



# FOCUSED...

Annual Report 2005



JSE Annual Report 2005



## CONTENTS

1	Strategic Cornerstones
2	Noteworthy Events 2005
5	Chairman and CEO Review
11	Corporate Governance
26	Sustainability Report
40	Board of Directors
42	Business Review
52	Executive Committee
54	Summary of Market Information
64	Five Year Financial Summary
67	Annual Financial Statements
125	Agricultural Products Trading Members
130	Equities Trading Members
133	Equity Derivatives Trading Members
139	Yield-X Trading Members
141	Agricultural Products Clearing Members
142	Equity Derivatives Clearing Members
143	Yield-X Clearing Members
144	Notice of Annual General Meeting

This annual report is available in XBRL and as a pdf download from our website [www.jaseco.ae](http://www.jaseco.ae). Copies of other corporate documentation can be obtained by contacting us, or can be downloaded from our website.

### About the artist

The artwork set out in the report was commissioned by the JSE in line with its CSR Initiative and was done by Hibaamal Thahane.

Micramal was born in Sebokeng. He initially taught himself to draw and paint and in 2002 studied fine art at Sedibeng College for two years. In 2004 he received a bursary to study printmaking at the Artia Print Studio. He is currently completing his final year of study at the Artia Print Studio.

"The artwork that I have done for the JSE explores various company values using an etching technique which emphasises the quality of line and tone. I have used my computer to create my artwork and then used wax and resin to emphasise the story in the work."

Micramal Thahane

"The Artist Proof Studio is a community printmaking studio operating in the heart of Newtown's cultural precinct. AP3 is a not-for-profit organisation that has been providing art education, training and skills development to disadvantaged young people living within the surrounding townships of Johannesburg."

# JSE BUSINESS MODEL

## STRATEGIC CORNERSTONES



## NOTEWORTHY EVENTS 2005

### February

Mr H J Borkum re-appointed as Chairman of the JSE for a second three-year term

Enactment of the Securities Services Act, No. 36 of 2004

Consol Limited listed on Main Board

### March

Mr P Barnard resigns as a director of the JSE

Largest open interest futures close out in the history of the equity derivatives market

Largest number of trades in any one day on the equities market

Alliance Data Corporation Limited listed on Alt<sup>X</sup>

### April

Annual General Meeting of Rightsholders of the JSE agreeing overwhelmingly to demutualise the JSE after 117 years as a mutual

Chairman's roadshow

Sterling Waterford Carbon Credit Note listed on Main Board

### May

Appointment of Mr D Lawrence as alternate director to Mr S Koseff

Participated in the "Take a Girl Child to Work" initiative

Review of SRI Index

Makalani Holdings Limited listed on Main Board

### June

Enaleni Pharmaceuticals Limited listed on Alt<sup>X</sup>

ISA Holdings Limited listed on Alt<sup>X</sup>

New Corpcapital Limited listed on Main Board

### July

Demutualisation of the JSE Securities Exchange and name changed to JSE Limited

JSE rights converted to JSE shares

Mr R Barrow appointed as the Executive Officer of the Financial Services Board

Wescoal Holdings Limited listed on Alt<sup>X</sup>

Verimark Holdings Limited listed on Main Board

### August

Mr N Smith resigns as director of the JSE due to relocation to London to take up the position of Head of Equity Structuring for Central and Eastern Europe, Africa and the Middle East at Deutsche Bank

Appointment of Mr N S Nematwerani and Mr N Payne as independent non-executive directors

Renewal of Mr R M Loubser's contract as Chief Executive Officer for a further three-year term

Introduction of new JSE Rules to comply with the Securities Services Act, No. 36 of 2004

Siyathenga Property Fund listed on Main Board

Chrometco Limited listed on Alt<sup>X</sup>

Amalgamated Electronic Corporation Limited listed on Main Board

### September

Wellco Health Limited listed on Main Board

### October

Listing of ITRIX FTSE 100 and ITRIX DJ Euro STOXX 50 on Main Board

JSE School Challenge Awards

Diversified Property Fund listed on Main Board

### November

Fifth anniversary of 100% equities settlement rate following the launch of electronic settlement via STRATE

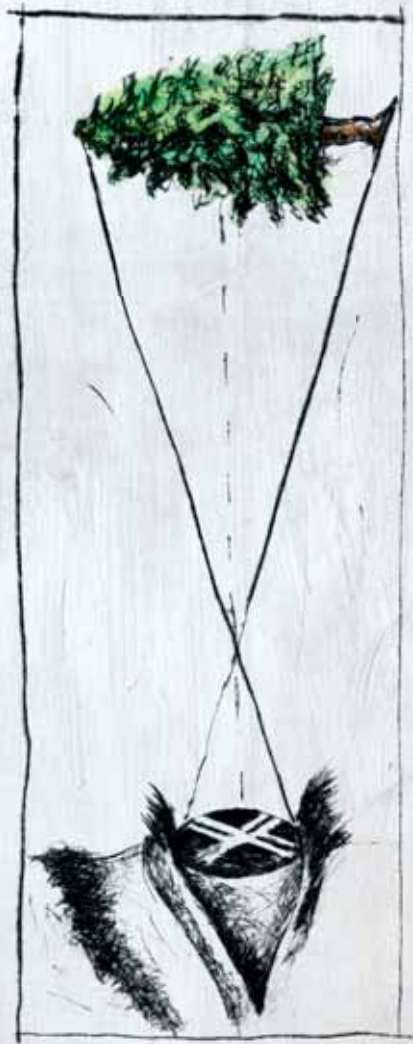
### December

Consultation with JSE shareholders regarding the proposed Broad-based Black Economic Empowerment Transaction, the possible listing of the JSE, the JSE's proposed dividend policy and capital structure and the introduction of a staff retention scheme

Appointment of Ms M Dlamini as Senior General Manager: Education

## ... FOCUSED ON CLEAR STRATEGIC OBJECTIVES

The immediate strategic focus of the JSE is reflected in the strategic cornerstones of investment-friendly, supplier of choice, flexible, well-positioned in Africa, becoming well known and recognised, well connected and proactive protection of core competencies.



"The eyes are the window to the soul, and at the soul of the JSE is a focus to set specific goals and objectives. The growing tree will only produce new fruit if objectives are planned, planted and nurtured."

*Motsamai Thabane*

## CHAIRMAN AND CEO STATEMENT

**"The South African economy continued its strong performance, and the FTSE/JSE All Share Index ended the year on a record high. These excellent investment returns translated into increased interest in the market from local and international investors, and trading volumes also reached record levels."**

2005 was a remarkably successful year for the JSE.

The South African economy continued its strong performance, and the FTSE/JSE All Share Index ended the year on a record high. These excellent investment returns translated into increased interest in the market from local and international investors, and trading volumes also reached record levels. Meanwhile the JSE continued its transformation process, both in terms of corporate structure and in its operations, to ensure that it is optimally positioned to provide a world-class exchange for its many clients.

The building blocks for this success have been put in place by government, and we must applaud its efforts in creating an environment in which the economy can thrive. A continuing commitment to prudent macro-economic policies builds confidence in South Africa as an investment destination, and boosts the image of the country as a whole. The JSE plays its role in providing an efficient, well regulated



Chairman: Humphrey Borkum

exchange that makes the investment process as simple, low cost and transparent as possible, but the underlying investment decision is dependent upon perceptions of the future performance of South Africa as a whole.

Globalisation equates to global competition in the allocation of resources and investment, and significant investments by Barclays and Vodafone amount to a great vote of confidence in South Africa.

Large deals such as these may grab the headlines, but there has also been significant portfolio investment, with foreign investors ending the year net buyers of SA equities to the tune of R50,2 billion. This reflects investor confidence in our government's management of the economy, while across the border in Zimbabwe we see all too clearly the parlous results of economic mismanagement.

Until a solution is found to the problems of Zimbabwe, investment in the sub-Saharan region as a whole will not reach its full potential, as the fear of contagion



## CHAIRMAN AND CEO STATEMENT continued

from a failed state will add to investors' perception of risk. However, South Africa, through the JSE, is in an excellent position to stimulate investment and drive the economies of the region forward, and a continuing adherence to prudent macro-economic policies will build confidence in the region over time.

Despite record trading volumes and the ongoing process of migrating the technological backbone of the exchange onto new systems, major glitches during the year were limited, and trade was able to take place largely without interruption. It is one of the paradoxes of running an exchange that the more efficiently you are doing your job, the less people notice you, and it is a great tribute to the people of the JSE that the continuity of the market was maintained despite great changes behind the scenes.

Technological improvement is an ongoing process, and the JSE remains committed to ensuring that it sources the best available technologies to enable trade to be as efficient and as low cost as possible. Innovation is another key focus area, and the JSE continues to develop new markets to ensure that investors have a full range of products available to service their needs.

2005 saw the launch of Yield-X, an entirely new market that provides a one-stop shop for a wide range of interest rate products. When the JSE purchased SAFEX in 2001, the long-term goal was to expand the existing derivatives markets, offering more instruments in accordance with investors' requirements. The first part of this process to come to fruition was the very successful development of

the Single Stock Futures market. Yield-X offers a broad range of exchange traded interest rate derivatives. Interest rate derivatives make up the bulk of the trade in the major derivatives markets of the world, and we have every expectation that it will become a vibrant and liquid market.

From an equities market perspective, 2005 saw more listings and fewer delistings than it had for the last six years. The JSE is proving an attractive market for foreign companies seeking a listing, and the year saw companies of the calibre of Oando Plc from Nigeria and Tawana Resources Limited from Australia opting to list. With the continued positive sentiment for South Africa as an investment destination, we are hopeful that 2006 will bring with it more foreign listings. AltX, our market for small and medium-sized companies is also growing and now has 18 companies listed, and is proving to be a popular environment for smaller companies on their way to a main board listing.

We are mindful of the enormous effort listed companies put into complying with extensive corporate governance requirements and triple bottom line reporting, where great progress has been made.

Perhaps the most far-reaching development of 2005 for the JSE was the decision to demutualise and adopt a corporate structure. This has proved to be a hugely successful value unlocking process for our shareholders, with the value of shares traded going from R30 to R140 in the year. While the JSE has been operating in most respects like a *de facto* corporate since its restructuring in 2000, the demutualisation

**"Demutualisation has also put the JSE in a position to seek a listing, an exciting new phase in the life of the exchange."**

has placed the JSE in a position to expand and broaden its business as opportunities arise. For example, it is now able to raise capital by rights issues or could issue shares for acquisitions or other such strategic initiatives that may make sense in the future.

Demutualisation has also put the JSE in a position to seek a listing, an exciting new phase in the life of the exchange. Following extensive consultation with stakeholders, the Board has resolved to proceed with an application for the listing of the JSE shares on the Main Board on Monday, 5 June 2006. A circular setting out all the relevant details will be issued to shareholders shortly.

Included in the circular are proposals in respect of a broad based black economic empowerment initiative ("BBBEE") as well as a long-term incentive and retention scheme for key staff ("Employee Scheme").



CEO: Russell M Loubser

The JSE remains a champion of empowerment, both in supporting and developing its own staff, and in encouraging deals to take place at an equity level among its listed companies. We believe that the greatest benefit can be achieved when an empowerment deal is truly broad based, rather than largely benefitting a small number of individuals.

The BBBEE initiative has two elements:

- the creation of the JSE Empowerment Fund ("JEF"). JEF is structured to provide financial assistance for education initiatives targeted specifically at bringing black people into the financial sector by enabling them to gain appropriate professional qualifications and a better understanding of investment in financial markets; and
- the establishment of the Black Shareholder Retention Scheme to incentivise black shareholders to retain their JSE shares until June 2011 and beyond.

## CHAIRMAN AND CEO STATEMENT continued

The Employee Scheme is a cash bonus scheme for senior staff which entitles participants to certain cash bonuses based on their respective participation interests in terms of the Employee Scheme. The respective bonuses are calculated with reference to the growth in the JSE share price over the period during which the respective participant interests are held.

Shareholders will be required to vote on the BBEE initiative at a meeting to be held on 9 May 2006 and further information in this regard will be set out in the soon to be distributed circular.

The JSE has enjoyed a remarkably successful two years since the difficult decision was taken in 2003 to streamline the business. Booming equities markets and a stable policy environment have played a part in this success, but a great deal of credit must be given to the JSE's people. This has been a period of structural change, of technological upheaval, and it has seen the launch of a wide range of new products. The way our team has responded to the many challenges has been magnificent.

The Board of the JSE has, as ever, offered sound advice and strategic direction, and many thanks are due to the Board members for continuing to do an excellent job in a time of rapid change and transformation.

I am sure shareholders will join me in congratulating Russell Loubser and his executive team for a tremendous effort which has seen substantial unlocking of value for shareholders during 2005. They have continued to perform with dedication and inspiration in a year that has seen much change, and which has laid the foundation for the JSE to enter another phase of its life with confidence and optimism for the road ahead.



Humphrey Borkum  
Chairman



Humphrey Borkum  
Chairman



Russell M Loubser  
CEO

... FOCUSED ON  
BRINGING FOREIGN COMPANIES TO THE JSE

An immediate strategic focus of the JSE is to ensure that the JSE is the investment destination of choice in Africa.



"The fruitfulness of the tree symbolises the richness and diversity of foreign companies that we would like to bring to the JSE. As with trees, all are unique and bring with them their own fruit."

*Motsamai Thabane*

## CORPORATE GOVERNANCE

**"The principles of conducting business with integrity and according to sound governance practice are engrained at the JSE, and the JSE continues to review its governance structures in accordance with local and international developments."**

The Board of the JSE reiterates its commitment to the values of good corporate governance as expressed in the first and second King Reports on Corporate Governance (the King Code).

The principles of conducting business with integrity and according to sound governance practice are engrained at the JSE, and the JSE continues to review its governance structures in accordance with local and international developments.

The Board is satisfied that the JSE has made every practical effort to conform with the King Code in all material aspects.

The JSE's corporate governance obligations have not been affected by its demutualisation on 1 July 2005. Prior to this date it complied with all applicable governance and listings requirements as if it was a listed company and it will continue to operate in this manner.

It is acknowledged that by virtue of its regulatory role, the JSE to some extent sets the benchmark against which companies listed on the JSE measure their corporate governance.

### **Chairman and board of directors**

The JSE has a unitary Board consisting of a majority of non-executive directors presided over by a chairman elected from the non-executive directors. The Board consists of 15 directors, who, in addition to the Chairman, consists of a Chief Executive Officer (CEO), Deputy CEO, Chief Operating Officer, two other executive directors, a lead non-executive director and eight other non-executive directors. In the interests of transparency, a representative from the JSE's regulator, the Financial Services Board, attends Board meetings as an observer.

Non-executive directors have no fixed term of appointment. However, in terms of article 24 of the Articles of Association of the JSE, at least one third of all directors (with the exclusion of the CEO) are required to retire by rotation each year. Retiring directors may be re-elected. In addition, executive directors are subject to the same terms and conditions of employment as other JSE employees, with the exception of their notice period, which is three months. The CEO's notice period is four months.

## CORPORATE GOVERNANCE continued

The composition of the Board allows for appropriate and efficient decision making and ensures that no one individual has undue influence over the said process.

The responsibilities of the Board are set out in more detail in the Board Charter which was approved by the Board on 25 November 2003 and can be found at [www.jse.co.za](http://www.jse.co.za). The ongoing relevance and applicability of the Charter is assessed on an ongoing basis and changes made where appropriate.

The Board considers all its non-executive directors to be independent. A number of the non-executive directors have indirect remote interests in the JSE, and might therefore fall outside of the definition of "independent" as set out in the King Code and JSE listing requirements. These directors and their interests are: Humphrey Borkum, Chairman of Merrill Lynch South Africa (Pty) Limited – sponsor and member of the JSE; Stephen Koseff, Chief Executive Officer of Investec Bank Limited – listed company, sponsor and member of the JSE; Andile Mazwai, Chief Executive Officer of BJM Securities (Pty) Limited and joint CEO of BJM Holdings Limited – listed company, sponsor and member of the JSE. The Board is mindful of this and the potential conflicts of interests that might arise as a result, however remote. A process has been implemented to mitigate any such conflicts.

The directors are elected to the Board on the basis of their skills and experience appropriate to the strategic direction of the JSE and necessary to secure its sound performance. The race and gender of candidates is also considered. Procedures for the nomination

of Board members are formal and transparent. The Board has delegated this responsibility to a Nominations Committee which makes recommendations to the Board.

The powers of the Board are conferred upon it by the Securities Services Act, No. 36 of 2004, the rules of the JSE made in terms of this legislation, and the JSE's Memorandum and Articles of Association. Article 28 of the Articles of Association of the JSE vests the management and control of the JSE in the Board.

The Board's primary responsibilities, based on an agreed assessment of levels of materiality, include giving strategic direction, identifying key risk areas and key performance indicators of the business, monitoring investment decisions, and considering significant financial matters.

For the third consecutive year, an evaluation of the Board and its sub-committees was performed. The evaluation took the form of the completion by all directors of a questionnaire compiled by the Company Secretary in conjunction with the Chairman and a non-executive director. In addition, the Chairman met with each director individually to obtain additional information in this regard.

The process included:

- an evaluation of Board effectiveness;
- an assessment of the performance of individual Board members;
- an assessment of the performance of Board sub-committees and an evaluation of their terms of reference; and
- an assessment of the performance of the Chairman.



## CORPORATE GOVERNANCE continued

The assessment of the Chairman was conducted by the lead director who discussed the performance of the Chairman with each director individually.

This process will be performed annually.

The Board is assisted in complying with its ongoing responsibilities and obligations by the Company Secretary. In addition, newly appointed directors are provided with an appropriate induction by the Company

Secretary, which includes a briefing on their duties and responsibilities. All directors have unlimited access to the Company Secretary and executive management.

### Attendance at board meetings

The Board is required to meet a minimum of four times per year. Five Board meetings and one strategy session were held in 2005. Attendance, by directors, was as follows:

Director	Alternate	7/2/05	8/3/05	24/5/05	2/8/05	22/11/05	23/11/05 <sup>†</sup>	Total attendance by directors
P A Barnard <sup>7</sup>		✓	—	—	—	—	—	1
H J Borkum <sup>1, 2, 5, 6</sup>	A M Horowitz	✓	✓	✓	✓	✓	✓	6
A D Botha <sup>1, 2, 5, 6</sup>	N Payne	✓	✓	✓	✓	✓	✓	6
J H Burke <sup>8</sup>		✓	✓	✓	✓	✓	✓	6
M R Johnston <sup>2, 5</sup>		✓	✓	✓	✓	✓	✓	6
R J Khoza <sup>1, 5, 6</sup>	N S Nematswerani	✓	✓	×	✓	✓	✓	5
S Koseff <sup>1, 5</sup>	D Nurek*	×	✓	×	alt**	×	✓	2
	D Lawrence**							
R M Loubser <sup>3, 8</sup>		✓	✓	✓	✓	✓	✓	6
W Y N Luhabe <sup>5</sup>		✓	✓	✓	×	✓	✓	5
A M Mazwai <sup>3, 5</sup>		✓	✓	✓	✓	✓	✓	6
N F Newton-King <sup>8</sup>		✓	✓	✓	✓	✓	✓	6
L V Parsons <sup>3, 8</sup>		✓	✓	✓	✓	✓	✓	6
G Rothschild <sup>8</sup>		✓	✓	✓	✓	✓	✓	5
G T Serobe <sup>2, 5, 6</sup>		✓	✓	✓	✓	✓	✓	6
N Smith <sup>5, 9</sup>		✓	✓	✓	✓	—	—	5
N S Nematswerani <sup>2, 3, 4, 5</sup>		✓	✓	✓	✓	✓	✓	6
N Payne <sup>3, 4, 5</sup>		✓	✓	✓	✓	✓	✓	6

<sup>1</sup>Member of Human Resources Committee

<sup>2</sup>Member of Audit Committee

<sup>3</sup>Member of Risk Management Committee

<sup>4</sup>Appointed on 2 August 2005 as non-executive director

<sup>5</sup>Non-executive director

✓ Attended

\*Resigned as alternate director on 22 April 2005

<sup>6</sup>Member of Nominations Committee

<sup>7</sup>Resigned from the Board as non-executive director on 8 March 2005

<sup>8</sup>Executive director

<sup>9</sup>Resigned from the Board as non-executive director on 31 August 2005

<sup>†</sup>Board strategy meeting

alt Alternate attended

\*\*Appointed as alternate director on 24 May 2005

### Committees

The Board has established a number of committees to facilitate efficient decision making and to assist the Board in the execution of its duties, powers and authorities. The committees, with the exception of the Executive Committee and the Risk Management Committee, which are primarily committees of an operational nature, are comprised of non-executive directors only.

### Executive Committee

This committee is comprised of the CEO and the heads of the various JSE divisions. It is primarily responsible for the operational activities of the JSE and for the development of strategy and policy proposals for consideration by the Board. The committee is also responsible for implementing Board directives.

The committee meets weekly, and operates in terms of written terms of reference approved by the Board.

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

The Audit Committee is comprised of its chairman, who is an independent non-executive director and four independent non-executive directors. The CEO, Chief Financial Officer and representatives of the internal and external auditors attend all meetings of the committee by invitation.

The committee has formal terms of reference approved by the Board which are reviewed annually to ensure that the said terms are being complied with, and are still relevant.

The committee is required to, *inter alia*:

- recommend to the Board which firm(s) should be appointed as external auditors;
- evaluate the independence and effectiveness of the external auditors and consider any non-audit services rendered by such auditors and whether the rendering of these services substantially impairs their independence;
- review the financial statements of the Group and the JSE, both interim and annual, as well as any announcement of results;
- ensure that financial statements are prepared on the basis of appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
- review the accounting policies and procedures adopted by the Group and the JSE and any changes made or contemplated thereto;
- recommend the quantum of audit fees;
- review the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control;
- monitor and supervise the effective functioning of the internal audit ensuring that the roles and functions of the external and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the JSE's systems of internal controls and reporting; and
- review and consider the appropriateness of assumptions and achievability of budgets and forecasts.

**"A formal policy dealing with the provision of non-audit services by the external auditors was approved by the committee on 15 November 2005. The policy precludes the provision of non-audit services where the audit independence of the auditors would be compromised."**

The JSE continues to:

- prepare Group accounts;
- comply with International Financial Reporting Standards; and
- complete these responsibilities within an acceptable timeframe.

The internal and external auditors have unlimited access to the chairman of the committee. The internal auditors report to the committee and also report to the Chief Financial Officer on day-to-day matters.

A formal policy dealing with the provision of non-audit services by the external auditors was approved by the committee on 15 November 2005. The policy precludes the provision of non-audit services where the audit independence of the auditors would be compromised.

The chairman of the committee attends Annual General Meetings to respond to any questions related to the committee and the Group and JSE's financial affairs.

The committee met three times in 2005. Attendance, by members, was as follows:

	2/3/05	26/7/05	15/11/05	Total attendance by members
N S Nematswerani	✓	✓	✓	3
A B Botha	✓	✓	✓	3
H J Borkum	✓	✓	✓	3
M R Johnston	✓	✓	✓	3
G T Serobe	✓	✓	✓	3
M Shaw	×	resigned	—	1



N S Nematswerani

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

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

The committee is responsible for identifying suitable candidates for election or co-option to the Board. It also reviews the size, structure and composition of the Board and Board committees to promote, *inter alia*, the achievement of demographic equity.

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

During 2005 the recommendations made by the committee to the Board, and approved by the Board were that:

- Mr N S Nematswerani, an alternate director, be appointed as an independent non-executive director;
- Mr N Payne, an alternate director, be appointed as an independent non-executive director;

- the contract between the CEO and the JSE should be renewed on the revised terms and conditions as proposed by the committee; and
- Mr D Lawrence and Mr A M Mazwai be appointed to the Risk Management Committee.

Mr P A Barnard, a long-standing member of the broking community resigned from the JSE Board on 8 March 2005 after a term of four years and four months. His contribution to the Board will be missed.

The committee met three times in 2005. Attendance, by members, was as follows:

	2/3/05	26/7/05	15/11/05	Total attendance by members
H J Borkum	✓	✓	✓	3
G T Serobe	✓	×	✓	2
A D Botha	✓	✓	✓	3
R J Khoza	✓	×	✓	2



H J Borkum

**"The JSE's philosophy in respect of remuneration is to set appropriate remuneration levels to attract, retain and motivate the appropriate calibre of directors, executives and staff."**

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

The Human Resources Committee is comprised of its chairman, who is an independent non-executive director and three non-executive independent directors. The CEO and Senior General Manager: Human Resources attend these meetings by invitation unless deemed inappropriate by the committee. The committee operates in terms of written terms of reference approved by the Board and is required to meet a minimum of three times a year.

The committee is responsible for strategic human resources issues such as succession planning, human resources policies, including employment equity and HIV/Aids issues, and the remuneration of office bearers.

The JSE's philosophy in respect of remuneration is to set appropriate remuneration levels to attract, retain and motivate the appropriate calibre of directors, executives and staff.

In particular, the policy makes provision for each executive director to receive a package consisting of a basic salary and an ability to earn a cash bonus.

A long-term incentive and retention scheme was developed and approved by the Board in 2005. The scheme will be put to shareholders at the General Meeting to be held on 9 May 2006 for final ratification.

Remuneration of the Board is currently approved as follows:

- Humphrey Borkum, Anton Botha, Reuel Khoza and Stephen Koseff review the remuneration of the executive and the CEO;
- Anton Botha, Reuel Khoza and Stephen Koseff review the remuneration of the Chairman and the Deputy Chairman, if appointed; and
- Humphrey Borkum, in consultation with the CEO, reviews the remuneration of the non-executive directors of the Board, excluding the Chairman.

The committee has made use of the services of 21st Century Business and Pay Solutions (Pty) Limited ("21st Century") which provides independent advice on market information and remuneration trends as well as other advice required by the committee to comply with its terms of reference. During the year under review members of the committee attended formal training on remuneration provided by 21st Century.

## CORPORATE GOVERNANCE continued

During 2005, the committee, *inter alia*, considered, noted and approved, where appropriate, the following:

- the CEO's key performance areas and performance in respect thereof;
- the renewal of the CEO's contract of employment;
- the JSE's employment equity report to be submitted to the Department of Labour for 2005;
- Executive Committee members' and non-executive directors' remuneration;
- principles of JSE remuneration and the proposed introduction of an incentive and retention scheme;
- 2006 salary increases to staff; and
- succession planning.

In light of the exceptional financial results and the value unlocked for shareholders as a result of the demutualisation of the JSE in 2005, the CEO was authorised by the committee to award extraordinary bonuses to staff and the Executive Committee to a total value of R12,5 million. Bonuses to the amount of R12 million were awarded of which R4,5 million was awarded to Executive Committee members. As part of these bonuses, every JSE staff member who, at 31 December 2005, had been employed for not less than 12 months, was issued with 100 shares. Those staff members who were employed for more than six months but less than 12 months received a *pro rata* number of shares. The shares were purchased on 25 November 2005 for R88,75 per share.

A dealing policy is in place providing rules in respect of dealing in JSE shares by employees and directors. These rules prohibit such persons from dealing in JSE shares when they are in possession of price-sensitive information.

Dealing is further prohibited during closed periods as defined in the JSE Listings Requirements. These periods are from 1 July until the publication of the interim results and from 1 January until the publication of the final results.

A director may not deal in JSE shares without obtaining prior written approval from the Chairman of the Board or failing him, the CEO or Deputy CEO. In the case of the Chairman of the Board, he must receive approval from the lead director, and failing him, the CEO or Deputy CEO.

Consistent with a decision taken during 2005, certain increases to non-executive directors' and the Chairman of the Board's remuneration will be tabled for approval by shareholders at the 2006 Annual General Meeting. Prior to making this proposal, extensive research was undertaken by 21st Century and the recommendations are based on this research.

Significant progress has been made in achieving the Financial Sector Charter targets in relation to employment equity in that targets for black and female employees have been met at all levels with the exception of executive management level. In addition, to achieve the target set at senior

**"The Risk Management Committee is responsible for assisting the Board with the identification, assessment, evaluation and monitoring of actual and potential risk areas as they pertain to the JSE, and the mitigation of each risk."**

management level, one additional black employee is required to be appointed.

The chairman of the committee attends Annual General Meetings to respond to any queries related to issues considered by this committee.

During 2005 the committee met three times. Attendance, by members, was as follows:

	2/3/05	26/7/05	15/11/05	Total attend- ance by members
A D Botha	✓	✓	✓	3
H J Borkum	✓	✓	✓	3
R J Khoza	✓	×	✓	2
S Koseff	×	✓	×	1



A D Botha

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

The Risk Management Committee is comprised of its chairman, who is an independent non-executive director, the CEO, the Chief Operating Officer, the Chief Financial Officer, the Director: Surveillance, the chairman of the Audit Committee and two independent non-executive directors. The committee operates in terms of written terms of reference approved by the Board, and is required to meet at least three times a year. Representatives of the internal and external auditors also attend meetings.

The committee is responsible for assisting the Board with the identification, assessment, evaluation and monitoring of actual and potential risk areas as they pertain to the JSE, and the mitigation of each risk.

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

An action plan has been put in place to ensure that risks are reduced where appropriate. A company-wide risk matrix has been compiled. This is required to be updated on an annual basis with risks being ranked according to an appropriate methodology.

## CORPORATE GOVERNANCE continued

Each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety, under the oversight of the committee for the ongoing management of each identified risk. As a result of the complex changes to the JSE risks consequent to the process of transforming the information technology infrastructure ("Project Orion"), it was not deemed appropriate to update the risk matrix until this process showed significant progress. The revision of the risk matrix is scheduled to take place in the second quarter of 2006.

Through the internal audit process, independent assurance on all key risk areas is provided. The second full assessment has been completed during the financial year under review. The committee is comfortable that the overall level of risk management at the JSE has increased significantly. In addition, it believes that appropriate action is being taken to mitigate all risks where it is cost effective to do so.

The ongoing collaboration of the committee, the internal and external auditors, the Executive Committee and Board, has ensured a thorough understanding of the risks accepted by the JSE in pursuance of its objectives. In addition, strategies to reduce these risks have been implemented in 2005 and will continue to be enhanced.

Project Orion has been identified as crucial to the JSE. The committee has, and will continue, to vigilantly monitor the ongoing progress of this project pending its full implementation. The committee is comfortable that appropriate

governance structures and other mitigating actions are in place to adequately and timeously identify and address any risks that might arise out of the implementation of this project.

The committee considered the risk implications of the demutualisation of the JSE on 1 July 2005 and is comfortable that the appropriate structures are in place to deal with any new risks that might arise from this change of status.

A representative of our regulator, the Financial Services Board, is invited to attend all Risk Management Committee meetings as an observer.

The chairman of the committee attends Annual General Meetings to respond to any queries related to issues considered by this committee.

