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

for the year ended 31 December 2021

JSE

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

JSE LIMITED
FY 2021 RESULTS

2nd March 2022

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NOTES

AGENDA

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NOTES

KEY HIGHLIGHTS

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NOTES

2021 at a glance

- Revenue growth from higher value traded in H2 2021 and full year contribution from JIS*
- Strong cost discipline with OPEX growth below inflation
- EBITDA in excess of R1bn, stable YoY and growing double digit YoY in H2
- Successfully integrated new entities, JIS gaining traction
- All-time low interest rates impacting net finance income
- Continued high cash generation and increased dividend payout
- Business diversification initiatives focused on new products and solutions
- Well capitalised Group & healthy balance sheet

* Footnote.

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*JSE Investor Services

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NOTES

2021 key financial highlights

Operating revenue	Operating costs	EBITDA	EBITDA margin
+3%	**+4%**	**Flat**	**41%**
to R2.5bn (2020: R2.4bn)	at R1.8bn (2020: R1.7bn)	at R1.06bn (2020: R1.06bn)	(2020: 42%)

Net finance income	EPS & HEPS	Cash conversion ratio	Ordinary dividend pay-out ratio*
-27%	**-7% & -6%**	**101%**	**92%**
to R146m (2020: R200m)	to 874.1 and 878.9 cents respectively (2020: 936.7 cents)	(2020: 104%)	(2020: 83%)

* Footnote.

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*Total dividend payout ratio of 104%, includes special dividend

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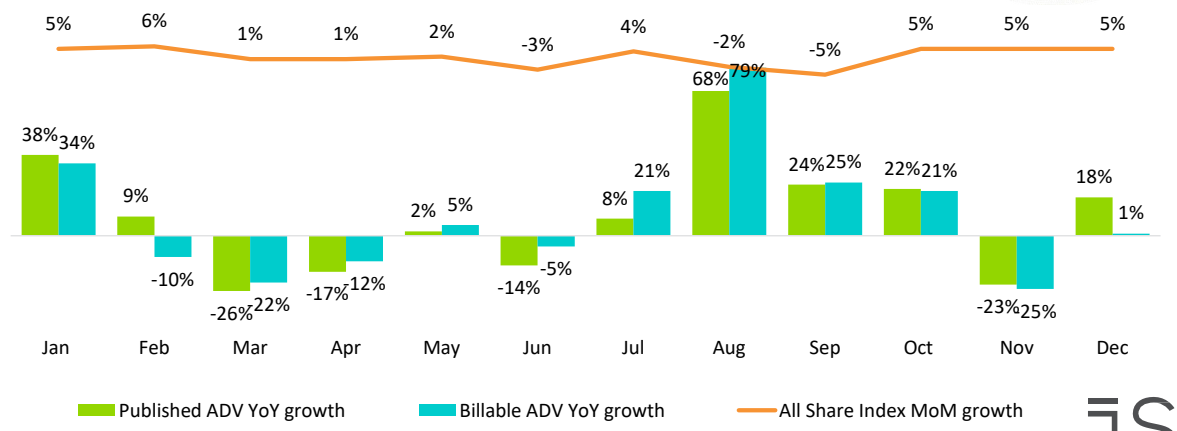
NOTES

Pickup in H2 2021 average daily value traded

H1 ADV ↓ 5% to R29bn (2020: R30bn), H2 ADV ↑ 20% to R31bn (2020: R26bn), FY ↑ 7% to R30bn (2020: R28bn)



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ADV – Average Daily Value

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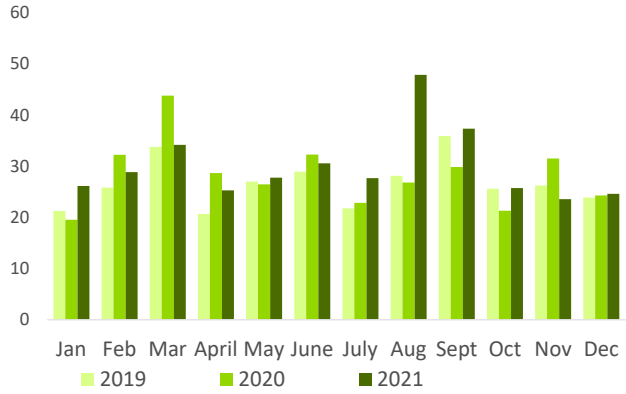
NOTES

Higher equity value traded despite lower volumes

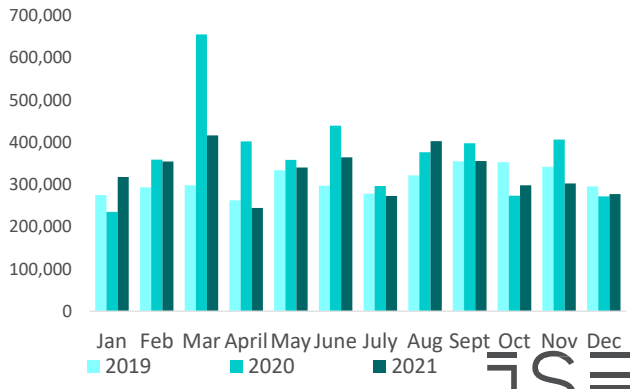
Equity trading –
monthly billable average daily value traded (ADV) (Rbn)

ADV 2021 v 2020: ↑ 5%
ADV 2020 v 2019: ↑ 7%



Equity trading –
monthly average daily transactions (ADT)

ADT 2021 v 2020: ↓ 11%
ADT 2020 v 2019: ↑ 18%



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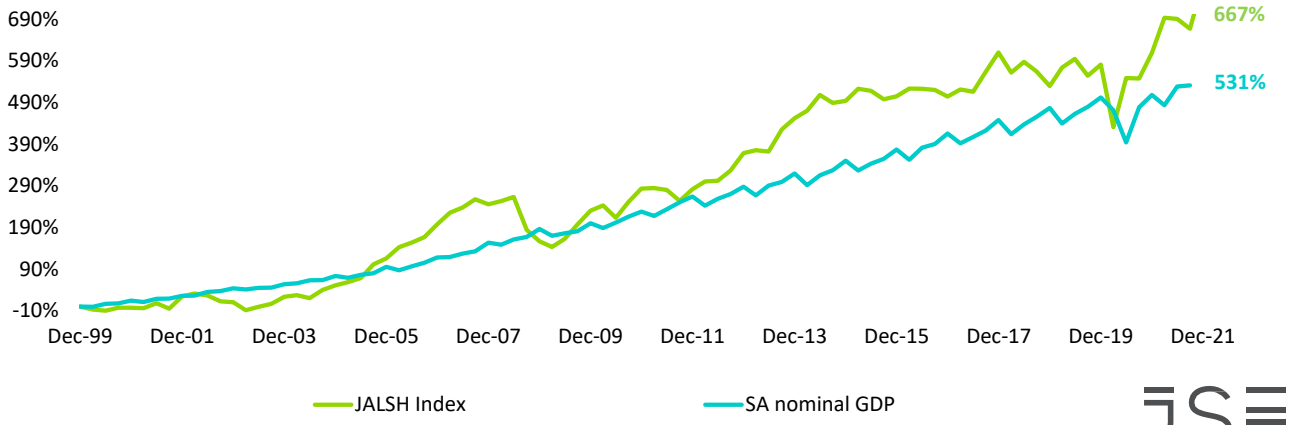
NOTES

