does not provide financial support to this unconsolidated entity. The JSE does not earn any revenue directly through this entity.

	2014 R'000	2013 R'000
14.3 Due from Group entity		
Nautilus MAP Operations (Pty) Limited	**9 640**	6 858
Total non-current asset	**9 640**	6 858
Amounts due from Group entity is unsecure, interest free and of a long term nature.		
14.4 Due from Group entities		
JSE Clear (Pty) Limited	**32 455**	2 477
JSE Clear Derivatives Default Fund (Pty) Limited	**–**	820
JSE Trustees (Pty) Limited	**6 360**	5 169
BESA Guarantee Fund Trust	**306**	273
BESA Investments (Pty) Limited	**–**	55
BondClear Limited	**–**	4
JSE Derivatives Fidelity Fund Trust	**40**	–
Total current asset	**39 161**	8 798
All entities are incorporated in the Republic of South Africa.		
Amounts due from Group entities consist mainly of management fees payable to the Exchange. These fees are invoiced monthly by the Exchange and are payable within 30 days from invoice date.		
14.5 Due to Group entities		
BESA Limited	**–**	270

BESA Limited is incorporated in the Republic of South Africa. The entity is in the process of being deregistered.

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
15. Other investments				
15.1 Investor protection funds available-for-sale financial assets				
15.1.1 JSE Derivatives Fidelity Fund Trust				
Bonds	**13 113**	7 696	**–**	–
Listed equities	**98 275**	82 800	**–**	–
Foreign unit trusts	**37 553**	32 329	**–**	–
	148 941	122 825	**–**	–
15.1.2 JSE Guarantee Fund Trust				
Bonds	**12 184**	9 035	**–**	–
Listed equities	**88 610**	80 077	**–**	–
Foreign unit trusts	**38 648**	33 272	**–**	–
Local unit trusts	**4 366**	3 576	**–**	–
	143 808	125 960	**–**	–
Total	**292 749**	248 785	**–**	–
15.2 Other				
Stock Exchange Nominees (Pty) Ltd[1]	**1**	1	**1**	1
Total other investments	**292 750**	248 786	**1**	1

[1] *Fair value is assumed to approximate cost.*

	Group		Exchange	
16. Loan to the JSE Empowerment Fund Trust	**13 924**	14 022	**13 924**	14 022

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 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	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
17. Trade and other receivables				
17.1 Trade and other receivables				
Interest receivable	**136 350**	74 012	**4 696**	2 066
Other receivables	**21 272**	8 575	**13 786**	7 931
Prepaid expenses	**22 356**	23 564	**19 685**	20 503
Trade receivables	**156 568**	110 541	**154 870**	108 269
	336 546	216 692	**193 037**	138 769

17. Trade and other receivables (continued)

The age analysis of trade receivables is as follows:

	Group		Exchange	
	Gross R'000	Allowance for impairment losses R'000	Gross R'000	Allowance for impairment losses R'000
At 31 December 2014:				
Fully performing: 0-30 days	**142 629**	**–**	**141 202**	**–**
Past due: 31-90 days	**12 489**	**–**	**12 438**	**–**
Past due: More than 90 days	**2 250**	**800**	**2 030**	**800**
Total	**157 368**	**800**	**155 670**	**800**
At 31 December 2013:				
Fully performing: 0-30 days	104 419	–	102 147	–
Past due: 31-90 days	1 759	–	1 759	–
Past due: More than 90 days	4 952	589	4 952	589
Total	111 130	589	108 858	589

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

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
At 1 January	**589**	946	**589**	946
Increase in allowance for impairment	**452**	356	**452**	356
Receivables written off during the year as uncollectable	**(241)**	(714)	**(241)**	(714)
At 31 December	**800**	589	**800**	589

All trade receivables are both individually and collectively assessed for impairment, taking into consideration the client's payment record and the industry in which the entity operates. An impairment is raised in respect of trade receivables where there are 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 clients that have a good payment record with the Group and there has been no objective evidence to the contrary.

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000

18. 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 F1/A1 and F1+/A1+ rated banks. A corresponding liability has been raised (which is due to market participants) against these margin and collateral deposits, as the JSE only manages these assets to facilitate clearing of the equity and derivative markets.

18.1 Margin deposits

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Derivatives funds held by JSE Clear (Pty) Limited	**25 368 828**	18 260 017	**–**	–
Equities	**307 606**	75 447	**307 606**	75 447
	25 676 434	18 335 464	**307 606**	75 447

18.2 Collateral deposits

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Collateral deposits	**96 262**	42 181	**96 262**	42 181

The JSE acts as an agent in equity securities lending transactions necessary to facilitate electronic settlement of equity trades in the Strate environment. At year-end, interest-bearing collateral deposits of R96.3m (2013: R42.2m) have been lodged as security against securities lending transactions with a market value of R84.1m (2013: R38.2m).

18.3 JSE Clear Derivatives Default Fund (Pty) Limited

JSE Clear Derivatives Default Fund (Pty) Limited has established a default fund for neutralising losses in the event of clearing member default.

The initial collateral deposits required from clearing members are managed and invested in terms of the JSE Rules. The Exchange contribution of the fund is R100m (2013: R100m).

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Call deposits	**500 000**	516 870	**100 000**	100 000
JSE Clear Derivatives Default Fund (Pty) Limited members' contributions	**400 000**	410 000	**–**	–

19. Cash and cash equivalents

Cash and cash equivalents comprises:

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Bank balances	**1 078 464**	886 188	**940 233**	858 585
Call deposits	**552 774**	492 764	**534 210**	371 038
	1 631 238	1 378 952	**1 474 443**	1 229 623

20. Share capital and reserves

20.1 Authorised share capital

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
400 000 000 ordinary shares with a par value of 10 cents per share	**40 000**	40 000	**40 000**	40 000

20.2 Issued share capital

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Balance at 1 January	**8 533**	8 571	**8 533**	8 571
Ordinary shares issued	**51**	–	**51**	–
Acquisition of treasury shares	**(43)**	(46)	**(43)**	(46)
Sale of treasury shares	**–**	8	**–**	8
Balance at 31 December	**8 541**	8 533	**8 541**	8 533

For the year ended 31 December 2014

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
20. Share capital and reserves (continued)				
20.3 Share capital and reserves				
Share capital	**8 541**	8 533	**8 541**	8 533
Share premium	**63 348**	84 671	**63 348**	84 671
Non-distributable reserves made up as follows:	**405 551**	386 335	**–**	–
Strate (Pty) Limited[1]	**–**	10 058	**–**	–
Investor protection funds	**405 551**	376 277	**–**	–
Fair value reserve[2]	**135 933**	115 168	**–**	–
– JSE Derivatives Fidelity Fund Trust	**63 718**	52 227	**–**	–
– JSE Guarantee Fund Trust	**72 215**	62 941	**–**	–
Capital and accumulated funds[3]	**269 618**	261 109	**–**	–
– BESA Guarantee Fund Trust	**105 262**	103 023	**–**	–
– JSE Derivatives Fidelity Fund Trust	**89 094**	84 428	**–**	–
– JSE Guarantee Fund Trust	**75 262**	73 658	**–**	–
JSE LTIS 2010 reserve[4]	**43 937**	44 740	**43 937**	44 740
Retained earnings	**1 952 617**	1 664 187	**1 860 563**	1 586 464
Total	**2 473 994**	2 188 466	**1 976 389**	1 724 408