The committee met three times in 2005. Attendance, by members, was as follows:

	8/2/05	12/7/05	28/10/05	Total attendance by members
N Payne	✓	✓	✓	3
N S Nematswerani	✓	✓	✓	3
A M Mazwai*	—	✓	✓	2
R M Loubser	✓	✓	✓	3
L V Parsons	✓	✓	✓	3
F Evans	✓	✓	✓	3
W F Urmson	✓	✓	✓	3

*\*Appointed with effect from 12 July 2005*



N Payne



**"As part of its risk management procedures, the JSE has extensive guarantee funds and insurance cover across all areas of its business, including an 'In and Out' fidelity insurance policy with cover of R250 million covering fidelity related claims by authorised users and the JSE."**

### **Risk management review**

With the introduction of electronic settlement through STRATE in 1999, the settlement risks that the JSE is required to identify and mitigate, diminished dramatically.

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

As part of its risk management procedures, the JSE has extensive guarantee funds and insurance cover across all areas of its business, including an "In and Out" fidelity insurance policy with cover of R250 million covering fidelity related claims by authorised users and the JSE.

The policy is subject to the JSE being liable to absorb the first R5 million of any successful claim lodged in terms of the policy. This R5 million exposure is in turn self-insured by the JSE through a structure managed by Hollard Insurance Company. No successful claims have been made for the past three years.

### **Principal risk**

Principal risk is the risk of a party losing the full value of a transaction. This would result from the final

transfer of funds and the transfer of ownership of securities not taking place simultaneously.

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

### **Credit risk**

The JSE provides a market for the dealing in securities, which is information technology intensive. Dealing is performed electronically through JSE SETS (equities), the ATS (derivatives) and the interest rate products electronic trading systems. In addition, trades in equity securities conducted through JSE SETS are settled through STRATE. In parallel with the provision of this service, the JSE also obliges all equities members to maintain their general ledger and client accounting through the Broker Deal Accounting ("BDA") system.

### **Technology and systems risk**

The technology and systems risk is the inability of the JSE's, and associated systems and applications to manage and control the business processes and

information. The JSE bears this risk, but is exempt from legal liability should either or all of the systems referred to above not function efficiently or at all, resulting in the JSE being unable to provide an efficient operational market.

The Chief Operating Officer and her team together with our various service providers manage the risk associated with BDA, JSE SETS, the ATS and the interest rate market trading system. This includes having a comprehensive redundancy and disaster recovery infrastructure and enhanced focus on business continuity management. In addition a comprehensive audit is conducted by independent consultants to monitor and make recommendations in respect of the integrity of these systems. Any risks resulting from this process are being managed.

### **Settlement and liquidity risk**

Settlement risk relates to when a party to an outstanding transaction fails to perform on the prescribed settlement date and a transaction fails as a result of this.

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

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

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

Settlement performance is the cornerstone of any securities exchange and, therefore, the JSE, in certain prescribed circumstances (on-market trades between two members) guarantees settlement and is required to manage settlement, bearing the liquidity and price risk for both the cash and securities.

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

The JSE has, through its rules, taken steps to address and limit settlement, price and liquidity risk. The Settlement Authority is appointed in terms of the JSE rules and is currently the Director: Clearing and Settlement who is dedicated to facilitating and

**"The Settlement Authority has, through various avenues, secured access to settlement facilities. To date, only shares have been borrowed in this regard and the JSE is in the unique position of having had zero failed equities trades since the implementation of STRATE five years ago."**

managing settlement. The Settlement Authority has a wide range of intellectual and information technology resources at his disposal as well as far-reaching powers to manage the relevant risks and facilitate the settlement of listed equity securities. These powers include the ability to impose collateral requirements on members and to act as lender of last resort (shares and cash) to a party who is potentially not able to comply with its obligations. The Settlement Authority has, through various avenues, secured access to settlement facilities. To date, only shares have been borrowed in this regard and the JSE is in the unique position of having had zero failed equities trades since the implementation of STRATE five years ago.

## **(2) Derivatives and interest rate products**

In respect of derivatives and interest rate products traded through the Equity Derivatives Market Agricultural Products Market and Yield-X respectively, provided that a transaction is traded through the ATS system, the considerations set out below will apply. Warrants are traded in the same manner as equities, through JSE SETS and the situation set out in 1 above applies to them.

With regard to the derivatives and interest rate business, a hierarchical risk management structure exists. In terms of this structure, members guarantee client obligations and clearing members guarantee member obligations. The clearing members are financial institutions of substance. This structure, in conjunction with the margining system, is effective in managing the settlement, liquidity and price risks. The Director: Trading is responsible for risk management of equity derivatives and interest rate products, while the Senior General Manager: Agricultural Products is responsible for the risk management of agricultural derivatives.

## **Systemic risk**

Systemic risk is the risk where a disruption to the JSE, STRATE, a Central Securities Depository Participant, a custody services provider, clearing member or the settlement system as a whole, causes a knock-on effect throughout the financial markets, toppling one financial institution after another, resulting in a loss of confidence in the system. This could result from a lack of solvency on the part of a stakeholder resulting in an inability to settle a multitude of transactions.

## CORPORATE GOVERNANCE continued

Alternatively, an operational issue may contribute towards large-scale non-fulfilment of transactions.

The JSE is exposed to systemic risk, which is managed by the various stakeholders who participate in the financial markets. The JSE manages the risk insofar as it can through the Settlement Authority and the Surveillance, Operations & Services, Strategy & Legal Counsel divisions by means of a uniform and flexible policy of risk management and controls. The Risk Management Committee also participates in managing this risk and the JSE is an active participant in a number of industry forums aimed at preventing systemic risk.

### Fidelity risk

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

### Legal risk

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

### Currency risk

This is the risk of defaulting on foreign currency payment obligations as a result of the devaluation of the Rand.

The JSE is exposed to this risk in terms of:

- an agreement with the London Stock Exchange ("LSE") in terms of which the LSE provides the JSE with JSE SETS and InfoWiz;
- an agreement with GL Trade in terms of which the JSE is provided with front end technology (known as TALX); and
- an agreement with Microsoft for the provision of operating and data base software licences as part of the JSE's transition to next generation technology.

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

### Reputation risk

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

The CEO is generally responsible for managing this risk. Under his guidance, all aspects of the JSE business are focused on ensuring a safe, transparent and efficient market. The initiatives set out in the sustainability report provide a number of examples of activities conducted by the JSE in this regard.

STRATE is a crucial element of the market. The risk associated with electronic settlement is not directly

within the control of the JSE. This risk, if not managed, will result in the tarnishing of the JSE's reputation and affect the ongoing viability of the equities market. The JSE is represented on the STRATE board of directors and participates in its Board sub-committees. In this way, the reputational risk to the JSE resulting from a STRATE-related default, is monitored and assistance provided in the management thereof. Ongoing international surveys and evaluations have highlighted the enormous improvements to operational and settlement risk as a consequence of the implementation of the STRATE systems which have had a beneficial effect, particularly on the non-resident clientele of the market.

## SUSTAINABILITY REPORT

**"The JSE through its socially responsible investment ('SRI') index is committed to contributing to the grants of socially responsible business activities."**

Sustainability and corporate social responsibilities are not new concepts for South Africans and South African business. Labour, affirmative action and health-related issues have long been subject to scrutiny. The King Code on Corporate Governance has, however, focused the attention on sustainability and urges a commitment to the triple bottom line – economic, environmental and social sustainability.

### Sustainability philosophy

The JSE impacts the social and natural environment in a number of direct and indirect ways. This takes place at both an internal level (daily operations) and externally (business activities).

The JSE through its socially responsible investment ("SRI") index is committed to contributing to the grants of socially responsible business activities. In addition, achieving employment equity and diversity, the development of skills and affirmative procurement have all been identified as priorities. Investment in sustainable social projects and the social welfare of staff are also key areas of investment for the JSE.

### Social sustainability

This year has seen a marked gearing up in the development of black economic empowerment industry charters. Late 2005 saw the release of a close to final draft of the BEE Codes of Best Practice released by the Department of Trade and Industry ("dti"). The JSE regularly reports internally against the requirements of the financial services industry charter, the Financial Sector Charter ("FSC").

Notwithstanding the remaining challenges, the JSE has seen improvement on most all-black economic empowerment indicators. Our shareholder base is close to the FSC requirement of 10% direct ownership by black people and black-owned companies.

The JSE has played a committed part in the transformation of the financial services industry. The JSE was part of the drafting team of the FSC and maintains a role in the sub-committee task group put into place to finalise the reporting details of the FSC.

The JSE fundamentally believes in the spirit of transformation. As a result of the JSE's commitment to the benefits of diversity, at the end of the year under review, the JSE's workforce stood at 60%

female, 54% black, with an average age of 39. The JSE has an extremely low staff turnover rate.

One of the challenges facing the JSE is to identify, attract, retain and develop talented people to complement the company's representative work force. Some of the programmes designed to achieve this include the Seed Trust, which offers bursaries to students in tertiary education, and the Class Of programme, which recruits graduates into the JSE in a business unit rotating placement project. As part of operations, staff involvement is emphasised through:

- dedicated staff team-building functions held on a departmental basis as well as company-wide;
- regular informal reviews (in addition to annual performance review);
- frequent feedback to staff;
- regular information sessions for stakeholders with the opportunity for questions and polls on the internal intranet;
- offering competitive salaries; and
- consultation with regard to strategic planning and new staff policies.

There are some areas relating to stakeholder engagement where formal policies are not in existence. This is primarily because of the diverse nature of the stakeholder base of the JSE and their diverse interests. However, due to the central role the JSE plays in the economy as a whole and the financial services sector, it engages very actively with a wide range of stakeholders on various levels and

through various initiatives. For example: engagement with government takes place through the JSE's participation on the Financial Markets Advisory Board, Standing Advisory Committee on Company Law and other bodies concerned with the sector (such as the Investment Management Association of South Africa ("IMASA"), Money Laundering Advisory Council, and the GAAP Monitoring Panel). The JSE has an open, cooperative and productive relationship with its regulator, the Financial Services Board (FSB). A representative of the FSB is invited to attend all Executive Committee and Board meetings. In this way, the FSB is at all times exposed to, and involved in the determination and execution of JSE strategy. In addition, the JSE has formulated effective channels of communication with senior representatives of National Treasury and the dti.

There are also other initiatives such as NEPAD, where the JSE is represented on the committee considering the role of business in NEPAD. Engagement with the financial services sector takes place through participation in various initiatives such as the development of the FSC, and representation on various boards. Engagement with the community occurs through involvement with the Black Management Forum, involvement with Nurturing Orphans of Aids for Humanity ("NOAH") demonstrated by representation on their board of directors, educational initiatives, and AltX, a joint venture with the dti to create a market that gives access to capital for aspirant entrepreneurs.

## SUSTAINABILITY REPORT continued

Internationally, the JSE has significant involvement in the World Federation of Exchanges ("WFE"), the African Stock Exchanges Association ("ASEA") and the Committee of SADC Stock Exchanges ("COSSE"). The WFE, formerly International Federation of Stock Exchanges, is the trade organisation for regulated securities and derivative markets, settlement institutions and related clearing houses, and their diverse services to capital markets.

The WFE is a private international organisation comprised of the operators of the world's leading markets, which are committed to the highest levels of market quality. It provides a forum for communication, analysis and debate among members. Its purpose is to facilitate the representation, development of organised and regulated markets, and to meet the needs of evolving capital markets in the best interest of their users.

With regard to stakeholder engagement with customers or affected parties during specific projects, such as the development of a new market, or significant changes to existing market procedures, consultation and communication is always a critical component of each initiative and is formalised and continually tracked. In addition, yearly roadshows are held in all major centres of the country to ensure that stakeholders are adequately informed of the latest developments at the JSE.

Considering the JSE's scope of business and its role in South African financial markets, the JSE is a small

organisation. As a result, we rely on continuing sound relationships with all of our stakeholders, including suppliers and contractors, to deliver best performance all round. The JSE currently outsources the following components of its business:

- operation of the equities trading system ("JSE SETS") by the London Stock Exchange ("LSE");
- operation of the equities real-time information dissemination (InfoWiz) system by the LSE;
- outsourcing of operations and maintenance and development of the IT infrastructure and applications, including core systems to Accenture;
- calculation and management of indices is performed by FTSE International;
- building maintenance and facilities management;
- gardening and office plant maintenance;
- security services;
- cleaning services;
- hosting of JSE websites (including the financial portal) is performed by an internet service provider;
- management of the product and call centre for SATRIX;
- internal and external audit functions;
- some aspects of legal advice, e.g. labour issues, as well as legal advice on technical matters requiring particular expertise, e.g. tax issues;
- event management and catering for JSE functions as required; and
- marketing and corporate identity development as required.



## SUSTAINABILITY REPORT continued

As a matter of course, the JSE assesses and manages the risks related to outsourcing to ensure optimum benefit from these outsourcing agreements. These risks are mitigated as follows:

- when appropriate, a standard Request for Tender process in terms of the methodology and systems life cycle procedures and standards is used. This is a standard process used when selecting large scale products (mainly information technology products) from vendors to enhance business operations. At present there are no specific social, environmental or BEE requirements, or standards for the evaluation of contractors. However, these are likely to be introduced as part of the strategy to align with the requirements of the FSC;
- the selection process is largely dependent on the nature of the project, but final decisions are generally made by the Executive Committee with large value and long-term tenders being referred to the Board for approval;
- standard payment terms vary depending on the type of contractor. Fixed term contractors are paid monthly in arrears as with salaried employees, while consultants or other contractual service providers are paid on 30-day terms upon presentation of invoice;
- in respect of major strategic projects, full business case and risk analysis is conducted and identified risks are tracked on an ongoing basis as part of project management. In addition, internal audits are conducted where appropriate; and

- analysis normally revolves around the extent of control the JSE will have, the profile of the vendor (financial stability, track record, customer base, experience, etc.), benefits to the JSE and its customers and the risk that the vendor has in relation to the service being provided.

Training for users and staff is provided for on-line applications and user manuals are available on the website. There are also quick reference guides for specific applications. For indirect customers, such as the private investor, the rules and directives for the various markets provide guidelines to clients and prospective clients and are available on the website. Mandates are required between members and clients, with specific requirements, such as a risk disclosure statement in the case of the derivatives markets. The JSE has a dedicated education department which provides education across the country in 11 different languages with emphasis on the JSE and the securities markets.

The JSE has a dedicated Customer Service and Support team, which also operates a call centre dealing with incoming first level support, and, when necessary, routing incoming queries to second level support in various business areas. In addition, account managers are in place for most customers or customer groups, such as the members and data vendors.

Forums are in place for various segments of customers. Representative Advisory Committees are in place for specific aspects of JSE business, including trading,

## SUSTAINABILITY REPORT continued

clearing and settlement and the various indices. All Advisory Committee members are approved by the Board to ensure the correct combination of people from the industry and internal JSE representation, and the mandates are also approved by the Board to ensure the correct terms of reference. Details of the industry representatives on these committees, their attendance and key issues considered during 2005 are set out on pages 34 to 39.

Through this process, the JSE continues to be committed to proactive customer care and engagement. Sustained efforts are further evidenced by:

- notices (known as Gazettes) are sent to users with market-related information on a regular basis;
- SENS notices go out daily on a real-time basis;
- a web-based query system is operational;
- *ad hoc* engagement by email/fax/telephone/face-to-face;
- nurturing future customers through education and other initiatives;
- monthly bulletins published with market information and statistics;
- Reaching Out magazine (which was awarded the 2003 SAPPI PICA award for the Best Customer Magazine – Financial Services); and
- sponsorships and speaking engagements.

There is no formal community development policy in place. However, various initiatives are in place evidencing the JSE's commitment to the community.

Summarised below, these initiatives include but are not limited to:

- the SEED Trust;
- membership of Proudly South African;
- JSE/Liberty Investment Challenge;
- a board game which is distributed in conjunction with Karia Strydom, aimed at building knowledge about stock market investment;
- the gift shop through which JSE aims to source SA made goods as far as possible, or to use companies that employ local people. JSE gift bags are made with local paper from locally grown trees, are biodegradable and environment-friendly;
- the majority of the artwork in the JSE building is by local talent;
- involvement with NOAH;
- AltX, a joint venture with the dti to create a market dedicated to listing of smaller-sized companies which provide access to capital for aspirant entrepreneurs.
- the SRI Index;
- Memorandum of understanding and co-operation with SAWEN (SA Women's Entrepreneurial Network) in relation to education and making available of facilities;
- *ad hoc* sponsorships, such as supporting the government's initiative of 16-days of activism against child and women abuse; and
- CHOC Childhood Cancer Foundation.

### SEED Trust

The SEED Trust ("Trust") was introduced in 1994 with the aim of providing assistance to previously disadvantaged and needy students who excel academically in the financial field. The Trust covers, amongst other things, second year tertiary education up to Honours level.

In 2005, the Trust sponsored a total of eleven students, six of whom completed their studies at the end of that year. Five students are in their third year of study.

This programme helps to contribute to a well educated and committed workforce in the financial services industry for the future while contributing to general social upliftment.

### JSE SRI Index

Globally there is an increasing awareness of, and need to measure corporate social responsibility ("CSR"). As an emerging market, South Africa's companies are already doing a lot and deserve to be recognised for their CSR efforts.

The JSE launched the SRI Index in South Africa in 2004, as a means of identifying companies that integrate the triple bottom line into their business activities, and to facilitate investment in such companies. The JSE is uniquely positioned in a financial market that has led by example internationally when it comes to corporate governance, and aims to leverage its international position to help focus the debate, enable CSR to take

place in South Africa, and to give recognition for the tremendous strides South African companies are already taking.

In South Africa in particular, sustainability and CSR are hardly new concepts. Massive social, environmental and economic interventions have been, and remain necessary in order to realise the potential inherent in the country, its resources and its people. In addition, companies have had to address labour, affirmative action and health-related issues with much more vigour than elsewhere, and are increasingly called to account for a culture that reflects non-discrimination, inclusivity and fairness in all aspects of business, while incorporating the need for diversity, equity, empowerment, fair labour practices and employee health and safety.

The constituents of the FTSE/JSE All Share Index (the top 160 companies by market capitalisation listed on the exchange) are invited annually to voluntarily submit details to be assessed against the SRI Index Criteria. Companies need to demonstrate that they meet the criteria, which reflect widely accepted triple bottom line principles relating to the economy, environment and society and which are designed to measure the integration of such practices into companies' business activities.

The SRI Index takes a developmental point of departure with the criteria for inclusion becoming more demanding over time. The annual assessment finalised during the latest round saw companies

having to demonstrate commitment to the triple bottom line through management and performance, whereas the focus during the launch round was primary on policy assessment.

The JSE is extremely proud of the companies that constitute the SRI Index. These companies are a demonstration that sustainability is no longer simply a political agenda. The SRI Index enjoys significant media exposure and has positioned the JSE as a leader in this emerging area. The JSE's SRI Index has been one of the sustainability tools in the industry to help put triple bottom line reporting on the map as a business issue. In so doing the JSE has broadened its relationship with listed companies and stakeholders. The Index is seen by many to be influencing corporate South Africa's behaviour in terms of risk management and has made such an impression internationally that other exchanges exploring similar initiatives regularly contact us to discuss ideas. Bovespa in Brazil used the JSE SRI Index as its most important benchmark in developing its Sustainability Index, launched on 1 December 2005.

### **The JSE/Liberty Investment Challenge**

The JSE/Liberty Investment Challenge introduces thousands of school learners each year to the mechanics of securities investment, while simultaneously initiating them into broad-based economic and commercial dynamics. A game of skill and perseverance, the challenge allows participating

school teams to test their share trading skills through an ongoing annual "ghost trading" programme in which their performance is tracked and measured in a competition against other teams. The trading platform required to make the Challenge possible is provided by Andisa Securities (Pty) Limited.

One of the aims for the future is to broaden the base of participation around the country. This could result in more programmes such as those in KwaZulu-Natal and the Eastern Cape where mentors are employed to help out in catalyst schools.

Last year also saw a pilot programme for the Universities Challenge, which will be rolled out nationally during 2006. Fifty-nine teams comprising 236 students took part from the University of the Witwatersrand, the University of Pretoria and CIDA City Campus. The pilot programme proved to be a great success. There has been a huge amount of interest expressed from around the country for the coming year and it is anticipated that the Universities Challenge will soon be as much a fixture as the Schools Investment Challenge.

In 2005, the Schools Investment Challenge saw 380 schools participating, involving a total of 6 616 students. The Challenge was strongly contested with Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape Provinces, making up 79% of total participation.

Efforts will be made to mentor students from previously disadvantaged areas to improve their performance in the 2006 Challenge.

### Nurturing Orphans of Aids for Humanity

The JSE continues to support NOAH as a worthy programme aimed at limiting the dire social effects of HIV/Aids. The JSE participated in a fund raiser for NOAH in 2005 which resulted in R740 000 being raised at the event. In addition, the JSE in conjunction with a number of banks and Moneyweb, participated in an awareness campaign for single stock futures and raised R75 547 for NOAH through profits made from investing in single stock futures through this campaign.

### Environmental sustainability

Many small and medium sized South African companies are only beginning to get to grips with the scale of their environmental impacts, even if these are minimal, and to report to their stakeholders in this regard. The JSE is no exception to this. There are no formal policies covering energy, waste and recycling within the JSE but management of these issues is handled at executive level. All JSE business units are informally encouraged to recycle paper. In the next year, the JSE has committed to standardising recycling across the organisation and formally tracking results. In line with this commitment, the JSE will clearly identify its environmental impacts, raising awareness amongst stakeholders regarding environmental impacts, and measures taken to manage these.

Maintaining a zero defect record, no environmental fines or penalties were levied against the JSE over the past year.

When considering employee health and safety, normal office environment hazards are mitigated through knowledge building, demonstrated by:

- a sponsored annual health day is offered at the JSE every year with presentations about particular health topics and offers of various health treatments;
- a policy requirement for senior level employees to undergo annual health check-ups;
- annually making available and sponsoring of flu and Vitamin B injections for all staff;
- other health risks include stress related diseases, which are managed through provision of medical aid benefits;
- the ICAS Employee Assistance Programme makes available counselling to staff and their immediate family across a wide range of topics, from medical, trauma counselling, to financial and legal advice;
- gymnasium facilities for exercise-classes, relaxation sessions and religious prayers are provided on-site for JSE staff and contractors; and
- sponsored first aid training and regular fire drills.

### Closing comments

The JSE expects the levels of generally accepted practice in relation to corporate governance to become more challenging, with greater reward for

## SUSTAINABILITY REPORT continued

companies adhering to the principles of the triple bottom line.

The JSE will continue, through its initiatives to assist in focusing the attention of investors on understanding the importance and benefits of sustainable business practices.

### Advisory Committees

#### Agricultural Products Advisory Committee

The Agricultural Products Advisory Committee met three times during 2005. *Inter alia*, the following key items were discussed:

- the agricultural automated trading system, upgrades thereof and the introduction of a replacement system through Project Orion;
- introduction of electronic silo receipts;
- calculation of standard storage costs applicable for delivery in completion of a futures contract;
- origin discounts for delivery of foreign wheat;
- reporting of physical deliveries on a daily basis;
- number of registered soya delivery points and proposed changes to the contract;
- exchange for risk contracts; and
- possibility of auctioning physical stock tendered for delivery in completion of a futures contract.

## SUSTAINABILITY REPORT continued

Attendance, by industry representatives (excluding JSE staff), was as follows:

	Representative from	17/2/05	23/6/05	6/10/05	Total attendance by members
Mr R Gravelet-Blondin	Committee chairman – JSE	✓	✓	✓	3
Mr W Lambrechts	Peregrine Derivatives	✓	✓	✓	3
Mr E Jordaan	National Chamber of Milling	✓	✓	✓	3
Mr J Craven	Rand Merchant Bank	✓	×	×	1
Mr J Theron (alternate for Mr J Craven)	Rand Merchant Bank	×	✓	×	1
Dr E Briedenhann	Animal Feed Manufacturers Assoc	✓	✓	✓	3
Mr P Watt	Afgri Operations	✓	×	×	1
Mr F Lubbe	Afgri Operations	✓	✓	✓	3
Mr D Mathews	Farmwise	✓	×	✓	2
Mr P Kotecha	B & P Group Financial Services	✓	✓	✓	3
Mr R Burdairon	SACOTA	✓	✓	×	2
Dr K Keyser (alternate for Mr R Burdairon)	SACOTA	×	×	✓	1
Mr A Badenhorst	FAP Futures	✓	✓	*	2
Mr C Ferreira	Grain South Africa	✓	×	×	1
Mr P Louw	Grain Silo Industry	×	×	×	0
Mr D Kok (alternate for Mr P Louw)	Grain Silo Industry	✓	✓	×	2
Mr K Pather	Financial Services Board	×	×	×	0
Mr P Tshivhangwaho	Financial Services Board	×	×	#	1
Mr L Ford	Standard Bank	×	#	×	1

*\*resigned membership after 23 June 2005*

*#by invitation*

## SUSTAINABILITY REPORT continued

### Clearing & Settlement Advisory Committee

The Clearing & Settlement Advisory Committee met twice during 2005. *Inter alia*, the following key items were discussed:

- an overview of the strategic direction for SAFEX Clearing Company (Pty) Limited which clears derivative contracts for the JSE's agricultural products, equity derivatives and interest rate markets;
- the proposed move to T+3 for the settlement of equity securities without compromising the integrity of the current methodology and the achievement of zero failed trades;
- the risk management model for bond settlements for Yield-X (the JSE's interest rate market) and the associated Yield-X rules and directives;
- depository facilities for the proposed immobilisation of Krugerrands and their settlement through STRATE;
- updates on Project Orion and the planned systems development for the centralised clearing and settlement system for all listed securities;
- amendments to the JSE's equities rules to accommodate the Securities Services Act (with particular reference to clearing and settlement); and
- the regular review of statistics relating to clearing and settlement of equity securities through STRATE.

Attendance, by industry representatives (excluding JSE staff), was as follows:

Name	Representative from	3/2/05	19/5/05	Total attendance by members
Mr D Davidson	Committee chairman – JSE	✓	✓	2
Mr A Badenhorst*	FAP Futures	×	×	0
Mr B Balkind	STRATE	×	✓	1
Mr G Borrageiro	JP Morgan	✓	×	1
Ms E Bruce	Cadiz Stockbroking	✓	✓	2
Mr A Cousins	Standard Bank	×	✓	1
Mr J Crews	UBS South Africa	×	✓	1
Mr B Johnston	Independent Consultant	×	×	0
Mr S Lorge	Computershare	×	×	0
Ms J McCann	Online Securities	✓	×	1
Mr N Müller	Financial Services Board	×	✓	1
Mr L Varnavides	HSBC Securities	×	✓	1
Mr T Vermeulen	Computershare	✓	✓	2
Mr D Wilks	Merrill Lynch	✓	✓	2
Mr S Yates	Rand Merchant Bank	✓	×	1

\*resigned membership after 23 June 2005



## SUSTAINABILITY REPORT continued

### FTSE/JSE Advisory Committee

The FTSE/JSE Advisory Committee met three times during 2005. *Inter alia*, the following key issues were discussed:

- the new classification system called the International Classification Benchmark (ICB);
- the creation of the Alt<sup>x</sup> Index;
- the treatment of mandatory offers in the indices; and
- the impact of the free float bands, specifically on the ABSA/Barclays deal.

The purpose of the committee is to consider and advise on matters relating to and proposed amendments to the Ground Rules governing the management of the FTSE/JSE Africa Index Series and to ensure that best practice is used in the construction and ongoing management of the Indices. The committee also oversees the ongoing management of the indices, corporate actions and changes to Ground Rules and advises on the construction and methodology of new indices.

Attendance, by industry representatives (excluding JSE staff), was as follows:

Name	Representative from	9/3/05	7/6/05	7/12/05	Total attendance by members
Mr A Botha	Committee chairman – Independent	✓	✓	×	2
Mr A Stephens	Legal and General UK	✓	✓	✓	3
Mr D Polakow	Cadiz Holdings	✓	✓	✓	3
Mr C Beckley	FTSE	✓	✓	✓	3
Ms C Fivaz	Independent	✓	✓	✓	3
Mr F Oosthuizen	Sanlam	×	✓	✓	2
Mr G Baker	Rand Merchant Bank	✓	✓	×	2
Mr H Beets	Old Mutual Asset Management	✓	✓	✓	3
Ms I Dillon-Hatcher#	FTSE	✓	×	✓	2
Mr M Lee	FTSE	✓	✓	✓	3
Mr M Winckler	Deutsche Bank	✓	✓	✓	3
Mr N Waisberg*	Investec Bank	×	×	×	0
Mr S Roberts	Taquantia Securities	✓	✓	✓	3
Mr T Masikavanhu	Umbono Asset Management	×	×	×	0
Mr P de Graaf+	FTSE	×	×	×	0

#joined the committee in 2005

\*will join the committee in 2006

+resigned from the committee at the end of 2005

## SUSTAINABILITY REPORT continued

### Yield-X Advisory Committee

The Yield-X Advisory Committee met twice during 2005. *Inter alia*, the following key issues were discussed:

- proposed composition of Advisory committee;
- structure, market times and products of the new Yield-X market;
- new regulatory issues – rules and directives;
- fee and pricing structure;
- market training;
- listings on Yield-X;
- market making on Yield-X;
- closing price determination;
- JSE trading technology strategy;
- settlement cycle for T+2 carries implemented;
- update on membership and number of trades; and
- margining methodology.

