Annual Report 2010

Focused on delivery

JOHANNESBURG STOCK EXCHANGE

JSE ANNUAL REPORT 2010

CONTENTS

Driving our efficiencies

Overview of the JSE

The JSE Ltd (JSE) is licensed as an exchange under the Securities Services Act, 2004 and is Africa's premier exchange.

It has operated as a marketplace for the trading of financial products for 123 years.

In this time, the JSE has evolved from a traditional floor-based equities trading market to a modern securities exchange providing fully electronic trading, clearing and settlement in interest rate products, equities, equity and commodity derivatives and other associated instruments and has extensive surveillance capabilities.

The JSE is also a major provider of financial information.

Information about this report

This document constitutes the annual report and annual financial statements of the JSE Limited and its consolidated entities for the year ended 31 December 2010 in accordance with requirements. The Group will publish its first integrated annual report in the year to 31 December 2011. The annual report for the year ended 31 December 2010 contains the directors' report on pages 75-80. The directors' remuneration report is on page 118. The consolidated financial statements are on pages 72-128. The report of the auditor is on page 74.

- *Notice of annual general meeting, see separate document enclosed with this report*

The JSE Annual Report may be downloaded from http://phx.corporate-ir.net/phoenix.html?c=198120&p=irol-reportsannual

Operating revenue
Up 9%

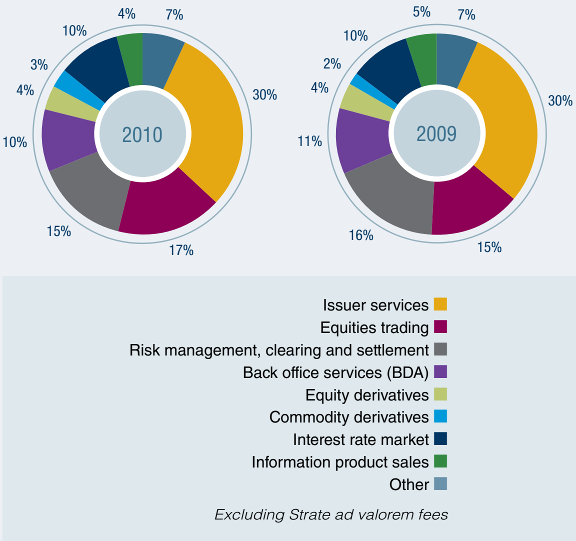
Net cash from operating activities
Up 18%

Net profit
Up 3%

Basic earnings per share
Up 3%

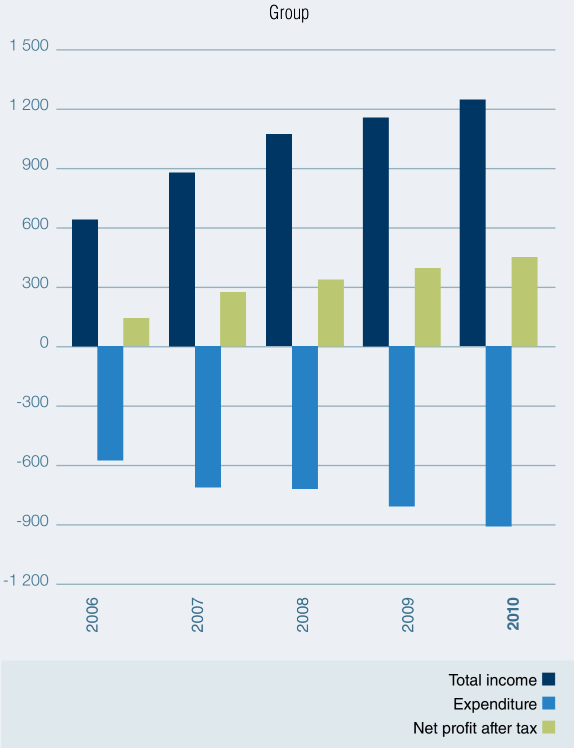
Dividend declared
210 cents

Diversified revenue %



Excluding Strate ad valorem fees

Five year summary R'm



Dividends

Paid in	2006	2007	2008	2009	2010	2011[1]
End of year (cents)	68.2	90.8	130	192	192	210
Special (cents)	13.6	15.6				

[1] *Proposed.*

CHAIRMAN'S LETTER

Fundamental transformation

Emerging markets, including those in Africa, saw increased investor activity in 2010. However, most developed economies were still subdued owing to the after-effects of the global financial crisis of 2008/9. Although volatile in nature, net foreign inflows boosted equities and also led to a record year for the interest rate market. These factors, together with the increasing diversity of our income streams, resulted in the JSE posting a strong financial and operational performance in 2010. Revenue climbed by 9% to R1 255 million (2009: R1 156 million). Net profit rose 3% to R378 million (2009: R366 million) and basic EPS grew by 3% from 431.3 cents in 2009 to 445.5 cents in 2010.

Also pleasing is the fact that South Africa's securities exchange regulation has been judged the best in the world in the World Economic Forum (WEF)'s Global Competitiveness Report 2010 – 2011. This accolade, for which our regulator, the Financial Services Board, should also take credit, reflects the enormity of the fundamental transformational journey the JSE has been on for the past 15 years: moving from a single product equity exchange to a fully horizontally and vertically integrated exchange now recognised as one of the world's leading bourses. Today, far from our historical roots as only an equities exchange, we provide a wide range of products from spot and derivative equities to interest rate and commodity products and offer the full range of services for each product, from trade through to clearing and settlement and data.

We work to grow our product range and trade volumes while keeping a very tight handle on our costs and fees to clients. Our significant investment in technology will enable us to remain competitive with our global counterparts.

The JSE is acutely aware of the context within which it operates, locally, in Africa and globally and of the responsibility and opportunities that this presents (see Russell Loubser's operating overview.) We do not take this responsibility lightly and in all aspects of what we do we try to build a model that ensures the JSE's future sustainability and therefore the opportunity for all our stakeholders to build their own sustainable futures.

As a result of the economic crisis three years ago, there are continuing international debates with regard to increased transparency and regulation in the financial services sector. These debates have direct implications for South Africa and the JSE, as does the policy direction from our National Treasury in relation to the final move to prudential regulation and the development of the spot and derivative interest rate markets. At the JSE, we are naturally not only participating in the debates but are also taking the necessary steps to best position the JSE once the policy directions are clear.

I have no doubt that stakeholders of the JSE will be interested to learn that the World Federation of Exchanges has decided to honour South Africa by holding its 2011 AGM in Johannesburg. We are looking forward to hosting this prestigious international event, which will be attended by representatives of the world's leading stock exchanges.

I would like to pay tribute to Russell Loubser and his executive for outstanding leadership in what has been a very challenging year. They led the JSE with distinction and I am proud of them. As always, my appreciation is extended to our loyal staff, whose dedication continues to contribute to our success. Finally, my sincere thanks to the members of the Board for their support, friendship and guidance over the past year.

Changes to Board

The JSE Board has been relatively unchanged for the past decade. However, there comes a time in every institution when people wish to move on.

The first change to the Board is the decision of our CEO, Russell Loubser to stand down as CEO with effect from 31 December 2011. Russell joined the JSE as CEO in 1997 and has been responsible for significant and highly successful innovations. This is not the time to praise or thank Russell for his enormous contribution as he still has nine months left before leaving the JSE. The time for farewells will come later.

> **The JSE is acutely aware of the context within which it operates, locally, in Africa and globally and of the responsibility and opportunities that this presents.**

I am delighted that the Board has appointed Nicky Newton-King as CEO with effect from 1 January 2012. Nicky has been Russell's deputy for the past 8 years. This appointment is well deserved and will ensure an orderly transition.

Other changes are that non-executive directors Gloria Serobe and Wendy Luhabe have indicated that they do not wish to make themselves available for re-election at our AGM in April 2011. After having served 10 and eight years on the Board respectively they have both made significant contributions to the JSE's affairs and I thank them most sincerely.

Jonathan Berman who joined the Board as an alternate director following the BESA merger, resigned during the course of the year due to his other business commitments.

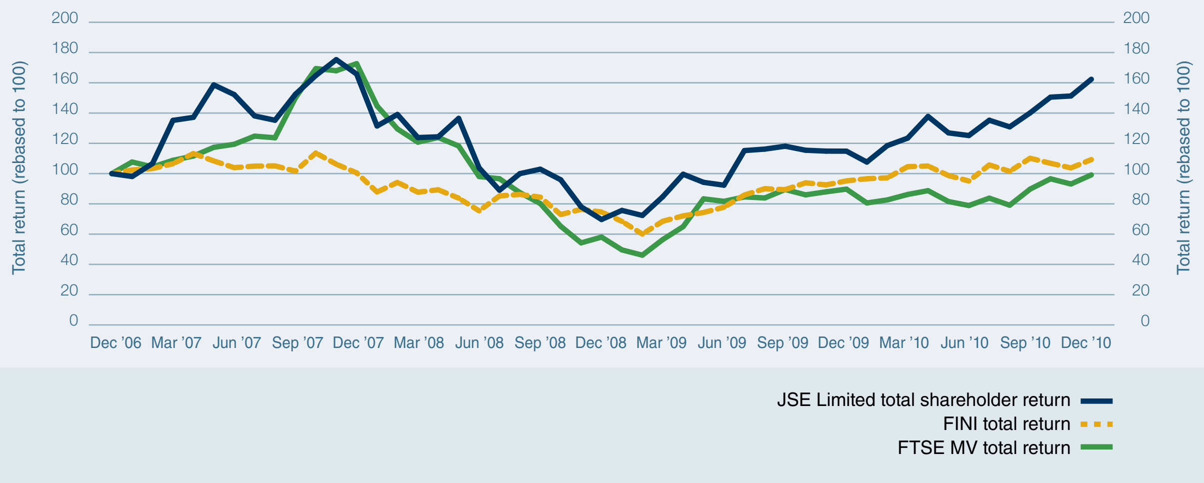
Lastly, in terms of accepted practice, we will shrink the number of executive directors on our Board. Leanne Parsons and John Burke who are senior and highly respected executives of the JSE will both stand down as executive directors at our AGM in April. I am pleased to announce that they will continue to contribute to the Board as alternate directors.

Humphrey Borkum
Chairman

For the interest of shareholders, the graph below reflects a comparison of the JSE's TSR over a four-year period (2007 - 2010) to movements in the FINI index and the global FTSE/MV Exchange index.

JSE Limited (Group)

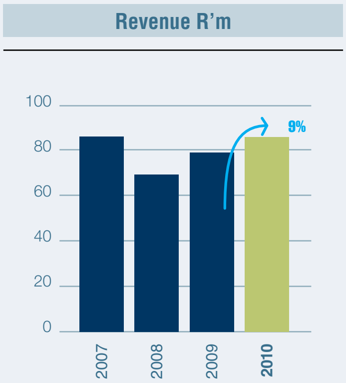
Total shareholder return vs FINI and FTSE/MV indices 2007 – 2010



The above graphic indicates that R100 invested in JSE Limited shares in December 2006 would be worth R162 as at December 2010, a compound annual return of 12.8% per annum over the period.

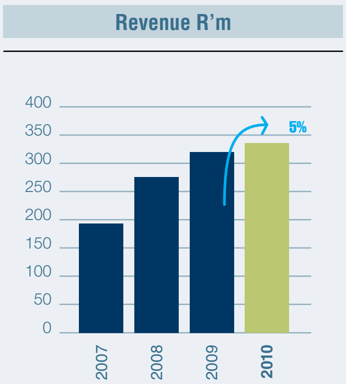
FINANCIAL HIGHLIGHTS

Diversifying our revenue streams



Issuer services

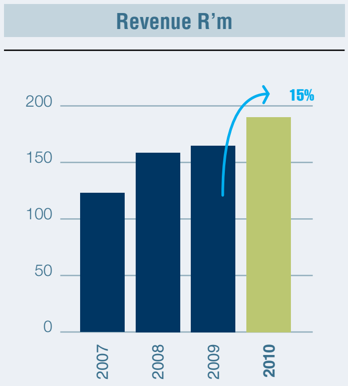
Fourteen new companies listed on the JSE in 2010, an improvement on the previous year, still subdued but in line with the experience of most other members of the World Federation of Exchanges. In the interest rate market, issuance by the South African government and state-owned enterprises dominated the new issues. The number of bonds in issue increased. In 2010, JSE Listings Requirements were amended to require companies to apply King III or to explain why they have not done so. The King Codes, which the JSE helped shape, is globally accepted as leading edge in the corporate governance field.



Equities trading

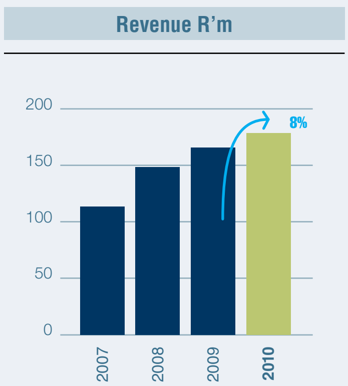
The equities market performed well in 2010. The number of transactions rose for several reasons, among them the impact of a new billing model implemented in March 2010; a long-term strategy to grow participation in the market and expand the number of equity products; a drive to increase retail investor trade; and investor comfort with the JSE's start-to-end equity trade offering. In June 2010, the JSE experienced a record number of trades on the futures close-out day.

The continued development of a wide range of products and services and the creation of a full range of services for each product, from trade through to clearing and settlement, has allowed the JSE to structure itself in a way that lends itself to both business sustainability and further growth opportunities.



Equities risk management, clearing and settlement

The risk management, clearing and settlement business performed well in 2010, driven by transaction growth on the cash equities market. Though the division's revenues are linked to the number of equity transactions that take place on the cash equities market, the increase in clearing and settlement revenues did not track equities trading exactly, because of a different billing structure. Unusually among stock exchanges worldwide, the JSE guarantees settlement of equity trades going through the central order book.



Back office services (BDA)

The JSE generates revenue from the back office system, which equity members are mandated to use. The system keeps the securities records and books of individual broking firms. During 2010, the IT team completed most of the development of the replacement for the BDA system and all the development for the new surveillance and clearing systems. The new system is expected to go live in the second half of 2011. The BDA system also provides the JSE with world-class surveillance down to client level.

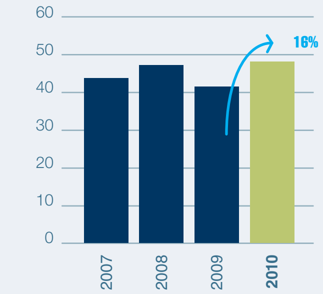
FINANCIAL HIGHLIGHTS continued

Revenue R'm

Equity derivatives

While investor confidence in equity derivatives has recovered somewhat, market activity remains constrained owing to muted offshore trading activity, South Africa's subdued economy and the slow recovery of the local hedge fund industry after the global financial crisis. Trade in international derivatives grew particularly strongly. Another focus of 2010 was to upgrade the equity and commodity derivatives trading platform to create the mutual market, which allows members of both markets to trade in a single order book. A new billing model was introduced to encourage a move to a central order book and to stimulate greater activity on the equity derivatives market.

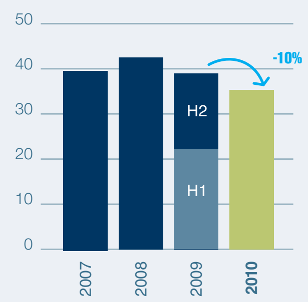
Revenue R'm



Commodity derivatives

The commodities derivatives market performed well in 2010, largely owing to a rise in volumes traded in its oldest product set – agricultural product derivatives – but also aided by the expansion of trade into new products. White maize, a significant staple food in South Africa, remains the most traded commodity on the JSE's commodity derivatives market. Since 2009, the JSE has collaborated with the CME Group, the world's largest derivatives exchange, to introduce commodity derivatives referencing CME benchmark prices.

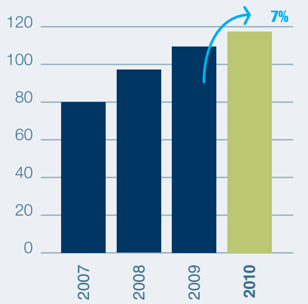
Revenue streams R'm



Interest rate market

The year brought ongoing consolidation and the implementation of post-merger efficiencies for the interest rate market. The JSE acquired the Bond Exchange South Africa (BESA) in June 2009. However full year revenue figures are used for 2009 and 2010 in the graph for a like for like comparison. South Africa's debt market, though fairly liquid relative to its counterparts globally, has for decades operated with inadequate transparency, fairness and reach. One of the market's main initiatives – the consolidation of membership, systems and trading rules – will place the market in a position to grow. Core focus now is on building consensus around how to grow liquidity and transparency in the spot and derivative IR market.

Revenue R'm



Information products sales

The Information Products Sales division's focus on previously untapped markets paid off, particularly in a global environment where investors are seeking yields from new and specifically emerging markets. Globally, the market-related information sales industry has contracted over the past 18 months, owing to the global financial crisis and consolidation amongst data providers. The division has increased its data footprint to various regions and increased data sales by focusing on previously untapped data products. The results have been positive.

OUR MARKETS

A truly diversified franchise

Warrants

Warrants are financial instruments that give the investor the right, but not the obligation, to buy or sell a certain quantity of an underlying instrument at an agreed price, on or before an agreed date.

ETF

An exchange traded fund (ETF) is an investment that tracks an index, but can be traded like a single security or share.

Shares

A share represents a unit of ownership in a company.

Equity market

The equity market provides investors with the opportunity to trade shares, exchange traded funds and warrants. It also provides companies with the opportunity to raise capital.

Equity derivatives

The equity derivatives market provides a platform for trading futures and options, which derive their value from an underlying instrument, which could be a share or a currency.

Currency derivatives

Currency futures and options trade on an electronic trading platform, offering an electronic, automatic and transparent platform for the trading of currency among others derivative products. The following currencies among others are listed on the Exchange: dollar/rand, euro/rand, pound/rand, Australian dollar/rand and Japanese yen/rand.

Single Stock derivatives

Single stock derivatives are derivative instruments that give investors exposure to price movements of an underlying JSE-listed share.

IDX

International derivatives (IDX) give investors exposure to price movements of internationally listed shares. Investors are able to trade single stock futures on internationally listed companies without the restrictions associated with exchange control regulations or the expense of setting up foreign trading accounts.

Index derivatives

Equity index derivatives give investors exposure to price movements of an underlying index. Participants can invest in a basket of equities without trading the individual constituent equities.

Can-Do derivatives

Can-Do derivatives are derivative products that give investors the advantages of listed derivatives with the flexibility of "over-the-counter" contracts. Investors can negotiate the terms of a Can-Do contract, choosing the underlying asset as well as the expiry date. Exotic structures are also on this platform.

We aim to be recognised as the South African exchange providing the leading fully over financial market for African securities as well as an effective gateway to international products and markets for African investors.

Derivatives on South African agricultural products

Grain futures and options give investors the opportunity to hedge agricultural price risk. The JSE offers futures on white and yellow maize, wheat, sunflower seeds, soya beans and sorghum.

SAVI white maize

The SAVI white maize (South African Volatility Index) is a three-month forward-looking index indicating what the market volatility is three months from today, every day. It enables investors to gauge "fear" and market sentiment relating to the local white maize market.

Derivatives on the international commodities market

Cash-settled commodities, like gold and crude oil (referencing highly liquid international markets for final cash settlement value) give investors exposure to international commodities markets through a licence agreement with the CME Group.

Commodity derivatives market

The commodity derivatives market provides a platform for price discovery and efficient price risk management for the grains market in South and southern Africa. The division also offers derivatives on precious metals and crude oil.

Interest rate market

The interest rate market provides investors with the opportunity to trade products in both the cash and the derivative markets. Clients can trade on-exchange (central order book) or as a report-only transaction.

Volatility derivatives

SAVI squared contracts are contracts that allow investors to hedge or speculate in volatility.

Dividend futures

Dividend futures are derivative contracts used to hedge against dividend risk that accompanies trade in single stock futures (SSFs). These contracts are booked in conjunction with a relevant SSF and enable investors to protect themselves against perceived dividend risk.

Cash products

A bond is a long-term loan where the borrower pays the bond holder interest over a period of time and repays the full loan amount on a predetermined maturity date.

Bond indices

The JSE provides several tools to assess performance and provide benchmarks for asset managers and traders, including the Total Return Indices, Credit Indices and inflation-linked bond indices.

Derivatives on interest rate instruments

Available products are bond futures, options on bond futures, index derivatives and JIBAR futures.

CHIEF EXECUTIVE'S REVIEW

Focused on opportunities

The JSE had a fair year in challenging conditions in 2010, as the Exchange focused on making progress on operational projects while responding to global changes in the exchange industry and the opportunities and challenges these could hold for issuers and investors.

After a period of uncertainty towards the start of the year, the JSE's main equity index, the FTSE/JSE All Share Index (ALSI), rose 16.1% year on year, reaching a high of 32 227 on 30 December. The South African Volatility Index (SAVI), a forecast of equity market risk in South Africa, rose in the last quarter of 2010, implying higher market volatility and thus risk. However, SAVI levels were significantly lower than the highs reached during the global financial crisis in 2008/9.

Foreign investors continued to increase their holdings in JSE equities (2010 net inflow: R36.4 billion; 2009: R75.3 billion) and grew their net investment in the interest rate market to R58.6 billion.

Financial performance

The operational performance of each of our markets has enabled the JSE to grow operating revenue by 9% to R1 255 million (2009: R1 156 million), with the main growth coming from the equities market, but contributions also made by information products sales and commodity derivatives. The interest rate market contributed 12 months of revenue in 2010 against six months the previous year, when it was acquired from BESA.

Other income climbed 24% to R50 million (2009: R41 million), primarily as a result of the profit on realising portfolio investments in the Investor Protection Funds.

JSE operating costs before net finance income rose by 8% to R879 million (2009: R810 million), as a result of:

- the addition of 20 people to our staff complement, primarily to enable us to complete our large IT projects;
- impairment to software under development of R33 million, relating to development costs in the back office system and to the upgrade of Sens which is now not expected to deliver the anticipated value;
- onerous lease costs of R1.9 million, attributable to the lease over Melrose Arch entered into by the BESA, and which were expensed during the course of 2010.

The result is a 10% rise in operating profit for 2010 to R426 million from R386 million in 2009.

Net interest earned fell by 16% to R87 million.

Group headline earnings per share fell from 456 cents to 436 cents.

Capital expenditure

Capital expenditure of R157 million in 2010 related mainly to:

- the last phase of the JSE's technology replacement project, including the back office system (BDA), surveillance and clearing, and settlement systems to be delivered this year. Most of the cost of this project was incurred between 2007 and 2010.
- the JSE's new data centres.

The bulk of the depreciation for these will be taken through the income statement from 2011.

Capital structure and dividend policy

The JSE has no long-term borrowings and R1 046 million in cash reserves (2009: R921 million). The Exchange analyses its capital requirements in three categories:

- First, to ensure a smoothly operating stock exchange, the JSE sets aside sufficient cash to fund four months of operations;
- Second, as the JSE guarantees all central order book equities trades, it sets aside sufficient cash to meet its obligations assuming the failure of a JSE equities member (broker);
- Third, the JSE must be in a position to maintain infrastructure and meet capital needs for expansion, so we set aside a portion of cash to fund these types of expenses; and
- Fourth, the Investor Protection Funds contribute R112 million of the total (2009: R116 million).

On the basis of this assessment, the Board has determined how much cash we need to retain, and revisits this regularly.

Cash dividend declaration

The directors of the JSE are proposing to declare ordinary dividend number 7 of 210 cents per share to be approved at the Annual General Meeting of shareholders to be held on Thursday, 28 April 2011. This equates to 2.1 times cover and is consistent with the stated dividend policy to pay between 1.5 and 2.5 cover.

Today, far from being the equities-only exchange we started out as, we provide a wide range of products and offer the full range of services for each product.

The salient dates for the payment of the dividend are as follows:

To be released on Sens on	Tuesday, 15 March 2011
Last date to trade JSE shares cum dividend	Friday, 20 May 2011
JSE shares trade ex dividend	Monday, 23 May 2011
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	Friday, 27 May 2011
Date of payment of dividend	Monday, 30 May 2011

Share certificates may not be dematerialised or rematerialised from Monday, 23 May 2011, to Friday, 27 May 2011, both days inclusive.

Operating overview

It is becoming clearer that, in a globally competitive environment, markets with strong regulation, solid infrastructure and thriving institutions will be better positioned to attract sustainable capital flows. The recognition by the World Economic Forum (WEF) Global Competitiveness Report 2010-2011 that South Africa's securities exchange regulation is the best in the world reflects our transformation from a single product equity exchange to a well-regulated fully horizontally and vertically integrated exchange, now recognised as one of the world's leading exchanges.

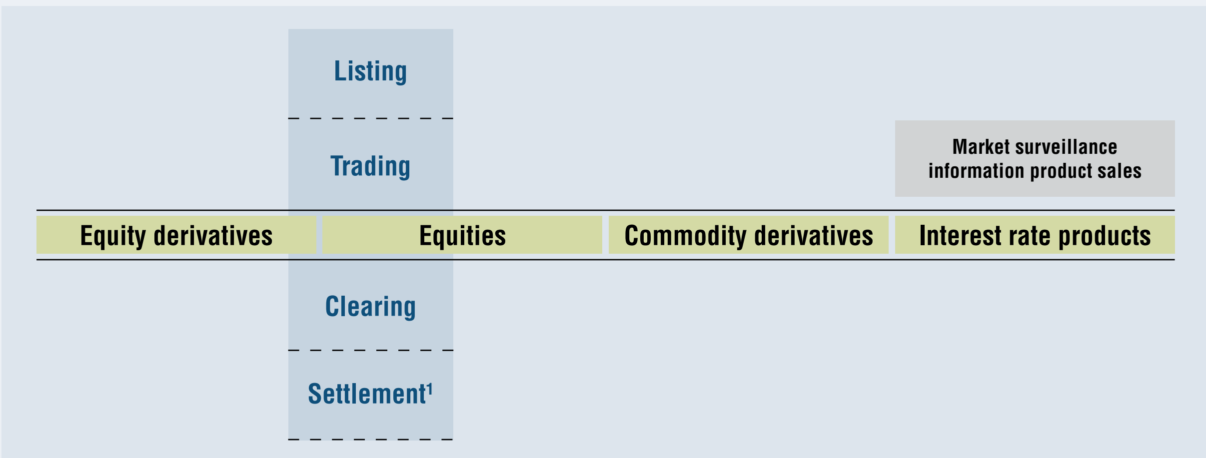
We aim to be recognised as the South African exchange providing the leading fully integrated financial market for African securities as well as an effective gateway to international products and markets for African investors.

To this end and as indicated more fully below, in 2011 the JSE's main focus will be on the delivery of several key projects:

– Finally bedding down our major technology initiatives and moving closer to being able to up the ante again in the technology-dependent services we are able to offer across all our markets. This includes offering lower execution speeds and a greater choice of ways to access our services;
– Completing the work to enable the successful implementation of our new equities trading system in 2012 in Johannesburg. The system is supplied by Millennium IT, which is a company wholly owned by the LSE;
– Building consensus on the growth of our spot and derivatives interest rate markets; and
– Growing the client and product range in all our market segments, concentrating particularly on how to bring over-the-counter (OTC) trade on-market and on how to encourage more foreign activity on the JSE.

Cross-border activity in the exchange sector continues. We believe the JSE needs to be linked into the global financial markets so that it can not only continue to attract foreign investment, but also provide local clients with the best possible access to foreign investment opportunities.

Value chain overview



[1] The JSE has a 44.5% equity stake in Strate.

Taking advantage of opportunities

This type of access can be obtained in a number of different ways, which include product diversification and the provision of value-added services. We are concentrating on these areas.

Also important is identifying strategic relationships with leading global exchanges to enable us to deliver on our strategy. The Exchange's agreement with the CME Group, the world's largest derivatives exchange, is a case in point. Through this linkage, the JSE is able to offer local investors cash settled ZAR-denominated commodity derivatives referencing CME prices though there is no equity cross-holding between the exchanges.

On the African continent, the JSE has focused its efforts on the following:

- The Africa Board. As part of the Main Board in the equities market, this board enables issuers from the continent (outside of South Africa) to take advantage of increased profile and capital raising opportunities through a dual listing on the JSE. In this regard, we are delighted with the efforts of the Africa Board Advisory Committee, which comprises prominent African business people, to assist with the Africa Board strategy. In 2011, the JSE will continue to promote the Africa Board and to develop and list associated products such as African exchange traded funds, African debt and African depository receipts. In this vein, we welcome the suggestion in the recent Treasury consultation paper on prudential regulation that African issuers should be treated as domestic issuers for prudential purposes;
- Building deeper relationships with some of the continent's capital markets, which are seeking new ways of growing and wish to tap into the JSE's experience in that regard;
- Progressing with the design of the Africa hub to allow customers to route orders to African exchanges using a single technological hub.

Sustainability

As the country's only exchange and a fundamental part of the South African economy, the JSE is acutely aware of its need to look to its long-term sustainability. This very much guides the way we look at the development of our business. The diversity of the JSE's business reflects the fundamental nature of its transformational journey over the past 15 years.

As indicated in the business review above, the continued development of a wide range of products and services and the creation of a full range of services for each product, from trade through to clearing and settlement, has allowed the JSE to structure itself in a way that lends itself to both business sustainability and further growth opportunities. The JSE's ability to remain competitive and sustainable in our fast-changing industry has also been maintained through the management of costs and reduced fees to our clients, while still maintaining world-class standards.

- Our employees – the JSE believes that intellectual capital is its most important asset, therefore it is committed to supporting the development of its people and providing a safe environment to work in. Accordingly, the JSE continues to build on its reputation as an employer of choice, cultivating a culture of respect and acceptance, creating an environment that is free from any form of unfair discrimination, and nurturing each employee as an individual and an important member of a diverse team. Like other companies, the JSE needs to attract, develop and retain the best talent and skills.
- Our stakeholders – The JSE recognises that communication with its major stakeholders is important to its future business and as such interacts in various ways with such major stakeholders. Shareholders and interested stakeholders are invited to attend the annual general meeting and roadshows, where the respective chairmen of the various committees will be available to answer any questions. The JSE has Advisory Committees, where stakeholders are able to discuss specific aspects of JSE business, including trading on all markets, clearing and settlement, indices and Listings Requirements.
- Transformation – The JSE is committed to transformation and embarked on its transformation strategy more than 10 years ago. There are strategies in place to try to achieve a Level 4 status by December 2011.
- Community investment and relations – the JSE is committed to making a difference in the lives of South Africans by investing time, effort and money into various initiatives. The JSE also believes that this difference should be sustainable and should ensure that individuals benefit directly through positive and meaningful contributions. In addition, the JSE sponsors and donates money to anti-crime initiatives that it believes indirectly improve the lives of ordinary South Africans and constructively advance the general business environment.

Net foreign inflows boosted equities and led to a good year for the interest rate market. As a result of this, together with the increasing diversity of our income streams, the JSE posted a strong financial and operational performance in 2010.

- Our environment – globally, awareness of the climate change challenge has been growing significantly, within the context of broader sustainability and as an issue in its own right. As an element of our endeavour to understand and contribute towards a greater focus on sustainability, our research into climate change and carbon markets has allowed the JSE to think beyond business as usual. The JSE has taken on Board the need to take concrete and forward-thinking steps and contribute to the thinking pool with broader ongoing initiatives stakeholders, the government and interested bodies in bringing about an awareness of and a reduction in negative impacts to the environment.
- Broader context – the JSE has been a thought leader in the area of encouraging businesses to look beyond purely financial measures and to measure themselves against criteria related to the triple bottom line. One notable action has been the development and operation of the internationally respected Socially Responsible Investment (SRI) Index, assesses JSE-listed companies' environmental, social and economic sustainability practices and corporate governance, since 2004. The JSE tirelessly aims at increasing the focus on the index, raising the profile of responsible investment and making the SRI Index the benchmark of responsible investors and the deepening collaboration with SA's largest investor, the Government Employees Pension Fund (GEPF) significantly endorses this ideal.

For a more in depth account of our stakeholders, how we engage with them, our community investment, as well as details of how we respond to the challenges of the environment, the complete sustainability report can be accessed on the JSE investor relations website.

Prospects

While much has changed at the JSE during the past decade, there is significant work to be done given the winds of change sweeping the financial services industry worldwide. The JSE's objectives for 2011 have been discussed above.

Though the Board is focused on delivering on the objectives identified above, revenue projections are not possible in the stock exchange industry, given the dependence on trading volumes in all of our markets.

At time of writing, the JSE's markets continue to emulate 2010's performance, with similar transaction levels being maintained. This does not imply that the trends will necessarily continue throughout 2011. Indications are that 2011 will be a tough year in financial markets. By delivering on the projects outlined during this review, and by staying close to all clients, the JSE will deliver the best possible performance to the benefit of its users and investors.

Appreciation

After 15 wonderful and stimulating years as the JSE's CEO, I will be retiring at the end of 2011. The past 15 years have been a time of extraordinary change and development for the JSE.

None of this would have been possible without the JSE's executive management team, some of whom have been at the Exchange from the start of my tenure. I have so enjoyed having all of the executives as colleagues. I would like to thank my team and the whole JSE staff for their integrity, courage, passion and robust engagement as we literally examined every element of what we do and built a world-class JSE of which I am truly proud.

The JSE Board has consistently been behind the journey I envisaged for the JSE and has been extremely supportive of our team as we executed our vision through the years. I am most grateful for their support of the team and for me personally.

I would particularly like to recognise the JSE chairman Humphrey Borkum for his leadership, insight and loyalty to the JSE and for his invaluable counsel to me and members of my team. He is a giant amongst men. The Borkum family's contribution to South Africa's financial services industry has been significant and it has been a privilege to serve as CEO under Humphrey.

Finally, it is important to thank my wife, Alma and children, Mark and Carine for bearing with me through this amazing journey. Without Alma's support, it would not have been so much fun.

Russell Loubser

R M Loubser
Chief executive officer

DIVISIONAL REVIEW

Responding to challenges

Issuer services

Revenue: R86 million (2009: R79 million)
Percentage of total revenue: 7%

New company listings and delistings

The JSE's Issuer Services division is responsible for regulating new equity and bond listings on all JSE markets and charges fees for new listings, annual listings fees for all existing issuers and documentation fees for dealing with specific issuer documents produced during a year.

Listings

The number of new company listings on the JSE rose to 14 (2009: 10) of which 13 were on the Main Board and one on AltX. This is an improvement on the previous year, but is still subdued. In this, the JSE's year was in line with the experience of most other members of the World Federation of Exchanges. New listings activity in other JSE-listed instruments, which also contribute to Issuer Services revenue, contributed R15 million (2009: R5 million) to the Issuer Services revenue base. Corporate activity contributed R6 million. In all, the division's revenue rose to R86 million (2009: R79 million).

During the year, new listings included Wilderness Safaris, the second Africa Board listing. New listings fees make up a significant portion of the revenues of this division, with already listed issuers paying a smaller annual listings fee.

Seventeen companies delisted in 2010 (2009: 25). The main reasons for delisting were corporate actions and companies not complying with the Listings Requirements. Despite this, the JSE's listings pipeline remains good.

We listed 379 new warrants, and eight new ETFs and ETNs (including one on oil), which contributed to new listings revenue.

In the interest rate market, issuance by the South African government and state-owned enterprises dominated the new issues and growth in existing bonds in issue. Issuance of bonds, including tranches of existing programmes, increased by 19% from R946.4 billion in 2009 to R1 129 billion in 2010. The number of new issues exceeded the number of maturities.

The equities team is focused on increasing participation on the JSE (at member and end-investor levels).

Listings Requirements and other regulatory matters

The JSE's Listings Requirements regulate the issuers of all securities, whether applying to list or already listed. Issuers must publish stipulated amounts of data about the business or underlying entity, financial results and prospects. Once listed, issuers must inform and, in certain instances, gain permission to carry out corporate actions.

Also, in 2010, the Listings Requirements were amended to require companies to apply King III or to explain why they have not done so. King III is globally accepted as leading edge in the corporate governance field and companies will be required to make the necessary disclosure for financial years starting on or after 1 March 2010.

Work was also started on amending the Listings Requirements in light of the Companies Act 2008 (Act 71 of 2008); and to enable:

– the merging of the sets of rules previously used by the Bond Exchange South Africa (BESA) and the JSE; and
– the listing of depository receipts on the equities market.

These were completed in early 2011.

Work was also undertaken on implementing proactive monitoring of the financial statements of all listed companies, in a bid to better pick up any non-compliance with the globally recognised International Financial Reporting Standards (IFRS). Such monitoring was launched in February 2011.

This means that all company results could be investigated at any time. The JSE will drive the process but will be assisted by the University of Johannesburg and the Financial Reporting Investigation Panel (FRIP), previously known as the GAAP Monitoring Panel (GMP).

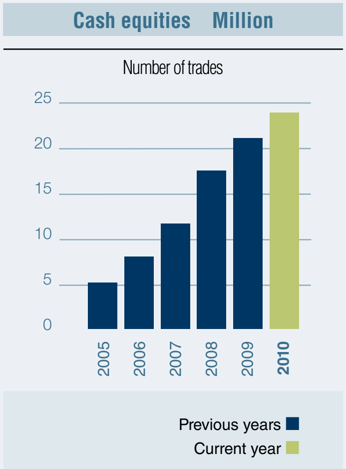
Increasing equity participation

The equities team is focused on increasing participation on the JSE (at member and end-investor levels) in the following ways:

– Increasing direct retail (individual) investor participation, in collaboration with the JSE's education team. The retail strategy aims to educate financial advisers, potential investors and the general public;
– Growing the number of members. We are investigating the feasibility of introducing remote membership for foreign participants; and
– Satisfying the requirements of traders using high-frequency trading strategies through fee incentivisation, lowering execution times and commissioning co-location facilities.

Equities trading

Revenue: R333 million (2009: R318 million)
Percentage of total revenue: 30%



The equity market generates revenue from equity transactions, with billing based on a combination of the number and value of transactions. As well as equities, related instruments – mainly warrants and exchange traded funds and notes – are traded on this market.

DIVISIONAL REVIEW continued

The equities market performed well in 2010, driven by a 13.4% increase in the number of transactions year on year (2010: 23.8 million 2009: 21.0 million). Value traded rose by 6.9%. Trade numbers grew for several reasons, among them the impact of a new billing model implemented in March 2010; a long-term strategy to grow participation in the market and expand the number of equity products; a drive to increase retail investor trade; market volatility during portions of the year; and investor comfort with the JSE's start-to-end equity trade offering. In June 2010, the JSE experienced a record number of trades at the futures close-out, where 205 748 trades were recorded (average daily trade in 2010: 94 691).

Billing model

The size of the average equities transaction continues to drop. This is related to the increased activity of algorithmic trade, among other factors. In 2010, the average value per cash equity trade was R126 125 compared with R133 459 in 2009, R187 543 in 2008 and R257 688 the previous year.

This trend was one of the main factors driving our new billing model, which was implemented after extensive client consultation. The aim is to reduce total trading costs to clients, encourage high-frequency trading and reward and incentivise high-trade and value participants while ensuring the JSE itself can also share in the benefits of the increased trade volumes.

A further revision to the billing model was implemented on 31 January 2011.

Growing number of users of the equities market

The equities team is focused on increasing participation on the JSE (at member and end-investor levels) in the following ways:

– Satisfying the requirements of traders using high-frequency trading strategies through fee incentivisation, lowering execution times (including through the implementation of the new equity trading platform in Johannesburg) and commissioning co-location facilities;
– Increasing direct retail (individual) investor participation in collaboration with the JSE's education team. The retail market is underinvested in SA, for historical reasons and owing to a poor savings culture. The retail strategy aims to educate financial advisors, potential investors and the general public;
– Growing the number of members (stock brokers), with the focus on international participants. We are also investigating the feasibility of introducing remote membership for foreign participants.

Product expansion

Issuers brought new products during the year, including exotic warrants, exchange traded notes and exchange traded funds. The team is also currently talking to several international market participants about listing products on the JSE. This includes the establishment of a local depository receipts market.

Value-add offerings and services

Dark pools

As the average trade size on the equities market has declined, large traders have asked for facilities to complete large transactions with limited market impact cost. The JSE, aiming to offer value-add trade services while wanting to retain liquidity on the exchange's central order book, has offered a facility enabling hidden orders. In July 2010, the Exchange introduced Block-X, an on-exchange anonymous trading facility in the central order book for the execution of large trades. This has received a good response from market participants, with about half of JSE clients using the facility. The JSE expects the use of this functionality to increase.

BEE scheme shares trading facility

The general move to trading on-exchange benefits all JSE markets. In response to client need, the equities market created a facility for trading BEE scheme shares on which the beneficiaries of empowerment share schemes can trade their BEE shares.

In the past, such trade has taken place off-exchange. The on-exchange trade facility provides transparency, regulation and increased liquidity.

In a South African first, Sasol listed the Sasol Inzalo BEE share scheme on the BEE Segment on 7 February 2011. The JSE continues to meet with parties interested in listing BEE scheme shares on the JSE.

Equities risk management, clearing and settlement

Revenue: R189 million (2009: R164 million)
Percentage of total revenue: 17%

The JSE is responsible for risk managing, clearing and guaranteeing the settlement of central order book cash equity trades. The Exchange charges a transaction fee per trade leg for this service, with a value-based element.

The risk management, clearing and settlement business performed well in 2010, driven by transaction growth on the cash equity market performance. The division contributed R189 million (2009: R164 million or 15%). This implies revenue growth of 15% year on year.

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

In the second half of 2011, the JSE's IT team will implement a new clearing system for equities, aimed at enhancing equities clearing and replacing the existing surveillance system. This implementation will be part of the last phase of the JSE's major IT system replacement project.

