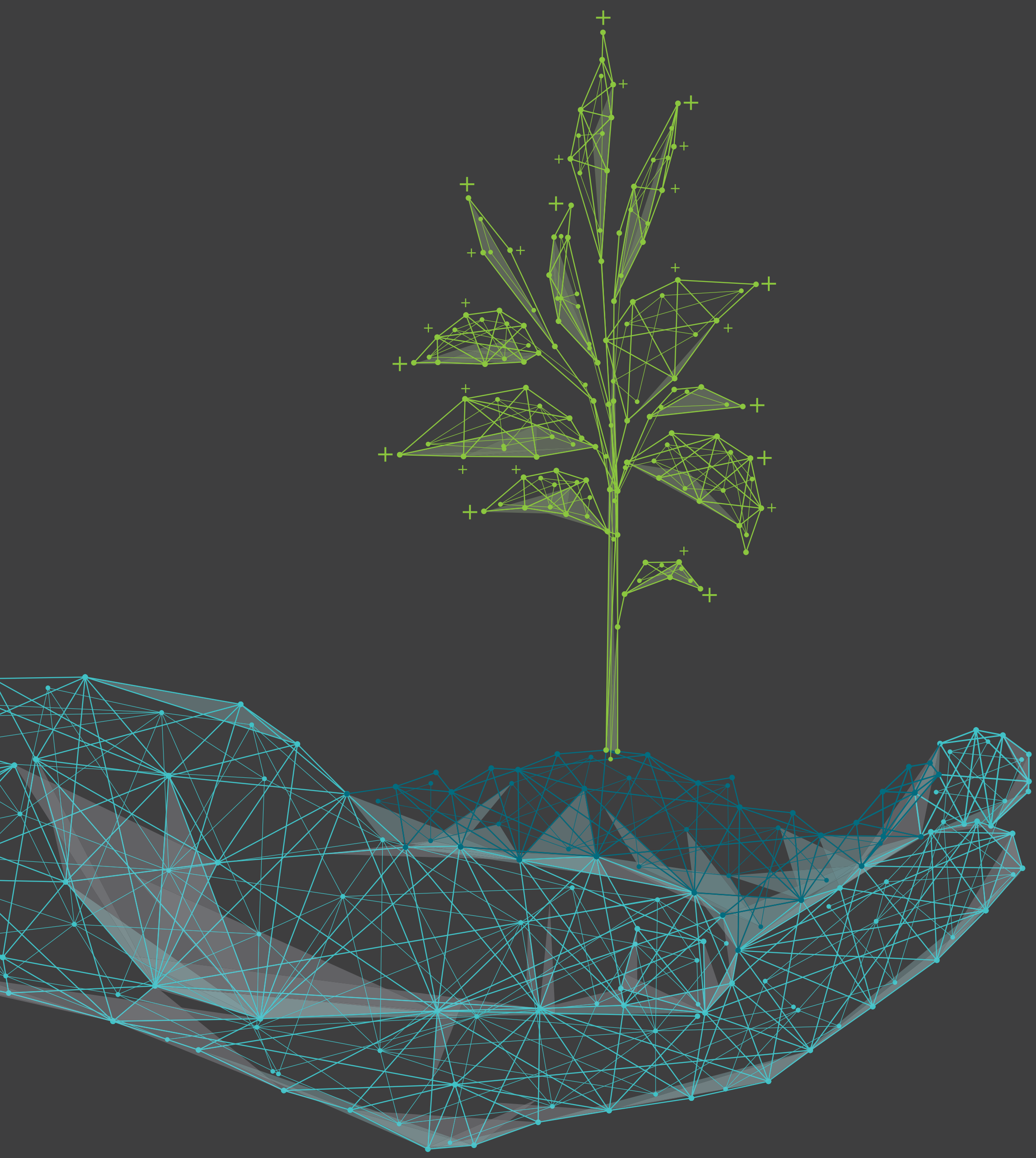

Interim Results
for the six months ended 30 June 2021

CONTENTS

Commentary

JSE Limited
(Incorporated in the Republic of South Africa)
Registration number: 2005/022939/06
Share code: JSE
ISIN: ZAE000079711
LEI: 213800MZ1VUQEBWRFO39
("JSE" or "the Company")

UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

OVERVIEW OF RESULTS

The JSE's financial performance reflects the impact of external factors on business operations and a high revenue base for the six months ended 30 June 2020 (the comparative period). Despite the challenging environment, the Group reported strong cash generation in its core franchise, and recorded progress in its strategic projects.

Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 19% to R520 million (2020: R644 million). Net profit after tax (NPAT) decreased by 28%. Earnings per share (EPS) and headline earnings per share (HEPS) decreased by 26%, to 420.2 cents and 420.1 cents respectively.

The JSE's financial performance for the six months ended 30 June 2021 (the period) reflects:

» lower revenue in the Equity and Bond markets compared with a high revenue base in the comparative period, which stemmed from elevated volatility and trading activity in 2020 driven by the COVID-19 outbreak;
» a stronger rand relative to the US dollar during the period, impacting Information Services revenue and other income from foreign exchange cash holdings year-on-year;
» significantly lower interest rates in South Africa and lower collateral deposit balances compared with high levels in the comparative period, which resulted in a material reduction in net finance income;
» JSE Investor Services (JIS) was consolidated during the period following the successful conclusion of the acquisition in November 2020, and as from 17 June 2021 is wholly-owned; and
» control in the JSE's normalised cost base (up 0.2% year-on-year) with operating expenses up by 6%, reflecting the annualised effect of the consolidation of JIS.

R million (unless stated otherwise)	**Six months ended June 2021**	Six months ended June 2020	% change
Total revenue	**1 242**	1 324	(6%)
Personnel expenses	**292**	267	9%
Other operating expenses	**430**	413	4%
Depreciation and amortisation	**132**	121	9%
Earnings before interest and taxes (EBIT)	**388**	523	(26%)
NPAT	**348**	485	(28%)
EBIT margin	**31%**	40%	(9 pts)
EBITDA	**520**	644	(19%)
EBITDA margin	**42%**	49%	(7 pts)
EPS (cents)	**420.2**	569.1	(26%)
HEPS (cents)	**420.1**	569	(26%)
Net cash generated from operations	**472**	525	(10%)
Earnings cash conversion (as a % of adjusted NPAT)*	**105%**	94%	11%
Capital expenditure (CAPEX)	**46**	46	0%

* *Earnings cash conversion is calculated by dividing net cash generated from operations by adjusted NPAT. Adjusted NPAT is calculated by deducting the following tax adjusted non-cash items from NPAT: Depreciation and amortisation (note 16), effects of exchange rate fluctuations on cash held (Consolidated statement of cash flows), and expected credit loss impairments (Consolidated statement of comprehensive income).*

Commentary continued

The Group reported net cash from operations of R472 million (2020: R525 million), implying 105% of adjusted NPAT cash conversion (+11 basis points year-on-year). Total CAPEX was R46 million (2020: R46 million) and focused mainly on leasehold improvements to support new ways of work as well as client services.