Attendance, by industry representatives (excluding JSE staff), was as follows:

Name	Representative from	15/2/05	21/6/05	Total attendance by members
Mr A Thomson	Committee chairman – JSE	✓	✓	2
Mr E Booysen	ABSA	✓	×	1
Mr C Clarkson	Andisa Securities	×	×	0
Mr M Brits	Banking Association	×	×	0
Mr M Harvey	Barclays Bank PLC – South Africa branch	×	×	0
Mr P Taylor	Citibank	×	×	0
Mr G Smale	Decimax	✓	✓	2
Mr D Whitby	Deutsche Bank	×	×	0
Mr G Herman*	Eskom Pension and Provident Fund	×	×	0
Mr K Pather	Financial Services Board	×	✓	1
Mr M Sandler*	Full Value	×	×	0
Mr M Ferrini	Investec Bank	×	×	0
Ms V Taberer	Investec Bank	✓	×	1
Mr R MacKay	Investec Bank	✓	×	1
Mr G Klintworth	JP Morgan	✓	×	1
Ms D Bates*	Rand Merchant Bank	×	✓	1
Mr H Collins	Rand Merchant Bank	×	✓	1
Mr S Yates	Rand Merchant Bank	✓	✓	2
Mr H Stark	SARB	×	×	0
Mr R Porter	Standard Bank	×	×	0
Mr I Seymour-Smith	STRATE	✓	✓	2
Mr L Rosenberg	Nedcor	✓	×	1

## SUSTAINABILITY REPORT continued

### Equity Derivatives Advisory Committee

No meetings of the Equity Derivatives Advisory Committee were held in 2005. Industry representatives on the committee are as follows:

Mr A Thomson	Committee chairman – JSE	Mr A Büchner	Nedbank BoE Securities
Mr M Arnott	Deutsche Securities	Mr G Betty	Peregrine Securities
Ms H Masson	Real Africa Asset Management	Mr B McMillan	Investec Bank
Mr D Walker	Bex Structured Products	Mr A Bunkell	Merrill Lynch SA
Mr Panama	Financial Services Board	Mr D van Wyk	ABSA Bank
Mr M Weetman	PCS Futures	Mr D Hompes	JP Morgan Securities
Mr S Clairet	Standard Corporate		

### Trading Advisory Committee

One meeting of the Trading Advisory Committee was held in 2005. Industry representatives on the committee are as follows:

Mr A Thomson	Committee chairman – JSE	Mr A Mazwai	Barnard Jacobs Mellet
Mr H Beets	Old Mutual Asset Management	Mr C Sacks	Merrill Lynch
Mr R Botha	Sanlam Asset Management	Mr M Shackerley	Nedcor Securities
Mr K Brady	Investec Securities	Mr B Smith	SCM Sanlam
Mr C Freemantle	Andisa Securities	Mr C Wilde	Deutsche Bank
Mr Q Kilbourn	Citi Group	Mr J van den Berg	Thebe Securities
Mr B Johnston	UBS Securities	Mr P van der Merwe	Coronation Equities
Mr N Müller	Financial Services Board	Ms F Vawda	Legae Securities
Mr A Raats	Liberty Asset Management		

## BOARD OF DIRECTORS



**NORMAN MÜLLER**

Head of Financial Markets, FSB



**RUSSELL LOUBSER**

Executive Director; CEO of the JSE; Board of Directors of the World Federation of Exchanges; Previous Chairman of the World Federation of Exchanges' Working Committee; Past Chairman of SAFEX; Previous Executive Director of financial markets at Rand Merchant Bank Limited  
Appointed to the Board in 2000



**ANTON BOTHA**

Chairman of the Human Resources Committee of the JSE; Past CEO of Genbel SA Limited, Genbel Securities Limited and non-Executive Chairman of Gensec Bank  
Appointed to the Board in 2001



**HUMPHREY BORKUM**

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



**GARY CLARKE**

Group Company Secretary



**NIGEL PAYNE**

Chairman of the Risk Management Committee of the JSE; Consultant; Director of Companies; Member of the King Committee on Corporate Governance; Chairman of the King Committee Task Groups on Risk Management, Internal Controls and Internal Audit  
Appointed to the Board in 2005



**ANDILE MAZWAI**

CEO of BJM Securities (Pty) Limited; Joint CEO of BJM Holdings Limited; Member of the South African Institute of Stockbrokers  
Appointed to the Board in 2004



**NICKY NEWTON-KING**

Executive Director; Deputy CEO; Member of the King Task Group into Insider Trading, the Financial Markets Advisory Board, the Financial Centre for Africa's Strategy Committee and the Standing Advisory Committee on Company Law; Previous Partner of Webber Wentzel Bowens Attorneys  
Appointed to the Board in 2000



**WENDY LUHABE**

Industrial Development Corporation, Alliance Capital Management, Vendome SA and Women's Private Equity Fund 1  
Appointed to the Board in 2003



**SAM NEMATSWERANI**

Chairman of the Audit Committee of the JSE; CEO of AKA Capital (Pty) Limited; Director of Companies  
Appointed to the Board in 2005



#### GLORIA SEROBE

CEO of Wipcapital (Pty) Limited; Chairman of Life Offices Association and Metropolitan Life Limited  
Appointed to the Board in 2000



#### GEOFF ROTHSCHILD

Executive Director; Past Chairman of the JSE; Previous Director of Sasfin Frankel Pollak Securities (Pty) Limited; Member of the National Advisory Council for Innovation; Member of the South African Institute of Stockbrokers  
Appointed to the Board in 2000



#### BOBBY JOHNSTON

Honorary Life Member of the South African Institute of Stockbrokers; Previous Chairman of the JSE; Member of the Financial Markets Advisory Board  
Appointed to the Board in 2000



#### JOHN BURKE

Executive Director; Member of the King Committee on Corporate Governance; Chairman of the Listings Advisory Committee  
Appointed to the Board in 2001



#### LEANNE PARSONS

Executive Director; Chief Operating Officer  
Director of JSE Related Companies  
Appointed to the Board in 2000



#### REUEL KHOZA

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



#### STEPHEN KOSEFF

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

## BUSINESS REVIEW

**“The JSE has the following main lines of business: listings, trading, clearing and settlement services, technology and related services and information product sales.”**

### Review of business

The JSE is licensed as an exchange under the Securities Services Act, No. 36 of 2004 (“Securities Services Act”). It is a full service, modern securities exchange providing fully electronic trading, clearing and settlement in equities, derivatives (equities and agricultural) and other associated instruments with extensive surveillance capabilities.

The JSE is also a major provider of financial information products.

The JSE has the following main lines of business: listings, trading, clearing and settlement services, technology and related services and information product sales. These business lines contribute to its revenue as follows:

	2001	2002	2003	2004	2005
Listings	16%	15%	14%	13%	13%
Derivatives trading and clearing	8%	18%	21%	20%	19%
Equities trading	13%	17%	18%	17%	19%
Equities risk management, clearing and settlement	3%	9%	9%	12%	13%
Information product sales	13%	13%	13%	11%	11%
Technology	24%	20%	18%	14%	15%
Other operating income	10%	6%	8%	13%	11%
General administration levy	14%	1%	—	—	—

**Note:**

From 2002, the JSE adopted a “user-pays” billing model whereby users were no longer charged a general administration levy but rather charged for services utilised.

... FOCUSED ON  
EDUCATING TO BROADEN THE INVESTOR COMMUNITY

An immediate strategic focus of the JSE is to educate investors about the mechanics of securities investment extending to initiating them into broad-based economic and commercial dynamics.





"Education is a source of growth, and passing on the fruit nourishes a community keen for upliftment."

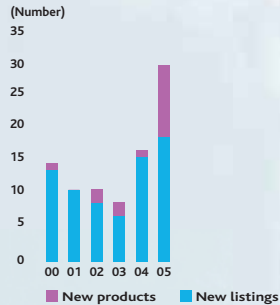
*Motsamai Thabane*

## Listings

The JSE is the only equities exchange in South Africa and is responsible for the approval of all companies seeking a listing on the JSE's equities market. The JSE prescribes the listings requirements in terms of the Securities Services Act and monitors listed companies' and product issuers' initial and ongoing compliance therewith. The listings requirements are based largely on the UK Listings Authority's listings requirements and the level of investor protection and disclosure required is world class.

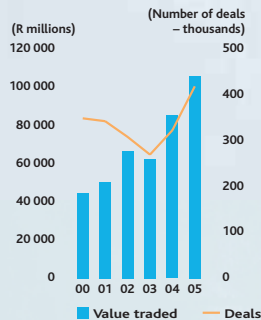
The JSE currently operates four boards for the equities market, the most important being the Main Board, which is the JSE's premier board and AltX, which targets small-to-medium-cap companies with a view to eventually graduating them to the Main Board. The JSE currently lists 343 companies on its Main Board and 18 on AltX. The JSE also lists a number of innovative equity-based products, such as warrants and exchange traded funds on its Main Board.

### New products and listings



Source: JSE 2006

### Equities: Average monthly value traded and number of deals



Source: JSE 2006

## Trading, clearing and settlement services

The JSE has operated an equities market (since its inception in 1887), an equity derivatives market (since 2001), an agricultural products market (since 2001) and an interest rate market (since 2005). All these markets operate on electronic, central order book platforms.

Liquidity on the JSE has grown from 5% in 1996 to nearly 40% by December 2000 and has been relatively stable since then. The market capitalisation of the JSE equities market has grown from R1 trillion to in excess of R3,5 trillion over the same period.

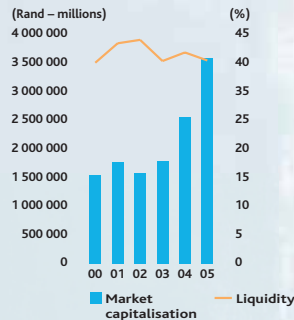
In addition, the value traded on the JSE's equities central order book in January 2006 was R147 768 257 420 as compared to value traded in January 2005 of R84 029 327 018. This represents an increase of 76% outstripping growth in value on major markets over the same period.

Clearing for equities products is done by the JSE in-house. Transactions in equity and agricultural derivatives and interest rate products are, in addition, risk managed through a central counterparty, SAFCOM, in which the risk is assumed by the clearing members which accept the relevant trades. This centralised risk management system is critical to any margin-based market.

Trades through the JSE equities market in shares of listed companies can only take place if the shares are dematerialised. Settlement of the JSE's equities and spot interest rate products is effected through STRATE Limited ("STRATE"), a licensed central securities depository. Since the introduction of STRATE, the JSE has achieved a zero failed trade record for central order book equities trades.

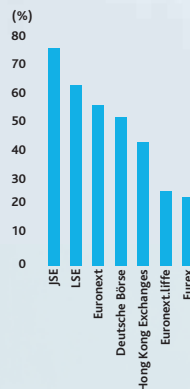
Since 2000, the average number of agricultural derivative contracts traded per month has increased 289% and the average number of equity derivatives contracts traded per month has increased by 105%. The average monthly single

**JSE equities market capitalisation and liquidity**



Source: JSE 2006

**Percentage growth in value traded (Jan 2006 compared to Jan 2005)**



Source: LSE, 2006 and JSE, 2006

stock futures contracts traded has grown by more than 800%. The growth of the single stock futures market is remarkable and is reflected in a separate graph on the following page.

### Technology and other services

The JSE offers various technology services to its authorised users, such as front-end trading technology through contracts with a number of suppliers and the Broker Deal Accounting ("BDA") system (on which all client records for equities members is maintained).

The JSE is currently working on Project Orion which is aimed at replacing its legacy information technology systems (including the BDA system and the derivatives markets trading and clearing systems) with next generation technology.

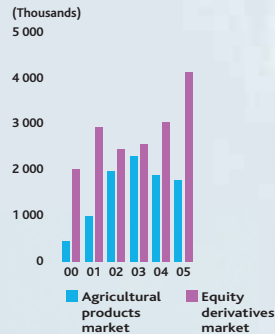
The JSE also derives revenue from a number of other sources such as rental income, dividend income and funds management.

### Information product sales

The JSE sells a large amount of information generated through the various markets the JSE operates, including:

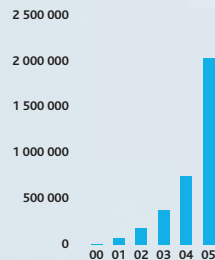
- live and delayed equities price and indices information. This is disseminated through InfoWiz on a real-time basis throughout the trading day. InfoWiz is the equivalent of the LSE's Infolect and is operated by the LSE from London. FTSE also provides indices data directly to some international customers through their dissemination system. Customers can connect to either the JSE directly or to the LSE (for price and indices information) or to FTSE (for indices information) to obtain the data;
- live, delayed and end-of-day prices and statistics for equity and agricultural derivatives markets;
- live, delayed and end-of-day prices and statistics for the Yield-X market;

### Agricultural products market and equity derivatives market Average monthly contracts traded



Source: JSE 2006

### Average monthly single stock futures contracts traded



Source: JSE 2006

- end-of-day value-added information, including information such as index constituents, price:earnings ratios, dividend yields, earnings yields and volume weighted average prices;
- live and end-of-day company price sensitive information through the SENS feed; and
- information on corporate actions.

Since 2000 the JSE has grown the number of data terminals displaying JSE data in the market by 72% and revenue from data sales by 157%.

### Regulation

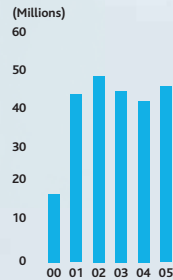
The JSE has regulatory responsibilities under the Securities Services Act. It is responsible for approving all listings, regulating trading on its markets and for authorising users of the JSE and SAFCOM and for regulating users' conduct. The JSE's regulation is aimed at protecting the

integrity of the JSE's markets by ensuring fair and transparent trading and protecting the interests of investors through the trading and clearing process. The JSE has robust systems in place to monitor the activity on its markets.

The JSE itself is supervised by the Financial Services Board ("FSB"). The FSB is the regulatory authority tasked with ensuring that the JSE operates its markets in the furtherance of the objects of the Securities Services Act.

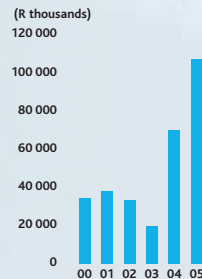
The Securities Services Act requires the JSE to have a guarantee or compensation fund or insurance to compensate investors on the default of authorised users. The JSE maintains the JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust as separate trusts which provide protection for investors subject to certain limitations. These funds are held in legal trusts separate from the JSE and are not included in the net asset value of the JSE. They are consolidated in the JSE group accounts to comply with IFRS accounting requirements.

**Revenue from equity data sales**



Source: JSE 2006

**Net profit after tax**



Source: JSE audited financial statements

### Prospects

The JSE has consistently introduced innovative new product lines and services. The JSE has shown growth in all its business lines over the past five years and is improving its key financial indicators as well.

Since 2000, the JSE's net surplus has grown by over 200%. This includes interest received and attributable profit from associate companies.

In the graph on the next page, the earnings per JSE rights figures have been adjusted in order to take into account the conversion of JSE rights to JSE shares at a rate of 1 to 1 000.

The JSE has seen a 116% growth in NAV since 2000, equivalent to an average 17% growth in NAV per year over the five years.

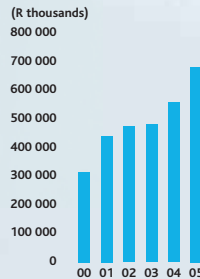
At the same time, the JSE has over the past five years reduced its cost base such that:

- the number of permanent employees has been reduced from over 300 in the

year 2000 to 217 by end December 2005 while the revenue generated by the group has grown by R164 million (60,9%) over the same period;

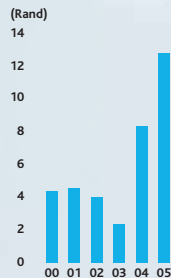
- other than the retrenchment cost of R8,6 million incurred with the restructuring of the operation in 2003, personnel expenses have reduced by R5,69 million (4%) from 2003 to end December 2005;
- some permanent savings have been obtained through the renegotiation of contracts with critical suppliers;
- the JSE has contracted with Accenture to replace the bulk of its legacy information technology (including the BDA system which is over 20 years old and the derivatives trading and clearing systems) with next generation technology through the implementation of Project Orion which is a fixed fee contract. When implemented, Project Orion is expected to decrease the future total operating cost of the JSE's information technology and improve the JSE's ability to offer value-added and additional services to its customers.

### Reserves



Source: JSE audited financial statements

### Earnings per right/share



Source: JSE audited financial statements

Project Orion is, however, running behind schedule and the JSE has agreed with Accenture to pay further amounts towards the fixed fee initially contracted. This project is being funded from internal resources. The delay in implementation and the further amount paid towards the fixed fee will affect the rate at which, and extent of the savings which the JSE expects to generate through Project Orion. The JSE will not be able to determine the full extent of the delay or the final cost impact until its present discussions with Accenture in this regard have been concluded. Any reduction in savings may also be affected if it becomes necessary to secure additional or alternate resources, neither of which is determinable at this stage. Shareholders and other stakeholders will be advised of progress in this regard at the appropriate forums.

The result of these initiatives is that the JSE's cost-to-income ratio is being reduced as indicated in graph on the next page. That cost-to-income ratio is expected to be lowered further after 2008 once Project

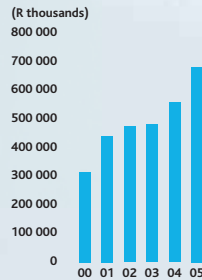
## BUSINESS REVIEW continued

Orion has been implemented and the temporary costs associated therewith (project costs, fixed term contractors and the need to operate dual infrastructures for a period) have ceased.

As the JSE is heavily reliant on technology and as all technology needs to be kept up to date, the JSE expects to continue to make substantial investments in its information technology infrastructure over time. The nature and extent of such investments is not yet known, but will be put to the Board for approval once identified and once the relevant business cases have been developed.

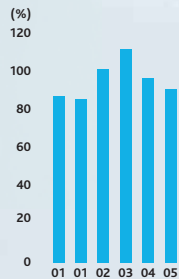
The JSE does not control the volume of trades which takes places on its markets and could suffer a decline in financial performance should trade volumes reduce. Internationally, the current trend in trading volumes is upward and the graph indicates that the JSE has itself shown growth in this regard in excess of its international competitors. To counteract the impact of the cyclical nature of the financial markets it operates, the JSE is continually seeking to diversify and grow its revenue streams and reduce its cost base.

### Net asset value



Source: JSE audited financial statements

### Cost to income ratio



Source: JSE audited financial statements

#### Note:

From 2002, the JSE adopted a "user-pays" billing model whereby users were no longer charged a general administration levy but rather charged for services utilised.

In the opinion of the Board, the growth prospects of the JSE are sound, based on:

- the increased average number of trades executed on the JSE's equities market over the past four years;
- the JSE's track record of continually introducing innovative products and new services to diversify its income stream and reduce its reliance on one particular product range;
- the growth in the single stock futures market;
- the JSE's continued improvements in operational efficiency;
- the JSE's reputation for operating quality, high integrity markets;
- the JSE's track record of zero failed trades for equities central order book trades since the dematerialisation of shares traded on the JSE and settled through STRATE. This settlement record earned South Africa an international custody and settlement risk ranking which is better than both the United Kingdom and the United States;
- the JSE's strategy of positioning itself as the market of choice in and the

## BUSINESS REVIEW continued

gateway to Africa for South African and international investors; and

- the opportunity, in co-operation with the LSE and FTSE, to grow information sales internationally.

### Adequacy of capital

The JSE maintains reserves at the level determined by the Board for its on-market equities settlement guarantee, its requirements for net working capital and for capital expenditure. The Board has applied probability-based techniques to

**The Board is continuing to refine its risk structures to reduce the quantum of capital required and takes a conservative approach to this to ensure the market integrity of the JSE.**

review its capital requirements and is satisfied that the JSE will have sufficient cash resources to meet these requirements over the next three years. The Board is continuing to refine its risk structures to reduce the quantum of capital required and takes a conservative approach to this to ensure the market integrity of the JSE.

In the opinion of the Board, the working capital available to the JSE and its subsidiaries is sufficient for the Group's present requirements.



## EXECUTIVE COMMITTEE



**LEANNE PARSONS**  
Chief Operating Officer  
Years service: 21



**GARY CLARKE**  
Exchange Secretary  
Years service: 8



**DES DAVIDSON**  
Director: Clearing and  
Settlement  
Years service: 6



**JOHN BURKE**  
Director: Issuer Services  
Years service: 16



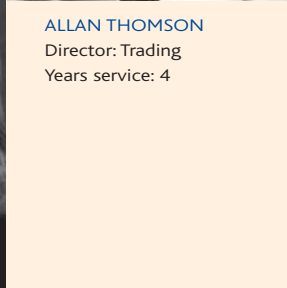
**ALLAN THOMSON**  
Director: Trading  
Years service: 4



**RUSSELL LOUBSER**  
CEO  
Years service: 9



**ANA FORSSMAN**  
Senior General Manager:  
Information Product Sales  
Years service: 17



**JANNIE IMMELMAN**  
Senior General Manager:  
Information Services  
Years service: 10



**FREDA EVANS**  
Chief Financial Officer  
Years service: 5



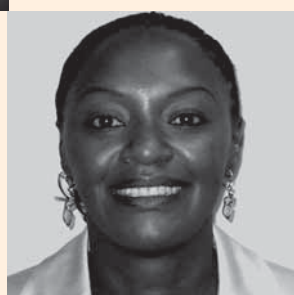
**ROD GRAVELET-BLONDIN**  
Senior General Manager:  
Agricultural Products  
Years service: 10



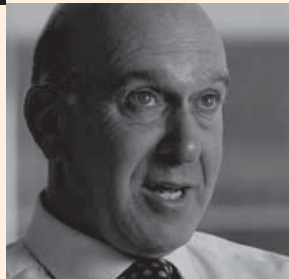
**NICKY NEWTON-KING**  
Deputy CEO  
Years service: 10



**BILL URMSON**  
Director: Surveillance  
Years service: 9



**MAUREEN DLAMINI**  
Senior General Manager:  
Education  
Years service: 1 month



**GEOFF ROTHSCHILD**  
Director: Marketing  
Years service: 2



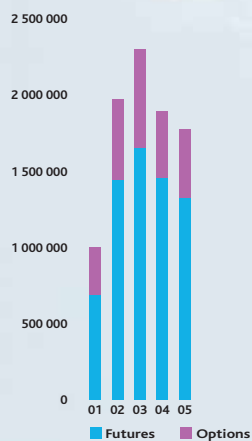
**MPUSENG TLHABANE**  
Senior General Manager:  
Human Resources  
Years service: 2

## SUMMARY OF MARKET INFORMATION — AGRICULTURAL PRODUCTS

Quarter end open contracts



Total annual contracts traded



... FOCUSED ON  
CREATING A BROAD RANGE OF INNOVATIVE PRODUCTS

An immediate strategic focus of the JSE is to create a broad range of innovative products.



"Diversity has made our nation strong and the JSE's product variety is suitable for all tastes."

*Motsamai Thabane*

## SUMMARY OF MARKET INFORMATION — EQUITIES

### Number of listed companies and securities

(Number)

1 200

1 000

800

600

400

200

0

■ Companies ■ Securities

99 00 01 02 03 04 05

### Volume traded

(Million)

70 000

60 000

50 000

40 000

30 000

20 000

10 000

0

99 00 01 02 03 04 05

### Turnover value

(R million)

1 600 000

1 400 000

1 200 000

1 000 000

800 000

600 000

400 000

200 000

0

99 00 01 02 03 04 05

### Transactions

(Number)

7 000 000

6 000 000

5 000 000

4 000 000

3 000 000

2 000 000

1 000 000

0

99 00 01 02 03 04 05

### Liquidity

(%)

45

40

35

30

25

20

15

10

5

0

99 00 01 02 03 04 05

### Market capitalisation

(R billion)

4 500

4 000

3 500

3 000

2 500

2 000

1 500

1 000

500

0

99 00 01 02 03 04 05

## SUMMARY OF MARKET INFORMATION — EQUITIES continued

### JSE position in the world league as at 30 December 2005 (as calculated by the World Federation of Exchanges)

	JSE Dec 2005	Ranking	JSE Dec 2004	Ranking
Market capitalisation (Domestic) (US\$ million)	<b>549 310<sup>†</sup></b>	<b>17</b>	442 520	15
Market turnover (US\$ million)	<b>201 491</b>	<b>21</b>	162 590	21
*Liquidity %	<b>30,0</b>	<b>33</b>	27,2	38

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

### Emerging Stock Markets for the month of December 2005 (provided by Standard & Poors)

	Number of companies listed	Volume traded (Million US\$)	Market capitalisation (Million US\$)
South Africa	338	17 958	565 408 <sup>†</sup>
Argentina	101	421	61 478
Brazil	381	15 989	474 647
China	1 387	45 880	780 763
Korea	1 620	159 852	718 180
Malaysia	1 020	2 911	180 346
Russia	296	17 823	548 579
Nigeria	214	173	19 356
Turkey	302	21 214	161 537
Israel	572	6 754	120 113
Saudi Arabia	77	169 465	646 104
Poland	248	2 753	93 873

<sup>†</sup>The difference in the two figures can be explained by the use of differing translation rates by the two information providers.



## SUMMARY OF MARKET INFORMATION – EQUITIES continued

### Market Capitalisation by Sector (as at 30 December 2005)

Sectors	Full JSE market capitalisation (R million)	% of JSE	% of sector
<b>JSE Total</b>	<b>3 586 112</b>		
<b>Resources</b>	<b>1 195 793</b>	<b>33,35</b>	<b>33,35</b>
Mining	1 038 278	28,95	86,83
Coal Mining	56		0,01
Gold Mining	182 738	5,10	17,60
Platinum Mining	208 327	5,81	20,06
Mining Finance	477	0,01	0,05
Diamond Mining	1 961	0,05	0,19
Other Mineral Extractors and Mines	644 718	17,98	62,09
Oil and Gas	157 515	4,39	15,17
<b>Basic Industries</b>	<b>116 076</b>	<b>3,24</b>	<b>3,24</b>
Chemicals	16 809	0,47	14,48
Construction and Building Materials	46 073	1,28	39,69
Forestry and Paper	17 484	0,49	15,06
Steel and Other Metals	35 709	1,00	30,76
<b>General Industrials</b>	<b>86 400</b>	<b>2,41</b>	<b>2,41</b>
Diversified Industrials	57 150	1,59	66,15
Electronic and Electrical Equipment	25 453	0,71	29,46
Engineering and Machinery	3 798	0,11	4,40
<b>Cyclical Consumer Goods</b>	<b>174 552</b>	<b>4,87</b>	<b>4,87</b>
Automobiles and Parts	7 202	0,20	4,13
Household Goods and Textiles	167 350	4,67	95,87
<b>Non-Cyclical Consumer Goods</b>	<b>271 954</b>	<b>7,58</b>	<b>7,58</b>
Beverages	184 152	5,14	67,71
Food Producers and Processors	52 693	1,47	19,38
Health	20 782	0,58	7,64
Pharmaceuticals and Biotechnology	14 326	0,40	5,27

## SUMMARY OF MARKET INFORMATION – EQUITIES continued

Sectors	Full JSE market capitalisation (R million)	% of JSE	% of sector
<b>Cyclical Services</b>	<b>254 977</b>	<b>7,11</b>	<b>7,11</b>
General Retailers	103 430	2,88	40,56
Leisure and Hotels	22 033	0,61	8,64
Media and Entertainment	54 323	1,51	21,31
Support Services	54 682	1,52	21,45
Transport	20 509	0,57	8,04
<b>Non-Cyclical Services</b>	<b>213 064</b>	<b>5,94</b>	<b>5,94</b>
Food and Drug Retailers	36 043	1,01	16,92
Telecommunication Services	177 021	4,94	83,08
<b>Financials</b>	<b>789 972</b>	<b>22,03</b>	<b>22,03</b>
Banks	354 728	9,89	44,90
Insurance	27 742	0,77	3,51
Life Assurance	162 459	4,53	20,57
Investment Companies	91 582	2,55	11,59
Real Estate	97 117	2,71	12,29
Speciality and Other Finance	56 344	1,57	7,13
<b>Information Technology</b>	<b>18 367</b>	<b>0,51</b>	<b>0,51</b>
Information Technology Hardware	1 262	0,04	6,87
Software and Computer Services	17 105	0,48	93,13
<b>Development Capital</b>	<b>197</b>	<b>0,01</b>	<b>0,01</b>
<b>Venture Capital</b>	<b>4 307</b>	<b>0,12</b>	<b>0,12</b>
<b>Alt*</b>	<b>1 938</b>	<b>0,05</b>	<b>0,05</b>
<b>Specialist Securities</b>	<b>458 516</b>	<b>12,79</b>	<b>12,79</b>
Corporate Debt	569	0,02	0,12
Preference Shares	19 325	0,54	4,21
Warrants	9 961	0,28	2,17
Investment Products	414 892	11,57	90,49
Exchange Traded Funds	10 619	0,30	2,32
Other Securities	3 150	0,09	0,69

## SUMMARY OF MARKET INFORMATION – EQUITIES continued

### Top 10 by Market Capitalisation as at 30 December 2005

Equity name	Equity code	Market capitalisation (Rand)
Anglo American Plc	AGL	319 146 956 282
BHP Billiton Plc	BIL	256 440 473 507
SABMiller Plc	SAB	176 217 813 435
Sasol Ltd	SOL	154 119 099 412
Richemont Securities DR	RCH	143 289 000 000
FirstRand Ltd	FSR	103 597 349 034
MTN Group Ltd	MTN	103 499 477 963
Standard Bank Group Ltd	SBK	102 524 149 089
Anglo Platinum Ltd	AMS	99 803 161 991
AngloGold Ashanti Ltd	ANG	83 190 667 648

### Top 10 by Value Traded for 2005

Equity name	Equity code	Value (Rand)
Anglo American Plc	AGL	105 985 128 085
Sasol Ltd	SOL	104 606 223 483
BHP Billiton Plc	BIL	70 961 321 502
MTN Group Ltd	MTN	58 675 639 198
Standard Bank Group Ltd	SBK	56 386 828 248
SABMiller Plc	SAB	48 104 097 701
Impala Platinum Holdings Ltd	IMP	44 399 604 062
Richemont Securities DR	RCH	42 692 633 324
Telkom SA Ltd	TKG	36 480 001 525
ABSA Group Ltd	ASA	34 860 074 702

### Top 10 by Volume for 2005

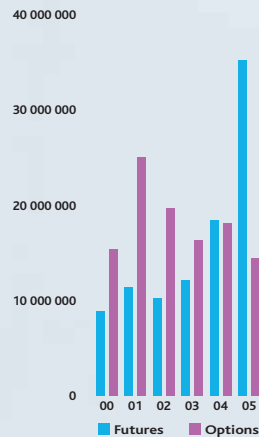
Equity name	Equity code	Volume (number of shares)
Sanlam Ltd	SLM	2 280 720 452
FirstRand Ltd	FSR	2 147 784 148
Richemont Securities DR	RCH	1 922 066 413
Old Mutual Plc	OML	1 844 829 276
MTN Group Ltd	MTN	1 215 733 301
Steinhoff International Holdings Ltd	SHF	906 404 187
Standard Bank Group Ltd	SBK	841 835 074
BHP Billiton Plc	BIL	815 476 437
Dimension Data Holdings Plc	AGL	788 941 599
Network Healthcare Holdings Ltd	NTC	735 945 319

## SUMMARY OF MARKET INFORMATION — EQUITY DERIVATIVES

Quarter end open contracts



Total annual contracts traded

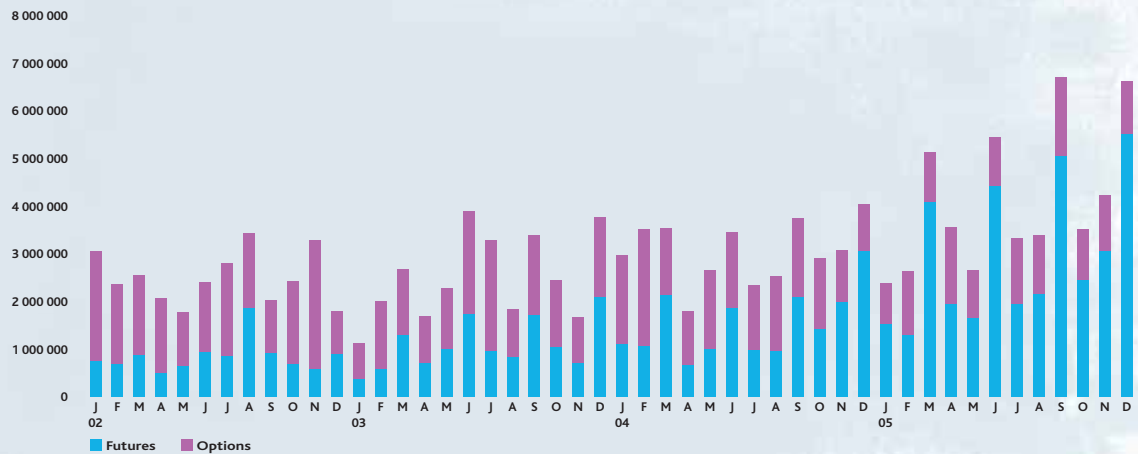


## SUMMARY OF MARKET INFORMATION — EQUITY DERIVATIVES continued

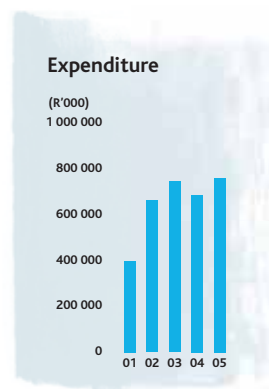
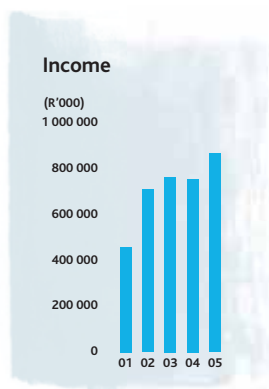
Single stock futures contracts traded



Total monthly contracts traded



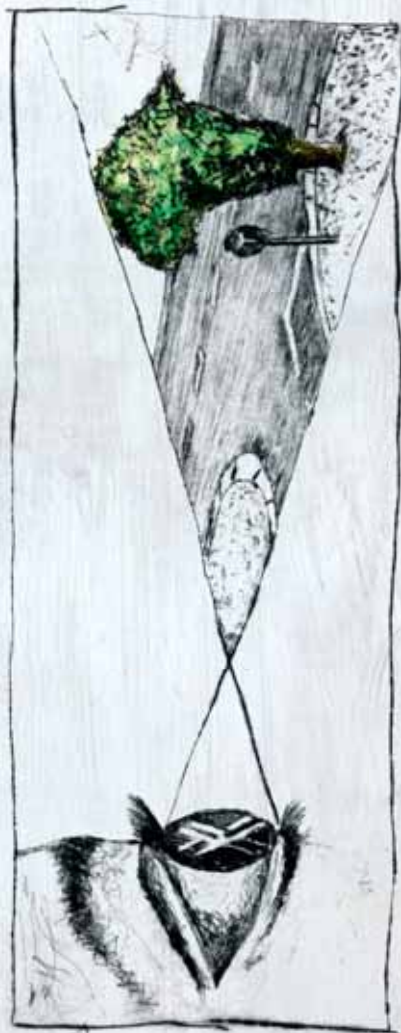
## FIVE YEAR FINANCIAL SUMMARY



	2001 R'000	2002 R'000	2003 R'000	2004 R'000	2005 R'000
Income	459 704	711 591	766 630	756 145	868 478
Expenditure	398 262	663 621	747 059	686 379	761 481
<b>Income over expenditure</b>	61 442	47 970	19 571	69 766	106 997
Staff numbers	306	297	292	210	217
Cost to income ratio %	86,63	93,26	97,45	90,77	87,68

... FOCUSED ON  
OUR ABILITY TO CHANGE

**The immediate strategic focus of the JSE** is to ensure flexibility to adapt to the ongoing changes experienced by world financial markets.





