JSE

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS AND ORDINARY CASH DIVIDEND DECLARATION

for the year ended 31 December

2022

CONTENTS

COMMENTARY

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

Summarised consolidated annual financial results and ordinary cash dividend declaration for the year ended 31 December 2022

"The JSE's solid performance reflects the quality of our earnings and the resilience of our operating platforms within a challenging trading environment. I am pleased to report year-on-year growth of 4% in headline earnings per share, and a strong ROE of 18%, well within our long-term target range. Our strategy to diversify revenue continues to gain traction, with non-trading revenue up 13% year-on-year to 25% of total operating revenue. This performance is underpinned by robust operational processes and 99.9% uptime across our markets. The business remains strongly cash generative and this has enabled the Board to declare an ordinary dividend of 769 cents per share for 2022, resulting in a distribution to shareholders of R668 million. These results demonstrate the value of our investment strategy and provide momentum for future growth."
– Leila Fourie, Group CEO

- Net profit after tax (NPAT) increased by 4% YoY to R749 million, with headline earnings per share (HEPS) increasing by 4% YoY to 917.7 cents per share (2021: 878.9 cents).
- Earnings before interest, tax and depreciation (EBITDA) of R1.07 billion increased by 1% YoY.
- The Group recorded revenue growth across its business segments. Operating revenue grew 5% to R2.7 billion, with an 11% increase in revenue from Information Services and a 28% increase in revenue from JSE Investor Services (JIS). The JSE further increased the proportion of its revenue derived from non-trading activity in line with our strategic intent (non-trading revenue grew by 13% from R590 million to R668 million in 2022).
- Total operating expenditure increased by 7.5% YoY to R1.9 billion. Other operating expenditure growth includes an increase in administration fees relating to an increase in JIS revenue generating activities and an increase in electricity and building utilities (e.g., diesel). Personnel costs reflect annual salary increases and the annualised impact of headcount relating to new acquisitions.
- Rising interest rates and growth in margin deposits have supported higher net finance income, which increased 40% YoY to R203 million (2021: R146 million).
- Continued strong cash generated from operations of R978 million has enabled the Board to declare an ordinary dividend of 769 cents per share for 2022, an increase of 2% YoY. The JSE will maintain a pay-out ratio between 67% – 100% of distributable earnings in respect of the annual ordinary dividend.
- Capital expenditure of R127 million was focused on operational resilience and growth initiatives.
- The Group maintains a robust balance sheet and cash of R2.2 billion at 31 December 2022. Ring-fenced and non-distributable cash (regulatory capital and investor protection) amounts to R1.2 billion. Of the remaining R1 billion, R668 million will be distributed as dividends.

Overview of results

R million (unless stated otherwise)	FY2022	FY2021	% change
Operating revenue	**2 650**	2 517	5%
Total revenue	**2 704**	2 576	5%
Personnel expenses	**693**	650	7%
Other expenses	**946**	871	9%
Depreciation and amortisation	**273**	258	6%
Total expenditure	**1 912**	1 779	7.5%
Earnings before interest and tax (EBIT)	**792**	798	(1%)
Net finance income	**203**	146	40%
Net profit after tax (NPAT)	**749**	722	4%
EBIT margin	**29%**	31%	(2 pts)
Earnings before interest tax depreciation and amortisation (EBITDA)	**1 066**	1 055	1%
EBITDA margin	**39%**	41%	(2 pts)
Earnings per share (EPS) (cents)	**911.1**	874.1	4%
Headline earnings per share (HEPS) (cents)	**917.7**	878.9	4%
Ordinary dividend per share declared (cents)	**769**	754	2.0%
Special dividend per share declared (cents)	**–**	100	(100%)
Net cash generated from operations	**978**	917	7%
Capital expenditure	**127**	165	(23%)

Business highlights

Our core business model, centred around quality earnings and strong cash generation, continues to provide a solid foundation for growth. At the same time, we saw our inorganic growth initiatives contribute positively to the Group's financial results.

2022 Highlights:

Protect and grow the core business

- Introduced Transition and Sustainability Linked Bonds.
- Launched actively managed exchange-traded funds (ETFs) and certificates.
- Introduced Listing Requirements reforms.
- Obtained licence to operate as an independent clearing house and central counterparty (CCP) by the FSCA for JSE Clear.
- Maintained operational resilience and robustness, with operational availability (99.9%) above the long-term average of 99.83%.
- Maintained local market share by value traded.

Transform the business

- Launched JSE Private Placements (JPP) with 22 live deals as at year-end December 2022 and over R12 billion in investor capital onboarded.
- Launched JSE Trade Explorer to provide equity market trade analytics.
- Grew JIS and added 10 new registry clients and 11 new Share Plans clients.

Partner for a sustainable marketplace

- Returned to the office in March 2022 and successfully launched our hybrid way of work.
- Published Sustainability and Climate Change Disclosure Guidance.
- Achieved record-high Net Promoter Score (NPS).
- High levels of motivation and solid engagement scores for employees.

Revenue performance per segment

Capital Markets

- Primary Market: +3% to R158 million (2021: R153 million)
- Equity Trading*: -1% to R512 million (2021: R517 million)
- Equity Derivatives Trading: +9% to R163 million (2021: R150 million)
- Currency Derivatives Trading: R41 million (2021: R41 million)
- Bond and Interest Rate Trading: Interest rate revenue +16% to R82 million (2021: R71 million)
- Commodity Derivatives Trading: +6% to R103 million (2021: R97 million)
- Issuer services: +19% to R7 million (2021: R6 million)

* Includes colocation revenue.