JALSH Index outperforms real economy

SA GDP growth vs JALSH Index (31 Dec 1999-30 Sep 2021) – base 0 on 31/12/1999



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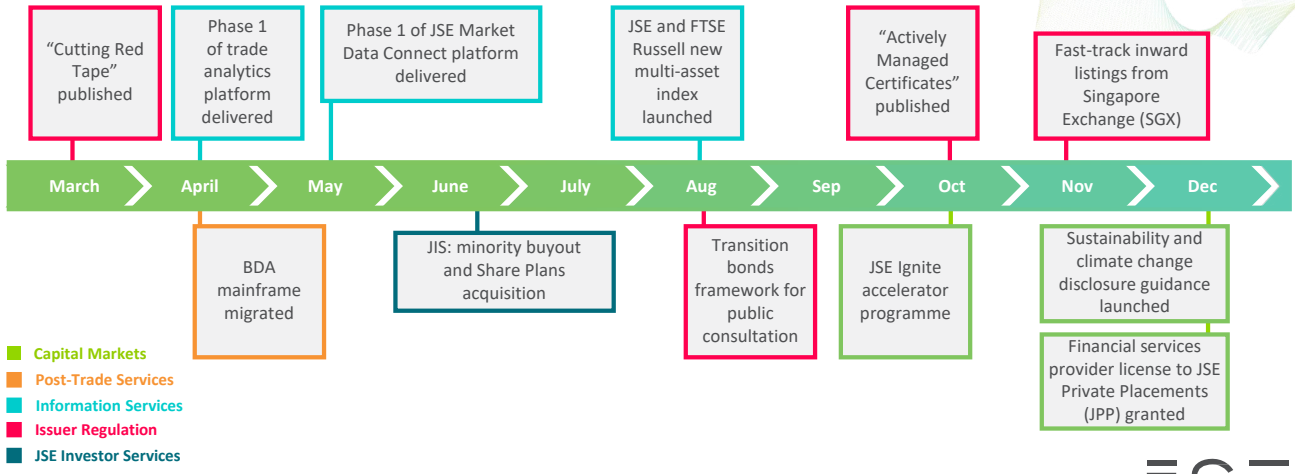
Source: Bloomberg

NOTES

Continued execution of our strategic roadmap



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NOTES

JIS – fully integrated and growing

BACKGROUND

November 2020 - Completed acquisition of 74.85% of Link Market Services (now JIS)

STRATEGY

Improve earnings quality through revenue diversification

REVENUE MIX

- Annuity revenue (registry services and share plans)
- Variable revenue (corporate actions and margin income)

2021 UPDATE

Business	• Acquired remaining 25.15% in June 2021 (R75.45m cash) – JIS now 100% wholly owned , successful integration • Acquired administrative portion of Investec Share Plan Services (ISPS), adding 90 new clients
Positive commercial momentum	• Strong performance in H2, with 8 new clients acquired • Launched asset reunification services for entire market • Association agreements with William Radcliffe and Orient Capital
New Opportunities	• Grow market share across businesses • Centralised BEE verification platform

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GROUP BUSINESS PERFORMANCE

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NOTES

Market drivers

Number of IPOs* 8 (2020: 4)	Equity market capitalisation** +15% (2020: R17.9tr)	Number of delistings*** 25 (2020: 20)	Billable equity value traded**** +5% (2020: +7%)	Equity transactions -12% (2020: +21%)
Bond nominal value traded 6% (2020: -7%)	Equity derivatives value traded +7% (2020: -7%)	Currency derivatives contracts traded -13% (2020: -8%)	Commodity derivatives contracts traded +2% (2020: 0%)	Interest rate derivatives contracts traded -5% (2020: +14%)

* *Initial public offerings – 8. Debt instruments – 2.*
** *Market capitalisation of all equity listed instruments on the JSE . Market capitalisation at the end of the year, 31 December 2021.*
*** *Ordinary shares – 22. Preference shares – 3*
**** *Published trading statistics 5% (2020: 13%); Published ADV 6% to R24bn (2020: R23bn), Billable ADV 7% to R30bn (2020: R28bn)*

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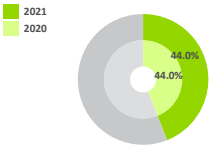
NOTES

Value traded and JIS driving revenue growth

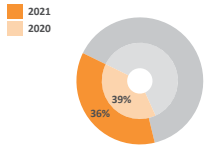
CAPITAL MARKETS



+1% YoY

- Equity Market revenue -1%. Corporate actions in H2 2021 led to higher value traded offsetting the strong H1 2020 base effect
- Positive contributions from Colocation, Equity Derivatives and Commodity Derivatives
- Currency Derivatives down on lower hedging activity

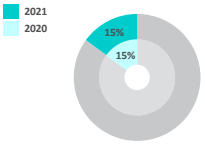
POST-TRADE SERVICES



-5% YoY

- Clearing and Settlement revenue -5% owing to the high base effect from scrip lending and penalties in 2020
- BDA: 7% decline in Equity Market transactions, following two years of double-digit growth in transactions
- Funds under management -1%

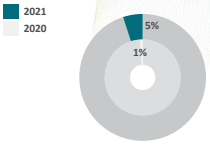
INFORMATION SERVICES



-2% YoY

- 4% underlying growth
- Negative FX impact from stronger ZAR/USD conversion

JSE INVESTOR SERVICES (JIS)



n/a YoY

- First full-year consolidation
- Stronger H2 total revenue performance at R74m (H1: R52m) driven by revenue related to new share plans and corporate actions

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FINANCIAL REVIEW

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Key financial highlights

TRADING & PROFITABILITY

- Operating revenue **+3%** to R2.5bn (2020: R2.4bn)
- Total OPEX **+4%** to R1.8bn (2020: R1.7bn)
- EBITDA **Flat** at R1.06bn (2020: R1.06bn)
- EBIT margin **31%** (2020: 32%)
- Net finance income **-27%** to R146m (2020: R200m)
- EPS & HEPS **-7% & -6%** to 874.1 and 878.9 cents (2020: 936.7 cents)

CASH & CAPITAL

- Operating cash conversion ratio* **101%** (2020: 104%)
- CAPEX **R165m** (2020: R89m)
- Inorganic investment **R159m** (2020: R225m)
- Regulatory capital Solvency: **R1.1bn** Supported by R789m in cash
- Cash balance **R2.4bn** (Dec 2020: R2.5bn)
- Ordinary dividend pay-out ratio** **92%** (2020: 83%)

* Footnote.

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* Cash conversion ratio defined as cash generated from operations reported to adjusted NPAT
** Total dividend pay-out ration of 104%, Includes special dividend

NOTES

NPAT reflecting stable operating performance and record low interest rate environment

(Rm)	2021	2020	Δ (%)
Operating revenue	2 517	2 446	3%
Other income	59	82	-28%
Total revenue	**2 576**	**2 528**	**2%**
Personnel expenses	650	601	8%
Other operating expenses	871	868	0%
EBITDA	**1 055**	**1 060**	**0%**
EBITDA (%)	41%	42%	-1 pt
Depreciation and amortisation	258	249	3%
Total operating expenses	**1 779**	**1 718**	**4%**
EBIT	**798***	**811**	**-2%**
EBIT (%)	31%	32%	-1 pt
Net finance income	146	200	-27%
Share of profit from associate	52	54	-5%
Profit before tax	**995**	**1 065**	**-7%**
Income tax expense	272	283	-4%
Loss after tax for the year from discontinued operations	-	3	-100%
NPAT	723	779	-7%
Attributable to JSE minority shareholders	1	0.3	>100%
Attributable to JSE Group	**722**	**778**	**-7%**
NPAT (%)	28%	31%	-3 pts

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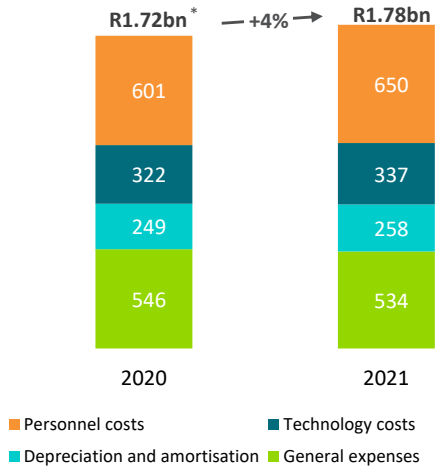
*Figure contain rounding differences
Distributable earnings (excl fines and Investor Protection funds) down 6% YoY

NOTES

Strong cost discipline with OPEX growth below inflation



Personnel costs up 8% (R49m) to R650m

- Gross remuneration up R68m to R507m (2020: R440m), largely due to full year consolidation of JIS
  - Average headcount of 519 (2020: 500): 408 at JSE (2020: 402) and 111 at JIS (2020: 98)
- Increase partly offset by lower retention and other payments down R14m to R4m (2020: R19m) and leave pay down R5m to R9m (2020: R13m)
- Discretionary bonus at R72m or 10% of NPAT (2020: R76m or 9.8% of NPAT)

