JSE

JSE LIMITED
SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS AND ORDINARY AND SPECIAL CASH DIVIDEND DECLARATIONS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

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

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS AND ORDINARY AND SPECIAL CASH DIVIDEND DECLARATIONS FOR THE YEAR ENDED 31 DECEMBER 2019

The JSE is a self-regulatory, multi-asset-class stock exchange that offers listings, trading, clearing and settlement (post-trade) and information services, as well as company services. The exchange has been operating as a marketplace for the trading of financial products for more than 130 years.

As South Africa's only full-service securities exchange, 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 top 20 equities exchanges in the world in terms of market capitalisation.

This announcement covers the summarised consolidated annual financial results of the Group, based on International Financial Reporting Standards, for the year ended 31 December 2019.
The preparation of the JSE's annual results has been supervised by the chief financial officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act, 2008, as amended (the Companies Act). This report is extracted from the audited information, but is itself not audited. The directors take full responsibility for the preparation of this report and warrant that the financial information has been correctly extracted from the underlying audited annual financial statements.

HIGHLIGHTS

The JSE, along with other global markets, has experienced a difficult operating environment, which has impacted performance. Despite this constrained operating environment in 2019:

» The Group continues to be strongly cash generative, with net cash from operations of R880 million (2018: R913 million). Cash generated decreased by 4% compared to the decline in earnings of 23%. The decline in earnings is largely attributable to a planned increase in staff costs off an abnormally low base, the costs associated with the implementation of the new Integrated Trading and Clearing (ITaC) system, and once-off costs

» The strong cash balance as well as the cash generated from operations has enabled the JSE to progressively grow the ordinary dividend. Accordingly, the Board has declared an ordinary dividend of 690 cents per share, an increase of 5% over the 2018 ordinary dividend of 655 cents per share. The Board has also declared a special cash dividend of 150 cents per share (2018: 185 cents per share), thereby maintaining the total dividend pay-out at R730 million (2018: 730 million).

» The diversification of the JSE's revenue streams ensured that the decline in revenues was limited to 1%, at R2.19 billion (2018: R2.20 billion) given the mixed performance across asset classes

» The JSE provided its trading members with an aggregate discount of 12% in Equity Market trading fees in 2019, following the introduction of the tiered billing model in August 2018 (the billing model offers a discount of between 9% and 30%, depending on the tier of value traded). The change in billing model has lowered the cost to clients by R31 million on a pro-rata basis, and has enabled the exchange to remain competitive

» Together, the deep liquidity pools at the JSE, competitive and responsive relative pricing, robust technology, and globally connected trading and post-trade services, have ensured that the Group retained a 99.32% share of the equity market by value traded

» The JSE achieved the multi-year R170 million in cost savings (base year 2016) to which management committed in 2017

During the course of 2019, the Group reached an inflection point by establishing a strong platform on which to grow:

» The JSE delivered the transformational multi-year ITaC project for the equity derivatives and currency markets in April

» A number of new products were launched, including a tick-data-in-the-cloud solution; enhanced central order book trading functionality; and monthly expiries in our derivatives markets

» The JSE successfully navigated the complex unbundling of Naspers and the listing of Prosus in Amsterdam. Since the unbundling, combined trading in Naspers and Prosus is up 4% versus the trading in Naspers in the prior year. This figure excludes an increase of 77% during the month of the unbundling in September

» The JSE announced its intention to acquire 74.85% of Link Market Services South Africa Proprietary Limited (Link SA) in August 2019, for a cash consideration of R224.5 million, in line with our inorganic growth strategy

OVERVIEW OF RESULTS

Revenue decreased by 1% to R2.19 billion (2018: R2.20 billion). The JSE, along with other global markets, has experienced a reduction in the level of activity in primary markets, with fewer new equity listings than in the comparative period (which were largely the result of corporate actions), which has impacted revenue. The Equity Market has seen net foreign outflows of R114 billion and muted local investor activity. The decrease in value traded, coupled with the pricing impact of the new tiered billing model for equities trading, has translated into lower revenue during the period. The Group saw increased activity in the second half of 2019, with an uptick in value traded in the Equity Market. The Equity Derivatives market also registered an increase in value traded, for the first time in three years, and the Bond market also recorded increased activity.

Expenses increased off a low base, by 14% to R1.54 billion (2018: R1.35 billion), largely in four areas:

- technology costs and related depreciation increased following the implementation of the ITaC system in April 2019;
- the JSE recruited additional personnel to reach planned headcount levels (compared with the low base headcount throughout 2018) to ensure the JSE is appropriately resourced to deliver on its key business initiatives;
- the cost base includes once-off expenditures of R37 million relating to the JSE's executive leadership transition; and
- the transaction expenses of R6 million related to the proposed acquisition of Link SA.

As a result of the increase in operating costs, Group earnings before interest and tax (EBIT) decreased by 26% to R687 million (2018: R932 million) and net profit after tax (NPAT) declined by 23% to R695 million (2018: R904 million).

