

A complex network diagram on a dark background. It consists of numerous nodes of varying sizes, some solid white, some solid green, and some hollow white. These nodes are interconnected by a web of thin white lines, creating a dense, interconnected structure. The overall aesthetic is modern and technological.

JSE

JSE LIMITED
INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

JSE LIMITED UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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, 71 of 2008, under the supervision of the chief financial officer, Aarti Takoordeen 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 regards this type of engagement as more appropriate. The performance of the agreed-upon procedures by the Group’s independent auditors resulted in no findings that the Group Audit Committee considers material. The directors take full responsibility for the preparation of this report.

Commentary

Revenue performance in the first quarter was strong, but the slow-down in volatility in the second quarter trimmed gains. Increased activity in all of our markets translated into operating revenue increasing by 7% (H1 2017: down 8%) to R1.2 billion (H1 2017: R1.1 billion). Our continued focus on cost control and a one-off tax credit of R31 million (R26 million tax and R5 million related interest) resulted in the JSE’s earnings after tax increasing by 34% to R561 million (H1 2017: R419 million). Costs are down by 5% (H1 2017: up 1%) to R613 million (H1 2017: R644 million).

Group earnings before interest and tax (EBIT) are up by 29% to R582 million (H1 2017: R453 million). Earnings per share (EPS) increased by 33% to 654.7c (H1 2017: 490.9c) and headline earnings per share (HEPS) increased by 34% to 654.6c (H1 2017: 488.9c).

Operating revenue

Operating revenue increased by 7% (H1 2017: down 8%) to R1.2 billion (H1 2017: R1.1 billion). The following contributions to revenue are noteworthy:

- Primary Market revenue is flat at R82 million. There were ten new Equity Market listings in the first half (H1 2017: 8), but this was largely offset by a decline in additional capital raised.
- Capital Markets:
 - Cash Equities Market revenue rose by 12% to R277 million owing to the 11% increase in billable value traded and the increase in the effective price as a result of the trade sizes executed by members;
 - Equity Derivatives Market revenue decreased by 10% to R75 million. Value traded was up by 4% however, this was offset by a greater percentage of trades executed at lower price ranges;
 - Currency Derivatives Market revenue decreased by 2% to R23 million. Contracts traded increased by 7%. However, the growth was offset by a decline in the effective rate as a result of the trade sizes executed by members;
 - Commodity Derivatives Market revenue increased by 18% to R37 million owing to an 11% increase in the number of contracts traded as well as annual price increases. Spread trading activity picked up in the first half of 2018 on the back of large carry-over stock from the previous season;
 - Interest Rate Market:
 - Bond Market revenue rose by 11% to R23 million owing to a 13% increase in bond nominal value traded;
 - Interest Rate Derivatives Market revenue grew by 14% to R3 million owing to an increase in the number of contracts traded (up 26%);
- Post-Trade Services:
 - Equity clearing and settlement revenue increased by 13% to R211 million following the 11% increase in billable value traded in the Equity Market;
 - BDA revenue declined by 2% to R147 million because the number of transactions declined by 5%. This was somewhat offset by a higher pricing mix; and
- Information Services revenue increased by 7% to R134 million, largely owing to an increase in the use of existing products and some new business.

Other income

Other income increased by R28 million to R42 million. Revenue growth was positively impacted by a forex gain of R17 million (2017: R7 million forex loss) on foreign denominated assets. The JSE holds USD12 million in cash (2017: USD14 million).

Operating expenditure

The Group is tracking on target to deliver the committed R170 million cost savings by end 2019.

Of the R613 million in operating expenses, personnel expenses decreased by R43 million, down 17%, to R202 million (H1 2017: R245 million). This is largely made up as follows:

- Gross remuneration which decreased by 19% as a result of the 22% lower average headcount. Our exit headcount on 30 June was 362 (H1 2017: 454). This contributed -12 percentage points.
- The long-term incentive scheme (LTIS 2010) charges which decreased by R16 million to R10 million (2017: R26 million) owing to timing differences in vesting (-R9 million) and a higher proportion of LTIS vesting in the prior year (-R7m). This contributed -6 percentage points.

