
JSE



ANNUAL RESULTS

JSE LIMITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016



ANNUAL RESULTS

Contents

Presentation	2
Commentary	17
Consolidated statement of comprehensive income	20
Consolidated statement of financial position	21
Consolidated statement of changes in equity	22
Consolidated statement of cash flows	23
Selected notes to the consolidated financial statements	24



2016 YEAR-END RESULTS JSE Limited

28 February 2017

Notes:



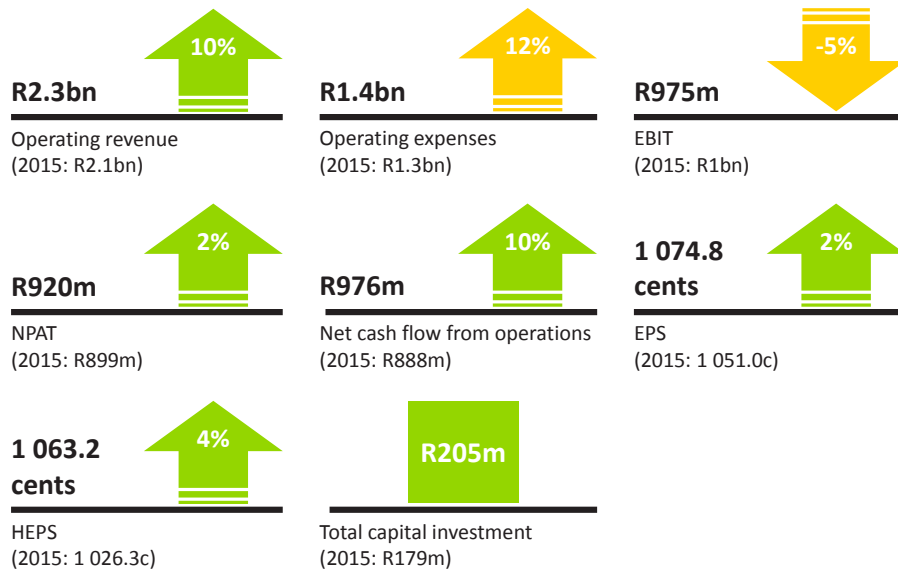
What 2016 meant for our stakeholders

- South Africa navigated a particularly noisy socio-economic environment
- Key global markets experienced socio-economic upheavals
- We listed ABInBev SA/NV (the worlds largest brewer), Hammerson plc (one of the UKs leading REITs) and 7 AltX Listings, among 18 new listings
- We moved to T+3 equity settlement with zero failed trades to date (something for which we know of no international precedent)
- We upgraded our equity trading engine and implemented new large order functionality to allow clients to execute large orders with lower market impact
- We reduced certain BDA and equity trading fees considerably
- Liquidity on the local register grew to nearly 80%
- Real traction has been gained in implementing the electronic trading platform for government bonds;
- Value traded grew in almost all the derivative markets
- We launched new initiatives to support the development of our black brokers to facilitate the trading of BEE schemes
- We invested R205 million in capex to enable us to deliver faster, more reliable systems to our clients
- New exchange licences have been granted in South Africa

2

Notes:

How this translated in our business



▪ Ordinary dividend: ↑ 8% to 560 cents per share (2015: ordinary 520 cents; special 105 cents)

3

Notes:

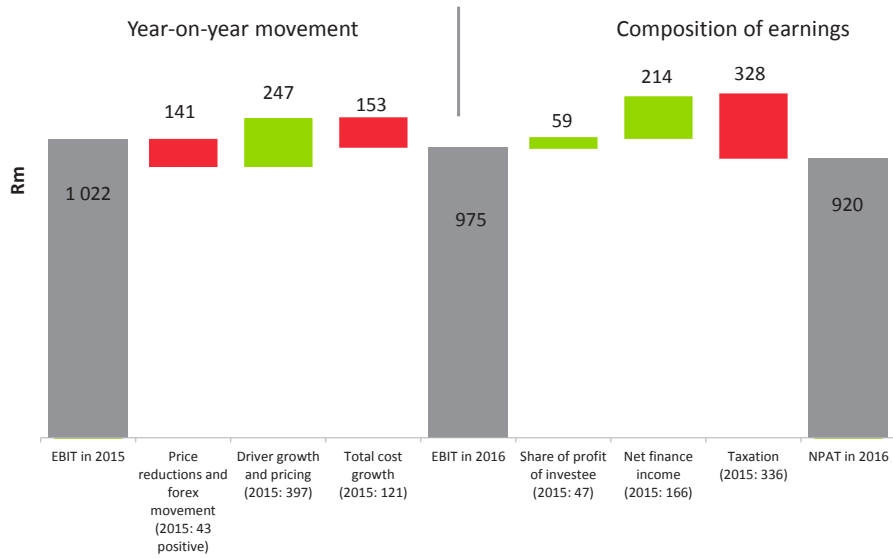
Financial performance

(Rm)	2016	2015
Revenue	2 339	2 133
Other income	46	146
Total revenue	2 385	2 279
Personnel expenses	(565)	(496)
Other expenses	(845)	(761)
Total expenses	(1 410)	(1 257)
EBIT	975	1 022
EBIT %	41%	45%
Net finance income	214	166
Share of profit of equity-accounted investee	59	47
Profit before income tax	1 248	1 235
Income tax expense	(328)	(336)
NPAT	920	899
NPAT %	39%	39%
EPS (cents)	1 074.8	1 051.0
HEPS (cents)	1 063.2	1 026.3

4

Notes:

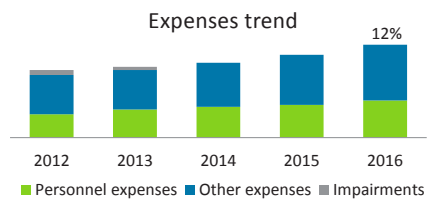
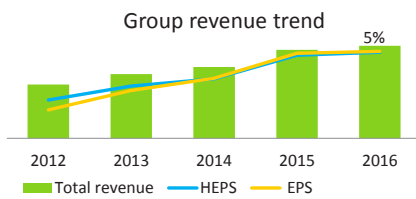
Earnings bridge



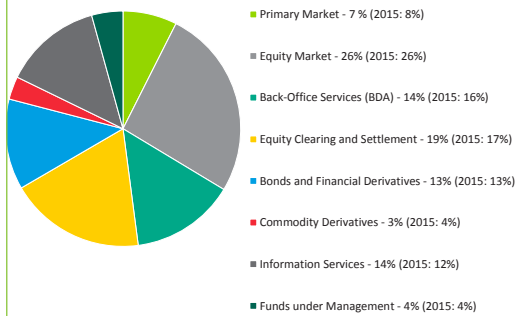
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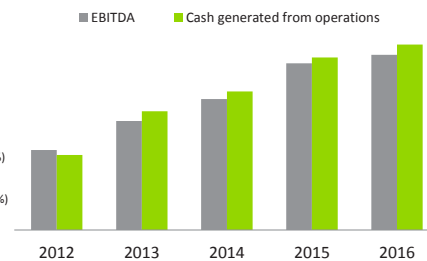
Trends



2016 revenue as a % total



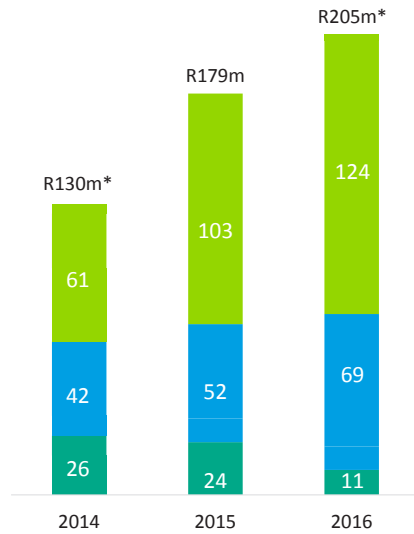
EBITDA and cash generated from operations