Similarly, basic earnings per share (earnings per share (EPS) for continuing operations) decreased by 22%, to 820.5 cents (2018: 1 056.5 cents) and headline earnings per share (HEPS) decreased by 23% to 814.6 cents (2018: 1 055.4) respectively.

The JSE remains in a healthy position with regard to cash and capital.

REVENUE STREAMS

Primary markets

- Revenue decreased by 5% to R147 million (2018: R155 million) owing to significantly fewer IPOs for the year (five IPOs versus 12 IPOs in 2018) and the impact of the accounting treatment which defers listings revenue over a multi-year period. Globally, IPOs have decreased by 19% in 2019. Although the number of listed entities declined, market capitalisation of all entities listed on the JSE increased by 38% during 2019 and there was also a material increase in structured listings, such as warrants, as well as an uptick in the number of bond listings

Capital markets

- **Equity Market:** Revenue decreased by 13% to R433 million (2018: R499 million). Revenue declined as a result of two items: first, a decrease in billable value traded of 2% for the full year; and second, the implementation of the tiered billing model in August 2018, which introduced an aggregate discount of 12% to the trading fee line. Colocation activity contributed 42% (2018: 37%) of overall value traded
- **Equity Derivatives Market:** Revenue was flat at R143 million (2018: R143 million), however, value traded increased by 2%. Activity remained muted, but hedge activity moderately increased in H2, as did the level of the index, which supported higher value traded
- **Currency Derivatives Market:** Revenue declined by 2% to R47 million (2018: R48 million). Long-term global risk events contributed to uncertainty in the market, which resulted in increased hedging and reduced speculation, with an increase of 7% in open interest. The number of contracts traded declined by 7%
- **Bond and Interest Rate Market:** Revenue increased by 21% to R68 million (2018: R56 million) as nominal bond value grew by 16% on the back of global uncertainty and foreign sales of emerging market assets, as well as an increase in activity in the repo market. Geopolitical factors have had a material impact on the global yield outlook and have resulted in increased volatility and volumes. However, the JSE has seen a decrease in the trading of interest rate derivative contracts, which were down 6% year-on-year. Revenue from the bond electronic trading platform (ETP) contributed R7 million
- **Commodity Derivatives Market:** Revenue increased by 5% to R82 million (2018: R78 million) on the back of volatility in the local grains market created by weather uncertainty, as well as heightened activity in international grains products. There was also noticeable speculative activity in local grain contracts
- **Company Services:** Revenue increased by 16% to R11.9 million (2018: R10.3 million), on the back of solid growth in our AGM, training and event services

Post-Trade Services

- BDA revenue increased by 10% to R333 million (2018: R303 million) following a 10% increase in the number of transactions and smaller transaction sizes
- Clearing and settlement revenue decreased by 5% to R385 million (2018: R404 million) owing to the lower billable value traded in the Equity Market

Information Services

- Revenue increased by 16% to R310 million (2018: R267 million) largely owing to annual price increases, foreign exchange gains on USD-denominated revenue and a prior-year adjustment in 2018

Other income

- Other income declined by 50% to R41 million (2018: R82 million), mainly owing to lower forex gains. The JSE held USD9.4 million in cash (2018: USD12 million) at year-end

OPERATING EXPENDITURE

The major contributors to the increase in operating expenses in this period were as follows:

- Personnel costs increased by 15% to R580 million (2018: R506 million), owing to the following:
  - Gross remuneration, which increased by 14% to R418 million (2018: R368 million) owing to a planned normalisation of headcount from a low prior-year base. The headcount increase contributes 10 percentage points. The headcount as at 31 December was 392 (2018: 372), while the average headcount for 2019 increased by 9% to 395 (2018: 362)
  - The discretionary bonus of R64 million (2018: R82.7 million) or 9.2% of NPAT. This contributes -4 percentage points
  - Once-off costs of R37m relating to the executive transition. This contributes 7 percentage points
- Technology costs increased by 18% to R285 million (2018: R241 million), largely owing to the following:
  - Post-ITaC go-live costs of R28 million, which include contractor costs, and software maintenance and support. This contributes 12 percentage points
  - The new master reference data system licences and support of R6 million. This contributes 3 percentage points
  - Infrastructure support and risk landscape expenditure of R6 million, contributing 2 percentage points
  - Equity clearing system support of R4 million, contributing 1 percentage point
- Depreciation and amortisation increased by 84% to R202 million (2018: R110 million). The increased depreciation and amortisation can be attributed largely to the ITaC project implementation costs from the April go-live. The ITaC project costs are offset by fully depreciated assets of R14 million. There was also the application of IFRS 16 on leases, which included a reclassification between amortisation and rental expenses of R39 million
- General expenses decreased by 4% to R474 million (2018: R492 million). The application of IFRS 16 resulted in the reclassification of rental expenses of R56 million. This is partially offset by:
  - non-recurring costs of R36 million for work related to progressing the independent clearing house (ICH) frameworks, the executive transition and transformation to agile ways of work
  - R6 million in transaction costs for Link SA

CASH FLOW AND INVESTMENT

The Group continues to be strongly cash generative, with net cash from operations of R880 million (2018: R913 million). Cash and cash equivalents on hand at 31 December amounted to R2.6 billion (2018: R2.6 billion).

