

JSE



## INTERIM RESULTS

JSE LIMITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

## JSE LIMITED UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

### Responsibility for interim results

The condensed consolidated interim financial statements of the JSE Limited (the “JSE”, the “Company” or the “Group”) have been prepared in accordance with all the applicable requirements of the Companies Act, 2008, under the supervision of the Chief Financial Officer, Aarti Takoodeen CA(SA). No review has been performed by the Group’s independent Auditors; instead they performed agreed-upon procedures on the long-term incentive scheme and disclosures in these interim financial statements, since the Group Audit Committee regard this type of engagement as more appropriate. There are no findings which the Group Audit Committee consider material, as a result of the agreed-upon procedures performed by the Group’s independent Auditors. The directors take full responsibility for the preparation of this report.

### Commentary

#### Executive summary

The JSE’s performance was resilient against the backdrop of a tough operating environment. In this context:

- Revenue from most of our business units declined during the first half of 2017, as low volatility and declining investor sentiment translated into operating revenue decreasing by 8%;
- The Group worked hard to limit cost growth to 1%;
- Group earnings after tax were down by 18%;
- The Group remains cash generative with a strong cash balance of R2 billion;
- The Group is ready to meet the known draft regulatory capital requirements;
- The Integrated Trading and Clearing (ITaC) project 1b and c is on track for delivery in Q1 2018;
- The Group recently introduced improved margin methodologies in the Interest Rate Derivatives Market that resulted in a nearly 30% reduction (approximately R3.5 billion) in margin calls for clients of that market;
- The Group has prioritised immediate aspects of its long-term growth strategy; and
- The Group is well positioned for the competitive exchange landscape ahead.

#### Operating environment

On a macroeconomic level, the country continues to be plagued by low economic growth, rating downgrades and a loss of business confidence. This has negatively impacted financial market activity in 2017.

In addition, global securities exchanges and other players in the financial services industry are changing the way in which they operate in response to regulatory and technological developments. The fast pace of this change requires us to adjust the way in which we operate so that we are as nimble and as cost effective as possible. To do this, we have announced measures to significantly re-engineer our cost base, our operating model and the way we are structured as a business.

#### Financial review

This context has resulted in the JSE’s earnings after tax decreasing by 18% to R419 million (H1 2016: R513 million), with operating revenue declining by 8% (H1 2016: up 17%) to R1.1 billion (H1 2016: R1.2 billion) and costs being contained at 1% (H1 2016: up 12%) with total expenses at R644 million (H1 2016: R636 million).

Group earnings before interest and tax (EBIT) are down by 20% to R453 million (H1 2016: R567 million). Earnings per share (EPS) decreased by 18% to 490.9c (H1 2016: 599.7c) and headline earnings per share (HEPS) decreased by 16% to 488.9c (H1 2016: 585.1c).

#### Operating revenue

Revenue from most of our business units declined during the first half of 2017:

- Primary Market revenue increased by 8% to R82 million. There were eight new Equity Market listings in the first half (H1 2016: 6).
- Capital Markets:
  - Cash Equities Market revenue declined by 19% to R235 million owing to the 13% decrease in billable value traded;
  - Equity Derivatives Market revenue declined by 7% to R84 million because of the 18% decrease in value traded;
  - Currency Derivatives Market revenue increased by 26% to R24 million owing to a 36% increase in the number of contracts traded;
  - Commodity Derivatives Market revenue declined by 9% to R32 million owing to a 20% decrease in the number of contracts traded. This is largely because of a global grain oversupply and a very good local crop, as a result of which local clients have stopped hedging until export parity is reached;
  - Interest Rate Market revenue remained flat at R24 million with a decline of 12% in bond nominal value traded. However, interest rate derivatives grew by 50% owing to an increase in the number of contracts traded (up 23%).
- Post-Trade Services:
  - Equity clearing and settlement revenue declined by 12% to R186 million following the 14% decrease in billable value traded in the Equity Market;
  - BDA revenue declined by 1% to R150 million, with transactions up by 4%. We reduced the BDA price point by a further 8% in January 2017; and
- Information Services revenue declined by 11% (R17 million) to R133 million. Of this, R9 million is attributable to a forex impact on USD receipts.

# Commentary

(continued)

## Other income

Group revenue growth was negatively impacted by a R11 million forex loss (2016: R8 million forex gain) on foreign denominated assets. The JSE still holds USD14 million on its balance sheet (2016: USD10 million).

