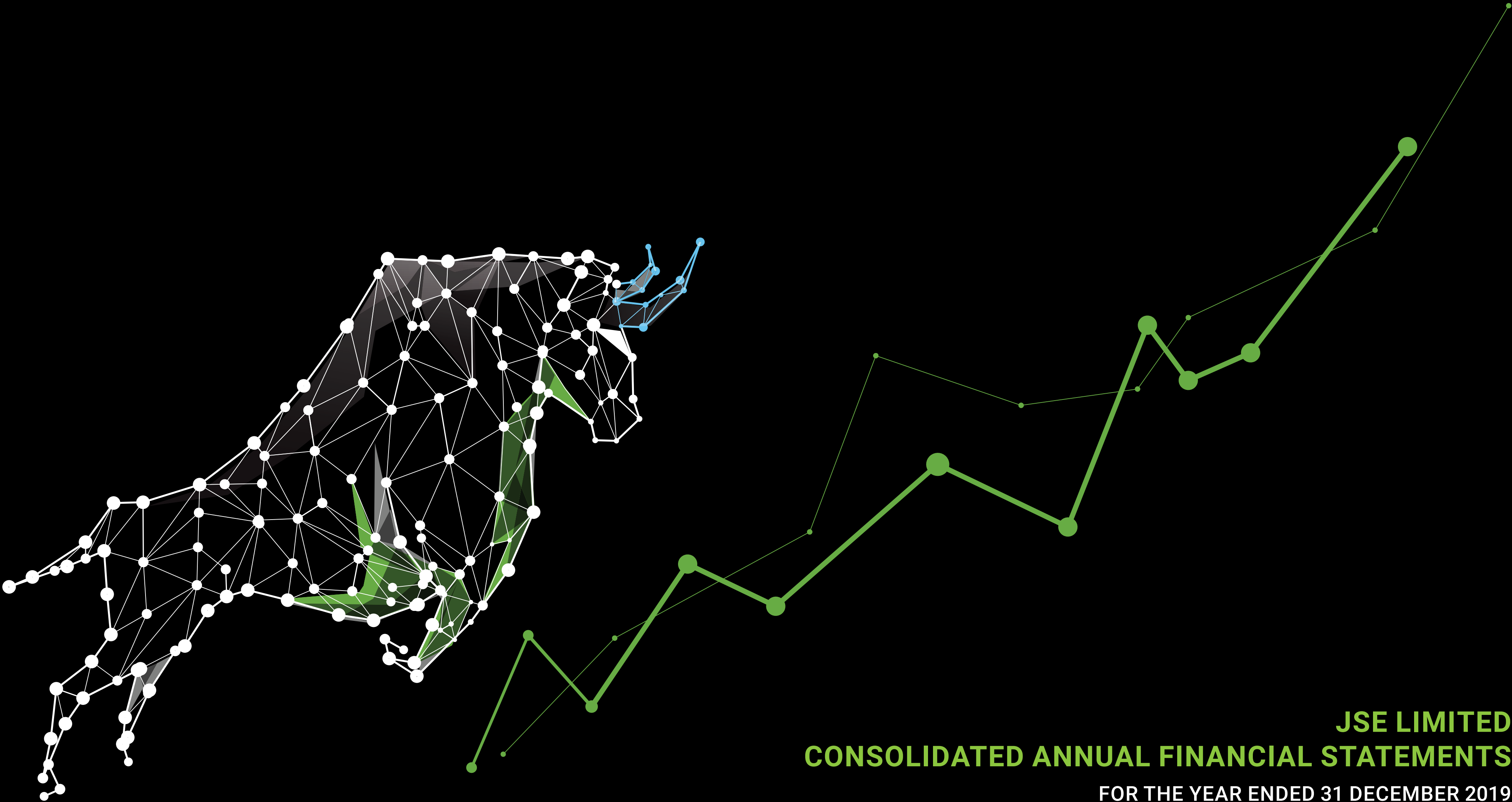

JSE LIMITED
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

REPORTING SUITE

The JSE is committed to transparent reporting. To view our full reporting suite, please visit ir.jse.co.za/results/annual-reports for the following reports:

REPORT

Annual financial statements

Sets out our financial results, with the Group Audit Committee (GAC) report, directors' report and annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Integrated annual report

Sets out how the JSE creates value in the context of our business model, strategy, operating context, governance and operational performance.

Social value report

Reporting on social value creation

Sets out details of our journey towards delivering on our sustainability mandate and our impact on society, structured according to six areas of value creation.

Notice of AGM and proxy form

Set out the notice of the JSE's AGM of shareholders to be held on 26 May 2020, together with the summarised report containing the required financial disclosures.

Remuneration report (Rewarding value creation)

Sets out the JSE's remuneration philosophy and policy and how it was implemented in 2019. This report is subject to two non-binding advisory votes at our annual general meeting (AGM).

Group legal structure

Sets out the legal structure of the Group.

CONTENTS

Page reference for additional reading in this report

Reference to online data at www.jse.co.za

Indicates the relevant King IV principle

REPORT OVERVIEW

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 2019

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 2019, 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 assessed 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 24 February 2019 and signed by:

N Nyembezi
Chairman

L Fourie
Chief Executive Officer

DECLARATION BY COMPANY SECRETARY

for the year ended 31 December 2019

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 Conduct Authority. In terms of section 88 of the Companies Act, as amended, I hereby confirm that the JSE 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, Dr Suresh Kana

Dr SP Kana
Group Audit Committee Chairman

GROUP AUDIT COMMITTEE REPORT

OBJECTIVE:

The Group Audit Committee is a statutory committee constituted in terms of section 94(7) of the Companies Act to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations.

In terms of the Companies Act, at the annual general meeting (AGM) of the Company, shareholders are required to approve audit committee members. The members who were approved by shareholders at the 2019 AGM and who will serve until the next AGM in May 2020 are:

Members	Date appointed to committee	No. of meetings	Attendance
Dr SP Kana (Chairman)	22/05/2019	3/3	100%
Z Bassa	22/05/2019	2/2	100%
F Daniels	22/05/2019	3/3	100%
FN Khanyile	22/05/2019	3/3	100%

Independence of committee 100%

Committee member resigned during the year

Members	Date appointed to committee	No. of meetings	Attendance
Dr MA Matooane	22/05/2019	1/1	100%

Other invitees
N Nyembezi – Chairman of the Board
L Fourie – Group CEO
A Takoordeen – CFO
G Brookes – Director: Governance & Assurance
Sector Conduct Authority FSCA representative
Group Internal Audit
External Auditors

Below is a summary of the committee's statutory and governance mandate. It provides an oversight role underpinned by the JSE's combined assurance model, following King IV principle of good governance:

Finance function	External auditor and external audit	Internal financial control/Internal audit	Financial statements/Integrated report	Complaints
Consider the appropriateness and expertise of the CFO	Nominate independent auditor for appointment by shareholders	Responsible for appointment, performance and assessment of the internal audit function	Review all financial reports	Review complaints regarding: Accounting practices and internal audit
Consider the appropriateness and expertise of senior members of the finance team	Determine terms of engagement and fees	Approve internal audit annual plan	Report on how duties are discharged	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 internal financial control	Submissions to the Board regarding accounting policies, records and reporting	Internal financial controls
Review and approval of annual budgets and forecasts		Undertake formal annual assessment of internal audit performance	Have regard for factors and risks affecting integrity of integrated annual report	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				

GROUP AUDIT COMMITTEE REPORT (continued)

Primary roles and responsibilities	Composition and meeting procedures
The committee's composition, purpose and duties are set out in the committee's charter summarised below. 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 King IV. » 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. » has power to investigate any activity within the scope of its terms of reference. » has an independent role with accountability to both the Board and shareholders. » 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. » does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. » works closely with the Group Risk Management 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 Chairman of the Board is not a member of the committee.

APPOINTMENT OF GROUP AUDIT COMMITTEE MEMBERS

The Board is satisfied that for the 2019 year:

- the 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 committee held appropriate financial and related qualifications, skills and financial expertise to discharge their responsibilities; and
- individual members of the committee were not involved in day-to-day management of the Company.

The following directors have been nominated to the committee, subject to shareholder approval at the AGM to be held on Tuesday, 26 May 2020.

- Dr SP Kana (independent Chairman);
- Z Bassa (independent non-executive director);
- F Daniels (independent non-executive director); and
- FN Khanyile (independent non-executive director).

The Board is satisfied that the proposed appointment to the Group Audit Committee of the four 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.

The election of members of the Group Audit Committee at the AGM will take place by way of separate resolutions to be considered by shareholders. The text of these ordinary resolutions is set out in the Notice of AGM distributed separately to shareholders and available at ir.jse.co.za/results/annual-reports.

FEEDBACK FROM THE GROUP AUDIT COMMITTEE

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 2019. 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 section: 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 Board. 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 and that of the CFO was assessed as part of the annual Board effectiveness review for the year ended December 2019, 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 CFO as well as the Company's finance function, and is satisfied as to the expertise and experience of the CFO, and the quality and effectiveness of the finance function as well as 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.	At the 21 February 2020 meeting the committee: Reviewed and confirmed the independence of the external auditors Ernst & Young Inc. Recommended Ernst & Young Inc. for appointment by shareholders at the 2020 AGM for the ensuing year in accordance with the Company's policy on audit firm rotation. The fee proposed by Ernst & Young Inc. for the independent audit in 2019 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 2019, amounted to R4.25 million (2018: R4 million) and has been fully disclosed in the audited annual financial statements.
Ensure that the appointment of the auditor complies with the applicable legislation.	The committee ensured that the appointment process complied with the statutory requirements.
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.	Ernst & Young Inc did not provide any non-audit services to the JSE during 2019.
Evaluate the independence, effectiveness and performance of the external auditors.	The committee reviewed the detailed audit report and findings in respect of the financial statement audit for the year ended 31 December 2019 as presented by Ernst & Young Inc. at the committee meeting held on 21 February 2020. The 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 committee reviewed the quality of the service provided by Ernst & Young and received input from the CFO on the nature and quality of the audit service delivered by Ernst & Young, and concluded that the services were of the appropriate standard. The external auditors continue to have unrestricted access to the committee and to its Chairman. The 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
In respect of the financial statements: Confirm the going concern principle as the basis of preparation of the interim and annual financial statements.	The committee reviewed the report of the CFO regarding the going concern status of the JSE Group for the year ended December 2019, and concluded that the JSE Group is a going concern and that the consolidated annual financial statements have been prepared correctly, in accordance with the going concern concept. The 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 2019 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.	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.
Consider the report on pro-active monitoring of financial statements and ensure appropriate actions are taken, to the extent required.	At the committee meeting held in 17 July 2019, the committee reviewed the JSE's report on pro-active monitoring of financial statements as submitted to all listed companies, for the year ended December 2018 The committee noted that the pro-active monitoring report did not reflect any matters of concern affecting the JSE's financial statements.
Review the areas of focus in the financial statements.	The committee is of the view that where significant judgements are involved in the preparation of the financial statements that could have a material impact on those financial statements , the CFO, management and the committee have exercised appropriate care and skill in making those judgements. The committee also believes that the internal control system and governance structures that have been put in place have operated effectively during 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.
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 is 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.
Report on the effectiveness of the internal financial controls and risk management. Monitor the appropriateness of the Company's combined assurance model overseeing risk. Ensure that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	These roles were performed in part by this committee and in part by the Group Risk Management Committee.

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
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.	No complaints were received (2018: Nil)
Make submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting.	Applied.
Responsible for overseeing Internal Audit.	At its meeting on 21 February 2020 the committee reviewed the performance and effectiveness of the Internal Audit function for the 2019 year, and concurred with the assessment thereof by the CEO.
Annual review of terms of reference and work plan.	The committee was satisfied with the annual review of its terms of reference and submitted these to the Board for review and approval.

IN CONCLUSION

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, and these responsibilities are discharged within an acceptable timeframe.

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.

Dr SP Kana
Chairman: Group Audit Committee

DIRECTOR'S 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 at ir.jse.co.za/results/annual-reports.

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 Sector Conduct Authority (FSCA) 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, the Group Self-regulatory Organisation Oversight Committee (Group 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 Group 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 consider the requirements of the Financial Markets Act, 2012 (Financial Markets Act) and to report to the FSCA where required.

CORPORATE GOVERNANCE

The Governance Report forms part of the Integrated Annual Report which can be obtained online at ir.jse.co.za/results/annual-reports.

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 statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto.

The CFO's review is available in the Integrated Annual Report available online at ir.jse.co.za/results/annual-reports.

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 wholly-owned subsidiary of JSE Limited and is licensed as a clearing house in terms of the provisions of the Financial Markets Act and subject to an annual review conducted by the FSCA. Partly as a consequence of the 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 FSCA 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. The JSE Clear Derivatives Default Fund was created, 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 2019, there were 269 authorised users (2018: 289), categorised as follows:

Category of members	2019	2018
Equity members	55	60
Equity derivatives members	61	68
Commodities derivatives members	53	57
Interest rate and currency derivatives members	80	84
Clearing members	20	20
Total	269	289

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 20 on page 55.

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

As at 31 December 2019

		Direct beneficial					
Director	**Status of director**	**Share register (own name)**	**LTIS 2010 & 2018 Trust and other: Unvested**	**Other trusts[1]**	**2019 Total**	**% of issued share capital**	**2018 Total**
L Fourie (CEO)	Executive	12 000	51,364		**63 364**	0.073	–
A Takoordeen (CFO)[2]	Executive	19 099	52,900	169	**72 168**	0.083	76 901
JH Burke[2]	Executive	24 362	58,320	169	**82 851**	0.095	110 799
BJ Kruger	Non-executive	2 500	–	–	**2 500**	0.003	2 500
Dr M Jordaan	Non-executive	5 900	–	–	**5 900**	0.007	5 900
DM Lawrence	Non-executive	3 000	–	–	**3 000**	0.003	3 000
NMC Nyembezi	Non-executive	2 050	–	–	**2 050**	0.002	2 050
Total		68 911	162 584	338	**231 833**	0.266	
GA Brookes (Group Company Secretary)[2]		18 641	31,700	169	**50 341**	0.057	62 385

Details of transactions in JSE Limited shares by directors and prescribed officers were disclosed on SENS during 2019 and are summarised in the table below. For the executive and alternative directors, the Group Company Secretary and the prescribed officers, the purchases are in relation to the grant of shares under allocation 2 of the long-term incentive scheme.

[1] *The 2005 broad-based employee share scheme and JSE bonus share scheme (various employees).*
[2] *These directors and officers participate in the LTIS 2010 scheme and are recipients of shares that vested from 2013 onwards.*

There has been no change in directors' interest from the end of the financial year until the approval of the JSE annual results and release thereof on SENS on 24 February 2020.

DIRECTOR'S REPORT (continued)

Name	Status	Number of ordinary shares awarded	Value of transaction	Number of bonus shares awarded	Value of transaction	Number of bonus shares vesting and sold	Value of transaction	Number of LTIS 2010 shares sold	Value of transaction
NF Newton-King[3]	CEO & Executive Director	52 112	R8 327 498	65	R10 397	–	–	19 303	R2 746 836
A Takoordeen	CFO & Executive Director	16 710	R2 670 258	65	R10 397	81	R11 463	8 057	R1 132 950
J Burke	Alternate Director	18 420	R2 943 516	65	R10 397	81	R11 463	17 615	R2 479 788
A Greenwood	Prescribed Officer	17 776	R2 840 605	65	R10 397	–	–	2 078	R290 011
D Khumalo	Prescribed Officer	13 190	R2 107 762	65	R10 397	–	–	2 428	R338 858
H Kotze	Prescribed Officer	15 400	R2 460 920	65	R10 397	–	–	–	–
Z Morrison	Prescribed Officer	9 626	R1 538 235	65	R10 397	–	–	–	–
D Nemer[4]	Prescribed Officer	20 372	R3 255 446	65	R10 397	81	11 463.54	18 784	R2 644 066.12
M Randall	Prescribed Officer	13 920	R2 224 416	65	R10 397	–	–	1 064	R150 719.62
G Brookes	Group Company Secretary	7 854	R1 255 069	65	R10 397	–	–	8 714	R1 232 174.24

[3] *NF Newton-King retired in 2019.*
[4] *D Nemer resigned in 2019.*

SHAREHOLDERS OTHER THAN DIRECTORS

Information on shareholders is set out in the tables below and in the IAR available online at ir.jse.co.za/results/annual-reports.