Technology costs declined by R13 million, down 10%, to R116 million (H1 2017: R129 million), primarily due to cost optimisation initiatives.

Depreciation decreased by R4 million, down 7%, to R54 million (H1 2017: R58 million), largely owing to the net effect of fully depreciated assets.

General expenses rose by R29 million, up 14%, to R241 million (H1 2017: R212 million). This is largely made up as follows:

- Growth in expenses of R8 million mostly related to *Strate ad valorem* which is fully offset by revenue.
- Increased Internal audit and compliance spend of R7 million as part of an enhanced co-sourced engagement model.

Strong balance sheet

The Group cash balance is strong, at R2.4 billion. Group capital expenditure on various strategic initiatives was R42 million. All currently planned investments and capital requirements for 2018 can be funded from the Group's own resources.

Regulation

The Group holds sufficient capital to meet its regulatory requirements. However, we adopt a more prudent approach and hold further economic capital.

Strategic focus

We are delighted to have launched the pilot phase of the electronic trading platform (ETP) for government bonds with National Treasury and the Primary Dealers on 18 July 2018.

A tiered billing model for the Cash Equities Market was introduced with effect from 30 July 2018. This decision follows extensive formal consultation with members, several rounds of internal reviews and global benchmarking exercises. Each of these steps resulting in more favourable pricing for the market as a whole.

Our focus for the second half of 2018 remains on projects designed to strengthen the delivery of the JSE's strategic vision and our long-term growth strategy so that we are able to better service our clients. In particular, we are coming to the closing stages of our Integrated Trading and Clearing (ITaC) project 1b and c. This will provide clients with robust trading and clearing technology in our equity derivatives and currency markets and introduce more sophisticated trading and risk management functionality, enabling us over time to reduce the cost of transacting in those markets.

Prospects

We are clear about our 2018 priorities and hence what we need to do to deliver a better service to our clients and to grow this business sustainably.

The JSE is a largely fixed-cost business. Therefore we will maintain our focus on costs, while making the necessary capital investments in areas that will enhance the Group's service offering and sustainability.

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 in 2018.

Changes to the Board of directors and executive committee

During 2018, the following changes were made to the Board:

- At the annual general meeting (AGM) held on 17 May 2018: Anton Botha, Andile Mazwai and Nomavuso Mnxasana, independent non-executive directors, retired.
- Nigel Payne will step down from the Board as a non-executive director with effect from 3 August 2018, following his appointment as chairman of *Strate* (Pty) Limited.
- Barend Johannes (Ben) Kruger joined the Board as a non-executive director with effect from 1 June 2018.

The following changes were made to the executive committee:

- Mark Randall was appointed to the executive committee as director of Information Services effective from 1 July 2018.
- Tshwantsho Matsena resigned from the executive committee as chief information officer (CIO) effective from 31 August 2018. Len de Villiers joined the JSE as interim CIO on 1 July and has been appointed in this role until end-December 2018, by which date we plan to have a permanent CIO in place.

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.

Commentary

(continued)

Approval of financial statements

The unreviewed condensed consolidated interim financial statements were approved by the Board of directors on 2 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 2018