JSE Investor Services (JIS)

- +28% to R159 million (2021: R125 million)

Post-Trade Services

- Clearing and Settlement revenue +3% to R438 million (2021: R423 million)
- Back-office services (BDA) revenue remained stable at R351 million (2021: R351 million)
- Funds under management revenue +18% to R95 million (2021: R81 million)

Information Services

- +11% to R388 million (2021: R350 million)

Other income

- Other income decreased to R54 million (2021: R59 million). The JSE held USD4.4 million in cash at the end of December 2022 (2021: USD6.8 million).

Financial performance

Total operating expenditure increased by 7.5% YoY.

- Personnel costs increased by 7% to R693 million (2021: R650 million).
  - o Gross remuneration increased due to annual salary increases and an increase in the average headcount from the Share Plans business.
- Technology costs increased by 2% to R345 million (2021: R337 million), largely driven by:
  - o New growth initiatives, which include JIS and JPP.
- Other operating expenses increased by 12% to R601 million (2021: R534 million), largely owing to:
  - o Impact of operating environment pressures across the board, including an increase in electricity and building utilities (e.g., diesel).
  - o An increase in administration fees relating to an increase in JIS revenue generating activities.
  - o Low base effect owing to COVID-19.
- Depreciation and amortisation increased by 6% to R273 million (2021: R258 million), owing to accelerated depreciation on software licences due to new solutions implemented.

Net finance income

Net finance income increased by 40% YoY due to higher yields on the JSE's cash balances following multiple repo rate increases, as well as an increase in JSE Clear margin deposits.

Cash flows and investments

Net cash generated from operations increased by 7% to R978 million (2021: R917 million).

Capital expenditure totalled R127 million (2021: R165 million) and was focused on operational resilience and growth initiatives. All planned investments for 2023 and 2022 capital requirements were funded from the Group's cash resources.

The Group's exit cash balance was R2.2 billion at 31 December 2022 (2021: R2.4 billion), of which R1.2 billion is ring-fenced for regulatory capital and investor protection. R668 million of the remaining R1 billion will be paid as an ordinary dividend.

Regulation

In compliance with the Financial Markets Act, 19 of 2012 (FMA), the JSE and JSE Clear are required to hold regulatory capital. The Group calculates and holds regulatory capital in the form of equity capital – this amounts to R1.2 billion in total for JSE Limited and for JSE Clear, of which R822 million is held in the form of restricted cash and cash equivalents and R143 million in SA government bonds. At the reporting date, JSE and JSE Clear are adequately capitalised.

Future focus and prospects

The JSE produced a solid performance across all business segments within a challenging trading environment. This performance was supported by growth in non-trading revenue underpinned by positive momentum gained in JIS, demonstrating value creation from our inorganic growth strategy.

Our focus for 2023 is to:

- Invest in the core business to sustain operations.
- Progress our growth strategy for Information Services, formulated on a five-year horizon.
- Accelerate growth in new business lines (JIS, JPP and small and medium-sized enterprises (SMEs)).
- Continue to manage the Group's cost base with discipline.

The JSE is a financial market infrastructure that enables efficient and optimum functioning of the capital markets in South Africa. In discharging the Group's responsibilities as a financial market infrastructure and delivering on its strategic objectives as a commercial entity, the JSE seeks to maintain an appropriate balance between the regulation of the markets that it operates and the pursuit of shareholder returns. The Group will continue to exercise sound judgement in the investments it makes to ensure the JSE Group's sustainability and a beneficial outcome for all stakeholders.

2023 Guidance:

- OPEX growth: 5% – 8%
- CAPEX: R130 million – R150 million

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

Any forecast financial information contained herein has not been reviewed or reported on by the Group external auditors.

Declaration of ordinary cash dividend

The Board has declared an ordinary cash dividend for the year ended 31 December 2022, as follows:

Dividend	Annual gross amount per share	Withholding tax %	Net amount per share
Ordinary	769 cents	20%	615.20000 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) as well as for working capital.

The ordinary dividend of 769 cents per share represents a 2% increase on the 754 cents per share paid in 2021. The ordinary cash dividend has 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 close of business on Friday, 31 March 2023. 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 cash dividends are applicable:

Dividend paid in year in respect of financial year ended	**31 December 2022**	31 December 2021
Ordinary dividend per share	**769 cents**	754 cents
Total rand value	**R668 million**	R741 million
Declaration date	**Wednesday, 8 March 2023**	Monday, 28 February 2022
Last date to trade JSE shares cum dividend	**Tuesday, 28 March 2023**	Tuesday, 22 March 2022
JSE shares commence trading ex-dividend	**Wednesday, 29 March 2023**	Wednesday, 23 March 2022
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	**Friday, 31 March 2023**	Friday, 25 March 2022
Dividend payment date	**Monday, 3 April 2023**	Monday, 28 March 2022

Share certificates may not be dematerialised or rematerialised from Wednesday, 29 March 2023 to Friday, 31 March 2023, both days inclusive. On Monday, 3 April 2023, 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, 3 April 2023.

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.

Change to the dividend policy

The JSE has adjusted its dividend policy to reflect a more appropriate balance between cash returns to shareholders and reinvestment into the business. As such, we have updated the annual dividend policy from a progressive approach to a pay-out ratio (67% – 100% of earnings). The Board is confident that the updated dividend policy is congruent with the Group's growth strategy over the medium term.

