INTERIM RESULTS

for the six months ended 30 June 2022

JSE

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Page reference for additional reading in this report.
Reference to online data at https://www.jse.co.za/investor-relations/results.

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 Group")

Unreviewed Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2022

"The JSE delivered a strong first half performance driven by a combination of external market forces and the strength of the JSE's business model to diversify earnings through delivery of new business lines. Revenue growth across all business lines has contributed to an increase in EBITDA and HEPS over the corresponding period in 2021.

Throughout this period, uncertainty in the markets manifested in volatility and higher trade activity. The depth of the JSE's operational capabilities has ensured resilience during these volatile periods.

We are particularly pleased with the contribution of annuity revenue derived from business uncorrelated to trading activity and our disciplined cost management. These steady improvements create positive momentum and together underpin the quality of earnings in line with our strategy."

– Dr Leila Fourie, Group CEO

Overview of results

Earnings before interest tax depreciation and amortisation (EBITDA) increased by 20% to R627 million, with EBITDA margin widening to 45% from 42% in the corresponding period. Earnings per share (EPS) and headline earnings per share (HEPS) both increased by 29% year-on-year (YoY) to 542.7 cents per share.

Operating revenue grew 10% to R1.36 billion, reflecting the impact of market volatility driven by global macro-economic events as well as 15% revenue growth in Information Services and 46% revenue growth in JSE Investor Services (JIS). The Group recorded strong revenue growth across all segments. Operating expenditure was up 3% YoY to R880 million. Whilst some costs are subject to timing differences, operating expenditures have been well contained.

Rising interest rates and growth in margin deposits have supported higher net finance income which increased 30% YoY to R89 million.

Capital expenditure of R51 million was focused mainly on operational resilience initiatives.

The Group continued to be highly cash generative, with net cash from operations of R534 million (2021: R472 million) from net profit after tax (NPAT) of R447 million (2021: R348 million).

Regulatory capital in the form of equity capital amounts to R1.2 billion in total for JSE Limited and for JSE Clear, of which R795 million is held in the form of restricted cash and cash equivalents.

COMMENTARY (continued)

R million *(unless stated otherwise)*	**H1 2022**	H1 2021	% change
Operating revenue	**1 355**	1 227	10%
Total revenue	**1 382**	1 242	11%
Personnel expenses	**302**	292	3%
Other operating expenses	**453**	430	5%
Depreciation and amortisation	**125**	132	-5%
Total expenditure	**880**	853	3%
Earnings before interest and tax (EBIT)	**502**	388	29%
Net finance income	**89**	68	30%
Net profit after tax (NPAT)	**447**	348	28%
EBIT margin	**36%**	31%	+5 pts
Earnings before interest tax depreciation and amortisation (EBITDA)	**627**	520	20%
EBITDA margin	**45%**	42%	+3 pts
Earnings per share (EPS) (cents)	**542.7**	420.2	29%
Headline earnings per share (HEPS) (cents)	**542.7**	420.1	29%
Net cash generated from operations	**534**	472	13%
Earnings cash conversion (as a % of adjusted NPAT)*	**100%**	105%	-5 pts
Capital expenditure (CAPEX)	**51**	46	–

* *Earnings cash conversion is calculated by dividing net cash generated from operations by adjusted NPAT.*

Business highlights

Our core business model, underpinned by quality earnings and strong cash generation, continues to provide a solid foundation for growth.

Strategically and operationally, the JSE executed well on its priorities in H1 2022. Highlights include:

Protect and grow core business

- Introduced Transition and Sustainability Linked Bonds.
- Launched Actively Managed Certificates.
- Listing Requirements reform.
- Maintained local market share of 99.7% of equity market value traded.

Transform the business

- Launched JSE Private Placements (JPP) with eleven issuances year to date and R10 billion in investor capital onboarded.
- Launched JSE Trade Explorer to provide equity market trade analytics.
- Grew JIS market share, from 20% at acquisition to 27%, and added 14 new clients.

Partner for a sustainable marketplace

- Published Sustainability and Climate Change Disclosure Guidance.

Revenue performance per segment

Capital markets

- Primary Market: Revenue increased by 9% to R81 million (2021: R74 million).
- Equity Trading: Revenue increased by 9% to R260 million (2021: R240 million).
- Equity Derivatives Trading: Revenue increased by 13% to R83 million (2021: R74 million).
- Bond and Interest Rate Trading: Revenue increased by 6% to R38 million (2021 R36 million).
- Currency Derivatives Trading: Revenue increased by 12% to R20 million (2021: R18 million).
- Commodity Derivatives Trading: Revenue increased by 5% to R49 million (2021: R46 million).
- JIS: Revenue increased by 46% to R76 million (2021: R52 million).

