Strate (Proprietary) Ltd
Annual Financial Statements
For the year ended
31 December 2014

Annual Financial Statements

Declarations in Terms of the Companies Act of South Africa

The preparation of these financial statements has been supervised by Hannes van Eeden, CA(SA) in terms of section 29(1)(e)(ii) of the Companies Act of South Africa. The financial statements have been audited in compliance with the requirements of section 30(2) of the Companies Act.

Directors' Responsibility for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements of Strate (Pty) Limited (hereafter referred to as Strate), comprising the statement of financial position at 31 December 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal controls as the directors determine are 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.

The directors have assessed the ability of the company to continue as a going concern and have no reason to believe that Strate will not function as such in the year ahead.

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

Approval of the Annual Financial Statements

The Annual Financial Statements of Strate, were approved by the Board of directors on 25 March 2015 and are signed on their behalf by:

Ms MJ Singer
CEO

Bobby Johnston
Chairman

Declaration by the Company Secretary

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 31 December 2014, the company has lodged with the Registrar of Companies all such returns that are required of a company in terms of this Act and that all such returns appear to be true, correct and up to date.

Elva Price
Company Secretary

Report of the Audit, Risk and Compliance Committee in Terms of section 94(7)(f) of the Companies Act of South Africa

Introduction

The Audit, Risk and Compliance Committee presents its report for the financial year ended 31 December 2014.

Roles and Responsibilities

The committee has discharged all its responsibilities and carried out all the functions assigned to it in terms of section 94(7) of the Companies Act of South Africa, 2008, and as contained in the committee terms of reference. In particular the committee:

- Reviewed the Interim Financial Statements, Annual Financial Statements and recommended them for approval by the Board;
- Reviewed and satisfied itself that the company's finance function was adequately resourced by people with appropriate expertise and experience and that the internal financial controls were effective;
- Satisfied itself that the Chief Financial Officer (CFO) has the appropriate expertise and experience;
- Resolved to continue to outsource the internal audit function to PwC;
- Approved the internal audit charter and audit plans;
- Received and reviewed reports from both the internal and external auditors, which included commentary on the effectiveness of the internal control environment, systems and processes, and where appropriate, made recommendations to the Board;
- Reviewed the independence of the external auditors, KPMG Incorporated, and recommended them for appointment at the Annual General Meeting (AGM) as auditors for the 2015 financial year, with Mrs Joelene Pierce as the designated auditor;
- Ensured that the appointment of the external auditors complied with the provisions of the Companies Act of South Africa, and any other legislation relating to the appointment of auditors;
- Determined the fees to be paid to the external auditors and their terms of engagement; and
- Performed such further functions as prescribed.

The Audit, Risk and Compliance Committee terms of reference provides for confidential meetings between the committee members and the external and internal auditors. The internal and external auditors have unrestricted access to the committee.

Committee Members

The committee was appointed by the shareholders at the AGM and it comprised solely of independent non-executive directors during the course of the year.

At the board meeting in November it was approved that an independent non-executive director will cease to be a member in 2015 and a non-executive director will join effective in 2015. Details of the membership of the committee can be found in Strate's 2014 Annual Integrated Report. The company Chairman, certain executive members, representatives of the external and internal auditors and FSB, all attend meetings of the committee by invitation.

The Audit, Risk and Compliance Committee has evaluated the Annual Financial Statements and Annual Integrated Report for the year ended 31 December 2014. The committee is satisfied that the Annual Financial Statements comply with the Companies Act of South Africa and material aspects of IFRS.

The Audit, Risk and Compliance Committee recommended the Annual Financial Statements and Annual Integrated Report for the year ended 31 December 2014 for approval by the Board. The Board has subsequently approved the Annual Financial Statements and the Annual Integrated Report.

Mr NG Payne

Chairman: Audit, Risk and Compliance Committee

Directors' Report

The directors have pleasure in presenting their report for the year ended 31 December 2014.

Principal Activities

The company's primary activities for the year under review include the:

- Settlement of trades in securities listed on the JSE;
- Clearing of trades in securities; and
- Settlement of trades in money market securities.

The company operates under various licences that have been granted to it by:

- The Financial Services Board (FSB), which authorises Strate to be a Central Securities Depository (CSD) and a Clearing House in South Africa; and
- The Payments Association of South Africa (PASA), which authorises Strate to be a system operator.

In terms of its CSD licence, the company assumes additional responsibilities in terms of the CSD Rules and the Financial Markets Act, 2012 (FMA). These include:

- The responsibility for the regulation of the business activities of the equity and bond participants; and
- The responsibility of the Board to be the controlling body of the CSD in addition to the Board's normal fiduciary duties.

Dividends

An ordinary dividend of R4,551 per share was paid on 8 May 2014. An ordinary dividend of R4,032 per share was paid on 3 May 2013.

Operating Results

Net Profit After Tax (NPAT) for the period under review is R84,5m, a decrease of 5% on 2013 of R88,8m.

Revenue increased by 4% from R332,6m in 2013 to R346,6m in 2014 and expenditure increased by 8% from R224,3m in 2013 to R242,7 in 2014.

Refer to the CFO Report in the Annual Integrated Report for additional information in respect of the operating results.

Stated Capital/Share capital

The company did not issue any shares during the year under review.

Details of the company's authorised and issued stated capital appear in the notes to the financial statements.

Ownership

The shareholders of the company and their percentage holdings at the date of this report are as follows:

	2014 %	2013 %
JSE Limited	**44.547**	44.547
Nedbank Limited	**14.996**	14.996
The Standard Bank of South Africa Limited	**14.996**	14.996
ABSA Bank Limited	**12.679**	12.679
FirstRand Bank Limited	**12.679**	12.679
Citibank N.A.	**0.103**	0.103
	100.000	100.000

Directors

Directors' appointments:

Mr CMH Edwards	Non-executive, alternate to Mr Proudfoot	Appointed 14 March 2014
Mr K Getz	Independent non-executive director	Appointed 14 March 2014

Director's resignation:

Ms N Andrykowsky	Non-executive, alternate to RD Proudfoot	Resigned 6 January 2014

By agreement the shareholder nominees rotate from time-to-time. On 28 August 2014 Mr MS Kerns and Mr MJ Stocks rotated with Mr MJ Stocks becoming the alternate director.