During this period, the JSE focused efforts on a number of priorities, leading to the following key achievements:

» Maintained operational resilience and robustness
» Continued to assess and maintain our market quality
» Strong cash generation, a key component of the business model
» Progressed operational priorities and delivered on inorganic growth objectives
» Continued to make improvements in client and employee engagement
» Announced two new inorganic transactions (minority buy-out of JSE Investor Services (JIS) and acquisition of Investec Share Plan Services (ISPS))
» Listed first social bond and self-labelled sustainability-linked bond on the JSE's Sustainability Segment
» Maintained a healthy balance sheet, allowing the JSE to remain well positioned for sustainable growth

The Group recognises the substantial human impact of the pandemic as well as its impact on the financial ecosystem. On 12 July, in the midst of a third wave in COVID-19 infections we experienced a deeply unsettling and painful outbreak of violence and looting in KwaZulu-Natal and Gauteng. While political events provided the spark, we cannot ignore the deep inequality and unemployment that gave the unrest such scale. With this in mind the health and safety of employees, support for clients and the operational resilience of platforms and infrastructure remain key focal points for the Group. The JSE, within its ambit, will continue to work with government, regulators and communities for a fairer society that addresses the deep inequalities and high levels of unemployment in South Africa.

BUSINESS HIGHLIGHTS

The JSE achieved a number of operational and strategic objectives during the period:

» **Capital Markets:**
  o Approved the listing of the first social bond and self-labelled sustainability-linked bond on the JSE's Sustainability Segment as well as six other social bonds issued by SA Taxi Holdings.
  o Launched a pilot for an index options market-making scheme to enhance onscreen real-time pricing and increase liquidity and price transparency for the asset class.
  o Submitted an application for a private placements market to the Financial Services Conduct Authority (FSCA).

» **JSE Issuer Services**
  o Integrated JIS as a wholly owned subsidiary of the JSE by acquiring the minority shareholding of 25.15% from LMS Partner Holdings.
  o Agreed on a business arrangement with Investec Share Plan Services (ISPS) to acquire the share administration component of the business. This enables JIS to extend its service offering to issuers, diversify revenue and enhance the quality of its earnings through annuity income.

» **Information Services**
  o Delivered the first phases of both the trade analytics platform and the new digital market data client reporting platform called JSE Market Data Connect.
  o Processing live JSE indices data via China Investment Information Services Limited (CIIS). This promotes the JSE's Asia strategy to diversify flows to the Southeast Asian markets.

» **Post-Trade Services**
  o Completed the in-house migration of JSE's Back-Office Services system, BDA.
  o Submitted the JSE's independent clearing house application to the FSCA.

» **Issuer Regulation:**
  o Published a consultation paper to obtain proposals on ways to cut red tape and achieve effective and appropriate regulation.

FINANCIAL REVIEW
Revenue streams

Capital Markets

Primary Market: Revenue was broadly stable at R74 million (2020: R75 million) supported by six initial public offerings during the period (2020: four).

There were 15 de-listings (2020: 13), which largely resulted from corporate actions and schemes of arrangement in mostly small to mid-sized, illiquid counters. However, the aggregate market capitalisation of all listed equity instruments on the JSE increased by 5% from last year's close to 30 June 2021 (from R17.9 trillion to R18.8 trillion). There was also an increase in listed Exchange-Traded Funds (ETFs), three of which were economic, social and governance (ESG) focused (ETFs: four in 2021, one in 2020), while the JSE has also listed debt products on its Sustainability Segment.

Equity Market: Revenue decreased by 8% to R240 million (2020: R260 million), reflecting lower market volumes in the period compared with a high comparable base in the comparative period, which was driven by COVID-19-related volatility.

Colocation activity contributed 53% (2020: 48%) to overall value traded, with 46 racks (2020: 31). We see colocation as an important enabler to growing trade activity. As such, we have built additional colocation racks in our data centre to allow for further client uptake.

Foreigners remained net sellers of equities in the period.

Equity Derivatives Market: Revenue increased by 3% to R74 million (2020: R71 million), owing to higher activity in index future contracts. Overall, value traded increased by 10% (R287 million) due to the increase in the value of the JSE Top 40 Index, which was up 11% on 30 June 2021. There continues to be a strong contribution from international and exotic derivatives, which rose by 27% and 32% respectively in value traded year-on-year.

Currency Derivatives Market: Revenue decreased by 36% to R18 million (2020: R27 million), largely owing to a 29% decline in the number of contracts traded. The currency market has seen subdued activity owing to a stronger rand and a reduced appetite for hedging.

Bond and Interest Rate Market: Revenue decreased by 5% to R36 million (2020: R37 million), owing to a 6% decline in nominal bond value traded and lower volumes. The decline was largely due to the high base effect in the comparative period, as well as lower liquidity and wider bid-offer spreads. Lower volumes affected the Interest Rate Derivatives Market, as the number of contracts traded was down 10%. We saw net foreign inflows for bonds of R35 billion during the period.

Commodity Derivatives Market: Revenue increased by 13% to R46 million (2020: R41 million) following a rise in the number of contracts traded (up 4%) as well as a substantial increase in physical deliveries through the JSE (up 35% to 1.3 million tonnes). The number of contracts traded increased, largely owing to more volatile global commodity prices, dry weather conditions in Brazil and the USA and strong demand for corn and soybeans from Asia. Value traded increased by 28%, largely as a result of greater yields and commodity prices. Physical deliveries also saw an increase in tonnages owing to a bumper crop this year.

Post-Trade Services

- Clearing and settlement revenue decreased by 14% to R207 million (2020: R240 million), driven by lower billable value traded in the Equity Market
- BDA revenue decreased by 13% to R173 million (2020: R198 million), following a 19% decrease in the number of transactions
- Funds under management declined by 1% owing to a decrease in JSE Trustees cash balances due to lower market activity

Information Services

Reported revenue decreased by 6% to R174 million (2020: R184 million), mainly driven by foreign exchange losses on US dollar-denominated revenue, linked to a stronger rand. Excluding this, underlying growth was 9% due to new business and an increase in market data clients.

Other income

Other income decreased to R15 million (2020: R58 million), largely as a result of foreign exchange movement. The JSE held USD9.8 million in cash as at 30 June 2021 (2020: USD6.7 million).

Commentary continued

Operating expenses

JIS has been fully consolidated in the JSE's financial statements since November 2020. Overall, operating expenses increased by 6%, primarily driven by the integration of JIS. Excluding JIS, Group expenses remained relatively flat year-on-year.

Personnel costs increased by 9% or R25 million to R292 million (2020: R267 million). JSE Group excluding JIS increased by 3% or R7 million to R274 million (2020: R267 million). This was largely owing to:

» a R20 million or 9% increase in gross remuneration to R234 million (2020: R214 million) on the back of a 4% higher average headcount of 410 (2020: 396) and annual salary increases of about 4%; and
» a decrease in costs relating to executive changes of R13 million, bringing these to R3 million (2020: R16 million).

Technology costs increased 17% or R26 million to R176 million (2020: R150 million). JSE Group excluding JIS increased by 13% or R20 million to R170 million (2020: R150 million). This was largely owing to:

» R22 million (2020: R10 million) for the BDA mainframe migration, which includes non-recurring parallel costs of R16 million.

Depreciation and amortisation increased by 9% or R11 million to R132 million (2020: R121 million). JSE Group excluding JIS increased by 1% to R122 million (2020: R121 million).

General expenses decreased by 4% or R10 million to R253 million (2020: R263 million). JSE Group excluding JIS decreased by 10% or R26 million to R237 million (2020: R263 million). This was largely owing to the absence of R33 million COVID-19-related spend last year, which was partly offset by JSE Empowerment Fund Trust (JEF) timing differences on the consolidation of bursary payments of R11 million (2020: R0 million).*

* *JSE Empowerment Fund Trust as a structured entity which was consolidated in Q4 2020 for the first time in terms of IFRS 10. It was not consolidated in prior periods due to the impact on the Group financial statements not being deemed material by management.*

Net finance income

Net finance income, usually a significant and stable contributor to Group profits, decreased significantly year-on-year owing to the lower yields on the JSE's cash balances as a result of multiple repo rate reductions by the South African Reserve Bank during the course of 2020. Additionally there was also the lower cash reserves owing to the payments of R224 million for the acquisition of JIS in November 2020, and R89 million (£4 million) for the acquisition of minority shares in Globacap Technology Limited (Globacap) in January 2021.