Unusually among stock exchanges worldwide, the JSE guarantees settlement of equity trades going through the central order book. At the same time, equity trades settle on T+3 internationally. In 2011, the IT team will implement system changes in anticipation of the shorter settlement cycle. The move to T+3, which involves participants and clearing houses, will be implemented when all role players have completed the changes necessary for the move.

The Clearing and Settlement division is considering revising current margin collateral requirements to assess the viability of allowing securities to be posted as collateral as opposed to cash. This covers equity, commodity, currency and interest rate derivatives as well as cash markets, bonds and equities. The initial focus will be on the derivatives markets and cash bonds.

Equity derivatives
Product innovation

The JSE's equity derivatives market is focused on encouraging clients to trade in the central order book

The team continues to bring new products to the market.

- Trade in international derivatives, (rand settled derivatives on companies listed on a stock market offshore) grew strongly in 2010.
- In 2010, the JSE added to its range of non-standardised derivatives, called can-dos. Last year, variance futures were launched.
- Products were also added to the market's currency derivatives offering, including contracts on the Swiss franc.

DIVISIONAL REVIEW continued

Back office services (BDA)

Revenue: R178 million (2009: R165 million)

Percentage of total revenue: 15%

The JSE generates revenue from the back office system, called the Broker Deal Accounting (BDA) system. Equity members are mandated to use the system. The system keeps the securities records and books of individual broking firms and in respect of their clients.

Back office services (in previous reports called Technology Services) contributed R178 million or 15% of total JSE revenue (2009: R165 million or 16%). In total, therefore, the cash equities market makes up 62% of JSE revenue.

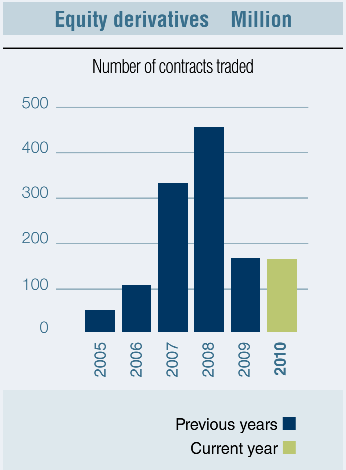
During 2010, the IT team completed most of the development of the replacement for the BDA system and all of the development for the surveillance and clearing systems. The programme has progressed into the systems integration testing phase and the new system is expected to go live in the second half of 2011.

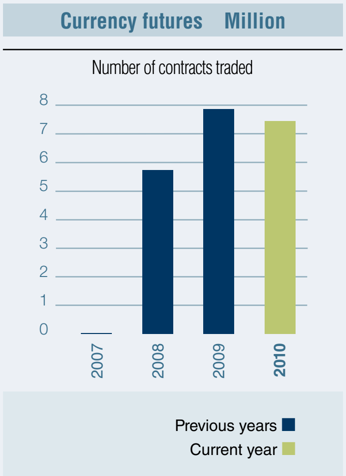
The BDA system also provides the JSE with world-class surveillance, allowing the JSE to see certain trades to client level. In many jurisdictions, the market regulators are reliant on market participants to provide them with information they require to investigate and prosecute insider trading or other instances of market abuse. The new system will also enable greater functionality and ease of use for JSE members.

Equity derivatives market

Revenue: R116 million (2009: R116 million)

Percentage of total revenue: 10%





The equity derivatives market provides a platform for trading equity futures and options. Revenue is earned by charging a fee per contract traded, on a scale that varies according to the type of contract and whether it is traded on the central order book or reported to the JSE.

While investor confidence in equity derivatives has recovered somewhat, market activity remains constrained owing to muted offshore trading activity, volatility levels lower than those of 2009, South Africa's subdued economy and the slow recovery of the South African hedge fund industry after the global financial crisis. Despite this, trade in derivatives on foreign underlyings rose strongly. In 2010, total futures trade rose by 14.3%, with 1.52 million contracts traded (2009: 1.32 million). In the second half of 2010, the number of smaller trades increased, possibly owing to the focus on the central order book, which is discussed alongside.

Equity derivatives trading revenue (fees) are largely value-based. In 2010, value traded rose by 15.2% to R3.6 trillion (2009: R3.2 trillion).

Trade in international derivatives (derivatives on companies listed on a stock market offshore) grew particularly strongly, registering a record in the number of contracts traded during June 2010 (2.8 million). The market is dominated by professional users.

From 2002 to the present, the JSE's equity derivatives market has focused on expanding the product range to meet market demand. The team continues to bring new products onto the market and is negotiating the launch of derivatives on African stocks as a complementary offering to the Africa Board, part of the JSE's cash equities market.

The team also continues to expand existing product categories. In 2010, the JSE added to its range of non-standardised derivatives, called can-dos, which are bespoke products retaining the risk management advantages of listed derivatives. This product category declined in terms of value traded last year, but rose in terms of the number of contracts traded, mainly owing to the launch of variance futures, which allow market participants to take a direct position in the volatility of an instrument.

Products were also added to the market's currency derivatives offering. Trade in currency derivatives fell slightly in 2010, with 7.48 million contracts traded (2009: 7.91 million). In 2010, the JSE added contracts on the Swiss franc and Chinese yuan. Currency derivatives are a small but growing contributor to total revenue.

Another focus of 2010 was to upgrade the equity and commodity derivatives trading platform to create the mutual market. This allows members of both markets access to a common set of products and allows all clearing activities to reside in the separate markets.

To encourage a move to a central order book and to stimulate greater activity on the equity derivatives market, we introduced a maker-taker billing model in July 2010. The maker-taker model is widely adopted by international derivatives exchanges and has been shown to increase trading volumes by giving traders an incentive to post additional liquidity. It also enables smaller traders to enter the markets. The model removes transaction fees for suppliers of liquidity who use the central book, reduces charges for central order book trades comparative to reported trades and reduces fees for all participants across most equity derivative instruments. It also introduces a minimum number of contracts or value for liquid contracts that will be permitted to trade off-screen.

Commodity derivatives market

Revenue: R48 million (2009: R41 million)

Percentage of total revenue: 4%

The commodity derivatives market (CDM) provides a platform for price discovery and efficient price risk management for a number of commodities in South Africa. The CDM division now also offers derivatives on precious metals and crude oil. Revenue is earned by charging a fee per contract traded.

DIVISIONAL REVIEW continued

The commodities derivatives market performed well in 2010, largely owing to a rise in volumes traded in its oldest product set – agricultural product derivatives – but also aided by the expansion of trade into new products. Revenues grew 16% (2010: R48 million; 2009: R41 million).

In 2010, the total number of contracts traded in the commodities market increased by 11% (2010: 2.14 million; 2009: 1.91 million) whereas open interest (number of open positions held) was 20% up on the previous year. White maize, a significant staple food in South Africa, remains the most traded commodity on the JSE's commodity derivatives market.

The JSE's commodity derivatives market has offered trade in agricultural derivatives since 2001. Since 2009, aiming to grow trading volumes beyond what is possible in the agricultural product market, the JSE has collaborated with the CME Group, the world's largest derivatives exchange, to introduce ZAR cash-settled commodity derivatives referencing CME benchmark USD prices. The JSE offers cash-settled rand-denominated derivatives on commodities including gold, platinum, oil and – as of August 2010 – silver and copper.

The instruments allow local investors to gain exposure to dollar-priced commodities through rand-based investments.

The CME relationship has also led to the introduction of further agricultural derivative contracts to the local market, where it is now possible to trade rand-denominated and cash-settled contracts (which reference the CME's prices) on corn and soybean complex. The corn contract has been particularly successful.

The commodity derivatives market has long allowed the physical delivery of grain in completion of a futures contract. Last year, the JSE introduced new technology that allows the grain tendered for delivery to be auctioned off to the highest bidder, with the buyer able to select the delivery point.

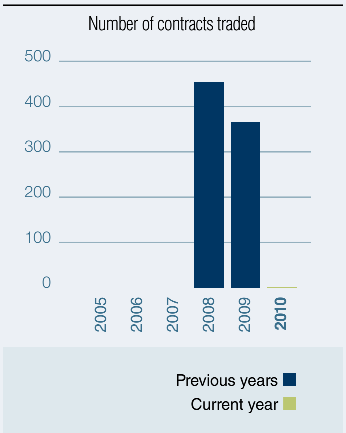
Interest rate market

Revenue: R35 million (2009: R39 million)

Percentage of total revenue: 3%

Interest rate spot market R'trillion

Interest rate derivatives Million



The JSE's interest rate market provides investors with the opportunity to trade products in both the cash and the derivative markets. Revenues are generated from trading fees based on the volumes and values of instruments traded.

The JSE is cautiously pleased with the progress to date, but the big outstanding issue to resolve is how to evolve the market structure of the spot and derivative trading of interest products in a way that will allow both to grow.

The year brought ongoing consolidation and the implementation of post-merger efficiencies for the interest rate market. South Africa's debt market, though fairly liquid relative to its counterparts globally, has for decades operated with inadequate transparency, fairness and reach. The year's main initiatives – introducing a single set of listings rules and the consolidation of membership, systems and trading rules that will take place in 2011 – place the market in a position to grow.

Revenues are generated from trading fees (based on the volumes and values of instruments traded), with issuance and other fees attributed to the relevant JSE divisions. In 2010, the division generated 2% of the JSE's total revenue. Like-for-like revenues declined during the year as volumes rose and new issuance climbed.

Bond market volumes increased by 25.8% to a nominal value of R16.89 trillion in 2010. The increase was partly driven by foreigners, whose 2010 net purchases of bonds amounted to about R58.61 billion. Local interest rates were internationally competitive, as the demand for emerging markets yields continued. The increase from the first quarter to quarters two and three was approximately 67% of standard trades for foreigners and only 29% for locals.

Derivatives volumes continued to show steady growth on 2009 volumes, off a low base, and some larger market-makers showed signs of starting to use the central order book for derivatives trading. Derivative products continue to offer growth. The value of bond derivatives traded has gone from R39 billion in total value in 2007 (when Yield-X was launched) to R160 billion in 2010. The JSE also launched the three-month Jibar contract with four banks acting as on-screen liquidity providers. Thus far, volumes have been muted as Jibar has not been volatile. Further bond futures and indices will be launched.

The JSE is cautiously pleased with the progress to date, but the big outstanding issue to resolve is how to evolve the market structure of the spot and derivative trading of interest products in a way that will allow both to grow.

The JSE continues to discuss the model and ways forward with all market participants, including the National Treasury, the Primary Dealer Forum, the Association for Savings and Investment SA (Asisa) and the FSB. We hope to reach consensus regarding the principles for growing the secondary market for government bonds during 2011.

Aside from the consultative process described above, the JSE is progressing on other strategic projects, including the development of a framework for more centralised and transparent trading of non-government bonds.

Information products sales

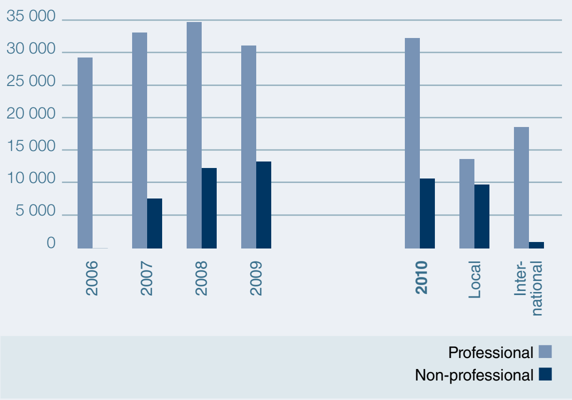
Revenue: R116 million (2009: R109 million)

Percentage of total revenue: 10%

Total live terminals Thousands

DIVISIONAL REVIEW continued

Professional vs non-professional live terminals Thousands



The JSE's Information Products Sales division sells live, statistical and historical data from all JSE markets, distributing it through the JSE's live information dissemination system.

The Information Products Sales (IPS) division's focus on previously untapped markets paid off, particularly in a global environment where investors are seeking yields from new and specifically emerging markets. The result was revenue growth of 7% (2010: R116 million; 2009: R109 million) for the division.

Globally, the market-related information sales industry has experienced a contraction over the past 18 months, with a general drop in client numbers owing to the global financial crisis, as well as a number of mergers and consolidation amongst data providers.

The IPS division's response has been three-pronged:

– First, the division has aimed to increase its data footprint to various regions, including the US;
– Second, it has aimed to increase data sales to existing local and global clients (including retail investors) by focusing on previously untapped data products; and
– Third, it has improved processes to ensure that clients pay for all data access.

The results have been positive.

In 2010, the JSE saw a 3.1% decrease in its terminal numbers (users that subscribe to live data). The number of terminals decreased from 44 504 in 2009 to 43 110 in 2010. This decrease was driven by a reduction in local retail clients subscribing to live data, which dropped by 2 601 terminals. We still saw growth in revenue from terminal use though, as the decrease in terminals accessed by non-professional users was offset by increases in terminals accessed by professional users (our premium product) and an increase in international users accessing live data as a result of the focus on growing the international client base. The number of terminals accessed by professional users increased by 3.9% (2010: 32 384; 2009: 31 177) and offshore terminal numbers increased by 4.8% in 2010 (2010: 19 569; 2009: 18 680) after having decreased by 14% in 2009. Even with this increase, the division is still not at the levels it was at in 2008, before the economic slowdown, when terminal numbers were 47 217.

The success of the focus on gaining additional clients offshore is partly owing to the fact that significant portions of the large global market have

As the country's only exchange and a fundamental part of the South African economy, the JSE is acutely aware of its need to look to its long-term sustainability.

not previously been targeted. Saturation for the diverse JSE data product range is far off. Promotional campaigns were conducted to attract more users. The division has also increased the number of vendors in the US as well as Asia and sold additional data to existing foreign clients.

Further opportunities to attract retail clients were explored with the retail-focused members and smaller data vendors. In response, the IPS team has expanded its product range and adjusted certain fees to ensure accessibility to data for more retail clients.

Revenue from interest rate products grew by 10% off a low base, facilitated through the full integration of all interest rate data products into previously structured IPS processes, policies and data management.

Part of the division's growth in revenue is attributable to fees billed to clients using data in previous years, but not reporting such use at the time (2010: R5.3 million; 2009: R1.5 million). The division has increased its focus on compliance audits of, and communication with, clients so that appropriate reporting of information usage takes place.

An element of the above revenue is recurring revenue, as clients will be billed for the correct usage in future. However, the biggest portion of it is one-off, as it relates to correcting past underpayment by certain clients.

The IPS team will continue its drive to increase its international client base, encouraged by the search for yield all over the world and a move away from some more traditional investment destinations. This process has been streamlined by work in 2010 to simplify contractual requirements, which will make signing up new clients more efficient in future. Disseminating end-of-day data securely to clients over the internet has improved the team's ability to increase product sales to more clients as it eliminates the need for a direct connection to the JSE to receive end-of-day data. In 2011, the team will also focus on introducing new market data policies to address the growing demand for data by algorithmic trading engines and high-frequency trading environments.

CORPORATE GOVERNANCE

Moving forward, looking ahead

The JSE is ensuring that it complies with the applicable requirements of King III, which came into operation in March 2010. As is illustrated in this report, substantial progress has been made in this regard, and the JSE strives to achieve material and appropriate compliance.

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

The Board is the focal point of the JSE's corporate governance system and remains ultimately accountable and responsible for the performance and affairs of the JSE. It exercises leadership, enterprise, integrity and judgement in directing the JSE so as to achieve the objectives set out in the JSE's memorandum and articles of association and the Board charter.

The Board regards corporate governance as fundamentally important to the achievement of the JSE's mission, its financial objectives and the fulfilment of its corporate responsibilities, and is accordingly unreservedly committed to applying the core governance principles of fairness, accountability, responsibility and transparency in all of the JSE's business dealings with its stakeholders.

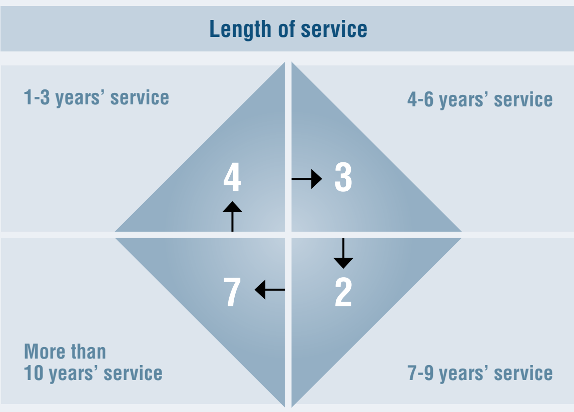
All individual members of the Board are likewise responsible for ensuring that the JSE achieves and maintains the highest level of business conduct.

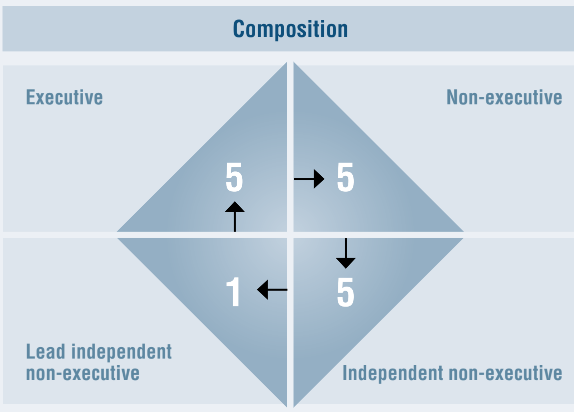
Board

Composition of Board of Directors and classification of directors

The JSE has a unitary Board made up of 16 (2009:16) directors, the majority of whom are non-executive directors. The Board is presided over by a chairman elected from the non-executive directors. The five executive directors are the chief executive officer (CEO), deputy CEO, chief financial officer (CFO), chief operating officer (COO) and the director: issuer services.

The composition and structure of the Board allows for appropriate and efficient decision-making and ensures that no individual has undue influence.





In a globally competitive environment, markets with strong regulation, solid infrastructure and thriving institutions will be better positioned to attract sustainable capital flows. The recognition by the World Economic Forum that South Africa's securities exchange regulation is the best in the world reflects our transformation to a well regulated fully integrated Exchange.

The Board, after a rigorous assessment of the directors who have served longer than nine years, is satisfied that there are no relationships or circumstances likely to affect, or appear to affect, the directors' judgements and that their independence is not affected or impaired by their length of service.

Board duties and responsibilities

The Board assumes overall responsibility for compliance with all applicable legislation and governance provisions. The Board meets four times each year, excluding an annual strategy meeting and ad hoc meetings held if necessary; retains full and effective control over all the companies in the Group and monitors executive management in implementing Board plans and strategies. Additional Board meetings are convened as circumstances dictate.

Directors, as guardians of the values, integrity and ethics of the Company, have a fiduciary duty to act in good faith, with due diligence and care, and in the best interests of the JSE and all its stakeholders.

In addition to upholding the King III principles applicable to the Board duties and responsibilities, the Board also operates in terms of a Board charter. The relevance and applicability of the charter are assessed from time to time and changes are made where appropriate.

The main duties and responsibilities of the Board covered by the charter are:

Review	Approve	Other
– and evaluate the present and future strengths, weaknesses and opportunities in respect of the JSE. Comparisons with competitors and best practice are important elements of this process – the JSE's goals and the strategies for achieving these – the Board's composition, structure and succession – the audit requirements – risk management policies and internal controls, including compliance with legal and regulatory requirements – the JSE's codes of conduct and ethical standards – shareholder, client and other relevant stakeholder relations	– the JSE's financial objectives, plans and actions and significant allocation and expenditure – the annual budget – the preliminary and half-yearly financial statements, annual report and other reports to shareholders	– evaluate the performance of, necessity for and composition of the Board's committees – formulate and review remuneration policies and practices in general – deal with such other matters as may be appropriate – ensure good governance

CORPORATE GOVERNANCE continued

The Board recognises the need for regular attendance at Board and committee meetings. Where directors are unable to attend a meeting in person, video and teleconferencing facilities are made available to include them in proceedings and allow them to participate in decisions made. However, it is recognised that, in certain circumstances where it is impossible for a director to attend a meeting as a result of other JSE business or a meeting being an ad hoc meeting, the director's opinions will be canvassed prior to the meeting, advised to the meeting and taken into account.

Director development/induction

All directors have access to senior management, including the company secretary, and to information required to enable them to carry out their duties and responsibilities fully and effectively. Directors are kept up to date, wherever relevant, of any new legislation and changing business risks that may affect the Group's future sustainable operations and finances.

Directors are encouraged to keep pace with JSE business. Guidelines on director duties and responsibilities are made available to directors. Newly appointed Board members undergo an induction programme run by the company secretary aimed mainly at facilitating their understanding of the JSE, its complex business environment and the various markets it operates, together with its competitive stance, strategic plans and objectives and general corporate governance requirements.

The induction programme provides each director with, among other things, the following:

Background	– on the JSE (including its memorandum and articles of association, regulations and applicable laws, Board and governance structures, the triple bottom line approach to sustainability and an overview of its key risks, policies and processes)
Guidance	– on the business of the JSE (business processes, corporate strategies, organisation, senior management and people and comparison with international benchmarks)
Clear understanding	– of the director's own expectations from the chairman and the Board as a whole
Formal induction and ongoing education and awareness	– in terms of directors' fiduciary duties and responsibilities – of relevant legislation and compliance relevant to the JSE business – providing access to subject matter of relevant interest to JSE business

No distinction is drawn between directors and alternative directors and the rights and obligations ascribed to directors in terms of the JSE's Board charter apply equally to alternate Board members duly appointed in terms of the articles of the JSE.

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

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

Consistent with this approach, the roles of chairman and CEO are separate, with specific responsibilities divided between them.

The roles and responsibilities of the chairman include:

- maintaining regular dialogue with the CEO over all operational matters
- consulting with the remainder of the Board promptly over any matter that gives him cause for concern
- acting as facilitator at meetings of the Board to ensure that no director, whether executive or non-executive, dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions
- acting as an informal link between the Board and the CEO, being kept informed by the CEO on all important matters between Board meetings, and being available to the CEO to provide counsel and advice where appropriate
- summing up issues and decisions fairly, accurately and economically
- devoting sufficient time to the Company
- behaving appropriately as the senior face of the Company
- being on top of sectoral, macro-economic and political issues
- liaising and co-ordinating with sub-committee chairs
- setting the ethical tone for the Board and the Company
- providing overall leadership to the Board
- identifying and participating in selecting Board members and overseeing a formal succession plan for the Board, CEO, CFO and key senior management
- managing conflicts of interest
- ensuring that good relations are maintained with the Company's major shareholders and its strategic stakeholders and presiding over shareholders' meetings
- building and maintaining stakeholders' trust and confidence in the Company
- ensuring that decisions by the Board are executed

The Board monitors and evaluates the performance of the chairman against these and other agreed objectives annually.

CORPORATE GOVERNANCE continued

The roles and responsibilities of the CEO include:

- developing and recommending the Company's strategy, supported by yearly business plans and budgets, to the Board for approval
- running the business and implementing the policies and strategies adopted by the Board
- consistently striving to achieve the Company's financial and operating goals and objectives
- continuing to implement the holistic transformation strategy of the JSE as agreed at the Board
- succession planning
- information technology – ensuring that the JSE has world-class technology
- ensuring that comprehensive and appropriate internal control mechanisms are recommended to and adopted by the Board to mitigate key risks
- monitoring and reporting the Company's performance and compliance imperatives to the Board
- ensuring that the Company complies with all relevant laws and corporate governance principles
- ensuring that the Company applies recommended best practices relevant to the Company
- ensuring that the assets of the JSE are adequately maintained and protected, and not unnecessarily placed at risk
- serving as chief representative of the Company
- ensuring that a long-term strategy is developed and recommended to the Board to create added value for and positive relations with stakeholders
- representing the JSE on the WFE Board of Directors
- maintaining and building upon the good relations that currently exist with the FSB, the SARB, the NT and local and the central government
- continuing to build the brand, reputation and franchise of the JSE. This includes many aspects e.g., continuing to pursue foreign (and domestic) companies to list on the JSE; developing, listing and trading new products; offering more services to the broking community, etc.
- establishing an organisational structure that enables effective execution of the Company's adopted strategies
- not causing or permitting any practice, activity or decision by or within the JSE that is contrary to commonly accepted good business practice, good corporate governance or professional ethics
- fostering a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfils social responsibility objectives and imperatives
- ensuring that a positive and constructive work climate conducive to attracting, retaining and motivating employees at all levels in the Company is maintained
- setting the ethical tone in providing ethical leadership and creating an ethical environment

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

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

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

Chief financial officer

The chief financial officer of the Company is Ms Freda Evans. The appropriateness of her expertise and experience to fulfil this role as well as that of her team was considered and confirmed by the Audit Committee at its meeting held on 9 November 2010.

Appointment of directors

The process for the nomination of Board members is prescribed and transparent. The Board has delegated this responsibility to the Nominations Committee, which makes recommendations to the Board for consideration, subject to shareholder approval. The committee elects directors to the Board on the basis of their skills, knowledge and experience, appropriate to the strategic direction of the JSE and essential to secure its sound performance. In addition, the committee identifies the role and capabilities required for any particular appointment. The race and gender of candidates are also considered.

Directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the Board and management on the financial and operational information supplied to the Board.

Non-executive directors have no fixed term of appointment and retire by rotation in accordance with the JSE articles of association.

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 has a renewable three-year contract of employment with the JSE with a notice period of four months. The CEO is also subject to a one-year restraint of trade. Other than the CEO, all members of the Executive Committee are subject to the same three-month notice period.

Retirement of directors

In terms of article 24 of the articles of association of the JSE, at least one-third of non-executive directors are required to retire by rotation each year. Retiring directors, if eligible, may be re-elected.

In addition, in terms of article 20.2 of the articles of association of the JSE, the appointment of any director that takes place during the financial year is required to be confirmed by shareholders at the next annual general meeting. No new directors were appointed in the year under review.

At the annual general meeting to be held on Thursday, 28 April 2011, shareholders will be asked to confirm the reappointment of Anton Botha and Andile Mazwai, who will retire by rotation in accordance with article 24, and being eligible, have offered themselves for re-election. Gloria Serobe and Wendy Luhabe, following 10 and eight years' service respectively, also retire but will not be seeking re-election.

Historical summary of Board members retiring by rotation

2011	2010	2009	2008	2007
Anton Botha	Z L Combi	Anton Botha	Sam Nematswerani	Anton Botha
Wendy Luhabe	Bobby Johnston	Andile Mazwai	Nigel Payne	Wendy Luhabe
Andile Mazwai	David Lawrence	Gloria Serobe	Bobby Johnston	Andile Mazwai
Gloria Serobe	Sam Nematswerani	Nigel Payne		Stephen Koseff
		Wendy Luhabe		

CORPORATE GOVERNANCE continued

Independence of directors

"An independent director should be independent in character and judgement and there should be no relationships or circumstances which are likely to affect, or could appear to affect, this independence. Independence is the absence of undue influence and bias, which can be affected by the intensity of the relationship between the director and the Company rather than any particular fact such as length of service or age."

In line with the above King III definition of independence, the non-executive directors demonstrate complete independence in character, judgement and action in fulfilling their duties and the Board considers all its non-executive directors to be independent.

A number of the non-executive directors have certain interests in the JSE.

– Indirect, remote interests in the JSE:

Humphrey Borkum	David Lawrence	Andile Mazwai	Z L "K K" Combi	Gloria Serobe
– Chairman of Merrill Lynch SA (Proprietary) Limited – Merrill Lynch is a sponsor and an authorised user of the JSE – Merrill Lynch holds 2 090 027 JSE Limited shares – 2.45%	– Deputy chairman of Investec Bank Limited – Investec Bank is a listed company, a sponsor and an authorised user of the JSE – Investec Securities, a subsidiary of the Investec Group, holds 305 922 JSE Limited shares – 0.36%	– Group chief executive officer of BJM Holdings Limited – BJM is a sponsor and an authorised user of the JSE	– Chairman and shareholder of Thembeka Capital Limited – Thembeka Capital holds 3 529 000 JSE Limited shares – 4.15%	– CEO of WIPCapital – WIPCapital holds 243 401 JSE Limited shares – 0.29%

– Direct interests in the JSE:

Anton Botha	Humphrey Borkum	Andile Mazwai	Wendy Luhabe
2010: 25 000	2010: 15 000	2010: 3 943	2010: 214
2009: 0	2009: 15 000	2009: 3 943	2009: 214

The Board is mindful of these interests and the potential conflict of interest that might arise as a result, however remote. A rigorous policy of disclosure of interests and recusal from discussions in which a director has an interest is followed to mitigate any such conflicts and thus preserve independence.

Performance assessment of the chairman, the Board of directors and CEO

The annual evaluation of the Board and its committees was performed by the chairman. All directors completed a questionnaire compiled by the company secretary in conjunction with the chairman and a non-executive director, Nigel Payne. The chairman also met the directors individually to obtain their personal insight into the year and any additional information they wanted to share.

The process included:

An evaluation of Board effectiveness	An assessment of the performance of individual Board members	An assessment of the performance of the Board committees and an evaluation of their terms of reference

Directors are provided with the results of their performance assessments, and if required, steps are taken to address any needs or concerns raised.

Individual director performance is assessed against the following criteria: time, availability, commitment to performing the functions of a JSE director, knowledge of the business, preparation for meetings, providing strategic direction, the director's views on his/her own performance as a Board member, and attendance over the past year. No material issues were raised during the course of the assessment conducted in 2010.

An assessment of the chairman was also conducted by the lead non-executive director, Anton Botha. The assessment took the form of a questionnaire, which was completed by each director. The chairman was advised of the outcome of the assessment and is required to address any issues raised during the process. No material issues were raised during the course of the assessment. This process will be performed annually.

The Board annually also measures the performance of the CEO in achieving specified key performance indicators. The Board was of the view that, during the course of 2010, the CEO had, in all respects, exceeded the standards of performance expected of him.

The Board is assisted in fulfilling its responsibilities and obligations by the company secretary, who briefs newly appointed directors on their duties. All directors have unlimited access to the company secretary, executive management and Company information and records to discharge their responsibilities. Efficient and timely procedures for informing and briefing directors prior to Board meetings have been developed and it is the exception to table documents at meetings. Directors have the opportunity to propose items for discussion at Board meetings.

Board meetings

The Board is required to meet a minimum of four times a year and more frequently should circumstances require. Directors are required to declare any interests in contracts and other appointments at every Board meeting. Meetings are conducted according to a formal agenda, ensuring that all substantive matters are properly addressed and followed up on.

CORPORATE GOVERNANCE continued

Attendance at Board meetings

Attendance, by director, was as follows:

Attendance at Board meetings

Director	Status	March	26/5/2010*	May	August	November	Total
H J Borkum[1, 2, 4, 5,**]	Independent NED	•	•	•	•	•	5
A D Botha[1, 2, 4, 5]	Lead independent NED	•	•	•	•	•	5
J Burke[6]	Executive	•	•	•	•	•	5
Z L Combi[5]	Independent NED	•	X	X	•	•	3
F Evans[6]	Executive	•	•	•	•	•	5
M R Johnston[2, 3, 5]	Independent NED	•	•	•	•	•	5
D Lawrence[1, 3, 5]	Independent NED	•	•	•	X	•	4
R M Loubser[3, 6]	Executive	•	•	•	•	•	5
W Luhabe[1, 5]	Independent NED	•	•	•	•	•	5
A Mazwai[1, 2, 3, 5]	Independent NED	•	•	•	•	•	5
S Nematswerani[2, 3, 5]	Independent NED	•	•	•	•	•	5
N Newton-King[6]	Executive	•	•	•	•	•	5
N Nyembezi-Heita[5]	Independent NED	X	X***	•	•	X	2
L Parsons[3, 6]	Executive	•	•	•	•	•	5
G Serobe[2, 4, 5]	Independent NED	•	•	•	•	X	4
N Payne[3, 5]	Independent NED	•	•	•	•	•	5

[1] *Member of Human Resources Committee*
[2] *Member of Audit Committee*
[3] *Member of Risk Management Committee*
[4] *Member of Nominations Committee*
[5] *Non-executive director*
[6] *Executive director*
• *Attended*
* *Board strategy session*
X *Did not attend*
** *See note on page 35*
*** *Briefed by N Newton-King after meeting*

Jonathan Berman, an alternate director to N Nyembezi-Heita, was appointed to assist with the integration of the BESA business into the JSE business. Mr Berman resigned from the Board in August 2010 as the integration had been successfully completed and because of his other extensive commitments.

Board committees

The Board has established a number of committees to facilitate efficient decision-making and to assist the Board in the execution of its duties, powers and authority. The committees, with the exception of the Risk Management Committee, which is primarily a committee of an operational nature, comprise non-executive directors only. There is full disclosure and transparency from each committee to the Board. A mandate directs each committee's authority and the discharge of its responsibilities.

The Board recognises that it is ultimately accountable for the performance of the affairs of the JSE and the use of delegated authority to Board committees in no way affects the discharge by the Board and its directors of their duties and responsibilities.

Board committees observe the same rules of conduct and procedures as the Board, unless the Board specifically determines otherwise in the committee's terms of reference. Board committees act on behalf of the Board only when specifically so authorised.

JSE Board of directors chairman: Humphrey Borkum
4 meetings and one strategy session held in 2010

Audit Committee
chairman:
Sam Nematswerani
3 meetings held

Internal Audit head:
Bill Urmson

Risk Committee
chairman:
Nigel Payne
3 meetings held

HR Committee
chairman:
Anton Botha
3 meetings held

Nominations Committee
chairman:
Humphrey Borkum
3 meetings held

Audit Committee

Report prepared by its chairman, Sam Nematswerani

During the year under review, three Audit Committee meetings were held. Attendance, by director, was as follows:

Attendance at Audit Committee Meetings

Member	March	August	November	Total attendance
S Nematswerani (INED)	•	•	•	3
H J Borkum (INED)	•	•	•	3
A Botha (INED)	•	•	•	3
M R Johnston (INED)	•	•	•	3
A Mazwai (INED)	•	•	•	3
N Payne (INED)	•	•	•	3
G Serobe (INED)	•	•	•	3

The Audit Committee is comprised of its chairman, who is an independent non-executive director, and five other non-executive directors, including the chairman of the Risk Committee. The chairman, CEO, CFO, the company secretary, representatives of the external auditors and the head of Internal Audit attend all meetings of the committee by invitation.

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

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

In line with the King III recommendations, Mr Borkum will resign from the Audit Committee and continue to attend all meetings of this committee by invitation.

CORPORATE GOVERNANCE continued

In terms of King III and the new Companies Act of 2008, the committee has the responsibilities set out below. Also indicated below is the extent to which the committee has complied with the said responsibilities in the year under review:

Audit Committee responsibilities in terms of King III and the Companies Act	Apply or explain
Nominate for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Board and determine their terms of engagement and fee	Applied
Ensure the appointment of the auditor complies with applicable legislation	Applied
Evaluate the independence, effectiveness and performance of the external auditors	Applied
Determine the nature and extent of non-audit services that the auditor may provide and pre-approve any agreement for the provision of these services by the auditor. Approve the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence	Applied
Ensure that financial statements are prepared on the basis of appropriate accounting policies and International Financial Reporting Standards	Applied
Review the accounting policies and procedures adopted by the Group and the JSE	Applied
Review financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents	Applied
Review the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions	This role was performed in part by this committee and in part by the Risk Management Committee
Report on the effectiveness of the internal financial controls	Applied
Monitor the appropriateness of the Company's combined assurance model overseeing risk	This role was performed in part by this committee and in part by the Risk Management Committee
Ensure that the combined assurance from both internal and external assurance providers and management is sufficient to cover key risks facing the organisation	This role was performed in part by this committee and in part by the Risk Management Committee
Annually assess and confirm the appropriateness of the expertise and experience of the Chief Financial Officer and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the financial function	The assessment of the Chief Financial Officer was performed and she was found to be suitably qualified for the role
The appointment and dismissal of the Chief Financial Officer	Not applicable in the year under review

Audit Committee responsibilities in terms of King III and the Companies Act	Apply or explain
Review the appropriateness of policies and procedures to facilitate whistle-blowing and the follow-up of information obtained from whistle-blowing	This review was conducted. A new JSE code of ethics was adopted by the Executive Committee for implementation in January 2011 and tabled by the Human Resources Committee for noting on 2 March 2011
Review the appropriateness of the Company's code of conduct	This review was conducted by the Human Resources Committee
Annually evaluate the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covers all significant areas of financial reporting	Applied
To receive and deal with complaints and concerns from within and outside of the Company relating to accounting practices and internal audit; content or auditing of the financial statements; internal financial controls; or any other related matter	Not applicable in the year under review
Make submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting	Applied

The JSE continues to:

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

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

The committee is satisfied that the 2010 audit conducted by the external auditors was an independent one.

Chairman: N S Nematswerani

CORPORATE GOVERNANCE continued

Nominations Committee

Report prepared by its chairman, Humphrey Borkum

During the year under review, three Nominations Committee meetings were held. Attendance by directors was as follows:

Attendance at Nominations Committee meetings

Member	July	October	Total attendance
H J Borkum (NED)	•	•	2
A Botha (INED)	•	•	2
G Serobe (INED)	X	•	1
M R Johnston (INED) (appointed 6 October 2010)		•	1

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

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

The terms of reference of the committee, which are reviewed regularly by the Board to ensure continued relevance, are to:

- make recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the Board in general and the balance between executive and non-executive directors appointed to the Board
- regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary
- be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise, as well as put in place plans for succession, in particular for the chairman and chief executive officer
- make recommendations to the Board for the continuation (or not) in service of any director who has reached the age of 70
- have due regard for the principles of governance and code of best practice

During the year, the committee complied with its terms of reference.

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

During the year under review, the committee reconsidered the composition of the Board in the context of its optimum size, composition, required skills as well as transformation initiatives.

The chairman of the Nominations Committee attends annual general meetings to respond to any questions related to the committee.

Chairman: H J Borkum

Human Resources Committee

Remuneration report

During 2010 the Human Resources Committee (HR Committee) devoted particular attention to two important issues, in addition to discharging its usual responsibilities:

- **Improving reward practices** (by implementing a new long-term incentive scheme for senior staff)
- **Enhancing remuneration governance** (through more extensive shareholder interaction and the introduction of a non-binding shareholder vote on remuneration matters)

Through these initiatives, the HR Committee has aimed to support the JSE's business strategies by creating a more direct linkage between pay and performance, and to build upon the JSE's solid corporate governance foundations by improving the quality of remuneration disclosure and shareholder interaction.

To give effect to JSE strategy, management is focused on building new revenue streams, optimising the JSE's fixed cost base and investing in new projects to grow the business. To realise these objectives, talented and motivated staff are needed. The JSE's remuneration philosophy and practices are therefore designed to identify, attract, motivate and retain the top-calibre talent needed to drive these strategies.

JSE strategy statement 2010

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

We expand on our remuneration philosophy later in this report, but it is worthwhile to note here the five tenets of this philosophy. Remuneration of JSE executives and staff is intended to be:

- Aligned with shareholder interests
- Congruent with strategic priorities
- Linked to individual and corporate performance
- Competitive with market norms
- Transparent and understandable

The HR Committee strives to ensure that the JSE's remuneration practices reflect these principles. In addition, JSE remuneration disclosure is aligned with the King III Code of Governance and this report complies in all material respects with King III recommendations.

As part of its standard remit, and in addition to the two initiatives already mentioned above, the HR Committee considered, noted and approved, where appropriate, the following during 2010:

- JSE remuneration philosophy and principles;
- CEO key performance areas and actual performance for the year under review;
- Individual remuneration for JSE executive directors and members of executive management (collectively the Executive Committee comprising the 18 most senior staff of the JSE);
- Aggregate annual salary increases for staff;
- Quantum of the discretionary special bonus award to staff;
- Non-executive directors' remuneration;
- JSE business continuity readiness; and
- JSE employment equity report as submitted to the Department of Labour.

CORPORATE GOVERNANCE continued

Turning now to the JSE's results, the improving sentiment in the JSE's equity market, the inclusion of full-year results in respect of the recently acquired interest-rate business, coupled with a renewed focus on expenditure management, have all translated into a solid performance in FY2010. Gross revenues have risen 9% with EBIT (operating earnings before interest and taxation) increasing 10.5% over FY2009.

By contrast, the overall annual personnel expense (excluding the income statement effects of long-term incentive schemes and fixed-term contractors) has grown by 13% year-on-year with net headcount up 4% (20 permanent roles) to 471 staff. This increase in personnel expenditure is driven primarily by the strategic decision taken in 2007 to build a world-class, in-house technology support capability rather than continuing with the previous outsourcing arrangement, and by the rise in the staff complement as a consequence of the BESA acquisition in 2009.

Total Executive Committee remuneration rose by 18.3% to R86.8 million during the year under review, including a payout of R32.8 million (2009: R23.7 million), being the final portion of Tranche 1 of the 2006 share appreciation scheme that vested on 31 December 2010. A summary of remuneration paid to the Executive Committee and staff is set out in the table below. For a detailed analysis of the remuneration paid to individual Executive Committee members, shareholders are referred to Note 27 to the annual financial statements.

