

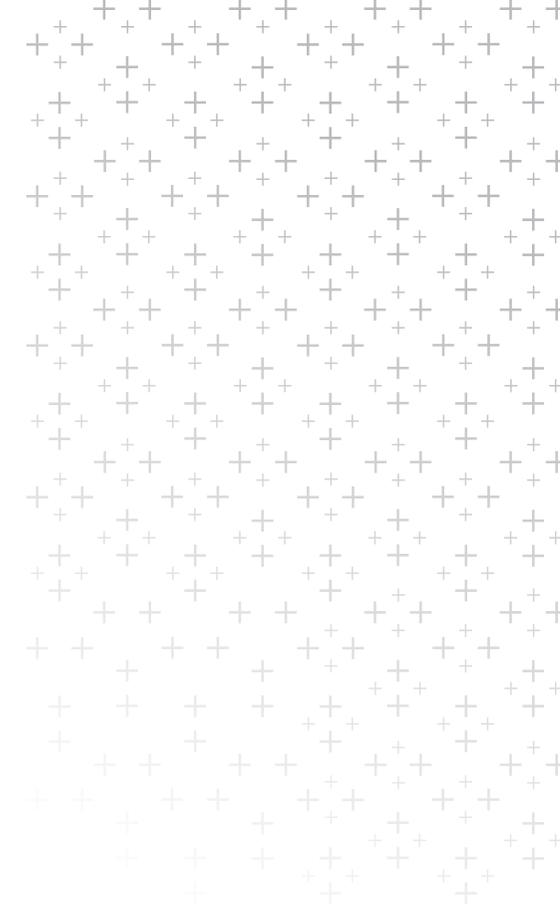
JSE Limited
SUMMARISED CONSOLIDATED
ANNUAL FINANCIAL RESULTS
AND ORDINARY DIVIDEND
DECLARATION

for the year ended 31 December 2020



CONTENTS

Commentary	1
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11



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 CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 31 DECEMBER 2020

Strong performance in core business units underpinned a 19% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to R1.06 billion (2019: R889 million). The JSE’s record revenue during the period largely reflects the impact of increased market volatility. Global financial markets took their cue from pandemic-fuelled uncertainty as well as a historic crash in oil prices. Local markets saw additional volatility with record trading volumes amplified by a sovereign credit rating downgrade, South Africa’s exit from the World Government Bond Index and rand volatility. The Group recognises the substantial human impact of the COVID-19 pandemic as well as its impact on the financial ecosystem. The health and safety of employees, support for clients and the operational resilience of platforms and infrastructure remain key focal points for the Group.

The JSE successfully executed a major upgrade to the core trading platform, continued to invest in information security readiness, and progressed well in delivering its inorganic growth strategy. The Group also made substantial improvements in client and employee engagement, as illustrated by the increase in our net promoter score measured independently.

In the context of a challenging operating environment, we are pleased to share a strong set of financial results for 2020. These results indicate the following:

- » Sustained earnings quality and cash generation – a key component of the JSE’s business model;
- » Uninterrupted market services in the context of unprecedented volatility;
- » Record Group revenue, including a 15% increase in Information Services;
- » Continued investment to drive growth and maintain information technology (IT) robustness in our operations;
- » Positive operating leverage which improves earnings before interest and tax (EBIT) margin;
- » Capital expenditure (CAPEX) in support of operational and cyber resilience;
- » Successful conclusion of the transaction to acquire a majority stake in Link Market Services South Africa (Pty) Limited, and the transaction with Globacap Technology Limited (Globacap) in line with our inorganic growth strategy; and
- » Healthy balance sheet underpins ordinary dividend growth and further inorganic growth in future.

OVERVIEW OF RESULTS

R million (<i>unless stated otherwise</i>)	FY2020	FY2019	% change
Total revenue	2 528	2 229	13%
Operating expenditure (OPEX)	1 718	1 541	11%
EBIT	811	687	18%
EBIT margin	32%	31%	1% pt
EBITDA	1 060	889	+19%
Net profit after tax (NPAT)	778	695	12%
Earnings per share (EPS) (cents)	936.7 cents	814.8 cents	15%
Headline earnings per share (HEPS) (cents)	936.7 cents	814.6 cents	15%
Ordinary dividend per share declared (cents)	725.0 cents	690.0 cents	5%
Cash generated from operations	1 003	880	14%
CAPEX	89	101	(12%)

Total revenue increased by 13% to R2.5 billion (2019: R2.2 billion), with both operating income and total revenue at record highs. This performance was achieved through the following:

- » An increase in market activity and central order book trading, mainly in the Equity Market, which growth was offset by some of the other asset classes. This resulted in a 7% increase in revenue for the Capital Markets segment;
- » Post-Trade Services capitalised on heightened market activity and billable value traded to grow revenue by 14%;
- » Growth in Information Services owing to a combination of new business, positive pricing and foreign exchange (FX) gains;
- » Other income growth, which includes a net increase in FX gains as well as regulatory fines; and
- » R17 million for the first-time consolidation of JSE Investor Services (previously Link SA) for two months.

Operating expenses increased by 11% to R1.7 billion (2019: R1.5 billion). This growth in expenditure relates to JSE and the rest of the Group’s subsidiaries as follows:

- » Personnel costs increased by 3%. The average headcount was 402 (2019: 395) and December 2020 exit headcount was 406 (2019: 392);
- » Depreciation expenses increased by 22% owing to the annualised depreciation impact of Integrated Trading and Clearing (ITaC), the trading system upgrade and the capitalisation of software licences;
- » Technology costs increased by 12% owing to higher spend on risk including cybersecurity, mainframe migration and the trading system upgrade. This was partially offset by lower net spend on contractors and the capitalisation of expenses related to long-term software licences;

Commentary continued

- » General expenses increased by 11% owing to higher market-activity-related costs, external costs for growth initiatives, including due diligence costs and legal and professional fees; and
- » First-time consolidation of JSE Investor Services' operating expenses of R15 million for two months and JSE Empowerment Fund (JEF) Trust of R11 million for the year, contributing to a 2% increase in OPEX.

