

JSE



**JSE LIMITED**  
**INTERIM RESULTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2020



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**JSE Limited**

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

## UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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.

This announcement covers the condensed consolidated interim financial statements of the Group based on International Financial Reporting Standards for the six months ended 30 June 2020. The preparation of these condensed consolidated interim financial statements has been supervised by the chief financial officer, Aarti Takoorteen CA(SA), in terms of section 29(1)(e) of the Companies Act, 2008, as amended (the Companies Act).

**OVERVIEW**

In the context of a challenging operating environment, the JSE delivered pleasing results in the first half of this year.

Group earnings before interest and tax (EBIT) increased by 26% to R523 million (2019: R414 million) and net profit after tax (NPAT) increased by 22% to R485 million (2019: R398 million). Total basic earnings per share (EPS) rose by 22% to 569.1 cents (2019: 466.3 cents) and total headline earnings per share (HEPS) rose by 22% to 569 cents (2019: 466.1).

Financial markets have been turbulent and volatile, with record trading volumes amplified by the sovereign credit rating downgrade, South Africa's exit from the World Government Bond Index, and rand volatility.

The JSE recognises the substantial impact of the COVID-19 pandemic on our clients, the financial services sector, and our communities and society.

The Group's response is underpinned by a focus on the health and safety of our staff, support for our clients and the operational resilience of our platforms and infrastructure.

During this challenging period the JSE:

» **Maintained operational resilience:**

The JSE remained open for business, with a smooth transition to remote working practices. We maintained uninterrupted trading, clearing and settlement with effective management of short positions and appropriate and responsive margin adjustments. We also aligned our

business continuity practices with market participants to ensure stable operations. Record trading days and increased volatility led to a significant increase in the number of circuit breakers being triggered without any systems downtime. The resilience of our systems during this period reflects the benefit of investing in robust technology platforms over the years.

» **Proactively addressed regulatory issues:**

The economic impact of the pandemic led to some issuers suspending dividend payments and others seeking suspension of their listings as they entered business rescue proceedings. With the support of the Financial Services Conduct Authority (FSCA) we temporarily adjusted our Listings Requirements to allow for an extended period for the publication of annual results, and the payment of distributions by REITs. We facilitated expedited listings and capital raising by introducing written resolutions for the issue of shares for cash.

» **Responded to the social crisis:**

The JSE partnered with 38 market participants to donate the trading revenues earned over two days across all asset classes to the Solidarity Fund. This initiative raised a total donation of R34.4 million, of which the JSE contributed R13 million. The Board pledged a portion of their director emoluments, and were joined by the staff in contributing a portion of their salaries in a united show of JSE support for the Solidarity Fund. The JSE also partnered with Business Leadership South Africa (BLSA) to support the provision of social outreach hygiene hampers and food parcels to assist disadvantaged communities in Gauteng.

» **Demonstrated commercial agility:**

The JSE provided other relief measures including fee reductions in certain market segments and flexible payment arrangements for distressed clients. We also reduced trading fees for small caps to encourage trading in lower liquidity stocks. During the period, the JSE introduced the sustainability segment which expands the current green bond offering to include social and sustainability bonds. We also launched our first digital annual general meeting solution for issuers.

**FINANCIAL PERFORMANCE**

Total revenue increased by 22% to R1.32 billion (2019: R1.08 billion). This performance was achieved through:

- » An increase in revenue activity drivers and a change in trading patterns in the main markets operated by the JSE;
- » Net foreign outflows in the Equity and Bond markets in the period to date; and
- » Growth in other income driven by foreign exchange gains.

Expenses increased by 20% to R801 million (2019: R670 million), largely in the following areas:

- » Executive committee changes, which included restraint payments;
- » Higher leave pay provisions linked to changing leave patterns;
- » Additional general expenditure in response to COVID-19;
- » Annualised impact of ITaC depreciation;

- » Support and maintenance of the Integrated Trading and Clearing (ITaC) system, as well as increased technology spend on improved resilience; and
- » Higher market-activity-related costs.

The JSE remains in a healthy position with regard to cash and capital. We are well positioned to continue our deliberate investment in those areas of our business that we believe to be critical to our long-term sustainability.

## DETAILED FINANCIAL REVIEW

### REVENUE STREAMS

#### Primary market

Revenue increased by 2% to R75 million (2019: R73 million) owing to higher annual listing fees. The months of May and June have been marked by an increase in activity in corporate actions.

New IPOs have come under pressure in H1 2020 owing to volatile market conditions with three corporate actions in 2020 to date (2019: two). There were 14 delistings (2019: 13) owing to the depressed market conditions and the continuing obligations of remaining listed in a constrained economic environment, particularly in the small-to-mid-cap space. Capital raised in the secondary market is, however, on the increase.

We have seen a growing demand for green bonds in emerging markets, driven by private borrowers looking for investments in sustainable energy, cleaner water, transport and smart buildings.