## Operating expenditure

In the difficult revenue environment described above, the Group has worked hard to contain costs in the short and medium term.

Of the R644 million in operating expenses, personnel expenses decreased by R1 million to R245 million (H1 2016: R246 million). This is largely made up as follows:

- Gross remuneration per employee, which increased by 4%, mostly due to annual salary increases. Average headcount decreased by 5%, resulting in a 1% or R2 million decline in the payroll bill. Our exit headcount on 30 June was 454 (H1 2016: 482); and
- The accounting impact of the long-term incentive scheme (LTIS 2010) which increased by R1 million to R26 million (H1 2016: R25 million).

Technology costs declined by 3% to R129 million (H1 2016: R133 million) owing to a reduction in the number and cost of contractors (down by R12 million from R29 million to R17 million) and lower external project related services, which offset new cost items such as T+3 processing capacity and information security costs.

Depreciation increased by 23% to R58 million (H1 2016: R47 million), largely owing to the impact of projects that have been brought into production. These projects include T+3 phase 3, ITaC project 1a as well spend on server refreshes and network equipment.

General expenses have been well contained and rose by 1% to R212 million (H1 2016: R210 million). This includes a one-off expense of R10 million for the IT cost optimisation exercise.

## Cost optimisation

The implementation of the cost optimisation initiatives referred to above will result in annualised technology cost savings of approximately R70 million, to be fully realised from 2019 onwards. The IT cost optimisation study includes clear recommendations regarding best practice use of technology.

We have already implemented significant cost savings to date against our variable spend (approximately R65 million in annualised savings in the first half through a combination of removing vacancies and reducing discretionary expenditure) in advance of implementing the structural reduction of our fixed cost base.

The consultation process in terms of section 189A of the Labour Relations Act, 66 of 1995 could result in the retrenchment of approximately 60 people (14% of headcount) from the JSE's current full-time staff complement during 2017. These savings of approximately R100 million will reflect from the 2018 financial year.

## Strong balance sheet

The Group cash balance is strong at R2 billion after paying a dividend of R486 million during the period (H1 2016: R543 million). Group capital expenditure on our various strategic initiatives was R97 million. This includes improved functionality on the project to integrate the JSE's trading and clearing systems. All currently planned investments and capital requirements for 2017 can be funded from the Group's own resources.

## Strategic focus

Our focus for the second half of 2017 remains on projects that are designed to strengthen the delivery of the JSE's strategic vision and our long-term growth strategy. In particular:

- Being well positioned for the competitive exchange landscape;
- Implementing our cost saving initiatives:
  - Section 189A of the Labour Relations Act: The implementation costs will be in the order of R40 million in the second half of 2017;
  - Technology cost optimisation;
- Integrated Trading and Clearing (ITaC) project 1b and c: We have announced to the market that we expect to complete the programme activities late in the fourth quarter of 2017 and to go live in the first quarter of 2018;
- The electronic trading platform for government bonds;
- Navigating changes following the Twin Peaks regulatory implementation: We have adequate eligible capital to cover the known draft regulatory capital requirements;
- Prioritising immediate aspects of our long-term growth strategy:
  - Post-Trade services. Evidencing our commitment to make it more efficient for our clients, the JSE recently introduced improved margin methodologies in the Interest Rate Derivatives Market that resulted in a nearly 30% reduction (approximately R3.5 billion) in margin calls for clients of that market;
  - Information services; and
- Being a constructive participant in the SA Inc. dialogue.

## Prospects

Despite the difficult macroeconomic and operating environment, we are clear about our 2017 priorities and hence the issues that we need to tackle to achieve our strategy and grow this business sustainably.

Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance. Although we have experienced a tough start to the year we remain focused on our cost optimisation initiatives, whilst making the necessary capital investments in areas that will enhance the Group's sustainability.

#### **Changes to the Board of directors and executive committee**

- Leanne Parsons, alternate executive director responsible for JSE Information Services, has indicated that she will step down from the JSE Executive Committee and from the Board effective 31 December 2017. Ms Parsons, who has spent her entire working career of 32 years at the JSE, will remain at the JSE for 2018 and will continue to drive the delivery of the ITaC project. The JSE will utilise this considerable lead time to enable a smooth succession for Ms Parsons' executive responsibilities and to ensure that our strategic ITaC project remains on track.
- As part of our efforts to streamline the business, Riaan van Wamelen offered to step down from his role as CIO to facilitate the combination of the JSE's IT and Trading & Market Services Divisions. Tshwantsho Matsena has assumed the CIO role effective 1 July 2017 and heads the combined Division.
- Graeme Brookes, the Group Company Secretary, has stepped off the Executive Committee but remains responsible as Group Company Secretary for all Group governance, compliance and internal audit functions.