"Like our democracy, change is necessary for continued growth. Here the focused eye views the tree as a symbolic map of Africa, reminding us of the changes and all the success we achieved as a nation, and the promising future ahead."

*Motsamai Thabane*

# CONTENTS

## ANNUAL FINANCIAL STATEMENTS

- 68 Directors' Responsibility for the Annual Financial Statements
- 69 Report of the Independent Auditors
- 70 Directors' Report
- 80 Income Statements
- 81 Balance Sheets
- 82 Statements of Changes in Equity
- 83 Cash Flow Statements
- 84 Notes to the Financial Statements
- 124 Appendix to the Financial Statements



# DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

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

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

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

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

The annual financial statements for the year ended 31 December 2005 set out on pages 70 to 124 have been approved by the Board of Directors on 14 March 2006 and are signed on its behalf by:



H J Borkum  
Chairman



R M Loubser  
Chief Executive Officer

## Declaration by Secretary

In my capacity as Secretary, I hereby confirm that the JSE has complied with all statutory and regulatory requirements in accordance with the Securities Services Act, No. 36 of 2004, and all directives issued by the Financial Services Board. I further confirm that all required returns are true and up to date.



G C Clarke  
Group Company Secretary



# REPORT OF THE INDEPENDENT AUDITORS

## To the shareholders of JSE Limited

We have audited the annual financial statements and the group annual financial statements of JSE Limited set out on pages 70 to 124 for the year ended 31 December 2005. These financial statements are the responsibility of the company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 31 December 2005, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG Inc.

Registered Accountants and Auditors

Chartered Accountants (SA)

Johannesburg

14 March 2006



# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in presenting the annual financial statements of the Group for the year ended 31 December 2005.

## Business activities

The JSE is licensed as an exchange under the Securities Services Act, No. 36 of 2004 ("Securities Services Act") which carries on business at One Exchange Square, 2 Gwen Lane, Sandown. The postal address is Private Bag X991174, Sandton, 2146. Other than the implementation of the Interest Rate Market (branded as Yield-X) in February 2005, there were no major changes in the nature of the business conducted during 2005.

The JSE has the following main lines of business: listings, trading, clearing and settlement services, technology and other technology related services and information product sales. The percentage contribution of these business lines to its revenue is set out in the Business Review section.

## JSE subsidiaries and strategically important investments

### Subsidiaries

#### JSE Trustees (Pty) Limited

JSE Trustees (Pty) Limited ("JSE Trustees") was incorporated in 1973 and is a wholly owned subsidiary of the JSE. The authorised share capital of JSE Trustees is R4 000, divided into 4 000 shares of R1 each and its issued share capital is R7. JSE Trustees' purpose is to collect all funds received in trust by equities members from investors by means of an automatic electronic sweep and to then invest those funds on behalf of investors with banking institutions falling inside prescribed parameters. This ensures investor protection by automatically separating investors' funds from equities members' funds in compliance with section 27 of the Securities Services Act.

#### SAFEX Clearing Company (Pty) Limited ("SAFCOM")

The JSE and the eight founding clearing members each hold 11,1% of the issued shares of SAFCOM. These eight shareholders are ABSA Bank Limited, Electra Investments SA Limited (a subsidiary of Sanlam), Investec Bank Limited, Nedbank Limited, Rand Merchant Bank (a division of FirstRand Bank Limited), Rhodina Investments Limited (a subsidiary of Old Mutual), Sanlam Capital Markets Limited (previously Gensec Bank Limited) and Standard Bank of South Africa Limited. The JSE acquired its 11,1% shareholding in SAFCOM when it purchased the business of the South African Futures Exchange in 2001. The JSE has management control over SAFCOM. SAFCOM is operated by the JSE on a break-even basis and provides clearing services to the JSE.

Further information on the business activities of the JSE are set out in the Business Review section.



## DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

### Dormant subsidiaries

The JSE has various dormant subsidiaries which are in the process of being liquidated or deregistered. These are:

- FSG Financial Services (Pty) Limited;
- Emerging Enterprise Zone (Pty) Limited;
- Indexco II Limited;
- Indexco III Limited; and
- Indexco Managers (Pty) Limited.

### Strategically important investments

#### STRATE Limited ("STRATE")

The JSE owns 41% of the ordinary shares in STRATE and 50% of the zero coupon preference shares. STRATE is a central securities depository licensed under the Securities Services Act and is responsible for the electronic settlement of all transactions on the JSE's equities and warrants markets. It is also responsible for the settlement of spot bonds on the interest rate products market. It also settles over the counter transactions in unlisted JSE shares as well as transactions from the Bond Exchange of South Africa. Electronic custody of shares ensures the elimination of paper settlement environment risks and the costs of lost, stolen or forged documents. The electronic records of shareholding are subject to extensive controls. By the end of 2001, all listed equities on the JSE had migrated to STRATE and since then there have been zero failed central order book trades on the JSE.

STRATE utilises the Society for Worldwide Interbank Financial Telecommunications ("SWIFT") network to achieve true Simultaneous Final and Irrevocable Delivery versus Payment (SFIDvP) in central bank funds. Other features of STRATE include disclosure of beneficial shareholding through the Beneficiary Download and the enablement for clients of automated securities lending and borrowing.

STRATE is also the JSE transfer secretary.



# DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## General review of operations

As at 31 December 2005, there were a total of 262 authorised users (2004: 230 members) which can be broken down as follows:

	2005	2004
Equities members	49	53
• Trading services providers only	2	*
• Trading services providers and investment services providers	33	*
• Trading services providers and custody services providers	12	*
• Custody services providers only	2	*
Equity derivatives members	105	101
Agricultural products members	79	76
Yield-X members (launched in 2005)	29	0

*\*On 1 August 2005, the equities rules of the JSE were amended. The amendments included, inter alia, a re-classification of the various categories of authorised users in the equities market making a comparative for 2004 not possible.*

## Project Orion

The JSE upgrades its operational infrastructure continually to provide world-class services to its customers. It is currently in the process of replacing the bulk of its legacy information technology (including the Broker Deal Accounting (BDA) system which is over 20 years old and derivatives trading and clearing systems) with next generation technology through the implementation of Project Orion. Project Orion will decrease the future operating cost of the JSE and improve the JSE's ability to offer value-added and additional services to its customers.

The majority of the capital expenditure for Project Orion has already been incurred and has been funded from the JSE's internal resources. As the JSE is heavily reliant on technology and as all technology needs to be kept up to date, the JSE expects to continue to make substantial investments in its information technology infrastructure over time. The nature and extent of such investments are not yet known, but they will be put to the JSE Board for approval once identified and once the relevant business cases have been developed.

## Tax status

With effect from 1 July 2005, the tax status of the JSE changed from tax-exempt to being subject to the provisions of the Income Tax Act, No. 58 of 1962.



# DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## Directors and management

### Directors

The directors of the JSE are:

#### Non-executive directors

H J Borkum	Board Chairman, Chairman of Nominations Committee and member of the Human Resources and Audit Committees
A D Botha	Lead Director and Chairman of Human Resources Committee
M R Johnston	Member of the Audit Committee
R J Khoza	Member of the Human Resources and Audit Committees
S Koseff	Member of the Human Resources Committee
W Y N Luhabe	—
A M Mazwai	Member of the Risk Management Committee
N S Nematswerani	Chairman of Audit Committee and member of the Risk Management Committee
N Payne	Chairman of Risk Management Committee and member of the Audit Committee
G T Serobe	Member of the Audit and Nomination Committees

#### Executive directors

R M Loubser	Chief Executive Officer and member of the Risk Management Committee
N F Newton-King	Deputy CEO
L V Parsons	Chief Operating Officer and member of the Risk Management Committee
J H Burke	Director: Issuer Services
G Rothschild	Director: Marketing

#### Alternate directors

A M Horowitz	Alternate to Mr Borkum
D Lawrence	Alternate to Mr Koseff, appointed 24 May 2005





## DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

### Appointments to the Board:

2 August 2005	Mr N S Nematswerani
2 August 2005	Mr N Payne

### Resignations from the Board:

8 March 2005	Mr P A Barnard
31 August 2005	Mr N Smith

In terms of the JSE's Memorandum and Articles of Association Mr N S Nematswerani and Mr N Payne retire at the Annual General Meeting to be held on 9 May 2006. Messrs A Botha, M R Johnston, R J Khoza and Ms G T Serobe retire by rotation. All retiring directors are eligible and available for re-election. A brief curriculum vitae for each director up for re-election appears on pages 144 to 150.

### Service contracts with directors

The CEO, all executive directors, the Company Secretary and the executive management of the JSE have signed contracts of employment with the JSE. Apart from the CEO, 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 CEO's service contract makes provision for a 12-month restraint of trade payable on termination of the CEO's employment. All the other clauses of the service contracts are standard clauses for contracts of this nature.

### Secretary

Mr G C Clarke is the Group Company Secretary.



## DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

### Directors' interests

The directors' interest are set out in note 27.1 and 27.2 of the annual financial statements. H J Borkum, P Barnard, A Horowitz, S Koseff, D Lawrence, A M Mazwai and N Smith may have indirect interests in the JSE by virtue of holding shares in authorised users, which in turn hold JSE shares. Other than these indirect interests, no other non-executive Director has any indirect beneficial or non-beneficial or direct non-beneficial share holding in the JSE. None of the executive directors has any indirect beneficial or non-beneficial or direct non-beneficial share holding in the JSE.

### Financial results

Group attributable earnings for the year ended 31 December 2005 was R106 997 000 (2004: R69 766 000) representing earnings per share of 1 283 cents (2004: 836 cents). Headline earnings per share were 1 220 cents per share (2004: 766 cents per share). It should be noted that the JSE maintains the JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust for investor protection purposes as required under the Securities Services Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the Group in terms of International Financial Reporting Standards. However, as these trusts are legal entities separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of the trusts. See note 5.4 of the annual financial statements.



# DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## Proposal to list

On 14 March 2006 the Board resolved to list the JSE and to submit a circular to shareholders to sub-divide each share of par value of R1 into ten ordinary shares of par value of 10 cents, implement a broad-based black empowerment initiative and implement a long-term employee incentive and retention scheme. A circular dealing with these proposals and the notice of General Meeting and pre-listing particulars will be sent to shareholders on or about 13 April 2006.

## Dividend policy

The Board is conscious of the fact that it needs to provide the most cost effective services to its clients while at the same time providing an acceptable return to its shareholders. In particular, the Board does not expect to increase the prices of the JSE's services for the purpose only of being able to provide a larger dividend to shareholders.

The earnings stream of the JSE is likely to be volatile and a dividend payout based on a cover on earnings would likely result in a volatile dividend. For this reason the Board believes that a policy of declaring a dividend of approximately 2,5% of the Group's net asset value calculated with reference to the audited annual financial statements would be a sustainable level at which to declare a dividend. The Board believes this dividend policy will ensure a stable and predictable base from which the annual dividend can grow.

At a 2,5% yield to net asset value and based on an over the counter price of JSE shares of R150, this implies a dividend yield of 0,92%. This is lower than the mid-range dividend yield of the international exchanges which are listed but is affected by the recent increase in the JSE share price.

At the same time, the Board believes that given the fact that the JSE is declaring a dividend for the first time, that it is subject to historically cyclical markets which dramatically impact the JSE's profitability and the fact that the JSE will need to invest substantial amounts in its technology for the foreseeable future, it is appropriate for the JSE to maintain a conservative dividend policy. The Board will review the policy every six months in light of the JSE's capital requirements.



## DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

The Board may in future decide not to declare any dividend or to declare a higher dividend if it believes that this is warranted in the circumstances. It is expected that only one dividend per year will be declared following the approval of the JSE's financial statements. This would be payable in June. The first dividend will be declared based on the JSE's results for the year ended 31 December 2005.

In accordance with the JSE's articles of association, the Company in general meeting or the Board may declare a dividend to be paid, but the Company in general meeting may not declare a larger dividend than is recommended by the Board. The Board may declare dividends which are unclaimed for a period of not less than 12 years from the date on which the dividend became payable, as forfeited for the benefit of the JSE.

### Share capital

Full details of the authorised, issued and unissued capital of the JSE are contained in note 16 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.

JSE shares are not listed on any exchange, but do trade "over the counter".



## **DIRECTORS' REPORT continued**

FOR THE YEAR ENDED 31 DECEMBER 2005

### **Resolutions**

No special resolutions were passed during 2005.

### **Loans by and to JSE**

No material loans have been made to or by the JSE.

### **Material commitments, lease payments and contingencies**

The JSE has a lease agreement with Standard Bank Properties (Pty) Limited in respect of the premises occupied by the JSE at Exchange Square, Gwen Lane, Sandton. Please refer to note 23.2.1 for details.

The JSE and the LSE have entered into an agreement in terms of which the LSE will operate the technology on which the JSE's equities trades are conducted and on which the information in relation to such trades is disseminated.

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

The JSE and Accenture South Africa (Pty) Limited ("Accenture"), have entered into an outsourcing contract and a separate information technology transformation contract which forms part of Project Orion. Project Orion is currently running behind schedule and the JSE has agreed with Accenture to pay further amounts towards the fixed fee. The JSE will not be able to determine the full extent of the delay or the final cost impact until its present discussions with Accenture in this regard have been concluded. Please refer to note 23.2.2 for details.

### **Material changes**

As at the date of this publication, there has been no material change in the financial or trading position of the JSE since the end of the last financial period.



## DIRECTORS' REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2005

### Staff complement

The staff complement (excluding fixed term contractors) of the JSE as at 31 December 2005, on a divisional basis, was as follows:

	2005	2004
Agricultural Products	5	5
CEO's Office	3	3
Class of Project	4	2
Clearing & Settlement (including the Settlement Authority)	11	10
Company Secretariat	20	20
Education (previously incorporated in Marketing)	8	—
Finance	18	18
Human Resources	6	6
Information Products Sales	7	8
Information Services	12	13
Issuer Services	30	28
Marketing (previously incorporating Education)	10	15
Operations and Services (including Customer Services and Support and IT)	40	38
Surveillance	21	21
Strategy & Legal Counsel	9	9
Trading	13	14
<b>TOTAL</b>	<b>217</b>	<b>210</b>



# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	GROUP		EXCHANGE	
		2005 R'000	Restated 2004 R'000	2005 R'000	Restated 2004 R'000
<b>Revenue</b>	2.1	<b>407 999</b>	350 670	<b>421 050</b>	361 437
Other operating income	2.2	<b>25 307</b>	26 117	<b>15 404</b>	15 019
Personnel expenses	3.1	<b>(117 414)</b>	(127 386)	<b>(117 414)</b>	(127 386)
Other operating expenses	3.2	<b>(276 820)</b>	(237 837)	<b>(264 465)</b>	(221 143)
<b>Operating profit before financing costs</b>		<b>39 072</b>	11 564	<b>54 575</b>	27 928
Interest received	3.3	<b>409 085</b>	354 785	<b>20 545</b>	22 122
Interest paid	3.4	<b>(370 246)</b>	(315 715)	<b>(3 544)</b>	(2 000)
<b>Net financing revenue</b>		<b>38 839</b>	39 070	<b>17 001</b>	20 122
Share of profit from associated companies	10	<b>23 966</b>	19 132	—	—
<b>Profit before tax</b>		<b>101 877</b>	69 766	<b>71 576</b>	48 050
Income tax	4	<b>5 120</b>	—	<b>5 124</b>	—
<b>Profit for the year</b>		<b>106 997</b>	69 766	<b>76 700</b>	48 050
Basic earnings per share (cents)	5.1	<b>1 282,9</b>	836,5	<b>919,6</b>	576,1



# BALANCE SHEETS

AS AT 31 DECEMBER 2005

		GROUP		EXCHANGE	
		2005	Restated	2005	Restated
Notes		R'000	R'000	R'000	R'000
<b>Assets</b>					
<b>Non-current assets</b>					
		448 457	333 723	350 666	287 252
Property and equipment	8.3	227 022	189 047	227 022	189 047
Other financial assets	9	116 654	89 300	4	4
Investments in associates	10	79 342	55 376	95 000	95 000
Investments in subsidiaries	11.1	—	—	3 201	3 201
Deferred taxation	18	25 439	—	25 439	—
<b>Current assets</b>		6 478 006	4 903 411	374 186	335 084
Trade and other receivables	13	82 888	71 492	48 268	41 393
Deferred government grant	1.10	1 005	—	1 005	—
Due from subsidiaries	11.2	—	—	8 173	5 138
Due from joint venture	12.5	426	—	426	—
Margin deposits	14.1	6 031 304	4 482 874	25 287	7 513
Collateral deposits	14.2	5 908	3 625	5 908	3 625
Cash and cash equivalents	15	356 475	345 420	285 119	277 415
<b>Total assets</b>		6 926 463	5 237 134	724 852	622 336
<b>Equity and liabilities</b>					
<b>Share capital and reserves</b>					
		682 604	558 927	522 156	445 283
Share capital	16.2	8 340	—	8 340	—
Share premium	16.2	162 779	—	162 779	—
JSE rights	16.2	—	171 119	—	171 119
Non-distributable reserve	16.3	10 058	10 058	—	—
Fair value reserve	16.4	45 581	29 075	—	—
Retained income	16.5	455 846	348 675	351 037	274 164
<b>Non-current liabilities</b>		77 421	79 995	77 421	83 157
Provisions	17	14 884	25 805	14 884	25 805
Deferred taxation	18	12 799	—	12 799	—
Operating lease liability	23.2	43 933	37 787	43 933	37 787
Due to SAFEX members	20	5 805	16 403	5 805	16 403
Due to subsidiaries	11.3	—	—	—	3 162
<b>Current liabilities</b>		6 166 438	4 598 212	125 275	93 897
Trade and other payables	21	95 017	75 008	58 763	46 054
Income tax payable		7 680	—	7 515	—
Operating lease liability	23.2	24 969	22 495	24 969	22 495
Derivative financial instruments	22	1 560	4 335	1 560	4 335
Margin deposits	14.1	6 031 304	4 482 874	25 287	7 513
Collateral deposits	14.2	5 908	3 625	5 908	3 625
Due to SAFEX members	20	—	9 875	—	9 875
Due to subsidiaries	11.3	—	—	1 273	—
<b>Total equity and liabilities</b>		6 926 463	5 237 134	724 852	622 336





# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

Group	Notes	JSE Guarantee Fund Trust R'000	JSE Deri- vatives Fidelity Fund Trust R'000	JSE Rights R'000	Share Capital R'000	Share Premium R'000	Non- distri- butable Reserve R'000	Retained income R'000	Total R'000
Balance at 1 January 2004 (restated)		92 663	50 000	171 119	—	—	10 058	157 037	480 877
As previously reported		92 663	50 000	169 619	—	—	10 058	206 467	528 807
Operating lease adjustment	7.1	—	—	—	—	—	—	(49 430)	(49 430)
Increase in rights	7.2	—	—	1 500	—	—	—	—	1 500
Change in accounting policy:									
Transfer from retained income	6.1	(20 790)	—	—	—	—	—	—	(20 790)
Transfer to fair value reserve	6.1	20 790	—	—	—	—	—	—	20 790
Fair value gains on available-for-sale instruments		8 284	—	—	—	—	—	—	8 284
Profit for the year		2 721	—	—	—	—	—	67 045	69 766
<b>Balance at 31 December 2004</b>		<b>103 668</b>	<b>50 000</b>	<b>171 119</b>	<b>—</b>	<b>—</b>	<b>10 058</b>	<b>224 082</b>	<b>558 927</b>
Rights converted to shares on demutualisation	16.1	—	—	(171 119)	8 340	162 779	—	—	—
Shares acquired for employees net of IFRS 2 cost	19.2	—	—	—	—	—	—	174	174
Fair value gains on available-for-sale instruments		16 234	272	—	—	—	—	—	16 506
Profit for the year		6 320	—	—	—	—	—	100 677	106 997
<b>Balance at 31 December 2005</b>		<b>126 222</b>	<b>50 272</b>	<b>—</b>	<b>8 340</b>	<b>162 779</b>	<b>10 058</b>	<b>324 933</b>	<b>682 604</b>
<b>Exchange</b>									
Balance at 1 January 2004 (restated)				171 119	—	—	—	226 113	397 232
As previously reported				169 619	—	—	10 058	206 729	386 406
Operating lease adjustment	7.1			—	—	—	—	(49 430)	(49 430)
Increase in rights	7.2			1 500	—	—	—	—	1 500
Change in accounting policy:									
Investments in associates	6.2			—	—	—	(10 058)	68 814	58 756
Profit for the year				—	—	—	—	48 050	48 050
<b>Balance at 31 December 2004</b>				<b>171 119</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>274 163</b>	<b>445 282</b>
Rights converted to shares on demutualisation	16.1			(171 119)	8 340	162 779	—	—	—
Shares acquired for employees net of IFRS 2 cost	19.2			—	—	—	—	174	174
Profit for the year				—	—	—	—	76 700	76 700
<b>Balance at 31 December 2005</b>				<b>—</b>	<b>8 340</b>	<b>162 779</b>	<b>—</b>	<b>351 037</b>	<b>522 156</b>



# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	GROUP		EXCHANGE	
		2005 R'000	Restated 2004 R'000	2005 R'000	Restated 2004 R'000
<b>Cash generated by operations</b>	25.1	<b>39 237</b>	58 622	<b>55 922</b>	71 165
Interest received		<b>404 553</b>	354 785	<b>20 545</b>	22 122
Interest paid		<b>(361 886)</b>	(315 715)	<b>(3 544)</b>	(2 000)
<b>Net cash inflow from operating activities</b>		<b>81 904</b>	97 692	<b>72 923</b>	91 287
<b>Cash flows from investing activities</b>					
<i>Investment to maintain operations</i>		<b>(829)</b>	(1 726)	<b>(829)</b>	(1 726)
Replacement of property and equipment		<b>(857)</b>	(1 792)	<b>(857)</b>	(1 792)
Proceeds on disposal of property and equipment		<b>28</b>	66	<b>28</b>	66
<i>Investment to expand operations</i>		<b>(70 020)</b>	(96 114)	<b>(64 390)</b>	(98 893)
Proceeds on maturity of other financial assets		<b>57 898</b>	26 410	<b>—</b>	—
Additions to other financial assets		<b>(63 528)</b>	(23 631)	<b>—</b>	—
Leasehold improvements		<b>(2 841)</b>	(118)	<b>(2 841)</b>	(118)
Additions to property and equipment		<b>(61 549)</b>	(98 775)	<b>(61 549)</b>	(98 775)
<b>Net cash outflow from investing activities</b>		<b>(70 849)</b>	(97 840)	<b>(65 219)</b>	(100 619)
<b>Cash flows from financing activities</b>					
Dispossessed Members' Fund recovery		<b>—</b>	3 189	<b>—</b>	3 189
<b>Net cash inflow from financing activities</b>		<b>—</b>	3 189	<b>—</b>	3 189
Net increase/(decrease) in cash and cash equivalents		<b>11 055</b>	3 041	<b>7 704</b>	(6 142)
Cash and cash equivalents at beginning of year		<b>345 420</b>	342 379	<b>277 415</b>	283 557
<b>Cash and cash equivalents at end of year</b>	15	<b>356 475</b>	345 420	<b>285 119</b>	277 415



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1. ACCOUNTING POLICIES

The JSE Limited ("JSE") is duly registered and incorporated in South Africa and is licensed as an exchange in terms of the Securities Services Act, No. 36 of 2004. The annual financial statements incorporate the principal accounting policies set out below, and are consistent with those adopted in the previous financial year except as disclosed in notes 6 and 7.

### 1.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

### 1.2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 1.3 BASIS OF CONSOLIDATION

#### 1.3.1 *Subsidiaries*

Subsidiaries are those entities over whose financial and operating policies the Group has the ability to exercise control, so as to obtain benefits from their activities. The Group financial statements incorporate the assets, liabilities and results of the operations of the SAFEX Clearing Company (Pty) Limited ("SAFCOM"), the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust and JSE Trustees (Pty) Limited. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### 1.3.2 *Associates*

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



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1. ACCOUNTING POLICIES *(continued)*

### 1.3.3 *Joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's equity accounted share of ITRIX Holdings (Pty) Limited using the equity method, from the date that joint control commences until the date that joint control ceases.

### 1.3.4 *Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 1.4 RESEARCH AND DEVELOPMENT

Expenditure and research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Exchange has sufficient resources to complete the development. The expenditure capitalised includes the cost of direct consulting charges, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The amortisation period is assessed annually.

## 1.5 FINANCIAL INSTRUMENTS

### *Measurement*

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

#### *Trade and other receivables*

Trade and other receivables originated by the Group are stated at cost less impairment losses.

#### *Trade and other payables*

Trade and other payables are stated at cost.

#### *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1. ACCOUNTING POLICIES (continued)

### 1.5 FINANCIAL INSTRUMENTS (continued)

#### *Derivative financial instruments*

The Exchange uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. The Exchange does not hold derivative financial instruments for trading purposes. Derivative instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value and the resultant gains or losses are recognised in the income statement.

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

Available-for-sale financial assets are carried at fair value with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

#### *Financial liabilities*

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

### 1.6 PROPERTY AND EQUIPMENT

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated over the estimated useful lives of the assets. Subsequent expenditure relating to an asset is capitalised when it is probable that future economic benefits associated with the items will flow to the entity and the cost of the items can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Residual values and estimated useful lives are reassessed annually.

### 1.7 IMPAIRMENTS

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

### 1.8 OPERATING LEASES

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

### 1.9 REVENUE

#### *Services rendered*

The following lines of business contribute to the JSE's revenue: listings, trading, clearing and settlement, technology and related services and information product sales. Revenue is recognised in the financial year to which it relates. All revenue is reflected excluding VAT.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1. ACCOUNTING POLICIES *(continued)*

### 1.10 GOVERNMENT GRANTS

Government grants from the dti relating to the Alt<sup>x</sup> market and the Financial Deepening Challenge Fund established by the UK government amongst others, relating to the establishment of the Socially Responsible Investment Index are recognised in the income statement as other operating income on a systematic basis in the same periods in which the expenses are incurred. The government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Exchange will comply with the conditions attaching to it.

### 1.11 INTEREST

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

### 1.12 OTHER INCOME

Other income comprises investment income, foreign exchange gains, income in regards to government grants and sundry income.

### 1.13 FOREIGN CURRENCY

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

### 1.14 PROVISIONS

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

### 1.15 EMPLOYEE BENEFITS

#### 1.15.1 *Short-term employee benefits*

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

#### 1.15.2 *Pension and provident funds*

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

#### 1.15.3 *Medical aid*

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

#### 1.15.4 *Leave pay*

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



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1. ACCOUNTING POLICIES *(continued)*

### 1.16 TAXATION

#### 1.16.1 *Current taxation*

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

The JSE's exemption from income taxation in terms of section 10(1)(d) of the Income Tax Act, No. 58 of 1962, was removed by National Treasury with effect from 1 July 2005 and consequently the standard company tax rate applies.