[1] *Arose as a result of change in ownership in Strate (Pty) Limited in 2004.*

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

[3] *These funds were established for the purpose of investor protection in the event of a member defaulting in the Equity, Equity Derivatives and Bond Markets.*

[4] *This reserve relates to the portion of the LTIS 2010 Long-Term Incentive Scheme that has been expensed to date.*

	Exchange 2014 R'000	Exchange 2013 R'000
20.4 Dividends declared and paid		
Ordinary dividend of 350 cents (2013: 250 cents) per share	**304 071**	217 193
Special dividend of 50 cents (2013: nil) per share	**43 439**	–
Ordinary dividend of 350 cents (2013: 250 cents) on unallocated treasury shares	**(53)**	(102)
	347 457	217 091

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
21. Borrowings				
Loan from FirstRand Alternative Investment Management (Pty) Limited	**13 977**	19 055	**–**	–

The purchase consideration for the acquisition of Nautilus MAP was funded via a loan from FirstRand Alternative Investment Management (Pty) Limited. 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.

	Notes	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000

22. Employee benefits

22.1 Group and Exchange

	Notes	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
Non-current liabilities		**5 761**	–	**5 761**	–
Cash-settled liability	22.5	**5 761**	–	**5 761**	–
Current liabilities		**116 179**	62 534	**116 179**	62 534
Contractual bonus (deferred portion only)	22.2	**27 230**	25 769	**27 230**	25 769
Leave pay accrual		**19 323**	18 378	**19 323**	18 378
Cash-settled liability (Cash LTIS 2008 and 2009)	22.5	**6 226**	18 387	**6 226**	18 387
Discretionary bonus		**63 400**	–	**63 400**	–

22.2 Contractual bonus (includes deferral)

The contractual bonus scheme is an annual incentive for qualifying employees. Specialists and staff from junior management level upwards (excluding the CEO) are eligible to participate in this scheme. Awards are assessed on individual performance, with a maximum award at executive management level equal to 3.74 months' guaranteed pay. Contractual bonuses are awarded in December each year, with 50% of these awards 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 CEO does not qualify for awards under the scheme, but is eligible for an annual bonus up to a maximum of her annual guaranteed cost-to-company package (with 50% being deferred for six months, and the deferred portion attracting interest at 5% per annum).

For the year under review, contractual bonuses awarded under this scheme amounted to R49.5m (2013: R49.8m) of which R7.5m (2013: R7.1m) was awarded to executive management (all amounts inclusive of interest). In total 50% of these awards are deferred for six months.

The CEO's contractual bonus totalled R3.7m (2013: R3.5m) this being an amount equal to 100% of her annual guaranteed package, with half of this award deferred for six months (this amount being inclusive of interest).

22.3 Discretionary bonus retained

The discretionary bonus scheme is an annual incentive for qualifying employees. All permanent staff members are eligible to participate in this scheme. Awards are assessed on individual performance and the achievement of specific corporate deliverables as set out in the annual corporate scorecard approved by the Board. Historically, the maximum award at executive director level has been nine months' guaranteed pay. Special bonuses related to 2014 performance was paid in February 2015. Previously, these were paid in December of the year under review.

The total discretionary bonus pool for 2014 amounted to R63.4m (2013: R47.9m), of which R18.6m (2013: R17.7m) was paid to executive management (including the CEO).

22.4 Retirement benefits

The JSE provides a retirement benefits for employees through the JSE Pension Scheme, which is a defined contribution retirement scheme.

22.5 Cash-settled liability (Cash LTIS 2008 and 2009)

For the 2008 and 2009 financial years, the Board implemented a cash-only long-term retention scheme (Cash LTIS 2008 and 2009) as an alternative to a traditional long-term incentive. This retention scheme, which is now closed, was applicable to selected senior employees of the JSE.

Cash LTIS 2008 vested in three annual tranches – 50% at 31 December 2011, 25% at 31 December 2012 and 25% at 31 December 2013. Cash LTIS 2009 also vests in three 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. No performance hurdles or claw-back provisions are 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 average cost of capital. The net present value and interest movement in both schemes resulted in a charge to profit and loss of R1.0m (2013: R5.1m).

	Cash LTIS 2009 R'000
Total cash value of grant approved by Board	34 200
Portion of grant awarded to Executive Committee members	20 631

22. Employee benefits (continued)

22.6 Long-Term Incentive Scheme 2010 (LTIS 2010)

The Long-Term Incentive Scheme was approved by shareholders at the annual general meeting in April 2010. This new scheme (LTIS 2010) took the place of the JSE's legacy long-term 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 personal component and a corporate performance component, with the objectives, qualifying criteria and potential rewards applicable to each component being clearly distinguished. In particular, the corporate 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 that 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 are forfeited if either the employment requirement or performance conditions are not achieved.

Allocation #1 under LTIS 2010

The first award ("Allocation 1") under LTIS 2010 was granted in May 2010, with the following vesting profile:

Tranche 1: 50% of the total award, which vested on 1 May 2013,

Tranche 2: 50% of the total award, which vested on 1 May 2014 (during the period under review)

The vesting of Tranche 1 was completed in 2013.

Tranche 2 – fully vested

All available Tranche 2 retention shares (130 150 shares) vested for those participants still in the employ of the JSE on 1 May 2014.

In respect of Tranche 2 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 93% (2013: 54%) of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 May 2014. The remainder of the Tranche 2 corporate performance shares (being 4 219 shares) was forfeited by participants.

As at 31 December 2014, details of Tranche 2 were as follows:

	Retention shares	Corporate performance shares	Total shares
Original number of Tranche 2 shares awarded in May 2010	163 700	77 750	241 450
Forfeited by leavers to date	(30 750)	(10 850)	(41 600)
Forfeited by good leavers,(per LTIS rules), to date	(1 167)	(2 182)	(3 349)
Accelerated for good leavers to date	(1 633)	(4 368)	(6 001)
Tranche 2 shares forfeited for missing corporate performance targets	–	(4 219)	(4 219)
Tranche 2 shares vested on 1 May 2014	(130 150)	(56 131)	(186 281)
Tranche 2 shares outstanding	–	–	–

Allocation #2 under LTIS 2010

The second award ("Allocation 2") under LTIS 2010 was granted in May 2011 with the following vesting profile:

	Personal performance shares	Corporate performance shares
Share price at grant date (rands per ordinary share)	67.44	67.44
Total number of shares granted	317 500	109 400
Dividend yield (%)	3.00	3.00
Vesting profile:		
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

The vesting of Tranche 1 was completed during the year under review.