MAJOR SHAREHOLDERS

Pursuant to the Companies Act, the following beneficial shareholdings equal to or exceeding 4% as at 31 December 2019 were disclosed or established from enquiries:

Names	% of total issued ordinary shares	Number of ordinary shares held
Public Investment Corporation (SOC) Limited	10.6%	9 215 139
Allan Gray Proprietary Limited	8.7%	7 517 688
PSG Asset Management (Pty) Ltd	7.7%	6 718 430
Investec Asset Management (Pty) Ltd.	6.5%	5 674 090
Somerset Capital Management, L.L.P.	6.1%	5 277 356

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

FUND MANAGERS

The directors have ascertained that some of the shares registered in the names of nominee holders are managed by various fund managers. At 31 December 2019, the following fund managers were responsible for managing investments of 2.5% or more of the share capital of the JSE:

Names	% of total issued	Number of ordinary shares held
Public Investment Corporation (SOC) Limited	10.6%	9 215 139
Allan Gray Proprietary Limited	8.7%	7 517 688
PSG Asset Management (Pty) Ltd	7.7%	6 718 430
Investec Asset Management (Pty) Ltd.	6.5%	5 674 090
Somerset Capital Management, LLP	6.1%	5 277 356
Neuberger Berman, LLC	3.9%	3 404 965
The Vanguard Group, Inc.	3.2%	2 816 623
Oldfield Partners LLP	3.1%	2 660 807
Abax Investments (Pty) Limited	3.0%	2 574 286
JPMorgan Asset Management U.K. Limited	2.4%	2 116 252

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 the Companies Act.
» The future funding and regulatory 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 2019 were funded from own resources.

DECLARATION OF ORDINARY AND SPECIAL DIVIDEND

The Board has decided to declare an ordinary and special cash dividend for the year ended 31 December 2019.

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

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	690 cents (2018: 655 cents)	20	552 cents
Special	150 cents (2018: 185 cents)	20	120 cents

The dividends have been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the company at the close of business on Friday, 27 March 2020.

DIRECTOR'S REPORT (continued)

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 and special dividend are applicable:

Dividend paid in year in respect of financial year ended	31 December 2019	31 December 2018
Ordinary dividend per share	**690 cents**	655 cents
Special dividend per share	**150 cents**	185 cents
Total rand value	**R730 million**	R730 million
Declaration date	**Monday, 24 February 2020**	Thursday, 28 February 2019
Last date to trade JSE shares cum dividend	**Tuesday, 24 March 2020**	Monday, 18 March 2019
JSE shares commence trading ex-dividend	**Wednesday, 25 March 2020**	Tuesday, 19 March 2019
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	**Friday, 27 March 2020**	Friday, 22 March 2019
Date of payment of dividend	**Monday, 30 March 2020**	Monday, 25 March 2019

Share certificates may not be dematerialised or rematerialised from Wednesday, 25 March 2020 to Friday, 27 March 2020, both days inclusive.

On Monday, 30 March 2020 the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated Monday, 30 March 2020 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 or about Monday, 30 March 2020. The issued share capital of the JSE as at the declaration date was 86 877 600 ordinary shares. The tax number of the JSE is 9313008840. South African Reserve Bank approval applies for the declaration of the special dividend and the finalisation date is Tuesday, 17 March 2020.

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

SERVICE CONTRACTS WITH DIRECTORS

The Chief Executive Officer (CEO), 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 except for the CEO whose notice period is six months. The CEO's service contract makes provision for a 12-month restraint of trade on termination of the CEO'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 Tuesday, 26 May 2020. 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 2020 will be fixed by the Group Audit Committee at it's meeting to be held in July 2020.

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 third line of defense and to highlight areas where Internal Audit can provide independent assurance on their behalf.
» Meet with key JSE decision-makers such as the CEO, Chief Information Officer (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 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 2019

The following resolutions were adopted by shareholders in 2019:

	Resolutions	% vote in favour
1.	To re-elect Dr S Kana as a director	99.38%
2.1	To elect Mr B Kruger as a director	95.64%
2.2	To elect Ms F Daniels as a director	85.39%
2.3	To elect Ms F Khanyile as a director	99.97%
2.4	To elect Ms Z Bassa as a director	93.20%
3.1	To re-elect Ms N Nyembezi as a director for the ensuing year	92.94%
3.2	To re-elect Mr D Lawrence as a director for the ensuing year	95.06%
4.1	To re-appoint EY South Africa as the independent auditors of the Company for the ensuing year and that the auditors' remuneration be left to the discretion of the Board	100%
4.2	To re-appoint Mr I Akoodie as the JSE accredited designated auditor for the ensuing year	100%
5.1	To re-appoint Dr S Kana as a member and chairman of the Group Audit Committee	99.38%
5.2	To re-appoint Ms F Daniels as a member of the Group Audit Committee	86.59%
5.3	To appoint Ms F Khanyile as a member of the Group Audit Committee	100%
5.4	To appoint Ms Z Bassa as a member of the Group Audit Committee	95.48%
6	Authorisation for a director or Group Company Secretary of the Company to implement resolutions	100%
7	Non-binding advisory vote on the remuneration policy of the Company	86.18%
8	Non-Binding advisory vote on the implementation report as set out in the remuneration report of the Company	83.39%
9	**Special Resolution 1:** General authority to repurchase shares	99.65%
10	**Special Resolution 2:** General authority to provide financial assistance to subsidiaries and other related and inter-related entities	98.57%
11	**Special Resolution 3:** Proposed non-executive director emoluments for 2019	98.39%

DIRECTOR'S REPORT (continued)

RE-ELECTION OF DIRECTORS

Directors retiring from the Board

The following changes to the Board, announced previously, are effective in 2020:

- John Burke resigned as Director: Issuer Regulation and as an alternate director on the Board, effective 1 February 2020.
- David Lawrence - non-executive director - will retire from the Board, in accordance with the Board's tenure policy for non-executive directors, at the upcoming annual general meeting (AGM) to be held on 26 May 2020, and will not be available for re-election.
- Michael Jordaan - independent non-executive director - who has served on the Board since 2014 and is eligible for a further term, will retire at the upcoming AGM to be held on 26 May 2020, and will not be available for re-election.

Retiring in terms of the Company's policy on non-executive director tenure

- Nonkululeko Nyembezi will offer herself for re-election for a further one-year term.

Based on the recommendations of the Group Nominations Committee regarding the composition of the Board, the Board is recommending the re-election of Ms Nyembezi for a further one-year term.

CHANGES TO THE BOARD DURING THE REPORTING PERIOD

- N Newton-King retired as CEO on 30 September 2019.
- L Fourie was appointed as Group CEO with effect on 1 October 2019.

CHANGES TO THE BOARD AFTER THE REPORTING PERIOD

The following appointment was made after 31 December 2019:

- Siobhan Cleary was appointed with effect on 1 February 2020.

In accordance with the provisions of the company's MOI, a director appointed by the Board is obliged to retire at the first AGM after their appointment. Dr Fourie and Ms Cleary will accordingly stand for election at the AGM to be held on Tuesday, 26 May 2020.

STATE OF AFFAIRS AT THE COMPANY – MATERIAL MATTERS

Material matters are those matters that substantially affect the organisation's ability to create value over the short-, medium- and long-term. Our material matters and the process for determining materiality are disclosed in our integrated report. In 2019 we determine the following material matters:

1. Level of market activity and quality.
2. Operational availability and stability.
3. Enabling technology to provide innovative solutions for clients.
4. Calibre of governance and regulation.
5. Transformation and socio-economic advancement.
6. Managing critical and essential skills and talent.
7. Regulatory compliance and settlement assurance.
8. Concentration and interdependency of the capital market ecosystem.
9. Competition disruptors.

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 2019.

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 2019 and the date of this report.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSE Limited

Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of JSE Limited and its subsidiaries (the group) set out on pages 21 to 83 which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of the group and company as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate 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 Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 to our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, 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 Consolidated and Separate Financial Statements" section of our report, including those 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 consolidated and separate 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 consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

The Key Audit Matters apply equally to the audit of the Consolidated and Separate Financial Statements.

Key audit matter	How our audit addressed the Key Audit Matter
Equity derivatives and currency derivatives revenue measurement Change in Trading and Clearing Platform resulting in a change in billing model » As reflected in note 6.1 to the consolidated and separate annual financial statements, equity derivatives and currency derivatives revenue is R143 million and R47 million respectively. This makes up 9% of total revenue of R2,1 billion. During the year under review, the JSE migrated two segments, namely equity derivatives and currency derivatives onto an Integrated Trading and Clearing (ITaC)platform. This change entailed new processes, controls and delegation of authority being set up as well as the migration of data from the legacy system to the new system. This presented, an increased risk of error in measuring revenue as a result of the system migration and changes to billing models. Accordingly, the above matter is considered to be a Key Audit Matter.	**Our audit procedures included, amongst others, the following:** » We obtained an understanding of management's processes and controls of the revenue streams generated from the ITaC platform. » We confirmed our understanding of the process through a system walkthrough. » We tested the design and operating effectiveness of financial controls supporting the measurement of revenue relating to these two revenue streams. » We analysed the reconciliation of the trading platform data to the general ledger and tested a selection of manual adjustments. » We performed procedures to identify if revenue transactions were recorded in the correct period by selecting a sample of revenue transactions before and after year-end. We tested a sample of revenue transactions back to supporting source. We recalculated the fees charged and compared it to the pricing policy and tariff on a sample basis. » We used data analysis to identify outliers in high volumes of transactional data for follow-up testing. This analysis included a comparison of a sample of contracts traded to revenue recorded. We identified outliers based on risk criteria and performed detailed testing on a sample of outliers.
Valuation of software and licenced intangible assets	**How our audit addressed the Key Audit Matter**
As reflected in note 12 of the consolidated annual financial statements, intangible assets software which includes licensed software amounts to R510 million. The JSE relies on different IT platforms and software to support its revenue generation. The JSE develops the IT platforms and the resultant software development costs and associated licences are capitalised to these IT platforms. » We have determined the capitalisation of expenses and the associated licences to be an area of risk given the number and various contractual terms associated with these licences. » In addition to the above, The ITaC software related platform went live in the current year and given the judgement and estimation involved in determining the useful lives of software related assets relating to future intended use and related contractual licence terms, we have determined this to be an increased risk in the current year. Accordingly, the above matter is considered a Key Audit Matter.	» We assessed the accounting policy for Intangible Assets against the requirements of *IAS 38 – Intangible Assets*. » We obtained an understanding of management's process and controls to identify costs to be capitalised to an Intangible Asset. » We confirmed our understanding of the processes to capitalise costs to an intangible assets through system walkthroughs. » We confirmed our understanding of the contractual terms related to the capitalised licenced assets and associated software development costs by reviewing the contractual terms and discussions with management. » On a sample basis, we tested the capitalisation of costs for compliance with the requirements of *IAS 38 – Intangible Assets*. » We assessed management's rationale for the capitalisation of selected projects, and the associated future economic benefit. » We confirmed our understanding of the accounting policy applied by management relating to the useful lives for software related assets. » We assessed the reasonability of management's estimate relating to the useful lives of the related assets by inspecting the contractual licence terms. » We inspected the upgrade plans and obtained management representations on the future use of related software. » We reperformed calculations of the amortisation and assessed that the amortisation policy had been correctly applied.

OTHER INFORMATION

The Group directors are responsible for the other information. The other information comprises the information included in the 84-page document titled "JSE Limited Consolidated Annual Financial Statements for the year ended 31 December 2019", which includes the Directors' Report, the Audit Committee Report and the Declaration by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this 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 misstatement 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 misstatement, 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 misstatement, 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 misstatement when it exists. Misstatements 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 misstatement 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 misstatement 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

INDEPENDENT AUDITOR'S REPORT (continued)

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 and separate 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 three years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – **Imraan Akoodie**
Registered Auditor

24 February 2020

102 Rivonia Road
Sandton
Johannesburg

Consolidated statement of comprehensive income

for the year ended 31 December 2019

		Group		Company	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Continuing operations					
Revenue	6.1	**2 187 247**	2 198 479	**2 208 632**	2 245 526
Other income	6.2	**41 459**	82 288	**66 989**	101 524
Personnel expenses	7.1	**(580 200)**	(505 901)	**(579 920)**	(505 642)
Other expenses	7.2	**(961 173)**	(842 496)	**(940 804)**	(834 759)
Expected credit loss reversal		**61**	–	**61**	–
Profit from operating activities		**687 394**	932 370	**754 958**	1 006 649
Finance income	7.3	**2 963 057**	2 824 795	**231 207**	209 557
Finance costs	7.4	**(2 749 975)**	(2 585 574)	**(70 899)**	(32 783)
Net finance income		**213 082**	239 221	**160 308**	176 774
Share of profit from associate (net of income tax)	13.2	**47 683**	55 910	**–**	–
Profit before income tax		**948 159**	1 227 501	**915 266**	1 183 423
Income tax expense	9.1	**(248 180)**	(323 219)	**(246 802)**	(322 461)
Profit for the year from continuing operations		**699 979**	904 282	**668 464**	860 962
Discontinued operations					
Loss after tax for the year from discontinued operations	8	**(4 867)**	(700)	**–**	–
Profit for the year		**695 112**	903 582	**668 464**	860 962
Other comprehensive income					
Change in financial instruments at fair value through other comprehensive income that will not be reclassified to profit or loss (net of income tax)		**27 565**	(11 280)	**–**	–
Change in financial instruments at fair value through other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of income tax)		**555**	(89)	**–**	–
Other comprehensive income for the year (net of income tax)		**28 120**	(11 369)	**–**	–
Total comprehensive income for the year		**723 232**	892 213	**668 464**	860 962
Earnings per share for continuing operations					
Basic earnings per share (cents)	10.1	**820.5**	1 056.5	**783.5**	1 005.9
Diluted earnings per share (cents)	10.2	**816.7**	1 048.1	**779.9**	997.9
Earnings per share for discontinued operations					
Basic earnings per share (cents)		**(5.7)**	(0.8)	**–**	–
Diluted earnings per share (cents)		**(5.7)**	(0.8)	**–**	–