	Executive Committee			Other staff			Total		
	2010 R'000	Y-on-Y % Δ	% total	**2010 R'000**	Y-on-Y % Δ	% total	**2010 R'000**	Y-on-Y % Δ	% total
Guaranteed pay[a]	**29 795**	12%	34%	**136 133**	8%	70%	**165 928**	9%	59%
Annual incentives[b]	**24 162**	5%	28%	**49 600**	16%	26%	**73 762**	12%	26%
Long-term incentives – LTIS 2006 payout[c]	**32 859**	38%	38%	**8 247**	33%	4%	**41 106**	37%	15%
Total	**86 816**	**18.3%**	**100%**	**193 980**	**10.8%**	**100%**	**280 796**	**13.0%**	**100%**
Long-term incentives – LTIS 2010 grant[d]	**18 588**	–	–	**13 515**	–	–	**32 103**	–	–

[a] *Guaranteed pay is structured on a cost-to-company basis and comprises base pay, pension and medical aid contributions, UIF and long-service payments.*

[b] *Annual incentives comprise payments made under the contractually-guaranteed deferred compensation scheme, the discretionary special bonus scheme, and the CEO's discretionary bonus.*

[c] *Comprises the payout of the final portion of Tranche 1 – LTIS 2006 scheme which vested on 31 December 2010.*

[d] *Comprises the cash value of Allocation #1 under LTIS 2010, granted in May 2010 and which vests in May 2013 (50%) and May 2014 (50%), based on continued employment (retention component) and achievement of various corporate targets (performance component).*

The 2006 share appreciation scheme has now been superseded by the new performance share plan (LTIS 2010) approved by shareholders in April 2010. However, to place last year's payout from the 2006 scheme into perspective, the JSE's gross revenues have doubled from R640 million while EBIT has grown by a compound 34% per annum over the four-year period 2007 to 2010. Over this same period, the total shareholder return (TSR) enjoyed by JSE shareholders has averaged 16.5% per annum, a return that is firmly within the top quartile of the FINI15 index constituents, and which outpaces all but three of the top 20 global exchanges.

From an organisational perspective, during the year under review:

- There were no appointments to the Board, and one resignation – that of Jonathan Berman – following the successful integration of BESA into the JSE
- There were no appointments to or resignations from the Executive Committee
- The chairman and chief executive focused on ensuring that the JSE has appropriate succession planning and business continuity processes in place, as referred to in the chairman's statement
- No changes to the CEO's service contract or to the general terms of employment for staff were effected
- No ex gratia payments were made to any executive
- Workplace transformation was prioritised through the establishment of an Employment Equity Forum, working in collaboration with the Transformation Committee, referred to in more detail in the Stakeholder Report

Looking forward to 2011, the HR Committee will remain abreast of developments in remuneration practices and incentive design. For Allocation #2 under LTIS 2010 (to be granted in May 2011) we plan to include relative performance measures to complement the specific corporate metrics currently in place. We remain committed to the disclosure of clear, timely and comprehensive information regarding JSE remuneration practices, and in the year ahead will continue to evaluate the quality of our disclosure and extend our constructive engagement with key stakeholders.

In the remainder of this report, which follows below, we outline in more detail our remuneration philosophy and structure, and provide specific data on executive and non-executive remuneration as well as the JSE's new long-term incentive scheme.

This remuneration report has been prepared by the HR Committee, approved by the Board and signed on behalf of the Board by the HR Committee chairman. The report will be placed before shareholders for consideration at the annual general meeting in April 2011, and is subject to a non-binding advisory vote by shareholders (save for the shareholder resolution on non-executive directors' emoluments, which is a binding vote, and the special resolution on financial assistance required in terms of the new Companies Act). As chairman of the HR Committee, I will be available at the AGM to respond to any questions raised by shareholders in connection with this report.

A D Botha

CORPORATE GOVERNANCE continued

Remuneration governance

The HR Committee is a standing committee established by resolution, and is accountable directly to the JSE Board. The committee is composed solely of independent non-executive directors of the JSE, appointed to the committee on an annual basis by the Board. The HR Committee must comprise at least three members. No member of the HR Committee has any day-to-day involvement in the management of the JSE.

At a minimum, the HR Committee is required to meet three times each calendar year. During the year under review, the HR Committee convened on four occasions, and attendance at these meetings was as follows:

	Status	March	May	August	November	Total attendance
A D Botha (chairman)	Independent NED	•	•	•	•	4
H J Borkum	Independent NED	•	•	•	•	4
D M Lawrence	Independent NED	X	•	•	•	3
W Luhabe	Independent NED	•	•	•	•	4
A Mazwai	Independent NED	•	•	•	•	4

The CEO, deputy CEO and senior general manager: Human Resources attend meetings by invitation, but do not participate in any discussions relating to their own remuneration. The Group company secretary also attends all committee meetings and advises on matters of corporate governance.

The HR Committee is bound by formal, written terms of reference approved by the Board, which terms of reference are regularly reviewed for continued relevance. The remit of the HR Committee is to provide independent oversight of all strategic human resources issues facing the JSE, including succession planning, employment equity, HIV/Aids policy and assisting the Board in its responsibility for setting and administering the JSE's remuneration policies and practices. In particular, the HR Committee regularly reviews executive remuneration, the terms and conditions of employment for executives, long-term incentives and retirement benefits to ensure these are in the best overall interests of the JSE. The HR Committee's terms of reference include the following key responsibilities:

- determine and regularly review JSE human resource philosophy and principles
- determine, agree and develop the Company's general policy on executive and senior management remuneration
- determine specific remuneration packages for executive directors of the Company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits
- determine any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities
- regularly review the terms and conditions of executive directors' service agreements, taking into account information from comparable organisations where relevant
- determine and review the annual percentage salary increase to be applicable to JSE employees generally
- determine and review the remuneration and terms of appointment of the members of the JSE Board
- determine and review such other functions as are assigned to it by law or the Board

The HR Committee does not formally retain remuneration advisors, but is empowered to seek independent, external advice as it may deem necessary. During the year under review, the HR Committee:

– complied with its terms of reference;
– held no extraordinary or special meetings; and
– did not directly seek any independent, external advice, but did rely on independent data sourced from third-party service providers in order to benchmark staff salaries and non-executive director emoluments.

The performance of the HR Committee was assessed as part of the overall Board performance self-review, which is undertaken annually under the guidance of the chairman of the Board.

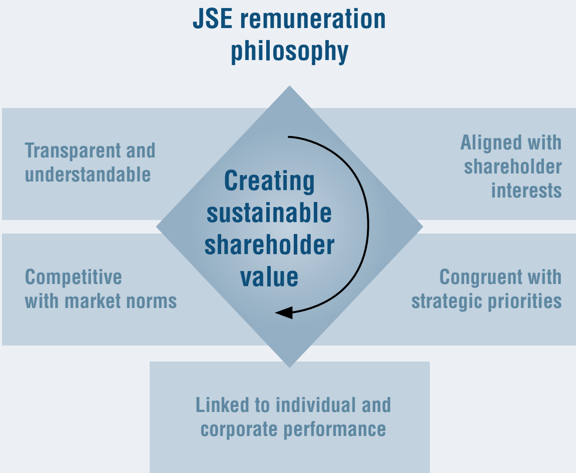
Remuneration philosophy and policy

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

Within this framework, the HR Committee determines specific remuneration policies and practices that are designed to offer an equitable remuneration mix that attracts, motivates and retains the appropriate calibre of executives and staff.

The compensation framework also takes into account the reality of the JSE's size and role within the South African financial sector. The nature of the business, its risk profile, the competitive environment and the issue of financial affordability all serve to shape the overall level of rewards that can be paid to executives and staff.

Remuneration is structured in a fair and reasonable manner, recognising individual contributions and collective results. There is a clear differentiation between executives and staff based on line-of-sight responsibility, accountability, competencies, work performance and scarcity of skills. To this end, performance measurement remains an important tool. The HR Committee is therefore responsible for setting corporate metrics and targets, assessing corporate performance against targets and ensuring that a robust, objective performance management system is applied throughout the Company.



Remuneration mix

Sound compensation practices recommend a mix of guaranteed and variable pay with short- and long-term payout horizons, tailored to drive superior performance. In line with this, and the competition for specialist financial sector skills within South Africa, the JSE remuneration mix for permanent staff comprises:

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

CORPORATE GOVERNANCE continued

STRATEGY 2010

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

- Diversify revenue
- Constrain JSE fixed cost base
- Execute positive capital expenditure decisions
- Maintain healthy balance sheet
- Develop new markets
- Extend central order book participation
- Pursue technology excellence

PRIORITIES 2010-2014

REMUNERATION PHILOSOPHY
Turning strategy into shareholder value

MEASURES FOR ALLOCATION # 1

Individual staff metrics

Corporate metrics

- **Strategic goals**
- **Earnings growth (EBIT)**
- **Return on equity**

TARGETS FOR ALLOCATION # 1

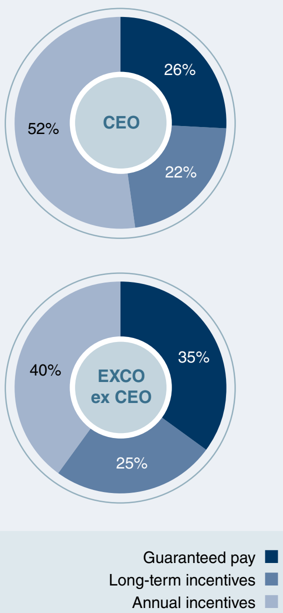
Individual KPIs

Corporate KPIs

- **Strategic: development of interest-rate market**
- **EBIT growth: CPI to CPI + 4% per annum compounded**
- **ROE: 15% to 21% per annum compounded**

Shareholder value
(total shareholder return)

Theoretical remuneration mix



This mix varies with seniority, with an increasing element of variable pay at senior levels. The guaranteed/variable pay ratio for junior staff is around 90/10. For senior staff below Executive Committee level, the ratio tends to 50/33/17 (guaranteed pay/annual incentives/long-term incentives). The maximum theoretical mix for the CEO and Executive Committee is illustrated alongside. For all staff, the actual remuneration mix varies each year given that incentive payouts differ based on individual and corporate performance.

Base pay

Annual salaries are structured on a cost-to-company basis (inclusive of pension and medical aid benefits). Salaries are guaranteed and are benchmarked each year against independent market data sourced by the JSE's Human Resources division from two independent remuneration consultancies. These data providers do not provide any other services to the JSE.

The JSE is a knowledge-centric business, and all skill sets required by the Exchange – principally technology and general/specialist financial skills – are sourced locally within a competitive labour market, often dominated by the major South African financial institutions. To compete in this market for skills, the JSE uses local salary benchmark data – a national database for general skills and a financial services database for specialised skills.

As a policy, the aim is to set base salaries at median, although cost considerations sometimes do not allow this. In limited instances – either for historical reasons or to retain scarce skills – salaries above median are paid. Annual salary increments are informed by the annual benchmark exercise, and where appropriate, take into account expanded individual responsibilities. For the year under review, the average increase in guaranteed pay for Executive Committee members was 12%.

Annual incentives

There is an increasing emphasis on variable pay at more senior levels within the JSE, with executive directors and the CEO having the largest proportion of total annual package being subject to performance hurdles.

Two annual incentive schemes apply to permanent staff and vary with seniority:

– Contractually-guaranteed deferred compensation scheme

Specialists and staff from junior management level upwards (excluding the CEO) are eligible to participate in this scheme. Awards are assessed on individual performance with a maximum award at executive director level of four and one-half months of guaranteed pay. Deferred compensation is awarded in December each year, with 50% of awards under this scheme being subject to a six-month deferral based on continued employment. No performance claw-back provisions apply to these awards.

Total deferred compensation awarded in 2010 amounted to R37.2 million (2009: R33.5 million) of which R11.4 million (2009: R10.7 million) was paid to Executive Committee members.

– Discretionary special bonus scheme

All staff members are eligible to participate in this scheme. Awards are assessed on individual performance, but subject to satisfactory JSE financial performance as determined by the Board. Historically, the maximum award at executive director level is nine months' guaranteed pay. Special bonuses are awarded in December each year. Awards under this scheme are not subject to deferral or performance claw-backs.

The JSE has reported solid financial results for FY2010, with nominal EBIT growth of 10.5% and a nominal return on average group equity of 22.3%. The Board accordingly authorised a discretionary special bonus payment for the top-performing members of staff, to a total value of R36.5 million (2009: R32.3 million). Of this, an amount of R12.7 million (2009: R12.2 million) was awarded to Executive Committee members.

Long-term incentives

Long-term incentives are designed to both retain and incentivise selected key staff within the JSE, and are not limited to executive management only. Since its listing in 2006, the JSE has implemented three alternative long-term schemes in an effort to create appropriate alignment with shareholder interests. The first two schemes – a share appreciation rights scheme and a deferred cash scheme – have both been discontinued following the approval by shareholders of the LTIS 2010 scheme in May 2010. Details of each scheme are outlined briefly below.

– LTIS 2006

At the time of its listing in 2006 the JSE implemented a share appreciation rights scheme that pays participants a certain amount in cash based on the number of participation interests that vest in the

CORPORATE GOVERNANCE continued

hands of a participant at each future vesting date, which cash amount is calculated by reference to the growth in the JSE share price from an annual base price.

Tranche 1 was issued in 2006 at a base price of R8.31 with an original vesting profile over three years (50% at December 2008, and 25% at December 2009 and 2010 respectively).

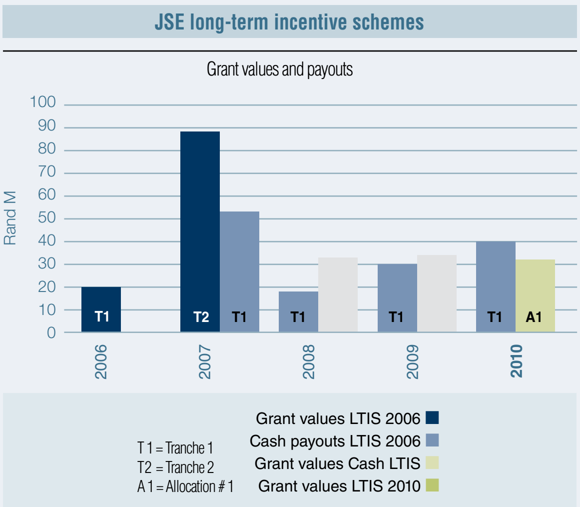
The steep rise in the JSE share price after listing resulted in an acute impact on the JSE income statement. Accordingly, Tranche 1 was capped at R100 per share, and in return, half of the 2008 portion (due to vest in December 2008) was accelerated and paid out in December 2007. This also prompted management to seek a more tax-efficient, less volatile scheme. The final payout in respect of Tranche 1 (due December 2010) amounted to R41.1 million of which R32.8 million accrued to Executive Committee members.

Tranche 2 (with a three-year vesting profile: 50% December 2010; 25% December 2011; 25% December 2012) was issued in November 2007 at a base price of R85.45. As the JSE share price at 31 December 2010 was below the original base price, no payout was due in respect of the first portion of Tranche 2. The HR Committee has confirmed that the base price for the remaining unvested portions (2011 and 2012) will not be adjusted downwards.

No performance hurdles or claw-back provisions are applicable to LTIS 2006.

– Cash LTIS

No allocations have been awarded under LTIS 2006 after 31 December 2007; instead, the Board introduced a long-term cash scheme for the 2008 and 2009 financial years as an interim measure.



Two tranches have been issued under LTIS 2006, in January 2006 and November 2007 respectively. All portions of Tranche 1 have vested as at December 2010. The first portion of Tranche 2 vested as at December 2010, but no payout was due to participants as the JSE share price was below the base price of R85.45. Grants under the 2008 and 2009 Cash LTIS schemes will begin vesting over three years from December 2011 and December 2012 respectively. The first allocation under LTIS 2010 was granted in May 2010 and will vest in May 2013 (50%) and May 2014 (50%) respectively.

These deferred cash schemes are an alternative to a traditional long-term incentive (the preferred share-based retention scheme, considered for implementation by the Board in November 2008, having been rendered ineffective by a change in tax legislation). Applicable, as before, to key senior employees of the JSE, the Cash LTIS awarded in 2008 vests in three annual tranches – 50% at 31 December 2011, 25% at 31 December 2012 and 25% at 31 December 2013, while the Cash LTIS awarded in 2009 also vests in three annual tranches – 50% at 31 December 2012, 25% at 31 December 2013 and 25% at 31 December 2014.

The unvested portions of both Cash LTIS plans attract interest at the commercial rate earned by the JSE on funds under management. As with LTIS 2006, no performance hurdles or claw-back provisions are applicable to either Cash LTIS scheme.

– LTIS 2010

At the annual general meeting in April 2010, shareholders approved a new long-term incentive scheme (LTIS 2010) to be effective from the 2010 financial year.

LTIS 2010 is a full-value, restricted share scheme that provides selected senior JSE employees with exposure to JSE shares rather than the share appreciation rights issued under LTIS 2006. The intention is to create a "share ownership class" among JSE staff, and an improved alignment of management interests with those of shareholders (while ensuring that the scheme is cost efficient for the Company and shareholders). This is achieved by awarding shares in the JSE to each invited participant annually, these shares having been acquired in the open market by a trust established by the JSE. There is no fresh issue of shares under this scheme.

LTIS 2010 is designed to provide some measure of retention for senior staff, recognising that a financial incentive alone is insufficient to retain a motivated staff corps (the retention component). In addition, for executive management, the scheme is intended to provide added rewards linked to corporate outperformance over a three- to four-year horizon (the performance component).

LTIS awards are clearly distinguishable from annual awards under the discretionary special bonus scheme. The latter are awarded at the discretion of the Board subject to corporate financial affordability, and are based on outstanding individual performance in a specific year. By contrast, while an individual's personal performance profile is a factor in determining inclusion in the LTIS pool, the overriding intention with LTIS awards is to retain and motivate those staff members that are strategically important to the JSE's longer-term performance.

Long-term incentive scheme 2010 – allocations, metrics and targets

Details of the first share allocation under LTIS 2010 are as follows:

	Allocation #1 (granted May 2010)
Total JSE shares awarded	482 900
Retention component (shares / Exco participants)	124 100 / 18
Retention component (shares / other participants)	203 300 / 62
Performance component (shares / Exco participants)	155 500 / 18
Dilution (% of issued share capital)	0.56%
Acquisition cost VWAP per share	R66.48
Total cash cost of acquisition	R32.1 million
IFRS 2 P&L impact in FY2010	R6.2 million
Cash cost as % of FY2010 Group NPAT	8.49%
Vesting dates for Allocation #1	50% May 2013 / 50% May 2014

CORPORATE GOVERNANCE continued

Corporate limits: LTIS 2010 rules stipulate that aggregate share allocations shall not exceed, in any rolling four-year period, 2.5% of the total JSE shares in issue. In addition, the total cash cost of each annual allocation is subject to HR Committee approval, and will usually average about 10% of Group NPAT. Shareholders granted approval (at the JSE's 2010 AGM) for the repurchase of 2.1 million ordinary shares over four years to be used for share grants under the scheme. Allocation #1 granted in May 2010 comprised 482 900 shares or 0.56% of the JSE's issued share capital. The JSE intends to grant similar annual allocations over the next three years in terms of the approval granted by shareholders. By making these regular, consistent annual allocations, the HR Committee aims to reduce the impact of any share price volatility on the long-term incentive scheme.

Individual limits: Participation in LTIS 2010 is subject to the following:

- Awards are calculated by reference to salary multiples (using guaranteed cost-to-company remuneration) which indicate the maximum value that may be awarded to a specific participant over the vesting term of the award. There is no obligation to award shares to this maximum value over the vesting term.
- Maximum annual salary multiples for application at the outset of LTIS 2010 are:
  - 1x annual salary for all participants in the retention component.
  - 1x annual salary for Executive Committee members, 1.5x annual salary for executive directors and 2x annual salary for the CEO, who all participate in the performance component.
- LTIS 2010 rules do allow the HR Committee discretion in revising salary multiples from time to time, as well as the mix between the retention and performance components. To date, the HR Committee has not approved any changes to the original scheme multiples.
- Annual grants under LTIS 2010 are subject to an overall restriction (the capacity calculation) whereby the value of the annual grant plus the aggregate value of all previous unvested grants under all JSE long-term incentive schemes may not exceed the participant's annual salary multiple.

Vesting criteria: For Allocation #1, the retention shares vest in two equal tranches on 1 May 2013 and 1 May 2014, subject to participants remaining in the employ of the JSE until these vesting dates. Similarly, the performance shares vest in two equal tranches on the same vesting dates, subject however, to participants' continued employment and the JSE achieving certain Group-level performance conditions as approved by the Board, which are set out in the table below.

Unvested awards are only retained by a participant in the event of a no-fault termination, such as retirement, redundancy or ill health, with pro rata accelerated vesting at the discretion of the HR Committee. Awards also vest on an accelerated basis in the event of a change in control.

Performance metric	Vesting profile	Target	Weighting[a]
Return on equity	Straight-line: min 20% to max 100%	15% to 21%[b]	30%
EBIT growth	Straight-line: min 20% to max 100%	CPI to CPI +4%[c]	30%
Strategic metric	Straight-line: min 20% to max 100%	Develop IRM[d]	40%

[a] *Performance shares awarded in May 2010 vest as follows: 30% based on JSE's ROE performance, 30% based on JSE's EBIT growth performance, and 40% based on JSE's "strategic" performance. All performance is measured over the vesting term (three and four years) against JSE Group results, with FY2009 being the base year for measurement.*

[b] *Vesting takes place on a straight-line basis, with the ROE threshold target being 15% and the ROE full-performance target being 21%, compounded p.a. over the vesting term.*

[c] *Vesting takes place on a straight-line basis, with the EBIT threshold target being CPI and the EBIT full-performance target being CPI +4%, compounded p.a. over the vesting term.*

[d] *Qualitative and quantitative targets for the strategic metric include introducing a new cash and derivatives market structure for the trading and clearing of interest rate products in South Africa; the implementation of an appropriate remote membership/access strategy for this market; as well as reducing the erstwhile BESA legacy cost structure over the vesting period.*

Metrics: In considering which mix of performance metrics might best incentivise JSE management, the HR Committee decided on a series of specific rather than relative metrics for Allocation #1, being metrics that are specific to the JSE's business and are subject to the direct influence of senior management. The HR Committee's reasoning was as follows:

– The EBIT growth and ROE metrics (each with a weighting of 30%) are intended to focus management's attention on diversifying revenue, constraining the fixed cost base, making well reasoned and profitable capital expenditure decisions, and maintaining a healthy balance sheet structure; while
– The broad-based strategic metric (with a weighting of 40%) provides a significant incentive for management to pursue fundamental strategic actions that might not otherwise have an immediate payoff in terms of EBIT or ROE.

Performance against each metric is measured independently rather than in aggregate, meaning that some performance shares may vest even if the targets for the other metrics are not achieved. There is no retesting of performance conditions post each vesting date.

Targets: With respect to setting the actual targets, the HR Committee based the financial targets on the JSE's long-range financial forecast, taking into account the need to balance a fair return to shareholders with the JSE's regulatory obligations. Furthermore, the committee noted that the JSE has a short history as a listed entity and has reported exceptional results over the past few years – this financial performance is likely to normalise over time, with slower earnings growth and lower ROEs. The HR Committee also preferred management to maintain a conservative balance sheet stance, especially in the context of ongoing global financial market uncertainty, rather than incentivising management to pursue ever-higher ROEs.

Accordingly, an ROE of 15% compounded per annum over the vesting term was considered by the HR Committee to be the minimum acceptable return for a business of the JSE's size and cash-generating ability, and this was therefore set as the threshold target (at which 20% of the performance shares linked to the ROE target would vest). The HR Committee was also cognisant of not setting the full-performance target too high and thereby possibly driving management behaviours at odds with the long-term health of the business. The full-performance target was accordingly set at 21% return compounded per annum for the JSE Group notwithstanding the higher ROEs reported in recent years.

Growing annual Group earnings by at least average CPI (compounded per annum) across the vesting period was considered by the HR Committee to be an appropriate threshold target for earnings growth, while the full-performance target was set at CPI + 4% compounded per annum for the vesting period.

Finally, with respect to the strategic metric, the development of the interest rate market constituted an obvious target given the recent acquisition of BESA.

When assessing corporate performance at the three- and four-year vesting dates, the HR Committee will have due regard for and place appropriate emphasis on the JSE having maintained secure, stable, efficient, liquid and well-regulated markets for listed securities in South Africa. In other words, the HR Committee will apply its mind to management's role in delivering on the JSE's overall strategic mandate to build better financial markets in South Africa and will exercise its discretion rather than merely "ticking the metric calculation box".

This same overarching principle of discretion applies to the downside as well. Any material failure of whatever nature (strategic, financial, operational, technological or reputational) during a vesting period may cause the HR Committee to unilaterally suspend the vesting of some or all performance shares for that period, even if, on a strict interpretation, the criteria for vesting have been fulfilled.

CORPORATE GOVERNANCE continued

Executive Committee remuneration and contracts

The remuneration mix for Executive Committee members is intended to create a significant level of alignment with shareholder interests.

For FY2010 the remuneration of Executive Committee members, including the CEO and executive directors, comprises three elements as summarised in the table below. A detailed analysis of the remuneration paid to individual Executive Committee members and of their direct beneficial holdings in the JSE is included in Note 27 to the annual financial statements.

	Chief executive		Executive directors		Executive managers		Executive Committee Total 2010			Executive Committee Total 2009	
Remuneration mix R'000	R'000	% total	R'000	% total	R'000	% total	R'000	% total	% Δ	R'000	% total
Guaranteed pay	3 508	24%	7 618	30%	18 669	40%	29 795	34%	11.8%	26 658	36%
Annual incentives	5 564	39%	6 200	25%	12 398	26%	24 162	28%	5.1%	22 980	31%
Long-term incentives – LTIS 2006 vested	5 339	37%	11 497	45%	16 023	34%	32 859	38%	38.5%	23 733	33%
TOTAL	**14 411**	**100%**	**25 315**	**100%**	**47 090**	**100%**	**86 816**	**100%**	**18.3%**	**73 371**	**100%**
Long-term incentives – LTIS 2010 grant	3 025	–	5 391	–	10 172	–	18 588	–	–	–	–

Guaranteed pay includes retirement and medical aid benefits. Annual incentives comprise awards under the contractually-guaranteed deferred compensation scheme and the discretionary special bonus scheme. The full deferred compensation award for FY2010 is reflected above, 50% of which is deferred for six months based on continued employment with the JSE. The CEO does not qualify for awards under the deferred compensation scheme, but participates in the discretionary special bonus scheme, and is also eligible for a discretionary CEO bonus equal to a maximum of his annual guaranteed cost-to-company package which is linked to his annual performance contract with the Board. For FY2010 the CEO was awarded a full discretionary CEO bonus equal to 100% of his annual package. Long-term incentives reflected above comprise pay-outs made in terms of the final portion of Tranche 1 of LTIS 2006, which vested on 31 December 2010. The grant values of the first share allocation made under LTIS 2010 are reflected separately.

The current exposure of the Executive Committee to the JSE share price is shown in the table overleaf. This includes current (unrestricted) beneficial holdings, the intrinsic value of participation interests granted under LTIS 2006 (Tranche 2) and the value of restricted shares granted under LTIS 2010. Executive Committee members (and staff) are not required to maintain their beneficial holdings once JSE shares have vested under LTIS 2010. There is also no minimum shareholding requirement stipulated for executives. The actual closing JSE share price at year-end was R79.

Executive Committee exposure to JSE share price

	Direct beneficial holding	Direct beneficial holding value	Unvested LTIS 2006 Tranche 2 PIs	Intrinsic value	Restricted LTIS 2010 grant	LTIS 2010 current value	**Total current equity value**	**Total equity value as multiple of weighted salary**
	Shares	R'000	Units	R'000	Shares	R'000	**R'000**	
CEO	1 000	79	86 500	496	45 500	3 594	**4 169**	**1.19**
Executive directors	9 600	758	95 125	546	81 100	6 407	**7 711**	**1.01**
Executive managers	15 525	1 226	114 700	658	153 000	12 087	**13 971**	**0.75**
TOTAL	**26 125**	**2 063**	**296 325**	**1 700**	**279 600**	**22 088**	**25 851**	**0.87**

The CEO is the only member of staff with a specific service contract, which has a three-year duration, a four-month notice period and a one-year restraint. The agreed restraint precludes the CEO from being engaged by any stock exchange, bond market or futures market carried on in South Africa for a period of one year from the date of termination of his employment. A guaranteed end-of-contract payment, equal to the CEO's annual guaranteed cost-to-company remuneration at the time, is payable at the conclusion of the contract as compensation for the restraint. This restraint is also triggered if the CEO's employment is terminated for whatever reason, such as through a change of control occurring during the term of the CEO's contract.

After 15 years of service, Russell Loubser will retire from the JSE on 31 December 2011, having led the JSE with great distinction and commitment. The CEO's contract runs to 31 August 2011 and has been extended by the Board on the same terms until 31 December 2011. Nicky Newton-King, the JSE's deputy CEO for the past eight years, has been unanimously confirmed by the Board as the new chief executive effective 1 January 2012. Nicky brings extensive experience to this new role and will ensure an orderly transition.

Two further executive changes are planned: Leanne Parsons and John Burke will be standing down from their executive director roles on the Board at the annual general meeting in April 2011. This follows a Board decision to reduce the number of executive directors in line with good governance practice. Both have served the JSE with commitment for many years and will continue to contribute as senior members of the management team and as alternate directors on the JSE Board.

Executive directors are not entitled to accept outside Board appointments to any listed company so as to avoid any real or perceived conflict of interest. However, executive directors are entitled to accept appointments to non-listed public or private companies or non-governmental organisations, where the time commitment is reasonable and subject always to the prior approval of the chairman of the JSE Board. Fees earned from such non-executive appointments are, as a general policy, payable to the JSE.

CORPORATE GOVERNANCE continued

Non-executive directors

The appointment of new non-executive directors is determined by the Board, acting on the recommendation of the Nominations Committee. All appointments are subject to ratification by shareholders at the next annual general meeting following appointment. Non-executive directors retire by rotation on a rolling three-year basis, and if eligible, may stand for re-election. No maximum term applies.

There were no new appointments to the Board during the year under review. In August 2010, Jonathan Berman, alternate director to Nku Nyembezi-Heita, resigned from the Board having assisted in the successful conclusion of the BESA integration. Subsequent to year-end, two long-standing non-executive directors indicated that they did not wish to make themselves available for re-election at the annual general meeting in April. Gloria Serobe (10 years' service as non-executive) and Wendy Luhabe (eight years' service as non-executive) will stand down from the Board at the AGM, having served diligently and made significant contributions to the JSE's affairs.

The performance of JSE Board members and the Board as a collective is assessed annually. This self-review is managed by the chairman of the Board. Every alternate year, an external review is undertaken using an independent service provider.

Non-executive directors' emoluments comprise an annual fixed retainer and a fee per meeting attended (for all Board and Board Committee meetings). Non-executive director's fees are determined by the Board and benchmarked against independent market data, sourced from third party service providers. All proposed emoluments are approved by shareholders in advance at the JSE's annual general meeting. Out-of-pocket expenses, such as travel and accommodation costs, incurred by non-executive directors in the execution of their responsibilities, are also reimbursed on request.

The chairman of the Board and chairman of the respective Board Committees are paid higher annual retainers than other Board members as compensation for their extra responsibilities. No share options or other incentive awards geared to share price or corporate performance are granted to non-executive directors.

Remuneration of the directors is determined as follows:

– Humphrey Borkum, Anton Botha, David Lawrence, Wendy Luhabe and Andile Mazwai review the remuneration of the non-executive directors, executive directors and the CEO; and
– Anton Botha, David Lawrence, Wendy Luhabe and Andile Mazwai review the remuneration of the chairman of the Board, and if appointed, the deputy chairman.

For FY2010 total non-executive director emoluments paid rose by 18.8% over the prior year. This increase comprised a 9% increment to both the annual retainer and meeting fees (approved by shareholders in April 2010), a 20% increment to the retainer and meeting fees for Audit Committee members, (approved by shareholders in April 2010), the impact of a full year's emoluments payable to two directors who joined the Board in July 2009, and improved levels of attendance at Board and Committee meetings.

A summary of non-executive directors' emoluments and beneficial interests is reflected in the table overleaf – additional detail is included in the directors' report and in Note 27 to the annual financial statements.

The Board has resolved, on the recommendation of the HR Committee, to propose to shareholders for approval at the annual general meeting in April 2011, an increase to the annual retainers and to the Board and Committee meeting fees for non-executive directors as follows:

Proposed increases for period May 2011 to April 2012

Non-executive director retainer	12% to R158 954 per annum
Chairman retainers (inclusive of NED retainer)	
Board and Nominations Committee	12% to R991 991 per annum
Audit Committee	12% to R262 492 per annum
HR Committee	12% to R238 431 per annum
Risk Management Committee	12% to R238 431 per annum

Meeting fees

Board	12% to R22 520 per meeting
Audit Committee	12% to R24 792 per meeting
Nominations, HR and Risk Management Committees	12% to R22 520 per meeting

JSE policy is to benchmark emoluments against a local comparator group of financial services institutions, and to fix remuneration for its non-executive directors at or around the median paid by the comparator group. This comparator group includes banks, short- and long-term insurers and niche financial services companies listed on the JSE. Comparator group data is sourced from independent, third-party service providers and is considered by the HR Committee when determining the proposed increase in emoluments.

These proposed increases will ensure that aggregate emoluments paid by the JSE remain within the 25th and 50th percentiles of the comparator group. As part of an ongoing process of improvement the HR Committee will, in the year ahead, examine in greater detail the remuneration structure and level of fees paid to its non-executive directors as well as relevant market trends, specifically in the light of recent governance and regulatory developments, so as to ensure that the emoluments paid are fair and reasonable for the time commitment, increased responsibility, expertise and contribution required from the JSE's non-executive directors.

				2010		2009		2010	2009
Non-executive directors	Status	Committee chair	Committee member[a]	Total meetings attended[b] number	Total emoluments[c] R'000	Total meetings attended number	Total emoluments R'000	Direct and indirect beneficial holding in JSE Ltd shares	Direct and indirect beneficial holding in JSE Ltd shares
H J Borkum – Board Chairman	INED	Nominations	A/N/H	14	1 221	15	1 112	15 000	15 000
A D Botha	Lead INED	Human Resources	A/N/H	14	488	15	458	25 000	
Z L Combi	INED			3	197	4	161		
M R Johnston[d]	INED		A/N/R	13	507	12	393		
D Lawrence	INED		H/R	11	356	12	342		
W Luhabe	INED		H	9	316	6	237	214	214
A Mazwai	INED		A/H/R	16	457	12	346	4 943	128 503
N S Nematswerani	INED	Audit	A/R	12	461	12	406		
N M C Nyembezi-Heita[e]	INED			2	178	2	37		
N Payne	INED	Risk	A/R	12	447	11	387		
G T Serobe	INED		A/N	8	280	10	306		
J Berman (alternate)[f]	INED			3	87	1	18		
TOTAL				**117**	**4 995**	**112**	**4 203**	**45 157**	**143 717**

[a] A = Audit Committee.
N = Nominations Committee.
H = Human Resources Committee.
R = Risk Management Committee.
[b] Includes all Board and Board Committee meetings – 19 individual meetings in both 2009 and 2010.
[c] Comprises retainers for Board member and Committee chairmen, and Board and Committee meeting fees.
[d] Includes payment for other services rendered.
[e] Appointed July 2009.
[f] Appointed July 2009, resigned August 2010.

CORPORATE GOVERNANCE continued

Risk Management Committee

Report prepared by its chairman, Nigel Payne

During the year under review, four Risk Management Committee meetings were held. Attendance by committee members was as follows:

Attendance at Risk Committee Meetings

Member	February	May	August	October	Total attendance
N Payne (INED)	•	•	•	•	4
M R Johnston (INED)	•	•	•	•	4
D Lawrence (NED)	•	•	•	•	4
A Mazwai (NED)	•	•	•	•	4
S Nematswerani (INED)	•	•	•	•	4
S Davies (director: Surveillance)	•	•	•	•	4
R M Loubser (CEO)	X	•	•	X	2
L Parsons (COO)	X	•	•	•	3
F Evans (CFO)	•	•	•	•	4
W F Urmson (head: Internal Audit)	•	•	•	•	4

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

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

The terms of reference of the committee, which are reviewed regularly by the Board to assure continued relevance, are to:

– assist the Board in setting risk strategy policies in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting
– review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed
– review and assess the nature, role, responsibility and authority of the risk management function in the JSE and outline the scope of risk management work
– ensure that the JSE has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to proactively manage these risks, and to decide the JSE's appetite or tolerance for risk
– ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management, including internal control
– oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes

- ensure that a comprehensive system of control is established to ensure that risks are mitigated and that the JSE's objectives are attained
- review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level
- monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts
- provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the Board on all categories of identified risks facing the JSE

During the year under review, the committee complied with its terms of reference.

Risk Committee responsibilities in terms of King III	Apply or explain
Determine the levels of risk tolerance	Applied
Oversee management in the design, implementation and monitoring of the risk management plan	Applied
The performance of risk assessments are performed continually	Applied
Receive assurance regarding the effectiveness of the risk management process	Applied
Assist the Board in discharging its risk management responsibilities	Applied
Assist the Board in its responsibility for complete, timely, relevant and accessible disclosure in relation to risk management to shareholders, and in acknowledging that it is accountable for the risk management function	Applied

CORPORATE GOVERNANCE continued

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

The JSE's enterprise-wide risk matrix must be updated regularly, with risks being ranked according to an appropriate methodology. The management of each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety. An action plan has been put in place to ensure that risks are reduced to an acceptable level on a cost-benefit basis. The risk matrix was again updated in 2010 and reflected the improvement in risk mitigation in the Group. In addition and in line with King III recommendations, the JSE embarked on an integrated risk reporting strategy to enhance the current risk assessment and management approach.

The continued transformation of the JSE's information technology is crucial and the committee continues to monitor the progress of this initiative. The committee is comfortable that appropriate governance structures and mitigating actions are in place to identify and address any risks that might arise out of this initiative.

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

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

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

Chairman: N Payne

JSE enterprise risk management philosophy and systems of internal control

As the largest securities exchange in Africa, the JSE recognises its responsibility to South Africa's financial markets as well as to its direct stakeholders. The risks to which the Exchange is exposed are regularly reviewed by the Executive Committee as well as the Board's Risk Management and Audit (financial risks) committees, and the effectiveness of the risk mitigation actions is continually evaluated.

Philosophy and approach

The JSE recognises that managing risk is an integral part of generating sustainable shareholder value and increased stakeholder interest. For this reason, risk management should also be integrated into the core of how the JSE is managed. In addition, the Board is ultimately responsible and accountable for the governance of risk, focusing on establishing, maintaining and monitoring the effectiveness of the processes, policies and plans of risk management and systems of internal control.

In this regard, the Company has applied the principles of King III, which the Company believes provide proper guidance in ensuring that a true integrated risk-based approach is established and appropriately implemented.

The JSE has an enterprise-wide risk matrix, in which risks are ranked according to an appropriate methodology. To mitigate and take appropriate and immediate steps to address any potential negative or positive consequences, the management of each risk has been allocated to an Executive Committee member or to the Executive Committee in its entirety.

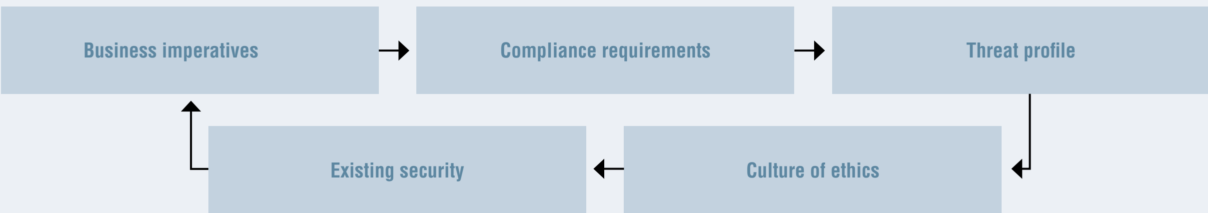
A plan ensures that risks are reduced to an acceptable level on a cost-benefit basis.

To remain sustainable in the long term, it is crucial that the continued transformation of the JSE's information technology takes place, and the committee continues to monitor the progress of this initiative. Information technology services are crucial to the success of any organisation, and reliable, accurate and relevant information underpins most decision-making and any organisation's competitive advantage.

With the ever-increasing threats of hacking, it is no longer sufficient to have security policies in place that focus on securing the Company's network. It has become critical to integrate security within business processes encompassing the entire business landscape in which the Company finds itself, as illustrated below:

To mitigate risk, an information security function has been established to oversee appropriate governance in this specialised area.

Independent assurance must be obtained on all key risk areas and related systems of internal control through the internal audit process. Collaboration of the JSE's governance structures (see below), in a transparent and appropriate manner, is vital and is encouraged. This has ensured that the JSE thoroughly understands the risks that the Exchange accepts in pursuance of its objectives.



Governance structure

In executing this vision of risk management adopted by the JSE, the following multiple lines of defence approach, as depicted in the governance structure below, has been implemented.

Board

Line management

Exco
- Drives priority and business strategy
- Sets high-level risk appetite

Divisional management meetings
- Set and drive divisional strategy
- Approve governance standards and lower level policy
- Oversee delivery and performance

Detailed forums and meetings (As appropriate)
- Approve detailed standards
- Drive action on governance items

Risk management

Risk Management Committee
- Authorised by Board
- Sets and oversees risk appetite, strategy and policy
- Reviews risk management systems
- Obtains independent advice if needed
- Can appoint sub-committees

Audit Committee
- Authorised by Board
- Safeguards assets, operates systems and controls procedures
- Accurate financial reporting and oversight
- Appoints external auditor

CORPORATE GOVERNANCE continued

Line management

Over and above the priority and business strategy decisions, most risk appetite decisions are made by the JSE Executive Committee (Exco). Exco not only subscribes to embedding risk decision-making in the way the organisation is managed day to day, but also participates in a formal annual risk assessment with quarterly updates on status to the Risk Management Committee.

Where appropriate, divisional forums and meetings provide and complete the detail that is required in supporting and enabling Exco execution. To this extent, risk management is firmly embedded in this "first" line of defence.

Risk Management Committee

Risk management is the "second" line of defence, and is spearheaded by the Risk Management Committee, where business and risk experts are present. The committee reports directly to the Board and is authorised by the Board to appoint sub-committees to assist with the discharge of its duties. Various risks, incidents and status reports are discussed by the Risk Management Committee. Furthermore, the committee is authorised by the Board to obtain inside or outside professional advice and to secure the attendance of insiders or outsiders with relevant experience and expertise, if it considers this necessary. The committee's terms of reference are set out in the risk management committee report.