As a result, EBIT increased by 18% to R811 million (2019: R687 million), supported by positive operating leverage. There was a 1% gain in EBIT margin to 32%. EBITDA increased by 19%. Strong NPAT growth of 12% to R778 million (2019: R695 million) was recorded, despite a decrease in net finance income. Total EPS and HEPS increased by 15%, to 936.7 cents from 814.8 cents and 814.6 cents respectively.

The Group continued to be strongly cash generative, with net cash from operations of R1.03 billion (2019: R880 million), a record high. Total CAPEX was R89 million (2019: R101 million), with the focus mainly on the trading engine upgrade, the new master data reference system and additional colocation racks. We are well positioned to continue our deliberate investment in those areas of our business that we believe to be critical to our long-term sustainability.

The JSE remains therefore in a healthy position with regard to cash and capital, with net cash generation in 2020 resulting in a stable cash balance of R2.5 billion at the end of December (2019: R2.6 billion). Accordingly, the Board of Directors (Board) has declared an ordinary dividend of 725 cents per ordinary share, an increase of 5% over the 2019 ordinary dividend of 690 cents per share. This corresponds to an ordinary dividend pay-out of 83% of distributable profits in 2020 (2019: 87%).

GROUP RESPONSE TO THE COVID-19 PANDEMIC

COVID-19 and its knock-on effects have tested our resilience and capacity and demanded that we rapidly adopt new ways of work in order to deliver on our corporate objectives. The impact on our clients, the financial services sector, our communities and society has been substantial. The JSE demonstrated:

- » Resilience during a period of crisis:
 - Market availability up to 99.95% (2019: 99.76%).
 - Zero system downtime in the Equity Market.
 - Zero failed trades and effective management of short positions.
 - Responsive and timely changes to our Listings Requirements.
 - Successful remote working.
 - Significant investments in IT robustness.
- » Support for our clients:
 - Provided regulatory support.
 - Provided support for distressed companies.

- Offered a fee reduction for trading, clearing, and settlement in companies listed on the JSE AltX and Black Economic Empowerment (BEE) boards.
- Offered a reduction in listing fees for small cap and AltX companies.
- Offered BEE broker support.
- » Support for our employees:
 - Launched leadership and employee empowerment support.
 - Increased and diversified our employee wellness and wellbeing offering.
 - Partnered with Discovery case management to support employees who contracted COVID-19.
- » Aid for social needs:
 - Collaborated with 38 market participants to donate the trading revenues earned over two days across all asset classes to the Solidarity Fund. This initiative raised a total donation of R34.4 million.
 - The Board pledged a portion of its director emoluments to the Solidarity Fund, and was joined by employees, who also contributed a portion of their salaries to the fund.
 - Collaborated with Business Leadership South Africa (BLSA) to assist disadvantaged communities.

BUSINESS HIGHLIGHTS

The JSE achieved a number of operational and strategic objectives in 2020, namely:

- » Maintained our 99% market share by value traded, thanks to deep market liquidity, competitive and responsive relative pricing, robust technology and globally connected trading and post-trade services.
- » Capital Markets:
 - Delivered the upgrade to our core trading platform.
 - Concluded the acquisition of Link SA, now called JSE Investor Services, on 2 November 2020 for a cash consideration of R225 million.
 - Entered into a commercial arrangement with Globacap to progress a digital private placements platform and registry services. The JSE also acquired a minority equity stake in that business for GBP4 million which was completed in January 2021 with a R84 million payment following regulatory approvals.
 - Launched the sustainability segment. The new segment provides a platform for companies to raise debt for green, social and sustainable initiatives in a trusted, global marketplace.
- » Post-Trade Services:
 - Finalised the independent clearing house (ICH) application for submission pending the release of the final application forms by the regulator.
- » Information Services:
 - Entered into an agreement with China Investment Information Services Limited (CIIS), a subsidiary of the Shanghai Stock Exchange, to provide select JSE market data access to local distributors in mainland China, as part of a focused initiative on Asian markets.
 - Launched the FTSE/JSE bond indices.
 - Implemented the reference data solution for cash bonds.

Commentary continued

- » Issuer Regulation:
 - Approved the Debt Listings Requirements amendments. These deal with significant enhancements to corporate governance, with a prominent focus on state-owned entities and disclosure in general in the debt market for the protection of investors.
 - Accepted the London Stock Exchange Group (LSEG) standard listings requirements as the standard for admission to a secondary inward listing on the JSE. The JSE will now accept applicant issuers (eligible for both the Main Board and AltX) with a standard listing on the LSE for purposes of a secondary inward listing on the JSE.
- » Transformation:
 - Achieved Broad-based Black Economic Empowerment (B-BBEE) level 2 status in 2020 (2019: Level 3).

REVENUE PERFORMANCE PER SEGMENT

Capital Markets

- » **Primary Market:** Revenue increased by 3% to R152 million (2019: R147 million). Initial public offerings (IPOs) came under further pressure in 2020, with fewer deals for the year (four in 2020 versus five in 2019) owing to uncertain market conditions. However, we have seen a growing demand for green bonds in emerging markets, driven by private borrowers looking for investments in sustainable energy, cleaner water, transport and smart buildings. There were 20 delistings (2019: 24), which were largely the result of corporate actions and schemes of arrangement in mostly small to mid-sized, illiquid counters. Although the number of listed entities declined, the aggregate market capitalisation of all entities listed on the JSE increased by 2% during 2020 and there was an increase in the listing of exchange-traded notes (ETNs) and warrants. There was R67 billion (2019: R36 billion) of new capital raised in the equity secondary market, with the majority of secondary capital raising coming from large-cap companies.
- » **Equity Market:** Revenue increased by 14% to R493 million (2019: R433 million) owing to a 7% increase in billable value traded and more central order book activity, resulting in higher effective pricing. The JSE's headline All Share Index (ALSI) recovered from a low of -33.5% on 19 March 2020 and ended the year up 4.07%. Colocation activity contributed 50% (2019: 42%) of overall value traded, with 40 racks (2019: 32). Foreigners remained net sellers of equities in 2020.
- » **Equity Derivatives Market:** Revenue increased by 1% to R145 million (2019: R143 million) owing to increased activity and a more diverse product mix. Overall, the Equity Derivatives Market came under pressure in the face of greater market volatility in 2020. Value traded was down 7% owing to weaker activity in the JSE Top 40 Index, which commands the largest percentage of contracts traded, as well as SSFs with dividend risk.

