



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

for the year ended 31 December 2021

JS

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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](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: 213800MZ1VUQEBWRF039
("JSE" or "the Group")

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS AND ORDINARY AND SPECIAL CASH DIVIDEND DECLARATIONS FOR THE YEAR ENDED 31 DECEMBER 2021

"The JSE has delivered robust performance under a challenging macro-economic and trading environment. Our resilience while navigating an unfamiliar route through the pandemic has confirmed the value of the investments we have made in our technology platforms over an extended period. I am pleased that the JSE has been able to deliver a high level of service to its clients and the broader public while managing extreme market events and uncertainty." – **Dr Leila Fourie, Group CEO**

- Earnings before interest, tax and depreciation (EBITDA) of R1.06 billion was flat YoY. This was attributable to disciplined cost management, a positive contribution from JIS and a rebound in value traded in H2.
- Operating revenue grew 3% YoY to R2.52 billion.
- Operating expenditure was well contained, up 4% YoY to R1.78 billion, with the JSE Investor Services (JIS) acquisition fully consolidated (down 2% on a comparable basis).
- A record low interest rate environment resulted in finance income declining 27% YoY to R146 million, which directly impacted net profit after tax (NPAT), which was down 7% YoY to R722 million. Earnings per share (EPS) and headline earnings per share (HEPS) declined 7% and 6% YoY to 874.1 cents and 878.9 cents per share respectively (2020: 936.7 cents).
- Strong cash generated from operations has enabled the Board to declare an ordinary dividend of 754 cents per share for 2021, an increase of 4% YoY in line with the JSE's progressive dividend policy. This corresponds to an ordinary dividend pay-out of 92% of distributable profits in 2021 (2020: 83%). It is supplemented by the declaration of a special dividend of 100 cents per share (2020: NIL).
- In compliance with the provisions of the Financial Markets Act, 2012, and the risk appetite set by the Board, the JSE Group calculates and holds regulatory capital in the form of equity capital. This amounts to R1.13 billion in total for JSE Limited and for JSE Clear, of which R789 million is held in the form of restricted cash and cash equivalents. The Group therefore remains well capitalised.
- The Group maintains a robust balance sheet and cash reserves of R2.4 billion at 31 December 2021 (2020: R2.5 billion).

OVERVIEW OF RESULTS

R million (unless stated otherwise)	FY2021	FY2020	% change
Operating revenue	2 517	2 446	3%
Total revenue	2 576	2 528	2%
Personnel expenses	650	601	8%
Other operating expenses	871	868	0%
Depreciation and amortisation	258	249	3%
Total expenditure	1 779	1 718	4%
Earnings before interest and tax (EBIT)	798	811	(2%)
Net finance income	146	200	(27%)
Net profit after tax (NPAT)	722	778	(7%)
EBIT margin	31%	32%	(1pt)
Earnings before interest tax depreciation and amortisation (EBITDA)	1 055	1 060	0%
EBITDA margin	41%	42%	(1pt)
Earnings per share (EPS) (cents)	874.1	936.7	(7%)
Headline earnings per share (HEPS) (cents)	878.9	936.7	(6%)
Ordinary dividend per share declared (cents)	754	725.0	4%
Special dividend per share declared (cents)	100	Nil	–
Net cash generated from operations	917	1 003	(9%)
Earnings cash conversion (as a % of adjusted NPAT)*	101%	104%	(3pts)
Capital expenditure	165	89	85%

* Earnings cash conversion is calculated by dividing net cash generated from operations by adjusted NPAT. Adjusted NPAT is calculated by deducting the following tax-adjusted non-cash items from NPAT: Depreciation and amortisation (note 7.2), effects of exchange rate fluctuations on cash held (Consolidated statement of cash flows) and expected credit loss impairments (Consolidated statement of comprehensive income).

BUSINESS HIGHLIGHTS

Strategically and operationally, the JSE executed on several important priorities in 2021, although the macro-economic context and the impact of a base effect caused by high volatility in the prior year obscures this. Our core business model, centred around quality earnings and strong cash generation, continues to provide a solid foundation for growth.

Our inorganic growth initiatives are starting to contribute to the Group's financial results. Operating revenue reached an all-time high of R2.52 billion in 2021 (enhanced by revenue from our acquisition of JIS), although on a comparable basis (excluding JIS) revenue slipped 2% YoY. Similarly, total expenditure (including JIS) was well contained at 4% up YoY. Excluding JIS, operating expenditure declined 2% on a comparable basis owing to lower one-off costs.