Total capital expenditure decreased to R101 million (2018: R174 million), owing to our focus on finalising the ITaC project.

All planned investments and 2020 capital requirements can be funded from the Group's own resources.

REGULATION

The JSE remains the sole shareholder of JSE Clear Proprietary Limited (JSE Clear).

In compliance with the Financial Markets Act, 2012 (FMA), the JSE and JSE Clear are required to hold regulatory capital. Accordingly, the JSE subscribed for one ordinary share (par value of 12.5 cents) in JSE Clear for a consideration of R100 million on 26 June 2019.

At the reporting date, the Board believes that both the JSE and JSE Clear are sufficiently capitalised.

FUTURE FOCUS

The JSE's strategic priorities for the year focus on three critical points, underpinned by two support pillars (our people and our customers). Our 2020 strategic priorities are as follows:

- Partner to co-create for inclusive and sustainable growth and reduce equity market dependence
- Run trusted markets, products, and services by ensuring market quality, settlement assurance, governance, operational availability, and resilience
- Lead by example on the national agenda and promote #SAInc as a global investment destination by partnering with the public and private sector

Our focus for 2020 will therefore be on the following:

- Driving the Group's inorganic growth strategy
- Integrating Link SA into the JSE (subject to the outcome of the Competition Tribunal decision)
- Delivering new capital markets and information services products and services with the aim of value creation and growth
- Migrating bond repos to electronic trading (this market is currently a report-only market) to enable a more robust technology platform for this product
- Investigating an OTC surveillance and clearing market offering
- Upgrading our equities trading engine, MillenniumIT (MIT)
- Improving market integrity, and improving our operational resilience
- Leading on the sustainability agenda
- Increasing our footprint in Asia
- Partnering with the government on SA Inc. and promoting South Africa as an attractive investment destination

PROSPECTS

The JSE is at an important inflection point. We have set a solid foundation by combining a lower cost base and competitive pricing with the recent implementation of our multi-year ITaC programme. These foundational elements create an enabling platform to grow our markets and add sustainable value to our market participants. The JSE remains confident in its strategic plans to grow and diversify revenues and to continue to invest in key technologies. These actions are necessary to maintain the long-term sustainability and competitiveness of the JSE as a critical component of the South African financial markets ecosystem.

The company's revenues are variable and largely driven by activity on the various markets that we operate. For this reason, we make no projections regarding the Group's financial performance.

DECLARATION OF ORDINARY AND SPECIAL DIVIDEND

The Board has declared an ordinary and a special cash dividend for the year ended 31 December 2019, as follows:

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	690 cents	20%	552 cents
Special	150 cents	20%	120 cents

The JSE's existing dividend policy:

- Aims to pay a single annual ordinary dividend
- Seeks to grow the nominal value of the ordinary dividend progressively over time
- Provides for a pay-out ratio of between 40% and 67% of earnings in respect of the annual ordinary dividend
- Allows for the payment of a special dividend in years where there is surplus cash on hand

In accordance with this policy the JSE's practice has been to return distributable cash to shareholders after ring-fencing cash for regulatory capital requirements and investment (capital expenditure and inorganic opportunities). During 2019, the JSE concluded an exercise to determine the optimal regulatory capital and has been reporting to the Prudential Authority as per the FMA since April 2019.

The ordinary dividend of 690 cents per share for 2019 represents a progressive 5% in nominal terms although this translates into a pay-out ratio of 87%. The Board notes this exception to the current dividend policy pay-out range and will determine in the year ahead whether a formal change to the dividend policy is required.

The dividends have been declared from retained earnings, and the Group remains sufficiently capitalised. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the JSE at the close of business on Friday, 27 March 2020.

In compliance with the Companies Act, the directors confirm that the JSE will satisfy the solvency and liquidity test immediately after completion of the dividend distribution. In compliance with the requirements of Strate, the following salient dates for the payment of the ordinary and special dividend are applicable:

Dividend paid in year in respect of financial year ended	31 December 2019	31 December 2018
Ordinary dividend per share	690 cents	655 cents
Special dividend per share	150 cents	185 cents
Total rand value	R730 million	R730 million
Declaration date	Monday, 24 February 2020	Thursday, 28 February 2019
Last date to trade JSE shares *cum* dividend	Tuesday, 24 March 2020	Monday, 18 March 2019
JSE shares commence trading ex-dividend	Wednesday, 25 March 2020	Tuesday, 19 March 2019
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on:	Friday, 27 March 2020	Friday, 22 March 2019
Date of payment of dividend	Monday, 30 March 2020	Monday, 25 March 2019

Share certificates may not be dematerialised or rematerialised from Wednesday, 25 March 2020 to Friday, 27 March 2020, both days inclusive. On Monday, 30 March 2020, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated on or about Monday, 30 March 2020 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on or about Monday, 30 March 2020. The issued share capital of the JSE as at the declaration date was 86 877 600 ordinary shares. The tax number of the JSE is 9313008840. South African Reserve Bank approval applies for the declaration of the special dividend and the finalisation date is Tuesday, 17 March 2020.