	Notes	Group		
		Six months ended		Year ended
		30 June 2018	30 June 2017	31 December 2017 (audited)
		R'000	R'000	R'000
Revenue	8	1 152 811	1 079 332	2 229 046
Other income		42 310	17 911	52 359
Personnel expenses	9	(201 996)	(244 668)	(549 062)
Other expenses	10	(411 205)	(399 714)	(848 034)
Profit from operating activities		581 920	452 861	884 309
Finance income		1 347 619	1 653 119	3 245 797
Finance costs		(1 225 896)	(1 541 781)	(3 012 846)
Net finance income		121 723	111 338	232 951
Share of profit from associate (net of income tax)		28 538	20 500	34 644
Profit before income tax		732 181	584 699	1 151 904
Income tax expense	11	(171 467)	(165 265)	(316 396)
Profit for the period		560 714	419 434	835 508
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Net change in fair value of available-for-sale financial assets		–	8 298	23 028
Net change in fair value of available-for-sale financial assets recycled to profit or loss		–	(1 722)	(12 249)
Change in financial instruments at fair value through other comprehensive income		15 185	–	–
Other comprehensive income for the year, net of income tax		15 185	6 576	10 779
Total comprehensive income for the period		575 899	426 010	846 287
Earnings per share				
Basic earnings per share (cents)	12.1	654.7	490.9	977.4
Diluted earnings per share (cents)	12.2	650.7	487.7	970.6
Other earnings				
Headline earnings per share (cents)	12.3	654.6	488.9	996.6
Diluted headline earnings per share (cents)	12.4	650.6	485.7	989.7

The other comprehensive income comprises of the following for the period:

- (i) Balance not to be reclassified to profit and loss R15 million.
- (ii) Balance that will be reclassified to profit and loss R0.2 million.

Consolidated statement of financial position

as at 30 June 2018

		Group		
		As at		As at
		30 June 2018	30 June 2017	31 December 2017 (audited)
Notes		R'000	R'000	R'000
Assets				
Non-current assets		1 330 311	1 274 786	1 315 826
		162 165	194 858	186 730
Property and equipment				
Intangible assets	13	502 438	464 388	486 808
Investment in associate		242 525	218 678	232 822
Other investments	18	329 637	295 864	316 400
Loan to the JSE Empowerment Fund Trust		25 984	25 924	25 154
Deferred taxation		67 562	75 074	67 912
Current assets		37 639 208	44 451 229	37 372 143
		509 317	541 920	495 105
Trade and other receivables				
Income tax receivable		1 418	852	622
JSE Clear Derivatives Default Fund collateral deposit		500 000	500 000	500 000
Margin deposits		33 640 882	41 423 502	33 933 761
Collateral deposits		634 648	920	65 191
Cash and cash equivalents		2 352 943	1 984 035	2 377 464
Total assets		38 969 519	45 726 015	38 687 969
Equity and liabilities				
Total equity		3 689 282	3 184 658	3 626 381
		14 017	(23 896)	11 614
Stated capital				
Reserves	15	539 450	511 473	513 272
Retained earnings		3 135 815	2 697 081	3 101 495
Non-current liabilities		134 213	136 454	139 444
		–	9 149	9 844
Employee benefits				
Due to Safex members		1 347	1 347	1 347
Deferred taxation		20 787	15 210	16 087
Operating lease liability		106 170	100 994	104 084
Deferred income		5 909	9 754	8 082
Current liabilities		35 146 024	42 404 903	34 922 144
		406 462	478 447	395 514
Trade and other payables				
Income tax payable		89	38 240	9 294
Employee benefits		63 943	63 794	118 384
JSE Clear Derivatives Default Fund collateral contribution		400 000	400 000	400 000
Margin deposits		33 640 882	41 423 502	33 933 761
Collateral deposits		634 648	920	65 191
Total equity and liabilities		38 969 519	45 726 015	38 687 969

