

AUDITED ABRIDGED ANNUAL RESULTS  
AND CASH DIVIDEND DECLARATION

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013



2013



JOHANNESBURG STOCK EXCHANGE

# JSE LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2005/022939/06)

Share code: JSE ISIN code: ZAE000007911

## AUDITED ABRIDGED ANNUAL RESULTS AND CASH DIVIDEND DECLARATION FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

The JSE Limited ("JSE" or "Group") delivered a very pleasing corporate performance during 2013, underpinned by strong financial results. This performance resulted from an improvement in financial market sentiment as well as the hard work of all the Group's teams, which directly influenced revenue lines and maintained cost control. Most divisions performed well, with standout revenue performance from the Equity Market, Post-Trade Services and Market Data divisions.

### RESPONSIBILITY FOR ABRIDGED ANNUAL RESULTS

The preparation of these abridged annual results has been supervised by the chief financial officer, Aarti Takoordeen CA(SA) in terms of section 29(1)(e) of the Companies Act.

The directors take full responsibility for the preparation of this abridged report and warrant that the financial information has been correctly extracted from the underlying annual financial statements.

### FINANCIAL REVIEW

Group earnings after tax for 2013 increased by 68% to a high of R507 million (2012: R302 million). This follows strong operating revenue growth from most of our products and services and tightly controlled operating costs (up 5% to R1.08 billion; 2012: R1.03 billion).

Group earnings before interest and tax (EBIT) increased by 42% (2012: 7%) to R578 million (2012: R406 million). The earnings per share (EPS) and headline earnings per share (HEPS) statistics are also pleasing at 592 cents (up 68%) and 645 cents (up 36%) respectively, despite the impact of the impairment of legacy technology (2013: R48 million; 2012: R75 million) and net of the rebate to Equity Market clients of R84 million.

Personnel, technology and technology related costs (depreciation) are the principal components of our cost base. These account for 64% of our largely fixed cost base.

Staff costs increased by R45 million (12%) to R405 million following a flat headcount, annual salary increases of R17 million (6%), a reduction of R18 million in the amount of staff costs capitalised and a larger bonus pool following significantly better financial results than in 2012. These, together with the IFRS impact of all the LTIS allocations since 2010, resulted in the total personnel expenses, as reported, increasing to R427 million (2012: R354 million).

Other expenses declined by 3% to R650 million (2012: R672 million). This includes an amount of R48 million following the impairment of the last portion of the software developed to replace our back office accounting system once we had concluded that it was unlikely to be brought into use as intended. Technology costs were up 19% (reflecting the work on T+3 Phase 1) and depreciation charges were up 8% (reflecting the first full year of depreciation of the equity trading engine solution, implemented in mid-2012).

Keeping the cost base under control demands ongoing attention. Over the past four years, other expenses have increased 7%

(excluding impairments) annually, a positive reflection of these efforts. Management remains committed to keeping the business at an optimum size from an operational perspective and to enable it to take advantage of opportunities for new business growth.

The stronger-than-expected revenues and tight expenditure management have translated into strong cash flow, with a net increase in cash of R250 million for 2013 (2012: R88 million).

At year-end, our cash and cash equivalents stood at R1.38bn (2012: R1.1bn), net of our R100 million contribution to the Safcom Default Fund (represented in the JSE balance sheet) and third party capital expenditure of R81 million. We have almost no debt, bar a loan (balance of R19 million) used to fund the 2011 acquisition of the Nautilus Managed Account Platform (2012: R23.7 million).

Ongoing investment in the business remains crucial. Looking forward to 2014, our capital expenditure programme for business-as-usual activities amounts to about R21 million.

A series of other strategic and technology investments remains under consideration by executive management and the Board. Such investments must, of course, contribute to the future profitability of the Group. The capital expenditure for these 2014 investments is projected at about R170 million.

### CHANGES TO DIRECTORATE

During the year under review, Aarti Takoordeen, who joined the JSE on 1 February 2013 as the new CFO, was appointed to the JSE Board as an executive director with effect from 12 March 2013.