6

Notes:

External and internal capital expenditure



*Contains rounding difference

GROW THE BUSINESS

- Colocation - 2014
- Integrated Trading and Clearing Project 1 - 2014, 2015, 2016
- ETP for government bonds - 2016
- Company services - 2014

MAINTAIN THE BUSINESS

- Market data automation - 2014
- Issuer regulation system - 2014
- Customer relationship management system - 2015, 2016
- Business as usual – 2014, 2015, 2016

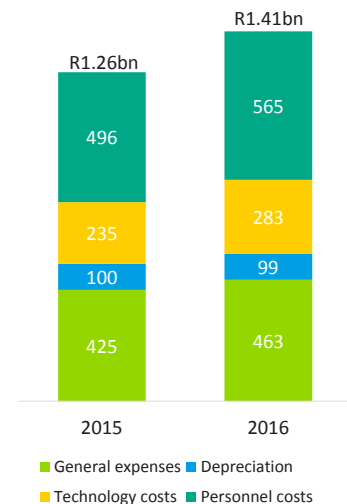
REGULATORY

- T+3 Phase 2 - 2014
- T+3 Phase 3 - 2014, 2015, 2016

7

Notes:

Operating expenditure



Total operating expenses ↑ 12% to R1.41bn (2015: R1.26bn)

- Personnel costs ↑ 14% or R69m to R565m (2015: R496m). This is made up as follows:

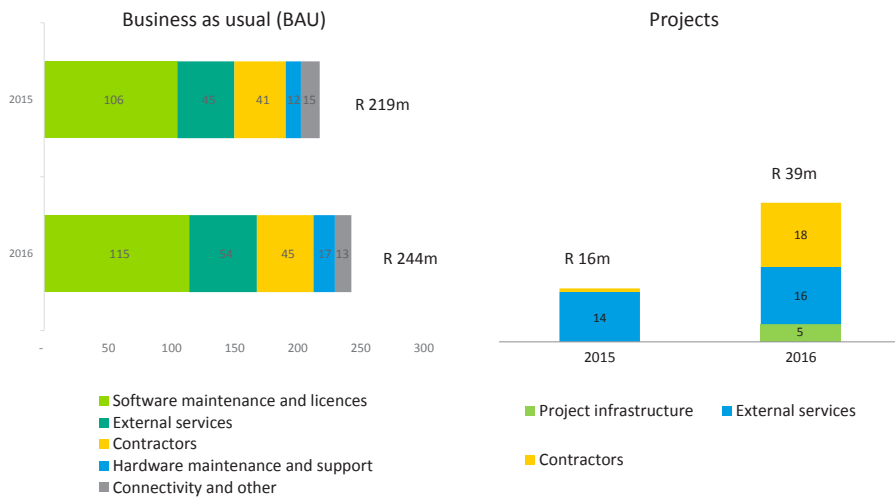
- Gross remuneration per employee ↑ 7% and average headcount ↑ 1%. This, together with the impact of the change in the mix of staff, resulted in a net 11% increase in the payroll bill or an increase of 8 percentage points. Headcount at year-end was 483 (2015: 506)
- The accounting impact for the long-term incentive scheme (LTIS) ↑ R13 million to R43 million (2015: R30 million) contributing 3 percentage points to the growth. This amount includes a R4 million accelerated recognition for good leavers
- Retention payments amounting to R9 million (2015: R0 million), contributing 2 percentage points to growth
- The discretionary reward pool increased to R88.9m (9.7% of NPAT) from R85.9m in 2015 (9.6% of 2015 NPAT). This increase of R3m in the reward pool contributed 1 percentage point to the growth in personnel costs
- Remuneration capitalised to projects ↑ R1 million to R19 million (2015: R18 million) as work on strategic projects continues

- Technology costs ↑ 20% or R48 million to R283 million (2015: R235 million) as we maintained our technology investments to ensure we are able to deliver robust products and services to our clients
- Depreciation was largely flat at R99 million (2015: R100 million)
- General expenses ↑ 9% to R463m (2015: R425m)

8

Notes:

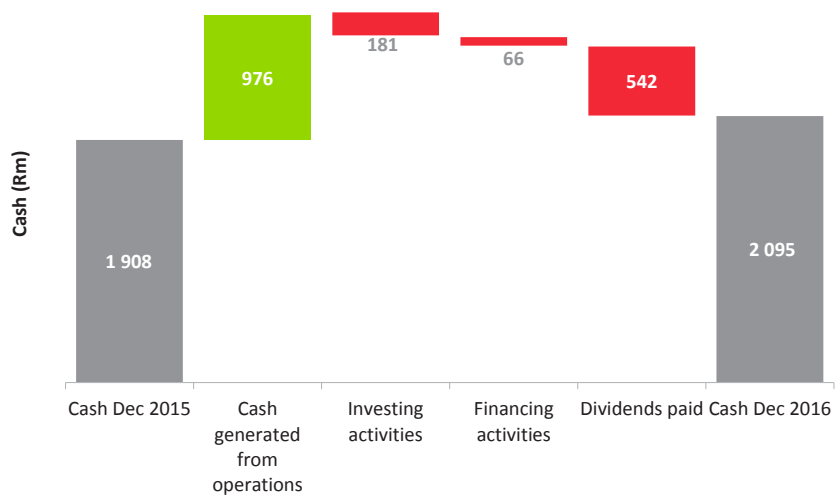
Technology costs composition and growth



9

Notes:

Cashflow view

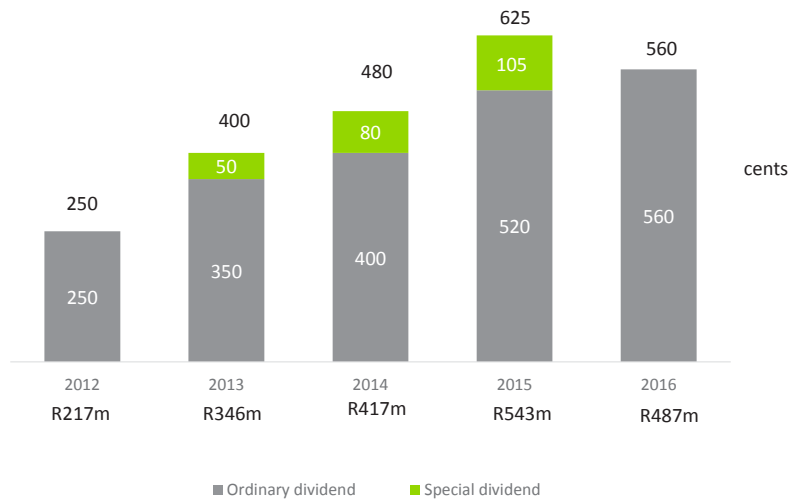


- Strong balance sheet and no debt

10

Notes:

Dividend history



11

Notes:

Capex – external spend

(Rm)

Project/Initiative	2016	2017
T+3 Phase 3	10	-
Integrated Trading and Clearing Project 1	108	120
ETP for government bonds	2	2
Customer relationship management system	9	-
HR system	-	6
Project capex	126	128
Business as usual	59	80
Total capex spend	185	208

Total capex spend on the Integrated Trading and Clearing Project is expected to be in the order of R400m by end-2017

Strategic initiatives – investments yet to be quantified and not in 2016 results:

- Post-Trade Services strategy
- Information Services strategy
- Integrated Trading and Clearing Project 2
- Umnotho – retail-focused trading