Consolidated statement of financial position

for the year ended 31 December 2019

		Group		Company	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Assets					
Non-current assets		**1 715 640**	1 403 265	**1 309 552**	955 350
Property and equipment	11.3	**183 541**	219 631	**183 541**	219 631
Intangible assets	12.3/6	**593 333**	518 473	**593 021**	518 160
Investment in associate	13.1	**292 786**	269 898	**21 416**	21 416
Investments in subsidiaries	14.1	**–**	–	**204 352**	104 352
Other investments	15	**338 759**	303 473	**1**	1
Loan to the JSE Empowerment Fund Trust	16	**25 197**	25 136	**25 197**	25 136
Right-of-use assets	28	**212 559**	–	**212 559**	–
Deferred taxation	22.1/3	**69 465**	66 654	**69 465**	66 654
Current assets		**38 511 575**	40 521 485	**3 416 420**	3 316 382
Trade and other receivables	17	**520 339**	490 303	**294 376**	247 986
Income tax receivable		**5 277**	29 997	**4 215**	29 935
Due from Group entities	14.3	**–**	–	**49 857**	54 606
JSE Clear Derivatives Default Fund collateral deposits	18.3	**500 000**	500 000	**100 000**	100 000
Margin deposits	18.1	**34 849 591**	36 766 624	**616 477**	341 995
Collateral deposits	18.2	**59 034**	160 625	**59 034**	160 625
Cash and cash equivalents	19	**2 577 334**	2 573 936	**2 292 461**	2 381 235
Total assets		**40 227 215**	41 924 750	**4 725 972**	4 271 732
Equity and liabilities					
Total equity	20.3	**3 969 631**	3 968 441	**3 321 774**	3 375 352
Stated capital		**(17 726)**	(18 378)	**(17 726)**	(18 378)
Reserves		**548 267**	511 739	**82 158**	76 712
Retained earnings		**3 439 090**	3 475 080	**3 257 342**	3 317 018
Non-current liabilities		**317 506**	133 055	**328 037**	149 127
Employee benefits	21.1	**5 436**	1 960	**5 436**	1 960
Deferred taxation	22.1/3	**3 875**	22 296	**3 766**	22 187
Operating lease straight-line liability		**–**	106 840	**–**	106 840
Lease liability	28	**293 101**	–	**293 101**	–
Long-term payables		**8 291**	–	**8 291**	–
Deferred income	26	**6 803**	1 959	**17 443**	18 140
Current liabilities		**35 940 078**	37 823 254	**1 076 161**	747 253
Trade and other payables	23	**485 586**	375 430	**254 783**	124 083
Income tax payable		**–**	25	**–**	–
Employee benefits	21.1	**109 398**	120 550	**109 398**	120 550
Lease liability	28	**36 469**	–	**36 469**	–
JSE Clear Derivatives Default Fund collateral contribution	18.3	**400 000**	400 000	**–**	–
Margin deposits	18.1	**34 849 591**	36 766 624	**616 477**	341 995
Collateral deposits	18.2	**59 034**	160 625	**59 034**	160 625
Total equity and liabilities		**40 227 215**	41 924 750	**4 725 972**	4 271 732

Consolidated statement of changes in equity

for the year ended 31 December 2019

	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
Group							
Balance at 1 January 2018		11 614	441 398	71 874	513 272	3 101 495	3 626 381
Profit for the year from continuing operations		–	–	–	–	904 282	904 282
Other comprehensive income		–	(11 369)	–	(11 369)	–	(11 369)
Total comprehensive income for the year		–	(11 369)	–	(11 369)	904 282	892 913
Loss for the year from discontinued operations		–	–	–	–	(700)	(700)
LTIS 2010 Allocation 5 – shares vested	21.5	17 070	–	(17 070)	(17 070)	–	–
LTIS 2010 Allocation 6 – shares vested	21.5	9 819	–	(9 819)	(9 819)	–	–
Distribution from the JSE Debt Guarantee Fund Trust[1]		–	(4 427)	–	(4 427)	4 427	–
Dividends paid to owners	20.4	–	–	–	–	(524 999)	(524 999)
Equity-settled share-based payment	21.5	–	–	31 727	31 727	–	31 727
Transfer of profit to investor protection funds		–	9 425	–	9 425	(9 425)	–
Treasury shares		(56 494)	–	–	–	–	(56 494)
Treasury shares – share issue costs		(387)	–	–	–	–	(387)
Total contributions by and distributions to owners of the Company recognised directly in equity		(29 992)	4 998	4 838	9 836	(530 697)	(550 853)
Balance at 31 December 2018		**(18 378)**	**435 027**	**76 712**	**511 739**	**3 475 080**	**3 968 441**
Profit for the year		**–**	**–**	**–**	**–**	**699 979**	**699 979**
Other comprehensive income		**–**	**28 120**	**–**	**28 120**	**–**	**28 120**
Total comprehensive income for the year		**–**	**28 120**	**–**	**28 120**	**699 979**	**728 099**
Loss for the year from discontinued operations		**–**	**–**	**–**	**–**	**(4 867)**	**(4 867)**
LTIS 2010 Allocation 6 – shares vested	21.5	**11 071**	**–**	**(11 071)**	**(11 071)**	**–**	**–**
LTIS 2010 Allocation 7 – shares vested	21.5	**20 884**	**–**	**(20 884)**	**(20 884)**	**–**	**–**
Bonus shares vested		**–**	**–**	**(5 831)**	**(5 831)**	**–**	**(5 831)**
Distribution from the JSE Debt Guarantee Fund Trust[1]		**–**	**(4 484)**	**–**	**(4 484)**	**4 484**	**–**
Dividends paid to owners	20.4	**–**	**–**	**–**	**–**	**(728 140)**	**(728 140)**
Equity-settled share-based payment	21.5	**–**	**–**	**43 232**	**43 232**	**–**	**43 232**
Transfer of profit to investor protection funds		**–**	**7 446**	**–**	**7 446**	**(7 446)**	**–**
Treasury shares		**(30 833)**	**–**	**–**	**–**	**–**	**(30 833)**
Treasury shares – share issue costs		**(470)**	**–**	**–**	**–**	**–**	**(470)**
Total contributions by and distributions to owners of the Company recognised directly in equity		**652**	**2 962**	**5 446**	**8 408**	**(735 969)**	**(726 909)**
Balance at 31 December 2019		**(17 726)***	**466 109**	**82 158**	**548 267**	**3 439 090**	**3 969 631**
Note		20.3	20.3	20.3		20.3	

[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 2018: R4.4m) before intercompany adjustments was transferred to JSE Limited to defray market regulatory expenditure.*

* *Debit balance due to own shares held as part of the Long-Term Incentive Schemes.*

Consolidated statement of changes in equity

for the year ended 31 December 2019

	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
Company							
Balance at 1 January 2018		11 614	–	71 874	71 874	2 981 055	3 064 543
Profit for the year		–	–	–	–	860 962	860 962
Total comprehensive income for the year		–	–	–	–	860 962	860 962
LTIS 2010 Allocation 5 – shares vested	21.5	17 070	–	(17 070)	(17 070)	–	–
LTIS 2010 Allocation 6 – shares vested	21.5	9 819	–	(9 819)	(9 819)	–	–
Dividends paid to owners	20.4	–	–	–	–	(524 999)	(524 999)
Equity-settled share-based payment	21.5	–	–	31 727	31 727	–	31 727
Treasury shares		(56 494)	–	–	–	–	(56 494)
Treasury shares – share issue costs		(387)	–	–	–	–	(387)
Total contributions by and distributions to owners of the Company recognised directly in equity		(29 992)	–	4 838	4 838	(524 999)	(550 153)
Balance at 31 December 2018		**(18 378)**	**–**	**76 712**	**76 712**	**3 317 018**	**3 375 352**
Profit for the year		**–**	**–**	**–**	**–**	**668 464**	**668 464**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**668 464**	**668 464**
LTIS 2010 Allocation 6 – shares vested	21.5	**11 071**	**–**	**(11 071)**	**(11 071)**	**–**	**–**
LTIS 2010 Allocation 7 – shares vested	21.5	**20 884**	**–**	**(20 884)**	**(20 884)**	**–**	**–**
Dividends paid to owners	20.4	**–**	**–**	**–**	**–**	**(728 140)**	**(728 140)**
Bonus shares vested		**–**	**–**	**(5 831)**	**(5 831)**	**–**	**(5 831)**
Equity-settled share-based payment	21.5	**–**	**–**	**43 232**	**43 232**	**–**	**43 232**
Treasury shares		**(30 833)**	**–**		**–**	**–**	**(30 833)**
Treasury shares – share issue costs		**(470)**	**–**	**–**	**–**	**–**	**(470)**
Total contributions by and distributions to owners of the Company recognised directly in equity		**652**	**–**	**5 446**	**5 446**	**(728 140)**	**(722 042)**
Balance at 31 December 2019		**(17 726)***	**–**	**82 158**	**82 158**	**3 257 342**	**3 321 774**
Note		20.3	20.3	20.3		20.3	

* *Debit balance due to own shares held as part of the Long-Term Incentive Schemes.*

Consolidated statement of cash flows

for the year ended 31 December 2019

		Group		Company	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2 018 R'000
Cash flows from operating activities					
Cash generated by operations	24.1	**899 022**	1 045 193	**968 886**	1 113 151
Finance income	24.3	**2 985 866**	2 800 775	**230 714**	216 922
Finance costs		**(2 764 870)**	(2 587 269)	**(72 031)**	(31 103)
Dividends received		**4 649**	5 110	**–**	–
Taxation paid	24.2	**(244 223)**	(350 597)	**(241 821)**	(350 424)
Net cash generated by operating activities		**880 444**	913 212	**885 748**	948 546
Cash flows from investing activities					
Proceeds on sale of other investments		**22 840**	24 522	**–**	–
Acquisition of other investments		**(26 919)**	(22 906)	**–**	–
Loans to group companies		**–**	–	**(1 555)**	(8 691)
Dividends from associate		**24 795**	18 834	**24 795**	18 834
Proceeds from disposal of property and equipment		**351**	226	**351**	226
Acquisition of leasehold improvements		**(73)**	(552)	**(73)**	(552)
Acquisition of intangible assets		**(72 342)**	(83 007)	**(72 342)**	(83 007)
Acquisition of property and equipment		**(32 686)**	(90 647)	**(32 686)**	(90 647)
Investment in subsidiary		**–**	–	**(100 000)**	–
Net cash used in investing activities		**(84 034)**	(153 530)	**(181 510)**	(163 837)
Cash flows from financing activities					
Acquisition of treasury shares		**(68 152)**	(56 881)	**(68 152)**	(56 881)
Proceeds on sale of treasury shares		**36 849**	–	**36 849**	–
Lease liabilities repaid		**(28 835)**	–	**(28 835)**	–
Dividends paid		**(728 140)**	(524 999)	**(728 140)**	(524 999)
Net cash used in financing activities		**(788 278)**	(581 880)	**(788 278)**	(581 880)
Net increase/(decrease) in cash and cash equivalents		**8 132**	177 802	**(84 040)**	202 829
Cash and cash equivalents at 1 January		**2 573 936**	2 377 464	**2 381 235**	2 159 736
Effect of exchange rate fluctuations on cash held		**(4 734)**	18 670	**(4 734)**	18 670
Cash and cash equivalents at 31 December 2019	19	**2 577 334**	2 573 936	**2 292 461**	2 381 235

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. Reporting entity

JSE Limited (the "JSE" or the "Company") is a company domiciled in South Africa. Its registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act 2012 ("FMA"). 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 2019 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 ("Companies Act").

The Group financial statements were authorised for issue by the Board of Directors (Board) on 24 February 2020.

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:

» Fair value financial assets through other comprehensive income;
» Shared-based payment transactions; and
» Loan to the JSE Empowerment Fund Trust.

The methods used to measure fair values are set out in note 5.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements is 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 period ended 31 December 2019, 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 will be realised taking into account contractual terms and management intention regarding the future use of software. Details of intangible assets and their related amortisation are provided in note 12;

Useful lives of property and equipment

Property and equipment are 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 will be realised. Details of property and equipment and the related depreciation are provided in note 11;

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 an 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 12.7.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Structured entities

There are two unconsolidated structured entities, the JSE Benevolent Fund and the JSE Empowerment Fund Trust. Refer to note 14.2. 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.

Deferred tax assets

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 these can be utilised. The main components relating to this tax asset are employee benefits and lease liability. Included in employee benefits are leave pay and discretionary bonus. Judgement is required when considering the amount allocated to the leave pay liability whereby, should an employee have an annual leave balance of more than 1.5 times their annual leave cycle, they will forfeit their annual leave unless it is in excess for business reasons in which case it will then have to be approved by the Divisional Head in consultation with Human Resources based on the merits of the case.
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.

Revenue from contracts with customers

The Group concluded that the revenue for initial and annual listing fees is to be recognised over an expected period that reflects the average listing period of issuers. This is based on an average historical minimum life expectancy of a listed company. The company has the obligation to provide the platform to the issuer over the term for which it receives the revenue.

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, except for the adoption of IFRS 16 and IFRIC 23, explained in note 3.8 and 3.14 respectively.

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 (Pty) Limited, JSE LTIS 2010 Trust and JSE LTIS 2018 Trust 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, Bondclear Limited and Nautilus MAP Operations (Pty) Limited are dormant and are in the process of deregistration.

Following a review of their strategic fit to the Group in 2018, the Board decided to wind up Nautilus MAP RF (Pty) Limited and Nautilus Operations (Pty) Limited.
The reported loss in 2019 includes wind-up expenses, such as legal and audit fees.

(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 of 1988 ("Trust Property Control Act") 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 FMA 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(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 its significant activities unilaterally.

In making this assessment, the following factors are considered:

» The ability or 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 Discontinued operations

The Board decided in 2018 to discontinue the Nautilus business within the Group. The results of this business are classified as a discontinued operation.

All income and expense items are excluded from the individual statement of comprehensive income line items and a single amount representing the post-tax profit or loss of discontinued operations is disclosed.

3.4 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 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.

3.5 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, other receivables, margin and collateral deposits, cash and cash equivalents, trade payables, interest payable, amounts due to and from Group companies and collateral contributions to 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

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

» Fair value through other comprehensive income (OCI) financial assets;
» Loans and receivables; and
» Fair value through profit and loss.

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

Fair value through OCI financial assets

The Group's investments in equity and debt securities are classified as fair value through OCI financial assets and this relates to the investor protection fund investments. The principal objective of holding these investments are to collect contractual cashflows and selling these investments in accordance with the relevant mandates. The contractual terms of these investments gives rise to cashflows that are solely payments of principal and interest. All fair value gains or losses relating to equity instruments are recognised in other comprehensive income and not reclassified to profit or loss on disposal. Fair value gains and losses relating to debt instruments are subsequently classified to profit or loss upon realisation of the investment. Impairment losses on 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 OCI 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 fair value through OCI equity instruments are recognised in profit or loss when the Group's right to receive payment is established (last day to register). Refer to note 15 (Other investments) for the financial assets classified as fair value through OCI.

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, contributions in JSE Clear Derivatives Default Fund (Pty) Limited, trade and other payables, cash and cash equivalents, amounts due to and from Group companies, and margin and collateral deposits.

Fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. This category includes the loan to the JSE Empowerment Fund Trust.

A financial asset is primarily derecognised when:

» the rights to receive cash flows from the asset has expired; or
» the Group has transferred its rights to receive cash flows from the asset.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term 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 and capital requirements.

(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 Schemes, 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 and LTIS 2018 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 stated capital.

3.6 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.6 Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property or 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. 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

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

3.7 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) Licences

Licences are recorded as intangible assets and held at cost less accumulated amortisation.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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
» Computer software	3 to 5 years
» Licences	3 to 7 years

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

(vii) 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.8 IFRS 16 – Leases

IFRS 16 supercedes the previous standards relating to the accounting treatment of leases (IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease). The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019, using the incremental borrowing rate as opposed to the interest rate implicit to the lease, across all leases. Therefore, the comparative information for 2018 is reported under IAS 17 and not comparable to the information presented for 2019.

As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. As part of the modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics. The Group recognises right-of-use assets at the commencement of the lease. The right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment considerations.

The Group elected to use the transition practical expedient that allows the entity to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that have a term of 12 months or less and do not contain a purchase option and contracts for which the underlying asset is of low value.