22. Employee benefits (continued)

22.6 Long-Term Incentive Scheme 2010 (LTIS 2010) (continued)

All available Tranche 1 retention shares (134 550 shares) vested for those participants still in the employ of the JSE on 1 May 2014.

In respect of Tranche 1 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 70% of these Tranche 1 shares should vest for those participants still in the employ of the JSE on 1 May 2014. The remainder of the Tranche 1 corporate performance shares (being 11 835 shares) was forfeited by participants.

	Retention shares	Corporate performance shares	Total shares
Tranche 1 – fully vested			
Original number of Tranche 1 shares awarded in May 2011	158 750	54 700	213 450
Forfeited by leavers to date	(24 200)	(15 250)	(39 450)
Tranche 1 shares forfeited for missing corporate performance targets	–	(11 835)	(11 835)
Tranche 1 shares vested on 1 May 2014	(134 550)	(27 615)	(162 165)
Tranche 1 shares outstanding	–	–	–
Tranche 2			
Original number of Tranche 2 shares awarded in May 2011	158 750	54 700	213 450
Forfeited by leavers to date	(27 700)	(12 200)	(39 900)
Accelerated for good leavers to date	(14 000)	(12 400)	(26 400)
Tranche 2 shares available for vesting in May 2015	117 050	30 100	147 150

Allocation #3 under LTIS 2010

The third award ("Allocation 3") under LTIS 2010 was granted in June 2012 with the following vesting profile:

	Personal performance shares	Corporate performance shares
Share price at grant date (rands per ordinary share)	78.68	78.68
Total number of shares granted	263 600	103 000
Dividend yield (%)	3.00	3.00
Vesting profile:		
50% of the shares awarded vest on 30 June 2015	131 800	51 500
50% of the shares awarded vest on 30 June 2016	131 800	51 500

Allocation #4 under LTIS 2010

The fourth award ("Allocation 4") under LTIS 2010 was granted in May 2013 with the following vesting profile:

	Personal performance shares	Corporate performance shares
Share price at grant date (rands per ordinary share)	76.92	76.92
Total number of shares granted	328 500	128 600
Dividend yield (%)	3.00	3.00
Vesting profile:		
50% of the shares awarded vest on 1 June 2016	164 250	64 300
50% of the shares awarded vest on 1 June 2017	164 250	64 300

22. Employee benefits (continued)

22.6 Long-Term Incentive Scheme 2010 (LTIS 2010) (continued)

Allocation #5 under LTIS 2010

At the annual general meeting held on 8 May 2014, shareholders approved two special resolutions authorising the acquisition of shares for the purposes of awards under the LTIS 2010 scheme as well as the provision of financial assistance to the JSE LTIS 2010 Trust for a period of two years, for the purpose of acquiring such JSE ordinary shares in the open market for allocation to selected employees in accordance with the rules of LTIS 2010. In accordance with the terms of these resolutions, the Board approved a fresh annual allocation of shares ("Allocation 5") to selected employees for the 2014 year, and these individual allocations were all accepted by scheme participants by 23 May 2014. Allocation 5 comprised a total of 422 870 JSE ordinary shares and these shares were acquired in the open market by 29 May 2014, at a volume-weighted average price (including all execution costs) of R102.27 per ordinary share. These shares are held in trust and are restricted until all vesting conditions are fulfilled whereupon the shares vest. Refer to the shareholder spread for further disclosure of all unvested shares, on page 116.

Notwithstanding the fair value grant date of 23 May 2014, a charge to profit and loss in respect of Allocation 5 has been brought to account as from 1 June 2014, based on the materiality principle.

Included in the total number of shares granted of 422 870, a total of 271 010 corporate performance shares has been granted to members of the JSE's Executive Committee. No personal performance shares were allocated under Allocation 5.

	Corporate performance shares
Share price at grant date (rands per share)	102.27
Total number of shares granted	422 870
Dividend yield (%)	3.00
Grant date	23 May 2014
Vesting profile:	
50% of the shares awarded vest on 1 June 2017	211 435
50% of the shares awarded vest on 1 June 2018	211 435

Fair value charge to profit and loss.

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2010 is as follows:

	2014	2013
Allocation #1 (granted in May 2010)	**R0.7m**	R4.2m
Allocation #2 (granted in May 2011)	**R1.1m**	R6.2m
Allocation #3 (granted in June 2012)	**R5.0m**	R8.1m
Allocation #4 (granted in May 2013)	**R8.0m**	R4.6m
Allocation #5 (granted in May 2014)	**R6.2m**	-
	R21.0m	R23.1m

22.7 Compensation on termination of contract

The CEO is the only member of staff with a specific service contract, which is for a three-year term and continues on an indefinite basis thereafter. The contract is subject to a four-month notice period and a one-year restraint (following termination of employment). The agreed restraint precludes the 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 her employment.

23. Deferred tax assets and liabilities

23.1 Deferred tax assets and liabilities are attributable to the following:

	Assets 2014 R'000	Assets 2013 R'000	Liabilities 2014 R'000	Liabilities 2013 R'000	Net 2014 R'000	Net 2013 R'000
Group						
Property and equipment	–	377	–	–	–	377
Intangible assets	–	–	(584)	(826)	(584)	(826)
Operating lease liability	20 820	16 194	–	–	20 820	16 194
Operating lease asset	–	–	–	(334)	–	(334)
Employee benefits	34 144	17 509	–	–	34 144	17 509
Allowance for impairment losses	168	124	–	–	168	124
Prepayments	–	–	(3 814)	(3 139)	(3 814)	(3 139)
Finance lease asset	–	–	(4 651)	(7 869)	(4 651)	(7 869)
Finance lease liability	3 008	6 357		–	3 008	6 357
Loan to the JSE Empowerment Fund Trust	–	–	(28)	(156)	(28)	(156)
Income received in advance	838	1 187		–	838	1 187
Total	58 978	41 748	(9 077)	(12 324)	49 901	29 424

23.2 Movement in temporary differences during the year:

	Balance 1 January 2013 R'000	Recognised in profit or loss R'000	Balance 31 December 2013 R'000	Recognised in profit or loss R'000	Balance 31 December 2014 R'000
Group					
Property and equipment	139	238	377	(377)	–
Intangible assets	34 214	(35 040)	(826)	242	(584)
Operating lease asset	15 103	1 091	16 194	4 626	20 820
Operating lease liability	(180)	(154)	(334)	334	–
Employee benefits	20 441	(2 932)	17 509	16 635	34 144
Allowance for impairment losses	247	(123)	124	44	168
Prepayments	(3 133)	(6)	(3 139)	(675)	(3 814)
Finance lease asset	(42)	(7 827)	(7 869)	3 218	(4 651)
Finance lease liability	45	6 312	6 357	(3 349)	3 008
Loan to the JSE Empowerment Fund Trust	193	(350)	(156)	128	(28)
Income received in advance	969	218	1 187	(349)	838
Total	67 996	(38 573)	29 424	20 477	49 901