Audit Committee

The Audit Committee oversees the reporting of financial performance. It also acts as the "third" line of defence. The committee is a formal sub-committee of the Board. The duties and responsibilities of the members of the committee are in addition to their duties and responsibilities as Board members.

The committee will assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control procedures and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards. The Board's functions are, however, reduced in respect of the appointment of the external auditors, determining audit fees and the terms of engagement of the audit, as these functions are assigned to the Audit Committee in terms of the new Companies Act.

The committee has the authority to conduct or authorise investigations into any matters within the committee's scope of responsibility. The committee's terms of reference are set out in the Audit Committee report.

Internal Audit

Internal Audit is a centralised independent assurance function, the head of which reports administratively to the CEO and in all other instances to the Audit Committee.

As recommended by King III, the internal audit function is recognised to be an integral part of the governance structures of the JSE and functions under policies established by executive management and the Board. It is responsible to the Board, in particular the Audit Committee, in providing:

- **Assurance that the management processes are adequate to identify and monitor significant risks**
- **Confirmation of the effective operation of the established internal control systems**
- **Ongoing development and evaluation of improved controls**
- **Credible processes for feedback on risk management and assurance**
- **Objective confirmation that the Board receives the right quality of assurance and information from management and that this information is reliable**

Systems of internal control

Executive management is responsible for the design, establishment and maintenance of systems of internal control that provide substantial assurance against the risk of material loss or misstatement of financial performance.

The Board, and in particular the Audit Committee, bears ultimate responsibility to ensure that the systems of internal control that are implemented are suitable for addressing the material risks to which the JSE is exposed and are operating effectively.

To assist the Board in meeting its obligations, JSE Internal Audit develops an annual audit programme based upon the perceived risk profiles of the various areas of the JSE's operations. The appropriateness of this programme is considered by the Audit Committee and ultimately approved, with or without amendment. This programme forms the basis for the internal audit work to be performed during the current year.

During the year, Internal Audit reports to the Audit Committee on its findings from the work performed and all material issues are advised to the Board. Prior to presentation to the Audit Committee, all reports are agreed with the line management responsible for the areas concerned, together with any remedial action that may be warranted as a result of the audit findings. The audit reports are thereafter discussed with the Executive Committee of the JSE prior to submission to the Audit Committee.

The reports of internal audit are also made available to the JSE's external auditors to assist them in meeting their responsibilities.

Although the audit procedures performed by internal audit during the past year identified some areas for improvement in the internal controls of the JSE, none of the perceived deficiencies is of a nature to suggest that they expose the Company to material loss or misstatement of financial performance.

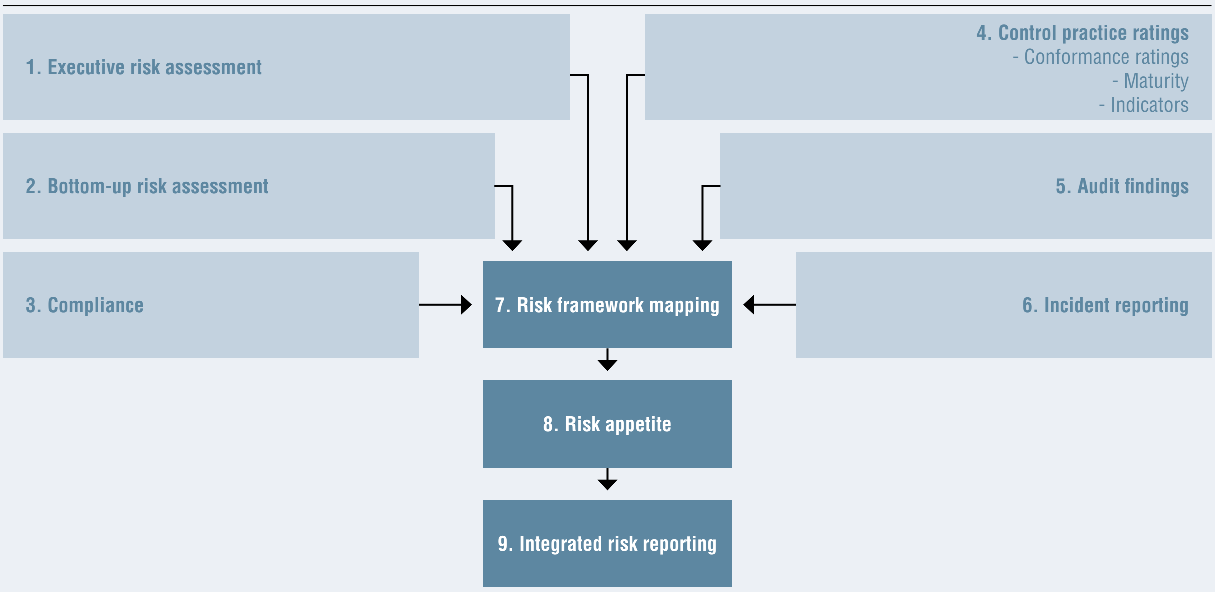
A new enterprise risk management framework

In line with the recommendations in King III, the JSE has embarked on an integrated risk reporting strategy to enhance the current risk assessment and management approach. Work to develop this new framework, started in 2010, will continue into 2011. This is primarily based on an approved enterprise risk management framework. Our enhanced approach is described below:

Approach theme	Description
Executive risk assessment	This methodology has been in place and is mature but this now forms part of the integrated reporting. Risk assessment is done at Executive Committee level with ongoing reporting against identified risks
Bottom-up risk assessment	This is an extension of the Executive Committee risk assessment process that is in place. The focus is to have the ability to formally escalate risks emanating from various committees or functions
Compliance	Although this function is a specialisation and reporting area in its own right, integration of the reporting schemes is being actively driven by the Group Company secretary and the head of IT Governance
Control practice ratings	This is the same measurement methodology already in place for IT Governance at a more granular level. Essentially, it is a way to ensure controls are in place through conformance self-assessment against expected controls, maturity measurement where appropriate and indicators
Audit findings	This is merely the representation of internal and external audit findings in the integrated reporting rather than duplicating any of the audit efforts. The idea is to create a complete picture with all the reporting elements available for risk management

CORPORATE GOVERNANCE continued

Incident reporting	incidents can indicate a lack of or failing controls. The integrated reporting approach defines that there is a formal structure for including incident reporting into the risk picture, with formal escalation thresholds
Risk framework mapping	All of the reporting elements will be mapped into a consistent framework to give the integrated view
Risk appetite	Depending on the thresholds and appetite indications from the Risk Committee, reporting will be included into the integrated report
Integrated risk reporting	A representation of items 1 to 6 within a framework structure based on set criteria for inclusion into risk committee reporting



IT governance report

As information technology services are crucial to the success of any organisation and the overall goal of protecting JSE stakeholder value, the IT governance function aims to ensure repeatable quality IT delivery, enabling the business to achieve its goals.

IT reporting has been enhanced through the use of the same reporting elements defined in integrated risk reporting at a very granular level, based on an Exco and Risk Committee-approved IT governance framework. The IT governance function, in addition, builds in a number of validation controls into the reporting to ensure that the self-assessment elements are as accurate as possible.

Disaster recovery

The JSE embarked on enhancing its disaster recovery strategy in 2009, with numerous improvements in redundancy and recovery being made. Accordingly significant reduction of high priority outages (50% per year) have been achieved since 2008. While a large part of this journey still lies ahead, the JSE has commissioned a new and improved remote recovery capability, starting with a new site location being selected after due consideration was given to various disaster scenarios.

An integrated approach is evident in rolling out the disaster recovery site as it is done in conjunction with the JSE virtualisation programme as well as the upgrade of local data facilities, resulting in the JSE exhibiting a Tier III infrastructure design topology.

Information security

An information security function has been established to oversee appropriate governance in this specialised area. This function uses a formal Steering Committee as its main vehicle to guide activities. The Information Security Steering Committee (ISSC) reports into the IT Management Committee (IT Manco), which has delegated the responsibility to specifically deal with detailed information security concerns and provide feedback and escalation of key aspects.

Reporting is being formalised based on the information security addition to the IT governance framework.

Reputation and compliance with laws, codes, rules and standards

The Board is committed to a work ethic and performance of the highest standards in the pursuit of ethical conduct in all its business activities. The Board is extremely proud of the integrity, the brand and the reputation of the JSE. To preserve its integrity and reputation, all divisions, departments and subsidiaries within the Group need to have an adequate understanding of and monitor compliance with relevant laws, regulations, codes of good practice and standards that pertain to each area.

The Board is aware that reputation is built over long periods and can be destroyed overnight. To achieve long-term sustainable objectives and goals, the ongoing generation of shareholder value and relations with major stakeholders are key in protecting and enhancing this reputation, underpinned by sound corporate governance practices, an unquestionable ethical culture and a robust legal compliance programme.

Through the recently adopted enterprise risk management framework, the applicable King III principles are incorporated in a basic compliance programme that will be improved upon during 2011.

The responsibility to implement and facilitate an effective compliance function throughout the enterprise has been delegated to the Group company secretary.

The compliance function enables the business to adhere to the applicable regulatory requirements by ensuring that actions, processes and procedures are risk appropriate and ensures that the business can achieve its business goals without fear of penalties and loss of reputation. There was no significant non-compliance in the year under review.

Risk universe

CORPORATE GOVERNANCE continued

	Risk universe	Mitigation
1.	**Technology and systems risk** All four of the markets operated by the JSE are computerised, as are the associated settlement systems and the support systems provided to all the members of the JSE equities market. All JSE systems are subject to regular redundancy and disaster recovery testing and the JSE believes that it has made adequate provision for potential contingencies that could be reasonably anticipated. Many of the tests carried out have been performed in conjunction with Strate, the JSE's equities settlement service provider, and the other partners in the settlement processes because of the mutual dependencies.	To minimise the risk of failure of power supplies, the JSE operates an uninterrupted power supply infrastructure and also diesel generators, with the capacity to provide uninterrupted service to the markets. Adequate supplies of diesel to maintain the generator have been contractually assured by the fuel suppliers. An additional generator was installed to provide a further level of redundancy. The JSE is in the progress of rolling out the disaster recovery site in conjunction with the JSE virtualisation programme as well as the upgrade of local data.
2.	**Guarantee of settlement** The JSE is the ultimate guarantor of settlement of equities trades executed on the central order book. This risk can be effectively managed through the JSE systems that enable the Exchange to monitor each trade's progress through the settlement cycle in real time and to assess each member's financial standing daily. The settlement authority of the Exchange also has the capacity to borrow securities to enable settlement in the event of a lack of liquidity in that particular counter and calls for cash margin in the event that there is a delay in achieving an adequate guarantee of settlement.	The JSE does not guarantee the settlement of trades on its derivatives and Yield-X markets. In these markets, assurance of settlement is provided by clearing members, which are, predominantly, the major clearing banks in South Africa. There have been no losses to participants in these markets as a result of a settlement failure.
	Risk universe	**Mitigation**
3.	**Investment risk** **Equities** The JSE equities brokers/members administer funds on behalf of their clients. These funds are pooled and managed under the umbrella JSE Trustees, which facilitates compliance by members with section 27 of the Securities Services Act, which obliges all members to open and maintain a trust account for clients' monies. The primary clients of this fund are therefore the individual members acting on behalf of their clients. All interest income earned, less the administration fee of 20 basis points, accrues to the participating members, for onward payment to their own clients. The management of these funds implies a fiduciary duty to the members and their respective clients. Consequently, the utmost care must be taken in the management of these funds. The ultimate aim is to "maximise the investment income earned on funds invested while minimising the inherent risks related thereto".	The rules relating to JSE Trustees (Proprietary) Limited place reliance on directives that accept a stated level of counterparty risk vis-à-vis counterparty banks, as well as the type of securities that may be invested in. The limits imposed on managing these funds are as follows: **Counterparty limit** If an individual bank is part of a group of banks, the limits applied are for the banking group as a whole. – Local banks and branches of foreign banks: P-1.za banks: to a maximum of 20% of fund size P-2.za banks: to a maximum of 15% of fund size – Subsidiaries of foreign banks: P-1.za banks: to a maximum of 10% of fund size P-2.za banks: to a maximum of 10% of fund size

	Risk universe	Mitigation
3.	**Investment risk (continued)**	The manager may not include foreign investments in the portfolio.
		Only the following investment instruments may be used: – Overnight call – Call bonds – Fixed deposits (preferably with interest payable monthly*) – Negotiable certificates of deposit* – Treasury bills* – SA Reserve Bank debentures* – Repurchase agreements and/or carries*
		** May not have a tenor or time to maturity in excess of 91 days.*
		Management of these funds is as follows: The investment manager must ensure that there is sufficient liquidity to meet the needs of its clients. For example, if the size of the total fund is R20 billion, an amount of approximately 25% must be invested on call at all times. There is no maximum limit on the amount of funds that can be invested in this way. The remaining funds (amounts not invested on call) can be invested for any period with a maximum tenor of 91 days. The overall weighted average duration of the investments may not exceed 40 days.
		Because the markets in which JSE Trustees operates are dynamic, these guidelines are revisited regularly.
	Equity derivatives, commodity derivatives and Yield-X products Equity derivatives, commodity derivatives and Yield-X products members transact on the market on behalf of themselves and their clients. In order to transact, all participants are required to place an initial margin deposit with their members. These sums are paid daily via clearing members to Safcom, which in turn deposits these funds with various financial institutions. Daily mark-to-market profits can also be withdrawn via the clearing member. Similarly, daily mark-to-market losses are funded via the clearing member. All these funds are administered and managed by Safcom. All interest earned on funds deposited with the institutions, less Safcom's administration fee of 20 basis points for EDD and CDD and 12.5 basis points in the case of Yield-X, accrues to the clearing members for onward payment to their members and, in turn, to clients. The primary risks relating to these funds are:	
	Credit risk – the risk of default by the recipient institution	No counterparty is exempt from the process of having a credit limit imposed. Strict limits will be imposed on all approved counterparties. As the management of credit risk and counterparty limits is a dynamic process, these limits must be reviewed at least annually. Only banks that have been accredited with a formal rating by one of the reliable rating agencies will be considered.
		As credit risk plays such a vital role in this fund, the minimum requirement will be a P-1.za or P-2.za (or agency equivalent) rating. Should any of the existing counterparties be either placed on a ratings watch list or be downgraded, their limits must immediately be re-examined and adjusted accordingly. This is of the utmost importance. The JSE currently subscribes to a recognised credit agency and therefore will rely on its ratings to assess and compute credit limits.

CORPORATE GOVERNANCE continued

	Risk universe	Mitigation
3.	**Investment risk (continued)**	Limits: – If a bank is part of a group of banks, the limits applied are for that banking group as a whole – There is no differentiation between local and foreign banks. It is considered that they have similar risks
		Local banks and branches of foreign banks: P-1.za banks: – up to a maximum of 20% of fund size – P-2.za banks: up to a maximum of 15% of fund size
	Liquidity risk – the risk that the funds invested cannot be withdrawn timeously The funds managed by Safcom are invested on behalf of the members' clients. These funds must be available for withdrawal as and when requested by the members' clients. The total funds invested can be divided into a volatile portion and a core portion of funds. The core portion tends to be fully and continually invested, whereas the volatile portion tends to fluctuate.	Subsidiaries of foreign banks: – P-1.za banks: up to a maximum of 10% of fund size – P-2.za banks: up to a maximum of 10% of fund size
		Safcom's investment managers must ensure that there is sufficient liquidity to meet the needs of its clients. For example, if the size of the total fund is R16 billion, then an amount of approximately 30% must be invested on call at all times. There is no maximum limit on the amount of funds that can be invested in this way. The remaining funds (amounts not invested on call) can be invested for any period with a maximum tenor of 91 days. The overall weighted average duration of the investments may not exceed 40 days.
		The calculation of the average weighted duration must be computed daily.
		The rate of interest payable to the clearing members of Yield-X is the average rate of interest earned by Safcom for the month less an administration fee of 12.5 basis points.
		The following investment instruments may be used: – Overnight call – Call bonds – Fixed deposits (preferably with interest payable monthly)* – Negotiable certificates of deposit* – Treasury bills* – SARB debentures* – Repurchase agreements and/or carries*
		** May not have a tenor or time to maturity in excess of 91 days.*

<table>
<tr><th></th><th>Risk universe</th><th>Mitigation</th></tr>
<tr><td>4.</td><td>Currency risk
Several of the contracts relating to the provision of technology services to the Exchange are denominated in currencies other than the rand, primarily US dollars and pounds sterling.</td><td>The JSE receives revenue from the sale of information, which is similarly designated, thus providing a hedge against exposure to loss from depreciation in the value of the rand. The residual risk is assessed regularly by the chief financial officer, in conjunction with an advisory group.</td></tr>
<tr><td rowspan="3">5.</td><td rowspan="3">Fidelity risk
The Finance department of the JSE is responsible for the investment of substantial sums of money received in trust from equity members in respect of client funds awaiting investment, margin paid to Safcom in relation to derivative market exposures, as well as the reserves of the JSE.</td><td>No investment may be of a duration of greater than 91 days and the majority of funds are invested for much shorter periods to ensure that adequate liquidity is maintained at all times.</td></tr>
<tr><td>The chief financial officer is responsible for the internal control and effective management of this function and these aspects are regularly assessed by internal audit.</td></tr>
<tr><td>The JSE has fidelity insurance cover against fraud and theft, which provides protection against losses of up to R250 million for any one claim and R500 million in aggregate.</td></tr>
<tr><td>6.</td><td>Licensing risk
In order to operate a securities exchange in South Africa, an entity is required to obtain a licence from the Registrar of Securities Services, which must be renewed annually. The renewal may be denied if the registrar is not satisfied that the Exchange has complied with the requirements of the Securities Services Act, its rules and any direction, request, condition or requirement of the registrar in terms of the Act. The registrar has granted a renewal of the licence of the JSE for the 2011 calendar year.</td><td>Company secretariat is mandated to ensure application of renewal each year.</td></tr>
</table>

CORPORATE GOVERNANCE continued

Code of ethics

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

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

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

An ethics hotline service provider was selected and a free hotline will become operational soon. Employees are encouraged to participate by reporting any unethical behaviour identified, anonymously and confidentially.

The JSE intends, through this code, to promote and encourage ethical behaviour that underpins and supports the JSE values in an open, fair and transparent manner and, at the same time, to prevent the occurrence of unethical behaviour.

The code of conduct contained in the consolidated JSE Policies and Procedures Manual, located on the intranet, provides a detailed list of the standards and policies with which employees are expected to comply.

Refer to the JSE website for further information about the code.

No incidents of unethical behaviour were reported or dealt with during 2010.

Fraud and illegal acts

The JSE does not engage in, accept or condone engaging in any illegal acts in the conduct of its business. The Board's policy is to actively pursue and encourage the prosecution of perpetrators of fraudulent and other illegal activities should it become aware of such acts. A strict zero tolerance approach has been adopted.

The JSE does not encourage or tolerate any of the following practices:

- Bribes
- Facilitation payments
- Political donations

A confidential and anonymous ethics hotline will be fully operational early in 2011, where all employees and other external stakeholders can report any act of fraud or illegal activity.

No fraud or misdemeanours of any significance were reported during the period under review.

Interests in contracts

There is a policy that controls the disclosure of interests in contracts by all employees to avoid any potential conflicts of interest. Further, the policy covers directors and senior management, who must disclose any interest in contracts as well as other appointments. This disclosure is critical to assess and mitigate any potential conflict in fiduciary duties. During the year under review, save as may be disclosed in the financial statements, none of the directors had any significant interest in any material contract or arrangement entered into by the Company or its subsidiaries and associates.

Dealing in Company shares and insider trading

A dealing policy is in place for employees and directors dealing in JSE shares. These rules prohibit directors and employees from dealing in JSE shares when they possess price-sensitive information. Dealing is permitted only during two limited open periods of the year immediately following the release of the annual financial and interim financial statements. Directors and employees may not deal during any other periods. 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, approval must be obtained from the lead non-executive director or, failing him, the CEO or deputy CEO. Restrictions exist as to employees dealing with absolute limits for certain divisions.

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

Event	Closed period
Annual financial statements being prepared	1 December 2009- 15 March 2010
Interim financials being prepared	1 June 2010-17 August 2010

All directors' and executive members' dealings in share transactions during 2010 were disclosed through SENS. A summary of these dealings is shown below:

Director	Transactions
Anton Botha	10 March 2010 – purchased 25 000 shares in his personal capacity
Andile Mazwai	1 July 2010 – sold 123 209 shares that he held indirectly. This transaction was a result of the exercise of a European put option, announced on Sens on 15 May 2007, expiring on 30 June 2010 (off-market)

There were no transgressions of the dealing policy in the year under review.

Relationships with stakeholders

The JSE recognises that communication with all its major stakeholders is important to its future business and interacts in various ways with such major stakeholders. Shareholders and interested stakeholders are invited to attend the annual general meeting and roadshows, where the respective chairs of the various committees will be available to answer any questions. Voting is conducted electronically and results are available immediately and released on Sens the next day. For more information consult the stakeholder section in the sustainability report.

External audit and external auditor independence

The Group annual financial statements have been audited by independent auditors, KPMG Inc. The Audit Committee considered the position of KPMG and resolved that KPMG is independent of the Group and has recommended the reappointment of KPMG as auditors. This view and recommendation was endorsed by the Board on 23 November 2010. The reappointment of the auditors will be a matter for consideration by the shareholders at the annual general meeting to be held on 28 April 2011.

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

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

Accountability

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

CORPORATE GOVERNANCE continued

Going-concern statement

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

Company secretary

Gary Clarke is the Group company secretary. He is suitably qualified and has access to the Group's secretarial resources. The company secretary is responsible for the duties set out in section 268G of the Companies Act and for ensuring compliance with the Listings Requirements of the JSE Limited. He provides guidance and support to the Board, Board committees and the Executive Committee in matters relating to governance, sustainability, transformation and ethics. All directors have unlimited access to the company secretary. He assists the Board as a whole, and all Board committees or directors individually, with the discharge of their fiduciary duties. He also facilitates training and induction for directors.

Independent advice

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

Ombudsman for JSE complaints and disputes

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

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

In 2010, the ombud presided over and pronounced on two matters involving disputes between two authorised users and their respective clients.

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

Administration

JSE Limited
Registration number 2005/022939/06
Share code: JSE
ISIN No.: ZAE000079711

Registered office	One Exchange Square 2 Gwen Lane Sandown Sandton 2196
Postal address	Private Bag X991174 Sandton 2146
Telephone	+27 (0) 11 520 7000
Web	www.jse.co.za
Email	ir@jse.co.za
Transfer secretary	Computershare Investor Services (Proprietary) Limited Ground Floor 70 Marshall Street Johannesburg 2001
Telephone	+27 (0) 11 370 5000
Auditor	KPMG Inc
Sponsors	RMB, Morgan Stanley
Bankers	First National Bank

BOARD OF DIRECTORS

Strong integrity and professionalism






Humphrey Borkum (66)
Number of years in service: 11
Chairman of the JSE; chairman of the Nominations Committee; member of the Human Resources Committee; member of the Audit Committee; non-executive director; chairman of Merrill Lynch SA; member of the South African Institute of Stockbrokers
Appointed to the Board in 2000

Russell Loubser (60)
Number of years in service: 14
Chief executive officer; executive director of the JSE; member of the Risk Management Committee; member of the Board of directors of the World Federation of Exchanges; previous chairman of the World Federation of Exchanges; previous chairman of the South African Futures Exchange; previous executive director of financial markets at Rand Merchant Bank Limited
Appointed to the Board in 2000

Nicky Newton-King (44)
Number of years in service: 14
Deputy chief executive officer; executive director of the JSE; member of the Financial Markets Advisory Board and Standing Advisory Committee on Company Law; member of the Presidential Remuneration Commission; World Economic Forum Young Global Leader; Yale World Fellow 2006
Appointed to the Board in 2000

Freda Evans (52)
Number of years in service: 10
Executive director of the JSE; chief financial officer; member of the XBRL Advisory Committee to the International Accounting Standards Committee Forum
Appointed to the Board in 2008

Leanne Parsons (45)
Number of years in service: 25
Executive director of the JSE; chief operating officer; chairman of the Trading Advisory Committee; member of the Risk Committee; director of JSE-related companies
Appointed to the Board in 2000

John Burke (45)
Number of years in service: 21
Executive director of the JSE; chairman of the Issuer Services Advisory Committee; member of the King Committee on Corporate Governance; non-executive director Institute of Directors
Appointed to the Board in 2001

Anton Botha (57)
Number of years in service: 11
Non-executive director of the JSE; chairman of the Human Resources Committee; member of the Audit Committee; member of the Nominations Committee; director and co-owner of Imalivest; chairman of Vukile Property Fund; non-executive director of Sanlam Limited and African Rainbow Minerals
Appointed to the Board in 2000

Bobby Johnston (61)
Number of years in service: 11
Non-executive director of the JSE; previous chairman of the JSE; honorary life member of the South African Institute of Stockbrokers; member of the Audit Committee; member of the Risk Management Committee; chairman of Strate Limited; previous chief executive officer of First National Equities Limited
Appointed to the Board in 2000

David Lawrence (59)
Number of years in service: 2
Non-executive director of the JSE; deputy chairman of Investec Bank Limited; member of the Risk Management Committee; member of the Human Resources Committee; previous chairman and managing director of Citibank SA; previous managing director of FirstCorp Merchant Bank; director of various companies
Appointed to the Board in 2008



** Please note that length of service is calculated as at 31 March 2011.*

The JSE believes that intellectual capital is its most important asset and is committed to the development of its people. Accordingly, the Exchange continues to build on its reputation as an employer of choice, creating an environment that will attract, develop and retain the best talent and skills.

Wendy Luhabe (53)
Number of years in service: 7

Non-executive director of the JSE; chairman of Vendome SA; previous chairman of the Industrial Development Corporation; previous chairman of the International Marketing Council; on the Board of the International Institute of Management Development; World Economic Forum Young Global Leader; member of the Human Resources Committee; trustee of the Duke of Edinburgh's Award International Foundation

Appointed to the Board in 2003

Andile Mazwai (39)
Number of years in service: 6

Non-executive director of the JSE; group chief executive officer of Barnard Jacobs Mellet; member of the Human Resources Committee; member of the Risk Management Committee; member of the Audit Committee; founder of Mazwai Securities; trustee of the JSE Education Fund; member of the South African Institute of Stockbrokers

Appointed to the Board in 2004

Sam Nematswerani (49)
Number of years in service: 5

Non-executive director of the JSE, chairman of the Audit Committee; chief executive officer of AKA Capital; member of the Risk Management Committee; director of various companies

Appointed to the Board in 2005

Nigel Payne (51)
Number of years in service: 5

Non-executive director of the JSE; chairman of the Risk Management Committee; member of the Nominations Committee; director of companies; member of the King Committee on Corporate Governance; non-executive director of Strate

Appointed to the Board in 2005

Gloria Serobe (51)
Number of years in service: 11

Non-executive director of the JSE; member of the Nominations Committee; chief executive officer of Wipcapital; non-executive director of Old Mutual South Africa, Mutual and Federal Limited and Nedbank Limited

Appointed to the Board in 2000

Gary Clarke (45)
Group Company secretary to the JSE; director of JSE-related companies

Appointed Company Secretary in 2001

Zitulele Combi (60)
Number of years in service: 1

Non-executive director of the JSE; executive chairman of Thembeka Capital Limited; non-executive chairman of Master Currency; SA Entrepreneur of the Year 2000; World Entrepreneur for Managing Change 2001; director of various companies

Appointed to the Board in 2009

Nonkululeko Nyembezi-Heita (50)
Number of years in service: 1

Non-executive director of the JSE; chief executive officer of ArcelorMittal South Africa; previous chief executive officer of Alliance Capital; previous chief officer of mergers & acquisitions for the Vodacom Group; Non-executive director of arivia.kom; previous chairperson of Bond Exchange SA.

Appointed to the Board in 2009

MEMBERS OF THE EXECUTIVE COMMITTEE

Outstanding leadership

Russell Loubser (60)
Number of years in service: 14

Nicky Newton-King (44)
Number of years in service: 14

Freda Evans (52)
Number of years in service: 10

Leanne Parsons (45)
Number of years in service: 25

Gary Clarke (45)
Number of years in service: 13

Shaun Davies (44)
Number of years in service: 15

John Burke (45)
Number of years in service: 21

Des Davidson (57)
Number of years in service: 10

Maureen Dlamini (48)
Number of years in service: 5









In 2010, JSE Listings Requirements were amended to require companies to apply King III or to explain why they have not done so. King III is globally accepted as leading edge in the corporate governance field.






Jannie Immelman (51)
Number of years in service: 14

Noah Greenhill (42)
Number of years in service: 8

Ana Forssman (46)
Number of years in service: 22

Rod Gravelet-Blondin (57)
Number of years in service: 16

Geoff Rothschild (64)
Number of years in service: 7 years and 6 months

Riaan van Wamelen (41)
Number of years in service: 3

Allan Thomson (45)
Number of years in service: 9

Mpuseng Moloi (48)
Number of years in service: 7

Graham Smale (52)
Number of years in service: 1 year and 6 months



HOW WE ENGAGE WITH OUR STAKEHOLDERS

Fair, balanced and transparent

Stakeholders

The JSE has a diverse range of stakeholders. The Board believes that fair, balanced and transparent communication with these stakeholders is vital. The Exchange thus strives to present matters material to relevant stakeholders clearly. Stakeholders are then in a position to understand and appreciate the Group's actions and decisions. Where possible and in the interests of the stakeholders, information is communicated as soon as it becomes known, regardless of any potentially positive or negative impact.

Below is a non-exhaustive list of the mechanisms and processes that the JSE uses to maintain contact with all stakeholders:

Employees	Shareholders	Government and policy	Clients	Media and analysts	Society in general
– Communication sessions – Intranet – External JSE websites – Employee committees – Exco feedback – Email	– AGM – Notices distributed through Sens – Annual and interim reports – JSE website – Roadshows – Press releases and interviews – Radio, TV and newspaper articles	– JSE representatives attend meetings by invitation – Ad hoc arrangements on relevant topics	– Client relationship officers – Client forums – Dedicated extranet – Market notices – Advisory committees – One-on-one meetings where necessary	– Annual and interim report – Analysts' roadshows – Press releases and interviews – Radio, TV and newspaper articles	– JSE websites – Education officers – Articles in various media – JSE magazine

Our employees

The JSE believes that intellectual capital is its most important asset, therefore it is committed to supporting the development of its people. Accordingly, the JSE continues to build on its reputation as an employer of choice, cultivating a culture of respect and acceptance, creating an environment that is free from any form of unfair discrimination, and nurturing each employee as an individual and an important member of a diverse team. Like other companies, the JSE needs to attract, develop and retain the best talent and skills.

In line with the above vision, the JSE's conditions of employment promote and sustain the values of integrity, excellence, commitment, professionalism, attitude, diversity, empowerment, team spirit, recognition and client service.

The JSE also prides itself on the people it employs and therefore encourages an environment where people feel valued. This is achieved through people policies and team practices, which enhance the following factors, among others:

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

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

The JSE encourages an environment where people feel valued. It achieves this through investment in people and continuous learning, achievement of a high-performance culture through diverse individuals and achieving equity in the workplace.

Employee complement

The employee complement of the JSE as at 31 December 2010 was as follows, on a divisional basis:

	2010		2009	
	Permanent	Fixed-term contractor	Permanent	Fixed-term contractor
Commodity derivatives	6	–	6	–
CEO's office	4	1	3	2
Class of project	–	9	–	10
Clearing and settlement (including settlement authority)	17	1	18	1
Company secretariat (including building facilities management and mail room)	17		17	–
Equity derivatives	19		18	–
Education (including Africa Board)	12		11	–
Equity market	44	1	43	2
Finance	19		20	1
Government and international affairs	3		3	–
Human resources	9		7	3
Information products sales	12	2	10	1
Information services	19	–	21	–
Issuer services	32	1	32	–
Interest rate market	11	1	10	–
IT	146	26	131	20
Marketing and business development	18	1	18	
Surveillance	23	1	26	1
Strategy and legal counsel	14		14	–
Risk and internal audit	1	1	1	1
Totals	426	45	409	42

The increase in the employee complement from 2009 to 2010 was mainly as a consequence of the in-sourcing and restructuring of the IT division.

Class of programme

As part of our learning and development approach, the JSE believes in affording graduates (who would not normally be employed owing to lack of experience) an opportunity to gain work experience and exposure while learning about the JSE and its different divisions. Graduates with an excellent track record regarding academic results are chosen after undergoing various assessments. Successful candidates are offered projects or trainee positions on a 12-month fixed-term contract.

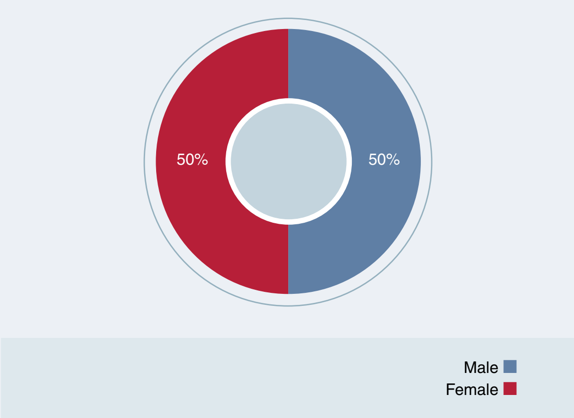
HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Employment equity

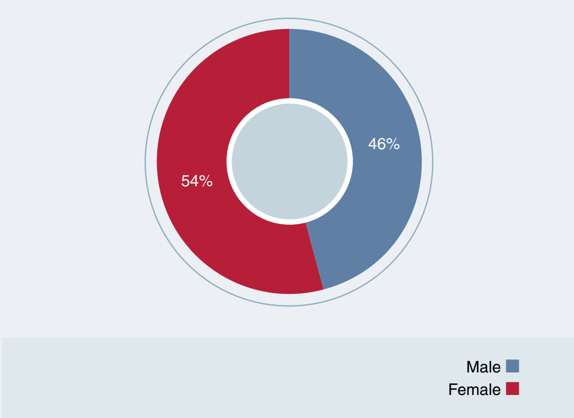
An employment equity policy is in place. It aims to eradicate all forms of unfair discrimination that may exist, and to create opportunities for all employees, with special emphasis on the business's demographic profile.

A high-level demographic profile is depicted in the graphs that follow.

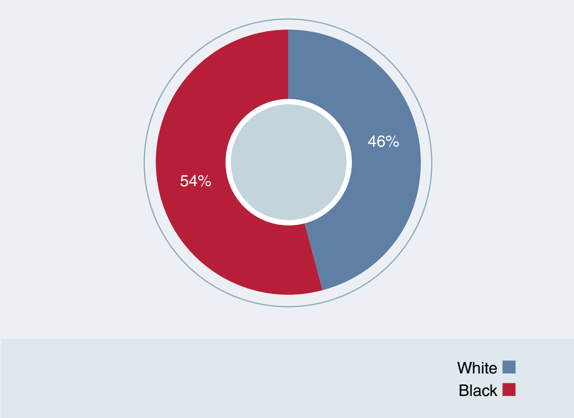
2010



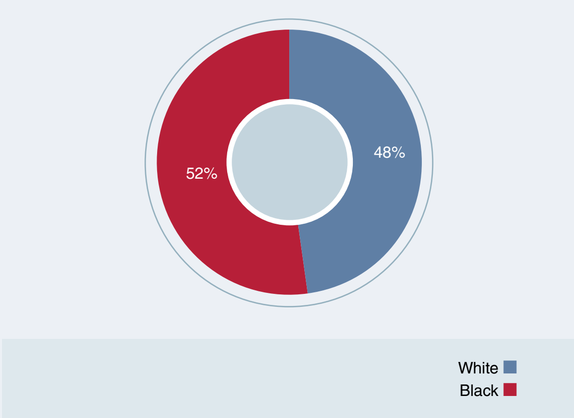
2009



2010



2009



The JSE has four disabled employees. Changes to the JSE infrastructure and technology have been made to accommodate them.

JSE culture and work environment

Developmental policies such as the employment equity plan, individual skills plan and a long-term incentive and retention scheme for key senior employees are in place. November 2010 saw the launch of a mentorship programme, details of which are provided later in this section.

The JSE also sponsors various employee sporting teams. Various employee committees are in operation. These foster and create team spirit among employees.

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

All new employees attend an initial half-day orientation session, where policies and procedures are explained. A manual is also available to all employees on the intranet. Quarterly in-depth sessions are held to provide new employees with more detail of JSE operations.

The JSE believes in providing a safe environment for its employees, tenants, clients and visitors. The Company will not tolerate any form of sexual or other harassment in the workplace. Anyone who has been subjected to sexual harassment in the workplace has the right to raise a complaint, which will be investigated and acted on by the JSE when appropriate.

Where required, the JSE provides or pays for technology and equipment so that employees can carry out their responsibilities. This includes additional technology required for disabled employees. It also includes cell phones, computers, internet access and email. Licence and copyright requirements are maintained.

The JSE's culture is to encourage self-discipline among employees based on guidance and coaching rather than imposing discipline. However, the JSE has a disciplinary policy and procedure to ensure fair and equitable standards when the organisation's rules are transgressed. All policies and procedures are available during orientation and are also available on the JSE's intranet.

Best Company to Work For

Consistent with the vision to encourage an environment where people feel valued, the JSE participated in the Best Company to Work For (BCTWF) initiative launched by Deloitte for the third year running.

The JSE has used the findings of this survey to ascertain where it can improve interaction with employees, as it continues to build its reputation as an employer of choice.

Employee assistance programme (EAP)

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

Training and development

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

In 2010 the JSE spent R4.8 million (2009: R4 million) on training and development, including JSE sponsored courses.

Mentorship programme

In 2010, the JSE launched its formal mentorship programme, Building Tomorrow Today, aimed at developing employees' capabilities to meet future business needs and to facilitate transformation.

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

The primary objectives and purposes of the programme are to:

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

A number of members of the executive management team and senior managers were selected as mentors and have received the necessary mentorship training. The first intake of protégés, all black, commenced with their one-year mentorship programme in January 2011.

Health and safety

The JSE has several services and initiatives in place to enhance employee health and safety and provide early warning signals. It follows international standards for building infrastructure and ensuring safety. The JSE adheres to the Occupational Health and Safety Act, 1993, (the OHS Act) and other relevant regulations.

Health and safety issues are the responsibility of the building management team, which reports into the Group company secretary, who is a member of the JSE executive management.

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

HIV/Aids

The JSE commits itself to creating and maintaining an environment that is free from all forms of unfair discrimination, including discrimination against people living with HIV/Aids and other life-threatening illnesses. The JSE recognises that the Human Immunodeficiency Virus (HIV) and the Acquired Immune Deficiency Syndrome (Aids) are serious public health problems, which have socio-economic, employment and human rights implications. The JSE further acknowledges that the HIV/Aids epidemic will affect its workplace, with prolonged employee illness, absenteeism and death impacting on productivity, employee benefits, occupational health and safety and workplace morale. Accordingly, it has the necessary policy in place to provide guidelines for handling this epidemic.

JSE Limited shareholders

As part of its listing, JSE Limited worked hard to get close to its shareholders. A manager of investor relations was employed who is known to major investors and whose contact details are on the Company website. The JSE launched an investor relations website and now addresses queries from analysts, investors and potential shareholders almost daily.

The JSE's senior executives – CEO, deputy CEO, CFO and COO – engage shareholders through regular communication sessions, meetings and other processes.

The annual general meeting is attended by all the directors and shareholders are encouraged to be present and to ask questions. Shareholders are also afforded the opportunity, when they wish, to meet with the directors and management.

The JSE values its relationship with both institutional and private investors and adopts a positive, proactive and fully engaging approach to ensure that communication is handled appropriately. There is regular two-way communication with investors and analysts, including presentations after the interim and year-end results at roadshows held at the major centres in the country. The JSE makes provision for international shareholders to participate via electronic media at all material JSE shareholder meetings and visits or meets with its shareholders at least twice a year.

The JSE's website, www.jse.co.za, enables all shareholders to access results presentations and detailed information on the JSE.

The chief executive officer and chairman host an annual roadshow to update the JSE's shareholders on the latest developments affecting the JSE.

Advisory committees

The JSE has advisory committees, where stakeholders are able to discuss specific aspects of JSE business, including trading on all markets, clearing and settlement, indices and Listings Requirements.

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

The committees' role is to consider and advise on principle and operational matters relating to the different markets and, where appropriate, to propose amendments to the JSE rules, directives and Listings Requirements.

Details of key issues considered in 2010 follow.

The Africa Board Advisory Committee

Purpose:

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

Approach:

– The JSE hopes that the exchanges on the continent will be able to draw on its experience and systems to assist them in the development of their own systems and control structures
– Following the setting up and constitution of the Africa Board Advisory Committee during the year, the members accompanied the team on travel throughout the continent and were instrumental in arranging meetings with key stakeholders in countries where they have influence

Meetings are arranged as and when required.

The committee met twice during 2010.

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

The Africa Board Advisory Committee has discussed African issuers who may consider an Africa Board listing. Committee members have set up introductory meetings with issuers in target countries. The committee has also advised on collaboration with stock exchanges elsewhere on the continent.

Clearing and Settlement Advisory Committee

Purpose:

– Consider and advise on principle and operational matters relating to clearing and settlement
– Propose amendments to the JSE rules and directives relating to the clearing and settlement of equities securities

Approach:

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

The committee met three times in 2010. Meetings are arranged as and when required.

The committee is chaired by Des Davidson, JSE.