On adoption of IFRS 16 at transition date, the Group recognised a right-of-use asset to the value of R252 million (the derecognition of the previous operating lease straight-line liabilities of R106 million was offset against the right-of-use asset) and a lease liability of R358 million. There was no impact to equity on initial application.

As a result of adopting IFRS 16, operating profit for the year ended 31 December 2019 has decreased by R7 million owing to the replacement of operating lease expenses with depreciation on the right-of-use assets (R39 million) and interest expense on lease liabilities (R31 million), totalling an amount of R70 million.

Sub-leasing under IFRS 16 distinguishes between two types of leases: operating and finance leases. There is, however no material impact from IFRS 16 on retained earnings on the condensed consolidated annual financial statements. Subsequently, sub-leases are not classified as finance leases.

The effects of the adoption of IFRS 16 is shown in note 28.

3.9 Impairment

(i) Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

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.

Impairment provisions for trade receivables are recognised based on the simplified approach using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account, with the profit or loss being recognised within profit from operating activities in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking ECL model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month ECL along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

For debt instruments at fair value through OCI, the Group applies the low-credit-risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.9 Impairment (continued)

(i) Financial assets (continued)

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Financial assets at amortised cost (debt instruments) are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment losses do not reduce the carrying amount of debt instruments at fair value through other comprehensive income in the statement of financial position, which remains at fair value.

Equity instruments through OCI are measured at fair value through OCI. Therefore, there are no impairment losses with instruments carried at fair value.

(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.

3.10 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.11 Revenue

IFRS 15 provides a five-step model for the determination and recognition of revenue to be applied to all contracts with customers. Revenue comprises primary market fees, trading fees, clearing and settlement fees, information services fees, funds management and Strate ad valorem fees and recognised at a point in time, except for initial listing fees included in primary market fees, which is recognised over an expected period of time. Refer to note 26.

Revenue from contracts with clients is recognised when control of the services are transferred to the client at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that this principle is reflected in its revenue arrangements, because it typically controls the services before transferring them to the customer.

The Group receives advance payments from clients relating to the initial listing fees. There is a significant financing component owing to the expected period between the client payment, providing the service and recognising the revenue, as well as considering the prevailing interest rate in the market. This is recognised over an expected period based on an average listing period of issuers. This is also based on an average historical minimum life expectancy of a listed company. Any adjustments to the contract liability balance are charged against revenue. Refer to 2.4.

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a client before the Group transfers the related goods or services.

The Group applies the practical expedient for short-term advances received from clients.

3.12 Other income

Other income comprises rental income, net foreign exchange gains, dividend income, profit on sale of financial assets, profit on sale of property and equipment, investor protection levies 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 Sector Conduct Authority ("FSCA") (previously 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.

3.13 Finance income and costs

Finance income includes interest income from funds invested, margins and collateral deposits 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 costs includes interest expenses related to margin and collateral deposits and interest due to the South African Revenue Services. Interest expense is recognised in profit or loss using the effective interest method.

3.14 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 OCI.

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 any 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

3. Significant accounting policies (continued)

3.14 Income tax expense (continued)

(i) Income tax (continued)

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.

IFRIC 23 – Uncertainty over Income Tax Treatments

When there is uncertainty associated with income tax treatments within the Group, management will assess and disclose how judgements were made when determining taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates. The interpretation does not have a material impact on the consolidated annual financial statements of the Group.

3.15 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 of shares allocated to employees under the long-term incentive scheme.

3.16 Segment reporting

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

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 two 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 3: Amendments to the definition of a Business - effective date: 1 January 2020

The amendments of IFRS 3 must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The Group will adopt the new standard at the required effective date.

IAS 1 and IAS 8: Definition of materiality - effective date: 1 January 2020

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group will adopt the new standard at the required effective date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

Standard	Effective date*	Impact
IFRS 3: Amendments to the Definition of a Business	1 January 2020	The Group considered these amendments and does not anticipate a material impact.
IAS 1 and IAS 8: Definition of materiality	1 January 2020	The Group is assessing the impact thereof.

** Effective for annual periods beginning on or after the specific 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 below-mentioned 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 financial assets through OCI 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 collective investment schemes and

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

5. Determination of fair values (continued)

5.1 Investments in equity and debt securities (continued)

protective cell funds, valuations are carried out in accordance with the agreed principle that units in collective investment schemes and protective cell funds shall be valued by reference to their middle market price where the units have a bid/offer spread, or to their most recently published NAV. In the absence of final bid/offer prices or final NAV, 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 and LTIS 2018 incentive schemes 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 to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
6. Operating segments, revenue and other income				
6.1 Revenue from contracts with clients and operating segments comprise:				
Capital markets				
Bond Electronic Trading Platform (ETP)	**7 302**	3 380	**7 302**	3 380
Colocation fees	**19 133**	16 016	**19 133**	16 016
Commodity derivatives fees	**81 925**	78 420	**81 925**	78 420
Company services fees	**11 892**	10 294	**11 892**	10 294
Currency derivatives fees	**46 925**	47 931	**46 925**	47 931
Equity derivatives fees	**142 881**	142 930	**142 881**	142 930
Equity market fees	**432 772**	498 616	**432 772**	498 616
Interest rate market fees	**60 421**	52 917	**64 320**	56 775
Primary market fees*	**146 952**	154 522	**146 952**	154 522
Post-trade services				
Clearing and settlement fees	**384 888**	403 564	**384 888**	403 564
Back-office services (BDA)	**333 313**	303 012	**333 313**	303 012
Funds under management	**75 027**	79 365	**92 513**	122 554
Information services				
Index fees	**49 081**	33 288	**49 081**	33 288
Market data fees	**261 195**	233 811	**261 195**	233 811
Total revenue excluding Strate ad valorem fees – cash equities and bonds	**2 053 707**	2 058 065	**2 075 092**	2 105 112
Strate ad valorem fees – cash equities	**118 425**	126 733	**118 425**	126 733
Strate ad valorem fees – bonds	**15 115**	13 681	**15 115**	13 681
	2 187 247	2 198 479	**2 208 632**	2 245 526

** An amount of R0.2 was recognised in Primary market fees relating to initial listing fees for the current year.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Notes	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
6. Operating segments, revenue and other income (continued)					
6.2 Other income comprises:					
Recognised in profit or loss					
Investor protection funds		**4 650**	5 110	**–**	–
– Dividend income recognised on investments derecognised during the reporting period		**457**	470	**–**	–
– Dividend income recognised on investments held at the reporting period		**4 193**	4 640		
Dividends received		**–**	–	**24 795**	18 834
Net foreign exchange profit		**1 555**	26 372	**1 555**	26 372
Income recognised from deferred income (data centre and disaster recovery)		**–**	–	**5 541**	5 412
Investor protection levy		**27 837**	33 003	**27 837**	33 003
Rental income		**4 969**	4 198	**4 969**	4 198
Sundry income		**2 448**	13 605	**2 292**	13 705
		41 459	82 288	**66 989**	101 524
7. Profit before taxation comprises					
7.1 Personnel expenses					
Remuneration paid to employees		**458 755**	420 851	**458 755**	420 822
Fixed-term contractors		**9 128**	12 522	**9 128**	12 522
Contribution to defined contribution plans		**19 144**	15 139	**19 144**	15 167
Directors' emoluments		**44 567**	37 272	**44 287**	37 014
– Executive directors	25.1	**33 561**	28 254	**33 561**	28 254
– Non-executive directors***	25.3	**11 006**	9 018	**10 726**	8 760
Long-term incentive schemes**		**57 125**	31 515	**57 125**	31 515
– JSE LTIS 2010*		**10 432**	26 936	**10 432**	26 936
– JSE LTIS 2018*		**46 693**	4 579	**46 693**	4 579
Gross personnel expenses		**588 719**	517 299	**588 439**	517 040
Less: Capitalised to intangible assets		**(8 519)**	(11 398)	**(8 519)**	(11 398)
		580 200	505 901	**579 920**	505 642

* *Includes critical skills cash scheme and bonus shares.*
** *Includes the accounting impact of accelerated LTIS for good leavers.*
*** *Group includes JSE Clear non-executive directors.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
7. Profit before taxation comprises (continued)				
7.2 Other expenses				
Amortisation of intangible assets	**93 892**	51 340	**93 892**	51 340
Auditor's remuneration	**4 833**	4 162	**3 896**	3 414
– Audit fee	**4 255**	3 969	**3 453**	3 221
– Fees for other services	**115**	87	**115**	87
– Prior year under accrual	**463**	106	**328**	106
Consulting fees	**5 092**	6 907	**5 069**	6 724
Depreciation	**107 949**	58 229	**107 949**	58 229
– Computer hardware	**56 940**	47 652	**56 940**	47 652
– Furniture and equipment	**4 911**	3 449	**4 911**	3 449
– Right-of-use assets	**39 005**	–	**39 005**	–
– Leasehold improvements	**7 073**	7 085	**7 073**	7 085
– Vehicles	**20**	43	**20**	43
Enterprise development	**6 296**	7 636	**6 296**	7 636
Impairment of trade and loan receivables	**–**	928	**4 000**	22 928
Investor protection levy	**37 229**	33 004	**37 229**	33 004
Operating lease charges**				
– Building	**–**	60 685	**–**	60 685
Other expenses*	**282 744**	238 855	**259 335**	210 049
Strate ad valorem fees	**132 099**	140 050	**132 099**	140 050
Technology costs	**284 890**	240 700	**284 890**	240 700
Transaction costs	**6 149**	–	**6 149**	–
	961 173	842 496	**940 804**	834 759

* *Other expenses comprise mainly administration fees, legal and professional fees, marketing and advertising , swift charges, travelling expenses, internal audit and review costs, electricity and building utilities, learning and development costs, data information charges, transformation costs and operational risk losses*

** *Comparative figure relates to IAS 17 (refer to note 28)*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
7. Profit before taxation comprises (continued)				
7.3 Finance income				
Investor protection funds	**10 084**	9 519	**–**	–
– Finance income on cash	**8 263**	7 998	**–**	–
– Finance income from debt instruments at fair value through other comprehensive income	**1 821**	1 521	**–**	–
Finance income earned on margin and collateral deposits	**2 794 411**	2 644 244	**77 390**	40 674
– Derivatives	**2 708 530**	2 568 451	**–**	–
– JSE Clear Derivatives Default Fund	**35 289**	35 119	**–**	–
– Equities	**50 592**	40 674	**77 390**	40 674
Finance income earned on all funds, excluding collateral and margin deposits*	**158 562**	171 033	**153 817**	168 884
Total finance income	**2 963 057**	2 824 795	**231 207**	209 557

** Calculated using the effective interest rate method.*

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
7.4 Finance costs				
Finance costs on margin and collateral deposits*	**2 721 430**	2 572 460	**39 649**	31 720
– Derivatives	**2 646 525**	2 505 645	**–**	–
– JSE Clear Derivatives Default Fund	**35 257**	35 096	**–**	–
– Equities	**39 648**	31 720	**39 649**	31 720
Finance costs on all funds excluding collateral and margin deposits	**28 545**	13 113	**31 250**	1 063
Total finance costs	**2 749 975**	2 585 574	**70 899**	32 783

* *Calculated using the effective interest rate method.*

8. Discontinued operations

In the prior year, following a review of their strategic fit with the Group, the Board decided to wind up Nautilus MAP RF (Pty) Limited and Nautilus MAP Operations (Pty) Limited. The reported loss in 2019 includes wind-up expenses such as legal and audit fees.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
9. Income tax expenses				
9.1 Taxation				
Current tax expense				
– Current year	**270 129**	343 521	**268 751**	342 763
– Prior year	**(717)**	(27 769)	**(717)**	(27 769)
Deferred tax asset				
– (Origination)/Reversal of deductible temporary differences	**(62 327)**	1 258	**(62 327)**	1 258
Deferred tax liability				
– Prior year	**(13 815)**	(4 113)	**(13 815)**	(4 113)
– Origination of taxable temporary differences	**54 910**	10 322	**54 910**	10 322
	248 180	323 219	**246 802**	322 461
9.2 Reconciliation of effective tax rate	**%**	%	**%**	%
Current tax rate	**28**	28	**28**	28
Adjusted for:				
– Non-taxable income*	**(0.06)**	(0,27)	**(0.82)**	(0,59)
– Adjustment for prior periods**	**(1.50)**	(2,60)	**(1.59)**	(2,69)
– Non-deductible expenses				
– Depreciation on leasehold improvements	**0.21**	0,17	**0.22**	0,17
– Impairment of loan receivable	**0.65**	–	**0.80**	0,52
– Recoupment on forfeited LTIS shares	**–**	1,09	**–**	1,13
– Other	**0.28**	0,36	**0.36**	0,06
– Share of profit of equity-accounted investee	**(1.41)**	(1,28)	**–**	–
Net effective tax rate	**26**	26	**27**	27

* *Non-taxable income includes dividends received (Company) and the Investor protection levy*
** *Included in 2019 tax charge is a reversal of deffered tax liability on forfeited LTIS shares*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

9. Income tax expenses (continued)

9.3 The Group's consolidated effective tax rate for the year ended 31 December 2019 was 26% (2018: 26%).

9.4 The following corporate tax rates are applicable to the entities in the Group:

JSE Limited	28% (2018: 28%)
JSE Clear (Pty) Limited	28% (2018: 28%)
JSE Clear Derivatives Default Fund (Pty) Limited	28% (2018: 28%)
Strate (Pty) Limited	28% (2018: 28%)
Nautilus MAP Holdings (Pty) Limited	28% (2018: 28%)
Nautilus Map RF (Pty) Limited	28% (2018: 28%)
JSE Trustees (Pty) Limited	28% (2018: 28%)
JSE Derivatives Fidelity Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act of 1962
JSE Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act of 1962
JSE Debt Guarantee Fund Trust	Exempt from income tax in terms of s10(1)(d)(iii) of the Income Tax Act of 1962

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
10. Earnings and headline earnings per share				
10.1 Basic earnings per share				
Profit for the year attributable to ordinary shareholders	**699 979**	904 282	**668 464**	860 962
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 schemes)	**(1 564 972)**	(1 283 102)	**(1 564 972)**	(1 283 102)
Weighted average number of ordinary shares at 31 December	**85 312 628**	85 594 498	**85 312 628**	85 594 498
Basic earnings per share (cents) for continuing operations	**820.5**	1 056,5	**783.5**	1 005,9
Total earnings per share (cents)	**814.8**	1 055.7	**783.5**	1 005.9
10.2 Diluted earnings per share for continuing operations				
Profit for the year attributable to ordinary shareholders	**699 979**	904 282	**668 464**	860 962
Weighted average number of ordinary shares (diluted):				
Weighted average number of ordinary shares at 31 December (basic)	**85 312 628**	85 594 498	**85 312 628**	85 594 498
Effect of LTIS Share Scheme	**400 855**	681 891	**400 855**	681 891
Weighted average number of ordinary shares (diluted)	**85 713 483**	86 276 389	**85 713 483**	86 276 389
Diluted earnings per share (cents)	**816.7**	1 048,1	**779.9**	997,9
The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices using a volume-weighted average price for the year.				

