

# Appendix 4E

## Preliminary financial report for the year ended 30 June 2018 as required by ASX listing rule 4.3A

### RESULTS FOR ANNOUNCEMENT TO THE MARKET (All comparisons to year ended 30 June 2017)

	\$m	Up/down	Movement %
Revenue from ordinary activities	\$1,013.0	up	8.7%
Revenue from ordinary activities excluding interest income	\$842.1	up	7.7%
Profit after tax from ordinary activities (including significant items)	\$445.1	up	2.5%
Underlying profit after tax (excluding significant items)	\$465.3	up	7.2%

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim 2018 dividend per share (paid 28 March 2018)	107.2	107.2	30%
Final 2018 dividend per share determined	109.1	109.1	30%

### Final dividend dates\*

Ex-dividend date	6 September 2018
Record date	7 September 2018
Payment date	26 September 2018

\* Dates are subject to final ASX Board approval

The Company's Dividend Reinvestment Plan (DRP) will not apply to the final dividend.

	30 June 2018	30 June 2017
Net tangible assets per security	\$7.79	\$7.59

Additional information supporting the Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors' Report and the 30 June 2018 Financial Statements and accompanying notes.

This report is based on the consolidated financial statements for year ended 30 June 2018 which have been audited by PricewaterhouseCoopers.



ASX Limited and its  
controlled entities



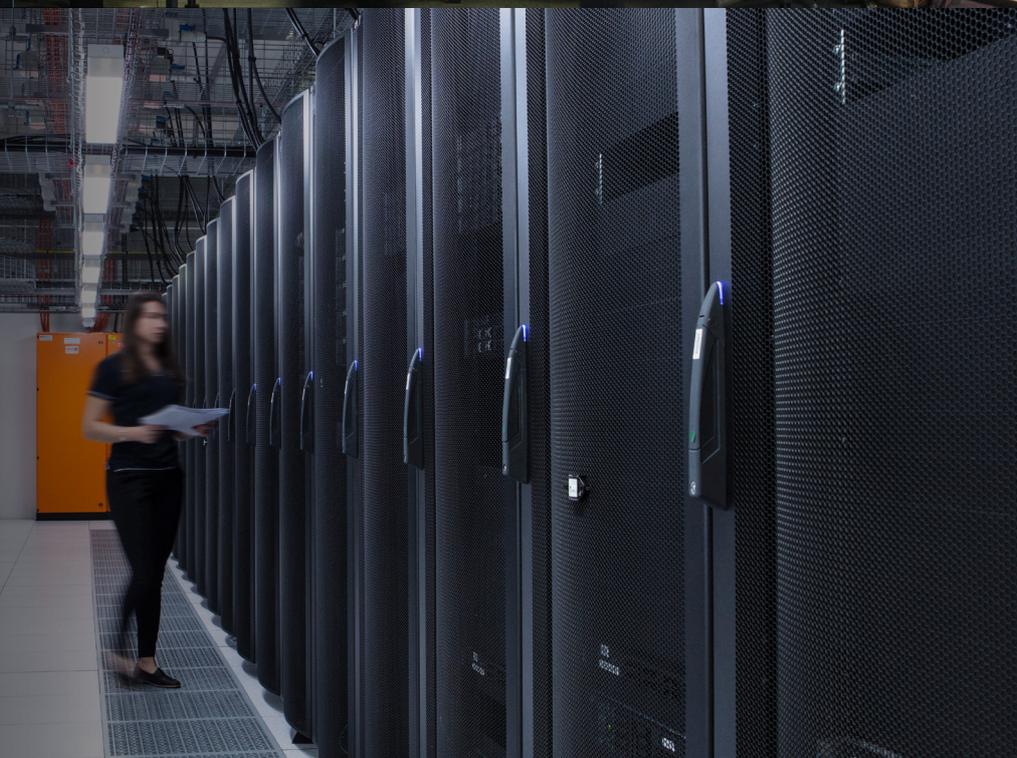
# ASX Limited Annual Report 2018

ASX's AGM will be held on  
 Thursday 4 October 2018  
 at 10am Sydney time,  
 in the ASX Auditorium,  
 lower ground floor,  
 Exchange Square,  
 18 Bridge Street, Sydney



## Contents

Who we are	2
FY18 highlights	3
Vision, strategy, execution	4
Letter from the Chairman	6
Letter from the CEO	9
Operating and financial review	12
Corporate responsibility and sustainability	22
Corporate governance	28
Remuneration report	39
Directors' report	51
Auditor's independence declaration	53
Statutory report – financial statements	54
Key financial ratios	91
Transaction levels and statistics	92
Shareholder information	95
Directory	97





Our people  
have expertise,  
experience  
and passion



We use innovative  
technology to  
make life easier  
for our customers  
and create value  
for our shareholders

# ASX operates at the heart of Australia's financial markets

## Who we are

ASX is at the heart of the globally attractive, deep and liquid Australian financial markets, helping companies grow and investors build wealth. As an integrated exchange, ASX offers listings, trade execution, technology, data and post-trade services.

Recognised as world-leading and innovative, ASX operates markets for a wide range of asset classes, including equities, fixed income, commodities and energy. We are a top 10 global securities exchange and the largest interest rate derivatives market in Asia.

Companies, issuers and corporates from Australia and around the world engage with ASX to manage risk and to raise capital to grow. ASX operates liquid, transparent and reliable markets of integrity. The certainty of our clearing and settlement activities underpins systemic stability.

ASX also provides data and technology services to intermediaries, banks, information vendors and software developers to help them make informed decisions, offer services to their customers and connect with one another.

With a proud history as an early and successful adopter of new technology, ASX continues to embrace innovative solutions to make life easier for customers, create value for shareholders and contribute to the growth of the Australian economy.

Through the expertise, experience and passion of our people, ASX works to ensure that its activities are built on the strong foundations of quality, security, resilience and trust.

More information about ASX can be found at [www.asx.com.au](http://www.asx.com.au)

# ASX contributes to the growth and prosperity of the Australian economy

# FY18 highlights

## For our customers



99.98%

Access to the 5 main trading and post-trade systems for Australia's financial markets



~\$70bn

Average value of transactions settled electronically every day



\$81.7bn

Capital raised to enable companies to grow

## For our shareholders



\$445.1m

Statutory net profit after tax (NPAT), up 2.5%

- 6th consecutive year of NPAT growth
- Underlying NPAT \$465.3m, up 7.2%



216.3c

Total dividends per share, fully franked

- 90% payout ratio



21.9%

Total shareholder return (TSR) for the year ended 30 June 2018

- TSR for S&P/ASX 200 over the same period 8.1%

## For our people



73%

Employee engagement



41%

Management roles held by women

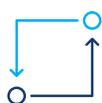
- 33% of Board directors are women



63%

Employees working flexibly

## For Australia's financial markets and our community



4th edition

Update of Corporate Governance Principles and Recommendations underway



>700,000

Retail investors connected to MyASX, our free education portal



47

Charities supported by ASX and its employees

# Vision, strategy, execution

## Our vision

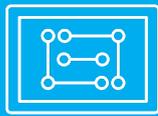
The world's most respected financial marketplace

## Our strategy



### Diverse ecosystem

We provide an open system of collaboration to support partnerships, products and services across the Australian financial ecosystem



### Innovative solutions and technology

We offer innovative solutions and technology to drive efficiency and deliver benefits to customers, employees and the wider financial marketplace



### Enduring trust, integrity and resilience

We earn trust and deliver resilience by making sure our systems and processes are stable, secure, reliable and fair, and our people act with integrity towards the market and each other



### Customer centric

We think constantly about how we can improve the experience for our customers and make their lives easier



### Collaborative culture

We foster collaboration and agility within our businesses, across our teams and among our people

“ Our Licence to Operate activities focus on what we need to do to stay a resilient, reliable and leading financial marketplace. Our Growth Initiatives refer to key projects we are undertaking. Together, they progress us towards realising our vision. ”

**Dominic Stevens**  
Managing Director and  
Chief Executive Officer

# Our execution

## Strategy alignment



### Licence to Operate

Diverse ecosystem  
Innovative solutions and technology  
Enduring trust, integrity and resilience  
Customer centric  
Collaborative culture

### FY18 progress

<p><b>Provide clarity of strategic direction</b></p> <ul style="list-style-type: none"> <li>Articulate and embed company vision, strategy and values</li> </ul>						<ul style="list-style-type: none"> <li>Introduced vision, strategy and execution (VSE) framework to set FY18 corporate and employee goals and objectives</li> <li>Developed company values in collaboration with employees and incorporated in annual performance assessments</li> <li>Launched new reward and recognition program celebrating ASX's values</li> </ul>
<p><b>Strengthen risk awareness culture</b></p> <ul style="list-style-type: none"> <li>Engaging employees on individual risk responsibilities and speaking up</li> </ul>						<ul style="list-style-type: none"> <li>Embedding 3 Lines of Defence risk framework</li> <li>Rolling out education support materials for leaders</li> </ul>
<p><b>Deliver a contemporary equities clearing and settlement solution</b></p> <ul style="list-style-type: none"> <li>Replace CHES with contemporary technology that makes doing business easier for ASX customers</li> </ul>						<ul style="list-style-type: none"> <li>Selected distributed ledger technology as the underlying technology platform and Digital Asset as ASX's development partner</li> <li>Completed market consultation with over 600 people to identify desirable functionality for the new system</li> <li>Proposed Day 1 requirements and implementation timeframe</li> </ul>
<p><b>Upgrade and move secondary data centre</b></p> <ul style="list-style-type: none"> <li>Strengthen ASX's resilience and update its technology</li> </ul>						<ul style="list-style-type: none"> <li>Selected dedicated site</li> <li>Put in place detailed multi-year transition plan</li> </ul>
<p><b>Enhance digital offering</b></p> <ul style="list-style-type: none"> <li>Pursue a market-leading digital strategy to improve the digital experience of customers</li> </ul>						<ul style="list-style-type: none"> <li>Set up dedicated digital team</li> <li>Approved strategic digital roadmap</li> <li>Commenced build</li> </ul>
<p><b>Refresh technology platform</b></p> <ul style="list-style-type: none"> <li>Accelerate program of legacy infrastructure replacement</li> </ul>						<ul style="list-style-type: none"> <li>Board-approved plan to upgrade and refresh IT infrastructure</li> <li>Progressing plan to replace ASX Net infrastructure</li> <li>Launched regular service release schedules for key systems</li> </ul>



### Growth Initiatives

<p><b>Rebuild trust in recently acquired BBSW benchmark</b></p> <ul style="list-style-type: none"> <li>Develop best practice valuation methodology</li> </ul>						<ul style="list-style-type: none"> <li>Launched new BBSW methodology</li> <li>Strengthened trust and confidence in BBSW calculation</li> </ul>
<p><b>Data optimisation strategy</b></p> <ul style="list-style-type: none"> <li>Identify opportunities to maximise the value of the data generated by ASX</li> </ul>						<ul style="list-style-type: none"> <li>Developed strategy</li> <li>Progressing implementation via investment in supporting IT</li> </ul>
<p><b>Attract quality listings</b></p> <ul style="list-style-type: none"> <li>Marketing initiatives focused on selected international markets and technology companies</li> </ul>						<ul style="list-style-type: none"> <li>New international listings from New Zealand, Europe, the United States and Israel</li> <li>New listings in the areas of technology, industrials, materials, healthcare, financials and resources</li> <li>Continued to raise listing standards – e.g. tightened guidance on good fame and character requirements</li> </ul>
<p><b>Grow derivatives and futures participants</b></p> <ul style="list-style-type: none"> <li>Attract new international customers</li> <li>Leverage attraction of new platform to potential customers</li> </ul>						<ul style="list-style-type: none"> <li>Growth in international participants</li> <li>Recruited additional off-shore sales resource</li> </ul>
<p><b>Continue to expand the Australian Liquidity Centre (ALC) community</b></p>						<ul style="list-style-type: none"> <li>Increased the number of customers at the ALC</li> <li>Increased the number of cross connections between parties co-located at ALC</li> </ul>
<p><b>Expand Austraclear's settlement options</b></p> <ul style="list-style-type: none"> <li>Enable settlement in US\$ cash and bonds</li> </ul>						<ul style="list-style-type: none"> <li>Completed required technical development</li> <li>On track for first US\$ settlement in 1H FY19</li> </ul>

# Letter from the Chairman

“ Shareholders are continuing to see the benefits of ASX’s strong cash flow, steady earnings growth and commitment to pay out 90% of underlying profit in dividends. ”

**Rick Holliday-Smith**  
Chairman



I am pleased to present ASX’s Annual Report for the financial year ended 30 June 2018 (FY18).

Over the past 12 months, ASX continued to embrace technological and operational change to strengthen our foundations, develop new products and services for customers, and position the Group for future growth.

This extends our long history of innovation within a market and regulatory environment that is constantly on the move.

In FY18, ASX increased its returns to shareholders for the fifth year in a row. The total shareholder return was 21.9%, significantly outperforming the wider market as measured by the S&P/ASX 200 Index. This continues a longer term trend, with ASX delivering shareholders a total return of 107.0% over the past five years compared to 50.9% by the Index.

Statutory profit after tax was \$445.1 million, up \$11.0 million or 2.5% on the previous 12-month period.

There was one \$20.2 million significant item in FY18. This was a non-cash impairment charge taken against the value of ASX’s investment in Yieldbroker Pty Limited, an electronic market operator for OTC debt and interest rate derivatives in Australia. ASX acquired 49% of Yieldbroker in 2014. While the move to an electronic market for these financial instruments has been slower than expected, ASX remains confident that the move is inevitable. Yieldbroker continues to be an important strategic investment.

Underlying profit after tax was \$465.3 million for the period, \$31.2 million or 7.2% higher than last year, excluding the significant item.

Statutory earnings per share (EPS) grew by 2.4% to 230.0 cents and underlying EPS rose 7.1% to 240.4 cents.

Shareholders are continuing to see the benefits of ASX’s strong cash flow, steady earnings growth and commitment to pay out 90% of underlying profit in dividends. The Yieldbroker impairment charge did not impact on dividends.

Total dividends for FY18 were 216.3 cents per share, up 7.2% on the previous year. Our dividends remain 100% franked.

## Trust and confidence

ASX operates at the heart of Australia’s financial markets. With this privilege comes great responsibility. Our products, services and technology power Australia’s equity, debt and futures markets. Over the past three years we have worked in partnership with our regulators to improve the robustness and resilience of all our infrastructure, integrate contemporary technologies, and adopt new methods and processes. This is a multi-year challenge with several more years to go before we achieve the higher standards which we aspire to, and which our customers and the wider financial community have come to expect.

ASX works hard to earn the trust and confidence of its customers and the wider community. We know this cannot be taken for granted and must be renewed every day. We also recognise that the standards for all financial institutions globally are being raised and we need to respond accordingly.

Trust in ASX is critical to our success. We endeavour to protect and strengthen our reputation through ongoing operational improvement and encouraging our people to act responsibly and be accountable. Overseeing how this is done is one of the core responsibilities of the Board, as is increasing capabilities across the Group.

To that end, the Board has encouraged and supported a deep focus on a range of risk-based and operational activities, as well as a significant renewal of technology platforms and systems. This involves an increase in capital expenditure, upskilling of the executive, and a reorganisation of critical functions recommended and led by the CEO.

### Embedding a strong foundation of respect, trust and integrity

ASX seeks to build and preserve a trustworthy and responsible culture, and pays close attention to:

- Vision and strategy
- Company and community values
- Remuneration incentives.

# Letter from the Chairman continued

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## ASX's vision and strategy guide our actions

ASX's vision is to be the world's most respected financial marketplace. This guides the actions and choices we make, and anchors our commitment to operate from a foundation of respect, trust and integrity.

Importantly, ASX's vision aligns the pursuit of financial returns for shareholders with preserving our licence to operate in the Australian market. To deliver sustainable returns to shareholders, ASX needs the trust and support of regulators, the financial market and the wider community.

ASX's strategy to achieve our vision has several key elements, all focused on acting with integrity, being resilient and reliable, and maintaining trust and confidence. These are fundamental to ASX's reputation and licence to operate. They shape our actions and behaviours, and help ensure ASX:

- Enables investors to participate with confidence in our markets
- Offers companies access to sufficient and cost-effective capital
- Provides systems and technical services that are resilient, stable, secure and reliable
- Employs people who act with integrity toward our stakeholders and each other
- Has respectful and constructive relationships with regulators, government and media.

### ASX's company values – guiding the behaviour of our people

ASX's BE program was launched during the year. The four BE values guide the behaviours and actions of our people to support the delivery of our vision and strategy. They are listed over the page.

ASX encourages its staff to live these values by assessing an employee's behaviour against them during their annual performance review. This assessment contributes towards an employee's individual short-term incentive (STI) payment.

### Remuneration incentives – incentivising the actions of the business and the behaviours of our people

ASX's remuneration structure incentivises our people to take actions aligned with the outcomes ASX wants for its customers, regulators and shareholders.

In 2015, the Board improved alignment between STIs paid to staff and shareholder interests. ASX moved from paying STIs wholly in cash to a combination of cash and ASX shares. To encourage the right behaviour over the longer term, the shares component is deferred for two years, or for two and four years, depending on a staff member's seniority. Linking remuneration to the ASX share price aligns the interests of our people with our shareholders; while deferral ensures our people have long-term alignment with the company.

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## Strengthening ASX's risk foundations

Managing risk across ASX is a critical part of ensuring ASX remains a trusted market operator and services provider. Anticipating uncertainty and disruption helps ASX recognise and respond to challenges and opportunities, generate better information for decision-making, reduce risk, and increase the likelihood of achieving our operational, strategic and financial goals. This is an ongoing challenge and can always be improved – for example, by keeping pace with industry developments and embracing new technology to help us do a better job.

Risk has been a major area of attention for the Board over the past 12 months. Following the appointment of a new Chief Risk Officer in the prior financial year, we've focused on ensuring ASX's risk processes and controls are as strong and robust as possible. This has included embedding ASX's chosen risk approach – the 3 Lines of Defence risk model – that clarifies the ownership of risks and controls, and helps improve the effectiveness of risk management systems. This will take time to complete.

The Board believes having a culture of risk awareness is critical to ASX's success. All our people are trained to understand the importance of risk management, and to speak up and identify current and emerging risks in their day-to-day business activities.

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## Supporting best practice corporate governance across the market

A best practice corporate governance framework for companies listed on ASX benefits all financial market participants – especially the millions of Australians who invest directly on exchange or indirectly via their superannuation funds. Encouraging the adoption of best practice corporate governance standards is an important part of ASX's role as a responsible and respected market operator.

In 2003, the ASX Corporate Governance Council, an independent body that brings together a range of business, shareholder and industry groups, released the first edition of the Corporate Governance Principles and Recommendations. These Principles are a practical guide to assist listed entities adopt best practice governance standards and meet the expectations of investors and the wider Australian community. Where alternative arrangements work better for a company, the Principles provide the 'if not, why not' flexibility for a company to disclose its preferred practice to the market.

The Principles are reviewed from time to time to ensure they address emerging issues in corporate governance and continue to serve the interests of participants in the market. Recognising this, in May 2018 the Council commenced a consultation on a proposed fourth edition of the Principles. Once stakeholder feedback has been considered, a new edition reflecting the broad consensus of the market will be published and is expected to come into effect on 1 July 2019.

# Letter from the Chairman continued

## Board update

In June 2018, Robert Priestley resigned as a non-executive director from the ASX Board. Rob stepped down to avoid any distraction to ASX from a matter involving the ACCC and a number of banks, one of which he serves as Chairman. Rob made a valuable contribution to the company and put ASX ahead of other considerations by resigning, which is testament to his commitment to the highest standards of corporate governance. We thank Rob for his service and wish him well. We are now considering appointing a new director as part of ASX's ongoing process of Board renewal.

Collectively, I believe your Board has the appropriate mix of skills, experience and expertise to understand ASX and its operating environment, navigate current and emerging issues, and oversee the performance of management in executing the Board-approved strategy. This is a complex challenge and we must remain vigilant. I thank the directors for their hard work and commitment.

## Thank you for your support

On behalf of the Board, I would like to thank the ASX team for its passion, dedication and achievements this year. We are confident ASX has in place the right vision, values and strategy, together with the appropriate talent and experience, to continue to improve and deliver sustainable long-term performance.

To our shareholders, thank you for your ongoing support and confidence in ASX. I look forward to talking with you further at our Annual General Meeting in October.



**Rick Holliday-Smith**  
Chairman

## ASX values

ASX's BE values capture our company culture and celebrate those behaviours we see as key to our success.

Our BE values articulate the types of behaviours and personal interactions we expect at ASX. They represent what we stand for as an organisation, help guide the behaviour of our people and act as a powerful motivator.

The four BE values were developed collaboratively by management and staff, who were asked to describe what kind of company culture we have, as well as which behaviours were key to our long-term success. Once the four values of BE Open, BE Trustworthy, BE Original and BE The Example were selected, we then identified behaviours to embody each value.

ASX is committed to seeing the values evident in the behaviour and actions of our people. We support this by integrating the values into our leadership programs, new reward and recognition program, and performance and assessment processes.