Company Secretary and Registered Office

The company secretary at the date of this report is Elva Price

Business address	Postal address
9 Fricker Road	PO Box 78608
Illovo Boulevard	Sandton
Sandton	2146
2196	

Strate (Pty) Ltd, registration number 1998/022242/07, is incorporated and domiciled in South Africa.

Contracts

No contracts in which directors and officers had an interest and that significantly affected the affairs or business of the company were entered into during the year.

Auditors

KPMG Inc. is the auditor of the company.

Going Concern

The directors believe that the company has adequate resources to continue as a going concern in the foreseeable future.

Events after the reporting date

No material events occurred after the reporting date that would require adjustment or disclosure in the Annual Financial Statements.

CSD Participants

The CSD Participants at 31 December 2014 were:

Citibank N.A, South African Branch
Computershare Proprietary Limited
Eskom Holdings SOC Limited
FirstRand Bank Limited
Link Investor Services Proprietary Limited
Nedbank Limited
Société Générale Johannesburg Branch
Standard Chartered Bank, Johannesburg Branch
The South African Reserve Bank
The Standard Bank of South Africa Limited

Group Financial Statements

Group Financial Statements for the company and its subsidiary company, Central Depository Nominees Proprietary Limited (CD Nominees), have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

Independent Auditor's Report

To the Shareholders of Strate

Report on the Financial Statements

We have audited the financial statements of Strate Proprietary Limited, which comprise the statement of financial position at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 40.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 financial position of Strate Proprietary Limited at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act

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

KPMG Incorporated

Registered Auditor

Per JN Pierce
Chartered Accountant (SA)
Registered Auditor
Director
25 March 2015

KPMG Incorporated
85 Empire Road
Parktown
South Africa
2193

Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 R'000	2013 R'000
Revenue	4	**346 578**	332 579
Other Income		**2 383**	7 637
Total Income		**348 961**	340 216
Operating expenditure	5	**(242 734)**	(224 319)
Personnel expenses		**(114 686)**	(106 832)
IT and maintenance expenditure		**(67 451)**	(60 038)
Depreciation and amortisation expense		**(25 617)**	(20 213)
Impairment charge		**(114)**	(2 176)
Other operating expenditure		**(34 866)**	(35 060)
Profit from operations		**106 227**	115 897
Net finance income		**11 329**	8 902
Finance income	17.2	**12 777**	9 881
Finance costs	17.2	**(1 448)**	(979)
Profit before taxation		**117 556**	124 799
Taxation	6	**(33 044)**	(35 997)
Net profit after tax		**84 512**	88 802
Total comprehensive income for the year		**84 512**	88 802
Basic and diluted earnings per share (Rands)	7	**8 663**	9 102

Statement of Financial Position

for the year ended 31 December 2014

	Note	2014 R'000	2013 R'000
Assets			
Non-current assets		**209 265**	115 409
Equipment	9	**28 117**	28 739
Intangible assets	10	**181 148**	86 670
Investment in subsidiary[1]	23	**–**	–
Current assets		**282 723**	267 207
Trade and other receivables	11	**76 065**	55 261
Cash and cash equivalents	12	**206 658**	208 552
Taxation receivable	17.3	**–**	3 394
Total assets		**491 988**	382 616
Equity and liabilities			
Equity attributable to the owners		**378 351**	338 239
Stated capital	14	**20 000**	20 000
Retained earnings		**347 427**	309 053
Other components of equity		**10 924**	9 186
Non-current liabilities		**36 535**	13 160
Deferred taxation	13	**9 099**	12 052
Other non-current liabilities	28	**26 153**	–
Employee benefits	21	**1 283**	1 108
Current liabilities		**77 102**	31 217
Taxation payable	17.3	**2 469**	–
Trade and other payables	15	**59 222**	19 956
Foreign exchange contracts	16	**2 039**	–
Employee benefits	21	**13 372**	11 261
Total equity and liabilities		**491 988**	382 616

[1]Investment in CD Nominees is R1

Statement of Changes in Equity
for the year ended 31 December 2014

	Stated Capital	Share premium	Capital redemption reserve fund	Special purpose reserve fund	Retained earnings	Total Equity
	R'000	R'000	R'000	R'000	R'000	R'000
2013						
Balance at 1 January 2013	10	19 990	50	2 453	266 270	288 773
Total comprehensive income for the year	–	–	–	–	88 802	88 802
Profit for the year	–	–	–	–	88 802	88 802
Transfer	19 990[1]	(19 990[1])		6 683[2]	(6 683[2])	–
Dividends to equity holders	–	–	–	–	(39 336)	(39 336)
Balance at 31 December 2013	20 000	–	50	9 136	309 053	338 239
2014						
Balance at 1 January 2014	**20 000**	**–**	**50**	**9 136**	**309 053**	**338 239**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**84 512**	**84 512**
Profit for the year	**–**	**–**	**–**	**–**	**84 512**	**84 512**
Transfer	**–**	**–**	**–**	**1 738**	**(1 738)**	**–**
Dividends to equity holders	**–**	**–**	**–**	**–**	**(44 400)**	**(44 400)**
Balance at 31 December 2014	**20 000**	**–**	**50**	**10 874**	**347 427**	**378 351**

[1]During 2013 ordinary share capital of R1 par value was converted to stated capital of no par value.
[2]Net penalties are transferred from Retained earnings to the Special Purpose Reserve Fund.