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Material developments/highlights for Clearing/Settlement Advisory Committee in 2010
1. Owing to the JSE/BESA merger, it was agreed that the clearing and settlement of spot bond transactions will also fall under the mandate of this committee
2. The JSE's Crisis Communication plan was finalised, discussed and agreed
3. JSE Rules and Directives were changed to run compulsory reverse substitution at 12:00 as opposed to 10:00
4. Agreement of the impact analysis and implementation timelines for the move to T+3
5. JSE/BESA system migration onto one trading, clearing and settlement platform
6. Alignment of the times for on-market transactions versus off-market transactions
7. Strate's Business Continuity Plan for cash settlement for equities and bonds cash markets
8. Implementation of a BEE segment for the trading of BEE shares and the associated clearing and settlement rules and directives
9. System replacement programme (SRP) – all planned development across the work streams has been completed and system testing has commenced
10. Interest rate and currency rules and directives

Commodity Derivatives Advisory Committee

Purpose:

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

Approach:

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

Meetings are scheduled every second month, but the committee only meets as and when required. The committee met four times in 2010.

The committee is chaired by Rod Gravelet-Blondin, JSE.

Currency Derivatives Advisory Committee

Purpose:

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

Approach:

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

Meetings are arranged quarterly and ad hoc as and when required. The committee met five times in 2010.

Material developments/highlights for Currency Derivatives Advisory Committee in 2010
15 June 2010: Introduced new rule – all $/R trades of 200 contracts and below are to be submitted through the central order book. Trades greater than 201 contracts can continue to be traded as report-only trades or through the central order book
Extension of the admin period: A morning admin period, 08:00-09:00, was introduced in June 2010 to allow the market to book report-only overnight trades in the market, irrespective of the size traded overnight. The afternoon admin period was extended to 17:00-17:30
Launched new currency pairs: Canadian dollar/rand, Swiss franc/rand, Chinese yuan/rand
The Rand Currency Index (RAIN) was launched in November 2010
Dollar/rand maxi currency futures contract was launched in November 2010
Introducing currency options sliding scale
Changing the currency futures sliding scale
"Any day expiries" agreed to by the committee
Agreement is still be reached on incentivising market makers operating in the currency derivative market

The committee is chaired by Allan Thomson, JSE.

The Equity Derivatives Advisory Committee

Purpose:

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

Approach:

- It is the desire and hope of the JSE that ED Advisory Committee members do not drive their own business agenda during advisory committee meetings but rather act in the interest of the South African derivatives market as a whole.

Five meetings were held in 2010.

The committee is chaired by Allan Thomson, JSE.

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Material developments/highlights for Equity Derivatives Advisory Committee in 2010
Implementation of a new equity derivative billing model, which was based on the following principles:
– Moving from a flat fee structure to a nominal underlying value and delta-based fee structure
– Introducing a maker-taker model, where the passive party on a central order book trade is rewarded for making a price
– Increasing fees on index-based products
– Decreasing fees on single stock futures (SSF)-based products
– Central order book trades to be cheaper than reported trades
– Trading in standardised contracts to be cheaper than trading in non-standardised contracts
– Introducing a minimum fee for SSF
– Increasing the ceiling on SSF
– Introducing a minimum lot size/value for liquid contracts that are permitted to be traded off-screen
Reintroduction of the minimum off-market trading rules on two indices and two SSFs. These rules require that trades below a specified minimum lot size have to be traded on the Nutron (ATS) central order book. The underlying assumption is that growth in the equity derivative market will be accomplished through transparent markets that are electronically accessible. The minimum off-market trading rules will be rolled out to the entire FTSE/JSE Top 40 constituency by the first quarter of 2011
Improvement and automation of valuation methodologies, with a specific focus of bringing over-the-counter (OTC) trade on-market.

Equities Trading Advisory Committee

Purpose:

- Consider and advise on principle and operational matters relating to the equities members
- Propose amendments to the JSE rules and directives relating to the clearing and settlement of equities securities

Approach:

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

Meetings are arranged as and when required. The committee met four times in 2010.

The committee is chaired by Leanne Parsons, JSE.

Material developments/highlights Equities Trading Advisory Committee in 2010
Agreement to replace and relocate the trading engine to South Africa. We believe that the interests of developing a better, faster, more efficient trading engine, the heart of JSE operations, is line with its strategy to constantly upgrade its IT infrastructure to satisfy the needs of clients and the capital markets of SA
New way of delivering data files to clients via the information delivery portal (IDP)
Minimum bandwidth required to receive public data increased to 1.5Mb with effect from 1 November 2010. This was owing to increased volumes in the equity market
Shared infrastructure provider (SIP) policy revised and issued on 3 September 2010
Systems replacement programme (SRP) – all planned development across the work streams has been completed. Performance testing by the JSE commenced in the fourth quarter of 2010
Introduction of a BEE Board to facilitate the listing and trading of BEE scheme shares within a generic framework. The first listing is expected in February 2011
T+3 settlement cycle projects, which go live in the fourth quarter of 2012

In 2009 we said…	In 2010 we made the following progress…
New and amended directives for SL&B	100% complete in July. The broader stakeholder group impacted by the changes conveyed their satisfaction in terms of the proactive problem resolution
Revision of equity market billing model	Implemented in March 2010. By November 2010, overall, the billing model reduced fees to clients by R1.7 million
Publishing of member rankings	In addition to publishing monthly rankings, the JSE started publishing year-to-date rankings from January 2010 in May 2010
JSE dark pool of liquidity offering	JSE launched a dark pool of liquidity offering that facilitates the submission of hidden orders and interacts with other hidden and visible orders in the central order book
Facilitating South African industry-related conferences/workshops	A fixed protocol language (FPL) South African conference was hosted in Cape Town during September 2010. The JSE wants to promote straight through processing that has the effect of increasing and validating communication of trade messages between fund managers and brokers
Review of OP trade-type requirements	The one business day delayed publication was removed for the OP trade type in July 2010

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

FTSE/JSE Advisory Committee

Purpose:

- Consider and advise on principles and operational matters relating to and proposed amendments to the ground rules governing the management of the FTSE/JSE Africa Index Series and the FTSE/JSE All Africa Index Series
- Ensure that best practice is used in the construction and management of the index
- Review the selection methodology for constituent companies and the treatment of securities within the FTSE/JSE Africa Index Series and may make recommendations arising from this review to FTSE and the JSE

Approach:

- The committee is set up by FTSE and the JSE
- The committee operates independently of FTSE and the JSE, subject to the committee acting within its constitution and terms of reference
- FTSE and the JSE will use their reasonable endeavours to implement the decisions of the committee regarding the operation of the FTSE/JSE Africa Index Series

Meetings are arranged quarterly in advance. The committee met four times in 2010. In addition, a special meeting of the committee is convened whenever required by the ground rules to consider constituent changes to be made between meetings or at the request of the chairman or at the request of two or more members of the committee. No special meetings were convened during 2010.

Material developments/highlights for the FTSE/JSE Advisory Committee in 2010
All corporate actions with major impact on the index series were discussed. The treatment of all such corporate actions was found to be in line with the ground rules
All outages impacting the index series were discussed in terms of their impact on the index series
The creation of new indices was discussed. In particular, the Shariah Capped Top 40 and RESI 10 indices were approved for launch in 2011

Membership:

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

The committee is chaired by Francois Oosthuizen, Sanlam.

Interest rate advisory committees

Two separate committees are being established and will have met for the first time in February 2011.

Purpose of both committees:

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

Approach:

- Both committees operate on the same grounds
- Be able to canvass and converse with the members of the market about
  - amendments to trading and settlement rules
  - the development of new products
  - fees and changes to the billing model
  - subjects appropriate to the general evolution of the market, for example:
    - pre- and post-trade transparency
    - electronic vs reported trading
    - clearing (this is more specifically covered in the Safcom Risk Committee meetings, but aspects of clearing may have a direct relationship to trading)

- Endeavour to achieve reasonable consensus on topics of discussion but, where not possible and depending on the nature of the lack of consensus, it may be necessary to poll a wider set of opinions across the market, or to refer the matter to the JSE executive management or the JSE Board for further consideration
- Deliberations and decisions by the committees are not binding on the JSE, which retains full discretion as to whether to implement or go against a decision of the committee. In doing so the JSE will take into account its regulatory duty to include the interests of the market as a whole and not only the interests as represented at the committees

Meetings will be arranged for both committees, formally, at least twice per annum, but they are likely to meet quarterly as market circumstances demand. Meetings have a formal agenda and formal minutes are taken for approval at the next meeting. Agenda items are proposed by both the JSE and members of the committees.

Material developments/highlights for the Interest Rate Advisory Committee in 2010
The constitution of the Bond Advisory Committee was held in suspense until such time as the National Treasury (NT) and the FSB had formed an opinion on a September 2009 proposal (the strawman proposal), which put forward a revised framework for the secondary market trading in government bonds. A public opinion on this proposal was only forthcoming on 1 November 2010. The NT gave broad support to the principles embedded in the proposal. The NT was also at pains to highlight the need for inclusion in the deliberations on finalising the proposal, as well as the importance of the primary dealers to the NT in financing the government deficit through the bond market
The focus for 2010 was on projects to extract efficiencies from the BESA merger, namely a single set of listings rules, a single set of market rules under a single membership of the interest rate market and one trading system. These projects are all targeted for completion by the end of the first quarter of 2011

In 2009 we said…	In 2010 we made the following progress…
The JSE would set up advisory committee(s) to drive the implementation of the new strategy for the fixed-income cash and derivatives markets	The Interest Rates Advisory Committee was set up and held two meetings during 2010. The primary focus of this committee was the launch and development of the JIBAR futures contract The first Bond Advisory Committee meeting was held in January 2011
The future of the BTA will be considered as part of the project to restructure a single new rulebook for the interest rate markets	This will be implemented following the finalisation of the new integrated rule book for the interest rate market

Both committees are chaired by Graham Smale, JSE.

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Issuer Services Advisory Committee

Purpose:

- To consider and advise on principle and operational matters relating to listings
- To consider and advise on proposed amendments to the JSE Listings Requirements

Approach:

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

Meetings are arranged as and when required. The committee met once in 2010.

The committee is chaired by John Burke, JSE.

JSE SRI Index Advisory Committee

Purpose:

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

Approach:

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

Meetings are arranged as and when required. The committee met three times in 2010.

Material developments/highlights for the JSE SRI Advisory Committee in 2010
The Advisory Committee approved new climate change criteria subsequently introduced in the annual review
For the first time, Company-related environmental, social and governance (ESG) information will be made available to investors, through the data provider Experts in Responsible Investment Solutions (EIRIS) following discussions and approval from the Advisory Committee
The overall annual assessment results were presented to the committee for confirmation and then announced publicly

Membership:

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

The committee is chaired by Raymond Ndlovu, Noah Financial Services.

Economic value created for stakeholders

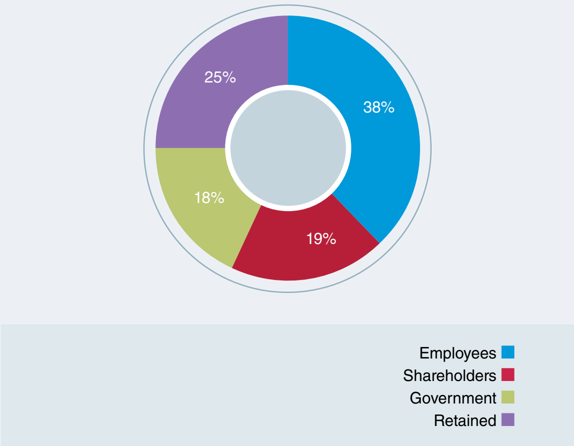
Value at the JSE is created from its strategy to be recognised as the South African exchange providing a leading fully integrated financial market for African securities as well as an effective gateway to international products and markets for African investors.

The South African economy benefits directly from the value the JSE creates for its stakeholders, as shown in the table and graphs below.

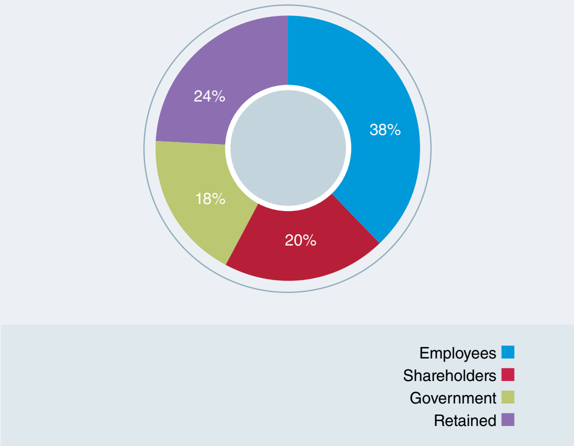
	2010 R'000	%	2009 R'000	%
Revenue	1 255 148		1 155 756	
Net interest income	86 990		104 126	
Other income, including share of associate income	76 713		68 484	
Operating expenses	(539 776)		(491 774)	
Direct economic value created	879 075	100	836 592	100
To remunerate employees for their services	(338 098)	38	(318 632)	38
To shareholders – dividends paid	(163 469)	19	(163 469)	20
To government – taxation from JSE Limited	(161 659)	18	(152 359)	18
Economic value distributed	(663 226)		(634 400)	
Value retained				
To sustain future expansion and growth	215 849	25	202 132	24

Value created increased by 5% compared with 2009. Value distributed to employees increased by 1% in the period under review. Investors' share of the value distributed decreased by 5%, whereas the government's share increased by 1%. The value retained in the business increased by 2%, in line with the JSE's strategy to strengthen its financial position.

2010



2009



HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Transformation

Broad-based black economic empowerment

The JSE is committed to transformation and embarked on its transformation strategy more than 10 years ago.

The DTI's BEE Codes of Good Practice were gazetted on 9 February 2007 and encompass seven elements: equity ownership, management control, employment equity, skills development, preferential procurement, enterprise development and corporate social investment. Although there have been some recent positive developments in realising the goal of the Financial Sector Charter being gazetted under section 9 of the BEE Act, the future of the charter remains uncertain.

Accordingly, the JSE measured its compliance under the DTI BEE Codes for the 2010 year. After the 2009 assessment showed the JSE to be a Level 6 contributor, the JSE Board approved a strategy to improve on this rating.

The main reason for the 2009 rating was that the JSE did not score points for enterprise development. The Board has approved a strategy to improve on this rating and we expect to see an improvement on our 2009 score when the 2010 audit is completed.

DTI scorecard	Weighting	2010 score Indicative	2009 score Audited
Human resource development	18	6.17	6.31
Procurement and enterprise development	35	35	18.57
Skills development	15	1.53	1.76
Ownership and control	30	16.44	13.62
Socio-economic development	5	5	5
Total	100	64.15	45.25
DTI level recognition		Level 5	Level 6

We have strategies in place to try to achieve a Level 4 status by December 2011.

Human resource development

The table below reflects the current black representation at the various management levels.

Management level	Total	Black	%	Black females	%
Top management	18	1	6%*	1	6*
Senior management	38	3	8%*	1	3*
Middle management	187	70	37%*	29	16*
Junior management	198	144	73%*	86	43*

– Refer to section on mentoring on page 69 for details of development in this area.

Skills development

The JSE aims to promote and create a culture of learning among its employees, as it relies on their knowledge and skills to provide the best service to its clients and stakeholders.

Skills development	Total R'm	Black R'm	%	Black females R'm	%
Spend	4.8	2.3	48	1.33	28

Equity ownership

The JSE launched its broad-based black economic empowerment initiative in 2006, details of which are available at http://ir.jse.co.za.

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

Further details will be circulated in the second quarter of 2011.

Black equity ownership was 15.85%

Procurement

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

The JSE appointed a South African National Accreditation System (Sanas) accredited verification agent to conduct its audit into its compliance under the DTI codes.

The audited 2010 percentage is not available, however, spend with BEE vendors as determined by the DTI codes was 79.3% (2009: 87.5%).

Top six BEE suppliers	Category	Amount spent
Business Connexion (Pty) Ltd	IT services	R 41 710 050
Connection 42	IT services	R 33 997 803
EMC Computer Systems South Africa (Pty) Ltd	IT solutions	R 26 785 023
Securities & Trading Technology (Pty) Ltd	IT software	R 13 562 502
Aptronics (Pty) Ltd	IT products	R 12 330 117
Kagiso Integrated Services (Pty) Ltd	Facilities management	R 10 477 517

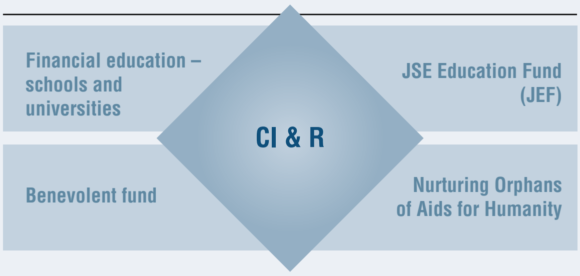
The JSE is committed to accomplishing further progress in the above-mentioned elements in 2011.

Community investment and relations

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

- financial education and literacy
- responsibility towards HIV/Aids orphans

The JSE increased its corporate social investment (CSI) spend by 17% in 2010, compared with the 2009 year. A summary of these initiatives is shown below:



HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

CSI initiatives	2010 R'm	2009 R'm
Financial education – schools and universities	**6.6**	5.6
Education for students in field of finance – JEF	**2.68***	1.7*
Aids orphans – Noah	**0.8**	0.8
Benevolent Fund	**0.3***	0.3*

**Does not affect JSE cash flow.*

Education (R6.6 million spent in 2010)

The JSE continues to focus on education. The Exchange's educational initiatives are aimed at increasing understanding about the financial markets (particularly among pupils and university students), encouraging investment among South Africans and growing the pool of potential employees in the financial markets. The JSE believes that this assists in growing the number of people who might become future investors or business leaders who might consider listing their businesses on a stock exchange. The JSE has initiated several education projects:

Education

In its 38th year in 2010, the JSE/Liberty Investment Challenge aims to educate school learners about the workings of the stock market. This challenge is open to all South African high school learners. In 2010, learners were introduced to the challenge at several events held in various provinces.

	2010	2009
– Number of schools (number of schools from the Adopt-a-School Programme)	**435 (54)**	409 (49)
– Number of learners	**8 512**	7 372
– Number of teams	**2 128**	1 843

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

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

	2010	2009
– Number of universities	**30**	29
– Number of students	**2 425**	2 163
– Two winners	**Prize: trip to Casablanca Stock Exchange, Morocco**	

Investment education through the curriculum at schools

In 2007, the JSE and the Gauteng Department of Education initiated a programme to provide teachers and pupils with teaching and learning activities using researched resource materials. The focus was on schools in the Eastern Cape and KwaZulu-Natal in 2010, following a focus on Gauteng in 2009.

Teacher training sessions were held throughout the region to ensure that teachers were competent to teach the new curriculum effectively.

The project will be handed over to the provincial Departments of Education for implementation in the remaining provinces.

Educate professional groupings

In 2010, the JSE embarked on an initiative to improve the financial literacy of professional groups through offering structured training programmes.

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

JSE Empowerment Fund (JEF) Trust (R2.68 million spent in 2010)

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

Through the JEF Trust, the tuition and accommodation of students is funded. Initially, only students attending the Community and Individual Development Association (CIDA) campus were funded. During the period under review, the JEF Trust broadened its reach, providing financial support to other educational institutions.

The JSE also provides a mentoring programme to assist these students in their life and studies. Mentors are JSE employees who volunteer to perform this role.

As part of the JSE's broad-based initiative launched in 2006, 1 737 550 JSE Limited shares (2.04% of JSE's issued share capital) were issued to the JEF Trust. Through the dividends received as a result of its shareholding, JEF is able to provide the financial assistance reflected in the table below. Accordingly, such financial assistance does not affect the JSE's cash flow.

In 2010, progress was as follows:

Institution	Number of students	Tuition cost	Progress/comments
Thuthuka Bursary Fund	3	R90 000	Students have passed.
CIDA City Campus	13	R520 000	Ten students completed their third year. One student was transferred to Wits to complete her Honours degree. The remaining three students are doing their third year in BBA (Bachelor of Business Administration)
Reunert College	5	R309 368	Five students have completed grade 12.
University of Johannesburg	7	R277 522	Six students are busy with their studies at Honours level. One student is employed at the JSE as a graduate trainee.
University of Pretoria	13	R945 820	Two students have completed their studies at Honours level and are pursuing their Master's degrees. Six students will proceed to their third year, whereas four students will proceed to complete their studies at Honours level. One student has failed
University of the Witwatersrand	8	R539 252	Eight students completed their undergraduate degree and have applied and have been accepted to do Honours. Two students are seeking employment
Total (2010)	49	R2 681 962	(Total 2009: 46; R 1 650 000)

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Aids – Noah (Nurturing Orphans of Aids for Humanity) (R820 000 spent in 2010)

Noah is an organisation that looks after approximately 22 000 children in KwaZulu-Natal and Gauteng. These children are Aids orphans and other vulnerable children. Noah aims to keep the children in a community environment to give them a chance in life. A number of the children are from child-headed households. The JSE supports the running of Noah through donations and sponsorships, such as the annual gala dinner, CEO breakfasts and book breakfasts.

JSE employees have been encouraged to participate in Noah activities that involve volunteer work at the Freedom Park Ark. The main aim is to make a visible and sustainable difference over a two-year period, commencing in September 2010.

JSE employees embraced this initiative and Project HOPE was born. Through Project HOPE, JSE staff and management contributed in the following ways, predominantly at the Freedom Park Ark:

World Aids Day

Project Hope celebrated 1 December, World Aids Day, with children aged five to nine years from the Freedom Park Ark in Soweto. JSE employees volunteered their time to provide the children with a day of fun, based on the theme of a circus. For the children who were not at the JSE, the JSE supplied party packs, stationery and donations. JSE employees were also encouraged to donate goods or cash to the Freedom Park Ark. An amount of R36 000 was raised.

Class of 2010

The graduates of the JSE Class of 2010 volunteered to transfer skills and competencies to Noah staff.

The Benevolent Fund

The Benevolent Fund, a fund managed by the JSE, was set up by JSE stockbrokers and member firms to assist unemployed indigent persons who were employed in the broking community prior to 8 November 1995 and who find themselves in dire financial circumstances because of their inability to find new employment. The fund was established through donations made by stockbrokers in their individual capacities.

When the JSE was restructured and corporate membership was introduced, this source of income dried up and assistance is now financed from the income stream of the fund's investments. No person is entitled to financial assistance; rather, applicants for assistance are assessed on the basis of their past employment records and their household circumstances. The assistance is granted at the discretion of the managing committee of the fund. Dependants of deceased beneficiaries are also considered for assistance.

At present an aggregate of R325 000 (2009: R308 000) is distributed among about 150 beneficiaries per month.

Beneficiaries are offered non-financial assistance including

- guidance on the preparation of a will;
- guidance on using bank accounts efficiently;
- information about rights regarding the payment of school fees; and
- employment opportunities at the JSE

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

Anti-crime sponsorships and other contributions

In addition to the above-mentioned contributions, the JSE sponsors and donates money to initiatives that it believes indirectly improve the lives of ordinary South Africans and constructively advance the general business environment.

In 2010, the JSE invested R1.8 million (2009: R1.1 million) in the following initiatives:

Initiative (spend)	Description of initiative
Mike Thomson Change a Life Trust (R416 000)	The Change a Life Cycle, a fundraising vehicle for the Mike Thomson Change a Life Trust, is committed to raising R3 million-plus each year for anti-crime projects through participation in a four-sday cycle tour run by Computershare, one of the JSE's stakeholders. These include improving crime detection through DNA sampling, trauma counselling for victims of crime and sexual abuse, helping to rehabilitate youngsters in conflict with the law and inspiring disadvantaged youths to become positive role models in their communities. The JSE's association with this event was brought about by the murder of Mike Thompson, a previous employee of the JSE and the brother of a JSE executive.
Business Against Crime South Africa (Bacsa) (R350 000)	Business Against Crime South Africa (Bacsa) was established in response to a call from the then President Mandela for the business community to join the fight against crime. Its vision is to be one of the government's primary strategic partners and to enable a safe and secure South Africa.
Business Leadership South Africa (R200 000)	Business Leadership South Africa (BLSA) is an independent association of CEOs, chairs and major multinational investors in South Africa. BLSA aims to provide leadership on economic and societal issues of national importance, aiming to facilitate business dialogue with the government. This requires working closely with Business Unity South Africa (BUSA), the mandated national representative body of business.
Business Unity SA (Busa) (R200 000)	Busa represents South African business on macro-economic and high-level issues that affect it at national and international levels. Busa's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive. As the principal representative of business in South Africa, Busa represents the views of its members in a number of national structures and bodies, both statutory and non-statutory, and in the National Economic Development and Labour Council (Nedlac). Internationally, Busa is a member of the International Organisation of Employers (IOE), the Pan-African Employers' Confederation (PEC) and the Southern African Development Community (SADC) Employers' Group. Busa is also the official representative of business at the International Labour Organisation (ILO), African Union (AU) Social Affairs Commission and World Trade Organisation (WTO).
F W de Klerk Foundation (R100 000)	The F W de Klerk Foundation supports and promotes the constitution through the activities of its Centre for Constitutional Rights. The centre monitors developments that might affect the constitution; makes submissions to parliament; participates in the national debate on constitutional issues; helps people to claim their rights and opposes unconstitutional action. The foundation has been at the forefront of campaigns to protect the independence of the judiciary; to oppose unconstitutional expropriation; and to defend the freedom of expression. The foundation also monitors any developments that might harm inter-community relations; promotes inter-community dialogue; and supports the cultural and language rights of South Africa's communities.
Buffelshoek Trust (R100 000)	Constituted in 2001 by Sidney Frankel, one of the JSE's long-term stakeholders, to uplift the Manyeleti villages, the Buffelshoek Trust focuses on two essential needs of this poverty-stricken, rural community – education and healthcare. This community has been identified as one of the largest concentrations of poverty in the country. With less than 15% of the population employed, household income in this area is far below subsistence levels. The current project portfolio is focused on skills development, with school programmes benefitting school pupils and other community members. In addition, the community now has access to a healthcare facility established by the trust. The Buffelshoek Trust hopes to continue its effort to turn "dust to dreams", which is only possible with the assistance of partners.

HOW WE ENGAGE WITH OUR STAKEHOLDERS continued

Initiative (spend)	Description of initiative
The Nelson Mandela Children's Hospital (NMCH) (R100 000)	This one-off donation was made because of the NMCH's tremendous importance for the children of Africa. The NMCH aims to be a state-of-the art specialist paediatric academic and tertiary referral hospital providing child-centred best quality medical services to the children of southern Africa, irrespective of their social and economic status.
IFRS Foundation (R100 000)	The IFRS Foundation is an independent, not-for-profit private sector organisation working in the public interest. Its principal objectives are:
	– to develop a single set of high-quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB;
	– to promote the use and rigorous application of those standards;
	– to take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs); and
	– to bring about convergence of national accounting standards and IFRS to high-quality solutions.
Institute of Directors (IoD) (R121 680)	This sponsorship is aimed at encouraging excellence in producing annual reports that have transparent and comprehensive disclosures made to their stakeholders – an important aspect for our Issuer Services division, which monitors compliance with regard to a listed company's continuing obligation in terms of meeting the Listings Requirements.
Institute of Chartered Secretaries and Administrators – (Icsa) (R110 598)	This sponsorship is the JSE's contribution to the 2009 Icsa Annual Report Awards in the interests of encouraging superior quality annual reports.
National Advisory Council on Innovation (Naci)	The Director of Government and International Affairs for the JSE has been appointed by the Minister of Science and Technology to serve on this body. Naci advises the Minister on matters relating to innovation in Science and Technology and in other ministeries. The purpose of Naci is to assist in the process of using the latest world-class technologies to address shortcomings in the South African environment.
Nepad Business Foundation (the NBF), a section 21 company. Nepad is an African Union initiative	The Director of Government and International Affairs for the JSE also serves as a director on the NBF Board, the purpose of which is to promote private sector development on the African continent in pursuit of the Nepad ideal of the alleviation of poverty. The Nepad Planning and Co-ordinating Agency, which is the implementing agency of the African Union, works closely with the NBF. Presently the NBF is involved with: – Transfarm Africa – project aimed at bringing small-scale farmers to market and building infrastructure and skills in rural communities. Currently operational in Mozambique with plans to extend to Zambia and Tanzania – Water projects (done in conjunction with the World Economic Forum) in Zambia and South Africa that aim to provide clean water to communities, particularly around mining operations – Leadership development through the African Leadership Programme run at the Gordon Institute of Business Studies (GIBS), which develops young leaders on the continent to enable them to return to their roots skilled in leadership principles (both African and Western) The JSE is involved with this initiative as a pillar of the need for a better and economically viable Africa with a population that is educated and can feed itself.

In addition to the above, a further R319 500 (2009: R355 000) was donated to other worthy causes:

Spend	Cause
R57 000	Sponsorship for the Vodacom Journalist of the Year.
R50 000	Adopt-a-School programme, The Adopt-a-School Foundation is a section 21 non-profit entity established in 2001 by Cyril Ramaphosa, James Motlatsi and other individuals to encourage and mobilise the private sector and individuals to support schools that are in need. The main focus of the foundation is to create and enhance an environment conducive to learning and teaching in state-funded schools. The model the foundation implements is known as whole school development and addresses shortfalls in infrastructure as well as social and skills development.
R50 000	Sponsorship for the Constitution Hill Trust.
R40 000	Headway Gauteng.
R35 000	Choc Childhood Cancer Foundation South Africa.
R30 000	Red Shield Salvation Army.
R27 500	Alexandra Education Committee.
R20 000	Cancer Association.
R10 000	Walter Sisulu Paediatric Cardiac Centre for Africa.
A further R152 258, comprising sundry small donations, was given to various registered welfare organisations supporting people with disabilities.	

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

Ongoing initiatives

Environment report

Broader and global context

The JSE has been a thought leader in the area of encouraging businesses to look beyond purely financial measures and to measure themselves against criteria related to the triple bottom line. One notable action has been the development and operation of the internationally respected Socially Responsible Investment (SRI) Index. The SRI Index, launched in 2004 in response to global and local debate, assesses JSE-listed companies' environmental, social and economic sustainability practices and corporate governance.

The JSE reviews its own sustainability using the same criteria as the Exchange's SRI Index. The JSE, which listed on its own exchange in 2006, has been a constituent of the SRI Index since 2007. It recognises the need for a comprehensive and consolidated approach to long-term sustainability, an approach that it is currently developing.

Ongoing significant initiatives and developments in which the JSE has been instrumental and successful in encouraging businesses to become triple bottom line focused are the following:

- The coming into effect of the third King Code on Corporate Governance (King III) in March 2010 and its inclusion in the JSE Listings Requirements. This requirement contributes towards improving best practice with regard to sustainability reporting in the South African business context
- Release of the draft Code on Responsible Investment for institutional investors in South Africa (CRISA)
- Continued discussions regarding the United Nations Principles for Responsible Investment (UNPRI), to which the JSE has been a signatory since 2009
- World Federation of Exchanges ESG discussion group, formed in 2010
- SRI Index
  - The index continues to receive recognition internationally for its success in encouraging improved environmental and social performance and good governance of listed companies
  - Collaboration is deepening with SA's largest investor, the Government Employees Pension Fund (GEPF). For the JSE, the relationship is aimed at increasing the focus on the index, raising the profile of responsible investment and making the SRI Index the benchmark of responsible investors
  - The SRI Index team continues to raise the profile of responsible investing among investors and issuers and to evolve the index
- Investment products and markets in the sustainability area: SRI and SRI Swix indices; carbon credit note; feasibility study for carbon market
- Advocacy: The JSE promotes the growth of responsible investment in SA in various ways, including a growing advocacy role. JSE and SRI Index team members play roles in or are members of sustainable investing and good corporate governance-related working groups at the University of SA (Unisa); Institute of Directors (IoD) and the UN Principles for Responsible Investment (PRI) (including its SA network)

Responsibility for the JSE's strategy and policies regarding the environment, and climate change in particular, is shared by the deputy CEO and the Group company secretary. Both individuals report to the Board and JSE executive management.

Climate change

Globally, awareness of the climate change challenge has been growing significantly, within the context of broader sustainability and as an issue in its own right. 2010 also saw significant attention from the government to sustainability and more specifically, climate change. The National Climate Change Response Green Paper as well as the discussion paper on carbon tax were released in the last quarter of 2010.

As an element of our endeavour to understand and contribute towards a greater focus on sustainability, our research into climate change and carbon markets has allowed the JSE to think beyond business as usual. The JSE has taken on board the need to take concrete and forward-thinking steps and contribute to the thinking pool with broader stakeholders, the government and interested bodies in bringing about an awareness of and a reduction in negative impacts to the environment.

The JSE further recognises that it has an impact on the environment and that it has a responsibility to act with care, change its own behaviour and endeavour to influence broader change where possible, be it internally or externally. In this regard, the JSE continues to pursue its goal of reducing and limiting the environmental impact of its activities and ensuring that it exceeds legal compliance obligations.

External direct impacts

The JSE continues in its efforts to raise awareness and contribute to the debate, by engaging, both as speakers and as participants, in various conferences and forums related to climate change, sustainability and carbon markets. Within each focus area, the JSE continues dialogues with these experts and draws on their knowledge to ensure that it is able to develop approaches that are relevant, realistic and aligned to global best practice.

The focus areas in 2010 included the following:

- The SRI Index:
  - Following three years of research and preliminary assessments, the JSE introduced criteria to encourage companies to consider and report on related indicators that assist in the mitigation of and adaptation to climate change
  - The 2010 review assessed companies against six new climate change indicators as a fourth area of qualification. The indicators were brought in at a primary level, and will evolve over future reviews
  - For the overall climate change screening, other assessments already being done on companies are considered, most notably the highly respected CDP, and this may be expanded over time to incorporate more of the elements
  - Although companies still have some way to go in responding to this issue, there are already some encouraging results
- The JSE has incorporated the King III codes on corporate governance into its Listings Requirements. These rules will require all listed companies to record their position on climate change as part of the sustainability report for the 2011 reporting year
- A National Business Initiative (NBI) conference on carbon pricing and the options for South Africa, an area where the JSE's research has helped it to add value
- The JSE's representation on the Climate Change Committee at the National Business Initiative (NBI), which is co-ordinating discussion groups around the aspects of mitigation, adaptation, finance and technology for input into the government's national strategy continued in 2010 and will continue into 2011
- The JSE is also represented on the Carbon Pricing Working Group, which was begun in 2010 as part of the Climate Change Committee. Through ongoing discussions, it is becoming more evident that the full impacts of a price on carbon may not be sufficiently understood by business (including JSE-listed companies) and the JSE continues its support of work being done to assist in deepening the research and understanding of this critical aspect in the national response
- The NBI has formalised communication and collaboration channels with Business Unity South Africa (Busa), through which comments on all relevant legislation and discussion papers can be channelled. The JSE has commented or is in the process of commenting on various papers
- The JSE continues to contribute as member of the advisory council to the UNISA Centre for Corporate Citizenship's Exxaro Chair for Business and Climate Change, furthering its aim to help build an approach around advocacy and education of business in relation to climate change. The chair has produced a series of papers on climate change and the various impacts on business and is currently developing content for a basic education course to be used to raise awareness on climate change among businesses
- The JSE also remains involved in the Carbon Disclosure Project (CDP) by completing the annual CDP questionnaire

The JSE acknowledges and is grateful for the fact that South Africa has a very strong community of experts on climate change and continues to build on the above and other opportunities, which will assist businesses in understanding and responding to climate change.

HOW WE RESPOND TO ENVIRONMENT CHALLENGES continued

Internal direct impacts

Although the JSE is classified as a low-impact company in terms of the SRI classification, it strives to go beyond compliance and aim for best practice in an attempt to make a relevant and meaningful contribution towards decreasing its impact on the environment while continually increasing and raising awareness amongst JSE employees. The JSE's environment policy can be found at http://ohx.corporate-ir.net/phoenix.zhtml?c=1981208p=irol-irhome.

Decreasing our impact	Increasing our impact
Recycling/waste management:	Environmental Management Committee:
– Paper recycling bins are located in all areas of operation – Office paper, newspapers and magazines are collected and recycled – Through this initiative, the JSE saved 180 trees from being destroyed for the period under review – Recycling bins for glass, tin, plastics and cardboard are located throughout the building – Employees are made aware of the benefits and the contribution they can make by recycling the waste they generate – Toner cartridges are recycled – A fluorescent lamp crusher is used to destroy used lamps – New chemicals used at the JSE have surpassed international environmental accreditation agencies' standards and can be gainfully used to earn credits toward certifications like LEED and Go Green (BOMA) – Dry-walling previously used in construction was replaced with demountable walls that can be sourced from a company that is committed to reducing the impact that the business and its products have on the environment. The company manufactures and represents products that are environmentally friendly and do not produce biochemical waste products	– Research and recommend strategic objectives and policy with regard to JSE sustainability initiatives – Monitor the JSE's direct impacts on the environment in relation to climate change, air and water pollution, waste and water consumption and energy use – Reduce the JSE's carbon footprint by reducing its energy consumption – Report to stakeholders – Enhance and enable the contribution that employees can make – Create awareness of environmental issues among employees – Steer the JSE towards environmentally friendly procurement – Improve the JSE's environmental reporting standards and SRI Index performance

Decreasing our impact	Increasing our impact
Energy management:	Building management system:

Current energy-saving interventions have been implemented through the building management system:
– The use of low-power lamps (36 watt)
– Permanently switching off 30% of the basement lights
– Switching off external spotlights and floodlights located around the building
– The air-conditioning units are on a time switch and are switched off at night and during weekends and public holidays
– Temperatures in the computer sites have been increased from 17 °C to 21 °C, so less water is used in the chillers and consequently less energy to cool the sites
– All internal lights are on a timer switch and automatically switch off at 19:00, leaving only emergency lights to illuminate the offices
– The lights can be reactivated by individuals when required
– The JSE's 2009 carbon footprint report revealed that the most significant component was the purchase of indirect energy from Eskom. In line with developing a plan to manage the energy used by the JSE, in the most energy-efficient way, thus reducing its footprint, virtualisation has been considerably progressed:
  – Standalone servers traditionally suffer from low utilisation rates to allow for peak time capacity. Applications typically peak at different times and virtualisation allows for a more constant and distributed rate of utilisation. By placing multiple virtual machines with separate workloads on the same physical server, a much higher utilisation rate can be achieved. The ability to optimally use the processing provided in creating multiple virtual servers has the following benefits:
    – Reduction in infrastructure costs as less server hardware is needed to host applications
    – Less power and cooling is required in the data centre
  – The following JSE production systems have already been virtualised (100 virtual machines running on 10 physical servers):
    – Equity market downstream integration
    – Internal JSE reference data
    – JSE equity billing
    – Yield-X market applications
  – The entire JSE test centre has now also been virtualised (698 VM running on 57 physical servers)
	The JSE uses a computer-based system that controls and monitors the building's mechanical and electrical equipment, such as ventilation, lighting, power systems and security systems.
	– Fire and smoke detection systems have been rewired and tested four times during the year under review (25% of total tested) in compliance with the Occupational Health and Safety Act
	– White sound, a low-volume, electronically created sound of equal intensity over a wide range of the spectrum, is used to hide other sounds in open-plan offices
	– Compliance with the Occupational Health and Safety Act is ensured
	– A new, more secure biometric access control system was implemented

HOW WE RESPOND TO ENVIRONMENT CHALLENGES continued

Decreasing our impact	Increasing our impact
Water management:	Raising awareness:
– All taps in the bathrooms are fitted with water flares that aerate the water, so that less water is used – Toilets are fitted with two flushing devices, a half-flush and a full flush, to save water	– The Green Tips Team, a sub-group of the Environmental Management Committee, is tasked with raising awareness among employees – Weekly green tips are circulated to employees on posters, the intranet and screens in the lifts – A successful Green Day was held in July. Exhibitors and well recognised speakers were hosted by the JSE with the aim of showcasing current trends, thinking and products that promote the protection of the environment
Indoor plant management:	
– During 2009, all plants in the building were exchanged for larger plants, as they produce more oxygen during the day and carbon dioxide at night. Care was taken that the plants chosen do not use more water than is necessary. This initiative has been maintained during 2010	

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 December 2010

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of JSE Limited, comprising the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

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

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

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

Approval of annual financial statements

The group annual financial statements and the annual financial statements of JSE Limited, as identified in the first paragraph, were approved by the Board of directors on 15 March 2011 and signed on its behalf by

H J Borkum
Chairman

R M Loubser
Chief executive officer

DECLARATION BY SECRETARY

for the year ended 31 December 2010

The JSE Limited has complied with all statutory and regulatory requirements in accordance with the Securities Services Act, and all directives issued by the Financial Services Board. In terms of section 268G (d) of the Companies Act, as amended, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Gary Clarke

G C Clarke
Group Company secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JSE LIMITED

Independent Auditor's Report

To the Members of JSE Limited

We have audited the group annual financial statements and the annual financial statements of JSE Limited, which comprise the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 75 to 128.

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

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

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

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the JSE Limited at 31 December 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per VT Yuill
Chartered Accountant (SA)
Registered Auditor
Director
15 March 2011

85 Empire Road
Parktown
2193

The directors are pleased to present the annual financial statements of the JSE group for the year ended 31 December 2010.

Business activities

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

The JSE has the following main lines of business: issuer services, trading, clearing and settlement services, technology and other technology-related services, and information product sales. The contribution of these business lines to revenue is set out in note 6 to the financial statements.

