



JSE Limited

Audited Abridged 2005 Financial Results

Listing, BBBEE Initiative and Employee Scheme Announcement

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(Registration number 2005/02293/06)
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Introduction

JSE Limited ("JSE") is licensed as an exchange under the Securities Services Act, 2004. It has operated as a market place for the trading of financial products for nearly 120 years. In this time, the JSE has evolved from a traditional floor based equities trading market to a modern securities exchange with extensive surveillance capabilities providing fully electronic trading, clearing and settlement in equities, financial and agricultural derivatives and other associated instruments. The JSE is also a major provider of financial information.

Upon its restructuring in December 2000, the JSE implemented a series of initiatives aimed at converting the JSE from a mutual to an incorporated entity. Notably, the JSE introduced an independent board of directors, amended the JSE's constitution to be more akin to articles of association and, to the extent possible for a mutual, started complying with

the JSE Listings Requirements and with the King Code. Notwithstanding these innovations, the JSE could not declare dividends without jeopardising its statutory tax-exempt status and had very limited equity capital raising options. In addition, membership and ownership of the JSE were statutorily linked and trading in JSE rights (which represented an ownership stake in the JSE) was limited to users (members) of the JSE.

With the removal of its tax exempt status, the JSE demutualised on 1 July 2005, and since then has been operating as a public, unlisted company. Essentially, the JSE currently has all of the obligations of being listed, but its shareholders have none of the benefits of a truly transparent and easily accessible market in which to trade JSE shares. Despite low liquidity, the JSE share price has seen remarkable growth since the demutualisation, with the first trade taking place at R30 per share while at the end of December 2005 JSE shares were trading at R125 per share. At the date of this announcement, JSE shares are trading in a range between R140 and R160 per share.

All Share Index from Jan 1990 to Dec 2005



Group balance sheet

as at 31 December 2005

	2005 R'000	2004 R'000
Assets		
Non-current assets	448 457	333 723
Property and equipment	227 022	189 047
Investments in associates	79 342	55 376
Other financial assets	116 654	89 300
Deferred taxation	25 439	0
Current assets	6 478 006	4 903 411
Trade and other receivables	84 319	71 492
Margin deposits	6 031 304	4 482 874
Collateral deposits	5 908	3 625
Cash and cash equivalents	356 475	345 420
Total assets	6 926 463	5 237 134
Equity and liabilities		
Share capital and reserves	682 604	558 927
Share capital	8 340	0
Share premium	162 779	0
JSE rights	0	171 119
Reserves	511 485	387 808
Non-current liabilities	77 421	79 995
Provisions	14 884	25 805
Deferred taxation	12 799	0
Operating lease liability	43 933	37 787
Due to SAFEX members	5 805	16 403
Current liabilities	6 166 438	4 598 212
Trade and other payables	102 697	75 008
Operating lease liability	24 969	22 495
Derivative financial instruments	1 560	4 335
Margin deposits	6 031 304	4 482 874
Collateral deposits	5 908	3 625
Due to SAFEX members	0	9 875
Total equity and liabilities	6 926 463	5 237 134

Group income statement

for the year ended 31 December 2005

	2005 R'000	2004 R'000
Revenue	407 999	350 670
Other operating income	25 307	33 603
Expenses	(394 234)	(372 709)
Operating profit before financing costs	39 072	11 564
Interest received	409 085	354 785
Interest paid	(370 246)	(315 715)
Share of profit from associated companies	23 966	19 132
Profit before tax	101 877	69 766
Income tax	5 120	0
Profit attributable to ordinary shareholders	106 997	69 766
Basic earnings per share (cents)	1 283	836
Headline earnings per share (cents)	1 220	768
Shares in issue	8 340 250	8 340 250
Headline earnings calculation		
Profit attributable to ordinary shareholders	106 997	69 766
Adjustments are made to the following:		
Loss/(profit) on sale of property and equipment	3	(40)
Realised gain on available for sale instruments	(5 213)	(5 834)
Headline earnings	101 787	63 892

2004 figures relating to EPS and HEPS are for illustrative purposes only.