Shareholders approved the appointments of Mantsika Matookane and Nomavuso Mnxasana at the annual general meeting (AGM) on 25 April 2013.

## DECLARATION OF ORDINARY AND SPECIAL DIVIDEND

There is increased global attention on the capitalisation of key market infrastructures such as exchanges and clearing houses. In this context, the Board believes that it is appropriately capitalised, given the nature of the risks faced by the Group. Although the Board has decided not to retain additional capital at this time, the Group may, in due course, require a further capital injection to meet regulatory capital requirements.

The Board has decided to declare both an ordinary and a special dividend for the year ended December 2013 at 350 cents (2012: 250) and 50 cents per ordinary share, respectively.

The directors have declared the following.

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	350	15%	297.5
Special	50	15%	42.5
	<b>400</b>	<b>-</b>	<b>340</b>

The dividend has been declared from retained earnings and no secondary tax on companies (STC) credits are available for use. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 30 May 2014.

In compliance with the Companies Act, the directors of the JSE confirm that the Company will satisfy the solvency and liquidity test immediately after completion of the dividend distribution. The dividend will be noted at the AGM to be held on Thursday, 8 May 2014. In compliance with the requirements of Strate, the following salient dates for the payment of the dividend are applicable:

Share certificates may not be dematerialised or rematerialised from Monday, 26 May 2014, to Friday, 30 May 2014, both days inclusive. On Monday, 2 June 2014, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated 2 June 2014 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 2 June 2014. The issued share capital of the Company as at the declaration date was 86 877 600. The tax number of the Company is 9313008840.

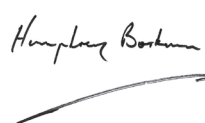
Ordinary dividend paid in year:

In respect of financial year ended	
Dividend per share (cents) (350 + 50 = 400 for 2013)	
Rand value	
Declaration date	
Last date to trade JSE shares cum dividend	
JSE shares commence trading ex-dividend	
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	
Date of payment of dividend	

## PROSPECTS

The JSE is a largely fixed cost business. Costs are tightly controlled and the necessary capital investments are made in areas that will enhance the Group's sustainability. The Group's revenues are variable and largely driven by activity on the various markets the Group operates. For this reason, the Board makes no projections regarding the Group's financial performance in 2014.

However, the JSE team is excited by the opportunities ahead as the Group continues to make good progress towards delivering on its 2017 strategic vision. The Board is confident that, as these efforts advance, the JSE will increasingly be positioned as a growing, formidable and sustainable business.



**Humphrey Borkum**  
JSE Chairman



**Nicky Newton-King**  
Chief Executive Officer

## APPRECIATION

As we tackle 2014, I want to pay tribute to the enormous contribution to the evolution of the JSE made by our Chairman, Humphrey Borkum, who retires at our AGM after five decades in the industry and 12 years as the JSE's Chairman. Humphrey's wise counsel, always well informed and always quietly offered, has had a major impact on the architecture of the JSE as we know it today. Humphrey and his wife Cheryl have been passionate and active supporters of all we do and I know my team at the JSE joins me in thanking them for that support and in wishing them many long and happy years ahead.

As we say goodbye to Humphrey, we welcome Nonkululeko Nyembezi-Heita, who joined the Board in 2009 after the Group's acquisition of the Bond Exchange of SA and who will assume the Chairmanship of the JSE after our AGM on 8 May 2014.