#### **Regulation**

The Financial Sector Regulation (FSR) Bill (also known as Twin Peaks) and consequential amendments to the Financial Markets Act will impact how the JSE is regulated and the cost of operating in a regulated environment. The JSE is ready to meet the known draft regulatory capital requirements and is exploring opportunities to provide products and services to enable capital relief to its clients.

The National Assembly passed the FSR Bill on 22 June 2017.

#### **Directors' responsibility statement**

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; the Financial Pronouncements as issued by the Financial Reporting Standards Council; and the requirements of the Companies Act of South Africa. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether owing to fraud or error.

#### **Approval of financial statements**

The unreviewed condensed consolidated interim financial statements were approved by the Board of directors on 3 August 2017 and are signed on its behalf by:



**N Nyembezi**  
Chairman



**N Newton-King**  
Chief Executive Officer

## Consolidated statement of comprehensive income

For the six months ended 30 June 2017

	Notes	Group		
		Six months ended		Year ended
		30 June 2017	30 June 2016	31 December 2016 (audited)
		R'000	R'000	R'000
<b>Revenue</b>	8	<b>1 079 332</b>	1 176 410	2 338 796
Other income		17 911	26 624	46 402
Personnel expenses	9	(244 668)	(245 727)	(564 996)
Other expenses	10	(399 714)	(389 899)	(845 144)
<b>Profit from operating activities</b>		<b>452 861</b>	567 408	975 058
Finance income		1 653 119	1 533 488	3 249 286
Finance costs		(1 541 781)	(1 436 146)	(3 035 497)
<b>Net finance income</b>		<b>111 338</b>	97 342	213 789
Share of profit of equity-accounted investee (net of income tax)		20 500	24 817	59 066
<b>Profit before income tax</b>		<b>584 699</b>	689 567	1 247 913
Income tax expense	11	(165 265)	(176 917)	(328 211)
<b>Profit for the period</b>		<b>419 434</b>	512 650	919 702
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Net change in fair value of available-for-sale financial assets		8 298	(4 422)	(22 331)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(1 722)	(12 432)	(16 328)
<b>Other comprehensive income for the year, net of income tax</b>		<b>6 576</b>	(16 854)	(38 659)
<b>Total comprehensive income for the period</b>		<b>426 010</b>	495 796	881 043
<b>Earnings per share</b>				
Basic earnings per share (cents)	12.1	490.9	599.7	1 074.8
Diluted earnings per share (cents)	12.2	487.7	594.9	1 062.1
<b>Other earnings</b>				
Headline earnings per share (cents)	12.3	488.9	585.1	1 063.2
Diluted headline earnings per share (cents)	12.4	485.7	580.4	1 050.7

# Consolidated statement of financial position

as at 30 June 2017

		Group		
		As at		As at
		30 June 2017	30 June 2016	31 December 2016
		R'000	R'000	(audited) R'000
Notes				
<b>Assets</b>				
<b>Non-current assets</b>		<b>1 274 786</b>	1 136 382	1 244 388
	Property and equipment	194 858	156 021	173 047
	Intangible assets	464 388	408 877	452 039
	Investment in equity-accounted investee	218 678	188 902	223 151
	Other investments	295 864	302 792	293 470
	Loan to the JSE Empowerment Fund Trust	25 924	25 794	25 098
	Deferred taxation	75 074	53 996	77 583
<b>Current assets</b>		<b>44 451 229</b>	43 592 342	44 713 700
	Trade and other receivables	541 920	564 623	555 091
	Income tax receivable	852	529	1 064
	JSE Clear Derivatives Default Fund collateral deposit	500 000	500 000	500 000
	Margin deposits	41 423 502	40 771 648	41 538 835
	Collateral deposits	920	85	23 926
	Cash and cash equivalents	1 984 035	1 755 457	2 094 784
<b>Total assets</b>		<b>45 726 015</b>	44 728 724	45 958 088
<b>Equity and liabilities</b>				
<b>Total equity</b>		<b>3 184 658</b>	2 862 463	3 269 531
	Stated capital	(23 896)	21 540	26 693
	Reserves	511 473	473 094	475 700
	Retained earnings	2 697 081	2 367 829	2 767 138
<b>Non-current liabilities</b>		<b>136 454</b>	127 962	137 391
	Employee benefits	9 149	8 883	8 796
	Due to Safex members	1 347	1 347	1 347
	Deferred taxation	15 210	11 371	17 771
	Operating lease liability	100 994	92 949	97 287
	Deferred income	9 754	13 412	12 190
<b>Current liabilities</b>		<b>42 404 903</b>	41 738 299	42 551 166
	Trade and other payables	478 447	494 704	434 442
	Income tax payable	38 240	4 718	–
	Employee benefits	63 794	67 144	153 963
	JSE Clear Derivatives Default Fund collateral contribution	400 000	400 000	400 000
	Margin deposits	41 423 502	40 771 648	41 538 835
	Collateral deposits	920	85	23 926
<b>Total equity and liabilities</b>		<b>45 726 015</b>	44 728 724	45 958 088