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

		Group		Company	
		2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
10.3	**Headline earnings per share**				
	Reconciliation of headline earnings:				
	Profit for the year attributable to ordinary shareholders for continuing operations	**699 979**	904 282	**668 464**	860 962
	Adjustments are made to the following:				
	Profit on disposal of property and equipment	**(189)**	(114)	**(189)**	(114)
	– Gross amount	**(262)**	(158)	**(262)**	(158)
	– Taxation effect	**73**	44	**73**	44
	Headline earnings for continuing operations	**699 790**	904 168	**668 275**	860 848
	Headline earnings for discontinued operations	**(4 867)**	(700)	**–**	–
	Headline earnings per share (cents) for continuing operations	**820.3**	1 056,2	**783.3**	1 005,7
	Headline earnings per share for discontinued operations	**(5.7)**	(0,8)	**–**	–
	Total headline earnings per share (cents)	**814.6**	1 055,4	**783.3**	1 005,7
10.4	**Diluted headline earnings per share**				
	Diluted headline earnings per share (cents) for continuing operations	**816.4**	1 048,0	**779.7**	997,8
	Diluted headline earnings per share for discontinued operations	**(5.7)**	(0,8)	**–**	–
	Total diluted headline earnings per share (cents)	**810.8**	1 047,2	**779.7**	997,8

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Notes	Computer hardware R'000	Furniture and equipment R'000	Leasehold improvements R'000	Vehicles R'000	Total owned assets R'000	Total assets R'000
11. Property and equipment							
11.1 Cost							
Group and Company							
2019							
Balance at 1 January 2019		**493 671**	**62 447**	**128 672**	**310**	**685 100**	**685 100**
Additions		**28 123**	**4 304**	**73**	**259**	**32 759**	**32 759**
Additions transferred from software under development	12.1	**209**	**–**	**–**	**–**	**209**	**209**
Disposals		**(1 413)**	**–**	**–**	**(231)**	**(1 644)**	**(1 644)**
Balance at 31 December 2019		**520 590**	**66 751**	**128 745**	**338**	**716 424**	**716 424**
Group and Company							
2018							
Balance at 1 January 2018		410 073	56 475	128 120	329	594 997	594 997
Additions		84 674	5 972	552	–	91 198	91 198
Disposals		(1 076)	–	–	(19)	(1 095)	(1 095)
Balance at 31 December 2018		493 671	62 447	128 672	310	685 100	685 100
11.2 Accumulated depreciation							
Group and Company							
2019							
Balance at 1 January 2019		**322 268**	**44 118**	**98 901**	**181**	**465 469**	**465 469**
Depreciation charge for the year	7.2	**56 940**	**4 911**	**7 073**	**20**	**68 944**	**68 944**
Disposals		**(1 396)**	**–**	**–**	**(134)**	**(1 530)**	**(1 530)**
Balance at 31 December 2019		**377 812**	**49 029**	**105 974**	**67**	**532 883**	**532 883**
Group and Company							
2018							
Balance at 1 January 2018		275 625	40 669	91 816	157	408 267	408 267
Depreciation charge for the year	7.2	47 652	3 449	7 085	43	58 229	58 229
Disposals		(1 009)	–	–	(19)	(1 027)	(1 027)
Balance at 31 December 2018		322 268	44 118	98 901	181	465 469	465 469

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Computer hardware R'000	Furniture and equipment R'000	Leasehold improve-ments R'000	Vehicles R'000	Total owned assets R'000	Total assets R'000
11.3 Carrying amounts						
Group and Company						
2019						
At 31 December 2018	171 403	18 329	29 771	129	219 631	219 631
At 31 December 2019	**142 778**	**17 722**	**22 771**	**271**	**183 541**	**183 541**
Group and Company						
2018						
At 31 December 2017	134 448	15 806	36 304	172	186 730	186 730
At 31 December 2018	171 403	18 329	29 771	129	219 631	219 631

	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets					
12.1 Cost					
Group					
2019					
Balance at 1 January 2019	**82 987**	**2 217**	**577 944**	**319 268**	**982 416**
Additions	**–**	**–**	**112 717**	**56 244**	**168 961**
Transfer from software development	**–**	**–**	**345 826**	**(346 035)**	**(209)**
Balance at 31 December 2019	**82 987**	**2 217**	**1 036 487**	**29 477**	**1 151 168**
Group					
2018					
Balance at 1 January 2018	107 709	2 217	530 868	283 337	928 209
Goodwill relating to discontinued operation (Note 8)	(24 722)	–	–	–	(24 722)
Additions	–	–	–	83 007	83 007
Transfer from software development	–	–	47 076	(47 076)	–
Balance at 31 December 2018	82 987	2 217	577 944	319 268	986 494

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

		Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets (continued)						
12.2 Accumulated amortisation and impairment losses						
Group						
2019						
Balance at 1 January 2019		**–**	**1 753**	**462 189**	**–**	**463 942**
Amortisation for the year	7.2	**–**	**–**	**93 892**	**–**	**93 892**
Balance at 31 December 2019		**–**	**1 753**	**556 081**	**–**	**557 834**
Group						
2018						
Balance at 1 January 2018		24 722	1 753	410 849	–	441 402
Goodwill relating to discontinued operation (Note 8)		(24 722)	–	–	–	(24 722)
Amortisation for the year		–	–	51 340	–	51 340
Balance at 31 December 2018		–	1 753	462 189	–	468 020
12.3 Carrying amounts						
Group						
2019						
At 31 December 2018		82 987	464	115 755	319 268	518 473
At 31 December 2019		**82 987**	**464**	**480 406**	**29 477**	**593 333**
Group						
2018						
At 31 December 2017		82 987	464	120 019	283 337	486 808
At 31 December 2018		82 987	464	115 755	319 268	518 473

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets (continued)					
12.4 Cost					
Company					
2019					
Balance at 1 January 2019	**82 987**	**1 829**	**558 100**	**316 631**	**959 547**
Additions	**–**	**–**	**112 717**	**56 244**	**168 961**
Transfer from software under development	**–**	**–**	**345 826**	**(346 035)**	**(209)**
Balance at 31 December 2019	**82 987**	**1 829**	**1 016 643**	**26 840**	**1 128 299**
Company					
2018					
Balance at 1 January 2018	82 987	1 829	511 024	280 700	876 540
Additions	–	–	–	83 007	83 007
Transfer from software under development	–	–	47 076	(47 076)	–
Balance at 31 December 2018	82 987	1 829	558 100	316 631	959 547
12.5 Accumulated amortisation					
Company					
2019					
Balance at 1 January 2019	**–**	**1 829**	**439 557**	**–**	**441 386**
Amortisation for the year	**–**	**–**	**93 892**	**–**	**93 892**
Balance at 31 December 2019	**–**	**1 829**	**533 449**	**–**	**535 278**
Company					
2018					
Balance at 1 January 2018	–	1 829	388 217	–	390 046
Amortisation for the year	–	–	51 340	–	51 340
Balance at 31 December 2018	–	1 829	439 557	–	441 386

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Goodwill R'000	Trade names R'000	Computer software R'000	Software under development R'000	Total intangible assets R'000
12. Intangible assets (continued)					
12.6 Carrying amounts					
Company					
2019					
At 31 December 2018	82 987	–	118 543	316 631	518 160
At 31 December 2019	**82 987**	**–**	**483 194**	**26 840**	**593 021**
Company					
2018					
At 31 December 2017	82 987	–	122 807	280 700	486 494
At 31 December 2018	82 987	–	118 543	316 631	518 160

12.7 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's GCUs, 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.

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. The only CGU allocated goodwill is the interest rate market.

In order to assess impairment of this goodwill, management calculated the value in use by performing estimated future cash flows. This has been included in the Capital Markets reportable segment. A weighted average cost of capital (WACC) of 13% 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 financial forecasts for the 2019 financial year and strategic plans over a five-year period, which is consistent with past experience. These are in line with inflation. The assumptions used include profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure and an appropriate discount rate.

The recoverable amounts of the CGU's were determined based on value in use.

	Note	Group		Company	
		2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
13. Investment in associate					
13.1 Carrying amount					
Strate (Pty) Limited					
Carrying amount at beginning of year		**269 898**	232 822	**21 416**	21 416
– Dividends received	6.2	**(24 795)**	(18 834)	**–**	–
– Share of profit		**47 683**	55 910	**–**	–
Total investment in associate		**292 786**	269 898	**21 416**	21 416

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Strate (Pty) Limited 2019 R'000	Strate (Pty) Limited 2018 R'000
13. Investment in associate (continued)		
13.2 Group share of post acquisition profit		
Share of opening accumulated profit	**468 727**	412 817
Share of profit after tax	**47 683**	55 910
Share of closing accumulated profit	**516 410**	468 727
13.3 Summarised financial statements at 31 December		
Non-current assets	**292 947**	220 559
Current assets	**480 807**	447 355
Total assets	**773 754**	667 914
Equity	**661 461**	605 825
Non-current liabilities	**12 500**	3 313
Current liabilities	**99 793**	58 776
Total equity and liabilities	**773 754**	667 914
Revenue	**462 009**	454 652
Other income including finance income	**36 643**	30 145
Expenses	**(331 305)**	(322 299)
Taxation	**(45 092)**	(41 498)
Profit for the year	**122 255**	121 000

	Effective holding 2019 %	Effective holding 2018 %	Number of shares held 2019	Number of shares held 2018
13.4 Unlisted associated company				
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 a company incorporated in South Africa. The Group does not exercise control over this entity.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Issued share capital/ trust capital	Percentage holding 2019 %	Percentage holding 2018 %	Carrying value of shares held 2019 R'000	Carrying value of shares held 2018 R'000
14. Subsidiaries – Company					
14.1 Investments in subsidiaries					
14.1.1 JSE Clear (Pty) Limited[1]					
– Ordinary shares of 12.5 cents each	8 300	**100**	100	**3 201**	3 201
– Ordinary shares of 12.5 cents each	1	**100**	–	**100 000**	–
14.1.2 JSE Clear Derivatives Default Fund (Pty) Limited[2]					
– Ordinary shares of R1 each	1	**100**	100	*	*
14.1.3 JSE Trustees (Pty) Limited					
– Ordinary shares of R1 each	7	**100**	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.					
14.1.4 Nautilus MAP Holdings (Pty) Limited					
– 1 ordinary share of R1 each	1	**100**	100	*	*
Nautilus MAP Holdings (Pty) Limited holds 100% of the ordinary shares in Nautilus MAP RF (Pty) Limited and Nautilus MAP Operations (Pty) Limited					
14.1.5 JSE LTIS 2010 Trust					
– Trust capital	1 000	**100**	100	**1**	1
14.1.6 JSE LTIS 2018 Trust					
– Trust capital	1 000	**100**	100		
14.1.7 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				**204 352**	104 352

14.1.8 Investor protection funds

In terms of section 9.1(e) of the FMA, 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 Sector Conduct Authority ("FSCA") 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

14. Subsidiaries – Company (continued)

14.2. 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 the 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 for which administrative services are outsourced to a third party. The JSE does not provide financial or administrative support to this unconsolidated 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 bursary recipients. 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.	The JSE appoints two of the five trustees of the trust, who 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's management has 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. Therefore this entity is not consolidated into the JSE Group.

	2019 R'000	2018 R'000
14.3 Due from Group entities		
Nautilus MAP RF (Pty) Limited	**33 431**	31 876
Allowance for impairment loss	**(26 000)**	(22 000)
Owing to Nautilus MAP RF (Pty) Limited	**(7 549)**	–
JSE Clear (Pty) Limited	**37 464**	37 264
JSE Clear Derivatives Default Fund (Pty) Limited	**6**	28
JSE Trustees (Pty) Limited	**12 095**	6 500
JSE Debt Guarantee Fund Trust	**410**	938
Total due from Group entities	**49 857**	54 606

Amounts due from Nautilus MAP RF (Pty) Limited are unsecured, interest free.

During the current year, an additional allowance for impairment loss amounting to R4m (2018: R22m) was raised based on the probability of recoverability of the loan amount outstanding. The provision of the loan is considered to be credit impaired and consistent with prior year. This entity has been classified as a discontinued operation. Refer to note 8 for details.

All entities are incorporated in the Republic of South Africa.

Amounts due from Group entities are interest free and 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.

During the current year, a letter of subordination was signed between JSE Limited and JSE Trustees (Pty) Limited.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
15. Other investments				
15.1 Investor protection funds fair value through OCI financial assets				
15.1.1 JSE Derivatives Fidelity Fund Trust				
Bonds*	**18 555**	9 165	**–**	–
Listed equities	**67 304**	66 879	**–**	–
Protective cell funds	**95 555**	83 137	**–**	–
	181 414	159 181	**–**	–
15.1.2 JSE Guarantee Fund Trust			**–**	–
Bonds*	**14 938**	8 838	**–**	–
Listed equities	**53 740**	57 539	**–**	–
Protective cell funds	**82 775**	72 018	**–**	–
Collective investment scheme	**5 891**	5 896	**–**	–
	157 344	144 291	**–**	–
	338 758	303 472	**–**	–
15.2 Other investments				
Stock Exchange Nominees (Pty) Ltd	**1**	1	**1**	1
	338 759	303 473	**1**	1

** The Group believes that no further impairment allowance is necessary in respect of the bonds. Historic default rates in the assessment of the probability of credit losses, while incorporating forward-looking macro-economic factors were used when testing for impairment allowances.*

The following equity instruments have been disposed of during the current year i.e BHP Group PLC, Glencore Xatrata PLC, Multichoice Group Limited, MTN Group Limited, Naspers Limited N, Nedbank Group Limited, Old Mutual Limited, Compagnie Fin Richemont, Capitec Bank, Bidvest Limited and Woolworths. These disposals were actioned as part of the investment mandate. The proceeds of these equity instruments amounted to R22.8 million and the cumulative gain on disposal was R1.2 million. The amount of the proceeds is equal to fair value. There were no transfers in equity during the year.

	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
16. Loan to the JSE Empowerment Fund Trust	**25 197**	25 136	**25 197**	25 136

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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
17. Trade and other receivables				
17.1 Trade and other receivables				
Interest receivable	**201 651**	224 953	**–**	–
Other receivables*	**34 098**	29 324	**12 264**	17 413
Prepaid expenses	**66 522**	66 036	**64 088**	63 201
Trade receivables	**218 068**	169 990	**218 024**	167 372
	520 339	490 303	**294 376**	247 986

* *Includes JSE share of FTSE revenue, management fee in respect of 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 2019:				
Fully performing: 0-30 days	**150 734**	**–**	**150 734**	**–**
Past due: 31-90 days	**53 594**	**–**	**53 594**	**–**
Past due: More than 90 days	**17 430**	**3 690**	**17 386**	**3 690**
Total	**221 758**	**3 690**	**221 714**	**3 690**
At 31 December 2018:				
Fully performing: 0-30 days	132 148	–	132 148	–
Past due: 31-90 days	28 468	–	28 468	–
Past due: More than 90 days	13 148	3 774	10 530	3 774
Total	173 764	3 774	171 146	3 774

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
17. Trade and other receivables (continued)				
17.1 Trade and other receivables (continued)				
The movement in the allowance for impairment losses in respect of trade receivables during the year was as follows:				
At 1 January	**3 774**	2 922	**3 774**	2 922
(Decrease)/increase in allowance for impairment	**(84)**	1 281	**(84)**	1 281
Receivables written off during the year as uncollectable	**–**	(429)	**–**	(429)
At 31 December	**3 690**	3 774	**3 690**	3 774

Under IFRS 9, the Group uses historic default rates in the assessment of the probability of credit losses, while incorporating forward-looking macro-economic factors. The Group believes no further impairment allowance is necessary in respect of trade receivables.

The Group uses the simplified approach in calculating ECL for trade receivables and other receivables.

The credit terms are 30 days.

The Group uses the general approach in calculating ECL for interest receivables.