Changes to the Board

The following changes, as previously announced, took effect during the period under review:

At the AGM held on 3 May 2022:

- Ms Nonkululeko Nyembezi retired as a director and as chairman of the Board, in accordance with the JSE's policy on non-executive director tenure, having served the maximum 12-year term.
- Mr Phuthuma Nhleko, who joined the Board as an independent non-executive director on 1 July 2021, assumed the chairmanship of the Board as part of the Board's planned succession process.
- Ms Siobhan Cleary, independent non-executive director, completed her term of service as a member of the Group Audit Committee and retired as a committee member. She continues to serve as a member of the Group Sustainability and Group SRO Oversight committees of the Board.
- Dr Mantsika Matooane, independent non-executive director, stepped down as chairman of the Group Risk Management Committee as part of a planned succession process. She continues to serve as a member of the Group Risk Management and Group Sustainability committees of the Board.
- Mr Ian Kirk, independent non-executive director, assumed the chairmanship of the Group Risk Management Committee of the Board.

On 20 May 2022:

- Ms Aarti Takoordeen, chief financial officer (CFO) of JSE Limited, resigned as CFO and executive director.
- Upon the recommendation of the Group Audit Committee, the Board appointed Ms Carmini Kander as acting CFO, effective 20 May 2022. This role did not encompass the responsibilities of executive director or prescribed officer. The JSE received (from the Financial Sector Conduct Authority) the required exemption from the requirements under paragraph 3.84(f) of the JSE Listings Requirements to appoint a permanent executive director as CFO for the duration of the executive search process.

On 5 August 2022:

- Ms Nolitha Fakude, independent non-executive director, stepped down as a member of the Group Sustainability Committee. She continues to serve as chairman of the Group Remuneration Committee.

Subsequent to the period under review, and as previously announced:

- Ms Fawzia Suliman was appointed as Group CFO and as executive director effective 9 January 2023. Ms Suliman leads the finance function of the Group, which also includes the Group strategy and M&A portfolios, and she serves as a member of the Group Executive Committee. Ms Suliman will stand for election as a director at the AGM to be held on 9 May 2023.

Appreciation

As we reflect on the year and look forward to 2023, 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.

Message from the Chairman

"The JSE has contributed significantly to South Africa's economic development and the growth of hundreds of listed companies. While our purpose remains relevant today, the JSE is at a critical inflection point in its history. Our business model continues to evolve to meet the changing needs of capital market participants. Our growth areas, Information Services, JIS and JPP, continue to deliver operationally and strategically. Our non-trading revenue is up from 2021, in line with our strategic intent to diversify Group revenue. Our operational resilience and systems uptime have exceeded our service-level agreement commitments and show marked improvement over the prior year. This sound performance is due to our multi-year investments in system resilience and improvements in internal processes. This is another indicator that our business's ability to adapt and respond to change has improved."

– Phuthuma Nhleko, 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 2022. The preparation of the JSE's annual results has been supervised by the chief financial officer, Fawzia Suliman 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 7 March 2023 and signed by:

Phuthuma Nhleko
Chairman

Leila Fourie
Group CEO

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

8 March 2023

About the JSE

The JSE is a self-regulatory, multi-asset-class stock exchange that offers listings, trading, clearing and settlement (post-trade) services, information services and issuer services. The JSE connects buyers and sellers in five financial markets: equities, equity derivatives, commodity derivatives, currency derivatives and interest rate instruments.

The JSE provides investors with a trusted, cost-effective and well-regulated infrastructure for trading, clearing and settling financial market transactions. The JSE is among the 20 largest exchanges in the world in terms of market capitalisation.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	GROUP 2022 R'000	2021 R'000
Revenue	13	**2 649 979**	2 517 467
Other income		**54 167**	58 755
Personnel expenses	14	**(692 697)**	(649 896)
Other expenses	15	**(1 213 036)**	(1 126 086)
Expected credit loss (ECL) impairments		**(5 936)**	(2 526)
Profit from operating activities before net finance income		**792 477**	797 714
Finance income		**3 391 561**	1 996 538
Finance costs		**(3 188 197)**	(1 850 862)
Net finance income		**203 364**	145 676
Share of profit from associate (net of income tax)		**40 997**	51 597
Profit before income tax		**1 036 838**	994 987
Income tax expense	16	**(288 282)**	(271 812)
Profit for the year		**748 556**	723 175
Attributable to:			
Equity holders of the parent		**748 556**	722 443
Non-controlling interests		**–**	732
		748 556	723 175
Other comprehensive income			
Change in financial instruments at fair value through other comprehensive income that will not be reclassified to profit or loss (net of tax)		**(22 167)**	68 748
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)		**872**	(1 219)
Other comprehensive income for the year, net of income tax		**(21 295)**	67 529
Total comprehensive income for the year for the period		**727 261**	790 704
Attributable to:			
Equity holders of the parent company		**727 261**	789 972
Non-controlling interests		**–**	732
		727 261	790 704
Total earnings per share			
Total Basic earnings per share (cents)	17.1	**911.1**	874.1
Diluted earnings per share (cents)	17.2	**901.1**	866.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2022

		GROUP	
	Notes	**2022 R'000**	2021 R'000
Assets			
Non-current assets		**1 991 829**	1 966 659
Property and equipment		**165 494**	175 845
Intangible assets	18	**696 200**	726 507
Investment in associate		**328 989**	328 262
Other investments	26	**649 831**	529 239
Right-of-use-assets	25	**98 078**	137 723
Deferred taxation		**53 237**	69 084
Current assets		**59 344 644**	59 070 941
Trade and other receivables		**793 033**	593 423
Income tax receivable		**5 401**	1 880
Safe note – Globacap	26	**10 234**	–
JSE Clear Derivatives Default Fund collateral deposits		**500 000**	500 000
Margin deposits		**55 792 547**	55 412 674
Collateral deposits		**20 267**	169 962
Cash and cash equivalents		**2 223 161**	2 393 002
Total assets		**61 336 472**	61 037 600

