

JSE Limited

(Registration number 2005/022939/06)

Incorporated in the Republic of South Africa

ISIN code: ZAE000079711

Share code: JSE

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 8585

JSE LIMITED REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014 AND APPOINTMENTS OF EXECUTIVE DIRECTOR AND OF COMPANY SECRETARY

The financial results have been reviewed by the Group auditors in accordance with all the applicable requirements of the Companies Act, 2008, and were prepared under the supervision of the Chief Financial Officer, Aarti Takoorden CA(SA). The directors take full responsibility for the preparation of this report.

Commentary

JSE Limited (“JSE” or “Group”) delivered a pleasing performance in the six months to 30 June 2014, demonstrating the strength of a diversified revenue base as strong results from our Issuer Regulation and service divisions countered mixed results and lower traded values in some of our trading divisions. Group operating revenue rose by 9% to R869 million compared with 2013’s strong first half (H1 2013: R794 million). The JSE is also making good progress with a range of strategic initiatives that will strengthen and diversify our business further, including the colocation offering, which was launched during H1 2014.

To focus on the strong performers:

- A 27% rise in **Issuer Regulation** revenue resulted from an increase in capital raising (H1 2014: R86 billion; H1 2013: R34 billion) as well as new listing activity;
- A 22% rise in **Post-Trade Services** revenue when measured against the revenue from this area post-rebate in 2013; and
- A 16% rise in **Market Data** revenue derived from a strong growth in new business.

Equity Market revenue rose 5% during the period off last year’s high base. Despite a drop in trading value during the period, the mix of trade types during the period translated into an average effective rate that delivered the revenue increase.

H1 2014 saw a continued focus on cost management, with operating costs up 4% to R508 million (H1 2013: R488 million):

- Personnel costs increased by 1% to R194 million (H1 2013: R192 million), with staff headcount being contained at 505 (H1 2013: 503). Remuneration capitalised to projects increased marginally (H1 2014: R6 million; H1 2013: R4 million). Normalised for exceptional amounts and assuming no remuneration had been capitalised to projects, gross remuneration increased by 6.4%. This includes an amount paid on the CEO’s retainer in H1 2013, which was not repeated in H1 2014, and the forfeiture of certain accrued employee benefits by employees who left the JSE during H1 2014;
- Other expenses increased by 6% to R314 million (H1 2013: R296 million). Technology costs, which make up the majority of these other expenses, increased by 12%, reflecting work on various strategic initiatives; and
- The depreciation charges increased 11% to R49 million (H1 2013: R45 million), mainly reflecting the introduction of depreciation charges related to the colocation investment and new financed leased assets.

Group earnings before interest and tax (EBIT) are up by 10% to R380 million (H1 2013: R345 million). The earnings per share (EPS) increased by 14% to 389.4c (2013: 341.9c) and headline earnings per share (HEPS) increased by 17% to 391.2c (2013: 333.2c) respectively.

The Group generated good operating cashflows from ongoing activities of R486 million during the period (H1 2013: R425 million). Group capital expenditure was R79 million on our various strategic initiatives and R22 million on business as usual. We continue to maintain cash on the balance sheet for our capital expenditure, among other things.

During the period under review, the Group entered into commitments to the value of R1.5 billion with three local commercial banks in order to fulfil the liquidity risk management obligations of JSE Clear (Proprietary) Limited, as a qualified central counterparty in compliance with CPSS-IOSCO. The commitments are renewable on an annual basis and charges incurred are passed on to the clearing members.



Strategic and operating performance

As we continue the strategic journey towards our 2017 vision, the focus of 2014 remains on projects that are designed to strengthen the delivery of the JSE's strategic vision. In particular:

- We successfully launched our colocation centre in H1 2014, allowing clients to place their trading equipment in the JSE data centre for the fastest access to all JSE markets;
- Phase 2 of the move to a three-day settlement period (T+3) for equities is due to be implemented before the end of H2 2014;
- We have made good progress in our collaboration with National Treasury and industry participants to implement the Government bond electronic trading technology. The request for indications of interest in providing the necessary trading platform was recently released;
- The automation of the Market Data division is on track;
- We continue to strengthen our Post-Trade services;
- Progress has been made on the work necessary to implement integrated trading and clearing systems for all our products, with the initial focus being on Equity Derivatives and Currencies;
- We are closely monitoring and responding to the increasing raft of potential regulatory interventions that touch all aspects of our business: from how we operate our markets to how we will, in future, be required to capitalise the business we do; and
- We continue to be focused on improving the way we meet the needs of our issuers and investors.

