JSE LIMITED

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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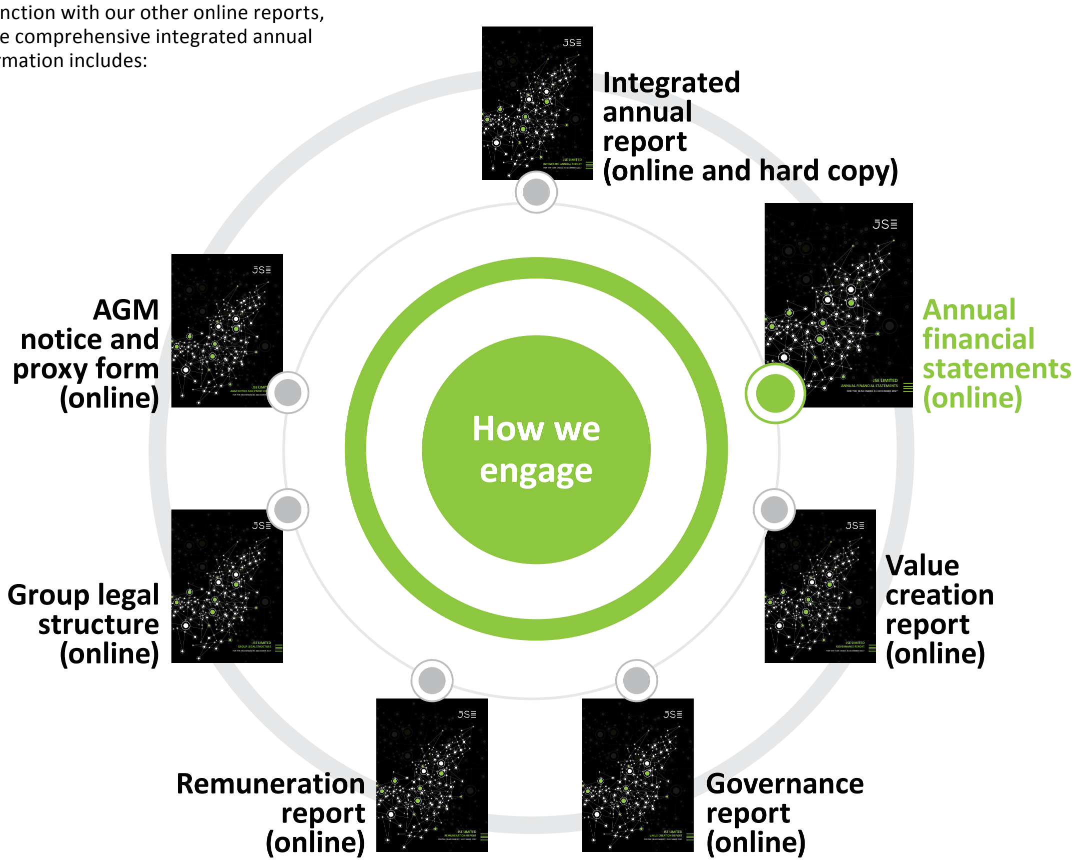
ADDITIONAL INFORMATION FOR OUR STAKEHOLDERS

The information set out in our annual financial statements should be read in conjunction with our other online reports, which together form the comprehensive integrated annual report. The online information includes:



ABOUT THIS REPORT

DECLARATION IN TERMS OF THE COMPANIES ACT, 71 OF 2008 (COMPANIES ACT)

The preparation of these financial statements has been supervised by the chief financial officer, Aarti Takoordeen, CA(SA), in terms of sections 29 and 30 of the Companies Act. The financial statements have been audited in compliance with the applicable requirements of the Companies Act.

JSE DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 December 2017

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of the JSE Limited, comprising 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 the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether owing to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL 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

DECLARATION BY COMPANY SECRETARY

For the year ended 31 December 2017

The JSE Limited has complied with all statutory and regulatory requirements in accordance with the Financial Markets Act, and all directives issued by the Financial Services Board. In terms of section 88 of the Companies Act, as amended, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

GA Brookes
Group Company Secretary

GROUP AUDIT COMMITTEE REPORT

Prepared by the chairman of the Group Audit Committee, Nigel Payne

GROUP AUDIT COMMITTEE	
COMPOSITION	**INVITED TO ATTEND**
Independent non-executive directors:	All non-executive directors
Nigel Payne (Committee chairman)	CEO
Anton Botha (Lead independent director)	CFO
Dr Suresh Kana	Director: Governance and Assurance
Nomavuso Mnxasana	External Auditors
	Internal Audit
	Investment advisors
	Group Company Secretary
	Financial Services Board representatives

Summary of the Group Audit Committee's statutory and governance mandate:

Finance function	External auditor and external audit	Financial statements/ Integrated report	Internal financial control/ Internal audit	Complaints
Appropriateness and expertise of CFO	Nominate independent auditor for appointment by shareholders	Review all financial reports	Responsible for appointment, performance and assessment of the internal audit function	Regarding accounting practices and internal audit
Appropriateness and expertise of senior members of the finance team	Determine terms of engagement and fees	Prepare report on how duties are discharged	Approve internal audit annual plan	Regarding content or audit of financial statements
Annual review of the finance function	Approve nature and extent of non-audit services	Make submissions to Board regarding accounting policies, records and reporting	Make submissions to Board regarding internal financial control	Regarding internal financial controls
Review and approval of annual budgets and forecasts		Have regard for factors and risks affecting integrity of integrated report	Undertake formal annual assessment of internal audit performance	Any related matters
	Companies Act Sections 90-92; 94	Companies Act Section 94	Companies Act Section 94	Companies Act Section 94
King Principles	King Principles	King Principles	King Principles	King Principles
Oversight role underpinned by combined assurance model				

Composition and meeting procedures	Primary roles and responsibilities
• During the year under review, three Group Audit Committee meetings were held, in accordance with the requirements of the committee's terms of reference. • The Group Audit Committee is composed of its chairman, who is an independent non-executive director, and three other independent non-executive directors. • The Chairman of the Board, CEO, CFO, director of Governance and Assurance, Company Secretariat, and representatives of the external auditors and Internal Audit, as well as the Financial Services Board, attend meetings by invitation only, and do not have a vote on any matter considered by the Committee. • The Chairman of the Board is not a member of the Group Audit Committee. • The committee is suitably skilled to perform the role required. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company. However, it is not expected that each member should possess all the required qualifications, skills and experience. • The members of the Group Audit Committee satisfy the requirements of section 94(4) of the Companies Act.	• The committee acts in accordance with its statutory duties, the delegated authority of the Board as recorded in its terms of reference, and within the guidelines of the King Code of Governance. • The committee must prepare a report describing how it carried out its functions as specified in section 94(7) of the Companies Act, and this report serves that purpose. • The committee has power to investigate any activity within the scope of its terms of reference. • The committee has an independent role with accountability to both the Board and shareholders. • The committee, in the fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or the Group Company Secretary to provide it with information. The committee has unrestricted access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. • The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. • The committee works closely with the Group Risk Management Committee

APPOINTMENT OF GROUP AUDIT COMMITTEE MEMBERS

In terms of the Companies Act, at the annual general meeting of the Company, shareholders are required to approve Audit Committee members. The members who were approved by shareholders at the 2017 annual general meeting of the Company and who serve until the next annual general meeting in May 2018 are:

Name	Qualification(s)	Director	Appointed as director in	Group Audit Committee meeting attendance in 2017
Nigel Payne (chairman)	CA(SA)	Independent non-executive	July 2005	100% (3/3 meetings)
Anton Botha	BProc; BCom (Hons)	Independent non-executive	July 2005	100% (3/3 meetings)
Dr Suresh Kana	CA(SA)	Independent non-executive	July 2015	100% (3/3 meetings)
Nomavuso Mnxasana	CA(SA)	Independent non-executive	December 2012	67% (2/3 meetings)

The Board is satisfied that for the 2017 year:

- the Group Audit Committee, acting as a collective, was adequately skilled to perform its role having regard to the size and circumstances of the Company;
- individual members of the Group Audit Committee held appropriate financial and related qualifications, skills and financial expertise to discharge their responsibilities; and
- individual members of the Group Audit Committee were not involved in day-to-day management of the Company.

At the AGM to be held on 17 May 2018:

- Anton Botha will be retiring from the Board in accordance with the JSE's tenure policy for non-executive directors, and will accordingly also retire from the Group Audit Committee.
- Nomavuso Mnxasana will be retiring from the Board, having indicated that she will not be making herself available for a further term. Nomavuso will accordingly also retire from the Group Audit Committee.
- Dr Suresh Kana will be proposed as the new chairman of the Group Audit Committee. Suresh was formerly the CEO of PwC Africa prior to joining the JSE as an independent non-executive director.
- Nigel Payne will be proposed as a member of the Group Audit Committee for a further one-year period, having already served for a full term on the Board. The Board is of the view that Nigel will provide important continuity to both the Board and the Group Audit Committee in the year ahead, and that he remains independent of the Group in both form and substance.
- Dr Mantsika Matooane will be proposed as the third member of the Group Audit Committee for the ensuing year, having joined the Board as an independent non-executive director in August 2012. Mantsika is chairman of the Group Risk Management Committee and will ensure close liaison on risk matters between the Committees.

The election of members of the Group Audit Committee at the AGM in May 2018 will take place by way of separate resolutions to be considered by shareholders. The text of these ordinary resolutions is set out in the AGM Notice distributed separately to shareholders.

The Board is satisfied that the proposed appointment to the Group Audit Committee of the three independent non-executive directors set out above will meet the requirements of the Companies Act, and is therefore recommending their appointment for the ensuing year.

In line with the Companies Act and the King Code on Corporate Governance, the Group Audit Committee presents its report for the financial year ended 31 December 2017.

The committee has discharged all its responsibilities and carried out all the functions assigned to it, and these activities are set out in the remainder of this report:

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
In respect of the finance function:	
Annually assess and confirm the appropriateness of the expertise and experience of the chief financial officer (CFO) and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the finance function.	The Company employs a full-time CFO who is also an executive director of the JSE. The CFO holds a CA(SA) qualification and has extensive senior executive experience in finance across various industries. The performance, effectiveness and resourcing of the Company's finance function was assessed as part of the annual Board effectiveness review for the year ended December 2017, which review was undertaken by an independent service provider. The Group Audit Committee considered the results of this effectiveness review as it pertained to the committee and to the Company's finance function, and is satisfied as to the quality and effectiveness of the finance function and the level of resourcing within the finance division.
Responsible for the appointment and dismissal of the CFO.	Not applicable for the year under review.
In respect of the external auditor and the external audit:	
Nominate for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Company and determined their terms of engagement and fee [section 94(7)(a) and (b)].	At the 14 February 2017 meeting the committee: 1. Reviewed and confirmed the independence of the external auditors KPMG Inc. 2. Recommended Ernst & Young Inc. for appointment by shareholders at the 2017 AGM for the ensuing year in accordance with the Company's policy on audit firm rotation.
	Ernst & Young were subsequently appointed by shareholders at the AGM held in May 2017. At its July 2017 meeting the committee also reviewed and confirmed the terms of engagement for the external auditors and the nature and extent of non-audit services to be provided by Ernst & Young Inc. The fee proposed by Ernst & Young Inc. for the independent audit in 2017 was negotiated by executive management and reviewed by the Group Audit Committee. This audit fee, for the independent audit of JSE Group entities for the year ended 31 December 2017, amounted to R3.6 million (2016: R3.9 million) and has been fully disclosed in the audited annual financial statements.
Ensure that the appointment of the auditor complies with the applicable legislation [section 94(7)(c)].	Ensured that the appointment process complied with the statutory requirements.
Evaluate the independence, effectiveness and performance of the external auditors.	The Group Audit Committee reviewed the detailed audit report and findings in respect of the financial statement audit for the year ended 31 December 2017 as presented by Ernst & Young Inc. at the committee meeting held on 9 February 2018.
	The Group Audit Committee is satisfied that Ernst & Young Inc. is independent of the Company. No matters of concern regarding the performance of the external auditors were noted by the committee. The external auditors continue to have unrestricted access to the Group Audit Committee and to its chairman.
	The Group Audit Committee confirmed that the independent auditors have executed their audit responsibilities in accordance with the International Standards on Auditing.

GROUP AUDIT COMMITTEE REPORT

(CONTINUED)

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Determine the nature and extent of non-audit services that the auditor may provide and pre-approved any agreement for the provision of these services by the auditor to the Company, or a related company. Approve the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence [section 94(7)(d)and(e)].	The Company's policy on audit and non-audit services was revised at the 14 February 2017 meeting of the Group Audit Committee. This policy was applied for the 2017 and subsequent years, and the Group Company Secretary tabled a report in respect of non-audit services for 2017 at the meeting of the Group Audit Committee held on 9 February 2018. All non-audit services (as defined) provided by the external auditors in 2017 were in compliance with this approved policy. The total value of these non-audit services amounted to R32 000 of the independent audit fee, which is within the 30% guideline set out in the Company's policy on non-audit services.
In respect of the financial statements:	
Confirm the going concern principle as the basis of preparation of the interim and annual financial statements.	The Group Audit Committee reviewed the report of the CFO regarding the going concern status of the JSE Group for the year ended December 2017, and concluded that the JSE Group is a going concern and that the financial statements have been prepared correctly, in accordance with the going concern concept. The JSE Board has reviewed and accepted the recommendation of the Group Audit Committee that the Company is operating as a going concern, and has reported that status in the 2017 integrated annual report.
Review the accounting policies and procedures adopted by the Group and the JSE and ensured that financial statements were prepared on the basis of appropriate accounting policies and International Financial Reporting Standards [section 94(7)(f)].	Applied.
	The CFO prepares financial statements in accordance with all applicable legislation and submits them to the Group Audit Committee for review. Recommended to the Board for approval.
Review financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.	Applied.
	At the first meeting of the year, the committee reviewed the full integrated annual report and recommended it to the Board for approval. The Board has subsequently approved the integrated annual report for publication to shareholders
Review the areas of focus in the financial statements.	The Group Audit Committee is of the view that there are no significant judgements involved in the preparation of the financial statements that could have a material impact on those financial statements. The committee also believes that the internal control system and governance structures that have been put in place have operated effectively throughout the year in order to ensure that there were no significant matters for the independent auditors to deal with during their audit of the financial statements or to report in their auditor's report.
Consider the report on pro-active monitoring of financial statements and ensure appropriate actions are taken, to the extent required.	At the Group Audit Committee meeting held on 16 November 2017, the Committee reviewed the report on the pro-active monitoring of the Company's annual financial statements for the year ended December 2016.
	The committee noted that the pro-active monitoring report did not reflect any matters of concern affecting the financial statements. A letter in this regard has been sent to the FSB by the proactive monitoring panel. The report on pro-active monitoring for the year ended 31 December 2017 will be considered at the July 2018 meeting of the committee.
In respect of internal control:	
Review the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions.	This role was performed in part by this committee and in part by the Group Risk Management Committee. Internal Audit forms part of the governance and assurance division. PricewaterhouseCoopers and Deloitte are contracted to assist the internal audit function in carrying out its duties and to ensure the required degree of independence. Internal Audit has a direct reporting line to both the Group Audit Committee and the Group Risk Management Committee.

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Report on the effectiveness of the internal financial controls and risk management.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Monitor the appropriateness of the Company's combined assurance model overseeing risk.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Ensure that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Annually evaluate the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covered all significant areas of financial reporting.	Applied each year in consultation with the internal audit function and the external auditor.
Other: Receive and deal with complaints and concerns from within and outside the Company relating to accounting practices and Internal Audit; the content or auditing of the financial statements; internal financial controls; or any other related matter [section 94(7)(g)].	No complaints were received.
Make submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting [section 94(7)(h)].	Applied.
Responsible for overseeing Internal Audit.	At its meeting on 9 February 2018 the committee reviewed the performance and effectiveness of the Internal Audit function for the 2017 year, and concurred with the assessment thereof by the CEO.
Annual review of terms of reference and workplan.	The committee was satisfied with the annual review of its terms of reference and submitted these to the Board for review and approval.
In the year ahead, the Group Audit Committee will:	• review enhancements to the financial forecast process; • oversee the independent auditors of the Company; and • execute an oversight role in respect of the investment of funds mandate.

The Group Audit Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's expense. The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board, apart from the statutory duties, the committee makes recommendations for approval by the Board.

