March 2010

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Humphrey Borkum	My name is Humphrey Borkum. I'm the Chairman of the JSE, and I'm delighted to welcome you all here this evening. We have a mixture of people here tonight. We purposely don't aim our report-backs at shareholders alone. There are a number of people who we consider stakeholders in the business. We feel that it's important to get as wide a cross-section of people to these report-backs as we can, partly to advertise investment in this country, investment in our future. So welcome, and thank you all for being here. When I say that I'm delighted that you're all here tonight, I really am. If I look back at the past year and think to myself, how many times over the year did I think that I was going to be so relaxed and so cheerful at our presentation of our results, it can't have been many times because we really have been through terrifying circumstances in the financial crisis that we've all lived through. But as those of you who have seen our SENS announcement or who have read the press today will know, we have survived the crisis very well, in fact extraordinarily well. And I'm very proud of our results. I know they're flat, but when one considers the year we've been through its extraordinary. On opening the newspaper this morning I looked in Business Day and there was a tiny photograph of our Chief Executive, Russell Loubser. The photograph is about a centimetre high and about two centimetres wide. I guess that the editors of Business Day thought that anything bigger might frighten their early morning readers. Underneath the photograph it says, The JSE CEO Russell Loubser is to be congratulated. He successfully and profitably navigated the stock exchange through a very difficult year, one from which few would have expected it to emerge unscathed. That pretty well sums up my feelings. And that's why I'm delighted that you're here tonight to listen to our report back. If you look at the industry review of the past year exchanges worldwide had a torrid time. Shares traded, fell in value. The pace of listing slowed dramatically and liquidity decreased. The crisis highlighted the role of well functioning stock markets. And there is no doubt that our stock market did function very well. Risk management systems for on-market trade worked very well. The JSE's performance in these tough conditions I think was nothing short of excellent. There were some significant milestones. There was the creation of our single interest rate team. Some of my old pals who are here in the audience tonight, guys like John Balderson, Norman Lowenthal, [unclear], a few other people, will know that for the last 30 years we've been trying to merge the JSE and BESA. This year we were successful at long last. And we weren't only successful, but it was a great success. We did a scheme arrangement and 100% of those shareholders that were entitled to vote voted in favour of the scheme. And I look forward to great things in the interest rate market in South Africa in the future. We've only really scratched the surface in this country, and we've got a huge interest rate market ahead of us. We launched the Africa Board, which I believe is going to be the gateway through which investors worldwide will invest into Africa. And I look forward to great success from that African Board. And we reinvented the commodity derivatives market. There are major challenges. Some of our institutional members have suffered the impact of the crisis. Trade in equity derivatives has fallen dramatically and listings have slowed down. However, nothing is forever, and I look forward to recoveries in all those situations. Our response to the crisis has been focussed and well thought out. Our relationships with issuers, clients and investors have been strengthened. Our derivatives market instruments have been developed to capture over the counter

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	trade. The IT team has been boosted to enhance our technology. And really the JSE is little more than a technology shop or an IT shop. We have to be ahead of the pace on technology all the time. And our cash and derivative teams have reviewed their billing models in order to capture more business in the future. Ladies and gentlemen, I look forward to drinking with you afterwards and having a chat with you afterwards. Thank you for being here, and I'm going to ask Russell to take over and talk to you about the year which we've just been through. Thank you.
Russell Loubser	Thank you, Chairman, and welcome again to everybody this evening. We've got pens and pads on your chairs. They are nicely set up so that with each slide I talk to you can make your comments. And I ask you if you wouldn't mind keeping your questions till later. We've made it very easy for you. When I'm finished I'll take questions from the audience first. Then we'll take questions from people on the conference call, if there are any. And then we will take questions from the webcast participants, if there are any. And then we will take further questions from the audience if there still are. Thank you very much for being here this evening. Right, let's start with the numbers. Those are the numbers. Revenue up 8%. Not bad for a very scary year. That's why when people ask me what I think about things at the moment the standard answer is, well guys, it's definitely better than last year at this time. I remember very clearly the mood and the feeling of last year this time. The world was paralysed. They didn't know what to expect. They knew the problems were here, at least the issue had burst open, but nobody this time last year had a clue as to how far does this thing go. So from that point of view, coming off a low base, at least it's better now than last year this time. However, the fundamental problems are not over. The fundamental imbalanced worldwide are still there. And therefore it's surprising, interesting and gratifying that our turnover is up and our net profit after tax just slightly down. That's what the pie chart looks like that we show you every year. And to make it easier to look at, if you start there that little slice corresponds there, and if you go across that way all the time and clockwise then that's an easy way to read the chart. We like putting this up there to just show how over the last 15 years – well, it's not that much. It's the 13 years – how we've managed to diversify the revenue streams. Where one comes in one year and most probably doesn't perform so well the next year, then hopefully another slice will compensate. But that's what it looks like. Let's more on the various divisions, our issuer services division, our listings division as we used to call it, the corporate activity. There was a lot of corporate activity, not many listings, and that resulted in an increase in documentation fees. Then for the second half of the year we included the listings revenue associated with the BESA, the Bond Exchange acquisition, and that amounted to R5 million. Ten new company listings. We will continue the concentration on quality. We will never make the mistakes again that we made in the late 90s where it was a quantity issue and then paid the price for the next decade. We're still busy delisting – we've got to the end now – some of the stuff that should never have been listed in the first place in that very heady late 90s period. I'm sure many of you remember. Some of them quite substantial, for instance Vodacom. We had one Africa Board listing, and that's fine. And if we have two this year, and we're most probably on track to do it because we're listing one next month – Wilderness Safaris – so if we can list one more then we've got 100% increase. And who ever stands and talks to you here in ten years time will either be talking exactly about the Africa Board or something akin to it because it makes such obvious sense. 25 company delistings for various reasons, and then ETFs, the exchange traded funds, those listings are growing