COMMENTARY (continued)

Post-Trade Services

- Clearing and Settlement revenue increased by 10% to R229 million (2021: R207 million).
- Back-office services (BDA) revenue increased by 4% to R180 million (2021: R173 million).
- Funds under management revenue increased by 13% to R45 million (2021: R40 million).

Information Services

- Revenue increased by 15% to R200 million (2021: R174 million).

Other income

- Other income increased to R26 million (2021: R15 million) due to forex movements.

Financial performance

Operating expenditure

Contained cost growth at 3% YoY and below inflation.

- Personnel costs increased by 3% to R302 million (2021: R292 million), primarily increasing due to the first-time inclusion of Share Plan Services and an increase in annual salaries. This was offset by long-term incentive scheme (LTIS) share forfeitures.
- Technology costs decreased by 3% to R171 million (2021: R176 million), driven by prior year non-recurring costs for the mainframe migration, which offset inflation increases and expenses incurred for growth initiatives.
- Depreciation and amortisation decreased by 5% to R125 million (2021: R132 million), owing to fully depreciated components of the Integrated Trading and Clearing (ITaC) and T+3 projects.
- General expenses increased by 11% to R282 million (2021: R253 million). The largest cost components are the Strate *ad valorem* pass-through cost and regulatory levies. Included in this category are JIS variable costs, costs incurred for strategy development and growth initiatives, and the impact of a low base effect from the prior year.

Net finance income

Net finance income increased by 30% YoY, owing to higher yields on the JSE's cash balances following multiple repo rate increases and an increase in JSE Clear margin deposits driven mainly by an increase in net notional exposures and to some extent by price volatility.

Cash flows and investments

The Group continued to be highly cash generative, with net cash generated from operations of R534 million (2021: R472 million). At the end of June 2022, the cash balance was R2.0 billion (2021: R2.1 billion).

Capital expenditure totalled R51 million (2021: R46 million) and was largely focused on operational resilience initiatives.

All planned investments and 2022 capital requirements can be funded from the Group's cash resources.

Regulation

In compliance with the Financial Markets Act, 19 of 2012 (FMA), the JSE and JSE Clear are required to hold regulatory capital.

The Group calculates and holds regulatory capital in the form of equity capital – this amounts to R1.2 billion in total for JSE Limited and for JSE Clear, of which R795 million is held in the form of restricted cash and cash equivalents.

At the reporting date, JSE and JSE Clear are adequately 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 be the following:

- Invest in core business to sustain operations.
- Progress our growth strategy for Information Services, formulated on a five-year horizon.
- Accelerate growth in new business lines (JIS and JPP).
- Progress our SME initiatives.
- Manage the Group's cost base with discipline.

The JSE is a financial market infrastructure that enables efficient and optimum functioning of the capital markets in South Africa. To this end, we will continue to balance the needs of our diverse range of stakeholders, including making sound and considered investments to ensure the JSE Group's sustainability and a continued beneficial outcome for all our stakeholders.

We have provided forward-looking guidance for full year 2022 with regard to:

- Operating expenditure growth: 4% – 7% considering timing differences and planned new initiatives.
- Interest income: Investing JSE Limited's regulatory capital in government bonds.
- CAPEX: R110 million – R130 million.
- Independent Clearing House (ICH): Capital injection of R115 million to meet regulatory capital requirements in H2.

Changes to the Board

During the period under review, and as previously announced, the following changes to director responsibilities took effect at the annual general meeting held on 3 May 2022:

- Ms N Nyembezi retired as a director and Chairman of the Board, in accordance with the JSE's policy on non-executive director tenure, having served for the maximum 12-year term.
- Mr P Nhleko, who joined the Board as an independent non-executive director on 1 July 2021, assumed the Chairmanship of the Board as part of the Board's planned succession process.
- Ms MS Cleary completed her term of service as a member of the Group Audit Committee and retired as a committee member. She continues to serve on the Group Sustainability and Group SRO Oversight Committees of the Board.
- Dr MA Matooane, independent non-executive director, stepped down as Chairman of the Group Risk Management Committee as part of a planned succession process and will continue to serve as a member of both the Group Risk Management Committee and the Group Sustainability Committee.
- Mr Ian Kirk, independent non-executive director, assumed the Chairmanship of the Group Risk Management Committee of the Board.

As previously advised, Ms Aarti Takoordeen, chief financial officer (CFO) of JSE Limited, resigned as CFO and executive director, effective 20 May 2022. The Board has appointed Ms Carmini Kander as acting CFO, effective 20 May 2022.

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 unreviewed condensed consolidated financial statements of the Group for the six months ended 30 June 2022 as prepared in accordance with IFRS. The preparation of these condensed consolidated financial statements has been supervised by the interim chief financial officer, Carmini Kander CA(SA), in terms of section 29(1)(e) of the Companies Act.