CHANGES TO THE BOARD

During 2019 we announced the following changes to the Board:

- Nicky Newton-King resigned as CEO and executive director, effective 30 September 2019
- Dr Leila Fourie was appointed as an executive director as a result of her appointment as CEO of the Group, effective 1 October 2019

The following changes to the Board, announced previously, are effective in 2020:

- John Burke resigned as Director: Issuer Regulation and alternate director on the Board, effective 1 February 2020
- Siobhan Cleary joined the Board on 1 February 2020 as an independent non-executive director
- David Lawrence (non-executive director) will retire from the Board, in accordance with the Board's tenure policy for non-executive directors, at the upcoming annual general meeting (AGM) to be held on 26 May 2020, and will not be available for re-election
- Michael Jordaan (independent non-executive director) who has served on the Board since 2014 and is eligible for a further term, will retire at the upcoming AGM and will not be available for re-election

We are of the view that the Board is well diversified and balanced, with an appropriate mix of skilled and experienced individuals.

NOTICE OF ANNUAL GENERAL MEETING (AGM)

Notice is hereby given that the fifteenth AGM of shareholders of the JSE will be held at the JSE on Tuesday, 26 May 2020, at 16:00, to transact the business as stated in the AGM notice forming part of the annual financial statements. The AGM notice includes the proxy form.

Only persons physically present at the meeting or represented by a valid proxy will be entitled to cast a vote on any matter put to a vote of shareholders.

Forms of proxy should be lodged with **The Meeting Specialist** by 16:00 on Friday, 22 May 2020, for administrative purposes. Any Form of Proxy not received by this time must be handed to the chairperson of the AGM immediately prior to the AGM.

SALIENT DATES FOR 2020 AGM

Record date to determine which shareholders are entitled to receive the notice of AGM	Friday, 13 March 2020
Publication of 2019 integrated annual report and posting of notice of annual general meeting	Tuesday, 24 March 2020
Last day to trade in order to be eligible to attend and vote at the annual general meeting	Tuesday, 12 May 2020
Record date to determine which shareholders are entitled to attend and vote at the AGM	Friday, 15 May 2020
Forms of proxy for the annual general meeting to be lodged by 16:00	Friday, 22 May 2020

APPRECIATION

Nicky Newton-King retired from the JSE in September 2019, and has left a strong legacy for the future. We are grateful to her for building the JSE into the successful business it is today. The Group welcomes our new CEO, Leila Fourie, and looks forward to her successful tenure.

At the AGM in May 2020 two of the non-executive directors will be retiring from the Board. The Board wishes to thank David Lawrence for his dedicated service over 12 years and for his wisdom and counsel during this time. Michael Jordaan joined the Board in 2014 and has made a significant contribution in this time and the Board thanks him for his insights and contributions.

The past year was a demanding one for the JSE. As we reflect on the year and look forward to 2020, we would like to thank all our colleagues at the JSE for their energy, resilience and dedication. We aim to build partnerships to co-create growth, rebuild the trust in our country's capital markets and make our own contribution to building the kind of nation in which we all want to live. We are clear about our 2020 priorities and hence the issues that we need to tackle to improve our operational resilience, to achieve our 2022 strategy and to grow this business sustainably.

We extend our thanks to our clients and stakeholders for supporting the JSE. We would also like to extend our appreciation to our regulators and policy-makers for their collaboration, partnership and support. We look forward to continuing our collaboration in the year ahead.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate audited annual financial statements of the JSE Limited, as identified in the first paragraph, were approved by the Board of directors on 24 February 2020 and signed by:

N Nyembezi
Chairman

L Fourie
Chief Executive Officer

JSE Limited
One Exchange Square, 2 Gwen Lane, Sandown, South Africa
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Tel: +27 11 520 7000
Fax +27 11 520 8584

The Meeting Specialist Proprietary Limited
One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, 2196
(PO Box 62043, Marshalltown 2107)
Form of Proxy can also be sent to: proxy@tmsmeetings.co.za