18. 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.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
18.1 Margin deposits				
Derivatives funds held by JSE Clear (Pty) Limited	**34 233 114**	36 424 629	**–**	–
Equities	**616 477**	341 995	**616 477**	341 995
	34 849 591	36 766 624	**616 477**	341 995
18.2 Collateral deposits	**59 034**	160 625	**59 034**	160 625

The JSE acts as an agent in equity securities lending transactions necessary to facilitate electronic settlement of equity trades in the Strate environment. At 31 December 2019, interest-bearing collateral deposits of R59.1 million (2018: R100.1 million) have been lodged as security against securities lending transactions with a market value of R51.7 million (2018: R78.9 million).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
18. Margin and collateral deposits (continued)				
18.3 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 a clearing member default.				
The initial collateral deposits required from clearing members are managed and invested in terms of the JSE Rules. The Company contribution to the fund is R100 million (2018: R100 million).				
JSE Clear Derivatives Default Fund (Pty) Limited members' contributions	**400 000**	400 000	**–**	–
19. Cash and cash equivalents				
Cash and cash equivalents comprises:				
Bank balances	**1 211 225**	1 255 067	**1 050 675**	1 087 415
Term deposits	**1 366 109**	1 318 869	**1 241 786**	1 293 820
Total cash and cash equivalents	**2 577 334**	2 573 936	**2 292 461**	2 381 235
20. Stated capital and reserves				
20.1 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
20.2 Issued stated capital at par value				
Balance at 1 January	**8 616**	8 608	**8 616**	8 608
Treasury shares sold	**47**	45	**47**	45
Acquisition of treasury shares	**(43)**	(37)	**(43)**	(37)
Balance at 31 December*	**8 620**	8 616	**8 620**	8 616

** The difference between the balance and issued ordinary shares as per note 10.1 relates to unvested LTIS and bonus shares.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
20. Stated capital and reserves (continued)				
20.3 Stated capital and reserves				
Stated capital	**(17 726)**	(18 378)	**(17 726)**	(18 378)
Non-distributable reserves made up as follows:	**466 109**	435 027	**–**	–
Investor protection funds	**466 109**	435 027	**–**	–
Fair value reserve[1]	**128 350**	100 229	**–**	–
– JSE Derivatives Fidelity Fund Trust	**62 314**	47 287	**–**	–
– JSE Guarantee Fund Trust	**66 036**	52 942	**–**	–
Capital and accumulated funds[2]	**337 759**	334 798	**–**	–
– JSE Debt Guarantee Fund Trust	**116 467**	114 512	**–**	–
– JSE Derivatives Fidelity Fund Trust	**124 712**	121 651	**–**	–
– JSE Guarantee Fund Trust	**96 580**	98 635	**–**	–
Share-based payment reserve[3]	**82 158**	76 712	**82 158**	76 712
Retained earnings	**3 439 090**	3 475 080	**3 257 342**	3 317 018
Total	**3 969 631**	3 968 441	**3 321 774**	3 375 352

[1] This reserve comprises fair value adjustments in respect of fair value through OCI 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 and 2018 Long-Term Incentive Schemes that have been expensed to date.

	Company	
	2019 R'000	2018 R'000
20.4 Dividends declared and paid		
Ordinary dividend of 655 cents (2018: 605 cents) per share	**569 048**	525 609
Special dividend of 185 cents (2018: nil cents) per share	**160 724**	–
Total dividend of 840 cents (2018: 605 cents) on unallocated treasury shares	**(1 632)**	(610)
	728 140	524 999

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Notes	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
21. Employee benefits					
21.1 Group and Exchange					
Non-current liabilities		**5 436**	1 960	**5 436**	1 960
Cash-settled liability	21.5	**5 436**	1 960	**5 436**	1 960
Current liabilities		**109 398**	120 550	**109 398**	120 550
Leave pay accrual		**25 693**	23 657	**25 693**	23 657
Cash-settled liability	21.5	**8 022**	10 315	**8 022**	10 315
Discretionary bonus and bursary scheme		**69 376**	86 578	**69 376**	86 578
Bonus shares		**6 307**	–	**6 307**	–

21.2 Discretionary bonus

The Group Human Resources Committee (GHRC) determines the discretionary bonus pool, based on its assessment of annual corporate performance against a pre-set corporate scorecard for the year as approved by the Board. Individual awards are linked to seniority, individual performance and contribution to corporate performance. Awards under this scheme are not subject to deferral.

The outgoing CEO participates in a single annual bonus award, which is fully discretionary and subject to corporate performance assessed annually by the GHRC. The maximum annual bonus payable to the CEO in any year remains unchanged at 200% of fixed pay.

The incoming CEO shall, in respect of each financial year of employment with the Company (at the discretion of the GHRC) be entitled to receive a discretionary bonus, the gross amount of which annual bonus shall not exceed 200% of cost to company remuneration for that financial year. The quantum of the bonus, shall be based on the Company's financial performance for that year and meeting the annual corporate and Group CEO scorecard objectives.

The discretionary bonus scheme is an annual incentive for qualifying employees. All permanent staff members are eligible to participate in this scheme.

The total discretionary bonus pool for 2019 amounted to R63.9 million (2018: R83 million), of which R17.5 million (2018: R26.9 million) was paid to executive management (including the outgoing CEO).

21.3 Retirement benefits

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

21.4 Critical skills cash scheme

This is a cash-only retention scheme, applicable to selected senior employees of the JSE with scarce or critical skills. Employees who participate in this scheme are not eligible to participate in the JSE's long-term equity scheme.

During the current financial year, the award granted in 2017 has vested and a new award was granted, which will vest in March 2021. The unvested portion attracts interest at the commercial rate earned on funds under management in JSE Trustees. Corporate and individual performance hurdles apply to awards granted under this scheme. The net present value and interest movement in both schemes resulted in a charge to profit and loss of R11.1 million (2018: R0.8 million).

	Critical Skills Cash Scheme 2019 R'000	Critical Skills Cash Scheme 2018 R'000
Total cash value of award approved by Board	**15 900**	14 424

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

21. Employee benefits (continued)

21.5 Long-Term Incentive Schemes (LTIS 2010 and LTIS 2018)

The LTIS 2010 scheme was approved by shareholders at the annual general meeting in April 2010, and closed in December 2018, after eight years, in accordance with the scheme rules. The LTIS 2018 scheme, modelled on the same basis as the 2010 scheme, was approved by shareholders at the annual general meeting held in May 2018.

Scheme objective and design

The main objective of LTIS 2010 (and the successor scheme, LTIS 2018) is to retain and incentivise selected senior employees of the JSE to deliver sustained corporate performance, aligned with shareholder interests, over rolling three- and four-year time horizons.

These LTIS schemes are full-value, performance share schemes. Scheme participants receive equity awards on an annual basis and vesting is linked to continued employment and the JSE achieving pre-set Group performance conditions over the vesting period. To fulfil these share awards, JSE ordinary shares are acquired on an annual basis in the open market by a trust established by the JSE, with scheme participants having immediate beneficial ownership from the date of the award, but subject to restrictions. Share awards are forfeited if either the employment requirement or the corporate performance conditions are not met.

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 vested on 31 May 2018 (Tranche 1)	151 170
50% of the shares awarded vested on 30 April 2019 (Tranche 2)	151 170

The vesting of Tranche 2 was completed during the year under review.

Tranche 2: 50% of the total award, vested on 30 April 2019.

Tranche 2 – fully vested

In respect of Tranche 2, the Board assessed performance over the four-year vesting term against pre-set financial and strategic targets and determined that 69.07% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 30 April 2019. The remainder of the Tranche 2 shares (being 37 685 shares) were forfeited by participants. Details relating to the vesting is included in the Remuneration report.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

21. Employee benefits (continued)

Allocation #6 under LTIS 2010 (continued)

	Corporate performance shares
As at 31 December 2019, details of Tranche 2 were as follows:	
Original number of Tranche 2 shares awarded in June 2015	151 170
Forfeited by leavers to date	(29 330)
Tranche 2 shares forfeited for missing performance targets	(37 685)
Accelerated for good leavers to date	(25 977)
Tranche 2 shares vested in April 2019	(58 178)
Tranche 2 shares outstanding	–

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 vested on 1 March 2019 (Tranche 1)	171 045
50% of the shares awarded vests on 1 March 2020 (Tranche 2)	171 045
Additional Allocation #7 award	
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 vested on 1 March 2019 (Tranche 1)	4 842
50% of the shares awarded vests on 1 March 2020 (Tranche 2)	4 842

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

21. Employee benefits (continued)

Allocation #7 under LTIS 2010 (continued)

Tranche 1 – fully vested

Tranche 1: 50% of the total award, vested on 1 March 2019. All LTIS 2010 participants in the employ of the Company as at 1 March 2019 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, the Board assessed the performance over the three-year vesting term against the pre-set financial and strategic targets and determined that 50.15% of these Tranche 1 shares vested for those participants still in the employ of the JSE on 1 March 2019.

As at 31 December 2019, details of Tranche 1 were as follows:	Corporate performance shares
Original number of Tranche 1 shares awarded in October 2016	171 045
Forfeited by leavers to date	(23 155)
Tranche 1 shares forfeited for missing performance targets	(73 723)
Accelerated for good leavers to date	(17 655)
Tranche 1 shares vested on 1 March 2019	(56 512)
Tranche 1 shares outstanding	–

As at 31 December 2019, details of Tranche 1 were as follows:	
Original number of Tranche 1 shares awarded in November 2016	4 842
Tranche 1 shares forfeited for missing performance targets	(2 414)
Tranche 1 shares vested on 1 March 2019	(2 428)
Tranche 1 additional shares outstanding	–

As at 31 December 2019, details of Tranche 2 were as follows:	
Original number of Tranche 2 shares awarded in October 2016	171 045
Forfeited by leavers to date	(23 155)
Accelerated for good leavers to date	(26 310)
Tranche 2 shares available for vesting in March 2020	121 580

As at 31 December 2019, details of Tranche 2 were as follows:	
Original number of Tranche 2 shares awarded in November 2016	4 842
Tranche 2 shares available for vesting in March 2020	4 842

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

21. Employee benefits (continued)

Allocation #8 under LTIS 2010

The eighth and final award ("Allocation 8") under LTIS 2010 was granted in March 2017, with the following vesting profile:

	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 shares forfeited by leavers to date are 61 480 (Tranche 1 and Tranche 2). The total shares outstanding at year end are 229 050.

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:

	2019	2018
Allocation #5 (granted in May 2014)	–	R6.3m
Allocation #6 (granted in June 2015)	**R0.4m**	R2.2m
Allocation #7 (granted October 2016)	**R1.8m**	R9.5m
Allocation #8 (granted March 2017)	**R7.5m**	R6.1m
	R9.7m	R24.1m

Allocation #1 under LTIS 2018

The first award ("Allocation 1") under LTIS 2018 was granted in September 2018, with the following vesting profile:

Senior management award	Corporate performance shares
Share price at grant date (rands per share)	156,37
Total number of shares granted	203 650
Dividend yield (%)	3
Grant date	18 September 2018
Vesting profile:	
50% of the shares awarded vest on 31 August 2021 (Tranche 1)	101 825
50% of the shares awarded vest on 31 August 2022 (Tranche 2)	101 825

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

21. Employee benefits (continued)

Allocation #1 under LTIS 2018 (continued)

Executive Committee award	Corporate performance shares
Share price at grant date (rands per share)	153,75
Total number of shares granted	175 820
Dividend yield (%)	3
Grant date	18 September 2018
Vesting profile:	
50% of the shares awarded vest on 31 August 2021 (Tranche 1)	87 910
50% of the shares awarded vest on 31 August 2022 (Tranche 2)	87 910

The shares forfeited by leavers to date are 19 240 (Tranche 1 and Tranche 2). The total shares outstanding at year end are 360 230.

Allocation #2 under LTIS 2018

	Corporate performance shares
Share price at grant date (rands per share)	159,80
Total number of shares granted	359 595
Dividend yield (%)	3
Grant date	7 March 2019
Vesting profile:	
50% of the shares awarded vest on 1 March 2022 (Tranche 1)	179 798
50% of the shares awarded vest on 1 March 2023 (Tranche 2)	179 798

The shares forfeited by leavers to date are 10 652 (Tranche 1 and Tranche 2). The total shares outstanding at year end are 348 942.

The profit or loss charge for the period, calculated using the Black-Scholes valuation methodology, in respect of allocations granted under LTIS 2018 is as follows:

	2019	2018
Allocation #1 (granted in September 2018)	**R20.1m**	R4.6m
Allocation #2 (granted in March 2019)	**R15.1m**	–
	R35.2m	R4.6m

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Assets		Liabilities		Net	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
22. Deferred tax assets and liabilities						
22.1 Deferred tax assets and liabilities are attributable to the following:						
Group						
Intangible assets	**–**	–	**(109)**	(109)	**(109)**	(109)
Operating lease liability	**–**	29 915	**–**	–	**–**	29 915
Operating lease asset	**–**	–	**(4)**	(11)	**(4)**	(11)
IFRS 16 leases	**32 763**	–	**–**	–	**32 763**	–
Employee benefits	**32 155**	34 303	**(708)**	(17 099)	**31 447**	17 204
Allowance for impairment losses	**774**	792	**–**	–	**774**	792
Prepayments	**–**	–	**(3 054)**	(5 077)	**(3 054)**	(5 077)
Cash restraint payments	**1 965**	93	**–**	–	**1 965**	93
Loan to the JSE Empowerment Fund Trust	**448**	466	**–**	–	**448**	466
Income received in advance	**1 360**	1 085	**–**	–	**1 360**	1 085
Total	**69 465**	66 654	**(3 875)**	(22 296)	**65 590**	44 358

	Balance 1 January 2018 R'000	Recognised in profit or loss R'000	Balance 31 December 2018 R'000	**Recognised in profit or loss R'000**	**Balance 31 December 2019 R'000**
22.2 Movement in temporary differences during the year:					
Group					
Intangible assets	(109)	–	(109)	**–**	**(109)**
Operating lease liability	29 144	771	29 915	**(29 915)**	**–**
Operating lease asset	(17)	6	(11)	**7**	**(4)**
IFRS 16 leases	–	–	–	**32 763**	**32 763**
Employee benefits	25 286	(8 082)	17 204	**14 243**	**31 447**
Allowance for impairment losses	613	179	792	**(18)**	**774**
Prepayments	(5 343)	266	(5 077)	**2 023**	**(3 054)**
Cash restraint payments	918	(825)	93	**1 872**	**1 965**
Loan to the JSE Empowerment Fund Trust	461	5	466	**(18)**	**448**
Income received in advance	872	213	1 085	**275**	**1 360**
Total	51 825	(7 467)	44 358	**21 232**	**65 590**

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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

22. Deferred tax assets and liabilities (continued)

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

	Assets		Liabilities		Net	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Company						
Operating lease liability	**–**	29 915	**–**	–	**–**	29 915
Operating lease asset	**–**	–	**(4)**	(11)	**(4)**	(11)
IFRS 16 leases	**32 763**	–	**–**	–	**32 763**	–
Employee benefits	**32 155**	34 303	**(708)**	(17 099)	**31 447**	17 204
Allowance for impairment losses	**774**	792*	**–**	–	**774**	792
Prepayments	**–**	–	**(3 054)**	(5 077)	**(3 054)**	(5 077)
Cash restraint payments	**1 965**	93	**–**	–	**1 965**	93
Loan to the JSE Empowerment Fund Trust	**448**	466	**–**	–	**448**	466
Income received in advance	**1 360**	1 085	**–**	–	**1 360**	1 085
Total	**69 465**	66 654	**(3 766)**	(22 187)	**65 699**	44 467