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	steadily. That is an absolutely fantastic product, identical in concept to a mutual fund or a unit trust but so much better because it's live, the pricing. Whether you're on the buy side or the sales side it's absolutely at the price. Why hasn't it grown as it should grow? Well, there is no incentive for the salesmen to sell them because the commissions aren't there. Fair enough, we understand that. But it's an absolutely stunning product, worldwide very big. So issuer services after all that up 14%. Gratifying. Equities trading, cash equities trading, a number of transactions up by 20%. That was nice to see. Revenue associated therewith up 16%. There is an in out that we talk about every year. That's an amount of money we pay and receive from straight. The amount involved is R94 million. So just take that out. So if you take it out then our revenue grew by 16%. That third bullet point, the foreign investors being net buyers of R75 billion, absolutely crucial to South Africa because we're running a deficit on our current account of the balance of payments. 2008, that was our net, R54 billion sold by foreigners. Foreigners changed their mind in 2008 [sic]. There were net R75 billion buyers. So there is a net swing of R130 billion, and that's just on cash equities. The bond market added another R40 billion net swing as far as that is concerned. Once again currency that Southern Africa desperately needs if it's going to keep on importing more than exporting. Algorithmic trades are rising and average trade size is declining. Now, I'm not saying that's either good or bad. That's just what is exactly happening and I'm just reporting back to you. We provide the back office dealer accounting system for all equity brokers. It gives us unparalleled surveillance capabilities. And that has been one of the foundations for South Africa to clean up its act, to clean up its act in terms of being able to get to the issue very quickly when we're looking at market manipulation, insider trading, front running, that type of thing. Like I say every year you can never stop that completely because greed is a very strong emotion, but like I say every year, please don't do it because we'll most probably be able to catch you. And then unfortunately we're going to have to hand you over to the Financial Services Board, and you don't want to be handed over to the Financial Services Board. And that surveillance capability of South Africa which helped us to clean up our act was one of the main reasons why we didn't have to interfere with the market at the top of the crisis, September/October 2008, when countries and exchanges around the world were panicking, were not in the fortunate position South Africa was in, and interfered with the market. Banned the short-selling of financial shares, introduced circuit breakers, didn't allow the stock market to go down by more than 5% or 10% and then they stopped trading for an hour, two hours a day – 11 times in the space of one month in the case of the Russian markets. We didn't have to do anything like that, and it's because of this surveillance capability that we have where we are unique in the world. We can see down to client level what is happening in the brokers' books. No other exchange has got that capability. Before we leave this slide, very importantly why we didn't have to follow suit and panic was because our banking system was sound. And that's very important to mention that. Right, so that aspect earned us just over R160 million. It's a service that each broker had to get individually. If they then had to go and create it individually, get quotes for it individually; collectively they would pay a lot more than we can provide for them. The equities risk management clearing and settlement, there isn't a separate clearing house or a separate central counter party to clear equities trades in South Africa. You have that in some jurisdictions. We don't have it here. Here we use the risk management capabilities that we have within the JSE coupled with that BDA capability that I just talked about. And we do that with vigour because if a broker fails and we have to step in our balance sheet is at risk. So we watch that extremely

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	carefully because we are guaranteeing therefore the settlement of every trade that happens through the central order book very importantly. If you just want to do a trade over the counter and book it into the system in order to get it settled we don't guarantee that. Important to understand. But if it's going through a proper price discovery process through the central order book we guarantee it. There's a floor and a ceiling on each trade. That average value per trade did come down on 2008, and although there is a floor and a ceiling there is an Ad Valorem based charge and therefore the revenue from this division didn't perform the same that you would expect when you've got a 20% increase in trades. Equity derivatives as Humphrey mentioned, the activity came down. That is correct. By 68% if you look at the number of contracts traded, but not in terms of revenue. That came down by only 18%. Why did that trade come down dramatically? Well, Lehman's. If you take Lehman's out of the system, just pluck it out of the system like we had to do. In South Africa we did it in three days. And nobody in South Africa, not the clearing member concerned, no client lost money as a result of the collapse of Lehman's. We were the first country in the world to settle that completely, and it took us three days as a country. Lehman's were huge in South Africa in the derivatives market. If you pull a player like that out then every country they were big in, including South Africa, suffers. And on top of that you have very shaky conditions, which we had last year as I mentioned, and you have some parties doing some very silly things in single stock futures. Well, then the volume disappears. But despite that the guys at the JSE got off their tails, they looked for other ways of supplementing the income by talking to their clients. Doing that is what we call can do derivatives. These are tailor made products between two people over the counter, therefore off exchange. Fine, no problem with that. That will happen forever. The only problem with that is once the deal has been structured you then have bilateral credit risk for as long as that position remains open. That means you most probably have to reserve capital, depending on what type of institution you are that has that position on your books. And as long as the position is open you have the problem of what is the value of this sometimes complex product, and who is the one that's valuing? Whose value are we taking? And if the value is moving away from the original value when you struck the deal what are you doing about it? Are you just watching it? And the person that is becoming the debtor here, is that person still creditworthy? If you can put that product on market you solve all those problems instantly, because an independent party, namely the JSE, values it every day and margins it every single day. So that is something that makes the regulator a lot more comfortable about this aspect of over the counter activities. And our guys got out there talking to their clients. Many of them were delighted to do this. That activity brought in income and therefore compensated for the drop in activity and income related to single stock futures. We've seen that conference coming back into the market in the normal market, if you can call it that, since November. And currency futures trading has once again done exceptionally well, which is included in those numbers. Commodity derivatives, slightly down revenue-wise by 12%. The option trade fell away because the volatility fell away. Options come into their own when there is uncertainty in the market. If there is less uncertainty then there is less inclination to hedge, less inclination to use products like options. So the value traded came down with the activity because grain prices dropped. But once again those guys got off their tails and developed a very nice working relationship with the CME, which bought the CBOT a year or two ago. We listed a CME corn futures contract. It's Rand settled as we say there. And for that we won the Futures and Options World Innovation Award last year.