Consolidated statement of changes in equity

for the six months ended 30 June 2018

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
Balance at 1 January 2017	26 693	415 924	59 776	475 700	2 767 138	3 269 531
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 JSE Debt Guarantee Fund Trust ¹	–	(2 250)	–	(2 250)	2 250	–
Dividends paid to owners	–	–	–	–	(486 456)	(486 456)
Equity-settled share-based payments	–	–	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)
Total contributions by and distributions to owners of the Company recognised directly in equity	(50 589)	3 035	26 162	29 197	(489 491)	(510 883)
Balance at 30 June 2017	(23 896)	425 535	85 938	511 473	2 697 081	3 184 658
Profit for the period	–	–	–	–	416 074	416 074
Other comprehensive income	–	4 203	–	4 203	–	4 203
Total comprehensive income for the period	–	4 203	–	4 203	416 074	420 277
LTIS Allocation 4 – shares vested	15 565	–	(15 565)	(15 565)	–	–
LTIS Allocation 5 – shares vested	20 065	–	(20 065)	(20 065)	–	–
Distribution from the JSE Debt Guarantee Fund Trust ¹	–	(2 234)	–	(2 234)	2 234	–
Dividends paid to owners	–	–	–	–	–	–
Equity-settled share-based payments	–	–	21 566	21 566	–	21 566
Transfer of profit from investor protection funds	–	13 894	–	13 894	(13 894)	–
Treasury shares	(8)	–	–	–	–	(8)
Treasury shares – share issue costs	(112)	–	–	–	–	(112)
Total contributions by and distributions to owners of the Company recognised directly in equity	35 510	11 660	(14 064)	(2 404)	(11 660)	21 446
Balance at 31 December 2017	11 614	441 398	71 874	513 272	3 101 495	3 626 381
Profit for the period	–	–	–	–	560 714	560 714
Other comprehensive income	–	15 185	–	15 185	–	15 185
Total comprehensive income for the period	–	15 185	–	15 185	560 714	575 899
Distribution from the JSE Debt Guarantee Fund Trust ¹	–	(2 169)	–	(2 169)	2 169	–
Dividends paid to owners	–	–	–	–	(524 999)	(524 999)
Equity-settled share-based payment	–	–	9 598	9 598	–	9 598
Transfer of profit from investor protection funds	–	3 564	–	3 564	(3 564)	–
Treasury shares	2 418	–	–	–	–	2 418
Treasury shares – share issue costs	(15)	–	–	–	–	(15)
Total contributions by and distributions to owners of the Company recognised directly in equity	2 403	1 395	9 598	10 993	(526 394)	(512 998)
Balance at 30 June 2018	14 017	457 978	81 472	539 450	3 135 815	3 689 282
Note	16	15	15			

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, R2.2 million (December 2017: R4.5 million) (June 2017: R2.3 million) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.

Consolidated statement of cash flows

for the six months ended 30 June 2018

	Group		
	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017 (audited)
	R'000	R'000	R'000
Cash flows from operating activities			
Cash generated by operations	588 689	480 538	998 367
Finance income	1 357 826	1 688 130	3 326 655
Finance costs	(1 260 417)	(1 555 445)	(3 053 521)
Dividends received	2 472	1 601	3 696
Taxation paid	(166 516)	(126 865)	(298 673)
Net cash generated by operating activities	522 054	487 959	976 524
Cash flows from investing activities			
Proceeds on sale of other investments	15 158	19 249	30 296
Acquisition of other investments	(13 155)	(13 344)	(30 197)
Dividends from associate	18 834	24 972	24 972
Proceeds from disposal of property and equipment	123	–	150
Leasehold improvements	–	(1 064)	(1 683)
Acquisition of intangible assets	(41 630)	(44 928)	(115 958)
Acquisition of property and equipment	(3 309)	(46 547)	(64 259)
Net cash used in investing activities	(23 979)	(61 662)	(156 679)
Cash flows from financing activities			
Acquisition of treasury shares	(33)	(50 590)	(50 709)
Proceeds from sale of treasury shares	2 436	–	–
Dividends paid	(524 999)	(486 456)	(486 456)
Net cash used in financing activities	(522 596)	(537 046)	(537 165)
Net (decrease)/increase in cash and cash equivalents	(24 521)	(110 749)	282 680
Cash and cash equivalents at 1 January	2 377 464	2 094 784	2 094 784
Cash and cash equivalents at end of period	2 352 943	1 984 035	2 377 464

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2018

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: 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 condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 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 2017. 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 2017, except for the adoption of new standards effective as of 1 January 2018.