#### Secondary market

- » **Equity Market:** Revenue increased by 26% to R260 million (2019: R206 million) owing to a 17% increase in billable value traded and more central order book activity. An event-driven Q1 led to a number of new record trading days amidst index rebalances and closeouts, coronavirus-related volatility and the disruption in the international oil markets. From May 2020 market activity normalised.

Colocation activity contributed 48% (H1 2019: 39%) of overall value traded.

- » **Equity Derivatives Market:** Revenue increased marginally to R71 million (2019: R70 million) owing to an uptick in bespoke products, offset by a decrease in value traded of 3% with open interest down 4%. With an about-turn on dividends already declared, as listed corporates began to flag liquidity concerns, activity in the first half of the year began to skew towards hedge trades and total-return products.
- » **Currency Derivatives Market:** Revenue increased by 4% to R27 million (2019: R26 million) largely owing to an increase in activity in volatile markets.

- » **Bond and Interest Rate Market:** Revenue increased by 15% to R38 million (2019: R33 million), with nominal bond value ending flat after a Q1 surge and a Q2 fall-off, accompanied by lower liquidity and lower price volatility. We saw significant outflows from foreign investors, primarily due to the pandemic-related flight to safe-haven markets, interest rate cuts and the Moody's downgrade. South Africa officially exited the World Government Bond Index in April 2020.

The JSE has also seen an increase in the trading of interest rate derivative contracts, which were up 27%. Bond futures activity increased (up 37%) owing to the cut in interest rates.

- » **Commodity Derivatives Market:** Revenue increased by 3% to R41 million (2019: R40 million) on the back of good weather, which improved the outlook in the local grains market. However, this outlook is tempered by potential supply chain complications. Nonetheless, the grains market is expecting its second-largest harvest on record.

#### Post-Trade Services

- » BDA revenue increased by 26% to R198 million (2019: R158 million) following a 37% increase in the number of transactions and smaller transaction sizes.
- » Clearing and settlement revenue increased by 31% to R240 million (2019: R183 million) driven by increased billable value traded and central order book activity in the Equity Market.

#### Information Services

- » Revenue increased by 18% to R183 million (2019: R156 million), largely due to annual price increases, foreign exchange gains on USD-denominated revenue, and new business.

#### Other income

- » Other income increased to R58 million (2019: R19 million), largely as a result of realised and unrealised foreign exchange gains. The JSE held USD 6.7 million in cash (2019: USD 14 million) at 30 June 2020.

### OPERATING EXPENDITURE

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

- » Personnel costs increased by 12% to R267 million (2019: R238 million), largely owing to the following:
  - Executive committee changes, including restraint payments, contributed R17 million (2019: -R1 million).
  - Leave pay provisions linked to changing leave patterns contributed R11 million (2019: R3 million).

- » Technology costs increased by 9% to R150 million (2019: R138 million), largely owing to the following:
  - Additional spend on the risk landscape of R16 million (2019: R6 million).
  - Project and infrastructure software support of R12 million (2019: R5 million).
  - The annualised impact of ITaC support and maintenance of R10 million (2019: R3 million).
  - This was offset by a decrease in contractor costs to R17 million (2019: R26 million).
- » Depreciation and amortisation increased by 34% to R121 million (2019: R90 million). This increase is largely attributable to:
  - The annualised impact of ITaC amortisation of R33 million (2019: R11 million).
  - The amortised impact of software and other licences capitalised as intangible assets of R11 million (2019: R0 million)
- » General expenses increased by 29% to R263 million (2019: R204 million), largely owing to the following:
  - Market activity-related costs increased by R16 million.
  - COVID-19-related spend towards the Solidarity Fund and other donations paid, totalling R14 million.
  - Legal and professional fees increased by R9 million, largely owing to the legal preparation for the Competition Tribunal hearings in respect of the Link Market Services South Africa (Proprietary) Limited (Link SA) transaction.

### CASH FLOW AND INVESTMENT

The Group continues to be strongly cash generative, with net cash from operations up 18% to R525 million (2019: R444 million). Cash and cash equivalents on hand at 30 June 2020 amounted to R2.2 billion (2019: R2.2 billion).

Total capital expenditure was R46 million (2019: R33 million), focused mainly on the trading engine upgrade and the new master data reference system. All planned investments and 2020 capital requirements can be funded from the Group's own resources.

The dividend policy of the Group remains unchanged.

### REGULATION

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

At the reporting date, the Board believes that both the JSE and JSE Clear are sufficiently capitalised and have retained sufficient cash pending confirmation from the Prudential Authority in this regard.

### UPDATE ON STRATEGIC OBJECTIVES

We are now able to begin shifting our focus from day-to-day crisis management to the medium- and longer-term scenarios for the business.