COMMENTARY (continued)

Approval of financial statements

The unreviewed condensed consolidated financial statements for the six months ended 30 June 2022 were approved by the Board on 1 August 2022 and signed by:

Phuthuma Nhleko
Chairman

Leila 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)

2 August 2022

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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

		GROUP		
		Six months ended		Year ended
	Notes	**30 June 2022 R'000**	30 June 2021 R'000	31 December 2021 (audited) R'000
Revenue	14	**1 355 292**	1 226 576	2 517 467
Other income		**26 276**	14 997	58 755
Personnel expenses	15	**(301 772)**	(291 667)	(649 896)
Other expenses	16	**(576 095)**	(559 792)	(1 126 086)
Expected credit loss (ECL) impairments		**(2 067)**	(1 694)	(2 526)
Profit from operating activities		**501 634**	388 420	797 714
Finance income		**1 330 537**	903 491	1 996 538
Finance costs		**(1 241 976)**	(835 611)	(1 850 862)
Net finance income		**88 561**	67 880	145 676
Share of profit from associate (net of income tax)		**27 024**	26 376	51 597
Profit before income tax		**617 219**	482 675	994 987
Income tax expense	17	**(170 697)**	(134 297)	(271 812)
Profit for the period		**446 522**	348 378	723 175
Attributable to:				
Equity holders of the parent company		**446 522**	347 646	722 443
Non-controlling interests		**–**	732	732
		446 522	348 378	723 175
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)		**(46 235)**	24 328	68 748
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)		**(1 327)**	(609)	(1 219)
Other comprehensive (loss)/income for the period, net of income tax		**(47 562)**	23 719	67 529
Total comprehensive income for the period		**398 960**	372 097	790 704
Attributable to:				
Equity holders of the parent company		**398 960**	371 365	789 972
Non-controlling interests		**–**	732	732
		398 960	372 097	790 704
Total earnings per share				
Basic earnings per share (cents)	18.1	**542.7**	420.2	874.1
Diluted earnings per share (cents)	18.4	**540.2**	416.5	866.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

		GROUP		
		Six months ended		Year ended
	Notes	**30 June 2022 R'000**	30 June 2021 R'000	31 December 2021 (audited) R'000
Assets				
Non-current assets		**1 879 393**	1 873 580	1 966 659
Property and equipment		**168 007**	119 800	175 845
Intangible assets	19	**738 301**	779 262	726 507
Investment in associate		**315 016**	303 041	328 262
Other investments	27	**476 482**	481 745	529 239
Right-of-use assets	26	**117 900**	157 689	137 723
Deferred taxation		**63 687**	32 043	69 084
Current assets		**64 358 691**	49 032 341	59 070 941
Trade and other receivables		**661 005**	498 598	593 423
Income tax receivable		**8 644**	3 866	1 880
JSE Clear Derivatives Default Fund collateral deposits		**500 000**	500 000	500 000
Other investments	27	**9 948**	–	–
Margin deposits		**61 130 137**	45 959 028	55 412 674
Collateral deposits		**1 070**	15 349	169 962
Cash and cash equivalents		**2 047 887**	2 055 500	2 393 002
Total assets		**66 238 084**	50 905 921	61 037 600
Equity and liabilities				
Total equity		**3 844 829**	3 786 939	4 218 981
Stated capital		**(108 833)**	(87 380)	(67 741)
Reserves	23	**717 090**	720 255	757 488
Retained earnings		**3 236 572**	3 154 064	3 529 234
Equity attributable to equity holders of the parent		**3 844 829**	3 786 939	4 218 981
Non-current liabilities		**227 732**	246 566	258 004
Employee benefits		**2 802**	1 620	4 035
Deferred taxation		**33 308**	–	34 666
Lease liability	26	**167 411**	226 725	196 657
Long-term liabilities		**2 619**	–	–
Deferred income		**21 592**	18 221	22 646
Current liabilities		**62 165 523**	46 872 416	56 560 615
Trade and other payables		**499 700**	392 043	380 296
Income tax payable		**21 207**	–	9 089
Employee benefits		**52 718**	53 718	130 699
Lease liability	26	**58 777**	51 033	56 051
Deferred income		**1 914**	1 245	1 844
JSE Clear Derivatives Default Fund collateral contribution		**400 000**	400 000	400 000
Margin deposits		**61 130 137**	45 959 028	55 412 674
Collateral deposits		**1 070**	15 349	169 962
Total equity and liabilities		**66 238 084**	50 905 921	61 037 600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