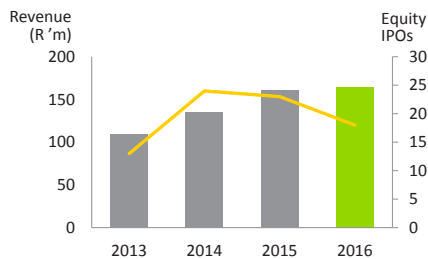
12

Notes:

BUSINESS REVIEW

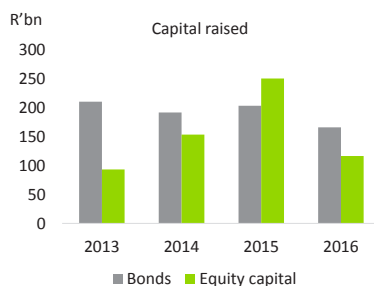
Notes:

Capital Markets: Primary Market



7% of total revenue

- Revenue ↑2% to R164m (2015: R161m)
 - 18 new company listings, 2 new ETFs, 1 ETN, 203 warrants and 77 structured products (2015: 23 listings; 2 ETFs; 1 ETN; 264 warrants; 49 structured products)
 - New: 5 REITs, 1 SPAC and 2 fast-track listings
 - 7 new listings on AltX in 2016
 - Delistings: 25 (2015: 19)
 - 858 new bonds issued/listed (2015: 942). Total nominal value of listed bonds was R2.7tr (2015: R2.3tr)



Strategic focus for 2017

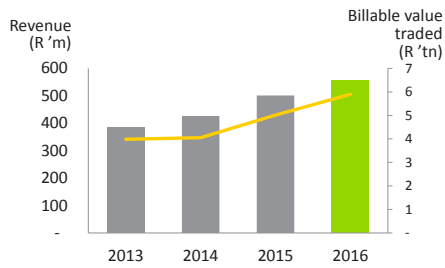
- Inward, fast-track listings and alternative REITs structures
- Listed project bonds
- Professionals market
- Development of sub-AltX counters

Revenue % changes calculated on unrounded figures

14

Notes:

Capital Markets: Equity Market

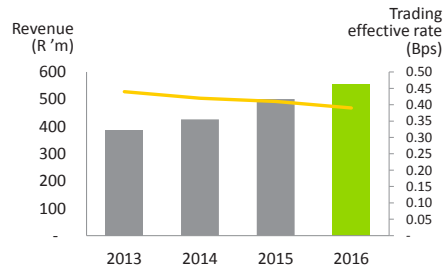


26% of total revenue

- Revenue ↑ 11% to R555m (2015: R501m) – following billable value traded ↑ 18%
- Trades ↑ by 15% to 71m (2015: 46m)
- Colocation – 31% of overall value traded
- Integrated Trading and Clearing Project – Equity Market enhancements implemented

Strategic focus for 2017

- Pricing to incentivise greater activity
- Refined Equity Market enhancements
- New trading products in response to client demand

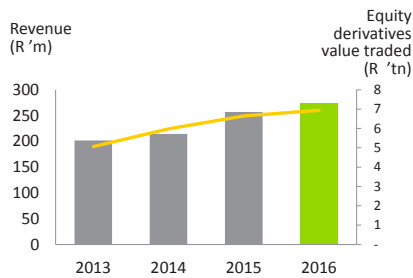


Revenue % changes calculated on unrounded figures

15

Notes:

Capital Markets: Bonds and Financial Derivatives

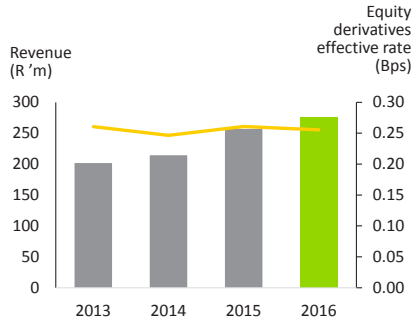


13% of total revenue

- Revenue ↑ 7% to R275m (2015: R257m)
 - Equity derivatives revenue ↑ 2% to R177m (2015: R173m). Contracts traded ↓ 5% to 427m (2015: 448m). Value traded ↑ 4% to R6.9tr (2015: R6.6 tr)
 - Currency derivatives revenue ↑ 12% to R38m (2015: R34m). Contracts traded ↑ 7% to 48.3m (2015: 45.16m). Value traded ↑ 22% to R734bn (2015: R604bn)
 - Interest Rate Market revenue ↑ 20% to R60m (2015: R50m). Bond Market volumes ↑ 22% to a nominal value of R27tr in 2016 (2015: R23tr). Interest rate derivatives contracts traded ↑ 66% to 9.4m (2015: 5.7m)

Strategic focus for 2017

- Upgrading Equity Derivatives and Currency Markets trading platform through ITaC
- Implementing the electronic trading platform for government bonds
- Refinancing renewable energy
- Infrastructure products
- Simplifying billing models to incentivise liquidity

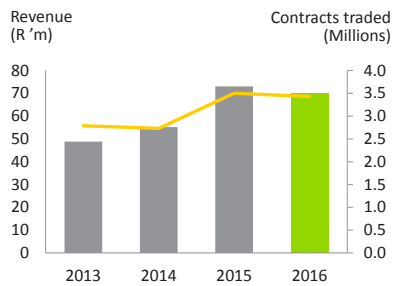


Revenue % changes calculated on unrounded figures

16

Notes:

Capital Markets: Commodity Derivatives

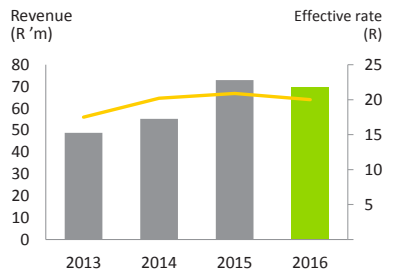


3% of total revenue

- Revenue ↓ 4% to R70m (2015: R73m)
 - Value traded ↑ 28% to R957.84bn (2015: R749.4bn)
 - Contracts traded ↓ 2% to 3.4m (2015: 3.5m)

Strategic focus for 2017

- Cash settled: lamb carcass, merino wool, and feeder calf contracts
- First trade in Zambian commodity contracts with trading and clearing in US dollars



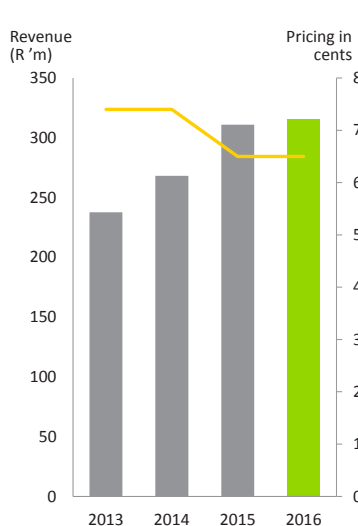
Revenue % changes calculated on unrounded figures

17

Notes:

Post-Trade Services: Back-Office Services (BDA)

(previously under Trading and Market Services)



14% of total revenue

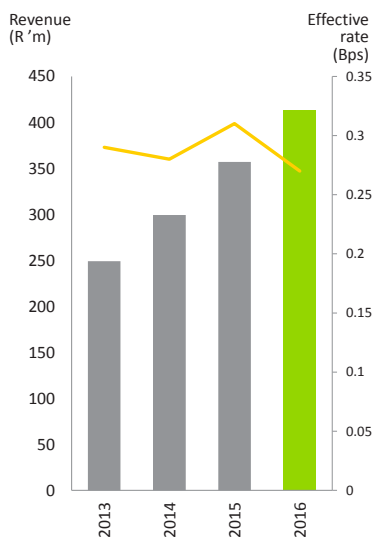
- Revenue ↑ 2% to R316m (2015: R311m) net of reduction
 - Net of R34m impact of 20% BDA fee reduction: lower fee per transaction; discontinuation of transaction storage fees
 - Follows Equity Market transaction volumes
- R112m in reductions from 2013 to end-2016 following
 - R38m in rebates (2013: R11m; 2014: 5m; 2015: R22m)
 - R74m in price reductions (2015: R18m; 2016: R56m)