- » **Currency Derivatives Market:** Revenue declined by 3% to R46 million (2019: R47 million) owing to an 8% decline in contracts traded. The currency market has largely been defined by the global events of 2020. During the height of the market crisis in March, bid-offer spreads in the currency market were 40 to 50% higher than their pre-COVID-19 levels. This has started to normalise, but volatility in the rand has contributed to erratic trading activity in this space, where a large portion of the trade is linked to hedging activity in the Equity Market.
- » **Bond and Interest Rate Market:** Revenue increased by 4% to R71 million (2019: R68 million), largely owing to a product mix change, despite nominal bond value declining by 7%. Volatility impacted the Bond Market, resulting in a significant increase in standard trades, driven by COVID-19 challenges, South Africa's exit from the World Government Bond Index and therefore large foreign outflows. In the bond repos market, there has been a definitive shift away from longer-dated positions, reflecting risk-off sentiment. Revenue from the electronic trading platform (ETP) for bonds contributed R8 million (2019: R7 million). Foreigners remained net sellers of bonds.
- » **Commodity Derivatives Market:** Revenue increased by 7% to R87 million (2019: R82 million), largely owing to the product mix. The number of contracts traded remained flat. Value traded grew, driven by the agricultural market which accounted for approximately 98% of volume traded in 2020. Rising export demand and higher global commodity prices, have provided support for domestic prices. South Africa's agricultural sector, which is export oriented, has seen limited disruption from COVID-19, as global agricultural and food trade has generally remained operational.
- » **Company Services:** Revenue decreased by 46% to R6 million (2019: R12 million), largely owing to the closure of JSE-hosted events and in-person training owing to COVID-19. Revenue was largely driven by the JSE's new virtual annual general meeting (AGM) service and virtual training in 2020.

Post-Trade Services

- » Clearing and Settlement revenue increased by 16% to R446 million (2019: R385 million), driven by increased billable value traded and central order book activity in the Equity Market.
- » Back-Office Services (BDA) revenue increased by 13% to R376 million (2019: R333 million) as a result of a 21% increase in the number of transactions and smaller transaction sizes. Around 20% of the BDA revenue mix, linked to dissemination and reports, is not directly linked to transactions.
- » Funds under management grew by 9% to R82 million (2019: R75 million), largely owing to growth in JSE Trustees' cash balances.

Information Services

- » Revenue increased by 15% to R356 million (2019: R310 million), largely driven by new business, annual price increases and FX gains on US dollar denominated revenue.

Other income

- » Other income increased to R82 million (2019: R41 million), mainly owing to issued regulatory fines. (which are non-distributable) and FX gains on US dollar denominated assets. The JSE held USD6.8 million in cash (2019: USD9.4 million) at year-end.

Commentary continued

FINANCIAL PERFORMANCE

Operating expenditure

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

- » Personnel costs increased by 3% to R595 million (2019: R580 million), owing to the following:
 - Gross remuneration, which increased by 4% to R435 million (2019: R418 million).
The headcount as at 31 December was 406 (2019: 392), while the average headcount for 2020 was 402 (2019: 395).
 - The net impact of executive changes, which affected both 2019 (the chief executive officer (CEO) transition) and 2020 (executive changes), was a year-on-year reduction of R20 million.
 - Discretionary bonus of R76 million or 9.7% of NPAT (2019: R64 million or 9.2% of NPAT).
- » Technology costs increased by 12% to 320 million (2019: R285 million), largely owing to the following:
 - Increased spend on resilience including cybersecurity of R35 million (2019: R14 million).
 - Increased BDA costs of R15 million, largely due to the mainframe migration including parallel costs due to COVID-19 impact on project timing.
 - Project-related infrastructure and support costs for the trading engine upgrade, mainframe migration, and the first full-year impact of ITaC support and maintenance of R24 million.
- » Depreciation and amortisation increased by 22% to R247 million (2019: R202 million). The increased depreciation and amortisation can largely be attributed to the first full-year impact of ITaC amortisation of R22 million and a R25 million impact of new contracts for long-term software licences, capitalised as intangible assets, and the trading platform upgrade of R5 million.
- » General expenses increased by 11% to R528 million (2019: R474 million) owing to the following:
 - Transaction costs of R29 million (2019: R6 million) for JSE Investor Services (Pty) Limited (JIS) and Globacap.
 - *Strate ad valorem* fees, SWIFT charges and clearing and settlement fees increased by R16 million.
- » An allocation of R11 million by the JEF Trust for bursaries awarded.
- » JIS costs of R15 million (2019: R0 million): largely personnel expenses, general expenses and amortisation of intangible assets.

Net finance income

Net finance income decreased owing to the lower yields (following multiple repo rate reductions by the South African Reserve Bank (SARB) during the course of 2020) on JSE cash balances, partially offset by the growth in margin deposits from JSE Clear.

Cash flows and CAPEX

The Group continues to be strongly cash generative, with net cash from operations of R1.03 billion (2019: R880 million).

Total CAPEX was R89 million (2019: R101 million), with the focus mainly on the trading engine upgrade, the new master data reference system and additional colocation racks. Cash from investing activities also included the investment into Link SA of R225 million on 2 November 2020.

As a result, cash and cash equivalents at 31 December 2020 were broadly stable and amounted to R2.5 billion (2019: R2.6 billion).

All planned investments and 2021 capital requirements can be funded from the Group's own resources.

REGULATION

In compliance with the Financial Markets Act, 19 of 2012 (FMA) the JSE and JSE Clear are required to hold regulatory capital. At the reporting date, the Board believes that both the JSE and JSE Clear are sufficiently capitalised.

FUTURE FOCUS

The implementation of the core trading engine upgrade, and the new JSE Investor Services business, along with the Globacap transaction, have created a strong base on which to build and grow the business. We will continue to focus on the rejuvenation of our infrastructure and systems with investment in robustness and stability. Revenue growth will be derived from new products and services in our Capital Markets and Information Services business. Our inorganic growth initiatives will focus on the areas of issuer services and data in order to diversify revenue streams, with a focus on annuity income. Cost control will remain a key focus area. Innovation, acquisitions and fresh approaches to capital formation will be key themes.

