Speaker	Narrative
Humphrey Borkum	Mr. Premier, Paul Mashatile, Mr. Minister of Finance for Gauteng, Ladies and Gentlemen, all the people I can see and all the people I can't see; those people who tuned in on webcast or on the conference call, it's my great pleasure to welcome you here this evening. I hope you are going to enjoy the presentation. I hope you are going to stop and have drink and a chat with us afterwards, and you know the form. I'm going to talk for a minute or two. Russell's the one who's doing all the work tonight. And then you can tackle us afterwards and ask us all those questions you don't want to ask in public. As you can see I've been given the job of talking to the highlights of 2008 and the first bullet point that has been given to me is good results for the past year. Now, I've been on the Exchange for many, many years. There are some people I've seen in the audience here who've been there a similar period of time. I think of Norman Lowenthal, Johnny McIvor, maybe a couple of others, but, I've never seen results like this. They aren't good results, they're fantastic results. Unfortunately, as Russell said this morning to a crowd of people he was talking to, they're history, and what you've really come to listen to today is what's going to happen in the future, and I'm not crystal ball gazing tonight. Russell's going to do that too. Another highlight that we had during the year was that we progressed our Africa strategy. Now, this is something that a lot of you know, we've spent quite a lot of time on over the years. It's been difficult, it hasn't been easy. I'm not quite sure what the reason for it is. Whether it's a hang over from the old apartheid days where South Africa was not the most popular country in Africa, or whether it's because people naturally tend to shy away from a giant, I don't know, but we've had a difficult time. But I think we're making progress and I'm optimistic. We've successfully launched, a month ago, our Africa Board. We've also launched the FTSE and JSE All Africa Indices. There's a possibility of technically linking the SADC Exchanges, that's on the cards, and we've been promoting our relationship with African Exchanges. Now, we haven't issued any formal announcement about Mauritius because nothing has yet been signed. It's sitting with a regulator in Mauritius and if that regulator approves us we'll do a transaction. More than that I can't say, but we are certainly talking to Mauritius, I think that's an open secret. BISA shareholders supported our proposed acquisition of the BISA business. Now, I mentioned earlier on that I've been around for quite a long time. I've never seen a scheme of amazement yet, where 100% of those people voting voted in favour of the scheme. I think it says a fantastic amount for the Executive of the JSE that the shareholders in BISA have that confidence in the way this Executive is running the JSE and I think it also puts pressure on the Executive, because those people who voted in favour of the that scheme arrangement are actually saying to the Executive, we're looking to you to produce the goods. We launched our international derivatives platform, the equity and commodity derivatives systems were replaced. The single stock futures continued to grow and I want to remind you I'm talking for the year to the end of 2008, so I know that they haven't grown this year, but I'm talking about last year. At this stage I would like to say something that's going to comfort you all about the year ahead. I'd like to look in the crystal ball and say that things are going to get better, but I've been told that I'm not allowed to crystal ball, so, I just want to recount to you a little thing that I read, from Spike Milligan, the late Spike Milligan, a couple of weeks back, and he said, and this has particular reference to those of you have lost money on your portfolio's over the past year, and if there's anybody here tonight who hasn't lost money please talk to me afterwards. I need to know how you did that. Anyway, Spike Milligan said, money can't buy you happiness, but it sure as hell can buy you a more pleasant form of misery.

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	Ladies and Gentlemen, my pleasure to hand over to Russell, who's going to talk to you about our history and about our future. Thank you all very much.
Russell Loubser	Thank you Chairman, and let me repeat that welcome to our Premier, Paul Mashatile and the Head of Finance of Gauteng, you're very welcome here gentlemen. Nice to have you here and thank you for the interest that you are showing. Good evening everybody, nice to have you here, and also a warm welcome to the people that have joined us in the conference call and the webcast. And they will all have the opportunity to ask questions later. Right, let's get right into it. Let's start off with everything that you do know. Humphrey mentioned that this is history, but we have to cover the financial year which happens to coincide with the calendar year, 2008, and I think it's fair to say that we were partly shielded from this global turmoil, but only partly. Our stock markets did fall in the second half, we've had industry wide retrenchments across the entire globe, and I don't think anybody in this audience has ever seen that. We've always had at least two of the three cylinders firing if you can simplistically break the world up into three time zones. The America's, Europe, Africa and the Middle East, and then China, India and the rest of Asia. Nobody has ever seen what we are seeing at the moment. Nobody has ever seen governments having to bale out banks. I mean, normally banks lend to people, now governments have to lend to banks to keep them afloat. Nobody has seen household names here today, gone tomorrow and right across the globe. Nobody has seen major industrial companies, their very existence in danger right across the globe. And, of course, many of JSE companies are also showing strain. Fortunately for the Stock Exchange itself the trading volumes in these very volatile conditions held up extremely well and then the question of the following investment that we need. We've got a big deficit on our current account of our balance of payments, that's got to be offset by capital inflows and we didn't get that last year. We've seen good inflows into South Africa via the Stock Exchange for a number of years, but last year we saw a Nett foreign disinvestment; sellers exceeded buyers by 54 billion. Fortunately, so far this year there's a 13 billion swing. We've seen 4 billion Nett foreign investment for the two months of this calendar year. Same time last year 9 billion outflow; part of that R54 billion that is there, so, maybe things are changing. The index, well, we started 2008 nice and strongly. We got to those dizzy heights, 33,233 on the LSE [?], and now we are just clinging onto the R18, 000 level. Had a reasonably good day today, but where do we go from here? So, trading volumes held up nicely up in the second half despite this falling index. The Stock Exchange industry has faced unprecedented tests that's for sure. We've has this massive volatility and then you have this investor sentiment that just disappears. What we have across the world at the moment is a crisis of confidence; we had a failure of the financial markets, fact of the matter. Not a failure of the free enterprise market system. There are these people who would like to say, well, this is the end of capitalism, especially guys like Putin, and I'm afraid he's going to have to look long for a better system. We just haven't found a better system yet. But we did have a failure of the financial markets; that is correct. You've had some markets where the interest has evaporated completely and in some instances it was because of their own doing. The Russian markets closed more than 11 times, closed, between the middle of the September and the end of October, where the order just comes from above, you will not open the markets today. Now, when those types of things happen then they must not be surprised if the investors don't flock back to those markets when times have normalised again. People will remember that and I'll talk to that regarding the South African financial market, specifically the JSE a little bit further on. So, we've got these real systemic pressures where the very existence of financial markets are threatened and major bale outs are necessary; fluctuating trading volumes. Some have seen them go up; some have seen them go down. We fortunately saw them go up and we never closed. And then, of course, you've always got these little players nibbling from the side taking