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	The interest rate market, this is the combination of BESA that we acquired halfway through the year and the interest rate team that we had. We put them together. A very good first step, but it's only a first step. So in our second half there we showed that we've included their results for the second half of the year. That's around about R18 million worth of trading revenue. And already putting together two institutions, the JSE and BESA, that do essentially the same thing – we both run markets – has resulted in that cliché of pulling out the synergies and rationalising costs. We've done it. In the first half of the year BESA in its original form had costs of R30 million and revenue of R20 million. In the second half of the year we managed to push up that revenue to R22 million and brought the costs down to R24 million. So still incurred a small R2 million loss as opposed to a R10 million loss in the first half of the year. And that's exactly what you should be able to do when you put together two organisations together which essentially do the same thing but then don't continue doing the same thing. So those crocodile jaws of revenue and costs which had already crossed each other are now busy closing, and hopefully they will start opening up in the year and years to come. We will see how the trade came down dramatically, and with the exchange activities, everything, where in 2008 total trade including carries was R19.2 trillion. Last year it was R13.4 trillion. That's a big drop. That's a 30% drop. But there is always a good side to everything that's bad. The government is going to have to be issuing stock. We've now got a deficit on our fiscal accounts, so the government has to issue stock. Every single state owned enterprise is going to have to issue stock. This is stock which we are going to list. There is a fee. We hope to trade it once we have completed our talks with the market. There is a fee involved. Information product sales. 13 years ago this department earned us less than R1 million a year; this year just over R100 million. Lots of it in the form of card currency, and that's good because that's the most natural hedge you can wish for if you have foreign currency liabilities, which we do because the trading platform we rent or lease from the London Stock Exchange. So there was growth despite the fall in terminals. Why did terminals fall? Not because people, South African and foreigners, don't want to see South African data anymore. If you take away Lehman's overnight and all those traders and analysts and researchers are removed out of the system, well, then there is no use for those terminals either so they just stop those contracts. And it wasn't only Lehman's that disappeared from the scene. Everybody was cutting back; everybody was trying to save costs. So it was obviously that there had to be a fall in the terminals. But we still managed to increase revenue again. Those people getting off their butts and selling to the international community. Those are the various income producing departments of the JSE. If we go into some other aspects of the JSE, our systems replacement programme, SRP as we like to call it, this is our IT replacement programme. There we will continue. That's a treadmill that once you are on it as an exchange you can never, ever get off it. Humphrey touched on this. We had to expand the team. Whereas we had outsourced all of these activities a number of years ago we are now in-sourcing everything. That IT department at once stage consisted of nine people. So we had to rebuild it. We had to bring in all the activity. We had to understand all the activity that we're bringing in. And that meant we had to increase the number of people in that department from 92 to 131. I'll show you a slide on this and BESA last year, in case you think that we're just going crazy when it comes to people. We are very careful; because this game that we are in

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	from an investor point of view is a question of do everything possible that encourages people to trade, wherever they are and whatever their strategy is. And then watch the costs. And I'll show you that. So we've got various focus points there and we will not finish that this year. We hope to complete that some time during the course of next year. But then something else is going to be there that we have to start again, because that's the game we are in. The numbers. You saw that on the first slide. And this is the second year in the JSE's history that revenue has gone over the R1 billion mark. 13 years ago this was a R100 million a year organisation revenue-wise. Despite those big numbers – and people are expensive – the operating cost increase we managed to limit to 12%. Employee costs are up 33%, and I'll give you another slide on that now, now. And then we mentioned that the long-term incentive scheme, the LTIS, that we have introduced and been extremely public on year after year ever since we first introduced it, you have to mark to market those participation interests or options. That comes at a cost, especially if the share price is recovering, which it did last year. And that was a R34 million charge just as far as that is concerned. And around about 70 people participate in that long-term incentive scheme. 70 people out of 409 people. We don't believe its right to limit that long-term incentive scheme to a very small body of people. I've got lots of valuable people at the JSE. So the net profit slips, if that's the right word, from R374 million to R366 million after tax and our effective tax rate luckily is coming down as well as less of our charges fall into that non-deductible for tax bracket. Those are the numbers. You'll see them. You'll have a slide there for it. For the second year in our history revenue just creeping over the R1 billion mark. There share of profit of equity account and [unclear], that's straight. We have a 44.5% interest in the Central Securities Depository of South Africa. That's something we created from scratch starting back in 1997. That company ran at a loss for a number of years. The accumulated deficit turned only when it was in the 130s. I think it was R134 million before we made our first profit. That has all been recovered. All the money we put into it has been repaid and we still have a 44.5% interest in a super value-delivering company that performs a vital, vital function. We get a good dividend out of it every year, and because we own more than 20% we equity account it. Breakdown of costs, that's what it looks like. You see the jump in remuneration paid to employees. It jumped by 29%. We give two further numbers there, the directors' emoluments, which is the entire Board, executive and non-executive, as well as the long-term incentive scheme. That 53 can't correspond to the 34 because obviously the new charges of the new long-term incentive scheme or the continuing long-term incentive scheme that you put away for every single year also gets added into that. That's the slide that I mentioned twice now. And you'll see that the number of employees in 2008 other than IT and BESA was 260. And after a year of lots of activity, still 260. That's where the increase came in, from 101 IT to 151, and then from zero to 40. So we are watching costs very carefully because you have to in this game. Well, you have to in any game really. Zero gearing, no long-term borrowings, and I still get visits from people who now want to lend us money. There was a time when nobody would have dared to lend us money. Now everybody wants to lend us money but we're not interested. So we have no borrowings. We have those cash reserves, that's true. That's on a consolidated basis, and that includes the cash component of some of the investor protection funds. And remember those investor protection funds are in separate trusts. You can't get your sticky little fingers on those things. It's there for investor protection. If you just look at the exchange's numbers then the cash reserves are around about R760 million. The question is always asked by analysts; don't you have too much cash