Revenue % changes calculated on unrounded figures

18

Notes:

Post-Trade Services: Equity Clearing and Settlement



19% of total revenue

- Revenue ↑ 16% to R413m (2015: R357m)
- T+3 implemented on time and under budget
 - maintained zero failed trade record
- JSE Clear recognised by European Union's Securities and Markets Authority as "equivalent" to CCPs in the EU

Strategic focus for 2017

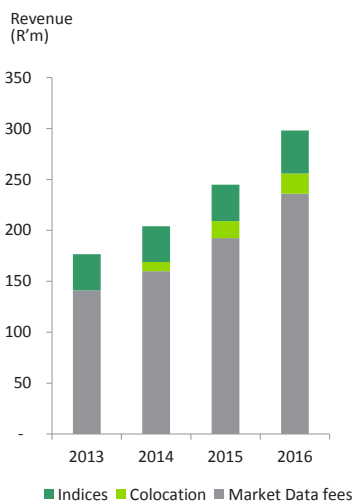
- ITaC – new clearing functionality
- Revision of the equity risk model
- Migration of JSE Clear to an independent clearing house
- Margin optimisation

Revenue % changes calculated on unrounded figures

19

Notes:

Information Services: Includes Market Data



14% of total revenue

- Revenue ↑ 22% to R298m (2015: R245m)
 - 44 new clients (29 local; 15 international)
 - Passive tracking products ↑ by 10
 - Number of terminals accessing JSE data: ↑ 6.59%

Strategic focus for 2017

- Diversify data products beyond equities
- Increase and grow the JSE index offering
- Manage JSE data as an asset with benchmarked governance and quality

Revenue % changes calculated on unrounded figures

20

Notes:

Operating environment 2017

Globally:

- Continued uncertainty and volatility across the globe including:
 - the US (following the presidential elections)
 - the UK and the EU (following Brexit)
 - France and Germany (elections)
- Continued regulatory attention and pressure on financial markets
- Increased corporate activity and innovation among our global exchange peers, specifically in the post-trade and the information services areas
 - Identified as JSE post-2017 growth area
- Continued acceleration in technological innovation

SA:

- Continued political noise
- Persistent low growth, with increasing impatience from the economically marginalised
- Possible slight moderation in inflationary pressures, aided by a potentially stronger ZAR relative to 2016
- New exchange licences granted and recent entrants start operating
- Continued regulatory developments, including twin peaks implementation
 - National regulators drive towards global regulatory compliance

21

Notes:

2017 strategic priorities

- JSE well positioned for competitive exchange landscape
- Replacement of equity and currency derivatives trading and clearing systems through projects 1b and c of ITaC
- Finalising the ETP for government bonds
- Navigating changes following twin peaks regulatory implementation
- Building deeper competence in key areas of our post-2017 strategy:
 - Post-trade services, where we intend to expand our clearing and ancillary post-trade services
 - Information services, where we plan to build our index and market data businesses
- Being a constructive participant in the SA Inc. dialogue

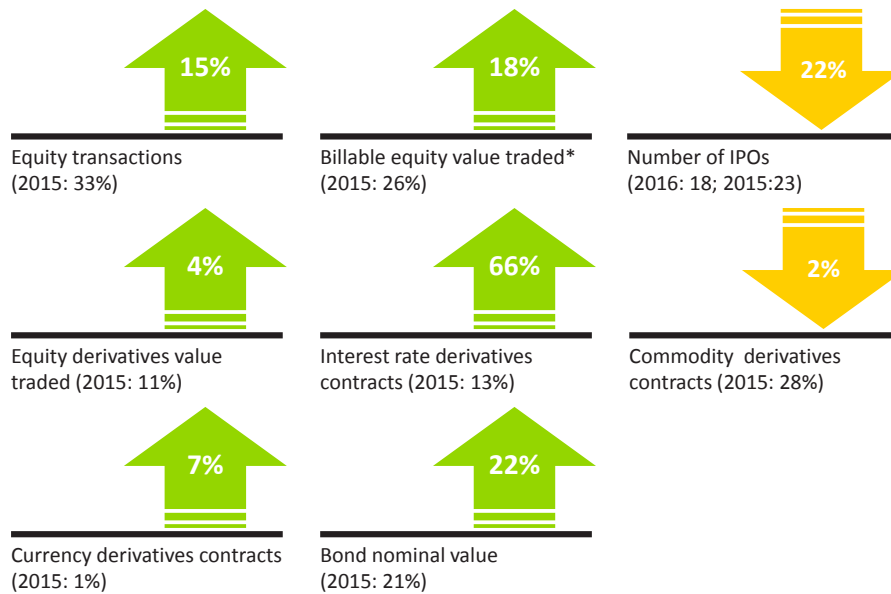
22

Notes:

QUESTIONS

Notes:

2016 financial drivers



24

Notes:

Capital Markets: Bonds and Financial Derivatives

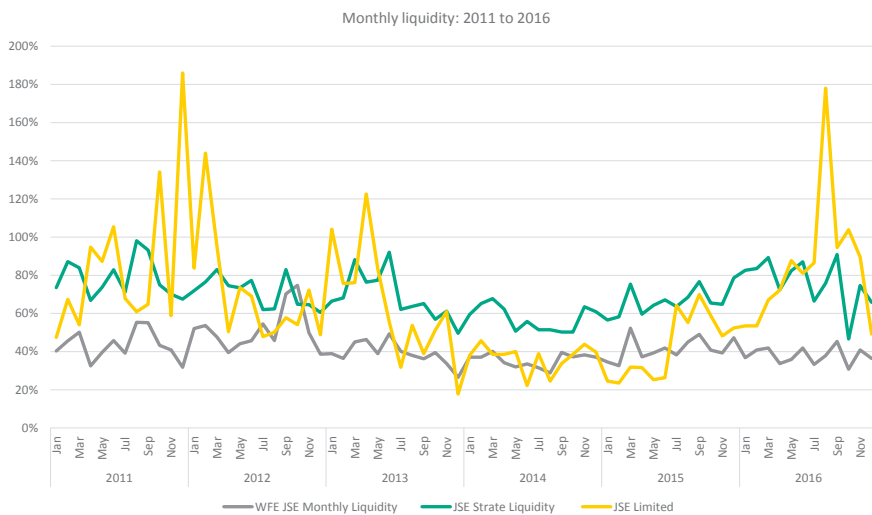


Revenue % changes calculated on unrounded figures

25

Notes:

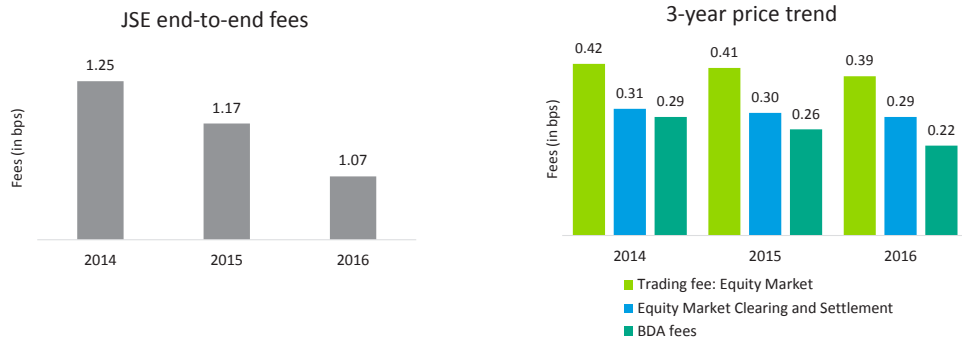
JSE Liquidity



26

Notes:

Equity Market: JSE effective pricing trend

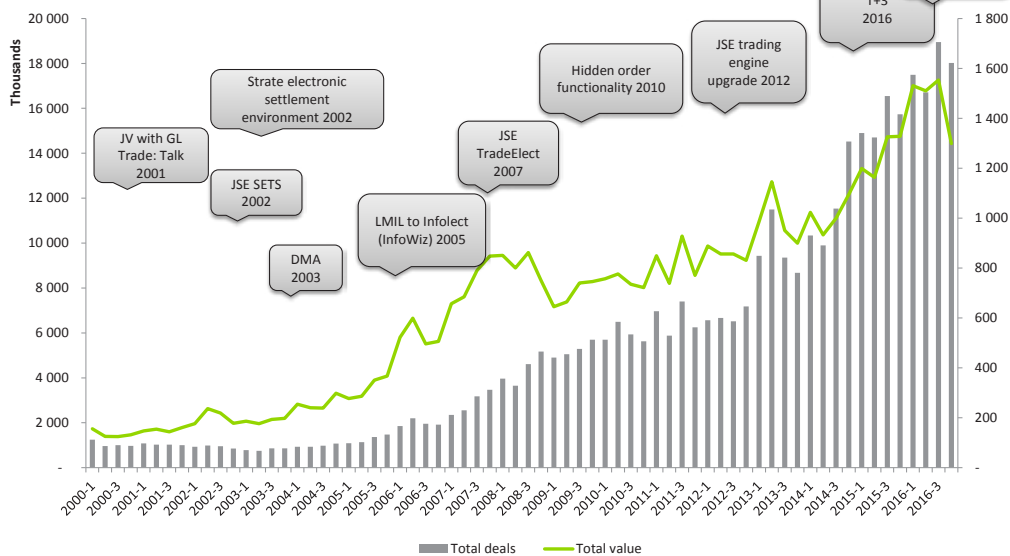


- 2013: End of a flat-fee-per-trade billing model. Introduced value based billing model for the trading fee
- 2014: Introduced value based billing model for the Clearing and Settlement (C&S) fee
- Fee caps on equity trading and C&S have been increasing with inflation over time
- 2015: BDA fee reduced by 20%
- 2016: Option Delta (OD) fee reduced to zero
- 3-year average is 1.16 bps

27

Notes:

Technology development drives trade



28

Notes:

Financial metrics

Ratios	2016	2015	2014	2013	2012	2011
Operating margin	41%	45%	38%	35%	28%	27%
EPS	1 074.8	1 051.0	742.4	592.1	351.8	400.8
HEPS	1 063.2	1 026.3	735.0	644.6	473.2	562.4
PE	15.3	12.2	16.3	15.2	22.2	14.9
Dividend yield (ordinary)	3.4%	4.1%	3.3%	3.9%	3.2%	2.9%
Dividend yield (total)	3.4%	4.9%	4.0%	4.5%	3.2%	2.9%
EBITDA	1 074	1 123	803	669	490	436
ROE	28%	30%	26%	23%	16%	19%

29

Notes:

Summarised consolidated annual results and cash dividend declaration

FOR THE YEAR ENDED 31 DECEMBER 2016

RESPONSIBILITY FOR ANNUAL RESULTS

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

COMMENTARY

We are pleased to report that the JSE Group earnings after tax grew by 2% to R920 million (2015: R899 million). This was achieved against the following backdrop:

- South Africa navigated a particularly noisy socio-economic environment;
- Key global markets experienced socio-economic upheavals;
- The JSE listed ABInBev SA/NV (the world's largest brewer), Hammerson plc (one of the UK's leading real estate investment trusts (REITs) and 7 AltX listings, among 18 new listings;
- The JSE moved to T+3 equity settlement with zero failed trades to date (something for which we know of no international precedent);
- We upgraded our equity trading engine and implemented new large order functionality to allow clients to execute large orders with lower market impact;
- We reduced certain BDA and equity trading fees considerably;
- Liquidity on the local register grew to nearly 80%;
- Real traction has been gained in implementing the electronic trading platform for government bonds;
- Value traded grew in almost all the derivative markets;
- We launched new initiatives to support the development of our black brokers to facilitate the trading of BEE schemes;
- We invested R205 million in capex to enable us to deliver faster, more reliable systems to our clients; and
- New exchange licences have been granted in South Africa.

Operating revenue rose by 10% to R2.3 billion (2015: R2.1 billion). Group earnings before interest and tax (EBIT) decreased by 5% to R975 million (2015: R1 billion) following the impact of price reductions, forex movement and cost growth. Although EBIT declined, the positive contribution from higher finance income and a higher contribution from Strate (the Group's equity accounted investee) supported net profit after tax (NPAT) growth for 2016.

Earnings per share (EPS) and headline earnings per share (HEPS) were at 1 074.8 cents (up 2%) and 1 063.2 cents (up 4%) respectively.

REVENUE

Operating revenue grew despite higher year-on-year fee reductions of R34 million (2015: R18 million) in Back-Office Services (BDA) and the impact of the R30 million (2015: R0 million) elimination of charges for certain report-only trades in 2016. The following contributions to operating revenue are worth noting:

- The Primary Market recorded a 2% increase in revenue to R164 million (2015: R161 million) as a result of equity listing fees being brought in line with global peers;
- Equity Market billable value traded grew by 18%, contributing to an 11% increase in cash equities trading revenue to R555 million (2015: R501 million). The revenue reflected is net of the fees eliminated for certain report-only trades (R30 million);
- BDA revenue grew by 2% to R316 million (2015: R311 million) owing to increased number of transactions. The revenue reflected is net of fee reductions of R34 million;
- The Equity Derivatives Market value traded increased by 4%, resulting in a 2% increase in revenue to R177 million (2015: R173 million);
- Currency Derivatives Market revenue increased by 12% to R38 million (2015: R34 million) owing to the increase in the number of contracts traded (up 7%);
- Interest Rate Market bond nominal value traded increased by 22%, resulting in a 20% increase in revenue to R60 million (2015: R50 million). This was on the back of two SARB Monetary Policy Committee repo rate hikes in 2016 and continued expectations that the US Federal Reserve would hike interest rates;
- Commodity derivatives revenue declined by 4% to R70 million (2015: R73 million) owing to a 2% drop in commodity derivatives contracts. 2016 was a tough year for the grains sector, as the drought significantly reduced the available deliverable supply of grains, negatively impacting trading volumes;
- Post-Trade Services grew by 16% to R413 million (2015: R357 million) following the increase in equity billable value traded; and
- Information Services, which includes Market Data, grew revenue by 22% to R298 million (2015: R245 million) because of new business, new clients, new products, colocation and the impact of forex gains.

OTHER INCOME

Year-on year Group revenue growth was negatively impacted by a R14 million forex loss (2015: R83 million forex gain) on foreign denominated assets.

OPERATING EXPENDITURE

The Group's total operating expenses increased by 12% to R1.4 billion (2015: R1.3 billion) following higher technology investment, staff costs and expenses to support our ecosystem.

Personnel costs increased by 14% (R69 million) to R565 million (2015: R496 million). This is made up as follows:

- Gross remuneration per employee increased by 7% and average headcount increased by 1%. This, together with the impact of the change in the mix of staff, resulted in a net 11% increase in the payroll bill or an increase of 8 percentage points. Headcount at year-end was 483 (2015: 506).
- The accounting impact for the long-term incentive scheme (LTIS) increased by R13 million to R43 million (2015: R30 million), contributing 3 percentage points to the growth. This amount includes a R4 million accelerated recognition for good leavers.
- Retention payments amounting to R9 million (2015: R0 million), contributed 2 percentage points to growth.
- The discretionary reward pool increased to R88.9 million (representing 9.7% of NPAT) from R85.9 million in 2015 (representing 9.6% of 2015 NPAT). This R3 million increase in the reward pool contributed 1 percentage point to the growth in personnel costs.
- Remuneration capitalised to projects increased by R1 million to R19 million (2015: R18 million) as work on strategic projects continues.