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	their chances and trying to let people know that they are the new arrivals, so that the properly regulated Exchanges are not that important anymore. Well, we'll have to see. Fact of the matter is, I believe that overall, bearing in mind what I've just what I've just said, that Exchanges proved quite resilient. Overall they operated like they should have, except for those they just closed, and it's not just the Russians. The Indian markets were also told, you'll close for the day, even the Brazil markets, and I've got respect for both those markets. Point being markets should operate. They can operate, they should operate, the must operate. And that applies to other enterprises as well, especially our state owned enterprises. The world was heading for difficult times in any case. Main Street was heading for a bit of a problem in any case. We have had good years; we had 2004, 2005, 2006 and 2007, and now with the benefit of hindsight a lot of that based and built on not very solid foundations, but the fact of the matter, the real economy was headed for a correction in any case. The last thing the real economy needed was a financial market failure on top of that, it got, started by the Americans. When you have these types of failures certain other things shouldn't fail, because that's the last thing that you need in your life including Stock Exchanges, they must operate and they must operate as well as possible every single day. We don't need state owned enterprises not to operate. We don't need government departments not to operate. They can, they should. Must not add to the problem, they must be part of the solution, not part of the problem. Okay, Stock Exchange industry. Let's get down to the business review. You've seen this slide before where we show you how we have diversified our income over the years. This pie certainly didn't always used to look like this. Starting with that 27% at around about 1 o'clock to 3 o'clock, that's still our Equities Trading Fees, around about R267 million that'll add up to. Then we move down to Risk Management, we do that and we do it as well as possible because our balance sheet is on the line. Every trade that goes to the central order book we guarantee. That's about R157 million's worth of revenue. The 7% are the Listing Fees, as I'll show you next down, fair enough, but that's still R70 million. Then the Equity Derivatives, about R131 million, that 13%. The Commodity Derivatives, about R46 million, that 5%, and Information Product Sales we've grown back from zero 12 years ago to now R96 million, that 10%. The 15% opposite the 16% that's the BDA services we supply to every single equity member, the brokered deal accounting systems for every single equity member, about R147 million and then the 7% up top is made up of three year items. So, that's how we've managed to diversify, we make the point at the bottom there, excluding straight ad lorem fees because that's just an in/out. I'll show it to you on the Expense side as well. There's R90 odd million that's an income item precisely set of by an expense item, so we don't include it in the pie chart. More specifically the various divisions, the Listings Division, of course New Listings dropped last year, not only in South Africa, worldwide. So, whereas we had 63 listings in 2007, we had 23 during the course of last year, and I wouldn't be surprised if this year follows the same pattern. But then again, you have these fortunate things, especially fortunate to a small to medium sized exchange like the JSE. We are the 18th largest in the world but we're a lot smaller than the real biggies, and then when we get a jewel like BAT, it makes a big difference to the JSE Ltd. Like Vodacom, if it hopefully goes ahead with its listing in May, will make a big difference to the JSE Ltd, because it's a relatively small exchange. The bigger exchanges, LSE, Tokyo, Nasdaq, they need five of those a month just to stand still. For us it makes a big difference. Now, of course we can target foreign domiciled companies; not well known that up until three years ago we couldn't do it, because exchange control regulations prohibited us from doing it. Now we can. Obviously that doesn't mean that these foreign domiciled, be they African or other foreign domiciled companies will stream to the JSE, we have to get out there, market ourselves, put our value proposition on the table and that's where we are fortunate. The value proposition we can offer today - comparable with the best in the world. I've combined two of those slices of the Equities Trading and then also the Risk Management Clearing and