Technology costs up 5% (R15m) to R337m

- JSE Investor Services (JIS) costs up R11m to R13m

Depreciation and amortisation up 3% (R9m) to R258m

- Includes amortisation for JIS customer contracts (up R8m to R9m)

General expenses down 2% (R12m) to R534m

- Significant decline in deal acquisition costs, lower by R28m to R1m (2020: R29m) due to JIS and Globacap costs incurred in the prior year

JIS annualised impact adds 6% to cost growth at R106m (2020: R15m)**

JSE

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*Figures contain rounding differences. * FY20, JIS and JSE Empowerment Fund were disclosed separately*
*** Includes amortisation of customer contracts at Group level*

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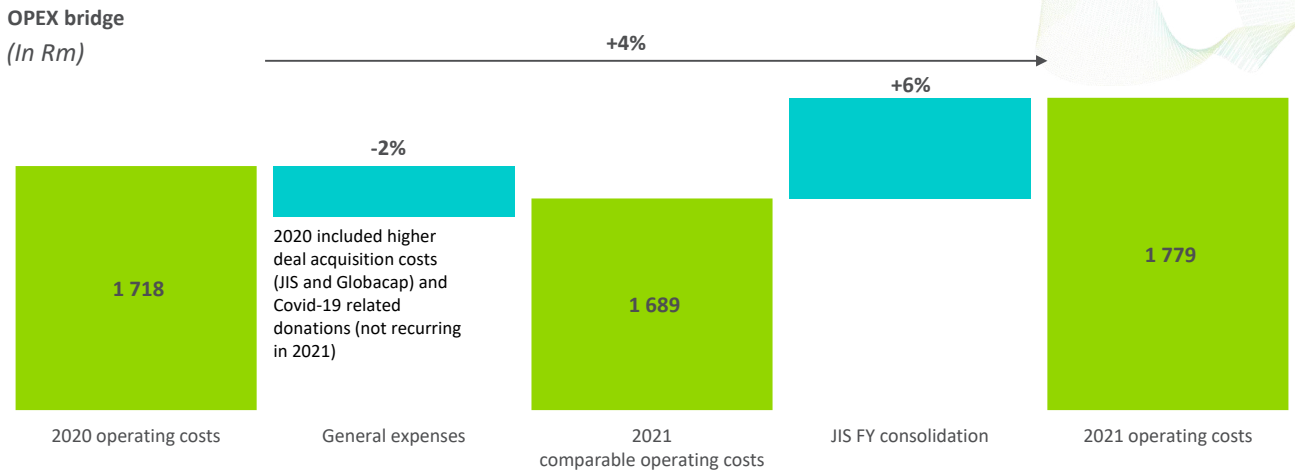
Operating costs down 2% on a comparable basis



JSE

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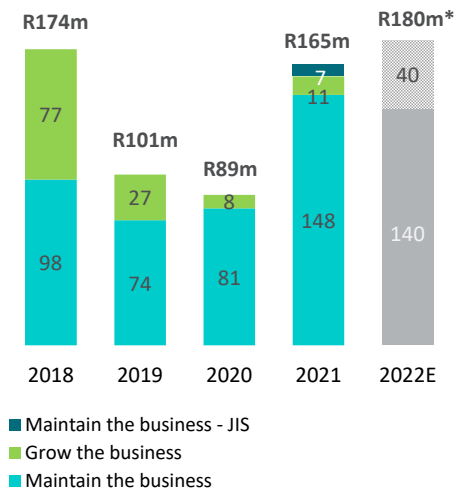
Figures contain rounding differences

NOTES

Higher investment in rejuvenation of systems and building



2021 GROW THE BUSINESS – R11M
- Securities collateral
- Commodity derivatives: New diesel contract
- Colocation

2021 MAINTAIN THE BUSINESS – R148M
- Leasehold improvements to support new ways of work as well as client service
- Rejuvenation of infrastructure and systems

2021 JIS – R7m

Indicative spend for FY 2022: R140m – R180m*

2022 GROW THE BUSINESS
- Information services organic growth strategy
- Securities collateral

2022 MAINTAIN THE BUSINESS
- Rejuvenation of infrastructure and systems
- Risk mitigation

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Figures contain rounding differences

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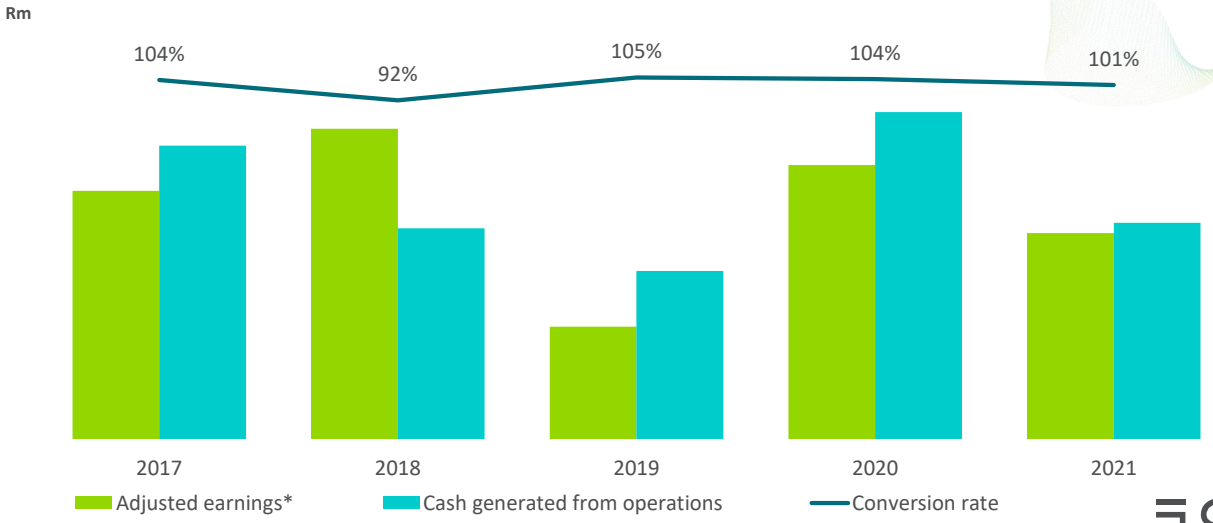
NOTES

Continued high cash conversion of earnings



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** NPAT has been adjusted for non-cash items (depreciation, amortisation, forex profit/loss, impairments, goodwill write-down)*

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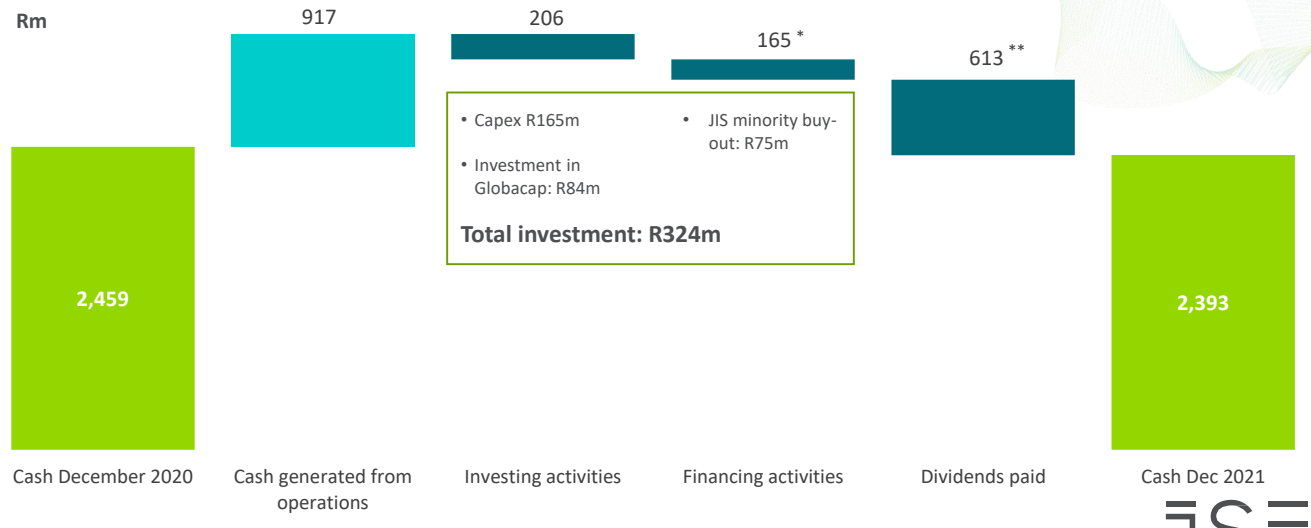
NOTES