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

Subsidiaries

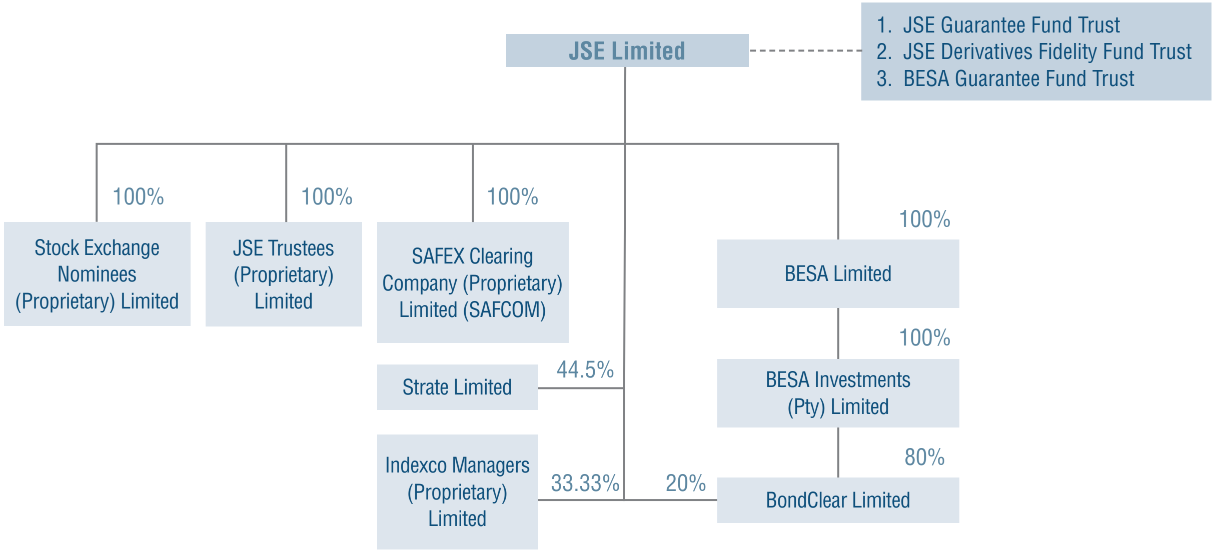
JSE Trustees (Proprietary) Limited

JSE Trustees (Proprietary) 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 invest those funds on behalf of investors with banking institutions falling inside prescribed parameters. This protects investors by automatically separating investors' funds from equities members' funds in compliance with section 27 of the Securities Services Act.

SAFEX Clearing Company (Proprietary) Limited (Safcom)

The JSE owns 100% (2009: 100%) of the 8 300 issued ordinary shares of 12.5 cents each. Safcom is the licensed clearing house for the JSE derivatives markets and provides clearing services to the JSE.

JSE subsidiaries and strategically important investments



DIRECTORS' REPORT continued

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

The JSE owns 100% of the ordinary share capital in BESA. Previously registered as the Bond Exchange of South Africa Limited, BESA no longer holds an exchange licence and serves merely as the holding Company of various subsidiaries acquired as part of the BESA transaction. All BESA's business activities are accounted for within the JSE.

BESA Investments is wholly owned by BESA, originally established to act as an investment holding Company. BESA Investments did not conduct operations during the year under review.

BondClear was incorporated in 2008 with the intention to serve as a clearing house for the interest rate derivatives market. The JSE and BESA Investments now own 20% and 80% respectively of the ordinary shares in BondClear. The JSE does not intend to pursue the BondClear clearing house project and the Company did not conduct any clearing operations during the year under review.

As the businesses of all BESA entities have been incorporated into JSE business, the BESA entities will be deregistered in due course.

Strategically important investments

Strate Limited (Strate)

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

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

The financial performance of Strate is closely correlated to that of the JSE and to the financial markets.

General review of JSE operations

The operating results and the state of affairs of the Company and the group are fully set out in the attached statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The Group's attributable earnings to shareholders amounted to R378 million (2009: R366 million).

Authorised users

As at 31 December 2010, there were 397 authorised users (2009: 393), which can be broken down as follows:

	2010	2009
Equities members	61	60
Trading services providers only	27	26
Trading services and investment services providers	18	18
Trading services and custody services providers	2	2
Trading services, investment services and custody services providers	11	11
Custody services providers	3	3
Equity derivatives members	125	127
Commodities derivatives members	96	92
Yield-X members	65	61
Interest rate market members	50	53
Total	397	393

Financial results

Profit for the year ended 31 December 2010 amounted to R378 million (2009: R366 million), representing earnings per share of 445.5 cents (2009: 431.5 cents). Headline earnings were 436.1 cents per share (2009: 456.1 cents per share). The most noteworthy item on the consolidated statement of the financial position is liquid assets of R16 billion (2009: R15 billion). This represents margins held for open positions in the derivatives market.

It should be noted that the JSE maintains the JSE Guarantee Fund Trust, the BESA Guarantee Fund Trust and the JSE Derivatives Fidelity Fund

Trust for investor protection purposes, as required under the Securities Services Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the group in terms of International Financial Reporting Standards.

Dividend policy

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

The dividend policy of the group is to distribute between 40% and 67% of earnings, after deducting non-recurring items. This equates to dividend cover of between 2.5 and 1.5 times. In terms of the policy, the directors are proposing to declare ordinary dividend No. 7 of 210 cents per share.

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.

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 that are unclaimed for a period of not less than 12 years from the date on which they became payable as forfeited for the benefit of the JSE.

Ordinary dividend	**2010**	2009
Dividend per share (cents)	**210**	192
Rand value	**R178 million**	R163 million
Declaration date	**15 March 2011**	15 March 2010
Last date to trade cum dividend	**20 May 2011**	7 May 2010
Shares commence trading ex dividend	**23 May 2011**	10 May 2010
Record date	**27 May 2011**	14 May 2010
Payment date	**30 May 2011**	17 May 2010

Secondary Tax on Companies (STC) will be payable on dividends disclosed.

Regulatory and supervisory structure

The Financial Services Board (FSB) is responsible for supervising the JSE's listing and regulates its ongoing compliance with the JSE Listings Requirements. During the year under review, the JSE complied with all its rules, Listings Requirements and procedures in a manner that warrants its continued listing and there were no conflicts of interest that were required to be referred to the FSB.

Share capital

Full details of the authorised, issued and unissued capital of the JSE are contained in note 21 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.

Special resolutions

The following special resolutions were passed in 2010:

Special Resolution 1

That the directors of the Company be authorised to acquire from time to time in the open market at the then ruling price, no more than 2 100 000 (two million, one hundred thousand) ordinary shares of the Company in aggregate during the period so commencing 1 May 2010 and ending 31 December 2013, pursuant to giving effect to LTIS 2010 and acquire for no consideration, all shares forfeited by scheme participants from time to time in accordance with the rules of LTIS 2010.

Special Resolution 2

That the directors be authorised to facilitate the acquisition by the Company, or a subsidiary of the Company, from time to time, of the issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the provisions of the Act and the JSE Listings Requirements.

DIRECTORS' REPORT continued

Directors and Company secretary

Directors

Non-executive directors	Executive directors
H J Borkum (chairman)	R M Loubser (CEO)
A D Botha	N F Newton-King (deputy CEO)
M R Johnston	F Evans (CFO)
W Y N Luhabe	L V Parsons (COO)
A M Mazwai	J H Burke
N S Nematswerani	
N Payne	
G T Serobe	
D Lawrence	
Z L Combi	
N Nyembezi-Heita	Group Company secretary
An alternate director, J Berman, resigned in August 2010	G C Clarke

Mr Berman was appointed to the Board as an alternate to Ms N Nyembezi-Heita on 22 June 2009. His appointment was as a consequence of the purchase by the JSE of the Bond Exchange of South Africa (BESA) business and to assist with the integration of this business into the JSE. The reasons for Mr Berman's resignation are that his other commitments result in him travelling extensively or being based abroad for lengthy periods, as well as the fact that integration of BESA has been successfully concluded. The Board takes this opportunity to thank Mr Berman for his contribution to the Company.

Directors' interests

The directors' interests are set out in the table below. Humphrey Borkum, David Lawrence, Andile Mazwai, Z L Combi and Gloria Serobe may have indirect interests in the JSE by virtue of holding shares in authorised users, which in turn hold JSE shares. None of the executive directors has any indirect beneficial or non-beneficial or direct non-beneficial shareholding in the JSE.

Directors' shareholding

Directors' interest as at 31 December 2010

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

**10 March 2010 – Anton Botha purchased 25 000 shares in his personal capacity.*

***1 July 2010 – Andile Mazwai sold 123 209 shares, which he held indirectly.*

Directors' interest as at 31 December 2009

Director	Direct beneficial	Indirect beneficial	Held by associates	Total	%
R M Loubser (CEO)	1 000	–	–	1 000	0.0012
N F Newton-King (deputy CEO)	3 400	–	–	3 400	0.0040
F Evans (CFO)	1 000	–	–	1 000	0.0012
L V Parsons (COO)	2 000	–	–	2 000	0.0023
J H Burke	3 200	–	–	3 200	0.0038
H J Borkum (chairman)	15 000	–	–	15 000	0.0176
A D Botha	–	–	–	–	–
A M Mazwai	3 943	124 560	–	128 503	0.1509
W Y N Luhabe	214	–	–	214†	0.0003
All other directors hold no interests in the JSE	–		–	–	0.0000
Totals	29 757	124 560	–	154 317	0.1813

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

Retirements by rotation

In terms of the JSE's memorandum and articles of association, Anton Botha, Wendy Luhabe, Andile Mazwai and Gloria Serobe retire by rotation at the 2011 annual general meeting to be held on Thursday, 28 April 2011. Anton Botha and Andile Mazwai who are retiring are eligible and available for re-election. Gloria Serobe and Wendy Luhabe, following 10 and eight years' service respectively, have not made themselves available for re-election. A brief curriculum vitae for each director up for reelection appears in the notice of the annual general meeting.

Service contracts with directors

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

Loans by and to the JSE

A loan of R14 million (2009: R0) was made to the JSE Empowerment Fund (JEF) to assist in enhancing the financial and operational capacity of the entity. The loan is unsecured and bears no interest. Accordingly, it allows the JSE to achieve its enterprise development commitments under the dti empowerment codes.

Material commitments, lease payments and contingencies

The JSE leases a building and accounts for the lease as an operating lease. The lease commenced on 1 September 2000 for a period of 15 years. On termination of the lease, should the 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.

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

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

DIRECTORS' REPORT continued

Post-reporting date events

The JSE announced on 3 February 2011 that it had concluded a licensing agreement with technology solutions provider MillenniumIT to move its equity market trading activity onto Millennium Exchange™. The migration is planned for the first half of 2012 and it is expected that JSE members will benefit from executing transactions almost 400 times faster than the present trading solution. The agreement will also see the JSE's trading system relocated from London to Johannesburg, enhancing operational efficiencies and ensuring trading optimisation for market participants. The JSE is confident that the adoption of the new trading system will increase the equity volumes traded on the JSE and therefore liquidity, thus constantly remaining abreast of technological advances that permit the JSE to be a world-class and relevant exchange in a highly competitive industry.

There have been no changes to the directors' interests in the ordinary share capital of the Company between 31 December 2010 and the date of this report.

Changes to the Board

The JSE Board has been relatively unchanged for the past decade. However, there comes a time in every institution when people wish to move on. Below is a summary of the changes.

- Russell Loubser to stand down as CEO with effect from 31 December 2011.
- The Board has appointed Nicky Newton-King as CEO with effect from 1 January 2012.
- Non-executive directors Gloria Serobe and Wendy Luhabe have indicated that they do not wish to make themselves available for re-election at our AGM in April 2011.
- Jonathan Berman who joined the Board as an alternate director following the BESA merger, resigned during the course of the year due to his other business commitments.
- The number of executive directors on the Board will be reduced. Both Leanne Parsons and John Burke stand down as executive directors at the AGM in April. They will continue to contribute to the Board as alternate directors.

Further information is contained on page 49.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000	Investor Protection Funds* 2010 R'000	Investor Protection Funds* 2009 R'000
Revenue	8.1	**1 255 148**	1 155 756	**1 278 487**	1 177 181	**—**	—
Other income	8.2	**50 267**	40 547	**38 436**	43 449	**36 082**	13 165
Personnel expenses	9.1	**(338 098)**	(318 632)	**(338 098)**	(318 632)	**—**	—
Other expenses	9.2	**(541 087)**	(491 774)	**(514 240)**	(448 001)	**(15 334)**	(13 142)
Profit before net finance income		**426 230**	385 897	**464 585**	453 997	**20 748**	23
Finance income	9.3	**1 027 947**	1 325 473	**55 392**	77 236	**8 886**	7 518
Finance costs	9.4	**(940 957)**	(1 221 347)	**(7 556)**	(11 835)	**—**	—
Net finance income		**86 990**	104 126	**47 836**	65 401	**8 886**	7 518
Share of profit of equity accounted investees (net of tax)	14.2	**26 446**	27 937	**—**	—	**—**	—
Profit before income tax		**539 666**	517 960	**512 421**	519 398	**29 634**	7 541
Income tax expense	10.1	**(161 659)**	(152 359)	**(161 607)**	(152 053)	**—**	—
Profit for the year		**378 007**	365 601	**350 814**	367 345	**29 634**	7 541
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	8.3	**29 660**	38 187	**—**	—	**29 660**	38 187
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	8.3	**(31 893)**	(9 087)	**—**	—	**(31 893)**	(9 087)
Income tax on other comprehensive income	10.3	**—**	—	**—**	—	**—**	—
Other comprehensive (loss)/income for the year, net of income tax		**(2 233)**	29 100	**—**	—	**(2 233)**	29 100
Total comprehensive income for the year		**375 774**	394 701	**350 814**	367 345	**27 401**	36 641
Profit attributable to:							
Owners of the Exchange		**378 007**	367 244	**350 814**	367 345	**29 634**	7 541
Non-controlling interests		**—**	(1 643)	**—**	—	**—**	—
Profit for the year		**378 007**	365 601	**350 814**	367 345	**29 634**	7 541
Total comprehensive income attributable to:							
Owners of the Exchange		**375 774**	396 344	**350 814**	367 345	**27 401**	36 641
Non-controlling interests		**—**	(1 643)	**—**	—	**—**	—
Total comprehensive income for the year		**375 774**	394 701	**350 814**	367 345	**27 401**	36 641
Earnings per share							
Basic earnings per share (cents)	11.1/5	**445.5**	431.3	**413.5**	431.5	**34.9**	8.9
Diluted earnings per share (cents)	11.2/5	**438.4**	425.2	**406.9**	425.3	**34.4**	8.7

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

The JSE maintains these Trusts for investor protection purposes as required under the Securities Services Act 36, of 2004. The JSE is required to consolidate the Trusts into the results of the group in terms of International Financial Reporting Standards (IFRS). However, as these Trusts are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of these Trusts. For enhanced understanding, the Trusts have been shown separately (before intercompany adjustments), although, for compliance with IFRS, the results form part of the group financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

		Group		Exchange		Investor Protection Funds	
	Note	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Assets							
Non-current assets		943 010	874 301	894 850	806 741	218 032	239 536
Property and equipment	12.3	113 272	87 301	113 272	87 301	—	—
Intangible assets	13.3/6	423 039	382 749	422 729	382 400	—	—
Investments in equity accounted investees	14.1	95 017	92 874	21 416	21 416	—	—
Investments in subsidiaries	15	—	—	243 783	243 783	—	—
Other investments	16.2	218 034	239 538	2	2	218 032	239 536
Derivative financial instruments	17	3 015	1 451	3 015	1 451	—	—
Due from the JSE Empowerment Fund Trust	18.2	13 910	—	13 910	—	—	—
Deferred taxation	23.1/3	76 723	70 388	76 723	70 388	—	—
Current assets		16 223 383	15 702 377	1 119 078	969 317	116 075	122 584
Trade and other receivables	18.1	187 379	210 918	126 327	118 863	4 035	4 274
Income tax receivable		61 783	29 641	61 031	28 992	—	—
Due from group entities	15.5	—	—	9 097	8 184	—	2 200
Margin deposits	19.1	14 923 444	14 540 905	10 382	23 685	—	—
Collateral deposits	19.2	4 447	116	4 447	116	—	—
Cash and cash equivalents	20	1 046 330	920 797	907 794	789 477	112 040	116 110
Total assets		17 166 393	16 576 678	2 013 928	1 776 058	334 107	362 120
Equity and liabilities							
Total equity	21.3	1 791 104	1 604 724	1 449 012	1 287 592	331 847	357 888
Non-current liabilities		170 630	195 258	220 521	195 149	—	—
Finance leases	29.2.3	1 279	3 333	1 279	3 333	—	—
Employee benefits	22.1	46 105	64 625	46 105	64 625	—	—
Deferred taxation	23.1/3	4 757	5 587	4 648	5 478	—	—
Operating lease liability	29.2.1	65 562	70 529	65 562	70 529	—	—
Deferred income	30	51 847	50 165	101 847	50 165	—	—
Due to SAFEX members	24	1 080	1 019	1 080	1 019	—	—
Current liabilities		15 204 659	14 776 696	344 395	293 317	2 260	4 232
Trade and other payables	25	174 155	159 762	102 658	65 964	581	3 061
Employee benefits	22.1	94 113	70 571	94 113	70 571	—	—
Operating lease liability	29.2.1	8 500	5 342	8 500	5 342	—	—
Due to group entities	15.6	—	—	124 295	127 639	1 679	1 171
Margin deposits	19.1	14 923 444	14 540 905	10 382	23 685	—	—
Collateral deposits	19.2	4 447	116	4 447	116	—	—
Total equity and liabilities		17 166 393	16 576 678	2 013 928	1 776 058	334 107	362 120

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

		Attributable to owners of the Exchange									
Group	Note	**Share capital R'000**	**Share premium R'000**	**Non-distributable reserve R'000**	**BBBEE reserve R'000**	**JSE LTIS 2010 reserve R'000**	**Retained earnings R'000**	**Total Exchange and subsidiaries R'000**	**Non-controlling interests* R'000**	**Investor Protection Funds R'000**	**Total equity R'000**
Balance at 1 January 2009		8 514	162 779	10 058	165 503	—	799 141	1 145 995	—	227 497	1 373 492
Total comprehensive income for the year											
Profit or loss for the year		—	—	—	—	—	358 060	358 060	—	7 541	365 601
Other comprehensive income											
Net change in fair value of available-for-sale financial assets		—	—	—	—	—	—	—	—	38 187	38 187
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		—	—	—	—	—	—	—	—	(9 087)	(9 087)
Total other comprehensive income		—	—	—	—	—	—	—	—	29 100	29 100
Total comprehensive income for the year		—	—	—	—	—	358 060	358 060	—	36 641	394 701
Transactions with owners of the Exchange, recognised directly in equity											
Contributions by and distributions to owners of the Exchange											
Share options lapsed reclassified to retained earnings	21.3	—	—	—	(5 311)	—	5 311	—	—	—	—
Dividends paid to owners of the Exchange	21.5	—	—	—	—	—	(163 469)	(163 469)	—	—	(163 469)
Total contributions by and distributions to owners of the Exchange		—	—	—	(5 311)	—	(158 158)	(163 469)	—	—	(163 469)
Changes in ownership interests in subsidiaries that do not result in a loss of control											
Non-controlling interest in BESA Group		—	—	—	—	—	—	—	1 643	—	1 643
Acquisition of non-controlling interest in BESA Group		—	—	—	—	—	—	—	(1 643)	—	(1 643)
Transfer to the BESA Guarantee Fund Trust		—	—	—	—	—	(95 676)	(95 676)	—	95 676	—
Total transactions with owners of the Exchange		—	—	—	(5 311)	—	(253 834)	(259 145)	—	95 676	(163 469)
Balance at 31 December 2009		8 514	162 779	10 058	160 192	—	903 367	1 244 910	—	359 814	1 604 724
Total comprehensive income for the year											
Profit for the year		—	—	—	—	—	348 373	348 373	—	29 634	378 007
Other comprehensive income											
Net change in fair value of available-for-sale financial assets		—	—	—	—	—	—	—	—	29 660	29 660
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		—	—	—	—	—	—	—	—	(31 893)	(31 893)
Total other comprehensive income		—	—	—	—	—	—	—	—	(2 233)	(2 233)
Total comprehensive income for the year		—	—	—	—	—	348 373	348 373	—	27 401	375 774
Transactions with owners of the Exchange, recognised directly in equity											
Contributions by and distributions to owners of the Exchange											
Share options lapsed reclassified to retained earnings	21.3	—	—	—	(311)	—	311	—	—	—	—
Dividends paid to owners of the Exchange	21.5	—	—	—	—	—	(163 469)	(163 469)	—	—	(163 469)
Distribution from the BESA Guarantee Fund Trust[1]		—	—	—	—	—	5 368	5 368	—	(5 368)	—
Distribution from the JSE Guarantee Fund Trust[2]		—	—	—	—	—	50 000	50 000	—	(50 000)	—
Treasury shares	22.7	(48)	(32 056)	—	—	—	—	(32 104)	—	—	(32 104)
Treasury shares – share issue costs	22.7	—	(65)	—	—	—	—	(65)	—	—	(65)
Equity-settled share-based payment	22.7	—	—	—	—	6 244	—	6 244	—	—	6 244
Total contributions by and distributions to owners of the Exchange		(48)	(32 121)	—	(311)	6 244	(107 790)	(134 026)	—	(55 368)	(189 394)
Total transactions with owners of the Exchange		(48)	(32 121)	—	(311)	6 244	(107 790)	(134 026)	—	(55 368)	(189 394)
Balance at 31 December 2010		**8 466**	**130 658**	**10 058**	**159 881**	**6 244**	**1 143 950**	**1 459 257**	**—**	**331 847**	**1 791 104**

** Refer to note 7.3 for details of the non-controlling interest.*

[1] The BESA Guarantee Fund Trust deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect R5.3 million was transferred to JSE Limited for the defrayment of market regulatory expenditure.

[2] This represents the monies distributed by the JSE Guarantee Fund Trust for the specific purpose of funding the establishment of the JSE's disaster recovery site.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

for the year ended 31 December 2010

Exchange	Note	Share capital R'000	Share premium R'000	BBBEE reserve R'000	Retained earnings R'000	JSE LTIS 2010 reserve R'000	Total Exchange R'000
Balance at 1 January 2009		8 514	162 779	165 503	746 920	—	1 083 716
Total comprehensive income for the year							
Profit for the year		—	—	—	367 345	—	367 345
Other comprehensive income							
Total other comprehensive income		—	—	—	—	—	—
Total comprehensive income for the year		—	—	—	367 345	—	367 345
Transactions with owners of the Exchange, recognised directly in equity							
Contributions by and distributions to owners of the Exchange							
Share options lapsed transferred to retained earnings		—	—	(5 311)	5 311	—	—
Dividends paid to equity holders	21.5	—	—	—	(163 469)	—	(163 469)
Total contributions by and distributions to owners		—	—	(5 311)	(158 158)	—	(163 469)
Total transactions with owners of the Exchange		—	—	(5 311)	(158 158)	—	(163 469)
Balance at 31 December 2009		**8 514**	**162 779**	**160 192**	**956 107**	**—**	**1 287 592**
Total comprehensive income for the year							
Profit for the year		—	—	—	350 814	—	350 814
Other comprehensive income							
Total other comprehensive income		—	—	—	—	—	—
Total comprehensive income for the year		—	—	—	350 814	—	350 814
Transactions with owners of the Exchange, recognised directly in equity							
Contributions by and distributions to owners of the Exchange							
Share options lapsed transferred to retained earnings		—	—	(311)	311	—	—
Dividends to owners of the Exchange	21.5	—	—	—	(163 469)	—	(163 469)
Treasury shares	22.7	(48)	(32 056)	—	—	—	(32 104)
Treasury shares – share issue costs	22.7	—	(65)	—	—	—	(65)
Equity-settled share-based payment	22.7	—	—	—	—	6 244	6 244
Total contributions by and distributions to owners		(48)	(32 121)	(311)	(163 158)	6 244	(189 394)
Total transactions with owners of the Exchange		(48)	(32 121)	(311)	(163 158)	6 244	(189 394)
Balance at 31 December 2010		**8 466**	**130 658**	**159 881**	**1 143 763**	**6 244**	**1 449 012**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

		Group		Exchange		Investor Protection Funds	
	Note	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash flows from operating activities							
Cash generated by/(used in) operations	26.1	529 238	467 318	566 653	527 936	(14 562)	(10 632)
Interest received		1 048 586	1 353 964	55 802	77 806	8 724	7 268
Interest paid		(960 943)	(1 284 943)	(7 738)	(16 440)	—	—
Dividends received		4 045	3 922	—	—	4 045	3 922
Taxation paid	26.2	(200 966)	(185 701)	(200 811)	(185 126)	—	—
Net cash inflow/(outflow) from operating activities		419 960	354 560	413 906	404 176	(1 793)	558
Cash flows from investing activities							
Proceeds on sale of other investments		102 170	81 888	—	—	102 170	81 888
Acquisition of other investments		(51 007)	(91 329)	—	—	(51 007)	(91 329)
Acquisition of shares in Bond Exchange of South Africa, net of cash acquired		—	(98 346)	—	(203 818)	—	—
Cash acquired from BESA Guarantee Fund Trust		—	—	—	—	—	96 342
Loan to JSE Empowerment Fund Trust		(14 695)	—	(14 695)	—	—	—
Dividends from equity accounted investees		24 303	17 710	24 303	17 710	—	—
Proceeds from disposal of property and equipment		46	447	46	447	—	—
Leasehold improvements		(8 787)	(3 181)	(8 787)	(3 181)	—	—
Acquisition of intangible assets		(99 311)	(89 730)	(99 311)	(89 730)	—	—
Acquisition of property and equipment		(48 712)	(27 080)	(48 712)	(27 080)	—	—
Net cash (used in)/from investing activities		(95 993)	(209 621)	(147 156)	(305 652)	51 163	86 901
Cash flows from financing activities							
Distribution from/(by) Investor Protection Funds		—	(2 015)	50 000	—	(53 440)	(2 015)
Repayment of loan to OMX Technology AB		—	(5 000)	—	—	—	—
Acquisition of treasury shares		(32 168)	—	(32 168)	—	—	—
Dividends paid		(163 469)	(163 469)	(163 469)	(163 469)	—	—
Net cash used in financing activities		(195 637)	(170 484)	(145 637)	(163 469)	(53 440)	(2 015)
Net increase/(decrease) in cash and cash equivalents		128 330	(25 545)	121 113	(64 945)	(4 070)	85 444
Cash and cash equivalents at 1 January		920 796	946 341	789 477	854 422	116 110	30 666
Effect of exchange rate fluctuations on cash held		(2 796)	—	(2 796)	—	—	—
Cash and cash equivalents at 31 December	20	1 046 330	920 796	907 794	789 477	112 040	116 110

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. Reporting entity

JSE Ltd (the JSE, the "Company" or the "Exchange") is duly registered and incorporated in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Securities Services Act, No 36 of 2004. The JSE has the following main lines of business: trading, issuer services, clearing and settlement services, technology and other technology-related services and information product sales. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries and controlled special purpose vehicles (collectively referred to as the "Group" and individually as "Group" entities) and the Group's interest in associates.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements and the separate financial statements of the Exchange have been prepared in accordance with International Financial Reporting Standards "IFRS" and the AC500 series as issued by the South African Board of Chartered Accountants.

The consolidated financial statements and the separate financial statements were authorised for issue by the Board of Directors on 15 March 2011.

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

Notes 22.5 and 22.7	– measurement of share-based payments
Note 22	– employee benefits
Note 17	– valuation of financial instruments
Note 29.1	– contingent liabilities
Note 29.2.1 and 29.2.3	– lease classifications

3. Significant accounting policies

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

3.1 Basis of consolidation

(i) Business combinations

All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method in terms of IFRS3 (2008) *Business Combinations*. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Acquisitions on or after 1 January 2009

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

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

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

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then a part of the market-based measure of the replacement awards is included in the consideration transferred. If future services are required, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as a post-combination compensation cost.

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

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred. Prior to January 2009, these costs were capitalised as part of the cost of the business combination.

(ii) Accounting for acquisitions of non-controlling interests

The Group has applied IAS 27 (2008) from 1 January 2009 for the acquisition of non-controlling interests.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group financial statements incorporate the assets, liabilities and results of the operations of the SAFEX Clearing Company (Pty) Ltd ("Safcom"), the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust and JSE Trustees (Pty) Ltd, BESA Ltd, BondClear Ltd, BESA Investments (Pty) Ltd and the BESA Guarantee Fund Trust. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the separate financial statements of the Exchange, investments in subsidiaries are carried at cost less accumulated impairment losses. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Special purpose entities

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

(v) Investments in associates and jointly controlled entities (equity-accounted investees)

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

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

(vi) Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.2 Foreign currency transactions

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

3.3 Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

Available-for-sale financial assets

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

Financial instruments at fair value through profit or loss

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

Loans and receivables and financial liabilities measured at amortised cost

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

(ii) Derivative financial instruments

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

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

3. Significant accounting policies (continued)

(iii) Share capital

Ordinary shares

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

Preference share capital

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

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

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

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

3.4 Property and equipment

(i) Recognition and measurement

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

3.5 Intangible assets

(i) Goodwill

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

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

(ii) Research and development

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.5 Intangible assets (continued)

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

– trademarks	5 – 10 years
– capitalised development costs	3 – 7 years

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

3.6 Leased assets

Finance lease

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

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit or loss on a straight-line basis over the period of the lease. When the timing of lease payments does not represent the time pattern of the lessee's benefits under the lease agreement, prepaid rent or accrued liabilities for rental payments is recognised.

3.7 Impairment

(i) Financial assets

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

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining assets are assessed collectively in groups that share similar credit risk characteristics. The carrying amount of the impaired financial asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Subsequent recoveries of amounts written off are credited to profit or loss. Impairment losses relating to available-for-sale equity securities are not reversed through profit or loss but directly in comprehensive income.

3. **Significant accounting policies** (continued)

3.7 Impairment (continued)

(ii) Non-financial assets

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

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

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3.14.

3.9 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

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

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

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as a personnel expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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

3.10 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Revenue comprises derivatives trading and clearing fees, equities trading fees, equities risk management fees, clearing and settlement fees, information product sales, listing fees, interest rate market fees, fees for technology and related services and funds management. Revenue is recognised in the year in which the service relates.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

3. Significant accounting policies (continued)

3.12 Other income

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

Distributions from special purpose entities

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

3.13 Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

3.14 Finance income and expenses

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

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

3.15 Income tax expense

(i) Income tax

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

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

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

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

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

(ii) Secondary tax on companies

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

3. Significant accounting policies (continued)

3.16 Earnings per share

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

3.17 Segment reporting

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Exco to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Exco reviews the revenue streams from each segment.

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

3.18 Forthcoming requirements

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

IAS 24 Related Party Disclosures (revised)

The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities; the revised standard will be adopted by the entity for its financial reporting period ending 31 December 2011.

Improvements to IFRS 2010 – IFRS 7 Financial Instruments: Disclosures

The amendments add an explicit statement that qualitative disclosure should be made in the contract of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendment will be adopted by the entity for its financial reporting period ending 31 December 2011.

Improvements to IFRS 2010 – IAS 1 Presentation of Financial Statements

The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment will be adopted by the entity for its financial reporting period ending 31 December 2011.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard will be adopted by the entity for its financial reporting period ending 31 December 2013.

4. Determination of fair value

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

4.1 Plant and equipment

The fair value of plant and equipment recognised as a result of a business combination is based on market values. The fair values of items of plant, equipment, fixtures and fittings are based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

4.2 Intangible assets

The fair value of trademarks acquired in a business combination is based on the discounted estimated future cash flows attributable to the identified cash-generating units.

4.3 Investments in equity and debt securities

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

4. Determination of fair value (continued)

4.4 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

4.5 Non-derivative financial instruments

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

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

4.6 Share-based payment transactions

The fair value of share appreciation rights granted to employees and options granted in respect of the BBBEE initiative is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of instrument, expected volatility (based on weighted average historic volatility, adjusted for changes expected due to publicly available information), weighted average expected life of the instrument, expected dividends, and the interest rate (based on the notional amount compounded annually (NACA) rate). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes from measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported to the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. Geographically there is no concentration of credit risk.

A significant number of the group's customers have been transacting with the group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, investments and other financial assets. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

5. Financial risk management (continued)

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least P-1za or P-2za from Moody's. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group incurs financial liabilities in order to manage market risks relating to the long-term incentive scheme. All transactions are carried out within the guidelines set by the Risk Management Committee.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on capital, which the Group defines as the result from operating activities divided by total shareholders' equity. The Board of directors also monitors the level of dividends to ordinary shareholders.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

6. Operating segments

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

Information about reportable segments

	Equity[1] division R'000	Equity derivatives R'000	Commodity derivatives R'000	Interest rate[2] market R'000	Information sales R'000	Other[3] R'000	Total R'000
For the year ended 31 December 2010							
External revenues	**772 885**	**116 077**	**47 827**	**47 745**	**116 727**	**153 887**	**1 255 148**
For the year ended 31 December 2009							
External revenues	720 695	116 175	41 241	21 412	108 773	147 460	1 155 756

[1] *Comprises equities trading fees, risk management, clearing and settlement fees, back-office services (BDA), issuer services and membership fees.*
[2] *The interest rate market revenue was remeasured in the current year to include R12.6 million (2009: R5.0 million) which relates to the listing fees for the bond market.*
[3] *Comprises funds management and Strate ad valorem fees.*

7. Acquisition of subsidiary and non-controlling interests

7.1 Business combination

On 22 June 2009 the Group acquired 100 percent of the shares and voting interests in BESA, a licensed exchange responsible for operating and regulating fixed-income and interest-rate derivatives markets in South Africa.

7.2 Purchase of BESA Limited's business

Subsequent to the business combination, the JSE acquired the operations of BESA via a sale of business agreement. BESA's market operations have been merged into the JSE to form a new interest rate division which is focused on running the JSE's interest rate products and developing a fresh interest rate strategy for the South African fixed-income market. Operating activities and personnel have been integrated into the JSE. The JSE purchased the business (identified assets and liabilities) of BESA Limited with effect from 1 July 2009 for R125.4 million.

7.3 Acquisition of non-controlling interest

In December 2009 the Group acquired the 20% shareholding held by OMX in Bondclear Limited, a subsidiary company of the Group for R1.00. As a result the Group's ownership in Bondclear Limited increased from 80% to 100%.

	Note	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
8. Revenue and other income					
8.1 Revenue comprises:					
Equities trading fees		**324 576**	309 980	**324 576**	309 980
Risk management, clearing and settlement fees		**188 943**	163 663	**188 943**	163 663
Back-office services (BDA)		**177 518**	164 818	**177 518**	164 818
Issuer services		**85 591**	78 853	**85 591**	78 853
Membership fees		**8 896**	8 360	**8 896**	8 360
Equity derivatives fees		**105 950**	106 700	**105 950**	106 700
Currency derivatives fees		**10 127**	9 475	**10 127**	9 475
Commodity derivatives fees		**47 827**	41 241	**47 827**	41 241
Interest rate market fees		**35 106**	16 433	**38 124**	18 123
Information sales		**116 727**	108 773	**116 727**	108 773
Funds management		**46 326**	49 630	**66 647**	69 365
Total revenue before Strate ad valorem fees		**1 147 587**	1 057 926	**1 170 926**	1 079 351
Strate ad valorem fees		**107 561**	97 830	**107 561**	97 830
Total revenue		**1 255 148**	1 155 756	**1 278 487**	1 177 181

	Note	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
8. Revenue and other income (continued)					
8.2 Other income comprises:					
Recognised in profit or loss					
Investor Protection Funds		36 082	13 165	—	—
– contributions to BESA Guarantee Fund Trust		145	156	—	—
– dividend income		4 044	3 922	—	—
– net realised gain on disposal of available-for-sale financial assets		31 893	9 087	—	—
Rental income		8 658	13 176	8 658	13 176
Dividends received		—	—	24 303	17 710
Gain on assignment of debt due from Bondclear		—	5 000	—	5 000
Bad debts recovered		8	2 148	8	2 148
Sundry income		5 519	7 058	5 467	5 415
		50 267	40 547	38 436	43 449
8.3 Recognised in other comprehensive income					
Net unrealised fair value changes in available- for-sale financial assets		29 660	38 187	—	—
Net realised gain on disposal of available-for-sale financial assets reclassified to profit or loss		(31 893)	(9 087)	—	—
		(2 233)	29 100	—	—
9. Profit before taxation comprises:					
9.1 Personnel expenses					
Remuneration paid to employees		230 417	204 163	230 417	204 163
Contribution to defined contribution plans		10 653	9 880	10 653	9 880
Directors' emoluments		44 721	38 552	44 721	38 552
– executive directors	27.1	39 726	34 349	39 726	34 349
– non-executive directors	27.3	4 995	4 203	4 995	4 203
Long-term incentive schemes (refer to note 22)		35 706	53 147	35 706	53 147
– first tranche charge		17 751	30 756	17 751	30 756
– second tranche charge/(write-back)		1 110	(842)	1 110	(842)
– european call option fair value adjustment		(1 564)	4 168	(1 564)	4 168
– deferred cash bonus 2008		7 350	(2 757)	7 350	(2 757)
– deferred cash bonus 2009		4 815	21 822	4 815	21 822
– JSE LTIS 2010		6 244	—	6 244	—
Fixed term contractors		16 601	12 890	16 601	12 890
		338 098	318 632	338 098	318 632
9.2 Other expenses					
Amortisation of intangible assets		25 842	22 191	25 803	22 152
Auditors' remuneration		5 443	5 918	4 133	4 608
– audit fee		3 782	3 782	2 858	2 858
– fees for other assurance services		56	24	56	24
– fees for other services		1 145	1 821	821	1 497
– prior year under accrual		460	291	398	229
Consulting fees		35 560	27 227	35 560	27 227
Depreciation		31 467	26 873	31 467	26 873
– computer hardware		19 957	16 555	19 957	16 555
– furniture and equipment		3 260	3 038	3 260	3 038
– leased assets		4 110	3 547	4 110	3 547
– leasehold improvements		4 107	3 700	4 107	3 700
– vehicles		33	33	33	33

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

	Note	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
9. Profit before taxation comprises: (continued)					
9.2 Other expenses (continued)					
Foreign exchange loss		1 315	8 430	1 315	8 430
Impairment of available-for-sale equity securities		—	2 113	—	—
Impairment of monies due from Group entities		—	329	55	1 844
Impairment of other receivables		2 572	—	2 572	—
Impairment of intangible assets		33 179	29 531	33 179	8 018
Impairment/(reversal) of trade receivables		162	(30)	162	(30)
Insurance premium		14 619	10 833	1 826	1 631
Legal fees		4 133	4 434	4 133	4 364
Loss on disposal of property and equipment		16	—	16	—
Mainframe operations		53 511	49 229	53 511	49 229
Operating lease charges		35 504	34 404	35 504	34 404
– building		34 449	32 217	34 449	32 217
– office equipment		1 055	2 187	1 055	2 187
Other computer operations		11 616	10 057	11 616	10 057
Software maintenance		49 359	48 648	49 359	48 648
Strate ad valorem fees		107 561	97 830	107 561	97 830
Marketing and advertising		21 464	20 075	21 464	20 075
Recruitment fees		3 205	2 940	3 205	2 940
Swift charges		4 851	5 177	4 851	5 177
Transaction charges		20 964	20 909	20 964	20 909
Other expenses		78 744	64 656	65 984	53 615
		541 087	491 774	514 240	448 001
9.3 Finance income					
Own funds		50 117	66 452	50 104	66 150
Investor Protection Funds		8 886	7 518	—	—
Finance income earned on collateral deposits		1 875	3 475	1 875	3 475
Finance income earned on margin deposits		967 069	1 248 028	3 413	7 611
– equities		3 413	7 611	3 413	7 611
– derivatives		963 656	1 240 417	—	—
		1 027 947	1 325 473	55 392	77 236
9.4 Finance costs					
Finance costs on all funds excluding collateral and margin deposits		3 987	4 441	3 987	4 441
Finance costs on collateral deposits		353	338	353	338
Finance costs on margin deposits		936 617	1 216 568	3 216	7 056
– equities		3 216	7 056	3 216	7 056
– derivatives		933 401	1 209 512	—	—
		940 957	1 221 347	7 556	11 835

	Group		Exchange	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
10. Income tax expense				
10.1 Taxation				
Current tax expense				
– current year	**154 907**	157 415	**154 855**	157 109
– adjustment for prior periods	**—**	108	**—**	108
Secondary tax on companies				
– current year	**13 917**	14 576	**13 917**	14 576
Deferred tax asset				
– origination and reversal of taxable temporary differences	**(6 335)**	(13 355)	**(6 335)**	(13 246)
Deferred tax liability				
– origination and reversal of taxable temporary differences	**(830)**	(6 385)	**(830)**	(6 494)
	161 659	152 359	**161 607**	152 053
10.2 Reconciliation of effective tax rate				
Current tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Adjusted for:				
– Non-taxable income	**(3.30%)**	(2.45%)	**(1.10%)**	(1.19%)
– Adjustment for prior periods	**0.00%**	(2.20%)	**0.00%**	(2.20%)
– Non-deductible expenses	**3.91%**	4.68%	**1.92%**	1.76%
– Secondary tax on companies	**2.72%**	2.81%	**2.72%**	2.81%
– Capital gains tax	**0.00%**	0.09%	**0.00%**	0.09%
– Share of profit of equity-accounted investees	**(1.37%)**	(1.51%)	**0.00%**	0.00%
	29.96%	29.42%	**31.54%**	29.27%

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

JSE Limited	28% (2009: 28%)
SAFEX Clearing Company (Pty) Limited	28% (2009: 28%)
Strate Limited	28% (2009: 28%)
JSE Trustees (Pty) Limited	28% (2009: 28%)
JSE Derivatives Fidelity Fund Trust	Exempt from income tax in terms of S10(1)(d) of the South African Income Tax Act, No. 58 of 1962.
JSE Guarantee Fund Trust	Exempt from income tax in terms of S10(1)(d) of the South African Income Tax Act, No. 58 of 1962.
BESA Limited	28% (2009: 28%)
BESA Investments (Pty) Limited	28% (2009: 28%)
BondClear Limited	28% (2009: 28%)
BESA Guarantee Fund Trust	Application for income tax exemption in terms of S10(1)(d)(iii) of the South African Income Tax Act, No. 58 of 1962 has been submitted to SARS.

