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

SUMMARISED CONSOLIDATED ANNUAL RESULTS, CASH DIVIDEND DECLARATION AND CHANGES TO THE BOARD

FOR THE YEAR ENDED 31 DECEMBER 2017

RESPONSIBILITY FOR ANNUAL RESULTS

The preparation of these annual results has been supervised by the chief financial officer, Aarti Takoordeen CA(SA), in terms of section 29(1)(e) of the Companies Act. This report is extracted from the audited information, but is not itself audited. The directors take full responsibility for the preparation of this report and warrant that the financial information has been correctly extracted from the underlying audited annual financial statements.

COMMENTARY

2017 was a challenging year with a particularly turbulent socio-economic background and declining values and volumes traded in most of our key markets. This negatively impacted operating revenue, which was down 5% to R2.2 billion (2016: R2.3 billion). In this environment, management took pro-active steps to sustainably reduce our cost base, which was down 1% to R1.40 billion (2016: R1.41 billion). As a result, we report Group earnings of R836 million (2016: R920 million), reflecting a decline limited to 9%.

Group earnings before interest and tax (EBIT) decreased by 9% to R884 million (2016: R975 million).

Earnings per share (EPS) and headline earnings per share (HEPS) were 977.4 cents (down 9%) and 996.6 cents (down 6%) respectively.

REVENUE

Operating revenue declined by 5% to R2.2 billion (2016: R2.3 billion). The following contributions to operating revenue are noteworthy:

- The Primary Market recorded a 10% increase in revenue to R181 million (2016: R164 million) as a result of increased additional capital raising activity. There were 21 new listings in 2017 (2016: 18);
- The Equity Market billable value traded declined by 4% and there was a dilution in the effective price. This contributed to a 11% decrease in cash equities trading revenue to R507 million (2016: R569[1] million);
- BDA revenue decreased by 7% to R293 million (2016: R316 million) owing to a decreased number of transactions (declined by 5%) and a further fee reduction of 8%;
- The Equity Derivatives Market value traded declined by 11%, resulting in a 4% decrease in revenue to R170 million (2016: R177 million);
- Currency Derivatives Market revenue increased by 28% to R48 million (2016: R38 million) owing to the increase in the number of contracts traded (up 45%). This was driven by currency volatility off the back of political developments, improved emerging market sentiment and US dollar weakness;
- Interest Rate Market revenue increased by 5% to R63 million (2016: R60 million) with flat growth in bond nominal value traded and an increase in contracts traded of 30% in the Interest Rate Derivatives Market;
- Commodity Derivatives Market revenue declined by 2% to R68 million (2016: R70 million) owing to a 12% drop in commodity derivatives contracts. An easing of drought conditions resulted in lower volatility;
- Clearing and Settlement revenue declined by 7% to R384 million (2016: R413 million) following the decrease in equity billable value traded; and
- Information Services, which includes Market Data, decreased by 6% to R272 million (2016: R288[2] million), largely owing to the impact of forex losses.

OTHER INCOME

Other income increased by 13% to R52 million (R46 million). Forex movements were limited by lower exposure on USD-denominated assets.

OPERATING EXPENDITURE

The Group's total operating expenses decreased by 1% to R1.40 billion (2016: R1.41 billion) following the implementation of our cost reduction initiatives.

Personnel costs decreased by 3% to R549 million (2016: R565 million). This is made up as follows:

- Closing headcount decreased by 24% to 364 (2016: 476[3]). The average headcount decreased by 10%. Gross remuneration per employee increased by 7%. This contributed -3 percentage points to the decline in costs;
- The discretionary bonus pool decreased by 33% to R60 million (2016: R88.9 million). This reflects the Group's financial and operational performance, and contributed -5 percentage points to the decline in costs; and
- One-off severance packages of R23 million and a further R4 million from the LTIS acceleration were incurred as a result of the retrenchment process. This contributed 5 percentage points to growth.

Technology costs decreased by 9% to R257 million (2016: R283 million). The most significant contributor to this was a R29 million decrease in contractor spend to R34 million (2016: R63 million).

General expenses decreased by 1% to R457 million (2016: R463 million). This is made up as follows:

- Active cost management resulted in decreased discretionary spend;
- One-off costs were incurred for work done on the IT cost optimisation (R14 million) and external reviews of the operational incidents in the second half (R11 million); and
- Transformation costs were higher than expected, at R14 million (2016: R6 million), following the recent implementation of the revised Financial Sector Charter (RFSC).