#### 1.16.2 *Deferred taxation*

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement except to the extent that it relates to a transaction that is recorded directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

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

### 1.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits.

### 1.18 SEGMENT REPORTING

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

### 1.19 NET ASSET VALUE

Net asset value is arrived at by deducting from total assets all current and non-current liabilities.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>2. REVENUE AND OTHER OPERATING INCOME</b>				
<b>2.1 REVENUE COMPRISES:</b>				
Equities trading fees	81 409	63 839	81 409	63 839
Equity derivatives fees	48 802	39 544	48 802	39 544
Agricultural products fees	32 498	37 527	32 498	37 527
Yield-X fees	59	—	59	—
Risk management, clearing and settlement fees	50 993	40 921	50 993	40 921
Information sales	46 144	42 150	46 144	42 150
Membership fees	5 705	5 738	5 705	5 738
Listing fees	54 950	50 377	54 950	50 377
Broker Deal Accounting services	64 817	54 781	64 817	54 781
Funds management and other	22 622	15 793	35 673	26 560
	<b>407 999</b>	<b>350 670</b>	<b>421 050</b>	<b>361 437</b>
<b>2.2 OTHER OPERATING INCOME COMPRISES:</b>				
Bad debts recovered	214	3	214	3
JSE Guarantee Fund Trust	9 887	9 298	—	—
— dividend income	2 674	2 448	—	—
— gain on sale of other financial assets	5 213	5 834	—	—
— other income	2 000	1 016	—	—
Rental income	5 423	4 564	5 423	4 564
Government grants	4 846	2 012	4 846	2 012
Foreign exchange profit	3 074	—	3 074	—
Profit on sale of property and equipment	—	40	—	40
Sundry income	1 863	10 200	1 847	8 400
— Dispossessed Members' Fund recovery	—	3 189	—	3 189
— other	1 863	7 011	1 847	5 211
	<b>25 307</b>	<b>26 117</b>	<b>15 404</b>	<b>15 019</b>





# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

		GROUP		EXCHANGE	
	Notes	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>3. PROFIT BEFORE TAXATION comprises:</b>					
<b>3.1 PERSONNEL EXPENSES</b>					
Remuneration paid to employees	19	94 442	92 361	94 442	92 361
Contribution to defined contribution plans		4 981	4 852	4 981	4 852
Directors' emoluments	27	17 291	14 799	17 291	14 799
– executive directors	19	14 896	13 071	14 896	13 071
– non-executive directors		2 363	1 673	2 363	1 673
Remuneration paid other than to employees for technical services		732	15 429	732	15 429
		<b>117 414</b>	<b>127 386</b>	<b>117 414</b>	<b>127 386</b>
<b>3.2 OTHER OPERATING EXPENSES</b>					
are arrived at after taking into account:					
Auditor's remuneration		2 599	1 073	2 441	976
– audit fee		1 328	875	1 180	778
– fees for other services		199	40	192	40
– fees for other assurance services		992	158	992	158
– prior year under accrual		80	—	77	—
Consulting fees		10 687	10 513	10 687	10 513
– strategic		3 629	5 676	3 629	5 676
– other		7 058	4 837	7 058	4 679
Depreciation		26 502	25 690	26 502	25 690
– Computer hardware		2 638	3 941	2 638	3 941
– owned		2 397	3 364	2 397	3 364
– leased		241	577	241	577
– Computer software		18 199	16 215	18 199	16 215
– Furniture and equipment		2 216	2 109	2 216	2 109
– Leasehold improvements		3 436	3 408	3 436	3 408
– Vehicles		13	17	13	17



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

Note	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>3. PROFIT BEFORE TAXATION comprises: (continued)</b>				
<b>3.2 OTHER OPERATING EXPENSES</b>				
Foreign exchange loss	—	7 494	—	7 494
Impairment to trade receivables	—	620	—	620
Legal fees	2 878	3 177	2 878	3 177
Loss on sale of property and equipment	3	—	3	—
Mainframe operations	40 561	42 319	40 561	42 319
Operating lease charges	29 211	22 134	29 211	22 134
– building	27 850	20 878	27 850	20 878
– office equipment	1 361	1 256	1 361	1 256
Other computer operations	59 277	43 060	59 277	43 060
Software maintenance	34 139	26 908	34 139	26 908
<b>3.3 INTEREST RECEIVED</b>				
Own funds	17 759	20 205	17 759	19 761
JSE Guarantee Fund Trust and JSE Derivatives				
Fidelity Fund Trust	4 011	7 835	—	—
Interest received on guarantees	652	536	652	536
Interest received on margin deposits	386 663	326 209	2 134	1 825
– equities	2 134	1 825	2 134	1 825
– derivatives	384 529	324 384	—	—
	409 085	354 785	20 545	22 122
<b>3.4 INTEREST PAID</b>				
Finance costs	1 620	186	1 620	135
Interest paid on collateral deposits	118	536	118	536
Interest paid on margin deposits	368 508	314 993	1 806	1 329
– equities	1 806	1 329	1 806	1 329
– derivatives	366 702	313 664	—	—
	370 246	315 715	3 544	2 000



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

		GROUP		EXCHANGE	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>4. INCOME TAX EXPENSE</b>					
4.1	TAXATION	(5 120)	—	(5 124)	—
	– Current tax expense	7 519	—	7 515	—
	– current year				
	– Deferred tax income	(25 438)	—	(25 438)	—
	– origination of deductible temporary differences				
	– Deferred tax expense	12 799	—	12 799	—
	– origination of taxable temporary differences				
		GROUP		EXCHANGE	
		2005 %	2004 %	2005 %	2004 %
4.2	RECONCILIATION OF EFFECTIVE TAX RATE				
	– Current tax rate	29,00	0,00	29,00	0,00
	– Non-taxable income	(17,54)	0,00	(12,84)	0,00
	– Non-deductible expenses	1,74	0,00	2,46	0,00
	– Change in tax rate	(18,28)	0,00	(25,78)	0,00
		(5,08)	0,00	(7,16)	0,00

With the loss of the tax exempt status of JSE Limited, it was necessary to agree with the South African Revenue Service what the tax values of assets and liabilities would be at 1 July 2005. This discussion started in August 2004 but has not yet been concluded, therefore amounts reflected are based on JSE estimates.

# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000

## 5. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share and headline earnings per share for the year ended 31 December 2004 have been calculated on the same basis as 2005, with the assumption that the shares (as opposed to rights) were in issue for the full year, to offer enhanced comparability.

### 5.1 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2005 of 1 282,9 cents per share (Exchange: 919,6 cents) was based on the Group net profit for the year of R107,0 million (Exchange: R76,7 million) and a weighted average number of ordinary shares in issue during the year ended 31 December 2005 of 8 340 250 calculated as reflected in note 5.3:

Net profit for the year	106 997	69 766	76 700	48 050
Basic earnings per share (cents)	1 282,9	836,5	919,6	576,1

### 5.2 HEADLINE EARNINGS PER SHARE

The calculation of headline earning per share at 31 December 2005 of 1 220,4 cents per share (Exchange: 919,7 cents) was based on the consolidated Group headline earnings of R101,8 million (Exchange: R76,7 million) and a weighted average number of ordinary shares in issue during the year ended 31 December 2005 of 8 340 250 calculated as reflected in note 5.3:

Reconciliation of headline earnings:

Profit attributable to ordinary shareholders	106 997	69 766	76 700	48 050
<i>Adjustments are made to the following:</i>				
Loss/(profit) on sale of property and equipment	3	(40)	3	(40)
Profit on realisation of available-for-sale instruments	(5 213)	(5 834)	—	—
Headline earnings	101 787	63 892	76 703	48 010
Headline earnings per share (cents)	1 220,4	766,1	919,7	575,6



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 Shares	2004 Rights	2005 Shares	2004 Rights
<b>5. EARNINGS AND HEADLINE EARNINGS</b>				
<b>PER SHARE</b> <i>(continued)</i>				
<b>5.3 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES</b>				
Issued ordinary shares at 1 January 2005	—	—	—	—
Number of shares issued in exchange for proprietary rights on 1 July 2005	8 340 250	8 340 250	8 340 250	8 340 250
Weighted average number of ordinary shares at 31 December 2005	8 340 250	8 340 250	8 340 250	8 340 250
There were no additional share issues or dilutions during the year.				
<b>5.4 SHAREHOLDERS' INTEREST IN INVESTOR PROTECTION FUNDS</b>				
The JSE maintains the JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust for investor protection purposes as required under the Securities Services Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the Group in terms of International Financial Reporting Standards. However, as these trusts are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of such trusts.				
The contribution these funds make to the earnings and the net asset value of the Group are as follows:				
<b>EFFECT OF THESE FUNDS ON EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE:</b>				
Basic earnings per share (cents)		76 cents		
Headline earnings per share (cents)		76 cents		
Net asset value per share (cents)		2 116 cents		

## 6. CHANGES IN ACCOUNTING POLICIES

### 6.1 CHANGE OF THE ACCOUNTING FOR FAIR VALUE OF FINANCIAL INSTRUMENTS CLASSIFIED AS AVAILABLE-FOR-SALE.

The change in accounting policy is as a result of a change in the International Financial Reporting Standard, IAS 39 Financial Instruments: Recognition and Measurement, effective 1 January 2005.

The investments held by the JSE Guarantee Fund Trust are classified as available-for-sale and in terms of the previous requirements of IAS 39, the JSE elected to recognise any changes to the fair value of the available-for-sale financial instruments in the income statement.

In terms of the revised IAS 39 changes to the fair value of financial instruments classified as available-for-sale should be taken directly to equity with impairment losses recognised in the income statement. This change in accounting policy has no impact on the carrying value of investments. There is no effect on the Exchange financials.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 6. CHANGES IN ACCOUNTING POLICIES (continued)

The impact of this change in the accounting policy as at 31 December 2004 to the JSE Group is as follows:

	Change before tax R'000	Tax effect R'000	After tax R'000
Fair value gain taken directly to equity	8 284	—	8 284
Net profit for the year	(8 284)		

There is no effect on reserves

EFFECT OF THIS CHANGE ON EARNINGS PER SHARE:

Basic earnings per share (cents) (99 cents)

Headline earnings per share (cents) (99 cents)

### 6.2 CHANGE IN THE BASIS OF ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

The change in accounting policy is as a result of a change in the International Financial Reporting Standard, IAS 28: Investments in Associates, effective 1 January 2005.

Previously, the JSE elected to recognise its share of the profits of its associated companies, using the equity accounting method, in its separate financial statement as permitted by the previous requirements of IAS 28.

In terms of the revised IAS 28, the Exchange's share of the profits from associated companies may only be shown in the Group financial statements, while the investment has been elected to be shown at cost in the balance sheet of the Exchange. This adjustment has no effect on the Group financial statements.

The impact of this change in the accounting policy as at 31 December 2004 to the Exchange is as follows:

	Change before tax R'000	Tax effect R'000	After tax R'000
Decrease in non-distributable reserve	(10 058)	—	(10 058)
Increase in retained earnings	68 814	—	68 814
Decrease in net income after tax	(19 132)	—	(19 132)
Increase in carrying value of investment in associate	(39 624)	—	(39 624)
	—	—	—

EFFECT OF THIS CHANGE ON EARNINGS PER SHARE:

Basic earnings per share (cents) (229 cents)

Headline earnings per share (cents) (229 cents)



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 7. RESTATEMENTS

### 7.1 OPERATING LEASE PAYMENTS

Past practice, whereby operating lease payments were expensed on a payments basis, was based on an interpretation that was generally accepted in the South African community. This interpretation recognised the contractual payments basis as being most representative of the time pattern of the JSE's benefit obtained from the leased property. The JSE is obliged to adopt a straight-line basis of accounting for all lease payments required to be made over the entire lease period. This has therefore been adjusted with immediate effect in terms of IAS 17. Comparative figures have been restated accordingly. The impact of this change in the South African interpretation of the standard to the JSE Group and Exchange as at 31 December 2004 is as follows:

	Change before tax R'000	Tax effect R'000	After tax R'000
Decrease in retained earnings	(49 430)	—	(49 430)
Increase in lease expenses	(10 850)	—	(10 850)
Increase in IAS 17 lease liability	60 280	—	60 280
	—	—	—

#### EFFECT OF THIS CHANGE ON EARNINGS PER SHARE:

Basic earnings per share (cents)	(130 cents)
Headline earnings per share (cents)	(130 cents)

### 7.2 JSE RIGHTS

During 2004 the number of recorded JSE rights in issue was increased from 8 281,50 to 8 340,25. This was as a result of a thorough examination of the rights register undertaken on its retrieval from the previous transfer secretaries. On further review of the rights register the value of the rights in issue was increased by R1,5 million which was subsequently received in cash.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 7. RESTATEMENTS

### 7.3 JSE TRUSTEES (PTY) LIMITED

JSE Trustees (Pty) Limited ("JSE Trustees") acts as an agent for all funds placed by equities members of the JSE on behalf of their clients and other counterparties. JSE Trustees invests for the clients and administers the funds on behalf of the equities members. JSE Trustees charges an administration fee for this service.

The financial information relating to JSE Trustees has historically been included as an annexure to the JSE Limited accounts. It is more appropriate to consolidate this financial information with that of the JSE Group Financial Statements.

The impact of consolidating JSE Trustees (Pty) Limited on the results of the JSE Group as at 31 December 2004 is as follows:

	Change before tax R'000	Tax effect R'000	After tax R'000
Increase in trade and other receivables	63	—	63
Increase in trade and other payables	(63)	—	(63)
Increase in revenue	2 044	—	2 044
Increase in other operating expenses	(2 044)	—	(2 044)
	—	—	—
<b>EFFECT OF THIS CHANGE ON EARNINGS PER SHARE:</b>			
Basic earnings per share (cents)	nil		
Headline earnings per share (cents)	nil		





# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Computer hardware R'000	Computer software R'000	Software under development R'000	Furniture and Equipment R'000	Leased assets R'000	Leasehold improvements R'000	Vehicles R'000	Total R'000
<b>8. PROPERTY AND EQUIPMENT</b>								
<b>8.1 COST</b>								
<b>GROUP AND EXCHANGE 2005</b>								
Balance at 1 January 2005	50 943	102 665	98 026	20 141	1 732	51 750	101	325 358
Acquisitions	2 546	11 700	46 881	3 517	—	605	—	65 249
Disposals	(24 530)	(15 981)	—	(11)	—	—	—	(40 522)
Balance at 31 December 2005	28 959	98 384	144 907	23 647	1 732	52 355	101	350 085
<b>GROUP AND EXCHANGE 2004</b>								
Balance at 1 January 2004	50 439	101 216	—	20 047	1 732	51 632	101	225 167
Acquisitions	1 000	1 449	98 026	94	—	118	—	100 687
Disposals	(496)	—	—	—	—	—	—	(496)
Balance at 31 December 2004	50 943	102 665	98 026	20 141	1 732	51 750	101	325 358
<b>8.2 DEPRECIATION AND IMPAIRMENT LOSSES</b>								
<b>GROUP AND EXCHANGE 2005</b>								
Balance at 1 January 2005	47 392	64 272	—	8 765	1 443	14 372	67	136 311
Depreciation charge for the year	2 397	18 199	—	2 216	241	3 436	13	26 502
Disposals	(24 505)	(15 981)	—	—	—	—	—	(40 486)
Impairment losses	—	736	—	—	—	—	—	736
Balance at 31 December 2005	25 284	67 226	—	10 981	1 684	17 808	80	123 063

# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Computer hardware R'000	Computer software R'000	Software develop- ment R'000	Furniture and Equip- ment R'000	Leased assets R'000	Leasehold improve- ments R'000	Vehicles R'000	Total R'000
<b>8. PROPERTY AND EQUIPMENT</b> <i>(continued)</i>								
GROUP AND EXCHANGE								
2004								
Balance at 1 January 2004	44 497	48 057	—	6 654	866	10 964	50	111 088
Depreciation charge for the year	3 364	16 215	—	2 111	577	3 408	17	25 692
Disposals	(469)	—	—	—	—	—	—	(469)
Impairment losses	—	—	—	—	—	—	—	—
Balance at 31 December 2005	47 392	64 272	—	8 765	1 443	14 372	67	136 311
<b>8.3 CARRYING AMOUNTS</b>								
GROUP AND EXCHANGE								
2005								
At 1 January 2005	3 551	38 393	98 026	11 376	289	37 378	34	189 047
At 31 December 2005	3 675	31 158	144 907	12 666	48	34 547	21	227 022
GROUP AND EXCHANGE								
2004								
At 1 January 2004	5 942	53 159	—	13 393	866	40 668	51	114 079
At 31 December 2004	3 551	38 393	98 026	11 376	289	37 378	34	189 047

# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>9. OTHER FINANCIAL ASSETS</b>				
<b>9.1 JSE INVESTMENTS</b>				
Emerging Enterprise Zone (Pty) Limited	1	1	1	1
Open Outcry Investment Holdings (Pty) Limited	1	1	1	1
Indexco Limited, Indexco II Limited and Indexco III Limited	1	1	1	1
Stock Exchange Nominees (Pty) Limited	1	1	1	1
	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>9.2 JSE DERIVATIVES FIDELITY FUND TRUST</b>				
Equities – fair value	11 796	—	—	—
<b>9.3 JSE GUARANTEE FUND TRUST</b>				
Bonds – fair value	14 942	36 909	—	—
Equities – fair value	88 672	45 729	—	—
Foreign unit trusts – fair value	0	5 703	—	—
Unit trusts – fair value	1 240	955	—	—
	<b>104 854</b>	<b>89 296</b>	<b>—</b>	<b>—</b>
Total investments	<b>116 654</b>	<b>89 300</b>	<b>4</b>	<b>4</b>

## 10. INVESTMENTS IN ASSOCIATES

### 10.1 CARRYING AMOUNT

STRATE Limited

– Carrying amount at beginning of year

– Share of profit

– Carrying amount at end of year

Indexco Managers (Pty) Limited

– Carrying amount at beginning of year

– Share of profit

– Carrying amount at end of year

Satrix Managers (Pty) Limited

– Carrying amount at beginning of year

– Share of profit

– Carrying amount at end of year

### Total investments in associates

A zero indicates less than R1 000

	55 388	36 280	95 000	95 000
	23 939	19 108	—	—
	<b>79 327</b>	<b>55 388</b>	<b>95 000</b>	<b>95 000</b>
	(20)	(36)	0	0
	18	16	0	0
	(2)	(20)	0	0
	8	0	0	0
	9	8	0	0
	17	8	0	0
<b>Total investments in associates</b>	<b>79 342</b>	<b>55 376</b>	<b>95 000</b>	<b>95 000</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	STRATE Limited		Indexco Managers (Pty) Limited		Satrix Managers (Pty) Limited		Total	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>10. INVESTMENTS IN ASSOCIATES</b>								
<i>(continued)</i>								
<b>10.2 GROUP SHARE OF POST ACQUISITION PROFIT/(LOSS)</b>								
Share of opening accumulated (loss)/profit	(39 612)	(58 720)	(20)	(36)	8	—	(39 624)	(58 756)
Share of profit after tax	23 939	19 108	18	16	9	8	23 966	19 132
Share of closing accumulated (loss)/profit	(15 673)	(39 612)	(2)	(20)	17	8	(15 658)	(39 624)
<b>10.3 SUMMARISED FINANCIAL STATEMENTS</b>								
Net non-current assets	52 597	82 691	662	186	497	19	53 756	82 896
Net current assets/ (liabilities)	140 883	52 400	(686)	(248)	11	695	140 208	52 847
	193 480	135 091	(24)	(62)	508	714	193 964	135 743
Share capital	225 000	225 000	1	1	1	1	225 002	225 002
Capital redemption reserve fund	50	50	—	—	—	—	50	50
Accumulated (loss)/profit	(31 570)	(89 959)	(30)	(68)	25	24	(31 575)	(90 003)
Share capital and reserves	193 480	135 091	(29)	(67)	26	25	193 477	135 049
Shareholders' loans	—	—	5	5	482	689	487	694
	193 480	135 091	(24)	(62)	508	714	193 964	135 743
Revenue	157 863	137 222	—	397	3 966	23	161 829	137 642
Operating expenses	(79 135)	(111 282)	30	(310)	(4 034)	(36)	(83 139)	(111 628)
Net finance revenue/(costs)	4 872	(748)	49	103	104	48	5 025	(597)
Taxation	(25 212)	21 412	(24)	(157)	(11)	(11)	(25 247)	21 244
<b>Income for the year</b>	<b>58 388</b>	<b>46 604</b>	<b>55</b>	<b>32</b>	<b>25</b>	<b>24</b>	<b>58 468</b>	<b>46 660</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Carrying amount	Effective group holding		Number of shares held		Directors' valuation	
	2005 R'000	2005 %	2004 %	2005	2004	2005 R'000	2004 R'000
<b>10. INVESTMENTS IN ASSOCIATES</b>							
<i>(continued)</i>							
<b>10.4 UNLISTED ASSOCIATED COMPANIES</b>							
<b>GROUP</b>							
STRATE Limited	79 327	41	41	12 000	12 000	95 000	55 388
Indexco Managers (Pty) Limited	(2)	33	33	50	50	—	(20)
Satrix Managers (Pty) Limited	17	33	33	50	50	17	8
	<b>79 342</b>			<b>12 100</b>	12 100	<b>95 017</b>	55 376
<b>EXCHANGE</b>							
STRATE Limited	95 000	41	41	12 000	12 000	95 000	55 388
Indexco Managers (Pty) Limited	0	33	33	50	50	—	(20)
Satrix Managers (Pty) Limited	0	33	33	50	50	17	8
	<b>95 000</b>			<b>12 100</b>	12 100	<b>95 017</b>	55 376
<i>A zero indicates less than R1 000</i>							



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Number of shares issued 2005	Percentage holding		Value of shares held	
		2005 %	2004 %	2005 R'000	2004 R'000
<b>11. INVESTMENTS IN SUBSIDIARIES</b>					
<b>11.1 ISSUED SHARE CAPITAL DIRECTLY HELD</b>					
SAFEX Clearing Company (Pty) Limited					
– ordinary shares	8 300	11	11	1	1
– redeemable convertible preference shares	160	100	100	3 200	3 200
				3 201	3 201
<b>EXCHANGE</b>					
				2005 R'000	2004 R'000
<b>11.2 LOANS DUE BY SUBSIDIARIES</b>					
SAFEX Clearing Company (Pty) Limited				1 549	11
JSE Derivatives Fidelity Fund Trust				4 012	3 549
JSE Trustees (Pty) Limited				2 612	1 578
				8 173	5 138
<b>11.3 LOANS DUE TO SUBSIDIARIES</b>					
JSE Guarantee Fund Trust				(1 273)	(3 162)
NET LOANS DUE BY SUBSIDIARIES				6 900	1 976
<b>11.4 NET INVESTMENT IN SUBSIDIARIES</b>					
Shares at cost less amounts written off				3 201	3 201
Net loans due by subsidiaries				6 900	1 976
Net investment in subsidiaries				10 101	5 177

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

All subsidiaries are incorporated in South Africa.

Loans to and from subsidiaries are interest free and have no fixed dates of repayment.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>12. INVESTMENT IN JOINT VENTURE</b>				
12.1 CARRYING AMOUNT				
Loan to joint venture	426	—	—	—
Share of profit/(loss)				
– ITRIX Holdings (Pty) Limited	—	—	—	—
<b>Carrying amount at end of year</b>	<b>426</b>	<b>—</b>	<b>—</b>	<b>—</b>
During the year the Group entered into a joint venture agreement with a financial services provider relating to the abovementioned entity. The joint venture is incorporated in South Africa. Losses in the joint venture are not guaranteed and therefore losses in excess of the carrying value of the investment are not recognised in the Group.				
12.2 POST ACQUISITION SHARE OF LOSS				
Share of income after tax	—	—	—	—
Share of closing accumulated loss	—	—	—	—
			ITRIX Holdings (Pty) Limited	
			2005 R'000	2004 R'000
12.3 SUMMARISED FINANCIAL STATEMENTS				
Net non-current liabilities			—	—
Net current assets/(liabilities)			532	—
			<b>532</b>	<b>—</b>
Share capital			1	—
Accumulated loss			(1 848)	—
Share capital and reserves			(1 847)	—
Net non-current liabilities			1 953	—
Current liabilities			426	—
			<b>532</b>	<b>—</b>
Revenue			435	—
Operating expenses			(2 283)	—
<b>Loss for the year</b>			<b>(1 848)</b>	<b>—</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Carrying amount		Effective Group		Number of shares held
	Group 2005 R'000	Exchange 2005 R'000	%	%	
<b>12. INVESTMENT IN JOINT VENTURE</b> <i>(continued)</i>					
12.4 UNLISTED JOINT VENTURES					
ITRIX Holdings (Pty) Ltd	426	426	50	0	50
Total	426	426	50	0	50

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
12.5 LOAN TO JOINT VENTURE				
ITRIX Holdings (Pty) Ltd	426	—	426	—

The amount due by the joint venture bears interest at a rate of 60 basis points above Jibar, with no fixed terms of repayment.

## 13. TRADE AND OTHER RECEIVABLES

Trade receivables	32 379	29 550	32 206	27 910
JSE Guarantee Fund Trust receivables	3 551	5 186	—	—
Prepaid expenses	6 776	5 127	6 776	5 127
Interest receivable	29 878	24 369	1 674	1 096
Other	10 304	7 260	7 612	7 260
	82 888	71 492	48 268	41 393





# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>14. MARGIN AND COLLATERAL DEPOSITS</b>				
Margin and collateral deposits received are managed and invested on behalf of authorised users in terms of the JSE's rules. These funds have been placed with A1+ rated banks.				
<b>14.1 MARGIN DEPOSITS</b>	<b>6 031 304</b>	4 482 874	<b>25 287</b>	7 513
– equities	<b>25 287</b>	7 513	<b>25 287</b>	7 513
– derivatives funds held by SAFEX Clearing Company (Pty) Limited	<b>6 006 017</b>	4 475 361	—	—
<b>14.2 COLLATERAL DEPOSITS</b>				
The JSE acts as an agent in securities lending transactions necessary to facilitate electronic settlement in the STRATE environment. At year-end interest-bearing collateral deposits of R5,8 million (2004: R3,6 million) have been lodged as security against securities lending transactions with a market value of R4,7 million (2004: R3,0 million).				
– equities	<b>5 908</b>	3 625	<b>5 908</b>	3 625
<b>15. CASH AND CASH EQUIVALENTS</b>				
Cash on deposits and bank balances comprises:				
Bank balances	<b>89 255</b>	110 412	<b>89 255</b>	110 412
Call deposits	<b>195 864</b>	167 003	<b>195 864</b>	167 003
SAFEX Clearing Company (Pty) Limited – call	<b>12 557</b>	8 329	—	—
JSE Guarantee Fund Trust – call	<b>16 308</b>	6 139	—	—
JSE Derivatives Fidelity Fund Trust – call	<b>42 491</b>	53 537	—	—
	<b>356 475</b>	345 420	<b>285 119</b>	277 415



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005	2004	2005	2004
<b>16. CAPITAL AND RESERVES</b>				
<b>16.1. RIGHTS/SHARES IN ISSUE</b>				
Rights in issue at 1 January 2005	8 340,25	8 340,25	8 340,25	8 340,25
Rights converted into shares at 1 000 shares per right held	8 340 250	0	8 340 250	0
Shares in issue at 31 December 2005 – fully paid	8 340 250	0	8 340 250	0
At 31 December 2005, the authorised share capital comprised 40 000 000 ordinary shares of R1 each (2004: nil). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to a vote per share at meetings of the company.				
	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>16.2 SHARE CAPITAL</b>				
Shares in issue at 31 December 2005 – fully paid	8 340	—	8 340	—
Share premium	162 779	—	162 779	—
Rights in issue at 1 January 2005	—	171 119	—	171 119
<b>16.3 NON-DISTRIBUTABLE RESERVE</b>				
Arising on change in STRATE Limited shareholding	10 058	10 058	—	—
<b>16.4 FAIR VALUE RESERVE</b>	45 581	29 075	—	—
<b>16.5 RETAINED INCOME</b>	455 846	348 675	351 037	274 164
JSE Derivatives Fidelity Fund Trust <sup>1</sup>	50 000	50 000	—	—
JSE Guarantee Fund Trust <sup>2</sup>	80 913	74 593	—	—
Retained income	324 933	224 082	351 037	274 164
<b>Total</b>	<b>682 604</b>	<b>558 927</b>	<b>522 156</b>	<b>445 283</b>

In terms of the constitution of the JSE, holders of JSE Rights had no entitlement to any distribution of surpluses other than on winding up.

Immediately on demutualisation, the JSE Rights were converted to JSE shares on the basis of 1 000 shares for every JSE Right. The JSE shares have the same rights, conditions and privileges attaching to them as set out in the articles of association of JSE Limited. No new registrations of JSE Rights took place between the Record Date and the Effective Date. This resulted in JSE Limited having an authorised share capital of R40 million made up of 40 000 000 ordinary shares of R1,00 each of which 8 340 250 ordinary shares were issued to previous rights holders.

<sup>1</sup>The fund was established for the purpose of investor protection in the event of an authorised user defaulting in derivatives trades in certain circumstances. This amount is included under retained income in the balance sheet.

<sup>2</sup>The fund is ring-fenced for the purpose of investor protection in the event of an authorised user defaulting in equities trades in certain circumstances. This amount is included under retained income in the balance sheet.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Personnel related R'000	Other R'000	Total <sup>1</sup> R'000
<b>17. PROVISIONS</b>			
GROUP AND EXCHANGE			
<b>2005</b>			
Balance at 1 January 2005	21 037	4 768	25 805
Raised during the year	19 238	592	19 830
Utilised during the year	(25 658)	(5 093)	(30 751)
Balance at 31 December 2005	14 617	267	14 884
2004			
Balance at 1 January 2004	19 349	4 013	23 362
Raised during the year	20 964	1 200	22 164
Utilised during the year	(19 276)	(445)	(19 721)
Balance at 31 December 2004	21 037	4 768	25 805

<sup>1</sup>Personnel related provisions include deferred compensation and leave pay. These provisions are considered to be non-current.

Assets		Liabilities		Net	
2005	2004	2005	2004	2005	2004
R'000	R'000	R'000	R'000	R'000	R'000

## 18. DEFERRED TAX ASSETS AND LIABILITIES

18.1 DEFERRED TAX ASSETS AND LIABILITIES  
ARE ATTRIBUTABLE TO THE FOLLOWING:

GROUP AND EXCHANGE

Property and equipment	—	—	(10 840)	—	(10 840)	—
Lease liability	19 982	—	—	—	19 982	—
Deferred government grants	292	—	—	—	292	—
Provisions	4 316	—	—	—	4 316	—
Provision for impairment losses	230	—	—	—	230	—
Prepayments	—	—	(1 959)	—	(1 959)	—
Share incentive scheme	321	—	—	—	321	—
Income received in advance	298	—	—	—	298	—
Total	25 439	—	(12 799)	—	12 640	—



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Recognised in income R'000	Balance 31 Dec 2005 R'000
<b>18. DEFERRED TAX ASSETS AND LIABILITIES</b> <i>(continued)</i>		
18.2 MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR		
GROUP AND EXCHANGE		
Property and equipment	(10 840)	(10 840)
Lease liability	19 982	19 982
Deferred government grants	292	292
Provisions	4 316	4 316
Provision for impairment losses	230	230
Prepayments	(1 959)	(1 959)
Share incentive scheme	321	321
Income received in advance	298	298
Total	12 640	12 640

## 19. EMPLOYEE BENEFITS

### 19.1 RETIREMENT BENEFITS

The JSE provides retirement benefits for all its permanent employees through the JSE Pension Scheme, the SAFEX Pension Scheme and the SAFEX Provident Fund, all of which are defined contribution retirement schemes.