Cash investments of R324m for resilience and growth



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*Figures contain rounding differences. * Including effect of exchange rate fluctuations on foreign-denominated cash and proceeds from sale of treasury shares. ** Excluding dividends paid to JSE Empowerment Fund Trust (inter-group)*

NOTES

Soundly capitalised Group

JSE Group calculates and holds regulatory capital in the form of equity

R1.13bn in equity held for JSE Limited and JSE Clear as at 31 December 2021

R789m is held in the form of restricted cash and cash equivalents

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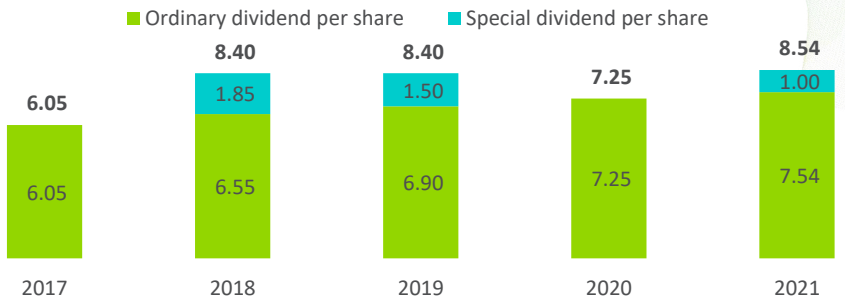
NOTES

Ordinary dividend up 4%, special dividend declared



Total dividend	R526m	R730m	R730m	R630m	R741m
Ordinary dividend payout ratio	65%	62%	87%	83%	92%
Total dividend payout ratio	**65%**	**80%**	**101%**	**83%**	**104%**

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Earnings have been adjusted for non-distributable earnings

NOTES

LOOKING AHEAD

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NOTES

Leading the way on sustainability

TWO-PRONGED APPROACH TO SUSTAINABILITY

Internally
Integrating sustainability into our organization and business operations

- **Employee welfare**
- **Board diversity**
- **Remuneration policy**
- **Environmental footprint**

Externally
Promoting access to capital and responsible investments

- **Advocacy and engagement**
- **ESG investment tools**
- **Regulatory framework**
- **Being a key contributor to the national agenda**

Focus on the JSE's sustainability and climate change disclosure guidance for listed companies:

- **Goal:** Help companies navigate the reporting standards landscape and align with global standards and international best practice
- Consultation papers issued in December. This considers hundreds of ESG metrics and highlights those that are material to value creation within South Africa
- Consultation to be concluded in H1 2022. Final document to be published this year

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NOTES

Inorganic growth strategy to position the JSE in high growth areas

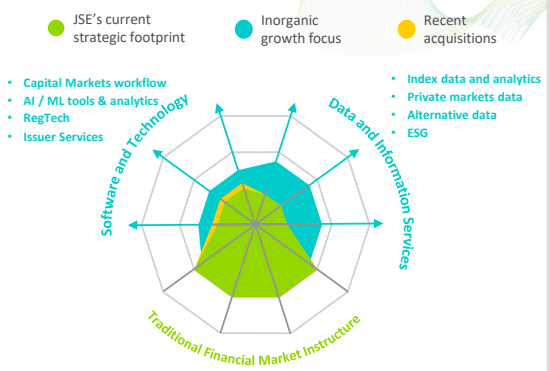
Strategic guidelines

- Strong fit with capital markets growth areas
- Increase contribution of non-trading and annuity business
- Strengthen international footprint and add new client groups
- Value creation for shareholders via clear post-merger integration and synergy realization plans
- Majority stakes and joint ventures to allow for financial consolidation and strategic control

Financial guidelines

- Diversify revenues and profits
- Cash earnings and margin accretive over the mid-term
- Group growth rate accretive
- Selective targeting for diversification and ensure price is based on reasonable valuation

Future focus areas



Our M&A journey

JSE SAFEX — strate — Bond Exchange of South Africa — LINK Market Services — Investec Share Plan Services — globacap →

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NOTES

Reformulated Information Services growth strategy on a five-year horizon

Information Services today

- **Growing contributor to Group revenue:**
  - +200 bps to 13.5% in 2021 (11.5% in 2015)
- **7.6% CAGR 2015-2021, underpinned by:**
  - Significant investments (data operations, mature data delivery)
  - Entrenched relationships with clients, data distributors and partners
  - Expert understanding of evolving market data use cases
  - Successful prototyping of cutting-edge technology

Three core future focus areas

Sustain operational effectiveness

Modernise data architecture and expand range of data services

Support Group initiatives focusing on digitalisation and new market opportunities

Medium-term Objectives

- Transition existing data products and services into cloud-based solutions to support evolving client needs and unlock new opportunities
- Expand geographical consumption of JSE market data through new partnerships
- Regular expansion of analytics services and new data assets

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2022 Strategic objectives and delivery

Generate sustained, high-quality earnings

- Deliver HEPS growth
- Deliver returns on equity within the target range

Protect and grow core business

- Invest in core assets to sustain operations
- Maintain operational stability and resilience
- Continue investing in cyber security

Transform the business

- Progress our digital transformation journey
- Support growth initiatives
- Advance our inorganic strategy
- Progress our SME strategy
- Progress our private placements platform

Partner for a sustainable marketplace

- Attract and retain top talent
- Strengthen stakeholder relations
- Contribute to the global sustainability agenda
- Maintain the JSE's BEE rating

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JSE distinctive value proposition

- Solid foundation of liquid, robust and well-regulated markets
- Strong financial discipline and execution capabilities
- Continued high cash generation offering sufficient liquidity
- Healthy balance sheet supporting strong dividend track record and capital allocation optionality
- Progress on our inorganic growth initiatives and other strategic objectives
- Leading the way on sustainability

* Footnote.

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NOTES

APPENDIX

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NOTES

A robust, innovative and competitive exchange

Deliberately lowered prices

- Tiered billing model significantly reduced cost of on-screen trading since 2018
- All on-screen trades contributed towards cumulative value traded throughout the month
- Fee adjustments in equity (cash and derivatives) limited to inflation
- JSE to continue closely monitoring its pricing, in a practical manner

Expanded product offering

- Product development focus
- Enhanced order execution capabilities and trade functionalities
- Additional services from newly acquired entities (JIS, ISPS)
- Introduction of JSE Private Placements (JPP) – received financial services provider license
- Improved market quality with lower quoted spreads

Retained 99.9% of local value traded on average since 2017

The JSE remains:

- **Highly capitalised**
- **Well regulated**
- **Cost effective**
- **Deep and liquid**
- **Technologically robust**

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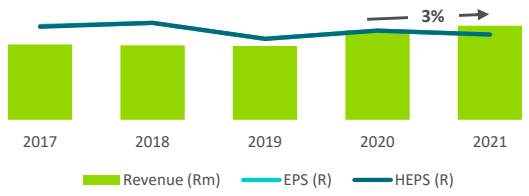
NOTES

Trends

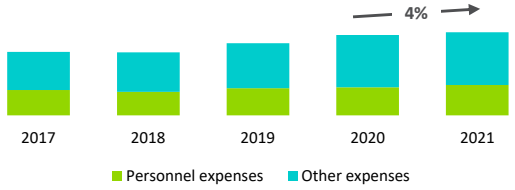
Operating revenue (Rm)