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	on the balance sheet? Well, we need cash for three things. We think it's prudent to have cash for four months operating costs at least. Remember I said to you we guarantee every single trade that goes through the central order book? Well, we used to do that in the old days when we had zero cash. So I don't know what we were guaranteeing those trades with. But everybody fortunately bought it for a year or two until we started building up reserves. We guarantee every single trade that goes through the central order book. We've got no buildings. I think we've got one bakkie. There are no company cars or anything like that. So the only asset that we've got that's worth anything is the cash, apart from our people and some furniture and computers. I don't suppose you can go to the bank and put down the furniture and computers as collateral, especially not in times when nobody wants to lend like we had last year. So we have to have cash. And then we've got ongoing capital costs. So we've still got a little bit of extra surplus cash. That's true. It's not much. But that's why we've got that amount of cash and no borrowings on the balance sheet. I've been told the JSE's balance sheet is lazy. So be it. The guarantee fund, when we acquired BESA for R240 million that came with R96 million in that investor protection fund and another R50 million odd which came across because they had a rights issue just before we acquired them. So R142 million in cash in total came across when we bought it for R240 million. The dividend we've kept the same at 192c per share. There has been no increase or decrease in the number of issued shares. You will remember that our dividend policy is not a fixed number. It's a range, 1.5 to 2.5 times cover. At 192c a share it's 2.1 times cover. So we've still got space to play, either on the aggressive or not so aggressive side. This is what the analysts always want to know. So okay, you're only as good as your last earnings. So what are you guys doing this year and next year etc.? Well, Humphrey touched on this. We are in a position because of the service. It's a world class service. It can compete with any exchange in the world from a pure operational efficiency point of view. And the cost of that service can also compete with any exchange in the world. We're not the cheapest; we don't want to be. We're not the most expensive, a dangerous place to be. We're nicely in the middle there. We will focus on the alternative exchange. We'll focus on it because it's the right thing to do, it's the sensible thing to do. Every single big company that we are very proud of today and that provides us with 85% of our income was at one time small. So some of them won't make it, but this cannot remotely be compared to the mistakes that were made in the late 1990s. This is still a quality game. And our new [unclear] model on the cash equities side was introduced on the 1st March. We introduced this anonymous block trading facility which has got various names. Dark pools is another name that gets given to them. We think we are the ideal party to consolidate what dark pools there are out there at the moment because we are never, ever on any side of the trade. We have only one interest in that trade, and that is matching it. Nobody else can say that unless you are an exchange. We've only been on our current trading platform, which is identical to the London Stock Exchange's platform, for about seven and a half years. It's time to change it. That's this treadmill that we're on. That was our second trading platform. The first one was something we called Jet. That was the Chicago Stock Exchange's automated trading platform. So the second one that we have now currently – we're seven years into that ten year contract – even though it's still world-class at the moment London is changing it and we have to consider what we have to do. We are still looking at the

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	possibility of a remote cash equities membership. Is that possible? If we go that route what does it compromise, bearing in mind that at the moment the model is every cash equities trading member has to have a business in South Africa and capitalise in South Africa and has to use our back office accounting system so we can see what's going on there? Now, what are the implications if we change it? Complicated. Because it's complicated doesn't meant to say we can avoid looking at it. ETFs, exchange traded funds, depository receipts, the BEE Board, that will be a separate Board but part off the JSE. And that's to enable companies… this is a unique situation we have in South Africa. Nobody else has got that problem. The unique situation we have in South Africa where companies play the game, issue their staff with BEE shares, don't want to lock them into those shares forever. But if they trade it, and that's their rules, they can make those rules if they want to, they've got to sell it from one black to another black. Now, how do they achieve that unless it's all done over the counter? Come and talk to us. We've got this thing going. We think we'll be able to accommodate that with the help of that good surveillance system that all brokers have in their back offices. And we think we will get that going by around about September this year. We will continue moving to a T+3 settlement cycle. At the moment it's T+5 but in South Africa's case it's T+5 plus guaranteed settlement. Everywhere else in the world it's T+3 and the guaranteed settlement is not there. And that aspect was very appreciated last year in the GFC, global financial crisis. Still working on developing one centralised share ownership register with our colleagues as straight, and then as I mentioned progressing the replacement of the BDA technology with what we call our market services solution. Equity derivatives grow the options market; increase the on-stream trade participation where you can see it. When you can't see it there is nothing you can do about it. It makes the regulators very edgy and is not the best way of centralising liquidity, narrowing the spreads, giving genuine validity to the price discovery process etc. We introduced volatility as an asset class. The currency futures market we will continue to grow. I mentioned bringing the stuff that's off the market over the counter on-market. Continue diversifying those international derivatives. You know that you can buy futures on a number of international stocks like Microsoft, Berkshire, and Hathaway etc. And then we will add to that the African derivatives, so a separate section for derivatives on African companies. They will introduce their revised billing model in July I think it is. Commodity derivatives, that relationship with the CME group. This is the benefit of building a track record, and it applies to us, it applies to you either in your individual capacity or your companies, it applies to South Africa. And we can all mess up our CVs as it were. Our CV didn't look too good a number of years ago. Every year we've added another solid year of not messing up. And the CME group has been watching us. They've allowed us to trade that first corn contract. Now we have expanded to a gold or platinum and oil contract. And there is a good possibility that we can find ourselves doing a lot more with the CME group because they have checked us out and they are happy to be associated with us. This would have been impossible to even contemplate 15 years ago. That auctioning of silo receipts, that's a nice new methodology we're going to bring in to determine what that basis is. We needn't carry on to that. Interest rate market. We will finalise the strategy with issuers and members and any other parties concerned. We will continue talking. We will continue trying to persuade, cajole, whatever you want to call it. Things cannot just carry on the old way. We've tried that for 30 years. My career started in this market back in the 1980s. The way we did it in