In this vein, we are restructuring the JSE's operating model so as to better integrate our business and to enable us to respond both faster and more cost efficiently to the competitive threats and opportunities that we anticipate. This will incur one-off costs that are still to be completely quantified, although we do not expect these costs to be material.

Changes to Directorate and Executive Committee

In 2014, to the date of this announcement, there have been a number of changes to our Board of Directors and Executive Committee:

- Humphrey Borkum retired as Chairman of the JSE on 8 May 2014 after a long and distinguished career in the industry;
- Bobby Johnston retired as a Board member on 10 June 2014 to concentrate on his other interests. Bobby has been a long-standing member of the JSE community, having also served as Chairman of the JSE when it was an Association of Members;
- Gary Clarke, JSE Group Company Secretary for more than 12 years, announced his resignation on 8 July 2014;
- Graeme Brookes, the JSE's Director of Governance, Risk and Compliance, was appointed as Group Company Secretary with effect from 14 August 2014;
- Leila Fourie, the JSE's Director of Post-Trade and Information Services, was appointed to the JSE Board as an executive director with effect from 14 August 2014; and
- Donna Oosthuysen, previously the Managing Director and Chief Country Officer of Citi South Africa, joined the JSE Executive as the Director: Capital Markets on 4 August 2014.

Prospects

The JSE is a largely fixed-cost business. Costs are tightly controlled and the necessary capital investments are made in areas that will enhance the Group's sustainability, with a number of sizeable capital intensive projects ahead. The Group's revenues are variable and largely driven by activity on the various markets the Group operates. For this reason, the Board makes no projections regarding the Group's financial performance in H2 2014, although it does note client sentiment that trade values are likely to drop in line with declining trade values on international exchanges.

Review conclusion

The consolidated interim financial statements of JSE Limited for the six months ended 30 June 2014 have been reviewed by the company's auditors, KPMG Inc. In its review report dated 14 August 2014, which is available for inspection at the Company's Registered Office, KPMG Inc states that its review was conducted in accordance with the International Standard on Review Engagements 2410, *Review of the Interim Information Performed by the Independent Auditor of the Entity*, and has expressed an unmodified conclusion on the consolidated interim financial statements.

The auditor's report does not necessarily report on all of the information contained in this announcement/these financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Consolidated interim statement of comprehensive income for the six months ended 30 June 2014

JSE Group				
		Six months ended 30 June		Year ended 31 December
	Notes	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Revenue	8	868 757	793 571	1 577 552
Other income		18 537	39 004	76 587
Personnel expenses	9	(194 271)	(192 240)	(426 678)
Other expenses	10	(313 720)	(295 596)	(649 779)
Profit before net finance income		379 303	344 739	577 682
Finance income		672 867	438 925	992 304
Finance costs		(613 467)	(396 156)	(874 236)
Net finance income		59 400	42 769	118 068
Share of profit of equity accounted investees (net of income tax)		18 286	21 869	39 788
Profit before income tax		456 989	409 377	735 538
Income tax expense	11	(124 262)	(116 670)	(228 910)
Profit for the period		332 727	292 707	506 628
Other comprehensive income				
Change in fair value of available-for-sale financial assets		18 232	15 840	49 987
Change in fair value of available-for-sale financial assets reclassified to profit or loss		1 419	(7 434)	(15 875)
Other comprehensive income for the period, net of income tax		19 651	8 406	34 112
Total comprehensive income for the period		352 378	301 113	540 740
Earnings per share				
Basic earnings per share (cents)	12.1	389.4	341.9	592.1
Diluted earnings per share (cents)	12.2	386.1	340.2	588.6
Headline earnings per share (cents)	12.3	391.2	333.2	644.6