The JSE continues to prepare Group accounts that comply with International Financial Reporting Standards and the statutory requirements of the Companies Act, 71 of 2008, and these responsibilities are discharged within an acceptable timeframe.

The Group Audit Committee's composition, purpose and duties are set out in the committee's charter. The Board approved the latest terms of reference at its November meeting.

The chairman of the Group Audit Committee attends annual general meetings and is available to answer any questions in relation to matters pertaining to the Group Audit Committee.

N Payne
Chairman: Group Audit Committee

DIRECTORS' REPORT

THE JSE'S BUSINESS

A description of the JSE's business, its value chain and Group structure is set out in the Integrated annual report available online at *http://www.jsereporting.co.za/ar2017/download_pdf/iar_2017.pdf.*

The Company does not have a controlling shareholder and is managed by its directors for its stakeholders. JSE Limited has its primary and only listing in South Africa on the securities exchange operated by the JSE.

REGULATORY AND SUPERVISORY STRUCTURE

The Financial Services Board (FSB) is responsible for supervising the JSE's listing and regulates its ongoing compliance with the JSE Listings Requirements. During the year under review, the JSE complied with all its rules, Listings Requirements and procedures in a manner that warrants its continued listing.

To mitigate the possibility of any potential conflict of interest, an SRO Oversight Committee was established in 2011, as a standing committee of the Board. This committee has an independent role, providing oversight of all regulatory matters, policies and related activities of the JSE Group. The SRO Oversight Committee also functions as the appointed committee pursuant to section 2(c) of Board Notice 1 of 2015, in respect of conflicts of interest between the Company's regulatory functions and commercial services. Its terms of reference have been refined to take into account the requirements of the Financial Markets Act and to report to the FSB where required.

CORPORATE GOVERNANCE

The *Governance report* is available online at *http://www.jsereporting.co.za/ar2017/download_pdf/governance-2017.pdf.*

FINANCIAL RESULTS

The operating results and the state of affairs of the Company and the Group are fully set out in the attached statement of financial position and described in the *CFO's review*, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto.

It should be noted that the JSE maintains the JSE Guarantee Fund Trust, the JSE Debt Guarantee Fund Trust (previously BESA Guarantee Fund Trust) and the JSE Derivatives Fidelity Fund Trust for investor protection purposes, as required under the Financial Markets Act. In view of the control that the JSE exercises over these trusts, the JSE is required to consolidate them into the results of the Group in terms of International Financial Reporting Standards.

MAJOR OPERATING SUBSIDIARY: JSE CLEAR (PTY) LTD

JSE Clear (Pty) Ltd is a licensed associated clearing house in terms of the provisions of the Financial Markets Act, 19 of 2012, and subject to an annual review conducted by the FSB. Partly as a consequence of the recent global financial crisis, global financial regulators have issued directives (Basel III) for the capitalisation of bank exposures to central counterparties (CCPs). At the end of 2012, JSE Clear was deemed a qualifying CCP by the FSB in terms of the Principles for Market Infrastructures issued by these global regulators (CPSS-IOSCO).

JSE CLEAR DERIVATIVES DEFAULT FUND (PTY) LTD

JSE Clear's objective is to act as an associated clearing house and to operate as a CCP by interposing itself between parties to derivative contracts listed on the JSE. Significant refinements have been implemented with regard to its risk management processes. One of these is the creation of a new fund, the JSE Clear Derivatives Default Fund of which the JSE contributes R100 million. This default fund reduces systemic risk and, more specifically, clarifies and limits clearing members' exposure to counterparty credit risk when clearing through JSE Clear. Clearing members that are banks will consequently need to hold less capital for centrally cleared exposures under Basel III regulations.

The JSE Clear Derivatives Default Fund policy requires that fund contributions by the clearing members and the JSE must be held in a legal entity separate and bankruptcy remote from JSE Clear and the JSE. The JSE Clear Derivatives Default Fund (Pty) Ltd was constituted for the purpose of ring-fencing the abovementioned contributions, which are to be used only in the event of a clearing member default. It operates as the JSE Clear Derivatives Default Fund.

AUTHORISED USERS OF THE JSE (MEMBERS OF THE JSE)

As at 31 December 2017, there were 319 authorised users (2016: 343), categorised as follows:

Category of members	**2017**	2016
Equity members	**61**	62
Equity derivatives members	**87**	95
Commodities derivatives members	**64**	66
Interest rate and currency derivatives members	**87**	95
Clearing members	**20**	25
Total	**319**	343

ORDINARY SHARE CAPITAL

The Company did not issue any shares during the year under review. Full details of the authorised, issued and unissued capital of the JSE are contained in note 19 to the annual financial statements.

RIGHTS ATTACHING TO SHARES

Each ordinary JSE share is entitled to identical rights in respect of voting, dividends, profits and a return of capital. The variation of rights attaching to JSE shares requires the prior consent of at least three-fourths of the issued shares of that class or the sanction of a special resolution passed at a special general meeting of the holders of the JSE shares of that class.

The issue of JSE shares, whether in the initial or in any increased capital, is subject to shareholder approval.

DIRECTORS' INTERESTS AND SHAREHOLDING (INCLUDING DIRECTORS' ASSOCIATES)

as at 31 December 2017

		Direct beneficial			Indirect beneficial		
Director*	**Status of director**	**Share register (own name)**	**LTIS 2010 Trust: Unvested[1]**	**Other trusts[2]**	**Held by associates[3]**	**Total**	**% of issued share capital**
N Newton-King (CEO)	Executive	37 910	136 165	5 463		**179 538**	**0.207**
A Takoordeen (CFO)	Executive	4 611	64 660	237		**69 508**	**0.080**
L Parsons	Executive	15 015	76 979	1 237		**93 231**	**0.107**
J Burke	Executive	38 310	71 604	237		**110 151**	**0.127**
N Nyembezi	Non-executive	2 050				**2 050**	**0.002**
A Botha	Non-executive				60 200	**60 200**	**0.069**
A Mazwai	Non-executive	100				**100**	**0.000**
D Lawrence	Non-executive	3 000				**3 000**	**0.003**
Dr M Jordaan	Non-executive	5 900				**5 900**	**0.007**
Other directors	Non-executive	–				**–**	**0.000**
Total		**106 896**	**349 408**	**7 174**	**60 200**	**523 678**	**0.603**
G Brookes (Group Company Secretary)		14 108	49 405	237		**63 750**	**0.073**

** There has been no change in directors' interests from the end of the financial year until the approval of the JSE annual results and release thereof on SENS on 21 February 2018.*

DIRECTORS' INTERESTS AND SHAREHOLDING (INCLUDING DIRECTORS' ASSOCIATES)

as at 31 December 2016

		Direct beneficial			Indirect beneficial		
Director	**Status of director**	**Share register (own name)**	**LTIS 2010 Trust: Unvested[1]**	**Other trusts[2]**	**Held by associates[3]**	**Total**	**% of issued share capital**
N Newton-King (CEO)*	Executive	37 910	149 140	3 352		190 402	0.219
A Takoordeen (CFO)*	Executive		69 560	133		69 693	0.080
L Parsons*	Executive	26 015	83 840	1133		110 988	0.128
J Burke*	Executive	27 416	77 970	133		105 519	0.121
N Nyembezi	Non-executive	2 050				2 050	0.002
A Botha	Non-executive				72 960	72 960	0.084
A Mazwai	Non-executive	100				100	0.000
D Lawrence	Non-executive	3 000				3 000	0.003
Dr M Jordaan	Non-executive	5 900				5 900	0.007
Other directors	Non-executive	–				–	–
Total		102 391	380 510	4 751	72 960	560 612	0.645
G Brookes (Group Company Secretary)*		14 108	45 620	133		59 861	0.069

**[1] These directors and officers participate in the LTIS 2010 scheme and are recipients of shares that vested from 2013 onwards. For further details, refer to note 20.6.*
[2] The 2005 broad-based employee share scheme and JSE bonus share scheme (various employees).
[3] The Imalivest Flexible Fund is an associate of A Botha.

Details of transactions in JSE Limited shares by directors and prescribed officers were disclosed on SENS during 2017 and are summarised in the table below. For the executive and alternate directors, the Group Company Secretary and the prescribed officers, the purchases are in relation to the grant of shares under allocation 8 of the long-term incentive scheme and the bonus shares awarded in March 2017.

Name of director/prescribed officer	Status	Purchase	Sale
A Botha	Independent non-executive director		12 760
N Newton-King	Executive director (CEO)	35 131	43 835
A Takoordeen	Executive director (CFO)	12 114	11 669
L Parsons	Alternate director	14 344	31 298
J Burke	Alternate director	13 344	7 969
G Brookes	Group Company Secretary	10 024	6 135
Remaining members of the executive committee		73 824	6 751

For further details, refer to note 20 to the annual financial statements and the *Remuneration report*, which can be found online at *http://www.jsereporting.co.za/ar2017/download_pdf/remuneration-report-2017.pdf*

SHAREHOLDERS OTHER THAN DIRECTORS

Information on shareholders is set out in the tables below and in the Governance report available online at *http://www.jsereporting.co.za/ar2017/download_pdf/governance.pdf.*

MAJOR SHAREHOLDERS

Pursuant to section 56(7) of the South African Companies Act, 71 of 2008, the following beneficial shareholdings equal to or exceeding 5% as at 31 December 2017 were disclosed or established from enquiries:

Names	Number of shares held	% of total issued ordinary shares
Public Investment Corporation Limited	9 243 245	10.6
Investec Asset Management (Pty) Ltd	5 635 871	6.5
Abax Investments (Pty) Ltd	5 254 532	6.0
Somerset Capital Management, LLP	4 993 800	5.7
Neuberger Berman LLC	4 452 229	5.1

No individual shareholder's beneficial shareholding in the any JSE employee incentive scheme is equal to or exceeds 5%.

Furthermore, the directors have ascertained that some of the shares registered in the names of nominee holders are managed by various fund managers and that, at 31 December 2017, the following fund managers were responsible for managing investments of 2.5% or more of the share capital of JSE Limited.

FUND MANAGERS

Names	Number of shares held	% of total issued ordinary shares
Goverment Employees Pension Fund	9 597 206	11
Investec Asset Management (Pty) Ltd	5 635 871	6.5
Abax Investments (Pty) Ltd	5 254 532	6.0
Somerset Capital Management, LLP	4 993 800	5.7
Neuberger Berman LLC	4 452 229	5.1
Skagen AS	3 514 971	4.0
The Vanguard Group, Inc.	2 986 382	3.4
Dimensional Fund Advisors, L.P.	2 372 298	2.7
Oldfield Partners LLP	2 338 331	2.7
Capital International, Inc.	2 109 183	2.4

DIVIDEND POLICY

In considering the payment of the dividends, the Board will, with the assistance of the Group Audit Committee, take the following into account:

- The current financial status of the Company and the solvency and liquidity test as set out in section 4 of the Companies Act, 71 of 2008.
- The future funding and capital requirements of the Company.

The Board and management remain confident as to the underlying strength of the JSE's operations and its continued strong cash flows.

All planned investments and capital requirements for 2017 were funded from own resources.

DECLARATION OF ORDINARY DIVIDEND

The Board has decided to declare an ordinary dividend for the year ended December 2017 at 605 cents per ordinary share. 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 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	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 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 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 26 March 2018.

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

SERVICE CONTRACTS WITH DIRECTORS

The chief executive officer, all executive directors, the Group Company Secretary and the executive management of the JSE have signed contracts of employment with the JSE. All such contracts have a three-month notice period for resignation or termination of employment save for the chief executive officer whose notice period is four months. The chief executive officer's service contract makes provision for a 12-month restraint of trade on termination of the chief executive officer's employment. Other members of the executive committee are also subject to restraint arrangements. All the other clauses of the service contracts are standard clauses for contracts of this nature.

EXTERNAL AUDIT AND EXTERNAL AUDITOR INDEPENDENCE

The Group financial statements have been audited by independent auditors Ernst & Young Inc.

The Board has endorsed the recommendation of the Group Audit Committee to shareholders that Ernst & Young Inc. be appointed as the independent auditors of the Group for the ensuing year with effect from the date of the AGM to be held on 17 May 2018. The Group Audit Committee has confirmed that Ernst & Young Inc. is independent of the Company as required by section 90 of the Companies Act. The Board agrees with the Group Audit Committee's assessment.

The proposed audit fee to be paid to Ernst & Young Inc. for the independent audit of JSE Group entities for the year to 31 December 2017 amounts to R3.6 million.

SYSTEMS OF INTERNAL CONTROL

Executive management is responsible for the design, establishment and maintenance of systems of internal control that provide substantial assurance against the risk of material loss or misstatement of financial performance. The Board, and in particular the Group Audit Committee, bears ultimate responsibility to ensure that the systems of internal control that are implemented are suitable for addressing the material risks to which the JSE is exposed and are operating effectively.

To assist the Board in meeting the above obligations, JSE Internal Audit develops an annual audit programme based on the inherent risk profiles of the various areas of the JSE's operations. The following three steps are followed to support the risk-based approach to internal audit:

- Annually review the key enterprise-level risks of the JSE to ensure the planned internal audit assignments are focused on high-risk areas.
- Engage with the Enterprise Risk Management team to understand their responsibilities as the second line of defence and to highlight areas where Internal Audit can provide independent assurance on their behalf.
- Meet with key JSE decision-makers such as the CEO, CIO and CFO to ensure that the internal audit objectives are supportive of the JSE's overall strategic objectives.

The appropriateness of this programme was considered by both the Group Audit Committee and the Group Risk Management Committee, and approved without amendment. This programme served as the basis for the internal audit work performed during the year.

All Internal Audit reports in respect of audit assignments performed during the year are discussed with the relevant line management, together with any remedial actions that may be warranted as a result of the internal audit findings. All reports are then tabled for consideration by the executive committee. Internal Audit reports are also tabled for review at meetings of both the Group Audit Committee and the Group Risk Management Committee.

The reports of Internal Audit are also made available to the JSE's external auditors to assist them in meeting their responsibilities.

Although the audit procedures performed by Internal Audit during the past year identified areas for improvement in the internal controls of the JSE, none of the perceived deficiencies were of a nature to suggest that they expose the Company to material loss or misstatement of financial performance. Internal Audit has identified the need for management to implement various process improvements, mainly as a result of legacy systems and manual processes still in place.

RESOLUTIONS PASSED AT THE AGM IN MAY 2017

The following resolutions were adopted by shareholders in 2017:

Resolutions		% vote in favour
Ordinary resolutions		
1	Adoption of audited consolidated annual financial statements and reports	100.00%
2.1	To re-elect Ms N Nyembezi as a director	98.95%
2.2	To re-elect Ms NF Newton-King as a director	99.99%
2.3	To re-elect Dr M Jordaan as a director	100.0%
2.4	To re-elect Mr AD Botha as a director for the ensuing year	96.88%
2.5	To re-elect Mr AM Mazwai as a director for the ensuing year	98.78%
2.6	To re-elect NG Payne as a director for the ensuing year	92.22%
3	To appoint Ernst & Young Inc. as the independent auditors of the Company for the ensuing year	100.0%
4.1	To re-elect the following independent non-executive director of the Company to serve as a member and Chairman of the Group Audit Committee for the ensuing year – Mr NG Payne	93.80%
4.2	To re-elect the following independent non-executive director of the Company to serve as a member of the Group Audit Committee for the ensuing year – Mr AD Botha	96.88%
4.3	To re-elect the following independent non-executive director of the Company to serve as a member of the Group Audit Committee for the ensuing year – Dr SP Kana	99.99%
4.4	To re-elect the following independent non-executive director of the Company to serve as a member of the Group Audit Committee for the ensuing year – Ms NP Mnxasana	99.95%
5	Non-binding advisory vote on the remuneration policy of the company	98.61%
6	Non-binding advisory vote on the implementation of the remuneration policy of the Company	98.78%
7	Authorisation of a director or Group Company Secretary of the Company to implement resolutions	99.99%
Special resolutions		
8	Special Resolution 1: General authority to repurchase shares	100.0%
9	Special Resolution 2.1: Adjustments to non-executive director emoluments for 2017	99.99%
10	Special Resolution 2.2: Proposed non-executive director emoluments for chairman and members of the Group Social and Ethics Committee	99.99%

CHANGES TO THE BOARD

In compliance with the JSE Limited Listings Requirements, the following directors will retire from the Board, in accordance with the JSE'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 annual general meeting in May 2018 and will not be making herself available to stand for re-election 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.