There are no current and deferred tax implications relating to items charged/credited directly to other comprehensive income or 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 2014 R'000	Assets 2013 R'000	Liabilities 2014 R'000	Liabilities 2013 R'000	Net 2014 R'000	Net 2013 R'000
Exchange						
Property and equipment	**–**	377	**–**	–	**–**	377
Intangible assets	**–**	–	**–**	(51)	**–**	(51)
Operating lease liability	**20 820**	16 194	**–**	–	**20 820**	16 194
Operating lease asset	**–**	–	**–**	(334)	**–**	(334)
Employee benefits	**34 144**	17 509	**–**	–	**34 144**	17 509
Allowance for impairment losses	**168**	124	**–**	–	**168**	124
Prepayments	**–**	–	**(3 814)**	(3 139)	**(3 814)**	(3 139)
Finance lease asset	**–**	–	**(4 651)**	(7 869)	**(4 651)**	(7 869)
Finance lease liability	**3 008**	6 357		–	**3 008**	6 357
Loan to the JSE Empowerment Fund Trust	**–**	–	**(28)**	(156)	**(28)**	(156)
Income received in advance	**838**	1 187		–	**838**	1 187
Total	**58 978**	41 748	**(8 493)**	(11 549)	**50 485**	30 199

23.4 Movement in temporary differences during the year

	Balance 1 January 2013 R'000	Recognised in profit or loss R'000	Balance 31 December 2013 R'000	Recognised in profit or loss R'000	Balance 31 December 2014 R'000
Exchange					
Property and equipment	139	238	377	**(377)**	**–**
Intangible assets	35 179	(35 230)	(51)	**51**	**–**
Operating lease asset	15 103	1 091	16 194	**4 626**	**20 820**
Operating lease liability	(180)	(154)	(334)	**334**	**–**
Employee benefits	20 441	(2 932)	17 509	**16 635**	**34 144**
Allowance for impairment losses	247	(123)	124	**44**	**168**
Prepayments	(3 133)	(6)	(3 139)	**(675)**	**(3 814)**
Finance lease asset	(42)	(7 827)	(7 869)	**3 218**	**(4 651)**
Finance lease liability	45	6 312	6 357	**(3 349)**	**3 008**
Loan to the JSE Empowerment Fund Trust	193	(350)	(156)	**128**	**(28)**
Income received in advance	969	218	1 187	**(349)**	**838**
Total	68 961	(38 763)	30 199	**20 286**	**50 485**

	Group 2014 R'000	Group 2013 R'000	Exchange 2014 R'000	Exchange 2013 R'000
24. Trade and other payables				
Trade payables	**140 222**	112 084	**137 582**	109 468
Current portion of finance lease	**10 743**	11 352	**10 743**	11 352
Interest payable	**140 672**	86 865	**3 912**	543
Receipts in advance	**3 563**	4 240	**3 561**	4 240
	295 200	214 541	**155 798**	125 603
25. Due to Safex members				
Non-current liability	**1 347**	1 286	**1 347**	1 286
Relates to unclaimed funds				
26. Notes to the cash flow statement				
26.1 Cash generated by operations				
Profit for the year before tax	**867 608**	735 538	**854 074**	711 644
Adjustments for:				
– depreciation of property and equipment	**58 599**	50 080	**58 599**	50 080
– amortisation of intangible assets	**40 524**	40 681	**39 582**	40 001
– impairment losses on software development costs	**–**	48 138	**–**	48 138
– JSE LTIS 2010	**21 055**	23 129	**21 055**	23 129
– share of profit of equity-accounted investees	**(36 955)**	(39 788)	**–**	–
– interest expense	**1 412 721**	874 236	**15 576**	7 332
– interest income	**(1 539 449)**	(992 304)	**(89 718)**	(86 648)
– dividend income	**(5 001)**	(3 946)	**(19 779)**	(17 523)
– non-cash items in respect of employee benefits	**(100 030)**	(24 119)	**(100 030)**	(24 119)
– loss on scrapping of assets	**6 852**	–	**6 852**	–
– profit on sale of property and equipment	**51**	38	**51**	38
– change in fair value of loan to JSE Empowerment Fund	**98**	(19)	**98**	(19)
– gain on disposal of investment securities	**(6 379)**	(15 875)	**–**	–
Surplus from operations	**719 694**	695 789	**786 360**	752 053
Changes in:				
– (increase)/decrease in trade and other receivables	**(7 191)**	45 876	**(34 548)**	38 996
– increase/(decrease) in trade and other payables	**187 216**	16 306	**172 448**	(940)
Cash generated by operations	**899 719**	757 971	**924 260**	790 109
26.2 Taxation paid				
Taxation receivable at beginning of year	**(17 108)**	(16 574)	**(16 365)**	(15 817)
Deferred tax effects	**20 477**	(38 573)	**20 286**	(38 763)
Per statement of comprehensive income	**233 269**	228 910	**232 518**	228 189
Taxation payable at end of year	**(31 772)**	17 108	**(32 377)**	16 365
	204 866	190 871	**204 062**	189 974

27. Directors' and executives' remuneration[4]

27.1 Executive directors – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000
2014			
NF Newton-King	Chief executive officer	**3 280**	**216**
A Takoordeen	Chief financial officer	**1 870**	**86**
L Fourie[5]	Director of Post-Trade and Information Services	**1 982**	**130**
		7 132	**432**
2013			
NF Newton-King	Chief executive officer	3 096	204
A Takoordeen	Chief financial officer	1 591	82
		4 687	286

27.2 Other key executives – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000
2014			
GA Brookes	Director of Governance, Risk and Compliance	**1 668**	**–**
JH Burke	Director of Issuer Regulation	**1 997**	**140**
S Cleary	Director of Strategy and Public Policy	**1 480**	**96**
Z Jacobs	Director of Marketing and Corporate Affairs	**1 846**	**89**
N Mashigo[6]	Director of Human Resources	**1 199**	**63**
D Oosthuyse[7]	Director of Capital Markets	**894**	**54**
LV Parsons	Director of Trading and Market Services	**1 797**	**500**
R van Wamelen	Chief information officer	**1 977**	**89**
		12 858	**1 031**
2013			
JH Burke	Director of Issuer Regulation	1 883	133
GC Clarke[8]	Director of Corporate Services and Group Company Secretary	1 445	125
S Cleary	Director of Strategy and Public Policy	1 347	87
SA Davies	Director of Market Regulation	1 669	90
A Forssman	Director of Market Data	1 408	73
L Fourie	Director of Post-Trade and Information Services	1 857	119
Z Jacobs	Director of Issuer and Investor Relations	1 751	84
LV Parsons	Director of Equity Market	1 726	478
G Smale	Director of Bonds and Financial Derivatives	1 857	77
C Sturgess	Director of Commodity Derivatives	1 298	102
R van Wamelen	Chief information officer	1 806	83
		18 047	1 451

Footnotes 1-8 below are applicable to notes 27.1-27.3

[1] Represents short-term employee benefits.