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for the year ended 31 December 2010

11. Earnings and headline earnings per share

11.1 Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 of 445.5 (2009: 431.3) cents per share was based on profit for the year attributable to ordinary shareholders of R378.0 million (2009: R367.2 million) and a weighted average number of ordinary shares of 84 843 695 (2009: 85 140 050) calculated as follows:

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Profit for the year attributable to ordinary shareholders	378 007	367 244	350 814	367 345
Weighted average number of ordinary shares:				
Issued ordinary shares at 1 January	85 140 050	85 140 050	85 140 050	85 140 050
Effect of own shares held (JSE LTIS 2010)	(296 355)	—	(296 355)	—
Weighted average number of ordinary shares at 31 December	84 843 695	85 140 050	84 843 695	85 140 050
Basic earnings per share (cents)	445.5	431.3	413.5	431.5

11.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2010 of 438.4 (2009: 425.2) cents per share was based on the profit for the year attributable to ordinary shareholders of R378.0 million (2009: R367.2 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 86 215 531 (2009: 86 369 696) calculated as follows:

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Profit for the year attributable to ordinary shareholders	378 007	367 244	350 814	367 345
Weighted average number of ordinary shares (diluted):				
Weighted average number of ordinary shares at 31 December (basic)	84 843 695	85 140 050	84 843 695	85 140 050
Effect of share options in issue	1 371 836	1 229 646	1 371 836	1 229 646
Weighted average number of ordinary shares (diluted)	86 215 531	86 369 696	86 215 531	86 369 696
Diluted earnings per share (cents)	438.4	425.2	406.9	425.3

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

11. Earnings and headline earnings per share (continued)

11.3 Headline earnings per share

The calculation of headline earnings per share at 31 December 2010 of 436.1 (2009: 456.1) cents per share was based on headline earnings attributable to shareholders of R370.0m (2009: R388.4m) and a weighted average number of ordinary shares of 84 843 695 (2009: 85 140 050) during the year as calculated in Note 11.1.

	Group		Exchange	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
Reconciliation of headline earnings:				
Profit for the year attributable to ordinary shareholders	**378 007**	367 244	**350 814**	367 345
Adjustments, net of tax[1], are made to the following:				
Loss on disposal of property and equipment	**12**	107	**12**	107
Impairment of goodwill	**—**	158	**—**	—
Impairment of monies due from group entities	**—**	329	**55**	1 844
Impairment of intangible assets	**23 889**	27 286	**23 889**	5 773
Impairment of available-for-sale equity securities	**—**	2 113	**—**	—
Remeasurement included in equity-accounted earnings of associates	**—**	200	**—**	—
Net realised gains on disposal of available-for-sale financial assets	**(31 893)**	(9 087)	**—**	—
Headline earnings	**370 015**	388 350	**374 770**	375 069
Headline earnings per share (cents)	**436.1**	456.1	**441.7**	440.5

[1] *Taxation effect of headline adjustments amount to R9.3 million (2009: R2.3).*

11.4 Diluted headline earnings per share

The calculation of diluted headline earnings per share at 31 December 2010 of 429.2 (2009: 449.6) cents per share was based on headline earnings for the year of R370.0 million (2009: R388.4 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 86 215 531 (2009: 86 369 696). Refer to note 11.2 and 11.3 for detailed calculations.

	Group		Exchange	
	2010	2009	**2010**	2009
Diluted headline earnings per share (cents)	**429.2**	449.6	**434.7**	434.3

11.5 Effect on earnings and net asset value per share of Investor Protection Funds

The contribution these funds make to the Group is as follows:		
Basic earnings per share (cents)	**34.9**	8.9
Diluted earnings per share (cents)	**34.4**	8.7
Headline (loss)/earnings per share (cents)	**(2.7)**	0.7
Net asset value per share (cents)	**391.1**	420.4

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

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	Note	Computer hardware R'000	Furniture and equipment R'000	Leasehold improve-ments R'000	Vehicles R'000	Total owned assets R'000	Finance lease assets R'000	Total assets R'000
12. Property and equipment								
12.1 Cost								
Group and Exchange								
2010								
Balance at 1 January 2010		74 753	34 907	57 740	264	167 664	19 871	187 535
Additions		44 538	2 071	8 787	—	55 396	2 103	57 499
Disposals		(1 736)	—	(23)	—	(1 759)	(2 060)	(3 819)
Balance at 31 December 2010		117 555	36 978	66 504	264	221 301	19 914	241 215
Group and Exchange								
2009								
Balance at 1 January 2009		58 881	28 477	55 279	264	142 901	15 712	158 613
Reclassification	13.8	(1 317)	(287)	(534)	—	(2 138)	—	(2 138)
Additions		16 627	5 857	3 181	—	25 665	4 596	30 261
Disposals		(40)	(14)	(186)	—	(240)	(437)	(677)
Acquisition through business combination	7	602	874	—	—	1 476	—	1 476
Balance at 31 December 2009		74 753	34 907	57 740	264	167 664	19 871	187 535
12.2 Accumulated depreciation								
Group and Exchange								
2010								
Balance at 1 January 2010		35 489	20 134	31 365	139	87 127	13 107	100 234
Depreciation charge for the year		19 957	3 260	4 107	33	27 357	4 110	31 467
Disposals		(1 692)	—	(6)	—	(1 698)	(2 060)	(3 758)
Balance at 31 December 2010		53 754	23 394	35 466	172	112 786	15 157	127 943
Group and Exchange								
2009								
Balance at 1 January 2009		19 160	17 417	28 255	106	64 938	9 560	74 498
Reclassification	13.8	(206)	(316)	(534)	—	(1 056)	—	(1 056)
Depreciation charge for the year		16 450	2 956	3 700	33	23 139	3 547	26 686
Disposals		(20)	(5)	(56)	—	(81)	—	(81)
Acquisitions through business combination	7	105	82	—	—	187	—	187
Balance at 31 December 2009		35 489	20 134	31 365	139	87 127	13 107	100 234
12.3 Carrying amounts								
Group and Exchange								
2010								
At 31 December 2009		39 264	14 773	26 375	125	80 537	6 764	87 301
At 31 December 2010		63 801	13 584	31 038	92	108 515	4 757	113 272
Group and Exchange								
2009								
At 31 December 2008		39 721	11 060	27 024	158	77 963	6 152	84 115
At 31 December 2009		39 264	14 773	26 375	125	80 537	6 764	87 301

Finance lease assets

The Group leases computer equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at market-related prices.

	Note	Goodwill R'000	Trade names R'000	Computer software R'000	Software under develop-ment R'000	Total intangible assets R'000
13. Intangible assets						
13.1 Cost						
Group						
2010						
Balance at 1 January 2010		**83 145**	**2 217**	**235 085**	**251 580**	**572 027**
Additions		**—**	**—**	**7 510**	**91 801**	**99 311**
Balance at 31 December 2010		**83 145**	**2 217**	**242 595**	**343 381**	**671 338**
Group						
2009						
Balance at 1 January 2009		—	—	199 497	170 411	369 908
Reclassification	13.8	—	—	1 340	—	1 340
Additions		—	—	8 561	81 169	89 730
Acquisitions through business combinations	7	83 145	2 217	25 687	—	111 049
Balance at 31 December 2009		83 145	2 217	235 085	251 580	572 027
13.2 Accumulated amortisation and impairment losses						
Group						
2010						
Balance at 1 January 2010		**158**	**225**	**168 374**	**20 521**	**189 278**
Impairment loss	13.9	**—**	**—**	**—**	**33 179**	**33 179**
Amortisation for the year		**—**	**405**	**25 437**	**—**	**25 842**
Balance at 31 December 2010		**158**	**630**	**193 811**	**53 700**	**248 299**
Group						
2009						
Balance at 1 January 2009		—	—	124 642	12 503	137 145
Reclassification	13.8	—	—	253	—	253
Impairment loss	13.9	158	—	21 513	8 018	29 689
Amortisation for the year		—	225	21 270	—	21 495
Disposals		—	—	696	—	696
Balance at 31 December 2009		158	225	168 374	20 521	189 278
13.3 Carrying amounts						
Group						
2010						
At 31 December 2009		**82 987**	**1 992**	**66 711**	**231 059**	**382 749**
At 31 December 2010		**82 987**	**1 587**	**48 784**	**289 681**	**423 039**
Group						
2009						
At 31 December 2008		—	—	74 855	157 908	232 763
At 31 December 2009		82 987	1 992	66 711	231 059	382 749

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	Note	Goodwill R'000	Trade names R'000	Computer software R'000	Software under develop-ment R'000	Total intangible assets R'000
13. Intangible assets (continued)						
13.4 Cost						
Exchange						
2010						
Balance at 1 January 2010		82 987	1 829	213 572	251 580	549 968
Additions		—	—	7 510	91 801	99 311
Balance at 31 December 2010		82 987	1 829	221 082	343 381	649 279
Exchange						
2009						
Balance at 1 January 2009		—	—	199 497	170 411	369 908
Reclassification	13.8	—	—	1 340	—	1 340
Additions		—	—	8 561	81 169	89 730
Acquisitions through purchase of business	7	82 987	1 829	4 174	—	88 990
Balance at 31 December 2009		82 987	1 829	213 572	251 580	549 968
13.5 Accumulated amortisation and impairment losses						
Exchange						
2010						
Balance at 1 January 2010		—	186	146 861	20 521	167 568
Impairment loss	13.9	—	—	—	33 179	33 179
Amortisation for the year		—	366	25 437	—	25 803
Balance at 31 December 2010		—	552	172 298	53 700	226 550
Exchange						
2009						
Balance at 1 January 2009		—	—	124 642	12 503	137 145
Reclassification	13.8	—	—	253	—	253
Impairment loss	13.9	—	—	—	8 018	8 018
Amortisation for the year		—	186	21 270	—	21 456
Acquisitions through purchase of business	7	—	—	696	—	696
Balance at 31 December 2009		—	186	146 861	20 521	167 568
13.6 Carrying amounts						
Exchange						
2010						
At 31 December 2009		82 987	1 643	66 711	231 059	382 400
At 31 December 2010		82 987	1 277	48 784	289 681	422 729
Exchange						
2009						
At 31 December 2008		—	—	74 855	157 908	232 763
At 31 December 2009		82 987	1 643	66 711	231 059	382 400

13. Intangible assets (continued)

13.7 Amortisation and impairment charge

The amortisation and impairment loss is included as other expenses in the statement of comprehensive income. Refer to note 13.9 for detail.

13.8 Reclassification

During the 2009 financial year an extensive exercise was carried out to reconcile the property and equipment and intangible assets balances per the fixed asset register to that of the general ledger. This resulted in certain balances being reclassified. The impact to the net carrying amounts at the beginning and end of the 2009 financial year was Rnil.

13.9 Impairment loss

During the year, a special review of the software development costs was conducted. Certain elements totalling R33.2 million (2009: R8.0 million) were identified as not being able to deliver value and have therefore been impaired. Management prepared a value-in-use impairment calculation for assessing overall impairment of total costs. Based on this calculation, no further impairment was required as the net present value of the cash-generating unit was calculated to be greater than the capitalised carrying value of the software under development.

13.10 Impairment testing for cash-generating units containing goodwill

During the 2009 financial year all BESA functions were integrated into the JSE with the exception of the BTB platform. The interest rate market still generates cash inflows independently via the BTB system. The allocation and management of the cash outflows have however changed with all expenses managed holistically across the JSE. However, as the cash inflows generated have not changed the interest rate market previously defined as a CGU has not changed. This CGU was not grouped with other CGUs for the purpose of the impairment test as the interest rate market is an operating segment as defined in IFRS8.

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

In the absence of a reliable method for allocating the corporate assets to the interest rate market CGU on a reasonable and consistent basis, a bottom-up impairment approach was followed. An impairment test was performed at the interest rate market level by comparing the carrying amount of the CGU (excluding corporate assets) with the recoverable amount (excluding corporate expenses). The carrying amount comprised the BTB software and the goodwill.

The carrying amount in the current year comprises mainly goodwill (with BTB software relatively insignificant) and hence is lower than the carrying amount in the prior year (which comprised mainly goodwill and cash). In addition, the recoverable amount is not expected to have reduced significantly compared to the prior year given the level of activity in the interest rate market. Therefore there exists an even larger difference between the recoverable amount and the (now) lower carrying amount at the end of the current year, with consequently no impairment required.

A second impairment test was performed. This test was performed at the next highest group of CGU's to which the corporate assets can be allocated on a reasonable and consistent basis. The JSE monitors corporate assets and expenses holistically therefore the second impairment test was performed at a JSE level. No impairment was recognised at this level as the market capitalisation significantly exceeds the carrying value.

	Group		Exchange	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
14. Investments in equity-accounted investees				
14.1 Carrying amount				
Strate Limited				
– Carrying amount at beginning of year	**92 833**	82 616	**21 416**	21 416
– Dividends received	**(24 303)**	(17 710)	**—**	—
– Share of profit	**26 440**	27 927	**—**	—
– Carrying amount at end of year	**94 970**	92 833	**21 416**	21 416
Indexco Managers (Pty) Limited				
– Carrying amount at beginning of year	**41**	31	*****	*
– Share of profit	**6**	10	**—**	—
– Carrying amount at end of year	**47**	41	*****	*
Total investments in equity-accounted investees	**95 017**	92 874	**21 416**	21 416

** Less than R1 000.*

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for the year ended 31 December 2010

	Strate Limited 2010 R'000	Strate Limited 2009 R'000	Indexco Managers (Pty) Limited 2010 R'000	Indexco Managers (Pty) Limited 2009 R'000	MarketTech (Pty) Limited 2010 R'000	MarketTech (Pty) Limited 2009 R'000	Total 2010 R'000	Total 2009 R'000
14. Investments in equity-accounted investees (continued)								
14.2 Group share of post-acquisition profit								
Share of opening accumulated profit	102 408	74 481	41	31	—	—	102 449	74 512
Share of profit after tax	26 440	27 927	6	10	—	—	26 446	27 937
Share of closing accumulated profit	128 848	102 408	47	41	—	—	128 895	102 449
14.3 Summarised financial statements at 31 December								
Non-current assets	79 563	82 017	—	—	—	—	79 563	82 017
Current assets	184 760	160 028	989	989	—	49	185 749	161 066
Total assets	264 323	242 045	989	989	—	49	265 312	243 083
Equity	234 693	219 958	99	99	—	(14)	234 792	220 043
Non-current liabilities	11 263	702	161	161	—	—	11 424	863
Current liabilities	18 367	21 385	729	729	—	63	19 096	22 177
Total equity and liabilities	264 323	242 045	989	989	—	49	265 312	243 083
Revenue and other income	285 730	270 467	47	63	—	2 046	285 777	272 576
Expenses	(181 881)	(168 812)	(20)	(21)	—	(788)	(181 901)	(169 621)
Taxation	(34 558)	(32 546)	(8)	(12)	—	—	(34 566)	(32 558)
Profit for the year	69 291	69 109	19	30	—	1 258	69 310	70 397

MarketTech (Pty) Limited

On 1 January 2010 BESA Investments (Pty) Limited, an indirect subsidiary of JSE Limited, sold its 40% investment in MarketTech (Pty) Limited for R1.00.

	Carrying amount R'000	Effective holding 2010 %	Effective holding 2009 %	Number of shares held 2010	Number of shares held 2009	Directors' valuation 2010 R'000	Directors' valuation 2009 R'000
14.4 Unlisted associated companies							
Group							
Strate Limited	94 970	44.55	44.55	4 346	4 346	360 000	337 203
Indexco Managers (Pty) Limited	47	33.33	33.33	50	50	39	15
MarketTech (Pty) Limited	—	—	40	—	4	n/a	*
	95 017			4 396	4 400	360 039	337 218
Exchange							
Strate Limited	21 416	44.55	44.55	4 346	4 346	360 000	337 203
Indexco Managers (Pty) Limited	*	33.33	33.33	50	50	39	15
	21 416			4 396	4 396	360 039	337 218

** Less than R1 000.*

	Issued share capital	Percentage holding 2010 %	Percentage holding 2009 %	Carrying value of shares held 2010 R'000	Carrying value of shares held 2009 R'000
15. Subsidiaries					
15.1 SAFEX Clearing Company (Pty) Limited					
– ordinary shares of 12.5 cents each	8 300	**100**	100	**1**	1
– zero-coupon redeemable convertible preference shares of 12.5 cents each	160	**100**	100	**3 200**	3 200
				3 201	3 201
The zero-coupon redeemable convertible preference shares are redeemable or convertible at the option of SAFEX Clearing Company (Pty) Limited.					
15.2 BESA Limited					
– ordinary shares of 12.5 cents each	1 925	**100**	100	**240 582**	240 582
Refer to note 7 for further details					
15.3 JSE Trustees (Pty) Limited					
– ordinary shares of R1.00 each	7	**#**	#	*****	*

Certain of the directors of the JSE hold these shares as nominees on behalf of the Exchange.

The Exchange has control over the operating and decision making activities of JSE Trustees (Pty) Limited.

 # less than 1%.

** less than R1 000.*

15.4 Investor Protection Funds

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

	Exchange 2010 R'000	Exchange 2009 R'000
15.5 Amounts due from group entities		
SAFEX Clearing Company (Pty) Limited	**2 752**	2 843
JSE Guarantee Fund Trust	**1 420**	—
JSE Trustees (Pty) Limited	**4 597**	4 170
BondClear Limited	**69**	—
BESA Guarantee Fund Trust	**259**	1 171
	9 097	8 184
15.6 Amounts due to group entities		
JSE Guarantee Fund Trust	**—**	2 200
BESA Limited	**124 295**	125 416
BondClear Limited	**—**	23
	124 295	127 639

All entities are incorporated in the Republic of South Africa. Amounts due to and from group entities are interest free, unsecured and repayable within three months, except for BESA Limited which is repayable on demand.

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for the year ended 31 December 2010

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
16. Other investments				
16.1 Investor Protection Funds financial assets				
16.1.1 JSE Derivatives Fidelity Fund Trust				
Bonds – fair value	6 930	5 315	—	—
Listed equities – fair value	58 854	52 432	—	—
Foreign unit trusts – fair value	10 565	10 794	—	—
	76 349	68 541	—	—
16.1.2 JSE Guarantee Fund Trust				
Bonds – fair value	14 750	12 961	—	—
Listed equities – fair value	98 763	129 683	—	—
Foreign unit trusts – fair value	26 220	26 788	—	—
Local unit trusts – fair value	1 950	1 563	—	—
	141 683	170 995	—	—
Total	218 032	239 536	—	—
An impairment on the listed equities of the Investor Protection Funds of Rnil (2009: R2.1 million) was raised in the current year.				
16.2 Other				
Open Outcry Investment Holdings Limited[1]	1	1	1	1
Stock Exchange Nominees (Pty) Limited	1	1	1	1
Total	2	2	2	2
Total other investments	218 034	239 538	2	2

[1] *This entity is in the process of being deregistered and fair value is assumed to approximate cost.*

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
17. Derivative financial instruments				
European call options	3 015	1 451	3 015	1 451

Refer to note 22.5 for further details.

	Group		Exchange		Investor Protection Funds	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
18.1 Trade and other receivables						
Trade receivables	102 363	105 504	102 195	94 434	—	30
Prepaid expenses	16 592	17 739	13 368	14 192	3 210	3 533
Interest receivable	54 663	75 302	1 861	2 270	825	711
Other receivables	13 761	12 373	8 903	7 967	—	—
	187 379	210 918	126 327	118 863	4 035	4 274

18.1 Trade and other receivables (continued)

The age analysis of trade receivables is as follows:

	Group		Exchange		Investor Protection Funds	
	Gross R'000	Allowances for impairment losses R'000	Gross R'000	Allowances for impairment losses R'000	Gross R'000	Allowances for impairment losses R'000
At 31 December 2010						
Fully performing: 0 – 30 days	101 574	119	101 406	119	—	—
Past due: 31 – 90 days	124	13	124	13	—	—
Past due: More than 90 days	1 263	466	1 263	466	—	—
Total	102 961	598	102 793	598	—	—
At 31 December 2009						
Fully performing: 0 – 30 days	103 814	58	92 744	58	30	—
Past due: 31 – 90 days	727	23	727	23	—	—
Past due: More than 90 days	1 680	636	1 680	636	—	—
Total	106 221	717	95 151	717	30	—

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

	Group		Exchange		Investor Protection Funds	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
At 1 January	717	821	717	821	—	—
Increase/(decrease) in allowance for impairment	162	(30)	162	(30)	—	—
Receivables written off during the year as uncollectible	(281)	(74)	(281)	(74)	—	—
At 31 December	598	717	598	717	—	—

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

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

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
18.2 Due from the JSE Empowerment Fund Trust	13 910	—	13 910	—

In accordance with the JSE's holistic transformation strategy, a loan to facilitate enterprise development was granted to the JSE Empowerment Fund Trust. The intention of this loan is to assist the sustainability of the financial and operational independence of the Fund. The loan will remain in effect until 31 December 2011 or until such time as the JSE requires the loan to be repaid. For the time being, the loan is interest free. The JSE has the option to terminate the agreement with the Fund on one month's written notice charging interest at JIBAR on any outstanding amounts.

19. Margin and collateral deposits

Margin and collateral deposits received are managed and invested on behalf of members in terms of the JSE's rules. These funds have been placed with A1 and A1+ rated banks.

	Group		Exchange		Investor Protection Funds	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
19.1 Margin deposits						
– equities	10 382	23 685	10 382	23 685	—	—
– derivatives funds held by SAFEX Clearing Company (Pty) Limited	14 913 062	14 517 220	—	—	—	—
	14 923 444	14 540 905	10 382	23 685	—	—
19.2 Collateral deposits	4 447	116	4 447	116	—	—

The JSE acts as an agent in securities-lending transactions necessary to facilitate electronic settlement in the Strate environment. At year-end interest-bearing collateral deposits of R4.4 million (2009: R0.1 million) have been lodged as security against securities-lending transactions with a market value of R3.5 million (2009: R0.09 million).

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000	Investor Protection Funds 2010 R'000	Investor Protection Funds 2009 R'000
20. Cash and cash equivalents						
Cash and cash equivalents comprise:						
Bank balances	77 310	76 757	77 107	60 032	4	16 422
Call deposits	969 020	844 040	830 687	729 445	112 036	99 688
	1 046 330	920 797	907 794	789 477	112 040	116 110

The effective interest rate on call deposits earned during 2010 was 5.90% (2009: 7.89%). The deposits had an average maturity of 21 days (2009: 16 days).

	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
21. Share capital and reserves				
21.1 Authorised share capital				
400 000 000 ordinary shares with a par value of 10 cents per share	40 000	40 000	40 000	40 000
21.2 Issued share capital				
85 140 050 ordinary shares with a par value of 10 cents per share	8 514	8 514	8 514	8 514
21.3 Share capital and reserves				
Share capital (refer to Note 21.2)	8 514	8 514	8 514	8 514
Share premium	162 779	162 779	162 779	162 779
Treasury shares	(32 169)	—	(32 169)	—
Non-distributable reserve[1]	10 058	10 058	—	—
Investor Protection Funds	331 847	359 814	—	—
Fair value reserve[2]	73 442	75 675	—	—
– JSE Derivatives Fidelity Fund Trust	21 763	14 943	—	—
– JSE Guarantee Fund Trust	51 679	60 732	—	—
Capital and accumulated funds	258 405	284 139	—	—
– JSE Derivatives Fidelity Fund Trust[3]	62 497	59 001	—	—
– JSE Guarantee Fund Trust[3]	97 244	126 412	—	—
– BESA Guarantee Fund Trust[3]	98 664	98 726	—	—
BBBEE reserve[4]	159 881	160 192	159 881	160 192
– Shares issued to the JSE Empowerment Fund	69 024	69 024	69 024	69 024
– Black Shareholders' retention scheme	90 857	91 168	90 857	91 168
JSE LTIS 2010 reserve	6 244	—	6 244	—
Retained earnings	1 143 950	903 367	1 143 763	956 107
Total	1 791 104	1 604 724	1 449 012	1 287 592

[1] *Arose on the purchase of additional shares in Strate Limited.*
[2] *This reserve comprises fair value adjustments in respect of available-for-sale financial assets.*
[3] *This fund was established for the purpose of investor protection in the event of a member defaulting in derivatives trades in certain circumstances.*
[4] *This fund is ring-fenced for the purpose of investor protection in the event of a member defaulting in equities trades in certain circumstances.*
[5] *Implementation of a Broad-Based Black Economic Empowerment Initiative (BBBEE).*

(i) JSE Empowerment Fund

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

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

The BBBEE Scheme was established to encourage qualifying black shareholders to retain their qualifying black shareholding until 1 June 2011 via the issue of options to subscribe for shares. The granting of options was tranched in amounts determined by the Board over a period of three years – at 5 June 2006, 1 June 2007 and 1 June 2008 respectively, to qualifying black shareholders proportionately to their qualifying black shareholding at those dates. The strike price of the options for each tranche was 20% of the 30 calendar day value weighted average price (VWAP) immediately prior to and including the effective date of the issue of the tranche of options in question. These options are exercisable during June 2011. They are not transferable.

Lapsed options

During the year 5 781 (2009: 116 913) lapsed options with a grant date value of R0.3 million (2009: R5.3 million) lapsed.

21. Share capital and reserves (continued)

21.4 Reconciliation of share options

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

	First tranche		Second tranche		Third tranche		Total
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Number of options
2010							
Group and Exchange							
Outstanding at 1 January 2010	R 52.75	317 557	R 52.75	676 117	R 52.75	626 429	1 620 103
Lapsed during the year		(1 383)		(2 042)		(2 356)	(5 781)
Outstanding at 31 December 2010	R 68.69	316 174	R 68.69	674 075	R 68.69	624 073	1 614 322
Exercisable at 31 December 2010		—		—		—	—
2009							
Group and Exchange							
Outstanding at 1 January 2009	R 55.06	368 346	R 55.06	708 792	R 49.82	659 878	1 737 016
Lapsed during the year		(50 789)		(32 675)		(33 449)	(116 913)
Outstanding at 31 December 2009	R 52.75	317 557	R 52.75	676 117	R 52.75	626 429	1 620 103
Exercisable at 31 December 2009		—		—		—	—

These options are exercisable during June 2011.

	Note	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
21.5 Dividends declared and paid					
Ordinary dividend of 192.0 cents (2009: 192.0 cents) per share		163 469	163 469	163 469	163 469
22. Employee benefits					
22.1 Non-current liabilities		46 105	64 625	46 105	64 625
Leave pay accrual		—	14 357	—	14 357
Compensation on termination of contract	22.8	3 638	3 428	3 638	3 428
Cash-settled share-based payment liability (LTIS 2006 - Tranche 2)	22.5	1 030	534	1 030	534
Cash-settled liability (Cash LTIS 2008 and 2009)	22.6	41 437	46 306	41 437	46 306
Current liabilities		94 113	70 571	94 113	70 571
Deferred compensation	22.2	19 135	17 161	19 135	17 161
Leave pay accrual		16 123	—	16 123	—
Cash-settled share-based payment liability (LTIS 2006 – Tranche 1 and 2)	22.5	41 820	53 410	41 820	53 410
Cash-settled liability (Cash LTIS 2008)	22.6	17 035	—	17 035	—

22.2 Deferred compensation

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

The CEO does not qualify for awards under the deferred compensation scheme, but is eligible for a discretionary bonus equal to a maximum of his annual guaranteed cost-to-company package. For the year under review, the CEO was awarded a full discretionary bonus equal to 100% of his annual package.

Total deferred compensation (including the CEO's discretionary bonus) awarded in 2010 amounted to R37.2 million (2009: R33.5 million) of which R11.4 million (2009: R10.7 million) was paid to Executive Committee members.

22. Employee benefits (continued)

22.3 Special bonus

The discretionary special bonus scheme constitutes an annual incentive for qualifying employees. All permanent staff members are eligible to participate in this scheme. Awards are assessed on individual performance, but are also subject to the JSE's satisfactory financial performance each year as determined by the Board. Historically, the maximum award at executive director level has been nine months' guaranteed pay. Special bonuses are awarded and paid in December each year. Awards under this scheme are not subject to deferral or performance claw-backs.

In the light of the solid financial results reported by the JSE in 2010, the Board authorised a discretionary special bonus payment for the top-performing members of staff, to an aggregate value of R36.5 million (2009: R32.3 million). Of this, an amount of R12.7 million (2009: R12.2 million) was awarded to Executive Committee members. The special bonus was fully paid in 2010.

22.4 Retirement benefits

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

The members' interest in the JSE Pension Scheme is based on the market value of the fund and is recalculated monthly for changes in market value. This fund is governed by the Pension Funds Act, 1956 as amended. 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.

22.5 Cash-settled share-based payment liability (LTIS 2006)

At the time of its listing in 2006 the JSE implemented a share appreciation rights scheme ("LTIS 2006") to attract, incentivise and retain selected key staff over the long term.

LTIS 2006 pays Participants a certain amount in cash based on the number of Participation Interests which vest in the hands of a Participant at each future vesting date, and which cash amount is calculated by reference to the growth in the JSE share price from a Base Price.

The Board issued one tranche of Participation Interests effective 1 January 2006 and a second tranche of Participation Interests effective 1 January 2007.

As at 31 December 2010 the number of Participation Interests held in terms of tranches 1 and 2 (after taking into account the Participation Interests that vested on 31 December 2010 and 31 December 2009 respectively) were as follows:

	2010 (tranche 2 only)	2009 (tranches 1 and 2)
Executive directors (refer to Note 27.4)	181 625	599 750
Other key executives (refer to Note 27.5)	114 700	454 463
Other employees	183 250	505 937
	479 575	1 560 150

Tranche 1 of Participation Interests

Tranche 1 was issued at a base price of R8.31 and was originally intended to vest over three years (50% in December 2008, 25% in December 2009 and 25% in December 2010).

During November 2007, the Board agreed to accelerate the vesting of half of the first portion of Tranche 1 which first portion was originally due to vest in December 2008, in return for Participants agreeing to cap the vesting price of all Tranche 1 Participation Interests at R100 in order to limit the impact to the JSE's profit or loss. This accelerated portion (25%) of Tranche 1 therefore vested early on 31 December 2007 (R53.3 million). The remaining Participation Interests awarded as part of Tranche 1 vested 25% in December 2008 (R18.0 million), 25% in December 2009 (R30.8 million) and 25% in December 2010 (R41.1 million).

Using the Black-Scholes valuation methodology, the profit or loss fair value charge/(write-back) was R17.8 million (2009: (R30.8 million).

Tranche 2 of Participation Interests

Tranche 2 was issued at a base price of R85.45 in November 2007 and also had a three-year vesting profile: 50% due in December 2010, 25% due in December 2011 and 25% due in December 2012.

As at 31 December 2010, no payout was due in respect of the first portion (50%) of Tranche 2 as the JSE share price was below the base price on the year-end vesting date. The remaining portions of Tranche 2 vest in December 2011 (25%) and in December 2012 (25%).

During January 2008, the JSE's exposure under Tranche 2 was hedged through cash-settled European call options, with a view to establishing an economic hedge over the life of the issue. The resultant impact to profit or loss for the year ended 31 December 2010 is a net fair value (write-back)/charge of R0.5 million (2009: R3.3 million).

22. Employee benefits (continued)

22.5 Cash-settled share-based payment liability (LTIS 2006) (continued)

Based on the Black-Scholes valuation methodology, the following assumptions were used to calculate the profit or loss impact as at 31 December (after taking into account the Participation Interests that vested on 31 December 2010):

	2010	2009
(a) Tranche 2 Participation Interests		
Base price	R85.45	R85.45
30 calendar day VWAP	R79.49	R59.74
Total number of Participation Interests in issue	479 575	982 650
Vesting date		
50% of Participation Interests vest on 31 December 2010	—	491 325
25% of Participation Interests vest on 31 December 2011	239 787	245 662
25% of Participation Interests vest on 31 December 2012	239 788	245 663
Volatility	16.46%	19.25%
Dividend yield	2.30%	3.19%

(b) Derivative financial instruments – European call options

The same assumptions were used in the valuation of the European call options.

However the number of Participation Interests economically hedged is 1 050 350.

22.6 Cash-settled liability (Cash LTIS 2008 & 2009)

In November 2008 the Board decided not to issue any further tranches under LTIS 2006, but rather to implement a cash-only long-term incentive ("Cash LTIS 2008") as an interim arrangement. An identical cash-only scheme ("Cash LTIS 2009") also applied for the 2009 financial year. These schemes are an alternative to a traditional long-term incentive (the preferred share-based retention scheme, considered for implementation by the Board in November 2008, having been rendered ineffective by a change in tax legislation). Applicable, as before, to key senior employees of the JSE, the Cash LTIS 2008 vests in three annual tranches – 50% at 31 December 2011, 25% at 31 December 2012 and 25% at 31 December 2013, while Cash LTIS 2009 also vests in three annual tranches – 50% at 31 December 2012, 25% at 31 December 2013 and 25% at 31 December 2014.

The unvested portions of both Cash LTIS schemes attract interest at the commercial rate earned by the JSE on funds under management. As with LTIS 2006, there are no performance hurdles or claw-back provisions applicable to either Cash LTIS scheme.

In order to calculate the net present value impact to profit or loss of all unvested tranches under the Cash LTIS schemes, the unvested portions have been discounted on an annual basis at the weighted average cost of capital. This net present value change (of both schemes) in the current year amounts to R12.2 million (2009: R19.1 million).

	Cash LTIS 2010 R'000	Cash LTIS 2009 R'000
Total cash value of grant approved by Board	34 200	32 000
Portion of grant awarded to Executive Committee members	20 631	20 109

22.7 Long-term incentive scheme 2010 (LTIS 2010)

A new long-term incentive scheme was approved by shareholders at the annual general meeting in April 2010. This new scheme ("LTIS 2010") replaces the previous long term schemes operated by the JSE, and accordingly, no further awards will be issued under these earlier schemes.

Scheme objective and design

The main objective of LTIS 2010 is to retain and incentivise selected senior employees of the JSE over rolling three- and four-year time horizons. To this end, LTIS 2010 comprises a retention component and a performance component, with the objectives, qualifying criteria and potential rewards applicable to each component being clearly distinguished. In particular, the performance component is intended to align the interests of scheme participants with the interests of JSE shareholders.

LTIS 2010 is a full-value, restricted share scheme which provides scheme participants with exposure to JSE shares, these shares having been acquired on an annual basis in the open market by a Trust established by the JSE. A scheme participant gets immediate beneficial ownership of the JSE shares from the date of the award, although this beneficial ownership is subject to restrictions, being the participant's continued employment and the JSE achieving certain Group-level performance conditions over the vesting period. Shares awarded under LTIS 2010 may be forfeited if either the employment requirement or performance conditions are not achieved.

Allocation # 1 under LTIS 2010

Subsequent to receiving shareholder approval, the formalities relating to the establishment of LTIS 2010 and the associated Trust were completed, and the Human Resources Committee of the Board approved the first share allocation under the rules of the scheme. Approval of the individual allocations and clearance to acquire the JSE shares was granted by the Chairman of the Board, and all individual allocations were accepted by scheme participants on or about 25 May 2010.

22. Employee benefits (continued)

22.7 Long-term incentive scheme 2010 (LTIS 2010) (continued)

The following assumptions, using the Black-Scholes valuation methodology, were used to calculate the profit or loss fair value charge of R6.2 million (2009: Rnil).

	Retention shares	Performance shares
Share price at grant date (rand per share)	66.48	66.48
Total number of shares granted	327 400	155 500
Dividend yield	2.30%	2.30%
Vesting dates:		
50% of the shares awarded vest on 1 May 2013	163 700	77 750
50% of the shares awarded vest on 1 May 2014	163 700	77 750

Members of the JSE's executive committee, which includes the executive directors and Company Secretary, have been granted 124 100 retention shares and 155 500 performance shares.

Vesting of Allocation # 1

All shares awarded under LTIS 2010 are held in trust and are restricted until the relevant vesting conditions are fulfilled whereupon the shares vest. Should some or all of the vesting conditions not be fulfilled the share awards may be forfeited.

The performance metrics applicable to the performance shares recognise the JSE's long-term institutional role and incentivise management to develop successful longer-term strategies that will contribute to sustainable growth in shareholder value. In respect of Allocation # 1 granted under LTIS 2010, shareholders have endorsed the following performance metrics, weightings and vesting profile:

Performance levels	Vesting profile – min and max awards	Target	Weighting
Return on equity	Straight-line 20% – 100%	15% to 21% pa compound	30%
EBIT growth	Straight-line 20% – 100%	CPI to CPI + 4% pa compound	30%
Strategic metric	Straight-line 20% – 100%	Development of interest rate market	40%

Further information on LTIS 2010 is contained in the remuneration report prepared by the Human Resources Committee on pages 45-46.

22.8 Compensation on termination of contract

The CEO is the only member of staff with a specific service contract, which has a three-year duration, a four-month notice period and a one-year restraint. The agreed restraint precludes the CEO from being engaged by any stock exchange, bond market or futures market carried on in South Africa for a period of one year from the date of termination of his employment. A guaranteed end-of-contract payment, equal to the CEO's annual guaranteed cost-to-company remuneration at the time, is payable at the conclusion of the contract as compensation for the restraint.