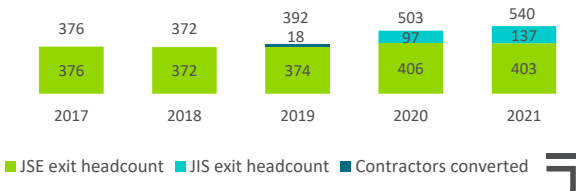
Revenue as a % total

- Primary Markets: 6% (2020: 7%)
- Equity Trading: 22% (2020: 22%)
- Back-Office Services (BDA): 15% (2020: 16%)
- Equity Clearing and Settlement: 18% (2020: 19%)
- Bonds and Financial Derivatives: 11% (2020: 11%)
- Commodity Derivatives: 4% (2020: 4%)
- Information Services: 15% (2020: 15%)
- JSE Investor Services: 5% (2020: 1%)
- Funds Under Management: 3% (2020: 4%)

Operating expenses (Rm)



Headcount



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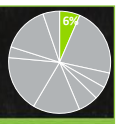
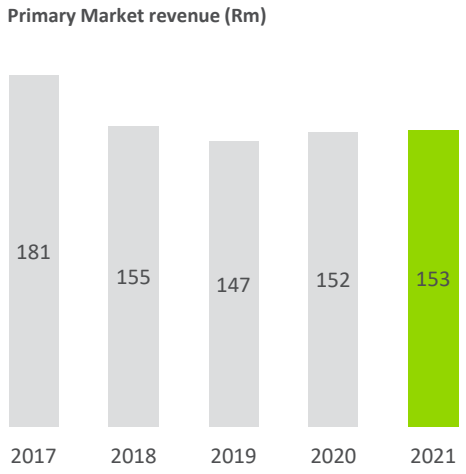
NOTES

Stable revenue, with higher number of new listings

PRIMARY MARKET





REVENUE UP 1% YOY

- Higher number of IPOs in 2021, at 8 (2020: 4)
- 25 company de-listings (2020: 20) largely through M&A and/or corporate action in the small to mid-cap space
- Aggregate market capitalisation of all equity listed instruments on the JSE increased by 15% from last year's close to 31 December 2021
- 706 new bond listings (2020: 566) for a nominal value of R4.0tr (2020: R3.3tr)
  - Positive development in the Sustainability segment with the listing of first social and sustainability-linked products
- Other products:
  - 9 new ETFs (2020: 5), 3 ESG focussed
  - 26 new ETNs (2020: 40)
  - 323 warrants and structured products (2020: 241)

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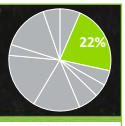
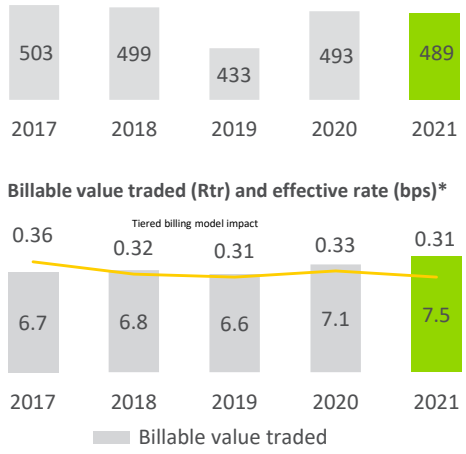
Revenue % changes calculated on unrounded figures

NOTES

Higher value traded offset 2020 base effect

EQUITY TRADING





REVENUE DOWN 1% YOY

- Billable value traded up 5% (2020: up 7%), ADV up 7% (2020: 5%)
- Number of transactions/deals down 12% (2020: up 21%), after two consecutive years of double-digit growth
- Complex Order Suite activity increased by 50% with Block Trades (up 51%) and Central Order Book Cross (up 75%) most active
- Record activity in August 2021 linked to the Naspers/Prosus corporate action
  - Value traded on 17 August 2021 reached a record high of R160 billion, 7x higher than any average daily value traded recorded
- Foreign investors remained net sellers of equities, with R153 billion in outflows (2020: R128bn)
- Colocation activity contributed 58% to overall value traded (2020: 50%), with 46 racks (2020: 40) – colocation an important enabler to growing trade activity

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**Effective rate: Revenue divided billable value traded*

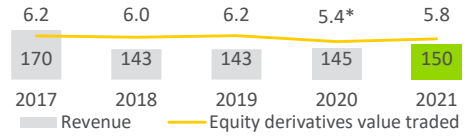
Revenue % changes calculated on unrounded figures

NOTES

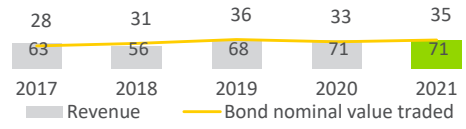
Stable revenue, with greater activity in Equity derivative products

BONDS & FIN. DERIVATIVES MARKETS

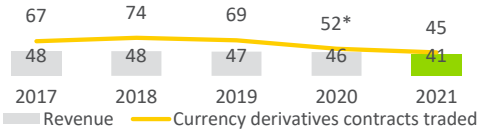
Equity Derivatives revenue (Rm) and value traded (Rtr)



Interest Rate revenue (Rm) and bond nominal value (Rtr)



Currency Derivatives revenue (Rm) and contracts traded (m)



OVERALL REVENUE STABLE YOY

Equity Derivatives revenue up 3% largely owing to higher value traded

- Value traded up 7% to R5.8tr driven by greater activity across delta one products, primarily driven by index future contracts
- Value traded growth driven by higher market capitalization - JSE Top 40 index up 23.3% in 2021
- Modest uptick in H2 in the options market while activity in international and exotic derivatives remained steady

Interest Rate market revenue broadly stable despite higher value traded

- Increase in Bond nominal value traded (up 6% to R35tr). Growth largely attributed to tighter bid offer spreads and an improvement in Emerging markets risk appetite
- Lower number of interest rate derivative contracts traded (down 5% YoY), due to lower open interest and uncertainty around the interest rate outlook into 2022
- Foreign trade in bonds has seen good inflows

Currency Derivatives revenue down 11%, largely owing to lower volumes

- Contracts traded down 13% to 45m, due to subdued hedge-related activity

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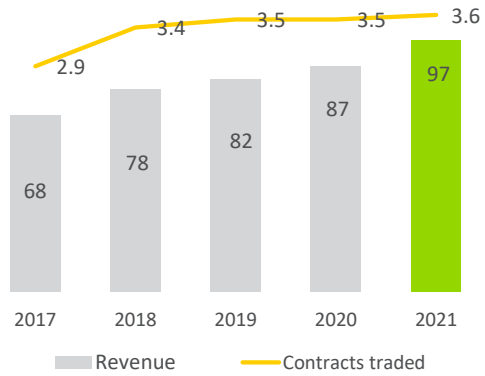
** Recalculation of statistics to obtain alignment between equity derivatives and currency derivatives markets*

NOTES

Favourable long-term trend and steady revenue increase

COMMODITY DERIVATIVES MARKET

Commodity Derivatives revenue (Rm) and contracts traded (m)



REVENUE UP 12% YOY

- Value traded up 21% owing to higher commodity prices and volumes traded
- Number of contracts traded up 2% to 3.6m, largely owing to global grains commodity prices
- Physical deliveries: 40% increase in tonnages owing to a significant crop in 2021
- Cash-settled diesel contracts under way
- 9.3% CAGR since 2017

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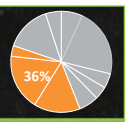
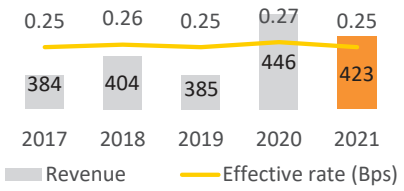
NOTES

Revenue decline owing to the high 2020 base effect from non-trading revenue

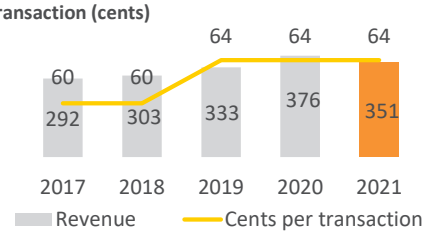
POST-TRADE SERVICES



Clearing and Settlement revenue* (Rm) and effective rate (bps)**



Back-Office Services revenue (Rm) and cents per transaction (cents)