[2] Contractual bonuses are subject to personal performance and are calculated according to a fixed percentage of basic salary (which percentage varies on a sliding scale based on grade). Altogether 50% of all contractual bonuses are subject to six-month deferral linked to continued employment. The full contractual bonus award is reflected here, together with interest on the deferred portion at 5%, in accordance with the contractual bonus policy.

[3] Discretionary bonuses are subject to both personal performance and the achievement of specific corporate deliverables (per the annual corporate scorecard approved by the Board at the beginning of each financial year). These awards are not subject to deferral, unless otherwise so determined by the Board in any particular year.

Medical aid[1], UIF and other R'000	Total guaranteed pay R'000	Contractual bonus[1, 2] (includes deferral) R'000	Discretionary bonus[1, 3] R'000	Total annual incentives R'000	Total current year remuneration R'000	Total long-term and other benefits R'000	Total number of shares granted in the LTIS 2010 scheme
110	**3 606**	**3 695**	**3 911**	**7 606**	**11 212**	**2 283**	**133 741**
95	**2 051**	**655**	**1 483**	**2 138**	**4 189**	**–**	**33 820**
50	**2 162**	**690**	**1 736**	**2 426**	**4 588**	**–**	**50 320**
255	**7 819**	**5 040**	**7 130**	**12 170**	**19 989**	**2 283**	**217 881**
101	3 401	3 484	3 000	6 484	9 885	4 931	105 787
43	1 716	597	1 310	1 907	3 623	–	15 700
144	5 117	4 081	4 310	8 391	13 508	4 931	121 487
42	**1 710**	**547**	**927**	**1 474**	**3 184**	**533**	**16 870**
135	**2 271**	**743**	**1 681**	**2 424**	**4 695**	**2 225**	**60 161**
25	**1 602**	**512**	**1 012**	**1 524**	**3 126**	**530**	**36 240**
42	**1 977**	**631**	**1 607**	**2 238**	**4 215**	**–**	**33 220**
40	**1 302**	**415**	**1 000**	**1 415**	**2 717**	**–**	**11 550**
28	**976**	**1 851**	**1 736**	**3 587**	**4 563**	**–**	**–**
157	**2 454**	**797**	**1 808**	**2 605**	**5 059**	**2 283**	**64 351**
96	**2 162**	**690**	**1 736**	**2 426**	**4 588**	**1 576**	**54 021**
565	**14 453**	**6 186**	**11 507**	**17 693**	**32 147**	**7 147**	**276 413**
123	2 139	707	1 552	2 259	4 398	1 586	60 879
96	1 666	532	1 020	1 552	3 218	878	42 589
23	1 457	465	893	1 358	2 815	390	28 900
113	1 872	597	983	1 580	3 452	902	45 289
46	1 527	488	1 203	1 691	3 218	829	38 981
2	1 978	631	1 385	2 016	3 994	–	31 200
39	1 874	598	1 312	1 910	3 784	–	15 800
144	2 348	764	1 571	2 335	4 683	1 550	64 087
44	1 978	631	1 038	1 669	3 647	762	52 421
58	1 458	465	893	1 358	2 816	453	29 100
90	1 979	631	1 558	2 189	4 168	1 174	51 313
778	20 276	6 509	13 408	19 917	40 193	8 524	460 559

[4] All executive directors and other key executives are full-time employees of JSE Limited.
[5] Appointed to the Board on 14 August 2014.
[6] Appointed to Executive Management Team on 1 January 2014.
[7] Appointed on 5 August 2014.
[8] Resigned on 31 July 2014.

27. Directors' and executives' remuneration (continued)

27.3 Non-executive director emoluments

		Total R'000	Board member fees R'000	Committee member fees R'000
2014				
HJ Borkum[1]	Board Chairman, Chairman of Nominations Committee	**581**	**581**	**–**
AD Botha	Chairman of Human Resources, Social and Ethics Committee	**744**	**362**	**382**
MR Johnston[2]		**243**	**122**	**121**
M Jordaan[3]		**278**	**278**	**–**
DM Lawrence		**489**	**278**	**211**
MA Matooane		**384**	**278**	**106**
AM Mazwai	Chairman of SRO Committee	**737**	**278**	**459**
NP Mnxasana		**398**	**278**	**120**
NS Nematswerani	Chairman of Audit Committee	**768**	**278**	**490**
NMC Nyembezi-Heita[4]	Board Chairman, Chairman of Nominations Committee	**1 213**	**1 157**	**56**
NG Payne	Chairman of Risk Committee	**713**	**278**	**435**
		6 548	**4 168**	**2 380**
2013				
HJ Borkum	Board Chairman, Chairman of Nominations Committee	1 600	1 600	–
AD Botha	Chairman of Human Resources, Social and Ethics Committee	713	353	360
NP Mnxasana		382	272	110
MR Johnston		531	272	259
DM Lawrence		472	272	200
MA Matooane		360	272	88
AM Mazwai	Chairman of SRO Committee	451	272	179
NS Nematswerani	Chairman of Audit Committee	721	272	449
NMC Nyembezi-Heita		422	272	150
NG Payne	Chairman of Risk Committee	672	272	400
		6 324	4 129	2 195

[1] *Retired on 8 May 2014.*
[2] *Retired on 10 June 2014.*
[3] *Appointed on 1 January 2014.*
[4] *Appointed as independent non-executive Chairman of the Board on 9 May 2014.*

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000

28. Deferred income

Investor Protection Levy	**16 002**	20 303	**16 002**	20 303
Distribution from the JSE Guarantee Fund Trust	**–**	–	**46 357**	60 827
	16 002	20 303	**62 359**	81 130

Investor Protection Levy

This amount represents unexpended levies received from investors in terms of the Investor Protection Levy. 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: R50m) and data centre (2011: R51m). This is a transaction between related parties as disclosed in note 29 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.

29. Related parties

29.1 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 R1.3bn (2013: R1.1bn) for the year. These transactions are conducted on an arm's length basis.

The associated companies and subsidiaries of the Group are identified in notes 13 and 14 respectively.

The directors and key executives are listed in note 27.

29.2 Material related-party transactions and balances

Strate ad valorem fees	– see notes 7.1 and 8.2
Amounts due to and from related parties	– see notes 14.3 and 14.4
Directors' emoluments	– see note 27
Other key executives' remuneration	– see note 27
Income recognised from deferred income (data centre and disaster recovery)	– see note 7.2

During the prior financial years, surplus assets amounting to R101m were distributed by the JSE Guarantee Fund Trust to the JSE for the establishment of the JSE's data centre and 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 are 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 28.

Management fees from related entities	R96.3m (2013: R82.5m)

The JSE provides secretarial services to all the Group entities (excluding Strate (Pty) Limited) for no consideration.

For the year ended 31 December 2014

30. Contingent liabilities and commitments

30.1 Contingent liabilities

30.1.1 The JSE has a contingent liability in respect of a guarantee of R0,7m (2013: R0,7m) issued to the Financial Services Board.