## Consolidated statement of changes in equity

For the six months ended 30 June 2017

Group	Stated capital R'000	NDR R'000	Share-based payments reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 1 January 2016</b>	66 507	433 392	44 968	478 360	2 411 285	2 956 152
Profit for the period	–	–	–	–	512 650	512 650
Other comprehensive income	–	(16 854)	–	(16 854)	–	(16 854)
Total comprehensive income for the period	–	(16 854)	–	(16 854)	512 650	495 796
LTIS Allocation 3 – shares vested	10 288	–	–	–	–	10 288
LTIS Allocation 4 – shares vested	16 268	–	–	–	–	16 268
Distribution from the BESA Guarantee Fund Trust <sup>1</sup>	–	(2 154)	–	(2 154)	2 154	–
Dividends paid to owners	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payments	–	–	(1 860)	(1 860)	–	(1 860)
Transfer of profit from investor protection funds	–	15 602	–	15 602	(15 602)	–
Treasury shares	(71 066)	–	–	–	–	(71 066)
Treasury shares – share issue costs	(457)	–	–	–	–	(457)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>(44 967)</b>	<b>13 448</b>	<b>(1 860)</b>	<b>11 588</b>	<b>(556 106)</b>	<b>(589 485)</b>
<b>Balance at 30 June 2016</b>	<b>21 540</b>	<b>429 986</b>	<b>43 108</b>	<b>473 094</b>	<b>2 367 829</b>	<b>2 862 463</b>
Profit for the period	–	–	–	–	407 052	407 052
Other comprehensive income	–	(21 805)	–	(21 805)	–	(21 805)
Total comprehensive income for the period	–	(21 805)	–	(21 805)	407 052	385 247
LTIS Allocation 3 – shares vested	–	–	(10 288)	(10 288)	–	(10 288)
LTIS Allocation 4 – shares vested	(632)	–	(15 636)	(15 636)	–	(16 268)
Distribution from the BESA Guarantee Fund Trust <sup>1</sup>	–	(2 268)	–	(2 268)	2 268	–
Equity-settled share-based payments	–	–	42 592	42 592	–	42 592
Transfer of profit from investor protection funds	–	10 011	–	10 011	(10 011)	–
Treasury shares	5 785	–	–	–	–	5 785
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>5 153</b>	<b>7 743</b>	<b>16 668</b>	<b>24 411</b>	<b>(7 743)</b>	<b>21 821</b>
<b>Balance at 31 December 2016</b>	<b>26 693</b>	<b>415 924</b>	<b>59 776</b>	<b>475 700</b>	<b>2 767 138</b>	<b>3 269 531</b>
Profit for the period	–	–	–	–	419 434	419 434
Other comprehensive income	–	6 576	–	6 576	–	6 576
Total comprehensive income for the period	–	6 576	–	6 576	419 434	426 010
Distribution from the BESA Guarantee Fund Trust <sup>1</sup>	–	(2 250)	–	(2 250)	2 250	–
Dividends paid to owners	–	–	–	–	(486 456)	(486 456)
Equity-settled share-based payment	–	–	26 162	26 162	–	26 162
Transfer of profit from investor protection funds	–	5 285	–	5 285	(5 285)	–
Treasury shares	(50 482)	–	–	–	–	(50 482)
Treasury shares – share issue costs	(107)	–	–	–	–	(107)
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>	<b>(50 589)</b>	<b>3 035</b>	<b>26 162</b>	<b>29 197</b>	<b>(489 491)</b>	<b>(510 883)</b>
<b>Balance at 30 June 2017<sup>2</sup></b>	<b>(23 896)</b>	<b>425 535</b>	<b>85 938</b>	<b>511 473</b>	<b>2 697 081</b>	<b>3 184 658</b>
Note		15	15			

<sup>1</sup> The BESA 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, R2.3 million (December 2016: R4.4 million) (June 2016: R2.1 million) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.