[1] Refer to note 8
[2] Refer to note 8
[3] Excluded learners

Depreciation increased by 10% to R109 million (2016: R99 million), largely owing to the annualised impact of projects implemented (T+3 phase 3, ITaC project 1a) and hardware refreshes, which were offset by fully depreciated assets.

There was a write-down of R25 million in goodwill associated with the Nautilus business which, while profitable, is not growing at a rate commensurate with the goodwill previously assessed.

ROBUST BALANCE SHEET

We generated R977 million (2016: R976 million) in cash from operating activities and ended at R2.4 billion (2016: R2 billion) in cash.

We invested R187 million (2016: R205 million) in capex to enable us to deliver more reliable systems.

The Board approved a loan subordination agreement between JSE Limited and Nautilus MAP Operations (Proprietary) Limited in respect of the intercompany loan amounting to R23 million as at 31 December 2017.

REGULATION

The pace and volume of regulatory activity and regulatory policy development, both locally and internationally, continue unabated. This pressure is not likely to ease in 2018. The consequential amendments to the Financial Markets Act (FMA), as contained in the Financial Sector Regulation Act (FSR) recently assented to by the President, became effective on 9 February 2018. The Regulations to the FMA also became effective on 9 February 2018. JSE Limited and JSE Clear (Proprietary) Limited will need to comply with detailed capital, governance and risk regulations of the FMA within 12 and 18 months, respectively. These regulatory developments are reflected in our strategic priorities as well as our capital planning.

The Board believes that the JSE is appropriately capitalised, given the nature of the risks we face.

PROSPECTS

We are clear about our 2018 priorities and hence the issues that we need to tackle to improve our operational resilience and to achieve our strategy 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 sustainability and diversify revenue.

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

During 2017 we announced the following changes to the Board:

- Leanne Parsons resigned from the Board as an alternate director with effect from 31 December 2017 and will be leaving the JSE in 2018 after more than 30 years of service.
- Nolitha Fakude joined the Board on 15 November 2017 as an independent non-executive director.

In compliance with JSE Listings Requirements shareholders are advised that the following directors will retire from the Board, in terms of the Board's tenure policy for non-executive directors, at the upcoming annual general meeting (AGM) to be held on 17 May 2018 and will not be available for re-election:

- Anton Botha – independent non-executive director.
- Andile Mazwai – independent non-executive director.

Nomavuso Mnxasana, an independent non-executive director, has indicated that although eligible for a further term, she will be retiring at the AGM in May 2018 and will not be available to stand for re-election to the Board.

The Board will make an announcement in due course regarding further appointments, in order to ensure that the Board retains an appropriate mix of skills and experience.

DECLARATION OF ORDINARY DIVIDEND

The Board has decided to declare an ordinary dividend for the year ended 31 December 2017 at 605 cents per ordinary share (2016: 560 cents). We aim for growth in the ordinary dividend over time.

Accordingly, notice is hereby given that the directors have declared the following:

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	605 cents	20	484 cents

The dividend has been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 23 March 2018.

In compliance with the Companies Act, the directors of the JSE confirm that the Company will satisfy the solvency and liquidity test immediately after completion of the dividend distribution. In compliance with the requirements of Strate, the following salient dates for the payment of the ordinary dividend are applicable:

Dividend paid in year in respect of financial year ended	31 December 2017	31 December 2016
Ordinary dividend per share	605 cents	560 cents
Rand value	R526 million	R487 million
Declaration date	Wednesday, 21 February 2018	Tuesday, 28 February 2017
Last date to trade JSE shares cum dividend	Monday, 19 March 2018	Monday, 20 March 2017
JSE shares commence trading ex-dividend	Tuesday, 20 March 2018	Wednesday, 22 March 2017
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	Friday, 23 March 2018	Friday, 24 March 2017
Date of payment of dividend	Monday, 26 March 2018	Monday, 27 March 2017

Share certificates may not be dematerialised or rematerialised from Tuesday, 20 March 2018, to Friday, 23 March 2018, both days inclusive.

On Monday, 26 March 2018, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated Monday, 26 March 2018 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 26 March 2018.

The issued share capital of the Company as at the declaration date was 86 877 600. The tax number of the Company is 9313008840.