**Nicky Newton-King**  
Chief Executive Officer

	2014	2013
	<b>31 Dec 2013</b>	31 Dec 2012
	<b>400</b>	250
	<b>R348 million</b>	R217 million
	<b>Tue, 11 March 2014</b>	12 March 2013
	<b>Fri, 23 May 2014</b>	17 May 2013
	<b>Mon, 26 May 2014</b>	20 May 2013
	<b>Fri, 30 May 2014</b>	24 May 2013
	<b>Mon, 2 June 2014</b>	27 May 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	Group	
		2013 R'000	2012 R'000
Revenue	9	1 577 552	1 384 867
Other income		76 587	46 923
Personnel expenses		(426 678)	(353 896)
Other expenses	11	(649 779)	(672 319)
<b>Profit from operating activities</b>		<b>577 682</b>	<b>405 575</b>
Finance income		992 304	861 474
Finance costs		(874 236)	(781 092)
<b>Net finance income</b>		<b>118 068</b>	<b>80 382</b>
Share of profit of equity-accounted investees (net of income tax)		39 788	35 056
<b>Profit before income tax</b>		<b>735 538</b>	<b>521 013</b>
Income tax expense	12	(228 910)	(218 902)
<b>Profit for the year</b>		<b>506 628</b>	<b>302 111</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		49 987	41 323
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(15 875)	(11 834)
Income tax on other comprehensive income		–	–
<b>Other comprehensive income for the year, net of income tax</b>		<b>34 112</b>	<b>29 489</b>
<b>Total comprehensive income for the year</b>		<b>540 740</b>	<b>331 600</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	13.1	592.1	351.8
Diluted earnings per share (cents)	13.2	588.6	349.5

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Group	
	2013 R'000	2012 R'000
<b>Assets</b>		
<b>Non-current assets</b>	868 074	900 862
Property and equipment	162 171	164 164
Intangible assets	259 178	314 790
Investments in equity-accounted investees	142 169	119 904
Investments in subsidiaries	–	–
Other investments	248 786	215 059
Loan to the JSE Empowerment Fund Trust	14 022	14 003
Deferred taxation	41 748	72 942
<b>Current assets</b>	20 507 267	16 177 565
Trade and other receivables	216 692	194 248
Income tax receivable	17 108	16 574
Due from Group entities	–	–
Safcom Default Fund collateral deposit	516 870	–
Margin deposits	18 335 464	14 834 408
Collateral deposits	42 181	3 559
Cash and cash equivalents	1 378 952	1 128 776
<b>Total assets</b>	21 375 341	17 078 427
<b>Equity and liabilities</b>		
<b>Total equity</b>	2 188 466	1 871 021
Share capital	8 533	8 571
Share premium	84 671	102 858
Reserves	431 075	368 902
Retained earnings	1 664 187	1 390 690
<b>Non-current liabilities</b>	120 841	120 406
Finance leases	11 352	–
Borrowings	19 055	23 715
Employee benefits	–	5 128
Deferred taxation	12 324	4 946
Operating lease liability	57 807	36 985
Deferred income	20 303	49 632
<b>Current liabilities</b>	19 066 034	15 087 000
Trade and other payables	214 541	163 027
Due to Safex members	1 286	1 190
Employee benefits	62 534	67 860
Operating lease liability	28	16 956
Due to Group entities	–	–
Safcom Default Fund contributions	410 000	–
Margin deposits	18 335 464	14 834 408
Collateral deposits	42 181	3 559
<b>Total equity and liabilities</b>	21 375 341	17 078 427