Consolidated interim statement of financial position as at 30 June 2014

JSE Group			
		as at 30 June	as at 31 December
	Notes	2014 (reviewed) R'000	2013 (reviewed) R'000
			2013 (audited) R'000
Assets			
Non-current assets			
Property and equipment		939 294	884 969
Intangible assets	13	181 586	145 944
Investments in equity accounted investees		284 584	307 180
Other investments		140 675	124 250
Loan to the JSE Empowerment Fund Trust		274 660	230 829
Deferred taxation		14 316	14 349
		43 473	62 417
		27 066 558	18 866 155
Current assets			
Trade and other receivables		270 171	214 358
Income tax receivable		13 952	29 287
JSE Clear Derivatives Default Fund collateral deposits		505 869	502 914
Margin and collateral deposits		24 974 282	17 011 956
Cash and cash equivalents		1 302 284	1 107 640
		28 005 852	19 751 124
			21 375 341
Equity and liabilities			
Total equity			
Share capital		2 159 877	1 936 148
Share premium		8 541	8 533
Reserves	15	63 348	84 678
Retained income		437 467	383 899
		1 650 521	1 459 038
		152 146	126 916
Non-current liabilities			
Finance lease		10 597	–
Borrowings		16 593	21 634
Employee benefits		–	5 408
Deferred taxation		9 279	4 929
Operating lease liability		66 676	48 475
Deferred income		49 001	46 470
		25 693 829	17 688 060
Current liabilities			
Trade and other payables		264 787	218 284
Due to Safex members		1 318	1 256
Employee benefits		53 442	55 361
Operating lease liability		–	1 203
JSE Clear Derivatives Default Fund collateral deposits		400 000	400 000
Margin and collateral deposits		24 974 282	17 011 956
		28 005 852	19 751 124
			21 375 341

Consolidated interim statement of changes in equity for the six months ended 30 June 2014

Group	Notes	Share capital R'000	Share premium R'000	Total share capital R'000	Non-distributable reserve R'000	JSE LTIS 2010 reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2012		8 571	102 858	111 429	336 183	32 719	368 902	1 390 690	1 871 021
Total comprehensive income for the period									
Profit for the period		–	–	–	–	–	–	292 707	292 707
Other comprehensive income		–	–	–	8 406	–	8 406	–	8 406
Total comprehensive income for the period		–	–	–	8 406	–	8 406	292 707	301 113
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Allocation 1 – shares vested	16	–	11 108	11 108	–	(11 108)	(11 108)	–	–
Distribution from the BESA Guarantee Fund Trust ¹		–	–	–	(1 349)	–	(1 349)	1 349	–
Dividends paid to owners		–	–	–	–	–	–	(217 072)	(217 072)
Equity settled share based payment	16	–	–	–	–	10 412	10 412	–	10 412
Transfer of profit from investor protection funds		–	–	–	8 636	–	8 636	(8 636)	–
Sale of treasury shares		8	5 919	5 927	–	–	–	–	5 927
Treasury shares		(46)	(35 117)	(35 163)	–	–	–	–	(35 163)
Treasury shares – share issue costs		–	(90)	(90)	–	–	–	–	(90)
Total contributions by and distributions to owners of the Company recognised directly in equity		(38)	(18 180)	(18 218)	7 287	(696)	6 591	(224 359)	(235 986)
Balance at 30 June 2013		8 533	84 678	93 211	351 876	32 023	383 899	1 459 038	1 936 148
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	213 921	213 921
Other comprehensive income		–	–	–	25 706	–	25 706	–	25 706
Total comprehensive income for the year		–	–	–	25 706	–	25 706	213 921	239 627
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Distribution from BESA Guarantee Fund Trust ¹		–	–	–	(1 408)	–	(1 408)	1 408	–
Dividends		–	–	–	–	–	–	(19)	(19)
Equity settled share based payment	16	–	–	–	–	12 717	12 717	–	12 717
Sale of treasury shares		–	7	7	–	–	–	–	7
Transfer of profit from investor protection funds		–	–	–	10 161	–	10 161	(10 161)	–
Treasury shares – share issue costs		–	(14)	(14)	–	–	–	–	(14)
Total contributions by and distributions to owners of the Company recognised directly in equity		–	(7)	(7)	8 753	12 717	21 470	(8 772)	12 691
Balance at 31 December 2013		8 533	84 671	93 204	386 335	44 740	431 075	1 664 187	2 188 466
Total comprehensive income for the period									
Profit for the period		–	–	–	–	–	–	332 727	332 727
Other comprehensive income		–	–	–	19 651	–	19 651	–	19 651
Total comprehensive income for the period		–	–	–	19 651	–	19 651	332 727	352 378
Transactions with owners recognised directly in equity									
Contributions by and distributions to owners									
Allocation 1 – shares vested	16	35	11 365	11 400	–	(11 400)	(11 400)	–	–
Allocation 2 – shares vested	16	16	10 442	10 458	–	(10 458)	(10 458)	–	–
Distribution from the BESA Guarantee Fund Trust ¹		–	–	–	(1 563)	–	(1 563)	1 563	–
Dividends paid to owners		–	–	–	–	–	–	(347 461)	(347 461)
Equity settled share based payment	16	–	–	–	–	9 667	9 667	–	9 667
Transfer of profit from investor protection funds		–	–	–	495	–	495	(495)	–
Treasury shares		(43)	(42 974)	(43 017)	–	–	–	–	(43 017)
Treasury shares – share issue costs		–	(156)	(156)	–	–	–	–	(156)
Total contributions by and distributions to owners of the Company recognised directly in equity		8	(21 323)	(21 315)	(1 068)	(12 191)	(13 259)	(346 393)	(380 967)
Balance at 30 June 2014		8 541	63 348	71 889	404 918	32 549	437 467	1 650 521	2 159 877