		GROUP	
	Notes	**2022 R'000**	2021 R'000
Equity and liabilities			
Total equity		**4 173 147**	4 218 981
Stated capital		**(118 697)**	(67 741)
Reserves	22	**754 650**	757 488
Retained earnings		**3 537 194**	3 529 234
Equity attributable to equity holders of the parent		**4 173 147**	4 218 981
Non-current liabilities		**190 941**	258 004
Employee benefits		**7 257**	4 035
Deferred taxation		**31 019**	34 666
Lease liability	25	**131 195**	196 657
Deferred income		**21 470**	22 646
Current liabilities		**56 972 384**	56 560 615
Trade and other payables		**544 513**	380 296
Income tax payable		**18 035**	9 089
Deferred income		**1 745**	1 844
Employee benefits		**136 198**	130 699
Lease liability	25	**59 079**	56 051
JSE Clear Derivatives Default Fund collateral contribution		**400 000**	400 000
Margin deposits		**55 792 547**	55 412 674
Collateral deposits		**20 267**	169 962
Total equity and liabilities		**61 336 472**	61 037 600

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Notes	Stated capital and treasury shares* R'000	NDR R'000	Share-based payments reserve R'000	Fair value reserve[2] R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2021		(32 514)	601 191	75 387	–	676 578	3 472 638	4 116 701	37 586	4 154 287
Profit for the year from continuing operations		–	–	–	–	–	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 2018 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)	–	–	–
Transfer of qualifying deductible expenses related to Fines – Issuer Regulation		–	(1 788)	–	–	(1 788)	1 788	–	–	–
Treasury shares – acquisitions and sales		(59 951)	–	–	–	–	–	(59 951)	–	(59 951)
Treasury shares – transaction costs		(356)	–	–	–	–	–	(356)	–	(356)
Transactions with owners recognised directly in equity – Acquisition of non-controlling interest		–	–	–	–	–	(37 132)	(37 132)	(38 318)	(75 450)
Total contributions by and distributions to owners of the Group recognised directly in equity		(35 227)	15 929	(2 548)	–	13 381	(665 846)	(687 692)	(38 318)	(726 010)

[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, R3.4 million (December 2021: R2.1 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 Technology Limited net of deferred tax. Refer to note 26 for details on this transaction.
* Debit balance due to treasury shares held by the JSE Empowerment Fund Trust and shares held to facilitate the settlement of Long-Term Incentive Schemes.

	Notes	Stated capital and treasury shares* R'000	NDR R'000	Share-based payments reserve R'000	Fair value reserve[2] R'000	Total reserves R'000	Retained earnings R'000	Total R'000
Balance at 31 December 2021		**(67 741)**	**682 723**	**72 839**	**1 926**	**757 488**	**3 529 234**	**4 218 981**
Profit for the year		–	–	–	–	–	748 556	748 556
Other comprehensive income		–	(17 717)	–	(3 578)	(21 295)	–	(21 295)
Total comprehensive income for the year		–	(17 717)	–	(3 578)	(21 295)	748 556	727 260
LTIS 2018 Allocation 1 – shares vested		4 995	–	(8 633)	–	(8 633)	–	(3 638)
LTIS 2018 Allocation 2 – shares vested		7 838	–	(7 838)	–	(7 838)	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]		–	(3 414)	–	–	(3 414)	3 414	–
Dividends paid to owners		–	18 187	–	–	18 187	(737 806)	(719 619)
Equity-settled share-based payment		–	–	13 951	–	13 951	–	13 951
Transfer of profit to investor protection funds		–	6 814	–	–	6 814	(6 814)	–
Transfer of Listed companies – Fines – Issuer Regulation		–	2 880	–	–	2 880	(2 880)	–
Transfer of qualifying deductible expenses related to Fines – Issuer Regulation		–	(3 491)	–	–	(3 491)	3 491	–
Treasury shares – acquisitions and sales		(63 401)	–	–	–	–	–	(63 401)
Treasury shares – transaction costs		(388)	–	–	–	–	–	(388)
Total contributions by and distributions to owners of the Group recognised directly in equity		(50 956)	20 977	(2 520)	–	18 457	(740 595)	(773 094)
Balance at 31 December 2022		**(118 697)**	**685 983**	**70 319**	**(1 652)**	**754 650**	**3 537 194**	**4 173 147**
Note						22		

[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, R3.4 million (December 2021: R2.1 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 Technology Limited net of deferred tax. Refer to note 26 for details on this transaction.

* Debit balance due to treasury shares held by the JSE Empowerment Fund Trust and shares held to facilitate the settlement of Long-Term Incentive Schemes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

		GROUP	
	Notes	**2022 R'000**	2021 R'000
Cash flows from operating activities			
Cash generated by operations		**1 029 621**	1 034 454
Finance income		**3 229 577**	1 945 435
Finance costs		**(3 017 945)**	(1 806 772)
Dividends received		**6 635**	5 402
Taxation paid		**(270 141)**	(261 267)
Net cash generated by operating activities		**977 747**	917 252
Cash flows from investing activities			
Proceeds on sale of other investments		**32 847**	20 400
Acquisition of other investments		**(175 457)**	(104 253)
Dividends from associate		**40 271**	43 242
Proceeds from disposal of property and equipment		**35**	–
Acquisition of leasehold improvements		**(20 024)**	(63 811)
Acquisition of intangible assets		**(134 593)**	(65 638)
Acquisition of property and equipment		**(38 494)**	(35 834)
Debt instrument: Globacap Safe note		**(9 625)**	–
Net cash used in investing activities		**(305 040)**	(205 894)
Cash flows from financing activities			
Acquisition of treasury shares		**(73 055)**	(70 877)
Proceeds on sale of treasury shares		**9 267**	10 571
Acquisition of non-controlling interest		**–**	(75 450)
Lease liabilities repaid		**(62 435)**	(41 113)
Dividends paid		**(719 619)**	(612 785)
Net cash used in financing activities		**(845 842)**	(789 654)
Net decrease in cash and cash equivalents		**(173 135)**	(78 296)
Cash and cash equivalents at 1 January		**2 393 002**	2 459 212
Effect of exchange rate fluctuations on cash held		**3 294**	12 086
Cash and cash equivalents at 31 December 2022		**2 223 161**	2 393 002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Reporting entity

JSE Limited (the "JSE" or the "Company") is a company domiciled in South Africa. Its registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act 2012 (FMA). The JSE has the following main lines of business: Capital Markets, Post-Trade Services and Information Services. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the "Group" and individually as "Group entities") and reflect the Group's interest in associates.