Statement of Cash Flows

for the year ended 31 December 2014

	Note	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated by operations	17.1	**141 134**	128 647
Interest received	17.2	**12 777**	9 881
Interest paid	17.2	**(1 049)**	(1 026)
Taxation paid	17.3	**(30 134)**	(41 446)
Dividends paid		**(44 400)**	(39 336)
Net cash inflow from operating activities		**78 328**	56 720
Cash flows from investing activities			
Investment in equipment		**(7 597)**	(8 873)
Investment to maintain operations		**(7 597)**	(8 873)
Investment in intangibles		**(64 494)**	(27 598)
Investment to maintain operations		**(60 242)**	(10 647)
Investment to expand operations		**(4 252)**	(16 951)
Proceeds on disposal of equipment		**8**	192
Net cash outflow from investing activities		**(72 083)**	(36 279)
Cash flows from financing activities		**(8 139)**	–
Payment of finance liability		**(8 139)**	–
Net (decrease)/increase in cash and cash equivalents		**(1 894)**	20 441
Cash and cash equivalents at beginning of the year		**208 552**	188 111
Cash and cash equivalents at the end of the year	12	**206 658**	208 552

1. Reporting Entity - Strate (Pty) Ltd

The company is domiciled in South Africa. The address of the company's registered office is:

1st Floor, 9 Fricker Road
Illovo Boulevard
Illovo, Sandton
2196

The principal business activities are the provision of post-trade services for the securities markets.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements at 31 December 2014 have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

The financial statements were approved by the Board of directors on 25 March 2015.

2.2 Basis of Measurement and Presentation

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The financial statements are presented in Rands, which is the company's functional currency, rounded to the nearest thousand.

2.3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Notes 3.3 and 9	Equipment
Notes 3.4 and 10	Intangible assets
Notes 3.5	Impairment
Notes 3.6	Employee benefits

The principle accounting policies adopted are set out below and are consistent with the previous year except for the changes due to the adoption of the effective new standards and amendments as disclosed in note 3.16.

3. Accounting Policies

3.1 Foreign Currency Transactions

Transactions in currencies other than the entity's functional currency are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Gains or losses arising on exchange differences are recognised in other operating expenditure in the statement of comprehensive income.

3.2 Financial Instruments

3.2.1 Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

The company recognises financial instruments as loans and receivables and other financial liabilities. Included in loans and receivables are cash and cash equivalents and trade and other receivables. Included in other financial liabilities are trade and other payables.

3.2 Financial Instruments (continued)

3.2.1 Non-derivative Financial Instruments (Continued)

Measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. They are measured initially at fair value plus any directly attributable transaction costs.

Financial instruments are recognised as loans and receivables and other financial liabilities and financial assets and liabilities at fair value through profit and loss. Included in loans and receivables are cash and cash equivalents and trade and other receivables. Included in other financial liabilities are trade and other payables. Included in financial assets and liabilities through profit and loss are foreign exchange contracts.

The subsequent accounting treatment depends on the classification of an instrument as set out below:

Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost using the effective interest method less impairment losses, and comprise cash on hand and call deposits.

Trade and Other Receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment losses.

Trade and Other Payables

Trade and other payables are carried at amortised cost using the effective interest method.

Foreign exchange contracts

Forward exchange contracts are measured at the forward rate at year end. Foreign exchange gains and losses resulting from foreign exchange contracts are recognised in profit or loss during the year.

Foreign exchange assets arising from the above are recognised in trade and other receivables. Foreign exchange liabilities are disclosed seperately.

3.2.2 Stated Capital

Shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Cash dividends to be paid are recognised as a liability until paid to the shareholder. Dividends are recognised as distributions within equity in the period in which they are payable to shareholders.

3.2.3 Offsetting of Financial Assets and Liabilities and Related Income

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.2.4 Derecognition of Financial Assets and Liabilities

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial assets are transferred. Any interest in such financial assets that is created or retained by the company is recognised as a separate asset or liability.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.3 Equipment

Recognition and Measurement

Equipment comprises furniture and fittings, computer equipment and motor vehicles, which are measured at cost less accumulated depreciation and accumulated impairment.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets to reduce the value of the assets to their residual values.

The estimated useful lives are as follows:

Furniture and fittings:	5 years
Motor vehicles:	5 years
Computer equipment:	3 – 5 years

3.3 Equipment (continued)

The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The gain or loss arising on the disposal of an item of equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Intangible Assets

Acquired Software

Software acquired is stated at cost less accumulated amortisation and accumulated impairment losses.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete the development and its ability and intention is to use or sell the asset. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads and costs that are directly attributable to preparing the asset for its intended use.

Subsequent to initial recognition 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.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets.

Amortisation of an intangible asset begins when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Estimated useful lives are as follows:

Purchased software: 3 – 5 years
Developed software: 2 - 10 years

The estimated useful life and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.5 Impairment

3.5.1 Financial Assets

Financial Assets at Amortised Cost

A financial asset categorised as loans and receivables is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

Individually significant financial assets are tested for impairment on an individual basis. In the case of assets that are not individually significant, these assets are grouped on the basis of similar characteristics. These characteristics are used in the estimation of future recoverable cash flows.

3.5 Impairment (continued)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial

3.5.1 Financial Assets (continued)

assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For capitalised development expenditure that is not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. An impairment loss is recognised if the carrying amount of a cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

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 amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Employee Benefits

3.6.1 Defined Contribution Plan

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 as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.6.2 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 company 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.

3.6.3 Long-term incentive (LTI) Employee Benefits

The LTI was implemented in order to retain key employees to assist the company in achieving its strategic objectives. The LTI is determined based on a percentage of net profit after tax and then shared by the participants on a performance weighted pro-rated basis. The LTI is a five year cycle scheme with payments spread equally in years 3, 4 and 5.

The company's net obligation in respect of long-term obligations other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods and the interest earned on the tranches; that benefit is discounted to determine its present value, and the value of any related assets are deducted.

The discount rate is the yield at the reporting date of listed corporate bonds, adjusted for company-specific circumstances that have maturity dates approximating the terms of the company's obligation. The present value of the amount payable to employees in respect of the LTI, which will be settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any change in the carrying value of the liability is recognised as a personnel expense in profit or loss.

Interest paid on LTI is recognised in profit and loss.

3.7 Revenue

All revenue is reflected excluding Value Added Taxation.