NEW APPOINTMENTS TO THE BOARD

Nolitha Fakude joined the Board on 15 November 2017 as an independent non-executive director, and will assume the Chairmanship of the Group Human Resources Committee as from the AGM in May 2018. Nolitha also serves as a member of the Group Social and Ethics Committee. In accordance with the provisions of the Company's memorandum of incorporation, Nolitha will be proposed for election by shareholders at the AGM in May 2018.

In order to ensure that the Board retains an appropriate mix of skills and experience over time, an announcement will be made in due course on further appointments of non-executive directors, which are expected to take effect later in 2018.

STATE OF AFFAIRS AT THE COMPANY – MATERIAL MATTERS

Contingent liabilities and commitments	The JSE's contingent liabilities and commitments are disclosed in note 28 to the annual financial statements.
Related-party transactions	To the knowledge of the Company, none of the directors or major shareholders of the Company or their families had an interest directly or indirectly in any transaction during the period under review or in any proposed transaction that has or will materially affect the Company or its subsidiaries, other than the disclosure made in note 27 to the annual financial statements.

GOING-CONCERN STATEMENT

In accordance with the solvency and liquidity test set out in section 4 of the Companies Act, the Board is of the opinion that, after making enquiries, it has reasonable expectation that the Group has sufficient resources to maintain its operational existence for the foreseeable future and that:

- the Group's assets fairly valued exceed its liabilities fairly valued; and
- the Group will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 31 December 2017.

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.

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of JSE Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the consolidated and separate financial statements of JSE Limited, which comprise the consolidated and separate statement of financial position as at 31 December 2017, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects the financial position of JSE Limited as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in South Africa and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Initial audit Initial audit engagements involve a number of considerations not associated with recurring audits. Compared to the ongoing audit process in future years, these procedures are either incremental in nature or accelerated as compared to the recurring audit cycle. Given this is our first year as the Group's auditors there is a risk of inappropriate reliance on opening balances and inconsistent application of accounting principles. In addition, there is a risk of an inappropriate audit approach resulting from incomplete or incorrect information about the Group and its operations.	At the beginning of our audit, we developed a transition plan which included among other things: • Knowledge sharing with the Audit Committee, Group Financial Reporting, Audit & Risk Management, Legal, Compliance, and local management, which included obtaining an understanding of the business, significant processes, and operations. • Interacted with the Group's internal audit unit in gaining an understanding of the business, significant processes and operations and related risks. • Interacted with the predecessor auditors, which included a review of the prior year audit files and formal hand over procedures as prescribed by professional standards. • We assessed the control framework by obtaining an understanding of the control environment and significant processes. • We performed procedures on the opening balances, including the selection and application of accounting principles by comparing it to the requirements of IFRS. • We assessed prior year control observations and unrecorded audit differences. • Independently confirmed our understanding of key processes through walkthroughs and audit procedures to mitigate the risk of material difference due to fraud or error. Observed clearance meeting notes with senior management, the Audit Committee, and the predecessor auditors for the 2016 audit.
Revenue recognition and measurement The Group has various revenue streams and revenue related IT applications that perform a high number of billing permutations on large volumes of transactions. We have identified three revenue streams as having heightened risk of recognition and measurement misstatement. • Secondary capital markets revenue (for certain business lines) involves multiple pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately. • Contracts and pricing relating to fee or revenue sharing in respect of clearing arrangements, between the Group's CCP and third party participants, in some cases involve complex calculations to determine the appropriate level of revenue to recognise within the Group. • Subscription and usage-based revenue relating to Market Data is a significant revenue stream within the business. This revenue originates selling of market data to customers. There is fixed contracts with these customers, however there is variable usage which is also billed to the customer depending on the usage in a particular month. Accordingly the Market data revenue accruals can require estimation regarding the variable usage. Accordingly, the above matters are considered to be Key Audit Matters due to complexity and estimation involved. Related disclosures are included in Note 6 to the consolidated financial statements.	Our procedures included, amongst others, the following: • We performed procedures to obtain an understanding of the secondary capital markets trading, fee and revenue shares clearing arrangement and Market Data revenue processes, including key application controls over the Group's IT systems which govern revenue recognition and key manual internal controls. • We evaluated the revenue recognition policy by comparing a sample of contracts to the requirements of IFRS - IAS 18 Revenue. • We performed substantive analytical procedures and journal entry testing in order to identify and test the risk of misstatements arising from management override of controls. • We performed substantive transactional testing, including the review of unusual items and trends. • We also performed cut-off testing by selecting a sample sales transactions before and after year end to assess whether revenue is recognised in the correct period. • Using a data analytical tool we recalculated a proportion of transactions back to supporting audit evidence, such as receipt of cash and invoices. We in addition recalculated the fee charged and compared it to the pricing policy and tariffs as published on the JSE'S website. • We also used data analytical tools to identify outliers in high volumes of transactional data for focused follow-up testing. This analysis included comparing value (notional) traded to revenue recorded and investigating any particularly high values which were outliers to the overall population. • We analysed the reconciliation of the trading platform data to the general ledger and tested material manual adjustments. • We analysed the variable usage pattern of market data by comparing the reported usage to historical trends.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material difference of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material difference, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material difference, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material difference when it exists. Differences can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material difference of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material difference resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of JSE Limited for 1 year.

Ernst & Young Inc.

Ernst & Young Inc.
Director – **Warren Kenneth Kinnear**
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

21 February 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Revenue	6.1	**2 229 046**	2 338 796	**2 272 655**	2 385 697
Other income	6.2	**52 359**	46 402	**65 930**	56 333
Personnel expenses	7.1	**(549 062)**	(564 996)	**(543 717)**	(559 831)
Other expenses	7.2	**(848 034)**	(845 144)	**(788 296)**	(814 415)
Profit from operating activities		**884 309**	975 058	**1 006 572**	1 067 784
Finance income	7.3	**3 245 797**	3 249 286	**170 827**	165 944
Finance costs	7.4	**(3 012 846)**	(3 035 497)	**(21 702)**	(37 436)
Net finance income		**232 951**	213 789	**149 125**	128 508
Share of profit from associate (net of income tax)	12.2	**34 644**	59 066	**–**	–
Profit before income tax		**1 151 904**	1 247 913	**1 155 697**	1 196 292
Income tax expense	8.1	**(316 396)**	(328 211)	**(315 915)**	(327 567)
Profit for the year		**835 508**	919 702	**839 782**	868 725
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	**839 782**	868 725
Earnings per share					
Basic earnings per share (cents)	9.1	**977.4**	1 074.8	**982.4**	1 015.2
Diluted earnings per share (cents)	9.2	**970.6**	1 062.1	**975.6**	1 003.3
Other earnings					
Headline earnings per share (cents)	9.3	**996.6**	1 063.2	**982.3**	1 021.0
Diluted headline earnings per share (cents)	9.4	**989.7**	1 050.7	**975.5**	1 009.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Assets					
Non-current assets		**1 315 826**	1 244 388	**915 244**	849 912
Property and equipment	10.3	**186 730**	173 047	**186 730**	173 047
Intangible assets	11.3/6	**486 808**	452 039	**486 494**	426 822
Investment in associate	12.1	**232 822**	223 151	**21 416**	21 416
Investments in subsidiaries	13.1	**–**	–	**104 352**	104 352
Other investments	14	**316 400**	293 470	**1**	1
Due from Group entity	13.3	**–**	–	**23 185**	21 593
Loan to the JSE Empowerment Fund Trust	15	**25 154**	25 098	**25 154**	25 098
Deferred taxation	21.1/3	**67 912**	77 583	**67 912**	77 583
Current assets		**37 372 143**	44 713 700	**2 827 747**	2 501 282
Trade and other receivables	16	**495 105**	555 091	**285 069**	263 095
Income tax receivable		**622**	1 064	**–**	451
Due from Group entities	13.4	**–**	–	**51 500**	47 828
JSE Clear Derivatives Default Fund collateral deposit	17.3	**500 000**	500 000	**100 000**	100 000
Margin deposits	17.1	**33 933 761**	41 538 835	**166 251**	139 290
Collateral deposits	17.2	**65 191**	23 926	**65 191**	23 926
Cash and cash equivalents	18	**2 377 464**	2 094 784	**2 159 736**	1 926 692
Total assets		**38 687 969**	45 958 088	**3 742 991**	3 351 194
Equity and liabilities					
Total equity	19.3	**3 626 381**	3 269 531	**3 064 543**	2 714 198
Stated capital		**11 614**	26 693	**11 614**	26 693
Reserves		**513 272**	475 700	**71 874**	59 776
Retained earnings		**3 101 495**	2 767 138	**2 981 055**	2 627 729
Non-current liabilities		**139 444**	137 391	**160 929**	164 150
Employee benefits	20.1	**9 844**	8 796	**9 844**	8 796
Due to Safex members	23	**1 347**	1 347	**1 347**	1 347
Deferred taxation	21.1/3	**16 087**	17 771	**15 978**	17 567
Operating lease liability	28.1	**104 084**	97 287	**104 084**	97 287
Deferred income	26	**8 082**	12 190	**29 676**	39 153
Current liabilities		**34 922 144**	42 551 166	**517 519**	472 846
Trade and other payables	22	**395 514**	434 442	**158 399**	155 667
Income tax payable		**9 294**	–	**9 294**	–
Employee benefits	20.1	**118 384**	153 963	**118 384**	153 963
JSE Clear Derivatives Default Fund collateral contribution	17.3	**400 000**	400 000	**–**	–
Margin deposits	17.1	**33 933 761**	41 538 835	**166 251**	139 290
Collateral deposits	17.2	**65 191**	23 926	**65 191**	23 926
Total equity and liabilities		**38 687 969**	45 958 088	**3 742 991**	3 351 194

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Group	Notes	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 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	20.6	10 288	–	(10 288)	(10 288)	–	–
LTIS Allocation 4 – shares vested	20.6	15 636	–	(15 636)	(15 636)	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]		–	(4 422)	–	(4 422)	4 422	–
Dividends paid to owners	19.4	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payment	20.6	–	–	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**	**846 287**
LTIS Allocation 4 – shares vested	20.6	**15 565**	–	**(15 565)**	**(15 565)**	–	–
LTIS Allocation 5 – shares vested	20.6	**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	19.4	–	–	–	–	**(486 456)**	**(486 456)**
Equity-settled share-based payment	20.6	–	–	**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**
Note		19.3	19.3	19.3		19.3	

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 the JSE Limited to defray market regulatory expenditure.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017

Company	Notes	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 2016		66 507	–	44 968	44 968	2 301 662	2 413 137
Profit for the year		–	–	–	–	868 725	868 725
Total comprehensive income for the year		–	–	–	–	868 725	868 725
LTIS Allocation 3 – shares vested	20.6	10 288	–	(10 288)	(10 288)	–	–
LTIS Allocation 4 – shares vested	20.6	15 636	–	(15 636)	(15 636)	–	–
Dividends paid to owners	19.4	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payment	20.6	–	–	40 732	40 732	–	40 732
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)	–	14 808	14 808	(542 658)	(567 664)
Balance at 31 December 2016		**26 693**	**–**	**59 776**	**59 776**	**2 627 729**	**2 714 198**
Profit for the year		**–**	**–**	**–**	**–**	**839 782**	**839 782**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**839 782**	**839 782**
LTIS Allocation 4 – shares vested	20.6	**15 565**	**–**	**(15 565)**	**(15 565)**	**–**	**–**
LTIS Allocation 5 – shares vested	20.6	**20 065**	**–**	**(20 065)**	**(20 065)**	**–**	**–**
Dividends paid to owners	19.4	**–**	**–**	**–**	**–**	**(486 456)**	**(486 456)**
Equity-settled share-based payment	20.6	**–**	**–**	**47 728**	**47 728**	**–**	**47 728**
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)**	**–**	**12 098**	**12 098**	**(486 456)**	**(489 437)**
Balance at 31 December 2017		**11 614**	**–**	**71 874**	**71 874**	**2 981 055**	**3 064 543**
Note		19.3	19.3	19.3		19.3	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

		Group		Company	
	Notes	**2017 R'000**	2016 R'000	**2017 R'000**	2 016 R'000
Cash flows from operating activities					
Cash generated by operations	24.1	**998 367**	1 136 998	**1 080 012**	1 217 721
Finance income		**3 326 655**	3 151 306	**167 594**	164 182
Finance costs		**(3 053 521)**	(2 948 179)	**(20 939)**	(39 414)
Dividends received		**3 696**	3 546	**–**	–
Taxation paid	24.2	**(298 673)**	(367 569)	**(298 088)**	(366 716)
Net cash generated by operating activities		**976 524**	976 102	**928 579**	975 773
Cash flows from investing activities					
Proceeds on sale of other investments		**30 296**	77 408	**–**	–
Acquisition of other investments		**(30 197)**	(80 648)	**–**	–
Loans to group companies		**–**	–	**(1 592)**	–
Dividends from associate		**24 972**	22 945	**24 972**	22 945
Proceeds from disposal of property and equipment		**150**	310	**150**	310
Leasehold improvements		**(1 683)**	(5 076)	**(1 683)**	(5 076)
Acquisition of intangible assets		**(115 958)**	(145 600)	**(115 958)**	(145 600)
Acquisition of property and equipment		**(64 259)**	(49 890)	**(64 259)**	(49 890)
Net cash used in investing activities		**(156 679)**	(180 551)	**(158 370)**	(177 311)
Cash flows from financing activities					
Acquisition of treasury shares		**(50 709)**	(65 738)	**(50 709)**	(65 738)
Dividends paid		**(486 456)**	(542 658)	**(486 456)**	(542 658)
Net cash used in financing activities		**(537 165)**	(608 396)	**(537 165)**	(608 396)
Net increase in cash and cash equivalents		**282 680**	187 155	**233 044**	190 066
Cash and cash equivalents at 1 January		**2 094 784**	1 907 629	**1 926 692**	1 736 626
Cash and cash equivalents at 31 December 2017	18	**2 377 464**	2 094 784	**2 159 736**	1 926 692

NOTES TO THE CONSOLIDATED ANNUAL 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

2.1 Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), 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.

The Group financial statements were authorised for issue by the Board of Directors on 21 February 2018.

2.2 Basis of measurement

The Group and Company financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position, measured at fair value as described below:

- Available-for-sale financial assets;
- Share-based payment transactions; and
- Loan to the JSE Empowerment Fund Trust.

The methods used to measure fair values are discussed further in note 5.

2.3 Functional and presentation currency

The consolidated and separate financial statements are presented in South African Rand (which is the Company's functional currency), rounded to the nearest thousand, except where otherwise indicated.

2.4 Significant estimates and judgements

The preparation of financial statements are in conformity with IFRSs and 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.

For the year ended 31 December 2017 the following areas require the use of judgements and estimates:

Amortisation of Intangible Assets

Intangible assets are amortised over the estimated useful economic lives which are based on management's best estimates of future performance and periods over which value from the intangible assets are realised. Details of intangible assets and their related amortisation are provided in note 11;

Depreciation of property and equipment

Property and equipment is depreciated over their estimated useful economic lives which are based on management's best estimates of future performance and periods over which value from these assets are realised. Details of property and equipment and the related depreciation are provided in note 10;

Goodwill impairment testing

Goodwill is tested for impairment annually or more frequently if there is an indicator of impairment. When identifying impairment indicators, management considers the impact of market and legal changes, operating environments and other circumstances that could indicate that impairment exists. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units and estimates of projected cash flows and fair value less costs of disposal. Details of goodwill impairment testing are provided in note 11.7

Structured entities

There are two structured entities that the Group does not consolidate, namely JSE Benevolent Fund and JSE Empowerment Fund Trust. Refer to note 13.2. The Group holds 44,55% in Strate (Pty) Limited and applies the equity method of accounting. Refer to note 3.1(iii) for details.

Fair value determination.

Refer to Note 5.

2.5 Changes in accounting policies

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

3. Significant accounting policies

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group financial statements incorporate the assets, liabilities and results of the operations of JSE Clear (Pty) Limited, JSE Clear Derivatives Default Fund (Pty) Limited, the JSE Derivatives Fidelity Fund Trust, the JSE Guarantee Fund Trust, JSE Trustees (Pty) Limited, JSE Debt Guarantee Fund Trust, Nautilus MAP Holdings (Pty) Limited, Nautilus MAP Operations (Pty) Limited and Nautilus MAP (Pty) Limited as subsidiary companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the separate financial statements of the Company, investments in subsidiaries are carried at cost less accumulated impairment losses. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

BESA Limited and Bondclear Limited are dormant and are in the process of deregistration.