	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
Group									
Balance at 1 January 2021	(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)	–	–	–	–
Transfer of reserves	–	15 440	–	–	15 440	(15 440)	–	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(1 044)	–	–	(1 044)	1 044	–	–	–
Dividends paid to owners	–	–	–	–	–	(612 785)	(612 785)	–	(612 785)
Equity-settled share-based payments	–	–	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)
Transaction 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
Profit for the period	–	–	–	–	–	374 797	374 797	–	374 797
Other comprehensive income	–	36 920	–	6 890	43 810	–	43 810	–	43 810
Total comprehensive income	–	36 920	–	6 890	43 810	374 797	418 607	–	418 607
LTIS 2018 Allocation 1 – shares vested	13 953	–	(13 953)	–	(13 953)	–	–	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]	–	(1 094)	–	–	(1 094)	1 094	–	–	–
Equity-settled share-based payments	–	–	7 750	–	7 750	–	7 750	–	7 750
Transfer of profit from investor protection funds	–	2 508	–	–	2 508	(2 508)	–	–	–
Qualifying deductible expenses related to Fines – Issuer Regulation	–	(1 788)	–	–	(1 788)	1 788	–	–	–
Treasury shares	5 700	–	–	–	–	–	5 700	–	5 700
Treasury shares – share issue costs	(14)	–	–	–	–	–	(14)	–	(14)
Total contributions by and distributions to owners of the Company recognised directly in equity	19 639	(374)	(6 203)	–	(6 577)	374	13 436	–	13 436
Balance at 31 December 2021	**(67 741)**	**682 723**	**72 839**	**1 926**	**757 488**	**3 529 234**	**4 218 981**	**–**	**4 218 981**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**446 522**	**446 522**	**–**	**446 522**
Other comprehensive loss	**–**	**(42 208)**	**–**	**(5 354)**	**(47 562)**	**–**	**(47 562)**	**–**	**(47 562)**
Total comprehensive income for the period	**–**	**(42 208)**	**–**	**(5 354)**	**(47 562)**	**446 522**	**398 960**	**–**	**398 960**
LTIS 2018 Allocation 2 – shares vested	**18 677**	**–**	**(18 677)**	**–**	**(18 677)**	**–**	**–**	**–**	**–**
Distribution from the JSE Debt Guarantee Fund Trust[1]	**–**	**(1 335)**	**–**	**–**	**(1 335)**	**1 335**	**–**	**–**	**–**
Dividends paid to owners	**–**	**18 187**	**–**	**–**	**18 187**	**(737 806)**	**(719 619)**	**–**	**(719 619)**
Equity-settled share-based payment	**–**	**–**	**6 276**	**–**	**6 276**	**–**	**6 276**	**–**	**6 276**
Transfer of profit from investor protection funds	**–**	**2 713**	**–**	**–**	**2 713**	**(2 713)**	**–**	**–**	**–**
Treasury shares	**(59 433)**	**–**	**–**	**–**	**–**	**–**	**(59 433)**	**–**	**(59 433)**
Treasury shares – share issue costs	**(336)**	**–**	**–**	**–**	**–**	**–**	**(336)**	**–**	**(336)**
Total contributions by and distributions to owners of the Company recognised directly in equity	**(41 092)**	**19 565**	**(12 401)**	**–**	**7 164**	**(739 184)**	**(773 112)**	**–**	**(773 112)**
Balance at 30 June 2022	**(108 833)**	**660 080**	**60 438**	**(3 428)**	**717 090**	**3 236 572**	**3 844 829**	**–**	**3 844 829**

[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, R1.3m (December 2021: R2.1m)(June 2021: R1.04m) 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 27). The current movement in the reserve relates to unrealised foreign exchange gains and losses on the foreign denominated investment, as required by IAS 21.*

* *Share capital has a debit balance due to own shares held as part of the Long-Term Incentive Schemes.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	GROUP		
	Six months ended		Year ended
	30 June 2022 R'000	30 June 2021 R'000	31 December 2021 (audited) R'000
Cash flows from operating activities			
Cash generated by operations	**587 494**	524 025	1 034 454
Finance income	**1 298 495**	902 347	1 945 435
Finance costs	**(1 195 297)**	(823 983)	(1 806 772)
Dividends received	**2 973**	1 835	5 402
Taxation paid	**(159 752)**	(131 899)	(261 267)
Net cash generated by operating activities	**533 913**	472 325	917 252
Cash flows from investing activities			
Proceeds on sale of other investments	**9 925**	8 573	20 400
Acquisition of other investments	**(6 274)**	(89 299)	(104 253)
Dividends from associate	**40 270**	43 242	43 242
Leasehold improvements	**(4 964)**	–	(63 811)
Acquisition of intangible assets	**(88 083)**	(38 430)	(65 638)
Acquisition of property and equipment	**(16 256)**	(12 079)	(35 834)
Debt instrument: Globacap SAFE note	**(9 625)**	–	–
Net cash used in investing activities	**(75 007)**	(87 992)	(205 894)
Cash flows from financing activities			
Acquisition of treasury shares	**(64 799)**	(70 877)	(70 877)
Proceeds from sale of treasury shares	**5 030**	4 885	10 571
Transactions with owners	**–**	(75 450)	(75 450)
Lease liabilities repaid	**(26 520)**	(28 793)	(41 113)
Dividends paid	**(719 619)**	(612 785)	(612 785)
Net cash used in financing activities	**(805 908)**	(783 020)	(789 654)
Net decrease in cash and cash equivalents	**(347 002)**	(398 687)	(78 296)
Cash and cash equivalents at 1 January	**2 393 002**	2 459 212	2 459 212
Effect of exchange rate fluctuations on cash held	**1 887**	(5 025)	12 086
Cash and cash equivalents at end of period	**2 047 887**	2 055 500	2 393 002