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Group	Share capital	Share premium	Total share capital	NDR	BBBEE reserve	JSE LTIS 2010 reserve	Total reserves	Retained income	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 1 January 2012</b>	8 605	129 642	138 247	292 593	165 336	18 434	476 363	1 154 458	1 769 068
Profit for the year	-	-	-	-	-	-	-	302 111	302 111
Other comprehensive income	-	-	-	29 489	-	-	29 489	-	29 489
Total comprehensive income for the year	-	-	-	29 489	-	-	29 489	302 111	331 600
Treasury shares	(37)	(28 808)	(28 845)	-	-	-	-	-	(28 845)
Treasury shares – share issue costs	-	(70)	(70)	-	-	-	-	-	(70)
Sale of treasury shares	3	2 094	2 097	-	-	-	-	-	2 097
Transfer of BBBEE reserve to retained earnings	-	-	-	-	(165 336)	-	(165 336)	165 336	-
Transfer of profits from Investor Protection Fund	-	-	-	16 967	-	-	16 967	(16 967)	-
Equity-settled share-based payment	-	-	-	-	-	14 285	14 285	-	14 285
Distribution from BESA Guarantee Fund Trust	-	-	-	(2 866)	-	-	(2 866)	2 866	-
Dividends	-	-	-	-	-	-	-	(217 114)	(217 114)
Total contributions by and distribution to owners of Company recognised directly in equity	(34)	(26 784)	(26 818)	14 101	(165 336)	14 285	(136 950)	(65 879)	(229 647)
<b>Balance at 1 January 2013</b>	<b>8 571</b>	<b>102 858</b>	<b>111 429</b>	<b>336 183</b>	<b>-</b>	<b>32 719</b>	<b>368 902</b>	<b>1 390 690</b>	<b>1 871 021</b>
Profit for the year	-	-	-	-	-	-	-	506 628	506 628
Other comprehensive income	-	-	-	34 112	-	-	34 112	-	34 112
Total comprehensive income for the year	-	-	-	34 112	-	-	34 112	506 628	540 740
Treasury shares	(46)	(35 117)	(35 163)	-	-	-	-	-	(35 163)
Treasury shares – share issue costs	-	(104)	(104)	-	-	-	-	-	(104)
Sale of treasury shares	8	5 926	5 934	-	-	-	-	-	5 934
Allocation 1 shares vested	-	11 108	11 108	-	-	(11 108)	(11 108)	-	-
Transfer of profits from Investor Protection Fund	-	-	-	18 797	-	-	18 797	(18 797)	-
Equity-settled share-based payment	-	-	-	-	-	23 129	23 129	-	23 129
Distribution from BESA Guarantee Fund Trust	-	-	-	(2 757)	-	-	(2 757)	2 757	-
Dividends	-	-	-	-	-	-	-	(217 091)	(217 091)
Total contributions by and distributions to owners of Company recognised directly in equity	(38)	(18 187)	(18 225)	16 040	-	12 021	28 061	(233 131)	(223 295)
<b>Balance at 31 December 2013</b>	<b>8 533</b>	<b>84 671</b>	<b>93 204</b>	<b>386 335</b>	<b>-</b>	<b>44 740</b>	<b>431 075</b>	<b>1 664 187</b>	<b>2 188 466</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Group	
	2013 R'000	2012 R'000
<b>Cash flows from operating activities</b>		
Cash generated by operations	757 971	470 403
Interest received	965 042	868 802
Interest paid	(850 457)	(787 867)
Dividends received	3 946	3 482
Taxation paid	(190 871)	(123 567)
<b>Net cash generated by operating activities</b>	<b>685 631</b>	<b>431 253</b>
<b>Cash flows from investing activities</b>		
Proceeds on sale of other investments	40 935	32 309
Acquisition of other investments	(24 675)	(36 161)
Investment in Safcom Default Fund	(516 870)	-
Dividends from equity-accounted investees	17 523	15 950
Proceeds from disposal of property and equipment	172	788
Leasehold improvements	(32)	(188)
Acquisition of intangible assets	(33 384)	(74 363)
Acquisition of property and equipment	(48 079)	(24 143)
<b>Net cash used in investing activities</b>	<b>(564 410)</b>	<b>(85 808)</b>
<b>Cash flows from financing activities</b>		
Distribution from/(by) Investor Protection Funds	-	-
Proceeds from issue of new shares	-	-
Proceeds from sale of treasury shares	5 919	2 097
Contributions received Safcom Default Fund	410 000	-
Borrowings repaid	(4 660)	(3 055)
Acquisition of treasury shares	(35 252)	(28 915)
Dividends paid	(217 091)	(217 114)
<b>Net cash from/(used in) financing activities</b>	<b>158 916</b>	<b>(246 987)</b>
Net increase in cash and cash equivalents	280 137	98 458
Cash and cash equivalents at 1 January	1 128 776	1 041 089
Effect of exchange rate fluctuations on cash held	(29 961)	(10 771)
<b>Cash and cash equivalents at 31 December 2013</b>	<b>1 378 952</b>	<b>1 128 776</b>

# SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

## 1. Reporting entity

JSE Ltd (the "JSE", the "Company" or the "Exchange") is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, 19 of 2012. The JSE has the following main lines of business: issuer services, trading, clearing and settlement services, technology and other technology related services and market data sales. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The consolidated financial statements of the Company can be inspected at the Company's registered address or obtained from the Company at the same address.