Cash flow and CAPEX

The Group continues to be cash generative, with net cash from operations down 10% to R472 million (2020: R525 million). Cash and cash equivalents on hand as at 30 June 2021 amounted to R2.1 billion (2020: R2.2 billion).

The dividend policy of the Group remains unchanged.

Total CAPEX was R46 million (2020: R46 million), largely focused on leasehold improvements to support new ways of work as well as client services. The minority buy out in JIS as well as investment in Globacap made during the period amounted to R159 million was settled in cash. All planned investments and 2021 capital requirements can be funded from the Group's own resources.

REGULATION

In compliance with the Financial Markets Act, 19 of 2012 (FMA) the JSE and JSE Clear are required to hold regulatory capital. At the reporting date, the Board believes that both the JSE and JSE Clear are sufficiently capitalised.

FUTURE FOCUS AND PROSPECTS

Our long-term strategic objectives are to grow and diversify revenue streams, invest in operational robustness and resilience and further entrench sustainability in the business.

Our focus for the second half of the year will continue to be on the following:

» Driving the Group's accretive inorganic strategy to achieve sustainable growth in earnings:
  o JIS: Growing the business through new opportunities and clients
  o Private placements market: Progressing the Financial Services Provider (FSP) application with the FSCA and driving market development
» Delivering new products and services in Capital Markets and Information Services:
  o Asia strategy: Expanding CIIS to other global distributors, including Singapore
  o Delivering the trade analytics solution and the new digital market data client reporting platform
» Progressing our initiatives in Post-Trade Services:
  o Submitted JSE Clear's application to the regulator be licensed as an independent clearing house
» Managing the Group's cost base with discipline

The JSE is cognisant of operating in a rapidly evolving global exchange environment. As a consequence it needs to achieve inorganic earnings accretive growth while maintaining a sound and optimally operated exchange. To this end, the JSE will be focused on improving operating efficiencies and widen its service offerings, underpinned by appropriate technology choices to provide our clients with service excellence. The JSE remains committed to the provision and stewardship of dependable infrastructure essential to the efficient operation of financial markets in South Africa.

Group revenue is variable and largely driven by activity on the various markets that we operate. In light of these uncertainties, we make no projections or foward-looking statements with regard to the Group's future financial performance.

CHANGES TO THE BOARD

During the period under review the JSE announced that Mr Phuthuma Nhleko would join the Board effective 1 July 2021. Phuthuma has subsequently joined the Board as an independent non-executive director, and will serve as Chairman-designate until the annual general meeting in June 2022.

The Board remains well diversified, with an appropriate mix of skills and experienced individuals.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008, as amended (Companies Act).

The directors are also responsible for such internal controls as the directors determine to be necessary to enable the preparation of interim financial statements that are free from material misstatement, whether owing to fraud or error.

PREPARATION OF UNREVIEWED RESULTS ANNOUNCEMENT

This announcement covers the condensed consolidated unreviewed financial statements of the Group based on IFRS for the six months ended 30 June 2021. The preparation of these condensed consolidated interim financial statements has been supervised by the chief financial officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act.

APPROVAL OF FINANCIAL STATEMENTS

The unreviewed condensed consolidated interim financial statements were approved by the Board on 5 August 2021 and signed by:

N Nyembezi
Chairman

L Fourie
Group Chief Executive Officer

One Exchange Square, 2 Gwen Lane, Sandown, South Africa
(Private Bag X991174, Sandton, 2146, South Africa)
Tel: +27 11 520 7000
Fax +27 11 520 8584

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)

5 August 2021

ABOUT THE JSE

The JSE is a self-regulatory, multi-asset-class stock exchange that offers listings, trading, clearing and settlement (post-trade) services, information services and issuer services.

The JSE connects buyers and sellers in five financial markets: equities, equity derivatives, commodity derivatives, currency derivatives and interest rate instruments. The JSE provides investors with a trusted, cost-effective and well-regulated infrastructure for trading, clearing and settling financial market transactions.

The JSE is among the 20 largest exchanges in the world in terms of market capitalisation.

Consolidated statement of comprehensive income

for the six months ended 30 June 2021

	Notes	Group		
		Six months ended		Year ended
	Notes	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Continuing operations				
Revenue	14	**1 226 576**	1 265 492	2 446 368
Other income		**14 997**	58 349	82 013
Personnel expenses	15	**(291 667)**	(267 340)	(600 838)
Other expenses	16	**(559 792)**	(529 654)	(1 112 558)
Expected credit loss (ECL) impairments		**(1 694)**	(4 100)	(4 347)
Profit from operating activities		**388 420**	522 747	810 638
Finance income		**903 491**	1 408 254	2 434 182
Finance costs		**(835 611)**	(1 303 953)	(2 234 354)
Net finance income		**67 880**	104 301	199 828
Share of profit from associate (net of income tax)		**26 376**	32 764	54 351
Profit before income tax		**482 675**	659 812	1 064 816
Income tax expense	17	**(134 297)**	(173 412)	(283 331)
Profit for the period from continuing operations		**348 378**	486 400	781 485
Discontinued operation				
Loss after tax for the period from discontinued operations		**–**	(1 086)	(2 842)
Profit for the period		**348 378**	485 314	778 643
Attributable to:				
Equity holders of the parent company		**347 646**	485 314	778 389
Non-controlling interests		**732**	–	254
		348 378	485 314	778 643
Other comprehensive income				
Change in financial instruments at fair value through other comprehensive income that will not be reclassified to profit and loss (net of income tax)		**24 328**	17 070	38 505
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of income tax)		**(609)**	(401)	955
Other comprehensive income for the period, net of income tax		**23 719**	16 669	39 460
Total comprehensive income for the period from continuing operations		**372 097**	501 983	818 103
Attributable to:				
Equity holders of the parent company		**371 365**	501 983	817 849
Non-controlling interests		**732**	–	254
		372 097	501 983	818 103
Earnings per share from continuing operations				
Basic earnings per share (cents)	18.1	**420.2**	570.4	940.1
Diluted earnings per share (cents)	18.2	**416.4**	567.5	934.3
Earnings per share from discontinued operations				
Basic earnings per share (cents)	18.1	**–**	(1.3)	(3.4)
Diluted earnings per share (cents)	18.4	**–**	(1.3)	(3.4)
Total earnings per share				
Basic earnings per share (cents)	18.1	**420.2**	569.1	936.7
Diluted earnings per share (cents)	18.4	**416.5**	566.2	930.9