2 Basis of preparation

2.1 Statement of compliance

The condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), at a minimum contain the information required by IAS 34: Interim Financial Reporting, the South African Institute of Chartered Accountants (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 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 2022. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the new standards effective as of 1 January 2022.

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

Annual Improvements to IFRS Standards 2018–2020 – Amendments to the following standards:

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

3. Changes in accounting policies (continued)

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

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

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

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

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

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

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the year ended 31 December 2021.

5. Use of estimates and judgements

The preparation of financial statements is in conformity with IFRS and requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2021.

6. Operating segment

The Group determines and presents operating segments based on the information used to run the business by the Executive Committee (Exco).

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. Revenue results as disclosed in note 13 are reviewed regularly by the entity's chief operating decision makers (Exco) to make key decisions about resources to be allocated to the segment and assess its performance. Costs are not allocated to the individual segments and are reviewed by the CODM as a single unit. The holistic cost centre segment does not meet the definition of an operating segment as it does not earn revenues and is thus excluded from the operating segment disclosure in 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 2021 with additional disclosures included for financial instruments acquired in the current year.

8. Significant events and new transactions with related parties

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

The following new transactions with related parties were concluded in the year ended 31 December 2022:

Other Investments

In the current year (9 March 2022) the JSE participated in a bridge funding round with Globacap Technology Limited (Globacap) to the value of £500 000. Refer to note 26.

In December 2022, the Group invested in South African Government Bonds for an initial acquisition cost of approximately R136 million as part of the initiative to improve yields earned on highly liquid financial instruments held for regulatory capital purposes.

Changes to the executive directors

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

The Board appointed Ms Carmini Kander as acting CFO until the appointment of Ms Fawzia Suliman as the new Group chief financial officer for JSE Limited, effective 9 January 2022.

Changes to Executive Committee

In the current year, the Board appointed Ms Qiniso Mthembu as Group chief risk officer, Mr Tebalo Tsoaeli as chief information officer and Ms Palesa Ntoagae as director of Human Resources.

9. New standards and interpretations not yet adopted

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

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

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

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

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

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

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.

IFRS 17 Insurance contracts – effective date: 1 January 2023

IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. No impact is expected by the Group as a result of the new standard.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – effective date: 1 January 2023

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The impact of the amendment on the Group is currently being assessed.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – effective date: 1 January 2024

The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. No impact is expected by the Group as a result of the new standard.

Non-current Liabilities with Covenants (Amendments to IAS 1) – effective date: 1 January 2024

The amendment is to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The impact of the amendment on the Group is currently being assessed.

10. Fair value measurement

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

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

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

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

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

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

11. Financial assets and financial liabilities

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

Financial assets

Initial recognition and measurement

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

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

Financial assets at fair value through other comprehensive income (OCI) – debt instruments

The Group's investments in debt securities are classified as fair value through OCI financial assets and this relates to bonds from investor protection fund investments and South African Government Bonds held by the JSE Limited. The principal objective of holding these investments are to collect contractual cash flows and selling these investments in accordance with the relevant mandates. The contractual terms of these investments give rise to cash flows that are solely payments of principal and interest. Fair value gains and losses relating to debt instruments are subsequently classified to profit or loss upon realisation of the investment.

Impairment losses on monetary items such as debt securities and foreign exchange gains and losses are recognised in profit or loss. Translation differences included in fair value adjustment are recognised in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised in OCI is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Refer to note 26 (Other investments) for the financial assets classified as fair value through OCI.

Financial assets designated at fair value through other comprehensive income (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 on fair value through OCI equity instruments are recognised in profit or loss when the Group's right to receive payment is established (last day to register). 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 26 for more detail.

Fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. This category includes Investment in the Globacap SAFE note (note 26).

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

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

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

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

13. Operating segments, revenue and other income

	2022 R'000	2021 R'000
Revenue from contracts with clients and operating segments comprise:		
Capital markets		
Bond Electronic Trading Platform (ETP)	**9 627**	7 569
Colocation fees	**33 073**	28 251
Commodity derivatives fees	**102 917**	97 402
Issuer services fees	**7 281**	6 105
Currency derivatives fees	**41 294**	41 389
Equity derivatives fees	**163 344**	149 853
Equity market fees	**479 148**	488 924
Interest rate market fees	**72 864**	63 660
Primary market fees*	**157 515**	152 814
JSE Investor Services fees	**159 059**	124 622
JSE Private Placement fees	**277**	–
Post-trade services		
Clearing and settlement fees	**437 696**	423 060
Back-office services (BDA)	**351 366**	350 589
Funds under management	**95 234**	80 751
Information services		
Index fees	**68 499**	56 901
Market data fees	**319 508**	293 073
Total revenue excluding *Strate ad valorem* fees – cash equities and bonds**	**2 498 702**	2 364 964
Strate ad valorem fees – cash equities	**132 854**	134 572
Strate ad valorem fees – bonds	**18 422**	17 932
	2 649 979	2 517 467

* An amount of R1.9 million loss (2021: R1.4 million gain) was recognised in Primary market fees relating to initial listing fees for the current year.
** The CODM evaluates revenue excluding the Strate ad valorem because this stream of income is evaluated in conjunction with the directly attributable cost included in note 15.