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	Settlement, remember I gave you the numbers, the numbers aren't written there, they're all in the head. It's 267 plus about 157, so there's just over the R400 million revenue number there. Make the point that the turbulent markets were very good for us; record volumes, all the systems operating nicely. We had our biggest day transaction wise, the Futures close out in December, 128,000 trades. A normal day is round about 70,000 trades. This exact same system, which the London Stock Exchange operates, they've had a number of days where they've done over a million trades on a single day. So, capacity wise, no problem. Talk to the average daily number of trades up from 46,000 to round about 69,000 – 70,000 and I was discussing with my colleagues when I joined the JSE 12 years ago, if we did 4,000 trades a day 12 years ago it was a lot, and you'll remember that, 4,000 trades, right? 4,000 trades, we were happy with 4,000 trades 12 years ago. We cut our trading fees by 7½ % midway through last year, because we believed it was the right thing to do. And we haven't raised them this year. The volume is helping us. We are not resting on laurels, constantly looking for where we can improve and the trading system has been upgraded. This trading system that is identical to the one used and run by the London Stock Exchange. More functionality introduced, systems stabilised even further and even increased capacity because London is London it's a huge market. But they need it and we've got exactly the same system. So, that's Equities Trading, this Management Clearing and Settlement. On the Derivatives side we're talking about last year. As we mentioned this year might look a bit different and I'll come to that, and this is the difference if we compare this slide, the Equities Trading, because remember we're coming off a low base. We're talking about a liquidity number here, liquidity as defined or, like some people call it, the velocity number. Turn over divided by a market capital of the constituent companies. We've increased it magnificently from 5%/6% in the old days to now 50% - 60%, but 50% - 60% is still small and low compared to the exchanges we like to compare ourselves to. You have exchanges that have got liquidity numbers of 200%, 300%. There's no reason why we should not end there, but the reason why we think that our numbers on the equities side are sustainable is because we're still coming off this low base. This liquidity number; by the way courtesy of Howard Lowenthal, you know the new definition of liquidity? It's when you're looking at your share portfolio and you start wetting your pants, that's liquidity. The Derivatives side is different. We're coming off a high base. Look at that 2007 219% increase. And now an even further increase in 2008, volumes 45% up on that, so, we're coming off a high base. So, to be expected that in these times maybe you should expect a cooling down in volumes. And we are seeing that and I'll talk to that in the first two months of this year. Nothing to be alarmed about but it's there. Very proud of what we've achieved there and Alan and his team have worked unbelievably hard on this. We are the worlds tenth largest Derivatives exchange, the biggest single stocks Futures exchange in terms of number of contracts traded, not the national value thereof, number of contracts traded. We didn't mess with the contract value in order to become the biggest, that's the way it's always been. Then we did win that Futures and Options World Award, and it's important what we won it for, because I think it's going to pay dividends going forward. We won it for introducing these over-the-counter type product; we call them Can Do's, we should actually call them Can Do Alternatives, because it's Can Do Options, Can Do Futures, it's products that have been fashioned and set up between two parties. Now they have bilateral credit risk to each on an ongoing basis and then they've got the problem of continually valuing this thing and then on some type of periodic basis moving cash flow one way or the other. Then, eventually they decide no, I'd like somebody else to value, somebody independent to value this thing; I'd like this thing to be margined on a daily basis and I don't want that bilateral credit risk anymore. I deal, moving it on to the Exchange; the clearing house becomes the buyer to the seller and the seller to the buyer and this I can tell you I believe will be part of the regulatory response to the financial market failure. The financial market failure and the financial markets failed because

you couldn't the extent of the problem. Not only could you not see the extent of the problem, you couldn't margin it on a daily basis. So many of those deals are margined once a month, once a quarter and you just hope that they guy is still going to be there in a month's time or in a quarter of a year's time. This is the ideal time to move a lot of those products onto the Exchange where they are independently valued on a daily basis and the cash flows flow on a daily basis. Well, that's what we got the award for and it was a world wide award.

We've had very good growth in Currency Futures and you can link that with the last point on this slide where we've introduced international derivatives, SSFs on international stocks, what a beautiful opportunity to get exposure to that international, and if you want to hedge the currency, well, there you've got the Currency Futures as well. We introduced new trading and clearing systems, a new trading and clearing system which allows more flexibility for Equity Derivatives. Same thing for Commodity Derivatives, a new trading and clearing system with more flexibility.

On the Commodity Derivatives, the contract volume is slightly up and then these new products. These are the products on our shelves. This is like a big departmental store; you can equate it to that. You've got to have the right products on the shelves and then you've got to give people access to the products and then maybe they'll buy them and sell them. Well, we introduced this Corn Futures contract under licence from the CVOT, which is part of the CME Group, and they're delighted to be working with us and this, hopefully, is just going to be one of the first new products that we deliver, that we put onto this Commodity Exchange. Working on other products with the CME at the moment and with a bit of luck we'll see more of this, and those contracts are trading nicely.

Our Information product sales; I mentioned that this was zero 12 years ago and now close to R100 million, at R96 million. The terminals receiving our information, up 15%. The nice part to me there is that almost half of them are foreign. The foreign market is clearly slightly bigger than the South African market. There must be more potential to sell them overseas than… very good job that team has done selling them in South Africa. The other nice part of it is we get foreign income for that and there's your perfect edge, because we do have foreign currency liabilities. We have to loan on the Stock Exchange quarterly in advance. Previously we had to hedge that with FECs, now we don't have to. Foreign currency comes in, keep it a CFC account as we need to pay the London Stock Exchange, just take it out of the CFC account. There's your most natural edge possible.

Then we specifically load our prices for retail clients because we want to pull the retail client into the business. We're nowhere near the levels that Australia, the UK and the US have seen where close to 50% of their population have got stock accounts in their own name. We're nowhere near that. That's partly because of our history. This is part of our efforts to get them, to get the retail market acquainted with. We just started today with the JSE week where we've got people in our foyer displaying their expertise, their goods, their wares, and we've got people coming through the Stock Exchange the whole day. It's fantastic, lovely feeling there and we had President Mothlanthe there this afternoon as well asking questions of people. Products on five new indices were launched and that's how this circle works. Nice to have just the new index, just to create the new index and maybe we can sell that. Even better to have a new index, attract enough attention and have a future on the index, because then it trades and then another department also gets income of it, even nice to have a future and an option on the future on that. Even nicer to have an ETF on a big index. This is how we're creating those products all the time.