COMMENTARY continued

Highlights in 2021 include:

- Maintained operational resilience and robustness, with 99.85% systems availability in 2021 (2020: 99.97%), and with fewer priority one incidents than in 2020.
- Maintained local market share of 99.75% by value traded, underpinned by deep market liquidity, competitive pricing, robust technology as well as integrated trading and Post-Trade Services.
- Delivered the in-house migration of JSE's back-office services system, BDA, and the real-time clearing (RTC) system infrastructure upgrade.
- Acquired the minority stake in JIS (now wholly-owned) and acquired the share plan services administration business from Investec Share Plan Services (ISPS), as well as completing the investment in Globacap.
- Secured a financial services provider (FSP) licence for JSE Private Placements (JPP), which will facilitate the delivery of a technology platform and services to support the growth in private capital raising for both equity and debt in South Africa.
- Listed the first social bond and self-labelled sustainability-linked bond on the JSE's sustainability segment.
- Achieved record high Net Promoter Score (NPS) and staff engagement scores.

REVENUE PERFORMANCE PER SEGMENT

Capital markets

- Primary Market: Revenue increased by 1% to R153 million (2020: R152 million)
- Equity Trading: Revenue decreased by 1% to R489 million (2020: R493 million)
- Equity Derivatives Trading: Revenue increased by 3% to R150 million (2020: R145 million)
- Currency Derivatives Trading: Revenue declined by 11% to R41 million (2020: R46 million)
- Bond and Interest Rate Trading: Interest rate revenue was flat at R71 million (2020: R71 million)
- Commodity Derivatives Trading: Revenue increased by 12% to R97 million (2020: R87 million)
- Company services: Revenue was flat at R6 million (2020: R6 million)
- JSE Investor Services (JIS): Revenue amounted to R125 million (2020: R17 million) for the first full-year consolidation of the business

Post-Trade Services

- Clearing and Settlement revenue decreased by 5% to R423 million (2020: R446 million)
- Back-office services (BDA) revenue decreased by 7% to R351 million (2020: R376 million)
- Funds under management declined by 1% to R81 million (2020: R82 million)

Information Services

- Revenue decreased by 2% to R350 million (2020: R356 million)

Other income

- Other income decreased to R59 million (2020: R82 million), as 2020 income included R30 million in regulatory fines to issuers (which are non-distributable). The JSE held USD 6.8 million in cash at the end of December 2021, a similar balance to that held in the prior year.

FINANCIAL PERFORMANCE

Operating expenditure

Total operating cost growth was well-contained to 4% YoY, with JIS fully consolidated. Excluding JIS, operating costs declined by 2% on a comparable basis owing to lower one-off costs.

- Personnel costs increased by 8% to R650 million (2020: R601 million), primarily owing to the full-year consolidation of JIS. Gross remuneration was up 15% to R507 million (2020: R440 million). The discretionary bonus decreased to R72.3 million or 10% of NPAT (2020: R76 million or 9.8% of NPAT).
- Technology costs increased by 5% to R337 million (2020: R320 million), driven by JIS costs and risk mitigation spend.
- General expenses decreased by 2% to R534 million (2020: R546 million), owing to a decline in acquisition-linked costs to R1 million (2020: R29 million).
- Depreciation and amortisation increased by 3% to R258 million (2020: R249 million), also owing to the full-year consolidation of JIS.

Net finance income

Net finance income, a significant contributor to Group profit, declined YoY (27%) owing to lower yields on the JSE's cash balances following multiple repo rate reductions by the South African Reserve Bank in 2020.

COMMENTARY continued

Cash flows and investments

The Group continued to be highly cash generative, with a cash balance of R2.4 billion at the end of December 2021 (2020: R2.5 billion) held in cash and cash equivalents. Net cash generated from operations declined by 9% to R917 million (2020: R1.03 billion) following the 7% reduction in NPAT.

Total investment of R324 million comprised of R165 million (2020: R89 million) in capital expenditure and R159 million in inorganic investments. Capital expenditure focused mainly on investment in new ways of work, system rejuvenation and upgrades. Inorganic investment centred on the minority investment in Globacap and the minority buy-out in JIS.

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

NEW WAYS OF WORK

The advent of the virtual workspace prompted us to reimagine our work environment and think less about which technology we use, and more about how we use it to enable collaborative engagement, knowledge sharing and a culture of creative thinking. Our building upgrades are complete and significant improvements have been made to client-facing facilities to support our new ways of work.

The Group has put in place a strategy to facilitate a safe return to the office, which ensures existing policies and employee contracts are aligned with a hybrid working model.

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 R1.13 billion in total for JSE Limited and for JSE Clear, of which R789 million is held in the form of restricted cash and cash equivalents.

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

FUTURE FOCUS AND PROSPECTS

The JSE performed in line with expectations despite a challenging trading and economic environment. There were seven initial public offerings during the period (2020: four) and 24 delistings (2020: 20), which were largely the result of corporate actions in merger and

acquisition opportunities, and schemes of arrangement in mostly small to mid-sized counters. Although the number of listed entities declined, the aggregate market capitalisation of all entities listed on the JSE continued to grow by 15% (from R17.9 trillion to R20.5 trillion) during 2021. The JSE recognises the negative impact of delisting's and is actively working on cutting red tape, attracting quality dual listings from foreign exchanges, while also growing our markets with new offering such as the private placement market.