PROSPECTS

We are mindful of the balance between growing the business and maintaining the business. With this in mind, we will execute our strategy with speed and discipline and continue to rapidly improve our service offerings and technology to serve our clients with consistent excellence. As such, the JSE remains committed to providing a trusted market infrastructure.

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

Commentary continued

DECLARATION OF ORDINARY DIVIDEND

The Board has declared an ordinary dividend for the year ended 31 December 2020, as follows:

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	725 cents	20%	580 cents

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

The ordinary dividend of 725 cents per share for 2020 represents a 5% increase on the 690 cents per share paid in 2019, congruent with the Group's policy to progressively grow the nominal value of the ordinary dividend over time, subject to retaining cash for regulatory capital and investments, including acquisitions.

The Board resolved to adjust the Group's dividend policy to reflect a dividend cover ratio of 1.5x – 1x earnings (a pay-out ratio of 67% – 100% of current earnings (previously 40% – 67%)). This pay-out range reflects the fact that cash generated exceeds NPAT, largely as a consequence of the technology investments in previous years. This trend is expected to continue for the next few years.

The dividends have been declared from current profits, and the Group remains sufficiently capitalised. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the JSE at the close of business on Friday, 26 March 2021. 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 dividend are applicable:

Dividend paid in year in respect of financial year ended	31 December 2020	31 December 2019
Ordinary dividend per share	725 cents	690 cents
Special dividend per share	0 cents	150 cents
Total rand value	R630 million	R730 million
Declaration date	Thursday, 25 February 2021	Monday, 24 February 2020
Last date to trade JSE shares <i>cum</i> dividend	Tuesday, 23 March 2021	Tuesday, 24 March 2020
JSE shares commence trading ex-dividend	Wednesday, 24 March 2021	Wednesday, 25 March 2020
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	Friday, 26 March 2021	Friday, 27 March 2020
Dividend payment date	Monday, 29 March 2021	Monday, 30 March 2020

Share certificates may not be dematerialised or rematerialised from Wednesday, 24 March 2021 to Friday, 26 March 2021, both days inclusive. On Monday, 29 March 2021, 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, 29 March 2021. 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.

CHANGES TO THE BOARD

During 2020 we announced the following changes to the Board:

Retirements at the AGM

- » Mr David Lawrence (non-executive director) and Dr Michael Jordaan (independent non-executive director) both stepped down from the Board at the AGM held on 25 June 2020. David retired in terms of the Board's tenure policy after having served for the maximum 12 years. Michael served for six years on the Board and retired owing to other business commitments. The Board is grateful to them both for their commitment and contribution to the Group over an extended period.

Resignations

- » Ms Fatima Daniels (independent non-executive director) resigned from the Board effective 8 July 2020.

Appointments

- » Ms Siobhan Cleary was appointed as an independent non-executive director effective 1 February 2020, and this appointment was confirmed by shareholders at the AGM held on 25 June 2020.
- » Mr Ian Kirk was appointed as a non-executive director effective 1 October 2020, and will stand for election by shareholders at the AGM to be held on 3 June 2021, as required by the provisions of the Company's memorandum of incorporation.

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

Commentary continued

APPRECIATION

The past year was a demanding one for the JSE, its people and its market participants. As we reflect on the year and look forward to 2021, we would like to thank all JSE employees for their energy, resilience and dedication. We are clear about our 2021 priorities and hence the issues that we need to tackle to improve our operational resilience, to achieve our 2022 strategy and to grow this business sustainably.

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

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 2020. The preparation of the JSE's annual results has been supervised by the chief financial officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act, 2008, as amended (the Companies Act). This report is extracted from the audited information, but is itself not audited. The directors take full responsibility for the preparation of this report and warrant that the financial information has been correctly extracted from the underlying audited annual financial statements.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate audited annual financial statements of the JSE as identified under preparation of annual results announcement, were approved by the Board on 25 February 2021 and signed by:



N Nyembezi

Chairman



L Fourie

Group CEO

One Exchange Square, 2 Gwen Lane, Sandown, South Africa
(Private Bag X991174, Sandton, 2146, South Africa)
Tel: +27 11 520 7000
Fax +27 11 520 8584

The Meeting Specialist (Pty) Limited

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

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

25 February 2021

ABOUT THE JSE

The JSE is a self-regulatory, multi-asset class stock exchange that offers listings, trading, clearing and settlement (post-trade), 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 2020

	Notes	Group	
		2020 R'000	2019 R'000
Continuing operations			
Revenue	9	2 446 368	2 187 247
Other income		82 013	41 459
Personnel expenses	10	(600 838)	(580 200)
Other expenses	11	(1 112 558)	(961 173)
Expected credit loss (ECL) impairments		(4 347)	61
Profit from operating activities		810 638	687 394
Finance income		2 434 182	2 963 057
Finance costs		(2 234 354)	(2 749 975)
Net finance income		199 828	213 082
Share of profit from associate (net of income tax)		54 351	47 683
Profit before income tax		1 064 816	948 159
Income tax expense	12	(283 331)	(248 180)
Profit for the year from continuing operations		781 485	699 979
Discontinued operations			
Loss after tax for the year from discontinued operations		(2 842)	(4 867)
Profit for the year		778 643	695 112
Attributable to:			
Equity holders of the parent company		778 389	695 112
Non-controlling interests		254	–
		778 643	695 112
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)		38 505	27 565
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit and loss in subsequent periods (net of income tax)		955	555
Other comprehensive income for the year, net of income tax		39 460	28 120
Total comprehensive income for the year from continuing operations		818 103	723 232
Attributable to:			
Equity holders of the parent company		817 849	723 232
Non-controlling interests		254	–
		818 103	723 232
Earnings per share from continuing operations			
Basic earnings per share (cents)	13.1	940.1	820.5
Diluted earnings per share (cents)	13.2	934.3	816.7
Earnings per share from discontinued operations			
Basic earnings per share (cents)	13.1	(3.4)	(5.7)
Diluted earnings per share (cents)	13.4	(3.4)	(5.7)
Total earnings per share			
Basic earnings per share (cents)	13.1	936.7	814.8
Diluted earnings per share (cents)	13.4	930.9	811.0