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	the 80s we are still doing today – no change. So we will continue talking to everybody concerned. That market has got huge potential. It is already a big market. It can be much bigger and much more effective, and that's just the cash side. Add onto that the derivatives side and this market has got potential. The information product sales that I talked about; the South African market isn't saturated. And if the South African market isn't saturated there is no way ever that the international market can be saturated with our terminals, people wanting to see our information and use it. And that team is working very hard on that issue because it's not only revenue, its foreign currency revenue, which is the natural hedge you can have if you have foreign currency liabilities. So the investment case, which is something we have not stumbled onto. This is something we have purposely pursued. There are some exchanges in the world that have purposely avoided this and they are now counting the cost. It doesn't make sense to just be horizontally positioned. So we are horizontally positioned and we are going to try and get more horizontal and more vertical. By vertical I mean be more involved in the pre-trade business, the trading business which we are definitely in, and of course the post-trading business. This requires best of [unclear] technology. We don't develop products in a vacuum. We develop the products by staying very close to all our customers, all our broking members, all the issuers. What do you need? What can we do for you? How can we be of help? And it's only because we are doing that and are fairly successful in that that we've got some type of right to exist. I mentioned BESA has got very good growth potential, but things have got to change. And then the gateway to Africa. Humphrey mentioned this. We will always be talking about this one way or another. We're not saying we are the only gateway to Africa. If more exchanges in Africa could get their act together, frankly speaking, then they could be another gateway to Africa. And funnily enough that would be better for everybody concerned on the continent. But as things stand at the moment we are the biggest by far. We probably make up 70% of the market capital of Africa. We are by far the biggest centre of liquidity, centre of activity, and that is the essence of an exchange. And the big difference to the way we are offering that to African companies is with a proviso. And that is that the local exchange, whichever it is, is not harmed in the process. Now, nobody has ever bothered about harming the JSE when they've come to talk to our companies in South Africa in order to get them to list in London, New York, NASDAQ, whatever the case may be. By not messing up either our banking system or the JSE as such we finally got recognition for this. The world economic forum comes out with its global competitiveness report every single year where it ranked last year 133 countries on various things, 12 different pillars, health, hygiene, education. And obviously I don't think you need to be a brain surgeon to work out we don't shape up too well when it comes to things like that. But when it comes to financial markets South Africa ranks fifth in the world of financial markets as a whole. And when it comes to regulation of securities exchanges we rank second in the world, second out of 133 countries, second only to Sweden. And it has a lot to do with the bank that our banks didn't get themselves into trouble and as an exchange in those very difficult times of 2009. Late 2008 spilling over to most of 2009 we didn't have to do silly thing. No clearing members lost money. No clients lost money. The securities exchange did what it was supposed to do. In the field of sustainable development we also do our bit. We've become a signatory to the UN PRI, that's principles of responsible investment. That happened this year. You will remember that we launched the SRI index back in 2004. We were the first

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	emerging market to do so, and it was definitely the first exchange to launch something called an SRI, a socially responsible investment index. And we remain active on various forums for developing the business position on climate change, which I think everybody is now more and more recognising they can't wish this thing away. This is something that has to be dealt with. Ladies and gentlemen, I will now take questions first from the audience. If you wouldn't mind first identifying yourself, saying who you are and from what organisation you come. Ask you question with pleasure, and then we will go on to anybody who has a question via the conference call or the webcast. There is a roving mic. Just wait for the mic so that everybody can hear your question.
Louis Chetty	Hi, it's Louis Chetty from RMB Morgan Stanley. Two questions. Firstly, congratulations on a strong set of results in a difficult time period. First question on BESA. Can you give us some sense of what you expect the revenue and profit opportunity to be and over what time period, just to try and give us a sense of the payback period for the investment?
Russell Loubser	Okay, stop there because I get inclined to forget the second question. Actually you can get your second one in. It's impossible to start throwing out numbers as to what we think those revenue numbers can do. All I can say to you is if you have a market like we had our bond market, a domestic bond market that is well developed for an emerging economy and in 2008 the turnover was R19.4 trillion – last year unfortunately down to R13.4 trillion, understandable – then that thing has to have potential. When a huge portion of that market is not in South Africa, and we were in the same position with the equities market 15 years ago where a huge portion of the trading didn't happen on the old JSE floor, it happened elsewhere because people didn't believe they were getting a fair deal here in South Africa, now if you fix that then you have the opportunity to bring back a lot of that trade here. When you restore the integrity of the entire process, price discovery, trading, release of information, clearing and settlement, the entire thing, when you've done that on the cash market then you can start adding a derivatives market to that. Because nobody in their right mind is going to structure a big derivatives book based on the cash market when they don't know where the cash market is from second to second. So can we improve on it? I have no doubt that we can improve on it. To what numbers? It's impossible. I can't answer that question. Your second question?
Louis Chetty	Thanks very much. The second one is on the cash. I know you did give us a few numbers as to what you think…
Russell Loubser	Which is the number?
Louis Chetty	What is the surplus?
Russell Loubser	It's probably about R600 million for the exchange. So when you interrogate the figures look at the consolidated numbers, look at the exchange numbers. You'll see JSE cash numbers just over R700 million. So we don't have hundreds of millions of Rands of lazy cash. In my view the lazy cash isn't more than R200 million.
Louis Chetty	Thanks very much.
Russell Loubser	And then this lady here had her hand up.
Female speaker	I'll ask you, last year you spoke about expanding into Africa.
Russell Loubser	Yes.