Technology costs increased by 20% or R48 million to R283 million (2015: R235 million) as we maintained our technology investments to ensure robust product and service delivery to our clients.

General expenses increased by 9% to R463 million (2015: R425 million).

Depreciation was largely flat at R99 million (2015: R100 million).

ROBUST BALANCE SHEET

We generated R976 million (2015: R888 million) and ended the year with a robust balance sheet, including R2 billion (2015: R1.9 billion) in cash, owing to strong working capital management.

We invested R205 million in capex to enable us to deliver more reliable systems.

The Board believes that the JSE is appropriately capitalised, given the nature of the risks we currently face and given the uncertain nature of future regulatory capital requirements.

PROSPECTS

Despite the difficult economic environment in which, for the first time, we expect to see local licensed exchange competitors, we are clear about our 2017 priorities and hence the issues that we need to tackle to achieve our strategy and grow this business sustainably.

The JSE is a largely fixed-cost business. Therefore we will maintain our focus on costs, while making the necessary capital investments in areas that will enhance the Group's sustainability and diversify revenue.

Our revenues are variable and largely driven by activity on the various markets that we operate. For this reason, the Board makes no projections regarding the Group's financial performance in 2017.

REGULATION

South African financial sector policy makers and regulators have guided the Financial Sector Regulation Bill, also known as the Twin Peaks Bill, through the Standing Committee on Finance in Parliament. The Regulations primarily provide for the regulation of the over-the-counter derivatives market but include the governance, capital requirements and risk requirements for market infrastructures (exchanges, clearing houses, central counterparties, central depositories and trade repositories). This Bill will impact both how the JSE is regulated and the cost of operating in a regulated environment. The JSE is ready to meet the new regulatory capital requirements and is exploring opportunities to provide products and services to give capital relief to its clients.

ACCOLADES

South Africa's overall rating in the World Economic Forum Global Competitiveness Index improved in the 2016-2017 rankings, to 47th from 49th last year and from 52nd in 2012-2013. The financial sector and corporate governance continue to be highlights for South Africa and we have top three global rankings in the following categories: strength of auditing and reporting standards; protection of minority shareholders' rights; and financing through the local equity market. We are number two in financial services meeting business needs and soundness of banks, as well as number three in the efficacy of corporate boards and the regulation of securities exchanges. These accolades demonstrate how relevant and competitive our financial sector remains.

CHANGES TO DIRECTORATE DURING THE PERIOD UNDER REVIEW

In 2016, there was the following change to our Board:

- Dr Leila Fourie, director of Post-Trade and Information Services, resigned with effect from 18 July 2016 following her emigration.

In 2016, there were a number of changes to our Executive Committee:

- Dr Alicia Greenwood was appointed with effect from 1 February 2016 as director of Post-Trade Services;
- Leanne Parsons was appointed with effect from 1 July 2016 as director of Information Services;
- Tswantsho Matsena was appointed with effect from 1 July 2016 as director of Trading and Market Services; and
- Donald Khumalo was appointed with effect from 1 November 2016 as director of Human Resources.

DECLARATION OF ORDINARY DIVIDEND

The Board has decided to declare an ordinary dividend for the year ended December 2016 at 560 cents per ordinary share (2015: 520 cents ordinary; 105 cents special). We aim for growth in the nominal value of the ordinary dividend over time. Accordingly, notice is hereby given that the directors have declared the following:

Dividend	Annual gross amount	Withholding tax %	Net amount
Ordinary	560 cents	20	448 cents

The dividend has been declared from retained earnings. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividends are payable to shareholders recorded in the register of members of the Company at the close of business on 24 March 2017.

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

Dividend paid in year in respect of financial year ended	31 December 2016	31 December 2015
Ordinary dividend per share	560 cents	520 cents
Special dividend per share	–	105 cents
Rand value	R487 million	R543 million
Declaration date	Tues, 28 February 2017	Thur, 25 February 2016
Last date to trade JSE shares cum dividend	Mon, 20 March 2017	Fri, 11 March 2016
JSE shares commence trading ex-dividend	Wed, 22 March 2017	Mon, 14 March 2016
Record date for purposes of determining the registered holders of JSE shares to participate in the dividend at close of business on	Fri, 24 March 2017	Fri, 18 March 2016
Date of payment of dividend	Mon, 27 March 2017	Tue, 22 March 2016

Share certificates may not be dematerialised or rematerialised from Wednesday, 22 March 2017, to Friday, 24 March 2017, both days inclusive.

On 27 March 2017, 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 27 March 2017 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 27 March 2017.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth annual general meeting (AGM) of shareholders of the JSE will be held at the JSE on 18 May 2017, at 16:00, to transact the business as stated in the AGM notice forming part of the annual financial statements. The AGM notice includes the proxy form.

Only persons physically present at the meeting or represented by a valid proxy will be entitled to cast a vote on any matter put to a vote of shareholders.

SALIENT DATES FOR 2017 AGM

Record date to determine which shareholders are entitled to receive the notice of AGM	17 March 2017
Last day to trade in order to be eligible to attend and vote at the annual general meeting	9 May 2017
Record date to determine which shareholders are entitled to attend and vote at the AGM	12 May 2017
Forms of proxy for the annual general meeting to be lodged by 16:00*	16 May 2017

*Any proxies not lodged by this time must be handed to the chairperson of the AGM immediately prior to the AGM.

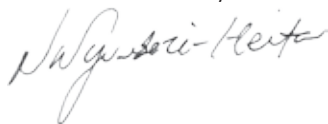
APPRECIATION

This has been a challenging year, but the threats and opportunities we encountered in 2016 have renewed our focus and energised our business. We believe this focus and energy will be critical to establishing our long-term sustainability.

We would like to thank all our stakeholders for their interaction with us and with the JSE team. We look forward to continuing our work in this regard.

APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of the JSE Limited, as identified in the first paragraph, were approved by the Board of directors on 28 February 2017 and signed by:



N Nyembezi-Heita
Chairman



N Newton-King
Chief Executive Officer

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

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	Group	
		2016 R'000	2015 R'000
Revenue	8	2 338 796	2 133 548
Other income		46 402	145 887
Personnel expenses	9	(564 996)	(495 759)
Other expenses	10	(845 144)	(760 920)
Profit from operating activities		975 058	1 022 756
Finance income		3 249 286	2 133 136
Finance costs		(3 035 497)	(1 967 342)
Net finance income		213 789	165 794
Share of profit of equity-accounted investee (net of income tax)		59 066	46 568
Profit before income tax		1 247 913	1 235 118
Income tax expense	11	(328 211)	(335 640)
Profit for the year		919 702	899 478
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		(22 331)	24 191
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(16 328)	(20 644)
Other comprehensive income for the year, net of income tax		(38 659)	3 547
Total comprehensive income for the year		881 043	903 025
Earnings per share			
Basic earnings per share (cents)	12.1	1 074.8	1 051.0
Diluted earnings per share (cents)	12.2	1 062.1	1 040.3
Other earnings			
Headline earnings per share (cents)	12.3	1 063.2	1 026.3
Diluted headline earnings per share (cents)	12.4	1 050.7	1 015.8