3.8 Lease Payments

Leases where the company is the lessee and the lessor retains substantially all the risks and rewards of ownership of the underlying asset are classified as operating leases in the company's financial statements. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.9 Finance Income and Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on the LTI. All interest costs are recognised in profit or loss using the effective interest method. Refer to note 3.6.3 where interest paid on the LTI has been noted.

3.10 Taxation

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

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

Deferred taxation is raised in respect of temporary differences between the carrying values 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 goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that the company controls the reversal thereof and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax 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 to the extent that it is probable that future taxable profits will be available against which the temporary differences 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.

3.11 Earnings per Share

The company presents basic, diluted and headline 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.12 Special Purpose Reserve Fund

This reserve arises as a result of fines imposed by the company’s Supervision Division as part of its supervisory obligation to monitor compliance by participants.

This reserve is used for special projects or market training initiatives. Use of this reserve requires the approval of the company’s Audit, Risk and Compliance Committee.

An amount equal to the net penalties for the year is transferred from retained earnings to the special purpose reserve.

3.13 Capital Redemption Reserve Fund

An amount that arose out of the redemption of preference shares is recognised as capital.

3.14 Investment in subsidiary

Group financial statements for the company and its subsidiary company, Central Depository Nominees Proprietary Limited (CD Nominees), have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

The investment is measured at amortised cost.

3.15 New Accounting Standards

At the date of approval of the financial statements of the company for the year ended 31 December 2014, the following applicable Standards and Interpretations, as listed in the table below, were in issue but not yet effective.

All Standards and Interpretations will be adopted at their effective date.

Standard	Description	Effective date
IFRS 9 Financial instruments	IFRS 9 addresses the initial measurement and classification of financial assets and financial liabilities and replaces the relevant sections of IAS 39	Annual periods beginning on or after 1 January 2018
IFRS 15 Revenue from contracts with customers	IFRS 15 establishes a comprehensive framework for the recognition of revenue and replaces the existing revenue recognition guidance	Annual periods beginning on or after 1 January 2017

4. Revenue

Revenue consists of the following:	2014 R'000	2013 R'000
Settlement and related charges	**134 996**	132 691
Ad valorem fees	**110 656**	110 063
Issuer fees	**41 080**	34 619
Depository fees	**22 371**	19 503
Connectivity fees	**540**	545
Corporate action charges	**18 893**	16 687
Wide area network and SWIFT charges	**7 886**	7 359
Front end licence and membership fees	**4 317**	4 835
Data sales	**5 839**	6 277
	346 578	332 579

5. Operating Expenditure

Net profit before taxation is arrived at after taking the following items into account		
Personnel expenditure	**114 686**	106 832
Personnel expenses	**95 942**	87 921
- salaries	**66 043**	57 836
- contributions to defined contribution plans	**3 185**	3 314
- increase in liability for leave pay accrual	**312**	1 611
- expense related to LTI	**5 584**	4 500
- short-term incentive scheme	**20 818**	20 660
Directors' emoluments (refer note 22)	**18 744**	18 911
- fees for services as directors	**4 133**	4 226
- fees for consulting services	**2**	12
- salaries of executive directors	**7 894**	7 045
- LTI	**3 048**	2 837
- short-term incentive scheme	**3 667**	4 791

5. Operating expenditure (continued)

	2014 R'000	2013 R'000
IT and maintenance expenditure	**67 451**	60 038
Depreciation and amortisation expense (refer notes 9 and 10)	**25 617**	20 213
- equipment	**8 193**	9 593
- intangibles	**17 424**	10 620
Impairment charge consists of:	**114**	2 176
- Trade receivables	**114**	–
- Impairment of Webportal	**–**	2 176
Operating lease expense (note 20)		
- property rentals	**5 699**	5 401
Auditor's remuneration (audit fees)	**1 566**	1 373
Foreign exchange loss	**2 107**	173
Legal fees	**1 398**	369
Loss on sale of equipment	**16**	71
Loss on sale of investment in Link^{Up}	**–**	761

6. Taxation

	2014 R'000	2013 R'000
Current taxation	**35 997**	35 328
Deferred taxation	**(2 953)**	669
	33 044	35 997
Tax reconciliation:	**R'000**	R'000
Profit before taxation (Rands)	**117 556**	124 799
Standard South African normal taxation	**32 916**	34 944
Non-deductible expenses	**128**	1 053
Current year's charge	**33 044**	35 997

7. Basic and Diluted Earnings per Share

	2014 R'000	2013 R'000
Profit attributable to ordinary shareholders	**84 512**	88 802
Basic and diluted earnings	**84 512**	88 802
Weighted average number of ordinary shares	**9 756**	9 756
Basic and diluted earnings per share (Rands)	**8 663**	9 102

8. Headline and Diluted Headline Earnings Reconciliation

	2014 R'000	2013 R'000
Profit attributable to ordinary shareholders	**84 512**	88 802
Adjusted for:		
- Impairment of webportal	**—**	2 176
- Loss on sale of equipment and non-current assets held for sale	**16**	71
- Impairment of trade receivables	**114**	—
- Tax effect of above adjustments	**(36)**	(629)
Headline earnings	**84 606**	90 420
Weighted average number of ordinary shares	**9 756**	9 756
Headline and diluted headline earnings per share (Rands)	**8 672**	9 268

9. Equipment

Cost	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Balance at 1 January 2013	60 936	3 421	123	64 480
Acquisitions	8 800	73	—	8 873
Disposals	(1 348)	(415)	—	(1 763)
Balance at 31 December 2013	68 388	3 079	123	71 590
Balance at 1 January 2014	**68 388**	**3 079**	**123**	**71 590**
Acquisitions	**5 776**	**1 821**	**—**	**7 597**
Disposals	**(341)**	**—**	**—**	**(341)**
Balance at 31 December 2014	**73 823**	**4 900**	**123**	**78 846**