We have made strides in our diversification strategy and in improving the resilience of our technology and systems. A focus on execution, in addition to a few high-impact priorities, will underpin business activities in 2022. Our long-term strategic objectives are to grow and diversify revenue, invest in operational robustness and resilience, and further entrench sustainability in the business.

The JSE has revised the structure for the 2022 corporate scorecard, which more accurately reflects its strategic priorities:

- Generate sustained, high-quality earnings
- Protect and grow our core business
- Transform the business
- Partner for a sustainable marketplace

The JSE has reformulated its growth strategy for information services on a five-year horizon. There are four core areas of focus, aimed at sustaining operational excellence, modernising data architecture, expanding the range of data services, and supporting Group initiatives through market digitalisation or new market opportunities. The medium-term objectives are to transition the existing data products and services into a cloud-based solution to better serve clients, unlock new product opportunities and support evolving client needs.

The turbulence of the global pandemic has reinforced the importance of operating resilient, fair and orderly markets. For several years, the JSE has built its robustness, investing in technology, resilience, latency and security, and our staff. The real-world stress tests of the past two years have proven the value of those investments. The business is well-positioned to deliver sustainable value for clients, employees, shareholders and the broader economy. Our business is well capitalised, cash generative and growing on target.

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

COMMENTARY continued

DECLARATION OF ORDINARY AND SPECIAL CASH DIVIDENDS

The Board has declared an ordinary cash dividend and a special cash dividend for the year ended 31 December 2021, as follows:

Dividend	Annual gross amount per share	Withholding tax %	Net amount
Ordinary	754 cents	20%	603.20 cents
Special	100 cents	20%	80 cents

The JSE's practice has been to return distributable cash to shareholders after ring-fencing cash for regulatory capital requirements and investments (both capital expenditure and inorganic opportunities).

The ordinary dividend of 754 cents per share represent a 4% increase on the 725 cents per share paid in 2020. In addition a special dividend of 100 cents per share for 2021 has been declared. This is congruent with the Group's policy of progressively growing the nominal value of the ordinary dividend over time, subject to retaining cash for regulatory capital and investments, including acquisitions. The ordinary dividend pay-out ratio corresponds to 92% of distributable profits in 2021 (2020: 83%). The total dividend pay-out ratio is 104%.

The Group's dividend policy is to maintain a dividend cover ratio of 1.5x–1x earnings (a pay-out ratio of 67%–100% of current earnings. This pay-out range reflects the fact that cash generated exceeds NPAT, largely as a consequence of the amortisation of technology investments in previous years. This trend is expected to continue for the next few years, and will be influenced by changes in the depreciation and amortisation profile of the Group.

The Board is confident that the existing dividend policy is congruent with the Group's inorganic growth strategy over the near term.

The ordinary and special cash dividends have been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the JSE at the close of business on Friday, 25 March 2022. In compliance with the Companies Act, 71 of 2008 (as amended) (the Companies Act), the directors confirm that the JSE will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

In compliance with the requirements of Strate, the following salient dates for the payment of the ordinary and special cash dividends are applicable:

Dividend paid in respect of financial year ended	31 December 2021	31 December 2020
Ordinary dividend per share	754 cents	725 cents
Special dividend per share	100 cents	0 cents
Total rand value	R741 million	R630 million
Board declaration date	Monday, 28 February 2022	Thursday, 25 February 2021
Special cash dividend finalisation date	Monday, 14 March 2022	–
Last date to trade JSE shares <i>cum</i> dividend	Tuesday, 22 March 2022	Tuesday, 23 March 2021
JSE shares commence trading ex-dividend	Wednesday, 23 March 2022	Wednesday, 24 March 2021
Record date for purposes of determining the registered holders of JSE shares to participate in the dividends at close of business on	Friday, 25 March 2022	Friday, 26 March 2021
Dividends payment date	Monday, 28 March 2022	Monday, 29 March 2021

Share certificates may not be dematerialised or rematerialised from Wednesday, 23 March 2022 to Friday, 25 March 2022, both days inclusive. On Monday, 28 March 2022, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 28 March 2022.

The issued share capital of the JSE as at the declaration date was 86 877 600 ordinary shares. The tax number of the JSE is 9313008840. South African Reserve Bank approval is required for the declaration of the special cash dividend and the finalisation date is Monday, 14 March 2022.

CHANGES TO THE BOARD

During the period under review, Mr Phuthuma Nhleko joined the Board as an independent non-executive director effective 1 July 2021. Mr Nhleko will assume the chairmanship of the Board following the annual general meeting to be held on Tuesday, 3 May 2022.

Subsequent to the period under review, Ms Aarti Takoodeen, Chief Financial Officer (CFO) for JSE Limited resigned as CFO and executive director, effective 20 May 2022. Ms Takoodeen will assist with a smooth handover during her period of notice.

The Board has appointed Ms Carmini Kander as acting CFO.