Note

¹ 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, R1.6m (December 2013: R2.8m) (June 2013: R1.3m) before intercompany adjustments was transferred to the JSE Limited for the defrayment of market regulatory expenditure.

Consolidated interim statement of cash flows for the six months ended 30 June 2014

	JSE Group		
	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Cash flows from operating activities			
Cash generated by operations	486 386	425 236	757 971
Interest received	655 054	424 738	965 042
Interest paid	(578 733)	(381 792)	(850 457)
Dividends received	2 189	1 574	3 946
Taxation paid	(125 876)	(118 877)	(190 871)
Net cash generated by operating activities	439 020	350 879	685 631
Cash flows from investing activities			
Proceeds from sale of other investments	21 932	14 116	40 935
Acquisition of other investments	(29 571)	(14 048)	(24 675)
Dividends from equity accounted investees	19 779	17 523	17 523
Investment in JSE Clear Derivatives Default Fund	–	(500 000)	(516 870)
Proceeds from disposal of property and equipment	–	60	172
Leasehold improvements	(5 621)	(32)	(32)
Acquisition of intangible assets	(46 339)	(13 546)	(33 384)
Acquisition of property and equipment	(50 159)	(5 795)	(48 079)
Net cash used in investing activities	(89 979)	(501 722)	(564 410)
Cash flows from financing activities			
Contributions received from JSE Clear Derivatives Default Fund	–	400 000	410 000
Acquisition of treasury shares	(43 173)	(35 163)	(35 252)
Proceeds from sale of treasury shares	–	5 934	5 919
Loan repaid	(2 462)	(2 081)	(4 660)
Dividends paid	(347 461)	(217 091)	(217 091)
Net cash (used in)/generated from financing activities	(393 096)	151 599	158 916
Net (decrease)/increase in cash and cash equivalents	(44 055)	756	280 137
Cash and cash equivalents at 1 January	1 378 952	1 128 776	1 128 776
Effect of exchange rate fluctuations on cash held	(32 613)	(21 892)	(29 961)
Cash and cash equivalents at end of period	1 302 284	1 107 640	1 378 952

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

1 Reporting entity

JSE Limited (the “Company”, the “JSE” or the “Exchange”) is a company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates. The JSE is licensed as an exchange in terms of the Financial Markets Act, 2012.