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 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 2022 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), IAS 34 Interim Financial Reporting, the SAICA financial reporting guides as issued by the Accounting Practice Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 2008.

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 2021. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the new standards effective as of 1 January 2022. However, there has been no impact to the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

All accounting policies are consistent with the prior year.

New standards and amendments that impact on the Group's accounting policies have been assessed during the period, and these have had no material impact on the Group's financial statements. Refer to note 9 for new standards and interpretations not yet adopted.

Reference to the Conceptual Framework – Amendments to IFRS 3 – effective date: 1 January 2022

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendment has no impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 – effective date: 1 January 2022

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment has no impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 – effective date: 1 January 2022

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment has no impact on the Group.

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4. Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2021 and the year ended 31 December 2021.

5. Use of estimates and judgements

The preparation of financial statements are 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. Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2021.

6. 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. Refer to note 14.

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 2021.

8. Significant events and new transactions with related parties

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

The following new transactions with related parties were concluded in the six months ended 30 June 2022:

Other Investments

In the current year (9 March 2022) the JSE participated in a bridge funding round with Globacap Technology Limited (Globacap) to the value of £500 000. Refer to note 27.

Changes to the executive directors

During the period under review Ms Aarti Takoordeen (CFO) resigned as CFO and executive director effective 20 May 2022.

The Board has appointed Ms Carmini Kander as acting CFO until a permanent appointment is made.

9. New standards and interpretations not yet adopted

A new standard has been issued by the International Accounting Standards Board (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.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 – effective date: 1 January 2023

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies. They also provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The impact of the amendment on the Group is being assessed.

Definition of Accounting Estimates – Amendments to IAS 8 – effective date: 1 January 2023

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The impact of the amendment on the Group is being assessed.

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 are 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 (FVOCI), and fair value through profit or loss (FVPL).

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 FVOCI 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.

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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 FVOCI 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 27 for more detail.

Fair value through profit or loss

Positive derivatives and debt instruments that do not meet the criteria for amortised cost and FVOCI are measured at FVPL. Assets can be designated at FVPL at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets held at mandatory FVPL include:

- SAFE note (refer to note 27)

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 2021. 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
- The ability to use its power over the investee to affect its returns

The Group re-assesses 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.

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

The JSE has remained open, and has provided a robust trading, clearing and settlement environment for all asset classes listed on the Exchange. The enterprise risk management team has remained responsible for steering our response to the crisis and provided exemplary leadership during the past two years.

The advent of the virtual workspace forced us to reimagine our work environment, and some of these changes are likely to remain. The workplace will become less about which technology we use, and more about how we use it to enable collaborative engagements, knowledge sharing and a culture of creative thinking. Our employee engagement illustrated that employees are eager to explore a more flexible workplace regime, and this is being echoed at many of our peer organisations. With this in mind our building upgrades are complete, with significant improvements made to client-facing facilities and to support our new ways of work. A hybrid working model has been implemented with each department responsible for drafting and implementing its own hybrid model manifesto. These manifestos will be frequently reviewed and amended when necessary.

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 Group remains sufficiently capitalised.