14. Personnel expenses

	2022 R'000	2021 R'000
Remuneration expenses	**667 113**	615 152
Gross remuneration paid	**678 667**	622 873
Less: Capitalised to intangible assets	**(11 554)**	(7 721)
Long-term incentive schemes*	**25 584**	34 744
	692 697	649 896

* Includes the accounting impact of accelerated LTIS for good leavers. Includes critical skills cash scheme amounting to R10.5 million (2021: R11.3 million).

15. Other expenses

	2022 R'000	2021 R'000
Amortisation of intangible assets	**164 900**	154 228
Auditor's remuneration**	**9 661**	9 223
Consulting fees	**10 973**	12 534
Depreciation	**108 493**	103 458
Enterprise development	**8 082**	8 887
Intangible asset impairment***	**5 396**	–
Investor protection levy	**39 608**	38 463
Other expenses*	**370 207**	312 345
Strate ad valorem fees	**150 968**	149 533
Technology costs	**344 748**	336 517
Transaction costs	**–**	898
	1 213 036	1 126 086

* Other expenses comprises mainly of administration fees, legal and professional fees, marketing and advertising, swift charges, travelling expenses, internal audit and reviews costs, electricity and building utilities, learning and development costs, data information charges and operational risk losses.

** Includes other assurance fees amounting to R365 000 and R370 000 relating to non-assurance services performed by external auditors.

*** Relates to an idle intangible asset which was reserved for an untraded commodities product. The amount is impaired in the current year as no future economic benefits are expected to be recovered through use or sale of the asset.

16. Income tax expenses

The Group's consolidated effective tax rate for the year ended 31 December 2022 is 28% (2021: 27%).

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

On 23 February 2022, the Minister of Finance announced a reduction to the South African corporate income tax rate from 28% to 27% for companies with years of assessment ending on or after 31 March 2023. The rate reduction does not bear any impact on the current or prior period taxes as the group entities will continue measuring their current taxation at 28% for annual periods ended 31 December 2022. For years ending on or after 31 March 2023, the group entities will measure their current taxation at 27%.

The change in tax rate impacted deferred tax assets and liabilities which are measured at tax rates expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of this reporting period.

17. Earnings and headline earnings per share

	2022	2021
17.1 Total basic earnings per share		
Profit for the year attributable to ordinary shareholders (R'000)	**748 556**	722 443
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))	**(4 720 454)**	(4 226 718)
Weighted average number of ordinary shares at 31 December	**82 157 146**	82 650 882
Total earnings per share (cents)	**911.1**	874.1
17.2 Total diluted earnings per share		
Profit for the year attributable and distributable to ordinary shareholders (R'000)	**748 556**	722 443
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	**82 157 146**	82 650 882
Effect of LTIS Share Scheme	**916 922**	732 166
Weighted average number of ordinary shares (diluted)	**83 074 067**	83 383 047
Diluted earnings per share (cents)	**901.1**	866.4
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices using a volume-weighted average price for the year.		
17.3 Headline earnings per share		
Reconciliation of headline earnings (R'000)		
Profit for the year attributable to ordinary shareholders – continuing operations	**748 556**	722 443
Adjustments are made to the following:		
Gross Amount	**5 396**	4 002
Impairment of intangible asset	**5 396**	5 558
– Taxation effect	**–**	(1 556)
Gross Amount	**(10)**	(3)
Profit on disposal of property and equipment	**(14)**	(4)
– Taxation effect	**4**	1
Total headline earnings (R'000)	**754 294**	726 442
Total headline earnings per share (cents)	**917.7**	878.9
17.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents)	**907.6**	871.2

18. Intangible assets

Included in the intangible asset of R696 million (2021: R727 million) is the goodwill of R216 million and customer relationships of R114 million (2021: R123 million) related to the acquisition of JSE Investor Services (Pty) Limited (JIS), software under development of R51 million (2021: R31 million) mainly in respect of clearing systems, digital onboarding and automation and computer software of R315 million (2021: R356 million).

19. Employee benefits

There are no material differences year on year.

20. Expected credit loss

	R'000
At 1 January 2021	8 093
Increase in allowance for impairment	1 386
At 31 December 2021	9 479
Increase in allowance for impairment	5 936
At 31 December 2022	15 415

Under IFRS 9, the Group uses debtor historic default rates in the assessment of the probability of credit losses, while incorporating forward-looking macro-economic factors. The year to date impairment was mainly raised in respect of specific debtors where the recoverability of amounts owing appeared to be doubtful. The Group believes the impairment allowance is sufficient in respect of trade receivables.

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

The credit terms are 30 days.

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

21. Financial instruments

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

22. Reserves

	2022 R'000	2021 R'000
Accumulated dividends paid to JEF Trust	**51 517**	33 329
South African Government bonds reserve	**1 892**	–
Fines reserve	**18 883**	19 494
Fair value reserve[1]	**(1 652)**	1 926
JEF Trust	**54 360**	54 360
Investor protection funds reserve[2]	**559 331**	575 539
– JSE Debt Guarantee Fund Trust	**120 273**	118 679
– JSE Derivatives Fidelity Fund Trust	**244 249**	251 435
– JSE Guarantee Fund Trust	**194 809**	205 426
Non-distributable reserves	**684 331**	684 648
Share-based payment reserve[3]	**70 319**	72 839
	754 650	757 488

[1] This reserve comprises fair value adjustments in respect of fair value through OCI financial assets.
[2] 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.
[3] This reserve relates to the portion of the LTIS 2010 and 2018 Long-Term Incentive Schemes that have been expensed to date.