The Group currently consists of the Company, its subsidiary companies (JSE Clear (Proprietary) Limited, JSE Trustees (Proprietary) Limited, Nautilus MAP Holdings (Proprietary) Limited, Nautilus MAP Operations (Proprietary) Limited and JSE Clear Derivatives Default Fund (Proprietary) Limited), structured entities (JSE Guarantee Fund Trust, JSE Derivatives Fidelity Fund Trust and BESA Guarantee Fund Trust) and its interest in Strate Limited, an associated company.

BESA Limited, BESA Investments (Proprietary) Limited and Bond Clear Limited are dormant and are in the process of deregistration.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available on request from the Company’s registered office at One Exchange Square, Gwen Lane, Sandown, or at www.jse.co.za.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, International Financial Reporting Standards, *Interim Financial Reporting* and the Financial Reporting Guides issued by the Accounting Practices Board of SAICA as well as section 29 of the Companies Act (No 71 of 2008). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2014.

3 Significant accounting policies

All accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in the consolidated financial statements as at and for the year ended 31 December 2013.

4 Comparative figures

Unless otherwise indicated, comparative figures refer to the six months ended 30 June 2013 and the year ended 31 December 2013.

5 Use of estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

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 2013.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

7 Operating segments

Information about reportable segments

	Cash equities ¹ R'000	Equity and currency derivatives R'000	Commodity derivatives R'000	Interest rate products ² R'000	Market data R'000	Other ³ R'000	Total R'000
For the period ended 30 June 2014							
External revenues	547 549	84 093	25 613	32 039	95 431	84 032	868 757
For the period ended 30 June 2013							
External revenues	489 901	79 230	24 954	32 540	81 971	84 975	793 571
For the year ended 31 December 2013							
External revenues	965 856	155 765	48 750	61 954	176 641	168 586	1 577 552

¹ Comprises equities trading fees, risk management, clearing and settlement fees, membership fees, issuer regulation and back-office services (BDA).

² Includes R9.8m (2013: R8.2m) of issuer regulation listing fees relating to the bond market.

³ Comprises funds management and Strate ad valorem fees and issuer service fees.

8 Revenue

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Back-office services (BDA)	125 252	119 640	237 556
Commodity derivatives fees	25 613	24 954	48 750
Currency derivatives fees	12 361	14 348	23 858
Equity derivatives fees	71 732	64 882	131 907
Equity market fees	205 155	194 092	374 283
Funds management	35 681	32 210	68 379
Interest rate market fees	22 196	24 288	45 954
Issuer regulation	65 842	51 879	109 685
Market data fees	95 431	81 971	176 641
Membership fees	5 828	5 583	11 108
Post-trade services	155 314	126 979	249 224
Total revenue before Strate ad valorem fees	820 405	740 826	1 477 345
Strate ad valorem fees	48 352	52 745	100 207
Total revenue	868 757	793 571	1 577 552

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

9 Personnel expenses	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Remuneration paid	184 026	180 922	398 432
Gross amount paid	189 914	185 015	411 585
Less: Capitalised on intangible assets	(5 888)	(4 093)	(13 153)
Long-term incentive schemes	10 245	11 318	28 246
	194 271	192 240	426 678

10 Other expenses	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Impairment of intangible assets ¹	–	–	(48 138)
Other operating expenses	(265 368)	(242 851)	(491 518)
Strate ad valorem fees	(48 352)	(52 745)	(110 123)
	(313 720)	(295 596)	(649 779)

¹ The impairment loss of R48m in the 2013 financial year relates to the carrying value of the surveillance components of SRP.

11 Income tax expense

The Group's income tax charge of R124m (30 June 2013: R117m and 31 December 2013: R229m) represents an effective tax rate for the six months ended 30 June 2014 of 27% (for the six months ended 30 June 2013: 28%; for the year ended 31 December 2013: 31%). The reason for the higher effective tax rate for the year ended 31 December 2013 was the deferred tax impact as a result of the decision to impair the surveillance portion of SRP.