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## 2. Basis of preparation

### Statement of compliance

The abridged consolidated annual financial statements have been prepared in accordance with IAS 34 – "Interim Financial Reporting" and the requirements of the Companies Act of South Africa and in compliance with the JSE Listings Requirements and the accounting policies applied conform to International Financial Reporting Standards and the SAICA Financial Reporting Guides.

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## 3. Changes in accounting policies

### Change in accounting policies

Except for the new standards adopted, all accounting policies applied by the Group in these abridged consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

The Group has adopted the following new standards with a date of initial application of 1 January 2013:

#### IFRS 10 Consolidated Financial Statements

The Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. The Group reassessed its control over investees as at 1 January 2013, and can confirm IFRS 10 does not have a significant impact on the Group.

#### IFRS 12 Disclosure of Interests in Other Entities

As a result of IFRS 12, the Group has expanded its disclosures about its interest in subsidiaries and equity-accounted investees.

#### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements. The Group has applied the new fair value measurement prospectively. This change has had no significant impact on the measurement of the Group assets and liabilities.

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## 4. Comparative figures

Unless otherwise indicated, comparative figures refer to the twelve months ended 31 December 2012.

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## 5. Use of estimates and judgements

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

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

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## 6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

## 7. Operating segments

The Group has five reportable segments, as stated below. Each business unit offers different products and services and is managed separately, because each requires different technology and a different marketing strategy. Management makes decisions based on management accounting information, which reflects revenue by business unit and costs at a cost category level without specific allocation to business units.

Information about reportable segments

	Equity and Equity <sup>1</sup> division R'000	currency derivatives R'000	Commodity derivatives R'000	Interest rate <sup>2</sup> market R'000	Market data R'000	Other <sup>3</sup> R'000	Total R'000
<b>For the year ended 31 December 2013</b>							
External revenues	965 856	155 765	48 750	61 954	176 641	168 586	1 577 552
<b>For the year ended 31 December 2012</b>							
External revenues	827 142	130 037	55 939	60 750	146 849	164 150	1 384 867

1. Comprises equities trading fees, risk management, clearing and settlement fees, membership fees, issuer regulation and back-office services (BDA).

2. Includes R16.0m (2012: R15.1m) of issuer regulation listing fees relating to the bond market.

3. Comprises funds under management and Strate ad valorem fees.

## 8. Share-based payments

### (i) Vesting of Allocation 1 Tranche 1 shares during the period under review

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

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

Tranche 2: 50% of the total award, vesting on 1 May 2014.

As at 31 December 2013, details of Allocation 1 were as follows:

	Personal performance shares	Corporate performance shares	Total
<b>Tranche 1</b>			
Original number of Tranche 1 shares awarded May 2010	163 700	77 750	241 450
Forfeited by bad leavers to date	(26 450)	(10 850)	(37 300)
Forfeited by good leavers to date	(1 167)	(2 182)	(3 349)
Accelerated for good leavers to date	(1 633)	(4 368)	(6 001)
Forfeited for missing corporate performance targets	–	(27 761)	(27 761)
Vested on 1 May 2013	(134 450)	(32 589)	(167 039)
Tranche 1 fully vested	–	–	–
<b>Tranche 2</b>			
Original number of Tranche 2 shares awarded May 2010	163 700	77 750	241 450
Forfeited by bad leavers to date	(30 750)	(10 850)	(41 600)
Forfeited by good leavers to date	(1 167)	(2 182)	(3 349)
Accelerated for good leavers to date	(1 633)	(4 368)	(6 001)
Tranche 2 shares available for vesting in May 2014	130 150	60 350	190 500

# SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

## (ii) Grant of Allocation #4 under LTIS 2010 during the period under review

On 22 June 2012, shareholders approved a special resolution authorising financial assistance to the JSE LTIS 2010 Trust for a period of two years, for the purpose of acquiring JSE ordinary shares in the open market for allocation to selected employees in accordance with the rules of LTIS 2010. In accordance with the terms of this resolution, the Board approved a fresh annual allocation of shares (Allocation #4) to selected employees for the 2013 year, and these individual allocations were accepted by scheme participants by 17 May 2013. Allocation #4 comprised a total of 457 100 JSE ordinary shares and these shares were acquired in the open market by 17 May 2013.