COMMENTARY continued

APPRECIATION

As we reflect on the year and look forward to 2022, we would like to thank all JSE employees for their energy, resilience, and dedication.

We extend our thanks to our clients, regulators and policymakers for their collaboration and support. We look forward to continuing our engagements in the year ahead.

"We operate in an era of disruption and disintermediation, driven by advances in technology, while our markets are becoming increasingly fragmented, with competition from traditional and non-traditional participants. This underlines the need for revenue diversification at a faster and more responsive pace. I am pleased to see the contribution to these results from our most recent acquisition of JSE Investor Services, and I am sure that JIS and the Globacap investment will be important contributors to the Group's future growth – in much the same way that the Safex and BESA acquisitions in the 2000s served as a step-change in our early growth." – **Nonkululeko Nyembezi, Chairman**

PREPARATION OF ANNUAL RESULTS ANNOUNCEMENT

This announcement covers the summarised consolidated annual financial results of the Group, based on International Financial Reporting Standards (IFRS), for the year ended 31 December 2021. The preparation of the JSE's annual results has been supervised by the chief financial officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act, 71 of 2008 (as amended) (the Companies Act). This report is extracted from the audited information, but is itself not audited. The directors take full responsibility for the preparation of this report and warrant that the financial information has been correctly extracted from the underlying audited annual financial statements.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate audited annual financial statements of the JSE as identified under *Preparation of the annual results announcement* were approved by the Board on 28 February 2022 and signed by:



N Nyembezi
Chairman



L Fourie
Group CEO

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Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)
1 March 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	GROUP	
		2021 R'000	2020 R'000
Continuing operations			
Revenue	13	2 517 467	2 446 368
Other income		58 755	82 013
Personnel expenses	14	(649 896)	(600 838)
Other expenses	15	(1 126 086)	(1 112 558)
Expected credit loss (ECL) impairments		(2 526)	(4 347)
Profit from operating activities		797 714	810 638
Finance income		1 996 538	2 434 182
Finance costs		(1 850 862)	(2 234 354)
Net finance income		145 676	199 828
Share of profit from associate (net of income tax)		51 597	54 351
Profit before income tax		994 987	1 064 816
Income tax expense	16	(271 812)	(283 331)
Profit for the period from continuing operations		723 175	781 485
Discontinued operation			
Loss after tax for the period from discontinued operations		–	(2 842)
Profit for the period		723 175	778 643
Attributable to:			
Equity holders of the parent company		722 443	778 389
Non-controlling interests		732	254
		723 175	778 643
Other comprehensive income			
Change in financial instruments at fair value through other comprehensive income that will not be reclassified to profit and loss (net of income tax)		68 748	38 505
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of income tax)		(1 219)	955
Other comprehensive income for the period, net of income tax		67 529	39 460
Total comprehensive income for the period from continuing operations		790 704	818 103
Attributable to:			
Equity holders of the parent company		789 972	817 849
Non-controlling interests		732	254
		790 704	818 103
Earnings per share from continuing operations			
Basic earnings per share (cents)	17.1	874.1	940.1
Diluted earnings per share (cents)	17.2	866.4	934.3
Earnings per share from discontinued operations			
Basic earnings per share (cents)	17.1	–	(3.4)
Diluted earnings per share (cents)	17.4	–	(3.4)
Total earnings per share			
Basic earnings per share (cents)	17.1	874.1	936.7
Diluted earnings per share (cents)	17.4	866.4	930.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2021