<sup>2</sup> This balance is in debit as at 30 June 2017 as a result of a change in date of vesting of LTIS Treasury shares pertaining to Allocation 4 Tranche 2 and Allocation 5 Tranche 1. Please refer to note 16 for details.



## Consolidated statement of cash flows

For the six months ended 30 June 2017

	Group		
	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016 (audited)
	R'000	R'000	R'000
<b>Cash flows from operating activities</b>			
Cash generated by operations	480 538	587 104	1 136 998
Interest received	1 688 130	1 498 165	3 151 306
Interest paid	(1 555 445)	(1 370 776)	(2 948 179)
Dividends received	1 601	1 634	3 546
Taxation paid	(126 865)	(193 835)	(367 569)
<b>Net cash generated by operating activities</b>	<b>487 959</b>	<b>522 292</b>	<b>976 102</b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of other investments	19 249	48 885	77 408
Acquisition of other investments	(13 344)	(43 535)	(80 648)
Dividends from equity-accounted investee	24 972	22 945	22 945
Proceeds from disposal of property and equipment	–	265	310
Leasehold improvements	(1 064)	(1 615)	(5 076)
Acquisition of intangible assets	(44 928)	(73 080)	(145 600)
Acquisition of property and equipment	(46 547)	(14 147)	(49 890)
<b>Net cash used in investing activities</b>	<b>(61 662)</b>	<b>(60 282)</b>	<b>(180 551)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale of treasury shares	–	41 229	–
Acquisition of treasury shares	(50 590)	(112 753)	(65 738)
Dividends paid	(486 456)	(542 658)	(542 658)
<b>Net cash used in financing activities</b>	<b>(537 046)</b>	<b>(614 182)</b>	<b>(608 396)</b>
Net (decrease)/increase in cash and cash equivalents	(110 749)	(152 172)	187 155
Cash and cash equivalents at 1 January	2 094 784	1 907 629	1 907 629
<b>Cash and cash equivalents at end of period</b>	<b>1 984 035</b>	<b>1 755 457</b>	<b>2 094 784</b>

# Notes to the condensed consolidated interim financial statements

For the six months ended 30 June 2017

## 1. Reporting entity

JSE Limited (the “JSE” or the “Company”) is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, 19 of 2012. The JSE has the following main lines of business: primary market services, trading, clearing and settlement services and market data sales. The address of the Company’s registered office is One Exchange Square, 2 Gwen Lane, Sandown. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2017 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 condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) IAS 34 interim financial reporting, the SAICA financial reporting guides as issued by the Accounting Practice Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 2008.

## 3. Changes in accounting policies

The interim condensed consolidated 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 2016. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 4. Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2016 and the year ended 31 December 2016.

## 5. Use of estimates and judgements

Judgements and estimates are consistent with those in the consolidated financial statements as at and for the year ended 31 December 2016.

## 6. Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

## 7. New standards and interpretations not yet adopted

There are a number of forthcoming new standards and interpretations or amendments to standards and interpretations, which have been issued by the International Accounting Standards Board (IASB) prior to the publication of these financial statements, but are effective only in future accounting periods, as listed below:

### **IFRS 9: Financial Instruments – effective date: 1 January 2018**

The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities. The amendment will be adopted by the Group for its financial reporting period ending after the date the statement comes into effect. The Group does not expect a significant impact from the adoption of this statement.

### **IFRS 15: Revenue from Contracts with Customers – effective date: 1 January 2018**

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group and Company are assessing the potential impact on the financial statements resulting from the application of IFRS 15.

