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COST:INCOME RATIO (EXCL SHARE-BASED COSTS) DOWN TO 63% (2006: 72%) CURRENCY FUTURES LAUNCHED SINGLE STOCK FUTURES MARKET NOW BIGGEST IN WORLD

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	six months ended		year ended
	30 June	2006	31 December
	(reviewed)	(unaudited)	(audited)
	R'000	R'000	R'000
1 Reporting entity			
JSE Limited 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 2007 comprise the company and its subsidiaries, consolidated investor protection funds and the Group's interest in associates (together referred to as the "Group").			
The consolidated financial statements of the Group as at and for the year ended 31 December 2006 are available for inspection at the Company's registered office or at www.jse.co.za.			
2 Statement of compliance			
These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. They do not include all 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 2006.			
These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2007.			
3 Significant accounting policies			
The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual financial statements as at and for the year ended 31 December 2006.			
4 Key estimates and areas of judgement			
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 2006.			
5 Segmental information			
The JSE provides exchange and auxiliary services in South Africa. The revenue streams derived from the services are described in Note 6 to the interim results. The services provided by the JSE are not subject to materially different operational risks and are regarded as a single business and geographical segment.			
6 Revenue			
Equity derivatives fees	53 698	40 235	80 148
Agricultural derivatives fees	21 832	16 112	37 376
Equities trading fees	84 298	65 610	125 036
Yield-X trading fees	150	139	276
Risk management, clearing and settlement fees	53 675	40 668	82 300
Information sales	38 915	28 280	61 945
Membership fees	3 328	2 967	6 008
Listing fees	44 044	34 574	68 265
Broker Deal Accounting services	51 926	42 457	86 057
Funds management and other	20 363	17 385	36 453
Total revenue before Strate ad valorem fees	372 229	288 427	583 864
Strate ad valorem fees	39 228	24 598	56 513
Total revenue	411 457	313 025	640 377
7 Other income	13 219	41 745	65 370
The decrease in other income is as a result of a non-recurring performance bonus of R26,0 million received by the JSE Guarantee Fund Trust from its insurance underwriters during the period ended 30 June 2006.			
8 Personnel expenses	(104 978)	(60 311)	(162 986)
Personnel expenses have increased primarily as a result of the valuation of the long-term incentive and retention scheme ("Employee Scheme") which was introduced with effect from 1 January 2006. This valuation is linked to the JSE share price which has increased by 207,3% since the granting of the participation interests. The terms and conditions of the Employee Scheme are disclosed in the consolidated financial statements as at and for the year ended 31 December 2006. The expense recognised in the income statement is R46,6 million (2006: R6,0 million) for the six months ended 30 June 2007, resulting in a total liability of R78,0 million (2006: R6,0 million). Based on Black-Scholes methodology, the following assumptions were used to calculate the income statement impact:			
Base price for 30 days prior to 22 November 2005	R8,31		
30 calendar day VWAP at 30 June 2007	R81,84		
Total number of Participation Interests in issue	2 500 000		
Vesting dates:			
50% of Participation Interests vest on 31 December 2008	1 250 000		
25% of Participation Interests vest on 31 December 2009	625 000		
25% of Participation Interests vest on 31 December 2010	625 000		
Volatility	31,51%		
Dividend yield	0,2193%		
Risk-free rate	9,28%		
9 Other expenses	(282 032)	(201 131)	(413 561)
Other operating expenses increased mainly as a result of the following:			
- the Strate ad valorem fee of R39,2 million (2006: R24,6 million) which was accounted for from March 2006.			
- 434 387 shares were issued to The JSE Empowerment Fund (JEF) at a cost of R30,4 million. This represents the final issue of the 1 737 550 JSE shares that were set aside to be issued to JEF at par for cash.			
- on 1 June 2007, 579 132 options, amounting to R41,5 million, were issued to Qualifying Black Shareholders as per the Black Shareholders' Retention Scheme ("the BBBEE Scheme"). The terms and conditions of the BBBEE Scheme are disclosed in the consolidated financial statements as at and for the year ended 31 December 2006. During the period, 154 263 options granted during 2006 lapsed and were re-issued to JEF at a cost of R11,1 million.			
The Black-Scholes model valuation methodology, with the following assumptions, were used to calculate the impact to the income statement for the six months ended 30 June 2007:			
Strike price	R15,168		
Exercise date	15 June 2011		
Dividend yield	0,21%		
Volatility	31,51%		
Risk-free rate	9,359%		
As this transaction is equity settled, the cost of R52,6 million (2006: R11,7 million) has been credited to the BBBEE reserve.			
10 Income tax expense			
10.1 Taxation			
- Current tax expense	61 480	42 978	73 287
- Secondary tax on companies	1 660	1 433	8 654
- Deferred tax income movement	(15 717)	(254)	(10 637)
- Deferred tax expense movement	(462)	(1 566)	(1 050)
Income tax expense at end of period	46 961	42 591	70 254
10.2 Reconciliation of effective tax rate			
Current tax rate	29,00%	29,00%	29,00%
Adjusted for:			
- Non-taxable income	(11,05%)	(4,15%)	(6,97%)
- Non-deductible expenses	39,18%	10,52%	10,88%
- Secondary tax on companies	0,55%	0,31%	4,10%
- Share of profit of equity accounted investees	(4,00%)	(4,08%)	(3,76%)
Effective tax rate	53,68%	31,60%	33,25%
The first tax assessment of the JSE as a tax paying entity has been received and is substantially higher than our estimate.			
This is as a result of SARS having a different interpretation of the treatment of our agreement with the London Stock Exchange. The resolution of this difference in interpretation is being pursued.			
11 Earnings and headline earnings per share			
11.1 Basic earnings per share			
The calculation of basic earnings per share at 30 June 2007 of 47,7 (2006: 110,4) cents per share was based on the profit attributable to ordinary shareholders of R40,5 million (2006: R92,2 million) and a weighted average number of ordinary shares of 84 933 538 (2006: 83 521 510) during the period as calculated in Note 11.4.			
Profit after taxation	40 533	92 225	141 050
Basic earnings per share (cents)	47,7	110,4	168,0
11.2 Diluted earnings per share			
The calculation of diluted earnings per share at 30 June 2007 of 47,5 (2006: 110,4) cents per share was based on the profit attributable to ordinary shareholders of R40,5 million (2006: R92,2 million) and a weighted average number of diluted ordinary shares of 85 348 834 (2006: 83 536 720) during the period as calculated below.			
Profit attributable to ordinary shareholders (basic and diluted)	40 533	92 225	141 050
Diluted earnings per share (cents)	47,5	110,4	167,5
Weighted average number of ordinary shares (diluted):			
Weighted average number of ordinary shares as at 30 June 2007	84 933 538	83 521 510	83 934 476
Dilutive effect of share options	415 296	15 210	276 270
Weighted average number of ordinary shares (diluted)	85 348 834	83 536 720	84 210 746