		GROUP	
	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets		1 966 659	1 870 773
Property and equipment		175 845	139 927
Intangible assets	18	726 507	820 656
Investment in associate		328 262	319 907
Other investments	27	529 239	377 302
Right-of-use assets		137 723	177 458
Deferred taxation		69 084	35 524
Current assets		59 070 941	49 754 227
Trade and other receivables		593 423	474 706
Income tax receivable		1 880	6 269
JSE Clear Derivatives Default Fund collateral deposits		–	500 000
Indemnification asset		500 000	4 680
Margin deposits		55 412 674	46 308 480
Collateral deposits		169 962	880
Cash and cash equivalents		2 393 002	2 459 212
Total assets		61 037 600	51 625 000
Equity and liabilities			
Total equity		4 218 981	4 154 288
Stated capital		(67 741)	(32 514)
Reserves	22	757 488	676 578
Retained earnings		3 529 234	3 472 638
Equity attributable to equity holders of the parent		4 218 981	4 116 702
Non-controlling interests		–	37 586
Non-current liabilities		258 004	273 842
Employee benefits		4 035	5 952
Lease liability		196 657	252 938
Deferred taxation		34 666	–
Long-term liabilities		–	1 551
Deferred income		22 646	13 401
Current liabilities		56 560 615	47 196 870
Trade and other payables		380 296	305 457
Income tax payable		9 089	3 485
Employee benefits		130 699	132 036
Lease liability		56 051	40 882
Deferred income		1 844	970
JSE Clear Derivatives Default Fund collateral contribution		400 000	400 000
Other liability		–	4 680
Margin deposits		55 412 674	46 308 480
Collateral deposits		169 962	880
Total equity and liabilities		61 037 600	51 625 000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Group	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Foreign currency investment revaluation reserve ² R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2020	(17 726)	466 109	82 158	–	548 267	3 439 090	3 969 631	–	3 969 631
Profit for the year from continuing operations	–	–	–	–	–	781 231	781 231	254	781 485
Other comprehensive income	–	39 460	–	–	39 460	–	39 460	–	39 460
Total comprehensive income for the year	–	39 460	–	–	39 460	781 231	820 691	254	820 945
Loss for the year from discontinued operations	–	–	–	–	–	(2 842)	(2 842)	–	(2 842)
Take-on of JEF Trust as a subsidiary	(5 714)	54 360	–	–	54 360	7 152	55 798	–	55 798
LTIS 2010 Allocation 7 – shares vested	14 317	–	(14 317)	–	(14 317)	–	–	–	–
LTIS 2010 Allocation 8 – shares vested	9 343	–	(9 343)	–	(9 343)	–	–	–	–
Bonus shares vested	11 243	–	(5 411)	–	(5 411)	–	5 832	–	5 832
Distribution from the JSE Debt Guarantee Fund Trust ¹	–	(2 851)	–	–	(2 851)	2 851	–	–	–
Dividends paid to owners	–	17 889	–	–	17 889	(728 521)	(710 732)	–	(710 732)
Equity-settled share-based payment	–	–	22 300	–	22 300	–	22 300	–	22 300
Transfer of profit to investor protection funds	–	4 942	–	–	4 942	(4 942)	–	–	–
Listed companies – Fines – Issuer Regulation	–	21 744	–	–	21 744	(21 744)	–	–	–
Qualifying deductible expenses related to Fines – Issuer Regulation	–	(462)	–	–	(462)	462	–	–	–
Non-controlling interests arising on a business combination	–	–	–	–	–	–	–	37 332	37 332
Treasury shares	(43 660)	–	–	–	–	–	(43 660)	–	(43 660)
Treasury shares – share issue costs	(317)	–	–	–	–	–	(317)	–	(317)
Total contributions by and distributions to owners of the Company recognised directly in equity	(14 788)	95 622	(6 771)	–	88 851	(747 684)	(673 621)	37 332	(636 289)

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, R2.1 million (December 2020: R2.8 million) before intercompany adjustments was transferred to the JSE Limited to defray market regulatory expenditure.

² This reserve relates to the equity investment in Globacap (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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued
for the year ended 31 December 2021

Group	Stated capital R'000	NDR R'000	Share- based payments reserve R'000	Foreign currency investment revaluation reserve ² R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non- controlling interests R'000	Total equity R'000
Balance at 31 December 2020	(32 514)	601 191	75 387	–	676 578	3 472 638	4 116 701	37 586	4 154 287
Profit for the year	–	–	–	–	–	722 443	722 443	732	723 175
Other comprehensive income	–	65 603	–	1 926	67 529	–	67 529	–	67 529
Total comprehensive income for the year	–	65 603	–	1 926	67 529	722 443	789 972	732	790 704
LTIS 2010 Allocation 8 – shares vested	11 127	–	(11 127)	–	(11 127)	–	–	–	–
LTIS 2010 Allocation 1 – shares vested	13 953	–	(13 953)	–	(13 953)	–	–	–	–
Distribution from the JSE Debt Guarantee Fund Trust ¹	–	(2 138)	–	–	(2 138)	2 138	–	–	–
Dividends paid to owners	–	15 440	–	–	15 440	(628 225)	(612 785)	–	(612 785)
Equity-settled share-based payment	–	–	22 532	–	22 532	–	22 532	–	22 532
Transfer of profit to investor protection funds	–	4 415	–	–	4 415	(4 415)	–	–	–
Qualifying deductible expenses related to Fines – Issuer Regulation	–	(1 788)	–	–	(1 788)	1 788	–	–	–
Treasury shares	(59 951)	–	–	–	–	–	(59 951)	–	(59 951)
Treasury shares – share issue costs	(356)	–	–	–	–	–	(356)	–	(356)
Transactions with owners recognised directly in equity	–	–	–	–	–	(37 132)	(37 132)	(38 318)	(75 450)
Total contributions by and distributions to owners of the Company recognised directly in equity	(35 227)	15 929	(2 548)	–	13 381	(665 846)	(687 692)	(38 318)	(726 010)
Balance at 31 December 2021	(67 741)	682 723	72 839	1 926	757 488	3 529 234	4 218 981	–	4 218 981

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, R2.1 million (December 2020: R2.8 million) before intercompany adjustments was transferred to the JSE Limited to defray market regulatory expenditure.