(ii) Structured entities

The JSE Guarantee Fund Trust, the JSE Derivatives Fidelity Fund Trust and the JSE Debt Guarantee Fund Trust are trusts established in terms of the Trust Property Control Act, No. 57 of 1988 and are collectively referred to as the investor protection funds. These investor protection funds have been established in consonance with the statutory obligations imposed on the JSE, as a licensed exchange, by the peremptory provisions of section 8(1)(h) of the Financial Markets Act, No. 19 of 2012 which state that a licensed exchange must have a guarantee, compensation fund or warranty in place to enable it to provide compensation to clients, subject to the exchange rules. The funds and assets of these trusts are segregated from the assets of the JSE but the JSE, by virtue of its role as trustee and custodian of these funds, has to consolidate the results of these funds in its Annual Financial Statements. The JSE's control as custodian and trustee of the assets of these Funds is exercised within the ambit of the JSE's powers as trustee, as defined in the trust deeds and rules of these Funds.

(iii) Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. The conclusion regarding control or significant influence relating to associates is reassessed on an annual basis. In performing this assessment, the directors determine whether or not the group has control over the respective investee based on whether the group has the practical ability to direct the significant activities unilaterally.

In making this assessment, the following factors are considered:

- The inability of the group to unilaterally appoint the majority of board members of the investee;
- Composition of the investee's board and board appointees of the group;
- The lack of any contractual or legal rights conferred upon the group by the investee or any other shareholder of the investee to direct its activities; and
- The group's shareholding in the investee relative to other investors.

Associates are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. The Group's investment includes goodwill identified on acquisition, and is net of any accumulated impairment losses. The equity method is applied to the Group's investment in Strate (Pty) Limited. In applying the equity method, account is taken of the Group's share of the income and expenses and other comprehensive income of the associate from the effective date on which the enterprise became an associate until significant influence ceases. The share of the associated company's retained earnings and reserves is determined from the latest audited financial statements.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. In the separate financial statements of the Company, the associate is accounted for at cost less accumulated impairment losses.

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated to South African Rand at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing on reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

3.4 Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade receivables, interest receivable, a loan to the JSE Empowerment Fund Trust and other receivables, margin and collateral deposits, cash and cash equivalents, borrowings, trade payables, interest payable, amounts due to and from Group companies, amounts due to Safex members and JSE Clear Derivatives Default Fund (Pty) Limited.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted for at trade date, being the date that the Group commits itself to purchase or sell the asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group classifies non-derivative financial assets into the following categories:

- Available-for-sale financial assets; and
- Loans and receivables.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Available-for-sale financial assets

The Group's investments in equity and debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are carried at fair value with any resultant gain or loss being recognised directly in other comprehensive income. Impairment losses and monetary items such as debt securities and foreign exchange gains and losses are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established. Refer to note 14 (Other investments) for the financial assets classified as available for sale.

Loans and receivables and financial liabilities measured at amortised cost

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses on financial assets. Other non-derivative financial instruments include trade and other receivables, a loan to the JSE Empowerment Fund Trust, contributions in JSE Clear Derivatives Default Fund (Pty) Limited, trade and other payables, cash and cash equivalents, amounts due to and from Group companies, margin and collateral deposits and amounts due to Safex members.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of six months or less from the acquisition date and are used by the Group in the management of its short-term commitments.

(iii) Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased as part of the Long-Term Incentive Scheme, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Shares purchased by the JSE LTIS 2010 Trust as part of the Long-Term Incentive Scheme are classified as treasury shares and are presented against stated capital. When treasury shares are subsequently sold, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3.5 Property and equipment

(i) Recognition and measurement

Items of property and equipment (including leasehold improvements), are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets and leasehold improvements are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Computer hardware	3 to 10 years
• Vehicles	5 years
• Furniture and equipment	3 to 15 years
• Leasehold improvements	15 years
• Finance leases	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred, including the recognised amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

As such, goodwill is measured at cost less accumulated impairment losses. In respect of the associate, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred. Development activities involve a plan or design for the production of new or substantially improved technology. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of internal and external labour charges. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the cost can be measured reliably. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Trade names	5 to 10 years
• Customer relations (recognised on purchase of Nautilus MAP Operations (Pty) Limited)	6 to 10 years
• Computer software	3 to 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(vi) Derecognition

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. This gain or loss is recognised in profit or loss when the asset is derecognised.

3.7 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against profit or loss on a straight-line basis over the period of the lease. When the amount of lease payments does not represent the time pattern of the lessee's benefits under the lease agreement, prepaid rent or accrued liability for rental payments is recognised. The JSE is lessee under the current main lease agreement and in turn has sub-lease agreements with a number of tenants.

3.8 Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Individually significant financial assets at amortised cost are tested for impairment on an individual basis. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. Impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the impaired financial asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. When an event occurring after the impairment was recognised causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for debt securities and in other comprehensive income for equity securities.

(ii) Non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of other assets of the cash-generating unit *pro rata*. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

3.9 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The JSE accrues for the value of leave due on the basis of the number of days owing and the relevant associated costs.

(iii) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee became unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

3.10 Revenue

Revenue comprises of primary market fees, trading fees, clearing and settlement fees, information services fees, funds under management and Strate *ad valorem* fees. Revenue is recognised in the year to which the service relates and is measured at the fair value of the consideration received or receivable.

3.11 Other income

Other income comprises of rental income, net foreign exchange gains, dividend income, profit on sale of financial assets, profit on sale of property and equipment, and other sundry income. Dividend income is recognised in profit or loss when the right to receive payment is established, which is the date the dividend is declared. Rental income is recognised on a straight-line basis over the term of the lease. On derecognition of a financial asset in its entirety, the difference between: a) the carrying amount and b) the sum of consideration received and any cumulative gain or loss that has been recognised in other comprehensive income shall be recognised in profit or loss.

Distributions from structured entities

Funds from the JSE Guarantee Fund Trust approved for distribution by the Financial Services Board, in previous years, for the data centre and disaster recovery are recognised initially as deferred income at fair value when the funds are received and the Group will comply with the conditions associated with the distribution of the funds. These funds are then recognised in profit or loss as other income on a systematic basis over the useful lives of the related assets.

3.12 Finance income and expenses

Finance income comprises interest income from funds invested as well as on the loan to the JSE Empowerment Fund Trust. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise finance lease charges and the interest expense on margin and collateral deposits and on the investor protection levies. Interest expense is recognised in profit or loss using the effective interest method.

3.13 Income tax expense

(i) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future and the Group can control the timing of the reversal. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which that can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Withholding taxes

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The Company withholds dividend tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge, but rather as part of the dividend paid, recognised directly in equity.

3.14 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributed to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to qualifying black shareholders and employees under the long-term incentive scheme.

3.15 Segment reporting

The Group determines and presents operating segments based on information used to run the business by the Executive Committee.

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.

4. New standards and interpretations not yet adopted

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

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

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

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

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group does not expect a material impact from the adoption of this statement.

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.

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.

Standard	Effective date*	Impact
IAS 7 *Disclosure Initiative* – Amendments to IAS 7	1 January 2017	These amendments are not expected to have any material impact to the group.
IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* – Amendments to IAS 12	1 January 2017	These amendments are not expected to have any material impact to the group.
IFRS 2 *Classification and Measurement of Share-based Payment Transactions* – Amendments to IFRS 2	1 January 2018	The group is currently assessing the impact and will adopt the new standard at the required effective date
IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018	These amendments are not expected to have any material impact to the group.
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019	These amendments are not expected to have any material impact to the group.

** Effective for annual periods beginning on or after the specified date.*

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Investments in equity and debt securities

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

5.2 Share-based payment transactions

The fair values of the shares granted to employees in terms of the LTIS 2010 incentive scheme are measured using the Black-Scholes model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility, adjusted for changes expected owing to publicly available information), the weighted average expected life of the instrument, expected dividends, and the interest rate (based on the notional amount compounded annually (NACA) rate). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
6. Operating segments, revenue and other income					
6.1 Revenue and operating segments comprise:					
Capital markets					
Equity market fees*		**506 692**	568 860	**506 692**	568 860
Equity derivatives fees		**169 769**	177 335	**169 769**	177 335
Currency derivatives fees		**47 943**	37 573	**47 943**	37 573
Interest rate market fees		**62 907**	60 318	**66 840**	64 197
Commodity derivatives fees		**68 365**	69 725	**68 365**	69 725
Primary market fees		**181 005**	164 368	**181 005**	164 368
Colocation fees		**20 068**	19 938	**20 068**	19 938
Post-trade services					
Clearing and settlement fees		**383 794**	412 741	**383 794**	412 741
Back-office services (BDA)		**292 911**	315 981	**292 911**	315 981
Funds under management		**95 737**	94 940	**135 413**	137 962
Information services					
Index fees		**50 021**	42 150	**50 021**	42 150
Market data fees*		**221 702**	245 936	**221 702**	245 936
Total revenue excluding Strate *ad valorem* fees – cash equities		**2 100 914**	2 209 865	**2 144 523**	2 256 766
Strate *ad valorem* fees – cash equities		**128 132**	128 931	**128 132**	128 931
		2 229 046	2 338 796	**2 272 655**	2 385 697

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 restated due to the abovementioned changes*

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
6.2 Other income comprises:					
Recognised in profit or loss					
Investor protection funds		**16 545**	19 874	**–**	–
– Contributions to JSE Debt Guarantee Fund Trust		**600**	–	**–**	–
– Dividend income		**3 696**	3 546	**–**	–
– Net realised gain on disposal of available-for-sale financial assets		**12 249**	16 328	**–**	–
Dividends received		**–**	–	**24 972**	22 945
Net foreign exchange loss		**(8 957)**	(13 756)	**(8 957)**	(13 756)
Income recognised from deferred income (data centre and disaster recovery)		**–**	–	**5 369**	7 874
Investor protection levy		**30 707**	28 380	**30 707**	28 380
Rental income		**3 039**	1 927	**3 039**	1 927
Sundry income		**11 025**	9 977	**10 800**	8 963
		52 359	46 402	**65 930**	56 333

7. Profit before taxation comprises:

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
7.1 Personnel expenses					
Remuneration paid to employees		**438 700**	473 893	**434 077**	469 777
Fixed-term contractors		**12 645**	14 364	**12 645**	14 364
Contribution to defined contribution plans		**15 504**	16 215	**15 317**	16 047
Restructure costs		**23 199**	–	**23 199**	–
Directors' emoluments		**31 146**	37 104	**30 776**	36 767
– Executive directors	25.1	**22 465**	29 301	**22 465**	29 301
– Non-executive directors	25.3	**8 681**	7 803	**8 311**	7 466
Long-term incentive scheme		**45 422**	42 763	**45 257**	42 219
– JSE LTIS 2010*		**45 422**	42 763	**45 257**	42 219
Gross personnel expenses		**566 616**	584 339	**561 271**	579 174
Less: Capitalised to intangible assets		**(17 554)**	(19 343)	**(17 554)**	(19 343)
		549 062	564 996	**543 717**	559 831

** Includes Critical skills cash scheme and bonus shares.*

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
7. Profit before taxation comprises: (continued)				
7.2 Other expenses				
Amortisation of intangible assets	**56 626**	52 261	**56 286**	51 581
Auditor's remuneration	**3 910**	4 018	**3 158**	2 896
– Audit fee	**3 580**	3 853	**2 841**	2 804
– Fees for other assurance services	**211**	199	**211**	126
– Fees for other services	**119**	161	**106**	161
– Prior year over accrual	**–**	(195)	**–**	(195)
Consulting fees	**19 627**	4 707	**19 627**	4 707
Depreciation	**52 214**	46 750	**52 214**	46 750
– Computer hardware	**41 777**	29 561	**41 777**	29 561
– Furniture and equipment	**3 349**	3 266	**3 349**	3 266
– Leased assets	**–**	7 120	**–**	7 120
– Leasehold improvements	**7 046**	6 796	**7 046**	6 796
– Vehicles	**42**	7	**42**	7
Enterprise development	**6 761**	6 029	**6 761**	6 029
Goodwill impairment*	**24 564**	–	**–**	–
Impairment of trade receivables	**1 038**	933	**1 038**	933
Investor protection levy	**30 707**	28 380	**30 707**	28 380
Operating lease charges				
– Building	**60 290**	60 880	**60 290**	60 880
Other expenses	**195 252**	217 693	**165 028**	191 758
Strate *ad valorem* fees	**140 381**	140 835	**140 381**	140 835
Technology costs	**256 664**	282 658	**252 806**	279 666
	848 034	845 144	**788 296**	814 415
7.3 Finance income				
Investor protection funds	**9 333**	9 447	**–**	–
Finance income earned on margin and collateral deposits	**3 091 691**	3 117 264	**28 259**	45 252
– Derivatives	**3 026 857**	3 036 119	**–**	–
– JSE Clear Derivatives Default Fund	**36 575**	35 893	**–**	–
– Equities	**28 259**	45 252	**28 259**	45 252
Finance income earned on all funds excluding collateral and margin deposits	**144 773**	122 575	**142 568**	120 692
Total finance income	**3 245 797**	3 249 286	**170 827**	165 944
7.4 Finance costs				
Finance costs on margin and collateral deposits	**3 012 345**	3 034 920	**21 234**	36 859
– Derivatives	**2 954 560**	2 962 230	**–**	–
– JSE Clear Derivatives Default Fund	**36 551**	35 831	**–**	–
– Equities	**21 234**	36 859	**21 234**	36 859
Finance costs on all funds excluding collateral and margin deposits	**501**	577	**468**	577
Total finance costs	**3 012 846**	3 035 497	**21 702**	37 436

* *This item relates to the Nautilus MAP Operations (Pty) Limited goodwill, refer to note 11*

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000

8. Income tax expenses

8.1 Taxation

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Current tax expense				
– Current year	**308 410**	340 657	**307 834**	339 823
– Prior year adjustment	**–**	(6 271)		(6 271)
Deferred tax asset				
– Reversal/(Origination) of deductible temporary differences	**9 670**	(10 516)	**9 670**	(10 326)
Deferred tax liability				
– Prior year adjustment	**4 319**	–	**4 319**	–
– (Reversal)/Origination of taxable temporary differences	**(6 003)**	4 341	**(5 908)**	4 341
	316 396	328 211	**315 915**	327 567

8.2 Reconciliation of effective tax rate

	Group 2017	Group 2016	Company 2017	Company 2016
	%	%	**%**	%
Current tax rate	**28**	28	**28**	28
Adjusted for:				
– Non-taxable income	**(0.1)**	–	**(0.7)**	0.56
– Adjustment for prior periods	**(0.37)**	0.14	**(0.37)**	0.15
– Non-deductible expenses:				
– Depreciation on leasehold improvements	**0.17**	(0.15)	**0.17**	(0.16)
– Goodwill impairment	**0.60**	–	**–**	–
– The SA SME Fund Limited – write-down of investment	**–**	(0.11)	**–**	(0.12)
– Other	**0.01**	(0.62)	**0.3**	(0.63)
– Share of profit of equity-accounted investee	**(0.84)**	(1.33)	**–**	–
Net effective tax rate	**27**	26	**27**	28

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

8.4 The following corporate tax rates are applicable to the entities in the Group as disclosed below:

JSE Limited	28% (2016: 28%)
JSE Clear (Pty) Limited	28% (2016: 28%)
JSE Clear Derivatives Default Fund (Pty) Limited	28% (2016: 28%)
Strate (Pty) Limited	28% (2016: 28%)
Nautilus MAP Holdings (Pty) Limited	28% (2016: 28%)
Nautilus MAP Operations (Pty) Limited	28% (2016: 28%)
JSE Trustees (Pty) Limited	28% (2016: 28%)
JSE Derivatives Fidelity Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act, No. 58 of 1962
JSE Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act, No. 58 of 1962
JSE Debt Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act, No.58 of 1962