12 Earnings and headline earnings per share

12.1 Basic earnings per share

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Profit for the period attributable to ordinary shareholders	332 727	292 707	506 628
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)	(1 425 119)	(1 258 908)	(1 315 623)
Weighted average number of ordinary shares at 30 June/31 December	85 452 481	85 618 692	85 561 977
Basic earnings per share (cents)	389.4	341.9	592.1

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

12 Diluted earnings per share (continued)

12.2 Diluted earnings per share

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed)	2013 (reviewed)	2013 (audited)
	R'000	R'000	R'000
Profit for the period attributable to ordinary shareholders	332 727	292 707	506 628
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares at 30 June/31 December (basic)	85 452 481	85 618 692	85 561 977
Effect of share options in issue	730 001	420 359	514 487
Weighted average number of ordinary shares (diluted)	86 182 482	86 039 051	86 076 464
Diluted earnings per share (cents)	386.1	340.2	588.6

The average market value of the Exchange's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

12.3 Headline earnings per share

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed)	2013 (reviewed)	2013 (audited)
	R'000	R'000	R'000
Reconciliation of headline earnings:			
Profit for the period attributable to ordinary shareholders	332 727	292 707	506 628
<i>Adjustments are made to the following:</i>			
Loss/(Profit) on disposal of property and equipment	128	(27)	27
Gross amount	178	(37)	38
Taxation	(50)	10	(11)
Impairment of intangible assets	–	–	60 795
– Gross amount	–	–	48 138
– Taxation effect	–	–	12 657
Net realised losses/(gains) on disposal of available-for-sale financial assets (no taxation effect)	1 419	(7 434)	(15 875)
Headline earnings	334 274	285 246	551 575
Headline earnings per share (cents)	391.2	333.2	644.6

12.4 Diluted headline earnings per share

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed)	2013 (reviewed)	2013 (audited)
	R'000	R'000	R'000
Diluted headline earnings per share (cents)	387.9	331.5	640.8

13 Intangible assets

Included in the intangible assets of R285m (30 June 2013: R259m) are newly developed intangible assets of R46m (2013: R13.5m), mainly in respect of T+3 and integrated trading and clearing. In H2 2013, the impairment to the carrying value of the surveillance components of SRP amounted to R48m.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

14 Financial instruments

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

15 Reserves

	Six months ended 30 June		Year ended 31 December
	2014 (reviewed) R'000	2013 (reviewed) R'000	2013 (audited) R'000
Strate Limited	10 058	10 058	10 058
Investor protection funds ¹	394 860	341 818	376 277
– BESA Guarantee Fund Trust	103 803	102 362	103 023
– JSE Derivatives Fidelity Fund Trust	147 101	117 814	136 655
– JSE Guarantee Fund Trust	143 956	121 642	136 599
Non-distributable reserves	404 918	351 876	386 335
JSE LTIS 2010 reserve	32 549	32 023	44 740
Total reserves	437 467	383 899	431 075

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

16 Share-based payments

Vesting of Allocation 1

The first award ("Allocation 1") under LTIS 2010 was granted in May 2010, with the following vesting profile:

Tranche 1: 50% of the total award, which vested on 1 May 2013, Tranche 2: 50% of the total award, which vested on 1 May 2014 (during the period under review)

The vesting of Tranche 1 was completed in the prior period. As at 30 June 2014, details of Tranche 2 were as follows:

	Retention shares	Corporate performance shares	Total shares
Tranche 2			
Original number of Tranche 2 shares awarded in May 2010	163 700	77 750	241 450
Forfeited by leavers to date	(30 750)	(10 850)	(41 600)
Forfeited by good leavers (per LTIS rules) to date	(1 167)	(2 182)	(3 349)
Accelerated for good leavers to date	(1 633)	(4 368)	(6 001)
Tranche 2 shares forfeited for missing corporate performance targets	–	(4 219)	(4 219)
Tranche 2 shares vested on 1 May 2014	(130 150)	(56 131)	(186 281)
Tranche 2 shares available for vesting in May 2014	–	–	–

All available Tranche 2 retention shares (130 150 shares) vested for those participants still in the employ of the JSE on 1 May 2014.