Our focus for H2 2020 will continue to be on the following:

- » Driving the Group's inorganic growth strategy.
- » Managing the Group's cost base.
- » Integrating Link SA into the JSE, subject to a successful conclusion of the Competition Tribunal hearings.
- » Delivering new products and services in our Capital Markets and Information Services divisions.
- » Investigating a solution for clearing and surveillance of over-the-counter (OTC) derivatives.
- » Upgrading our equities trading engine.
- » Leading on the sustainability agenda.

### PROSPECTS

The JSE's revenue performance largely reflects the near-term impact of market volatility in response to the COVID-19 pandemic. This revenue performance and volatility masks the structural impediment of the South African economy, which has been dealt an even tougher hand as a result of the pandemic.

Managing the cost growth trajectory will remain a key management focus, with the aim of improving margins over time.

The Group'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.

The JSE remains committed to providing a trusted market infrastructure.

## CHANGES TO BOARD

During the period under review and as previously announced, the following changes were made to the Board:

- » Ms Siobhan Cleary was appointed as an independent non-executive director effective 1 February 2020, and this appointment was confirmed by shareholders at the annual general meeting held on 25 June 2020.
- » Mr David Lawrence (non-executive director) retired from the Board at the annual general meeting held on 25 June 2020 having served for the full period in terms of the Board's tenure policy.
- » Dr Michael Jordaan (independent non-executive director) retired from the Board at the annual general meeting held on 25 June 2020 due to other business commitments.

Subsequent to the period under review and as previously announced, Ms Fatima Daniels (independent non-executive director) resigned from the Board effective 8 July 2020.

The Board remains well diversified with an appropriate mix of skilled and experienced individuals. New appointments to the Board will be considered in due course.

## 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; IAS 34 – Interim Financial Reporting; the 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 of South Africa.

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.

## APPROVAL OF FINANCIAL STATEMENTS

The unreviewed condensed consolidated interim financial statements were approved by the Board of directors on 5 August 2020 and signed by:



**N Nyembezi**  
Chairman



**L Fourie**  
Group Chief Executive Officer

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	Notes	Group		
		Six months ended		Year ended
		30 June 2020	30 June 2019	31 December 2019 (audited)
		R'000	R'000	R'000
<b>Continuing operations</b>				
<b>Revenue</b>	10	<b>1 265 492</b>	1 065 422	2 187 247
Other income		<b>58 349</b>	18 583	41 459
Personnel expenses	11	<b>(267 340)</b>	(237 790)	(580 200)
Other expenses	12	<b>(529 654)</b>	(432 272)	(961 173)
Expected credit loss impairments	18	<b>(4 100)</b>	61	61
<b>Profit from operating activities</b>		<b>522 747</b>	414 004	687 394
Finance income		<b>1 408 254</b>	1 495 985	2 963 057
Finance costs		<b>(1 303 953)</b>	(1 387 952)	(2 749 975)
<b>Net finance income</b>		<b>104 301</b>	108 033	213 082
Share of profit from associate (net of income tax)		<b>32 764</b>	28 000	47 683
<b>Profit before income tax</b>		<b>659 812</b>	550 038	948 159
Income tax expense	14	<b>(173 412)</b>	(151 813)	(248 180)
<b>Profit for the period from continuing operations</b>		<b>486 400</b>	398 225	699 979
<b>Discontinued operations</b>				
Loss after tax for the period from discontinued operations	13	<b>(1 086)</b>	(583)	(4 867)
<b>Profit for the period</b>		<b>485 314</b>	397 642	695 112
<b>Other comprehensive income</b>				
Change in financial instruments at fair value through other comprehensive income that will not be reclassified to profit and loss (net of tax)		<b>17 070</b>	26 899	27 565
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of tax)		<b>(401)</b>	568	555
<b>Other comprehensive income for the period, net of income tax</b>		<b>16 669</b>	27 467	28 120
<b>Total comprehensive income for the period</b>		<b>501 983</b>	425 109	723 232
<b>Earnings per share for continuing operations</b>				
Basic earnings per share (cents)	15.1	<b>570.4</b>	467.0	820.5
Diluted earnings per share (cents)	15.2	<b>567.5</b>	464.3	816.7
<b>Earnings per share for discontinued operations</b>				
Basic earnings per share (cents)	15.1	<b>(1.3)</b>	(0.7)	(5.7)
Diluted earnings per share (cents)	15.4	<b>(1.3)</b>	(0.7)	(5.7)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