OVERALL REVENUE DOWN 5% YOY

Clearing & Settlement: down 5% YoY

- Clearing and Settlement revenue down owing to the high base effect from scrip lending and penalties in 2020
- Value traded up 5% YoY to R15tr
- Upgraded system infrastructure for all markets, including Real-Time Clearing (RTC), Nutron/Nuclears, and the Equities Clearing System (ECS)
- Implemented new functionality to further improve operational resilience and ability to deal with problematic trades
- Submitted JSE Clear's application to the regulator to be licensed as an independent clearing house

Back-Office Services: declined by 7% YoY

- Kept effective pricing stable
- Decline owing to lower number of equity transactions (down 12%), following two consecutive years of double-digit growth
- Implemented improvements for the BDA system that rejuvenated the hardware platform and reduced systemic risk

Funds under management declined 1% YoY

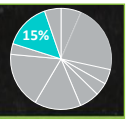
JSE

©Johannesburg Stock Exchange. *Revenue % changes calculated on unrounded figures. * Clearing & Settlement revenue only reflects equity market clearing fees*
*** Effective rate: revenue divided by billable value traded*

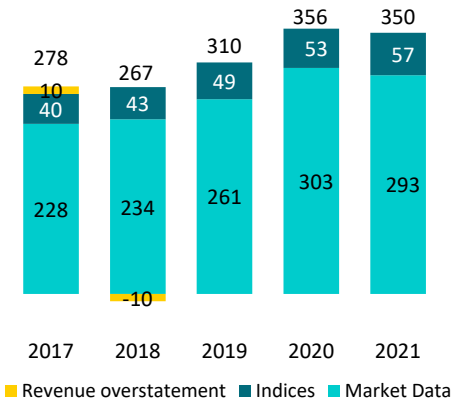
NOTES

Underlying growth offset by FX impact

INFORMATION SERVICES



Information Services revenue (Rm)



REVENUE DOWN 2% YOY

Reported revenue decline (-2% YoY) as stronger ZAR impacted US dollar denominated revenue

4% underlying growth

MARKET DATA

- Delivered the first phases of both the trade analytics platform and the new digital market data client reporting platform (JSE Market Data Connect)
- Successfully completed prototyping of cloud-based feed services and market data storage and delivery services

INDICES

- Processing live JSE indices data via China Investment Information Services Limited (CIIS). This, along with complimentary trial windows of JSE data to China and Singapore, promotes the JSE's Asia strategy
- Launched the new FTSE/JSE multi-asset index solution for the South African market, expanding our index partnership with FTSE Russell

JSE

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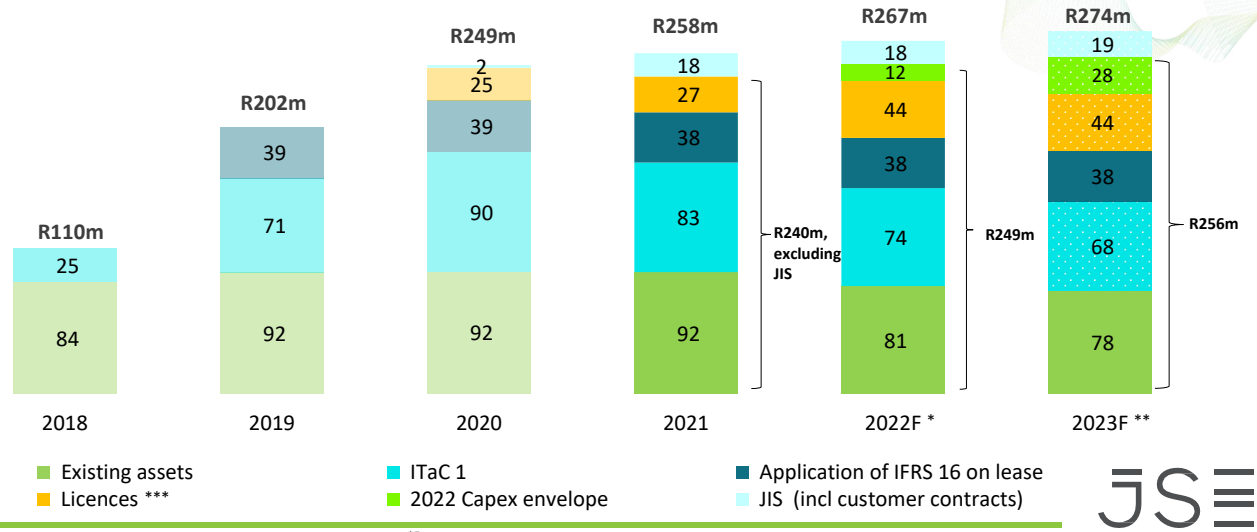
NOTES

2021 depreciation & amortisation expense as expected



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*Forecast
**Forecast (excl 2023 capex envelope)
***Expensed in prior years

NOTES

Balance sheet

(Rm)	2021	2020	30 Jun 21
Assets			
Non-current assets	**1 967**	**1 871**	**1 874**
Property and equipment	176	140	120
Intangible assets	727	821	779
Investment in associate	328	320	303
Other non-current assets	736	590	672
Current assets	**59 071**	**49 754**	**49 032**
Margin deposits	55 413	46 308	45 959
JSE Clear Derivatives Default Fund deposit	500	500	500
Trade and other receivables	593	475	499
Cash and cash equivalents	2 393	2 459	2 056
Other current assets	172	12	19
Total assets	**61 038**	**51 625**	**50 906**
Total equity	**4 218**	**4 154**	**3 787**
Stated capital	(68)	(33)	(87)
Reserves	757	677	720
Retained earnings	3 529	3 473	3 154
Non-controlling interest	-	38	-
Non-current liabilities	**258**	**274**	**247**
Current liabilities	**56 561**	**47 197**	**46 872**
Margin deposits	55 413	46 308	45 959
JSE Clear Derivatives Default Fund contribution	400	400	400
Other current liabilities	748	488	513
Total equity and liabilities	**61 038**	**51 625**	**50 906**

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NOTES

Financial metrics

Ratios	2021	2020	2019	2018	2017
Operating margin	**31%**	32%	31%	41%	40%
EPS	**874.1**	936.7	814.8	1 056.5	1 006.0
HEPS	**878.9**	936.7	814.6	1 056.2	996.5
PE	**12.8**	12.6	14.6	15.7	15.4
Dividend yield (ordinary)	**6.7%**	6.3%	5.8%	4.0%	4.0%
Dividend yield (total)	**7.6%**	6.3%	7.0%	5.1%	4.0%
EBITDA	**1 055**	1 060	889	1 042	993
ROE	**17%**	19%	18%	23%	23%

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Share price as at 31 December 2021
Figures contain rounding differences

NOTES

Dividend policy

Seeks to grow the nominal value of the ordinary dividend

DIVIDEND POLICY

- Aims to pay a single annual ordinary dividend
- Seeks to grow the nominal value of the ordinary dividend progressively over time
- Provides for a pay-out ratio of between 67% and 100% of earnings in respect of the annual ordinary dividend
- Allows for the payment of a special dividend in years where there is surplus cash on hand

JSE'S PRACTICE

- To return distributable cash to shareholders after ring-fencing cash for regulatory capital requirements and investment (capital expenditure and inorganic opportunities)

TARGET CAPITAL STRUCTURE OVER TIME

- Target capital structure will not radically change over time; it will be a function of opportunities and of our long-term capital allocation policy
- We reiterate our objective of maintaining a progressive ordinary dividend growth environment