Group statement of changes in equity

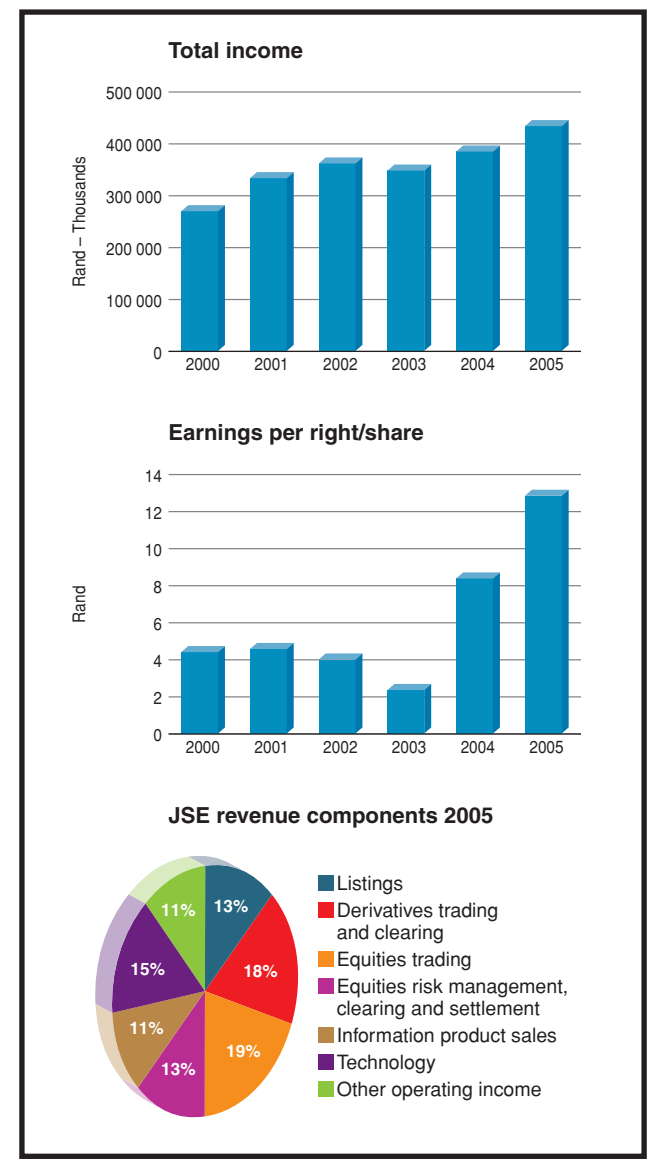
for the year ended 21 December 2005

	JSE Guarantee Fund Trust		JSE Derivatives Fidelity Fund Trust		JSE Rights R'000	JSE Share Capital R'000	JSE Share Premium R'000	Non-distributable Reserve R'000	Retained income R'000	Total R'000
	R'000	R'000	R'000	R'000						
Group										
Balance at 1 January 2004 (restated)	92 663	50 000	171 119	0	0	0	10 058	157 037	480 877	
As previously reported	92 663	50 000	169 619	0	0	0	10 058	206 467	528 807	
Operating lease adjustment	0	0	0	0	0	0	0	(49 430)	(49 430)	
Change in Accounting Policy	0	0	1 500	0	0	0	0	0	1 500	
Transfer from retained income	(20 790)	0	0	0	0	0	0	0	(20 790)	
Transfer to fair value reserve	20 790	0	0	0	0	0	0	0	20 790	
Fair value gains on available-for-sale instruments	8 284	0	0	0	0	0	0	0	8 284	
Profit attributable to ordinary shareholders	2 721	0	0	0	0	0	0	67 045	69 766	
Balance at 31 December 2004	103 668	50 000	171 119	0	0	0	10 058	224 082	558 927	
Rights converted to shares on demutualisation	0	0	(171 119)	8 340	162 779	0	0	0	0	0
Shares acquired for employees net of IFRS 2 cost	0	0	0	0	0	0	0	174	174	
Fair value gains on available-for-sale instruments	16 234	272	0	0	0	0	0	0	16 506	
Profit attributable to ordinary shareholders	6 320	0	0	0	0	0	0	100 677	106 997	
Balance at 31 December 2005	126 222	50 272	0	8 340	162 779	0	10 058	324 933	682 604	