	Notes	Group		
		As at		As at
		30 June 2020	30 June 2019	31 December 2019 (audited)
		R'000	R'000	R'000
<b>Assets</b>				
<b>Non-current assets</b>				
		<b>1 690 670</b>	1 611 302	1 715 640
Property and equipment		153 839	188 405	183 541
Intangible assets	16	584 349	511 401	593 333
Investment in associate		298 320	273 103	292 786
Other investments	23	354 382	326 262	338 759
Loan to the JSE Empowerment Fund Trust		25 981	25 943	25 197
Right-of-use assets		193 099	222 698	212 559
Deferred taxation		80 700	63 490	69 465
<b>Current assets</b>				
		<b>51 152 526</b>	42 684 189	38 511 575
Trade and other receivables		576 415	536 981	520 339
Income tax receivable		980	33 182	5 277
JSE Clear Derivatives Default Fund collateral deposits		500 000	500 000	500 000
Margin deposits		47 728 798	39 400 095	34 849 591
Collateral deposits		149 568	15 377	59 034
Cash and cash equivalents		2 196 765	2 198 554	2 577 334
<b>Total assets</b>				
		<b>52 843 196</b>	44 295 491	40 227 215
<b>Equity and liabilities</b>				
<b>Total equity</b>				
		<b>3 715 960</b>	3 607 960	3 969 631
Stated capital		(26 863)	(48 001)	(17 726)
Reserves	20	550 088	512 902	548 267
Retained earnings		3 192 735	3 143 059	3 439 090
<b>Non-current liabilities</b>				
		<b>301 219</b>	375 451	317 506
Employee benefits	17	2 451	7 671	5 436
Deferred taxation		7 037	28 939	3 875
Lease liability		272 560	335 478	293 101
Long-term payables		6 701	–	8 291
Deferred income		12 470	3 363	6 803
<b>Current liabilities</b>				
		<b>48 826 017</b>	40 312 080	35 940 078
Trade and other payables		422 527	460 577	485 586
Income tax payable		19 693	482	–
Employee benefits	17	65 380	35 549	109 398
Lease liability		40 051	–	36 469
JSE Clear Derivatives Default Fund collateral contribution		400 000	400 000	400 000
Margin deposits		47 728 798	39 400 095	34 849 591
Collateral deposits		149 568	15 377	59 034
<b>Total equity and liabilities</b>				
		<b>52 843 196</b>	44 295 491	40 227 215

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Group	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 1 January 2019</b>	(18 378)	435 027	76 712	511 739	3 475 080	3 968 441
Profit for the period from continuing operations	–	–	–	–	398 225	398 225
Other comprehensive income	–	27 467	–	27 467	–	27 467
Total comprehensive income for the period	–	27 467	–	27 467	398 225	425 692
Loss for the period from discontinued operations	–	–	–	–	(583)	(583)
LTIS 2010 Allocation 6 – shares vested	11 071	–	(11 071)	(11 071)	–	–
LTIS 2010 Allocation 7 – shares vested	20 884	–	(20 884)	(20 884)	–	–
Distribution from the JSE Debt Guarantee Fund Trust <sup>1</sup>	–	(2 257)	–	(2 257)	2 257	–
Dividends paid to owners	–	–	–	–	(728 140)	(728 140)
Equity-settled share-based payments	–	–	4 128	4 128	–	4 128
Transfer of profit from investor protection funds	–	3 780	–	3 780	(3 780)	–
Treasury shares	(61 218)	–	–	–	–	(61 218)
Treasury shares – share issue costs	(360)	–	–	–	–	(360)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>(29 623)</b>	<b>1 523</b>	<b>(27 827)</b>	<b>(26 304)</b>	<b>(730 246)</b>	<b>(786 173)</b>
<b>Balance at 30 June 2019</b>	<b>(48 001)</b>	<b>464 017</b>	<b>48 885</b>	<b>512 902</b>	<b>3 143 059</b>	<b>3 607 960</b>
Profit for the period from continuing operations	–	–	–	–	301 754	301 754
Other comprehensive income	–	653	–	653	–	653
Total comprehensive income for the period	–	653	–	653	301 754	302 407
Loss for the period from discontinued operations	–	–	–	–	(4 284)	(4 284)
Bonus shares vested	–	–	(5 831)	(5 831)	–	(5 831)
Distribution from the JSE Debt Guarantee Fund Trust <sup>1</sup>	–	(2 227)	–	(2 227)	2 227	–
Equity-settled share-based payments	–	–	39 104	39 104	–	39 104
Transfer of profit from investor protection funds	–	3 666	–	3 666	(3 666)	–
Treasury shares	30 385	–	–	–	–	30 385
Treasury shares – share issue costs	(110)	–	–	–	–	(110)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>30 275</b>	<b>1 439</b>	<b>33 273</b>	<b>34 712</b>	<b>(5 723)</b>	<b>59 264</b>
<b>Balance at 31 December 2019</b>	<b>(17 726)</b>	<b>466 109</b>	<b>82 158</b>	<b>548 267</b>	<b>3 439 090</b>	<b>3 969 631</b>
Profit for the period from continuing operations	–	–	–	–	486 400	486 400
Other comprehensive income	–	16 669	–	16 669	–	16 669
Total comprehensive income for the period	–	16 669	–	16 669	486 400	503 069
Loss for the period from discontinued operations	–	–	–	–	(1 086)	(1 086)
LTIS 2010 Allocation 7 – shares vested	14 317	–	(14 317)	(14 317)	–	–
LTIS 2010 Allocation 8 – shares vested	9 295	–	(9 295)	(9 295)	–	–
Bonus shares vested	11 242	–	(5 411)	(5 411)	–	5 831
Distribution from the JSE Debt Guarantee Fund Trust <sup>1</sup>	–	(1 783)	–	(1 783)	1 783	–
Dividends paid to owners	–	–	–	–	(728 620)	(728 620)
Equity-settled share-based payment	–	–	11 126	11 126	–	11 126
Transfer of profit from investor protection funds	–	4 832	–	4 832	(4 832)	–
Treasury shares	(43 674)	–	–	–	–	(43 674)
Treasury shares – share issue costs	(317)	–	–	–	–	(317)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>(9 137)</b>	<b>3 049</b>	<b>(17 897)</b>	<b>(14 848)</b>	<b>(732 755)</b>	<b>(756 740)</b>
<b>Balance at 30 June 2020</b>	<b>(26 863)</b>	<b>485 827</b>	<b>64 261</b>	<b>550 088</b>	<b>3 192 735</b>	<b>3 715 960</b>
Notes	21	20	20			