The Technology Services; this is that service that we provide to all Equity Brokers; it costs us a lot but also earns us a lot. Vital service. If every broker had to go and get their own package to do it has to work out more expensive than if we are providing it to everybody at the same time. And that revenue has to trend in the same direction as trading, because once trade has taken place, well then, it has to be cleared and settled and then it has to be handled in the back office. You have to allocate it to clients and we take a small transaction charge all the along the way. Very important and vitally, vitally important here, this function allows us world class surveillance. We have the capability of survey, of practicing our surveillance down to client level. No other exchange in the world has got that capability. Any other exchange's capability stops at the broker level. We can actually help the broker understand what's happening in the back office. Absolutely essential in the cleaning up of our act over the last number of years and it was that surveillance capability was one of the factors that persuaded us not to introduce those interventions, those interferences in the market in September and October last year when everybody was panicking. We didn't have to, we have the ability to practice that surveillance; we don't allow naked short sales, therefore we didn't have to introduce those curbs on short selling like so many markets did, and which they regretted totally within a very short space of time. And we didn't do this because we were just brave. We studied the situation very carefully, we discussed it with my regulator, the Financial Services Board, going through what capabilities do we have, what can we see, what can't we see, and we came to the conclusion, don't need it, don't want to do it, is not good for South Africa's financial markets. We will reap the benefits of that stance later, not now, good news is wasted on the market at the moment; we'll get that later.

The Financials; well, those are the hard numbers. For the first time ever we've gone through the 1 billion revenue mark.

The second bullet point there is the important one to me, is that every year we're improving that cost to income ratio, a little bit every single year. A cost to income ratio of 65% implies a margin of 35%, not to be sneezed at. Our BE charges are done; they've gone through the income statement. I don't believe they should go through the income statement but they have to be, and every year I've had to be explaining these BE charges that go through the income statement. That's IFRS, the International Financial Reporting Standards. In any case now there's nothing to go through because it's all done.

The fourth bullet point, to me also vital. This organisation produces cash. We don't have any borrowings, zero, we've got no gearing and we produce cash, and I know we get criticised from time to time as to why do you have so much cash, well, we'll come to that. So, the cash retained is now close R1 billion on a consolidated basis, but that includes the cash of the two investor protection funds that nobody can get their little fingers on. If you look at the JSE the cash portion of our balance sheet is around about R860 million. We need that cash there because we guarantee every single trade that goes through the central order book. We've got nothing else to guarantee it with, we don't own the building, we lease the building. Apart from that we've got furniture and equipment and computers, so you need cash, or you need a massive insurance policy that'll prove to be too expensive. So, we've got cash. In any case it's prudent to have a number of months of operating costs lying in the bank there, and we've got.

And then of course there's things that we've been working on, some for a number of years and which now finally seem as if they could be coming to fruition, like the BISA transaction. I'll will talk to that later. But, if we get those regulatory approvals there's R240 million that'll immediately flow. And then, of course, we want to look after our shareholders. Last year our dividend was 130 cents a share, same capital base, this year 192 cents per share, so, that'll take another R166 odd million out of the balance sheet. That's the income statement that we'll see in the statutory financials, where you see the revenue going over the billion rand mark for the first time, and you see the Nett profit for the year after tax going from R273 million to R374 million, say a million up. There's the earnings per share. The share price of round about R38, which is where it was today, that gives you a PE of round about nine, and if you're looking for a dividend yield it's round about five, and if you're looking for an earnings yield it's the inverse of the PE yield, that's about 11% earnings yield, so there's all your numbers.

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	Maybe I can talk to why's the other income come down? Well, that's because last year we had a parting gift from an outsource contractor, which is not there this year and then you've got the equity accounting of straight there, there's another beautiful business now. Started that in 1997, took a long time to get that thing going, to turn the corner, straight, ran up an accumulated loss of R134 million before it had made its first profit, everybody's eyes were big; that thing is now producing cash every single year like the JSE. It's a derivative of the JSE and we equity account our 44½ % shareholding there. That's just to show you the costs. I'm not quite happy with those, with the comparative breakdowns. The important thing to remember there is that the big numbers are correct, and the important thing to remember which you will have to do a bit of scratching in the financials, is that our actual operating costs, if you take out the once-offs, once-offs have increased by around about 10%, which is to be expected from 2007 to 2008; big numbers correct. Make the point at the bottom there that in the expenses, we also exclude the straight costs because it's an in/out; I didn't have it in the pie in revenue; I haven't got it in the histogram in costs. Okay, now, as Humphrey says, that's history and none of the analysts are interested in the history for some reason. This is what they want to say, yes. It's like a batsman; you're only as good as your last innings. What is your next innings going to look like? Okay, let's talk about 2009. Well, unfortunately ladies and gentlemen the world economic outlook I've never seen look worse. So, we're just going to have to batten down the hatches, we are affected, will be affected, maybe not to the same extent, but we will for sure not escape it. So, what are we going to at the JSE? Well, we are not going to just take this one lying down. We're going to be doing everything possible to emphasise the difference for one, between us and some other emerging markets. How they panic, even some developed markets in this past time. And already we are seeing this, with some of the major players in South Africa saying, I was burnt in that emerging market and that one, and that one and that one, when I wanted to get out I couldn't, I'm not there anymore, I'm coming to South Africa to do my emerging market business, and we are open for business. We'll continually work to improve that efficiency because that's the way it should be, exchanges must operate; they must operate all the time and they must operate properly all the time. We can now easily say we offer a world class service to our clients at a competitive price. I'm not interested in offering anything at the lowest price. It doesn't take any skill to be the cheapest in the game. What takes skill is to be offering a proper service and then maybe you can charge for it. We've got a fixed cost business as everybody knows, as every exchange is, so you must keep a close eye on the costs, which we do. And everything we do is designed on where's the sustainability here. Of course, if there are some short term gains to be got somewhere I don't mind taking them, but everything else is focussed on, well, how's this going to turn out in five years, 10 years, 15 years, 20 years time? We've been talking to African exchanges for the full 12 years I've been at the JSE. We'll continue talking to them for another 12 years. We'll focus on the strategic initiatives, like for instance, Mauritius, and I'll talk about that a little bit later, and these new products that we offer from time to time. Those international derivatives, the contracts that we are doing with the CME, that we will continue doing. Our Africa strategy is specifically? Well, it's an obvious one. We can now go out and ask those foreign companies, be they African foreign companies or European foreign companies put our value proposition on the table, say this is what we can offer and see, it's comparable with the best in the world, and then the nice thing is we are going to charge you in Rands. And we've been benchmarked now a number of times since we listed on the 5th June, 2006, against other exchanges. What is the total cost of the transaction, where does the JSE fit in on that spectrum? We're not the most expensive, we're not the cheapest, we've got no intention of being the cheapest; we're just nicely in the middle. And then you want to keep on adding refinements of your service, because then people are not shy of paying. So, we want to be a one-stop shop for the investor and the issuer wherever that investor and issuer is. And you'll hear us using this terminology over and over again, because