9. Equipment (continued)

Accumulated depreciation	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Balance at 1 January 2013	(32 049)	(2 805)	(42)	(34 896)
Depreciation	(9 328)	(265)	–	(9 593)
Disposals	1 225	413	–	1 638
Balance at 31 December 2013	(40 152)	(2 657)	(42)	(42 851)
Balance at 1 January 2014	**(40 152)**	**(2 657)**	**(42)**	**(42 851)**
Depreciation	**(7 955)**	**(231)**	**(7)**	**(8 193)**
Disposals	**315**	**–**	**–**	**315**
Balance at 31 December 2014	**(47 792)**	**(2 888)**	**(49)**	**(50 729)**
Carrying amount				
At 1 January 2013	28 887	616	81	29 584
At 31 December 2013	28 236	422	81	28 739
At 1 January 2014	**28 236**	**422**	**81**	**28 739**
At 31 December 2014	**26 031**	**2 012**	**74**	**28 117**

10. Intangibles

	Purchased Software R'000	Developed Software - in use R'000	Developed Software - not yet in use R'000	Total R'000
Cost				
Balance at 1 January 2013	30 816	185 416	–	216 232
Acquisitions	619	–	–	619
Internal development	–	10 540	16 438	26 978
Disposal	(185)	(2 521)	–	(2 706)
Balance at 31 December 2013	31 250	193 435	16 438	241 123
Balance at 1 January 2014	**31 250**	**193 435**	**16 438**	**241 123**
Acquisitions	**5 251**	**–**	**–**	**5 251**
Internal development	**–**	**11 713**	**94 938**	**106 651**
Disposals	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**36 501**	**205 148**	**111 376**	**353 025**

10. Intangibles (continued)

	Purchased Software	Developed Software-in use	Developed Software not in use	Total
	R'000	R'000	R'000	R'000
Accumulated amortisation and impairment losses				
Balance at 1 January 2013	(22 496)	(121 870)	–	(144 366)
Amortisation for the period	(1 291)	(9 329)	–	(10 620)
Disposals	186	347	–	533
Balance at 31 December 2013	(23 601)	(130 852)	–	(154 453)
Balance at 1 January 2014	**(23 601)**	**(130 852)**	**–**	**(154 453)**
Amortisation for the period	**(1 258)**	**(16 166)**	**–**	**(17 424)**
Disposal	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**(24 859)**	**(147 018)**	**–**	**(171 877)**
Carrying amount				
At 1 January 2013	8 320	63 546	–	71 866
At 31 December 2013	7 649	62 583	16 438	86 670
At 1 January 2014	**7 649**	**62 583**	**16 438**	**86 670**
At 31 December 2014	**11 642**	**58 130**	**111 376**	**181 148**

11. Trade and Other Receivables

	2014	2013
	R'000	R'000
Trade receivables - related parties	**46 085**	34 522
Trade receivables - other clients	**15 080**	11 875
Other receivables	**743**	781
Impairment - trade receivables	**(41)**	(125)
Net trade receivables	**61 867**	47 053
Prepayments	**14 198**	8 208
	76 065	55 261

The carrying amount of net trade and other receivables is a reasonable approximation of fair value as they are short-term in nature.

12. Cash and Cash Equivalents

	2014	2013
	R'000	R'000
Cash on deposit and bank balances comprise:		
Current account	**42 042**	14 722
Call deposits	**164 616**	193 830
	206 658	208 552

Finance income of R12,7m (2013 – R9,9m) was earned on bank deposits. The company's exposures to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.3.

Included in call deposits is cash collateral amounting to R1,5m which has been placed with First National Bank Limited as security for a guarantee facility, to which access is restricted. Refer to note 20.3.

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value as they are short-term in nature.

13. Deferred Taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	R'000	R'000	R'000	R'000	R'000	R'000
Operating lease expense	**193**	–	**–**	–	**193**	–
Employee benefits	**4 104**	3 464	**–**	–	**4 104**	3 464
Equipment and Intangibles	**–**	–	**(14 054)**	(16 880)	**(14 054)**	(16 880)
Deferred income	**–**	1 138	**–**	–	**–**	1 138
Prepayments	**–**	–	**(1 085)**	(1 592)	**(1 085)**	(1 592)
Impairment - trade receivables	**8**	26	**–**	–	**8**	26
Audit fee provision	**256**	214	**–**	–	**256**	214
Leave pay accrual	**1 479**	1 578	**–**	–	**1 479**	1 578
	6 040	6 420	**(15 139)**	(18 472)	**(9 099)**	(12 052)

13. Deferred taxation (continued)

Movements in temporary differences during the year are attributable to the following:

	Balance at 1 Jan 2013	Recognised in profit or loss in 2013	Balance at 31 Dec 2013	Recognised in profit or loss in 2014	Balance at 31 Dec 2014
	R'000	R'000	R'000	R'000	R'000
Operating lease asset	238	(238)	–	**193**	**193**
Employee benefits	3 778	(314)	3 464	**640**	**4 104**
Equipment and Intangibles	(15 854)	(1 026)	(16 880)	**2 826**	**(14 054)**
Deferred income	9	1 129	1 138	**(1 138)**	**–**
Prepayments	(533)	(1 059)	(1 592)	**507**	**(1 085)**
Impairment - trade receivables	25	1	26	**(18)**	**8**
Audit fee provision	201	13	214	**42**	**256**
Leave pay accrual	1 241	337	1 578	**(99)**	**1 479**
Non-current asset held for sale	132	(132)	–	**–**	**–**
	(10 763)	(1 289)	(12 052)	**2 953**	**(9 099)**

14. Stated Capital

	2014	2013
	R'000	R'000
Authorised		
10 000 Ordinary shares of no par value		
50 000 cumulative redeemable preference shares of R1 each		
Issued		
Ordinary shares (9 756 ordinary shares of no par value in issue)	**20 000**	20 000

[1] The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at meetings of the company.