	six months ended		year ended
	30 June	2006	31 December
	(reviewed)	(unaudited)	(audited)
	R'000	R'000	R'000

for the six months ended 30 June 2007

11.3 Headline earnings per share			
The calculation of headline earnings per share at 30 June 2007 of 38,7 (2006: 104,0) cents per share was based on headline earnings of R32,9 million (2006: R86,9 million) and a weighted average number of 84 933 538 (2006: 83 521 510) ordinary shares in issue during the period as calculated in Note 11.4.			
Reconciliation of headline earnings:			
Profit after taxation	40 533	92 225	141 050
Adjustments are made to the following:			
Loss on sale of property and equipment	—	—	4
Impairment loss on property and equipment	—	—	3 803
Profit on sale of joint venture	—	—	(1 283)
Profit on realisation of available-for-sale instruments	(7 673)	(5 336)	(10 707)
Headline earnings	32 860	86 889	132 867
Headline earnings per share (cents)	38,7	104,0	158,3
11.4 Weighted average number of ordinary shares:			
Issued ordinary shares at 1 January	84 705 663	8 340 250	8 340 250
Subdivision of shares on 5 June 2006: 10 for 1	—	83 402 500	83 402 500
Issue of 868 775 shares - The JSE Empowerment Fund - 7 June 2006	—	119 010	492 703
Issue of 434 387 shares - The JSE Empowerment Fund - 28 November 2006	—	—	39 273
Issue of 434 387 shares - The JSE Empowerment Fund - 27 March 2007	227 875	—	—
Weighted average number of ordinary shares	84 933 538	83 521 510	83 934 476
11.5 Effect of earnings and net asset value per share of Investor Protection Funds			
The JSE maintains the JSE Guarantee Fund Trust and the JSE Derivatives Fidelity Fund Trust for investor protection purposes as required under the Securities Services Act. The JSE is required to consolidate these funds into the results of the Group in terms of International Financial Reporting Standards. However, as these Trusts are legally separate from the JSE, neither the JSE nor its shareholders have any right to the net assets of such Trusts.			
The contribution these funds make to the headline earnings and the net asset value of the Group are as follows:			
Headline (loss)/earnings per share (cents)	(2,5)	33,1	28,4
Diluted earnings per share (cents)	6,5	39,5	41,1
Net asset value per share (cents)	312,5	254,1	283,0
12 Investment in equity accounted investees			
With effect from 31 January 2007, 173 additional shares were purchased in Strate Limited resulting in an increase in shareholding from 42,77% to 44,55%. The cost of the acquisition was R12,4 million. A dividend of R6,0 million was received from Strate Limited on 29 June 2007.			
13 Share capital			
Shares in issue			
Shares in issue at 1 January	84 705 663	8 340 250	8 340 250
10 for 1 share subdivision	—	83 402 500	83 402 500
New shares - The JSE Empowerment Fund first tranche	—	868 775	868 775
New shares - The JSE Empowerment Fund second tranche	—	—	434 388
New shares - The JSE Empowerment Fund third tranche	434 387	—	—
Shares in issue - fully paid, after subdivision	85 140 050	84 271 275	84 705 663
14 BBBEE reserve			
The reserve comprises:			
- The JSE Empowerment Fund	69 025	18 071	38 661
- Black Shareholders' Retention Scheme	61 156	11 656	11 656
	130 181	29 727	50 317
Refer to Note 9 for details			
15 Dividends			
A dividend of 15,6 cents per share was approved by shareholders at the Annual General Meeting held on 9 May 2007, which dividend was paid on 14 May 2007. Total dividend paid was R13,3 million.			
16 Contingent liabilities and Commitments			
16.1 Contingent liabilities			
16.1.1 The JSE has a contingent liability as a result of the JSE guaranteeing the settlement of central order book equity market trades in the event that one member fails to settle. This risk is mitigated through various mechanisms, being the member firms' deposits and bank guarantees, the JSE Guarantee Fund Trust and the JSE's own trade monitoring system. The JSE retains cash reserves to meet these contingent liabilities.			