<sup>1</sup> 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, R1.8 million (December 2019: R4.5 million)(June 2019: R2.2 million) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2020

	Group		
	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019 (audited)
	R'000	R'000	R'000
<b>Cash flows from operating activities</b>			
Cash generated by operations	597 273	475 457	899 022
Finance income	1 422 386	1 493 114	2 985 866
Finance costs	(1 338 408)	(1 381 397)	(2 764 870)
Dividends received	1 015	2 433	4 649
Taxation paid	(157 496)	(145 262)	(244 223)
<b>Net cash generated by operating activities</b>	<b>524 770</b>	<b>444 345</b>	<b>880 444</b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of other investments	7 872	8 851	22 840
Acquisition of other investments	(6 826)	(4 174)	(26 919)
Dividends from associate	27 230	24 795	24 795
Proceeds from disposal of property and equipment	50	167	351
Leasehold improvements	(1 653)	–	(73)
Acquisition of intangible assets	(153 692)	(36 131)	(72 342)
Acquisition of property and equipment	(3 676)	(13 416)	(32 686)
<b>Net cash used in investing activities</b>	<b>(130 695)</b>	<b>(19 908)</b>	<b>(84 034)</b>
<b>Cash flows from financing activities</b>			
Acquisition of treasury shares	(51 012)	(61 578)	(68 152)
Proceeds from sale of treasury shares	7 021	–	36 849
Lease liabilities repaid	(17 018)	(12 522)	(28 835)
Dividends paid	(728 620)	(728 140)	(728 140)
<b>Net cash used in financing activities</b>	<b>(789 629)</b>	<b>(802 240)</b>	<b>(788 278)</b>
Net (decrease)/increase in cash and cash equivalents	(395 554)	(377 803)	8 132
Cash and cash equivalents at 1 January	2 577 334	2 573 936	2 573 936
Effect of exchange rate fluctuations on cash held	14 985	2 421	(4 734)
<b>Cash and cash equivalents at end of period</b>	<b>2 196 765</b>	<b>2 198 554</b>	<b>2 577 334</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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 2020 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the "Group" and individually referred to as "Group entities") and reflect the Group's interest in associates.

## 2. Statement of compliance

The condensed consolidated interim financial statements of the Group 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 2019. 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 2019, except for the adoption of new standards effective as of 1 January 2020.

### The Conceptual Framework for Financial Reporting

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

### IAS 1 and IAS 8: Definition of materiality

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

### Definition of a Business – Amendments to IFRS 3

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

## 4. Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2019 and the year ended 31 December 2019.

## 5. Use of estimates and judgements

Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2019.

## 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. Significant events and transactions

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

## Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 30 June 2020

### 8. 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 2022

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 2022 and earlier application is permitted. The impact of the amendment on the Group is currently being assessed.

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

Since 31 December 2019, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The services rendered by the JSE Group were declared an essential service and as such have operated throughout, with a large portion of staff working remotely operations have not been affected adversely. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Group has not had to access the relief measures available from Government.

Significant levels of market activity were observed in financial markets across the world in March, amidst the spread of the COVID-19 pandemic which created a short-term surge in the Group's revenues. The global economy is expected to face significant stress not seen since the Great Depression of 1929. 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 however remains able to operate under the going-concern basis. During Q1 2020 the fair value of the Group's investments declined by R51.5 million but rebounded in Q2 with a net increase of R15.6 million for the six months ended 30 June 2020.

The Group has instituted various COVID-19-related measures to market participants affected by the pandemic to counter the impact of the crisis on their businesses and to ensure business continuity. These included:

- » Extended payment terms to clients on a case-by-case basis
- » Discounted trading fees and additional listing fees on secondary capital raising for Small Cap Stocks
- » Small and Medium Enterprises support to suppliers in the Group's supply chain
- » Increased support in respect of the Equity Market Enterprise Development Programme which is aimed at small and medium black brokers

The abovementioned relief measures have not had any impact on the Group's existing accounting policies and financial statements.