FOR THE BENEFIT OF OURSELVES,  
OUR CUSTOMERS AND THE MARKETS

### Open

- Create transparency
- Welcome new ideas
- Seek input
- Promote diversity

### Original

- Act with integrity
- Take responsibility
- Say what you mean
- Do what you say

### Trustworthy

- Embrace change
- Think deeply and broadly
- Be curious
- Fuel innovation

### The Example

- Own it
- Speak up
- Do your best
- Enjoy yourself

# Letter from the CEO

“The 2018 financial year was another strong year for ASX. We increased returns to shareholders and strengthened our foundations for future growth.”

**Dominic Stevens**  
Managing Director and Chief Executive Officer



Dear Fellow Shareholder,

Group revenue (as per ASX's segment reporting) was \$822.7 million for the financial year ended 30 June 2018 (FY18), up 7.7% on the prior year.

Growth in revenue of \$58.6 million came from all four businesses, with the key drivers being:

- Strong performance in our Derivatives and OTC business, with futures volumes up 9.8%, OTC clearing up 22.2% and ASX collateral up 45.1%
- Solid increases in both data and technology services revenues from a growing customer base
- Significantly increased listings performance (revenue up 14.5%) from growth in primary and secondary issuance
- Equities trading, clearing and settlement revenues on par with our FY17 result.

As forecast, underlying expenses for 2018 grew by \$14.6 million or 8.0%, reflecting a number of one-off increases, including the doubling of the supervision levy we pay the Australian Securities and Investments Commission and a significant rise in electricity prices. The increase also includes our program of operational risk and technology enhancements.

Capital expenditure was \$54.1 million as we continued to invest in laying the foundations for ASX's ongoing success. In particular, this was by strengthening our technology capabilities with projects such as the replacement of CHES and the upgrading of our secondary data centre.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for the period were \$627.2 million, up 7.5%. This supported the underlying net profit growth that enabled the payment to shareholders of 7.2% higher total dividends in FY18.

## Unique opportunity

Since becoming CEO in August 2016, I have become increasingly convinced of the unique position in which ASX finds itself. This conviction is underpinned by three factors:

- The critical role ASX plays in Australia's financial markets as a trusted, central and independent party. This means we are well-placed to take advantage of new opportunities and to leverage our skills and expertise to make doing business easier for our customers
- The backdrop of continued, legislated growth in Australia's superannuation pool, which is expected to grow from around \$2.6 trillion today to \$9.5 trillion in 2035. This is driving demand for new financial products and services that ASX can deliver
- The technological developments that are transforming the way exchanges and financial services operate. This will create a platform for future growth, enabling new products and services to be developed by enhancing our operational capabilities and technology systems.

## A unifying long-term goal

In early FY18, we adopted our vision to be the world's most respected financial marketplace. We believe it is the right time for a new, unifying, long-term aspirational goal given ASX has met its earlier target to be the global leader in A\$ and NZ\$ markets.

Our vision reflects that we compete on a world stage, such as in listings, derivatives, equity trading, post-trade services and technical services.

It also encapsulates the importance of focusing on our core operations as well as pursuing growth opportunities.

# Letter from the CEO continued

With our vision in place, we identified five elements we saw as critical to achieving it and brought them together in our strategy. Our five strategic pillars are:

1. Creating a diverse ecosystem
2. Delivering innovative solutions and technology
3. Maintaining enduring trust, integrity and resilience
4. Being customer centric
5. Fostering a collaborative culture.

We then identified two groups of initiatives which, through their execution, will progress us towards achieving our strategy and vision. The first group captures what we need to do to stay a resilient, reliable, leading and trusted financial marketplace – they are fundamental to having strong foundations and we refer to them as our Licence to Operate activities. The second group comprises the Growth Initiatives we are undertaking.

For more detail on our strategy, please see page 4 of this report and for an overview of our FY18 progress with both groups of initiatives, please see page 5.

## Building Stronger Foundations through technology

Investing in technology is essential to ASX's success. Such investment strengthens the foundations that deliver our core earnings and enables innovation and growth. With this in mind, we are accelerating our program to upgrade our technology infrastructure so it remains contemporary through a number of multi-year initiatives, including those outlined below.

We are accelerating our technology program to update systems that will enable us to grow. This will increase our capital expenditure to around \$70-75 million per annum for the next couple of financial years, up from an average spend over the past few years of \$50 million per annum.

### CHES replacement

One of the key projects of our technology upgrade is replacing our CHES equities clearing and settlement – or post-trade – system. CHES has been world-leading and served the Australian equity market very well for over 20 years. In December 2017, after 24 months of research and testing, we announced that we will build a new equities post-trade platform for the Australian market using distributed ledger technology (DLT) developed with our technology partner, Digital Asset.

The new system is expected to start operating between September 2020 and March 2021, subject to stakeholder readiness and after considerable industry-wide testing.

We are excited about the ways it will make doing business easier for our customers. A DLT-based system will improve record keeping, reduce reconciliation, enable more timely transactions and generate better quality source of truth data for our customers. Beyond this, we believe a system built on DLT will stimulate product and service innovation across the industry in ways we can't conceive today.

To learn more about our CHES replacement project, please see page 19 of this report.

## Investing in contemporary technology to drive efficiency and innovation

Building Stronger Foundations and enabling future growth.



Contemporary  
technology  
will deliver

=



Richer, more timely  
data sets

+



Better operational  
functionality and  
resilience

+



Improved analytics

# Letter from the CEO continued

## Operational Infrastructure replacement

We are also modernising our operational infrastructure and processes that support ASX's equities trading, clearing and settlement activities. Ensuring we have contemporary technology gives ASX a strong, reliable and resilient core from which to operate and pursue opportunities as they arise.

A good example of an opportunity we are pursuing is our data strategy. Here we are looking at ways to optimise the value inherent in the large volume of data we generate across our businesses for our customers.

## Secondary data centre upgrade

Our secondary data centre acts as a backup facility to our primary data centre, the Australian Liquidity Centre (ALC). It is critical infrastructure that allows us to keep the markets open if there is an unexpected interruption.

Work to upgrade our secondary data centre capability and move to a new contemporary facility is well underway. Like replacing CHESSE, it's another once-in-a-generation project, which will allow us to complement the success and sophistication of the ALC. It also strengthens ASX's overall resilience and reduces our operational risk profile.

## ASX Net upgrade

We are upgrading the ASX Net communications network that connects our ALC and secondary data centre to customers in Australia and overseas. Combining six networks into one and enabling those on it to connect with anyone to whom they are permissioned, will deliver efficiency to our customers, making it easier for them to communicate with their customers, business partners and service providers.

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## Building Stronger Foundations through our people

We have a dedicated and talented team of approximately 600 people. Supporting and engaging them is crucial to ASX's ability to deliver on our strategy.

Over the last 12 months we have put in place new company values, leadership program, and reward and recognition program. As an example of living our BE Open company value (see page 8), we have increased the number of staff updates, lunch and learn lectures, and informal networking opportunities for sharing information.

We continue to encourage and promote diversity and inclusion. For the eighth consecutive year, ASX was recognised in FY18 by the Federal Government's Workplace Gender Equality Agency as an Employer of Choice for Gender Equality. Pay equality remains a priority and we review and monitor annual remuneration and performance recommendations. This has resulted in ASX narrowing the pay gap between men and women over the past three years. In FY18, ASX was also recognised as one of the top 20 best Australian workplaces for new dads by the Direct Advice for Dads website.

We have a number of exciting Growth Initiatives to deliver in the coming years. To enable their execution we are recruiting to get the right quality and quantity of new people. We are complementing the hiring with an investment in efficiency tools to make doing business easier for our people.

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## Building Stronger Foundations for the future

As we assess our future growth options, we are looking for opportunities to leverage ASX's expertise and experience, as well as our reputation as a trusted, independent party.

An example of this is our investment in Sympli Australia Pty Ltd (Sympli), of which we own 50%. Sympli brings together the expertise of InfoTrack, the market leader in the electronic management of property-based information at legal and conveyancing firms, with ASX, the market leader in resilient and secure settlement services. Sympli has applied for a licence to become an electronic lodgment network operator and expects to enter the property settlement market towards the end of this calendar year, subject to regulatory approvals. This coincides with the nationwide move to mandatory electronic settlement over the coming years.

We believe by leveraging the complementary expertise and experience of InfoTrack and ASX, Sympli will provide a compelling offering for users to realise the efficiencies of electronic property settlements.

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## Positive momentum

We have started the 2019 financial year with strong momentum and clarity on what we need to achieve. While there is still much to do, there is energy and enthusiasm across the whole organisation.

I would like to thank all our people for their hard work and commitment to providing our customers and other stakeholders with reliable, resilient and high-quality infrastructure, products and services. Underpinning it all is their dedication to integrity and ethical behaviour.

To our shareholders, thank you for your ongoing support. ASX has a strategy in place to deliver sustainable and attractive returns, while upholding our Licence to Operate credentials. We are optimistic about the future, and I am looking forward to keeping you updated on our progress.



**Dominic Stevens**  
Managing Director and Chief Executive Officer

# Operating and financial review

## Financial performance

The Operating and financial review outlines ASX's activities, performance, financial position and main business strategies. It also discusses the key risks and uncertainties that could impact ASX and its subsidiaries (together referred to as the ASX Group) and its ability to achieve its financial and other objectives.

The statements are prepared and audited in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS).

## Business model and operating environment

ASX is a multi-asset class and integrated exchange group. The Group operates markets for cash equities and derivatives, and provides a full service offering including listings, trading, clearing, settlement, registry, and information and technical services. ASX operates a significant part of the infrastructure that supports Australia's financial markets.

The business is conducted through a number of regulated legal entities. ASX holds market operator licences and clearing and settlement licences to undertake its activities. ASX is subject to oversight by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA).

ASX's activities and revenues are grouped into four key businesses, being Listings and Issuer Services, Derivatives and OTC Markets, Trading Services, and Equity Post-Trade Services. These are each discussed separately later in this report.

## Summary Income Statement for the period ending 30 June 2018

Based on the Group segment reporting note

	FY18 \$m	FY17 \$m	Variance fav/(unfav)	
			\$m	%
Operating revenue	822.7	764.1	58.6	7.7
Operating expenses	(195.5)	(180.9)	(14.6)	(8.0)
<b>EBITDA</b>	<b>627.2</b>	<b>583.2</b>	<b>44.0</b>	<b>7.5</b>
Depreciation and amortisation	(47.6)	(46.0)	(1.6)	(3.5)
EBIT	579.6	537.2	42.4	7.9
Interest and dividend income	82.7	79.2	3.5	4.3
<b>Profit before tax</b>	<b>662.3</b>	<b>616.4</b>	<b>45.9</b>	<b>7.4</b>
Tax expense	(197.0)	(182.3)	(14.7)	(8.1)
<b>Underlying profit after tax</b>	<b>465.3</b>	<b>434.1</b>	<b>31.2</b>	<b>7.2</b>
Significant items <sup>1</sup>	(20.2)	-	(20.2)	-
<b>Statutory profit after tax</b>	<b>445.1</b>	<b>434.1</b>	<b>11.0</b>	<b>2.5</b>
Statutory earnings per share (cents)	230.0	224.5		2.4
Underlying earnings per share (cents)	240.4	224.5		7.1
Dividends per share (cents)	216.3	201.8		7.2

<sup>1</sup> Refer to note C2 of the financial statements for further details.

## Group financial performance

Statutory net profit after tax (NPAT) for the year ended 30 June 2018 increased 2.5% on the prior year to \$445.1 million.

Statutory earnings per share (EPS) were 230.0 cents up 2.4% from 224.5 cents per share.

The Group's underlying net profit after tax was \$465.3 million, up 7.2%.

Underlying NPAT excludes the non-cash impairment recognised of \$20.2 million on the Group's investment in Yieldbroker in order to reduce its carrying value to fair value, based on the expected financial performance of that entity.

ASX paid an interim dividend of 107.2 cents per share in March 2018 and directors have determined a final dividend of 109.1 cents per share. Total dividends per share for FY18 of 216.3 cents are 7.2% higher than the prior year, and reflect the increase in underlying earnings.

The Board's dividend policy is to pay 90% of underlying profit after tax. This is reviewed each time the Board considers payment of a dividend. Underlying profit reflects NPAT adjusted for any significant revenues or expenses such as those associated with major restructuring, transactions or other material items that are not commonly recurring. In the current period the reduction in carrying value of the investment in Yieldbroker was the only expense treated as a significant item. This reduction did not impact the dividend amount.

# Operating and financial review continued

## Operating revenue

Operating revenue as reflected in the Group's segment note in FY18 increased 7.7% to \$822.7 million.

The key components of operating revenue were:

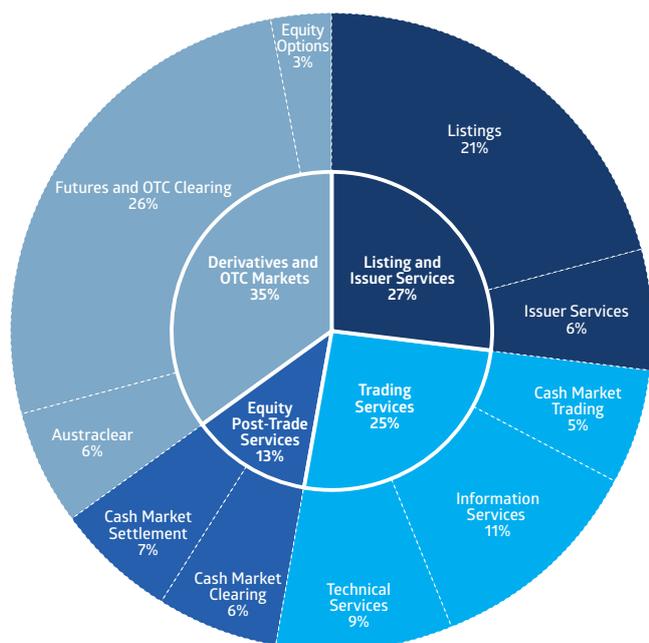
**Listing and Issuer Services** revenue increased 14.5%, reflecting the 46.0% increase in total capital raised and fee changes.

**Derivatives and OTC Markets** revenue increased 6.4%, reflecting a significant increase in activity, particularly futures.

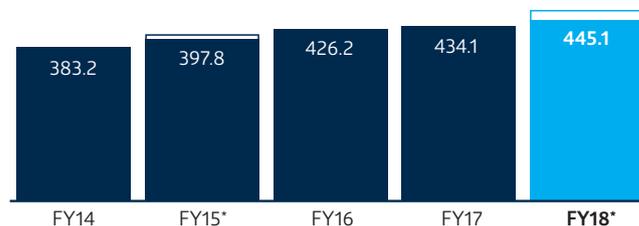
**Trading Services** revenue increased 7.0%, reflecting new data product revenues and increased hosting and connections within the ALC.

**Equity Post-Trade Services** revenue increased 0.4%, reflecting higher overall settlement messages partially offset by a 1.9% decline in the overall value cleared.

Revenue category	FY18 \$m	FY17 \$m	Variance fav/(unfav)	
			\$m	%
Listing and Issuer Services	220.6	192.7	27.9	14.5
Derivatives and OTC Markets	286.4	269.1	17.3	6.4
Trading Services	209.9	196.0	13.9	7.0
Equity Post-Trade Services	104.8	104.4	0.4	0.4
Other revenue	1.0	1.9	(0.9)	(44.0)
<b>Total operating revenues</b>	<b>822.7</b>	<b>764.1</b>	<b>58.6</b>	<b>7.7</b>

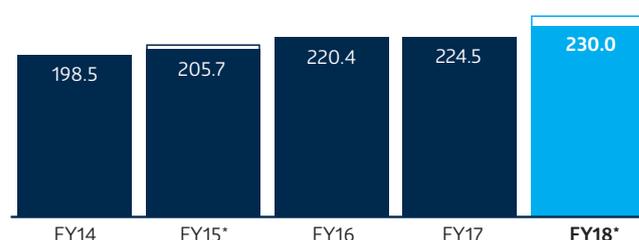


## Statutory net profit after tax (\$m)



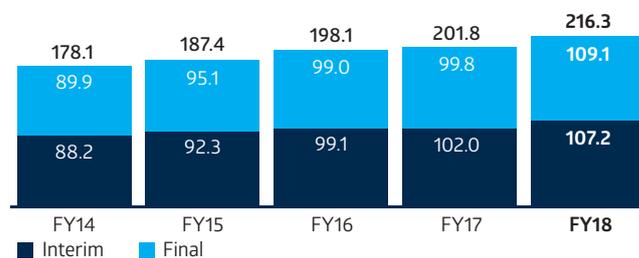
\*Underlying profit in FY18 \$465.3 million, FY15 \$403.2 million

## Statutory earnings per share (EPS) (cents)



\*Underlying EPS in FY18 240.4 cents, FY15 208.4 cents

## Dividends per share (DPS) (cents)



## Operating expenses

Underlying operating expenses in FY18 increased in line with guidance provided to the market. As reflected in the segment note, underlying operating expenses (excluding finance costs, depreciation and amortisation and significant items) increased 8.0% to \$195.5 million.

- Staff costs increased 3.6% to \$114.6 million. This reflects the annual remuneration review, and a lower level of staff costs capitalised on projects compared to the prior comparative period (PCP). The average full-time equivalent (FTE) headcount increased slightly to 560 compared to 556 in the pcp. As at 30 June 2018, there were 587 FTE staff compared to 554 a year earlier. The increase supports continued strategies to strengthen the resilience of ASX's existing service offerings and develop core offerings.

# Operating and financial review continued

- Occupancy costs increased 12.1% to \$16.4 million, primarily due to the increase in electricity costs and the step change from ASX's renewal of its Bridge Street premises lease in Sydney.
- Equipment costs were broadly flat reflecting savings on certain core system licences and maintenance offset by other increases.
- Administration costs increased 23.1% due to increased consulting (business, technical and security) and other costs to support ASX's Stronger Foundations program and new initiatives for the ASX business.
- Variable costs increased 17.5% due to higher postage and additional CHES holding statements produced.
- Regulatory fees more than doubled in the year due to the new levy arrangements introduced by ASIC on listed entities and financial market firms.

Depreciation and amortisation expense increased 3.5% to \$47.6 million, reflecting ASX's continued investment in technology in recent years.

Operating expenses	FY18 \$m	FY17 \$m	Variance fav/(unfav)	
			\$m	%
Staff	114.6	110.6	(4.0)	(3.6)
Occupancy	16.4	14.6	(1.8)	(12.1)
Equipment	27.9	27.9	0.0	0.1
Administration	22.4	18.2	(4.2)	(23.1)
Variable	7.9	6.7	(1.2)	(17.5)
ASIC Levy	6.3	2.9	(3.4)	(116.8)
<b>Total operating expenses</b>	<b>195.5</b>	<b>180.9</b>	<b>(14.6)</b>	<b>(8.0)</b>

## Capital expenditure

The Group invested \$54.1 million in capital expenditure during the year, compared to \$50.3 million in the pcp. Expenditure included the continued investment in distributed ledger technology for the CHES replacement, the development and expansion of the data platform as well as various initiatives to strengthen resiliency of ASX services, by continuing to contemporise platforms.

## Net interest income

Net interest and dividend income increased 4.3% to \$82.7 million. Net interest consists of two components: interest earned on ASX's cash balances and net interest earned from the investment of collateral balances lodged by participants.

Interest income on ASX's cash balances was up marginally on the pcp with no significant change in the level of cash. Net interest earned from the investment of participant balances increased 5.9% to \$50.3 million. This increase was driven by a 14.0% increase in average collateral balances (lodged as cash) to \$6.9 billion, reflective of larger positions. Investment earnings on this portfolio declined slightly to 34 basis points compared to 37 basis points above the official overnight cash rate. The reduction which was foreshadowed in prior reports reflects the change in investment mandate in line with new regulatory standards.

## Financial position

At 30 June 2018, the net assets of the Group were \$3,945.5 million, up 1.0% from 30 June 2017.

### Summary Balance Sheet for period ending 30 June 2018

Assets	30 June 2018	30 June 2017	Variance increase/ (decrease)	
	\$m	\$m	\$m	%
Cash and available-for-sale financial assets	9,565.3	9,085.6	479.7	5.3
Intangibles (excluding software)	2,326.3	2,326.6	(0.3)	-
Investments	474.3	497.8	(23.5)	(4.7)
Other assets	557.1	1,301.7	(744.6)	(57.2)
<b>Total assets</b>	<b>12,923.0</b>	<b>13,211.7</b>	<b>(288.7)</b>	<b>(2.2)</b>
<b>Liabilities</b>				
Amounts owing to participants	8,495.8	8,084.7	411.1	5.1
Other liabilities	481.7	1,218.9	(737.2)	(60.5)
<b>Total liabilities</b>	<b>8,977.5</b>	<b>9,303.6</b>	<b>(326.1)</b>	<b>(3.5)</b>
<b>Equity</b>				
Capital	3,027.2	3,027.2	-	-
Retained earnings	666.7	622.2	44.5	7.2
Reserves	251.6	258.7	(7.1)	(2.7)
<b>Total equity</b>	<b>3,945.5</b>	<b>3,908.1</b>	<b>37.4</b>	<b>1.0</b>

### Investments

Investments for the period were down \$23.5 million or 4.7% on the prior year and reflect the carrying value of ASX's investments as detailed below. The movement reflects the change in fair value of these investments:

- 19% shareholding in IRESS Limited, down \$20.9 million. A listed entity providing financial market and wealth management technology solutions
- 49% shareholding in Yieldbroker Pty Limited, down \$20.2 million representing the impairment treated as a significant item. An unlisted entity operating licensed electronic markets for trading Australian and New Zealand debt securities
- 7% shareholding in Digital Asset Holdings LLC, up \$11.0 million inclusive of convertible notes purchased. An unlisted US domiciled technology entity
- 50% shareholding in Sympli Australia Pty Limited, up \$6.6 million following investment in this venture in May 2018. Established to provide electronic property conveyancing and settlement services.