Female speaker	And tonight you've not mentioned much about your expansion and also about your objectives for the new year. What are you going to do different to generate more cash and also to motivate you to pay an interim dividend?
Russell Loubser	Thank you for that question. I'll take the second part first. We will most probably not be paying an interim dividend. We think one dividend a year is fine as long as the quantity of the dividend is fair. At the moment it's 2.1 times covered, so we're paying out nearly 50% of our after tax profits to shareholders, which I think is comparable. Not think I know is comparable to many of the better companies listed on the JSE. In fact, many of the better companies listed on the JSE don't pay dividends. So let's forget about an interim dividend for the time being. Africa. You're right; we didn't expand last year because last year nobody expanded. So that's not a fleeting fancy of ours to get involved or interested in Africa. As I mentioned twice tonight, whoever it standing here – and it won't be me – in 15 years' time will still be talking about the same thing. That is listing quality African companies on the JSE. And when that happens it happens, and we will be very grateful for that. Last year was not a good year anywhere in the world to list anything. Next question. Okay, there. Howard. And there's there. Whoever gets to the mic first.
Willem van der Merwe	Good evening, Russell, Willem van der Merwe, RMD Financial Services. Three questions please. The first one, what is the Rand amount of four months' operation cost?
Russell Loubser	Well, we've got operating costs of R810 million, divided by 12. There you've got the Rand value of a month's cost. Dividend R810 million by 12. Frieda, is that right? Frieda, why are you sitting [unclear] at the back there? I think the number is R810 million. Ja, it is.
Willem van der Merwe	Second question, last year in the presentation I think the number was R145 million was set aside for the acquisition of the Mauritian Board.
Russell Loubser	No, no. You're putting words in my mouth. We never ever said… either the percentage we were interested in… we called it a strategic stake, and we definitely didn't attach a value to that undisclosed percentage.
Willem van der Merwe	Forget about the percentage. What amount was set aside for that?
Russell Loubser	Nothing. Remember we've got spare cash, so there wasn't an accounting entry which put through a provision this is for a potential acquisition of that strategic stake, which we never mentioned the percentage of.
Willem van der Merwe	Rephrase the question. The earnings were flat. An amount was set aside for the Mauritian percentage acquisition.
Russell Loubser	Well, we knew we had cash if the deal came off.
Willem van der Merwe	Okay. The deal didn't come off. Why was the dividend flat if growth was flat? Why not increase the dividend, because that money is not going to go to that percentage stake anymore?
Russell Loubser	That's a reasonable question, and that one I'm prepared to answer. Let's start with our net profits after tax. Slightly down, around about R10 million down on the previous year, R366 million versus R375 million, something like that. So now you say bearing in mind what happens, we take note of what happens in the rest of South Africa, you say okay guys, should we pay out no dividend, zero dividend like some

	companies have done? No, no, maybe that's not right. Okay, should we increase the dividend? We haven't increased the number of shares in issue, so should we go above 192c a share? It's not an impossible argument to make to say yes, let's increase the dividend. But then our profits are slightly down, and on top of that – and I don't think any of you must fool yourselves on this one – who is to say happy days are here again? I'm not prepared to say that. If you analyse the global situation for about quarter of an hour the problems are not sorted out. We are going to see, unless we are very lucky, more failures during the course of the year. Nobody is too big to fail or too involved to fail or too complex to fail. Those days are gone. So it's being careful. That leaves us saying, okay well, I don't think we should not pay out any dividend or pay out a decreased dividend. Times are not that bad for the JSE Ltd. But they're not that good to pay out an increased dividend. So we discussed this at Board level very carefully and decided to keep the dividend flat. It's a generous dividend. 2.1 times cover. It's nearly 50% of our after tax profits. That's how we thought about it.
Willem van der Merwe	Third question. What percentage of the secondary bond trades go through the central order book?
Russell Loubser	Nothing goes through the central order book.
Willem van der Merwe	And what's being done to get there?
Russell Loubser	That's the issue. Where are you from?
Willem van der Merwe	RMD Financial Services.
Russell Loubser	Okay.
Willem van der Merwe	You buy the bond exchange for R240 million but nothing goes through the central order book.
Russell Loubser	It never did, hey.
Willem van der Merwe	But what's being done? I know there was an article out ten days ago that said there are measures being taken to get that there. But what are those measures and is it going to happen?
Russell Loubser	There is a lot happening, but it all has to be put into the category of talking. Unfortunately we still have some parties that are refusing to budge on the position that they've held since 1998 when we introduced the concept of primary dealers. And it's never a good thing in my view to refuse to budge. Nobody can refuse to budge on anything nowadays. At least be prepared to talk about issues. It will also help if more people thought like the French national treasury, the equivalent of national treasury. The French minister called the parties in about a month ago and called in the primary dealers, and called in the buy side and said, okay guys, French national treasury, I'm the issuer. I'm your biggest customer. I want more transparency. That issue, transparency, which equals price discovery, which equals risk management capability, is not going to go away, ladies and gentlemen. So the French person said I want it, I'm the client. Here is the buy side. They want it. They are another client. What do you, the sales side, say? What could the sales side say? So they are going to go the central order book route. More and more countries are going to go that route. That's the fact of the matter. We were hoping to be one of the first countries to do this, to lead the way like we have on a few things over the last number of years. We're not going to be. Now we're going to be one of the tail enders. But we're going to continue talking to people and hope to persuade them to reach that decision together with us. Your next question is well what happens if you don't manage to persuade them? Well,