Group cash flow statement

for the year ended 31 December 2005

	2005 R'000	2004 R'000
Cash generated by operations	39 237	58 622
Net interest received	42 667	39 070
Net cash inflow from operating activities	81 904	97 692
Cash flows from investing activities		
Investment to maintain operations	(829)	(1 726)
Investment to expand operations	(70 020)	(96 114)
Net cash outflow from investing activities	(70 849)	(97 840)
Cash flows from financing activities		
Dispossession Members Fund recovery	0	3 189
Net cash inflow from financing activities	0	3 189
Net increase in cash and cash equivalents	11 055	3 041
Cash and cash equivalents at beginning of year	345 420	342 379
Cash and cash equivalents at end of year	356 475	345 420



Commentary on 2005 results

2005 was a very successful year for the JSE. The FTSE/JSE All Share Index reached record levels and was the world's 7th best performing index in 2005. The JSE maintained its zero failed trade record. There were 19 new listings in 2005 (including two inward dual listings and 6 new listings on AIX), the largest number of new listings in 6 years. The JSE operates the world's second largest market in single stock futures contracts and has reached a record average of 4 million contracts traded per month in the financial derivatives market. The above factors have all positively impacted on the JSE's financial performance in 2005.

The JSE remains committed to its strategic focus of running a modern, world-class, low cost, highly efficient market offering a wide range of financial products to an ever-broadening and demanding investment community. The JSE has introduced Yield-X, as a fully automated central order book market for spot and derivative interest rate products, leveraging off its existing technology platform. The JSE is committed to growing Yield-X in 2006. In the coming year, the JSE will be seeking further opportunities to reduce costs and drive synergies in the financial markets as the JSE works with its stakeholders to position South Africa as a world-class, low cost investment destination.

JSE declares maiden dividend

The consolidated net profit attributable to shareholders for 2005 shows an increase of R37.2 million (53.4%) over 2004. Revenue increased by R57.3 million or 16.3% mainly as a result of the continued strength of the markets operated by the JSE with R37.6 million attributable to increased activity in the equity markets.

Revenue attributable to the Equity Derivatives Division was R9.2 million (23.4%) higher than last year with nearly 49 million contracts traded during the year.

The Agricultural Products Division revenue decreased by R5.0 million (13.4%) compared to 2004 as a result of a 6.8% reduction in the number of contracts traded in 2005 from the record number traded in 2004.

Expenditure for the year was R21.5 million (5.8%) higher than 2004 due to expected increases in information technology and marketing costs. Profits from associated companies (including STRATE Ltd) increased by R4.8 million as a result of higher revenues and a decrease in expenditures incurred by the associates.

R46.8 million was invested in 2005 in software development for the JSE's ongoing information technology transformation project (Project Orion). A deferred tax asset of R25.4 million was recognised on the future tax relief resulting from the operating lease. Accounts receivable increased by R11 million as a result of interest not yet received on funds invested. Accounts payable increased by R20 million as a result of interest payable to clearing members.

The directors of the JSE have resolved to declare dividend number 1 of 136 cents per share (an amount of approximately R11.4 million) for the period ended 31 December 2005.

53.4% increase in net profit

Basis of preparation

The consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"). The Group includes the assets, liabilities and results of the operations of the JSE, the SAFEX Clearing Company (Pty) Ltd, the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust and JSE Trustees (Pty) Ltd.

Changes in accounting policies

Accounting policies of the Group are consistent with those adopted in the prior year except for the following:

- JSE Trustees (Pty) Ltd, which has not been consolidated previously, has now been consolidated;
- operating lease payments are now recognised on a straight-line basis in line with IAS 17; and
- the JSE Guarantee Fund Trust previously elected to recognise changes to the fair value of available-for-sale financial instruments in the income statement but is now required to take these changes directly to equity.

Audit opinion

These abridged financial results have been extracted from the audited financial statements on which KPMG Inc has issued an unqualified audit report. This report is available for inspection at the JSE's registered offices.

Listing

All financial information in this section of the announcement is unaudited.

The next logical step in the JSE's corporate evolution is its listing. Following extensive consultation with stakeholders, the board of directors of the JSE ("Board") has resolved to proceed with a listing of the JSE's shares on the Main Board at 08:30 on Monday 5 June 2006, subject to the approval of the Registrar of Securities Services ("the FSB") of the JSE's compliance with the JSE's Listings Requirements. The FSB will regulate the JSE's listing.