Consolidated statement of financial position

As at 31 December 2016

	Notes	Group	
		2016 R'000	2015 R'000
ASSETS			
Non-current assets		1 244 388	1 115 895
Property and equipment		173 047	165 073
Intangible assets	13	452 039	358 700
Investment in equity-accounted investee		223 151	187 030
Other investments		293 470	312 564
Loan to the JSE Empowerment Fund Trust		25 098	25 271
Deferred taxation		77 583	67 257
Current assets		44 713 700	37 462 906
Trade and other receivables		555 091	466 930
Income tax receivable		1 064	594
JSE Clear Derivatives Default Fund collateral deposit		500 000	500 000
Margin deposits		41 538 835	34 447 066
Collateral deposits		23 926	140 687
Cash and cash equivalents		2 094 784	1 907 629
Total assets		45 958 088	38 578 801
EQUITY AND LIABILITIES			
Total equity		3 269 531	2 956 152
Stated capital		26 693	66 507
Reserves		475 700	478 360
Retained earnings		2 767 138	2 411 285
Non-current liabilities		137 391	126 464
Employee benefits		8 796	10 845
Due to Safex members		1 347	1 347
Deferred taxation		17 771	13 620
Operating lease liability		97 287	87 435
Deferred income		12 190	13 217
Current liabilities		42 551 166	35 496 185
Trade and other payables		434 442	339 561
Income tax payable		–	32 713
Employee benefits		153 963	136 158
JSE Clear Derivatives Default Fund collateral contribution		400 000	400 000
Margin deposits		41 538 835	34 447 066
Collateral deposits		23 926	140 687
Total equity and liabilities		45 958 088	38 578 801

Consolidated statement of changes in equity

For the year ended 31 December 2016

Group	Stated capital R'000	NDR R'000	Share-based payment reserve R'000	Total reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 January 2015	71 889	405 551	43 937	449 488	1 952 617	2 473 994
Profit for the year	–	–	–	–	899 478	899 478
Other comprehensive income	–	3 547	–	3 547	–	3 547
Total comprehensive income for the year	–	3 547	–	3 547	899 478	903 025
LTIS Allocation 2 – shares vested	8 457	–	(8 457)	(8 457)	–	–
LTIS Allocation 3 – shares vested	12 177	–	(12 177)	(12 177)	–	–
Distribution from the BESA Guarantee Fund Trust ¹	–	(3 591)	–	(3 591)	3 591	–
Dividends paid to owners	–	–	–	–	(416 516)	(416 516)
Equity-settled share-based payment	–	–	21 665	21 665	–	21 665
Transfer of profit from investor protection funds	–	27 885	–	27 885	(27 885)	–
Treasury shares	(25 802)	–	–	–	–	(25 802)
Treasury shares – share issue costs	(214)	–	–	–	–	(214)
Total contributions by and distributions to owners of the Company recognised directly in equity	(5 382)	24 294	1 031	25 325	(440 810)	(420 867)
Balance at 31 December 2015	66 507	433 392	44 968	478 360	2 411 285	2 956 152
Profit for the year	–	–	–	–	919 702	919 702
Other comprehensive income	–	(38 659)	–	(38 659)	–	(38 659)
Total comprehensive income for the year	–	(38 659)	–	(38 659)	919 702	881 043
LTIS Allocation 3 – shares vested	10 288	–	(10 288)	(10 288)	–	–
LTIS Allocation 4 – shares vested	15 636	–	(15 636)	(15 636)	–	–
Distribution from the BESA Guarantee Fund Trust ¹	–	(4 422)	–	(4 422)	4 422	–
Dividends paid to owners	–	–	–	–	(542 658)	(542 658)
Equity-settled share-based payment	–	–	40 732	40 732	–	40 732
Transfer of profit from investor protection funds	–	25 613	–	25 613	(25 613)	–
Treasury shares	(65 281)	–	–	–	–	(65 281)
Treasury shares – share issue costs	(457)	–	–	–	–	(457)
Total contributions by and distributions to owners of the Company recognised directly in equity	(39 814)	21 191	14 808	35 999	(563 849)	(567 664)
Balance at 31 December 2016	26 693	415 924	59 776	475 700	2 767 138	3 269 531

¹ The BESA Guarantee Fund Trust Deed makes specific provision for the utilisation of excess funds for the purpose of reducing the risk of claims being made against the Trust. To this effect, R4.4 million (December 2015: R3.6 million) before intercompany adjustments was transferred to JSE Limited to defray market regulatory expenditure.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Group	
	2016 R'000	2015 R'000
Cash flows from operating activities		
Cash generated by operations	1 136 998	1 058 178
Interest received	3 151 306	2 081 875
Interest paid	(2 948 179)	(1 919 176)
Dividends received	3 546	6 455
Taxation paid	(367 569)	(339 029)
Net cash generated by operating activities	976 102	888 303
Cash flows from investing activities		
Proceeds on sale of other investments	77 408	74 090
Acquisition of other investments	(80 648)	(69 712)
Dividends from equity-accounted investee	22 945	18 823
Proceeds from disposal of property and equipment	310	759
Leasehold improvements	(5 076)	(893)
Acquisition of intangible assets	(145 600)	(123 594)
Acquisition of property and equipment	(49 890)	(54 875)
Net cash used in investing activities	(180 551)	(155 402)
Cash flows from financing activities		
Proceeds from sale of treasury shares	–	13 969
Loan repaid	–	(13 977)
Acquisition of treasury shares	(65 738)	(39 986)
Dividends paid	(542 658)	(416 516)
Net cash used in financing activities	(608 396)	(456 510)
Net increase in cash and cash equivalents	187 155	276 391
Cash and cash equivalents at 1 January	1 907 629	1 631 238
Cash and cash equivalents at 31 December 2016	2 094 784	1 907 629

Selected notes to the consolidated financial statements

For the year ended 31 December 2016

1. Reporting entity

JSE Limited (the "JSE" or the "Company") is a company domiciled in South Africa. The registration number is 2005/022939/06. The JSE is licensed as an exchange in terms of the Financial Markets Act, No. 19 of 2012. The JSE has the following main lines of business: Capital Markets, Trading and Market Services, Information Services and Post-Trade 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 2016 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.

2. Basis of preparation

Statement of compliance

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the Companies Act applicable to summary financial statements. The Listings Requirements require such reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are consistent with those applied in the preparation of the previous period's consolidated annual financial statements.

3. Changes in accounting policies

All accounting policies applied by the Group in these summarised consolidated financial statements are in terms of IFRS and are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

4. Comparative figures

Unless otherwise indicated, comparative figures refer to the 12 months ended December 2015.

5. Use of estimates and judgements

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

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

6. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

7. Operating segments

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.

	Group	
	2016 R'000	2015 R'000
8. Operating segments and revenue		
Revenue comprises:		
Capital Markets		
Equity market fees	555 439	501 190
Equity derivatives fees	177 335	173 434
Currency derivatives fees	37 573	34 009
Interest rate market fees	60 318	50 240
Commodity derivatives fees	69 725	73 069
Primary market fees	164 368	160 644
Post-Trade Services		
Clearing and settlement fees	412 741	356 677
Back-office services (BDA)	315 981	310 717
Funds under management	94 940	86 415
Information services		
Indices net of FTSE	42 150	35 882
Colocation fees	19 938	16 621
Other market data fees	235 956	192 434
Trading and market services		
Trading services	23 401	19 944
Total revenue excluding Strate ad valorem fees	2 209 865	2 011 276
Strate ad valorem fees – cash equities	128 931	122 272
	2 338 796	2 133 548
9. Personnel expenses		
Remuneration paid	522 233	465 464
Gross amount paid	541 576	483 091
Less: Capitalised to intangible assets	(19 343)	(17 627)
Long-term incentive schemes	42 763	30 295
	564 996	495 759
10. Other expenses		
Other expenses	562 486	526 340
Technology costs	282 658	234 580
	845 144	760 920

11. Income tax expense

The Group's consolidated effective tax rate for the year ended 31 December 2016 was 26% (2015: 27%).