Consolidated statement of financial position

as at 30 June 2021

		Group		
		As at		As at
	Notes	**30 June 2021 R'000**	30 June 2020 R'000	31 December 2020 (audited) R'000
Assets				
Non-current assets		**1 873 580**	1 690 670	1 870 773
Property and equipment		**119 800**	153 839	139 927
Intangible assets	19	**779 262**	584 349	820 656
Investment in associate		**303 041**	298 320	319 907
Other investments	29	**481 745**	354 382	377 302
Loan to the JSE Empowerment Fund Trust		**–**	25 981	–
Right-of-use assets		**157 689**	193 099	177 458
Deferred taxation	17	**32 043**	80 700	35 524
Current assets		**49 032 341**	51 152 526	49 754 227
Trade and other receivables		**498 598**	576 415	474 706
Income tax receivable		**3 866**	980	6 269
JSE Clear Derivatives Default Fund collateral deposits		**500 000**	500 000	500 000
Indemnification asset		**–**	–	4 680
Margin deposits		**45 959 028**	47 728 798	46 308 480
Collateral deposits		**15 349**	149 568	880
Cash and cash equivalents		**2 055 500**	2 196 765	2 459 212
Total assets		**50 905 921**	52 843 196	51 625 000
Equity and liabilities				
Total equity		**3 786 939**	3 715 960	4 154 288
Stated capital		**(87 380)**	(26 863)	(32 514)
Reserves	23	**720 255**	550 088	676 578
Retained earnings		**3 154 064**	3 192 735	3 472 638
Equity attributable to equity holders of the parent		**3 786 939**	3 715 960	4 116 702
Non-controlling interests		**–**	–	37 586
Non-current liabilities		**246 566**	301 219	273 842
Employee benefits		**1 620**	2 451	5 952
Deferred taxation	17	**–**	7 037	–
Lease liability		**226 725**	272 560	252 938
Long-term liabilities		**–**	6 701	1 551
Deferred income		**18 221**	12 470	13 401
Current liabilities		**46 872 416**	48 826 017	47 196 870
Trade and other payables		**392 043**	422 527	305 457
Income tax payable		**–**	19 693	3 485
Employee benefits		**53 718**	65 380	132 036
Lease liability		**51 033**	40 051	40 882
Deferred income		**1 245**	–	970
JSE Clear Derivatives Default Fund collateral contribution		**400 000**	400 000	400 000
Other liability		**–**	–	4 680
Margin deposits		**45 959 028**	47 728 798	46 308 480
Collateral deposits		**15 349**	149 568	880
Total equity and liabilities		**50 905 921**	52 843 196	51 625 000

Consolidated statement of changes in equity

for the six months ended 30 June 2021

Group	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Fair value reserve[2] R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2020	(17 726)	466 109	82 158	–	548 267	3 439 090	3 969 631	–	3 969 631
Profit for the period from continuing operations	–	–	–	–	–	486 400	486 400	–	486 400
Other comprehensive income	–	16 669	–	–	16 669	–	16 669	–	16 669
Total comprehensive income for the period	–	16 669	–	–	16 669	486 400	503 069	–	503 069
Loss for the period from discontinued operations	–	–	–	–	–	(1 086)	(1 086)	–	(1 086)
Long-term investment scheme (LTIS) 2010 Allocation 7 – shares vested	14 317	–	(14 317)	–	(14 317)	–	–	–	–
LTIS 2010 Allocation 8 – shares vested	9 295	–	(9 295)	–	(9 295)	–	–	–	–
Bonus shares vested	11 242	–	(5 411)	–	(5 411)	–	5 831	–	5 831
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(1 783)	–	–	(1 783)	1 783	–	–	–
Dividends paid to owners	–	–	–	–	–	(728 620)	(728 620)	–	(728 620)
Equity-settled share-based payments	–	–	11 126	–	11 126	–	11 126	–	11 126
Transfer of profit from investor protection funds	–	4 832	–	–	4 832	(4 832)	–	–	–
Treasury shares	(43 674)	–	–	–	–	–	(43 674)	–	(43 674)
Treasury shares – share issue costs	(317)	–	–	–	–	–	(317)	–	(317)
Total contributions by and distributions to owners of the Company recognised directly in equity	(9 137)	3 049	(17 897)	–	(14 848)	(732 755)	(756 740)	–	(756 740)
Balance at 30 June 2020	(26 863)	485 827	64 261	–	550 088	3 192 735	3 715 960	–	3 715 960
Profit for the period from continuing operations	–	–	–	–	–	294 831	294 831	254	295 085
Other comprehensive income	–	22 791	–	–	22 791	–	22 791	–	22 791
Total comprehensive income for the period from continuing operations	–	22 791	–	–	22 791	294 831	317 622	254	317 876
Loss for the period from discontinued operations	–	–	–	–	–	(1 756)	(1 756)	–	(1 756)
Take-on of JSE Empowerment Fund Trust as a subsidiary	(5 714)	54 360	–	–	54 360	7 152	55 798	–	55 798
LTIS 2010 Allocation 8 – shares vested	48	–	(48)	–	(48)	–	–	–	–
Bonus shares vested	1	–	–	–	–	–	1	–	1
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(1 068)	–	–	(1 068)	1 068	–	–	–
Transfer of reserves	–	17 889	–	–	17 889	(1)	17 888	–	17 888
Equity-settled share-based payments	–	–	11 174	–	11 174	–	11 174	–	11 174
Transfer of profit from investor protection funds	–	110	–	–	110	(110)	–	–	–
Listed companies – fines – Issuer Regulation	–	21 744	–	–	21 744	(21 744)	–	–	–
Qualifying deductible expenses related to fines – Issuer Regulation	–	(462)	–	–	(462)	462	–	–	–
Non-controlling interests arising on a business combination	–	–	–	–	–	–	–	37 332	37 332
Treasury shares	14	–	–	–	–	–	14	–	14
Treasury shares – share issue costs	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners of the Company recognised directly in equity	(5 651)	92 573	11 126	–	103 699	(14 929)	83 119	37 332	120 451

	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Fair value reserve[2] R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 31 December 2020	(32 514)	601 191	75 387	–	676 578	3 472 638	4 116 701	37 586	4 154 287
Profit for the period	–	–	–	–	–	347 646	347 646	732	348 378
Other comprehensive income	–	28 683	–	(4 964)	23 719	–	23 719	–	23 719
Total comprehensive income for the period	–	28 683	–	(4 964)	23 719	347 646	371 365	732	372 097
LTIS 2010 Allocation 8 – shares vested	11 127	–	(11 127)	–	(11 127)	–	–	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(1 044)	–	–	(1 044)	1 044	–	–	–
Transfer of reserves	–	15 440	–	–	15 440	(15 440)	–	–	–
Dividends paid to owners	–	–	–	–	–	(612 785)	(612 785)	–	(612 785)
Equity-settled share-based payment	–	–	14 782	–	14 782	–	14 782	–	14 782
Transfer of profit from investor protection funds	–	1 907	–	–	1 907	(1 907)	–	–	–
Treasury shares	(65 651)	–	–	–	–	–	(65 651)	–	(65 651)
Treasury shares – share issue costs	(342)	–	–	–	–	–	(342)	–	(342)
Transactions with owners recognised directly in equity	–	–	–	–	–	(37 132)	(37 132)	(38 318)	(75 450)
Total contributions by and distributions to owners of the Company recognised directly in equity	(54 866)	16 303	3 655	–	19 958	(666 220)	(701 128)	(38 318)	(739 446)
Balance at 30 June 2021	(87 380)	646 177	79 042	(4 964)	720 255	3 154 064	3 786 939	–	3 786 939
Notes		23	23					25	

[1] The JSE Debt Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R1.04 million (December 2020: R2.8 million) (June 2020: R1.8 million) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.

[2] This reserve relates to the equity investment in Globacap Technology Limited (refer to note 29). The current movement in the reserve relates to unrealised foreign exchange gains and losses on the foreign denominated investment, as required by IAS 21. Refer to note 29 for details on this transaction.