² This reserve relates to the equity investment in Globacap (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.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	GROUP	
	2021 R'000	2020 R'000
Cash flows from operating activities		
Cash generated by operations	1 034 454	1 112 575
Finance income	1 945 435	2 495 975
Finance costs	(1 806 772)	(2 325 154)
Dividends received	5 402	2 119
Taxation paid	(261 267)	(282 755)
Net cash generated by operating activities	917 252	1 002 760
Cash flows from investing activities		
Proceeds on sale of other investments	20 400	16 903
Acquisition of other investments	(104 253)	(15 984)
Dividends from associate	43 242	27 230
Proceeds from disposal of property and equipment	–	50
Leasehold improvements	(63 811)	(1 653)
Acquisition of intangible assets	(65 638)	(185 133)
Acquisition of property and equipment	(35 834)	(20 121)
Acquisition of a subsidiary, net of cash acquired	–	(216 111)
Take-on of JEF Trust as a subsidiary	–	75 004
Net cash used in investing activities	(205 894)	(319 815)
Cash flows from financing activities		
Acquisition of treasury shares	(70 877)	(51 012)
Proceeds from sale of treasury shares	10 571	7 037
Lease liabilities repaid	(41 113)	(40 407)
Transactions with owners	(75 450)	–
Dividends paid	(612 785)	(710 732)
Net cash used in financing activities	(789 654)	(795 114)
Net decrease in cash and cash equivalents	(78 296)	(112 169)
Cash and cash equivalents at 1 January	2 459 212	2 577 334
Effect of exchange rate fluctuations on cash held	12 086	(5 953)
Cash and cash equivalents at end of period	2 393 002	2 459 212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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 consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the Group and individually as Group entities) and reflect the Group's interest in associates.

2. Statement of compliance

The summarised consolidated annual financial statements of the Company have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and also, at a minimum contain the information required by IAS 34: Interim Financial Reporting.

3. Changes in accounting policies

The summarised consolidated annual 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 summarised consolidated annual 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 new standards effective as of 1 January 2022.

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 impact on the Group's financial statements. Refer to note 8.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the year ended 31 December 2020.

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.

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 13.

7. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2020.

8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

8. New standards and interpretations not yet adopted (continued)

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

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

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. These amendments 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.

9. 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

10. Financial assets and financial liabilities

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

Financial assets

Initial recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued for the year ended 31 December 2021

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

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

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

The Group elected to classify irrevocably its non-listed equity investment in Globacap under this category. Refer to note 27 for more detail.

11. 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.

12. 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. We are developing a comprehensive strategy for the return to work, which ensures existing policies and employee contracts are aligned with a hybrid working model.

Significant levels of market activity were observed in financial markets across the world in 2020, amid the spread of the COVID-19 pandemic which created a short-term surge in the Group's revenues. The hyper volatility brought about by COVID-19 in 2020 resulted in abnormal trading activity which positively impacted operating revenue. Similar volatility has not been experienced in the 2021 financial year. The interest rate environment remains at record lows which negatively impacted the net finance income of the Group. There has been no material impact on the collectability and recoverability of trade and other receivables. During the period, the fair value of the Group's investments increased by R65 million (excluding the Globacap investment – refer to note 27) compared with an increase of R39 million for the period ended 31 December 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

13. Operating segments and revenue

	2021 R'000	2020 R'000
Revenue comprises:		
Capital markets		
Bond ETP	7 569	8 048
Colocation fees	28 251	21 004
Commodity Derivatives fees	97 402	87 332
Company Services fees	6 105	6 412
Currency Derivatives fees	41 389	45 619
Equity Derivatives fees	149 853	144 832
Equity trading fees	488 924	493 284
Interest Rate Market fees	63 660	62 482
Primary Market fees*	152 814	151 906
JSE Investor Services fees**	124 622	17 071
Post-Trade Services		
Back-Office Services (BDA)	423 060	376 044
Clearing and Settlement fees	350 589	445 715
Funds under management	80 751	81 517
Information Services		
Index fees	56 901	52 608
Market Data fees	293 073	303 031
Total revenue excluding Strate ad valorem fees – cash equities and bonds	2 364 963	2 296 905
Strate ad valorem fees – bonds	17 932	16 268
Strate ad valorem fees – cash equities	134 527	133 195
	2 517 467	2 446 368

* An amount of R1.4 million (2020: R0.6 million) was recognised in Primary market fees relating to initial listing fees for the current year.

** JSE Investor Services was a separate reportable segment in the prior year. It has been incorporated as an operating unit in the Capital markets segment during 2021. This is how it is reported to the chief decision maker.