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for the six months ended 30 June 2022

14. Operating segments and revenue

	Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
Revenue comprises:			
Capital markets			
Bond ETP	**4 283**	3 965	7 569
Colocation fees	**15 279**	13 637	28 251
Commodity Derivatives fees	**48 760**	46 481	97 402
Company Services fees	**2 704**	2 485	6 105
Currency Derivatives fees	**19 622**	17 597	41 389
Equity Derivatives fees	**83 112**	73 793	149 853
Equity Market fees	**260 075**	239 500	488 924
Interest Rate Market fees	**33 253**	31 565	63 660
Primary Market fees*	**81 498**	74 497	152 814
JSE Investor Services**	**76 341**	52 351	124 622
Post-Trade Services			
Back-Office Services (BDA)	**179 620**	172 925	350 589
Clearing and Settlement fees	**228 949**	207 357	423 060
Funds under management	**44 646**	39 553	80 751
Information Services			
Index fees	**40 572**	32 894	56 901
Market Data fees	**159 660**	141 303	293 073
Total revenue excluding Strate ad valorem fees – cash equities and bonds	**1 278 374**	1 149 903	2 364 963
Strate *ad valorem* fees – bonds	**9 385**	9 190	17 932
Strate *ad valorem* fees – cash equities	**67 533**	67 483	134 572
	1 355 292	1 226 576	2 517 467

* *An amount of R0.9 million was recognised in Primary market fees relating to initial listing fees for the current year (June 2021: R0.75 million, December 2021: R1.4 million).*

** *JSE Investor Services is a separate reportable segment in the current year due to the underlying growth in this segment. This is how it is reported to the chief decision maker.*

15. Personnel expenses

	Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
Remuneration paid	**(290 441)**	(270 869)	(615 152)
Gross amount paid	**(296 218)**	(274 174)	(622 873)
Less: Capitalised to intangible assets	**5 777**	3 305	7 721
Long-term incentive schemes*	**(11 331)**	(20 798)	(34 744)
	(301 772)	(291 667)	(649 896)

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

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for the six months ended 30 June 2022

16. Other expenses

	Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
Amortisation of intangible assets	**(76 288)**	(79 823)	(154 228)
Auditor's remuneration*	**(1 454)**	(1 903)	(9 223)
Consulting fees	**(3 782)**	(3 946)	(12 534)
Depreciation	**(48 881)**	(51 969)	(103 458)
Enterprise development	**(4 422)**	(4 426)	(8 887)
Investor protection levy	**(22 664)**	(22 004)	(38 463)
Other expenses	**(169 731)**	(142 341)	(312 345)
Strate *ad valorem* fees	**(78 297)**	(74 869)	(149 533)
Technology costs	**(170 576)**	(175 922)	(336 517)
Transaction costs	**–**	(2 589)	(898)
	(576 095)	(559 792)	(1 126 086)

* *Includes fees for compliance audits that were performed by audit firms other than the external auditors.*

17. Income tax expense

The Group's consolidated effective tax rate for the six months ended 30 June 2022 was 28% (for the six months ended June 2021: 28%; for the year ended 31 December 2021: 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. No offsetting has occurred for the six months ended 30 June 2022.

The Minister of Finance announced a change in corporate income tax of 27% for companies with years of assessment commencing on or after 1 April 2022. The impact of the change in tax rate on deferred tax assets and liabilities is being assessed by the company.

18. Earnings and headline earnings per share

		Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
18.1	**Basic earnings per share**			
	Profit for the period attributable to ordinary shareholders	**446 522**	347 646	722 443
	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	**(4 602 180)**	(4 135 109)	(4 226 718)
	Weighted average number of ordinary shares at 30 June/31 December	**82 275 420**	82 742 491	82 650 882
	Total basic earnings per share (cents)	**542.7**	420.2	874.1
18.2	**Diluted earnings per share**			
	Profit for the period attributable to ordinary shareholders	**446 522**	347 646	722 443
	Weighted average number of ordinary shares (diluted):			
	Weighted average number of ordinary shares at 30 June/31 December (basic)	**82 275 420**	82 742 491	82 650 882
	Effect of LTIS Share Scheme	**375 578**	736 455	732 166
	Weighted average number of ordinary shares (diluted)	**82 650 998**	83 478 946	83 383 048
	Diluted earnings per share (cents)	**540.2**	416.4	866.4
	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			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2022

18. Earnings and headline earnings per share (continued)

	Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
18.3 Headline earnings per share			
Reconciliation of headline earnings:			
Profit for the year attributable to ordinary shareholders	**446 522**	347 646	722 443
Adjustments are made to the following:			
Write off of intangible asset	**–**	–	4 002
– Gross amount	**–**	–	5 558
– Taxation effect	**–**	–	(1 556)
Profit on disposal of property and equipment	**–**	3	(3)
– Gross amount	**–**	4	(4)
– Taxation effect	**–**	(1)	1
Headline earnings	**446 522**	347 649	726 442
Total headline earnings per share (cents)	**542.7**	420.1	878.9
18.4 Diluted headline earnings per share			
Total diluted headline earnings per share (cents)	**540.2**	416.5	871.2

19. Intangible assets

Included in the intangible asset of R738 million (June 2021: R780 million; December 2021: R727 million) is the goodwill of R215.5 million and customer relationships of R123 million related to the acquisition of JSE Investor Services (Pty) Limited (JIS), software under development of R48 million (June 2021: R35.1 million; December 2021: R31.4 million) mainly in respect of clearing systems, digital onboarding and automation.