23. Share-based payments

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

Allocation 1 Tranche 2 and Allocation 2 Tranche 1 (LTIS 2018) vested on 1 March 2022 and 31 August 2022 respectively. All LTIS 2018 participants in the employ of the Company as at vesting date were eligible to participate in the vesting of these Tranches in accordance with the terms and conditions of the Scheme rules.

(ii) Grant of Allocation #5 under LTIS 2018 during the period under review

In accordance with shareholder approval, for the provision of financial assistance to the JSE LTIS 2018 Trust, the Board approved a fresh annual allocation of shares (Allocation 5) to selected employees for the 2022 year. These individual allocations were all accepted by the scheme participants on or before 7 March 2022. Allocation 5 comprises a total of 666 100 JSE ordinary shares, and these shares were acquired in the open market on or before 14 March 2022, at a volume-weighted average price (including all execution costs) of R114.39 (Executive Committee) and R117.32 (senior members) per ordinary shares. These shares are held in trust and are restricted until all vesting conditions are fulfilled whereupon the shares vest.

Of the total number of shares granted in Allocation 5, a total of 391 880 shares has been granted to members of the JSE's Executive Committee.

Information on Allocation 5 is as follows:

Executive Committee award	Corporate performance shares
Share price at grant date (rands per share)	114.39
Total number of shares granted	391 880
Dividend yield (%)	3
Grant date	1 March 2022
Vesting profile:	
50% of the shares awarded vest on 1 March 2025 (Tranche 1)	195 940
50% of the shares awarded vest on 1 March 2026 (Tranche 2)	195 940

The shares forfeited by leavers to date are NIL (Tranche 1 and Tranche 2). The total shares outstanding at year end are 391 880.

Senior management award	Corporate performance shares
Share price at grant date (rands per share)	117.31
Total number of shares granted	274 220
Dividend yield (%)	3
Grant date	1 March 2022
Vesting profile:	
50% of the shares awarded vest on 1 March 2025 (Tranche 1)	137 110
50% of the shares awarded vest on 1 March 2026 (Tranche 2)	137 110

The shares forfeited by leavers to date are 26 560 (Tranche 1 and Tranche 2). The total shares outstanding at year end are 247 660.

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:

	2022	2021
Allocation #1 (granted in September 2018)	**(R2.7m)**	R1.1m
Allocation #2 (granted in March 2019)	**(R4.8m)**	R5.1m
Allocation #3 (granted in March 2020)	**R0.5m**	R7.4m
Allocation #4 (granted in March 2021)	**R8.3m**	R9.3m
Allocation #5 (granted in March 2022)	**R12.6m**	–
	R13.9m	R22.9m

24. Acquisition of additional interest in JIS

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

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

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

	Year ended 31 December 2021 R'000
Cash consideration paid to non-controlling shareholders	**75 450**
Carrying value of interest in JIS	**38 318**
Difference recognised in retained earnings	**37 132**

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

	2022 R'000	2021 R'000
Accumulated balances of material non-controlling interest:	**–**	37 586
Profit allocated to material non-controlling interest:	**–**	254

There were no indicators as at 31 December 2022 that goodwill related to this transaction was impaired.

25. Leases

	2022 R'000	2021 R'000
Impact on the statements of financial position as at 31 December 2022		
Assets		
Right-of-use assets at 1 January	**256 298**	256 298
Accumulated depreciation	**(158 220)**	(118 575)
Total assets*	**98 078**	137 723
Lease Liabilities		
Current portion	**59 079**	56 051
Non-current portion	**131 195**	196 657
Total liabilities	**190 274**	252 708
The following amounts are recognised in the statement of comprehensive income for the year ending 31 December 2022		
Depreciation	**(39 645)**	(39 735)
Profit/(Loss) from operating activities	**(39 645)**	(39 735)
Finance cost	**(19 949)**	(23 971)
Impact on profit before tax	**(59 595)**	(63 706)
Changes in liabilities arising from financing activities		
Opening balance 1 January 2022	**252 708**	293 820
Loan repayments for the year	**(82 384)**	(65 083)
Interest charges for the year	**19 949**	23 971
Balance 31 December 2022	**190 274**	252 708

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

26. 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).

26. **Fair value estimation** (continued)

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
2022				
Assets				
Other investments				
– Equity securities (financial instruments)	**165 140**	**233 999**	**–**	**399 138**
– Debt securities (financial instruments measured at fair value through OCI	**168 823**	**–**	**–**	**168 823**
– Non-listed equity instruments designated at fair value through OCI	**–**	**–**	**81 869**	**81 869**
SAFE note debt securities FVTPL	**–**	**–**	**10 234**	**10 234**
Total assets	**333 963**	**233 999**	**92 103**	**660 065**
2021				
Assets				
Other investments				
– Equity securities (financial instruments)	151 489	263 953	–	415 442
– Debt securities (financial instruments measured at fair value through OCI)	–	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

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 and South African Government Bonds classified as fair value through OCI.

26. Fair value estimation (continued)

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 comprise of unlisted equity investment and debt securities SAFE note in Globacap.

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

Reconciliation: Level 3 recurring fair value measurements

In the prior year, JSE Limited acquired a minority stake for R84 million in GlobaCap Technology Ltd (GlobaCap), an unlisted entity based in the United Kingdom. Management has elected to designate the investment at fair value through OCI, as the investment is a strategic long-term investment not held for returns in the short term.