### Amounts owing to participants

Amounts owing to participants were up \$411.1 million or 5.1% compared to the prior year. As part of its clearing operations, the Group holds a significant amount of collateral lodged by participants to cover cash market and derivatives exposures cleared through its licensed central counterparty (CCP). The growth primarily resulted from an increase in open positions held in interest rate and equity index futures as well as equity margins and OTC derivative positions.

The increase in participant balances results in a corresponding increase in cash and available-for-sale financial assets, as the balances are invested by ASX.

# Operating and financial review continued

## Listings and Issuer Services

### Business model and operating environment

ASX, through its infrastructure and operating rules, provides a facility for entities to list, raise capital and have their securities publicly traded.

The Group provides a range of services to issuers of capital, including the generation of security holding statements and other shareholder and sub-register services. ASX also lists debt securities (including bonds) and exchange-traded investment products.

The Group earns revenue from listed entities for initial listing, annual listing, secondary capital raisings, and for issuer services. The main drivers of revenue in this category include the:

- Number of listed entities and their market value
- Number and value of initial public offerings (IPOs)
- Level of corporate actions, such as secondary capital raisings
- Number of holding statements.

### Business strategies

ASX has implemented a range of initiatives in recent years aimed at maintaining and enhancing the attractiveness of Australia as a place to list and raise capital. These include updates to the listing rules and guidance to maintain the integrity of ASX's equity market.

Consistent with the strategy of providing a premier listing venue, ASX has been successful increasing the number of foreign companies and those from the technology sector listed on the exchange. ASX has 279 foreign entities listed and 237 technology companies as at 30 June 2018.

ASX has a range of products and asset classes available for issuers and investors. Some of the investment products that complement traditional equities include:

- Bonds – ASX provides the ability for clients to trade Australian Government bonds on the exchange
- Exchange-traded products (ETPs) – in recent years ASX has focused on increasing the number of ETPs. The value of ETPs listed on ASX increased 33% to \$39 billion

- Managed funds (mFund) – mFund allows investors to apply for and redeem unlisted managed funds using their broker platform. At 30 June 2018, there were 199 funds available on mFund with a market capitalisation of \$677 million, 83% up on the pcp.

### Results of operations

Listings and Issuer Services revenue was \$220.6 million, up 14.5% reflecting:

#### Annual listing revenue up 8.2% to \$85.8 million

An increase in the number of listed entities to 2,285 along with growth in market capitalisation and fee changes resulted in the increase in revenue.

#### Initial listing revenue up 15.4% to \$18.6 million

While there were fewer IPOs, 137 compared to 152 in the pcp, the amount of capital raised was up 75.4% to \$25.7 billion, leading to higher overall listing fees.

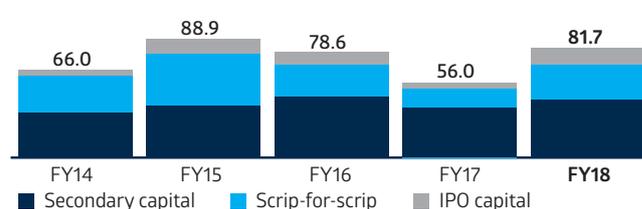
#### Secondary capital raisings revenue up 26.7% to \$58.9 million

The amount of secondary capital raised was up 35.6% which combined with fee changes were the main drivers supporting the increase in revenue.

#### Issuer services revenue up 16.2% to \$49.2 million

An increase in the number of CHES holding statements, which were up 7.6%, combined with fee changes, supported the increase in revenue, along with other ancillary services which also increased.

#### Total capital raised (\$billion)



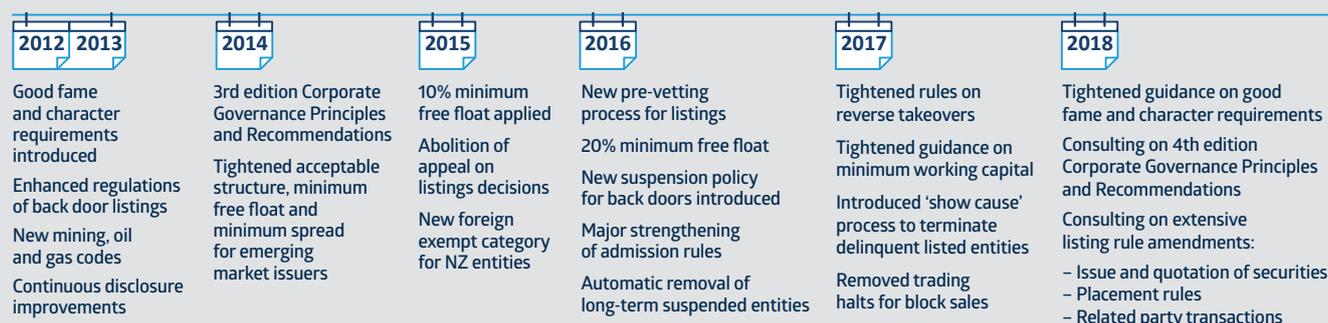
## Quality is key for market integrity

### As markets evolve, we too are continually updating our listing rules and guidance.

Over the last seven years, there has been a number of enhancements to the listing rules. These have involved significant rule and policy development, putting out consultation papers, taking account of

feedback from stakeholders across the market, and getting input and regulatory signoff before instituting the changes.

The process of strengthening our compliance framework – and with it market integrity and quality – is ongoing. In calendar 2018 we will consult on an extensive package of listing rule amendments dealing with a wide range of issues, including notification and approval of share issuances and related party transactions.



# Operating and financial review continued

## Derivatives and OTC Markets

### Business model and operating environment

ASX offers exchange-traded derivatives, including the trading and clearing of futures and options on futures on interest rate, equity index, agricultural and energy contracts, as well as exchange-traded options over individual securities. The number of contracts traded is the primary revenue driver.

Through the licensed clearing and settlement facility, ASX Clear (Futures), ASX provides central counterparty clearing (CCP) of exchange-traded derivatives as well as clearing of over-the-counter (OTC) derivatives. ASX Clear (Futures) provides risk management services supported by clearing participant collateral, and funds provided by both ASX Group and participants, which are available in the event that participants fail to meet their obligations.

Austraclear provides settlement, depository and registry services. Austraclear settles transactions in debt securities and cash on a real-time gross settlement (RTGS) basis. The number of transactions is the main revenue driver.

With respect to depository services, the value of securities held is the main revenue driver.

Austraclear also provides registry services, facilitating the issuance and registration of debt security, coupon and redemption payments. The number and value of securities is the main driver of registry revenue.

The ASX Collateral service supports the utilisation of debt securities held in Austraclear as collateral to meet obligations to other customers or to ASX's clearing subsidiaries. The value of collateral balances managed is the main revenue driver.

### Business strategies

The Derivatives and OTC Markets strategy is to continue to develop new products and services, increase distribution, and provide flexible and cost-effective trading and clearing platforms.

It also incorporates strategies designed to attract additional users to its products. These include attracting overseas traders to use ASX derivatives products by making it easier for them to connect through ASX's data network (ASX Net Global). ASX is attracting a growing number of offshore traders to its derivatives market and the volume of trading during the night session is around 31% reflecting the global reach of ASX's offerings.

The OTC clearing service continues to expand with the addition of NZ\$ interest rate swaps and the availability of client clearing. Notional open interest at the end of June was \$3.8 trillion, up 29.0% on the pcp.

Through ASX's Austraclear platform, ASX delivers collateral efficiency to customers in its collateral management service. This service allows customers to utilise collateral held in ASX's Austraclear debt registry to meet obligations to other customers (mainly repo transactions) or to ASX's clearing subsidiaries. The value of collateral within this service increased 45.1% compared to pcp.

During the year, ASX invested in a joint venture, Sympli Australia Pty Limited, which will offer electronic settlement of property transactions.

### Results of operations

Derivatives and OTC revenue was \$286.4 million, up 6.4% reflecting:

#### Futures and OTC revenue up 7.7% to \$212.5 million

The increase in revenue was due to a 9.8% increase in futures volumes and a 22.2% increase in OTC clearing value. As volume from proprietary traders increased significantly following the addition of new trading participants, the average revenue per contract reduced slightly to \$1.36 versus \$1.39 in the pcp. The value cleared through the OTC clearing service was \$6.3 trillion, compared to \$5.2 trillion in the pcp.

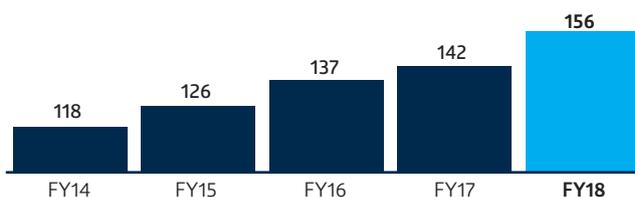
#### Equity options revenue up 1.0% to \$21.9 million

The slight increase in revenue resulted from the growth in index options, up 20.0%, offset by lower single stock option volumes which were down 14.2%.

#### Austraclear revenue up 3.7% to \$52.0 million

The increase in revenue was primarily due to higher balances in the depository, increased transactions and growth in the ASX Collateral service. The ASX Collateral service value of assets at 30 June 2018 was \$23.5 billion compared to \$16.2 billion in the pcp.

#### ASX futures and options on futures contract volumes (\$million)



## BBSW gets an innovative world-leading makeover

Using its trusted and independent market position, ASX has strengthened the foundations of Australia's bank bill market with a new calculation methodology for the bank bill swap rate (BBSW), introduced in May 2018.

BBSW is a major interest rate benchmark for the Australian dollar and is widely referenced in many financial contracts. In January 2017, ASX became the administrator and is responsible for providing it on a daily basis to customers.

The market's confidence in the benchmark has grown because it is now calculated directly from actual market transactions over a longer time period, delivering greater accuracy and transparency. Previously, BBSW was calculated from the best executable quotes for Prime Bank securities and was influenced by shorter term trading volume.

ASX has worked with regulators and the industry to implement an innovative and world-leading calculation methodology. This has strengthened the market's trust in the robustness and reliability of BBSW and the functioning of this market.

# Operating and financial review continued

## Trading Services

### Business model and operating environment

Trading Services comprises the trading of securities in the cash market as well as the information and technical services offered by ASX.

Cash market comprises the trading of equities, warrants, exchange-traded funds and listed debt securities. The value of turnover transacted on the ASX market is the primary revenue driver.

Information services includes the provision of real-time market data for the cash and derivative markets, provision of indices, company news, and index and other reference data. The main revenue driver is the number of end-users accessing real-time market data and customer enterprise licences for the provision of data.

Technical services consists of four main categories of services to facilitate market connectivity and access to ASX and third party services by customers. These are:

- ASX distribution platform, hosting of customer infrastructure within the ASX Australian Liquidity Centre (ALC) and ASX Net site management
- The facilitation of connectivity with the ALC and ASX Net
- ASX service access including access and sessions for market data products and clearing and settlement systems
- Market access for trading sessions, liquidity cross connects and order entry as well as trade gateways.

Revenue drivers for each category consist of the volume of services used by customers, such as the number of connections to ASX markets or the number of cabinets hosted in the ALC.

### Business strategies

The Trading Services strategy is to continue to innovate in the provision of services in order to maximise the attractiveness of trading on ASX, and meet the needs of a varied customer base. This includes leading price discovery and liquidity access execution types such as the auction process and Centre Point.

The Centre Point service is an example where ASX has created an innovative suite of functionalities following feedback from end-investors. The various Centre Point order types provide customers with optionality and control over how their orders are executed.

Within the information and technical services offerings, ASX's strategy is predominantly driven by the needs of clients in equities and derivatives. These requirements include hosting of hardware, connectivity as well as low latency (high speed) services to access information and ASX's trading platforms.

Demand for information services is impacted by the level of activity and the number of users accessing ASX market data. ASX's services are being tailored to meet changing customer requirements such as electronic usage of data. ASX provides enterprise licences for large users of data that offer pricing certainty to customers along with standard monthly royalty plans.

ASX's success in expanding its technical services follows the investment in the ALC and communications network (ASX Net). ASX will continue to invest in its product and service offerings and has also commenced development of a broader data platform.

Using ASX's broad range of data and combining this with other data sources provides the ability to offer additional data and analytics to a range of users.

ASX expanded its data offerings with the commencement of the administration and provision of the BBSW interest rate benchmark in January 2017. Users of this benchmark include both domestic and global entities. During FY18 ASX strengthened the integrity of this benchmark by introducing a new calculation methodology following consultation with stakeholders and regulators. ASX's independence and strength in operating critical infrastructure will support the integrity of this critical benchmark.

### Results of operations

Trading Services revenue was \$209.9 million, up 7.0% reflecting:

#### Cash market trading revenue down 1.3% to \$45.7 million

The decrease in revenue resulted from:

- Lower on-market trading value of \$4.2 billion per day, down 2.7%. ASX's share of on-market trading averaged 86.6% in FY18, down slightly from 87.5% in the pcp
- Offsetting the lower trading values was an increase in the use of the Auction trade execution service and continued usage of the Centre Point execution service, both of which have higher associated revenues. Auctions accounted for 25.0% of the ASX on-market value while Centre Point usage was 10.2%. Together these accounted for 53.3% of ASX trading revenue, up from 49.5% in the pcp.

#### Information services revenue up 9.3% to \$90.1 million

The increase in revenue resulted from:

- New revenue from the BBSW interest rate benchmark which ASX commenced providing in January 2017
- Additional revenues from futures data pricing and fee changes to certain data services.

#### Technical services revenue up 10.1% to \$74.1 million

The increase in revenue was due to:

- Increased cabinet hosting with 301 cabinets at 30 June 2018 up from 285 a year earlier, additional access and connections to the trading platforms and growth in the number of cross connections within the ALC. The number of ALC cross connections grew from 871 to 984 during the year.

#### Auctions and Centre Point value traded (\$billion)



# Operating and financial review continued

## ASX's Australian Liquidity Centre (ALC), is Australia's financial markets engine and ecosystem

The ALC is home to the contemporary, resilient and secure technology that facilitates the exchange of trillions of dollars' worth of financial instruments traded on ASX's markets.

The ALC is a state-of-the-art financial markets data centre. It provides the fastest and most direct access to Australia's financial markets and plays a central role in the exchange of capital, risk, information and services.

All ASX and customer cabinets and devices within the ALC's Tier-3 designed data centre are protected from physical security breaches by a biometric IRIS security system and video surveillance. The ALC also offers a temperature controlled environment and advanced fire protection.

### The ALC ecosystem

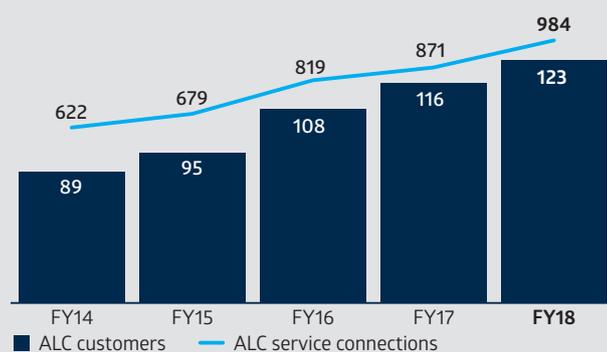
Since opening in 2011, the number of customers and connections between them has grown each year. This growth reflects the evolution of the ALC ecosystem, which has formed due to the mutual benefit of being located together.



More and more financial market participants see the advantages of being co-located and connected with the ASX and each other.

Today, over 120 customers are located at the ALC with almost 1,000 connections between them and other venues. Also connecting into this community are organisations connected via ASX's low latency networks, ASX Net and ASX Net Global.

### Australian Liquidity Centre customers



## Equity Post-Trade Services

### Business model and operating environment

ASX's cash market clearing and settlement infrastructure provides risk management services through its central counterparty clearing (CCP) and delivery versus payment settlement of cash market trades. ASX's post-trade operations are backed by significant Australian-based capital and collateral, and are overseen by Australia's regulators. Through a process known as novation, the CCP assumes the credit risk of all trades centrally cleared and thus facilitates an efficient and orderly clearing and settlement function for the market.

### Cash market clearing

The CCP supports these risk management activities with collateral lodged by clearing participants and ASX Group funds in the clearing guarantee fund. These collateral and guarantee fund resources can be called upon in the event a clearing participant does not meet its obligation to finalise a trade that has been novated to the CCP. The main revenue driver is the value of equity securities centrally cleared.

### Cash market settlement

Cash market settlement is conducted through the Clearing House Electronic Sub-register System (CHES). This system registers the title (ownership) of shares. ASX's model for cash market settlement maximises efficiency through the netting of settlement obligations in each individual security and the netting of all payment obligations, while minimising the risk of settlement failure. The main driver of settlement revenue is the number of settlement messages which can be impacted by a number of variables including the level of transactions and the netting efficiency.

### Business strategies

ASX is the sole provider of equity post-trade services to the Australian market consisting of clearing and settlement of cash market transactions.

ASX's strategy within equities post-trade is to continue to innovate in order to improve the efficiency of clearing and settlement and provide benefits to issuers and investors, including lowering the overall costs within the market.

ASX spent a considerable amount of effort over the past two years in evaluating the suitability of new distributed ledger technology as a possible equities post-trade solution. In December 2017, ASX announced it would replace the CHES post-trade platform using distributed ledger technology. Further details on this initiative are outlined on page 19 of this report.

### Results of operations

Equity Post-Trade operating revenue \$104.8 million, up 0.4% reflecting:

#### Cash market clearing revenue down 2.6% to \$51.9 million

This results from a 2.1% decrease in the value of trades centrally cleared on-market, as the total value of equities traded was lower. An average of \$4.5 billion on-market value was centrally cleared each day by ASX Clear and no calls were made on the clearing guarantee fund in the current or prior year.

#### Settlement revenue up 3.5% to \$52.9 million

The number of messages increased year on year, with the main message type broadly consistent and messages related to the movement and conversion of securities 7.6% higher than the previous year. The settlement revenue rebate was \$0.6 million compared to \$1.1 million in the pcp.

## CHES replacement project

Building on ASX's strong tradition of innovation, we are leading the global financial exchange industry by selecting distributed ledger technology (DLT) for our new equities clearing and settlement system.

Our existing clearing and settlement system, called CHES, has successfully served the Australian financial markets for over 20 years. At the time of its release, it was world-leading and delivered significant efficiencies as it enabled the conversion of physical shares into an electronic format.

We are excited about the benefits we see a DLT-based clearing and settlement system delivering the Australian financial markets. Over time we expect it will deliver greater efficiencies through improved record keeping, reduced reconciliation, more timely transactions and better quality source of truth data.

Beyond this, we believe the change will enable the industry to create an exciting new generation of products and services – some of which we can't conceive today.

### The journey to date

In December 2017, we made the decision to build the new system on DLT with our technology partner Digital Asset, after 24 months of assessment and testing.

Following consultation with over 600 people from over 120 organisations over 18 months, we published our proposed Day 1 functionality in May 2018. The consultation process is ongoing, and we will publish Day 1 scope in the coming months.

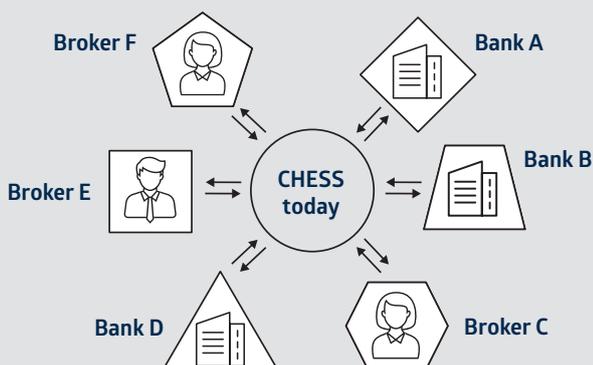
At the start of 2018 we began the analysis, build and testing work stream. Over the next 18 to 24 months, ASX will work with Digital Asset to complete the software build. We will then enter a long testing period, giving participants time to be ready for the final implementation, which is currently forecast to occur between September 2020 and March 2021.

### The broader benefits and potential of a DLT-based clearing and settlement system

CHES today is highly reliable infrastructure that has operated for over 20 years – and is more than capable of operating for a few more. Clearing and settlement participants who are connected to CHES have their own bespoke databases, which are different to ASX's and typically different to each other. Messages are constantly sent back and forth to CHES in order to reconcile data with ASX.