NOTICE OF ANNUAL GENERAL MEETING (AGM)

Notice is hereby given that the thirteenth AGM of shareholders of the JSE will be held at the JSE on Thursday, 17 May 2018, at 16:00, to transact the business as stated in the AGM notice forming part of the annual financial statements. The AGM notice includes the proxy form.

Only persons physically present at the meeting or represented by a valid proxy will be entitled to cast a vote on any matter put to a vote of shareholders. Forms of proxy should be lodged with the transfer secretary by 16:00 on Tuesday, 15 May 2018.

SALIENT DATES FOR 2018 AGM

Record date to determine which shareholders are entitled to receive the notice of AGM	Friday, 9 March 2018
Last day to trade in order to be eligible to attend and vote at the annual general meeting	Tuesday, 8 May 2018
Record date to determine which shareholders are entitled to attend and vote at the AGM	Friday, 11 May 2018
Forms of proxy for the annual general meeting to be lodged by 16:00	Tuesday, 15 May 2018

APPRECIATION

This has been a challenging year, presenting uncertainty in a number of areas, not only for the JSE, but for business in general. However, the threats and opportunities we encountered in 2017 have renewed our focus and energised our business. We believe this focus and energy will be critical to establishing our long-term sustainability.

We would like to thank all our stakeholders for their interaction with us and with the JSE team. In particular, we would like to thank Anton, Andile, Nomavuso and Leanne for their years of committed service to the Board.

In the year ahead, we look forward to continuing our work with all our various stakeholders.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of the JSE Limited, as identified in the first paragraph, were approved by the Board of directors on 21 February 2018 and signed by:

N Nyembezi
Chairman

N Newton-King
Chief Executive Officer

One Exchange Square, 2 Gwen Lane, Sandown, South Africa
Private Bag X991174, Sandton, 2146, South Africa
Tel: +27 11 520 7000, Fax: +27 11 520 8584

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000
REVENUE	8	**2 229 046**	2 338 796
Other income		**52 359**	46 402
Personnel expenses	9	**(549 062)**	(564 996)
Other expenses	10	**(848 034)**	(845 144)
Profit from operating activities		**884 309**	975 058
Finance income		**3 245 797**	3 249 286
Finance costs		**(3 012 846)**	(3 035 497)
Net finance income		**232 951**	213 789
Share of profit from associate (net of income tax)		**34 644**	59 066
Profit before income tax		**1 151 904**	1 247 913
Income tax expense	11	**(316 396)**	(328 211)
Profit for the year		**835 508**	919 702
Other comprehensive income			
Items that are or may be recycled to profit or loss			
Net change in fair value of available-for-sale financial assets		**23 028**	(22 331)
Net change in fair value of available-for-sale financial assets recycled to profit or loss		**(12 249)**	(16 328)
Other comprehensive income for the year, net of income tax		**10 779**	(38 659)
Total comprehensive income for the year		**846 287**	881 043
Earnings per share			
Basic earnings per share (cents)	12.1	**977.4**	1 074.8
Diluted earnings per share (cents)	12.2	**970.6**	1 062.1
Other earnings			
Headline earnings per share (cents)	12.3	**996.6**	1 063.2
Diluted headline earnings per share (cents)	12.4	**989.7**	1 050.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000
ASSETS			
Non-current assets		**1 315 826**	1 244 388
Property and equipment		**186 730**	173 047
Intangible assets	13	**486 808**	452 039
Investment in associate		**232 822**	223 151
Other investments		**316 400**	293 470
Loan to the JSE Empowerment Fund Trust		**25 154**	25 098
Deferred taxation		**67 912**	77 583
Current assets		**37 372 143**	44 713 700
Trade and other receivables		**495 105**	555 091
Income tax receivable		**622**	1 064
JSE Clear Derivatives Default Fund collateral deposit		**500 000**	500 000
Margin deposits		**33 933 761**	41 538 835
Collateral deposits		**65 191**	23 926
Cash and cash equivalents		**2 377 464**	2 094 784
Total assets		**38 687 969**	45 958 088
EQUITY AND LIABILITIES			
Total equity		**3 626 381**	3 269 531
Stated capital		**11 614**	26 693
Reserves		**513 272**	475 700
Retained earnings		**3 101 495**	2 767 138
Non-current liabilities		**139 444**	137 391
Employee benefits		**9 844**	8 796
Due to Safex members		**1 347**	1 347
Deferred taxation		**16 087**	17 771
Operating lease liability		**104 084**	97 287
Deferred income		**8 082**	12 190
Current liabilities		**34 922 144**	42 551 166
Trade and other payables		**395 514**	434 442
Income tax payable		**9 294**	–
Employee benefits		**118 384**	153 963
JSE Clear Derivatives Default Fund collateral contribution		**400 000**	400 000
Margin deposits		**33 933 761**	41 538 835
Collateral deposits		**65 191**	23 926
Total equity and liabilities		**38 687 969**	45 958 088