Speaker	Narrative
	there is something else we can do. I don't know if they're aware of it, have thought of it or are aware of it and don't care. But there is something else we can do. You can only talk for so long, chaps. The nice thing is you'll never be able to question the bona fides of the JSE because what we're going to do will be in the interests of South Africa's financial markets whether it's in the interests of the JSE or not. And you can take anything that we have done over the last 15 years, everything falls into that category. What's best for the South African financial markets? If it happens to be good for the JSE, fantastic. We are entitled to make a profit. If it's not good for the South African financial markets we won't be taking part in it. That is good for South Africa's financial markets. Howard, you had a question.
Howard	Hi Russell. I'm a disgruntled shareholder. I don't have enough of your shares. Being an emerging market, 410 listed companies is not enough. What are we going to do to really encourage to get us to 1,000 listings, which is where we should be, possibly more? Aren't we too restrictive with all the rules and regulations now?
Russell Loubser	Ja, ja. Well, you know it's not generally known that up until three or four years ago – Howard, you would know and the old stockbrokers in the crowd would know – even if we wanted to as the JSE we couldn't approach foreign companies to come and list on the JSE. That was an exchange control impediment. We've managed to get that relaxed in stages. Now it's at the stage where we can approach foreign companies. And that's why we're concentrating on African companies because after all they're foreign and we should know that turf better than Paraguay or Peru or something. But we couldn't even do that four years ago, Howard. Simply because we now can list them doesn't mean that everybody is flocking to list on the JSE. We've got to sell it. And then when you have a GFC like 2008/2009 then nobody lists. Then everything gets put on a hold for a while. So, Howard, that's another thing. That is the expansion of the horizontal product range. Those are products. Every single Vodacom that we can list is another product that we can list. That's expanding. When we add another derivatives market that's expanding the product range. When we add an interest rate market that's expanding the horizontal product base. We're putting products on the shelf. It would be cretinous not to pursue more companies, but with a proviso. This is not a quantity game; this is a quality game. So you're right. Is 410 companies enough? No, of course it's not. I was talking to people before we came in. There are 410 companies listed on the JSE, and too many people concentrate on the 410 companies. Anything bad that they want to do, they do it to the 410 companies. There are tens of thousands of companies out there that might not have heard of the JSE that are keeping this economy going. Good companies. We see them. And we're not aware of all of them. We're not the greatest at marketing yet. We're trying to get better every single year. That's a skill that we've had to acquire. So we will continue looking for good quality companies, small, medium-sized, big, inside South Africa, outside our borders, because you're right, 410 companies are not enough. But that does equal 75% of the market cap of Africa. It's a multiple of our GDP. The total market cap of those 410 companies is R5.9 trillion. That's two and a half or three times our GDP. So it's not bad. But we can never ever say that's good enough. Then we're dead. More questions? Is there anybody on the conference calls and/or on the webcast that wants to ask a question?
Operator	There are no questions from the conference call at this time.
Webcast facilitator	We do have a question from the webcast. Your question comes from Sumesh Chetty at Investec. The question is what level of increase in the expenses can we expect as a result of IT development?
Russell Loubser	What increase can we expect in the costs of IT development?

Speaker	Narrative
Webcast facilitator	Would you like me to repeat?
Russell Loubser	No, I've got it. The cost will be associated… as you can see employees and getting the right employees, that is not a quantity game ether. You've got to get the right skills. And it's not as if those skills are just walking the streets in South Africa. You've got to find them, then you've got to train them, and you've got to keep them and keep them productive. So the best way I can answer your question is to say that we are definitely way over that hump in terms of those costs. Those are costs that I'm not prepared to save on, so I'm not prepared not to incur those costs because then we can't deliver the service. Keep those little books, remember the comments I've made and take me to task next year. It won't be the same delta next year as what it has been for the past year. But it will be a guess and it would be irresponsible to shoot out a number as to what will my percentage increase of costs in IT be for next year. We've got to do what we've got to do.
Webcast facilitator	No further questions from the webcast.
Russell Loubser	The lady with the interim dividends has got another question here. Oh, okay. We will get to you, promise.
Mpumi Bomvana	Thank you for taking my question, Russell. Mpumi Bomvana from Sanlam Private Investments. Thanks for taking my question. I think if I'm not too mistaken there could have been a bit of a cross with the first two questions, and I'll allude to that as well. In terms of acquisitive growth is management considering buying any other exchanges around the African continent? I think that would also assist your expansion of the African Board. Maybe if you could just shed some light on that.
Russell Loubser	Sure. Are there are any other exchanges apart from the Mauritian exchange? Okay, that gentleman there and then the lady there. There are a few exchanges in Africa that have offered themselves to us, just said buy us please. And I have mentioned this before. Now we're not in the game of just buying exchanges. I think a number of corporate deals that were done by exchanges worldwide over the last number of years were done for the wrong reason. Some were done simply because they could, or because it's an ego situation or it's a panic situation. Some of them didn't make sense. And we have to be very careful that we don't buy something simply because they're for sale and they've got cash. I mean that's stupid. Now, the Mauritian deal in our view made sense because we managed to persuade two other exchanges on the African continent to get themselves in the position to be admitted for membership of the World Federation of Exchanges because that gives you a stamp. We've been a member for 40 years. It's difficult to qualify for membership. We pushed Mauritius; we pushed the Egyptian exchange. When they were ready we made sure that they got assessed. I and my deputy were personally involved in getting them assessed and in assessing them. They both qualified. You can see the train here. That's why we're interested in Mauritius. It's tiny, but it's a good little exchange. The Egyptian exchange, is that a target? Egypt sees itself more part of the Middle East than Africa. That's the fact of the matter. Nigeria is not in a position. Nigeria is too big to ignore, but it's not in a position to qualify for membership. That tells you something. So if it makes sense from every point of view, yes, we'll look at it. And we also have to look at the other side. Are we making ourselves more attractive to a potential buyer at some stage? That I think is the more relevant answer by the way. There's a person there, and then the lady.
Male speaker	Mr Chairman, seeing that the profits after tax were very much the same as the year before why did the directors' emoluments increase by 40%? It seems quite significant.