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

Consolidated statement of financial position

for the year ended 31 December 2020

		Group	
		2020	2019
		R'000	R'000
	Notes		
Assets			
Non-current assets			
Property and equipment		1 870 773	1 715 640
Intangible assets	14	139 927	183 541
Investment in associate		820 656	593 333
Other investments		319 907	292 786
Loan to the JEF Trust		377 302	338 759
Right-of-use assets		–	25 197
Deferred taxation		177 458	212 559
		35 524	69 465
Current assets			
Trade and other receivables		49 754 227	38 511 575
Income tax receivable		474 706	520 339
JSE Clear Derivatives Default Fund collateral deposit		6 269	5 277
Indemnification asset	16	500 000	500 000
Margin deposits		4 680	–
Collateral deposits		46 308 480	34 849 591
		880	59 034
Cash and cash equivalents			
		2 459 212	2 577 334
Total assets		51 625 000	40 227 215
Equity and liabilities			
Total equity			
Stated capital		4 154 288	3 969 631
Reserves		(32 514)	(17 726)
Retained earnings		676 578	548 267
		3 472 638	3 439 090
Equity attributable to equity holders of the parent			
Non-controlling interests	17	4 116 702	3 969 631
		37 586	–
Non-current liabilities			
Employee benefits		273 842	317 506
Deferred taxation		5 952	5 436
Lease liability		–	3 875
Deferred income		252 938	293 101
Long-term liabilities		13 401	6 803
		1 551	8 291
Current liabilities			
Deferred income		47 196 870	35 940 078
Trade and other payables		970	–
Income tax payable		305 457	485 586
Employee benefits		3 485	–
Lease liability		132 036	109 398
JSE Clear Derivatives Default Fund collateral contribution		40 882	36 469
Other liability	16	400 000	400 000
Margin deposits		4 680	–
Collateral deposits		46 308 480	34 849 591
		880	59 034
Total equity and liabilities		51 625 000	40 227 215

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Total reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Group								
Balance at 1 January 2019	(18 378)	435 027	76 712	511 739	3 475 080	3 968 441	–	3 968 441
Profit for the year from continuing operations	–	–	–	–	699 979	699 979	–	699 979
Other comprehensive income	–	28 120	–	28 120	–	28 120	–	28 120
Total comprehensive income for the year from continuing operations	–	28 120	–	28 120	699 979	728 099	–	728 099
Loss for the year from discontinued operations	–	–	–	–	(4 867)	(4 867)	–	(4 867)
Long-Term Incentive Scheme (LTIS) 2010 Allocation 6 – shares vested	11 071	–	(11 071)	(11 071)	–	–	–	–
LTIS 2010 Allocation 7 – shares vested	20 884	–	(20 884)	(20 884)	–	–	–	–
Bonus shares vested	–	–	(5 831)	(5 831)	–	(5 831)	–	(5 831)
Distribution from the JSE Debt Guarantee Fund Trust ¹	–	(4 484)	–	(4 484)	4 484	–	–	–
Dividends paid to owners	–	–	–	–	(728 140)	(728 140)	–	(728 140)
Equity-settled share-based payment	–	–	43 232	43 232	–	43 232	–	43 232
Transfer of profit to investor protection fund	–	7 446	–	7 446	(7 446)	–	–	–
Treasury shares	(30 833)	–	–	–	–	(30 833)	–	(30 833)
Treasury shares – share issue costs	(470)	–	–	–	–	(470)	–	(470)
Total contributions by and distributions to owners of the Company recognised directly in equity	652	2 962	5 446	8 408	(735 969)	(726 909)	–	(726 909)
Balance at 31 December 2019	(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 from continuing operations	–	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	–	–	–
Transfer of reserves and dividends paid	–	17 889	–	17 889	(728 621)	(710 732)	–	(710 732)
Equity-settled share-based payment	–	–	22 300	22 300	–	22 300	–	22 300
Transfer of profit to investor protection fund	–	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	37 333
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	(636 288)
Balance at 31 December 2020	(32 514)	601 191	75 387	676 578	3 472 638	4 116 701	37 586	4 154 287

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, R2.8 million (December 2019: R4.5 million) before intercompany adjustments was transferred to the JSE to defray market regulatory expenditure.

* Debit balance due to own shares held as part of the LTISs.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	Group	
		2020 R'000	2019 R'000
Cash flows from operating activities			
Cash generated by operations		1 112 575	899 022
Finance income		2 495 975	2 985 866
Finance costs		(2 325 154)	(2 764 870)
Dividends received		2 119	4 649
Taxation paid		(282 755)	(244 223)
Net cash generated by operating activities		1 002 760	880 444
Cash flows from investing activities			
Proceeds on sale of other investments		16 903	22 840
Acquisition of other investments		(15 984)	(26 919)
Dividends from associate		27 230	24 795
Proceeds from disposal of property and equipment		50	351
Leasehold improvements		(1 653)	(73)
Acquisition of intangible assets		(185 133)	(72 342)
Acquisition of property and equipment		(20 121)	(32 686)
Acquisition of a subsidiary, net of cash acquired	16	(216 111)	-
Take-on of JEF Trust as subsidiary	18	75 004	-
Net cash used in investing activities		(319 815)	(84 034)
Cash flows from financing activities			
Acquisition of treasury shares		(51 012)	(68 152)
Proceeds on sale of treasury shares		7 037	36 849
Lease liabilities repaid		(40 407)	(28 835)
Dividends paid		(710 732)	(728 140)
Net cash used in financing activities		(795 114)	(788 278)
Net increase in cash and cash equivalents		(112 169)	8 132
Cash and cash equivalents at 1 January		2 577 334	2 573 936
Effect of exchange rate fluctuations on cash held		(5 953)	(4 734)
Cash and cash equivalents at 31 December 2020		2 459 212	2 577 334

Notes to the consolidated financial statements

for the year ended 31 December 2020

1. Reporting entity

JSE Limited (the “JSE” or the “Company”) is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the 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 2020 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the “Group” and individually as “Group entities”) and reflect the Group’s interest in associates.

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

2. Basis of preparation

Statement of compliance

The Group and Company financial statements have been prepared in accordance with IFRS, the SAICA financial reporting guides as issued by the Accounting Practice Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The summarised consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

3. Changes in accounting policies

All accounting policies applied by the Group in these summarised consolidated financial statements are in terms of IFRS and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020. All accounting policies are consistent with the prior year.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the 12 months ended December 2019.