Consolidated statement of cash flows

for the six months ended 30 June 2021

	Group		
	Six months ended		Year ended
	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Cash flows from operating activities			
Cash generated by operations	**524 025**	597 273	1 112 575
Finance income	**902 347**	1 422 386	2 495 975
Finance costs	**(823 983)**	(1 338 408)	(2 325 154)
Dividends received	**1 835**	1 015	2 119
Taxation paid	**(131 899)**	(157 496)	(282 755)
Net cash generated by operating activities	**472 325**	524 770	1 002 760
Cash flows from investing activities			
Proceeds on sale of other investments	**8 573**	7 872	16 903
Acquisition of other investments	**(89 299)**	(6 826)	(15 984)
Dividends from associate	**43 242**	27 230	27 230
Proceeds from disposal of property and equipment	**–**	50	50
Leasehold improvements	**–**	(1 653)	(1 653)
Acquisition of intangible assets	**(38 430)**	(153 692)	(185 133)
Acquisition of property and equipment	**(12 079)**	(3 676)	(20 121)
Acquisition of a subsidiary, net of cash acquired	**–**	–	(216 111)
Take-on of JEF Trust as a subsidiary	**–**	–	75 004
Net cash used in investing activities	**(87 992)**	(130 695)	(319 815)
Cash flows from financing activities			
Acquisition of treasury shares	**(70 877)**	(51 012)	(51 012)
Proceeds from sale of treasury shares	**4 885**	7 021	7 037
Transactions with owners	**(75 450)**	–	–
Lease liabilities repaid	**(28 793)**	(17 018)	(40 407)
Dividends paid	**(612 785)**	(728 620)	(710 732)
Net cash used in financing activities	**(783 020)**	(789 629)	(795 114)
Net decrease in cash and cash equivalents	**(398 687)**	(395 554)	(112 169)
Cash and cash equivalents at 1 January	**2 459 212**	2 577 334	2 577 334
Effect of exchange rate fluctuations on cash held	**(5 025)**	14 985	(5 953)
Cash and cash equivalents at end of period	**2 055 500**	2 196 765	2 459 212

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2021

1. Reporting entity

JSE is a company domiciled in South Africa. Its registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, 19 of 2012 (FMA). The JSE has the following main lines of business:
Capital Markets, Post-Trade Services and Information Services. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the Group and individually as Group entities), and reflect the Group's interest in associates.

2. Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 (as amended) (Companies Act).

3. Changes in accounting policies

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021.

New standards and amendments' impact on the Group's accounting policies has been assessed during the period, and these have had no impact on the Group's financial statements. Refer to note 9.

The Conceptual Framework for Financial Reporting

The purpose of the Conceptual Framework is to assist the International Accounting Standards Board (IASB) in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The changes to the Conceptual Framework have no effect on the Group's financial statements due to the fact that IFRS applies to all current transactions and events within the Group.

IAS 1 and IAS 8: Definition of materiality

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary user of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material do not have a significant impact on the Group's financial statements.

Definition of a Business – Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The accounting policies of the Group have been updated accordingly and the amendment has had no impact on the Group's financial statements.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2020 and the year ended 31 December 2020.

5. Use of estimates and judgements

Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2020.

6. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. JSE Investor Services Proprietary Limited (JIS) is a new segment within the Group, separately managed and therefore separately disclosed as a segment. Refer to notes 14 and 25.

Notes to the condensed consolidated interim financial statements continued

7. 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 2020.

8. Significant events and transactions

In compliance with the FMA, JSE Limited and JSE Clear Proprietary Limited (JSE Clear) are required to hold regulatory capital. At reporting date, the Board of Directors (Board) believes that both JSE and JSE Clear are sufficiently capitalised.

The following significant transactions have been concluded in the six months ended 30 June 2021:

- During 2020, JSE entered into a commercial arrangement with Globacap Technology Limited (Globacap) to establish a blockchain-enabled private placements platform to enable the raising of infrastructure finance and to allow small-to-medium-sized issuers to raise capital in South Africa. In support of the commercial arrangement and in line with the JSE's intention to build a longer-term strategic relationship, the JSE invested GBP4 million in Globacap, representing a minority equity stake. The investment was subject to the fulfilment of a number of conditions precedent, including approval from the Financial Conduct Authority in the UK. All the conditions were fulfilled in January 2021 and the purchase price of R84 million was settled on 14 January 2021. The investment was funded from the Group's existing cash reserves.
- The JSE and Globacap have entered into a "commercial agreement" to develop and operate an efficient private placements platform across Africa. This private markets solution will give the JSE a licence to use the Globacap technology enabled platform to facilitate the transfer of infrastructure debt and equity, while simultaneously providing a platform upon which it may raise debt and equity. The project is currently under way while a Category 1 Financial Services Provider licence by the Financial Sector Conduct Authority is pending. The platform will operate under a wholly owned JSE subsidiary called JSE Private Placements Proprietary Limited. The company does not have any activity yet and therefore no impact on the current financials.
- JIS has reached an agreement with Investec Share Plan Services Proprietary Limited (ISPS) to acquire a portion of its share plan services business. The arrangement includes a licensing and support services agreement with ISPS for the share plan services administration platform. ISPS will retain the brokerage business within its existing business operation. This acquisition and association will enable JIS to expand its Broad-Based Black Economic Empowerment and employee share administration services product offering, supporting JSE Group's strategy to expand its client base and diversify its revenue. Subject to the fulfilment of the remaining conditions precedent, it is anticipated that this deal will be concluded by 31 August 2021. This transaction was assessed and did not constitute a business combination in terms of IFRS 3 *Business Combinations.* The share plan services scheme will be fully integrated into JIS.
- JSE acquired the minority shareholding of 25.15% from LMS Partner Holdings in JIS. The acquisition was subject to the fulfilment of suspensive conditions which was subsequently met. The purchase price amounted to R75.45 million paid on 17 June 2021 and the investment was funded from the Group's existing cash reserves. JIS is henceforth a wholly owned subsidiary of the JSE. Refer to note 25 for more detail.

9. New standards and interpretations not yet adopted

A new standard has been issued by the IASB prior to the publication of these financial statements, but are effective in future accounting periods, as listed below:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – effective date: 1 January 2023

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted. The impact of the amendment on the Group is currently being assessed.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB amended IFRS 16 *Leases*, extending the practical expedient (the relief effort provided by the IASB helps preparers more easily apply IFRS 16) in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before 30 June 2022. This amendment is applicable for annual reporting periods beginning on or after 1 April 2021, with early application permitted, including in financial statements not authorised for issue at 31 March 2021. The amendment has not had any impact on the Group.

10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

» Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
» Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
» Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

11. Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investment in Globacap under this category. Refer to note 29 for more detail.

12. Basis of consolidation and financial information on material partly owned subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

» power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
» exposure, or rights, to variable returns from its involvement with the investee; and
» the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Refer to note 25.

13. COVID-19 outbreak and what it means for the JSE Group

The COVID-19 pandemic remains prevalent and impacts global economies world-wide including the environment in which the Group operates. The current environment requires complex judgements and estimates regarding the effectiveness of COVID-19 containment measures and related lockdowns, and global and domestic policy responses and the outcome thereof, which represent a high degree of estimation uncertainty. The scale of the economic shock induced by the COVID-19 pandemic, the heterogeneous impacts on various sectors, challenges in accurately estimating the impact for the JSE's issuers, uncertainty around the economic recovery including impacts of further waves of the virus, timing of the vaccine rollouts and the difficulty in gauging the impact of relief measures have all meant that there is a significant increase in the level of estimating issuer reactions. South Africa officially entered into its third wave of COVID-19 in June 2021. The Group has implemented various initiatives to support its staff during the pandemic and to ensure that the Group and its staff remain resilient. Remote working arrangements remain in place for the majority of the Group's workforce.