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
9. Earnings and headline earnings per share				
9.1 Basic earnings per share				
Profit for the year attributable to ordinary shareholders	**835 508**	919 702	**839 782**	868 725
Weighted average number of ordinary shares:				
Issued ordinary shares at 1 January	**86 877 600**	86 877 600	**86 877 600**	86 877 600
Effect of own shares held (JSE LTIS 2010)	**(1 394 954)**	(1 305 370)	**(1 394 954)**	(1 305 370)
Weighted average number of ordinary shares at 31 December	**85 482 646**	85 572 230	**85 482 646**	85 572 230
Basic earnings per share (cents)	**977.4**	1 074.8	**982.4**	1 015.2
9.2 Diluted earnings per share				
Profit for the year attributable to ordinary shareholders	**835 508**	919 702	**839 782**	868 725
Weighted average number of ordinary shares (diluted):				
Weighted average number of ordinary shares at 31 December (basic)	**85 482 646**	85 572 230	**85 482 646**	85 572 230
Effect of LTIS Share Scheme	**598 795**	1 016 489	**598 795**	1 016 489
Weighted average number of ordinary shares (diluted)	**86 081 441**	86 588 719	**86 081 441**	86 588 719
Diluted earnings per share (cents)	**970.6**	1 062.1	**975.6**	1 003.3
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 using a volume-weighted average price for the year.				
9.3 Headline earnings per share				
Reconciliation of headline earnings:				
Profit for the year attributable to ordinary shareholders	**835 508**	919 702	**839 782**	868 725
Adjustments are made to the following:				
Profit on disposal of property and equipment	**(76)**	(66)	**(76)**	(66)
– Gross amount	**(105)**	(92)	**(105)**	(92)
– Taxation effect	**29**	26	**29**	26
The SA SME Fund Limited – write-down of investment	**–**	5 000	**–**	5 000
– Gross amount	**–**	5 000	**–**	5 000
– Taxation effect	**–**	–	**–**	–
Nautilus MAP Operations (Pty) Limited impairment loss	**24 564**	–	**–**	–
– Gross amount	**24 564**	–	**–**	–
– Taxation effect	**–**	–	**–**	–
Share of Investment in associate system impairment	**4 216**	–	**–**	–
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	**(12 249)**	(14 820)	**–**	–
Headline earnings	**851 963**	909 816	**839 706**	873 659
Headline earnings per share (cents)	**996.6**	1 063.2	**982.3**	1 021.0
9.4 Diluted headline earnings per share				
Diluted headline earnings per share (cents)	**989.7**	1 050.7	**975.5**	1 009.0

10. Property and equipment

	Notes	Computer hardware R'000	Furniture and equipment R'000	Leasehold improvements R'000	Vehicles R'000	Total owned assets R'000	Finance lease assets R'000	Total assets R'000
10.1 Cost								
Group and Company								
2017								
Balance at 1 January 2017		**346 945**	**55 603**	**126 437**	**140**	**529 125**	**38 147**	**567 272**
Additions		**63 173**	**872**	**1 683**	**214**	**65 942**	**–**	**65 942**
Disposals		**(45)**	**–**	**–**	**(25)**	**(70)**	**–**	**(70)**
Balance at 31 December 2017		**410 073**	**56 475**	**128 120**	**329**	**594 997**	**38 147**	**633 144**
Group and Company								
2016								
Balance at 1 January 2016		303 354	49 570	121 361	202	474 487	38 147	512 634
Additions		43 662	6 228	5 076	–	54 966	–	54 966
Disposals		(71)	(195)	–	(62)	(328)	–	(328)
Balance at 31 December 2016		346 945	55 603	126 437	140	529 125	38 147	567 272
10.2 Accumulated depreciation								
Group and Company								
2017								
Balance at 1 January 2017		**233 848**	**37 320**	**84 770**	**140**	**356 078**	**38 147**	**394 225**
Depreciation charge for the year	7.2	**41 777**	**3 349**	**7 046**	**42**	**52 214**	**–**	**52 214**
Disposals		**–**	**–**	**–**	**(25)**	**(25)**	**–**	**(25)**
Balance at 31 December 2017		**275 625**	**40 669**	**91 816**	**157**	**408 267**	**38 147**	**446 414**
Group and Company								
2016								
Balance at 1 January 2016		204 311	34 054	77 974	195	316 534	31 027	347 561
Depreciation charge for the year	7.2	29 561	3 266	6 796	7	39 630	7 120	46 750
Disposals		(24)	–	–	(62)	(86)	–	(86)
Balance at 31 December 2016		233 848	37 320	84 770	140	356 078	38 147	394 225
10.3 Carrying amounts								
Group and Company								
2017								
At 31 December 2016		113 097	18 283	41 667	–	173 047	–	173 047
At 31 December 2017		**134 448**	**15 806**	**36 304**	**172**	**186 730**	**–**	**186 730**
Group and Company								
2016								
At 31 December 2015		99 043	15 516	43 387	7	157 953	7 120	165 073
At 31 December 2016		113 097	18 283	41 667	–	173 047	–	173 047

	Notes	Goodwill R'000	Customer relations R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
11. Intangible assets							
11.1 Cost							
Group							
2017							
Balance at 1 January 2017		**107 709**	**4 078**	**2 217**	**524 720**	**173 527**	**812 251**
Additions		**–**	**–**	**–**	**6 148**	**109 810**	**115 958**
Balance at 31 December 2017		**107 709**	**4 078**	**2 217**	**530 868**	**283 337**	**928 209**
Group							
2016							
Balance at 1 January 2016		107 709	4 078	2 217	412 316	140 331	666 651
Additions		–	–	–	4 024	141 576	145 600
Transfer to computer software		–	–	–	108 380	(108 380)	–
Balance at 31 December 2016		107 709	4 078	2 217	524 720	173 527	812 251
11.2 Accumulated amortisation							
Group							
2017							
Balance at 1 January 2017		**158**	**3 738**	**1 753**	**354 563**	**–**	**360 212**
Amortisation for the year	7.2	**–**	**340**	**–**	**56 286**	**–**	**56 626**
Goodwill impairment[1]		**24 564**	**–**	**–**	**–**	**–**	**24 564**
Balance at 31 December 2017		**24 722**	**4 078**	**1 753**	**410 849**	**–**	**441 402**
Group							
2016							
Balance at 1 January 2016		158	3 058	1 753	302 982	–	307 951
Amortisation for the year	7.2	–	680	–	51 581	–	52 261
Balance at 31 December 2016		158	3 738	1 753	354 563	–	360 212
11.3 Carrying amounts							
Group							
2017							
At 31 December 2016		107 551	77	464	170 420	173 527	452 039
At 31 December 2017		**82 987**	**–**	**464**	**120 019**	**283 337**	**486 808**
Group							
2016							
At 31 December 2015		107 551	757	464	109 597	140 331	398 700
At 31 December 2016		107 551	77	464	170 420	173 527	452 039

During the current financial year, an impairment loss of R24.6m was recognised in respect of the goodwill in Nautilus MAP Operations (Pty) Limited. The decision to impair was informed by the growth of this business not being commensurate with management's expectation at the time it was purchased. Nautilus Operations (Pty) Limited continues to be a going concern and a profitable business. It continues to generate positive cash flows through non-regulated portfolio platform fees.

	Notes	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
11. Intangible assets (continued)						
11.4 Cost						
Company						
2017						
Balance at 1 January 2017		**82 987**	**1 829**	**504 876**	**170 890**	**760 582**
Additions		**–**	**–**	**6 148**	**109 810**	**115 958**
Balance at 31 December 2017		**82 987**	**1 829**	**511 024**	**280 700**	**876 540**
Company						
2016						
Balance at 1 January 2016		82 987	1 829	392 472	137 694	614 982
Additions		–	–	4 024	141 576	145 600
Transfer to computer software		–	–	108 380	(108 380)	–
Balance at 31 December 2016		82 987	1 829	504 876	170 890	760 582
11.5 Accumulated amortisation						
Company						
2017						
Balance at 1 January 2017		**–**	**1 829**	**331 931**	**–**	**333 760**
Amortisation for the year	7.2	**–**	**–**	**56 286**	**–**	**56 286**
Balance at 31 December 2017		**–**	**1 829**	**388 217**	**–**	**390 046**
Company						
2016						
Balance at 1 January 2016		–	1 829	280 350	–	282 179
Amortisation for the year	7.2	–		51 581	–	51 581
Balance at 31 December 2016		–	1 829	331 931	–	333 760
11.6 Carrying amounts						
Company						
2017						
At 31 December 2016		82 987	–	172 945	170 890	426 822
At 31 December 2017		**82 987**	**–**	**122 807**	**280 700**	**486 494**
Company						
2016						
At 31 December 2015		82 987	–	112 122	137 694	332 803
At 31 December 2016		82 987	–	172 945	170 890	426 822

11.7 Impairment testing for cash-generating units containing goodwill

A cash-generating unit, (CGU), is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This applies to Nautilus MAP Operations (Pty) Ltd and Interest Rate Market.

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions, which represent the lowest level in the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 6.

11. Intangible assets (continued)

11.7 Impairment testing for cash-generating units containing goodwill

In order to assess impairment of this goodwill, management calculated the value in use by performing an estimated future cash flows which has been included in the Post-trade Services reportable segment. A WACC of 12.5% was used to discount the future earnings taking into account any specific risk premiums that may be applicable.

These cash flows have been based on the approved budget for the 2018 financial year and strategic plans over a five-year period which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rates applied were in line with the long-term inflation rate.

In determining the growth rate, consideration is given to the growth potential of the respective CGU. As part of this assessment, a prudent outlook is adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the specific market. Based on these factors, the nominal price growth rates applied for the purposes of the impairment testing ranges between 4% and 6%.

The recoverable amount of the CGU'S were determined based on value in use.

The carrying amount of the Nautilus business in the group financial statements has been fully impaired.

12. Investment in associate

12.1 Carrying amount

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Strate (Pty) Limited				
Carrying amount at beginning of year	**223 151**	187 030	**21 416**	21 416
– Dividends received	**(24 972)**	(22 945)	**–**	–
– Share of profit	**34 644**	59 066	**–**	–
Total investment in associate	**232 822**	223 151	**21 416**	21 416

12.2 Group share of post-acquisition profit

	Strate (Pty) Limited 2017 R'000	Strate (Pty) Limited 2016 R'000
Share of opening accumulated profit	**378 173**	319 107
Share of profit after tax	**34 644**	59 066
Share of closing accumulated profit	**412 817**	378 173

12.3 Summarised financial statements at 31 December

	Strate (Pty) Limited 2017 R'000	Strate (Pty) Limited 2016 R'000
Non-current assets	**195 377**	196 629
Current assets	**393 392**	378 660
Total assets	**588 769**	575 289
Equity	**523 811**	497 962
Non-current liabilities	**8 564**	13 402
Current liabilities	**56 394**	63 925
Total equity and liabilities	**588 769**	575 289
Revenue	**436 284**	447 844
Other income including finance income	**23 008**	17 743
Expenses	**(340 708)**	(310 041)
Taxation	**(38 526)**	(45 190)
Profit for the year	**80 058**	110 356

12.4 Unlisted associated company

	Effective holding 2017 %	Effective holding 2016 %	Number of shares held 2017	Number of shares held 2016
Group and Company				
Strate (Pty) Limited	**44.55**	44.55	**4 346**	4 346

Strate (Pty) Limited is an authorised Central Securities Depositary (CSD) for the electronic settlement of cash equity, bond and money market instruments and is incorporated in South Africa. The Group does not exercise control over this entity.

	Issued share capital/ trust capital	Percentage holding		Carrying value of shares held	
		2017 %	2016 %	**2017 R'000**	2016 R'000
13. Subsidiaries – Company					
13.1 Investments in subsidiaries					
13.1.1 JSE Clear (Pty) Limited[1]					
– Ordinary shares of 12.5 cents each	**8 300**	**100**	100	**3 201**	3 201
13.1.2 JSE Clear Derivatives Default Fund (Pty) Limited[2]					
– Ordinary shares of R1 each	**1**	**100**	100	*****	*
13.1.3 JSE Trustees (Pty) Limited					
– Ordinary shares of R1 each	**7**		100	*****	*
The Group elected directors to hold shares in their capacity as nominees for the Exchange. The Exchange has control over the operating and decision-making activities of JSE Trustees (Pty) Limited.		**100**			
13.1.4 Nautilus MAP Holdings (Pty) Limited					
– 1 ordinary share of R1 each	**1**		100	*****	*
Nautilus MAP Holdings (Pty) Limited holds 100% of the ordinary shares in Nautilus MAP Operations (Pty) Limited.		**100**			
13.1.5 JSE LTIS 2010 Trust					
– Trust capital	**1 000**	**100**	100	**1**	1
13.1.6 BESA Limited					
– Ordinary shares of 12.5 cents each	**1 925**	**100**	100	**101 150**	101 150
BESA Limited holds 100% of the ordinary shares in BESA Investments (Pty) Limited and 80% of the ordinary shares of BondClear Limited. The remaining 20% of the ordinary share capital in BondClear Limited is held by the JSE. All three entities are in the process of being deregistered.					
Investments in subsidiaries				**104 352**	104 352

13.1.7 Investor protection funds

In terms of section 9.1(e) of the Financial Markets Act, the JSE is required to have an investor protection mechanism in place to enable it to provide compensation to clients in certain circumstances. In compliance with this requirement, the JSE has guarantee funds (The JSE Guarantee Fund Trust and The JSE Debt Guarantee Fund Trust) that cover the Equities and Interest Rate Markets respectively, and a fidelity fund (The JSE Derivatives Fidelity Fund Trust) that covers the derivatives markets. The three funds are housed in formalised trusts. The funds are administered in terms of their respective trust deeds and their sets of rules. Certain JSE directors are trustees. As a result of the control exercised over these funds, the Group is required to consolidate them.

** Less than R1 000.*

1 JSE Clear (Pty) Limited operates as the JSE's appointed clearing house in terms of the Financial Markets Act. In order to achieve recognition as a qualifying central counterparty (QCCP) under the CPSS-IOSCO provisions, clearing houses are required to establish a default fund for mutualising losses in the event of a clearing member default. JSE Clear (Pty) Limited has established such a default fund, and has been recognised by the Financial Services Board (FSB) as a QCCP with effect from January 2013.

2 JSE Clear Derivatives Default Fund (Pty) Limited is incorporated as a private for profit company wholly owned by JSE Limited with a limited purpose of holding these funds.

13.2 Involvement with unconsolidated structured entities

The table below describes the structured entities that the Group does not consolidate but in which it holds an interest.

Name of structured entity	Nature and purpose	Interest held by the Group
The JSE Benevolent Fund	This fund was created by then members of the JSE prior to the JSE's demutualisation in 2005. The purpose of the fund is to provide financial assistance and poverty relief to stockbrokers, employees of authorised members of the JSE, full-time employees of the JSE prior to 8 November 1995 and their dependants. The assets of the fund are applied by the fund trustees according to the applicable rules and their discretion.	This is a structured fund to which the JSE provided administrative services. This function has since been outsourced to a third party. The JSE does not provide financial or administrative support to this unconsolidated fund. The JSE management have no involvement in the operations or decision-making associated with the operations of this fund.
The JSE Empowerment Fund Trust	The trust was created as part of the listing of the Company and it received JSE shares as part of the listing process. The purpose of the fund is to provide bursaries or financial assistance to black bursars. These bursaries are funded from the dividends received by the trust. This constitutes education and development as contemplated in paragraph 3 of Part II of the Ninth Schedule of the Income Tax Act No 58 of 1962.	The JSE appoints two of the five trustees of the trust, which are expected to act independently of the JSE. The mandate of the trustees is to carry out certain specific objectives of the Trust. The JSE management have no involvement in the operations or decision-making associated with the operations of the Trust. If the trust were to wind down or dissolve, the balance sheet would need to be donated to a similar public benefit organisation. For the reasons stated above, the JSE does not control the trust and as such this entity is not consolidated into the JSE Group.

	2017 R'000	2016 R'000
13.3 Due from Group entity		
Nautilus MAP Operations (Pty) Limited	**23 185**	21 593
Total non-current asset	**23 185**	21 593

Amounts due from Group entity is unsecure, interest free and of a long-term nature.

A subordination agreement was signed between JSE Limited and Nautilus MAP Operations (Pty) Limited in respect of the loan.

	2017 R'000	2016 R'000
13.4 Due from Group entities		
JSE Clear (Pty) Limited	**43 438**	38 972
JSE Clear Derivatives Default Fund	**–**	35
JSE Trustees (Pty) Limited	**7 250**	8 403
JSE Debt Guarantee Fund Trust	**812**	418
Total due from Group entities	**51 500**	47 828

All entities are incorporated in the Republic of South Africa.