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

24 February 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Notes	Group 2019 R'000	Group 2018 R'000
Continuing operations			
Revenue	8	**2 187 247**	2 198 479
Other income		**41 459**	82 288
Personnel expenses	9	**(580 200)**	(505 901)
Other expenses	10	**(961 173)**	(842 496)
Expected credit loss reversal		**61**	–
Profit from operating activities		**687 394**	932 370
Finance income		**2 963 057**	2 824 795
Finance costs		**(2 749 975)**	(2 585 574)
Net finance income		**213 082**	239 221
Share of profit from associate (net of income tax)		**47 683**	55 910
Profit before income tax		**948 159**	1 227 501
Income tax expense	11	**(248 180)**	(323 219)
Profit for the year from continuing operations		**699 979**	904 282
Discontinued operations			
Loss after tax for the year from discontinuing operations*		**(4 867)**	(700)
Profit for the year		**695 112**	903 582
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)		**27 565**	(11 280)
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)		**555**	(89)
Other comprehensive income for the year, net of income tax		**28 120**	(11 369)
Total comprehensive income for the year		**723 232**	892 213
Earnings per share for continuing operations			
Basic earnings per share (cents)	12,1	**820.5**	1 056.5
Diluted earnings per share (cents)	12,2	**816.7**	1 048.1
Earnings per share for discontinued operations			
Basic earnings per share (cents)		**(5.7)**	(0.8)
Diluted earnings per share (cents)		**(5.7)**	(0.8)

** The reported loss in 2019 includes wind-up expenses such as legal and audit fees.*

Consolidated statement of financial position

As at 31 December 2019

	Notes	Group 2019 R'000	Group 2018 R'000
Assets			
Non-current assets		**1 715 640**	1 403 265
Property and equipment		**183 541**	219 631
Intangible assets	13	**593 333**	518 473
Investment in associate		**292 786**	269 898
Other investments		**338 759**	303 473
Loan to the JSE Empowerment Fund Trust		**25 197**	25 136
Right-of-use assets		**212 559**	–
Deferred taxation		**69 465**	66 654
Current assets		**38 511 575**	40 521 485
Trade and other receivables		**520 339**	490 303
Income tax receivable		**5 277**	29 997
JSE Clear Derivatives Default Fund collateral deposit		**500 000**	500 000
Margin deposits		**34 849 591**	36 766 624
Collateral deposits		**59 034**	160 625
Cash and cash equivalents		**2 577 334**	2 573 936
Total assets		**40 227 215**	41 924 750
Equity and liabilities			
Total equity		**3 969 631**	3 968 441
Stated capital		**(17 726)**	(18 378)
Reserves		**548 267**	511 739
Retained earnings		**3 439 090**	3 475 080
Non-current liabilities		**317 506**	133 055
Employee benefits		**5 436**	1 960
Deferred taxation		**3 875**	22 296
Operating lease straight-line liability		**–**	106 840
Lease liability		**293 101**	–
Long-term payables		**8 291**	–
Deferred income		**6 803**	1 959
Current liabilities		**35 940 078**	37 823 254
Trade and other payables		**485 586**	375 430
Income tax payable		**–**	25
Employee benefits		**109 398**	120 550
Lease liability		**36 469**	–
JSE Clear Derivatives Default Fund collateral contribution		**400 000**	400 000
Margin deposits		**34 849 591**	36 766 624
Collateral deposits		**59 034**	160 625
Total equity and liabilities		**40 227 215**	41 924 750

Consolidated statement of changes in equity

for the year ended 31 December 2019

Group	Stated capital R'000	NDR R'000	Share-based payment reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2018	11 614	441 398	71 874	513 272	3 101 495	3 626 381
Profit for the year from continuing operations	–	–	–	–	904 282	904 282
Other comprehensive income	–	(11 369)	–	(11 369)	–	(11 369)
Total comprehensive income for the year	–	(11 369)	–	(11 369)	904 282	892 913
Loss for the year from discontinued operations	–	–	–	–	(700)	(700)
LTIS 2010 Allocation 5 – shares vested	17 070	–	(17 070)	(17 070)	–	–
LTIS 2010 Allocation 6 – shares vested	9 819	–	(9 819)	(9 819)	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(4 427)	–	(4 427)	4 427	–
Dividends paid to owners	–	–	–	–	(524 999)	(524 999)
Equity-settled share-based payment	–	–	31 727	31 727	–	31 727
Transfer of profit to investor protection funds	–	9 425	–	9 425	(9 425)	–
Treasury shares	(56 494)	–	–	–	–	(56 494)
Treasury shares – share issue costs	(387)	–	–	–	–	(387)
Total contributions by and distributions to owners of the Company recognised directly in equity	(29 992)	4 998	4 838	9 836	(530 697)	(550 853)
Balance at 31 December 2018	**(18 378)**	**435 027**	**76 712**	**511 739**	**3 475 080**	**3 968 441**
Profit for the year from continuing operations	**–**	**–**	**–**	**–**	**699 979**	**699 979**
Other comprehensive income	**–**	**28 120**	**–**	**28 120**	**–**	**28 120**
Total comprehensive income for the year	**–**	**28 120**	**–**	**28 120**	**699 979**	**728 099**
Loss for the year from discontinued operations	**–**	**–**	**–**	**–**	**(4 867)**	**(4 867)**
LTIS 2010 Allocation 6 – shares vested	**11 071**	**–**	**(11 071)**	**(11 071)**	**–**	**–**
LTIS 2010 Allocation 7 – shares vested	**20 884**	**–**	**(20 884)**	**(20 884)**	**–**	**–**
Bonus shares vested	**–**	**–**	**(5 831)**	**(5 831)**	**–**	**(5 831)**
Distribution from the JSE Debt Guarantee Fund Trust[1]	**–**	**(4 484)**	**–**	**(4 484)**	**4 484**	**–**
Dividends paid to owners	**–**	**–**	**–**	**–**	**(728 140)**	**(728 140)**
Equity-settled share-based payment	**–**	**–**	**43 232**	**43 232**	**–**	**43 232**
Transfer of profit to investor protection funds	**–**	**7 446**	**–**	**7 446**	**(7 446)**	**–**
Treasury shares	**(30 833)**	**–**	**–**	**–**	**–**	**(30 833)**
Treasury shares – share issue costs	**(470)**	**–**	**–**	**–**	**–**	**(470)**
Total contributions by and distributions to owners of the Company recognised directly in equity	**652**	**2 962**	**5 446**	**8 408**	**(735 969)**	**(726 909)**
Balance at 31 December 2019	**(17 726)***	**466 109**	**82 158**	**548 267**	**3 439 090**	**3 969 631**