Significant levels of market activity were observed in financial markets across the world in 2020, amid the spread of the COVID-19 pandemic which created a short-term surge in the Group's revenues. The hypervolatility brought about by COVID-19 in 2020 resulted in abnormal trading activity which positively impacted operating revenue. Similar volatility has not been experienced in the 2021 financial year thus far. The COVID-19-related measures introduced by the Group in 2020 have been concluded and are no longer in effect. The Group also realised forex gains on the back of the weakened rand in 2020 against the dollar which saw material gains in 2020. The rand has strengthened during 2021 which negatively impacted dollar-denominated revenue. The interest rate environment remains at record lows which negatively impacted the net finance income of the Group. There has been no material impact on the collectability and recoverability of trade and other receivables. During the period, the fair value of the Group's investments increased by R28.7 million (excluding the Globacap investment – refer to note 29) compared with an increase of R16.6 million for the six months ended 30 June 2020.

The Group's business model is entrenched in the financial ecosystem and as such the Group's performance will also be affected in the medium term. The Group has remained profitable with positive cash flows from operations and continues to operate as a going concern. In respect of the solvency and liquidity test set out in section 4 of the Companies Act, the Group has sufficient resources to maintain its operational existence for the foreseeable future. The JSE and JSE Clear remain sufficiently capitalised.

14. Operating segments and revenue

	Six months ended		Year ended
	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Revenue comprises:			
Capital Markets			
Bond Electronic Trading Platform (ETP)	**3 965**	4 039	8 048
Colocation fees	**13 637**	10 298	21 004
Commodity Derivatives fees	**46 481**	41 204	87 332
Company Services fees	**2 485**	3 036	6 412
Currency Derivatives fees	**17 597**	27 299	45 619
Equity Derivatives fees	**73 793**	71 362	144 832
Equity Market fees	**239 500**	259 909	493 284
Interest Rate Market fees	**31 565**	33 415	62 482
Primary Market fees*	**74 497**	74 596	151 906
Post-Trade Services			
Back-Office Services (BDA)	**172 925**	198 475	376 044
Clearing and Settlement fees	**207 357**	239 904	445 715
Funds under management	**39 553**	40 073	81 517
Information Services			
Index fees	**32 894**	31 393	52 608
Market Data fees	**141 303**	152 376	303 031
Revenue from JIS	**52 351**	–	17 071
Total revenue excluding Strate *ad valorem* fees – cash equities and bonds	**1 149 903**	1 187 379	2 296 905
Strate *ad valorem* fees – bonds	**9 190**	8 402	16 268
Strate *ad valorem* fees – cash equities	**67 483**	69 711	133 195
	1 226 576	1 265 492	2 446 368

* *An amount of R0.6 million was recognised in primary market fees relating to initial listing fees for the current year (June 2020: R0.3 million, December 2020: R0.6 million).*

	Six months ended 30 June 2021 R'000	Six months ended 30 June 2020 R'000	Year ended 31 December 2020 (audited) R'000
15. Personnel expenses			
Remuneration paid	**(270 869)**	(246 399)	(561 621)
Gross amount paid	**(274 174)**	(253 731)	(574 172)
Less: Capitalised to intangible assets	**3 305**	7 332	12 551
Long-term incentive schemes*	**(20 798)**	(20 941)	(39 217)
	(291 667)	(267 340)	(600 838)

* *Includes the accounting impact of accelerated LTISs for good leavers.*

	Six months ended 30 June 2021 R'000	Six months ended 30 June 2020 R'000	Year ended 31 December 2020 (audited) R'000
16. Other expenses			
Amortisation of intangible assets	**(79 823)**	(66 058)	(140 181)
Auditor's remuneration*	**(1 903)**	(358)	(6 462)
Consulting fees	**(3 946)**	(3 681)	(13 456)
Depreciation	**(51 969)**	(54 539)	(108 986)
Enterprise development	**(4 426)**	(4 979)	(9 578)
Investor protection levy	**(22 004)**	(18 094)	(38 719)
Other expenses	**(142 341)**	(151 766)	(299 389)
Strate *ad valorem* fees	**(74 869)**	(76 836)	(147 611)
Technology costs	**(175 922)**	(149 844)	(319 601)
Transaction costs	**(2 589)**	(3 499)	(28 575)
	(559 792)	(529 654)	(1 112 558)

* *Prior year totals include fees for compliance audits that were not performed by the external auditor (R156 000: 30 June 2020 and R205 000: 31 December 2020).*

17. Income tax expense and deferred tax balances

The Group's consolidated effective tax rate for the six months ended 30 June 2021 was 26% (for the six months ended June 2020: 26%; for the year ended 31 December 2020: 27%).

Deferred tax assets and deferred tax liabilities for the Group are offset when there is a legally enforceable right to set off and when they relate to income taxes levied by the same taxation authority on the same taxable entity in terms of IAS 12.74.

Notes to the condensed consolidated interim financial statements continued

	Six months ended 30 June 2021 R'000	Six months ended 30 June 2020 R'000	Year ended 31 December 2020 (audited) R'000
18. Earnings and headline earnings per share			
18.1 Basic earnings per share for continuing operations			
Profit for the period attributable to ordinary shareholders	**347 646**	486 400	781 231
Weighted average number of ordinary shares:			
Issued ordinary shares at 1 January	**86 877 600**	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010 and JEF Trust)	**(4 135 109)**	(1 598 910)	(3 778 968)
Weighted average number of ordinary shares at 30 June/31 December	**82 742 491**	85 278 690	83 098 632
Basic earnings per share (cents) from continuing operations	**420.2**	570.4	940.1
Basic earnings/(loss) per share (cents) from discontinued operations	**–**	(1.3)	(3.4)
Total basic earnings per share (cents)	**420.2**	569.1	936.7
18.2 Diluted earnings per share for continuing operations			
Profit for the period attributable to ordinary shareholders	**347 646**	486 400	781 231
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at 30 June/31 December (basic)	**82 742 491**	85 278 690	83 098 632
Effect of LTIS	**736 455**	423 959	529 563
Weighted average number of ordinary shares (diluted)	**83 478 946**	85 702 649	83 628 195
Diluted earnings per share (cents)	**416.4**	567.5	934.3
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period			
18.3 Headline earnings per share			
Reconciliation of headline earnings:			
Profit for the year attributable to ordinary shareholders	**347 646**	486 400	781 231
Adjustments are made to the following:			
– Gross amount	**3**	(27)	(26)
Profit on disposal of property and equipment	**4**	(37)	(37)
– Taxation effect	**(1)**	10	10
Headline earnings	**347 649**	486 373	781 205
Headline earnings/(loss) from discontinued operations	**–**	(1 086)	(2 842)
Headline earnings per share (cents) from continuing operations	**420.1**	570.3	940.1
Headline earnings/(loss) per share (cents) from discontinued operations	**–**	(1.3)	(3.4)
Total headline earnings per share (cents)	**420.1**	569.0	936.7
18.4 Diluted headline earnings per share			
Diluted headline earnings per share (cents) from continuing operations	**416.5**	567.5	934.1
Diluted headline earnings/(loss) per share (cents) from discontinued operations	**–**	(1.3)	(3.4)
Total diluted headline earnings per share (cents)	**416.5**	566.2	930.7

19. Intangible assets

Included in the intangible asset of R780 million (June 2020: R584 million; December 2020: R821 million) is the goodwill of R133 million and customer relationships of R128 million related to the acquisition of JIS, software under development of R35.1 million (June 2020: R43.7 million; December 2020: R28.2 million) mainly in respect of clearing systems, digital onboarding and automation.

20. Employee benefits

The decrease of R12 million in current liabilities year-on-year is mainly related to settlement of restraint of trade payments and decreases as a result of the reclassification of the critical skills scheme to current liabilities.