30.1.2 A summons was served on the JSE during December 2011 in terms of which Pinnacle Point Holdings (Pty) Ltd (PPG) and four other plaintiffs have instituted action against the JSE for payment of R1 387 451 336.30. These losses were allegedly suffered as a result of the transaction concluded between the Acc-Ross group of companies and PPG. The JSE has lodged an exception against the plaintiff's particulars of claim to dismiss the action against the JSE, which exception will be heard in due course.

30.2. Commitments

30.2.1 On 3 June 2013, the JSE entered into an extension to the operating lease on the building from which it conducts business. The lease has been extended on revised terms and conditions and will now terminate on 30 August 2025. On termination of the lease, the JSE has the right to extend the lease for an initial five-year period and thereafter for five-year periods ad infinitum. The operating lease payments escalate at 8.25% per annum.

	Group		Exchange	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Total future minimum lease payments under a non-cancellable operating lease:				
Not later than one year	**40 557**	37 466	**40 557**	37 466
Between one and five years	**198 564**	183 431	**198 564**	183 431
Later than five years	**413 572**	469 261	**413 572**	469 261
	652 693	690 158	**652 693**	690 158

Note: The disclosure on the face of the statement of financial position represents the accrual from the straight-lining of the rental income.

30.2.2 Certain contracts relating to information technology operations have been classified as finance leases.

	Group		Exchange	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Total future minimum payments:				
Not later than one year	**11 195**	11 195	**11 195**	11 195
Between one and five years	**–**	11 195	**–**	11 195
	11 195	22 390	**11 195**	22 390
Total present value minimum payments:				
Not later than one year	**10 597**	10 318	**10 597**	10 318
Between one and five years	**–**	9 509	**–**	9 509
	10 597	19 827	**10 597**	19 827

30. Contingent liabilities and commitments (continued)

30.2 Commitments (continued)

30.2.3 The JSE has entered into an operating lease contract for the disaster recovery site.

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Total future minimum payments:				
Not later than one year	**–**	427	**–**	427
Between one and five years	**–**	–	**–**	–
	–	427	**–**	427

30.2.4 The JSE sub-leases areas of the building in which it operates (refer note 7.2). The minimum lease payments expected from sub-leases are set out below:

	Group		Exchange	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Total future minimum lease receipts				
Not later than one year	**2 480**	2 185	**2 480**	2 185
Between one and five years	**6 999**	8 542	**6 999**	8 542
	9 479	10 727	**9 479**	10 727

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 and
- Capital 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, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

31. Financial risk management (continued)

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 the Group risk management function and 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.

31.1 Operational risk

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.

The Board accepts overall responsibility for operational risk, with the responsibility for 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 obligations;
- 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; and
- Risk mitigation, including insurance where this is effective.

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.

The Group's exposure to foreign currency risk based on notional amounts was as follows:

	Group			Exchange		
	USD	GBP	EUR	USD	GBP	EUR
2014	R'000	R'000	R'000	R'000	R'000	R'000
Financial assets	**210 607**	**–**	**–**	**210 607**	**–**	**–**
Trade receivables	**11 616**	**–**	**–**	**11 616**	**–**	**–**
Cash and cash equivalents	**198 991**	**–**	**–**	**198 991**	**–**	**–**
Financial liabilities	**(6 468)**	**–**	**(433)**	**(6 468)**	**–**	**(433)**
Trade payables	**(6 468)**	**–**	**(433)**	**(6 468)**	**–**	**(433)**
Net exposure	**204 139**	**–**	**(433)**	**204 139**	**–**	**(433)**
2013						
Financial assets	168 036	11	–	168 036	11	–
Trade receivables	8 786	–	–	8 786	–	–
Cash and cash equivalents	159 250	11	–	159 250	11	–
Financial liabilities	(1 465)	(274)	–	(1 465)	(274)	–
Trade payables	(1 465)	(274)	–	(1 465)	(274)	–
Net exposure	166 571	(263)	–	166 571	(263)	–

As at 31 December 2014:

Bank buying rates	**Bank selling rates**
USD – 11.3526 (2013: 10.2627)	USD – 11.7878 (2013: 10.6848)
GBP – 17.6444 (2013: 16.9627)	GBP – 18.4213 (2013: 17.7395)
EUR – 13.7209 (2013: 14.1159)	EUR – 14.2943 (2013: 14.7319)

Sensitivity analysis

A 10% (2013: 10%) strengthening of the rand against the USD and a 5% (2013: 5%) strengthening of the rand against the GBP and EUR respectively, at 31 December, would have increased profit by R20.3m (2013: R16.6m) and equity by Rnil (2013: Rnil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2013.

For the year ended 31 December 2014

31. Financial risk management (continued)

31.2. Market risk (continued)

31.2.1 Currency risk (continued)

	Group		Exchange	
	Profit or loss	Equity	Profit or loss	Equity
2014	R'000	R'000	R'000	R'000
USD	**20 414**	**–**	**20 414**	**–**
GBP	**–**	**–**	**–**	**–**
EUR	**(22)**	**–**	**(22)**	**–**
Net impact	**20 392**	**–**	**20 392**	**–**
2013				
USD	16 657	–	16 657	–
GBP	(13)	–	(13)	–
EUR	–	–	–	–
Net impact	16 644	–	16 644	–

A 10% (2013: 10%) weakening of the rand against the USD and a 5% (2013: 5%) weakening of the rand against the GBP and EUR respectively, at 31 December, would have had an equal but opposite effect on the amounts shown above, on the basis that all other variables remained constant.

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 is managed by a reputable asset manager according to approved guidelines. There is no interest rate risk on the margin and collateral as there is an equal liability to offset the asset.

The following table analyses the interest rate risk profile for assets and liabilities at year-end:

	Group		Exchange	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2014	R'000	R'000	R'000	R'000
Assets	**16 206 297**	**11 722 934**	**840 000**	**1 138 311**
Investments	**25 297**	**–**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**341 000**	**159 000**	**–**	**100 000**
Margin and collateral deposits	**15 000 000**	**10 772 696**	**–**	**403 868**
Cash and cash equivalents	**840 000**	**791 238**	**840 000**	**634 443**
Liabilities	**(15 272 800)**	**(10 913 873)**	**–**	**(403 868)**
Borrowings	**–**	**(13 977)**	**–**	**–**
Safcom Default Fund contribution	**(272 800)**	**(127 200)**	**–**	**–**
Margin and collateral deposits	**(15 000 000)**	**(10 772 696)**	**–**	**(403 868)**
Net exposure	**933 497**	**809 061**	**840 000**	**734 443**

31. Financial risk management (continued)

31.2. Market risk (continued)

31.2.2. Cash flow and fair value interest rate risk (continued)

2013	Group Fixed rate R'000	Group Floating rate R'000	Exchange Fixed rate R'000	Exchange Floating rate R'000
Assets	12 471 731	7 818 467	455 000	992 251
Investments	16 731	–	–	–
Safcom Default Fund collateral deposit	–	516 870	–	100 000
Margin and collateral deposits	12 000 000	6 377 645	–	117 628
Cash and cash equivalents	455 000	923 952	455 000	774 623
Liabilities	(12 000 000)	(6 806 700)	–	(117 628)
Borrowings	–	(19 055)	–	–
JSE Clear Derivatives Default Fund contributions	–	(410 000)	–	–
Margin and collateral deposits	(12 000 000)	(6 377 645)	–	(117 628)
Net exposure	471 731	1 011 767	455 000	874 623

Floating rate assets yield interest at call rates.