[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, R4.5m (December 2018: R4.4m) before intercompany adjustments was transferred to JSE Limited to defray market regulatory expenditure.*

* *Debit balance due to own shares held as part of the Long-Term Incentive Schemes.*

Consolidated statement of cash flows

for the year ended 31 December 2019

	Group	
	2019 **R'000**	2018 R'000
Cash flows from operating activities		
Cash generated by operations	**899 022**	1 045 193
Finance income	**2 985 866**	2 800 775
Finance costs	**(2 764 870)**	(2 587 269)
Dividends received	**4 649**	5 110
Taxation paid	**(244 223)**	(350 597)
Net cash generated by operating activities	**880 444**	913 212
Cash flows from investing activities		
Proceeds on sale of other investments	**22 840**	24 522
Acquisition of other investments	**(26 919)**	(22 906)
Dividends from associate	**24 795**	18 834
Proceeds from disposal of property and equipment	**351**	226
Leasehold improvements	**(73)**	(552)
Acquisition of intangible assets	**(72 342)**	(83 007)
Acquisition of property and equipment	**(32 686)**	(90 647)
Net cash used in investing activities	**(84 034)**	(153 530)
Cash flows from financing activities		
Acquisition of treasury shares	**(68 152)**	(56 881)
Proceeds on sale of treasury shares	**36 849**	–
Lease liabilities repaid	**(28 835)**	–
Dividends paid	**(728 140)**	(524 999)
Net cash used in financing activities	**(788 278)**	(581 880)
Net increase in cash and cash equivalents	**8 132**	177 802
Cash and cash equivalents at 1 January	**2 573 936**	2 377 464
Effect of exchange rate fluctuations on cash held	**(4 734)**	18 670
Cash and cash equivalents at 31 December 2019	**2 577 334**	2 573 936

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. Reporting entity

JSE Limited (the "JSE" or the "Company") 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 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 consolidated financial statements of the Company as at and for the year ended 31 December 2019 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.

When reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the Company, where the context requires, unless otherwise noted.

2. Basis of preparation

Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the SAICA 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 2008 ("Companies Act"). The summarised consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

3. Accounting policies

All accounting policies applied by the Group in these summarised consolidated financial statements are in terms of IFRS and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019. All accounting policies are consistent with the prior year except for IFRS 16 and IFRIC 23.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the twelve months ended December 2018.

5. Use of estimates and judgements

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

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

6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

7. Operating segment

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. Information technology and other corporate overheads are not generally allocated to a particular segment.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
8. Operating segments and revenue		
Revenue comprises:		
Capital markets		
Bond Electronic Trading Platform (ETP)	**7 302**	3 380
Colocation fees	**19 133**	16 016
Commodity derivatives fees	**81 925**	78 420
Company services fees	**11 892**	10 294
Currency derivatives fees	**46 925**	47 931
Equity derivatives fees	**142 881**	142 930
Equity market fees	**432 772**	498 616
Interest rate market fees	**60 421**	52 917
Primary market fees*	**146 952**	154 522
Post-trade services		
Clearing and settlement fees	**384 888**	403 564
Back-office services (BDA)	**333 313**	303 012
Funds under management	**75 027**	79 365
Information services		
Index fees	**49 081**	33 288
Market data fees	**261 195**	233 811
Total revenue excluding Strate *ad valorem* fees – cash equities and bonds	**2 053 707**	2 058 065
Strate ad valorem fees – cash equities	**118 425**	126 733
Strate ad valorem fees – bonds	**15 115**	13 681
	2 187 247	2 198 479