Amounts due from Group entities consist mainly of management fees payable to the Company. These fees are invoiced monthly by the Company and are payable within 30 days from invoice date.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
14. Other investments				
14.1 Investor protection funds available-for-sale financial assets				
14.1.1 JSE Derivatives Fidelity Fund Trust				
Bonds	**8 059**	9 427	**–**	–
Listed equities	**77 838**	71 900	**–**	–
Foreign unit trusts	**79 496**	72 078	**–**	–
	165 393	153 405	**–**	–
14.1.2 JSE Guarantee Fund Trust			**–**	
Bonds	**7 596**	8 818	**–**	–
Listed equities	**68 456**	63 208	**–**	–
Foreign unit trusts	**68 863**	62 721	**–**	–
Local unit trusts	**6 091**	5 317	**–**	–
	151 006	140 064	**–**	–
	316 399	293 469	**–**	–
14.2 Other investments				
Stock Exchange Nominees (Pty) Ltd	**1**	1	**1**	1
Investment in The SA SME Fund Limited	**–**	5 000	**–**	5 000
Write down of investment	**–**	(5 000)	**–**	(5 000)
	–	–	**–**	–
	316 400	293 470	**1**	1
15. Loan to the JSE Empowerment Fund Trust	**25 154**	25 098	**25 154**	25 098

In accordance with the JSE's holistic transformation strategy, a loan to facilitate enterprise development was granted to the JSE Empowerment Fund Trust. The intention of this loan is to assist the sustainability of the financial and operational independence of the fund. The loan is interest free. The JSE has the option to terminate the agreement with the fund on one month's written notice, charging interest at JIBAR on any outstanding amounts.

16. Trade and other receivables

16.1 Trade and other receivables

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Interest receivable	**204 733**	285 591	**11 165**	7 932
Other receivables*	**27 962**	17 395	**14 441**	5 925
Prepaid expenses	**37 832**	52 669	**35 015**	49 860
Trade receivables	**224 578**	199 436	**224 448**	199 378
	495 105	555 091	**285 069**	263 095

** Includes JSE share of FTSE revenue, management fee JSE Trustees*

The age analysis of trade receivables is as follows:

	Group Gross R'000	Group Allowance for impairment losses R'000	Company Gross R'000	Company Allowance for impairment losses R'000
At 31 December 2017:				
Fully performing: 0-30 days	**178 116**	**–**	**178 141**	**–**
Past due: 31-90 days	**41 805**	**–**	**41 752**	**–**
Past due: More than 90 days	**7 579**	**2 922**	**7 477**	**2 922**
Total	**227 500**	**2 922**	**227 370**	**2 922**
At 31 December 2016:				
Fully performing: 0-30 days	172 132	–	172 168	–
Past due: 31-90 days	24 766	–	24 766	–
Past due: More than 90 days	4 475	1 937	4 381	1 937
Total	201 373	1 937	201 315	1 937

The movement in the allowance for impairment losses in respect of trade receivables during the year was as follows:

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
At 1 January	**1 937**	1 221	**1 937**	1 221
Increase in allowance for impairment	**990**	929	**990**	929
Receivables written off during the year as uncollectable	**(5)**	(213)	**(5)**	(213)
At 31 December	**2 922**	1 937	**2 922**	1 937

All trade receivables are assessed for impairment on a continuous basis. Impairments are recognised in respect of receivables where there are concerns about recoverability. In assessing recoverability, indicators of potential default are considered and these include, amongst other factors, the clients' payment records and the industry in which the clients operate.

Based on historic default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as the amounts relate to clients that have a good payment record with the Group and there has been no objective evidence to the contrary.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
17. Margin and collateral deposits				
Margin and collateral deposits received are managed and invested on behalf of members in terms of the JSE's rules. These funds have been placed with F1/A1 and F1+/A1+ rated banks. A corresponding liability has been raised (which is due to market participants) against these margin and collateral deposits, as the JSE only manages these assets to facilitate clearing of the equity and derivative markets.				
17.1 Margin deposits				
Derivatives funds held by JSE Clear (Pty) Limited	**33 767 510**	41 399 545	**–**	–
Equities	**166 251**	139 290	**166 251**	139 290
	33 933 761	41 538 835	**166 251**	139 290
17.2 Collateral deposits	**65 191**	23 926	**65 191**	23 926
The JSE acts as an agent in equity securities lending transactions necessary to facilitate electronic settlement of equity trades in the Strate environment. At year-end, interest-bearing collateral deposits of R65.2m (2016: R23.9m) have been lodged as security against securities lending transactions with a market value of R59.5m (2016: R20.6m).				
17.3 JSE Clear Derivatives Default Fund (Pty) Limited	**500 000**	500 000	**100 000**	100 000
JSE Clear Derivatives Default Fund (Pty) Limited has established a default fund for neutralising losses in the event of clearing member default. The initial collateral deposits required from clearing members are managed and invested in terms of the JSE Rules. The Company contribution of the fund is R100m (2016: R100m). Collateral deposits				
JSE Clear Derivatives Default Fund (Pty) Limited members' contributions	**400 000**	400 000	**–**	–
18. Cash and cash equivalents				
Cash and cash equivalents comprises:				
Bank balances	**805 646**	1 066 214	**641 142**	909 873
Call deposits	**1 571 818**	1 028 570	**1 518 594**	1 016 819
Total cash and cash equivalents	**2 377 464**	2 094 784	**2 159 736**	1 926 692

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
19. Stated capital and reserves				
19.1 Authorised stated capital				
400 000 000 ordinary shares with a par value of 10 cents per share	**40 000**	40 000	**40 000**	40 000
19.2 Issued stated capital				
Balance at 1 January	**8 569**	8 553	**8 569**	8 553
Ordinary shares issued	**41**	35	**41**	35
Acquisition of treasury shares	**(34)**	(46)	**(34)**	(46)
Sale of treasury shares	**32**	27	**32**	27
Balance at 31 December	**8 608**	8 569	**8 608**	8 569
19.3 Stated capital and reserves				
Stated capital	**11 614**	26 693	**11 614**	26 693
Non-distributable reserves made up as follows:	**441 398**	415 924	**–**	–
Investor protection funds	**441 398**	415 924	**–**	–
Fair value reserve[1]	**111 598**	100 819	**–**	–
– JSE Derivatives Fidelity Fund Trust	**52 760**	47 110	**–**	–
– JSE Guarantee Fund Trust	**58 838**	53 709	**–**	–
Capital and accumulated funds[2]	**329 800**	315 105	**–**	–
– JSE Debt Guarantee Fund Trust	**112 234**	109 448	**–**	–
– JSE Derivatives Fidelity Fund Trust	**118 864**	110 861	**–**	–
– JSE Guarantee Fund Trust	**98 702**	94 796	**–**	–
JSE LTIS 2010 reserve[3]	**71 874**	59 776	**71 874**	59 776
Retained earnings	**3 101 495**	2 767 138	**2 981 055**	2 627 729
Total	**3 626 381**	3 269 531	**3 064 543**	2 714 198

1 This reserve comprises fair value adjustments in respect of available-for-sale financial assets.

2 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.

3 This reserve relates to the portion of the LTIS 2010 Long-Term Incentive Scheme that has been expensed to date.

	Company	
	2017 R'000	2016 R'000
19.4 Dividends declared and paid		
Ordinary dividend of 560 cents (2016: 520 cents) per share	**486 515**	451 764
Special dividend of Nil cents (2016: 105 cents) per share	**–**	91 221
Total dividend of 560 cents (2016: 625 cents) on unallocated treasury shares	**(59)**	(327)
	486 456	542 658

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
20. Employee benefits					
20.1 Group and Exchange					
Non-current liabilities		**9 844**	8 796	**9 844**	8 796
Cash-settled liability	20.5	**9 844**	8 796	**9 844**	8 796
Current liabilities		**118 384**	153 963	**118 384**	153 963
Contractual bonus (deferred portion only)	20.2	**25 952**	32 677	**25 952**	32 677
Leave pay accrual		**18 181**	18 830	**18 181**	18 830
Cash-settled liability	20.5	**10 543**	9 722	**10 543**	9 722
Discretionary bonus		**63 708**	92 734	**63 708**	92 734

20.2 Contractual bonus (includes deferral)

The contractual bonus scheme is an annual incentive for qualifying employees. Specialists and staff from junior management level upwards (excluding the CEO) are eligible to participate in this scheme. Awards are assessed on individual performance, with a maximum award at executive management level equal to 3.74 months' guaranteed pay. Contractual bonuses are awarded in December each year, with 50% of these awards being subject to a six-month deferral based on continued employment. The deferred portion attracts interest at 10% per annum.

For the year under review, contractual bonuses awarded under this scheme amounted to R57.6m (2016: R60.2m) of which R4.3m (2016: R4.2m) was awarded to executive management (all amounts are inclusive of interest).

The CEO does not qualify for awards under the scheme, but is eligible for an annual bonus up to a maximum of her annual guaranteed cost-to-company package (with 50% being deferred for six months, and the deferred portion attracting interest at 10% per annum). For the current year this amounted to R4.3m (2016: R4.1m).

20.3 Discretionary bonus

The discretionary bonus scheme is an annual incentive for qualifying employees. All permanent staff members are eligible to participate in this scheme. Awards are assessed on individual performance and the achievement of specific corporate deliverables as set out in the annual corporate scorecard approved by the Board. Discretionary bonuses related to 2017 performance are payable in March 2018.

The total discretionary bonus pool for 2017 amounted to R60m (2016: R88.9m), of which R9.6m (2016: R22.9m) was paid to executive management (including the CEO).

20.4 Retirement benefits

The JSE provides retirement benefits for employees through the JSE Pension Scheme, which is a defined contribution retirement scheme.

20.5 Critical skills cash scheme

This is a cash-only long-term retention scheme which is an alternative to a traditional long-term incentive. This retention scheme is applicable to selected senior employees of the JSE. During the current financial year, the award granted in 2015 has vested and a new award was granted which will vest 1 June 2019. The unvested portion attracts interest at the commercial rate earned on funds under management in JSE Trustees. No performance hurdles or claw-back provisions are applicable to Critical Skills Cash Scheme. The net present value and interest movement in both schemes resulted in a charge to profit and loss of R11.3m (2016: R12.1m).

20. **Employee benefits** (continued)

20.5 **Critical skills cash scheme** (continued)

	Critical Skills Cash Scheme 2017 R'000	Critical Skills Cash Scheme 2016 R'000
Total undiscounted cash value of grant approved by Board	**11 579**	10 184

20.6 **Long-Term Incentive Scheme 2010 (LTIS 2010)**

The Long-Term Incentive Scheme was approved by shareholders at the annual general meeting in April 2010.

Scheme objective and design

The main objective of LTIS 2010 is to retain and incentivise selected senior employees of the JSE over rolling three- and four-year time horizons. LTIS 2010 is intended to align the interests of scheme participants with the interests of JSE shareholders.

LTIS 2010 is a full-value, restricted share scheme that provides scheme participants with ownership of JSE shares, these shares being acquired on an annual basis in the open market by a trust established by the JSE. A scheme participant gets immediate beneficial ownership of the JSE shares from the date of the award. However this beneficial ownership is subject to restrictions, being the participant's continued employment and the JSE achieving certain Group-level performance conditions over the vesting period. Shares awarded under LTIS 2010 are forfeited if either the employment requirement or the corporate performance conditions are not met.

Allocation #4 under LTIS 2010

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 (previously disclosed as 1 June 2017).

Tranche 2 – fully vested

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:

	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 to date	(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	–	–	–

20. **Employee benefits** (continued)

20.6 **Long-Term Incentive Scheme 2010 (LTIS 2010)** (continued)

Allocation #5 under LTIS 2010

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

	Corporate performance shares
Share price at grant date (rands per share)	102.27
Total number of shares granted	422 870
Dividend yield (%)	3
Vesting profile:	
50% of the shares awarded vest on 1 June 2017 (Tranche 1)	211 435
50% of the shares awarded vest on 1 June 2018 (Tranche 2)	211 435

The vesting of Tranche 1 was completed during the year under review.

Tranche 1 – fully vested

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

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:

	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 to date	(37 130)
Tranche 1 shares vested on 4 August 2017 (previously disclosed as 1 June 2017)	(159 070)
Tranche 1 shares outstanding	–

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

	Corporate performance shares
Original number of Tranche 2 shares awarded in May 2014	211 435
Forfeited by leavers to date	(32 950)
Accelerated for good leavers to date	(55 100)
Tranche 2 shares available for vesting in June 2018	123 385

20. **Employee benefits** (continued)

20.6 **Long-Term Incentive Scheme 2010 (LTIS 2010)** (continued)

Allocation #6 under LTIS 2010

The sixth award ("Allocation 6") under LTIS 2010 was granted in June 2015 with the following vesting profile:

	Corporate performance shares
Share price at grant date (rands per share)	131.54
Total number of shares granted	302 340
Dividend yield (%)	3
Grant date	1 June 2015
Vesting profile:	
50% of the shares awarded vest on 31 May 2018 (Tranche 1)	151 170
50% of the shares awarded vest on 31 May 2019 (Tranche 2)	151 170

Allocation #7 under LTIS 2010

The seventh award ("Allocation 7") under LTIS 2010 was granted in October 2016 with the following vesting profile:

	Corporate performance shares
Share price at grant date (rands per share)	158.25
Total number of shares granted	342 090
Dividend yield (%)	3
Grant date	21 October 2016
Vesting profile:	
50% of the shares awarded vest on 1 March 2019 (Tranche 1)	171 045
50% of the shares awarded vest on 1 March 2020 (Tranche 2)	171 045
Share price at grant date (rands per share)	161.01
Total number of shares granted	9 684
Dividend yield (%)	3
Grant date	25 November 2016
Vesting profile:	
50% of the shares awarded vest on 1 March 2019 (Tranche 1)	4 842
50% of the shares awarded vest on 1 March 2020 (Tranche 2)	4 842

Allocation #8 under LTIS 2010

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. Refer to note 3.9(iii) for fair value measurement method.

20. **Employee benefits** (continued)

20.6 **Long-Term Incentive Scheme 2010 (LTIS 2010)** (continued)

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.

	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

21. Deferred tax assets and liabilities

21.1 Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Group						
Intangible assets	**–**	–	**(109)**	(204)	**(109)**	(204)
Operating lease liability	**29 144**	27 240	**–**	–	**29 144**	27 240
Operating lease asset	**–**	–	**(17)**	(51)	**(17)**	(51)
Employee benefits	**35 904**	48 247	**(10 618)**	(11 360)	**25 286**	36 887
Allowance for impairment losses	**613**	407	**–**	–	**613**	407
Prepayments	**–**	–	**(5 343)**	(6 156)	**(5 343)**	(6 156)
Cash restraint payments	**918**	–	**–**	–	**918**	–
Loan to the JSE Empowerment Fund Trust	**461**	476	**–**	–	**461**	476
Income received in advance	**872**	1 213	**–**	–	**872**	1 213
Total	**67 912**	77 583	**(16 087)**	(17 771)	**51 825**	59 812

21.2 Movement in temporary differences during the year:

	Balance 1 January 2016 R'000	Recognised in profit or loss R'000	Balance 31 December 2016 R'000	**Recognised in profit or loss R'000**	**Balance 31 December 2017 R'000**
Group					
Intangible assets	(394)	190	(204)	**95**	**(109)**
Operating lease liability	24 482	2 758	27 240	**1 904**	**29 144**
Operating lease asset	–	(51)	(51)	**34**	**(17)**
Employee benefits	32 569	4 318	36 887	**(11 601)**	**25 286**
Allowance for impairment losses	257	150	407	**206**	**613**
Prepayments	(4 634)	(1 522)	(6 156)	**813**	**(5 343)**
Cash restraint payments	–	–	–	**918**	**918**
Loan to the JSE Empowerment Fund Trust	427	49	476	**(15)**	**461**
Income received in advance	930	283	1 213	**(341)**	**872**
Total	53 637	6 175	59 812	**(7 987)**	**51 825**

There are no current and deferred tax implications relating to items charged/credited directly to other comprehensive income or equity, since these relate to investor protection funds, which are exempt from tax.