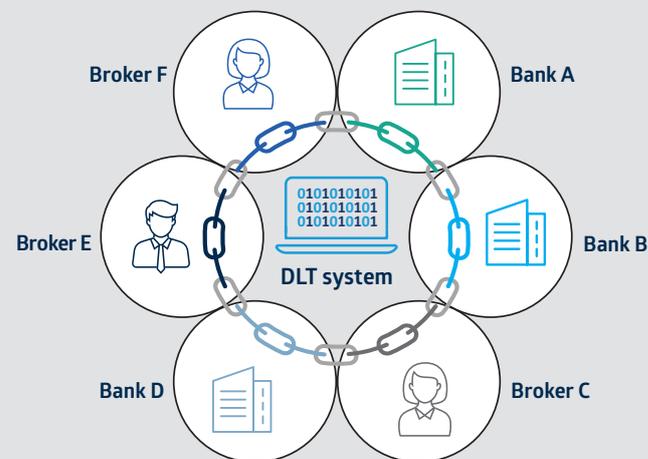
### CHES today

Sends messages to reconcile many and different systems



### DLT-based CHES

Offers real-time, single source of truth data on standardised databases



The DLT-based system we are building allows participants to 'take a node' – which is a database that contains their customers' data, and only their data. This is part of the 'source of truth' database operated by ASX. This node is kept in real-time synchronisation with the ASX database. This is because the Global Synchronisation Log, or blockchain, enables the participant to independently and mathematically prove that their node is correct.

If a participant chooses to take a node, they will have real-time access to all information that is pertinent to them. They will be able to reduce their risks and costs by no longer having to reconcile their databases with ASX's. They will also be able to use the richer data set to provide better products and services to their customers.

In addition, those who use a node will have a database structure that is identical to the database structure used by other customers. If multiple customers across the industry chose to connect to ASX in this way, then software or applications produced for one customer would be able to be used by other customers' databases as well.

### ASX's DLT solution is NOT a public cryptocurrency blockchain

Public blockchain	ASX private permissioned ledger
Not applicable to highly regulated markets	Similar to today but an enhanced database architecture
<b>Unregulated</b> <ul style="list-style-type: none"> <li>Anyone can join and transact</li> <li>Users are anonymous or use pseudonyms</li> <li>Limited rules and minimal regulatory oversight</li> </ul>	<b>Highly regulated</b> <ul style="list-style-type: none"> <li>Infrastructure providers with licences to operate</li> <li>Rule book defines market operation</li> <li>Participants identified, approved and meet regulatory standards (e.g. Know Your Client)</li> </ul>
<ul style="list-style-type: none"> <li>Operated on the public internet</li> <li>Accessed through downloading software</li> <li>Exchange and user security not subject to scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>Operated on a system within a private network</li> <li>Securities exist digitally only within the ASX register</li> <li>Cash remains within banking system</li> </ul>

# Operating and financial review continued

## Risk

Like any business, ASX faces a number of risks and uncertainties. Some come from outside the organisation, some from within. Some we can control through taking mitigating actions to reduce their impact and others we accept, as they provide attractive returns.

Risk management is a critical component of ASX's day-to-day operations and our ability to achieve long-term success. A concentrated focus on risk management reduces the risk of negative outcomes and increases the likelihood of ASX achieving its strategic and financial goals.

Accountability for risk management is held at all levels across the organisation, from the Board, down through Executive Management to individual team members. ASX believes embedding a culture of risk awareness is critical to ASX's long-term success. ASX proactively engages employees on the understanding and importance of risk management. This includes the identification and management of current and emerging risks in their day-to-day activities and speaking up about any concerns they have.

## Our approach

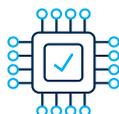
ASX has a Board approved Risk Appetite Statement that describes the types of risk we encounter in our business, along with our tolerance for outcomes that impact our customers, shareholders and the wider financial market community. Complementing this we have a governance structure, commencing at the Board and flowing down through executive level management committees to individuals, that clearly articulates roles and responsibilities for managing risk within the organisation. This is underpinned by the 3 Lines of Defence risk management framework.

Below is a table discussing ASX's key risks and how we respond to them.

Risk	The risk and its impact	How we are responding
<b>Regulation, market structure and competition</b> 	<p>ASX operates in highly regulated markets. Changes in regulations and/or market structure can impact ASX or its customers and the competitive environment in which we operate.</p> <p>Examples of how ASX's business could be impacted include if:</p> <ul style="list-style-type: none"> <li>• New competitors commenced operation in Australia</li> <li>• Regulatory requirements were changed for certain systemically important services</li> <li>• ASX's products or services did not meet industry expectations in terms of quality or value.</li> </ul>	<ul style="list-style-type: none"> <li>• We regularly engage with government, regulators and industry participants on market structure issues to promote the best industry-wide efficiency outcomes.</li> <li>• We constantly engage with our customers to seek feedback on the quality and value of our products and services, and continually look for ways to improve these.</li> <li>• We monitor the performance of individual products and services against those available elsewhere to support ASX's ability to deliver a strong value proposition.</li> <li>• We consider the impact of ASX driven change on our customers.</li> <li>• We invest in technology enabling us to stay at the forefront of innovative products and services.</li> <li>• We constantly engage with government on the future direction of policy impacting our business.</li> </ul>
<b>Economic environment and market activity</b> 	<p>ASX's business can be impacted by the level of market activity. Market activity levels are influenced by economic performance, government policy, and general financial market conditions in Australia and overseas.</p> <p>Slowing economic conditions or a lessening of general market volatility can lead to a reduction in activity and revenues.</p> <p>Examples of how ASX's business could be impacted if there was a slowdown in the Australian economy include:</p> <ul style="list-style-type: none"> <li>• Fewer new listings</li> <li>• Less secondary capital raisings</li> <li>• Decline in the volume and value of equities traded</li> <li>• Slowdown of growth rates associated with data products and/or technical services.</li> </ul>	<ul style="list-style-type: none"> <li>• We continue to build resilience into our business model through the diversification of revenue streams.</li> <li>• We have been growing those services that have annuity style revenue streams.</li> <li>• We have been focusing on building our reputation as a preferred listing venue for technology companies and attracting foreign companies.</li> <li>• We continually look to introduce new domestic and international participants to our trading markets and clearing and settlement facilities.</li> </ul>
<b>Operational excellence</b> 	<p>The resilience, continuity and quality of our operational processes are critical for our ability to operate.</p> <p>This risk arises when failures in our people, processes, systems and controls impact the delivery of our products and services to our customers.</p> <p>The occurrence of such a failure may result in reduced customer service, the inability to provide services, reduced revenues, increased costs or regulatory issues.</p>	<ul style="list-style-type: none"> <li>• We have people, processes, systems and controls in place designed to meet our operational benchmarks.</li> <li>• We regularly assess how we can make improvements to the resilience and reliability of our operational processes.</li> <li>• We regularly consider the effectiveness of our controls.</li> <li>• We monitor customer complaints for feedback on where we could improve performance.</li> <li>• We have business continuity plans that are regularly tested.</li> <li>• We have an incident management framework requiring that timely attention be paid to rectifying incidents as they occur.</li> <li>• We undertake resource planning and have staff training and retention programs.</li> </ul>

# Operating and financial review continued

## Technology availability



ASX operates critically important financial market infrastructure which is expected to be open and available at all relevant business times.

A risk to ASX arises in the situation where infrastructure and technology is unreliable and has slow recoverability. Issues that would heighten this risk are the prevalence of ageing infrastructure, systems or applications that are near their end of life, and a significant increase in cyber-attack activity.

The risk may result in reduced ability or an inability to deliver ASX's trading, clearing and settlement services, reduced customer service, reduced revenues, unplanned remediation or replacement costs or further licence conditions.

- We regularly monitor our systems availability against targets and test to understand maximum throughput capacity.
- We monitor the health of critical systems and have contingency plans in place for disruptions.
- We replace ageing technology in a phased and planned manner. Recent examples include the replacement of SYCOM with NTP, the announcement to replace CHESSE with a DLT solution and upgrading our secondary data centre.
- We constantly engage with our vendor partners who provide some of our critical systems and applications.
- We have a regular disaster recovery testing program in place.
- We have a cyber security strategy in place and continually look to improve our capability.

## Counterparty default risk



This risk arises in our licenced Clearing and Settlement (CS) facilities when a participant fails to meet its contractual obligations to any of the facilities.

Depending on the size and complexity of the defaulting counterparty, the default could lead to extremely volatile conditions in global financial markets. This, along with ASX's default management strategy will determine the size of the possible loss sustained by ASX.

- As part of our regulatory framework, ASX has the financial resources in place to withstand the concurrent default of our two largest participants under extreme market conditions.
- We enforce minimum financial and operating criteria for participants.
- We require participants to provide collateral in the form of initial margin and to make regular and frequent and at least daily variation margin payments.
- We hold pre-funded default risk financial resources.
- We have technology and risk policies and procedures to constantly monitor and manage counterparty exposures.
- We have default management strategies that are regularly fire-drilled.
- We have recovery plans for very extreme default scenarios.

## Investment returns



Financial losses may arise from investment decisions taken in relation to the management of collateral balances received from clearing and settlement activity, from the investment of ASX's own capital or the clearing and settlement facilities pre-funded default capital resources.

ASX also makes equity investments in support of its broader business objectives (e.g. IRESS, Yieldbroker, Digital Asset).

- We have investment limits in place under which ASX is only able to invest up to a certain proportion of investable funds, in highly rated counterparties, with short-term maturities.
- We closely monitor financial markets activity, performance and sentiment to inform investment decisions.
- We monitor the business strategy and financial performance of companies that we have invested in and follow the prescribed accounting treatment in terms of impairment or loss recognition should that be necessary.

## Reputation and stakeholder confidence



The ongoing success of ASX is highly dependent on its impeccable reputation for trust, integrity and resilience in everything that we do.

Reputation risk arises in a wide variety of situations, for example, where ASX is perceived to have not acted with integrity or failed to deliver resiliency in its activities.

Any outcome that causes detriment to this reputation has the potential to damage ASX's future business prospects through reduced business volumes or regulatory impact or intervention.

- We aspire to be the world's most respected financial marketplace.
- Understanding the importance of and protecting our reputation is at the centre of everything that we do.
- ASX considers the possible reputation risk in all its business activities and decisions.
- We have refreshed our company values and focus on trustworthy behaviours.
- We have regular and open engagement with customers and wider stakeholders to seek feedback on our performance.
- We have regular interaction with our regulators and Government at management, CEO and Board level to facilitate fulsome coverage of issues.
- We regularly engage with media representatives so that they understand the role that ASX plays in the financial system.

# Corporate responsibility and sustainability

## Our corporate responsibility and sustainability approach

As a provider of critical market infrastructure, ASX fulfils a meaningful social purpose. Through the raising of capital and management of risk, ASX helps business to grow, create jobs and contribute to the community. By facilitating the exchange of capital and providing data for informed decision-making, we provide investors opportunities to invest their capital which will in turn help them to create wealth that contributes to their positive future.

We assess and manage our social, governance and environmental sustainability risks and know the importance of this in executing our strategy and creating long-term value. This report explains how we conduct our business in a sustainable way.

For us, sustainability is about taking steps in the near-term to help ensure that our strong financial and operational performance continues into the long-term and that we are prepared for the opportunities and challenges ahead. This means:

- Investing in our infrastructure and enhancing our customers' experience
- Building an engaged and skilled workforce
- Establishing appropriate governance arrangements and playing a leadership role in governance
- Making a positive impact on the community
- Managing our impact on the environment.

Information about our investments in infrastructure and enhancing our customers' experience is set out on page 5. Details of our material business risks and how we are responding to them are set out in the Operating and financial review on pages 12 to 21.

## Our people

Our people are central to achieving ASX's vision of being the 'world's most respected financial marketplace'. ASX is committed to building an engaged, skilled and responsible workforce guided by values and behaviours that support our strategy. To do this, we:

- make clear the behaviours we expect of employees
- commit to protecting the confidentiality and position of employees who wish to raise matters concerning the integrity of ASX
- strive to create a diverse and inclusive workplace
- have a strategy to attract and retain talent through our remuneration policies and practices, our training and development programs, by providing a safe workplace and programs to support employee wellbeing.

### Corporate culture

We work to instill and reinforce a culture of acting lawfully, ethically and responsibly and know this is key to creating long-term value. We are committed to maintaining a high standard of integrity and investor confidence. We've implemented the following programs, policies and codes which articulate the behaviours we expect of our people.

### Our values

The launch of ASX's values program was a highlight of FY18. Our values program was developed by our employees, for our employees. The ASX values are behaviours that guide our actions and decision-making and reflect our brand and culture. Our values are to:

**Be Open, Be Trustworthy, Be Original, Be The Example.**

### Code of Conduct

ASX has a Code of Conduct which is underpinned by our values. The Code of Conduct applies to directors and employees. It sets the standards for how we work at ASX and states our values to anyone dealing with ASX. The Code requires employees and directors to act in a way that is guided by ASX's values – including acting in the best interests of ASX and with honesty, integrity and fairness.

Management and the Board monitor ASX's culture and behaviour, through the use of online surveys to measure engagement. Results are reviewed by the Remuneration Committee. ASX's Internal Audit function and Regulatory Assurance function provide periodic feedback on cultural matters.

### Anti-bribery and corruption and whistleblower protection

In addition to our Code of Conduct, ASX has a range of policies in place that guide employee behaviour including our:

- Anti-bribery and corruption policy which states our requirements regarding the management of gifts and benefits. The policy requires employees to report all gifts above a specified threshold. The Audit and Risk Committee receives periodic reports on these disclosures
- Whistleblower protection policy which supports employees who report non-compliant or suspicious or unethical conduct. It formalises ASX's commitment to protecting the confidentiality and position of employees who wish to raise matters concerning the integrity of ASX.

ASX periodically requires staff to attest to their understanding of, and compliance with, ASX's Code of Conduct and anti-bribery and corruption policy. These policies and our whistleblower protection policy are available on ASX's website.

# Corporate responsibility and sustainability continued

## Diversity and inclusion

ASX knows that a diverse and inclusive work environment brings performance benefits.

We support a workplace where employees have equal access to career opportunities, training and benefits. We treat employees fairly and respectfully and ensure they are not judged by their gender, age, ethnicity, race, cultural background, religion, sexual orientation, disability or caring responsibilities.

### Our focus on gender equality

We promote gender equality as a priority. We have a target of 40% female representation for all management levels. In FY18 we exceeded this target at 41%. Our progress in FY18 against our measurable objectives is set out below.

To encourage greater representation of women at all levels in the organisation we:

- Set gender diversity targets. Achievement against the targets is monitored by the Remuneration Committee
- Require gender-balanced shortlists when recruiting all roles
- Embed gender equality targets as part of an executive's balanced score card and review the executive's achievement against these targets when determining their short-term incentive
- Undertake annual pay equity reviews and make adjustments where a gap is identified
- Participate in the Chief Executive Women Leaders Development program which provides individual coaching for participants
- Support Male Champions of Change, with our CEO a member.

Reporting	Target	FY18	FY17
<b>Diversity % of women</b>			
On the Board	33%	33%	30%
Executive committee roles	40%	21%	31%
Management executive roles	40%	46%	45%
Management/team leader roles	40%	42%	42%
<b>Total % of women in management position roles</b>	<b>40%</b>	<b>41%</b>	<b>41%</b>
Professional/technical roles	40%	41%	39%
Administrative roles	50%	83%	84%
Across the entire organisation	40%	44%	43%

ASX also implements gender-neutral policies to help build an inclusive workplace. An example of this is our parental leave policy which makes available paid and unpaid leave to all new parents (including superannuation payments) regardless of gender.

## Attracting and retaining talent

The market for talented people is competitive and so we continue to evolve our offerings to employees to ensure we attract and retain high performing professionals. In addition to remuneration, we offer learning and development opportunities, leadership training and support employee wellbeing programs.

### Remuneration

ASX employees receive a market competitive total fixed remuneration package. Subject to performance, employees also participate in a short-term incentive plan that rewards individual behaviours and performance with ASX shares and/or cash (depending on the role). Details about our remuneration practices and policies are included in the Remuneration report on pages 39 to 50

ASX also supports employees who want to be shareholders and during the year, offered to all ASX employees the opportunity to acquire ASX shares under a \$1,000 General Employee Share Plan. In FY18, this offer was accepted by 57% of staff.

### Learning and development

We believe that our sustainability is strongly supported by high performing individuals who seek to improve their skills and performance. ASX offers learning and development programs at all levels of the organisation to help staff grow their skills and their careers.

### Building leadership capability

During FY18, ASX launched a new leadership development program which is aligned with ASX's values and designed to positively influence our culture. All leaders at ASX have participated in this program which will be rolled out to additional staff in FY19.

ASX also participates in the Chief Executive Women Leaders Development Program which provides individual coaching for participants.

### Employee wellbeing

#### Safety

ASX is committed to the health and safety of all employees, visitors and contractors. Employees are encouraged to identify and address potential causes of workplace risk, injury and illness.

The Audit and Risk Committee receives quarterly updates on ASX's compliance with workplace health and safety (WHS) laws. WHS performance is audited periodically by an independent third party. ASX's FY18 lost-time injury frequency rate (the number of lost time injuries per 1 million hours worked) was very low at less than 0.1. This is in line with FY17.

# Corporate responsibility and sustainability continued

## Prevention of harassment and discrimination

ASX works to prevent discrimination and harassment in the workplace. ASX has processes in place to monitor and address discrimination and employees must complete online training periodically.

## Wellbeing

ASX has a wellbeing program to support employees to balance their work, personal and family life. We offer subsidised activities such as yoga, pilates, meditation, lunchtime sport and a walking club. ASX's Social Committee co-ordinates company funded events throughout the year.

## Supporting working families

ASX offers flexible working conditions to help employees balance their work and personal lives. We enable employees to change their work hours and place of work, set up a job share arrangement, take career breaks and parental leave or purchase additional leave.

In FY18, approximately 63% of staff identified as working in a flexible capacity.

ASX's parental leave policy provides 16 weeks' paid leave for primary carers and four weeks' paid leave for secondary carers. Superannuation contributions foregone during unpaid parental leave are paid as a one-time contribution on return to work up to a maximum of 36 weeks. Graduated return to work options are available to support employees transition back to the workplace.

## Governance

ASX is committed to maintaining and promoting high standards of corporate governance and believes this is a driver of shareholder value. This section of the report is divided into two segments. Firstly, it explores elements of ASX's own governance arrangements and secondly, how ASX promotes high standards of corporate governance in Australia.

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### ASX's governance arrangements

Our corporate governance statement on pages 28 to 38 describes our principal governance arrangements and practices for effective decision-making and accountability.

Additional details on how we manage conflicts of interest and perform our compliance and enforcement functions are set out below.

#### Managing conflicts of interests

ASX has well established arrangements to address the potential for actual and perceived conflicts. These include:

- Governance arrangements, including for ASX's self-listing
- Customers, competitor and supplier arrangements
  - licence obligations (including the 'review party' framework)
  - information handling standards.

Arrangements are also in place for handling conflict sensitive information relating to other market operators that use services provided by ASX's clearing and settlement (CS) facilities.

ASIC is ASX's listing authority and monitors ASX's own compliance with the listing rules.

ASX has a Regulatory Assurance function whose responsibilities include reviewing ASX's compliance with our conflict and information handling standards and reports on these matters to the Audit and Risk Committee.

#### Compliance and enforcement arrangements

ASX Group licensed entities have arrangements for monitoring and enforcing compliance by listed entities and participants with ASX's operating rules, and for handling conflicts between the licensed entities' commercial interests and their licence responsibilities.

ASX has a dedicated Compliance function which monitors and enforces compliance with the operating rules of each licensed entity. ASX's conflict handling arrangements are set out in our conflict handling policy which is available on our website.

ASX's Audit and Risk Committee and ASX licensed entities have oversight of the performance of these functions. Previously, this oversight role was performed with the assistance of a related body corporate, ASX Compliance Pty Limited.

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### Playing a leadership role in corporate governance

#### ASX Corporate Governance Council

Promoting high standards of corporate governance helps develop a market of quality and integrity. These are key to maintaining the attractiveness of ASX's listing franchise and also help strengthen the investment environment in Australia.

The ASX Corporate Governance Council, a body independent of ASX, brings together business, shareholder and industry groups. As the convener, ASX nominates the Chair (currently Ms Elizabeth Johnstone), contributes one member to the Council and provides executive support.

The ASX Corporate Governance Council publishes a principles-based framework for corporate governance practices – the Corporate Governance Principles and Recommendations – that serves as a relevant and practical guide for listed entities, investors and the wider Australian community.

ASX's listing rules require that listed entities disclose the extent to which they have followed the recommendations set by the Council during the relevant reporting period. Where companies have not followed a recommendation, they must provide an explanation ('if not, why not' reporting). These reporting requirements bring transparency to the corporate governance practices of listed companies, which enables investors to make informed investment decisions.