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

During the year the SAFEX Provident Fund members elected to place the fund into voluntary liquidation. The members of the SAFEX Pension Fund elected to merge the SAFEX Pension Fund with that of the JSE Pension Fund. Those processes are almost complete.

### 19.2 SHARES ACQUIRED FOR EMPLOYEES

In light of the exceptional financial results and the value unlocked for shareholders as a result of the demutualisation of the JSE in 2005, the Board awarded extraordinary bonuses to the staff and Executive Committee.

As part of this bonus, every JSE staff member who, at 31 December 2005 had been employed for not less than 12 months, was issued with 100 shares in JSE Limited. Those staff members who were employed for more than six months but less than 12 months received a pro rated number of shares. The shares were purchased on 25 November 2005 for R88,75 per share.

The total amount of the equity settled share-based payment amounted to R2,0 million (2004: R0).



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 19. EMPLOYEE BENEFITS (continued)

### 19.3 ADDITIONAL BONUS

As part of the extraordinary bonuses referred to in 19.2, a cash bonus equivalent to R4,5 million (2004: R4,6 million) was paid to the executive directors and senior executives in November 2005 as part of the R12,0 million (2004: R10,8 million) additional bonus paid to staff.

### 19.4 DEFERRED COMPENSATION

The policy relating to deferred compensation was amended during the year from being spread over two years to being deferred for six months dependent on satisfactory personal and company performance. 50% of the amount is payable on or before December of the year in which it is earned and the payment of the remainder is deferred for six months provided that the employee is still employed by the JSE when the deferred tranche is due to be paid. The CEO's contract provides for him to be paid a bonus equal to his annual salary.

### 19.5 OTHER

The investigation into the potential shortfall in the pension fund annuities which began during 2002 continues. The resolution of the shortfall is being managed by the asset management company and the previous Pension Fund Administrators. Based on specialist legal advice, the JSE continues to consider it unlikely that the outcome of the investigation will have any impact on its operations or the reserves of the Exchange. The resolution of this issue is at an advanced stage.

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>20. DUE TO SAFEX MEMBERS</b>				
The amount due to SAFEX members is the agreed portion of the purchase price for SAFEX retained pending the resolution of potential claims against SAFEX at the time of the purchase. During the course of the year certain of these claims were resolved and consequently certain of the retained monies were released.				
Non-current liability	5 805	16 403	5 805	16 403
Current liability	0	9 875	0	9 875
	<b>5 805</b>	<b>26 278</b>	<b>5 805</b>	<b>26 278</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>21. TRADE AND OTHER PAYABLES</b>				
Trade payables	58 044	46 347	57 735	44 978
Current portion of the finance lease	0	402	0	402
Interest payable	35 945	27 585	0	0
Income received in advance	1 028	674	1 028	674
	<b>95 017</b>	<b>75 008</b>	<b>58 763</b>	<b>46 054</b>
<b>22. DERIVATIVE FINANCIAL INSTRUMENTS</b>				
Fair value				
– liabilities	(1 560)	(4 335)	(1 560)	(4 335)
	<b>(1 560)</b>	<b>(4 335)</b>	<b>(1 560)</b>	<b>(4 335)</b>

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

## 23. CONTINGENT LIABILITIES AND COMMITMENTS

### 23.1 CONTINGENT LIABILITIES

- 23.1.1 The JSE has a contingent liability as a result of the JSE guaranteeing the settlement of central order book equity market trades in the event that one member fails to settle. This risk is mitigated through various mechanisms, being the member firms' deposits and bank guarantees, the JSE Guarantee Fund Trust and the JSE's own trade monitoring system. The JSE retains reserves to meet this contingent liability.
- 23.1.2 The JSE is currently engaged in arbitration with a former supplier for alleged breach of contract by the JSE. The case was split between merits and quantum. The JSE lost on merits and the quantum has not yet been established. The JSE expects the quantum to fall in the range R2,0 million to R25,0 million.
- 23.1.3 The JSE is one of 25 defendants who have been served with a summons relating to losses realised by a pension fund in the amount of approximately R1,4 billion. This is in the early stages of the legal process and an exception has been filed by the JSE. Senior Counsel opinion on this matter is that the claim is unfounded. The JSE is defending the claim.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>23. CONTINGENT LIABILITIES AND COMMITMENTS</b> <i>(continued)</i>				
<b>23.2 COMMITMENTS</b>				
23.2.1 Total future minimum lease payments under non-cancellable operating lease:				
Not later than one year	24 969	22 495	24 969	22 495
Between one and five years	129 192	117 597	129 192	117 597
Later than five years	215 525	252 088	215 525	252 088
	<b>369 686</b>	<b>392 180</b>	<b>369 686</b>	<b>392 180</b>

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

- 23.2.2 The JSE is party to agreements for the development of software totalling approximately R206,2 million (2004: R161,1 million) over the next two years, of which R144,9 million (2004: R98,0 million) has been settled. The IT transformation project is currently running behind schedule and the JSE has agreed with the service provider to pay further amounts towards the fixed fee. If the JSE unduly delays the implementation of the project, the JSE may have to pay further amounts but a delay by the JSE is considered unlikely.

## 24. RELATED PARTIES

### 24.1 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, to member firms, trading and market data amounted to R249,1 million (2004: R207,4 million) for the year. These transactions are conducted on an arm's length basis.

The associated companies, subsidiaries and joint ventures of the Group are identified in notes 10, 11 and 12 respectively.

The directors are listed in the Corporate Governance report.

### 24.2 MATERIAL RELATED PARTY TRANSACTIONS

Loans to and from related parties – see notes 11 and 12

Directors' emoluments – see note 27

Other key personnel – see note 27

The JSE provides secretarial services to the Group entities for no consideration.



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		EXCHANGE	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
<b>25. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>25.1 CASH GENERATED BY OPERATIONS</b>				
Net profit for the year	106 997	69 766	76 700	48 050
Adjustment for non-cash and separately disclosable items:				
– depreciation	26 502	25 690	26 502	25 690
– impairment losses	736	798	736	—
– shares acquired for employees	174	—	174	—
– attributable profit of associated companies	(23 966)	(19 132)	—	—
– interest paid	370 246	315 715	3 544	2 000
– interest received	(409 085)	(354 785)	(20 545)	(22 122)
– loss/(profit) on sale of property and equipment	3	(40)	3	(40)
– profit on sale of investments	(5 213)	(5 834)	—	—
– Dispossessed Members' Fund recovery	—	(3 189)	—	(3 189)
Surplus from operations before working capital changes	66 394	28 989	87 114	61 239
Working capital changes:				
– (Increase)/decrease in trade and other receivables	(33 828)	(17 460)	(36 780)	943
– Increase in trade and other payables and provisions	6 671	47 093	5 588	8 983
Cash generated from operating activities	39 237	58 622	55 922	71 165

## 26. SEGMENTAL INFORMATION

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





# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Direct beneficial ownership in the JSE No. of shares	Basic salary R'000	Bonus paid R'000	Defined contri- bution pension payments R'000	Other R'000	Total R'000
<b>27. DIRECTORS' AND EXECUTIVES' REMUNERATION</b>						
<b>27.1 DIRECTORS' EMOLUMENTS</b>						
<b>2005</b>						
<i>Executive directors</i>	<b>500</b>	<b>6 998</b>	<b>6 628</b>	<b>1 031</b>	<b>239</b>	<b>14 896</b>
R M Loubser Chief Executive Officer	<b>100</b>	<b>2 158</b>	<b>3 133</b>	<b>434</b>	<b>55</b>	<b>5 780</b>
N F Newton-King Deputy Chief Executive Officer	<b>100</b>	<b>1 324</b>	<b>1 041</b>	<b>111</b>	<b>50</b>	<b>2 526</b>
L V Parsons Chief Operating Officer	<b>100</b>	<b>1 144</b>	<b>966</b>	<b>297</b>	<b>51</b>	<b>2 458</b>
J H Burke Director: Issuer Services	<b>100</b>	<b>1 246</b>	<b>770</b>	<b>105</b>	<b>44</b>	<b>2 165</b>
G Rothschild Director: Marketing	<b>100</b>	<b>1 126</b>	<b>718</b>	<b>84</b>	<b>39</b>	<b>1 967</b>
<i>Other key executives</i>	<b>900</b>	<b>8 389</b>	<b>5 308</b>	<b>818</b>	<b>318</b>	<b>14 833</b>
G C Clarke Group Company Secretary	<b>100</b>	<b>842</b>	<b>539</b>	<b>72</b>	<b>51</b>	<b>1 504</b>
D J Davidson Director: Clearing and Settlement	<b>100</b>	<b>1 117</b>	<b>721</b>	<b>109</b>	<b>52</b>	<b>1 999</b>
M Dlamini Senior General Manager: Education (appointed 1 December 2005)	<b>0</b>	<b>61</b>	<b>—</b>	<b>4</b>	<b>2</b>	<b>67</b>
F M Evans Chief Financial Officer	<b>100</b>	<b>964</b>	<b>580</b>	<b>80</b>	<b>19</b>	<b>1 643</b>
A Forssman Senior General Manager: Information Products Sales	<b>100</b>	<b>765</b>	<b>491</b>	<b>40</b>	<b>20</b>	<b>1 316</b>
R Gravelet-Blondin Senior General Manager: Agricultural Products	<b>100</b>	<b>812</b>	<b>529</b>	<b>110</b>	<b>42</b>	<b>1 493</b>
J Immelman Senior General Manager: Information Services	<b>100</b>	<b>754</b>	<b>463</b>	<b>47</b>	<b>47</b>	<b>1 311</b>
A Thomson Director: Trading	<b>100</b>	<b>1 151</b>	<b>719</b>	<b>82</b>	<b>39</b>	<b>1 991</b>
M Tlhabane Senior General Manager: Human Resources	<b>100</b>	<b>731</b>	<b>475</b>	<b>85</b>	<b>31</b>	<b>1 322</b>
W F Urmson Director: Surveillance	<b>100</b>	<b>1 192</b>	<b>791</b>	<b>189</b>	<b>15</b>	<b>2 187</b>
	<b>1 400</b>	<b>15 387</b>	<b>11 936</b>	<b>1 849</b>	<b>557</b>	<b>29 729</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

		Basic salary R'000	Bonus paid R'000	Defined contri- bution pension payments R'000	Other R'000	Total R'000
<b>27. DIRECTORS' AND EXECUTIVES' REMUNERATION</b> <i>(continued)</i>						
<b>27.1 DIRECTORS' EMOLUMENTS</b> <i>(continued)</i>						
2004						
<i>Executive directors</i>						
		6 632	5 254	977	208	13 071
R M Loubser	Chief Executive Officer	2 051	2 231	413	58	4 753
N F Newton-King	Deputy Chief Executive Officer	1 260	902	105	36	2 303
L V Parsons	Chief Operating Officer	1 078	902	280	43	2 303
J H Burke	Director: Listings	1 181	718	99	36	2 034
G Rothschild	Director: Corporate Marketing and Communications	1 062	501	80	35	1 678
<i>Other key executives</i>						
		7 463	4 482	867	279	13 091
G C Clarke	Group Company Secretary	793	515	68	49	1 425
D J Davidson	Director: Clearing and Settlement	1 054	677	102	49	1 882
F M Evans	Chief Financial Officer	909	548	75	17	1 549
A Forssman	Senior General Manager: Information Products Sales (appointed 1 November 2004)	124	65	7	3	199
R Gravelet-Blondin	Senior General Manager: Agricultural Products	759	511	113	35	1 418
J Immelman	Senior General Manager: Information Services (appointed 1 November 2004)	119	64	8	6	197
R B Miller	Director: Information Technology (re-deployed 1 November 2004)	806	324	158	39	1 327
A Thomson	Director: Equities and Derivatives Trading	1 084	686	78	38	1 886
M Tlhabane	Senior General Manager: Human Resources	689	337	80	30	1 136
W F Urmson	Director: Surveillance	1 126	755	178	13	2 072
		14 095	9 736	1 844	487	26 162



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

		Direct beneficial ownership in the JSE	Others	Retainer	Meetings	Total
		No. of shares	services R'000	fee R'000	R'000	R'000
<b>27. DIRECTORS' AND EXECUTIVES' REMUNERATION</b> <i>(continued)</i>						
27.2 DIRECTORS' EMOLUMENTS						
<b>2005</b>						
<i>Non-executive directors</i>		1 500	89	1 080	1 194	2 363
P A Barnard	(resigned 8 March 2005)	0	—	15	12	27
H J Borkum	Board Chairman, Chairman of Nominations Committee	1 500	—	323	120	443
A D Botha	Chairman of Human Resources Committee	0	—	97	120	217
A Horowitz	(alternate to H J Borkum)	0	—	—	38	38
M R Johnston		0	89	67	120	276
R J Khoza		0	—	67	64	131
S Koseff		0	—	67	40	107
D Lawrence	(alternate to S Koseff) (appointed 24 May 2005)	0	—	—	28	28
W Luhabe		0	—	67	66	133
A Mazwai		0	—	67	108	175
S N Nematswerani	Chairman of Audit Committee	0	—	97	160	257
N Payne	Chairman of Risk Management Committee	0	—	97	146	243
G T Serobe		0	—	67	106	173
N Smith	(resigned 31 August 2005)	0	—	49	66	115



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

		Others services R'000	Retainer fee R'000	Meetings R'000	Total R'000
<b>27. DIRECTORS' AND EXECUTIVES' REMUNERATION</b> <i>(continued)</i>					
<b>27.2 DIRECTORS' EMOLUMENTS</b> <i>(continued)</i>					
2004					
<i>Non-executive directors</i>		70	871	732	1 673
P A Barnard		—	48	40	88
H J Borkum	Board Chairman, Chairman of Nominations Committee	—	293	100	393
A D Botha	Chairman of Human Resources Committee	—	73	100	173
R Cadiz	(resigned 30 April 2004)	—	10	—	10
A Horowitz	(alternate to H J Borkum)	—	—	8	8
M R Johnston		70	48	68	186
R J Khoza		—	48	44	92
S Koseff		—	48	32	80
W Luhabe		—	48	36	84
A Mazwai	(appointed 3 August 2004)	—	23	32	55
S N Nematswerani	Chairman of Audit Committee (alternate to R J Khoza)	—	73	96	169
D Nurek	(alternate to S Koseff)	—	—	8	8
N Payne	Chairman of Risk Management Committee (alternate to A D Botha)	—	73	88	161
G T Serobe		—	48	40	88
N Smith		—	38	40	78

# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

## 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 28.1 OPERATIONAL RISK

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

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

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

Operational risk elements can be classified as follows:

- Process risk
- Employee risk
- Systems risk

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

### 28.2 CURRENCY RISK

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



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Rand R'000	US Dollars R'000	UK Pounds R'000	Euros R'000	Total R'000
<b>28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</b> <i>(continued)</i>					
28.2 CURRENCY RISK <i>(continued)</i>					
<b>GROUP</b>					
<b>2005</b>					
<b>Assets</b>	<b>6 910 198</b>	<b>13 418</b>	<b>2 847</b>	<b>—</b>	<b>6 926 463</b>
Property and equipment	227 022	—	—	—	227 022
Investments	195 996	—	—	—	195 996
Member firms' deposits at banks	6 037 212	—	—	—	6 037 212
Trade and other receivables	107 628	2 130	—	—	109 758
Cash and cash equivalents	342 340	11 288	2 847	—	356 475
<b>Liabilities</b>	<b>(6 239 948)</b>	<b>—</b>	<b>(3 911)</b>	<b>—</b>	<b>(6 243 859)</b>
Trade and other payables	(202 736)	—	(3 911)	—	(206 647)
Member firms' deposits at banks	(6 037 212)	—	—	—	(6 037 212)
<b>Net assets and liabilities</b>	<b>670 250</b>	<b>13 418</b>	<b>(1 064)</b>	<b>—</b>	<b>682 604</b>
Net exposure		<b>13 418</b>	<b>(1 064)</b>	<b>—</b>	
<b>GROUP</b>					
<b>2004</b>					
<b>Assets</b>	<b>5 216 146</b>	<b>17 135</b>	<b>3 854</b>	<b>—</b>	<b>5 237 135</b>
Property and equipment	189 047	—	—	—	189 047
Investments	138 973	5 703	—	—	144 676
Member firms' deposits at banks	4 486 499	—	—	—	4 486 499
Trade and other receivables	66 352	4 318	823	—	71 493
Cash and cash equivalents	335 275	7 114	3 031	—	345 420
<b>Liabilities</b>	<b>(4 675 346)</b>	<b>—</b>	<b>(2 851)</b>	<b>(12)</b>	<b>(4 678 208)</b>
Trade and other payables	(188 846)	—	(2 851)	(12)	(191 709)
Member firms' deposits at banks	(4 486 499)	—	—	—	(4 486 499)
<b>Net assets and liabilities</b>	<b>540 801</b>	<b>17 135</b>	<b>1 003</b>	<b>(12)</b>	<b>558 927</b>
Net exposure		<b>17 135</b>	<b>1 003</b>	<b>(12)</b>	



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Fixed rate R'000	Floating rate R'000	Non- interest sensitive R'000	Total R'000
<b>28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</b> <i>(continued)</i>				
<b>28.3 INTEREST RATE RISK</b>				
Interest rate risk is the risk of the JSE being exposed to gains or losses on fluctuations on interest rates where assets or liabilities are linked to fixed interest rates. This risk is managed by the JSE ensuring that assets and liabilities are linked only to floating interest rates. Floating rate assets yield interest at call rates. The following table analyses the interest rate risk profile for assets and liabilities at year-end:				
<b>GROUP</b>				
<b>2005</b>				
<b>Assets</b>	<b>44 820</b>	<b>6 393 687</b>	<b>487 956</b>	<b>6 926 463</b>
Property and equipment	—	—	227 022	227 022
Investments	14 942	—	181 054	195 996
Member firms' deposits at banks	—	6 037 212	—	6 037 212
Trade and other receivables	29 878	—	79 880	109 758
Cash and cash equivalents	—	356 475	—	356 475
<b>Liabilities</b>	<b>—</b>	<b>(6 037 212)</b>	<b>(206 647)</b>	<b>(6 243 859)</b>
Trade and other payables	—	—	(206 647)	(206 647)
Member firms' deposits at banks	—	(6 037 212)	—	(6 037 212)
Net interest rate risk mismatch	<b>44 820</b>	<b>356 475</b>	<b>281 309</b>	<b>682 604</b>
<b>Share capital and reserves</b>				<b>682 604</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

	Fixed rate R'000	Floating rate R'000	Non- interest sensitive R'000	Total R'000
<b>28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</b> <i>(continued)</i>				
28.3 INTEREST RATE RISK <i>(continued)</i>				
GROUP				
2004				
<b>Assets</b>	61 826	4 823 057	352 252	5 237 135
Property and equipment	—	—	189 047	189 047
Investments	31 794	—	112 882	144 676
Member firms' deposits at banks	—	4 486 499	—	4 486 499
Trade and other receivables	21 170	—	50 323	71 493
Cash and cash equivalents	8 862	336 558	—	345 420
<b>Liabilities</b>	(28 626)	(4 486 499)	(163 083)	(4 678 208)
Trade and other payables	(28 626)	—	(163 083)	(191 709)
Member firms' deposits at banks	—	(4 486 499)	—	(4 486 499)
Net interest rate risk mismatch	33 200	336 558	189 169	558 927
Share capital and reserves				558 927



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

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

### 28.4 LIQUIDITY RISK

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

	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Non- liquid R'000	Total R'000
<b>GROUP</b>					
<b>2005</b>					
<b>Assets</b>	<b>6 608 299</b>	<b>—</b>	<b>—</b>	<b>318 164</b>	<b>6 926 463</b>
Property and equipment	—	—	—	227 022	227 022
Investments	104 854	—	—	91 142	195 996
Member firms' deposits at banks	6 037 212	—	—	—	6 037 212
Trade and other receivables	109 758	—	—	—	109 758
Cash and cash equivalents	356 475	—	—	—	356 475
<b>Liabilities</b>	<b>(6 141 469)</b>	<b>(24 969)</b>	<b>(77 421)</b>	<b>—</b>	<b>(6 243 859)</b>
Trade and other payables	(104 257)	(24 969)	(77 421)	—	(206 647)
Member firms' deposits at banks	(6 037 212)	—	—	—	(6 037 212)
Net maturity mismatch	466 830	(24 969)	(77 421)	318 164	682 604
<b>Share capital and reserves</b>					<b>682 604</b>
<b>GROUP</b>					
<b>2004</b>					
<b>Assets</b>	<b>4 991 918</b>	<b>790</b>	<b>—</b>	<b>244 427</b>	<b>5 237 135</b>
Property and equipment	—	—	—	189 047	189 047
Investments	89 296	—	—	55 380	144 676
Member firms' deposits at banks	4 486 499	—	—	—	4 486 499
Trade and other receivables	70 703	790	—	—	71 493
Cash and cash equivalents	345 420	—	—	—	345 420
<b>Liabilities</b>	<b>(4 625 920)</b>	<b>(10 080)</b>	<b>(42 208)</b>	<b>—</b>	<b>(4 678 208)</b>
Trade and other payables	(139 421)	(10 080)	(42 208)	—	(191 709)
Member firms' deposits at banks	(4 486 499)	—	—	—	(4 486 499)
Net maturity mismatch	365 999	(9 290)	(42 208)	244 427	558 927
<b>Share capital and reserves</b>					<b>558 927</b>



# NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2005

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

### 28.5 CREDIT RISK

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

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

	Less than one year R'000	Between one and five years R'000	More than five years R'000	Total R'000
<b>29. FINANCE LEASE</b>				
<b>GROUP AND EXCHANGE</b>				
<b>2005</b>				
Minimum lease instalments	—	—	—	—
Finance costs	—	—	—	—
Lease liability	—	—	—	—
<b>Group and Exchange</b>				
<b>2004</b>				
Minimum lease instalments	422	—	—	422
Finance costs	(20)	—	—	(20)
Lease liability	402	—	—	402
<b>EXCHANGE</b>				
	<b>2005</b>	<b>2004</b>		
	<b>R'000</b>	<b>R'000</b>		

## 30. DIVIDEND PROPOSED

After the balance sheet date the following dividend was proposed by the directors. The dividend has not been provided for and there are no income tax consequences in the current year.

Ordinary dividend No 1 of 136 cents per share  
Secondary tax on companies

11 343	—
1 418	—
12 761	—



## APPENDIX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

### Funds under management

#### JSE Trustees (Pty) Limited

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

	Year ended 31 December 2005 R'000	Year ended 31 December 2004 R'000
<hr/>		
<b>Assets under administration</b>		
Interest receivable	51 601	34 756
Fixed deposits	5 640 000	4 649 000
Current and call accounts	5 550 383	1 821 322
	<hr/>	
<b>Total assets under administration</b>	<b>11 241 984</b>	6 505 078
	<hr/>	

In terms of rule 2.100.7 of the JSE Rules, the company acts as an agent on behalf of equities members, who in turn, act as agents on behalf of their clients. Funds so deposited or invested must neither form part of the assets of the company nor of any equities members acting on behalf of a client.



## AGRICULTURAL PRODUCTS TRADING MEMBERS

### **ABSA Bank Limited**

Telephone: +27 (11) 350-7827  
Facsimile: +27 (11) 350-7816  
Website: <http://www.absa.co.za>

### **Afgri Operations Limited**

Telephone: +27 (12) 663-1312/643-8000  
Facsimile: +27 (12) 663-9250  
Website: <http://www.afgri.co.za>

### **Anglorand Futop (Pty) Limited**

Telephone: +27 (11) 484-7440  
Facsimile: +27 (11) 484-6647

### **Applied Derivatives (Pty) Limited**

Telephone: +27 (21) 671-8226  
Facsimile: +27 (21) 671-2991  
Website: <http://www.derivative.co.za>

### **B & P Group Financial Services (Pty) Limited**

Telephone: +27 (31) 583-4600  
Facsimile: +27 (31) 583-4624

### **Bester Feed & Grain Exchange (Pty) Limited**

Telephone: +27 (21) 887-7188  
Facsimile: +27 (21) 887-7166  
Website: <http://www.bester.co.za>

### **Bolus & Bolus Investments (Pty) Limited**

Telephone: +27 (11) 884-4482  
Facsimile: +27 (11) 884-1862

### **Brent Trading (Pty) Limited**

Telephone: +27 (56) 811-2966  
Facsimile: +27 (56) 811-2082  
Website: <http://www.brent.za.net>

### **Brisen Commodities (Pty) Limited**

Telephone: +27 (12) 663-8383  
Facsimile: +27 (12) 663-8387

### **Bushveld Grain (Pty) Limited**

Telephone: +27 (12) 348-3091  
Facsimile: +27 (12) 365-3634

### **Cadiz Special Projects Limited**

Telephone: +27 (21) 657-8300  
Facsimile: +27 (21) 657-8303  
Website: <http://www.cadiz.co.za>

### **Cargill RSA (Pty) Limited**

Telephone: +27 (11) 799-2000  
Facsimile: +27 (11) 759-8074

### **CJS Securities (Pty) Limited**

Telephone: +27 (11) 447-9158  
Facsimile: +27 (11) 880-7381

### **Commodity House (Pty) Limited**

Telephone: +27 (21) 888-8100  
Facsimile: +27 (21) 886-7700  
Website: <http://www.tradinghouse.co.za>

### **Corn International (Pty) Limited**

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Facsimile: +27 (11) 325-7255

### **Coronation Capital Limited**

Telephone: +27 (11) 775-6400  
Facsimile: +27 (11) 775-6420

### **Croplink (SA) (Pty) Limited**

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Facsimile: +27 (11) 314-7489



## AGRICULTURAL PRODUCTS TRADING MEMBERS continued

### **Dealstream Securities (Pty) Limited**

Telephone: +27 0860 872 337

Facsimile: +27 0866 407 734

### **Decillion Securities (Pty) Limited**

Telephone: +27 (11) 217-9000

Facsimile: +27 (11) 883-0156

### **Derived Market Investment & Planning (Pty) Limited**

Telephone: +27 (12) 807-1838

Facsimile: +27 (12) 807-9315

### **DHJ Grain Brokers (Pty) Limited**

Telephone: +27 (18) 632-7740

Facsimile: +27 (18) 632-7779

### **DWT Securities (Pty) Limited**

Telephone: +27 (21) 914-6460

Facsimile: +27 (21) 914-6458

Website: <http://www.dwt.co.za>

### **Farmwise Grains (Pty) Limited**

Telephone: +27 (11) 787-3666

Facsimile: +27 (11) 787-3710

Website: <http://www.farmwise.co.za>

### **Farmwise Limited**

Telephone: +27 (11) 787-3666

Facsimile: +27 (11) 787-3710

Website: <http://www.farmwise.co.za>

### **FCB Harlow Butler (Pty) Limited**

Telephone: +27 (11) 276-9000

Facsimile: +27 (11) 276-9021

### **FFO Securities Limited**

Telephone: +27 (11) 471-0500

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### **First World Trader (Pty) Limited**

Telephone: +27 (11) 214-8000

Facsimile: +27 (11) 214-8028

Website: <http://www.gt247.com>

### **Futureline (Pty) Limited**

Telephone: +27 (21) 887-6165/4

Facsimile: +27 (21) 887-6166

### **Global Grain Marketing (Pty) Limited**

Telephone: +27 (57) 899-1200

Facsimile: +27 (57) 899-1049

### **Grain Line CC**

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Facsimile: +27 (16) 351-1797

### **Grainman International (Pty) Limited**

Telephone: +27 (12) 346-8838

Facsimile: +27 (12) 346-0291

Website: <http://www.grainman.co.za>

### **Grainvest Futures (Pty) Limited**

Telephone: +27 (12) 482-6600

Facsimile: +27 (12) 482-6630

Website: <http://www.grainvest.co.za>

### **GWK Trading (Pty) Limited**

Telephone: +27 (53) 298-8200

Facsimile: +27 (53) 298-2231

### **HG Graan Bemaking (Edms) Beperk**

Telephone: +27 (13) 665-3127

Facsimile: +27 (13) 665-5560



## AGRICULTURAL PRODUCTS TRADING MEMBERS continued

### **Imex Agricultural Services Limited**

Telephone: +27 (11) 380-0111  
Facsimile: +27 (11) 884-5483  
Website: <http://www.tigerbrands.com>

### **Incentive Securities (Pty) Limited**

Telephone: +27 (11) 380-3000  
Facsimile: +27 (11) 380-3098

### **Investec Bank Limited**

Telephone: +27 (11) 286-7000  
Facsimile: +27 (11) 286-7777

### **JP Morgan Equities Limited**

Telephone: +27 (11) 507-0300  
Facsimile: +27 (11) 507-0489

### **Kempro Brokers CC**

Telephone: +27 (18) 441-0094  
Facsimile: +27 (18) 441-1061

### **Kernal Maize CC**

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Facsimile: +27 (28) 313-2731

### **Leeubank Landgoed Trust**

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### **Lesotho Milling Co. (Pty) Limited**

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### **Market Traders (Pty) Limited**

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Facsimile: +27 (33) 343-1237  
Website: <http://www.markettraders.co.za>

### **MGK Bedryfsmaatskappy (Edms) Beperk**

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Website: <http://www.mgk.co.za>

### **Nedbank Limited**

Telephone: +27 (11) 295-7168  
Facsimile: +27 (11) 294-7168  
Website: <http://www.nedbank.co.za>

### **Nedcor Investment 102 Limited**

Telephone: +27 (11) 535-4024  
Facsimile: +27 (11) 625-7081

### **Nedcor Securities (Pty) Limited**

Telephone: +27 (11) 294-3119  
Facsimile: +27 (11) 295-3119  
Website: <http://www.nedbank.co.za>

### **NWK Limited**

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Facsimile: +27 (18) 633-1900  
Website: <http://www.nwk.co.za>

### **Oos-Kaap Boerdery & Graanhandelaars (Edms) Beperk**

Telephone: +27 (51) 923-4500  
Facsimile: +27 (51) 924-2630  
Website: <http://www.ovk.co.za>

### **PCS Agri (Pty) Limited**

Telephone: +27 (11) 549-5100  
Facsimile: +27 (11) 467-7494  
Website: <http://www.cortex.co.za>



## AGRICULTURAL PRODUCTS TRADING MEMBERS continued

### **Peregrine Derivatives (Pty) Limited**

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Website: <http://www.peregrine.co.za>

### **Peregrine Equities (Pty) Limited**

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### **Premier Foods Limited**