21. **Deferred tax assets and liabilities** (continued)

	Assets		Liabilities		Net	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
21.3 Deferred tax assets and liabilities are attributable to the following:						
Company						
Operating lease liability	**29 144**	27 240	**–**	–	**29 144**	27 240
Operating lease asset	**–**	–	**(17)**	(51)	**(17)**	(51)
Employee benefits	**35 904**	48 247	**(10 618)**	(11 360)	**25 286**	36 887
Allowance for impairment losses	**613**	407	**–**	–	**613**	407
Prepayments	**–**	–	**(5 343)**	(6 156)	**(5 343)**	(6 156)
Cash restraint payments	**918**	–	**–**	–	**918**	–
Loan to the JSE Empowerment Fund Trust	**461**	476	**–**	–	**461**	476
Income received in advance	**872**	1 213	**–**	–	**872**	1 213
Total	**67 912**	77 583	**(15 978)**	(17 567)	**51 934**	60 016

	Balance 1 January 2016 R'000	**Recognised in profit or loss R'000**	Balance 31 December 2016 R'000	**Recognised in profit or loss R'000**	**Balance 31 December 2017 R'000**
21.4 Movement in temporary differences during the year					
Company					
Operating lease liability	24 482	2 758	27 240	**1 904**	**29 144**
Operating lease asset	–	(51)	(51)	**34**	**(17)**
Employee benefits	32 569	4 318	36 887	**(11 601)**	**25 286**
Allowance for impairment losses	256	151	407	**206**	**613**
Prepayments	(4 634)	(1 522)	(6 156)	**813**	**(5 343)**
Cash restraint payments	–	–	–	**918**	**918**
Loan to the JSE Empowerment Fund Trust	428	48	476	**(15)**	**461**
Income received in advance	930	283	1 213	**(341)**	**872**
Total	54 031	5 985	60 016	**(8 082)**	**51 934**

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000

22. Trade and other payables

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Trade payables*	**157 450**	154 387	**152 345**	149 060
Interest payable	**235 481**	276 156	**3 471**	2 708
Receipts in advance	**2 583**	3 899	**2 583**	3 899
	395 514	434 442	**158 399**	155 667

** Includes accruals, VAT output, customer deposits and deferred income*

23. Due to Safex members

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Non-current liability	**1 347**	1 347	**1 347**	1 347
Relates to unclaimed funds	**1 347**	1 347	**1 347**	1 347

24. Notes to the cash flow statement

24.1 Cash generated by operations

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Profit for the year before tax	**1 151 904**	1 247 913	**1 155 697**	1 196 292
Adjustments for:				
– depreciation of property and equipment	**52 214**	46 750	**52 214**	46 750
– amortisation of intangible assets	**56 626**	52 261	**56 286**	51 581
– goodwill impairment	**24 564**	–	**–**	–
– JSE LTIS 2010	**47 728**	40 732	**47 728**	40 732
– share of profit from associate	**(34 644)**	(59 066)	**–**	–
– finance costs	**3 012 846**	3 035 497	**21 702**	37 436
– finance income	**(3 245 797)**	(3 249 286)	**(170 827)**	(165 944)
– dividend received	**(3 696)**	(3 546)	**(24 972)**	(22 945)
– non-cash items in respect of employee benefits	**(134 759)**	(123 428)	**(134 759)**	(123 428)
– profit on disposal of property and equipment	**(105)**	(68)	**(105)**	(68)
– change in fair value of loan to JSE Empowerment Fund	**(56)**	173	**(56)**	173
– profit on disposal of investment securities	**(12 249)**	(16 328)	**–**	–
Surplus from operations	**914 576**	971 604	**1 002 908**	1 060 579
Changes in:				
– (increase)/decrease in trade and other receivables	**(20 873)**	9 820	**(22 413)**	13 154
– increase in trade and other payables	**104 664**	155 574	**99 517**	143 988
Cash generated by operations	**998 367**	1 136 998	**1 080 012**	1 217 721

24.2 Taxation paid

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Taxation (receivable)/payable at beginning of year	**(1 064)**	32 119	**(451)**	32 713
Deferred tax effects	**(7 986)**	6 175	**(8 081)**	5 985
Current tax charge	**316 396**	328 211	**315 915**	327 567
Taxation (payable)/receivable at end of year	**(8 673)**	1 064	**(9 295)**	451
	298 673	367 569	**298 088**	366 716

24.3 Interest received

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Finance income receivable at beginning of year	**285 591**	187 611	**7 932**	6 170
Finance income received during the year	**3 245 797**	3 249 286	**170 827**	165 944
Finance income receivable at end of year	**(204 733)**	(285 591)	**(11 165)**	(7 932)
	3 326 655	3 151 306	**167 594**	164 182

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

25. Directors' and executives' remuneration[4]

25.1 Executive directors – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000	Medical aid[1], UIF and other R'000
2017				
NF Newton-King	Chief executive officer	**3 832**	**317**	**149**
A Takoordeen	Chief financial officer	**2 306**	**126**	**2**
		6 138	**443**	**151**
2016				
NF Newton-King	Chief executive officer	3 678	304	132
A Takoordeen	Chief financial officer	2 132	121	77
L Fourie[5]	Director of Post-Trade and Information Services	1 172	104	42
		6 982	529	250

25.2 Other key executives – Current year remuneration

		Basic[1] salary R'000	Defined contribution pension plan R'000	Medical aid[1], UIF and other R'000
2017				
GA Brookes[10]	Director of Governance and Assurance	**966**	**–**	**63**
JH Burke	Director of Issuer Regulation	**2 265**	**199**	**180**
A Greenwood	Director of Post-Trade Services	**2 422**	**173**	**2**
Z Jacobs	Director of Marketing and Corporate Affairs	**2 140**	**129**	**57**
D Khumalo	Director of Human Resources	**1 789**	**100**	**933**
TJ Matsena[11]	Director of Trading and Market Services	**2 038**	**156**	**56**
D Nemer	Director of Capital Markets	**2 584**	**197**	**180**
LV Parsons	Director of Information Services	**2 214**	**214**	**158**
R van Wamelen[12]	Chief information officer	**2 257**	**105**	**96**
		18 675	**1 273**	**1 725**
2016				
GA Brookes	Director of Governance Risk and Compliance	1 853	–	50
JH Burke	Director of Issuer Regulation	2 179	190	168
A Greenwood	Director of Post-Trade Services	2 125	152	2
Z Jacobs	Director of Marketing and Corporate Affairs	2 051	124	50
D Khumalo	Director of Human Resources	295	19	7
TJ Matsena	Director of Trading and Market Services	844	68	25
D Nemer	Director of Capital Markets	2 416	184	161
LV Parsons	Director of Information Services	2 106	205	142
R van Wamelen	Chief information officer	2 322	133	115
		16 190	1 074	720

Footnotes 1 – 12 below are applicable to notes 25.1 – 25.3

[1] *Represents short-term employee benefits.*
[2] *Contractual bonuses are subject to personal performance and are calculated according to a fixed percentage of basic salary (which percentage varies on a sliding scale based on grade). Altogether 50% of all contractual bonuses are subject to six-month deferral linked to continued employment. The full contractual bonus award is reflected here, together with interest on the deferred portion at 10%, in accordance with the contractual bonus policy.*
[3] *Discretionary bonuses are subject to both personal performance and the achievement of specific corporate deliverables (per the annual corporate scorecard approved by the Board at the beginning of each financial year). These awards are not subject to deferral, unless otherwise so determined by the Board in any particular year. A portion of the discretionary bonus may be paid in equity, at the discretion of the Group Human Resources Committee.*
[4] *All executive directors and other key executives are full-time employees of JSE Limited.*
[5] *Resigned on 18 July 2016*

Total guaranteed pay R'000	Contractual bonus[1, 2] (includes deferral) R'000	Discretionary bonus[1,3] R'000	Total annual incentives R'000	Total current year remuneration R'000	Total long-term and other benefits[7] R'000	Total number of shares granted in the LTIS 2010 scheme[8]	Total number of shares granted for restraint of trade[9]
4 298	**4 339**	**1 835[6]**	**6 174**	**10 472**	**5 691**	**175 460**	**–**
2 434	**769**	**985**	**1 754**	**4 188**	**2 114**	**62 920**	**15 000**
6 732	**5 108**	**2 820**	**7 928**	**14 660**	**7 805**	**238 380**	**15 000**
4 113	4 152	4 700	8 852	12 965	6 129	149 140	–
2 330	736	2 075	2 811	5 141	1 269	54 560	15 000
1 318	–	–	–	1 318	2 479	42 460	–
7 761	4 888	6 775	11 663	19 424	9 878	246 160	15 000
1 029	**310**	**–**	**310**	**1 339**	**1 797**	**40 500**	**12 390**
2 644	**848**	**1 015**	**1 863**	**4 507**	**2 449**	**70 320**	**16 540**
2 597	**818**	**860**	**1 678**	**4 275**	**–**	**28 740**	**–**
2 326	**734**	**885**	**1 619**	**3 945**	**2 075**	**60 370**	**14 320**
2 822	**607**	**820**	**1 427**	**4 249**	**–**	**19 164**	**–**
2 250	**799**	**840**	**1 639**	**3 889**	**–**	**15 510**	**–**
2 961	**933**	**1 195**	**2 128**	**5 089**	**–**	**48 070**	**17 730**
2 586	**911**	**1 165**	**2 076**	**4 662**	**2 635**	**75 590**	**17 790**
2 458	**621**	**–**	**621**	**3 079**	**3 734**	**68 110**	**16 560**
21 673	**6 581**	**6 780**	**13 361**	**35 034**	**12 690**	**426 374**	**95 330**
1 903	607	1 350	1 957	3 860	862	33 230	12 390
2 537	811	2 200	3 011	5 548	2 781	61 430	16 540
2 279	783	2 075	2 858	5 137	–	15 960	–
2 225	702	2 075	2 777	5 002	1 278	52 610	14 320
321	–	–	–	321	–	9 684	–
937	591	1 450	2 041	2 978	–	5 860	–
2 761	870	2 400	3 270	6 031	–	33 500	17 730
2 453	872	2 300	3 172	5 625	2 988	66 050	17 790
2 570	812	2 325	3 137	5 707	2 479	58 750	16 560
17 985	6 048	16 175	22 223	40 208	10 388	337 074	95 330

[6] CEO's discretionary bonus – cash only

[7] Represents the net value (after forfeiture for corporate performance) of share awards granted under provisions of the LTIS 2010 Long-Term Incentive Scheme in 2012 and 2013 that vested during the current financial year.

[8] Represents unvested shares as at 31 December 2017, granted under the provisions of the LTIS 2010 Long-Term Incentive Scheme.

[9] Represents shares granted to certain Executive Committee members as part of a three-year share based restraint arrangement implemented during the current financial year.

[10] Stepdown from the Executive Committee effective 1 July 2017.

[11] Appointed Chief Information Officer effective 8 October 2017.

[12] Resigned 7 October 2017.

25. Directors' and executives' remuneration (continued)

25.3 Non-executive director emoluments

		Total R'000	Board member fees R'000	Committee member fees R'000
2017				
AD Botha	Chairman of Human Resources	**893**	**325**	**568**
N Fakude		**99**	**–**	**99**
M Jordaan		**465**	**325**	**140**
SP Kana	Chairman of Social and Ethics Committee	**950**	**325**	**625**
DM Lawrence		**750**	**325**	**425**
MA Matooane	Chairman of Risk Committee	**646**	**325**	**321**
AM Mazwai	Chairman of SRO Committee	**840**	**325**	**515**
NP Mnxasana		**735**	**325**	**410**
NMC Nyembezi	Board Chairman, chairman of Nominations Committee	**2 000**	**2 000**	**–**
NG Payne	Chairman of Audit Committee	**933**	**325**	**608**
		8 311	**4 600**	**3 711**
2016				
AD Botha	Chairman of Human Resources, Social and Ethics Committee	840	310	530
M Jordaan		310	310	–
SP Kana		695	310	385
DM Lawrence		608	310	298
MA Matooane	Chairman of Risk Committee	673	310	363
AM Mazwai	Chairman of SRO Committee, chairman of investment of Funds Committee	930	310	620
NP Mnxasana		690	310	380
NMC Nyembezi	Board Chairman, chairman of Nominations Committee	1 850	1 850	–
NG Payne	Chairman of Audit Committee	870	310	560
		7 466	4 330	3 136

26. Deferred income

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Investor Protection Levy	**8 082**	12 190	**8 082**	12 190
Distribution from the JSE Guarantee Fund Trust	**–**	–	**21 594**	26 963
	8 082	12 190	**29 676**	39 153

Investor protection levy

This amount represents unexpended levies received from investors in terms of the Investor Protection Levy. These levies are raised to finance the market regulatory activities of the Financial Services Board and are committed to this purpose. These funds are included in the cash and cash equivalents balances.

Distribution from the JSE Guarantee Fund Trust

This represents the monies distributed by the JSE Guarantee Fund Trust for the specific purpose of funding the establishment of the JSE's disaster recovery site (2010: R50m) and data centre (2011: R51m). This is a transaction between related parties as disclosed in note 27 and is eliminated on consolidation. The income transferred from deferred income to profit or loss is based on the relating depreciation charge of the disaster recovery site and the data centre.

27. Related parties

27.1 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 R1.6bn (2016: R1.7bn) for the year.

The associated companies and subsidiaries of the Group are identified in notes 12 and 13 respectively.

The directors and key executives are listed in note 25.

27.2 Material related-party transactions and balances

Strate ad valorem fees	– see notes 6.1 and 7.2
Amounts due to and from related parties	– see notes 13.3 and 13.4
Directors' emoluments	– see note 25
Other key executives' remuneration	– see note 25
Income recognised from deferred income (data centre and disaster recovery)	– see note 6.2

During the previous financial years, surplus assets amounting to R101m were distributed by the JSE Guarantee Fund Trust to the JSE for the establishment of the JSE's data centre and disaster recovery site. The transfer of the funds was formally approved by the Financial Services Board. The funds received are recognised in deferred income in the JSE's separate financial statements and are released to profit or loss on a systematic basis over the useful life of the assets comprising the data centre and the disaster recovery site. Also refer to note 26.

Management fees from related entities	R135.0m (2016: R138.0m)

The JSE provides secretarial services to all the Group entities (excluding Strate (Pty) Limited) for no consideration.

28. Contingent liabilities and commitments

28.1 Commitments

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
28.1.1 These payments relate to operating lease agreements in respect of buildings from which the JSE conducts its business.				
Total future minimum lease payments under a non-cancellable operating lease:				
Not later than one year	**52 651**	48 641	**52 651**	48 641
Between one and five years	**331 168**	236 708	**331 168**	236 708
Later than five years	**140 918**	288 029	**140 918**	288 029
	524 737	573 378	**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.				
28.1.2 The JSE sub-leases areas of the building in which it operates (refer note 6.2). 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	**589**	1 504
Between one and five years	**333**	2 185	**333**	2 185
	922	3 689	**922**	3 689

29. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Operational risk;
- Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other market risk);
- Liquidity risk;
- Credit risk; and
- Capital risk.

Risk management framework

The Board of directors have overall responsibility for the establishment and oversight of the Group's risk management framework including determining the Group's risk appetite. The Board has established the Risk Management Committee, which is responsible for developing the Group's risk management policies and monitoring risk exposures. The committee reports regularly to the Board of directors on its activities.

The Group's risk management policies are established to identify and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in its role by the Group risk management function and Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported to the Risk Committee.

29.1 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, and from external factors. Specifically included in operational risk management are risks arising from legal and regulatory requirements, risks associated with project implementation, exposures emanating from IT and data maintenance and security, business continuity and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

The Board accepts overall responsibility for operational risk, with the responsibility for day-to-day management of operational risk delegated to management. Each business unit is accountable for mitigating operational risk in their area of the business. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal obligations;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Development of IT and data security controls;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

29.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

29.2.1 Currency risk

The majority of the JSE's transactions are concluded in its functional currency (South African rand), with the result that its exposure to foreign currency risk from operating transactions is limited. US Dollar revenue earned from the Market Data Division is maintained in a US Dollar denominated bank account. Foreign currency costs (mainly in technology) for both business as usual and projects are funded out of this account. As such, there is a natural hedge relating to foreign currency denominated expenditure in the Group.