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Group	Stated capital R'000	NDR R'000	Share-based payment reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2016	66 507	433 392	44 968	478 360	2 411 285	2 956 152
Profit for the year	–	–	–	–	919 702	919 702
Other comprehensive income	–	(38 659)	–	(38 659)	–	(38 659)
Total comprehensive income for the year	–	(38 659)	–	(38 659)	919 702	881 043
LTIS Allocation 3 – shares vested	10 288	–	(10 288)	(10 288)	–	–
LTIS Allocation 4 – shares vested	15 636	–	(15 636)	(15 636)	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1-2]	–	(4 422)	–	(4 422)	4 422	–
Dividends paid to owners	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payment	–	–	40 732	40 732	–	40 732
Transfer of profit to investor protection funds	–	25 613	–	25 613	(25 613)	–
Treasury shares	(65 281)	–	–	–	–	(65 281)
Treasury shares – share issue costs	(457)	–	–	–	–	(457)
Total contributions by and distributions to owners of the Company recognised directly in equity	(39 814)	21 191	14 808	35 999	(563 849)	(567 664)
Balance at 31 December 2016	**26 693**	**415 924**	**59 776**	**475 700**	**2 767 138**	**3 269 531**
Profit for the year	**–**	**–**	**–**	**–**	**835 508**	**835 508**
Other comprehensive income	**–**	**10 779**	**–**	**10 779**	**–**	**10 779**
Total comprehensive income for the year	**–**	**10 779**	**–**	**10 779**	**835 508**	**846 827**
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]	**–**	**(4 484)**	**–**	**(4 484)**	**4 484**	**–**
Dividends paid to owners	**–**	**–**	**–**	**–**	**(486 456)**	**(486 456)**
Equity-settled share-based payment	**–**	**–**	**47 728**	**47 728**	**–**	**47 728**
Transfer of profit to investor protection funds	**–**	**19 179**	**–**	**19 179**	**(19 179)**	**–**
Treasury shares	**(50 490)**	**–**	**–**	**–**	**–**	**(50 490)**
Treasury shares – share issue costs	**(219)**	**–**	**–**	**–**	**–**	**(219)**
Total contributions by and distributions to owners of the Company recognised directly in equity	**(15 079)**	**14 695**	**12 098**	**26 793**	**(501 151)**	**(489 437)**
Balance at 31 December 2017	**11 614**	**441 398**	**71 874**	**513 272**	**3 101 495**	**3 626 381**

[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, R4.5m (December 2016: R4.4m) before intercompany adjustments was transferred to JSE Limited to defray market regulatory expenditure.*

[2] *Previously BESA Guarantee Fund Trust*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Group	
	2017 **R'000**	2016 R'000
Cash flows from operating activities		
Cash generated by operations	**998 367**	1 136 998
Interest received	**3 326 655**	3 151 306
Interest paid	**(3 053 521)**	(2 948 179)
Dividends received	**3 696**	3 546
Taxation paid	**(298 673)**	(367 569)
Net cash generated by operating activities	**976 524**	976 102
Cash flows from investing activities		
Proceeds on sale of other investments	**30 296**	77 408
Acquisition of other investments	**(30 197)**	(80 648)
Dividends from associate	**24 972**	22 945
Proceeds from disposal of property and equipment	**150**	310
Leasehold improvements	**(1 683)**	(5 076)
Acquisition of intangible assets	**(115 958)**	(145 600)
Acquisition of property and equipment	**(64 259)**	(49 890)
Net cash used in investing activities	**(156 679)**	(180 551)
Cash flows from financing activities		
Acquisition of treasury shares	**(50 709)**	(65 738)
Dividends paid	**(486 456)**	(542 658)
Net cash used in financing activities	**(537 165)**	(608 396)
Net increase in cash and cash equivalents	**282 680**	187 155
Cash and cash equivalents at 1 January	**2 094 784**	1 907 629
Cash and cash equivalents at 31 December 2017	**2 377 464**	2 094 784

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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, No. 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 consolidated financial statements of the Company as at and for the year ended 31 December 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.

When reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the Company, where the context requires, unless otherwise noted.

2. Basis of preparation

Statement of compliance

The Group financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) specifically referring to IAS 34, the SAICA financial reporting guides as issued by the Accounting Practice Commitee, 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

All accounting policies applied by the Group in these summarised consolidated financial statements are in terms of IFRS and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the 12 months ended December 2016.

5. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

6. 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. Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Costs in the JSE are managed holistically across the Exchange and variances against budget are closely monitored. Information technology and other corporate overheads are not generally allocated to a particular segment.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Group 2017 R'000	Group 2016 R'000
8. Operating segments and revenue		
Revenue comprises:		
Capital markets		
Equity market fees*	**506 692**	568 860
Equity derivatives fees	**169 769**	177 335
Currency derivatives fees	**47 943**	37 573
Interest rate market fees	**62 907**	60 318
Commodity derivatives fees	**68 365**	69 725
Primary market fees	**181 005**	164 368
Colocation fees	**20 068**	19 938
Post-trade services		
Clearing and settlement fees	**383 794**	412 741
Back-office services (BDA)	**292 911**	315 981
Funds under management	**95 737**	94 940
Information services		
Index fees	**50 021**	42 150
Market data fees	**221 702**	245 936
Total revenue excluding Strate ad valorem fees – cash equities	**2 100 914**	2 209 865
Strate ad valorem fees – cash equities	**128 132**	128 931
	2 229 046	2 338 796

During the year, management revised the operating segments following a restructure. The effect of this change is as follows:

- Previously disclosed as part of trading and market services, trading services is now included in equity market fees
- Previously disclosed as part of information services, colocation fees now forms part of capital markets

**Prior year figures have been reclassified*

	Group 2017 R'000	Group 2016 R'000
9. Personnel expenses		
Remuneration paid	**503 640**	522 233
Gross amount paid	**521 194**	541 576
Less: Capitalised to intangible assets	**(17 554)**	(19 343)
Long-term incentive schemes	**45 422**	42 763
	549 062	564 996

	Group 2017 R'000	Group 2016 R'000
10. Other expenses		
Other expenses	**591 370**	562 486
Technology costs	**256 664**	282 658
	848 034	845 144

11. Income tax expense

The Group's consolidated effective tax rate for the year ended 31 December 2017 was 27% (2016: 26%).

	Group 2017 R'000	Group 2016 R'000
12. Earnings and headline earnings per share		
12.1 Basic earnings per share		
Profit for the year attributable to ordinary shareholders	**835 508**	919 702
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**86 877 600**	86 877 600
Effect of own shares held (JSE LTIS 2010)	**(1 394 954)**	(1 305 370)
Weighted average number of ordinary shares at 31 December	**85 482 646**	85 572 230
Basic earnings per share (cents)	**977.4**	1 074.8
12.2 Diluted earnings per share		
Profit for the year attributable to ordinary shareholders	**835 508**	919 702
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	**85 482 646**	85 572 230
Effect of LTIS Share Scheme	**598 795**	1 016 489
Weighted average number of ordinary shares (diluted)	**86 081 441**	86 588 719
Diluted earnings per share (cents)	**970.6**	1 062.1
The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year.		
12.3 Headline earnings per share		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	**835 508**	919 702
Adjustments are made to the following:		
– Gross amount	**28 704**	4 934
Profit or loss on disposal of property and equipment	**(105)**	(92)
The SA SME Fund Limited – write-down of investment	**–**	5 000
Nautilus MAP Operations (Pty) Limited goodwill impairment loss	**24 564**	–
Share of investment in associate – system impairment	**4 216**	–
– Taxation effect on profit or loss on disposal of property and equipment	**29**	26
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	**(12 249)**	(14 820)
Headline earnings	**851 963**	909 816
Headline earnings per share (cents)	**996.6**	1 063.2
12.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents)	**989.7**	1 050.7

13. Intangible assets

Included in the intangible assets of R487m (2016: R452m), is software under development of R281m (2016: R171m), mainly in respect of the bond ETP and integrated trading and clearing.

14. 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 2: 50% of the total award, vested on 4 August 2017

150 450 personal performance shares vested for those participants still in the employ of the JSE on 1 June 2017.

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 85% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 June 2017. The remainder of the Tranche 2 corporate performance shares (being 9 157 shares) were forfeited by participants.