those are the only two parts that count as far as we're concerned. We are an intermediary, the brokers in this audience, you guys are intermediaries, and if either you or both you and I don't offer what the issuer and the investor wants, then maybe you and I are going to go out of business. We are intermediaries. Sometimes you as a broker could even be a listed company; you could even be the investor. No problem. And we don't distinguish between the investors. You can be a retail institutional, speculator, day trader, hedge fund, I don't mind, they're all vitally important to the entire market, but those are the two parties that count, the issuer and the investor.

As far as our Africa Board is concerned we listed our first company, Trustco from Namibia, where they've got a dual primary listing on the JSE, and Maureen Dlamini and her team, this initiative has got executive attention now from the JSE, has had now for just over a year. Extremely capable and passionate lady in the form of Maureen Dlamini, and she is crisscrossing Africa. We've targeted a few countries specifically it's not just a shotgun approach. We've targeted specifically a number of companies in those countries and we're going and sitting in front of them and saying, guys, when you're ready this is what we can do for you, don't ditch your domestic exchange, keep that listing but come and consider what we can do for you on the JSE. And we're not being completely mercenary about this either. We are saying to the local exchange every time that counter trades in the JSE we'll give you something. Now, nobody's offered me that deal. When they've come into South Africa and offered to our prime companies to come and list elsewhere they haven't offered me a cut of the trading income that happens on their exchanges, we are doing it with our African exchange neighbours.

Humphrey mentioned this SADEX interconnectivity model, that's the easiest thing to do for SADEX stock exchanges. It's simple. Technology is no longer the problem, technology is now the enabler. Namibia saw that 11 years ago. Now, Namibia has been on our platform for the last 11 years, why haven't other exchanges joined us? I don't know. Humphrey touched on some of it, I don't know who did what to whom, but some of them just don't want to work with us. They will see over time thought that we have got no untoward intentions at all, our track record shows that. And they cannot use the excuse that the money's not available, if Namibia could raise the money 11 years ago, these other exchanges could do. All that is now required is do they want to uplift themselves quickly or do they want to carry on with the slow process. So, we'll continue working with them in that case, and we'll continue working closely with stock exchanges like Mauritius, which is a beautiful little exchange. It's small but it's extremely well run, it's profitable, it offers opportunities regarding other African exchanges later if the deal gets regulatory approval and it makes a lot of sense to consider a strategic stake in the Mauritius Stock Exchange, which we are doing. Don't ask me how big is the stake, don't ask me what we are intending to pay; can't talk about that yet. And then we are introducing indices specifically to reflect these issues across the continent.

Our proposed transaction with BISA, that has been talked about a lot; the section 3 11 scheme document is out there for everybody to read, it's a public document. It's something we've been pursuing for a long time. We couldn't do the deal earlier. We couldn't acquire equity in the deal earlier because BISA only became a company last year, so the only way of doing this type of deal previously was for the two exchanges to cooperate. That didn't happen. After becoming a company there was also a period where we couldn't make a bid for the shares because there was a poison pill involved. That has now worked its way out of the system, we can now speak to the shareholders, and there it is, clear as daylight. As Humphrey mentioned, 100% of the shareholders present at the scheme meeting voted in favour of the deal. You ask scheme lawyers if they've ever seen that, they haven't seen that before. 91.2% of the shareholders were presented there, so 100% of 91.2 is 91.2% voted in favour of the deal. It still needs regulatory approval and we're not assuming we will get that approval, we are putting a lot of effort into making the competition commission not have any problems… oh, well done there. Jeez. Geoffrey, you're just going to have to stand like that for the rest of the