20. Employee benefits

There are no material differences year on year.

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 2021	8 093
Decrease in allowance for impairment*	(283)
At 30 June 2021	7 810
Increase in allowance for impairment*	1 669
At 31 December 2021	**9 479**
Increase in allowance for impairment*	**2 067**
At 30 June 2022	**11 546**

* *Expected credit losses reflected on the statement of comprehensive income includes the increase in the allowance for impairment and actual bad debts written off.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2022

21. Expected credit loss (continued)

Under IFRS 9, 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 the impairment allowance is sufficient 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 2022 R'000	30 June 2021 R'000	31 December 2021 (audited) R'000
Accumulated dividends paid to JEF Trust	**51 516**	33 329	33 329
Fair value reserve	**(3 428)**	(4 964)	1 926
Fines reserve	**19 494**	21 282	19 494
JEF Trust	**54 360**	54 360	54 360
Investor protection funds[1]	**534 709**	537 206	575 539
– JSE Debt Guarantee Fund Trust	**119 347**	118 207	118 679
– JSE Derivatives Fidelity Fund Trust	**230 106**	233 571	251 435
– JSE Guarantee Fund Trust	**185 257**	185 428	205 425
Non-distributable reserves	**656 652**	641 213	684 649
JSE LTIS 2010 and 2018 reserve[2]	**60 438**	79 042	72 839
	717 090	720 255	757 488

[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 2018 Long-Term Incentive Scheme that has been expensed to date.*

24. Share-based payments

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

Allocation 1 Tranche 2 vested on 1 March 2022. Allocation 2 Tranche 1 (LTIS 2018) will only vest on 31 August 2022. All LTIS 2018 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 #5 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 5) to selected employees for the 2022 year. These individual allocations were all accepted by the scheme participants on or before 7 March 2022. Allocation 5 comprises a total of 555 790 JSE ordinary shares, and these shares were acquired in the open market on or before 14 March 2022, at a volume-weighted average price (including all execution costs) of R114.39 (Executive Committee) and R117.32 (Senior members) per ordinary shares. 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 5, a total of 255 010 shares has been granted to members of the JSE's Executive Committee.

Information on Allocation 5 is as follows:

Executive Committee

Share price at grant date (rands per share)	114.39
Total number of shares granted	255 010
Dividend yield	3%
Grant date	7 March 2022
Vesting profile:	
50% of the shares awarded vest on 1 March 2025	127 505
50% of the shares awarded vest on 1 March 2026	127 505

No shares forfeited by leavers to date.

Senior members

Share price at grant date (rands per share)	117.32
Total number of shares granted	300 780
Dividend yield	3%
Grant date	7 March 2022
Vesting profile:	
50% of the shares awarded vest on 1 March 2025	150 390
50% of the shares awarded vest on 1 March 2026	150 390

8 900 shares forfeited by leavers to date.

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24. Share-based payments (continued)

(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	
	2022 R'000	2021 R'000
Allocation #8 (granted in March 2017)	**–**	(410)
	–	(410)

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	
	2022 R'000	2021 R'000
Allocation #1 (granted in September 2018)	**(481)**	3 068
Allocation #2 (granted in March 2019)	**(1 974)**	3 624
Allocation #3 (granted in March 2020)	**1 114**	4 278
Allocation #4 (granted in March 2021)	**3 738**	4 223
Allocation #5 (granted in March 2022)	**3 879**	–
	6 276	15 192

25. JIS change in ownership

Acquisition of additional interest in JIS

On 17 June 2021, the Group acquired an additional 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 following is a schedule of additional interest acquired in JIS:

	Year ended 31 December 2021 (audited) 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

Financial information of subsidiaries that have non-controlling interests provided below:

	Six months ended		Year ended
Proportion of equity interest held by non-controlling interests:	**30 June 2022 R'000**	30 June 2021 R'000	31 December 2021 (audited) R'000
Accumulated balances of material non-controlling interest:	**–**	–	37 586
Profit allocated to material non-controlling interest:	**–**	1 115	254

There were no indicators as at 30 June 2022 that goodwill related to this transaction was impaired.