Notwithstanding the impact of COVID-19 on the operations of the Group, 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. As indicated in note 7 above, the JSE and the JSE Clear remain sufficiently capitalised.

The dividend policy of the Group remains unchanged.

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019 (audited)
	R'000	R'000	R'000
<b>10. Revenue and operating segments</b>			
<b>Revenue comprises:</b>			
Capital markets			
Bond Electronic Trading Platform (ETP)	4 039	3 468	7 302
Colocation fees	10 298	9 444	19 133
Commodity derivatives fees	41 204	40 128	81 925
Company services fees	3 036	5 246	11 892
Currency derivatives fees	27 299	26 369	46 925
Equity derivatives fees	71 362	70 412	142 881
Equity market fees	259 909	205 833	432 772
Interest rate market fees	33 415	29 979	60 421
Primary market fees*	74 596	73 335	146 952
Post-trade services			
Back-office services (BDA)	198 475	157 767	333 313
Clearing and settlement fees	239 904	182 710	384 888
Funds under management	40 073	37 859	75 027
Information services			
Index fees	31 393	26 704	49 081
Market data fees	152 376	129 627	261 195
<b>Total revenue excluding Strate ad valorem fees – Cash equities and bonds</b>	<b>1 187 379</b>	998 880	2 053 707
Strate ad valorem fees – bonds	8 402	7 531	15 115
Strate ad valorem fees – cash equities	69 711	59 011	118 425
	<b>1 265 492</b>	1 065 422	2 187 247

\* An amount of R0.3 million was recognised in Primary market fees relating to initial listing fees for the current year (June 2019: R0.1 million, December 2019: R0.2 million).

#### 11. Personnel expenses

Remuneration paid	(246 399)	(220 169)	(523 075)
Gross amount paid	(253 731)	(224 369)	(531 234)
Less: Capitalised to intangible assets	7 332	4 200	8 159
Long-term incentive schemes	(20 941)	(17 621)	(57 125)
	<b>(267 340)</b>	(237 790)	(580 200)

**Notes to the condensed consolidated interim financial statements** (continued)

For the six months ended 30 June 2020

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019 (audited)
	R'000	R'000	R'000
<b>12. Other expenses</b>			
Amortisation of intangible assets	(66 058)	(36 544)	(93 892)
Auditor's remuneration	(358)	(862)	(4 833)
Consulting fees	(3 681)	(1 546)	(5 092)
Depreciation	(54 539)	(53 716)	(107 949)
Enterprise development	(4 979)	(2 854)	(6 296)
Investor protection levy	(18 094)	(17 601)	(37 229)
Other expenses	(151 766)	(115 380)	(282 744)
Strate ad valorem fees	(76 836)	(65 768)	(132 099)
Technology costs	(149 844)	(138 001)	(284 890)
Transaction costs*	(3 499)	–	(6 149)
	<b>(529 654)</b>	<b>(432 272)</b>	<b>(961 173)</b>

\* These costs mainly relate to legal and consulting fees in respect of the acquisition of Link Market Services SA

**13. Discontinued operations**

Following a review of their strategic fit to the Group in 2018, the Board decided to wind up Nautilus MAP RF (Pty) Limited and Nautilus MAP Operations (Pty) Limited. These companies are no longer trading and are in the process of being deregistered.

The loss on the discontinued operations is due to deregistration related costs.

**14. Income tax expense**

The Group's consolidated effective tax rate for the six months ended 30 June 2020 was 26% (for the six months ended June 2019: 28%; for the year ended 31 December 2019: 26%).

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019 (audited)
	R'000	R'000	R'000
<b>15. Earnings and headline earnings per share</b>			
<b>15.1 Basic earnings per share for continuing operations</b>			
Profit for the period attributable to ordinary shareholders	486 400	398 225	699 979
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 in respect of LTIS	(1 598 910)	(1 600 356)	(1 564 972)
Weighted average number of ordinary shares at 30 June/31 December	85 278 690	85 277 244	85 312 628
Basic earnings per share (cents) for continuing operations	570.4	467.0	820.5
Basic earnings per share (cents) for discontinued operations	(1.3)	(0.7)	(5.7)
Total earnings per share (cents)	569.1	466.3	814.8
<b>15.2 Diluted earnings per share for continuing operations</b>			
Profit for the period attributable to ordinary shareholders	486 400	398 225	699 979
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at 30 June/31 December (basic)	85 278 690	85 277 244	85 312 628
Effect of LTIS share scheme	423 959	483 126	400 855
Weighted average number of ordinary shares (diluted)	85 702 649	85 760 370	85 713 483
Diluted earnings per share (cents)	567.5	464.3	816.7
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 using a volume-weighted average price for the period			
<b>15.3 Headline earnings per share</b>			
Reconciliation of headline earnings:			
Profit for the year attributable to ordinary shareholders	486 400	398 225	699 979
Adjustments are made to the following:			
Profit on disposal of property and equipment	(27)	(120)	(189)
– Gross amount	(37)	(167)	(262)
– Taxation effect	10	47	73
Headline earnings for continuing operations	486 373	398 105	699 790
Headline earnings for discontinued operations	(1 086)	(583)	(4 867)
Headline earnings per share (cents) for continuing operations	570.3	466.8	820.3
Headline earnings per share (cents) for discontinued operations	(1.3)	(0.7)	(5.7)
Total headline earnings per share (cents)	569.0	466.1	814.6
<b>15.4 Diluted headline earnings per share</b>			
Diluted headline earnings per share (cents) for continuing operations	567.5	464.2	816.4
Diluted headline earnings per share (cents) for discontinued operations	(1.3)	(0.7)	(5.7)
Total diluted headline earnings per share (cents)	566.2	463.5	810.8