### **IFRS 16: Leases – effective date: 1 January 2019**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

Early adoption is permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group and Company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016 (audited)
	R'000	R'000	R'000
<b>8. Revenue and operating segments</b>			
<b>Revenue comprises:</b>			
Capital markets			
Commodity derivatives fees	31 666	34 518	69 725
Currency derivatives fees	23 710	18 836	37 573
Equity derivatives fees	84 083	90 464	177 335
Equity market fees	234 711	289 465	555 439
Interest rate market fees	30 222	31 620	60 318
Primary market fees	81 854	76 030	164 368
Post-trade services			
Back-office Services (BDA)	148 824	151 092	315 981
Clearing and settlement fees	186 319	212 171	412 741
Funds under management	46 281	46 281	94 940
Information services			
Colocation fees	9 998	10 167	19 938
Indices net of FTSE	15 318	20 839	42 150
Other market data fees	107 376	118 506	235 956
Trading and market services			
Trading services	16 371	12 046	23 401
<b>Total revenue excluding Strate ad valorem fees</b>	<b>1 016 733</b>	<b>1 112 035</b>	<b>2 209 865</b>
Strate ad valorem fees – cash equities	62 599	64 375	128 931
	<b>1 079 332</b>	<b>1 176 410</b>	<b>2 338 796</b>
<b>9. Personnel expenses</b>			
Remuneration paid	218 762	220 592	522 233
Gross amount paid	226 487	231 122	541 576
Less: Capitalised to intangible assets	(7 725)	(10 530)	(19 343)
Long-term incentive schemes	25 906	25 135	42 763
	<b>244 668</b>	<b>245 727</b>	<b>564 996</b>
<b>10. Other expenses</b>			
Other expenses	(270 971)	(256 746)	(562 486)
Technology costs	(128 743)	(133 153)	(282 658)
	<b>(399 714)</b>	<b>(389 899)</b>	<b>(845 144)</b>
<b>11. Income tax expense</b>			
The Group's consolidated effective tax rate for the six months ended 30 June 2017 was 28% (for the six months ended 30 June 2016: 26%; for the year ended 31 December 2016: 26%).			

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

For the six months ended 30 June 2017

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016 (audited)
	R'000	R'000	R'000
<b>12. Earnings and headline earnings per share</b>			
<b>12.1 Basic earnings per share</b>			
Profit for the year attributable to ordinary shareholders	419 434	512 650	919 702
Weighted average number of ordinary shares:			
Issued ordinary shares at 1 January	86 877 600	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010)	(1 440 033)	(1 394 319)	(1 305 370)
Weighted average number of ordinary shares at 30 June/31 December	85 437 567	85 483 281	85 572 230
Basic earnings per share (cents)	490.9	599.7	1 074.8
<b>12.2 Diluted earnings per share</b>			
Profit for the year attributable to ordinary shareholders	419 434	512 650	919 702
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at 30 June/31 December (basic)	85 437 567	85 483 281	85 572 230
Effect of LTIS Share Scheme	562 911	696 265	1 016 489
Weighted average number of ordinary shares (diluted)	86 000 478	86 179 546	86 588 719
Diluted earnings per share (cents)	487.7	594.9	1 062.1
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices using a volume-weighted average price for the period			
<b>12.3 Headline earnings per share</b>			
Reconciliation of headline earnings:			
Profit for the year attributable to ordinary shareholders	419 434	512 650	919 702
Adjustments are made to the following:			
Profit or loss on disposal of property and equipment	(11)	(43)	(66)
– Gross amount	(15)	(60)	(92)
– Taxation effect	4	17	26
The SA SME Fund Limited – write-down of investment	–	–	5 000
– Gross amount	–	–	5 000
– Taxation effect	–	–	–
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	(1 722)	(12 433)	(14 820)
Headline earnings	417 701	500 174	909 816
Headline earnings per share (cents)	488.9	585.1	1 063.2
<b>12.4 Diluted headline earnings per share</b>			
Diluted headline earnings per share (cents)	485.7	580.4	1 050.7

## 13. Intangible assets

Included in the intangible asset of R464 million (June 2016: R409 million) (December 2016: R452 million) is work in progress of R212.6 million (June 2016: R201 million) (December 2016: R171 million), mainly in respect of integrated trading and clearing.