5. Use of estimates and judgements

The preparation of financial statements are 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.

6. Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021.

7. Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. JIS is separately managed and therefore separately disclosed as a segment.

8. COVID-19 impact

Since 31 December 2019, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses world-wide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The services rendered by the Group were declared an essential service. The Group has operated throughout the lockdown period with staff working remotely, and operations have not been adversely affected. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Group has not had to access the relief measures available from government.

Significant levels of market activity were observed in financial markets across the world in March, amid the spread of the COVID-19 pandemic which created a short-term surge in the Group’s revenues.

The Group’s business model is entrenched in the financial ecosystem. Market volatility, and the volumes and values traded in the market, have a direct impact on the Group’s financial performance. During Q1 2020, the fair value of the Group’s investor protection investments declined by R52 million but rebounded in Q2 with a net increase of R67 million for that period. The rest of the year saw a net increase of R39 million as at 31 December 2020.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

8. COVID-19 impact (continued)

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

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

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

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 2020

9. Operating segments and revenue

	Group	
	2020 R'000	2019 R'000
Revenue comprises:		
Capital Markets		
Bond ETP	8 048	7 302
Collocation fees	21 004	19 133
Commodity Derivatives fees	87 332	81 925
Company Services fees	6 412	11 892
Currency Derivatives fees	45 619	46 925
Equity Derivatives fees	144 832	142 881
Equity Market fees	493 284	432 772
Interest Rate Market fees	62 482	60 421
Primary Market fees*	151 906	146 952
Post-Trade Services		
Clearing and Settlement fees	445 715	384 888
Back-Office Services (BDA)	376 044	333 313
Funds under management	81 517	75 027
Information Services		
Index fees	52 608	49 081
Market Data fees	303 031	261 195
Revenue from JSE Investor Services	17 071	–
Total revenue excluding Strate <i>ad valorem</i> fees – cash equities and bonds	2 296 905	2 053 707
Strate <i>ad valorem</i> fees – cash equities	133 195	118 425
Strate <i>ad valorem</i> fees – bonds	16 268	15 115
	2 446 368	2 187 247

* An amount of R0.6 million (2019: R0.2 million) was recognised in Primary Market fees relating to initial listing fees for the current year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

10. Personnel expenses

	Group	
	2020 R'000	2019 R'000
Remuneration paid	561 621	523 075
Gross amount paid	574 172	531 594
Less: Capitalised to intangible assets	(12 551)	(8 519)
Long-term incentive schemes*	39 217	57 125
	600 838	580 200

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

11. Other expenses

	Group	
	2020 R'000	2019 R'000
Amortisation of intangible assets	140 181	93 892
Auditor's remuneration*	6 462	4 833
Consulting fees	13 456	5 092
Depreciation	108 986	107 949
Enterprise development	9 578	6 296
Investor protection levy	38 719	37 229
Other expenses	299 389	282 744
Strate <i>ad valorem</i> fees	147 611	132 099
Technology costs	319 601	284 890
Transaction costs	28 575	6 149
	1 112 558	961 173

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

12. Income tax expense

The Group's consolidated effective tax rate for the year ended 31 December 2020 was 27% (2019: 26%).

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

13. Earnings and headline earnings per share

	Group	
	2020 R'000	2019 R'000
13.1 Basic earnings per share		
Profit for the year attributable to ordinary shareholders	781 231	699 979
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	(3 778 968)	(1 564 972)
Weighted average number of ordinary shares at 31 December	83 098 632	85 312 628
Basic earnings per share (cents) from continuing operations	940.1	820.5
Basic earnings per share (cents) from discontinued operations	(3.4)	(5.7)
Total basic earnings per share (cents)	936.7	814.8
13.2 Diluted earnings per share for continuing operations		
Profit for the year attributable to ordinary shareholders	781 231	699 979
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	83 098 632	85 312 628
Effect of LTIS Share Scheme	529 563	400 855
Weighted average number of ordinary shares (diluted)	83 628 195	85 713 483
Diluted earnings per share (cents)	934.3	816.7
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.		
13.3 Headline earnings per share		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	781 231	699 979
Adjustments are made to the following:		
– Gross amount	(26)	(189)
Profit or loss on disposal of property and equipment	(37)	(262)
– Taxation effect	10	73
Headline earnings	781 205	699 790
Headline earnings from discontinued operations	(2 842)	(4 867)
Headline earnings per share (cents) from continuing operations	940.1	820.3
Headline earnings per share (cents) from discontinued operations	(3.4)	(5.7)
Total headline earnings per share (cents)	936.7	814.6
13.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents) from continuing operations	934.1	816.4
Diluted headline earnings per share (cents) from discontinued operations	(3.4)	(5.7)
Total diluted headline earnings per share (cents)	930.7	810.8

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

14. Intangible assets

Included in intangible assets of R821 million (2019: R593 million), are goodwill of R133 million and customer relationships of R133 million related to the acquisition of JSE Investor Services (Pty) Ltd (refer to note 16), software under development of R28.2 million (2019: R29.5 million), mainly in respect of STT Diesel project, RTC Release 1, Bond repos to MTS and FX Auction Automation.

15. Share-based payments

(i) Vesting of Allocation 7 Tranche 2 shares during the period under review

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

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

In respect of Tranche 2, the Board assessed performance over the four-year vesting term against pre-set financial and strategic targets and determined that 54.73% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 March 2020. The remainder of the Tranche 2 (being 85 466 shares) were forfeited by participants.