# Corporate responsibility and sustainability continued

In May 2018, the Council commenced public consultation on proposals to update and issue a fourth edition of the Principles to address a number of matters including corporate values and culture, whistleblower and anti-bribery and corruption policies, and cyber risks. The Council's proposed changes anticipated and respond to some of the governance issues identified in recent enquiries such as the Hayne Royal Commission. On behalf of the Council, ASX conducted national roadshows in June 2018 to inform and seek feedback from listed entities and other interested stakeholders about the proposed changes.

## ESG guidance to issuers

The Council has contributed to an improvement in public reporting and awareness of environment, social and governance (ESG) matters by listed entities. The Principles require listed entities to include details in their Annual Report of how they manage their material economic, environmental, social sustainability and governance risks.

## Sustainable Stock Exchanges Initiative

ASX is a partner exchange in the United Nations' Sustainable Stock Exchange (SSE) Initiative.

The SSE is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators and companies, can enhance corporate transparency on ESG issues and encourage sustainable investment.

## Responsible and ethical business practices

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### Fraud and cyber security

As the operator of critical financial markets infrastructure ASX has a range of fraud and cyber-risk mitigation strategies and systems in place.

We are proactive in managing resilience across our systems and processes. In addition to the use of risk management strategies, processes and tools, ASX employees undertake regular security awareness training.

As a markets operator and provider of clearing and settlement facilities, ASX is subject to the risk of fraud – either internally by staff or externally by third parties targeting customers using ASX's name or infrastructure. To mitigate these risks we have appropriate fraud prevention and detection procedures in place.

Our fraud control framework enables executive management and business units to prevent, detect and respond to potential fraud. The framework is a combination of embedded fraud controls and general staff awareness, supported by regular business unit and independent fraud risk assessment.

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### Socially responsible practices

ASX is committed to acting in a socially responsible way. In addition to the practices and policies outlined above, this is reflected in our approach to taxation and how we work with our key suppliers to ensure they also meet our ESG requirements.

## Taxation

Taxation is an important component of our corporate responsibility framework and enterprise risk management framework.

We adopt a low risk tax strategy with our activities and tax compliance obligations and apply the following principles:

- Meet all taxation obligations in accordance with applicable legislation and requirements
- Adopt a conservative approach in the interpretation of applicable taxation legislation
- Seek professional tax advice or a tax ruling from the ATO in circumstances where the potential taxation outcome is uncertain
- Do not enter into transactions or structures with the primary objective of reducing tax liabilities.

ASX's Tax Transparency Report is released to the market at the time of its Annual Report and published on ASX's website. The report provides further detail on our approach to tax and discloses the amount of income tax paid. ASX's total tax contribution in FY18 was \$313.4 million.

## Our suppliers and how we manage our suppliers

ASX aims to partner with suppliers that share our ESG standards. ASX promotes ESG practices in our supply chain by incorporating ESG clauses in our standard supplier agreement. ASX's suppliers are expected to comply with all relevant laws and regulations, ASX's ESG standards and to measure and improve their ESG practices.

Material suppliers must comply with ASX's Supplier Code of Conduct, which includes minimum expectations across key ESG areas. ASX reserves the right to carry out assessments of the practices of our suppliers to ensure alignment with this Code.

ESG considerations are included in all material procurement tenders.

## Community engagement

ASX aims to contribute positively to the Australian community. We contribute through providing free, accessible education about the markets, supporting volunteer work by ASX employees and working with select charity foundations and not-for profit organisations.

## Education

We are committed to promoting informed investing and acknowledge its importance in supporting ASX's business.

We provide access to free tools and resources to explain the potential rewards and risks of investing including online courses, YouTube presentations, face-to-face events around Australia and a monthly e-newsletter that has approximately 300,000 subscribers.

ASX also conducts a share market game for school students and the general public. The game helps familiarise participants with the mechanics of share trading. It is linked to the live market – connecting players to real-world events. In FY18, there were more than 69,000 student entries and over 46,000 entries from members of the public.

# Corporate responsibility and sustainability continued

## Volunteering

We believe volunteering is an important way that our employees can contribute to the community. We assist our employees to support worthwhile causes and participate in community programs outside the workplace. This includes providing paid volunteering leave. ASX's community programs allow employees to support causes and charities of their choice. ASX matches employee donations to these charity partners and made donations to 47 charities in FY18.

## Charity and donations

ASX works with a number of charity foundations and not-for-profit organisations that support a range of causes. Details of our contributions and relationships are set out below.

### ASX Thomson Reuters Charity Foundation

The Foundation supports Australian children's and medical research charities by organising fundraising events for financial markets participants. In FY18, over \$1.2 million was raised and distributed to 38 charities.

The Foundation has two ASX representatives on its eight person board. ASX volunteers the company secretariat and finance functions for the Foundation and ASX employees volunteer to assist with the fundraising activities.

### ANZAC Centenary Public Fund

ASX is contributing a total of \$1 million over 5 years to the Anzac Centenary Public Fund. The Fund, established by the Australian Government, receives donations to commemorate the centenary of Australia's involvement in the First World War and a Century of Service. Projects honour and improve understanding of the service and sacrifice of Australia's servicemen and women, past and present, in defending Australia's values and freedom.

### ShareGift Australia

ASX supports ShareGift Australia, a not-for-profit organisation that aggregates under-utilised share capital to generate funding for other charities. To date ShareGift has donated more than \$1.6 million to over 470 charities.

ASX reimburses all ASX exchange fees on ShareGift transactions and promotes ShareGift via the CHESS statements sent to investors.

Any individual shareholder may donate a parcel of shares – large or small – free of brokerage and the proceeds support the community.

## Environment

We are a service-based organisation that does not extract physical or natural resources and are not involved in the manufacture or transport of products. Our environmental footprint is small. It arises from the energy used in our three offices, two data centres and from consumables (primarily paper). ASX's environmental risks are not significant.

Nevertheless, we are mindful of our impact on the environment and committed to acting responsibly. We measure the impact of our activities. We minimise consumption of materials. We recycle and use carbon-neutral consumables. We support awareness of environmental issues.

### FY18 environmental outcomes

ASX's electricity and paper usage outcomes are set out below:

FY18 electricity and paper usage	FY17	FY18	Actual reduction from prior year
Electricity GHG <sup>1</sup> emission (excluding ASX's data centre hosting) per \$1,000 of revenue generated (in t CO <sub>2</sub> -e <sup>2</sup> )	0.0102	0.0099	3%
Paper usage (excluding CHESS statements and notifications) by headcount (tonnes)	0.0123	0.0121	1%

<sup>1</sup> Greenhouse gas (GHG) emissions

<sup>2</sup> Tonnes of carbon dioxide equivalent

# Corporate responsibility and sustainability continued

## Electricity usage

ASX's total electricity consumption remained flat in FY18 and decreased 3% relative to revenue.

More than half of ASX's energy usage is in the Australian Liquidity Centre (ALC), ASX's primary data centre.

The ALC supports the equipment and systems of customers who co-locate with ASX and provides efficiencies to customers generally. Customers would otherwise be required to operate such systems from their own or other facilities.

Growth in this business (and its energy consumption) reflects the ALC's position as the premier financial markets ecosystem in Australia. The number of IT cabinets hosted in the ALC has grown from 117 to 301 in the last five years.

ASX has implemented measures to ensure that a disruption to the supply of electricity to our sites (including to its data centres) will not result in a service disruption to our customers. The infrastructure that supports ASX's data centres incorporates uninterruptible power supply systems, which provide ongoing electricity in the event of a loss of power from the grid. ASX's business continuity management plans outline how we will maintain operations in such circumstances. These plans are reviewed periodically.

## Paper usage

ASX's paper usage is carbon neutral and by headcount (excluding CHESS statements and notifications) decreased by 1% over FY18.

Management continues to reduce paper usage in ASX's business. ASX encourages its shareholders to receive electronic communications instead of hard copy communications via post.

## Environmental reporting

### Environmental impact

Greenhouse gas (GHG) emissions	Unit	2015	2016	2017	2018
Scope 1 – diesel and gas	t CO2-e <sup>1</sup>	29	11	48	52
Scope 2 – electricity	t CO2-e	13,011	14,435	14,262	14,330
GHG emissions by activity	Unit	2015	2016	2017	2018
Scope 1 – diesel and gas combustion	t CO2-e	29	14	48	52
Scope 2 – electricity (data centre hosting)	t CO2-e	8,457	10,105	9,983	10,031
– electricity (remainder ASX's business)		4,554	4,332	4,279	4,299
Scope 3 – travel (business travel and commuting)	t CO2-e	986	1,021	613	660
– paper usage (office) <sup>2</sup>	t CO2-e	16	0 <sup>2</sup>	0	0
– paper usage (CHESS statements and notifications) <sup>2</sup>	t CO2-e	146	0 <sup>2</sup>	0	0
Paper usage	Unit	2015	2016	2017	2018
Office use	tonnes	8.01	7.35	6.82	6.80
CHESS statements and notifications	tonnes	73	75	74	79

<sup>1</sup> Tonnes of carbon dioxide equivalent

<sup>2</sup> GHG emissions reported inclusive of carbon offset. ASX commenced using 100% carbon neutral paper in 2015.

# Corporate governance



**Directors (from left to right):** Ms Melinda Conrad, Mr Damian Roche, Ms Yasmin Allen, Mr Peter Warne, Mr Dominic Stevens (CEO), Mr Peter Marriott, Mr Rick Holliday-Smith (Chairman), Dr Ken Henry AC and Mrs Heather Ridout AO.

## ASX Limited Board

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### **Rick Holliday-Smith** Independent Chairman BA (Hons), FAICD

Mr Rick Holliday-Smith has served as Chairman of ASX since March 2012, and as a director since July 2006. He was previously Chairman of SFE Corporation Limited from 1998 until 2006.

Mr Holliday-Smith is Chairman of the Nomination Committee and the intermediate holding companies of the ASX clearing and settlement facility licensees. He is also a member of the Audit and Risk, and Remuneration Committees.

Mr Holliday-Smith has global executive and leadership experience in capital markets and derivatives, and a background in venture capital activities.

His previous roles include CEO of futures and options trading firm Chicago Research & Trading (CRT), President responsible for global trading and sales at Nations Bank-CRT (a predecessor of Bank of America), both based in Chicago, and Managing Director of Hong Kong Bank Limited (a wholly owned merchant banking subsidiary of HSBC Bank), based in London.

Mr Holliday-Smith was appointed Chairman of Cochlear Limited in July 2010, having joined the Board in March 2005. He has been a director of Servcorp Limited since October 1999 and is a member of the Macquarie University Faculty of Business and Economics Advisory Board.

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### **Dominic Stevens**

#### **Managing Director and CEO, Executive Director** BCom (Hons)

Mr Dominic Stevens was appointed Managing Director and CEO of ASX Limited in August 2016. He was an independent non-executive director of ASX from December 2013 until his appointment as CEO.

Mr Stevens is a director of the ASX Group clearing and settlement licensees and their intermediate holding companies.

Mr Stevens has over 30 years' experience in financial markets. He was CEO of Challenger Limited from 2008 to 2012, before which he was the company's Deputy CEO and head of capital, risk and strategy.

Prior to Challenger, he held senior positions during a long career at Bankers Trust Australia, where he had responsibility for the Australian derivatives and global metals and agricultural commodity derivatives businesses.

# Corporate governance continued

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## **Yasmin Allen**

**Independent, Non-Executive Director**  
BCom, FAICD

Ms Yasmin Allen was appointed a director of ASX in February 2015. She is a member of the Audit and Risk Committee.

Ms Allen is also a director of ASX Clear (Futures) Pty Limited and Austraclear Limited, the ASX Group clearing and settlement licensees for Australia's derivatives, OTC and debt markets, and their intermediate holding companies.

Ms Allen has extensive financial services, strategy and corporate governance experience, gained during a career of over 20 years in finance and investment banking.

She was formerly a vice president at Deutsche Bank, a director at ANZ Investment Bank and an associate director at HSBC Group.

Ms Allen was appointed a director of Cochlear Limited in August 2010 and Santos Limited in October 2014. Ms Allen's previous appointments include director of Insurance Australia Group Limited between November 2004 and September 2015.

Ms Allen is also Chairman of Advance, a director of the George Institute for Global Health, the National Portrait Gallery and a member of the Australian Government Takeovers Panel.

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## **Melinda Conrad**

**Independent, Non-Executive Director**  
MBA, FAICD

Ms Melinda Conrad was appointed a director of ASX in August 2016.

She has over 20 years' experience in business strategy and marketing, and brings skills and insights as an executive and director from a range of industries, including retail, financial services and healthcare.

Ms Conrad has been a strategy and marketing adviser, an executive with Colgate-Palmolive, and founded and managed a retail business.

She was appointed a director of Stockland Corporation Limited and Stockland Trust in May 2018, Caltex Australia Limited in March 2017 and OFX Group Limited (formerly OzForex Group) in September 2013. Ms Conrad's previous appointments include a director of David Jones Limited between July 2013 and August 2014, APN News and Media Limited between January 2012 and February 2013 and Reject Shop Limited between August 2011 and June 2017.

Ms Conrad is also a director of the Centre for Independent Studies and the George Institute for Global Health, and a member of the ASIC Director Advisory Panel.

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## **Dr Ken Henry AC**

**Independent, Non-Executive Director**  
BCom (Hons), PhD, DB h.c, FASSA

Dr Ken Henry was appointed a director of ASX in February 2013. He is a member of the Audit and Risk Committee.

Dr Henry is a director of ASX Clear Pty Limited and ASX Settlement Pty Limited, the ASX clearing and settlement licensees for Australia's equity markets, and their intermediate holding companies.

Dr Henry has extensive experience as an economist in Australia and overseas, and has worked as a senior policy adviser to successive Australian governments.

Dr Henry served as the Secretary of the Federal Department of the Treasury from 2001 to 2011. He is Chairman of the Sir Roland Wilson Foundation at the Australian National University, Governor of the Committee for Economic Development of Australia (CEDA), and a member of the Advisory Board of the John Grill Centre for Project Leadership at the University of Sydney.

Dr Henry has been Chairman of National Australia Bank Limited since December 2015, having joined the Board in November 2011.

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## **Peter Marriott**

**Independent, Non-Executive Director**  
BEc (Hons), FCA, MAICD

Mr Peter Marriott was appointed a director of ASX and Chair of the Audit and Risk Committee in July 2009.

He is a director of each ASX clearing and settlement facility licensee and their intermediate holding companies.

Mr Marriott has spent over 30 years in senior management roles in the finance industry, spanning international banking, finance and auditing.

Mr Marriott was Chief Financial Officer of Australia and New Zealand Banking Group Limited (ANZ) from 1997 to May 2012. He also spent two years as Group Head of Risk Management. Prior to his career at ANZ, he was a partner of KPMG Peat Marwick specialising in the banking and finance, and information technology sectors.

Mr Marriott was appointed a director of Westpac Banking Corporation in June 2013.

# Corporate governance continued

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## Heather Ridout AO

Independent, Non-Executive Director  
BEc (Hons)

Mrs Heather Ridout was appointed a director of ASX in August 2012.

Mrs Ridout is also Chair of the Remuneration Committee, and a member of the Nomination Committee.

Mrs Ridout is a company director with a long history as a leading figure in the public policy debate in Australia. She was formerly Chief Executive of the Australian Industry Group, a major national employer organisation representing a cross-section of industry including manufacturing, construction, defence, ICT and labour hire, until April 2012.

Mrs Ridout was appointed Chair of the AustralianSuper Trustee Board in May 2013, having joined the Board in 2007. She has also been a director of Sims Metal Management Limited since September 2011 and a director of the Australian Chamber Orchestra since December 2012. Mrs Ridout was appointed as a Director of AustCyber – The Australian Cyber Security Growth Network in July 2017.

Mrs Ridout is a member of the ASIC External Advisory Panel.

Mrs Ridout's previous appointments include member of the Board of the Reserve Bank of Australia from February 2012 until February 2017, Infrastructure Australia, the Australian Workforce and Productivity Agency, a member of the Henry Tax Review panel, the Climate Change Authority and the Prime Minister's Taskforce on Manufacturing.

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## Damian Roche

Independent, Non-Executive Director  
BCom

Mr Damian Roche was appointed a director of ASX in August 2014.

Mr Roche is also Chairman of ASX Clear (Futures) Pty Limited and a director of Austraclear Limited, the ASX Group clearing and settlement licensees for Australia's derivatives, OTC and debt markets, and their intermediate holding companies.

Mr Roche has 20 years' experience in global investment banks, with extensive cross-asset class expertise spanning the equities, fixed income and commodities markets, with a specific focus on the Asia Pacific region, including Australia.

Mr Roche was a member of the global Corporate and Investment Bank Operating Committee for J.P. Morgan. His most recent role at the bank was as Head of Markets and Investor Services, Sales and Distribution for Asia Pacific, based in Hong Kong.

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## Peter Warne

Independent, Non-Executive Director  
BA, FAICD

Mr Peter Warne was appointed a director of ASX in July 2006. He was previously a director of SFE Corporation Limited from 2000 to 2006. He is also a member of the Audit and Risk, Nomination and Remuneration Committees.

Mr Warne is a director of ASX Clear (Futures) Pty Limited, the ASX clearing and settlement licensee for Australia's derivatives and OTC markets, and Chairman of Austraclear Limited, the securities settlement facility licensee for Australia's debt and OTC markets. He is also a director of their intermediate holding companies.

Mr Warne has over 30 years' experience in financial markets and brings a deep practical and technical understanding of debt, equities and derivatives markets, and risk management.

Mr Warne is a director of Securities Exchanges Guarantee Corporation and NSW Treasury Corporation.

Mr Warne has been Chairman of Macquarie Bank Limited and Macquarie Group Limited since April 2016, having served as a director since July 2007.

Mr Warne's previous appointments include Chairman of OFX Group Limited (formerly OzForex Group) between September 2013 and November 2016, Chairman of Australian Leisure and Entertainment Property Management Limited between September 2003 and May 2017, Deputy Chairman of Crowe Horwath Australasia Limited between May 2007 and January 2014, and Adjunct Professor at the University of Sydney Business School between November 2011 and November 2014.

# Corporate governance continued

## Overview

ASX is committed to maintaining and promoting high standards of corporate governance. By corporate governance we mean the framework of rules, relationships, systems and processes within and by which authority is exercised and managed within our company, and our structures for accountability.

This statement outlines our principal governance arrangements and practices for effective decision-making and accountability. It is current as at 16 August 2018 and has been approved by the Board.

ASX's governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations throughout the reporting period.

The ASX Board and its committees regularly review ASX's governance arrangements and practices to ensure they are in line with regulatory requirements and developments in industry expectations, and that they continue to support ASX's business objectives.

More information on ASX's corporate governance is available on ASX's website.

## Laying solid foundations for management and oversight

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### The role of the Board

The Board is accountable to shareholders for the performance of ASX.

The Board has set the Company's vision to become the world's most respected financial marketplace. This is a long-term goal. The Board reviews and approves ASX's strategy to achieve that vision including the annual budget and financial plans. It is also responsible for monitoring management's progress in implementing that strategy.

The Board meets regularly to review the ASX Group's performance and progress against the strategy. The Board's responsibilities also include:

- Appointing and assessing the performance of the CEO and overseeing succession plans for the whole executive team
- Overseeing systems in place for risk management, internal controls and regulatory compliance
- Monitoring ASX's corporate culture.

The Board's responsibilities are detailed in the Board charter (available on ASX's website). The Board's conduct is also governed by ASX's constitution.

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### The role of committees

The Board has established three committees to assist in discharging its responsibilities:

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee.

The duties of each committee and details of their membership are disclosed in this Corporate governance report.

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### Delegation to management

The Board has appointed Dominic Stevens as CEO. The CEO is responsible for managing the ASX Group in accordance with the strategy and policies approved by the Board.

Executives support and report to the CEO. Executives' biographies are available on ASX's website.

Executives attend and report at regular Board meetings.

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### Nomination and appointment of directors

The Board has established a Nomination Committee to help bring the focus and independent judgement needed for decisions regarding the composition of the Board.

The Nomination Committee reviews the skills represented by directors on the Board and considers whether the composition, mix of those skills and succession plans remain appropriate for ASX's strategy. It makes recommendations to the Board based on its reviews.

The Nomination Committee also considers and makes recommendations to the Board about the process for nomination and selection of directors for the Board and Board committees and the performance of directors.

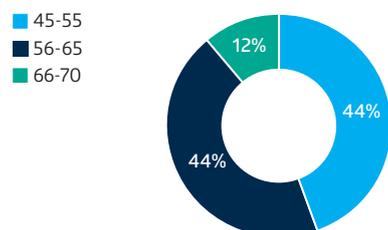
The Nomination Committee is currently comprised of three independent, non-executive directors. The ASX Chairman, Rick Holliday-Smith chairs the Nomination Committee. Heather Ridout and Peter Warne are also committee members.

The Nomination Committee's charter is available on the ASX website. The number of times the Nomination Committee met during FY18 and the individual attendance of its members at those meetings is disclosed on page 34.