21. Expected credit loss

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

	R'000
At 1 January 2020	3 690
Increase in allowance for impairment*	4 024
At 30 June 2020	7 714
Increase in allowance for impairment*	379
At 31 December 2020	**8 093**
Decrease in allowance for impairment**	**(84)**
At 30 June 2021	**8 009**

* *The statement of comprehensive income charge represents the movement of the above provisions as well as bad debts written off amounting to R76 000.*

** *The statement of comprehensive income charge represents the movement of the ECL provision totalling R1.69 million, reduced by mainly bad debts written off totalling R1.6 million.*

Under IFRS 9 *Financial Instruments*, the Group uses debtor historic default rates in the assessment of the probability of credit losses, while incorporating forward-looking macro-economic factors. The year to date impairment was mainly raised in respect of specific debtors where the recoverability of amounts owing appeared to be doubtful. The Group believes no further impairment allowance is necessary in respect of trade receivables.

The Group uses the simplified approach in calculating ECL for trade and other receivables.

The debtors' credit terms are 30 days.

The Group uses the general approach in calculating ECL for interest receivables.

22. Financial instruments

The carrying amount of all significant financial instruments approximates the fair value.

23. Reserves

	Six months ended		Year ended
	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Transfer of dividends paid to non-distributable reserves	**33 329**	–	17 889
Fair value reserve	**(4 964)**	–	–
Fines – listed companies	**21 282**	–	21 282
Take-on of JEF Trust as a subsidiary	**54 360**	–	54 360
Investor protection funds[1]	**537 206**	485 827	507 660
– JSE Debt Guarantee Fund Trust	**118 207**	117 225	117 585
– JSE Derivatives Fidelity Fund Trust	**233 571**	198 583	211 853
– JSE Guarantee Fund Trust	**185 428**	170 019	178 222
Non-distributable reserves	**641 213**	485 827	601 191
JSE LTIS 2010 and LTIS 2018 reserve[2]	**79 042**	64 261	75 387
	720 255	550 088	676 578

[1] *These funds were established for the purpose of investor protection in the event of a member defaulting in the Equity, Equity Derivatives and Bond markets.*

[2] *This reserve relates to the portion of the LTIS 2010 and LTIS 2018 that has been expensed to date.*

Notes to the condensed consolidated interim financial statements continued

24. Share-based payments

(i) Vesting of Allocation 8 Tranche 2 and Allocation 1 Tranche 1 (LTIS 2018)

Allocation 8 Tranche 2 vested on 1 March 2021. Allocation 1 Tranche 1 (LTIS 2018) will only vest on 31 August 2021. All LTIS 2010 participants in the employ of the Company as at vesting date were eligible to participate in the vesting of these Tranches in accordance with the terms and conditions of the Scheme rules.

(ii) Grant of Allocation 4 under LTIS 2018 during the period under review

In accordance with shareholder approval, for the provision of financial assistance to the JSE LTIS 2018 Trust, the Board approved a fresh annual allocation of shares (Allocation 4) to selected employees for the 2021 year. These individual allocations were all accepted by the Scheme participants on or before 12 March 2021. Allocation 4 comprises a total of 542 982 JSE ordinary shares and these shares were acquired in the open market on or before 12 March 2021, at a volume-weighted average price (including all execution costs) of R120.72 per ordinary share. These shares are held in trust and are restricted until all vesting conditions are fulfilled whereupon the shares vest.

Of the total number of shares granted in Allocation 4, a total of 264 586 shares has been granted to members of the JSE's Executive Committee.

Information on Allocation 4 is as follows:

	Number of shares
Share price at grant date (rand per share)	120.72
Total number of shares granted	542 982
Dividend yield	3%
Grant date	12 March 2021
Vesting profile:	
50% of the shares awarded vest on 1 March 2023	271 491
50% of the shares awarded vest on 1 March 2024	271 491

No shares forfeited by leavers to date.

(iii) Profit and loss charge

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:

	Six months ended 30 June	
	2021 R'000	2020 R'000
Allocation 7 (granted in October 2016)	**–**	(1 516)
Allocation 8 (granted in March 2017)	**(410)**	(581)
	(410)	(2 097)

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2018 is as follows:

	Six months ended 30 June	
	2021 R'000	2020 R'000
Allocation 1 (granted in September 2018)	**3 068**	4 324
Allocation 2 (granted in March 2019)	**3 624**	5 457
Allocation 3 (granted in March 2020)	**4 278**	3 217
Allocation 4 (granted in March 2021)	**4 223**	–
	15 192	12 998

25. Acquisition of additional interest in JIS

On 17 June 2021, the Group acquired the remaining 25.15% interest in the equity of JIS increasing its ownership interest to 100%.

Cash consideration of R75 450 000 was paid to the non-controlling shareholders.

The carrying value of the net assets of JIS (excluding goodwill on the original acquisition) was R148 439 000.

The following is a schedule of additional interest acquired in JIS:

	R'000
Cash consideration paid to non-controlling shareholders	75 450
Carrying value of interest in JIS	38 318
Difference recognised in retained earnings	**37 132**

26. JIS change in ownership

As discussed in note 25 above, JIS is wholly owned by the Group and as such no non-controlling interest exists post 17 June 2021. The Group remains confident that the carrying value of goodwill related to the JIS acquisition continues to equal the recoverable amount. Initiatives such as the recent minority buy-out, various sales initiatives and the acquisition of ISPS (referred to in note 8) will further strengthen the performance of JIS and increase cash flow in support of the goodwill. A goodwill assessment for impairment in line with IAS 36 *Impairment of Assets* will be performed at the end of 2021.

Financial information of JIS provided below:

	Six months ended		Year ended
	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Proportion of equity interest held by non-controlling interests:			
Accumulated balances of material non-controlling interest:	**–**	–	37 586
Profit allocated to material non-controlling interest:	**1 115**	–	254
The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.			
Summarised statement of comprehensive income for the period:			
Revenue from contracts with customers	**52 351**	–	17 071
Personnel and other expenses	**(17 937)**	–	(9 275)
Administration expenses	**(27 666)**	–	(5 792)
Finance costs	**–**	–	(320)
Finance income	**(265)**	–	85
Profit for the period	**6 483**	–	1 769
Income tax	**(3 573)**	–	(761)
Profit for the period	**2 910**	–	1 008
Attributable to:			
Equity holders of parent	**2 178**	–	755
Non-controlling interest	**732**	–	254
Summarised statement of financial position as at 30 June/31 December:			
Total assets	**61 929**	–	72 919
Total current assets	**43 194**	–	53 877
Total non-current assets	**18 735**	–	19 042
Total liabilities	**17 928**	–	31 828
Total current liabilities	**15 244**	–	28 164
Total non-current liabilities	**2 684**	–	3 664
Total equity	**44 001**	–	41 091

Notes to the condensed consolidated interim financial statements continued

26. JIS change in ownership *(continued)*

	Six months ended		Year ended
	30 June 2021 R'000	30 June 2020 R'000	31 December 2020 (audited) R'000
Summarised cash flow information for the period:			
Operating activities	**6 212**	–	6 123
Investing activities	**–**	–	–
Financing activities	**(12 265)**	–	(803)
Net (decrease)/increase in cash and cash equivalents	**(6 053)**	–	5 320