15. Trade and Other Payables

	2014	2013
	R'000	R'000
Trade payables - other suppliers	**37 893**	11 762
Accrued expenses	**21 329**	4 128
Trade payables	**59 222**	15 890
Deferred income	**–**	4 066
	59 222	19 956

The carrying amount of trade and other payables is a reasonable approximation of fair value as they are short-term in nature. Included in trade payables is an amount of R14,9m payable to the Collateral Management service provider (refer to note 28).

16. Financial Instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Interest rate risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risks and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit, Risk and Compliance Committee has, as part of its terms of reference, the responsibility to monitor risk management in the company.

The Audit, Risk and Compliance Committee is assisted in its oversight role by internal audit. Internal audit undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance Committee.

The company, through training and managing of standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

16.1 Credit Risk

Credit risk is the risk of financial loss to the company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables.

Trade and Other Receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each client. More than 90% of the company's revenue is attributable to transactions with its CSD Participants and the JSE. The majority of the debtors are first tier banks (refer to note 18 for details) and management is comfortable with prospects of recovering the debtor balances. The outstanding balances are disclosed below.

16.1 Credit Risk (continued)

Trade and Other Receivables (continued)

No material changes have taken place in respect of the client base as the company has been servicing the same clients since its inception. Irrecoverable amounts have been limited and were mainly attributable to services provided to issuers.

Cash and Cash Equivalents

The company has an investment policy which provides guidelines in respect of the day-to-day administration of cash within the company. The primary objective of the policy is to preserve cash funds. The policy also deals with permitted investment types and service providers as well as limits of funds to be placed with service providers.

The company's maximum exposure to credit risk at the reporting date was:

	2014 R'000	2013 R'000
Trade and other receivables, excluding prepayments	**61 867**	47 053
Cash and cash equivalents	**206 658**	208 552
	268 525	255 605

There is no collateral held relating to the maximum exposure to credit risk.

The ageing of trade and other receivables (excluding prepayments) at the reporting date was:

	2014			2013		
	Gross R'000	Impairment R'000	Net R'000	Gross R'000	Impairment R'000	Net R'000
Not past due	**35 501**	**10**	**35 491**	28 297	20	28 277
Past due 31 - 60 days	**23 002**	**4**	**22 998**	16 825	12	16 813
Past due 61- 90 days	**2 607**	**1**	**2 606**	769	5	764
Past due > 90 days	**798**	**26**	**772**	1 287	88	1 199
	61 908	**41**	**61 867**	47 178	125	47 053

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

	2014 R'000	2013 R'000
Balance as at 1 January	**125**	119
Debtors written off against the allowance during the year	**(84)**	—
Impairment loss charge	**—**	6
Balance as at 31 December	**41**	125

16.1 Credit Risk (continued)

Cash and Cash Equivalents (continued)

The company believes that the impairment allowance is adequate. The allowance for impairment is based on specific client circumstances and is not a general allowance. Specific allowances were made in respect of listed companies that were delisted or suspended from the JSE or where other reasons exist that raise doubt in respect of recoverability. The company is confident that all client balances, besides those specifically included in the allowance, are recoverable. The trade receivables are monitored and reviewed monthly. Problematic balances are identified and followed up.

16.2 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company has determined a minimum level of liquid assets in order to ensure its on-going operations which represents approximately six months of cash operating expenditure. The level is assessed on an on-going basis to ensure that an adequate level is maintained given the nature of the company.

The company does not have any debt that needs to be serviced.

The following table analyses the terms of the contractual undiscounted maturities of non-derivative financial instruments existing at the reporting date:

	Up to 3 months	3 to 12 months	1 to 5 years	Carrying amount
2014	**R'000**	**R'000**	**R'000**	**R'000**
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	**(59 222)**	**–**	**–**	**(59 222)**
Employee benefits	**–**	**(13 372)**	**(1 283)**	**(14 655)**
Other non-current liabilities	**–**	**–**	**(26 153)**	**(26 153)**
	(59 222)	**(13 372)**	**(27 436)**	**(100 030)**
2013				
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	(15 698)	(192)	–	(15 890)
Employee benefits	–	(11 261)	(1 108)	(12 369)
Other non-current liabilities	–	–	–	–
	(15 698)	(11 453)	(1 108)	(28 259)

16.3 Interest Rate Risk

Interest rate risk is the effect of a company's exposure to the effect of future changes in the prevailing level of interest rates.

16.3 Interest Rate Risk (continued)

The company currently has no material exposure to interest rate risk on its liabilities.

Interest receivable is received on a floating rate basis. Funds are invested in permitted investments and with service providers in accordance with the investment policy guidelines. The majority of the company's funds are invested on a term basis in accordance with the company's cash flow requirements.

The interest rate risk profile for non-derivative financial assets at the reporting date is as follows:

	Floating rate R'000	Total R'000
2014		
Non-derivative financial assets		
Cash and cash equivalents	**206 658**	**206 658**
2013		
Non-derivative financial assets		
Cash and cash equivalents	208 552	208 552

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

Effect on profit or loss / equity	100 bp increase R'000	100 bp decrease R'000
2014		
Variable rate instruments	**1 726**	**(1 726)**
Cash flow sensitivity	**1 726**	**(1 726)**
2013		
Variable rate instruments	1 913	(1 913)
Cash flow sensitivity	1 913	(1 913)

16.4 Fair Value Disclosure

The fair value of financial instruments carried at fair value are categorised as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable data).

Foreign exchange contracts are categorised as level 2 per the fair value hierarchy.

16.4 Fair Value Disclosure (continued)

The fair values of foreign exchange contract assets and liabilities at year end are as follows:

	R'000
Foreign exchange liabilities	2 039
Foreign exchange assets	42

16.5 Capital Management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To be financially self-sufficient and to provide the shareholders with a fair return is one of the company's key objectives.

The current capital structure consists only of equity. The company is satisfied with the current structure and therefore does not plan on raising any debt.

Management believe that the current capital structure is adequate to support the company's operations and that it is within the company's means to provide the shareholders with a fair return on their capital.

The company is not subject to externally imposed capital requirements.