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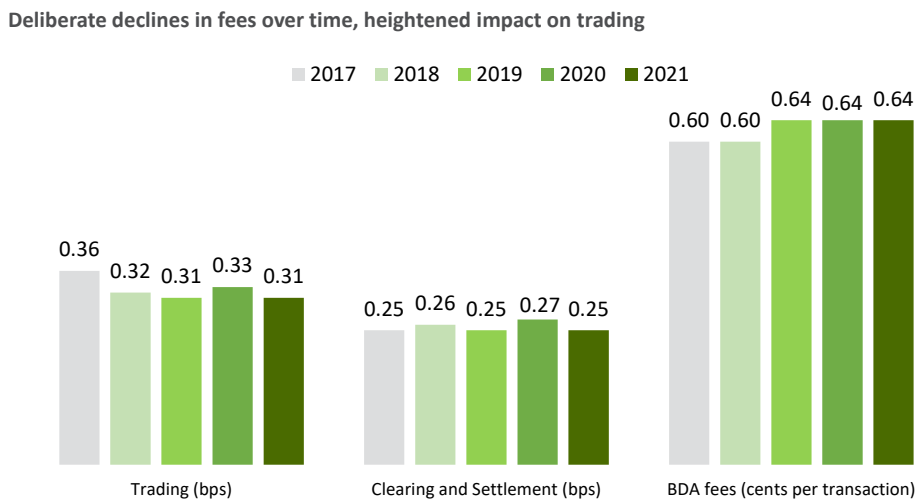
NOTES

Equity Market: JSE effective pricing trend



- 2016 option delta (OD) fee reduced to zero
- 2017 BDA fee reduced by 8% (from R0.65)
- 2018 new tiered billing model resulted in a 12% reduction in the effective rate trading fee. 2018 reflects the reduction

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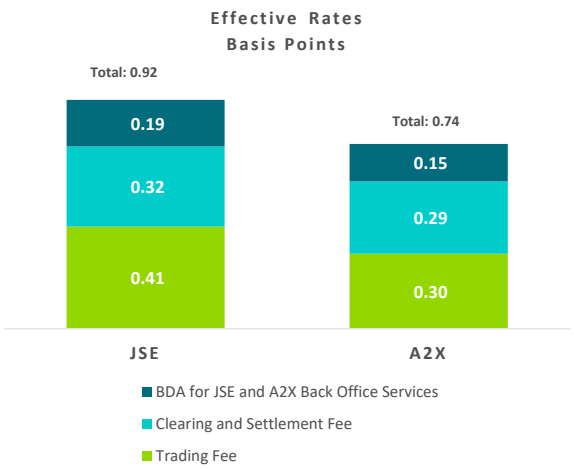
NOTES

A2X VS. JSE | Equity Market price-points



Trading fees

- 2021 effective rates for onscreen trading (AT, UT, XT) are used for the JSE
  - The JSE has a tiered billing model with caps
- A2X charges 0.20bps for the price maker (aggressor) and 0.40bps for the price taker (passive), which averages out at 0.30 bps
  - A2X also has caps, so the effective rates may be lower than indicated in the graph for A2X trading fees and C&S fees

BDA

- JSE BDA – graph shows the effective rate of BDA Transactions for all trade types
- The A2X back-office service is not comparable to the JSE's BDA offering

Data fees

- The JSE data charges are not comparable to A2X, as the product offering is different. JSE offers real-time data with a wider universe of stock

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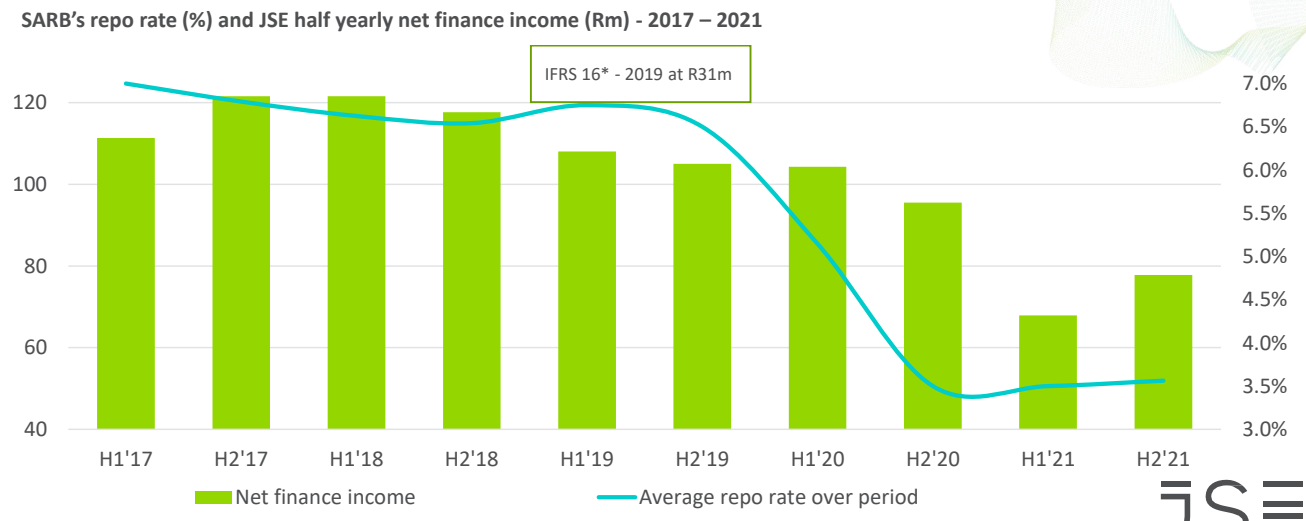
NOTES

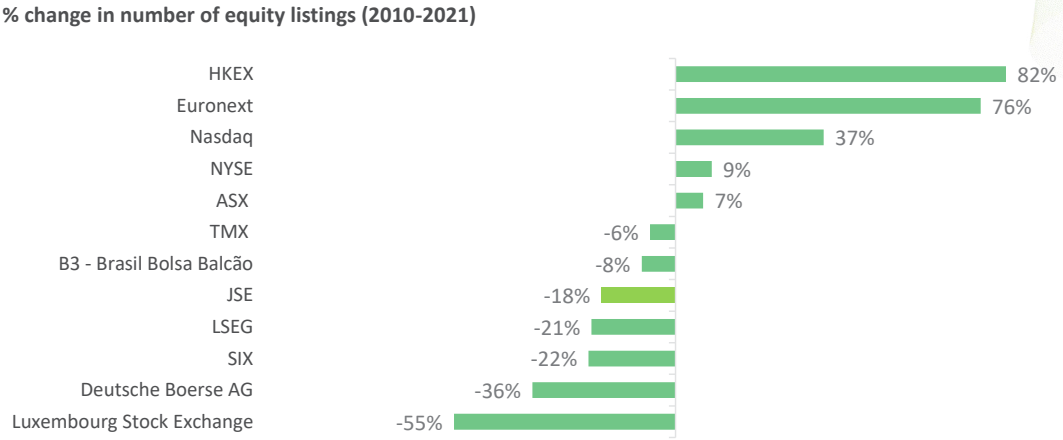
Interest rates and JSE's net finance income



©Johannesburg Stock Exchange. **Accounting for leases*
Average repo rates based on monthly weighting. Full data available at https://www.resbank.co.za/en/home/what-we-do/statistics/key-statistics/selected-historical-rates

NOTES

De-listings outpace new listings across a majority of global exchanges



©Johannesburg Stock Exchange. *Source: Company data. Note: Figures show % change of total equity listings at year end between 2010 and 2021*

NOTES

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 AND SPECIAL CASH DIVIDEND DECLARATIONS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

OVERVIEW OF RESULTS

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

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

BUSINESS HIGHLIGHTS

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

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

Highlights in 2021 include:

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

REVENUE PERFORMANCE PER SEGMENT

Capital markets

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

Post-Trade Services

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

Information Services

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

Other income

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

FINANCIAL PERFORMANCE

Operating expenditure

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

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

Net finance income

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

COMMENTARY continued

Cash flows and investments

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

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

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

NEW WAYS OF WORK

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

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

REGULATION

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

The Group calculates and holds regulatory capital in the form of equity capital – this amounts to R1.13 billion in total for JSE Limited and for JSE Clear, of which R789 million is held in the form of restricted cash and cash equivalents.

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

FUTURE FOCUS AND PROSPECTS

The JSE performed in line with expectations despite a challenging trading and economic environment. There were seven initial public offerings during the period (2020: four) and 24 delistings (2020: 20), which were largely the result of corporate actions in merger and acquisition opportunities, and schemes of arrangement in mostly small to mid-sized counters. Although the number of listed entities declined, the aggregate market capitalisation of all entities listed on the JSE continued to grow by 15% (from R17.9 trillion to R20.5 trillion) during 2021. The JSE recognises the negative impact of delisting's and is actively working on cutting red tape, attracting quality dual listings from foreign exchanges, while also growing our markets with new offering such as the private placement market.