IFRS 9 (Financial Instruments)

IFRS 9 was effective for the current period. As permitted by IFRS 9, the JSE has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

The impact of IFRS 9 relates to the investor protection fund investments for which all fair value gains/losses relating to equity instruments are recognised in other comprehensive income and not reclassified to profit or loss on disposal. Debt instruments are subsequently classified to profit/loss upon realisation of the investment. There is, however, no material impact from IFRS 9 on the Interim Condensed Consolidated Financial Statements.

IFRS 15 (Revenue from Contracts with Customers)

Application of the standard is mandatory for reporting periods beginning on or after 1 January, 2018. This standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces in particular IAS 18 (Revenue) and has no material effect on the prior year and current year presentation of JSE Limited results of consolidated statement of comprehensive income and financial position.

IFRS 15 – Disaggregation

The impact of adopting IFRS 15, does not result in any further disaggregation of revenue as compared to the segmental report of the financial statements.

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 2017 and the year ended 31 December 2017.

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 2017.

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 2017.

7. 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 is effective only in future accounting periods, as listed below:

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, ie. 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.

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 June 2018

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 2018	30 June 2017	31 December 2017 (audited)
	R'000	R'000	R'000
8. Revenue and operating segments			
Revenue comprises:			
Capital markets			
Colocation fees	7 262	9 998	20 068
Commodity derivatives fees	37 434	31 666	68 365
Company services fees	5 139	–	–
Currency derivatives fees	23 217	23 710	47 943
Equity derivatives fees	75 268	84 083	169 769
Equity market fees	277 143	251 082	506 692
Interest rate market fees*	26 763	24 088	50 076
Primary market fees	82 028	81 854	181 005
Post-trade services			
Back-office Services (BDA)	147 091	148 824	292 911
Clearing and settlement fees	211 011	186 319	383 794
Funds under management	52 846	46 281	95 737
Information services			
Index fees	16 786	15 318	50 021
Market data fees	117 028	107 376	221 702
Total revenue excluding Strate ad valorem fees – Cash	1 079 016	1 010 599	2 088 083
Strate ad valorem fees – bonds	7 113	6 134	12 831
Strate ad valorem fees – cash equities	66 682	62 599	128 132
	1 152 811	1 079 332	2 229 046
<i>*Restated – Strate ad valorem fees – bonds previously included in interest rate market fees.</i>			
9. Personnel expenses			
Remuneration paid	(191 888)	(218 762)	(503 640)
Gross amount paid	(197 865)	(226 487)	(521 194)
Less: Capitalised to intangible assets	5 977	7 725	17 554
Long-term incentive schemes	(10 108)	(25 906)	(45 422)
	(201 996)	(244 668)	(549 062)
10. Other expenses			
Other expenses	(295 188)	(270 971)	(591 370)
Technology costs	(116 017)	(128 743)	(256 664)
	(411 205)	(399 714)	(848 034)
11. Income tax expense			

The Group's consolidated effective tax rate for the six months ended 30 June 2018 is 24% (for the six months ended June 2017: 28%; for the year ended 31 December 2017: 27%). Included in the 2018 tax charge is a R26 million tax credit relating to deductible expenditure claims on an IT system for the 2010 and 2011 tax years. Interest of R5 million thereon has been recognised in finance income.