The investor protection funds are exempt from income tax in terms of S(10)(i)(d)(iii) of the Income Tax Act, No 58 of 1962.

Selected notes to the consolidated financial statements (CONTINUED)

For the year ended 31 December 2016

	Group	
	2016 R'000	2015 R'000
12. Earnings and headline earnings per share		
12.1 Basic earnings per share		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	86 877 600	86 877 600
Effect of own shares held (JSE LTIS 2010)	(1 305 370)	(1 297 984)
Weighted average number of ordinary shares at 31 December	85 572 230	85 579 616
Basic earnings per share (cents)	1 074.8	1 051.0
12.2 Diluted earnings per share		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares at 31 December (basic)	85 572 230	85 579 616
Effect of LTIS Share Scheme	1 016 489	885 896
Weighted average number of ordinary shares (diluted)	86 588 719	86 465 512
Diluted earnings per share (cents)	1 062.1	1 040.3
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 for the year.		
12.3 Headline earnings per share		
Reconciliation of headline earnings:		
Profit for the year attributable to ordinary shareholders	919 702	899 478
Adjustments are made to the following:	4 934	(536)
– Gross amount		
Profit or loss on disposal of property and equipment	(92)	(745)
The SA SME Fund Limited – write-down of investment	5 000	–
– Taxation effect	26	209
Net realised gain on disposal of available-for-sale financial assets (no taxation effect)	(14 820)	(20 644)
Headline earnings	909 816	878 298
Headline earnings per share (cents)	1 063.2	1 026.3
12.4 Diluted headline earnings per share		
Diluted headline earnings per share (cents)	1 050.7	1 015.8

13. Intangible assets

Included in the intangible assets of R452 million (2015: R359 million), are newly developed intangible assets of R171 million (2015: R137 million), mainly in respect of bond ETP, Umnotho and integrated trading and clearing.

14. Share-based payments

i. Vesting of Allocation 3 Tranche 2 shares during the period under review

The third award ("Allocation 3") under LTIS 2010 was granted in June 2012 with the following vesting profile:

Tranche 2: 50% of the total award, vesting in June 2016 (during the period under review)

114 350 Personal performance shares vested for those participants still in the employ of the JSE on 1 June 2016.

In respect of Tranche 2 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 80% of these Tranche 2 shares should vest for those participants still in the employ of the JSE on 1 June 2016. The remainder of the Tranche 2 corporate performance shares (being 9 770 shares) were forfeited by participants.

As at 31 December 2016, details of Tranche 2 were as follows:

	Personal performance shares	Corporate performance shares	Total shares
Tranche 2 – fully vested			
Original number of Tranche 2 shares awarded in June 2012	131 800	51 500	183 300
Forfeited by leavers to date	(17 450)	(2 650)	(20 100)
Tranche 2 shares forfeited for missing performance targets	–	(9 770)	(9 770)
Accelerated for good leavers	(7 300)	(5 360)	(12 660)
Tranche 2 shares vested on 1 June 2016	(107 050)	(33 720)	(140 770)
Tranche 2 shares outstanding	–	–	–

ii. Vesting of Allocation 4 Tranche 1 shares during the period under review

The fourth award ("Allocation 4") under LTIS 2010 was granted in May 2013 with the following vesting profile:

Tranche 1: 50% of the total award, vesting was completed during the current period

Tranche 2: 50% of the total award, vesting on 1 June 2017

150 450 Personal performance shares vested for those participants still in the employ of the JSE on 1 June 2016.

In respect of Tranche 1 corporate performance shares, the Board assessed performance over the four-year vesting term against the pre-set financial and strategic targets and determined that 86.54% of these Tranche 1 shares should vest for those participants still in the employ of the JSE on 1 June 2016. The remainder of the Tranche 1 corporate performance shares (being 8 211 shares) were forfeited by participants.

As at 31 December 2016, details of Tranche 1 were as follows:

	Personal performance shares	Corporate performance shares	Total shares
Tranche 1 – fully vested			
Original number of Tranche 1 shares awarded in June 2012	164 250	64 300	228 550
Forfeited by leavers to date	(13 800)	(3 250)	(17 050)
Tranche 1 shares forfeited for missing performance targets	–	(8 211)	(8 211)
Accelerated for good leavers	(3 250)	(3 246)	(6 496)
Tranche 1 shares vested on 1 June 2016	(147 200)	(49 593)	(196 793)
Tranche 1 shares outstanding	–	–	–

Selected notes to the consolidated financial statements (CONTINUED)

For the year ended 31 December 2016

iii. Grant of Allocation 7 under LTIS 2010 during the period under review

At the annual general meeting held on 26 May 2016, shareholders approved two special resolutions authorising the acquisition of shares for the purposes of awards under the LTIS 2010 scheme as well as the provision of financial assistance to the JSE LTIS 2010 Trust for a period of two years, for the purpose of acquiring such JSE ordinary shares in the open market for allocation to selected employees in accordance with the rules of LTIS 2010. In accordance with the terms of these resolutions, the Board approved a fresh annual allocation of 342 090 shares ("Allocation 7") to selected employees for the 2016 year. These individual allocations were accepted by all scheme participants on 4 March 2016. As at this date, the grant date as defined in IFRS 2 had not been determined as the detailed terms of the vesting conditions were in the process of being finalised. These were finalised and communicated to all affected parties on 21 October 2016, which was established as the grant date as defined in IFRS 2. The initial award under Allocation 7 comprised a total of 342 090 JSE ordinary shares and these shares were acquired in the open market by 10 March 2016, at a volume-weighted average price (including all execution costs) of R158.25 per ordinary share. An additional purchase of 9 684 shares was executed in respect of the Human Resources Director who joined the Company on 25 November 2016, at a volume-weighted average price (including all execution costs) of R161.01 per ordinary share. All Allocation 7 shares are held in trust and are restricted until all vesting conditions are fulfilled, whereupon the shares vest.

Included in the total number of shares granted of 351 774, a total of 177 214 corporate performance shares have been granted to members of the JSE's Executive Committee. No personal performance shares were allocated under Allocation 7.

Information on Allocation 7 is as follows:

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

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:

	2016	2015
Allocation #2 (granted in May 2011)	–	R0.7m
Allocation #3 (granted in June 2012)	R1.1m	R5.3m
Allocation #4 (granted in May 2013)	R8.3m	R6.6m
Allocation #5 (granted in May 2014)	R8.7m	R5.5m
Allocation #6 (granted in June 2015)	R9.5m	R3.1m
Allocation #7 (granted in October 2016)	R3.2m	–
	R30.8	R21.2m

15. Fair value estimation

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

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2016				
Assets				
Other investments				
– Equity securities (available-for-sale)	135 108	140 116	–	275 224
– Debt investments (available-for-sale)	18 245	–	–	18 245
Total assets	153 353	140 116	–	293 469
2015				
Assets				
Other investments				
– Equity securities (available-for-sale)	154 775	129 098	–	283 873
– Debt investments (available-for-sale)	28 690	–	–	28 690
Total assets	183 465	129 098	–	312 563

The carrying values approximates the fair value.

16. Audit opinion

KPMG Inc, the Group's independent auditor, has audited the consolidated annual financial statements of the JSE Limited from which the summarised consolidated results contained in this report have been derived, and has expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the statements of financial position at 31 December 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and selected explanatory notes. A copy of the auditor's report is available for inspection at the JSE's registered office.

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

One Exchange Square, 2 Gwen Lane, Sandown, South Africa

Private Bag X991174, Sandton, 2146, South Africa

Tel: +27 11 520 7000, Fax +27 11 520 8584

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

28 February 2017





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