Speaker	Narrative
	time. [laughter] Well caught there Bernadette. Okay, so we're going to work, we're working extremely hard on the Competition Commission issues and the FSB issues, all our regulators have to approve the deal. If we get the approval, mechanically it will become 100% subsidiary, that's the media step and then we'll take the business out of the subsidiary and integrate it identically to the way we did it when we bought the Futures Exchange in 2001, because we want that cooperation of people and the ability to reduce costs wherever we can, we want to do that immediately. We've got space in the JSE building. There are around about 70 people working for BISA, we've got the space and the inclination to accommodate them, and then the real work starts, because then, to be consistent with what I have been talking to up to now, we want to know what the issuer and investor wants. Do we have interest rate markets in South Africa? Yes. Are they good enough? The answer's no, and we apply that to all aspects of our business. They can be much better, they should be much better. South Africa deserves much better interest rate markets. Putting the two teams together we hope to be able to achieve that, so that's when the work starts, and that's those points we're making under strategy. Put the two lots of heads together, speak to the issuers and investors, give them what they want, not give them what we've got, give them what they want, and that's going to cost us R240 million if we can get approval. Always [all these?] questions on technology and here we've had an up and down ride. We had a technology division, we outsourced it completely, that didn't work, and that's that non-recurring income item there. One of the results of that. Now we are building up a team and we are building that team properly now. We've got, in my view, an extremely well qualified and highly experienced Chief Investment Officer. That is his responsibility, his entire IT thing. He's rebuilding this team very systematically and methodically, getting the right people in place, because now we don't have anybody to blame if we don't deliver. The entire responsibility is back with the JSE and not with the outsource partner that we had previously. I'm confident that over a period of time having got in all the skills that we need, and we haven't got them all yet, that we will be in a position to have extremely robust systems and to deliver on the change in systems that we still need to deliver on. Inter alia it includes this year two major equity upgrades to the current trading system. So, on the trading side of course as you've seen in the pie chart, a large part of our revenue does depend on trading volumes. To date, touch wood, the first two months of 2009 compared with the first two months on the equities side, trading volumes up, number of transactions up, that's on the equities side. Remember, coming off a low base. An ever increasing base, but still coming off, relatively speaking, a low base, and fortunate to be in that position hoping to get into that position where it's a lot bigger but fortunately at this stage still in that position. So, the case equity trade's up, so we're going to focus on these new products and services, on making access easy, an obvious one, a little bit tricky from a surveillance and regulatory point of view. But, something to consider because if you've the shop there with the products on the shelves, well then, you must give people access to it, and technology makes it possible to give them access to that shop from anywhere in the world, but then you've got to consider the resultant risks attached to that. I don't want to go look for somebody in Siberia who's doing funny things. If he's doing funny things on the JSE. I want to be able to nail somebody in South Africa for that problem. Okay. Then we've these new growth areas like the retail investor. That'll develop slowly. I'll be very nervous if that suddenly explodes over a year or two. That must develop nicely and sustainably over a period of time. On the Equity Derivatives, coming off a high base, the volumes are down. Nothing to panic about yet, but we're going to focus on providing that extra service. That team, Alan Thompson and his team, Rod Gravelet-Blondin and his team, staying very close to the customers out there, the stakeholders, what are you guys doing? Where can we be of any service? Those over-the-counter things that are making me edgy. Shouldn't we bring them onto the Exchange, value them marginally? The new products, the

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	International Derivatives, these things they didn't just happen. We're getting them onto the Exchange because we're staying close to our clients. Applies to the Commodities Derivatives as well. Those volumes slightly down on last year, but last year was a big year for us. So, in summary 2008 and was a good year, but 2009 could be tough. Don't be surprised if 2010 is tough, but I've got one hell of a team with me. 12 years ago some of them were babies, now some of them are seasoned veterans. Tough as nails, hell of a lot smarter, and we're all still working our backsides off. That's the way it should be. We've diversified our revenue nicely; we're going to continue doing that. We're not a one product exchange like one very big and important exchange is essentially. We know we have to watch those costs, we have no debt, no gearing, well capitalised. No, it's a relatively lazy balance sheet, I'm quite happy with that in these times. Ladies and Gentlemen, I'm very prepared to take questions from the floor. Once we've finished questions from the floor, we'll hand over to the con people who've listened in by conference call, or people on the webcast, and we'll take questions from them and you'll most probably be able to hear their questions. But any questions, just ask for the microphone, just say who you are and who you represent and then ask your question. There's a lady right here in front if we could give her a microphone please.
Mrs. Levy	Yes Mr. Speaker, I'm not going to ask you any difficult questions because you look somewhat exhausted, but I do want to congratulate you and your management team on the good work you've done in very trying times and there's one point that all you're investors wish to emphasise, and that is that you've declared a reasonable dividend in trying times. You have had every reason not to declare a dividend but you did the right thing, and please continue that culture, Mr. Speaker.
Russell Loubser	Just in case any of wanted to know, Mrs. Levy is not a plant, thank you very much Mrs. Levy. Ian.
Ian Cruickshanks	Ian Cruickshanks from Nedbank. On the question of the dividend. It's gone up by about 50%. The dividend cover must have come down a bit too. I think you said an earnings yield of 11%, a dividend cover of 5%, so it's just over 2 times. Do you intend to maintain it at around level and could that perhaps be quite a serious challenge if we see any tailing off in volumes, which is a possibility by your own admission?
Russell Loubser	Ian, you've forgotten that our profits went up, so our dividend cover we pushed. Remember we gave ourselves a range, 1½ to 2½ times cover. Last year that 132 cents dividend was covered 2.26 times. This year, at yesterdays board meeting we decided, guys, who knows what's coming down the road. Let's be conservative and let's go for the extreme 2½ times covered, but on a bigger profit it turns out to be a bigger number obviously, so, we've gone from 132 cents to 192 cents, but we've given ourselves more space. And that's R166 million. If we went for a 2 times dividend cover I would think that would be unnecessarily aggressive and it would have taken another R40 odd million out of the balance sheet. So, that's for the present moment, we can certainly afford it, Ian, I don't think that's exhibiting a false bravado or anything. That's right, it's fair, it's fair towards shareholders, as Mrs. Levy has confirmed.
Ronnie	Russell, first of all, congratulations on a good set of numbers out there. I just wanted to ask you, in terms of the current structure of shareholding in straight, what is the possibility of you guys acquiring…?
Russell Loubser	Poor.
Ronnie	An additional slug over the course of time? The other question is looking at South Africa still