Before appointing a director, ASX undertakes comprehensive reference checks including education, employment, character, criminal history and bankruptcy checks. A statutory 'fit and proper' test applies to directors because of their involvement with market licensees and/or clearing and settlement facilities. It is a condition of appointment that any new director is not a disqualified person under this test. Directors make an annual declaration to this effect.

# Corporate governance continued

## Ages of directors



Any director (except the CEO) who has been appointed during the year must stand for election at the next Annual General Meeting (AGM). ASX provides shareholders with all material information in its possession that is relevant to a decision on whether to elect (or re-elect) a director.

New directors receive a letter of appointment that outlines ASX's expectations about director time commitment, compliance with ASX policies and regulatory requirements. As part of their induction process, new directors receive briefings on strategic initiatives and operational matters.

## Director retirement and re-election

Directors are generally elected for three years. Retiring directors are not automatically re-appointed.

Mr Rick Holliday-Smith, Ms Yasmin Allen, Mr Peter Marriott and Mrs Heather Ridout AO will retire by rotation in 2018. They are standing for re-election at the 2018 AGM and are unanimously supported by the directors.

## Board renewal

The Board, in consultation with the Nomination Committee, regularly reviews its composition and succession plans and the process for nominating and selecting ASX directors.

## Company secretaries

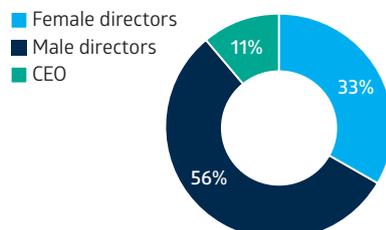
The Board is responsible for the appointment of company secretaries.

The company secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Details of ASX's company secretaries are on page 51.

## Diversity

ASX's Board and workforce are comprised of individuals with a range of skills, backgrounds and experiences. ASX values diversity and inclusion and recognises the organisational capability and business performance that it brings.

## Board – gender diversity

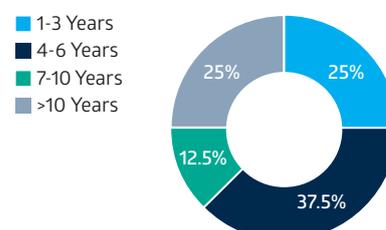


ASX has adopted a diversity and inclusion policy (available on ASX's website) which describes how ASX promotes diversity. The diversity objectives adopted by the Board, and performance in FY18 are set out on page 23, along with further details on ASX's initiatives and programs to support diversity.

The Board is committed to maintaining its diversity of membership. The Board has adopted a target of a minimum of 33% female directors. Currently, 33.3% percent of ASX's directors are female and 37.5% of non-executive directors are female.

ASX's most recent report to the Workplace Gender Equality Agency which sets out our performance against gender equality indicators is available on ASX's website.

## Non-executive director tenure



## Performance reviews

### Board

Under its charter, the Board and directors are required to undergo regular performance reviews. The performance of the Board, its committees and individual directors are reviewed each year. This evaluation took place in FY18, supported by an internal, confidential survey.

Periodically, the Board engages an external consultant to facilitate its performance review. The next such review is scheduled to occur in FY19.

The Board takes this evaluation into consideration when recommending directors for election.

### Executives

The CEO and ASX's executives have written agreements setting out their employment terms.

The Board assesses each executive's performance on an annual basis. The process for evaluating executives' performance and remuneration is set out in the Remuneration report on pages 39 to 50. Performance evaluations for the CEO and ASX's executives took place in FY18 in accordance with the process disclosed in the Remuneration report.

# Corporate governance continued

## Structuring the board to add value

### Board composition

As at the date of this report, the Board comprised eight non-executive, independent directors and the CEO.

The directors have elected Mr Rick Holliday-Smith as the Chairman. The Chairman is an independent, non-executive director. He leads the Board in its duties to ASX and is responsible for facilitating effective Board meeting discussion.

The roles of CEO and Chairman are separate and are not performed by the same person.

The names, qualifications and tenure of each director are set out on pages 28 to 30. Director biographies are published on ASX's website.

### Director skills and experience

The skills and experience of the Board reflect ASX's role as the provider of critical infrastructure to Australia's financial markets and its leading position in the Asia-Pacific region.

To guide its assessment of the skills and experience of non-executive directors and to identify any gaps in the collective skills of the Board, the Board uses the skills matrix below. The chart below shows the Board's current assessment of its skills coverage.

The Board considers that individually and collectively, the directors have an appropriate mix of skills, experience and expertise to understand ASX and its operating environment, to navigate current and emerging issues and to oversee the performance of management in executing the Board-approved strategy.

The Board keeps up-to-date with market and industry developments through regular briefings at Board meetings, Board workshops, meetings with customers and regulators, and through site visits.

### Board skills matrix

Category	Description	Number of non-executive directors with these skills							
		1	2	3	4	5	6	7	8
Executive leadership	Successful career as a CEO or senior executive	■	■	■	■	■	■	■	■
Strategy	Define strategic objectives, constructively question business plans and implement strategy	■	■	■	■	■	■	■	■
Financial acumen	Accounting and reporting, corporate finance and internal controls, including assessing quality of financial controls	■	■	■	■	■	■	■	■
Risk and compliance	Forward looking, able to identify the key risks to the organisation and monitor effectiveness of risk management frameworks and practices	■	■	■	■	■	■	■	■
Public policy	Public and regulatory policy, including impact on markets and corporations	■	■	■					
Information technology/digital	Use and governance of critical information technology infrastructure, digital disruption and information monetisation	■	■	■	■	■	■	■	■
Business development and customer management	Commercial and business experience, including development of product, service or customer management strategies, and innovation	■	■	■	■	■	■	■	■
People and change management	Overseeing and assessing senior management, remuneration frameworks, strategic human resource management and organisational change	■	■	■	■	■	■	■	■
Corporate governance	Knowledge, experience and commitment to the highest standards of governance	■	■	■	■	■	■	■	■
International exchange experience	International financial markets or exchange groups including post trade services and relationships with financial markets participants	■	■						
Financial services experience	Broking, funds management, superannuation and/or investment banking activities	■	■	■	■	■	■	■	■

# Corporate governance continued

## Director independence

ASX recognises that having a majority of independent directors helps to ensure that the decisions of the Board reflect the best interests of ASX and its shareholders generally and that those decisions are not biased towards the interests of management or any other group.

The Board requires a majority of its directors to be independent.

In determining whether a director is independent, the Board considers whether the director is free of interests that could (or could be perceived to) materially interfere with the independent exercise of the director's judgement and the capacity to act in the best interests of ASX and its shareholders generally.

The Board has adopted a policy and guidelines to assess a director's independence status. The policy includes guidelines for assessing the materiality of directors' relationships that may affect their independence. This policy is available in full on ASX's website.

The Board regularly assesses the independence of its directors. The Board has assessed each non-executive director as independent.

There is no limit on director tenure. The tenure of each director is set out on pages 28 to 30. Mr Rick Holliday-Smith (ASX's Chairman) and Mr Peter Warne have been directors of ASX Limited for more than 12 years. In FY18, the Board reviewed and determined that their tenure has not impacted on their independence. As at the date of this report, all other directors have served on the ASX Board for less than 10 years. The mix of directors' tenure is shown in a diagram on page 32.

## Conflicts of interest

Directors are required to disclose all interests that may conflict with their duties. If a director has a material personal interest in a matter being considered by the Board, they must not be present for the consideration of that matter or vote on the matter (unless approved by other directors who do not have a material personal interest in the matter).

## Aligning interests of the Board with shareholders

To underscore the alignment of the Board with shareholders' interests, the Board has adopted a policy that all non-executive directors should accumulate at least 5,000 shares (12,000 for the Chairman) within three years of their appointment. All directors comply with this policy.

Details regarding director remuneration and ASX's remuneration policies and practices are set out in the Remuneration report on pages 39 to 50.

## Access to information and advice

Directors have access to management to request information.

Directors are also entitled, with the approval of the Chairman, to obtain independent professional advice at ASX's expense relating to their role as an ASX director.

## Attendance at meetings

Details of director attendance at meetings in the 12 months up to 30 June 2018 are set out below. Provided there is no conflict of interest, directors are also invited to, and frequently attend, meetings of Board committees of which they are not members.

All directors receive copies of agendas, papers and minutes of committee meetings to help ensure they remain equally informed, regardless of whether they are appointed to particular committees.

Director name	Board meetings		Audit and Risk Committee meetings			Nomination Committee meetings			Remuneration Committee meetings		
	Held	Attended	Held	Attended	Observed	Held	Attended	Observed	Held	Attended	Observed
Rick Holliday-Smith	9	9	4	4	-	4	4	-	4	4	-
Dominic Stevens	9	9	-	-	4	-	-	4	-	-	4
Yasmin Allen	9	9	4	4	-	-	-	4	-	-	4
Melinda Conrad	9	9	-	-	4	-	-	4	-	-	4
Ken Henry	9	9	4	4	-	-	-	4	-	-	4
Peter Marriott	9	9	4	4	-	-	-	4	-	-	4
Heather Ridout	9	9	-	-	3	4	4	-	4	4	-
Damian Roche	9	8	-	-	3	-	-	3	-	-	3
Peter Warne	9	9	4	3	-	4	4	-	4	4	-
Robert Priestley <sup>1</sup>	8	8	-	-	4	-	-	3	-	-	3

<sup>1</sup> Resigned on 19 June 2018

# Corporate governance continued

## Act ethically and responsibly

We are committed to conducting business in an open and accountable way. We believe that ethical and responsible business practices are a driver of shareholder value, and that ASX has a leadership role in setting and articulating corporate governance standards in Australia.

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### Code of Conduct

ASX has adopted a Code of Conduct which sets the standards for how we work at ASX and states our values to anyone dealing with ASX. A copy of the Code is available on ASX's website. Further information about our Code of Conduct and corporate culture is set out on page 22.

Our Corporate responsibility and sustainability report also details other ASX policies, practices and governance frameworks for how we:

- Operate with integrity
- Engage with the community
- Act responsibly towards the environment.

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### Securities trading

ASX has adopted dealing rules that restrict dealing in ASX and non-ASX securities. The rules apply to directors and all staff. The dealing rules:

- Are designed to help prevent directors and staff from contravening laws on insider trading
- Establish a best practice procedure for dealings in securities.

Additional dealing restrictions apply to staff working in specified functions (including our Listings Compliance, the Market Announcements and Surveillance functions).

The dealing rules were reviewed in FY18.

Derivatives and hedging arrangements for unvested securities or vested ASX securities subject to holding locks are prohibited.

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### Payments to political parties

ASX has a responsibility to Australia's financial markets and its shareholders, customers and staff to articulate the opportunities and challenges facing its business, communicate its position on relevant public policy issues and contribute to well-informed decision-making by government.

ASX actively engages with government and political decision makers about its role, the investments it is making to build world-class infrastructure and the dynamic and globally competitive market environment in which it operates.

During FY18, ASX paid \$100,000 in membership fees to each of the Liberal Party Australian Business Network and the Federal Labor Business Forum. ASX's membership of these business networks provides an opportunity to engage with a wide range of policy and business decision makers.

All payments to political parties are disclosed by ASX and must be approved by the CEO and the General Counsel in line with the policy and limits set by the Board.

## Safeguarding integrity in corporate reporting

ASX believes that accurate and timely corporate reporting underpins effective risk management and is key to executing ASX's strategy.

The Board is responsible for overseeing that appropriate monitoring and reporting mechanisms are in place. It has established the Audit and Risk Committee to assist in discharging this responsibility. The Audit and Risk Committee's functions include assisting the Board to:

- Review the integrity of ASX's financial reporting
- Review the adequacy of the Group's corporate reporting processes
- Oversee systems of risk management, internal control and regulatory compliance.

The Committee's charter is available on its website.

The Audit and Risk Committee is currently comprised of five independent, non-executive directors. The Committee's members are Peter Marriott (Committee Chairman), Rick Holliday-Smith, Yasmin Allen, Ken Henry and Peter Warne.

The number of times the Committee met in FY18 and the individual attendance of its members at those meetings are detailed on page 34.

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### Integrity of financial reporting

Before it approves the financial statements for the half-year and full-year, the Board receives a statement from the CEO and Chief Financial Officer consistent with the requirements of the *Corporations Act 2001*. These statements are made after the CEO and the CFO receive attestations from executives regarding their respective areas of responsibility.

The Board also receives a statement from the CEO and Chief Risk Officer that ASX's risk management systems and internal control systems are operating effectively for the management of material business risks.

# Corporate governance continued

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## External auditor

ASX has appointed PwC as its external auditor. The appointment was approved by shareholders at the 2008 AGM.

Among its key responsibilities, PwC reviews the financial reporting of ASX and provides an opinion on whether ASX's financial report gives a true and fair view of the ASX Group's financial position and financial performance and whether it complies with Australian Accounting Standards and the *Corporations Regulations 2001*. PwC's opinion on the FY18 financial report is on pages 86 to 90.

PwC attends each Audit and Risk Committee meeting and meets with the Committee without management present at least once annually.

PwC has provided confirmation that there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* and no contraventions of any applicable code of professional conduct in relation to its audit (refer to page 53). The fees paid to PwC for non-audit services are disclosed on page 83.

PwC's lead audit partner will attend the 2018 Annual General Meeting to answer questions relevant to the external audit.

## Making timely and balanced disclosure

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### Continuous and periodic disclosure

ASX is committed to providing shareholders and the market with equal access to material information about its activities in a timely and balanced way.

ASX has adopted a continuous disclosure policy which sets out how it complies with its listing rule disclosure obligations. This policy was reviewed in FY18 and determined to be fit for purpose.

All market sensitive information is first made available on the Market Announcements Platform.

Key periodic shareholder communications include our Annual Report, full-year and half-year financial results and monthly activity reports.

## Respecting the rights of security holders

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### Shareholder engagement

ASX is committed to communicating promptly, concisely, accurately and in plain language with shareholders. This commitment is detailed in our shareholder communications policy which is available on our website.

All market announcements (including half-year and Annual Reports) are published on ASX's website after they have been released to the market. ASX also publishes media releases and other relevant information on its website (including its corporate governance arrangements).

ASX uses a number of channels and technologies, including webcasting and social media to communicate promptly, transparently and widely. It enables shareholders to participate in shareholder meetings and deals with shareholder enquiries fairly and respectfully.

ASX has implemented an investor relations program to facilitate effective two-way communications with investors.

ASX does not hold meetings with investors or analysts to discuss ASX's financial performance within a 'blackout' period in advance of results announcements.

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### Electronic communications

We encourage shareholders to receive communications from us electronically. Electronic communication allows ASX to communicate with shareholders quickly, and reduces ASX's paper usage. ASX emails shareholders when important information becomes available such as financial results, dividend statements, notice of meetings, voting forms and Annual Reports. Shareholders who receive information from us by post can log in at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to provide their email address and elect to receive electronic communications.

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### Annual General Meetings

Details about ASX's 2018 AGM are provided on page 96.

The Annual General Meeting is an opportunity for shareholders and stakeholders to hear from and put questions to the Board, external auditor and executives.

We encourage shareholders to attend and participate. To improve access and participation for those who cannot attend in person, ASX webcasts proceedings and allows shareholders to vote directly without having to appoint a proxy.

# Corporate governance continued

## Recognising and managing risk

The Board recognises that effective risk management is critical to maintaining ASX's reputation.

### Division of responsibilities

The Board is responsible for setting ASX's risk strategy and risk appetite. It is also responsible for reviewing and overseeing systems of risk management and the process for identifying significant risks, and that appropriate controls, monitoring and reporting mechanisms are in place.

Management implements the Board-approved strategy and manages ASX's operations within the Board-approved risk appetite. It is responsible for identifying, monitoring, mitigating and reporting on risks.

### Audit and Risk Committee

As outlined above, the Board has established an Audit and Risk Committee. The Audit and Risk Committee's responsibilities include:

- Reviewing the enterprise risk management framework
- Oversee the process for identifying significant risks facing ASX
- Reviewing and overseeing risk management processes, internal controls and compliance systems.

The Audit and Risk Committee receives regular reports from the Chief Financial Officer on financial matters, the Chief Risk Officer on enterprise risks, from the Chief Operating Officer on operational, technology and cyber security risks, from the Chief Compliance Officer on compliance matters as well as reports from ASX's Internal Audit and Regulatory Assurance functions, and from our external auditor. The Audit and Risk Committee reports to the ASX Board.

### ASX's risk management framework

ASX has an established enterprise risk management framework. The framework encompasses (among other matters) the risk governance structure across ASX, the risk strategy and appetite, risk culture and behaviours and supporting frameworks and processes governing risk assessment, monitoring and reporting.

The Audit and Risk Committee reviews the enterprise risk management framework annually. This review took place in FY18.

### Management Risk Committee

ASX's risk management function has day-to-day responsibility for the implementation of the enterprise risk management framework.

ASX has a Risk Committee comprised of senior executives and chaired by the Chief Risk Officer. It has oversight of the implementation of ASX's enterprise risk management framework, approves risk policies and considers general risk matters consistent with the ASX Board's risk appetite.

### Internal Audit

ASX's Internal Audit function reviews and reports on internal control systems and procedures. Its role and responsibilities are set out in its charter, which is available on ASX's website.

The General Manager of Internal Audit reports to the Chairman of the Audit and Risk Committee and the CEO for functional audit purposes and to the Chief Risk Officer for other purposes. The Audit and Risk Committee determines the Internal Audit function's scope, function and budget each year.

The Internal Audit function has full access to the Audit and Risk Committee. It also has unrestricted access to all ASX records, property and personnel. The Internal Audit function is independent of ASX's external auditor.

### Regulatory Assurance

ASX's Regulatory Assurance function maps the compliance framework for ASX regulatory obligations, oversees ASX's conflict handling arrangements and provides training to the business so that key Australian and international obligations are understood and complied with. It also undertakes compliance reviews and reporting to regulators. The General Manager of Regulatory Assurance has a direct reporting line to the Audit and Risk Committee and clearing and settlement (CS) Boards for key licence obligations and conflict handling arrangements and reports to the Chief Risk Officer for other purposes.

### Exposure to material economic, environmental and social sustainability risks

Details of ASX's material business risks and how these are managed are provided on pages 20 to 21 in our Operating and financial review.

ASX's environmental and social sustainability risks and how these are managed are described in our Corporate responsibility and sustainability report set out on pages 22 to 27.

### Clearing and Settlement Boards

ASX has four subsidiary companies that hold licences to operate facilities, and two intermediate holding companies.

The CS Boards focus on risk management and oversight of the operation of the CS subsidiaries. The responsibilities of these boards include the management of clearing and settlement risk and compliance with the Financial Stability Standards determined by the Reserve Bank of Australia. The CS Boards charter (available on ASX's website) sets out further details regarding their functions and governance.

The Audit and Risk Committee serves as the audit and risk committee for the CS Boards where such matters relate to CS operations outside of those matters carried out by the CS Boards (and detailed in the CS Boards charter).

# Corporate governance continued

## Remunerating fairly and responsibly

ASX aims to attract and retain high quality directors and senior executives.

The Board oversees executive and non-executive director remuneration arrangements and has established a Remuneration Committee to assist it in this regard. The Remuneration Committee helps to bring the focus and independent judgement needed on remuneration decisions.

The Remuneration Committee's responsibilities include reviewing and reporting to the Board on:

- ASX's remuneration structure including incentives
- The process for overseeing performance accountability and effective monitoring of management performance (including setting and evaluating performance against goals and targets)
- Incentives and behaviours arising from ASX's remuneration structure
- Compliance of remuneration arrangements with Financial Stability Standards and other regulatory requirements
- Recruitment and retention strategies
- Remuneration by gender.

The Remuneration Committee charter is available on ASX's website.

ASX's Remuneration Committee is currently comprised of three independent, non-executive directors. The current members are Heather Ridout (Committee Chair), Rick Holliday-Smith and Peter Warne. It is a requirement under the Remuneration Committee charter that the Committee chairman be an independent director who is not the Chairman of the ASX Board.

The number of times the Committee met in FY18 and the individual attendance of its members at those meetings are detailed on page 34.

Details of executive and director remuneration and ASX's remuneration policies are disclosed in the Remuneration report on pages 39 to 50.

# Remuneration report

Dear Fellow Shareholder,

The Remuneration Committee takes a continuous improvement approach to ASX's remuneration framework. Each year we review ASX's remuneration policies and practices, particularly those for the Chief Executive Officer (CEO), the Deputy CEO, Group Executives and Executive General Managers – a group collectively referred to throughout this report as the Executive Management.

We continue to seek the right balance in remuneration outcomes between achieving financial and non-financial goals, which include cultural, risk management and regulatory measures. This accords with ASX's vision to be the world's most respected financial marketplace.

Following the FY18 review, the Board concluded:

- ASX's remuneration structure continues to meet our five key remuneration principles – aligned with creating shareholder value; regularly and rigorously measured; uses a mix of financial and non-financial metrics; attracts, retains and motivates talent; and promotes integrity within our workforce
- There are no financial incentives in place that might encourage the wrong behaviour by our employees and lead to undesirable outcomes for our customers, shareholders or regulators.