Sensitivity analysis

A change of 100 (2013: 100) basis points on the fixed rate bonds and 100 (2013: 100) 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 2013.

2014	Group Profit or loss R'000	Group Equity R'000	Exchange Profit or loss R'000	Exchange Equity R'000
Fixed-rate bond: +100 bps	**–**	**(1 337)**	**–**	**–**
Fixed-rate bond: -100 bps	**–**	**1 116**	**–**	**–**
Floating-rate instruments: +100 bps	**7 912**	**–**	**6 344**	**–**
Floating-rate instruments: -100 bps	**(7 912)**	**–**	**(6 344)**	**–**
2013				
Fixed-rate bond: +100 bps	–	(594)	–	–
Fixed-rate bond: -100 bps	–	636	–	–
Floating-rate instruments: +100 bps	9 431	–	7 746	–
Floating-rate instruments: -100 bps	(9 431)	–	(7 746)	–

31. Financial risk management *(continued)*

31.2 Market risk (continued)

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 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.

Sensitivity analysis – other market price risk

The available-for-sale financial assets considered in the sensitivity analysis below exclude the listed bonds, as management believes that the majority of the sensitivity of these instruments lies in their exposure to interest rates, which is included in the interest rate sensitivity analysis in note 31.2.2.

The equity investments are listed on JSE Limited, with the majority of the investments included in the JSE All Share Index.

A 4% (2013: 4%) increase in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased equity by R7.5m (2013: R6.5m) and profit by Rnil (2013: Rnil); an equal change in the opposite direction would have decreased equity by R7.5m (2013: R6.5m) and profit by Rnil (2013: Rnil). This analysis is performed on the same basis as 2013.

The unit trusts are predominantly benchmarked against the MSCI World Index. A 5% (2013: 5%) increase in the MSCI World Index at the reporting date, with all other variables held constant, would have increased equity by R3.8m (2013: R3.3m); an equal change in the opposite direction would have decreased equity by R3.8m (2013: R3.3m). The analysis is performed on the same basis as 2013.

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.

31. Financial risk management (continued)

31.3 Liquidity risk (continued)

2014	Group Up to 3 months R'000	Group 3 to 12 months R'000	Group 1 to 5 years R'000	Exchange Up to 3 months R'000	Exchange 3 to 12 months R'000	Exchange 1 to 5 years R'000
Financial assets	**28 510 873**	**–**	**13 925**	**2 190 824**	**–**	**23 565**
Other investments	**292 749**	**–**	**1**	**–**	**–**	**1**
Loan to the JSE Empowerment Fund Trust	**–**	**–**	**13 924**	**–**	**–**	**13 924**
Trade and other receivables (excluding payments in advance)	**177 840**	**–**	**–**	**168 656**	**–**	**–**
Interest receivable	**136 350**	**–**	**–**	**4 696**	**–**	**–**
Due from Group entities	**–**	**–**	**–**	**39 161**	**–**	**9 640**
Margin and collateral deposits	**25 772 696**	**–**	**–**	**403 868**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**500 000**	**–**	**–**	**100 000**	**–**	**–**
Cash and cash equivalents	**1 631 238**	**–**	**–**	**1 474 443**	**–**	**–**
Financial liabilities	**(26 467 896)**	**–**	**(15 324)**	**(559 666)**	**–**	**(1 347)**
Finance leases	**–**	**–**	**–**	**–**	**–**	**–**
Borrowings	**–**	**–**	**(13 977)**	**–**	**–**	**–**
Due to Safex members	**–**	**–**	**(1 347)**	**–**	**–**	**(1 347)**
Trade payables	**(154 528)**	**–**	**–**	**(151 886)**	**–**	**–**
Interest payable	**(140 672)**	**–**	**–**	**(3 912)**	**–**	**–**
Due to Group entities	**–**	**–**	**–**	**–**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**(400 000)**	**–**	**–**	**–**	**–**	**–**
Margin and collateral deposits	**(25 772 696)**	**–**	**–**	**(403 868)**	**–**	**–**
Net exposure	**2 042 977**	**–**	**(1 399)**	**1 631 158**	**–**	**22 218**
2013						
Financial assets	20 715 380	–	14 023	1 581 172	–	14 023
Other investments	248 785	–	1	–	–	1
Loan to the JSE Empowerment Fund Trust	–	–	14 022	–	–	14 022
Trade and other receivables (excluding payments in advance)	119 116	–	–	116 200	–	–
Interest receivable	74 012	–	–	2 066	–	–
Due from Group entities	–	–	–	15 656	–	–
Margin and collateral deposits	18 377 645	–	–	117 628	–	–
JSE Clear Derivatives Default Fund collateral deposit	516 870	–	–	100 000	–	–
Cash and cash equivalents	1 378 952	–	–	1 229 623	–	–
Financial liabilities	(19 003 472)	–	(30 407)	(240 277)	–	–
Finance leases	–	–	(11 352)	–	–	(11 352)
Borrowings	–	–	(19 055)	–	–	–
Due to Safex members	(1 286)	–	–	(1 286)	–	–
Trade payables	(127 676)	–	–	(120 820)	–	–
Interest payable	(86 865)	–	–	(543)	–	–
Due to Group entities	–	–	–	–	–	–
Safcom Default Fund contribution	(410 000)	–	–	–	–	–
Margin and collateral deposits	(18 377 645)	–	–	(117 628)	–	–
Net exposure	1 711 908	–	(16 384)	1 340 895	–	14 023

31. Financial risk management (continued)

31.4 Credit risk

Credit risk is the risk of financial loss to the Group if a client 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), 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 by 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 daily 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 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 client. A significant number of the Group's clients 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 a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

During 2013, JSE Clear established a separate legal entity to house a formal default fund to clarify and limit clearing members' and the JSE's obligations in the case of a clearing member default. This is a pre-funded resource whereby, in the case of clearing member default, the defaulting clearing members' contributions are used first, thereafter the JSE's contribution, and last, the contributions of the non-defaulting clearing members are used to fund losses.

31.5 Capital risk

The JSE Board monitors the level of capital, which the Group defines as total share capital and reserves (refer to note 20). 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 of 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; and
- 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 that the price of the equities moves against the JSE. (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: The need to maintain a world-class technology environment requires that a high level of cash be 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 maximising interest received.

There were no changes to the Group's approach to capital management during the year.

The Board has noted the increased global attention on the capitalisation of key financial market infrastructures, such as exchanges and clearing houses. The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements.