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	being a typical mining market, what is the chance of getting a potential listing of Vaali [?] on the JSE, a Rio Tinto and Xstrata [?], or of that sort of ilk there, what's the progress? Have you spoken to these guys? Have you got any feedback over the course time in terms of the pros and cons of a listing on the JSE?
Russell Loubser	Okay. Ronnie what was the first part of that question? [background voice]. Oh the straight, okay.
Ronnie	In terms of the [overtalking].
Russell Loubser	Right Straight and then [overtalking], okay? Straight, why don't we increase our shareholding? Remember, Ladies and Gentlemen, we started off with 50% shareholding in straight, and that's because we funded 50 cents in every Rand when we didn't actually have the money, and all the banks combined funded the other 50%. Then we were diluted down to about 41% when Straight acquired Unixcor and issued shares and we bought out way back up to 44½ %. We've got regulatory approval to go back to our 50%. To go above 50% for some reason creates suspicion in the market. What are we going to do when we are in the market? What would we do anything different when we had 49.9 % to what when we get 50.1% I don't' know, but it creates a suspicion. In the meantime we need the cooperation of a lot of people who are making those noises to take Straight to the next level and here's once again indicative of our approach to things where we say Straights doing a great job, we haven't had a failed trade in eight years now. That's unique in the world. But, we're saying, guys, it's not good enough. The rest of the world isn't standing still so how do we improve the service offering and there are things we can do. But with us letting the market know that we're interested in going above 50%, this created the suspicion, so we said, okay guys, let's tell you how we'll take this further. We're not interested in going above 50% for now. We'll stick with our 44½ % but can we now improve the service, and then suddenly everybody said, yes, okay, let's improve the service. So, Ronnie, we going to stick to that. We're going to improve the service, work with Straight, and we don't run Straight, Straight's got fantastic management. It's a completely separate company. We act like a 44½ % shareholder should act. We're going to encourage Straight now with the promised cooperation of the other essential parties to improve the service. And if then the suspicion evaporates and people want to sell us their shares we're a very willing buyer, because that is a sound company, it's a derivative of the JSE, it delivers cash, it's got no gearing, It's paid back all its loans and it's an obvious extension of our business. The Rio Tinto's etc., we're talking to them. We're talking to companies like that, but you're talking to big boys and you know, you have to land one of them and it makes a great difference to JSE, so, we're going to continue doing that now that we can Ronnie, up until three years ago we couldn't, and we hope to show them over a period of time that in this part of the world you can come in when you want to, you can get out when you want to, we're not going to introduce these funny little things when things get tough. We're not going to close the markets if we're having a bad day, we're not going to introduce these funny little rules like curbs and short selling, because we don't allow naked shorts. And I think over a period of time we can get that message across. I don't think many people are concentrating on that at the moment, Ronnie. I mean, everybody's caught in headlights and everybody is just seeing doom and gloom, but the day will come when… and this crisis of confidence must lift, because if we're all walking around with a crisis of confidence where you don't believe anything the next guy says, well then, nothing's going to change. People have to change before things start changing, so Ronnie, we're just going to keep on pushing that one. And some we'll win and some we'll lose. Howard, I hope you've got another joke for us here?
Howard	Hello Russell. Sorry I was late. I went to get dry trousers.

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Russell Loubser	I gave you credit for you liquidity definition.
Howard	Oh, thanks. Conversely that's an issuer question. On the investor question. Your retail client base, individuals that have accounts with the JSE is less than about 200,000, compared to like in the US where 50% of households have an account.
Russell Loubser	Correct.
Howard	What are we doing to address that, so that they're not at the behest of the unit trusts and the fund managers?
Russell Loubser	Yes. It's a combination of things, and the JSE really guys can only do so much. Then we need the help of all you guys in the audience. We've had an education system going at the JSE for over 30 years and we're not trying to turn the JSE into a school or a university, but we've been doing that for over 30 years, where we have that, started off as a schools challenge, now it's a schools and universities challenge and we're going to keep on expanding that, where we now have every university in the land participating in the challenge. What's the idea? Don't only tell people about how the JSE works when they start working. Tell them before they even get to a job. Now, normally people aren't in spending money on educating a student, because a student hasn't got money to spend; we are. So, that's one of the things we are doing, and that's just a cost and we're happy to bear that cost. Are we doing enough? Not remotely. You guys have to help me. You guys have got client bases, you guys have to help us, the JSE, educate people, because education is crucial. We've seen the mistakes that get made by educated people in the single stock futures market. It's not good. Education is prime, you've got to keep on getting the message out, that's why we've got that JSE week there today, where we're just hoping more than the 1,500 people of last year will just walk through the JSE, ask their questions, be persuaded to open up a stock account in their own right, but realistically speaking, in these times, Howard, got to be patient. When the market starts booming again then we'll see them come flocking back. And we just hope they don't make mistakes then. But, your numbers are spot on. Our retail participation in the market is south of 10%. US, UK, Australia, north of 50%, so there's an opportunity, right? That's a low base. Sometimes it helps coming off a low base. Right, there's another question there.
Charl Conradie	Hi Russell, Charl Conradie here from Peregrine Capital. I just want to ask you about volumes on the exchange. If we [unclear] have a situation where you've seen volumes slowed significantly during the next 12 to 18 months for some or other reason, do you have a [unclear] on price, or for example, can you push prices back up to a level where they were last year before you gave the discount, or will you not be keen to take that kind of action?
Russell Loubser	Okay, well I hope I don't have to get there, but one of the first… we've been listed since the 5th June, 2006, and the first question the international shareholders and they always ask me, is why don't you put up your prices? And then I say to them, yes guys, I know I can, I know we're extremely competitive, but I don't have to put up the prices because the volumes are growing. Okay, now your question is, well, what if the volumes don't grow? Well, I can't pre-empt that one. We're going to have to look at it at by how much do they come down, by how much… are they just not growing? All I know is if our volumes dip substantially then a lot of you guys don't have jobs anymore. Then you're putting an entire financial market… so it's in your interests to ensure… I'd hate to… very, knowing that we have the ability from a competition point of view, from a competitive point of view, that we have the scope to increase prices. If I don't have to do it I'm not going to do it. But we are not… this is not a utility. I've got shareholders. The better the service you want, the better I have to do. This is not a state owned enterprise. This organisation has to operate like any service provider, it has to earn its right to ask a fee, but when we are delivering the service then we're going to ask the fee. I wouldn't want to