14. Personnel expenses

	2021 R'000	2020 R'000
Remuneration paid	615 152	561 621
Gross amount paid	622 873	574 172
Less: Capitalised to intangible assets	(7 721)	(12 551)
Long-term incentive schemes*	34 744	39 217
	649 896	600 838

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

15. Other expenses

	2021 R'000	2020 R'000
Amortisation of intangible assets	154 228	140 181
Auditor's remuneration*	9 223	6 462
Consulting fees	12 534	13 456
Depreciation	103 458	108 986
Enterprise development	8 887	9 578
Investor protection levy	38 463	38 719
Other expenses	312 345	299 389
State <i>ad valorem</i> fees	149 533	147 611
Technology costs	336 517	319 601
Deal acquisition costs	898	28 575
	1 126 086	1 112 558

* Includes fees for compliance audits that were not performed by the external auditors.

16. Income tax expense

The Group's consolidated effective tax rate for the financial year ended 31 December 2021 was 27% (31 December 2020: 27%).

17. Earnings and headline earnings per share

	2021 R'000	2020 R'000
17.1 Basic earnings per share for continuing operations		
Profit for the period attributable to ordinary shareholders	722 443	781 231
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010) and JEF Trust	(4 226 718)	(3 778 968)
Weighted average number of ordinary shares at 30 June/31 December	82 650 882	83 098 632
Basic earnings per share (cents) from continuing operations	874.1	940.1
Basic earnings per share (cents) from discontinued operations	–	(3.4)
Total basic earnings per share (cents)	874.1	936.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

17. Earnings and headline earnings per share (continued)

	2021 R'000	2020 R'000
17.2 Diluted earnings per share for continuing operations		
Profit for the period attributable to ordinary shareholders	722 443	781 231
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 30 June/31 December (basic)	82 650 882	83 098 632
Effect of LTIS Share Scheme	732 166	529 563
Weighted average number of ordinary shares (diluted)	83 383 048	83 628 195
Diluted earnings per share (cents)	866.4	934.3
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period		
17.3 Headline earnings per share for continuing operations		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	722 443	781 231
Adjustments are made to the following:		
Write off of intangible asset	4 002	(26)
Gross amount	5 558	(37)
– Taxation effect	(1 556)	10
Profit on disposal of property and equipment	-3	
Gross Amount	-4	
– Taxation effect	1	
Headline earnings from continuing operations	726 442	781 205
Headline earnings from discontinued operations	–	(2 842)
Total headline earnings	726 442	778 363
Headline earnings per share (cents) from continuing operations	878.9	940.1
Headline earnings per share (cents) from discontinued operations	–	(3.4)
Total headline earnings per share (cents)	878.9	936.7
17.4 Diluted headline earnings per share for continuing operations		
Diluted headline earnings per share (cents) from continuing operations	871.2	934.1
Diluted headline earnings per share (cents) from discontinued operations	–	(3.4)
Total diluted headline earnings per share (cents)	871.2	930.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued for the year ended 31 December 2021

18. Intangible assets

Included in the intangible assets of R727 million (December 2020: R821 million) is the goodwill of R133 million and customer relationships of R123 million related to the acquisition of JIS, software under development of R31.4 million (December 2020: R28.2 million) mainly in respect of clearing systems, digital onboarding and automation.

19. Employee benefits

The decrease of R1.3 million in current liabilities year-on-year are mainly related to a reduction in the discretionary bonus and an increase in leave pay accrual.

20. Expected credit loss

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

	R'000
At 1 January 2020	3 690
Increase in allowance for impairment	4 403
At 31 December 2020	8 093
(Decrease)/increase in allowance for impairment	1 386
At 31 December 2021	9 479

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

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 no further impairment allowance is necessary in respect of trade receivables.

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

The debtors credit terms are 30 days.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

21. Financial instruments

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

22. Reserves

	2021 R'000	2020 R'000
Accumulated dividends paid to JEF Trust	33 329	17 889
Fair value reserve	1 926	–
Fines reserve	19 494	21 282
JEF Trust	54 360	54 360
Investor protection funds ¹	575 539	507 660
– JSE Debt Guarantee Fund Trust	118 679	117 585
– JSE Derivatives Fidelity Fund Trust	251 435	211 853
– JSE Guarantee Fund Trust	205 425	178 222
Non-distributable reserves	684 649	601 191
JSE LTIS 2010 and 2018 reserve ²	72 839	75 387
	757 488	676 578

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

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

23. Share-based payments

(i) Vesting of Allocation 8 Tranche 2 (LTIS 2010) and Allocation 1 Tranche 1 (LTIS 2018)

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

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

In accordance with shareholder approval, for the provision of financial assistance to the JSE LTIS 2018 Trust, the Board approved a fresh annual allocation of shares (Allocation 4) to selected employees for the 2021 year. These individual allocations were all accepted by the scheme participants on or before 12 March 2021. Allocation 4 comprises a total of 542 982 JSE ordinary shares and these shares were acquired in the open market on or before 12 March 2021, at a volume-weighted average price (including all execution costs) of R120.72 per ordinary 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 4, a total of 245 290 shares has been granted to members of the JSE's Executive Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

23. Share-based payments (continued)

Information on Allocation 4 is as follows:

	Number of shares
Share price at grant date (rands per share)	120,72
Total number of shares granted	542 982
Dividend yield	3%
Grant date	12 March 2021
Vesting profile:	
50% of the shares awarded vest on 1 March 2024	271 491
50% of the shares awarded vest on 1 March 2025	271 491

The shares forfeited by leavers to date are 27 628.