Capital is made up of:

	R'000	R'000
	2014	**2013**
Stated Capital	**20 000**	20 000
Capital redemption reserve fund	**50**	50
Special purpose fund	**10 874**	9 136
Retained earnings	**347 427**	309 053
	378 351	338 239

An ordinary dividend of R4,551 per share was paid on 8 May 2014. An ordinary dividend of R4,032 per share was paid on 3 May 2013.

16.6 Foreign Exchange Contracts

Historically the company had no material direct exposure to currency movements as the company's expenditure is mainly Rand based. With some of our future products and services, specifically the Collateral Management Service, foreign suppliers with expenditure denominated in foreign currencies will be utilised. Given this change we have developed a policy in order to manage these exposures which will include the use of foreign exchange contracts and other instruments.

The nominal values of foreign exchange contracts are detailed below:

	Foreign currency	**Rands**
	FX'000	**R'000**
Euro	2 270	35 129
US Dollars	1 300	15 827
	3 570	50 956

The foreign exchange contracts were valued at fair value using foreign exchange market rates.

Foreign currency sensitivity analysis
A change of 10% in exchange rates at the reporting date would have increased/(decreased) the profit and equity by the amounts shown below. The analysis assumes that all other variables remain constant.

Effect on profit or loss / equity	**10% increase**	**10% decrease**
	R'000	**R'000**
2014		
Exchange rate sensitivity	**155**	**(155)**
Exchange rate sensitivity	**155**	**(155)**

17. Notes to the Cash Flow Statement

		2014 R'000	2013 R'000
17.1	Cash generated by operations		
	Profit before taxation	**117 556**	124 799
	Adjustments:		
	- depreciation and amortisation expense	**25 617**	20 213
	- loss on sale of equipment	**16**	71
	- loss on sale of investment	**—**	761
	- finance income	**(12 777)**	(9 881)
	- finance costs	**1 049**	1 026
	- impairment of webportal	**—**	2 176
	- present value of collateral transactions	**451**	—
	- reversal of accruals	**1 316**	—
	- movement in allowance for impairment losses - trade receivables	**—**	6
	Operating profit before working capital changes	**133 228**	139 171
	Increase in trade and other receivables	**(20 804)**	(9 873)
	Increase/(Decrease) in payables	**28 710**	(651)
		141 134	128 647

		2014 R'000	2013 R'000
17.2	Finance income / finance costs		
	Finance income		
	Interest received - cash investments	**12 777**	9 881
	Finance costs		
	Interest paid on LTI scheme	**1 049**	1 026
	NPV adjustment on LTI scheme	**399**	(47)
		1 448	979

		2014 R'000	2013 R'000
17.3	Taxation paid		
	Opening balance at the beginning of the year	**(3 394)**	3 344
	Current taxation	**35 997**	35 328
	Correction of deferred tax included in opening balance	**—**	(620)
	(Payable)/Receivable at end of year	**(2 469)**	3 394
		30 134	41 446

18. Related Parties

Key Management Personnel

Key management personnel include the Board of directors and members of the Executive Committee. Key management personnel includes close family members of key personnel who may be expected to influence or be influenced by that individual in dealing with the company. Refer to note 22 where key management personnel compensation has been disclosed.

Shareholders

Shareholders who are CSD Participants:

	2014	2013
Nedbank Limited	**14.996%**	14.996%
The Standard Bank of South Africa Limited	**14.996%**	14.996%
Absa Bank Limited	**12.679%**	12.679%
FirstRand Bank Limited	**12.679%**	12.679%
Citibank N.A	**0.103%**	0.103%
Other shareholders	**44.547%**	44.547%

	Revenue		Trade receivables	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
JSE Limited	**116 659**	115 584	**22 817**	19 034
The Standard Bank of South Africa Limited	**68 115**	76 410	**12 864**	7 038
FirstRand Bank Limited	**35 277**	36 627	**6 773**	3 942
Nedbank Limited	**16 976**	17 516	**1 455**	1 455
Absa Bank Limited	**5 733**	16 289	**1 238**	2 116
Citibank N.A	**12 244**	5 030	**937**	937
Total	**255 004**	267 456	**46 084**	34 522

18. Related Parties (continued)

The company's revenue, as reflected in note 4, is earned principally from the settlement of securities. In terms of the company's business model, fees are collected from the CSD Participants and the JSE, which collect these fees from the investors. The revenue earned from providing these services, as detailed above, is market related.

All related party transactions have been conducted on an arm’s length basis.

Trade receivables are to be received within 30 days of invoice date and interest is charged on a discretionary basis. There are no securities or guarantees.

19. Non-current Asset Held for Sale

Link^{Up} Capital Markets S.L, Spain

During 2009 the company acquired a 2% shareholding in Link^{Up} Capital Markets S.L, Spain. The acquisition meant that the company was part of an international CSD community and was in a position to promote the international competitiveness of securities services in South Africa. As a result, this investment held both a strategic and intrinsic value to the company.

During 2013 there were two options available for the disposal/liquidation of the non-current asset held for sale. The options included the winding up of Link^{up} or to sell. The second option was elected.

	2014	2013
	R’000	R’000
Opening balance at 1 January	**–**	901
Disposal of non-current asset held for sale	–	(901)
Fair value at 31 December	**–**	–

20. Commitments and Contingencies

20.1 Operating Expenditure

	2014 R'000	2013 R'000
Maintenance contract	**217 271**	120 974
- within one year	**104 895**	43 991
- greater than a year but less than five years	**112 376**	76 983
Lease payments under a non-cancellable operating lease	**24 544**	27 957
- within one year	**5 087**	5 035
- greater than a year but less than five years	**19 457**	22 922
	241 815	148 931

The company leases the office premises under an operating lease. The lease typically runs for a period of up to 5 years, with an option to renew the lease after that period. The current lease expires in February 2019.

20.2 Capital Expenditure

	2014 R'000	2013 R'000
Authorised (Budgeted)		
- within one year	**71 300**	51 578
equipment	**21 200**	9 949
intangibles	**50 100**	41 629

The commitments are to be funded out of working capital.