22.4 Movement in temporary differences during the year

	Balance 1 January 2018 R'000	Recognised in profit or loss R'000	Balance 31 December 2018 R'000	**Recognised in profit or loss R'000**	**Balance 31 December 2019 R'000**
Company					
Operating lease liability	29 144	771	29 915	**(29 915)**	**–**
Operating lease asset	(17)	6	(11)	**7**	**(4)**
IFRS 16 leases	–	–	–	**32 763**	**32 763**
Employee benefits	25 286	(8 082)	17 204	**14 243**	**31 447**
Allowance for impairment losses	613	179	792	**(18)**	**774**
Prepayments	(5 343)	266	(5 077)	**2 023**	**(3 054)**
Cash restraint payments	918	(825)	93	**1 872**	**1 965**
Loan to the JSE Empowerment Fund Trust	461	5	466	**(18)**	**448**
Income received in advance	872	213	1 085	**275**	**1 360**
Total	51 934	(7 467)	44 467	**21 232**	**65 699**

** No deferred tax assets have been raised in respect of the allowance for impairment loss on the loan due from Nautilus MAP RF (Pty) Ltd. Please refer to note 14.3.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
23. Trade and other payables				
Trade payables*	**262 107**	138 023	**246 176**	115 311
Interest payable	**218 891**	233 786	**4 019**	5 151
Receipts in advance	**4 588**	3 621	**4 588**	3 621
	485 586	375 430	**254 783**	124 083

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

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
24. Notes to the statement of cash flows				
24.1 Cash generated by operations				
Profit before tax from continuing operations	**948 159**	1 227 501	**915 266**	1 183 423
Loss before tax from discontinued operations	**(4 867)**	(700)	**–**	–
Profit before tax	**943 292**	1 226 801	**915 266**	1 183 423
Adjustments for:				
– depreciation of property and equipment	**68 944**	58 229	**68 944**	58 229
– amortisation of intangible assets	**93 892**	51 340	**93 892**	51 340
– depreciation of right-of-use assets	**39 005**	–	**39 005**	–
– impairment of monies due from group entities	**–**	–	**4 000**	22 000
– JSE LTIS 2010	**2 206**	27 148	**2 206**	27 148
– JSE LTIS 2018	**35 195**	4 579	**35 195**	4 579
– share of profit from associate	**(47 683)**	(55 910)	**–**	–
– finance costs	**2 749 975**	2 585 574	**70 899**	32 783
– finance income	**(2 963 057)**	(2 824 795)	**(231 207)**	(209 557)
– dividend received	**(4 649)**	(5 110)	**(24 795)**	(18 834)
– non-cash items in respect of employee benefits	**(83 366)**	(122 403)	**(83 366)**	(122 403)
– profit on disposal of property and equipment	**(237)**	(158)	**(237)**	(158)
– change in fair value of loan to JSE Empowerment Fund	**(61)**	18	**(61)**	18
Surplus from operations	**833 456**	945 313	**889 741**	1 028 568
Changes in:				
– (increase)/decrease in trade and other receivables	**(48 605)**	1 757	**(46 901)**	9 423
– increase in trade and other payables	**114 171**	98 123	**126 046**	75 160
Cash generated by operations	**899 022**	1 045 193	**968 886**	1 113 151

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
24. Notes to the statement of cash flows (continued)				
24.2 Taxation paid				
Taxation (receivable)/payable at beginning of year	**(29 972)**	8 673	**(29 935)**	9 295
Deferred tax effects	**21 232**	(7 467)	**21 232**	(7 467)
Current tax charge	**248 180**	323 219	**246 802**	322 461
Finance income included in taxation payable at year-end	**(493)**	(3 800)	**(493)**	(3 800)
Taxation receivable at year-end	**5 277**	29 972	**4 215**	29 935
	244 223	350 597	**241 821**	350 424
24.3 Finance income				
Finance income receivable at beginning of year	**224 953**	204 733	**–**	11 165
Finance income received during the year	**2 963 057**	2 824 795	**231 207**	209 557
Finance income included in taxation payable at year-end	**(493)**	(3 800)	**(493)**	(3 800)
Finance income receivable at year-end	**(201 651)**	(224 953)	**–**	–
	2 985 866	2 800 775	**230 714**	216 922

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

25. Directors' and executives' remuneration[4]

25.1 Executive directors – Current year remuneration

		Basic[1,2] salary R'000	Defined[1,2] pension plan R'000	Medical aid[1] UIF and other R'000	Total guaranteed pay R'000	Contracted bonus[1,2] (included deferral) R'000	Discre-tionary bonus[1,3,5] R'000	Total annual incentives R'000	Total current year remune-ration R'000	Total long-term and other benefits[6] R'000	Total number of shares granted in the LTIS schemes and other[7]
2019											
L Fourie[12]	Chief Executive Officer	1 579	64	7	1 650	6 637	–	6 637	8 287	–	51 364
NF Newton-King[13]	Chief Executive Officer	5 255	346	176	5 777	–	7 700	7 700	13 477	3 824	52 112
A Takoordeen	Chief Financial Officer	3 201	146	127	3 474	–	2 000	2 000	5 474	2 499	16 710
		10 035	556	310	10 901	6 637	9 700	16 337	27 238	6 323	120 186
2018											
NF Newton-King	Chief Executive Officer	5 059	374	161	5 594	–	9 167	9 167	14 761	5 596	52 040
A Takoordeen	Chief Financial Officer	2 729	159	2	2 890	458	2 500	2 958	5 848	2 049	16 680
		7 788	533	163	8 484	458	11 667	12 125	20 609	7 645	68 720

25.2 Other key executives – Current year remuneration

		Basic[1,2] salary R'000	Defined[1,2] pension plan R'000	Medical aid[1] UIF and other R'000	Total guaranteed pay R'000	Contracted bonus[1,2] (included deferral) R'000	Discre-tionary bonus[1,3,5] R'000	Total annual incentives R'000	Total current year remune-ration R'000	Total long-term and other benefits[6] R'000	Total number of shares granted in the LTIS schemes and other[7]
2019											
JH Burke	Director of Issuer Regulation	3 312	230	214	3 756	–	–	–	3 756	2 752	18 420
A Greenwood	Director of Post-Trade Services	3 494	199	2	3 695	–	2 300	2 300	5 995	676	17 776
D Khumalo	Director of Human Resources	2 634	107	2	2 743	–	1 590	1 590	4 333	410	13 190
H Kotze	Chief Information Officer	2 934	133	135	3 202	–	1 600	1 600	4 802	–	15 400
Z Luhabe-Morrison[14]	Director of Marketing and Corporate Affairs	1 605	77	76	1 758	–	1 000	1 000	2 758	–	9 626
D Nemer[15]	Director of Capital Markets	3 182	200	147	3 529	–	–	–	3 529	2 934	20 372
MH Randall	Director of Information Services	2 685	113	96	2 894	–	1 350	1 350	4 244	365	13 920
		19 846	1 059	672	21 577	–	7 840	7 840	29 417	7 137	108 703

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

25. Directors' and executives' remuneration[4] (continued)

25.2 Other key executives – Current year remuneration

		Basic[1, 2] salary R'000	Defined[1, 2] pension plan R'000	Medical aid[1] UIF and other R'000	Total guaranteed pay R'000	Contracted bonus[1, 2] (included deferral) R'000	Discre-tionary bonus[1,3,5] R'000	Total annual incentives R'000	Total current year remune-ration R'000	Total long-term and other benefits[6] R'000	Total number of shares granted in the LTIS schemes[7]
2018											
JH Burke	Director of Issuer Regulation	2 684	250	195	3 129	505	2 400	2 905	6 034	2 306	18 390
LM de Villiers	Interim Chief Information Officer	2 856	–	1	2 857	–	–	–	2 857	–	–
A Greenwood	Director of Post-Trade Services	2 867	217	2	3 086	488	2 600	3 088	6 174	–	17 750
Z Jacobs	Director of Marketing and Corporate Affairs	2 538	162	213	2 913	437	1 700	2 137	5 050	1 966	15 920
D Khumalo	Director of Human Resources	2 117	131	35	2 283	362	1 850	2 212	4 495	–	13 170
H Kotze[11]	Chief Information Officer	238	14	19	271	–	–	–	271	–	–
TJ Matsema[8]	Chief Information Officer	1 666	144	278	2 088	476	–	476	2 564	–	–
D Nemer	Director of Capital Markets	3 077	247	195	3 519	556	2 850	3 406	6 925	755	20 240
LV Parsons[9]	Director of Information Services	1 213	119	58	1 390	543	2 750	3 293	4 683	2 474	19 780
MH Randall[10]	Director of Information Services	1 227	70	44	1 341	241	1 100	1 341	2 682	181	13 900
		20 483	1 354	1 040	22 877	3 608	15 250	18 858	41 735	7 682	119 150

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

[1] *Represents short-term employee benefits. From 1 August 2018, the contractual bonus was collapsed into salaries.*
[2] *Contractural bonuses includes a sign-on bonus for the incoming CEO in 2019. Contractual bonuses in 2018 were subject to personal performance and are calculated according to a fixed percentage of basic salary (which percentage varied on a sliding scale based on grade). Refer to footnote 1.*
[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] *CEO's discretionary bonus – cash only.*
[6] *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.*
[7] *Represents unvested or unsettled shares as at 31 December 2019, granted under the provisions of the LTIS 2018 Long Term Incentive Schemes in the current year.*
[8] *Resigned effective 31 August 2018.*
[9] *Stepped down from the Executive Committee effective 1 July 2018; Resigned 31 May 2019.*
[10] *Appointed Director of Information Services effective 1 July 2018.*
[11] *Appointed Chief Information Officer effective 1 December 2018.*
[12] *Appointed Chief Executive Officer effective 1 October 2019.*
[13] *Resigned effective 30 September 2019.*
[14] *Appointed Director of Marketing and Corporate Affairs effective 1 February 2019.*
[15] *Resigned effective 31 October 2019.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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
2019				
Z Bassa	Chairman of Group SRO Oversight Committee	**950**	**370**	**580**
F Daniels		**1 100**	**370**	**730**
N Fakude	Chairman of the Group Human Resources Committee	**790**	**370**	**420**
M Jordaan		**535**	**370**	**165**
SP Kana	Chairman of Group Audit Committee, Chairman of Group Social and Ethics Committee	**1 501**	**481**	**1 020**
F Khanyile		**875**	**370**	**505**
BJ Kruger		**760**	**370**	**390**
DM Lawrence		**1 020**	**370**	**650**
MA Matooane	Chairman of Group Risk Management Committee	**895**	**370**	**525**
NMC Nyembezi	Board Chairman, Chairman of Group Nominations Committee	**2 300**	**2 300**	**–**
		10 726	**5 741**	**4 985**
2018				
AD Botha[1]		361	170	191
Z Bassa[6]		128	58	70
F Daniels[7]		215	86	129
N Fakude	Chairman of the Group Human Resources Committee	822	345	477
M Jordaan		495	345	150
SP Kana	Chairman of Group Audit Committee, Chairman of Group Social and Ethics Committee	1 243	345	898
F Khanyile[8]		100	100	–
BJ Kruger[2]		367	201	166
DM Lawrence		805	345	460
MA Matooane	Chairman of Group Risk Management Committee, Chairman Group SRO Oversight Committee	861	345	516
AM Mazwai[3]		340	125	215
NP Mnxasana[4]		298	125	173
NMC Nyembezi	Board Chairman, Chairman of Group Nominations Committee	2 150	2 150	–
NG Payne[5]		575	204	371
		8 760	4 944	3 816

[1] *Resigned 18 May 2018.*
[2] *Appointed 1 June 2018.*
[3] *Resigned 18 May 2018.*
[4] *Resigned 18 May 2018.*
[5] *Stepped down 3 August 2018.*
[6] *Appointed 1 November 2018.*
[7] *Appointed 1 October 2018.*
[8] *Appointed 1 November 2018.*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
26. Deferred income				
Investor Protection Levy	**–**	1 959	**–**	1 959
Distribution from the JSE Guarantee Fund Trust	**–**	–	**10 640**	16 181
Initial listing fees	**6 803**	–	**6 803**	–
	6 803	1 959	**17 443**	18 140

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 Sector Conduct Authority "FSCA" 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: R50 million) and data centre (2011: R51 million). 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.

Initial listing fees

This amount represents monies for initial listing fees, which is recognised over an expected period based on an average listing period of issuers. This is also based on an average historical minimum life expectancy of a listed company. Any adjustments to the contract liability balance are charged against revenue.

The following amounts relate to the performance obligation from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2019:

	2020	**2021**
Revenue expected to be recognised	**470**	**470**

	2019 R'000	2018 R'000
Deferred income at 1 January	**–**	–
Deferred during the year	**7 044**	–
Recognised as revenue during the year	**(241)**	–
Balance at 31 December	**6 803**	–

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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 R1.5 billion (2018: R1.6 billion) for the year.

The associated companies and subsidiaries of the Group are identified in notes 13 and 14 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 note 14.3
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 R101 million 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 Sector Conduct Authority "FSCA". The funds received are recognised in deferred income in the JSE's separate financial statements and are systematically released to profit or loss 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	R93 million (2018: R123.0 million)

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

28. Leases

Impact on the statements of financial position as at 31 December 2019	2019 R'000	2018* R'000
Assets		
Right-of-use assets at initial application 1 January	**251 564**	–
Accumulated depreciation	**(39 005)**	–
Total assets	**212 559**	–
Lease liabilities		
Current portion	**36 469**	–
Non-current portion	**293 101**	–
Operating lease liability	**–**	106 840
Total liabilities	**329 570**	106 840

Impact on the statement of comprehensive income for the year ending 31 December 2019	2019 R'000	2018* R'000
Depreciation	**(39 005)**	–
IAS 17 rent expense	**59 519**	–
Profit/(loss) from operating activities	**20 514**	–
Finance cost	**(30 685)**	–
Impact on income tax expense	**2 848**	–
Impact on profit for the year	**(7 323)**	–

Changes in liabilities arising from financing activities	2019 R'000	2018* R'000
Opening balance 1 January 2019	**–**	–
Adoption of IFRS 16	**358 404**	–
Loan repayments for the year	**(59 519)**	–
Interest charges for the year	**30 685**	–
Balance 31 December 2019	**329 570**	**–**

Reconciliation as at 1 January 2019	1 January 2019
Operating lease obligations at 31 December 2018	472 086
Discounting	(113 682)
Present value of lease liabilities	358 404

As part of the modified retrospective transition approach, the Group has elected to use a single discount rate, applied to a portfolio with similar characteristics. The Group has adopted IFRS 16 using the modified retrospective method of adoption, using the incremental borrowing rate of 9% as opposed to the interest rate implicit to the lease, across all lease liabilities recognised in the statement of financial position at the date of initial application. Therefore, the comparative information for 2018 is reported under IAS 17 and not comparable to the information presented for 2019.

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

** Comparative figures relate to IAS 17*

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management

The Group has exposure to the following risks:

» Operational risk;
» Market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other market risk);
» Capital risk;
» Liquidity risk;
» Investment risk;
» Credit risk
» Counterparty risk; and
» Settlement risk

Risk management framework

The Group recognises that effective risk and opportunity management is fundamental to the achievement of its strategic objectives and its ability to respond to a fast-changing operating environment. 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 Group Risk Management Committee, which is responsible for developing the Group's risk and resilience management policies and monitoring risk exposures and identifying opportunities. The committee reports regularly to the Board of directors on its activities.

The Group's risk and resilience management policies are established to anticipate, withstand, respond to and recover from the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The aim of risk and opportunity management is to facilitate and coordinate the management of risks and the identification of opportunities. This is achieved by ensuring that:

» risks and opportunities are identified, assessed, managed and reported on a reliable and regular basis;
» resources are effectively allocated to manage risks and opportunities; and
» the JSE Group is compliant with regulatory requirements.