Consistent with the Board's conclusions, there were no material changes to ASX's remuneration strategy and structure for Executive Management during FY18.

## Non-executive directors fee structure

We also take a continuous improvement approach with director remuneration. In October 2017, ASX implemented a new fee structure for non-executive directors (NEDs) that more accurately aligns their responsibilities and remuneration. Under the new structure NEDs are paid an all-inclusive base fee, which replaces the approach of paying a base fee plus additional payments for participation on Board committees and subsidiaries. Chairpersons of Board committees continue to be paid an additional fee to reflect the extra work involved in the role. There was a minimal increase in overall remuneration of directors as a result of the implementation of the new structure.

## FY18 remuneration context

ASX delivered a strong financial performance in FY18 and made significant progress on a number of non-financial strategic initiatives. Further detail regarding ASX's financial performance can be found in the Operating and financial review on pages 12 to 21 of this report. An overview of ASX's non-financial strategic initiatives can be found on page 5 or listed in the performance outcomes on pages 44 to 45 of this report.

## FY18 Group remuneration outcomes

### Fixed remuneration outcomes

The Board determined there will be no change to the fixed remuneration for the CEO, Deputy CEO and additional three Group Executives classified as key management personnel (KMP) for the financial year ending 30 June 2019 (FY19).

### Short-term incentive (STI) outcomes

The Remuneration Committee also determined that the Group multiplication factor to be applied to an individual's potential STI payment will be 100%.

Further detail regarding how the Group factor was determined is discussed on pages 44 to 45 of this report.

The STI outcomes for the CEO, Deputy CEO and three KMPs ranged from 50% to 125% of target STI. These outcomes were the result of ASX's overall performance as measured by the Group factor, and their individual performance as measured against their own objectives and the Group's values.

### Long-term incentive (LTI) outcomes

The performance rights granted under the LTI Plans are measured against earnings per share (EPS) targets and total shareholder return (TSR) targets.

In FY18, consistent with the three-year vesting schedule, the FY15 LTI performance rights were assessed in September 2017. The EPS portion of the FY15 LTI award was not met, while the TSR portion of the FY15 LTI award was met. Further details of the LTI Plan can be found on page 81 of this report.

### Key Management Personnel changes

Ms Amanda Harkness, Group General Counsel and Company Secretary, ceased employment with ASX during FY18.

## ASX values and FY18 individual remuneration outcomes

As noted in the Chairman's letter and outlined on page 8 of this report, ASX launched its new company values towards the end of 2017.

These values and behaviours were integrated into the determination of an individual's STI outcome. This provides a tangible link between our values and an employee's actions, and incentivises employees to embrace our shared ASX values.

Keeping ASX's remuneration structure 'fit for purpose' requires regular review and assessment. The Remuneration Committee is confident that ASX's remuneration structures and policies will continue to align the performance of the Group with outcomes beneficial to our shareholders.

Thank you for your support.



**Heather Ridout**  
Chair, Remuneration Committee

# Remuneration report continued

## 1. Remuneration framework

ASX's remuneration framework aims to attract, retain and motivate talented employees and to structure rewards so the interests of executives and shareholders are aligned.

The design of ASX's remuneration framework incorporates five guiding principles that together deliver a competitive, measured, performance-based approach to remuneration, and which promotes sound decision-making and market integrity.

Governance	Remuneration Committee				
	<ul style="list-style-type: none"> <li>Operates independently of ASX management</li> <li>Oversees executive remuneration framework</li> <li>Monitors executive remuneration outcomes</li> <li>Oversees directors remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Recommends the remuneration of ASX's KMP to the Board for approval. For some KMP, the Remuneration Committee takes input from ASX's subsidiary boards</li> <li>May engage external remuneration advisers for independent advice</li> </ul>			
Principles	Aligned	Measured	Financial and non-financial	Competitive	Integrity
	Link rewards to the achievement of the strategy and the creation of shareholder value	Apply rigorous performance measures to 'at risk' remuneration	Assess and reward performance on both financial and non-financial measures	Provide competitive remuneration that is designed to attract, motivate and retain talent and promote diversity	Promote sound and effective risk management and market integrity
Components	Fixed remuneration			'At risk' variable remuneration (cash, deferred shares, performance rights)	
	Mix varies by role, level and comparative market rates				
Measures	Leadership and culture	Risk management and regulatory focus	Operational excellence	Financial results	Strategic priorities

### 1.1. Executive Management remuneration components

Executive Management remuneration is the sum of two components: fixed remuneration and 'at risk' variable remuneration.

Components	Fixed remuneration	'At risk' variable remuneration	
		Short-term incentives	Long-term incentives
Purpose	<ul style="list-style-type: none"> <li>To provide competitive fixed remuneration to attract, retain and motivate talent.</li> </ul>	<ul style="list-style-type: none"> <li>Align STI awards to drive achievement of financial and non-financial goals.</li> <li>Deferral periods align performance to support achievement of strategic goals.</li> </ul>	<ul style="list-style-type: none"> <li>Incentivise performance that create long-term value for shareholders.</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>Paid as cash and expressed as a total dollar amount.</li> <li>Comprises cash salary, superannuation and other salary-sacrificed benefits.</li> </ul>	<ul style="list-style-type: none"> <li>STI delivered as:                             <ul style="list-style-type: none"> <li>40% cash</li> <li>60% deferred equity.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Participation is limited to CEO and the Deputy CEO.</li> <li>100% delivered as performance rights which may vest if performance hurdles are achieved.</li> </ul>
Determination	<ul style="list-style-type: none"> <li>Fixed remuneration is set with reference to relevant market benchmarks typically within finance, legal, technology and other sectors relevant to ASX's functions or the broader market.</li> <li>Reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>STI performance measures include performance against individual financial and non-financial goals, and overall Group performance.</li> <li>Further detail about STI determination, Group factor and individual performance is illustrated below in 1.2, 1.3 and 1.4.</li> </ul>	<ul style="list-style-type: none"> <li>Subject to performance hurdles:                             <ul style="list-style-type: none"> <li>50% total shareholder return</li> <li>50% earnings per share.</li> </ul> </li> <li>Plan features are outlined below in 1.5.</li> </ul>

# Remuneration report continued

## 1.2 STI determination

STI is calculated using the formula in the diagram below.



## 1.3 Group incentive factor

The target STI pool for Executive Management is the sum of individual target STIs.

Following an assessment of the Group's performance based on the achievement of financial and non-financial objectives, the Board determines what percentage of the pool may be released. This is referred to as the Group factor.

For example, if the target STI pool for Executive Management is \$10 million and the Board determines that the Group's performance warranted 90% of the pool, the Group STI pool available for distribution to Executive Management would be \$9 million.

## 1.4 Individual performance

Executive Management are assessed against financial and non-financial measures. The CEO recommends to the Remuneration Committee individual performance ratings and the percentage of STI target to be applied. The Remuneration Committee considers the CEO's recommendations and then determines the final recommendations that will be submitted for Board approval.

An individual's performance rating determines what percentage of individual STI targets are received. The range is 0% to 150%.

## 1.5 Long-term incentives

Participation is limited to the CEO and the Deputy CEO. Key features of the plan features are summarised below.

Performance measures	External performance measure		Internal performance measure	
	Total shareholder return (TSR) (50%)		Earnings per share (EPS) growth (50%)	
	<ul style="list-style-type: none"> <li>TSR is measured over a four-year period against a peer group determined by the Board at the time of the offer. Currently it is based on the ASX 100, excluding property trusts.</li> <li>The peer group may change as a result of specific events such as mergers and acquisitions, de-listings and financial failures.</li> <li>Guidelines provide for adjustments of the peer group following such events.</li> </ul>		<ul style="list-style-type: none"> <li>EPS performance is measured over a four-year period using the most recent financial year-end prior to the granting of the award as the base year, and the final financial year in the performance period as the end-year.</li> </ul>	
Vesting schedule	Performance	Vesting	Performance p.a.	Vesting
	Less 51st percentile	0%	Less than 5.1%	0%
	51st percentile	25%	5.1%	50%
	Greater than 76th percentile	100%	Greater than 10%	100%
	Vesting occurs in a straight line between the 51st and 76th percentile		Vesting occurs in a straight line between 5.1% and 10%	

# Remuneration report continued

<b>Calculation</b>	<ul style="list-style-type: none"> <li>TSR is calculated as the movement in share price and dividends received, assuming re-investment of dividends. TSR is measured against a peer group determined by the Board at the time of the offer based on the ASX 100, excluding property trusts.</li> <li>EPS is calculated by dividing the underlying profit after tax for the relevant reporting period (profit after tax adjusted for the after tax effect of any significant items) by the weighted average number of ordinary shares of ASX. This is then compared to the starting EPS, calculated in a similar fashion to determine the EPS performance.</li> <li>Significant items are revenues and expenses associated with specific events considered appropriate by the directors to be excluded in order to arrive at underlying earnings. Exclusion of these items would be clearly identified and explained if such action changed any vesting outcome.</li> </ul>
<b>Performance period</b>	Four years
<b>Instrument</b>	Performance rights over ASX ordinary shares
<b>Determining the number of performance rights</b>	The number of performance rights allocated is based on the volume weighted average price of ASX shares (face value) on the 10 business days preceding the grant date
<b>Expiry</b>	At the end of the performance period, any performance rights that have not vested will lapse
<b>Dividends</b>	None on performance rights
<b>Retesting</b>	No

## 1.6 Executive Management remuneration alignment with framework

Executive Management remuneration is aligned to ASX's key remuneration principles:

- 1. Creating shareholder value:** under the STI program, 60% of at-risk remuneration is deferred and provided in ASX shares creating alignment with shareholders through the performance of ASX's share price.
- 2. Regularly and rigorously measured:** individual performance against financial targets, non-financial operating outcomes, personal objectives and behaviours are used to determine remuneration. Each year Executive Management undergo a formal assessment process including a self and manager assessment that factors in Board and peer feedback. The determination of Executive Management remuneration is supported by a governance framework that manages conflicts of interest, defines clear accountabilities, and sees that the proper checks and balances are in place.
- 3. Use the right mix of financial and non-financial metrics:** financial performance, risk management, and adherence to ASX values are considered when determining Executive Management at-risk remuneration. At-risk STI remuneration may range from 0% – 150% of target based on individual and Group performance. Performance-related remuneration is subject to satisfactory performance and clawback.
- 4. Attracting, retaining and motivating talent:** ASX provides competitive remuneration that is benchmarked against data for comparable roles in companies of a similar size, and other publicly available data.
- 5. Promotes integrity in the workforce:** ASX's company values are designed to encourage and support our people to act and make decisions with integrity. An assessment is made about how well an individual has exemplified ASX's company values, which then has a direct outcome on their overall STI payment.

The diagram below sets out the remuneration structure and mix for Executive Management.



## 1.7 CEO and Deputy CEO remuneration alignment with framework

The CEO and Deputy CEO's remuneration is aligned to the Executive Management remuneration principles set out in paragraph 1.6. In addition to the measures outlined in 1.6 above, the CEO and Deputy CEO participate in the ASX LTI Plan. The LTI Plan further aligns individual performance with creating long-term shareholder value.

The diagram below sets out the remuneration structure and mix for the CEO and Deputy CEO.



# Remuneration report continued

## 1.8 Treatment of STI and LTI on departure

Under the rules of the STI plan, unless the Board determines otherwise, shares subject to a holding lock will be forfeited if the participant's employment is terminated other than for a qualifying reason, or if a condition of the invitation to participate in the plan has not been met in the time specified in the invitation. A qualifying reason means, death, permanent disability, retirement, hardship, redundancy or another reason determined by the Board. If the participant's employment is terminated for a qualifying reason, the Board retains a discretion to determine the number of shares that will be forfeited, if any.

Under the rules of the LTI Plan, unless the Board determines otherwise, performance rights will lapse if the participant's employment is terminated for cause or poor performance, or if the participant resigns. If a participant ceases employment in other circumstances (for example by mutual agreement with ASX), any performance rights will remain on foot in accordance with their original terms, except that any service condition will be waived, unless the Board determines otherwise. The Board retains a discretion to determine the proportion of performance rights that remain on foot, vest or lapse.

## 2. Remuneration governance

The diagram below provides an overview of our governance arrangements relating to remuneration.



### 2.1 Role of the Board

The Board oversees executive remuneration arrangements and NED remuneration arrangements and has established a Remuneration Committee to assist it in this regard. Ultimate responsibility for remuneration policy matters rests with the Board.

### 2.2 Role and responsibilities of the Remuneration Committee

The Remuneration Committee helps to bring the focus and independent judgement needed on remuneration matters. The Remuneration Committee's responsibilities are outlined below and include a range of matters related to ASX's remuneration practices and policies:

- Reviewing the remuneration of KMP and Group Executives on an annual basis and provide recommendations for the Board's review and approval
- Setting, and evaluating performance against, goals and targets for Executive Management
- Overseeing ASX's remuneration and incentive framework, including STI and LTI arrangements and participation
- Ensuring the remuneration arrangements comply with regulatory requirements
- Ensuring ASX's remuneration structure supports desired behaviours
- Reviewing and approving of Executive Management succession and key staff succession plans

- Reviewing of recruitment and retention
- Approving of, and monitoring progress against, gender diversity objectives
- Completing of the ASX remuneration report
- Overseeing of remuneration paid to directors.

### 2.3 Composition of the Committee

The members of the Committee, all of whom are independent NEDs are:

- Heather Ridout (Chair)
- Rick Holliday-Smith
- Peter Warne.

All NEDs who are not Remuneration Committee members are invited to attend Remuneration Committee meetings. Meeting attendance is set out on page 34.

The CEO and Group Executive, Human Resources attend Committee meetings, however, the CEO is not present when issues related to him are discussed.

### 2.4 Board discretion relating to at-risk remuneration

The Board understands that to make good remuneration decisions it needs both a robust framework and the ability to exercise judgement. Therefore, the Board retains discretion to adjust at-risk remuneration outcomes in certain cases so that awards are appropriate, consistent with supporting sound and effective risk management, and aligned to shareholder interests.

#### 2.4.1 Short-term incentives

All Group Executive remuneration is approved by the Board which receives recommendations from the Remuneration Committee. The Board may use its discretion to vary any individual STI award.

#### 2.4.2 Long-term incentives

As with STIs, the Board has discretion to vary any individual LTI award. Specifically the Board can adjust LTI outcomes:

- By no more than 20% following an assessment of whether performance criteria applicable to that performance period has been met
- If they have been impacted materially by changes to dividend policy, capital structure, gearing or corporate structure.

#### 2.4.3 Clawback policy

The Board retains discretion to claw back some or all performance-based remuneration which has not yet been paid or vested without restrictions to an executive if it considers that such remuneration would be an inappropriate benefit.

The Board has absolute discretion to determine what constitutes an 'inappropriate benefit.' Examples of actions that may cause the Board to claw back remuneration include:

- Fraudulent or dishonest behaviour
- A material misstatement or omission in ASX's financial statements
- A breach of obligations to ASX
- Acting in a manner that brings ASX into disrepute.

# Remuneration report continued

## 2.5 External advice

When an external perspective is needed, the Remuneration Committee may seek professional advice from remuneration advisers. Remuneration advisers can be engaged by the Committee independently of management.

In FY18, the Remuneration Committee engaged Ernst & Young to provide advice on remuneration market trends.

No remuneration recommendations were made by Ernst & Young in FY18.

## 2.6 Engagement with external stakeholders

Each year, the ASX Chairman meets with investors and proxy advisers. These meetings provide an opportunity to discuss remuneration practices and policies and any issues raised by the investor or proxy adviser.

## 3. FY18 Executive Management performance outcomes

To determine the Group factor, the Board considers all aspects of ASX's performance. These aspects include assessment of financial goals and progress of agreed strategic priorities. They also include a review of how management is strengthening ASX's technical and operational foundations that provide for long-term and sustained growth, and an evaluation of Executive Management's leadership of a culture that upholds standards of the highest integrity.

### 3.1 FY18 Group factor

For FY18, the Board determined a Group factor of 100%. This took into account the following:

	Link to strategy	Measure	Actual outcome
Financial objectives		Revenue	Up 7.7% on pcp
		Expense	8% growth in line with guidance
		Statutory net profit after tax (NPAT)	Statutory NPAT up 2.5%, includes impairment charge
		Underlying net profit after tax (NPAT)	Underlying NPAT up 7.2%
		Underlying earnings per share (EPS)	Underlying EPS up 7.1%
		Dividends per share (DPS)	Full-year DPS 216.3 cents, fully franked, up 7.2%. Payout ratio 90%
		Capital expenditure (capex)	Capex approximately \$54m
		Identification of investment opportunities and oversight of existing portfolio	Further participation in DA capital raising Investment in Sympli Impairment to Yieldbroker carrying value
Non-financial objectives	Enduring trust, integrity and resilience	Increase employees focus on risk awareness, accountability and speaking up	Board approved risk strategy. Risk culture action plan developed and in progress. Company wide risk culture workshops completed  Enterprise risk management, technology governance and market oversight improvement plans designed and in progress
		Begin a multi-year project to upgrade secondary data centre	New site and vendor selected. Detailed transition plan developed
		No significant regulatory breaches (legal, compliance, finance, tax, operations)	No significant regulatory breaches
		Continue to align with Australian CCP risk regulations	95% of Financial Stability Standard assessment met target rating. 5% of assessment has plans in place to meet target
		All systems meet availability targets	Average system uptime for our critical systems over the past 12 months was 99.99%
	Providing innovative solutions and technology for our customers	Refresh BBSW benchmark methodology	New methodology successfully delivered
		Decision on using DLT for CHESS replacement Day 1 requirements and DLT implementation plan proposed	Completed. Consultation paper released outlining Day 1 scope and implementation plan
		ASX Net core infrastructure replaced and RBA and Austraclear clients migrated	Upgrade and migration commenced
		Articulate comprehensive digital and data centric strategy	Digital strategy and roadmap approved, execution underway
		Build new data and analytic products	Delivered new products including non-display, adviser and broker service provider products and completion of implementation of ASX24 trader terminals
	All employees to put forward two efficiency ideas	Completed. Many have been implemented delivering efficiencies internally and to our customers	

# Remuneration report continued

	Link to strategy	Measure	Actual outcome
Non-financial objectives continued	Embracing a customer centric approach	Embed customer centric culture across all ASX teams	Year 1 improvement initiatives implemented: measurement of customer satisfaction, customer feedback framework (complaints) and customer principles upgrade plan completed
		Provide an onshore OTC clearing service for domestic customers	First client clearer in final stages of onboarding
		Help customers optimise use of collateral	Significant growth in ASX Collateral balances and number of collateral users
		Maintain diverse clearing client base	Target met to maintain current number of futures clearing participants
	Creating a diverse ecosystem	Grow new mandates for ASX listing across NZ, technology and foreign jurisdictions	Coverage and communication plan delivered
		Expand listings franchise to grow ETP and mFunds	Targets exceeded
		Grow international participant activity in futures markets	Targets exceeded
		Grow number of technical services customers	Targets exceeded
	Fostering a collaborative culture	Define ASX values and embed across the organisation	Completed values. Developed by employees through a consultative focus group approach. Embedded in performance, reward, and recognition
		Implement a new leadership program that focuses on collaboration, agility, innovation and performance	New leadership program aligned to ASX values designed and implemented for senior ASX employees
		Design a new multi-faceted staff reward and recognition program	Program designed and implemented for all employees

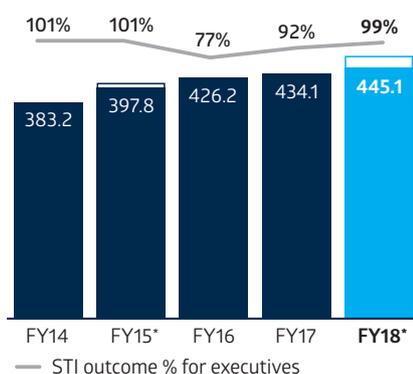
## 3.2 FY18 KMP STI allocations

	Total STI awarded <sup>1</sup>		Cash payment paid July 2018	STI deferred for 2 years (vesting August 2020) <sup>2</sup>	STI deferred for 4 years (vesting August 2022) <sup>2</sup>
	\$	%	\$	\$	\$
<b>Current</b>					
D J Stevens	2,000,000	100%	800,000	600,000	600,000
R Aziz	200,000	50%	80,000	60,000	60,000
P D Hiom	1,050,000	105%	420,000	315,000	315,000
T J Hogben	472,500	105%	189,000	141,750	141,750
H J Treleaven	333,334	125%	133,334	100,000	100,000

<sup>1</sup> Total STI award including cash payment and deferred component.

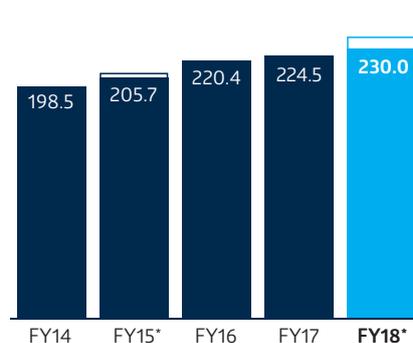
<sup>2</sup> The deferred STI awards are subject to continued employment and satisfactory performance during the deferral period.