In respect of Tranche 2 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 93% (2013: 54%) of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 May 2014. The remainder of the Tranche 2 corporate performance shares (being 4 219 shares) was forfeited by participants.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

16 Share-based payments (continued)

Vesting of Allocation 2

The second award ("Allocation 2") under LTIS 2010 was granted in May 2011 with the following vesting profile:

Tranche 1: 50% of the total award, which vested on 1 May 2014

Tranche 2: 50% of the total award, vesting on 1 May 2015

The vesting of Tranche 1 was completed during the period under review. As at 30 June 2014, details of Tranche 1 were as follows:

	Retention shares	Corporate performance shares	Total shares
Tranche 1			
Original number of Tranche 1 shares awarded in May 2011	158 750	54 700	213 450
Forfeited by leavers to date	(24 200)	(15 250)	(39 450)
Tranche 1 shares forfeited for missing corporate performance targets	–	(11 835)	(11 835)
Tranche 1 shares vested on 1 May 2014	(134 550)	(27 615)	(162 165)
Tranche 1 shares fully vested	–	–	–

All available Tranche 1 retention shares (134 550 shares) vested for those participants still in the employ of the JSE on 1 May 2014.

In respect of Tranche 1 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 70% of these Tranche 1 shares should vest for those participants still in the employ of the JSE on 1 May 2014. The remainder of the Tranche 1 corporate performance shares (being 11 835 shares) was forfeited by participants.

Grant of Allocation 5 share awards during the period under review

At the annual general meeting held on 8 May 2014, shareholders approved two special resolutions authorising the acquisition of shares for the purposes of awards under the LTIS 2010 scheme as well as the provision of financial assistance to the JSE LTIS 2010 Trust for a period of two years, for the purpose of acquiring such JSE ordinary shares in the open market for allocation to selected employees in accordance with the rules of LTIS 2010. In accordance with the terms of these resolutions, the Board approved a fresh annual allocation of shares ("Allocation 5") to selected employees for the 2014 year, and these individual allocations were all accepted by scheme participants by 23 May 2014. Allocation 5 comprised a total of 422 870 JSE ordinary shares and these shares were acquired in the open market by 29 May 2014.

Notwithstanding the fair value grant date of 23 May 2014, a charge to profit and loss in respect of Allocation 5 has been brought to account as from 1 June 2014, based on the materiality principle. Information on Allocation 5 is as follows:

	Corporate performance shares
Share price at grant date (rand per share)	102.27
Dividend yield	3%
Grant date	23 May 2014
Total number of shares granted	422 870
Vesting profile:	
50% of the shares awarded vest on 1 June 2017	211 435
50% of the shares awarded vest on 1 June 2018	211 435

Included in the total number of shares granted of 422 870, a total of 271 010 corporate performance shares has been granted to members of the JSE's executive committee. No personal performance shares were allocated under Allocation 5.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

16 Share-based payments (continued)

Fair value charge to profit and loss

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

	Six months ended 30 June 2014 Rm	Six months ended 30 June 2013 Rm
Allocation 1 (granted in May 2010)	0.8	3.3
Allocation 2 (granted in May 2011)	1.4	2.8
Allocation 3 (granted in June 2012)	2.7	3.6
Allocation 4 (granted in May 2013)	4.0	0.7
Allocation 5 (granted in May 2014)	0.7	–
	9.6	10.4

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 2013.

17.2 Commitments

Except for the change below, there were no changes to the commitments as disclosed in the annual financial statements for 31 December 2013. During the period under review, the Group entered into commitments to the value of R1.5bn with three local commercial banks in order to fulfil the liquidity risk management obligations of JSE Clear (Proprietary) Limited as a qualified central counterparty, in compliance with CPSS-IOSCO. The commitments are renewable on an annual basis and charges incurred are passed on to the clearing members.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2014

18 Fair value estimation

The following table analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are unobservable.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
30 June 2014				
Available-for-sale financial assets	274 660	–	–	274 660

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
31 December 2013				
Available-for-sale financial assets	248 786	–	–	248 786

Sandton

Thursday, 14 August 2014

Sponsor

Rand Merchant Bank
(a division of FirstRand Limited)