The Group's exposure to foreign currency risk based on notional amounts was as follows:

	Group			Company		
	USD R'000	GBP R'000	EUR R'000	USD R'000	GBP R'000	EUR R'000
2017						
Financial assets	**125 288**	**–**	**–**	**125 288**	**–**	**–**
Trade receivables	**24 358**	**–**	**–**	**24 358**	**–**	**–**
Cash and cash equivalents	**100 930**	**–**	**–**	**100 930**	**–**	**–**
Financial liabilities	**(323)**	**(76)**	**–**	**(323)**	**(76)**	**–**
Trade payables	**(323)**	**(76)**		**(323)**	**(76)**	**–**
Net exposure	**124 965**	**(76)**	**–**	**124 965**	**(76)**	**–**
2016						
Financial assets	164 513	–	–	164 513	–	–
Trade receivables	21 684	–	–	21 684	–	–
Cash and cash equivalents	142 829	–	–	142 829	–	–
Financial liabilities	(594)	–	(104)	(594)	–	(104)
Trade payables	(594)	–	(104)	(594)	–	(104)
Net exposure	163 919	–	(104)	163 919	–	(104)

As at 31 December 2017:

Bank buying rates	Bank selling rates
USD – 12.38 (2016: 13.4767)	USD – 12.6238 (2016: 13.9779)
GBP – 16.75 (2016: 16.5661)	GBP – 17.1709 (2016: 17.2795)
EUR – 14.87 (2016: 14.1647)	EUR – 15.2598 (2016: 14.7381)

Sensitivity analysis

A 10% (2016: 10%) strengthening of the rand against the USD and a 5% (2016: 5%) strengthening of the rand against the GBP and EUR respectively, at 31 December, would have increased profit by R12.5m (2016: R16.4m) and equity by Rnil (2016: Rnil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2016.

	Group		Exchange	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2017				
USD	**12 496**	**–**	**12 496**	**–**
GBP	**(8)**	**–**	**(8)**	**–**
EUR	**–**	**–**	**–**	**–**
Net impact	**12 489**	**–**	**12 489**	**–**
2016				
USD	16 392	–	16 392	–
GBP	–	–	–	–
EUR	(10)	–	(10)	–
Net impact	16 382	–	16 382	–

A 10% (2016: 10%) weakening of the rand against the USD and a 5% (2016: 5%) weakening of the rand against the GBP and EUR respectively, at 31 December, would have had an equal and opposite effect on the amounts shown above, on the basis that all other variables remained constant.

29. **Financial risk management** (continued)

29.2 **Market risk** (continued)

29.2.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk of the JSE being exposed to fluctuations in the fair values or future cash flows of financial instruments because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in respect of its floating rate financial assets and financial liabilities as set out below and to fair value interest rate risk in respect of fixed rate bonds classified as available-for-sale financial assets. Cash flow interest rate risk is managed by the JSE, ensuring that the floating rate financial assets are at least equal to or greater than the floating rate financial liabilities. The fair value interest rate risk arising from fixed rate bonds is managed by a reputable asset manager according to approved guidelines. There is no interest rate risk on the margin and collateral as there is an equal liability to offset the asset.

The following table analyses the interest rate risk profile for assets and liabilities at year-end:

	Group		Company	
	Fixed rate R'000	Floating rate R'000	Fixed rate R'000	Floating rate R'000
2017				
Assets	**21 662 654**	**15 229 416**	**1 750 000**	**741 178**
Investments	**15 654**	**–**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**347 000**	**153 000**	**–**	**100 000**
Margin and collateral deposits	**19 550 000**	**14 448 952**	**–**	**231 442**
Cash and cash equivalents	**1 750 000**	**627 464**	**1 750 000**	**409 736**
Liabilities	**(19 827 600)**	**(14 571 352)**	**–**	**(231 442)**
JSE Clear Derivatives Default Fund contributions	**(277 600)**	**(122 400)**	**–**	**–**
Margin and collateral deposits	**(19 550 000)**	**(14 448 952)**	**–**	**(231 442)**
Net exposure	**1 835 054**	**658 064**	**1 750 000**	**509 736**
2016				
Assets	27 795 245	16 380 545	1 180 000	1 009 908
Investments	18 245	–	–	–
JSE Clear Derivatives Default Fund collateral deposit	347 000	153 000	–	100 000
Margin and collateral deposits	26 250 000	15 312 761	–	163 216
Cash and cash equivalents	1 180 000	914 784	1 180 000	746 692
Liabilities	(26 527 600)	(15 435 161)	–	(163 216)
JSE Clear Derivatives Default Fund contributions	(277 600)	(122 400)	–	–
Margin and collateral deposits	(26 250 000)	(15 312 761)	–	(163 216)
Net exposure	1 267 645	945 384	1 180 000	846 692

Floating rate assets yield interest at call rates.

Sensitivity analysis

A change of 100 (2016: 100) basis points on the fixed rate bonds and 100 (2016: 100) basis points in the floating rate instruments at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2016.

	Group		Company	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2017				
Fixed-rate bond: +100 bps	**–**	**(584)**	**–**	**–**
Fixed-rate bond: – 100 bps	**–**	**618**	**–**	**–**
Floating-rate instruments: +100 bps	**6 218**	**–**	**4 097**	**–**
Floating-rate instruments: – 100 bps	**(6 218)**	**–**	**(4 097)**	**–**
2016				
Fixed-rate bond: +100 bps	–	(702)	–	–
Fixed-rate bond: – 100 bps	–	702	–	–
Floating-rate instruments: +100 bps	9 148	–	7 467	–
Floating-rate instruments: – 100 bps	(9 148)	–	(7 467)	–

29.2.3 Other market price risk

The Group is exposed to the risk of fluctuations in the fair value of the available-for-sale financial assets because of changes in market prices (other than changes in interest rates and currencies). With regard to the unit trusts, the Group is exposed to fluctuations in the fair value of the unit trusts (which is determined by the fair value movement of the underlying instruments).

To manage its other market price risk arising from the available-for-sale financial assets, the investments are managed by a reputable asset manager according to approved guidelines. The JSE's Finance department monitors the investments in unit trusts and equity instruments by review of the monthly reports from the asset manager. The portfolio of instruments held is regularly reviewed and amended to manage the Group's exposure to market risk.

Sensitivity analysis – other market price risk

The available-for-sale financial assets considered in the sensitivity analysis below exclude the listed bonds, as management believes that the majority of the sensitivity of these instruments lies in their exposure to interest rates, which is included in the interest rate sensitivity analysis in note 29.2.2.

The equity investments are listed on JSE Limited, with the majority of the investments included in the JSE All Share Index.

A 4% (2016: 4%) increase in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased equity by R5.9m (2016: R5.4m) and profit by Rnil (2016: Rnil); an equal change in the opposite direction would have decreased equity by R5.9m (2016: R5.4m) and profit by Rnil (2016: Rnil). This analysis is performed on the same basis as 2016.

The unit trusts are predominantly benchmarked against the MSCI World Index. A 5% (2016: 5%) increase in the MSCI World Index at the reporting date, with all other variables held constant, would have increased equity by R7.4m (2016: R6.7m); an equal change in the opposite direction would have decreased equity by R7.4m (2016: R6.7m). The analysis is performed on the same basis as 2016.

29.3 Liquidity risk

Liquidity risk is the risk that the JSE will be unable to meet its short-term funding requirements. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

This risk is managed by the JSE by maintaining the members' funds and the JSE's own funds in current and call accounts. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a minimum period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The following table analyses the terms of receipt of financial assets and repayment of financial liabilities existing at year-end.

29. **Financial risk management** (continued)

29.3 Liquidity risk (continued)

	Group			Company		
	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
2017						
Financial assets	**37 650 088**	**–**	**25 155**	**2 792 732**	**–**	**48 339**
Other investments	**316 399**	**–**	**1**	**–**	**–**	
Loan to the JSE Empowerment Fund Trust	**–**	**–**	**25 154**	**–**	**–**	**25 154**
Trade and other receivables (excluding payments in advance)	**252 540**	**–**	**–**	**238 889**	**–**	**–**
Interest receivable	**204 733**	**–**	**–**	**11 165**	**–**	**–**
Due from Group entities	**–**	**–**	**–**	**51 500**	**–**	**23 185**
Margin and collateral deposits	**33 998 952**	**–**	**–**	**231 442**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**500 000**	**–**	**–**	**100 000**	**–**	**–**
Cash and cash equivalents	**2 377 464**	**–**	**–**	**2 159 736**	**–**	**–**
Financial liabilities	**(34 794 466)**	**–**	**(1 347)**	**(389 841)**	**–**	**(1 347)**
Due to Safex members	**–**	**–**	**(1 347)**	**–**	**–**	**(1 347)**
Trade payables	**(160 033)**	**–**	**–**	**(154 928)**	**–**	**–**
Interest payable	**(235 481)**	**–**	**–**	**(3 471)**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**(400 000)**	**–**	**–**	**–**	**–**	**–**
Margin and collateral deposits	**(33 998 952)**	**–**	**–**	**(231 442)**	**–**	**–**
Net exposure	**2 855 622**	**–**	**23 808**	**2 402 891**	**–**	**46 992**
2016						
Financial assets	44 953 436	–	25 099	2 450 971	–	46 692
Other investments	293 469	–	1	–	–	1
Loan to the JSE Empowerment Fund Trust	–	–	25 098	–	–	25 098
Trade and other receivables (excluding payments in advance)	216 831	–	–	205 303	–	–
Interest receivable	285 591	–	–	7 932	–	–
Due from Group entities	–	–	–	47 828	–	21 593
Margin and collateral deposits	41 562 761	–	–	163 216	–	–
JSE Clear Derivatives Default Fund collateral deposit	500 000	–	–	100 000	–	–
Cash and cash equivalents	2 094 784	–	–	1 926 692	–	–
Financial liabilities	(42 397 203)	–	(1 347)	(318 883)	–	(1 347)
Due to Safex members	–	–	(1 347)	–	–	(1 347)
Trade payables	(158 286)	–	–	(152 959)	–	–
Interest payable	(276 156)	–	–	(2 708)	–	–
JSE Clear Derivatives Default Fund collateral deposit	(400 000)	–	–	–	–	–
Margin and collateral deposits	(41 562 761)	–	–	(163 216)	–	–
Net exposure	2 556 233	–	23 752	2 132 088	–	45 345

29.4 Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, margin and collateral deposits, trade and other receivables (excluding payments in advance), interest receivable, other investments and amounts due from Group entities. Credit risk on cash and cash equivalents, margin and collateral deposits, and interest receivable is minimised by ensuring funds are only placed with F1/A1 and F1+/A1+ rated banking institutions, with no concentration of funds in one specific banking institution. Segregation of duties, multiple signatories, third party confirmation of investments and monitoring of compliance with investment mandates are applied daily to monitor and control exposure to credit risk associated with other investments. Trade and other receivables are monitored by the JSE's Finance department on an ongoing basis.

The JSE is exposed to credit losses in the event of settlement default by a member. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client and the size and nature of the member's portfolio at the time of default. A significant number of the Group's clients have been transacting with the Group for over four years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. The JSE has established a robust system of mitigants to reduce the probability and impact of this risk which includes ensuring that members are appropriately capitalised. Furthermore the JSE monitors whether clients and members have sufficient securities or cash to honour their transactions on a daily basis. The JSE is investigating further ways in which risk of settlement failure can be reduced through alternative methods of clearing.

The JSE operates a separate legal entity to house a formal default fund for JSE Clear to clarify and limit clearing members' and the JSE's obligations in the case of a clearing member default. This is a pre-funded resource whereby, in the case of any clearing member default, and the initial margin of the defaulting party is insufficient to cover losses, the defaulting clearing members' contributions are used first, thereafter the JSE's contribution, and last, the contributions of the non-defaulting clearing members are used to fund losses.

29.5 Capital risk

The JSE Board monitors the level of capital, which the Group defines as total share capital and reserves (refer to note 19). In order to maintain or adjust the level of capital, the Group may issue new shares, adjust the amount of dividends paid to shareholders or return capital to shareholders. In addition, the Board of Directors monitors the return on capital, which the Group defines as the result of operating activities divided by total shareholders' equity. The JSE Board also monitors the level of dividends declared to ordinary shareholders.

The Group considers capital risk to reside in three main areas:

- Counterparty credit risk;
- Operational risk; and
- Business risk.

Counterparty credit exposure is the extent to which the JSE is exposed to a loss emanating from the failure of a counterparty to honour their obligations in the market. The JSE would be required to settle a failed trade by replacing the defaulting party. This would either entail a settlement in cash or the acquisition of equities required to settle a trade. If it is the latter, the risk is that the price of the equities moves against the JSE. (Although the cash would be forthcoming, it may be less than the original transaction).

Operating costs: Globally, the prudential requirements for operating reserves are between two and six months of operating costs. The JSE Board considers six months to be appropriate.

Capital or opportunity needs: The need to maintain a world-class technology environment requires that a high level of cash be maintained. This level of cash is also maintained to allow flexibility in negotiating potential corporate actions. This cash is managed by the JSE's Treasury department and is invested with only F1/A1 and F1+/A1+ rated institutions, with a view to maximising interest received.

There were no changes to the Group's approach to capital management during the year.

The Board has noted the increased global attention on the capitalisation of key financial market infrastructures, such as exchanges and clearing houses. The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements. The Group has monitored the implications of the draft Financial Market Act regulations and calculated its capital requirement under those regulations. The Group is well positioned to meet the impending regulatory requirements.

30. 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.

	Notes	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)	14.1/2	**146 294**	**154 450**	**–**	**300 744**
– Debt investments (available-for-sale)	14.1/2	**–**	**15 655**	**–**	**15 655**
Total assets		**146 294**	**170 105**	**–**	**316 399**
2016					
Assets					
Other investments					
– Equity securities (available-for-sale)	14.1/2	135 108	140 116	–	275 224
– Debt investments (available-for-sale)	14.1/2	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. Previously it was classified as level 1 but due to the debt market in South Africa not being sufficiently active in order to arrive at level 1 for the class of instruments, this 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.

31. Funds under management

31.1 JSE Trustees (Pty) Limited

	Year ended 31 December 2017 R'000	Year ended 31 December 2016 R'000
Assets under administration		
Interest receivable	**205 946**	214 251
Fixed deposits	**26 810 000**	24 300 000
Current and call accounts	**16 196 759**	18 088 997
Total assets under administration	**43 212 705**	42 603 248

In terms of rule 2.100.7 of the JSE rules, the JSE Trustees act as an agent on behalf of members, who in turn, act as agents on behalf of their clients. JSE Trustees' principal activities while acting as an agent are the acceptance of monies on deposit for account of clients of members of the Exchange and the later repayment of such monies. These monies are invested in various interest-earning bank accounts. JSE Trustees earns an administration fee for the services rendered. Funds so deposited or invested neither form part of the assets of JSE Trustees nor of any member acting on behalf of a client.

Credit risk on assets under administration is minimised by ensuring funds are only placed with F1/A1 and F1+/A1+ rated banking institutions and that there is not a concentration of exposure to one counterparty.

To monitor liquidity risk, duration limits have been set and authorised for JSE Trustees. The authorised duration limits have been tailored to the liquidity requirements of JSE Trustees and the weighted average duration of funds invested may not exceed 40 (2016: 40) days.

31.2 Total assets under management on the Nautilus Managed Account Platform

Nautilus MAP RF (Pty) Limited ("Nautilus") is registered as a Management Company for hedge fund portfolios under the Collective Investment Schemes Control Act of 2002 ("the Act"). Nautilus has registered both a qualified hedge fund scheme and a retail hedge fund scheme with the FSB, each scheme exists under a trust as defined under the Act. Each hedge fund portfolio exists as a supplemental portfolio and is managed by a supplemental deed under its relevant scheme. The Act limits the liability of the investors into said portfolios and also does not allow for contagion of assets between portfolios under the same scheme.

As at 31 December 2017, the combined assets under management of Nautilus amounted to R10bn (2016: R6.1bn).

Liquidity risk is managed through ensuring that the period it would take to unwind a significant portion of a portfolio is consistent with the redemption terms on the same portfolio. This is practically managed through determining how long it would take to unwind a portfolio based on historic volumes of the positions in the portfolio.

Credit risk is mitigated by Nautilus MAP Operations (Pty) Ltd in only taking counterparty risk to entities who are required by an independent regulatory body to hold capital against over-the-counter products that are not traded or regulated on an exchange; for example counterparty credit exposures against banks and insurance companies.

32. Events after 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, the 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 currently face.