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

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

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

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

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

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

DECLARATION OF ORDINARY AND SPECIAL CASH DIVIDENDS

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

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

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

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

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

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

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

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

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

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

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

CHANGES TO THE BOARD

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

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

The Board has appointed Ms Carmini Kander as acting CFO.

COMMENTARY continued

APPRECIATION

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

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

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

PREPARATION OF ANNUAL RESULTS ANNOUNCEMENT

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

APPROVAL OF FINANCIAL STATEMENTS

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

N Nyembezi
Chairman

L Fourie
Group CEO

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)
1 March 2022

ABOUT THE JSE

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

The JSE connects buyers and sellers in five financial markets: equities, equity derivatives, commodity derivatives, currency derivatives and interest rate instruments. The JSE provides investors with a trusted, cost-effective and well-regulated infrastructure for trading, clearing and settling financial market transactions.

The JSE is among the 20 largest exchanges in the world in terms of market capitalisation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

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

[1] *The JSE Debt Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R2.1 million (December 2020: R2.8 million) before intercompany adjustments was transferred to the JSE Limited to defray market regulatory expenditure.*

[2] *This reserve relates to the equity investment in Globacap (refer to note 27). The current movement in the reserve relates to unrealised foreign exchange gains and losses on the foreign denominated investment, as required by IAS 21.*

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

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

[1] *The JSE Debt Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R2.1 million (December 2020: R2.8 million) before intercompany adjustments was transferred to the JSE Limited to defray market regulatory expenditure.*

[2] *This reserve relates to the equity investment in Globacap (refer to note 27). The current movement in the reserve relates to unrealised foreign exchange gains and losses on the foreign denominated investment, as required by IAS 21.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. Reporting entity

JSE Limited (the JSE or the Company) is a company domiciled in South Africa. Its registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act 2012 (FMA). The JSE has the following main lines of business: Capital Markets, Post-Trade Services and Information Services. The address of the Company's registered office is One Exchange Square, 2 Gwen Lane, Sandown. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries and controlled structured entities (collectively referred to as the Group and individually as Group entities) and reflect the Group's interest in associates.

2. Statement of compliance

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

3. Changes in accounting policies

The summarised consolidated annual financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021. The accounting policies adopted in the preparation of the summarised consolidated annual financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022.

All accounting policies are consistent with the prior year.

New standards and amendments that impact on the Group's accounting policies have been assessed during the period, and these have had no impact on the Group's financial statements. Refer to note 8.

4. Comparative figures

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

5. Use of estimates and judgements

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

6. Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. Refer to note 13.

7. Financial risk management

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

8. New standards and interpretations not yet adopted

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

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

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

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

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

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

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

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

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

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

9. Fair value measurement

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

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

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

10. Financial assets and financial liabilities

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

Exposure, or rights, to variable returns from its involvement with the investee.

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

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

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

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

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

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

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

The advent of the virtual workspace forced us to reimagine our work environment, and some of these changes are likely to remain. The workplace will become less about which technology we use, and more about how we use it to enable collaborative engagements, knowledge sharing and a culture of creative thinking. Our employee engagement illustrated that employees are eager to explore a more flexible workplace regime, and this is being echoed at many of our peer organisations. With this in mind our building upgrades are complete, with significant improvements made to client-facing facilities and to support our new ways of work. We are developing a comprehensive strategy for the return to work, which ensures existing policies and employee contracts are aligned with a hybrid working model.

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

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

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

13. Operating segments and revenue

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

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

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

14. Personnel expenses

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

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

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

15. Other expenses

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

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

16. Income tax expense

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

17. Earnings and headline earnings per share

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

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

17. Earnings and headline earnings per share (continued)

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

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

18. Intangible assets

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

19. Employee benefits

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

20. Expected credit loss

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

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

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

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

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

The debtors credit terms are 30 days.

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

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

21. Financial instruments

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

22. Reserves

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

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

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

23. Share-based payments

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

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

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

In accordance with shareholder approval, for the provision of financial assistance to the JSE LTIS 2018 Trust, the Board approved a fresh annual allocation of shares (Allocation 4) to selected employees for the 2021 year. These individual allocations were all accepted by the scheme participants on or before 12 March 2021. Allocation 4 comprises a total of 542 982 JSE ordinary shares and these shares were acquired in the open market on or before 12 March 2021, at a volume-weighted average price (including all execution costs) of R120.72 per ordinary shares. These shares are held in trust and are restricted until all vesting conditions are fulfilled whereupon the shares vest.

Of the total number of shares granted in Allocation 4, a total of 245 290 shares has been granted to members of the JSE's Executive Committee.

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

23. Share-based payments (continued)

Information on Allocation 4 is as follows:

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

The shares forfeited by leavers to date are 27 628.

(iii) Profit and loss charge

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

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

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

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

24. Business combination

Acquisition of additional interest in JIS

On 17 June 2021, the Group acquired an additional 25.15% interest in the equity of JIS increasing its ownership interest to 100%. Cash consideration of R75 450 000 was paid to the non-controlling shareholders.

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

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

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

25. JIS change in ownership

Financial information of JIS provided below:

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

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

26. Leases

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

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

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

26. Leases (continued)

	2021 R'000	2020 R'000
Lease liabilities		
Current portion	**56 051**	40 882
Non-current portion	**196 657**	252 938
Total liabilities	**252 708**	293 820

The following amounts are recognised in the statement of comprehensive income

Depreciation	**(39 735)**	(39 243)
Profit/loss from operating activities	**(39 735)**	(39 243)
Finance costs	**(23 971)**	(27 889)
Impact of income tax expense	**–**	–
Impact on profit for the period	**(63 706)**	(67 133)
Changes in liabilities arising from financing activities		
Opening balance 1 January	**293 820**	329 570
Acquisition of subsidiary	**–**	6 565
Loan repayments for the period	**(65 083)**	(70 264)
Interest charges for the period	**23 971**	27 949
Balance 31 December	**252 708**	293 820

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

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

27. Fair value estimation

Financial instruments measured in the statement of financial position at fair value require disclosure. The following is the fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value.

31 December 2021	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total balance* R'000**
Assets				
Other investments				
– Equity securities (financial instruments)	**151 489**	**263 953**	**–**	**415 442**
– Debt investment (financial instruments)	**–**	**27 317**	**–**	**27 317**
– Non-listed equity instruments designated at fair value through OCI			**86 480**	**86 480**
Total assets	**151 489**	**291 269**	**86 480**	**529 239**
31 December 2020				
Assets				
Other investments				
– Equity securities (financial instruments)	122 719	222 299	–	345 018
– Debt investment (financial instruments)	–	32 283	–	32 283
Total assets	122 719	254 582	–	377 301

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

Reconciliation: Level 3 recurring fair value measurements

31 December 2021	
Equity investments	
Opening balance	**–**
Acquisition Globacap Technology Limited	**84 000**
Net unrealised foreign currency gain recognised in OCI during the period (pre-tax)	**2 480**
Closing balance	**86 480**

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

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

27. Fair value estimation (continued)

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 are shown below:

Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Non-listed equity instruments designated at fair value through OCI NPV Method	Weighted Average Cost of Capital	20%	5% increase in the WACC would result in a decrease in fair value of R27.1 million
	Revenue growth rate	48%	3% decrease in revenue growth rate from 2023 onwards results in a decrease in fair value by R21 million
	Exchange rate	R21.51	10% strengthening of the rand against the GBP will result in a decrease in fair value by R8.9 million

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

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

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

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

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

Globacap Technology Limited Investment

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

No dividends were received within the period.

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

27. Fair value estimation *(continued)*

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

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

The fair value was calculated as at 31 December 2021.

28. Guarantees and commitments

Guarantees

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

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

Commitments

No material commitments existed as at 31 December 2021.

29. Events after reporting date

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

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

30. Audit opinion

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

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

Sandton
1 March 2022

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

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