	increase the prices. Especially in times like this.
Charl Conradie	Thank you.
Russell Loubser	I prefer the volumes and there is the fortune part coming off a low base again.
Willem	Russell, just two questions please. On BISA. According to the facts that I have, they haven't been making money for the last…
Russell Loubser	On what was that, Willem?
Willem	Bond Exchange.
Russell Loubser	Oh, the Bond Exchange. Yes.
Willem	Yes, the acquisition of the Bond Exchange. They haven't been making money, say, for the last three or four years, and I know you mentioned the economy of scale etc. If you can just run through those figures or would… the money paid for them, would that come back to JSE and shareholders. First one, second question. The Mauritian Stock Exchange. Can you maybe elaborate on that because wouldn't the approach to get their quality companies to list here as the approach of the rest of the African continent. Why a different approach there as to regard to maybe other exchanges in African and what would make that difference, because maybe you're going to create half competition for yourself. You jack that up, they get more listings, but the JSE only owns 49% of it? Just your thinking there please.
Russell Loubser	Okay, I can see good questions, Willem. On BISA, mainly cash, it's cash for cash mainly, because they've got a close to R100 million guarantee fund, and we have to have a guarantee fund whether we start a new exchange tomorrow or whether we buy BISA, we've got to have a guarantee fund. So, I don't mind giving cash if I'm getting back cash, despite the fact that that's still ring-fenced in the form of a guarantee fund, but remember BISA have go to take all the income on that guarantee fund and use it to offset their expenses. They've got regulatory approval for that, so, we should be able to explore that avenue as well. That's the first point. A lot of cash in the guarantee fund. Secondly they had a rights issue. Raised about, I think, R84 million, just under R80 million off the costs, so that's sitting there. So, unless they're burning the cash and I don't know, I mean, we can't walk in there and check. Competition Commission issues don't allow you to do that. They are generating income, they just raised their fees substantially, and we knew nothing about that, which is correct; they're quite entitled to do that up until the day that we are able to acquire BISA, so they've raised their fees. They should be earning quite a bit of cash and at the same time they're still earning cash on that guarantee fund. So, the difference that we are paying, the R240 million, the R125 a share on the just short of 2 million shares, there's not a lot that we're paying for the business as such, and that's also right, because, like you said, they're not making money. Now, we're not in the habit of buying things that are not going to make money. We are going to be working, hopefully if we get all the approvals, very closely with the BISA team and they've got some great people there, a lot of great people there. But, we're going to be coming with one approach to issuers and investors, locally and internationally; we're going to do our homework properly and we're going to say, guys, this is what you say you want, this is we going to give you and this is what we're going to charge for it. And if it takes time to turn that thing around like we did with Straight, then so be it, we'll take time, but that… how can you not make money out of that market with those volumes if you are offering the right products and the right services? It's a massive… Eskom has to issue stock, National Treasury has to issue stock, Transnet has to issue; everybody's got to issue stock. Our corporate bond market doesn't… is almost non-existent. It's crazy. And you want to sell equities at this, as opposed to potentially issuing a corporate bond? You must think of

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	both so I think that market's got tremendous potential but it has to be turned around. That's BISA, so, are we over paying as far as shareholders are concerned? I don't think so.
Willem	Okay.
Russell Loubser	Mauritius. I can't go into that detail. We agreed at the Board yesterday that we can… you know, everybody's talking about Mauritius except the JSE. So, we said, we can't keep saying no comment, no comment, no comment. What can we say? Well, what we can say is, are we interested in a strategic… have we been talking to them? Yes. Are we interested in acquiring a strategic stake? Yes. Do we have regulatory approval? No. And that's it. I can't say more, Willem. I can't start saying to you well, if we get it this is what we're going to do, that's not the agreement that we have with the Mauritian… I'm sorry my friend, but you're going to have to live with that for the time being.
Garry Kearne	Anymore questions? One more question.
Russell Loubser	Yes. Hi. My name's Garry Kearne, I'm a private investor in the JSE, and I'd just like to find out, out of the income streams that we currently generate income from.
Garry Kearne	Under the what?
Russell Loubser	The income streams. All the products that make money.
Garry Kearne	Oh, yes.
Russell Loubser	Which has the biggest profit margin and which has the least profit margin?
	No. I'm not going to give you that. That's telling my opposition… I'll give you… I've given you the margin, got about a 35% margin. I'm not going to tell all my opposition exactly where I'm earning the biggest margin, the smallest margin. That would just be stupid. Good question, stupid answer. [laughter]
	Okay, anybody listening in on the conference call, on the webcast who wants to ask a question?
Conference Moderator	There are no questions from the conference call.
Russell Loubser	Nothing? Fantastic. Right, you've been extremely patient, Ladies and Gentlemen. We've been going for just over an hour; please join us outside for a drink and some eats. Thank you.

END OF TRANSCRIPT