As at 31 December 2020, details of Tranche 2 were as follows:

	Corporate performance shares
Tranche 2 – fully vested	
Original number of Tranche 2 shares awarded in October 2016	171 045
Forfeited by leavers to date	(27 730)
Tranche 2 shares forfeited for missing performance targets	(55 544)
Accelerated for good leavers to date	(50 735)
Tranche 2 shares vested on 1 March 2020	(37 036)
Tranche 2 shares outstanding	–

As at 31 December 2020, details of Tranche 2 were as follows:

Tranche 2 – fully vested	
Original number of Tranche 2 shares awarded in November 2016	4 842
Tranche 2 shares forfeited for missing performance targets	(2 192)
Tranche 2 shares vested on 1 March 2020	(2 650)
Tranche 2 shares outstanding	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

15. Share-based payments (continued)

Corporate
performance
shares

(ii) Vesting of Allocation 8 Tranche 1 shares during the period under review

The eighth award ("Allocation 8") under LTIS 2010 was granted in March 2017 with the following vesting profile:

Tranche 1: 50% of the shares awarded vest on 1 March 2020

Tranche 2: 50% of the shares awarded vest on 1 March 2021

In respect of Tranche 1, the Board assessed performance over the three-year vesting term against the pre-set financial and strategic targets and determined that 47.6% of these Tranche 1 shares vested for those participants still in the employ of the JSE on 1 March 2020.

Tranche 1 – fully vested

Original number of Tranche 1 shares awarded in March 2017	145 265
Forfeited by leavers to date	(30 740)
Tranche 1 shares forfeited for missing performance targets	(51 360)
Accelerated for good leavers to date	(34 410)
Tranche 1 shares vested on 1 March 2020	(28 755)

Tranche 1 shares outstanding

–

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2010 is as follows:

	2020 Rm	2019 Rm
Allocation #6 (granted in June 2015)	–	0.4
Allocation #7 (granted in October 2016)	(1.5)	1.8
Allocation #8 (granted in March 2017)	(0.5)	7.5
	(2.0)	9.7

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

15. Share-based payments (continued)

Allocation #3 under LTIS 2018

The third award ("Allocation 3") under LTIS 2018 was granted in March 2020 with the following vesting profile:

	Corporate performance shares
Share price at grant date (rand per share)	102.73
Total number of shares granted	494 170
Dividend yield (%)	3
Grant date	13 March 2020
Vesting profile:	
50% of the shares awarded vest on 1 March 2023 (Tranche 1)	247 085
50% of the shares awarded vest on 1 March 2024 (Tranche 2)	247 085

The shares forfeited by leavers to date are 21 664 (Tranche 1 and Tranche 2). The total shares outstanding at year-end are 472 506.

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:

	2020 Rm	2019 Rm
Allocation #1 (granted in September 2018)	7.4	20.1
Allocation #2 (granted in March 2019)	9.1	15.1
Allocation #3 (granted in March 2020)	7.6	–
	24.1	35.2

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

16. Business combination

16.1 Summary of acquisition

On 2 November 2020, the Group acquired 74.85% of the voting shares of Link Market Services South Africa (Pty) Limited (Link SA), subsequently renamed JSE Investor Services (Pty) Limited, from Link Market Services Holdings, a company incorporated in Australia. The remaining shareholding of 25.15% is held by LMS Partner Holdings (Pty) Limited, the Black Economic Empowerment (BEE) partner of Link SA. Link SA was subsequently renamed JSE Investor Services (Pty) Limited, and is a share register business in South Africa with a client base that includes six of the top 40 issuers.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets.

The cash consideration was based on an enterprise value of R300 million, with the JSE's consideration amounting to R224.5 million excluding the amounts payable for balances acquired as detailed below. The total purchase consideration paid inclusive of the balances acquired amounted to R243.6 million.

	2020 R'000
Purchase consideration – cash outflow	
Cash consideration paid for 74.85%	224 550
Plus/(less): Balances acquired	
Link Australia Debt (Intercompany debt)	12
Cash	19 061
Total purchase consideration paid for 74.85% by the JSE	243 623
Minus: Take-on cash balance at acquisition	(27 512)
Net outflow of cash for the Group – investing activities	216 111

Acquisition-related costs of R15.8 million that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

16. Business combination (continued)

16.1 Summary of acquisition (continued)

	Fair value 2020 R'000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	27 512
Trade and other receivables	19 933
Deposits	432
Current tax receivable	3 901
Other assets	819
Intangible assets	12 425
Indemnified asset	4 680
Plant and equipment	2 022
Right-of-use asset	4 674
Deferred tax asset	1 258
Customer relationship intangible asset	133 828
Trade and other payables	(14 041)
Other liability	(4 680)
Lease liabilities (current)	(2 479)
Lease liabilities (non-current)	(4 086)
Deferred tax liability	(37 761)
Net identifiable assets acquired	148 439
Less: non-controlling interests	(37 332)
Add: Goodwill	132 517
Net assets acquired	243 623

The fair value of trade receivables, other assets and property, plant and equipment are the gross amounts of the assets. It is expected that the full trade receivable balance can be collected. The estimated ECLs on these receivables are immaterial.

Customer relationships have been separately identified and recognised. Customer relationships established through contracts are deemed identifiable as they meet the contractual-legal criterion. However, customer relationships where there is no contract in place have also been recognised as they are considered to be separable and therefore meet the criteria for recognition as an intangible asset under IAS 38. The fair value of the customer relationships have been estimated by applying a discounted earnings technique.

The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

1. an assumed discount rate of 17.9% was used after adding a premium of 1.5% to the Company weighted average cost of capital (WACC) of 16.4%;
2. an expected useful life of 15 years with no terminal value. The useful life is based on the stability of the current customer base, the average number of years that the customer contract or relationship has already been in place, as well as the low level of customer attrition experienced in past financial period; and
3. annual growth and attrition rates have been factored into the cash flows.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

16. Business combination (continued)

16.1 Summary of acquisition (continued)

Intangible assets include purchased software of R12 million which provide the necessary functionality for JSE Investor Services (Pty) Limited to conduct the business of a transfer secretary in South Africa and interface with statutory bodies and business partners. The fair value of the software was determined based on valuations performed by an independent valuator based on an agreed price by the seller.

The purchase of the software has been facilitated by the Company providing JSE Investor Services (Pty) Limited with a loan of R12 million. The loan pays interest at Prime and is repayable by the Company within 12 months of the completion date.

The deferred tax liability mainly comprises the tax effect of the customer relationships recognised.