	Personal performance shares	Corporate performance shares
Share price at grant date (rands per ordinary share)	76.92	76.92
Total number of shares granted	328 500	128 600
Dividend yield	3.00%	3.00%
Grant date	17 May 2013	17 May 2013
<b>Vesting dates:</b>		
50% of the shares awarded vest on 1 June 2016	164 250	64 300
50% of the shares awarded vest on 1 June 2017	164 250	64 300

Members of the JSE's executive committee, which includes the executive directors and the Company Secretary, have been granted a total of 100 800 personal performance shares and 128 600 corporate performance shares under Allocation #4.

	2013	2012
<b>Fair value charge to profit and loss</b>		
The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2010 is as follows:		
Allocation #1 (granted in May 2010)	R4.2m	R5.8m
Allocation #2 (granted in May 2011)	R6.2m	R4.0m
Allocation #3 (granted in June 2012)	R8.1m	R4.2m
Allocation #4 (granted in May 2013)	R4.6m	Nil
	<b>R23.1m</b>	R14.0m

	Group	
	2013 R'000	2012 R'000
<b>9. Revenue</b>		
Equity Market fees	374 283	319 136
Post-trade services	249 224	211 902
Back-office services (BDA)	237 556	204 909
Issuer regulation	109 685	95 827
Membership fees	11 108	10 434
Equity derivatives fees	131 907	112 571
Currency derivatives fees	23 858	17 466
Commodity derivatives fees	48 750	55 939
Interest rate market fees	45 954	45 684
Market data fees	176 641	146 849
Funds under management	68 379	61 255
Total revenue before Strate ad valorem fees	1 477 345	1 281 972
Strate ad valorem fees	100 207	102 895
Total revenue	1 577 552	1 384 867

## 10. Personnel expenses

Although staff numbers were maintained at 2012 levels, and despite average annual salary adjustments being held at 6%, current year remuneration increased by 12% year-on-year to R405.3m and total personnel expenditure as reflected in the audited annual financial statements rose by 21% to R426.6m from R353.9m in 2012. This was principally owing to the following:

- An increase in the size of the overall annual bonus pool for 2013 to R93.3m. The JSE's solid financial performance for the year, with basic earnings per share up 69%, was the principal driver of the higher bonus payments in 2013.
- A material reduction in the level of capitalised personnel expenses from R31.1m in 2012 to R13.2m in 2013.
- An increase in the charge to profit and loss in respect of the JSE's long-term incentive scheme (LTIS 2010) to R28.2m from R19.3m in 2012, which now reflects the full cost of all allocations made since 2010.
- An increase in non-executive director emoluments to R6.3m in 2013 from R5.4m in 2012, reflecting the full-year impact of non-executive directors appointed in 2012.

## 11. Other expenses

	2013	2012
Other operating expenses	491 518	489 273
Impairment	48 138	75 017
Strate ad valorem fees	110 123	108 029
	<b>649 779</b>	672 319

The impairment loss of R48m (2012: R75m) relates to the carrying value of the surveillance components of SRP. The functionality of this component was re-assessed in light of the new integrated trading and clearing project. This software component is no longer compatible with the new architecture and therefore the decision to impair.

## 12. Income tax expense

The Group's consolidated effective tax rate for the year ended 31 December 2013 was 31.12% (2012: 42.01%). The SRP impairment of R48.1m (2012: R75.0m) was not deducted for tax purposes. The decrease in the effective tax rate for the year is owing to a smaller deferred tax impact of R12.7m (2012: R41.2m) as a result of a decision to impair the surveillance portion of SRP.