16.1.2 The JSE is currently engaged in arbitration with a former supplier for alleged breach of contract by the JSE. The case was split between merits and quantum. The JSE lost on merits and the quantum has not yet been established. The JSE expects the quantum to fall in the range Rnil to R25,0 million.			
16.1.3 The JSE is one of 25 defendants who have been served with a summons relating to losses realised by a pension fund in the amount of approximately R1,4 billion. This is in the early stages of the legal process and an exception has been filed by the JSE. Senior Counsel opinion on this matter is that the claim is unfounded. The JSE is defending the claim.			
16.2 Commitments			
16.2.1 The JSE leases a building and accounts for the lease as an operating lease. The lease commenced on 1 September 2000 for a period of 15 years. On termination of the lease, should the landlord wish to sell the building, the JSE has the first right of refusal to buy the building at a price yet to be determined. The operating lease payments escalate at 11% per annum.			
Total future minimum lease payments under non-cancellable operating lease:			
Not later than one year	29 186	26 294	27 715
Between one and five years	144 836	134 106	139 381
Later than five years	157 327	197 242	177 620
	331 349	357 642	344 716
16.2.2 The JSE is party to agreements for the development of software totalling approximately R215,2 million (2006: R210,6 million) over the next year, of which R154,9 million (2006: R147,3 million) has been settled.			
17 Related parties			
17.1 Identity of related parties			
The JSE is the main provider of risk management, clearing and settlement, and accounting systems to equity member firms (many of whom are shareholders). Revenue earned from this source, and from providing trading and market data to member firms, amounted to R232,3 million (2006: R204,6 million) for the period. These transactions are conducted on an arm's length basis.			
Provision for doubtful debts in respect of related parties as at 30 June 2007 was Rnil (2006: Rnil).			
The associated companies, subsidiaries and joint ventures of the Group are identified as follows:			
		Amounts due from/(due to)	
- Associated companies:			
Strate Limited ¹	(8 590)	—	—
Satrix Managers (Pty) Limited	665	181	52
- Subsidiaries:			
SAFEX Clearing Company (Pty) Limited	3 135	1 695	2 339
JSE Trustees (Pty) Limited	3 904	3 581	2 995
JSE Guarantee Fund Trust	—	(230)	(1)
- Joint Venture			
ITRIX Holdings (Pty) Limited	—	135	—
¹ Strate Limited invoices the JSE for a service fee in respect of settlement which the JSE recovers from the members.			
Normal trading terms apply to the amounts due to the JSE.			
Executive directors' and other key executives' remuneration of R5,5 million (2006: R5,3 million) and R7,9 million (2006: R7,6 million) respectively was paid during the period.			
17.2 Material related party transactions			
Strate ad valorem fees - see Note 6			
Loans to and from related parties - see Note 17.1			
Directors' emoluments and other key personnel - see Note 17.1			
The JSE provides secretarial services to the Group entities for no consideration.			

KPMG Inc., the company's independent auditor, has reviewed the interim financial statements contained in this interim report and has expressed an unmodified conclusion on the interim financial statements. Their review report is available inspection at the company's registered office

Executive directors:
RM Loubser (CEO), NF Newton-King, LV Parsons, JH Burke, G Rothschild
Non-executive directors:
HJ Borkum (Chairman), AD Botha, MR Johnston, ST Koseff, W Luhabe, A Mazwai, SN Nematswerani, N Payne, GT Serobe
Alternate directors:
DM Lawrence
Company secretary:
GC Clarke