27. Leases

	Six months ended		Year ended
Impact on the statement of financial position as at 30 June/31 December	**30 June 2021 R'000**	30 June 2020 R'000	31 December 2020 (audited) R'000
Assets			
Right-of-use assets at initial application 1 January	**251 624**	251 624	251 624
Right-of-use assets acquired through acquisition of subsidiary	**4 674**	–	4 674
Accumulated depreciation	**(99 182)**	(58 525)	(78 840)
Total assets*	**157 116**	193 099	177 458
Lease liabilities			
Current portion	**51 033**	40 051	40 882
Non-current portion	**226 725**	272 560	252 938
Total liabilities	**277 757**	312 611	293 820
The following amounts are recognised in the statement of comprehensive income			
Depreciation	**(20 342)**	(19 520)	(39 243)
Profit/loss from operating activities	**(20 342)**	(19 520)	(39 243)
Finance costs	**(12 730)**	(14 279)	(27 889)
Impact on profit for the period	**(33 072)**	(33 799)	(67 133)
Changes in liabilities arising from financing activities			
Opening balance 1 January	**293 820**	329 570	329 570
Acquisition of subsidiary	**–**	–	6 565
Loan repayments for the period	**(28 793)**	(31 297)	(70 264)
Interest charges for the period	**12 730**	14 338	27 949
Balance 30 June/31 December	**277 757**	312 611	293 820

* *The majority of the right-of-use assets relates to property and a small insignificant portion to hardware.*

As part of the modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics. The Group has adopted IFRS 16, *Leases* using the modified retrospective method of adoption, using the incremental borrowing rate of 9% as opposed to the interest rate implicit to the lease, across all lease liabilities recognised in the statement of financial position at the date of initial application.

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

28. Guarantees and commitments

Guarantees

A guarantee of an amount of R10 million was issued by Rand Merchant Bank in favour of Strate Limited (Strate) on behalf of the JSE in terms of an agreement to cover any failure by the JIS Central Securities Depository Participant (CSDP) to comply with Strate rules and regulations.

The JSE issued a letter of undertaking and indemnity to Strate in respect of the JIS CSDP for R7 million for the purpose of ensuring that the subsidiary is in compliance with the rules of Strate which apply to CSDPs in South Africa.

Commitments

No material commitments existed as at 30 June 2021 other than the agreement reached with ISPS, referred to in note 8.

29. 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); and
- 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.

30 June 2021	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance* R'000
Assets				
Other investments				
– Equity securities (financial instruments)	**138 153**	**238 552**	**–**	**376 705**
– Debt investment (financial instruments)	**–**	**27 934**	**–**	**27 934**
– Non-listed equity instruments designated at fair value through OCI			**77 106**	**77 106**
Total assets	**138 153**	**266 486**	**77 106**	**481 745**
30 June 2020				
Assets				
Other investments				
– Equity securities (financial instruments)	108 462	214 329	–	322 791
– Debt investment (financial instruments)	–	31 590	–	31 590
Total assets	108 462	245 919	–	354 381
31 December 2020				
Assets				
Other investments				
– Equity securities (financial instruments)	122 719	222 299	–	345 018
– Debt investment (financial instruments)	–	32 283	–	32 283
Total assets	122 719	254 582	–	377 301

* *This figure excludes an amount of R1 000 relating to Stock Exchange Nominees Proprietary Limited.*

29. Fair value estimation *(continued)*

Reconciliation: Level 3 recurring fair value measurements
30 June 2021
Equity investments

	R'000
Opening balance	–
Globacap acquisition	84 000
Net fair value movement recognised in OCI during the period (pre-tax)	(6 894)
Closing balance	77 106

IAS 21 states that a foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The investment was therefore initially recorded at R84 million. The equity investment has been adjusted in relation to unrealised foreign currency translation losses recognised in other comprehensive income.

Refer to note 8 for details pertaining to the transaction and note 11 for the classification of the investment.

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2021 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Non-listed equity instruments designated at fair value through OCI	Net Present Value (NPV) Method	Weighted average cost of capital (WACC)	20%	1% increase/(decrease) in the WACC would result in a decrease/(increase) in fair value by R771 000

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group pricing market transactions on an arm's length basis and transactions occur regularly. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as fair value through OCI.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on equity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Level 2 comprises debt instruments, protective cell funds and collective investment schemes, which are measured at the clean price and the foreign currency respectively.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For all other financial assets and liabilities, the carrying value approximates the fair value.

Equity instruments designated at fair value through OCI include investments in equity shares of non-listed companies. These investments were irrevocably designated at fair value through OCI, as the Group considers these investments to be strategic in nature.

Globacap investment

Management has elected to designate the investment at fair value through OCI, as the investment is a strategic long-term investment not held for returns in the short term.

No dividends were received within the period.

The fair value was measured using the NPV model valuation technique. External, independent valuators were used (RMB) in performance of the valuation. A detailed bottom-up approach for key commercial drivers is used, e.g. per product basis broken down into volume (number of customers/deals), average revenue per product, etc.

The following valuation approach and key assumptions were used:

- 10-year free cash flow to equity forecast;
- 20% (hard currency) GBP discount rate used;
- 20% WACC;
- Explicit nominal number of new users used to model customer growth (new users vs. % growth) between 2021-2025 given the life stage of Globacap;
- The J-curve between 2026-2030 was used as a percentage growth assumption as the company matures, which is typical for a company of this nature once it has gained scale;
- The fair value was calculated as at 31 December 2020 and the purchase price was paid on 14 January 2021 as per note 8;
- Fair value at 30 June 2021 was determined based on precedent transaction relative valuations, given the nature of the asset and fundamental value as determined by the market. The fair value is supported by the fact that the most recent share issuance implemented in Mar-21 was done at the same valuation and price; and
- The fair value at 30 June 2021 is therefore based on the latest available information between market participants and no subsequent remeasurement is made apart from the foreign exchange translation referred to above.

30. Related parties

No significant transactions, other than the transactions entered into with JIS and Globacap (in terms of the commercial agreement to develop and operate the private placements platform) referred to in note 8, have occurred outside the normal course of business during the period under review.

31. Events after reporting date

There have been no material events that would require adjustment or disclosure in the interim financial statements between 30 June 2021 and the date of this report.

Sandton

5 August 2021

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

Notes

ADMINISTRATION AND CONTACT INFORMATION

JSE Limited

(Incorporated in the Republic of South Africa)
Registration number: 2005/022939/06
Share code: JSE
ISIN: ZAE000079711
LEI: 213800MZ1VUQEBWRF039

Registered office

One Exchange Square
2 Gwen Lane
Sandown, 2196

Postal address

Private Bag X991174 Sandton, 2146

Contacts

Telephone: +27 (0) 11 520 7000
Web: *www.jse.co.za*
Investor relations: *ir@jse.co.za*
Group company secretary: *GroupCompanySecretary@jse.co.za*

Directors

N Nyembezi[1] (Chairman)
Z Bassa[1]
S Cleary[1]
VN Fakude[1]
Dr SP Kana[1]
FN Khanyile[1]
I Kirk[2]
BJ Kruger[2]
Dr MA Matooane[1]
P Nhleko[1, 4]
Dr L Fourie (Group chief executive officer)[3]
A Takoordeen (Group chief financial officer)[3]

1 Independent non-executive director.
2 Non-executive director.
3 Executive director.
4 Appointed effective 1 July 2021.

Group company secretary

GA Brookes

Transfer secretary

JSE Investor Services Proprietary Limited
19 Ameshoff St
Johannesburg, 2001

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman and Rivonia Road
Sandton, 2196

Auditors

Ernst & Young Inc.
102 Rivonia Road
Sandton, 2196

Bankers

First National Bank of SA Limited Corporate Account Services
4 First Place
Bank City
Simmonds Street
Johannesburg, 2001

Investor queries should be directed to *ir@jse.co.za* and will be redirected, where necessary, to the appropriate Board member or executive for a response.

Governance and secretarial queries should be directed to *GroupCompanySecretary@jse.co.za*

GREYMATTERFINCH # 15690

www.jse.co.za