Telephone: +27 (12) 804-1711

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### **PSG Capital Quantitative (Pty) Limited**

Telephone: +27 (21) 702-7648

Facsimile: +27 (21) 702-7657

### **Rand Merchant Bank, a Division of FirstRand Bank Limited**

Telephone: +27 (11) 269-9005

Facsimile: +27 (11) 269-8518

Website: <http://www.rmb.co.za>

### **RMB Securities (Pty) Limited**

Telephone: +27 (11) 282-8520

Facsimile: +27 (11) 282-8518

### **Robinson Mulder de Waal Financial Services (Pty) Limited**

Telephone: +27 (12) 665-5010

Facsimile: +27 (12) 665-5025

Website: <http://www.rmd.co.za>

### **S.A. Derivatives (Pty) Limited**

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Facsimile: +27 (11) 214-7298

### **Sanlam Securities (Pty) Limited**

Telephone: +27 (11) 778-6000

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### **Senwes Limited**

Telephone: +27 (18) 464-7800

Facsimile: +27 (18) 464-2558

Website: <http://www.senwes.co.za/grain>

### **Sigma Option Writers (Pty) Limited**

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Facsimile: +27 (18) 581-3495

### **Standard Bank of South Africa Limited**

Telephone: +27 (11) 378-8000

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### **Suidwes Landbou (Edms) Beperk**

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Website: <http://www.suidwes.co.za>

### **Syffrets Securities Limited**

Telephone: +27 (11) 535-4024

Facsimile: +27 (11) 625-7081

### **Taquanta Securities (Pty) Limited**

Telephone: +27 (11) 480-1543

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### **Thebe Securities Limited**

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Facsimile: +27 (11) 375-1100/1200

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## AGRICULTURAL PRODUCTS TRADING MEMBERS continued

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### **Tradepost 158 (Pty) Limited t/a Agrimax**

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Facsimile: +27 (11) 833-3539

### **Unigrain (Pty) Limited**

Telephone: +27 (11) 692-4400

Facsimile: +27 (11) 692-4452

### **UT Grain Management (Pty) Limited**

Telephone: +27 (11) 452-5117/8

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### **Verus Farming & Commodities (Pty) Limited**

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### **Vorlon (Pty) Limited**

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### **Vrystaat Kooperasie Beperk**

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Website: <http://www.vkb.co.za>

### **Vrystaat Mielies (Edms) Beperk**

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Website: <http://www.fsmaize.co.za>



## EQUITIES TRADING MEMBERS

### **ABSA Stockbrokers (Pty) Ltd**

Telephone: 011 647 0875  
Facsimile: 011 647 0877  
[www.absasecurities.co.za](http://www.absasecurities.co.za)

### **Afrifocus Securities (Pty) Ltd**

Telephone: 011 290 7800  
Facsimile: 011 290 7878  
[www.afrifocus.co.za](http://www.afrifocus.co.za)

### **Andisa Securities (Pty) Ltd**

Telephone: 011 374 1300  
Facsimile: 011 374 1301  
[www.andisa.co.za](http://www.andisa.co.za)

### **Anglorand Securities (Pty) Ltd**

Telephone: 011 484 7440  
Facsimile: 011 484 6647  
[www.anglorand.co.za](http://www.anglorand.co.za)

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

Telephone: 011 283 0300  
Facsimile: 011 283 0303  
[www.bjm.co.za](http://www.bjm.co.za)

### **BoE Stockbrokers (Pty) Ltd**

Telephone: 011 302 1111  
Facsimile: 011 302 1223  
[www.boepersonal.com](http://www.boepersonal.com)

### **BP Bernstein**

Telephone: 011 833 1560  
Facsimile: 011 836 0392

### **Brockhouse Cooper SA (Pty) Ltd**

Telephone: 011 884 6578  
Facsimile: 011 884 1862  
[www.brockhousecooper.co.za](http://www.brockhousecooper.co.za)

### **Cadiz Stock Broking (Pty) Ltd**

Telephone: 011 483 0855  
Facsimile: 011 483 0867  
[www.cadiz.co.za](http://www.cadiz.co.za)

### **Citigroup Global Markets Pty Ltd**

Telephone: 011 944 1000  
Facsimile: 011 944 0866  
[www.citigroup.com](http://www.citigroup.com)

### **Consilium Capital SA (Pty) Ltd**

Telephone: 011 340 1300  
Facsimile: 011 325 0612

### **CST Outsourcing Limited**

Telephone: 011 370 7865  
Facsimile: 011 838 6496

### **Deutsche Securities (Pty) Ltd**

Telephone: 011 775 7000  
Facsimile: 011 775 7673  
[www.db.co.za](http://www.db.co.za)

### **Dynamic Wealth Stockbrokers (Pty) Ltd**

Telephone: 012 484 2000  
Facsimile: 012 484 2001  
[www.dwm.co.za](http://www.dwm.co.za)

### **FFO Securities (Pty) Ltd**

Telephone: 011 471 0500  
Facsimile: 011 475 0104

### **Finsettle Services**

Telephone: 011 215 5000  
Facsimile: 011 325 0302  
[www.finsettle.co.za](http://www.finsettle.co.za)

### **First South Securities (Pty) Ltd**

Telephone: 011 343 2200  
Facsimile: 011 343 2233  
[www.firstsouth.co.za](http://www.firstsouth.co.za)



## EQUITIES TRADING MEMBERS continued

### **Four M Traders (Pty) Ltd**

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Facsimile: 011 640 7759

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

Telephone: 011 442 3200

Facsimile: 011 442 9192

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

Telephone: 011 481 4200

Facsimile: 011 646 8388

[www.hsbc.com](http://www.hsbc.com)

### **Capitalwise Securities (Pty) Ltd**

Telephone: 021 527 5600

Facsimile: 021 527 7891

[www.fidentia.co.za](http://www.fidentia.co.za)

### **Imara S.P. Reid (Pty) Ltd**

Telephone: 011 446 6200

Facsimile: 011 446 6195

[www.imaraspreid.co.za](http://www.imaraspreid.co.za)

### **Independent Securities (Pty) Ltd**

Telephone: 011 489 5400

Facsimile: 011 489 5499

[www.isec.co.za](http://www.isec.co.za)

### **Investec Securities Ltd**

Telephone: 011 286 4500

Facsimile: 011 286 9595

[www.investec.com](http://www.investec.com)

### **JP Morgan Equities Ltd**

Telephone: 011 507 0300

Facsimile: 011 507 0351

[www.jpmorgan.com](http://www.jpmorgan.com)

### **Kagiso Securities Ltd**

Telephone: 011 691 8800

Facsimile: 011 467 4581

[www.kagisosecurities.co.za](http://www.kagisosecurities.co.za)

### **Legae Securities (Pty) Ltd**

Telephone: 011 715 3700

Facsimile: 011 715 3701

[www.legae.co.za](http://www.legae.co.za)

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

Telephone: 011 305 5555

Facsimile: 011 305 5600

### **Nedcor Securities (Pty) Limited**

Telephone: 011 302 1111

Facsimile: 011 302 1126

### **Noah Financial Innovation (Pty) Ltd**

Telephone: 011 446 7000

Facsimile: 011 446 9701

[www.noahfi.com](http://www.noahfi.com)

### **Peregrine Equities (Pty) Ltd**

Telephone: 011 722 7500

Facsimile: 011 722 7541

[www.peregrine.co.za](http://www.peregrine.co.za)

### **Philippus de Witt (Pty) Ltd**

Telephone: 011 482 4525

Facsimile: 011 482 4528

### **Prescient Securities (Pty) Ltd**

Telephone: 021 700 3600

Facsimile: 021 700 3700

[www.prescient.co.za](http://www.prescient.co.za)

### **Online Securities Ltd**

Telephone: 011 670 0500

Facsimile: 011 670 0506

[www.psgonline.co.za](http://www.psgonline.co.za)

### **RMB Securities (Pty) Ltd**

Telephone: 011 269 9020

Facsimile: 011 269 9598

[www.rmb.co.za](http://www.rmb.co.za)



## EQUITIES TRADING MEMBERS continued

### **RMB Stockbroking (Pty) Ltd**

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Facsimile: 011 269 9595

### **SA Stockbrokers (Pty) Limited**

Telephone: 011 214 7250

Facsimile: 011 214 7298

### **Sanlam Private Investments (Pty) Ltd**

Telephone: 011 778 6600

Facsimile: 011 778 6699

[www.gensec.com](http://www.gensec.com)

### **Sanlam Securities (Pty) Ltd**

Telephone: 011 778 6000

Facsimile: 011 778 6946

[www.scm.sanlam.co.za](http://www.scm.sanlam.co.za)

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

Telephone: 011 809 7500

Facsimile: 011 809 7710

[www.sgfp.co.za](http://www.sgfp.co.za)

### **Syfrets Securities Ltd**

Telephone: 011 535 4024

Facsimile: 011 625 7081

### **Taquanta Securities (Pty) Ltd**

Telephone: 011 294 3478

Facsimile: 011 295 8438

### **TFS Securities (Pty) Ltd**

Telephone: 011 465 3686

Facsimile: 011 467 4174

### **Thebe Securities Ltd**

Telephone: 011 375 1000

Facsimile: 011 375 1100

[www.plj.co.za](http://www.plj.co.za)

### **Tlotlisa Securities (Pty) Ltd**

Telephone: 011 370 1900

Facsimile: 011 834 8485

[www.tradek.com](http://www.tradek.com)

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

Telephone: 011 322 7000

Facsimile: 011 322 7788

[www.ubs.com](http://www.ubs.com)

### **Vector Equities (Pty) Ltd**

Telephone: 021 419 3992

Facsimile: 021 419 5231

### **Vunani Securities (Pty) Ltd**

Telephone: 011 263 9500

Facsimile: 011 784 2550

[www.vunanigroup.co.za](http://www.vunanigroup.co.za)

### **Watermark Securities (Pty) Ltd**

Telephone: 011 325 4228

Facsimile: 011 325 5681

[www.watermarksec.com](http://www.watermarksec.com)



## EQUITY DERIVATIVES TRADING MEMBERS

### **AAM Bk**

Telephone: +27 (16) 454-8277

Facsimile: +27 (16) 423-4445

### **ABSA Bank Limited**

Telephone: +27 (11) 350-7827

Facsimile: +27 (11) 350-7816

Website: <http://www.absa.co.za>

### **ABSA Stockbrokers (Pty) Limited**

Telephone: +27 (11) 647-0817

Facsimile: +27 (11) 647-0818

### **Africa Advent Financial Services (Pty) Limited**

Telephone: +27 (21) 795-5440

Facsimile: +27 (21) 795-5441

### **African Merchant Bank Limited**

Telephone: +27 (11) 215-2000

Facsimile: +27 (11) 784-8994

### **Afrifocus Securities (Pty) Limited**

Telephone: +27 (11) 290-7800

Facsimile: +27 (11) 290-7878

Website: <http://www.afrifocus.co.za>

### **Andisa Securities (Pty) Limited**

Telephone: +27 (11) 374-1200

Facsimile: +27 (11) 374-1301

### **Anglorand Futop (Pty) Limited**

Telephone: +27 (11) 484-7440

Facsimile: +27 (11) 484-6647

### **Applied Derivatives (Pty) Limited**

Telephone: +27 (21) 671-8220

Facsimile: +27 (21) 671-2991

Website: <http://www.derivative.co.za>

### **Aspen Risk Managers Limited**

Telephone: +27 (21) 794-8020

Facsimile: +27 (21) 794-2161

### **Barnard Jacobs Mellet Securities (Pty) Limited**

Telephone: +27 (11) 283-0300

Facsimile: +27 (11) 283-0303

Website: <http://www.bjm.co.za>

### **Bex Structured Products (Pty) Limited**

Telephone: +27 (11) 684-1433

Facsimile: +27 (11) 684-1420

### **Biz Afrika 124 (Pty) Limited**

Telephone: +27 (11) 315-6595

Facsimile: +27 (11) 315-6594

### **BoE Investments Limited**

Telephone: +27 (21) 416-6000

Facsimile: +27 (21) 416-9940

Website: <http://www.ftnibi.co.za>

### **BoE Stockbrokers (Pty) Limited**

Telephone: +27 (11) 480-1000

Facsimile: +27 (11) 480-1023

Website: <http://www.boepersonal.com>

### **Bolus & Bolus Investments (Pty) Limited**

Telephone: +27 (11) 884-4482

Facsimile: +27 (11) 884-1862

### **Cadiz Financial Strategists (Pty) Limited**

Telephone: +27 (21) 657-8300

Facsimile: +27 (11) 657-8303

Website: <http://www.cadiz.co.za>



## EQUITY DERIVATIVES TRADING MEMBERS continued

### **Cadiz Special Projects Limited**

Telephone: +27 (21) 657-8300  
Facsimile: +27 (21) 657-8303  
Website: <http://www.cadiz.co.za>

### **CJS Securities (Pty) Limited**

Telephone: +27 (11) 467-9158  
Facsimile: +27 (11) 880-7381

### **Coronation Asset Management (Pty) Limited**

Telephone: +27 (21) 680-2000  
Facsimile: +27 (21) 680-2100

### **Coronation Capital Limited**

Telephone: +27 (11) 775-6400  
Facsimile: +27 (11) 775-6420

### **Calyon Incorporated in France**

Telephone: +27 (11) 448-3300  
Facsimile: +27 (11) 240-0447  
Website: <http://www.indosuez.com>

### **Decillion Securities (Pty) Limited**

Telephone: +27 (11) 374-1200  
Facsimile: +27 (11) 374-1301

### **Dealstream Securities (Pty) Limited**

Telephone: +27 0860 872-337  
Facsimile: +27 0866 407-734

### **Deutsche Securities (Pty) Limited**

Telephone: +27 (11) 775-7000  
Facsimile: +27 (11) 775-7607  
Website: <http://www.db.co.za>

### **DWT Securities (Pty) Limited**

Telephone: +27 (21) 914-6460  
Facsimile: +27 (21) 914-6458  
Website: <http://www.dwt.co.za>

### **Electra Investments S.A. Limited**

Telephone: +27 (21) 950-2500  
Facsimile: +27 (21) 950-2555

### **Equisec Treasury Services (Pty) Limited**

Telephone: +27 (11) 643-3131  
Facsimile: +27 (11) 643-1162

### **Equity Derivatives Investments (Pty) Limited**

Telephone: +27 (12) 482-6600  
Facsimile: +27 (12) 482-6630  
Website: <http://www.edisa.co.za>

### **Escher Structured Products (Pty) Limited**

Telephone: +27 (21) 683-0780  
Facsimile: +27 (21) 683-0574

### **Eskom Holdings Limited**

Telephone: +27 (11) 800-8111  
Facsimile: +27 (11) 800-4499

### **Eskom Pension & Provident Fund**

Telephone: +27 (11) 709-7522  
Facsimile: +27 (11) 709-7510

### **FCB Harlow Butler (Pty) Limited**

Telephone: +27 (11) 276-9000  
Facsimile: +27 (11) 276-9021

### **FFO Securities Limited**

Telephone: +27 (11) 471-0500  
Facsimile: +27 (11) 475-0104



## EQUITY DERIVATIVES TRADING MEMBERS continued

### **First Financial Futures (Pty) Limited**

Telephone: +27 (11) 728-5645

Facsimile: +27 (11) 728-3559

### **First South Securities (Pty) Limited**

Telephone: +27 (11) 343-2200

Facsimile: +27 (11) 343-2233

### **First World Trader (Pty) Limited**

Telephone: +27 (11) 214-8000

Facsimile: +27 (11) 214-8028

Website: <http://www.gt247.com>

### **Foord Asset Management (Pty) Limited**

Telephone: +27 (21) 531-6988

Facsimile: +27 (21) 531-1935

### **Futureline (Pty) Limited**

Telephone: +27 (21) 887-6165/4

Facsimile: +27 (21) 887-6166

### **Golding, Torr & de Decker (Pty) Limited**

Telephone: +27 (11) 442-3200

Facsimile: +27 (11) 442-9192

### **HSBC Securities (South Africa) (Pty) Limited**

Telephone: +27 (11) 481-4200

Facsimile: +27 (11) 486-4608

Website: <http://www.hsbc.com>

### **Imara SP Reid (Pty) Limited**

Telephone: +27 (11) 446-6200

Facsimile: +27 (11) 446-6195

Website: <http://www.imaraspreid.co.za>

### **Incentive Securities (Pty) Limited**

Telephone: +27 (11) 380-3000

Facsimile: +27 (11) 380-3098

### **Interneuron Capital Limited**

Telephone: +27 (21) 790-5171

Facsimile: +27 (21) 790-0220

Website: <http://www.interneuron.co.za>

### **Investec Asset Management (Pty) Limited**

Telephone: +27 (21) 416-1000

Facsimile: +27 (21) 416-2001

Website: <http://www.investecfunds.co.za>

### **Investec Bank Limited**

Telephone: +27 (11) 286-7000

Facsimile: +27 (11) 286-7946

Website: <http://www.investec.com>

### **Investec Securities Limited**

Telephone: +27 (11) 286-9700

Facsimile: +27 (11) 286-9595

### **JP Morgan Equities Limited**

Telephone: +27 (11) 507-0300

Facsimile: +27 (11) 507-0489

### **JP Morgan Securities S.A. (Pty) Limited**

Telephone: +27 (11) 507-0300

Facsimile: +27 (11) 507-0494

### **Kagiso Securities Limited**

Telephone: +27 (11) 691-8800

Facsimile: +27 (11) 467-4581

### **Lancaster Securities (Pty) Limited**

Telephone: +27 (11) 880-3137

Facsimile: +27 (11) 880-4258



## EQUITY DERIVATIVES TRADING MEMBERS continued

### **Marex South Africa (Pty) Limited**

Telephone: +27 (11) 706-9758

Facsimile: +27 (11) 706-9326

### **Market Traders (Pty) Limited**

Telephone: +27 (33) 343-1245

Facsimile: +27 (33) 343-1237

Website: <http://www.markettraders.co.za>

### **Merill Lynch South Africa (Pty) Limited**

Telephone: +27 (11) 305-5555

Facsimile: +27 (11) 305-5600

### **Metropolitan Asset Managers Limited**

Telephone: +27 (21) 940-6001

Facsimile: +27 (21) 940-6969

### **Nedbank Limited**

Telephone: +27 (11) 295-7168

Facsimile: +27 (11) 294-7168

Website: <http://www.nedbank.co.za>

### **Nedcor Investment 102 Limited**

Telephone: +27 (11) 535-4024

Facsimile: +27 (11) 625-7081

### **Nedcor Securities (Pty) Limited**

Telephone: +27 (11) 294-3119

Facsimile: +27 (11) 295-3119

Website: <http://www.nedbank.co.za>

### **Nedcor Wealth Management Limited**

Telephone: +27 (21) 416-6000

Facsimile: +27 (21) 416-9911

### **Noah Financial Innovation (Pty) Limited**

Telephone: +27 (11) 446-9700

Facsimile: +27 (11) 446-9701

Website: <http://www.noahfi.com>

### **Norton Derivatives (Pty) Limited**

Telephone: +27 (31) 366-1306

Facsimile: +27 (31) 366-1305

### **Old Mutual Life Assurance Company (SA) Limited**

Telephone: +27 (21) 509-4316

Facsimile: +27 (21) 509-3517

Website: <http://www.omam.com>

### **Optimize Financial Services (Pty) Limited**

Telephone: +27 (11) 463-6865

Facsimile: +27 (11) 463-1393

### **Pan-African Asset Management (Pty) Limited**

Telephone: +27 (11) 463-0300

Facsimile: +27 (11) 463-0299

### **PCS Agri (Pty) Limited**

#### **T/A Cortex Derivatives Broker**

Telephone: +27 (11) 549-5100

Facsimile: +27 (11) 467-7494

Website: <http://www.cortex.co.za>

### **Peregrine Derivatives (Pty) Limited**

Telephone: +27 (11) 722-7513

Facsimile: +27 (11) 722-7540

Website: <http://www.peregrine.co.za>

### **PeregrineQuant (Pty) Limited**

Telephone: +27 (21) 670-4900

Facsimile: +27 (21) 683-5788

Website: <http://www.pq.co.za>

### **Prescient Securities (Pty) Limited**

Telephone: +27 (21) 700-3710

Facsimile: +27 (21) 700-3750

Website: <http://www.prescient.co.za>



## EQUITY DERIVATIVES TRADING MEMBERS continued

### **PSG Capital Quantitative (Pty) Limited**

Telephone: (021) 702-7648

Facsimile: (021) 702-7657

### **Rand Merchant Bank, a Division of FirstRand Bank Limited**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 269-8518

Website: <http://www.rmb.co.za>

### **RMB Asset Management (Pty) Limited**

Telephone: +27 (11) 505-1000

Facsimile: +27 (11) 505-2000

### **RMB Securities (Pty) Limited**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 282-8518

### **RMB Stockbroking (Pty) Limited**

Telephone: +27 (11) 269-9260

Facsimile: +27 (11) 269-9595

### **Robinson Mulder de Waal Financial Services (Pty) Limited**

Telephone: +27 (12) 665-5010

Facsimile: +27 (12) 665-5025

Website: <http://www.rmd.co.za>

### **Rodina Investments (Pty) Limited**

Telephone: +27 (21) 509-4316

Facsimile: +27 (21) 509-3517

### **S.A. Reserve Bank**

Telephone: +27 (12) 313-4952

Facsimile: +27 (12) 313-3841

### **S.A. Derivatives (Pty) Limited**

Telephone: +27 (11) 214-7250

Facsimile: +27 (11) 214-7298

### **Sanlam Capital Markets Limited**

Telephone: +27 (11) 778-6000

Facsimile: +27 (11) 778-6924

Website: <http://www.gensec.com>

### **Sanlam Investment Management (Pty) Limited**

Telephone: +27 (21) 950-2500

Facsimile: +27 (21) 950-2555

Website: <http://www.sim.sanlam.com>

### **Sanlam Private Investments (Pty) Limited**

Telephone: +27 (21) 950-2500

Facsimile: +27 (21) 950-2556

### **Sanlam Securities (Pty) Limited**

Telephone: +27 (11) 778-6000

Facsimile: +27 (11) 778-6910

### **Signal Futures (Pty) Limited**

Telephone: +27 (21) 434-7554

Facsimile: +27 (21) 434-7386

Website: <http://www.signalfutures.co.za>

### **Société Générale Johannesburg Branch**

Telephone: +27 (11) 448-8400

Facsimile: +27 (11) 448-8955





## EQUITY DERIVATIVES TRADING MEMBERS continued

### **Standard Bank of South Africa Limited**

Telephone: +27 (11) 378-8000

Facsimile: +27 (11) 378-1207

### **STANLIB Asset Management Limited**

Telephone: +27 (11) 448-5000

Facsimile: +27 (11) 448-5555

### **Strategy Securities (Pty) Limited**

Telephone: +27 (11) 507-2900

Facsimile: +27 (11) 507-2910

Website: <http://www.stratsec.com>

### **Syfrets Securities Limited**

Telephone: +27 (11) 535-4024

Facsimile: +27 (11) 625-7081

### **Taquantia Securities (Pty) Limited**

Telephone: +27 (11) 294-4522

Facsimile: +27 (11) 295-9989

### **TFS Futures & Options S.A. (Pty) Limited**

Telephone: +27 (11) 465-3686

Facsimile: +27 (11) 467-4174

### **Thebe Securities Limited**

Telephone: +27 (11) 375-1000

Facsimile: +27 (11) 375-1100/1200

Website: <http://www.thebesec.co.za>

### **Thirty Four South Research & Trading (Pty) Limited**

Telephone: +27 (21) 683-2293

Facsimile: +27 (21) 671-1233

### **Thlotlisa Securities (Pty) Limited**

Telephone: +27 (11) 506-7000

Facsimile: +27 (11) 506-7100

### **Transnet Limited**

Telephone: +27 (11) 308-2199

Facsimile: +27 (11) 308-2204

Website: <http://www.transnet.co.za>

### **Tri-Linear Specialized Solutions (Pty) Limited**

Telephone: +27 (11) 482-9821

Facsimile: +27 (11) 482-5494

### **TTSA Securities (Pty) Limited**

Telephone: +27 (11) 834-7368

Facsimile: +27 (11) 833-3539

### **UBS South Africa (Pty) Limited**

Telephone: +27 (11) 322-7000

Facsimile: +27 (11) 322-7381

Website: <http://www.ubs.com>

### **Vunani Securities (Pty) Limited**

Telephone: +27 (11) 263-9500

Facsimile: +27 (11) 784-2550

Website: <http://www.africanharvest.co.za>

### **Vector Securities & Derivatives (Pty) Limited**

Telephone: +27 (21) 419-3992

Facsimile: +27 (21) 425-4822

### **Vorlon (Pty) Limited**

Telephone: +27 (11) 476-8119

Facsimile: +27 (11) 476-8669

### **Watermark Securities (Pty) Limited**

Telephone: +27 (11) 219-6300

Facsimile: +27 (11) 268-5251



## YIELD-X TRADING MEMBERS

### **ABSA Bank Limited**

Telephone: +27 (11) 350-7827

Facsimile: +27 (11) 350-7816

Website: <http://www.absa.co.za>

### **Applied Derivatives (Pty) Limited**

Telephone: +27 (21) 671-8220

Facsimile: +27 (21) 671-2991

Website: <http://www.derivative.co.za>

### **Biz Afrika 124 (Pty) Limited**

Telephone: +27 (11) 315-6595

Facsimile: +27 (11) 315-6594

### **BoE Investments Limited**

Telephone: +27 (21) 416-6000

Facsimile: +27 (21) 416-9940

Website: <http://www.ftnibi.co.za>

### **Cadiz Financial Strategists (Pty) Limited**

Telephone: +27 (21) 657-8300

Facsimile: +27 (11) 657-8303

Website: <http://www.cadiz.co.za>

### **Coronation Asset Management (Pty) Limited**

Telephone: +27 (21) 680-2000

Facsimile: +27 (21) 680-2100

### **Coronation Capital Limited**

Telephone: +27 (11) 775-6400

Facsimile: +27 (11) 775-6420

### **Decillion Securities (Pty) Limited**

Telephone: +27 (11) 374-1200

Facsimile: +27 (11) 374-1301

### **DWT Securities (Pty) Limited**

Telephone: +27 (21) 914-6460

Facsimile: +27 (21) 914-6458

Website: <http://www.dwt.co.za>

### **Eskom Pension & Provident Fund**

Telephone: +27 (11) 709-7522

Facsimile: +27 (11) 709-7510

### **Foord Asset Management (Pty) Limited**

Telephone: +27 (21) 531-6988

Facsimile: +27 (21) 531-1935

### **Investec Asset Management (Pty) Limited**

Telephone: +27 (21) 416-1000

Facsimile: +27 (21) 416-2001

Website: <http://www.investecfunds.co.za>

### **Investec Bank Limited**

Telephone: +27 (11) 286-7000

Facsimile: +27 (11) 286-7946

Website: <http://www.investec.com>

### **JP Morgan Securities S.A. (Pty) Limited**

Telephone: +27 (11) 507-0300

Facsimile: +27 (11) 507-0494

### **Kagiso Bond Trading (Pty) Limited**

Telephone: +27 (11) 691-8800

Facsimile: +27 (11) 467-4581

### **Kagiso Hedged Trading (Pty) Limited**

Telephone: +27 (11) 691-8800

Facsimile: +27 (11) 467-4581

### **Market Traders (Pty) Limited**

Telephone: +27 (33) 343-1245

Facsimile: +27 (33) 343-1237

Website: <http://www.markettraders.co.za>

### **Nedbank Limited**

Telephone: +27 (11) 295-7168

Facsimile: +27 (11) 294-7168

Website: <http://www.nedbank.co.za>



## YIELD-X TRADING MEMBERS continued

### **Norton Derivatives (Pty) Limited**

Telephone: +27 (31) 366-1306

Facsimile: +27 (31) 366-1305

### **Old Mutual Life Assurance Company (SA) Limited**

Telephone: +27 (21) 509-4316

Facsimile: +27 (21) 509-3517

Website: <http://www.omam.com>

### **Prescient Securities (Pty) Limited**

Telephone: +27 (21) 700-3710

Facsimile: +27 (21) 700-3750

Website: <http://www.prescient.co.za>

### **PSG Capital Quantitative (Pty) Limited**

Telephone: (021) 702-7648

Facsimile: (021) 702-7657

### **Rand Merchant Bank, a Division of FirstRand Bank Limited**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 269-8518

Website: <http://www.rmb.co.za>

### **RMB Asset Management (Pty) Limited**

Telephone: +27 (11) 505-1000

Facsimile: +27 (11) 505-2000

### **S.A. Derivatives (Pty) Limited**

Telephone: +27 (11) 214-7250

Facsimile: +27 (11) 214-7298

### **Sanlam Investment Management (Pty) Limited**

Telephone: +27 (21) 950-2500

Facsimile: +27 (21) 950-2555

Website: <http://www.sim.sanlam.com>

### **Sanlam Securities Fixed Income Trading (Pty) Limited**

Telephone: +27 (11) 778-6000

Facsimile: +27 (11) 778-6990

### **Standard Bank of South Africa Limited**

Telephone: +27 (11) 378-8000

Facsimile: +27 (11) 378-1207

### **STANLIB Asset Management Limited**

Telephone: +27 (11) 448-5000

Facsimile: +27 (11) 448-5555

### **T-Capital (Pty) Limited**

Telephone: +27 (11) 506-7000

Facsimile: +27 (11) 506-7100

### **Vector Securities & Derivatives (Pty) Limited**

Telephone: +27 (21) 419-3992

Facsimile: +27 (21) 425-4822



## AGRICULTURAL PRODUCTS CLEARING MEMBERS

### **ABSA Bank Limited**

Telephone: +27 (11) 350-7827

Facsimile: +27 (11) 350-7816

Website: <http://www.absa.co.za>

### **Investec Bank Limited**

Telephone: +27 (11) 286-7000

Facsimile: +27 (11) 286-7933

### **Nedbank Limited**

Telephone: +27 (11) 667-1317

Facsimile: +27 (11) 667-1207

Website: <http://www.nedbank.co.za>

### **Rand Merchant Bank, a Division of FirstRand Bank Limited**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 282-8372

Website: <http://www.rmb.co.za>

### **Standard Bank of South Africa Limited**

Telephone: +27 (11) 378-8000

Facsimile: +27 (11) 378-7840



## EQUITY DERIVATIVES CLEARING MEMBERS

### **ABSA Bank Limited**

Telephone: +27 (11) 350-7827

Facsimile: +27 (11) 350-7816

Website: <http://www.absa.co.za>

### **Electra Investments S.A. Limited**

Telephone: +27 (21) 950-2500

Facsimile: +27 (21) 950-2555

### **Investec Bank Limited**

Telephone: +27 (11) 286-7000

Facsimile: +27 (11) 286-7946

Website: <http://www.investec.com>

### **Merill Lynch South Africa (Pty) Limited**

Telephone: +27 (11) 305-5555

Facsimile: +27 (11) 305-5600

### **Nedbank Limited**

Telephone: +27 (11) 667-1317

Facsimile: +27 (11) 667-1207

Website: <http://www.nedbank.co.za>

### **Rand Merchant Bank, a Division of FirstRand Bank Limited**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 269-8518