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017 (audited)
	R'000	R'000	R'000
12. Earnings and headline earnings per share			
12.1 Basic earnings per share			
Profit for the year attributable to ordinary shareholders	560 714	419 434	835 508
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)	(1 239 187)	(1 440 033)	(1 394 954)
Weighted average number of ordinary shares at 30 June/31 December	85 638 413	85 437 567	85 482 646
Basic earnings per share (cents)	654.7	490.9	977.4
12.2 Diluted earnings per share			
Profit for the year attributable to ordinary shareholders	560 714	419 434	835 508
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at 30 June/31 December (basic)	85 638 413	85 437 567	85 482 646
Effect of LTIS Share Scheme	529 586	562 911	598 795
Weighted average number of ordinary shares (diluted)	86 167 999	86 000 478	86 081 441
Diluted earnings per share (cents)	650.7	487.7	970.6
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			
12.3 Headline earnings per share			
Reconciliation of headline earnings:			
Profit for the year attributable to ordinary shareholders	560 714	419 434	835 508
Adjustments are made to the following:			
Profit on disposal of property and equipment	(89)	(11)	(76)
– Gross amount	(123)	(15)	(105)
– Taxation effect	34	4	29
Nautilus MAP Operations Proprietary Limited impairment loss	–	–	24 564
– Gross amount	–	–	24 564
– Taxation effect	–	–	–
Share of investment in associate system impairment	–	–	4 216
Net realised loss/(gain) on disposal of available-for-sale financial assets (no taxation effect)	–	(1 722)	(12 249)
Headline earnings	560 625	417 701	851 963
Headline earnings per share (cents)	654.6	488.9	996.6
12.4 Diluted headline earnings per share			
Diluted headline earnings per share (cents)	650.6	485.7	989.7

13. Intangible assets

Included in the intangible asset of R502 million (June 2017: R464 million; December 2017: R487 million) is work in progress of R282 million (June 2017: R212.6 million; December 2017: R281 million), mainly in respect of integrated trading and clearing.

Notes to the condensed consolidated interim financial statements (continued)

For the six months ended 30 June 2018

14. Financial instruments

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

	Six months ended		Year ended
	30 June 2018	30 June 2017	31 December 2017 (audited)
	R'000	R'000	R'000
15. Reserves			
Investor protection funds ¹	457 978	425 535	441 398
– JSE Debt Guarantee Fund Trust	113 317	110 918	112 234
– JSE Derivatives Fidelity Fund Trust	181 722	163 049	171 624
– JSE Guarantee Fund Trust	162 939	151 568	157 540
Non-distributable reserves	457 978	425 535	441 398
JSE LTIS 2010 reserve ²	81 472	85 938	71 874
	539 450	511 473	513 272

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 Long-Term Incentive Scheme that has been expensed to date.

16. Share-based payments

(i) Vesting of Allocation 5 Tranche 2 and Allocation 6 Tranche 1

Both tranches will vest in August 2018. All LTIS 2010 participants in the employ of the Company as at 1 June 2018 will be eligible to participate in the vesting of these Tranches in accordance with the terms and conditions of the Scheme rules.

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:

	Six months ended 30 June	
	2018	2017
	R'000	R'000
Allocation #4 (granted in May 2013)	–	2 575
Allocation #5 (granted in May 2014)	599	8 849
Allocation #6 (granted in June 2015)	1 881	2 181
Allocation #7 (granted in October 2016)	4 463	6 154
Allocation #8 (granted in March 2017)	2 640	2 492
	9 583	22 251

(ii) Vesting of bonus shares during the period under review

A bonus share scheme was effected in March 2015 for all eligible staff at that date. Bonus shares were awarded as part of the annual discretionary bonus based on the prior year's financial results. All staff received 52 JSE Limited ordinary shares. These bonus shares vested in March 2018. If a recipient of the bonus shares was no longer in JSE employment in March 2018, the awards were forfeited unless they were retrenched. There are no performance conditions attached to these bonus shares.

17. Contingent liabilities and commitments

There were no material changes to the contingent liabilities and commitments as disclosed in the annual financial statements for 31 December 2017.

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
30 June 2018				
Financial instruments held at fair value through other comprehensive income	135 749	193 887	–	329 636
30 June 2017				
Available-for-sale financial assets	149 404	146 460	–	295 864
31 December 2017				
Available-for-sale financial assets	146 294	170 105	–	316 399

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 financial instruments held at fair value through other comprehensive income.

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. The investment in debt instruments is classified as level 2. We consider level 2 to be more appropriate (than the previously classified level 1) as the debt market is a reported market without quoted prices. This has now been classified as level 2 financial asset.

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.

19. Events after reporting date

There have been no material events that would require adjustment or disclosure in the interim financial statements between 30 June 2018 and the date of this report.

Sandton
2 August 2018

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