	31 December 2022 R'000	31 December 2021 R'000
Globacap equity investments		
Opening balance	**86 480**	–
Globacap acquisition	**–**	84 000
Fair value (loss)/gain recognised in OCI during the period (pre-tax)	**(4 611)**	2 480
Closing balance	**81 869**	86 480

Simple Agreement Future Equity SAFE note

In the current year (9 March 2022) the JSE participated in a bridge funding round to the value of £500 000 (R9.6 million). The bridge funding round was raised using a Simple Agreement Future Equity note (SAFE note), a debt instrument convertible to equity. The investment is classified as measured mandatorily at fair value through profit and loss.

	31 December 2022 R'000
Opening balance – 1 January 2022	**–**
SAFE note purchased	**9 625**
Fair value gain recognised in profit or loss during the period	**609**
Closing balance – 31 December 2022	**10 234**

26. Fair value estimation (continued)

Simple Agreement Future Equity SAFE note (continued)

The fair value of both the SAFE note and equity investments were determined using the methodology below. The equity instrument valuation is used as the base in determining the SAFE note value due to the embedded equity option on the SAFE Note. No dividends were received in the current and prior reporting periods.

External, independent valuators were used in performance of the valuation at acquisition.

At 31 December 2022, fair value was measured using 2 valuation techniques:

- A discounted cashflow valuation technique (income approach) using 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.
- A market price valuation approach which encompasses a scenario of high success by GlobaCap, considering the growth plans encompassed in its imminent Series B funding round. The different rights and preferences between the Series A (wherein the JSE acquired its minority stake) and B shares have not been taken into account as they are considered negligible in a highly successful scenario.

Probabilities were applied, using management judgement, to the two valuation methods as follows:

- An 80% weighting has been applied to the discounted cashflow model.
- A 20% weighting has been applied to the market price valuation.

Sensitivities to changes in the weightings are shown below.

The valuation results in a fair value adjustment (largely driven through foreign exchange gains and losses) in other comprehensive income of R4.6 million loss for the equity instrument financial asset and R0.6 million gain recognised in profit and loss for the Safe note financial asset measured at fair value through profit and loss as reflected above.

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 2022 are shown below:

Discounted cashflow model (weighted at 80% probability)

- 10-year free cash flow to equity forecast;
- 20% WACC;
- 48% revenue growth for years 2023 – 2032; and
- 15% operating expense growth rate.

26. Fair value estimation (continued)

Market model – Based on a highly successful scenario for the series B funding round (weighted at 20% probability)

- Estimated funding round price £1.6448 per share

The fair value was calculated as at 31 December 2022.

Sensitivity analysis

Company and Group

Valuation technique		Significant unobservable inputs	Range	Sensitivity of the input to fair value
Non-listed equity instruments designated at fair value through OCI	Discounted cash flow valuation (DCF)	Weighted average cost of capital (WACC)	20% (2021: 20%)	5% (2021: 5%) increase/(decrease) in the WACC would result in a fair value increase/(decrease) of R12.1 million (2021: R27.1 million)
		Revenue growth rate	48% (2021:48%)	3% (2021: 3%) increase/(decrease) in revenue growth rate from 2023 onwards results in a fair value increase/(decrease) of R10.6 million (2021: R21 million)
	Transaction price (market approach)	Estimated transaction price (Implied equity value price)	£1.6448 per share* (2021: nil)	20% (2021: nil) increase/(decrease) in the implied equity price results in a R6 million (2021: Rnil) increase/(decrease) in fair value
	Probability weighting	Weighting of 80% on the DCF value and 20% on the implied equity value	20%/80% (2021: nil)	10% (2021: nil) increase/(decrease) to the implied equity valuation weighting will result in a R11 million (2021: Rnil) increase/(decrease) in fair value
Financial asset measured at Fair value through profit and loss (SAFE note)	Discounted cash flow valuation (DCF)	Weighted average cost of capital (WACC)	20%	5% increase/(decrease) in the WACC would result in a Rnil million increase/(decrease) in fair value due to the SAFE note floor price on conversion
		Revenue growth rate	48%	3% increase/(decrease) in revenue growth rate from 2023 onwards results in a Rnil million increase/(decrease) in fair value due to the SAFE note floor price on conversion
	Transaction price (market approach)	Estimated transaction price (Implied equity value price)	£1.6448 per share*	20% increase/(decrease) in the implied equity price results in a R0.8 million increase/(decrease) in fair value
	Probability weighting	Weighting of 80% on the DCF value and 20% on the implied equity value	20%/80%	10% increase/(decrease) to the implied equity valuation weighting will result in a R1.1 million increase/(decrease) in fair value

* Estimated funding round price £1.6448 per share.

For the sensitivity analysis, it is assumed that any change in the individual inputs will not impacts other assumptions as the inputs are not considered to have significant interrelations.

The fair value of the investment in GlobaCap is based on the premise of the investee continuing to operate on its current trajectory. Given the nature of the investment and the life stage of the investee, the value of the investment will be impacted significantly by the investee's ability/inability to generate funding.

27. Guarantees, contingent liabilities and commitments

27.1 Guarantees

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

JSE Limited issued a letter of undertaking and indemnity to Strate Limited in respect of JSE Investor Services CSDP (Pty) Limited for R12 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.

27.2 Contingent liabilities

No material contingent liabilities existed as at 31 December 2022.

27.3 Commitments

No material commitments existed as at 31 December 2022.

28. Events after reporting date

Strate Proprietary Limited, an associate of the JSE Group acquired 100% stake in Trustlink Proprietary Limited, a swift bureau business, effective 1 January 2023. The transaction did not impact JSE's effective holding of 44.5% and the classification of the investment as an associate. The estimate of the financial effect for this transaction cannot be made as yet.

There have been no other material events that would require adjustment or disclosure in the annual financial statements between 31 December 2022 and the date of Board approval of the annual financial statements.

29. 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 2022 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
8 March 2023

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

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