Website: <http://www.rmb.co.za>

### **Rhodina Investments (Pty) Limited**

Telephone: +27 (21) 509-4316

Facsimile: +27 (21) 509-3517

### **Sanlam Capital Markets Limited**

Telephone: +27 (11) 778-6000

Facsimile: +27 (11) 778-6924

Website: <http://www.scm.sanlam.co.za>

### **Société Générale Johannesburg Branch**

Telephone: +27 (11) 448-8400

Facsimile: +27 (11) 448-8899

### **Standard Bank of South Africa Limited**

Telephone: +27 (11) 378-8000

Facsimile: +27 (11) 378-1207



# YIELD-X CLEARING MEMBERS

31 DECEMBER 2005

## **ABSA Bank Ltd**

Telephone: +27 (11) 350-7827

Facsimile: +27 (11) 350-7816

Website: <http://www.absa.co.za>

## **Investec Bank Ltd**

Telephone: +27 (11) 286-7000

Facsimile: +27 (11) 286-7946

Website: <http://www.investec.com>

## **Nedbank Ltd**

Telephone: +27 (11) 667-1317

Facsimile: +27 (11) 667-1207

Website: <http://www.nedcor.co.za>

## **Rand Merchant Bank, a Division of FirstRand Bank Ltd**

Telephone: +27 (11) 282-8000

Facsimile: +27 (11) 269-8518

Website: <http://www.rmb.co.za>

## **Standard Bank of South Africa**

Telephone: +27 (11) 378-8000

Facsimile: +27 (11) 378-1207

## **U.R.D. Beleggings (Eiendoms) Beperk**

Telephone: +27 (21) 947-9111

Facsimile: +27 (21) 950-2559



# NOTICE OF ANNUAL GENERAL MEETING

## JSE Limited

(Registration number 2005/022939/06)  
(Incorporated in the Republic of South Africa)  
("JSE")

Notice is hereby given that an Annual General Meeting of shareholders of JSE Limited, will be held at 17:30 on Tuesday, 9 May 2006 at One Exchange Square, 2 Gwen Lane, Sandown, for the purpose of –

### Ordinary business

Considering and, if deemed fit, passing, with or without modification, the resolutions set out below:

#### Ordinary resolutions –

That –

1. the annual financial statements for the year ended 31 December 2005, and the report of the directors and the auditors thereon, be adopted;
2. in terms of Article 20.2 of the JSE's Articles of Association, the appointment of Mr N S Nematswerani as a non-executive director be confirmed;

#### **Nkhumelani Samuel**

##### **Nematswerani**

Non-executive Director	
Age	44
Years as JSE Board member	Alternate director from 2001, appointed full director August 2005
Nationality	South African
Business address	1st floor, Block A 28 Sloane Street Bryanston, 2021
Qualifications	B.Com, University of the Witwatersrand, South Africa B.Acc, University of the Witwatersrand, South Africa M.Com, University of the Witwatersrand, South Africa Chartered Accountant (SA)
Experience	Mr Nematswerani is a Chartered Accountant with over 10 years experience in accounting, auditing and merchant banking. He specialised in corporate finance in a merchant banking environment for over six years at Central Merchant Bank Limited – Senbank – now ABSA Corporate and Merchant Bank; and at Msele Corporate and Merchant Bank – then an associate company of Thebe Investment Corporation (Pty) Limited.
Current directorships and other positions	Chairman of the Audit Committee of the JSE Trustee of the JSE Derivatives Fidelity Fund Trust Director of: <ul style="list-style-type: none"><li>• Aka Capital Limited</li><li>• Corobrik Limited</li><li>• Protea Hospitality Corporation Limited</li><li>• Murray &amp; Roberts Cementation Limited</li><li>• Old Mutual plc</li></ul>



## NOTICE OF ANNUAL GENERAL MEETING continued

3. in terms of Article 20.2 of the JSE's Articles of Association, the appointment of Mr N Payne as a non-executive director be confirmed;

<b>Nigel Payne</b>	Non-executive Director
Age	46
Years as JSE Board member	Alternate director from 2002, appointed full director August 2005
Nationality	South African
Business address	17 Westbrooke Drive Strathavon, 2031
Qualifications	B Com (Hons), Rhodes University, South Africa H.Dip.Acc, Rhodes University, South Africa Chartered Accountant (SA) Masters in Business Leadership, University of South Africa, South Africa Certified Internal Auditor
Experience	Mr Payne was a partner in KPMG for 6 years. He lectured auditing part-time at Rhodes University for a year. After leaving KPMG, he spent 8 years as head of Transnet's internal audit function. He has extensive experience in high level corporate governance and forensic investigations and has appeared as an expert witness. Mr Payne was a member of the IIA's Global Board of Directors, its Global Committee on Quality and its International Finance Committee.  Mr Payne is a member of the King Committee on Corporate Governance, the Institute of Internal Auditors, the Institute of Chartered Accountants and Institute of Directors and the Institute of Directors Council. He is Convenor of the Institute of Directors Corporate Governance Portfolio Committee. Mr Payne is co-founder of the Corporate Governance Forum and a member of the Audit Committee Forum and Independent Director Forum.
Current directorships and other positions	Chairman of the JSE Risk Committee of the JSE Trustee of the JSE Derivatives Fidelity Fund Trust Director of: <ul style="list-style-type: none"> <li>● Gobodo Forensic &amp; Investigative Accountants (Pty) Limited</li> <li>● Legal Aid Board</li> <li>● Sacra Investments (Pty) Limited</li> <li>● STRATE Limited</li> </ul>

4. Mr A D Botha be re-elected as a non-executive director;

<b>Anton Dirk Botha</b>	Lead Non-executive Director
Age	53
Years as JSE Board member	5
Nationality	South African
Business address	17 Termo Avenue Techno Park Stellenbosch, 7600
Qualifications	B.Com (Marketing), University of Pretoria, South Africa





## NOTICE OF ANNUAL GENERAL MEETING continued

Experience	<p>B.Proc, University of South Africa, South Africa  B.Com (Hons) (Investment Management), Rand Afrikaans University, South Africa  Stanford Executive Program, Stanford University, USA</p> <p>Mr Botha was Chief Executive of Genbel SA Limited, South Africa's largest investment trust. He was founder and Chief Executive of Genbel Securities Limited, a major investment banking group, as well as non-executive Chairman of Gensec Bank Limited, a member of the Sanlam Group. During the restructure of the company, Mr Botha was Chief Executive of Gensec Bank Limited. He served on various Boards of Genbel/Gensec/Sanlam companies in the UK, Ireland and the Netherlands and was a director of Sanlam Limited and Sanlam Investment Management. He was a director of New SA Fund Inc., a New York listed Investment Company sponsored by Bear Sterns and Robert Fleming; and a director of Alexander Forbes Limited. He is a past president of the Afrikaanse Handelsinstituut and past chairman of the Investment Analysts Society.</p> <p>Mr Botha is founder, director and shareholder of black empowerment company, Aka Resources (Pty) Limited and holds the same positions for Imalivest Limited, an investment company.</p>
Current directorships and other positions	<p>Chairman of Vukile Property Fund Limited  Chairman of Nivoprop (Pty) Limited  Chairman of Human Resources Committee of JSE  Director of:</p> <ul style="list-style-type: none"> <li>● Afrikaanse Handelsinstituut – past president</li> <li>● Institute of Directors</li> <li>● Investment Analysts Society – past chairman</li> <li>● Aka Resources (Pty) Limited</li> <li>● Anbré Portefeulje (Pty) Limited</li> <li>● Bostco (Pty) Limited</li> <li>● Keylaunch Limited</li> <li>● Imalivest (Pty) Limited</li> <li>● Sanlam Capital Markets Limited (previously Gensec Bank Limited – past chairman)</li> <li>● University of Pretoria</li> </ul>



## NOTICE OF ANNUAL GENERAL MEETING continued

5. Mr M R Johnston be re-elected as a non-executive director;

<b>Malcolm Robert Johnston</b>	Non-executive Director
Age	57
Years as JSE Board member	5
Nationality	South African
Business address	5th Floor First National House 11 Diagonal Street Johannesburg, 2001
Qualifications	B.Com, University of the Witwatersrand, South Africa Chartered Accountant (SA)
Experience	Mr Johnston was Managing Director of Lurie, Johnston & Co Inc and specialised in options strategies, trading as well as dealing for non-resident principals and clients. He was also involved in portfolio management of both local and non-resident trusts, companies and individuals.  Mr Johnston was a member of the JSE Committee before the entity's restructure. He was Joint Deputy Chairman of JSE Committee before becoming Chairman of JSE Committee from 1995 – 1997. Mr Johnston was Chief Executive Officer of First National Equities (Pty) Limited and Chairman of STRATE Limited from inception to end 1999.  Mr Johnston is an Honorary Life Member of the South African Institute of Stockbrokers and is involved in education and lecturing on financial market subjects.
Current directorships and other positions	Member of Financial Markets Advisory Board Serves on the Licensing Committee set up in terms of the Financial Services Board Act, 1990. Director of: <ul style="list-style-type: none"> <li>● Algenib Investments (Pty) Limited</li> <li>● Ancolag Trust Nominees (Pty) Limited</li> <li>● Biffjay Investments (Pty) Limited</li> <li>● Bitachon Trust Nominees (Pty) Limited</li> <li>● Brebner Family Nominees (Pty) Limited</li> <li>● Brooks Anderson (Pty) Limited</li> <li>● Burnbanclan Investments (Pty) Limited</li> <li>● Burndave Nominees (Pty) Limited</li> <li>● B.W. Nominees (Pty) Limited</li> <li>● B.W. Properties (Pty) Limited</li> <li>● Chukker Investments (Pty) Limited</li> <li>● Consolidated Finance and Investments (Pty) Limited</li> <li>● Dusty Moon Investments 66 (Pty) Limited</li> <li>● Eljay Financial Services (Pty) Limited</li> </ul>



## NOTICE OF ANNUAL GENERAL MEETING continued

- Emarjay Financial Services (Pty) Limited
- Emarjay Corporate Finance (Pty) Limited
- Fanfare Properties (Pty) Limited
- Gearjay Properties (Pty) Limited
- Innisfree Trust Nominees (Pty) Limited
- JSE Trustees (Pty) Limited
- Kemp Family Trust Nominees (Pty) Limited
- Kiltearn (Pty) Limited
- Laankor (Pty) Limited
- Leube Family Nominees (Pty) Limited
- Lion Earthmovers (Pty) Limited
- Loisel Nominees (Pty) Limited
- MJBS Nominees (Pty) Limited
- Morris Green Trust Nominees (Pty) Limited
- Mr Price Group Limited
- Open Outcry Investment Holdings Limited
- Plc Nominees (Pty) Limited
- Riddersrust (Pty) Limited
- SAFEX Clearing Company (Pty) Limited
- STRATE Limited
- Sithabile Administrative Services (Pty) Limited
- Sithabile Technology Group (Pty) Limited
- STRATE Technologies (Pty) Limited
- Tubby Gericke Trust Nominees (Pty) Limited
- Unirom Technologies (Pty) Limited
- Universal Rom Technologies (Natal) (Pty) Limited
- Weisses Rossl Holdings (Pty) Limited

6. Mr R J Khoza be re-elected as a non-executive director;

<b>Reuel Jethro Khoza</b>	Non-executive Director
Age	56
Years as JSE Board member	5
Nationality	South African
Business address	1st floor, Block A 28 Sloane Street Bryanston, 2021
Qualifications	BA (Hons), University of the North, South Africa MA, University of Lancaster, UK D Eng, University of Warwick, UK



## NOTICE OF ANNUAL GENERAL MEETING continued

Experience	<p>Dr Khoza is currently Fellow and President of the Institute of Directors in South Africa; a member, and past director and patron of the Black Management Forum (BMF). He is a leading proponent of a new management culture and leadership based on inclusivity, Afrocentricity and Ubuntu; and an advocate of African-led globally competitive economics and industries from the mother continent. Dr Khoza's previous Chairmanships include Eskom Holdings Limited, Co-ordinated Network Investments, Tolcon, Vodac, South African Student Internship Foundation, Sun Air, Corridor Development Corporation, Creda Press, Glaxo-Smith Kline. His previous Directorships include Co-ordinated Management Consulting, Munich Reinsurance SA, S C Johnson &amp; Son SA, Servgro, Vodacom Group, JCI, Pinnacle Holdings, IBM SA, 1ST Holdings, Datacentrix, Guardrisk Assurance Co Ltd., Norwich Holdings, Norwich Life, Comair Ltd., Standard Bank Group Ltd., Standard Bank of South Africa, Liberty Group Ltd.</p> <p>Dr Khoza was the recipient of the 2001 Leadership in Practice Award from the University of South Africa (UNISA) – School of Business Leadership, the 2000 Excellence in Business Management Award from the University of the North, and the 1997 Black Management Forum (BMF) Presidential Achievers Award. Dr Khoza is a member of the international advisory board of Lafarge</p>
Current directorships and other positions	<p>Chairman of Aka Capital (Pty) Limited  Chairman of Corobrik (Pty) Limited  Chairman of Murray &amp; Roberts Cementation (Pty) Ltd  Chairman of the NEPAD Business Foundation.  Trustee of the JSE Derivatives Fidelity Fund Trust  Trustee of the JSE Guarantee Fund Trust  Director of:</p> <ul style="list-style-type: none"> <li>● Gold Reef City Casino Resorts Limited</li> <li>● Nampak Limited</li> <li>● Nedbank Group Limited</li> <li>● Old Mutual plc</li> <li>● Protea Hospitality Limited</li> </ul>
7. Ms G T Serobe be re-elected	as a non-executive director;
<b>Gloria Tomatoe Serobe</b>	Non-executive Director
Age	46
Years as JSE Board member	5
Nationality	South African
Business address	61 Central Avenue Houghton, 2041
Qualifications	B.Com, University of Transkei, South Africa MBA, Rutgers State University of New Jersey, USA



## NOTICE OF ANNUAL GENERAL MEETING continued

### Experience

Mrs Serobe was an Executive Director (Finance) of Transnet from 1996 to 2001. She was a member of the Transnet Board and its major subsidiaries. She has held positions at Exxon Corporation in the USA, Munich Reinsurance Company of SA, the Premier Group and Standard Corporate Merchant Bank. She is a past chairman of the Life Offices Association and Metropolitan Life and Metropolitan Holdings.

She has also held directors position with Airports Company South Africa, Express Kenya Limited, M-Cell and MTN. She was a member of The Financial Markets Advisory Board. Mrs Serobe is an Honorary member of the Actuarial Society of South Africa, a member of the Department of Trade & Industry Audit Committee and the Financial Services Charter Council.

### Current directorships and other positions

Chief Executive Officer of Wipcapital (Pty) Limited  
Trustee of the JSE Derivatives Fidelity Fund Trust  
Trustee of the JSE Guarantee Fund Trust

Director of:

- WIPHOLD
- Old Mutual plc
- Nedbank Limited
- Nedbank Group Limited
- Wiphold Group

8. the re-appointment of KPMG Inc. as the JSE's auditors for the ensuing year be confirmed, and that the auditors' remuneration be left to the discretion of the JSE Board; and
9. a final dividend of 136 cents per share as proposed by the directors be approved.

To transact such other business as may be transacted at an Annual General Meeting.

### Special business

Considering and, if deemed fit, passing, with or without modification, the resolutions set out below:

10. resolved that with effect from 1 June 2006, the remuneration of the Chairman and non-executive directors be increased as follows –
  - the Chairman of the JSE's retainer fee be increased from R335 000 to R624 000 per annum;
  - non-executive director's retainer fee be increased from R70 000 to R100 000 per annum;
  - the Chairman of the Audit Committee's retainer fee be increased from R100 000 to R150 000 per annum;
  - the Chairman of the Risk Management Committee's retainer fee be increased from R100 000 to R150 000 per annum; and
  - the Chairman of the Human Resources Committee's retainer fee be increased from R100 000 to R130 000 per annum.



## NOTICE OF ANNUAL GENERAL MEETING continued

### Special resolutions –

1. Resolved that the Articles of Association of the JSE be cancelled and replaced with new Articles. Save for the changes set out below, the replacement Articles shall be the same in all material respects –
  - 1.1 Deletion of Article 22.3.1 (deletions set out in bold and brackets) and the consequent renumbering of the article –

"22. Contracting with directors

22.3 No director shall vote as a director in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, provided that these prohibitions shall not apply to:

**[22.3.1 any contract or dealing with a company of which the directors of the company or any of them may be directors, members, managers, officials or employees or otherwise interested;]**

22.3.2 ..."
  - 1.2 Amendment of Article 11.6 (deletions set out in bold and brackets and additions reflected in bold) as set out below –

"11.6 'Central securities **[depository] depository**'

The central securities **[depository] depository** as defined in the Securities Services Act, No. 36 of 2004."
  - 1.3 Amendment of Article 38.8 (additions are reflected in bold) as set out below –

"38. Notice

38.8 Every notice calling a general meeting of the company shall comply with the provision of the Act, **be sent to beneficial holders of the company's shares and be announced through the Stock Exchange News Services of the JSE (or replacement service).**"
  - 1.4 Amendment of Article 38 by the addition of Article 38.9 (additions are reflected in bold) as set out below –

"38. Notice

38.9 **Every notice required to be given by the company to the members or any of them, shall also be given to the Registrar of Securities Services of the Financial Services Board.**"
2. Resolved that the directors be authorised to facilitate the acquisition by the JSE, or a subsidiary of the JSE, from time to time, of the issued shares of the JSE upon such terms and conditions and in such amounts as the directors of the JSE may from time to time decide, but subject to the provisions of the Companies Act and the JSE Listings Requirements. This general approval shall endure until the following annual general meeting of the JSE (whereupon this approval shall lapse unless it is renewed at the aforementioned Annual General Meeting, provided that it shall not extend beyond 15 months from the date of registration of this special resolution number 2), it being recorded that the JSE Listings Requirements currently require, *inter alia*, that the JSE may make a general repurchase of securities only if –
  - (i) the repurchase of securities is being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the JSE and the counterparty (reported trades are prohibited);
  - (ii) the JSE is authorised thereto by its Articles of Association;



## NOTICE OF ANNUAL GENERAL MEETING continued

- (iii) the JSE is authorised by shareholders in terms of a special resolution of the JSE in general meeting, which authority shall only be valid until the next Annual General Meeting, provided it shall not extend beyond 15 months from the date of the resolution;
- (iv) the repurchase should not in aggregate in any one financial year exceed 10% of the JSE's issued share capital, provided that any general repurchase may not exceed 10% of the JSE's issued share capital in any one financial year;
- (v) at any point in time, the JSE may only appoint one agent to effect any repurchase(s) on the JSE's behalf;
- (vi) the JSE may only undertake a repurchase of securities if after such repurchase the JSE still complies with shareholder spread requirements in terms of the JSE Listings Requirements;
- (vii) the JSE or its subsidiary may not repurchase securities during a prohibited period;
- (viii) repurchases are not made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the repurchase; and
- (ix) a paid press announcement containing full details of such acquisition is published as soon as the JSE has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition.

### 3. Benevolent fund

#### Ordinary resolution

Resolved that the amendments to the Constitution of the Benevolent Fund as set out in annexure A be approved.

### Voting and proxies

Shareholders who have their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. If you are unable to attend, please exercise your right to vote by completing the instrument of proxy set out on the next page. Proxy forms must be forwarded to reach the registered office of the JSE at One Exchange Square, 2 Gwen Lane, Sandown by no later than 17:30, on Monday, 8 May 2006.

On a show of hands, every shareholder of the JSE present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the JSE shall have one vote for every share held in the JSE by such member.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement –

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the Board

Gary Clarke

Group Company Secretary



# ANNEXURE A – THE CONSTITUTION OF THE JSE BENEVOLENT FUND

Deletions reflected in **[square brackets and bold]** with additions reflected as **bold and underlined**

## Constitution of JSE Benevolent Fund

### 1. Name and constitution

- 1.1 The Fund shall be known as the JSE Benevolent Fund.
- 1.2 The Fund shall be a body corporate and shall be capable in law of suing and being sued and of acquiring, holding and alienating property movable and immovable, in its own name.
- 1.3 In any legal proceedings by or against the Fund, the Committee as provided for in 2 below (the "Committee") shall in their capacity as such sue and be sued on behalf thereof.
- 1.4 The assets of the Fund shall consist of –
  - 1.4.1 contributions payable to the Fund in accordance with this Constitution;
  - 1.4.2 income or gains derived from the investment of any moneys of the Fund; and
  - 1.4.3 any other assets to which the Fund may become entitled.
- 1.5 No contribution will be accepted by the Committee which is revocable at the instance of the contributor for reasons other than a material failure to conform to the designated purposes and conditions of such contribution, including any misrepresentation with regard to the tax deductibility thereof in terms of section 18A of the Income Tax Act 52 of 1968 as amended ("the Act"); provided that a contributor (other than a contributor which is an approved public benefit organisation or an institution, board or body which is exempt from tax in terms of section 10(1)(cA)(i) of the Act, which has as its sole or principal object the carrying on of any public benefit activity) may not impose any conditions which could enable such contributor or any connected person in relation to such contributor to derive some direct or indirect benefit from the application of such contribution.

### 2. Aims and objects of the Fund

- 2.1 The purpose of the Fund is to rescue and care for persons in distress and provide poverty relief.
- 2.2 In applying the assets of the Fund in terms of 2.3, the Committee shall seek to ensure that any recipient of a benefit is in desperate financial circumstances and that any benefit that is granted takes account of the particular needs and circumstances of the applicant but does not unfairly advantage or disadvantage such applicant in comparison with any other benefits that are awarded to other applicants.
- 2.3 The assets of the Fund shall be applied by the Committee in its discretion in providing assistance –
  - 2.3.1 to those persons who were full-time employees of a member of the JSE, or of the JSE prior to 8 November 1995, and remained so employed for a continuous period of not less than 2 (two) years, and if such persons are deceased, to their dependants;
  - 2.3.2 to persons who were members of the JSE prior to 8 November 1995 and if such persons are deceased, to their dependants;
  - 2.3.3 to those persons who had been admitted by the Committee of the JSE as unauthorised or authorised clerks in terms of the rules of the JSE in force prior to 15 August 1996 and if such persons are deceased, to their dependants; and
  - 2.3.4 to a stockbroker as defined in this Constitution, and if such stockbroker is deceased, to his or her dependants.
- 2.4 For the purposes of this Constitution –
  - 2.4.1 "dependant" means –
    - 2.4.1.1 a person in respect of whom the beneficiary is legally liable for maintenance;





## ANNEXURE A – THE CONSTITUTION OF THE JSE BENEVOLENT FUND continued

- 2.4.1.2 a person in respect of whom a beneficiary is not legally liable for maintenance, but where such person was, in the opinion of the Committee, upon the death of a beneficiary in fact dependant on the beneficiary for maintenance; and
- 2.4.1.3 a person in respect of whom a beneficiary would have become legally liable for maintenance, had the beneficiary not died;
- 2.4.2 "member" means a stockbroking firm which is a member of the JSE; and
- 2.4.3 "stockbroker" means a stockbroker or non-practicing stockbroker member of the South African Institute of Stockbrokers ("SAIS") who, for a continuous period of 5 (five) years, was a stockbroker member of SAIS.
- 2.5 All income and property of the Fund shall be applied solely towards the promotion of the Fund's objectives as stated in this Constitution.
- 2.6 No amount or asset shall be given or distributed to the members of the Committee, except as reasonable payment for services rendered to the Fund.

### 3. Administration

- 3.1 The Fund shall be administered by a Committee which shall consist of the Board for the time being of the JSE **[Securities Exchange South Africa ("JSE")] Limited ("the Board")**.
- 3.2 The Committee shall at all times be comprised of at least three people who are not connected persons in relation to each other. **No single person shall directly or indirectly control the decision making powers of the Fund.**
- 3.3 At a meeting of the Committee, a majority of the Committee members shall constitute a quorum.
- 3.4 The JSE shall be the Secretary of the Fund.
- 3.5 Subject to this Constitution, the Committee shall have exclusive administration and control of the Fund and of the income arising therefrom. The Committee may delegate its powers and duties to such sub-Committees as it deems fit.
- 3.6 The financial year-end of the Fund will be the last day of March.

### 4. Records and books of account

- 4.1 The Committee shall cause to be kept proper records and books of account reflecting truly and correctly their administration of the Fund.
- 4.2 A statement of account and balance sheet of the assets and liabilities of the Fund shall be prepared annually in respect of each fiscal year by a registered public accountant and auditor, who shall at all times have access to the books of account, vouchers and investments of the Fund and shall be entitled to such information and explanations from the Committee or their agents as shall reasonably be required.

### 5. Custodianship

- 5.1 The Committee may, subject to this Constitution, admit further claimants or beneficiaries or remove existing claimants or beneficiaries from time to time.
- 5.2 Subject to the provisions of this Constitution, the Committee may generate additional contributions from whatever source the Committee may determine.
- 5.3 None of the members and/or the JSE, the Committee, contributors to the Fund, claimants or beneficiaries of the Fund shall have any right, title, interest or claim, demand in or to any of the moneys, property or assets of the Fund.



## ANNEXURE A – THE CONSTITUTION OF THE JSE BENEVOLENT FUND continued

### 6. Banking account

The Committee shall open an account with a bank as defined in the Banks Act 1990 (Act No 94 of 1990) in the name of the Fund into which account all moneys received on account of the Fund shall be paid and shall, by resolution, from time to time authorise cheques, bills or other documents appertaining to the Fund to be signed or endorsed by such person or persons as they may authorise.

### 7. Investment of assets

In respect of moneys not immediately required to meet the current charges upon the Fund, the Committee shall have full power to lend with or without interest and with or without security, invest or otherwise deal with such moneys upon such securities and in such manner as it may from time to time determine and to realise, vary, re-invest or otherwise deal with such securities and investments as it may from time to time determine, provided that the Committee shall in no circumstances be liable for any loss arising through such investments(s) and/or loans. **The funds of the Fund will be used solely for the objects of the Fund or shall be invested with a financial institution as defined in section 1 of the Financial Services Board Act No 1997 (as amended) or in securities listed on a stock exchange as defined in the Securities Services Act 36 of 2004.**

### 8. Annual General Meeting, other General Meetings and Special General Meetings

The provisions of the Constitution of the JSE, or any replacement document shall insofar as they apply to Annual General Meetings, other General Meetings and Special General Meetings apply *mutatis mutandis* to the Fund.

### 9. General

- 9.1 The Committee is hereby especially exempt from furnishing security to the Master of the Supreme Court or any other body or person under the Trust Moneys Protection Act 1934 or any amendment thereof or under any other statutory provision and the Master is hereby directed to dispense with the furnishing of any such security.
- 9.2 **[This Constitution may be amended in the same manner as the Constitution of the JSE may now or hereafter be amended.] Any amendments to the Constitution require the approval of two thirds of the Committee. A copy of all amendments to the Constitution will be submitted to the Commissioner for the South African Revenue Service.**
- 9.3 With the consent of two-thirds of the **[members, the Committee may liquidate the Fund] Committee, the Fund may be liquidated.** In such event the Committee shall pay all the liabilities of the Fund and distribute the assets to a similar public benefit organisation approved by the Commissioner of the South African Revenue Services as a public benefit organisation.
- 9.4 All powers of attorney, bonds, deeds, contracts or other documents which may have to be executed shall be signed by any person or persons authorised to do so by the Committee.
- 9.5 Every member of the Committee shall be indemnified by the Fund against, and it shall be the duty of the Committee out of the Fund to pay all liabilities, costs, losses and expenses which any such member of the Committee may incur or become liable to in respect of any matter or thing bona fide done by him in the execution, or purported execution of his duties, or of any powers, authorities or discretions vested in him whether in his capacity as a member of the Committee, including all liabilities, costs, losses or expenses consequent on any mistake, oversight or omission on the part of such member of the Committee.



## ANNEXURE A – THE CONSTITUTION OF THE JSE BENEVOLENT FUND continued

- 9.6 No activity of the Fund will directly or indirectly promote the economic self-interest of any fiduciary or employee of the Fund otherwise than by way of reasonable remuneration.
- 9.7 At least 85% (eighty five percent) of the Fund's activities measured either in cost or time spent, are carried out for the benefit of persons in the Republic of South Africa.
- 9.8 No funds will be distributed to any person other than in the course of undertaking any public benefit activity contemplated in this Constitution.
- 9.9 The Fund will not carry on any business undertaking or trading activity unless specifically permitted in terms of section 30(3)(b)(iv) of the Income Tax Act No 58 of 1962 ("the Act") (as amended).
- 9.10 No remuneration will be paid to any employee of the Fund, office bearer, member or other person which is excessive, having regard to what is generally considered reasonable in the sector and in relation to the service rendered and has not and will not economically benefit any person in a manner which is not consistent with the objects of the Fund.
- 9.11 The sole object of the Fund is to carry on one or more public benefit activity as defined in section 30(1) of the Act, in a non-profit manner and with an altruistic or philanthropic intent.
- 9.12 At least three persons who accept fiduciary responsibility for the Fund, will not be connected persons in relation to each other, and no single person directly or indirectly controls the decision making powers relating to the Fund.
- 9.13 The funds of the Fund will be used solely for the objects for which it was established, or shall be invested with a financial institution as defined in section 1 of the Financial Services Board Act 1990 (Act No 97 of 1990) or in securities listed on a stock exchange as defined in the Securities Services Act, No 36 of 2004.
- 9.14 On dissolution of the Fund, the remaining assets must be transferred to –
- (aa) Any similar public benefit organisation, which has been approved in terms of section 30 of the Act;
  - (bb) Any institution board or body which is exempt from the payment of income tax in terms of section 10(1)(cA)(i) of the Act, which has as its sole principal object the carrying on of any public benefit activity; or
  - (cc) Any department of state or administration in the national or provincial or local sphere of government of the Republic, contemplated in section 10(1)(a) or (b) of the Act.
- 9.15 No donation will be accepted which is revocable at the instance of the donor for reasons other than a material failure to conform to the designated purposes and conditions of such donation, including any misrepresentation with regard to the tax deductibility thereof in terms of section 1 8A of the Act: Provided that a donor (other than a donor which is an approved public benefit organisation or an institution, board or body which is exempt from tax in terms of section 10(1)(cA)(i) of the Act, which has as its sole or principal object the carrying on of any public benefit activity) may not impose any conditions which could enable such donor or any connected person in relation to such donor to derive some direct or indirect benefit from the application of such donation.
- 9.16 A copy of all amendments to the Constitution will be submitted to the Commissioner for the South African Revenue Service.
- 9.17 The public benefit organisation will submit the required returns for income tax together with the relevant supporting documents.