20.3 Contingent Liabilities

First National Bank Limited has issued a guarantee of R1,5m (2013: R1,5m) in favour of Public Investment Corporation. This relates to the lease agreement for the company's premises.

21. Employee Benefits

The company's salary structure is based on the total Cost-to-Company approach.

All contributions to the pension and medical aid schemes are included in the salary structure.

The company provides retirement benefits for all its permanent employees through a defined contribution pension scheme and therefore does not have a liability in terms of retirement benefits. Members' interest in the scheme is based on the market value of the funds and is adjusted monthly for changes in market value. The scheme is fully funded and is governed by the Pension Funds Act, 1956 as amended.

21. Employee Benefits (continued)

	2014 R’000	2013 R’000
Current liability		
Short-term portion of incentive schemes		
Balance of discretionary bonus	**3 036**	3 377
Current portion of LTI		
	10 336	7 884
LTI	**9 136**	6 907
Interest payable on LTI	**1 200**	977
Total current liability	**13 372**	11 261
Non-current liability		
Non-current portion of interest payable on LTI	**1 283**	1 108
Total non-current liability	**1 283**	1 108

Details in respect of the workings of the short-term bonus, discretionary bonus and LTI schemes are included in Strate's 2014 Annual Integrated Report which can be found on our website.

Interest will be earned by participants until each tranche is paid. Interest paid has been calculated using the average investment interest rate calculated at 5,10% (2013: 4,65%). The interest on future tranches payable has been discounted at a weighted discount rate of 5,10% (2013: 4,65%) to net present value. Interest paid is recognised through profit or loss.

22. Directors Emoluments

		Directors' fees	Consulting fees	Salaries	Bonuses and LTI	Total
		R'000	R'000	R'000	R'000	R'000
2014		**4 133**	**2**	**7 894**	**6 715**	**18 744**
Executive directors						
MJ Singer[1]	CEO	–	–	3 634	3 845	7 479
AF van Eden[2,4]		–	–	2 363	1 366	3 729
H van Eeden[3]	CFO	–	–	1 897	1 504	3 401
Other directors						
MR Johnston		1 138	2	–	–	1 140
NG Payne		695	–	–	–	695
PL Campher		154	–	–	–	154
RJG Barrow		816	–	–	–	816
RSM Ndlovu		212	–	–	–	212
M Ramplin		220	–	–	–	220
K Getz		320	–	–	–	320
D Naidoo		281	–	–	–	281
RM Loubser		297	–	–	–	297

[1] Includes R331 849 that relates to contributions made to the JSE Pension Fund.
[2] Includes R200 319 that relates to contributions made to the JSE Pension Fund.
[3] Includes R266 401 that relates to contributions made to the JSE Pension Fund.
[4] The Head of Collateral Management is the alternate to the CEO.

Other directors do not receive any form of remuneration other than reimbursements.

The company has no prescribed officers other than the executive directors listed above.

22. Directors Emoluments (continued)

		Directors' fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2013		4 226	12	7 045	7 628	18 911
Executive directors						
MJ Singer[1]	CEO	–	–	3 133	3 738	6 871
AF van Eden[2,4]		–	–	2 250	2 449	4 699
H van Eeden[3]	CFO	–	–	1 662	1 441	3 103
Other directors						
MR Johnston		1 170	12	–	–	1 182
NG Payne		823	–	–	–	823
PL Campher		117	–	–	–	117
RJG Barrow		994	–	–	–	994
RSM Ndlovu		185	–	–	–	185
M Ramplin		269	–	–	–	269
D Naidoo		295	–	–	–	295
RM Loubser		373	–	–	–	373

[1] Includes R298 954 that relates to contributions made to the JSE Pension Fund.
[2] Includes R213 912 that relates to contributions made to the JSE Pension Fund.
[3] Includes R261 978 that relates to contributions made to the JSE Pension Fund.
[4] The Head of Collateral Management is the alternate to the CEO.

23. Investment in Subsidiary

Investment in CD Nominees

CD Nominees, is used as a vehicle in whose name debt securities deposited with Strate are registered. The subsidiary's only purpose is to act as a nominee company for Strate.

The issued share capital of CD nominees of R1 is represented by cash of R1.

CD Nominees is wholly owned by Strate.

Group financial statements for the company and its subsidiary company, CD Nominees, have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

24. Going Concern

The directors believe that the company has adequate resources to continue as a going concern for the foreseeable future.

25. Events After the Reporting Date

No material events occurred after the reporting date that would require adjustment or disclosure in the Financial Statements.

26. Special Purpose Reserve Fund

This reserve arises as a result of fines imposed by the company's Supervision Division as part of its supervisory obligation to monitor compliance by participants.

This reserve is used for special projects or market training initiatives. Use of this reserve requires the approval of the company's Audit, Risk and Compliance Committee.

An amount of R1,7m (2013: R6,7m) which is equal to the net penalties for the year is transferred from retained earnings to the Special Purpose Reserve Fund.

27. Change in accounting estimate

There has been a change in accounting estimate for certain intangible assets. Previously these intangible assets were depreciated over a period of 5 years, however during the current year the useful lives have been changed in accordance with the new IT roadmap.

This would result in the following:

	2014
	R'000
Increase in depreciation charge	**6 263**
Effect on taxation	**(1 753)**
Effect on profit after tax	**4 510**

28. Collateral Management liability

	2014 R'000	2013 R'000
Current liability		
Short term portion of Collateral Management liability	**14 880**	–
Non-current liability		
Non-current portion of Collateral Management liability	**26 153**	–
Total	**41 033**	–

The liability is in respect of the contract entered into between Strate and the Collateral Management service provider. The contract was entered into on 20 November 2012 for an initial five year period which will expire in November 2017. The contract includes an option to renew. The liability includes a fixed payment portion and a variable portion contingent on revenue.

The collateral management asset was calculated by present valuing future payments and a corresponding liability has been raised. The asset is recognised in intangible assets. The short term portion of the liability is recognised in trade and other payables. Foreign exchange contracts are measured at fair value with changes recognised in profit or loss.