	Assets		Liabilities		Net	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
23. Deferred tax assets and liabilities						
23.1 Deferred tax assets and liabilities are attributable to the following:						
Group						
Property and equipment	318	318	—	—	318	318
Intangible assets	13 968	4 681	(621)	(621)	13 347	4 060
Operating lease liability	20 737	20 809	—	—	20 737	20 809
Operating lease asset	—	—	(646)	—	(646)	—
Employee benefits	39 261	38 000	—	—	39 261	38 000
Derivative financial instruments	881	3 856	—	—	881	3 856
Allowance for impairment losses	126	150	—	—	126	150
Prepayments	—	—	(2 158)	(3 073)	(2 158)	(3 073)
Finance lease asset	—	—	(1 332)	(1 893)	(1 332)	(1 893)
Finance lease liability	1 265	1 812	—	—	1 265	1 812
Income received in advance	167	762	—	—	167	762
Total	76 723	70 388	(4 757)	(5 587)	71 966	64 801

	Balance 1 January 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2010 R'000
23.2 Movement in temporary differences during the year					
Group					
Property and equipment	(7 567)	7 885	318	—	318
Intangible assets	—	4 060	4 060	9 287	13 347
Operating lease asset	22 065	(1 256)	20 809	(72)	20 737
Operating lease liability	—	—	—	(646)	(646)
Employee benefits	28 394	9 606	38 000	1 261	39 261
Derivative financial instruments	5 228	(1 372)	3 856	(2 975)	881
Allowance for impairment losses	172	(22)	150	(24)	126
Prepayments	(2 683)	(390)	(3 073)	915	(2 158)
Finance lease asset	(1 722)	(171)	(1 893)	561	(1 332)
Finance lease liability	1 658	154	1 812	(547)	1 265
Income received in advance	137	625	762	(595)	167
Total	45 682	19 119	64 801	7 165	71 966
Acquired on business combination:					
Deferred taxation raised against goodwill on the purchase of shares in BESA Limited		621			
		19 740			

There are no current and deferred tax implications relating to items charged/credited directly to equity since these relate to Investor Protection Funds which are exempt from tax.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

23. Deferred tax assets and liabilities (continued)

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

	Assets 2010 R'000	Assets 2009 R'000	Liabilities 2010 R'000	Liabilities 2009 R'000	Net 2010 R'000	Net 2009 R'000
Exchange						
Property and equipment	318	318	—	—	318	318
Intangible assets	13 968	4 681	(512)	(512)	13 456	4 169
Operating lease liability	20 737	20 809	—	—	20 737	20 809
Operating lease asset	—	—	(646)	—	(646)	—
Employee benefits	39 261	38 000	—	—	39 261	38 000
Derivative financial instruments	881	3 856	—	—	881	3 856
Allowance for impairment losses	126	150	—	—	126	150
Prepayments	—	—	(2 158)	(3 073)	(2 158)	(3 073)
Finance lease asset	—	—	(1 332)	(1 893)	(1 332)	(1 893)
Finance lease liability	1 265	1 812	—	—	1 265	1 812
Income received in advance	167	762	—	—	167	762
Total	76 723	70 388	(4 648)	(5 478)	72 075	64 910

23.4 Movement in temporary differences during the year

	Balance 1 January 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2010 R'000
Exchange					
Property and equipment	(7 567)	7 885	318	—	318
Intangible assets	—	4 169	4 169	9 287	13 456
Operating lease liability	22 065	(1 256)	20 809	(72)	20 737
Operating lease asset	—	—	—	(646)	(646)
Employee benefits	28 394	9 606	38 000	1 261	39 261
Derivative financial instruments	5 228	(1 372)	3 856	(2 975)	881
Allowance for impairment losses	172	(22)	150	(24)	126
Prepayments	(2 683)	(390)	(3 073)	915	(2 158)
Finance lease asset	(1 722)	(171)	(1 893)	561	(1 332)
Finance lease liability	1 658	154	1 812	(547)	1 265
Income received in advance	137	625	762	(595)	167
Total	45 682	19 228	64 910	7 165	72 075
Acquired on business combination:					
Deferred taxation raised against goodwill on purchase of BESA Limited's business operations		512			
		19 740			

	Group		Exchange		Investor Protection Funds	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
24. Due to SAFEX members						
Non-current liability	1 080	1 019	1 080	1 019	—	—
The amount due to SAFEX members is pending the resolution of potential claims against SAFEX that existed at the time of the purchase of SAFEX entities.						
	1 080	1 019	1 080	1 019	—	—
25. Trade and other payables						
Trade payables	99 839	65 635	98 600	61 900	581	3 061
Current portion of finance lease	3 240	3 139	3 240	3 139	—	—
Interest payable	70 479	90 465	221	403	—	—
Income received in advance	597	523	597	522	—	—
	174 155	159 762	102 658	65 964	581	3 061
26. Notes to the statement of cash flows						
26.1 Cash generated by operations						
Profit for the year before tax	539 666	517 960	512 421	519 398	29 634	7 541
Adjustments for:						
– depreciation of property and equipment	31 467	26 873	31 467	26 873	—	—
– amortisation of intangible assets	25 842	22 191	25 803	22 152	—	—
– impairment losses on software development costs	33 179	8 018	33 179	8 018	—	—
– impairment losses on software	—	21 513	—	—	—	—
– impairment of other receivables	2 572	329	2 626	344	—	—
– impairment of goodwill	—	158	—	—	—	—
– gain on assignment of debt due from Bondclear	—	(5 000)	—	—	—	—
– impairment of available-for-sale investment securities	—	2 113	—	—	—	2 113
– share of profit of equity-accounted investees	(26 446)	(27 937)	—	—	—	—
– interest paid	940 957	1 221 347	7 556	11 835	—	—
– interest received	(1 027 946)	(1 325 473)	(55 392)	(77 236)	(8 886)	(7 518)
– dividend income	(4 045)	(3 922)	(24 303)	(17 710)	(4 045)	(3 922)
– change in fair value of european call options	(1 564)	4 168	(1 564)	4 168	—	—
– loss on sale of property and equipment	16	149	16	149	—	—
– change in fair value of loan to JSE Empowerment Fund	784	—	784	—	—	—
– gain on disposal of investment securities	(31 893)	(9 087)	—	—	(31 893)	(9 087)
Surplus/(deficit) from operations	482 589	453 400	532 593	497 991	(15 190)	(10 873)
Changes in:						
– decrease/(increase) in trade and other receivables	5 472	(24 707)	(6 160)	(9 046)	4 021	(2 594)
– increase/(decrease) in trade and other payables and employee benefits	41 177	38 625	40 220	38 991	(3 393)	2 835
Cash generated by/(used in) operations	529 238	467 318	566 653	527 936	(14 562)	(10 632)
26.2 Taxation paid						
Taxation receivable at beginning of year	(29 641)	(15 978)	(28 992)	(15 658)	—	—
Deferred tax effects	7 165	19 679	7 165	19 739	—	—
Per statement of comprehensive income	161 659	152 359	161 607	152 053	—	—
Taxation receivable at end of year	61 783	29 641	61 031	28 992	—	—
	200 966	185 701	200 811	185 126	—	—

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for the year ended 31 December 2010

27. Directors' and executives' remuneration

		Basic* salary R'000	Medical* aid, UIF and other R'000	Special* bonus R'000	CEO's* discretionary bonus and deferred compensation R'000	Defined contribution pension plan R'000	Payment in respect of vested portion of LTIS 2006 tranche 1 R'000	Total R'000
27.1 Executive directors								
2010								
R M Loubser	Chief Executive Officer	2 729	65	1 992	3 572	714	5 339	14 411
N F Newton-King	Deputy Chief Executive Officer	1 853	77	1 306	636	123	3 239	7 234
L V Parsons	Chief Operating Officer	1 523	87	987	636	410	3 239	6 882
J H Burke	Director: Issuer Services	1 786	101	801	620	120	3 239	6 667
F M Evans	Chief Financial Officer	1 415	31	738	476	92	1 780	4 532
		9 306	361	5 824	5 940	1 459	16 836	39 726
2009								
R M Loubser	Chief Executive Officer	2 599	59	2 000	3 402	680	3 857	12 597
N F Newton-King	Deputy Chief Executive Officer	1 721	70	1 271	618	145	2 340	6 165
L V Parsons	Chief Operating Officer	1 451	62	918	618	386	2 340	5 775
J H Burke	Director: Issuer Services	1 668	78	1 101	602	141	2 340	5 930
F M Evans	Chief Financial Officer	1 317	23	686	462	108	1 286	3 882
		8 756	292	5 976	5 702	1 460	12 163	34 349
27.2 Other key executives								
2010								
G C Clarke	Company Secretary	1 160	73	480	413	100	1 424	3 650
D J Davidson	Director: Clearing and Settlement	1 548	97	566	547	123	1 780	4 661
S A Davies	Director: Surveillance	1 192	96	486	418	65	716	2 973
M Dlamini	Senior General Manager: Education	1 104	31	386	368	72	1 424	3 385
A Forssman	Senior General Manager: Information Products Sales	1 167	39	729	378	49	1 424	3 786
R Gravelet-Blondin	Senior General Manager: Commodity Derivatives	1 153	47	479	412	132	1 424	3 647
N Greenhill	Senior General Manager: Marketing and Business Development	1 027	127	434	369	51	1 424	3 432
J Immelman	Senior General Manager: Information Services	1 093	65	463	368	47	1 424	3 460
M Moloi	Senior General Manager: Human Resources	1 029	43	234	363	99	1 424	3 192
G Rothschild	Director: Government and International Affairs	1 549	65	470	530	96	1 424	4 134
G Smale	Director: Interest Rate Products	1 621	33	679	268	67	—	2 668
A Thomson	Director: Derivatives Trading	1 525	154	782	550	96	2 135	5 242
R van Wamelen	Chief Information Officer	1 498	67	720	506	69	—	2 860
		16 666	937	6 908	5 490	1 066	16 023	47 090
2009								
G C Clarke	Company Secretary	1 097	67	458	401	94	1 028	3 145
D J Davidson	Director: Clearing and Settlement	1 448	76	607	532	141	1 286	4 090
S A Davies	Director: Surveillance	1 110	87	464	406	75	517	2 659
M Dlamini	Senior General Manager: Education	992	27	401	351	84	1 028	2 883
A Forssman	Senior General Manager: Information Products Sales	897	77	529	356	54	1 028	2 941
R Gravelet-Blondin	Senior General Manager: Commodity Derivatives	1 029	80	503	400	144	1 028	3 184
N Greenhill	Senior General Manager: Marketing and Business Development	931	122	445	354	59	1 028	2 939
J Immelman	Senior General Manager: Information Services	985	60	443	353	61	1 028	2 930
M Moloi	Senior General Manager: Human Resources	955	39	242	352	111	1 028	2 727
G Rothschild	Director: Government and International Affairs	1 444	60	471	515	110	1 028	3 628
G Smale	Director: Interest Rate Products (appointed 1 October 2009)	399	3	168	—	16	—	586
A Thomson	Director: Derivatives Trading	1 417	149	794	534	109	1 543	4 546
R van Wamelen	Chief Information Officer	1 400	60	731	492	81	—	2 764
		14 104	907	6 256	5 046	1 139	11 570	39 022

**Represents short-term employee benefits.*

27. Directors' and executives' remuneration (continued)

27.3 Non-executive directors

		Retainer fees R'000	Meetings R'000	Other services R'000	Total R'000
2010					
H J Borkum	Board Chairman, Chairman of Nominations Committee	861	360	—	1 221
A D Botha	Chairman of Human Resources Committee	207	281	—	488
J Berman		67	20	—	87
Z L Combi		138	59	—	197
M R Johnston		138	281	88	507
D Lawrence		138	218	—	356
W Luhabe		138	178	—	316
A Mazwai		138	319	—	457
N S Nematswerani	Chairman of Audit Committee	221	240	—	461
N Nyembezi-Heita		138	40	—	178
N Payne	Chairman of Risk Management Committee	207	240	—	447
G T Serobe		138	142	—	280
		2 529	2 378	88	4 995
2009					
H J Borkum	Board Chairman, Chairman of Nominations Committee	788	324	—	1 112
A D Botha	Chairman of Human Resources Committee	189	269	—	458
J Berman		—	18	—	18
Z L Combi		87	74	—	161
M R Johnston		126	216	51	393
D Lawrence		126	216	—	342
W Luhabe		126	111	—	237
A Mazwai		126	220	—	346
N S Nematswerani	Chairman of Audit Committee	189	217	—	406
N Nyembezi-Heita		—	37	—	37
N Payne	Chairman of Risk Management Committee	189	198	—	387
G T Serobe		126	180	—	306
		2 072	2 080	51	4 203

NOTES TO THE FINANCIAL STATEMENTS continued

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27. Directors' and executives' remuneration (continued)

27.4 Executive directors

		LTIS 2006 Tranche 2 Number of PIs not yet vested	Cash LTIS 2008 R'000	Cash LTIS 2009 R'000	Total R'000	Number of retention shares	LTIS 2010 Number of perform-ance shares	Total number of shares
2010								
R M Loubser	Chief Executive Officer	86 500	2 896	3 357	6 253	15 200	30 300	45 500
N F Newton-King	Deputy Chief Executive Officer	29 500	1 647	1 606	3 253	8 700	13 100	21 800
L V Parsons	Chief Operating Officer	29 500	1 397	1 606	3 003	8 700	13 100	21 800
J H Burke	Director: Issuer Services	27 250	1 597	1 565	3 162	8 500	12 700	21 200
F M Evans	Chief Financial Officer	8 875	1 197	1 201	2 398	6 500	9 800	16 300
		181 625	8 734	9 335	18 069	47 600	79 000	126 600
2009								
R M Loubser	Chief Executive Officer	173 000	2 896	3 357	6 253			
N F Newton-King	Deputy Chief Executive Officer	59 000	1 647	1 606	3 253			
L V Parsons	Chief Operating Officer	59 000	1 397	1 606	3 003			
J H Burke	Director: Issuer Services	54 500	1 597	1 565	3 162			
F M Evans	Chief Financial Officer	17 750	1 197	1 201	2 398			
		363 250	8 734	9 335	18 069			

27.5 Other key executives

		LTIS 2006 Tranche 2 Number of PIs not yet vested	Cash LTIS 2008 R'000	Cash LTIS 2009 R'000	Total R'000	Number of retention shares	LTIS 2010 Number of perform-ance shares	Total number of shares
2010								
G C Clarke	Company Secretary	8 500	880	834	1 714	5 700	5 700	11 400
D J Davidson	Director: Clearing and Settlement	11 500	1 197	1 105	2 302	7 500	7 500	15 000
S A Davies	Director: Surveillance	10 750	947	845	1 792	5 700	5 700	11 400
M Dlamini	Senior General Manager: Education	6 700	780	755	1 535	5 100	5 100	10 200
A Forssman	Senior General Manager: Information Products Sales	12 000	850	786	1 636	5 300	5 300	10 600
R Gravelet-Blondin	Senior General Manager: Commodity Derivatives	8 500	947	831	1 778	5 600	5 600	11 200
N Greenhill	Senior General Manager: Marketing and Business Development	12 000	780	754	1 534	5 100	5 100	10 200
J Immelman	Senior General Manager: Information Services	7 000	850	754	1 604	5 100	5 100	10 200
M Moloi	Senior General Manager: Human Resources	7 000	500	586	1 086	4 000	4 000	8 000
G Rothschild	Director: Government and International Affairs	12 000	850	835	1 685	5 700	5 700	11 400
G Smale	Director: Interest Rate Products	—	—	1 078	1 078	7 300	7 300	14 600
A Thomson	Director: Derivatives Trading	18 750	1 397	1 111	2 508	7 500	7 500	15 000
R van Wamelen	Chief Information Officer	—	1 397	1 023	2 420	6 900	6 900	13 800
		114 700	11 375	11 297	22 672	76 500	76 500	153 000

		LTIS 2006 Tranche 2 Number of PIs not yet vested	Cash LTIS 2008 R'000	Cash LTIS 2008 R'000	Total R'000

27. Directors' and executives' remuneration (continued)

27.5 Other key executives

2009					
G C Clarke	Company Secretary	17 000	880	834	1 714
D J Davidson	Director: Clearing and Settlement	23 000	1 197	1 105	2 302
S A Davies	Director: Surveillance	21 500	947	845	1 792
M Dlamini	Senior General Manager: Education	13 400	780	755	1 535
A Forssman	Senior General Manager: Information Products Sales	24 000	850	786	1 636
R Gravelet-Blondin	Senior General Manager: Commodity Derivatives	17 000	947	831	1 778
N Greenhill	Senior General Manager: Marketing and Business Development	24 000	780	754	1 534
J Immelman	Senior General Manager: Information Services	14 000	850	754	1 604
M Moloi	Senior General Manager: Human Resources	14 000	500	586	1 086
G Rothschild	Director: Government and International Affairs	24 000	850	835	1 685
G Smale	Director: Interest Rate Products (appointed 1 October 2009)	—	—	1 078	1 078
A Thomson	Director: Derivatives Trading	37 500	1 397	1 111	2 508
R van Wamelen	Chief Information Officer	—	1 397	1 023	2 420
		229 400	11 375	11 297	22 672

The value of the LTIS 2006 Tranche 2 unvested Participation Interests are:

Executive directors	R0.7 million (2009: R0.2 million)
Other key executives	R0.4 million (2009: R0.1 million)

The value of LTIS 2010 Allocation #1 is as follows:

Executive directors	R1.7 million (2009: Rnil)
Other key executives	R2.1 million (2009: Rnil)

Refer to Note 22.7 for further details.

28. Related parties

28.1 Identity of related parties

The JSE is the main provider of risk management, clearing and settlement and accounting systems to equity member firms (many of whom are shareholders). Revenue earned from this source, and from providing trading and market data to member firms, amounted to R826.8 million (2009: R765.1 million) for the year. These transactions are conducted on an arm's length basis.

No allowance for impairment losses in respect of related parties as at 31 December 2010 was Rnil (2009: Rnil).

The associated companies and subsidiaries of the Group are identified in notes 14 and 15 respectively.

The directors are listed in the corporate governance report.

28.2 Material related party transactions

Strate ad valorem fees	– see Notes 8.1 and 9.2
Amounts due to and from related parties	– see Notes 15.5 and 15.6
Directors' emoluments	– see Note 27.1, 27.3 and 27.4
Other key executives	– see Note 27.2 and 27.5

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

With effect from 22 June 2009 the JSE purchased 100% of the shares in BESA Limited. On 1 July 2009, the JSE purchased the business of BESA Limited. The loan from BESA Limited is interest free and payable on demand.

During the year surplus assets amounting to R50.0 million were distributed by the JSE Guarantee Fund Trust to the JSE for the establishment of the JSE's disaster recovery site. The transfer of the funds were formally approved by the Financial Services Board. The funds received are recognised in deferred income in the JSE's separate financial statements and will be released to profit or loss on a systematic basis over the useful life of the assets. As at 31 December 2010 the JSE has incurred capitalised costs of R29.0 million.

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29. Contingent liabilities and commitments

29.1 Contingent liabilities

29.1.1 The JSE has a contingent liability as a result of the JSE guaranteeing the settlement of central order book equity market trades in the event that one member fails to settle. This risk is mitigated through various mechanisms, being the member firms' deposits and bank guarantees of R21.6 million (2009: R16.6 million), the JSE Guarantee Fund Trust and the JSE's own trade monitoring system. The JSE retains reserves to meet this contingent liability.

29.1.2 The JSE is one of 25 defendants who have been served with a summons relating to losses incurred by a pension fund in the amount of approximately R1.9 billion. This is in the early stages of the legal process and the exception filed by the JSE has been dismissed, although the merits of the claim have yet to be considered by the courts. The matter will now proceed to trial. Senior counsel's opinion on this matter is that the claim is unfounded and without any merit and the JSE will continue to defend the claim. The matter has been scheduled for hearing during July 2011.

29.1.3 The JSE has a contingent liability in respect of a guarantee of R0.7 million (2009: R0.7 million) issued to the Financial Services Board.

29.2 Commitments

29.2.1 The JSE leases a building and accounts for the lease as an operating lease. The lease commenced on 1 September 2000 for a period of 15 years. On termination of the lease, the JSE has the right to extend the lease for an initial seven year period and thereafter for five year periods ad infinitum. The operating lease payments escalate at 11% per annum.

The BESA Group leases a building at Melrose Arch and accounts for the lease as an operating lease. The lease was renewed for a further five-year period during 2007 and terminates on 30 June 2012. The lease payments escalate at 10% per annum.

		Group		Exchange	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
	Total future minimum lease payments under non-cancellable operating lease:				
	Not later than one year	**40 212**	38 662	**40 212**	38 662
	Between one and five years	**178 829**	182 036	**178 829**	182 036
	Later than five years	**—**	37 004	**—**	37 004
		219 041	257 702	**219 041**	257 702
29.2.2	The JSE is party to a contract with the London Stock Exchange for the use of their technology solution. The licence fees are payable quarterly in advance in pounds sterling.				
	Total future minimum payments:				
	Not later than one year	**10 526**	12 298	**10 526**	12 298
	Between one and five years	**2 632**	15 373	**2 632**	15 373
		13 158	27 671	**13 158**	27 671
	In addition the JSE pays transaction fees to the London Stock Exchange quarterly in arrears for use of the LSE technology solution.				
	Future commitments are payable in pounds sterling and have been converted at the closing rates at 31 December.				
29.2.3	Certain contracts relating to information technology operations have been classified as finance leases.				
	Total future minimum payments:				
	Not later than one year	**4 019**	3 139	**4 019**	3 139
	Between one and five years	**1 599**	3 333	**1 599**	3 333
		5 618	6 472	**5 618**	6 472
	Total present value minimum payments:				
	Not later than one year	**3 240**	3 139	**3 240**	3 139
	Between one and five years	**1 279**	3 333	**1 279**	3 333
		4 519	6 472	**4 519**	6 472
29.2.4	The JSE has entered into a contract for the leasing of premises.				
	Total future minimum payments:				
	Not later than one year	**9 052**	—	**9 052**	—
	Between one and five years	**22 289**	—	**22 289**	—
		31 341	—	**31 341**	—

30. Deferred income

	Group 2010 R'000	Group 2009 R'000	Exchange 2010 R'000	Exchange 2009 R'000
Investor Protection Levy	51 847	50 165	51 847	50 165
Distribution from the JSE Guarantee Fund Trust	—	—	50 000	—
	51 847	50 165	101 847	50 165

Investor Protection Levy

This amount represents unexpended levies received from investors in terms of the Investor Protection Levy together with interest thereon. These levies are raised to finance the market regulatory activities of the Financial Services Board and are committed for this purpose. These funds are included in the cash and cash equivalents balances.

Distribution from the JSE Guarantee Fund Trust

This represents the monies distributed by the JSE Guarantee Fund Trust for the specific purpose of funding the establishment of the JSE's disaster recovery site. This is a transaction between related parties as disclosed in Note 28 and is eliminated on consolidation.

31. Financial risk management

31.1 Operational risk

The Board accepts overall responsibility for operational risk with the responsibility of day-to-day management of operational risk delegated to management 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. These include, inter alia, disaster recovery processes, power back-up, succession plans and diagnostic tests.

31.2 Currency risk

The majority of the JSE's transactions are concluded in its functional currency (South African rand) with the result that its exposure to foreign currency risk from operating transactions is limited. The JSE's Finance department monitors the net foreign currency exposure, which is primarily represented by USD-denominated cash and cash equivalents, ensuring that it remains within acceptable levels as set out in the Group's risk management policies and procedures. No foreign currency balances were held in the Investor Protection Funds.

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

	Group USD R'000	Group GBP R'000	Group EUR R'000	Exchange USD R'000	Exchange GBP R'000	Exchange EUR R'000
2010						
Financial assets	31 647	7	—	31 647	7	—
Trade receivables	5 052	—	—	5 052	—	—
Cash and cash equivalents	26 595	7	—	26 595	7	—
Financial liabilities	(1 296)	(4 988)	(63)	(1 296)	(4 988)	(63)
Trade payables	(1 296)	(4 988)	(63)	(1 296)	(4 988)	(63)
Net exposure	30 351	(4 981)	(63)	30 351	(4 981)	(63)
2009						
Financial assets	42 127	—	—	42 127	—	—
Trade receivables	3 443	—	—	3 443	—	—
Cash and cash equivalents	38 684	—	—	38 684	—	—
Financial liabilities	—	(5 170)	(122)	—	(5 170)	(122)
Trade payables	—	(5 170)	(122)	—	(5 170)	(122)
Net exposure	42 127	(5 170)	(122)	42 127	(5 170)	(122)

As at 31 December 2010

Bank buying rates	Bank selling rates
USD – 6.4468 (2009: 7.2184)	USD – 6.7315 (2009: 7.5244)
GBP – 10.0634 (2009: 11.6183)	GBP – 10. 5263 (2009: 12.2984)
EUR – 8.6400 (2009: 10.2965)	EUR – 9.0322 (2009: 10.9411)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

31. Financial risk management (continued)

31.2 Currency risk (continued)

Sensitivity analysis

A fifteen percent (2009: fifteen percent) strengthening of the Rand against the USD and a ten percent (2009: ten percent) strengthening of the Rand against the GBP and EUR respectively at 31 December would have increased profit or loss by R4.0m (2009: R5.8m) and equity by Rnil (2009: Rnil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2009.

	Group		Exchange	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2010				
USD	4 553	—	4 553	—
GBP	(498)	—	(498)	—
EUR	(6)	—	(6)	—
Net impact	4 049	—	4 049	—
2009				
USD	6 319	—	6 319	—
GBP	(516)	—	(516)	—
EUR	(12)	—	(12)	—
Net impact	5 791	—	5 791	—

A fifteen percent (2009: fifteen percent) weakening of the Rand against the USD and a ten percent (2009: ten percent) weakening of the Rand against the GBP and EUR respectively at 31 December would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

31.3 Cash flow and fair value interest rate risk

Interest rate risk is the risk of the JSE being exposed to fluctuations in the fair values or future cash flows of financial instruments because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in respect of its floating rate financial assets set out below, and to fair value interest rate risk in respect of fixed rate bonds classified as available-for-sale financial assets. Cash flow interest rate risk is managed by the JSE ensuring that the floating rate financial assets are at least equal to or greater than the floating rate financial liabilities. The fair value interest rate risk arising from fixed rate bonds are managed by a reputable asset manager according to approved guidelines, primarily investing in Government bonds.

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

	Group		Exchange		Investor Protection Funds	
	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000
2010						
Assets	6 026 680	9 969 221	405 000	517 623	21 680	13 280
Investments	21 680	—	—	—	21 680	—
Margin and collateral deposits	5 600 000	9 327 891	—	14 829	—	—
Cash and cash equivalents	405 000	641 330	405 000	502 794	—	13 280
Liabilities	(5 600 000)	(9 313 062)	—	—	—	—
Margin and collateral deposits	(5 600 000)	(9 313 062)	—	—	—	—
Net exposure	426 680	656 159	405 000	517 623	21 680	13 280
2009						
Assets	5 893 276	9 488 799	375 000	438 278	18 276	18 389
Investments	18 276	—	—	—	18 276	—
Margin and collateral deposits	5 500 000	9 041 021	—	23 801	—	—
Cash and cash equivalents	375 000	447 778	375 000	414 477	—	18 389
Liabilities	(5 500 000)	(9 017 220)	—	—	—	—
Margin and collateral deposits	(5 500 000)	(9 017 220)	—	—	—	—
Net exposure	393 276	471 579	375 000	438 278	18 276	18 389

Floating rate assets yield interest at call rates.

31. Financial risk management (continued)

31.3 Cash flow and fair value interest rate risk (continued)

Sensitivity analysis

A change of 100 (2009: 100) basis points on the fixed rate bonds and 200 (2009: 200) basis points in the floating rate instruments at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2009.

	Group		Exchange		Investor Protection Fund	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2010						
Fixed rate bond: +100 bps	—	(1 044)	—	—	—	(1 044)
Fixed rate bond: -100 bps	—	1 115	—	—	—	1 115
Floating rate instruments: +200 bps	11 289	—	10 498	—	266	—
Floating rate instruments: - 200 bps	(11 289)	—	(10 498)	—	(266)	—
2009						
Fixed rate bond: +100 bps	—	(864)	—	—	—	(864)
Fixed rate bond: -100 bps	—	901	—	—	—	901
Floating rate instruments: +200 bps	9 446	—	8 780	—	368	—
Floating rate instruments: -200 bps	(9 446)	—	(8 780)	—	(368)	—

31.4 Other market price risk

The Group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets because of changes in market prices (other than changes in interest rates and currencies). To manage its other market price risk arising from the available-for-sale financial assets, the investments are managed by a reputable asset manager according to approved guidelines. The JSE's Finance department monitors the investments in unit trusts and equity instruments by review of the monthly reports from the asset manager. The portfolio of instruments held is regularly reviewed and amended to manage the Group's exposure to market risk.

Sensitivity analysis – other market price risk

The available-for-sale financial assets considered in the sensitivity analysis below exclude the listed bonds and the cash component of the foreign unit trusts which are included in the interest rate sensitivity analysis in Note 30.3.

The equity investments are listed on JSE Limited with the majority of the investments included in the JSE All Share Index. A twelve percent (2009: fifteen percent) increase in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased equity by R18.9 million (2009: R27.3 million) and profit or loss by R0.4 million (2009: R0.2 million) (in respect of the options on the JSE shares); an equal change in the opposite direction would have decreased equity by R18.9 million (2009: R27.3 million) and profit or loss by R0.4 million (2009: R0.2 million) (in respect of the options of the JSE shares). This analysis is performed on the same basis as 2009.

The unit trusts are predominantly benchmarked against the MSCI World Index. A twelve percent (2009: fifteen percent) increase in the MSCI World Index at the reporting date, with all other variables held constant, would have increased equity by R4.4 million (2009: R5.8 million); an equal change in the opposite direction would have decreased equity by R4.4 million (2009: R5.8 million). The analysis is performed on the same basis as 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

31. Financial risk management (continued)

31.5 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 receipt of financial assets and repayment of financial liabilities existing at year-end.

	Group			Exchange			Investor Protection Funds		
	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
2010									
Financial assets	16 362 244	797	2	1 034 785	797	2	330 897	—	—
Other investments	218 032	—	2	—	—	2	218 032	—	—
Trade and other receivables (excluding payments in advance)	115 328	797	—	110 302	797	—	—	—	—
Interest receivable	54 663	—	—	1 861	—	—	825	—	—
Margin and collateral deposits	14 927 891	—	—	14 829	—	—	—	—	—
Cash and cash equivalents	1 046 330	—	—	907 794	—	—	112 040	—	—
Financial liabilities	(15 101 449)	—	—	(116 890)	—	—	(581)	—	—
Trade payables	(103 079)	—	—	(101 840)	—	—	(581)	—	—
Interest payable	(70 479)	—	—	(221)	—	—	—	—	—
Margin and collateral deposits	(14 927 891)	—	—	(14 829)	—	—	—	—	—
Net exposure	1 260 795	797	2	917 895	797	2	330 316	—	—
2009									
Financial assets	15 893 488	1 044	3	916 905	1 044	3	356 356	—	—
Other investments	239 535	—	3	—	—	3	239 535	—	—
Trade and other receivables (excluding payments in advance)	116 833	1 044	—	101 357	1 044	—	—	—	—
Interest receivable	75 302	—	—	2 270	—	—	711	—	—
Margin and collateral deposits	14 541 021	—	—	23 801	—	—	—	—	—
Cash and cash equivalents	920 797	—	—	789 477	—	—	116 110	—	—
Financial liabilities	(14 700 260)	—	—	(89 243)	—	—	(3 061)	—	—
Trade payables	(68 774)	—	—	(65 039)	—	—	(3 061)	—	—
Interest payable	(90 465)	—	—	(403)	—	—	—	—	—
Margin and collateral deposits	(14 541 021)	—	—	(23 801)	—	—	—	—	—
Net exposure	1 193 228	1 044	3	827 662	1 044	3	353 295	—	—

31.6 Credit risk

Credit risk arises from cash and cash equivalents, margin and collateral deposits, trade and other receivables (excluding payments in advance), derivatives, interest receivable, other investments and amounts due from Group entities. Credit risk on cash and cash equivalents, margin and collateral deposits, and interest receivable is minimised through ensuring funds are only placed with P-2.za (A1) and P-1.za (A1+) rated banking institutions, with no concentration of funds in one specific banking institution. Segregation of duties, multiple signatories, third party confirmation of investments and monitoring of compliance with investment mandates are applied on a daily basis to monitor and control exposure to credit risk associated with other investments. Trade and other receivables are monitored by the JSE's Finance department on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

The JSE is exposed to credit losses in the event of default by a clearing member. The 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 investor has ultimate recourse to the JSE Derivatives Fidelity Fund Trust in the event of clearing member and member default. Due to the volatility of the JSE's exposure to credit losses in the event of default by a clearing member, the maximum exposure to credit losses at any one point in time is not necessarily representative of the risk exposure during the year. The JSE Guarantee Fund Trust protects JSE members' clients from loss in certain circumstance should a participant default.

31. Financial risk management (continued)

31.7 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The JSE Board monitors the level of capital, which the Group defines as total share capital and reserves (refer Note 21). In order to maintain or adjust the level of capital, the Group may issue new shares, adjust the amount of dividends paid to shareholders or return capital to shareholders.

The Group further considers its capital risk on a regular basis and believes this risk resides in three main areas:

- settlement guarantee;
- operating costs; and
- capital or opportunity needs.

Settlement guarantee is the money that would be required to settle a failed trade by replacing the defaulting party. This would either entail a settlement in cash or the acquisition of equities required to settle a trade. If it is the latter, the risk is one of the price of the equities moving against the JSE since, although the cash would be forthcoming, it may be less than the original transaction.

Operating costs: Globally, the prudential requirements for operating reserves are between two and six months of operating costs. The JSE Board considers four months to be appropriate.

Capital or opportunity needs: In light of the ongoing need to maintain a world-class technology environment, a high level of cash is maintained. This level of cash is also maintained to allow flexibility in negotiating potential corporate actions. This cash is managed by the JSE's Treasury department and is invested with only P-2.za (A1) and P-1.za (A1+) rated institutions, with a view to maximise interest received without exposing the JSE to risks higher than the JSE Trustees' funds.

Refer Note 21 (footnote 4) for a discussion on our Broad-Based Black Economic Empowerment Initiative (BBBEE).

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

The Group is not subject to externally imposed capital requirements.

32. Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2010					
Assets					
Other investments					
– Equity securities	16.1	**157 617**	**38 735**	**—**	**196 352**
– Debt investments	16.1	**21 680**	**—**	**—**	**21 680**
Derivative instruments	17	**—**	**3 014**	**—**	**3 014**
Total assets		**179 297**	**41 749**	**—**	**221 046**
2009					
Assets					
Other investments					
– Equity securities	16.1	182 114	39 145	—	221 259
– Debt investments	16.1	18 276	—	—	18 276
Derivative instruments	17	—	1 451	—	1 451
Total assets		200 390	40 596	—	240 986

The fair value of financial instruments traded in active markets is based on quoted market prices which represent actual and regularly occurring market transactions on an arm's-length basis at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing market transactions on an arm's length basis and are regularly occurring transactions. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2010

	Group		Exchange	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
33. Minimum lease payments expected from sub-leases				
Total future minimum lease receipts				
Not later than one year	7 125	5 889	7 125	5 889
Between one and five years	14 927	11 592	14 927	11 592
	22 052	17 481	22 052	17 481
The Group sub-leases areas of the building in which it operates. Refer to Note 8.2.				

34. Funds under management

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

	Year ended 31 December 2010 R'000	Year ended 31 December 2009 R'000
Assets under administration		
Interest receivable	96 589	96 322
Fixed deposits	13 535 000	14 774 800
Current and call accounts	9 708 441	7 813 313
Total assets under administration	23 340 030	22 684 435

In terms of rule 2.100.7 of the JSE Rules, the JSE Trustees acts as an agent on behalf of members, who in turn, act as agents on behalf of their clients. JSE Trustees principal activities, whilst acting as agent, are acceptance of monies on deposit for account of clients of members of the Exchange and the later repayment of such monies. These monies are invested in various interest earning bank accounts. JSE Trustees earns an administration fee for the services rendered. Funds so deposited or invested neither form part of the assets of JSE Trustees nor of any member acting on behalf of a client.

Credit risk on assets under administration is minimised through ensuring funds are only placed with P-2.za (A1) and P-1.za (A1+) rated banking institutions.

To monitor liquidity risk, duration limits have been set and authorised for JSE Trustees. The authorised duration limits have been tailored to the liquidity requirements of JSE Trustees and the weighted average duration of funds invested may not exceed 40 (2009: 40) days.

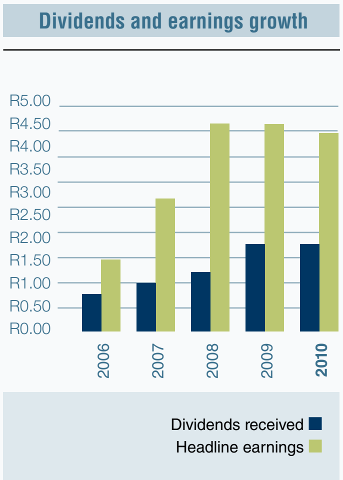
Shareholder diary

2010 financial year end	31 December
Reports	
Interim report for the six months ended 30 June 2010	**August 2010**
Summarised annual financial statements with the declaration of a dividend	**March 2011**
Publication of annual report	**31 March 2011**
Annual general meeting	**28 April 2011**
Dividends payable	**30 May 2011**

The dividend policy of the group is to distribute between 40% and 67% of earnings, after deducting non-recurring items. This equates to dividend cover of between 2.5 and 1.5 times. In terms of the policy, the directors propose to declare ordinary dividend No. 6 of 210 cents per share.

Shareholder analysis

The JSE has a primary listing on the JSE Limited and no other listing. Below are various analyses of shareholding in the JSE as at 31 December 2010.



SHAREHOLDER INFORMATION continued

Shareholder bands

	Number of shareholders	%	Number of shares	% of shares in issue
1 – 5 000	3 683	90.58	6 260 962	7.35
5 001 – 10 000	45	1.11	420 977	0.49
10 001 – 50 000	144	3.54	4 304 000	5.06
50 001 – 100 000*	69	1.70	5 165 319	6.07
100 001 – 1 000 000**	110	2.71	30 994 453	36.40
Greater than 1 000 000	14	0.34	37 240 599	43.74
Treasury shares – JSE 2010 LTIS	1	0.02	482 900	0.57
Totals	4 066	100	85 140 050	100

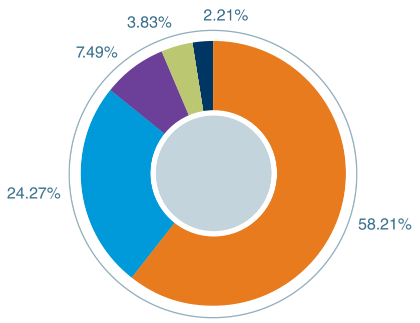
** Includes 91 beneficial holders in the JSE employee share scheme.*
*** Includes 42 beneficial ex-rightsholder shareholdings.*

Shareholder spread	Number	Shareholding	%
Public shareholders	3 875	84 500 628	99.25
Non-public shareholders	191	639 422	0.75
Directors	9	54 757	0.06
Executive management	11	15 525	0.02
Employee share scheme	91	86 240	0.10
LTIS 2010 – Allocation 1	78	476 300	0.56
LTIS 2010 Trust	2	6 600	0.01
Total	4 066	85 140 050	100

Rank	Name of shareholder	Shares held	% held
1	Government Employees Pension Fund	11 601 019	13.63
2	Skagen Kon-Tiki Verdipapirfond	5 694 251	6.69
3	American Funds SmallCap World Fund	4 541 245	5.33
4	Liberty Life Association of Africa Limited	4 430 842	5.20
5	Thembeka Market Holdings (Proprietary) Limited	3 529 000	4.14

To the best of their ability the directors have identified the above beneficial shareholders, in accordance with section 140A of the Companies Act (No. 61 of 1973), as amended or to be replaced.

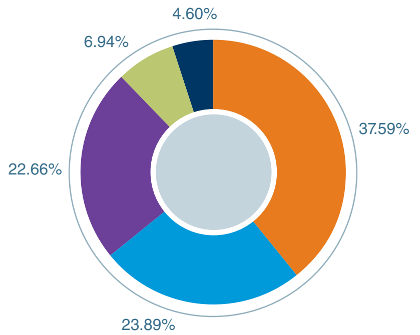
Geographical breakdown of shareholders



South Africa
United States
Norway
United Kingdom
Luxembourg

Data courtesy Thomson Reuters Advisory Services

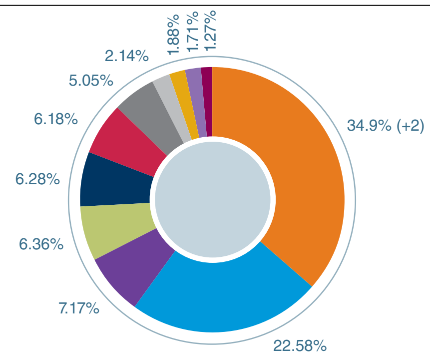
Fund managers by country



South Africa
Below threshold and none FM
United States
Norway
United Kingdom

Data courtesy Thomson Reuters Advisory Services

Beneficial shareholder type



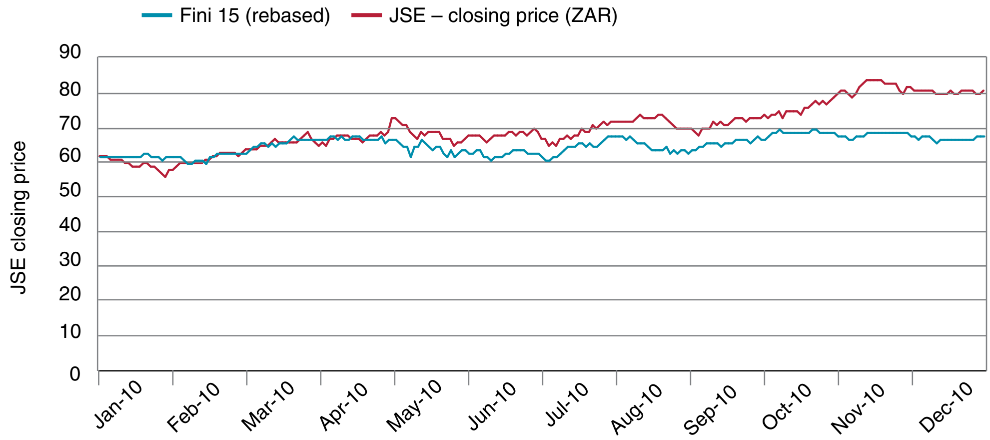
Mutual fund
Pension fund/super
Below threshold
Insurance/assurance
Corporation
Retail
Broker
Empowerment
Misc. institutional
Investment adviser
Hedge fund

Data courtesy Thomson Reuters Advisory Services

Fund manager holding more than 5%	Shares held	% held
STANLIB Asset Management Limited	9 220 317	10.83
Public Investment Corporation Limited	7 179 379	8.43
Skagen AS	5 694 251	6.69
Capital Research Global Investors	4 541 245	5.33

SHAREHOLDER INFORMATION continued

Share performance



The above graph reflects how the JSE closing price has outperformed the FINI15 Index for the financial year under review. The FINI15 Index has been rebased to start at the JSE closing price of R60.60 on 4 January 2010.

Share statistics

Listed 5 June 2006 (cents) 2 425

Year	2010	2009	2008	2007	2006	Average
No. of shares in issue	**85 140 050**	85 140 050	85 140 050	85 140 050	84 705 663	85 053 173
Total equity	**1 791 106 000**	1 604 724 000	1 373 492 000	1 108 678 000	833 540 000	
Net asset value (cents)	**2 103.7**	1 884.8	1 613.2	1 302.2	984.0	1 578
Number of shares traded	**54 911 839**	63 131 759	78 756 854	94 055 338	37 560 000	65 683 158
% of shares in issue	**64.5%**	74.2%	92.5%	110.5%	44.3%	77.2%
Value of shares traded (rand)	**3 774 368 313**	3 323 120 750	4 325 627 249	6 534 027 334	1 296 624 000	3 850 753 529
% of market capitalisation	**56.1%**	64.7%	138.8%	88.2%	29.2%	75.4%
Market price (cents) close at 31 December	**7 900**	6 028	3 660	8 700	5 250	6 308
12-month high	**8 456**	6 400	9 250	9 500*	5 250	7 339
12-month low	**5 501**	3 650	3 500	4 900	1 950***	4 388
Cumulative appreciation of share price	**5 475**	3 603	1 235	6 275	2 825	3 883
Effective annual rate of return	**29.4%**	28.9%	17.3%	124.1%	275.9%	95.1%
Actual dividends declared (cents)	**210**	192	130	106.4	81.8	144.0
Annualised rolling adjusted dividend	**192**	192	130	15.40	13.6	
Dividend yield as at 31 December 2010***	**2.4%**	3.2%	3.6%	0.2%	0.3%	1.9%
Actual headline earnings per share (cents)	**436.1**	456.1	456.9	292.1	158.3	359.9
Annualised rolling headline earnings per share	**436.1**	474.0	452.8	93.5	224.5	
Earnings yield as at 31 December 2010***	**6.2%**	7.9%	12.4%	1.1%	4.3%	6.4%
PE ratio	**16.1**	12.7	8.1	93.1	23.4	30.7
PE ratio for sector	**12.6**	11.2	5.7	8.9	n/a	9.6
Market capitalisation (rand)	**6 726 063 950**	5 132 242 214	3 116 125 830	7 407 184 350	4 447 047 308	5 365 732 730

A shareholder who purchased a JSE share on 5 June 2006 at R24, would have received R7.02 in dividends and earned R55.00 in capital appreciation until 31 December 2010, based on a closing price of R79.00 per share on this date, representing a compound annual growth of 29.4%.

** Highest price since listing.*
*** Lowest price since listing.*
**** Calculated using the annualised figures.*

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