As at 31 December 2017, details of Tranche 2 were as follows:

Tranche 2 – fully vested	Personal performance shares	Corporate performance shares	Total shares
Original number of Tranche 2 shares awarded in May 2013	164 250	64 300	228 550
Forfeited by leavers to date	(13 800)	(3 250)	(17 050)
Tranche 2 shares forfeited for missing performance targets	–	(9 157)	(9 157)
Accelerated for good leavers	(16 800)	(16 050)	(32 850)
Tranche 2 shares vested on 4 August 2017 (previously disclosed as 1 June 2017)	(133 650)	(35 843)	(169 493)
Tranche 2 shares outstanding	**–**	**–**	**–**

(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, vested on 4 August 2017

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

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 100% of these Tranche 1 shares should vest for those participants still in the employ of the JSE on 1 June 2017.

As at 31 December 2017, details of Tranche 1 were as follows:

Tranche 1 – fully vested	Corporate performance shares
Original number of Tranche 1 shares awarded in May 2014	211 435
Forfeited by leavers to date	(15 235)
Accelerated for good leavers	(37 130)
Tranche 1 shares vested on 4 August 2017 (previously disclosed as 1 June 2017)	(159 070)
Tranche 1 shares outstanding	**–**

(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.

Information on Allocation 8 is as follows:

	Corporate performance shares
Share price at grant date (rands 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 (Tranche 1)	145 265
50% of the shares awarded vest on 1 March 2021 (Tranche 2)	145 265

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:

	2017	2016
Allocation 3 (granted in June 2012)	–	R1.1m
Allocation 4 (granted in May 2013)	**R2.6m**	R8.3m
Allocation 5 (granted in May 2014)	**R9.9m**	R8.7m
Allocation 6 (granted in June 2015)	**R5.5m**	R9.5m
Allocation 7 (granted in October 2016)	**R13.4m**	R3.2m
Allocation 8 (granted in March 2017)	**R7.6m**	–
	R39.0m	R30.8m

15. Contingent liabilities and commitments

15.1 Commitments

	Group	
	2017 R'000	2016 R'000
15.1.1 These payments relate to operating lease agreements in respect of buildings from which the JSE conducts it's business.		
Total future minimum lease payments under a non-cancellable operating lease:		
Not later than one year	**52 651**	48 641
Between one and five years	**331 168**	236 708
Later than five years	**140 918**	288 029
	524 737	573 378

Note: The disclosure on the face of the statement of financial position represents the accrual from the straight-lining of the rental income.

	Group	
	2017 R'000	2016 R'000
15.1.2 The JSE sub-leases areas of the building in which it operates. The minimum lease payments expected from sub-leases are set out below:		
Total future minimum lease receipts		
Not later than one year	**589**	1 504
Between one and five years	**333**	2 185
	922	3 689

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

16. Fair value estimation

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

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2017				
Assets				
Other investments				
– Equity securities (available-for-sale)	**146 294**	**154 450**	**–**	**300 744**
– Debt investments (available-for-sale)	**–**	**15 655**	**–**	**15 655**
Total assets	**146 294**	**170 105**	**–**	**316 399**
2016				
Assets				
Other investments				
– Equity securities (available-for-sale)	135 108	140 116	–	275 224
– Debt investments (available-for-sale)	18 245	–	–	18 245
Total assets	153 353	140 116	–	293 469

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 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 entity-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. It was previously classified as level 1 but due to the debt market in South Africa is not being sufficiently active in order to arrive at level 1 for this class of instruments, so this investment has now been classified as a 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.

17. Events after the reporting date

There have been no changes to the directors' interests in the ordinary share capital of the Company and no material events that would require adjustment or disclosure in the annual financial statements have occurred between 31 December 2017 and the date of this report.

Amendments to the Financial Markets Act (FMA), as contained in the Financial Sector Regulation Act (FSR) recently assented to by the President, became effective on 9 February 2018. The Regulations to the FMA also became effective on 9 February 2018, JSE Limited and JSE Clear (Proprietary) Limited will need to comply with the detailed capital, governance and risk regulations of the FMA within 12 and 18 months, respectively. These regulatory developments are reflected in our strategic priorities as well as our capital planning.

The Board believes that the JSE is appropriately capitalised, given the nature of the risks we face.

18. Audit opinion

Ernst and Young Inc., the Group's independent auditor, has audited the consolidated annual financial statements of the JSE Limited from which the summarised consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the statements of financial position at 31 December 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

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

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

21 February 2018