	Group	
	2013 R'000	2012 R'000
<b>13. Earnings and headline earnings per share</b>		
<b>13.1. Basic earnings per share</b>		
Profit for the year attributable to ordinary shareholders	506 628	302 111
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010)	(1 315 623)	(1 001 589)
Weighted average number of ordinary shares at 31 December	85 561 977	85 876 011
Basic earnings per share (cents)	592.1	351.8
<b>13.2. Diluted earnings per share</b>		
Profit for the year attributable to ordinary shareholders	506 628	302 111
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	85 561 977	85 876 011
Effect of share options in issue	514 487	556 960
Weighted average number of ordinary shares (diluted)	86 076 464	86 432 971
Diluted earnings per share (cents)	588.6	349.5

# SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Group	
	2013 R'000	2012 R'000
The average market value of the Exchange's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.		
<b>13.3. Headline earnings per share</b>		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	506 628	302 111
Adjustments are made to the following:		
Profit or loss on disposal of property and equipment	27	(69)
– Gross amount	38	(96)
– Taxation effect	(11)	27
Impairment of intangible assets	60 795	116 191
– Gross amount	48 138	75 017
– Taxation effect	12 657	41 174
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	(15 875)	(11 834)
Headline earnings	551 575	406 399
Headline earnings per share (cents)	644.6	473.2
<b>13.4. Diluted headline earnings per share</b>		
Diluted headline earnings per share (cents)	640.8	470.2

## 14. Intangible assets

During the twelve months ended 31 December 2013, the Group acquired intangible assets with a cost of R33.4m (2012: R74.4m), mainly in respect of the listings information database, market data automation and T+3 Phase 2.

## 15. Contingent liabilities and commitments

### 15.1. Contingent liabilities

- 15.1.1. The JSE has a contingent liability in respect of a guarantee of R0.7m (2012: R0.7m) issued to the Financial Services Board.
- 15.1.2. A summons was served on the JSE during December 2011 in terms of which Pinnacle Point Holdings (Pty) Ltd (PPG) and four other plaintiffs have instituted action against the JSE for payment of R1 387 451 336.30. These losses were allegedly suffered as a result of the transaction concluded between the Acc-Ross group of companies and PPG. The JSE has lodged an exception against the plaintiff's particulars of claim to dismiss the action against the JSE, which exception will be heard in due course.

### 15.2. Commitments

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

## 16. Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1	Level 2	Level 3	Total balance
	R'000	R'000	R'000	R'000
<b>2013</b>				
Assets				
Other investments				
– Equity securities (available-for-sale)	162 877	69 177	–	232 054
– Debt investments (available-for-sale)	16 731	–	–	16 731
Total assets	179 608	69 177	–	248 785
<b>2012</b>				
Assets				
Other investments				
– Equity securities (available-for-sale )	149 227	47 976	–	197 203
– Debt investments (available-for-sale )	17 854	–	–	17 854
Total assets	167 081	47 976	–	215 057

The carrying values of the other financial assets and financial liabilities approximate their fair values.

## 17. Safcom Default Fund

The Safex Clearing Company (Pty) Limited (Safcom) operates as the JSE's appointed clearing house in terms of the Financial Markets Act, 2012.

In order to achieve recognition as a qualifying central counterparty (QCCP) under the CPSS-IOSCO provisions, clearing houses are required to establish a default fund for mutualising losses in the event of a clearing member default.

Safcom has established such a default fund, and has been recognised by the Financial Services Board (FSB) as a QCCP with effect from January 2013.

Newshelf 1252 (Pty) Limited (Safcom Default Fund) is incorporated as a private for-profit company wholly owned by the JSE Limited with a limited purpose of holding these funds. The JSE has invested R100 million into the fund and received contributions of R400 million from clearing members. The R500 million is invested in fixed and call deposits.

## Audit Opinion

KPMG Inc, the Group's independent auditor, has audited the consolidated annual financial statements of the JSE Limited from which the abridged consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The abridged consolidated financial results comprise the statements of financial position at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

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11 March 2014