## 16. Intangible assets

Included in the intangible asset of R584 million (June 2019: R511 million; December 2019: R593 million) is the integrated trading and clearing system of R286 million (June 2019: R420 million; December 2019: R328 million) and licence for the trading engine of R72 million.

**Notes to the condensed consolidated interim financial statements** (continued)

For the six months ended 30 June 2020

**17. Employee benefits**

The increase of R30 million in current liabilities year-on-year are mainly related to increased leave balances and increases in the current portion related to the 2018 and 2019 LTIS cash schemes which becomes payable in the short term.

The decrease of R5 million in non-current liabilities year-on-year are mainly related to the 2018 and 2019 LTIS cash schemes that have now become due and therefore reclassified to current liabilities.

**18. Expected credit loss**

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

	<b>R'000</b>
At 1 January 2019	3 774
(Decrease)/increase in allowance for impairment*	(84)
At 30 June 2019	3 690
(Decrease)/increase in allowance for impairment	–
At 31 December 2019	3 690
Increase/(decrease) in allowance for impairment**	4 024
<b>At 30 June 2020</b>	<b>7 714</b>

\* The charge in the statement of comprehensive income is the movement of the provision above and bad debts written off of R22 thousand.

\*\* The charge in the statement of comprehensive income is the movement of the provision above and bad debts written off of R76 thousand.

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

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

The credit terms are 30 days.

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

**19. Financial instruments**

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

**20. Reserves**

	Six months ended		Year ended
	30 June 2020	30 June 2019	31 December 2019 (audited)
	R'000	R'000	R'000
Investor protection funds <sup>1</sup>	<b>485 827</b>	464 016	466 109
– JSE Debt Guarantee Fund Trust	<b>117 225</b>	115 413	116 467
– JSE Derivatives Fidelity Fund Trust	<b>198 583</b>	184 130	187 026
– JSE Guarantee Fund Trust	<b>170 019</b>	164 473	162 616
Non-distributable reserves	<b>485 827</b>	464 016	466 109
JSE LTIS 2010 and 2018 reserve <sup>2</sup>	<b>64 261</b>	48 886	82 158
	<b>550 088</b>	512 902	548 267

<sup>1</sup> 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.

<sup>2</sup> This reserve relates to the portion of the 2010 and 2018 Long-Term Incentive Scheme that has been expensed to date.

**21. Share-based payments****(i) Vesting of Allocation 7 Tranche 2 and Allocation 8 Tranche 1**

Allocation 7 Tranche 2 as well as Allocation 8 Tranche 1 vested on 1 March 2020. All LTIS 2010 participants in the employ of the Company as at vesting date were eligible to participate in the vesting of these Tranches in accordance with the terms and conditions of the Scheme rules. The credit reflected in note (iv) is due to shares vesting at a much lower percentage than originally recognised. The vesting percentage for Allocation 7 Tranche 2 was 54.73% and 47.6% for Allocation 8 Tranche 1.

## 21. Share-based payments (continued)

### (ii) Vesting of Bonus shares during the period under review

Bonus shares were awarded in March 2017 as part of the annual discretionary bonus based on the prior year's financial results. All staff received 104 JSE Ltd ordinary shares. These bonus shares vested in March 2020. If a recipient of the bonus shares was no longer in JSE employment in March 2020, the awards were forfeited unless the recipients had been retrenched. No performance conditions were attached to these bonus shares. These shares were settled in the current year.

A bonus share scheme was awarded in March 2019 as part of the annual discretionary bonus based on the prior year's financial results. All staff received 65 JSE Ltd ordinary shares. These bonus shares could only be sold from 1 January 2020 onwards provided the Company was in an open period. These bonus shares are subject to a restriction whereby employees may not sell the shares before 31 December 2019. Employees who leave the JSE during this period will retain these bonus shares.