** An amount of R0.2million was recognised in Primary market fees relating to initial listing fees for the year*

	Group	
	2019 R'000	2018 R'000
9. Personnel expenses		
Remuneration paid	**523 075**	474 386
Gross amount paid	**531 594**	485 784
Less: Capitalised to intangible assets	**(8 519)**	(11 398)
Long-term incentive schemes	**57 125**	31 515
	580 200	505 901

** Includes the accounting impact of accelerated LTIS for good leavers*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group	
	2019 R'000	2018 R'000
10. Other expenses		
Amortisation of intangible assets	**93 892**	51 340
Auditor's remuneration	**4 833**	4 162
Consulting fees	**5 092**	6 907
Depreciation	**107 949**	58 229
Enterprise development	**6 296**	7 636
Investor protection levy	**37 229**	33 004
Other expenses	**282 744**	300 468
Strate ad valorem fees	**132 099**	140 050
Technology costs	**284 890**	240 700
Transaction costs	**6 149**	–
	961 173	842 496

11. Income tax expense

The Group's consolidated effective tax rate for the year ended 31 December 2019 was 26% (2018: 26%).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group 2019 R'000	Group 2018 R'000
12. Earnings and headline earnings per share		
12.1 Basic earnings per share		
Profit for the year attributable to ordinary shareholders	**699 979**	904 282
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**86 877 600**	86 877 600
Effect of own shares held (JSE LTIS 2010)	**(1 564 972)**	(1 283 102)
Weighted average number of ordinary shares at 31 December	**85 312 628**	85 594 498
Basic earnings per share (cents) for continuing operations	**820.5**	1 056.5
Total earnings per share (cents)	**814.8**	1 055.7
12.2 Diluted earnings per share for continuing operations		
Profit for the year attributable to ordinary shareholders	**699 979**	904 282
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	**85 312 628**	85 594 498
Effect of LTIS Share Scheme	**400 855**	681 891
Weighted average number of ordinary shares (diluted)	**85 713 483**	86 276 389
Diluted earnings per share (cents)	**816.7**	1 048.1
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 year.		
12.3 Headline earnings per share		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders for continuing operations	**699 979**	904 282
Adjustments are made to the following:		
– Gross amount	**(189)**	(114)
Profit or loss on disposal of property and equipment	**(262)**	(158)
– Taxation effect	**73**	44
Headline earnings for continuing operations	**699 790**	904 168
Headline earnings for discontinued operations	**(4 867)**	(700)
Headline earnings per share (cents) for continuing operations	**820.3**	1 056.2
Headline earnings per share for discontinued operations	**(5.7)**	(0.8)
Total headline earnings per share (cents)	**814.6**	1 055.4
12.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents) for continuing operations	**816.4**	1 048.0
Diluted headline earnings per share for discontinued operations	**(5.7)**	(0.8)
Total diluted headline earnings per share (cents)	**810.8**	1 047.2

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

13. Intangible assets

Included in the intangible asset of R593 million (2018: R518 million), is software under development of R26.8 million (2018: R319 million), mainly in respect of Golden Source and MIT upgrades.

14. Share-based payments

(i) Vesting of Allocation 6 Tranche 2 shares during the period under review

The sixth award ("Allocation 6") under LTIS 2010 was granted in June 2015, with the following vesting profile:

Tranche 2: 50% of the total award, vested on 30 April 2019

In respect of Tranche 2, the Board assessed performance over the four-year vesting term against pre-set financial and strategic targets and determined that 69.07% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 30 April 2019. The remainder of Tranche 2 (being 37 685 shares) was forfeited by participants.

As at 31 December 2019, details of Tranche 2 were as follows:

Tranche 2 – fully vested	Corporate performance shares
Original number of Tranche 2 shares awarded in June 2015	151 170
Forfeited by leavers to date	(29 330)
Tranche 2 shares forfeited for missing performance targets	(37 685)
Accelerated for good leavers to date	(25 977)
Tranche 2 shares vested in April 2019	(58 178)
Tranche 2 shares outstanding	–

(ii) Vesting of Allocation 7 Tranche 1 shares during the period under review

The seventh award ("Allocation 7") under LTIS 2010 was granted in October 2016, with the following vesting profile:

Tranche 1: 50% of the total award, vested on 1 March 2019

Tranche 2: 50% of the total award, vesting on 1 March 2020

In respect of Tranche 1, the Board assessed performance over the three-year vesting term against the pre-set financial and strategic targets and determined that 50.15% of these Tranche 1 shares vested for those participants still in the employ of the JSE on 1 March 2019.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

(ii) Vesting of Allocation 7 Tranche 1 shares during the period under review (continued)

As at 31 December 2019, details of Tranche 1 were as follows:

Tranche 1 – fully vested	Corporate performance shares
Original number of Tranche 1 shares awarded in October 2016	171 045
Forfeited by leavers to date	(23 155)
Tranche 1 shares forfeited for missing performance targets	(73 723)
Accelerated for good leavers to date	(17 655)
Tranche 1 shares vested on 1 March 2019	(56 512)
Tranche 1 shares outstanding	–
Original number of Tranche 1 shares awarded in November 2016	4 842
Tranche 1 shares forfeited for missing performance targets	(2 414)
Tranche 1 shares vested on 1 March 2019	(2 428)
Tranche 1 additional shares outstanding	–

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:

	2019	2018
Allocation #5 (granted in May 2014)	**–**	R6.3m
Allocation #6 (granted in June 2015)	**R0.4m**	R2.2m
Allocation #7 (granted in October 2016)	**R1.8m**	R9.5m
Allocation #8 (granted in March 2017)	**R7.5m**	R6.1m
	R9.7m	R24.1m

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

14. Share-based payments (continued)

Allocation #2 under LTIS 2018

The second award ("Allocation 2") under LTIS 2018 was granted in March 2019, with the following vesting profile:

	Corporate performance shares
Share price at grant date (rands per share)	159.8
Total number of shares granted	359 595
Dividend yield (%)	3
Grant date	7 March 2019
Vesting profile:	
50% of the shares awarded vest on 1 March 2022 (Tranche 1)	179 798
50% of the shares awarded vest on 1 March 2023 (Tranche 2)	179 798

The shares forfeited by leavers to date are 10 652 (Tranche 1 and Tranche 2). The total shares outstanding at year end are 348 942.

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:

	2019	2018
Allocation #1 (granted in September 2018)	**R20.1m**	R4.6m
Allocation #2 (granted in March 2019)	**R15.1m**	–
	R35.2m	R4.6m

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

15. Leases

Impact on the statement of financial position as at 31 December 2019	2019	2018*
Assets		
Right-of-use assets at initial application 1 January	251 564	–
Accumulated depreciation	(39 005)	–
Total assets	212 559	–
Lease liability		
Current portion	36 469	–
Non-current portion	293 101	–
Operating lease liabilities	–	106 840
Total liabilities	329 570	106 840
Impact on the statement of comprehensive income for the year ending 31 December 2019		
Depreciation	(39 005)	–
IAS 17 rent expense	59 519	–
Profit from operating activities	20 514	–
Finance cost	(30 685)	–
Impact on income tax expense	2 848	–
Impact on profit for the year	(7 323)	–
Changes in liabilities arising from financing activities		
Opening balance 1 January 2019	–	–
Adoption of IFRS16	358 404	–
Loan repayment for the year	(59 519)	–
Interest charges for the year	30 685	–
Balance 31 December 2019	329 570	–

** Comparative figures relate to IAS 17*

IFRS 16 supercedes the previous standards relating to the accounting treatment of leases (IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease). The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019, using the incremental borrowing rate as opposed to the interest rate implicit to the lease, across all leases. As part of modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics. Therefore, the comparative information for 2018 is reported under IAS 17 and not comparable to the information presented for 2019.

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

16. Fair value estimation

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

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2019				
Assets				
Other investments				
– Equity securities (financial instruments)	**121 045**	**184 220**	**–**	**305 265**
– Debt investments (financial instruments)	**–**	**33 493**	**–**	**33 493**
Total assets	**121 045**	**217 713**	**–**	**338 758**
2018				
Assets				
Other investments				
– Equity securities (financial instruments)	124 418	161 051	–	285 469
– Debt investments (financial instruments)	–	18 003	–	18 003
Total assets	124 418	179 054	–	303 472

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 entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Level 2 is made up of debt instruments and protective cell funds and collective investments schemes, 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

17. Contingent liabilities and commitments

17.1 Contingent liabilities

There are no contingent liabilities in the current year.

17.2 Commitments

The JSE Limited concluded a Share Sale Agreement with Link Market Services Limited ("LMS") on 26 August 2019, in terms of which the JSE Limited shall acquire from LMS 74.85% of all the shares in Link Market Services South Africa Proprietary Limited ("Link SA"), subject to the fulfilment of certain suspensive conditions, one of which is the approval of the Competition Authorities as indicated in the SENS Announcement dated 26 August 2019. The process of obtaining the approval of the Competition Authorities is underway. The purchase price agreed is R224 550 000 plus cash and in relation to this the JSE Limited reflects R224 550 000 as committed cash as at 31 December 2019.

18. Events after reporting date

There have been no changes to the directors' interests in the ordinary share capital of the Company and no material events that would require adjustment or disclosure in the annual financial statements have occurred between 31 December 2019 and the date of this report.

19. Audit opinion

Ernst and Young Inc, the Group's independent auditor, has audited the consolidated annual financial statements of the JSE Limited from which the summarised consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the statements of financial position at 31 December 2019 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

The auditor's report (with Key Audit Matters) issued on the Consolidated Annual Financial Statements ("AFS") and the actual Consolidated Annual Financial Statements can be accessed at http://ir.jse.co.za/results2019. The summarised consolidated annual financial results itself is not audited and therefore the audit report does not cover this report.

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24 February 2020