Speaker	Narrative
Russell Loubser	Ja, don't go and blame the non-executive directors there. That's not the non-executive directors. There are five executive directors on the Board of directors, including myself. So our total emoluments, my total emoluments, which will be spelt out in all its gory detail, which we've been doing for ten years now – we're the first organisation to do it – will be there for you to see. So my increased remuneration as a result of the increase of the share price, which is part of the long-term incentive scheme, contributed. And of course the other five executive directors' emoluments did the same thing. That's the reason. The non-execs we've just suggested a 9% increase. So it's not the non-executives. That big jump is the executive part. The lady.
Female speaker	Mr speaker, I just wish to ask you, you refer to eight fixed contractors.
Russell Loubser	Yes.
Female speaker	What are they employed to do? And then also not a big question. At the premises you occupy are you leasing?
Russell Loubser	Yes.
Female speaker	Or have you an objective of purchasing those premises, Mr Speaker?
Russell Loubser	Okay. We've got a number of fixed term contractors. Our preference is that people all convert their fixed term contracts to permanent employment. That's our preference. But you always find in any business some people who just don't want to be permanently employed for whatever reason. As an example there is a PhD in our trading division who has built up irreplaceable skills. He started working with me at RMB 20 years ago. I don't think there is anybody in South Africa that can compete with this guy at the moment. Highly specialised mathematical skills, understanding of derivative instruments. He is not prepared to join us. We have been trying to bully him for I don't know how long to join us. He won't. So he's one of those fixed term contractors. This happens from time to time, but it's not our policy. We prefer people to join us full time, get onto the medical aid, get onto the pension etc. The building, we've been in the building for ten years. We've never owned it. We've got an option to buy at some stage when the lease runs out, which we might or might not entertain. At the time that we had that building purpose built for us to lease ten years ago we didn't remotely have the money to consider buying it. And frankly my preference is to rather have cash in the bank for that rainy day than have a nice building that you own. Okay, Ian. Last question. I think people are getting thirsty. Can Ian get the mic over here please?
Ian	Russell, a quick question on equity derivatives and risk management. There have been a few disasters in the last year, and in retrospect we can see that part of the problem was the issuing of structured transactions which were up to 90% or huge percentages, unreasonable percentages, of the total market cap of the companies. This of course meant that the structure issuers had in fact when the market turned against them to support those prices. Will there be some sort of measurement process so that the banks or the agents standing behind for settlement of those transactions won't suffer having to take over those companies effectively with really little or no market value. Will you be able to run that sort of risk management?
Russell Loubser	You neglected to mention that you're from Nedbank. So you would have firsthand experience of that particular issue. [Laughter]. Okay Ian, you see this is the beauty of a thing like this. We're all entitled to have a go at each other. We all know each other's weak points etc. Look Ian, you must be referring specifically to single stock futures, and you can even name the companies if you want to, but you must name them. The last thing the JSE is there for is to stop people doing stupid things. It's

Speaker	Narrative
	impossible. We can't stop them. We create the environment for people to do sensible things. Now, when things go wrong that's always when the trouble starts. Then it's nice to be able to blame somebody, something. And you can imagine that we've had lots of discussions on this particular topic as well as CFDs over the last two years. People must never forget that the initial risk starts with the clearing member, and we are not the clearing member. We do run the clearing house, which becomes the buyer to every seller and the seller to every buyer. That's correct. But that clearing house, that central counter party is not separately capitalised. The only way it can continue to exist is by having sensible clearing members like your organisation standing behind it. And it is their primary responsibility, seeing they guarantee that risk, to look at it. That's where it starts. I also wish I can turn back the clock and that we didn't have those problems because then our volumes would have been better and our numbers would have been better. Or maybe it wouldn't. Lehman's was just so all-consuming it just messed up everything. But the exact position that we are in is that we as the operators of the clearing house work very closely with the clearing members. Alan Thompson and his team have had numerous meetings during the crisis, after the crisis. Today we have a clearing member advisory committee. And we will continue to work with the clearing members fulfilling our function as the clearing house. But we can't stop people doing stupid things if they want to. We just pick up the pieces afterwards. And there is no other way you can discuss this one, Ian. That's the fact of the matter. The answer that I've just given might not suit some people but that doesn't make the answer invalid. That is the answer. Okay. One there. Guys, you're very patient. But we did start a bit late. And then there is a gentlemen right at the back there.
June	Hi Russell, June from Ububele Holdings on the AltX. I just want to find out do you have a structured plan for the focus on AltX because you say it's one of your strategies this year.
Russell Loubser	Okay. The AltX companies have been through a bit of a rough patch, and have we got a structured plan? We're going to provide whatever assistance we can to the AltX Board, the AltX companies. We're going to continue sending our people out there, doing cold calling in some respects, to find companies that maybe don't even know of the existence of the JSE. Just because we know about the JSE don't think everybody does. My team finds speaking to companies where they see a truck on the highway and they see a number, they phone the person, they get an interview with the person and they start talking to the person. This is how it happens today. Not in the past, today. And they hadn't even considered the JSE as a place to exit, raise capital, expand their business etc. Never. So that's not going to stop either. In ten years' time whoever is standing here is going to be talking about finding those small to medium-sized companies that are quality companies for which the JSE is potentially a place. Now, the JSE is not a place for all companies to list. That's the fact of the matter. But for those who want to consider the services that we can definitely provide, we're never going to stop that. That's our plan. The gentleman at the back there, and then I think we must call it a day.
Janice Kew	Hi, I'm Janice Kew from Bloomberg. You touched on this in one of your answers whether or not you believe that the JSE offers value for a potential buy-out. Maybe if you could just answer that question. And then if it's possible to comment on if anyone has been sniffing around in the last six months.
Russell Loubser	If somebody has what over the last six months?
Janice Kew	Been looking to buy the JSE.
Russell Loubser	Buy.

Speaker	Narrative
Janice Kew	Ja.
Russell Loubser	Well, Janice, as you know people buy and sell the JSE every day. But I'm sure you're referring to somebody who wants to buy up to the statutory maximum of 15% or maybe past that. A quick answer to that question. If there was somebody like that then I guess we would have to issue a cautionary. We haven't issued a cautionary, so therefore nobody is talking to us. But that's not really true either. You know here's a company that I believe is very sound, about a 14, 15 PE, dominant in its region, hasn't messed up, has got genuine potential. It's in an emerging market. Emerging markets are going to become more and more attractive the longer it takes the developed economies to recover from their very serious problems. So I wouldn't be surprised, Janice, if at some stage we start looking attractive to somebody. And this is an issue we've talked about numerous times over a number of years. We must just not be stupid and sell the JSE – we, the shareholders – too cheap. So when we've got something like the bond exchange which has got huge potential which can be fixed in the interests of South Africa's financial markets as well as the JSE, when we've done that that's the time to consider something that might come along. Otherwise we're selling the JSE too cheap. But Janice, you asked me something about Arsenal the other night. You put it over the wire. There is nothing happening at the moment. Ladies and gentlemen, thank you very much. Please join us outside.

END OF TRANSCRIPT