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 and resilience management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The success of risk and opportunity management is dependent on ensuring that risks and opportunities are contained within acceptable levels. Management are responsible for effectively managing risks and opportunities within their area of responsibility and identifying and informing the Board of potential risks. The Group Risk Management Committee is assisted in its role by the Group enterprise risk management function and Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of the risk and resilience management controls and procedures, the results of which are reported to the Group Risk Management Committee and Group Audit Committee.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

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 Information Technology (IT) cyber risk 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 its area of 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, as well as the adequacy of controls and procedures to address the risks identified;
- Requirements for Operational Resilience, which includes the identification of our points of failures, in order to put sufficient controls to prevent these from materialising;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Development of crisis plans (including communication plans);
- Development of IT and data security controls;
- Development of cyber controls (including detection controls)
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance, where this is effective.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

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 optimising 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 Information Services 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. There is therefore 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
2019						
Financial assets*	**169 383**	**–**	**–**	**169 383**	**–**	**–**
Trade receivables	**37 679**	**–**	**–**	**37 679**	**–**	**–**
Cash and cash equivalents	**131 704**	**–**		**131 704**	**–**	**–**
Financial liabilities	**(92 881)**	**(267)**	**(466)**	**(92 881)**	**(267)**	**(466)**
Trade payables	**(84 590)**	**(267)**	**(466)**	**(84 590)**	**(267)**	**(466)**
Long-term payables	**(8 291)**	**–**	**–**	**(8 291)**	**–**	**–**
Net exposure	**76 502**	**(267)**	**(466)**	**76 502**	**(267)**	**(466)**
2018						
Financial assets	190 435	–	–	190 435	–	–
Trade receivables	20 837	–	–	20 837	–	–
Cash and cash equivalents	169 598	–	–	169 598	–	–
Financial liabilities	(311)	–	–	(311)	–	–
Trade payables	(311)	–	–	(311)	–	–
Net exposure	190 124	–	–	190 124	–	–

** Other investments which include foreign exposure are considered as part of the fair value sensitivity analysis in note 30.*

As at 31 December 2019:

Bank buying rates
USD – 13.7023 (2018: 14.1216)
EUR – 15.3394 (2018: 16.1206)
GBP – 18.1034 (2018: 17.9332)

Bank selling rates
USD – 14.2287 (2018: 14.6470)
EUR – 16.0242 (2018: 16.8177)
GBP – 18.9578 (2018: 18.7547)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

29.2 Market risk (continued)

29.2.1 Currency risk (continued)

Sensitivity analysis

A 10% (2018: 10%) strengthening of the rand against the USD and a 5% (2018: 5%) strengthening of the rand against the GBP and EUR, respectively, at 31 December, would have decreased profit by R7.6 million (2018: R19.0 million) and equity by Rnil (2018: Rnil). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as 2018.

	Group		Company	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2019				
USD	**7 650**	**–**	**7 650**	**–**
GBP	**(13)**	**–**	**(13)**	**–**
EUR	**(23)**	**–**	**(23)**	**–**
Net impact	**7 614**	**–**	**7 614**	**–**
2018				
USD	19 012	–	19 012	–
Net impact	19 012	–	19 012	–

A 10% (2018: 10%) weakening of the rand against the USD and a 5% (2018: 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

29.2 Market risk (continued)

29.2.2 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 financial instruments. 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
2019				
Assets	**25 085 411**	**12 934 041**	**1 904 918**	**1 163 054**
Investments	**33 493**	**–**	**–**	**–**
JSE Clear Derivatives Default Fund collateral deposit	**347 000**	**153 000**	**–**	**100 000**
Margin and collateral deposits	**22 800 000**	**12 108 625**	**–**	**675 511**
Cash and cash equivalents	**1 904 918**	**672 416**	**1 904 918**	**387 543**
Liabilities	**(23 077 600)**	**(12 231 025)**	**–**	**(675 511)**
JSE Clear Derivatives Default Fund contributions	**(277 600)**	**(122 400)**	**–**	**–**
Margin and collateral deposits	**(22 800 000)**	**(12 108 625)**	**–**	**(675 511)**
Net exposure	**2 007 811**	**703 016**	**1 904 918**	**487 543**
2018				
Assets	26 125 003	13 884 113	1 785 000	1 198 855
Investments	18 003	–	–	–
JSE Clear Derivatives Default Fund collateral deposit	322 000	178 000	–	100 000
Margin and collateral deposits	24 000 000	12 927 249	–	502 620
Cash and cash equivalents	1 785 000	778 864	1 785 000	596 235
Liabilities	(24 268 000)	(13 059 249)	–	(502 620)
JSE Clear Derivatives Default Fund contributions	(268 000)	(132 000)	–	–
Margin and collateral deposits	(24 000 000)	(12 927 249)	–	(502 620)
Net exposure	1 857 003	824 864	1 785 000	696 235

Floating rate assets yield interest at call rates.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

29.2 Market risk (continued)

29.2.2 Fair value interest rate risk (continued

Sensitivity analysis

A change of 100 (2018: 100) basis points on the fixed rate bonds and 100 (2018: 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 in 2018.

	Group		Company	
	Profit or loss R'000	Equity R'000	Profit or loss R'000	Equity R'000
2019				
Fixed-rate bond: +100 bps	**–**	**(1 635)**	**–**	**–**
Fixed-rate bond: -100 bps	**–**	**1 515**	**–**	**–**
Floating-rate instruments: +100 bps	**6 724**	**–**	**3 875**	**–**
Floating-rate instruments: -100 bps	**(6 724)**	**–**	**(3 875)**	**–**
2018				
Fixed-rate bond: +100 bps	–	(816)	–	–
Fixed-rate bond: -100 bps	–	555	–	–
Floating-rate instruments: +100 bps	7 789	–	5 962	–
Floating-rate instruments: -100 bps	(7 789)	–	(5 962)	–

29.2.3 Other market price risk

The Group is exposed to the risk of fluctuations in the fair value of financial instruments through other comprehensive income 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 fair value financial instruments through other comprehensive income, the investments are managed by a reputable asset manager according to approved guidelines. The JSE Group's Audit Committee monitors the investments in unit trusts and financial instruments through other comprehensive income.

Sensitivity analysis – other market price risk

The fair value financial instruments through other comprehensive income 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 fair value financial instruments through other comprehensive income are listed on JSE Limited, with the majority of the investments included in the JSE All Share Index.

A 4% (2018: 4%) increase/decrease in the JSE All Share Index at the reporting date, with all other variables held constant, would have increased/decreased equity by R4.8 million (2018: R5.0 million) and profit by Rnil (2018: Rnil). This analysis is performed on the same basis as in 2018.

The collective investment schemes and protective cell funds are predominantly benchmarked against the MSCI World Index. A 5% (2018: 5%) increase/decrease in the MSCI World Index at the reporting date, with all other variables held constant, would have increased/decreased equity by R8.9 million (2018: R7.7 million). The analysis is performed on the same basis as in 2018.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

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.

	Group				Company		
	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	No stated contractual maturity R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
2019							
Financial assets	**30 669 776**	**7 770 000**	**1**	**363 955**	**2 338 235**	**910 000**	**107 431**
Other investments	–	–	1	338 758	–	–	–
Loan to the JSE Empowerment Fund Trust	–	–	–	25 197	–	–	–
Trade and other receivables (excluding payments in advance)	252 166	–	–	–	230 288	–	–
Interest receivable	201 651	–	–	–	–	–	–
Due from Group entities	–	–	–	–	49 975	–	7 431
Margin and collateral deposits	28 108 625	6 800 000	–	–	675 511	–	–
JSE Clear Derivatives Default Fund collateral deposit	440 000	60 000	–	–	–	–	100 000
Cash and cash equivalents	1 667 334	910 000	–	–	1 382 461	910 000	–
Financial liabilities	**(28 963 412)**	**(6 901 244)**	**(310 873)**	**–**	**(947 495)**	**(53 244)**	**(310 873)**
Trade payables	(266 695)	–	–	–	(250 764)	–	–
Lease liabilities	(15 644)	(48 573)	(303 088)	–	(15 644)	(48 573)	(303 088)
Long-term payables	(1 557)	(4 671)	(7 785)	–	(1 557)	(4 671)	(7 785)
Interest payable	(218 891)	–	–	–	(4 019)	–	–
JSE Clear Derivatives Default Fund collateral deposit	(352 000)	(48 000)	–	–	–	–	–
Margin and collateral deposits	(28 108 625)	(6 800 000)	–	–	(675 511)	–	–
Net impact	**1 706 364**	**868 756**	**(310 872)**	**363 955**	**1 390 740**	**856 756**	**(203 442)**

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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	No stated contractual maturity R'000	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000
2018							
Financial assets	16 306 380	24 109 000	1	328 608	2 098 369	1 015 000	131 876
Other investments	–	–	1	303 472	–	–	–
Loan to the JSE Empowerment Fund Trust	–	–	–	25 136	–	–	
Trade and other receivables (excluding payments in advance)	199 314	–	–	–	184 784	–	–
Interest receivable	224 953	–	–	–	–	–	–
Due from Group entities	–	–	–	–	44 730	–	31 876
Margin and collateral deposits	13 927 249	23 000 000	–	–	502 620	–	–
JSE Clear Derivatives Default Fund collateral deposit	406 000	94 000	–	–	–	–	100 000
Cash and cash equivalents	1 548 864	1 015 000	–	–	1 366 235	1 015 000	–
Financial liabilities	(14 627 479)	(23 075 200)	–	–	(626 703)	–	–
Trade payables	(141 644)	–	–	–	(118 932)	–	–
Interest payable	(233 786)	–	–	–	(5 151)	–	–
JSE Clear Derivatives Default Fund collateral deposit	(324 800)	(75 200)	–	–	–	–	–
Margin and collateral deposits	(13 927 249)	(23 000 000)	–	–	(502 620)	–	–
Net impact	1 678 901	1 033 800	1	328 608	1 471 666	1 015 000	131 876

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 Group considers a financial asset in default when payments are 120 days past due and all collection processes have been followed. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held be the Group. A financial asset is written off when there is no reasonable expectation of recovering the cash flows. The movement in trade receivables is not directly correlated to the ECL movement due to the different credit risk profile of the trade receivables in 2019.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

29. Financial risk management (continued)

29.4 Credit risk (continued)

The JSE is exposed to credit losses in the event of default by a clearing 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, clients 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 clients, 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 event of a clearing member default. This is a pre-funded resource whereby, in the event of any clearing member default. 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.

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Outstanding client receivables and contract assets are regularly monitored. The calculation of the expected credit loss reflects the possibility of default, loss given default as well as the time value of money available at reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

29.5 Capital

The Group defines "capital" as stated capital and retained earnings, as per the statement of financial position, within the respective entities.

The relevant risks for which capital is held, within JSE Limited and JSE Clear are:

» Operational risk, including legal risk;
» Investment risk; and
» Wind up/recovery risk.

In addition, JSE Limited holds capital for business risk.

JSE Limited holds additional levels of capital to finance future growth opportunities.

In compliance with the Financial Markets Act 2012, the JSE and JSE Clear are required to hold regulatory capital.

The Board believes JSE Limited and JSE Clear are sufficiently capitalised.

The Group Board monitors the level of capital and may issue new shares, adjust the amount of dividends paid to shareholders or return surplus capital to shareholders in JSE Limited and may issue new shares in JSE Clear.

The Group Board also monitors the return on equity as a measure of financial performance.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2019

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); and
- 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
2019					
Assets					
Other investments					
– Equity securities (financial instruments)	15.1/2	**121 045**	**184 220**	**–**	**305 265**
– Debt investments (financial instruments)	15.1/2	**–**	**33 493**	**–**	**33 493**
Total assets		**121 045**	**217 713**	**–**	**338 758**
2018					
Assets					
Other investments					
– Equity securities (financial instruments)	15.1/2	124 418	161 051	–	285 469
– Debt investments (financial instruments)	15.1/2	–	18 003	–	18 003
Total assets		124 418	179 054	–	303 472

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 fair value through OCI.

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. Level 2 is made up of debt instruments, protective cell funds and collective investment schemes, which is measured at the clean price and the foreign currency respectively.

If one or more of the significant inputs are 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 2019 R'000	Year ended 31 December 2018 R'000
Assets under administration		
Interest receivable	**189 800**	171 880
Fixed deposits	**22 100 000**	24 150 000
Current and call accounts	**13 299 959**	11 960 303
Total assets under administration	**35 589 759**	36 282 183

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 50 (2018: 50) days. At least 30% of the fund size must be invested on call at all times.

32. Contingent liabilities and commitments

32.1 Contingent liabilities

There are no contingent liabilities in the current year.

32.2 Commitments

The JSE Limited concluded a Share Sale Agreement with Link Market Services Limited ("LMS") on 26 August 2019, in terms of which the JSE Limited shall acquire from LMS 74.85% of all the shares in Link Market Services South Africa Proprietary Limited ("Link SA"), subject to the fulfilment of certain suspensive conditions, one of which is the approval of the Competition Authorities as indicated in the SENS Announcement dated 26 August 2019. The process of obtaining the approval of the Competition Authorities is underway. The purchase price agreed is R224 550 000 plus cash and in relation to this the JSE Limited reflects R224 550 000 as committed cash as at 31 December 2019.

32. Contingent liabilities and commitments (continued)

32.2 Commitments (continued)

The table below refers to the IAS 17 operating lease commitment in prior year. Refer to note 28 for IFRS 16 disclosure.

	Group 2018 R'000	Company 2018 R'000
32.2.1 These payments relate to operating lease agreements in respect of buildings from which the the JSE conducts it's business:		
Total future minimum lease payments under a non-cancellable operating lease:		
Not later than one year	56 991	56 991
Between one and five years	356 955	356 955
Later than five years	58 140	58 140
	472 086	472 086

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

	Group 2018 R'000	Company 2018 R'000
32.2.2 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	252	252
Between one and five years	81	81
	334	334

33. 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 that have occurred between 31 December 2019 and the date of this report.

Corporate information and directorate

JSE Limited
(Incorporated in the Republic of South Africa)
Registration number: 2005/022939/06
Share code: JSE
ISIN: ZAE000079711
LEI: 213800MZ1VUQEBWRFO39

Registered office
One Exchange Square
2 Gwen Lane
Sandown, 2196

Postal address
Private Bag X991174 Sandton 2146

Contacts
Telephone: +27 (0) 11 520 7000
Web: www.jse.co.za
Investor relations: ir@jse.co.za
Group company secretary: GroupCompanySecretary@jse.co.za

Directors as at 31 December 2019
N Nyembezi[1] (Chairman)
Z Bassa[1]
F Daniels[1]
VN Fakude[1]
Dr M Jordaan[1]
Dr SP Kana[1]
FN Khanyile[1]
BJ Kruger[2]
DM Lawrence[2]
Dr MA Matooane[1]
Dr Leila Fourie (Group CEO)[3, 4]
A Takoordeen (CFO)[3]

Alternate director
JH Burke[5]

Changes to the Board
NF Newton-King (former CEO)[3, 6]
S Cleary[1,7]

[1] *Independent non-executive director*
[2] *Non-executive director*
[3] *Executive director*
[4] *Appointed effective 1 October 2019*
[5] *Resigned effective 1 February 2020*
[6] *Resigned effective 30 September 2019*
[7] *Appointed effective 1 February 2020*

Group Company Secretary
GA Brookes

Transfer secretary
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman and Rivonia Road
Sandton, 2196

Auditors
Ernst & Young Inc
102 Rivonia Road
Sandton, 2196

Bankers
First National Bank of SA Limited Corporate Account Services
4 First Place
Bank City
Simmonds Street
Johannesburg, 2001

Investor queries should be directed to ir@jse.co.za and will be redirected where necessary to the appropriate Board member or executive for a response.

Governance and secretarial queries should be directed to ***GroupCompanySecretary@jse.co.za***