(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:

	For the year ended 31 December	
	2021 R'000	2020 R'000
Allocation #7 (granted in October 2016)	–	(1 516)
Allocation #8 (granted in March 2017)	(410)	(581)
	(410)	(2 097)

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

	For the year ended 31 December	
	2021	2020
Allocation #1 (granted in September 2018)	R1.1m	R7.4m
Allocation #2 (granted in March 2019)	R5.1m	R9.1m
Allocation #3 (granted in March 2020)	R7.4m	R7.6m
Allocation #4 (granted in March 2021)	R9.3m	–
	R22.9m	R24.1m

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

24. Business combination

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

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

	2021 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

25. JIS change in ownership

Financial information of JIS provided below:

	2020 R'000
Proportion of equity interest held by non-controlling interests:	
Accumulated balances of material non-controlling interest:	37 586
Profit allocated to material non-controlling interest:	254

JIS is wholly owned by the Group and as such no non-controlling interest exists post 17 June 2021.

26. Leases

	2021 R'000	2020 R'000
Impact on the statement of financial position as at 31 December		
Assets		
Right-of-use assets at initial application 1 January	256 298	251 624
Right-of-use assets acquired through acquisition of subsidiary	–	4 674
Accumulated depreciation	(118 575)	(78 840)
Total assets*	137 723	177 458

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

26. Leases (continued)

	2021 R'000	2020 R'000
Lease liabilities		
Current portion	56 051	40 882
Non-current portion	196 657	252 938
Total liabilities	252 708	293 820
The following amounts are recognised in the statement of comprehensive income		
Depreciation	(39 735)	(39 243)
Profit/loss from operating activities	(39 735)	(39 243)
Finance costs	(23 971)	(27 889)
Impact of income tax expense	–	–
Impact on profit for the period	(63 706)	(67 133)
Changes in liabilities arising from financing activities		
Opening balance 1 January	293 820	329 570
Acquisition of subsidiary	–	6 565
Loan repayments for the period	(65 083)	(70 264)
Interest charges for the period	23 971	27 949
Balance 31 December	252 708	293 820

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

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
31 December 2021				
Assets				
Other investments				
– Equity securities (financial instruments)	151 489	263 953	–	415 442
– Debt investment (financial instruments)	–	27 317	–	27 317
– Non-listed equity instruments designated at fair value through OCI			86 480	86 480
Total assets	151 489	291 269	86 480	529 239
31 December 2020				
Assets				
Other investments				
– Equity securities (financial instruments)	122 719	222 299	–	345 018
– Debt investment (financial instruments)	–	32 283	–	32 283
Total assets	122 719	254 582	–	377 301

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

Reconciliation: Level 3 recurring fair value measurements

31 December 2021

Equity investments	
Opening balance	–
Acquisition Globacap Technology Limited	84 000
Net unrealised foreign currency gain recognised in OCI during the period (pre-tax)	2 480
Closing balance	86 480

The equity investment has been adjusted in relation to unrealised foreign currency translation gains recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

27. Fair value estimation (continued)

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 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 NPV Method	Weighted Average Cost of Capital	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 in a decrease in fair value by R8.9 million

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

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

Equity instruments designated at fair value through OCI include investments in equity shares of non-listed company.

Globacap Technology Limited Investment

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

No dividends were received within the period.

External, independent valuers were used (RMB) in performance of the valuation at acquisition. At 31 December 2021, fair value was measured using the NPV model valuation technique and a detailed bottom-up approach for key commercial drivers is used, e.g. per product basis broken down into volume (number of customers/deals), average revenue per product, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2021

27. Fair value estimation *(continued)*

The following valuation approach and key assumptions were used which are subject to estimation uncertainty:

- 10-year free cash flow to equity forecast;
- 20% WACC;
- 297% revenue growth for 2022, 48% revenue growth rate for years 2023 to 2031; and
- 15% Operating growth rate.

The fair value was calculated as at 31 December 2021.

28. Guarantees and commitments

Guarantees

A guarantee of an amount of 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 31 December 2021.

29. Events after reporting date

There have been no material changes to the directors' interests in the ordinary share capital of the Company.

There have been no material events that would require adjustment or disclosure in the annual financial statements between 31 December 2021 and the date of this report.

30. Audit opinion

Ernst & Young Inc. the Group's independent auditor, has audited the consolidated annual financial statements of the JSE from which the summarised consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the statements of financial position at 31 December 2021 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

The auditor's report does not necessarily report on all of the information contained in the summarised consolidated annual results and cash dividend declaration. Shareholders are therefore advised to obtain a copy of the auditor's report together with the accompanying financial information from the JSE's registered office.

Sandton
1 March 2022

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