32. Fair value estimation

Financial instruments measured in the statement of financial position at fair value require disclosure. The following is the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in 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.

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2014					
Assets					
Other investments					
– Equity securities (available-for-sale)	15.1/2	**186 885**	**80 567**	**–**	**267 452**
– Debt investments (available-for-sale)	15.1/2	**25 297**	**–**	**–**	**25 297**
Total assets		**212 182**	**80 567**	**–**	**292 749**
2013					
Assets					
Other investments					
– Equity securities (available-for-sale)	15.1/2	162 877	69 177	–	232 054
– Debt investments (available-for-sale)	15.1/2	16 731	–	–	16 731
Total assets		179 608	69 177	–	248 785

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group pricing market transactions on an arm's length basis and transactions occur regularly. 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.

33. Funds under management

33.1 JSE Trustees (Pty) Limited

	Year ended 31 December 2014 R'000	Year ended 31 December 2013 R'000
Assets under administration		
Interest receivable	**138 887**	95 898
Fixed deposits	**21 302 000**	16 207 000
Current and call accounts	**13 687 098**	13 557 177
Total assets under administration	**35 127 985**	29 860 075

In terms of rule 2.100.7 of the JSE rules, the JSE Trustees act 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 an agent are the 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 by 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 (2013: 40) days.

33.2 Total assets under management on the Nautilus Managed Account Platform

Nautilus MAP (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 advisor and one another. Nautilus MAP (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 2014, the combined assets under management on the Nautilus MAP platform amounted to R4.2bn (2013: R4.4bn).

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 that are not traded or regulated on an exchange, for example banks and insurance companies.

SHAREHOLDER INFORMATION

Shareholder diary

Events or reports in relation to the 2014 financial year	
Summarised interim report for the six months ended 30 June 2014	14 August 2014
Summarised annual financial statements with the declaration of a dividend	5 March 2015
Annual results presentation	Week of 9 March 2015
Publication of 2014 integrated annual report	Not later than 31 March 2015
Annual general meeting	21 May 2015
Dividends payable	15 June 2015
Summarised interim report for the six months ended 30 June 2015	14 August 2015

Ordinary and special dividend

A gross dividend of 480 cents per share was declared and approved by the board on 5 March 2015. Refer to page 59-60 of the *directors' report*.

Share information

The JSE Limited has a primary listing on the Johannesburg Stock Exchange. There are no secondary listings.

Share code: JSE ISIN: ZAE000079711

Sector: Financial Services Subsector: Investment Services

	Shares in issue	Closing price (R)	Market Capitalisation (R)
31 December 2014:	86 877 600	121.00	10 512 189 600
30 June 2014:	86 877 600	95.90	8 331 561 840
31 December 2013:	86 877 600	89.73	7 795 527 048

Shareholder spread as at 31 December 2014

Shareholder spread	#	Direct holdings	Indirect LTIS*	Indirect other**	Total	% of total issued shares
Total: Public shareholders	**4 274**				**85 187 468**	**98.05**
Total: Non-public shareholders	**101**	**171 143**	**1 448 263**	**70 726**	**1 690 132**	**1.95**
Directors	7	87 199	342 393	32 960	462 552	0.53
Prescribed officers	6	15 847	151 901	0	167 748	0.19
Other employees	88	68 097	953 969	37 766	1 059 832	1.22
OVERALL TOTALS	**4 375**				**86 877 600**	**100.00**

* *The JSE LTIS 2010 Trust is the registered shareholder that holds unvested shares on behalf of directors, prescribed officers and key senior employees.*

** *The following registered shareholders also indirectly hold shares on behalf of non-public shareholders:*
2005 BROAD-BASED EMPLOYEE SHARE (various employees);
SBSA ITF IMALIVEST FLEX FND (AD Botha).

Major shareholders

Pursuant to Section 56(7) of the South African Companies Act, 2008, the following beneficial shareholdings equal to or exceeding 5% as at 31 December 2014 were disclosed or established from enquiries:

	Number of shares held	**% of total issued ordinary shares**
Government Employees Pension Fund (GEPF)	11 187 806	12.88

No individual shareholder's beneficial shareholding in the any JSE employee scheme is equal to or exceeds 5%.

Furthermore, the directors have ascertained that some of the shares registered in the names of nominee holders are managed by various fund managers and that, at 31 December 2014, the following fund managers were responsible for managing investments of 2.5% or more of the share capital of JSE Limited.

Fund manager	**Number of shares held**	**% of total issued ordinary shares**
Northern Trust Global Services	13 540 564	15.59
Public Investment Commissioner*	9 420 944	10.84
State Street Bank and Trust	8 228 575	9.47
JP Morgan	6 998 031	8.06
Vanguard Emerging Markets Stock	3 882 344	4.47
Aberdeen	3 148 823	3.62
Citibank Global Services	2 918 795	3.36

** Shares managed on behalf of the Government Employees Pension Fund.*

CORPORATE INFORMATION AND DIRECTORATE

Administration

JSE Limited (Incorporated in the Republic of South Africa)

Registration number: 2005/022939/06

Share code: JSE

ISIN: ZAE000079711

Registered office	One Exchange Square 2 Gwen Lane Sandown Sandton 2196	**Transfer secretary**	Computershare Investor Services (Pty) Limited Ground Floor 70 Marshall Street Johannesburg 2001
Postal address	Private Bag X991174 Sandton 2146	**Telephone**	+27 (0) 11 370 5000
Telephone	+27 (0) 11 520 7000	**Auditors**	KPMG Inc, 85 Empire Road, Parktown, 2193
Web	www.jse.co.za	**Sponsor**	Rand Merchant Bank, 1 Merchant Place, Corner Fredman and Rivonia Road, Sandton, 2196
IR email	ir@jse.co.za	**Bankers**	First National Bank of SA Limited, Corporate Account Services, 4 First Place, Bank City, Simmonds Street, Johannesburg, 2001

Directors

NMC Nyembezi-Heita (Chairman – succeeded HJ Borkum on 9 May 2014)

NF Newton-King (CEO)

A Takoordeen (CFO)

L Fourie (Executive director – appointed in August 2014)

AD Botha (Lead independent director; Chair: HRSE)

NS Nematswerani (Chair: Audit)

NG Payne (Chair: Risk)

AM Mazwai (Chair: SRO; Chair: Investment of Funds)

DM Lawrence

MA Matooane

NP Mnxasana

M Jordaan – appointed 1 January 2014

Alternate directors LV Parsons and JH Burke

Group Company Secretary: GA Brookes – appointed 14 August 2014

All investor queries received directed to ir@jse.co.za will be attended to and, where applicable, redirected to the Chairman or CEO or another mandated officer for an appropriate response.

JSE

WWW.JSE.CO.ZA

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Telephone	+27 (0) 11 520 7000	**Auditors**	KPMG Inc, 85
Web	www.jse.co.za	**Sponsor**	Rand Mercha Fredman and
IR email	ir@jse.co.za	**Bankers**	First National Corporate Ac Bank City, Sin

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