## 14. Financial instruments

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

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016 (audited)
	R'000	R'000	R'000
<b>15. Reserves</b>			
Investor protection funds <sup>1</sup>	425 535	429 986	415 924
– BESA Guarantee Fund Trust	110 918	108 382	109 448
– JSE Derivatives Fidelity Fund Trust	163 049	167 707	157 971
– JSE Guarantee Fund Trust	151 568	153 897	148 505
Non-distributable reserves	425 535	429 986	415 924
JSE LTIS 2010 reserve <sup>2</sup>	85 938	43 108	59 776
	511 473	473 094	475 700

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

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

## 16. Share-based payments

### (i) Vesting of Allocation 4 Tranche 2 shares during the period under review

The fourth award ("Allocation 4") under LTIS 2010 was granted in May 2013 with the following vesting profile:

Tranche 1: 50% of the total award, which vested on 1 June 2016,

Tranche 2: 50% of the total award, vesting on 4 August 2017 (previously disclosed as 1 June 2017). All LTIS 2010 participants in the employ of the Company as at 1 June 2017 will be eligible to participate in the vesting of this Tranche in accordance with the terms and conditions of the Scheme rules.

### (ii) Vesting of Allocation 5 Tranche 1 shares during the period under review

The fifth award ("Allocation 5") under LTIS 2010 was granted in May 2014 with the following vesting profile:

Tranche 1: 50% of the total award, vesting on 4 August 2017 (previously disclosed as 1 June 2017). All participants in the employ of the Company as at 1 June 2017 will be eligible to participate in the vesting of this Tranche in accordance with the terms and conditions of the Scheme rules.

Tranche 2: 50% of the total award, vesting on 1 June 2018

### (iii) Grant of Allocation 8 under LTIS 2010 during the period under review

In accordance with shareholder approval, previously granted, for the provision of financial assistance to the JSE LTIS 2010 Trust, the Board approved a fresh annual allocation of shares ("Allocation 8") to selected employees for the 2017 year, and these individual allocations were all accepted by scheme participants by 3 March 2017. Allocation 8 comprised a total of 290 530 JSE ordinary shares and these shares were acquired in the open market by 3 March 2017, at a volume-weighted average price (including all execution costs) of R147.92 per ordinary share. These shares are held in trust and are restricted until all vesting conditions are fulfilled whereupon the shares vest.

Included in the total number of shares granted of 290 530, a total of 153 630 corporate performance shares has been granted to members of the JSE's Executive Committee. No personal performance shares were allocated under Allocation 8.

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

For the six months ended 30 June 2017

Information on Allocation 8 is as follows:

	<b>Corporate performance shares</b>
Share price at grant date (rand per share)	147,92
Total number of shares granted	290 530
Dividend yield	3%
Grant date	3 March 2017
Vesting profile:	
50% of the shares awarded vest on 1 March 2020	145 265
50% of the shares awarded vest on 1 March 2021	145 265

Fair value charge to profit and loss.

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:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>R'000</b>	R'000
Allocation 3 (granted in June 2012)	–	1 071
Allocation 4 (granted in May 2013)	<b>2 575</b>	5 012
Allocation 5 (granted in May 2014)	<b>8 849</b>	3 980
Allocation 6 (granted in June 2015)	<b>2 181</b>	4 513
Allocation 7 (granted in October 2016)	<b>6 154</b>	–
Allocation 8 (granted in March 2017)	<b>2 492</b>	–
	<b>22 251</b>	14 576

## 17. Contingent liabilities and commitments

### 17.1 Contingent liabilities

There were no material changes to the contingent liabilities as disclosed in the annual financial statements for 31 December 2016.

### 17.2 Commitments

There were no material changes to the commitments as disclosed in the annual financial statements for 31 December 2016.

## 18. 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).

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
<b>30 June 2017</b>				
Available-for-sale financial assets	149 404	146 460	–	295 864
<b>30 June 2016</b>				
Available-for-sale financial assets	163 170	139 622	–	302 792
<b>31 December 2016</b>				
Available-for-sale financial assets	153 354	140 116	–	293 470

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 available-for-sale.

The fair value of available-for-sale financial assets is determined by reference to the quoted bid price for equity instruments and the clean price from a quoted exchange for interest-bearing instruments, at the reporting date. In respect of unit trusts, valuations are carried out in accordance with the agreed principle that units in collective investment schemes shall be valued by reference to their middle market price where the units have a bid/offer spread, or to their most recently published net asset value (NAV). In the absence of final bid/offer prices or final net asset values, estimated figures may be relied upon. The value of any underlying fund is provided by the manager or the administrator of that fund. Should the manager be in any doubt as to the valuations, the manager will request an independent third party to review the valuations in order to confirm their fairness. The NAV per share is calculated and rounded down to four decimal places, any rounding to be retained for the benefit of the fund.

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.

Sandton  
3 August 2017

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



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