The Board believes that the listing will formalise and provide an appropriate trading platform for trading JSE shares which would improve the visibility and potentially liquidity in JSE shares and hence ensure that a clear and transparent price is achieved for buyers and sellers of JSE shares. In addition it will open additional avenues for the JSE to raise capital, should the need arise and place the JSE on the same footing as the leading international exchanges whose shares are now listed thereby facilitating comparison between the JSE and these exchanges.

In order to meet the JSE Listings Requirements relating to the minimum number of issued shares necessary to qualify for a Main Board listing, the JSE needs to subdivide its share capital, which subdivision will be achieved via a special resolution to be passed by the JSE's shareholders. In addition to the subdivision, the Board feels strongly that a broad-based black economic empowerment initiative ("BBBEE Initiative") and an employee long term incentive and retention scheme ("Employee Scheme") should be introduced at the same time as the listing. The Board believes that all the above transactions ("Transactions") are in the interests of shareholders, and that it is appropriate to proceed with the listing on the basis of these proposals.

The listing is conditional upon -

- formal approval to list from the FSB under the JSE's Listings Requirements; and
- a special resolution authorising the subdivision, being approved at a general meeting of JSE shareholders ("the General Meeting") and registered by the Registrar of Companies.

The listing is not conditional on the approval of the BBBEE Initiative or the Employee Scheme, but the JSE Board believes that it is not desirable for the JSE to seek a listing without having implemented a long term black empowerment initiative and without having taken steps to attempt to ensure the appropriate retention of its key employees. Accordingly, the Board believes that it has a fiduciary obligation to reconsider the appropriateness of the listing if these initiatives are not approved by shareholders. In this event, it will call a special board meeting for this purpose as soon as possible after the General Meeting and will communicate decisions taken at this meeting to shareholders through a SENS announcement.

The subdivision of shares

The JSE currently has 8 340 250 shares in issue. In order to meet one of the requirements for a listing on the Main Board of the JSE namely, that a company should have a minimum of 25 million shares in issue, the JSE needs to subdivide its shares. In addition, the JSE share price has increased considerably since its demutualisation on 1 July 2005 and is now trading in the range of R140 to R160 per share.

The Board accordingly proposes a subdivision of each ordinary share of a par value of R1 into ten ordinary shares of a par value of 10 cents each. This will not only ensure that the JSE has sufficient shares in issue to meet the Main Board requirements but will also ensure that the JSE trades in a price range (currently estimated to be in the range of R14 to R16) which is likely to be more attractive to retail investors.

The BBBEE Initiative

The JSE currently has an approximate 9% direct black shareholding (as defined in the Financial Sector Charter ("FSC")). As it is firmly committed to broad based transformation, the JSE wishes to retain and grow this existing shareholding to above 10% and has thus resolved to propose the BBBEE Initiative to JSE shareholders for approval as an important aspect of preparing the JSE for a listing.

The BBBEE Initiative proposed by the Board has two elements which will be put to JSE shareholders as one indivisible transaction:

- the creation of the JSE Empowerment Fund ("JEF"); and
- the establishment of the Black Shareholder Retention Scheme to incentivise black JSE shareholders to retain their JSE shares until 1 June 2011 and beyond.

First element - JSE Empowerment Fund

The JSE proposes the establishment of JEF to provide financial assistance for education initiatives targeted specifically at bringing black people into the financial sector by enabling them to gain appropriate professional qualifications and a better understanding of investment in financial markets. JEF's assets will be used for the benefit of black people only. JEF has been structured so that it will, on the best information available to the JSE, qualify as a black shareholder of the JSE under both the FSC and the dti Codes on Broad Based Black Economic Empowerment.

The JSE proposes to issue 1 737 550 JSE shares (2% of the JSE's issued share capital after the subdivision and the issue of shares under the BBBEE Initiative) to JEF at par value. Depending on the Board's view of the affordability of issuing JSE shares to JEF from an IFRS perspective, these JSE shares may be issued to JEF in tranches over a number of years.

Second element - Black Shareholder Retention Scheme

In order to participate in the Black Shareholder Retention Scheme, a shareholder must meet and agree to the conditions of the scheme and in particular must be registered as a JSE shareholder or acquire JSE shares on or before 28 March 2006 ("the Effective Date").