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26. Leases

Impact on the statement of financial position as at 30 June/31 December	Six months ended 30 June 2022 R'000	Six months ended 30 June 2021 R'000	Year ended 31 December 2021 (audited) R'000
Assets			
Right-of-use assets at initial application 1 January	**256 298**	251 624	256 298
Right-of-use assets acquired through acquisition of subsidiary	**–**	4 674	–
Accumulated depreciation	**(138 398)**	(99 182)	(118 575)
Total assets*	**117 900**	157 116	137 723
Lease liabilities			
Current portion	**58 777**	51 033	56 051
Non-current portion	**167 411**	226 725	196 657
Total liabilities	**226 188**	277 757	252 708
The following amounts are recognised in the statement of comprehensive income			
Depreciation	**(19 823)**	(20 342)	(39 736)
Profit/loss from operating activities	**(19 823)**	(20 342)	(39 736)
Finance costs	**(10 598)**	(12 730)	(23 971)
Impact of income tax expense	**–**	–	–
Impact on profit for the period	**(30 421)**	(33 072)	(63 706)
Changes in liabilities arising from financing activities			
Opening balance 1 January	**252 708**	293 820	293 820
Loan repayments for the period	**(37 118)**	(28 793)	(65 083)
Interest charges for the period	**10 598**	12 730	23 971
Balance 30 June/31 December	**226 188**	277 757	252 708

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2022

27. 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
30 June 2022				
Assets				
Other investments				
– Equity securities (FVOCI)	**140 623**	**230 312**	**–**	**370 935**
– SAFE note debt securities FVPL			**9 948**	**9 948**
– Debt investment FVOCI	**–**	**25 967**	**–**	**25 967**
– Non listed equity instruments designated at FVOCI			**79 580**	**79 580**
Total assets	**140 623**	**256 279**	**89 528**	**486 430**
30 June 2021				
Assets				
Other investments				
– Equity securities (FVOCI)	138 153	238 552	–	376 705
– Debt investment FVOCI	–	27 934	–	27 934
– Non listed equity instruments designated at FVOCI	–	–	77 106	77 106
Total assets	138 153	266 486	77 106	481 745
31 December 2021				
Assets				
Other investments				
– Equity securities (FVOCI)	151 489	263 953	–	415 442
– Debt investment (FVOCI)	–	27 317	–	27 317
– Non listed equity instruments designated at FVOCI	–	–	86 480	86 480
Total assets	151 489	291 270	86 480	529 239

27. Fair value estimation (continued)

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, protective cell funds and collective investment schemes, which is measured at the clean price and the foreign currency respectively. These prices are published prices and observable.

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.

Reconciliation: Level 3 recurring fair value measurements

30 June 2022

Equity investments

	R'000
Opening balance – 30 June 2021	**77 106**
Net fair value movement recognised in OCI during the period (pre-tax)	**9 374**
Closing Balance – 31 Dec 2021	**86 480**
Net fair value movement recognised in OCI during the period (pre-tax)	**(6 900)**
Closing Balance – 30 June 2022	**79 580**

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 gains or losses recognised in other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2022

27. Fair value estimation (continued)

Globacap Technology Limited Investment

No dividends were received within the period.

Description of significant unobservable inputs to valuation of Globacap

The significant inputs used to calculate fair value as at 31 December 2021 still remain appropriate at 30 June 2022. Fair value in the underlying currency is therefore consistent. However, exchange rates have been updated at June 2022.

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 31 December 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%	5% increase in the WACC would result in a decrease in fair value of R27.1 million
		Revenue growth rate	48%	3% decrease in revenue growth rate from 2023 onwards results in a decrease in fair value by R21 million
		Exchange rate	R21.51	10% strengthening of the rand against the GBP will result a decrease in fair value by R8.9 million

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.

Simple Agreement Future Equity SAFE note

In the current year (9 March 2022) the JSE participated in a bridge funding round to the value of £500 000 (R9.6 million). The bridge funding round was raised using a Simple Agreement Future Equity note (SAFE note). The investment is accounted for as a debt instrument measured at FVPL.

	R'000
Opening balance – 1 January 2022	–
SAFE note purchased	9 625
Foreign currency translation movement recognised in profit and loss during the period (pre-tax)	323
Closing balance – 30 June 2022	9 948

No significant changes that would affect the fair value of the investment as at 30 June 2022, were noted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
for the six months ended 30 June 2022

28. Guarantees and commitments

Guarantees

A guarantee of an amount of R12 million (30 June 2021: R10 million) was issued by Rand Merchant Bank of South Africa Limited in favour of Strate Limited on behalf of the JSE in terms of an agreement to cover any failure by JIS CSDP to comply with Strate rules and regulations.

The JSE issued a letter of undertaking and indemnity to Strate Limited in respect of JIS CSDP for R7 million for the purpose of ensuring that the subsidiary is in compliance with the Rules of Strate which applies to Central Securities Depository Participants in South Africa.

Commitments

No material commitments existed as at 30 June 2022.

29. Related parties

No significant transactions, other than the transaction referred to in note 8, have occurred outside the normal course of business during the reporting period under review.

30. Events after reporting date

There have been no material events that would require adjustment or disclosure in the interim financial statements between 30 June 2022 and the date of this report.

Sandton
2 August 2022

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

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