The goodwill arising on acquisition of R133 million comprises the expected synergies arising from the acquisition, including the opportunities to generate new revenue for both JSE Investor Services (Pty) Limited and its subsidiaries, as well as the anticipated adjustments to the cost structures of these companies following the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

A liability exists in respect of legal proceedings instituted on 18 June 2018 against JSE Investor Services (Pty) Limited (JIS) (formerly Link SA) and its subsidiary JSE Investor Services CSDP (Pty) Limited (JIS CSDP) (formerly Link Investor Services) (Pty) Limited in respect of the value of client shares, which were fraudulently claimed. The liability arises based on JIS being liable if the insurer does not accept and settle the claim. JSE Investor Service (Pty) Limited has lost scrip indemnity insurance in place and the insurer has accepted the claim post-acquisition but official settlement is yet to take place. The insurer's attorneys are working in conjunction with our legal counsel to settle the matter with the plaintiff. The JSE raised a corresponding indemnity asset as any claim against JIS in respect of the claim above is covered by the specific client indemnity provisions within the share sale agreement entered into between Link Australia and the JSE. Management is of the view that JIS CSDP was neither responsible nor negligent in respect of the lost scripts and that no exposure exists for JIS as lost scrip indemnity insurance was in place.

The Company utilised cash resources as consideration for the 74.85% interest in JSE Investor Services (Pty) Limited.

There is no contingent consideration payable.

There were no additional acquisitions in the year ending 31 December 2020.

16.2 Acquired receivables

The fair value of acquired trade receivables is R14.6 million. The gross contractual amount for trade receivable due is R14.8 million of which R0.2 million is expected to be uncollectible.

16.3 Revenue and profit contribution

The acquired business contributed revenues of R17 million and net profit of R1 million to the Group for the period from 2 November 2020 to 31 December 2020. If the acquisition had taken place at the beginning of the year, revenue contributed from continuing operations would have been R141 million and profit before tax would have been R36 million.

These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

17. Material partly owned subsidiaries

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

	2020 R'000	2019 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	–
The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.		
Summarised statement of comprehensive income for the period as at 31 December 2020:		
Revenue from contracts with customers	17 071	–
Personnel and other expenses	(9 275)	–
Administration expenses	(5 792)	–
Finance costs	(320)	–
Finance income	85	–
Profit before tax	1 769	–
Income tax	(761)	–
Profit for the period	1 008	–
Attributable to:		
Equity holders of parent	755	–
Non-controlling interest	254	–
Summarised statement of financial position as at 31 December 2020:		
Total assets	72 919	–
Total current assets	53 877	–
Total non-current assets	19 042	–
Total liabilities	(31 828)	–
Total current liabilities	(28 164)	–
Total non-current liabilities	(3 664)	–
Total equity	(41 091)	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

17. Material partly owned subsidiaries (continued)

	2020 R'000	2019 R'000
Proportion of equity interest held by non-controlling interests:		
Summarised cashflow information for the period as at December 2020:		
Operating activities	6 123	
Investing activities	–	
Financing activities	(803)	
Net increase in cash and cash equivalents	5 320	

18. JEF Trust

The JEF Trust is a structured entity which is consolidated in terms of IFRS 10. The factors that indicate that the JSE controls the JEF Trust in terms of IFRS 10 include that the fund was set up for the benefit of the JSE, the JSE has significant powers relating to the appointment of the Chairman and Trustees and has the ability to direct relevant activities that affect returns to the JSE*.

19. Leases

	Group	
	2020 R'000	2019 R'000
Impact on the statements of financial position as at 31 December 2020		
Assets		
Right-of-use assets at initial application 1 January	251 624	251 564
Right-of-use assets acquired through acquisition of subsidiary	4 674	–
Accumulated depreciation	(78 840)	(39 005)
Total assets*	177 458	212 559
<i>* The majority of the right-of-assets relate to property and small insignificant portion to hardware.</i>		
Lease liabilities		
Current portion	40 882	36 469
Non-current portion	252 938	293 101
Total liabilities	293 820	329 570

* The JEF Trust was an unconsolidated structured entity in 2019 and was not consolidated in prior years mainly due to the impact on the Group financial statements not being deemed material by management.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

19. Leases (continued)

	Group	
	2020 R'000	2019 R'000
The following amounts are recognised in the statement of comprehensive income for the year ending 31 December 2020		
Depreciation	(39 243)	(39 005)
IAS 17 rent expense	–	59 519
Profit/(loss) from operating activities	(39 243)	20 514
Finance cost	(27 889)	(30 685)
Impact of income tax expense	–	2 848
Impact on profit for the year	(67 133)	(7 323)
Changes in liabilities arising from financing activities		
Opening balance 1 January 2020	329 570	–
Adoption of IFRS 16	–	358 404
Acquisition of subsidiary	6 565	–
Loan repayments for the year	(70 264)	(59 519)
Interest charges for the year	27 949	30 685
Balance 31 December 2020	293 820	329 570

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. IFRS 16 was adopted in the 2019 financial year.

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 2020

20. 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); and
- » 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
2020				
Assets				
Other investments				
– Equity securities (financial instruments)	122 719	222 299	–	345 018
– Debt investments (financial instruments)	–	32 283	–	32 283
Total assets	122 719	254 582	–	377 301
2019				
Assets				
Other investments				
– Equity securities (financial instruments)	121 045	184 220	–	305 265
– Debt investments (financial instruments)	–	33 493	–	33 493
Total assets	121 045	217 713	–	338 758

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

21. 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

A commitment existed at year-end related to the investment in Globacap detailed in note 22 below.

22. Events after reporting date

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

During 2020, the JSE entered into a commercial arrangement with Globacap to establish a blockchain-enabled private placements platform to enable the raising of infrastructure finance and to allow small to medium-sized issuers to raise capital in South Africa. In support of the commercial arrangement and in line with the JSE's intention to build a longer-term strategic relationship, the JSE invested GBP4 million in Globacap for a minority equity stake. The investment was subject to the fulfilment of a number of conditions precedent, including approval from the Financial Conduct Authority in the UK. All the conditions were fulfilled in January 2021 and the purchase at a price of R84 million was concluded on 14 January 2021. The investment was funded from the Group's existing cash reserves.

No other material events that would require adjustment or disclosure in the annual financial statements have occurred between 31 December 2020 and the date of this report.

23. 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 2020 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.

One Exchange Square, 2 Gwen Lane, Sandown, South Africa

Private Bag X991174, Sandton, 2146, South Africa

Tel: +27 11 520 7000; Fax +27 11 520 8584

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

25 February 2021