The JSE proposes to create the Black Shareholder Retention Scheme to incentivise black people to buy and retain JSE shares until 1 June 2011 ("the Exercise Date") in the following manner:

- offering options to any natural person who is black as defined in the FSC and to any entity which is 50%+1 share owned by natural persons who are black as defined in the FSC, provided that in each case, such person is registered as a JSE shareholder or reflected as a holder of JSE shares in the Broker Deal Accounting system ("BDA") records of JSE broking members on the Effective Date or can prove to the satisfaction of the Board that it acquired JSE shares on or before the Effective Date, still holds them at that date and had on or before that date reported that acquisition to the Company Secretary of the JSE and was awaiting that acquisition to be transferred into its name in the relevant BDA record ("Qualifying Black Shareholder");
- the options will grant Qualifying Black Shareholders the right to subscribe for, collectively, up to a maximum of 1 737 550 JSE shares (after the subdivision). The options will be issued in three tranches in numbers determined by the Board. The first tranche will be issued with effect from 5 June 2006 and the second and third with effect from 1 June 2007 and 2008 respectively at a strike price of 20% of the 30 calendar day volume weighted average price ("VWAP") for JSE shares immediately prior to and including the date of the issue of the options;
- the options will be issued on the terms summarised in the circular to be issued by the JSE to JSE shareholders during April 2006 and on the terms set out in the Black Shareholder Retention Scheme rules finally approved by JSE shareholders;
- the number of options to be granted to any Qualifying Black Shareholder will be determined with reference to the number of JSE shares held by such Qualifying Black Shareholders on the Effective Date and will be allocated pro rata to such shareholders;
- the options will be exercisable in the month of June 2011; and
- the options will only be exercisable should Qualifying Black Shareholders hold their JSE shares throughout the period to 1 June 2011.

The JSE further intends to involve the Qualifying Black Shareholders in the future strategic development of the JSE by establishing an Option Holders' Forum in which there will be discussion about strategic threats and opportunities to South Africa's capital markets and how the JSE and option holders can work together to address these.

At the General Meeting, an ordinary resolution is required to be approved by 75% of shareholders present and voting to implement the two elements of the BBBEE Initiative.

Black people who acquire JSE shares on or before the Effective Date should be aware that if the JSE does not get shareholder approval to implement the BBBEE Initiative, the JSE will not be able to offer any of the options referred to in this announcement and they will have no claim against the JSE in this regard.

If you are a Qualifying Black Shareholder and wish to confirm that you are eligible to participate in the Black Shareholder Retention Scheme, please contact the JSE's Company Secretariat (krishna@jse.co.za or 011 520 7262).

Employee Scheme

The JSE needs to retain its senior management for its successful operation. The Board considers it imperative to retain this group of people and has resolved to do this through the introduction of a long term incentive and retention scheme ("the Employee Scheme").

The Employee Scheme is a cash bonus scheme which entitles participants to cash bonuses based on their respective participation interests which interests are granted to participants in terms of the Scheme. The respective bonuses will be calculated by reference to the growth in the JSE's share price over the period during which the respective participation interests are held.

There is no obligation for the Employee Scheme to be put to shareholders for approval. The Board has however, decided that JSE shareholders will be asked, at the General Meeting, to ratify the Board's decision to implement the Employee Scheme.

Impact of Transactions on Share Capital

The effect of the subdivision as well as the BBBEE Initiative, details of which are set out above, on the JSE's authorised and issued share capital is as follows:

As at the date of this announcement	Shares	R'000
Authorised		
Ordinary shares of R1 each	40 000 000	40 000
Issued		
Ordinary shares of R1 each	8 340 250	8 340
Share premium		162 779
As at the proposed date of listing (after the subdivision but before the BBBEE Initiative)	Shares	R'000
Authorised		
Ordinary shares of 10 cents each	400 000 000	40 000
Issued		
Ordinary shares of 10 cents each	83 402 500	8 340
Share premium		162 779
After implementation of the subdivision and the first year impact of the BBBEE Initiative	Shares	R'000
Authorised		
Ordinary shares of 10 cents each	400 000 000	40 000
Issued		
Ordinary shares of 10 cents each	85 140 050	8 514
Share premium and BBBEE share issue reserve		189 326