### (iii) Grant of Allocation #3 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 3") to selected employees for the 2020 year. These individual allocations were all accepted by the scheme participants on or before 13 March 2020. Allocation 3 comprises a total of 494 170 JSE ordinary shares and these shares were acquired in the open market on or before 13 March 2020, at a volume-weighted average price (including all execution costs) of R102.73 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 3, a total of 239 354 shares has been granted to members of the JSE's Executive Committee.

Information on Allocation 3 is as follows:

	Number of shares
Share price at grant date (rands per share)	102,73
Total number of shares granted	494 170
Dividend yield	3%
Grant date	13 March 2020
Vesting profile:	
50% of the shares awarded vest on 1 March 2023	247 085
50% of the shares awarded vest on 1 March 2024	247 085

No shares forfeited by leavers to date.

### (iv) 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	
	2020 R'000	2019 R'000
Allocation #6 (granted in June 2015)	–	387
Allocation #7 (granted in October 2016)	(1 516)	(1 050)
Allocation #8 (granted in March 2017)	(581)	2 597
	<b>(2 097)</b>	1 934

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	
	2020 R'000	2019 R'000
Allocation #1 (granted in September 2018)	4 324	6 842
Allocation #2 (granted in March 2019)	5 457	3 402
Allocation #3 (granted in March 2020)	3 217	–
	<b>12 998</b>	10 244

## 22. Contingent liabilities and commitments

There were no material changes to the contingent liabilities and commitments as disclosed in the annual financial statements for 31 December 2019.

The acquisition of a majority stake in Link Market Services SA is reaching a conclusion with the completion of the Competition Tribunal hearings. It is envisaged that an outcome can be expected towards the end of September 2020.

**Notes to the condensed consolidated interim financial statements** (continued)

For the six months ended 30 June 2020

**23. 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
<b>30 June 2020</b>				
Assets				
Other investments				
– Equity securities (financial instruments)	108 462	214 329	–	322 791
– Debt investment (financial instruments)	–	31 590	–	31 590
Total assets	108 462	245 919	–	354 381
<b>30 June 2019</b>				
Assets				
Other investments				
– Equity securities (financial instruments)	125 334	179 883	–	305 217
– Debt investment (financial instruments)	–	21 044	–	21 044
Total assets	125 334	200 927	–	326 261
<b>31 December 2019</b>				
Assets				
Other investments				
– Equity securities (financial instruments)	121 045	184 220	–	305 265
– Debt investment (financial instruments)	–	33 493	–	33 493
Total assets	121 045	217 713	–	338 758

\* This figure excludes an amount of R1 000 relating to Stock Exchange Nominees (Pty) Limited.

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 other comprehensive income.

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

**24. Related parties**

No significant transactions have occurred outside the normal course of business during the reporting period under review.

**25. Events after reporting date**

There have been no material events that would require adjustment or disclosure in the interim financial statements between 30 June 2020 and the date of this report.

Sandton  
5 August 2020

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

# ADMINISTRATION AND CONTACT INFORMATION

## JSE Limited

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

## Registered office

One Exchange Square  
2 Gwen Lane  
Sandown, 2196

## Postal address

Private Bag X991174 Sandton, 2146

## Contacts

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Investor relations: [ir@jse.co.za](mailto:ir@jse.co.za)  
Group company secretary: [GroupCompanySecretary@jse.co.za](mailto:GroupCompanySecretary@jse.co.za)

## Directors

N Nyembezi<sup>1</sup> (Chairman)  
Z Bassa<sup>1</sup>  
MS Cleary<sup>1,4</sup>  
F Daniels<sup>1,6</sup>  
VN Fakude<sup>1</sup>  
Dr M Jordaan<sup>1,5</sup>  
Dr SP Kana (Lead Independent Director)<sup>1</sup>  
FN Khanyile<sup>1</sup>  
BJ Kruger<sup>2</sup>  
DM Lawrence<sup>2,5</sup>  
Dr MA Matooane<sup>1</sup>  
Dr L Fourie (Group CEO)<sup>3</sup>  
A Takoordeen (CFO)<sup>3</sup>

<sup>1</sup> Independent non-executive director

<sup>2</sup> Non-executive director

<sup>3</sup> Executive director

<sup>4</sup> Appointed effective 1 February 2020

<sup>5</sup> Retired at the annual general meeting, effective 25 June 2020

<sup>6</sup> Resigned 8 July 2020

## Group Company Secretary

GA Brookes

## Transfer secretary

Computershare Investor Services Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196

## Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)  
1 Merchant Place  
Corner Fredman and Rivonia Road  
Sandton, 2196

## Auditors

Ernst & Young Inc  
102 Rivonia Road  
Sandton, 2196

## Bankers

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

Investor queries should be directed to [ir@jse.co.za](mailto:ir@jse.co.za) and will be redirected where necessary to the appropriate Board member or executive for a response.

Governance and secretarial queries should be directed to [GroupCompanySecretary@jse.co.za](mailto:GroupCompanySecretary@jse.co.za)