Statutory net profit after tax \$m and STI outcome % for executives



\*Underlying profit in FY18 \$465.3 million, FY15 \$403.2 million

Statutory earnings per share (EPS) (cents)



\*Underlying EPS in FY18 240.4 cents, FY15 208.4 cents

Dividends per share (cents) and share price (\$ at end of financial year)



# Remuneration report continued

## 3.3 FY18 KMP LTI allocations

The following table shows the movement during the financial year in the number of performance-related rights over issued ordinary shares in ASX held directly, indirectly or beneficially by the KMP, including their personally related parties.

	Held as at 1 July 2017	Granted as compensation during the year	Vested during the year	Lapsed during the year	Held at 30 June 2018
<b>Current</b>					
D J Stevens	20,889	18,975	-	-	39,864
P D Hiom	50,918	9,488	(8,065)	(19,367)	32,974

No other KMP had performance-related rights over issued ordinary shares in ASX directly, indirectly or beneficially.

## 3.4 Current LTI grants

Shares relating to grants of performance rights that have vested are allocated from a trust established to hold shares for this purpose. The table below sets out a summary of the LTI grants that were in operation during FY18.

Grant year	FY18		FY17		FY16 <sup>1</sup>
Grant date	26 September 2017		28 September 2016		30 September 2015
Performance period	27 September 2017 – 28 September 2021		28 September 2016 – 29 September 2020		30 September 2015 – 1 October 2019
Vesting date	26 September 2021		29 September 2020		1 October 2019
Vesting period	4 years		4 years		4 years
Participation	2		2		1
Performance rights awarded	CEO 18,975	Deputy CEO 9,488	CEO 20,889	Deputy CEO 10,445	Deputy CEO 13,041
Performance measure	50% EPS and 50% TSR		50% EPS and 50% TSR		50% EPS and 50% TSR
EPS vesting commences at	5.1% compound growth		5.1% compound growth		5.1% compound growth
TSR vesting commences at	51st percentile		51st percentile		51st percentile
Dividends paid	No		No		No
Retesting	No		No		No
Share price at grant date	\$52.62		\$47.78		\$37.88
Volatility p.a.	17%		17%		16%
Discount rate (risk free rate) p.a.	2.24%		1.70%		1.94%
Dividend yield p.a.	4.00%		4.60%		4.75%
Fair value of performance rights (EPS awards)	\$44.83		\$39.75		\$31.32
Fair value of performance rights (TSR awards)	\$23.78		\$19.62		\$15.36
Weighted average AASB 2 share-based payment fair value	\$34.30		\$29.68		\$23.34

<sup>1</sup> The grants for FY16 exclude the former CEO Mr Elmer Funke Kupper who resigned 21 March 2016.

ASX will submit Mr Stevens' FY19 LTI grant for shareholder approval at the 2018 AGM.

## 3.5 Potential future value of LTI allocations for CEO and Deputy CEO

The following table shows the minimum and maximum values of performance rights that may be received by the CEO and Deputy CEO as remuneration in future financial years:

Grant date: Vesting date:	30 September 2015 1 October 2019		28 September 2016 29 September 2020		27 September 2017 26 September 2021	
	Min \$ <sup>1</sup>	Max \$ <sup>2</sup>	Min \$ <sup>1</sup>	Max \$ <sup>2</sup>	Min \$ <sup>1</sup>	Max \$ <sup>2</sup>
<b>Current</b>						
D J Stevens	N/A	N/A	-	619,986	-	650,843
P D Hiom	-	304,377	-	310,008	-	325,438

<sup>1</sup> Since the performance rights are issued at zero exercise price, their minimum total value is nil, on the basis that they will not vest if the applicable performance/ vesting conditions are not met.

<sup>2</sup> The amounts represent the maximum fair value for future years of the performance rights yet to vest, as at their grant date. The maximum total value is the number of rights issued multiplied by the weighted average fair value.

# Remuneration report continued

## 3.6 Translating Group performance into LTI outcomes

Year	Grant date	Performance period (years)	Performance period ended	% determined by performance measure		Vested %		Granted shares	Vested shares	Vested %	Participation
				EPS	TSR	EPS	TSR				
FY12	7 October 2011	3 years	10 October 2014	70	30	0	0	53,820	-	0%	CEO, Deputy CEO
FY13	5 October 2012	3 years	8 October 2015	70	30	0	0	71,360	-	0%	CEO, Deputy CEO
FY14	25 September 2013	3 years	26 September 2016	70	30	0	60	60,216	5,419	9%	CEO, Deputy CEO
FY15	23 September 2014	3 Years	24 September 2017	70	30	0	98	54,864	8,065	15%	CEO, Deputy CEO

## 4. Data disclosure – Key Management Personnel

The five members of the Executive Management team listed in the following tables are determined to be Key Management Personnel (KMP).

### 4.1 Statutory remuneration

The remuneration table below has been prepared in accordance with accounting standards as required by the *Corporations Act 2001*. The accounting standards require the disclosure of the expense or cost to the company in the financial years presented, which may result in only a portion of cash remuneration being disclosed where payments are deferred to future financial years. In addition, the accounting standards require share-based payments expense to be calculated using the grant date fair value of the shares rather than current market prices.

Year	Short-term				Long-term			Share-based payments <sup>4</sup>				Total	Performance-related <sup>5</sup>
	Salary	STI	Non-monetary	Other <sup>1</sup>	Deferred STI-cash settled	Other <sup>2</sup>	Superannuation <sup>3</sup>	LTI Plan	STI deferred equity plan	Other			
<b>Current</b>													
D J Stevens Managing Director and CEO <sup>6</sup>	2018	1,962,192	800,000	17,759	-	-	-	20,049	277,029	370,603	-	3,447,632	42.0%
	2017	1,796,126	658,849	16,061	-	-	-	17,950	116,248	-	-	2,605,234	29.8%
R Aziz Chief Financial Officer	2018	579,951	80,000	-	-	-	9,667	20,049	-	148,500	-	838,167	27.3%
	2017	580,384	144,000	-	-	55,000	9,675	19,616	-	67,500	-	876,175	30.4%
P D Hiom Deputy CEO	2018	962,192	420,000	17,759	-	-	16,335	20,049	226,917	427,500	-	2,090,752	51.4%
	2017	961,049	360,000	19,335	-	112,500	16,342	19,616	(157,768)	225,000	-	1,556,074	34.7%
T J Hogben <sup>7</sup> Chief Operating Officer	2018	649,780	189,000	4,233	-	-	10,918	20,049	-	174,006	938	1,048,924	34.6%
	2017	565,748	169,344	-	-	58,750	9,446	19,616	-	78,750	938	902,592	34.0%
H J Treleaven Chief Risk Officer	2018	779,013	133,334	-	-	-	-	20,049	-	19,877	938	953,211	16.1%
	2017	256,339	35,337	-	200,000	-	-	11,058	-	-	-	502,734	7.0%
<b>Former</b>													
A J Harkness Group General Counsel (ceased 29 September 2017)	2018	206,919	-	-	632,040	-	194,343	5,770	-	247,500	-	1,286,572	19.2%
	2017	830,384	234,000	-	-	85,000	13,842	19,616	-	115,875	-	1,298,717	33.5%
A J Bardwell Chief Risk Officer (ceased 10 February 2017)	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	373,182	-	-	625,000	38,750	118,017	17,365	-	112,802	-	1,285,116	11.8%
<b>Total</b>	<b>2018</b>	<b>5,140,047</b>	<b>1,622,334</b>	<b>39,751</b>	<b>632,040</b>	<b>-</b>	<b>231,263</b>	<b>106,015</b>	<b>503,946</b>	<b>1,387,986</b>	<b>1,876</b>	<b>9,665,258</b>	<b>36.4%</b>
	<b>2017</b>	<b>5,363,212</b>	<b>1,601,530</b>	<b>35,396</b>	<b>825,000</b>	<b>350,000</b>	<b>167,322</b>	<b>124,837</b>	<b>(41,520)</b>	<b>599,927</b>	<b>938</b>	<b>9,026,642</b>	<b>27.8%</b>

<sup>1</sup> Reflects one-off payments.

<sup>2</sup> Reflects long service leave entitlements paid on termination or accrued where 10 years of service has been reached.

<sup>3</sup> Reflects post-employment benefits.

<sup>4</sup> Reflects annual share-based payments expense for performance rights issued under the LTI Plan, shares issued under the deferred STI equity plan and shares purchased under the employee share scheme. The expense is calculated using the fair value of performance rights or shares at grant date, less any write-back for performance rights lapsed as a result of non-market hurdles not attained. All share-based payments are equity-settled.

<sup>5</sup> Reflects the percentage of total remuneration that is performance-related (short-term and long-term cash settled STI and shared-based payments relating to the LTI and STI plans).

<sup>6</sup> FY17 reflects remuneration related to Mr Stevens' position as CEO from 1 August 2016. Remuneration relating to his non-executive directorship is disclosed in the non-executive director fees table on page 50.

<sup>7</sup> Mr Hogben was promoted from Group Executive Operations to Chief Operating Officer from 2 January 2017.

# Remuneration report continued

## 4.2 Remuneration received or available in the financial year

The remuneration table below has been provided as additional non-statutory information to assist in understanding the total value of remuneration received by KMP in the current and prior financial years.

	Year	Previous year awards that vest during the year						Total remuneration received <sup>5</sup>
		Total fixed remuneration <sup>1</sup>	Other remuneration	STI awarded and paid <sup>2</sup>	Total payments	Deferred STI award <sup>3</sup>	Deferred share-based awards <sup>4</sup>	
		a	b	c	d=a+b+c	e	f	g=d+e+f
<b>Current</b>								
D J Stevens <sup>6</sup>	2018	2,000,000	-	800,000	2,800,000	-	-	2,800,000
Managing Director and CEO (commenced 1 August 2016)	2017	1,830,137	-	658,849	2,488,986	-	-	2,488,986
R Aziz	2018	600,000	-	80,000	680,000	-	-	680,000
Chief Financial Officer	2017	600,000	-	144,000	744,000	110,000	-	854,000
P D Hiom	2018	1,000,000	-	420,000	1,420,000	-	424,945	1,844,945
Deputy CEO	2017	1,000,000	-	360,000	1,360,000	225,000	265,435	1,850,435
T J Hogben <sup>7</sup>	2018	675,000	-	189,000	864,000	-	-	864,000
Chief Operating Officer	2017	585,364	-	169,344	754,708	117,500	-	872,208
H J Treleaven	2018	800,000	-	133,334	933,334	-	-	933,334
Chief Risk Officer (commenced 1 March 2017)	2017	267,397	-	35,337	302,734	-	-	302,734
<b>Former</b>								
A J Harkness	2018	212,689	632,040	-	844,729	-	-	844,729
Group General Counsel (ceased 29 September 2017)	2017	850,000	-	234,000	1,084,000	170,000	-	1,254,000
A J Bardwell	2018	-	-	-	-	-	-	-
Chief Risk Officer (ceased 10 February 2017)	2017	390,547	625,000	-	1,015,547	77,500	-	1,093,047
E Funke Kupper	2018	-	-	-	-	-	-	-
Managing Director and CEO (ceased 21 March 2016)	2017	-	-	-	-	750,000	-	750,000
<b>Total</b>	<b>2018</b>	<b>5,287,689</b>	<b>632,040</b>	<b>1,622,334</b>	<b>7,542,063</b>	<b>-</b>	<b>424,945</b>	<b>7,967,008</b>
	<b>2017</b>	<b>5,523,445</b>	<b>625,000</b>	<b>1,601,530</b>	<b>7,749,975</b>	<b>1,450,000</b>	<b>265,435</b>	<b>9,465,410</b>

<sup>1</sup> Fixed remuneration comprises salary, superannuation, non-monetary benefits and share-based payments that have been salary sacrificed.

<sup>2</sup> The portion of STI awarded for the financial year in cash. The remaining portion of STI in respect of FY18 but deferred for two and four years, is shown in the FY18 KMP STI allocations on page 45.

<sup>3</sup> This relates to the payment of the cash-based STI awarded and deferred for two years. None were awarded in FY18 (2017: Relates to July 2015).

<sup>4</sup> This relates to the vesting of the September 2014 share-based LTI offer. It has been calculated using the total number of shares vested and the ASX-quoted share price at vesting date.

<sup>5</sup> The STI and deferred award payments shown as being received in the financial year were made shortly after the conclusion of the financial year.

<sup>6</sup> FY17 reflects remuneration related to Mr Stevens' position as CEO from 1 August 2016. Remuneration relating to his non-executive directorship is disclosed in the non-executive director fees table on page 50.

<sup>7</sup> Mr Hogben was promoted from Group Executive Operations to Chief Operating Officer from 2 January 2017.

## 4.3 Holdings of ordinary shares

	Held at 1 July 2017	Received on vesting of rights over deferred shares	Allocated under deferred STI plan	Other changes	Held at 30 June 2018
<b>Current</b>					
D J Stevens	11,500	-	18,254	-	29,754
R Aziz	32,052	-	3,990	-	36,042
P D Hiom	42,405	8,065	9,974	-	60,444
T J Hogben	4,111	-	4,692	17	8,820
H J Treleaven	-	-	979	17	996
<b>Former</b>					
A J Harkness (ceased 29 September 2017)	10,598	N/A	N/A	N/A	N/A

# Remuneration report continued

## 4.4 Service agreements

Minimum notice periods (months)					
Name	Position held	Contract effective date	Executive	ASX	Poor performance
D J Stevens	Managing Director and CEO	1 August 2016	6	12	3
R Aziz	Chief Financial Officer	19 July 2010	3	6	1 <sup>1</sup>
P D Hiom	Deputy CEO	1 July 2015	6	12	3 <sup>1</sup>
T J Hogben	Chief Operating Officer	1 April 2010	3	6	1 <sup>1</sup>
H J Treleaven	Chief Risk Officer	1 March 2017	6	12	3 <sup>1</sup>
<b>Former</b>					
A J Harkness <sup>2</sup>	Group General Counsel	10 September 2007	6	12	6

<sup>1</sup> The notice period for termination for poor performance requires an initial written notice of one month.

<sup>2</sup> A J Harkness resigned on 29 September 2017.

## 5. Non-executive director remuneration arrangements

The Remuneration Committee reviews and recommends to the Board the remuneration for non-executive directors.

Fees are broadly aligned to median fees paid to directors of ASX top 50 listed entities so that:

- ASX non-executive directors are remunerated fairly for their services, recognising the workload and level of skill and experience required for the role
- ASX can attract and retain talented non-executive directors.

### 5.1 Remuneration structure

ASX reviewed its non-executive director fee structure in August 2017 and made changes that became effective in October 2017. These were determined having regard to changed responsibilities of directors across ASX's governance forums.

Under the new fee structure, non-executive director remuneration comprises one base fee (plus superannuation) in respect of a director's appointment to the ASX Board and any Board committee and/or subsidiary. An additional amount is paid to the chairperson of ASX or a committee or subsidiary board.

The aggregate amount paid to directors is approved by shareholders. Non-executive directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes.

ASX does not have a non-executive director retirement scheme.

### 5.2 Director fees

The maximum aggregate amount that may be paid to all ASX non-executive directors in their capacity as members of the ASX Board and its committees, and as directors of subsidiary boards, is \$3 million per annum. This was approved by shareholders at the 2017 AGM. The amount paid in FY18 was \$2.7 million.

The Board reviews its fees regularly in line with ASX's objectives for non-executive director remuneration.

# Remuneration report continued

## 5.3 Director fees for FY18

	Year	Short-term salary and fees	Post-employment superannuation	Total
<b>Current</b>				
R Holliday-Smith	2018	556,250	20,049	576,299
	2017	525,000	19,616	544,616
Y A Allen	2018	235,000	20,049	255,049
	2017	235,000	19,616	254,616
M B Conrad (appointed 1 August 2016)	2018	213,750	18,599	232,349
	2017	138,068	13,117	151,185
K R Henry	2018	235,000	20,049	255,049
	2017	235,000	19,616	254,616
P R Marriott	2018	285,000	20,049	305,049
	2017	300,000	19,616	319,616
H M Ridout	2018	250,000	20,049	270,049
	2017	235,000	19,616	254,616
D Roche	2018	270,000	20,049	290,049
	2017	270,000	19,616	289,616
P H Warne	2018	257,500	20,049	277,549
	2017	265,000	19,616	284,616
<b>Former</b>				
R C Priestley <sup>1</sup>	2018	206,519	18,599	225,118
	2017	19,038	1,809	20,847
D J Stevens <sup>2</sup>	2018	-	-	-
	2017	19,796	1,881	21,677
<b>Total</b>	<b>2018</b>	<b>2,509,019</b>	<b>177,541</b>	<b>2,686,560</b>
	<b>2017</b>	<b>2,241,902</b>	<b>154,119</b>	<b>2,396,021</b>

<sup>1</sup> R C Priestley resigned from the ASX Board on 19 June 2018.

<sup>2</sup> This is the portion of Mr Stevens' remuneration relating to his position as a non-executive director. The remuneration in relation to his position as CEO from August 2016 is disclosed in the statutory remuneration on page 47.

## 5.4 Equity holdings

Share ownership is encouraged among directors to strengthen the alignment between their interests and the interests of shareholders.

The Chairman is encouraged to hold 12,000 or more ASX shares. NEDs are encouraged to hold 5,000 or more ASX shares from the date of their appointment to the Board.

The table below sets out current equity holdings.

	Held as at 1 July 2017	Other changes	Held at 30 June 2018
R Holliday-Smith	12,000	-	12,000
Y A Allen	5,000	-	5,000
M B Conrad	2,000	3,000	5,000
K R Henry	5,000	-	5,000
P R Marriott	5,316	-	5,316
H M Ridout	5,000	-	5,000
D Roche	10,000	-	10,000
P H Warne	6,000	-	6,000

## 6. Glossary of key terms

Term	Meaning
EPS	Earnings per share, this being net profit after tax divided by the average number of issued shares during the year. The LTI Plan has two performance measures, one of which is EPS.
Executive Management	Members of the Executive Committee (including the CEO, Deputy CEO, direct reports to the CEO and Executive General Managers).
KMP	Key Management Personnel are those people with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly and report directly to the CEO.
NEDs	Non-executive directors.
TSR	Total shareholder return as defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date. The LTI Plan has two performance measures, one of which is TSR.

# Directors' report

The directors present their report, together with the financial statements of ASX Limited (ASX or the Company) and its subsidiaries (together referred to as the Group), for the year ended 30 June 2018 (FY18) and the auditor's report thereon. The financial statements have been reviewed and approved by the directors on the recommendation of the ASX Audit and Risk Committee.

The FY18 consolidated net profit after tax attributable to the owners of ASX was \$445.1 million (2017: \$434.1 million).

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## Directors

The directors of ASX in office during the financial year and at the date of this report (unless otherwise stated) were as follows:

- Mr Rick Holliday-Smith (Chairman)
- Mr Dominic J Stevens (Managing Director and CEO)
- Ms Yasmin A Allen
- Ms Melinda B Conrad
- Dr Ken R Henry AC
- Mr Peter R Marriott
- Mrs Heather M Ridout AO
- Mr Damian Roche
- Mr Peter H Warne.

Mr Robert C Priestley resigned as a director on 19 June 2018.

Directors' meetings and attendance at those meetings for FY18 (including meetings of committees of directors) are disclosed on page 34. The qualifications and experience of directors, including current and recent directorships, are detailed on pages 28 to 30.

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## Company secretaries

### Daniel Moran

Group General Counsel and Company Secretary,  
BA (UTS) LLB (UNSW)

Daniel Moran was appointed Group General Counsel and Company Secretary on 1 November 2017. Mr Moran joined ASX as Deputy General Counsel in 2010. Prior to that he was a Senior Associate in the Australian law firm Herbert Smith Freehills. Since joining ASX he has worked across ASX's businesses and engaged closely with ASX's boards and committees as a lawyer and company secretary.

Mr Daniel Csillag, BA LLB (UNSW), General Manager Company Secretariat and Senior Legal Counsel, is a Company Secretary. As Company Secretary, he is responsible for company secretariat and corporate governance support across the Group. He has company secretariat experience from his time at ASX and other entities.

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## Report on the business

### Principal activities

During the year the principal activities of the Group consisted of providing:

- Securities exchange and ancillary services
- Derivatives exchange and ancillary services
- Central counterparty clearing services
- Registry, depository, settlement and delivery-versus-payment clearing of financial products
- Technical and information services.

### Review of operations

Information on the operations and financial position of the Group, and its business strategies and prospects, is set out in the Operating and financial review on pages 12 to 21.

### Dividends

Information relating to dividends for the current and prior financial year, including dividends determined by the Board since the end of the financial year, is set out in note A2 of the financial statements on page 62.

### Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs during the year.

### Events subsequent to balance date

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group.

### Likely developments

For further information about likely developments in the operations of the Group, refer to the Operating and financial review on pages 12 to 21. The expected results from those operations in future financial years have not been included because they depend on factors, such as general economic conditions, the risks outlined, and the success of these strategies, some of which are outside the control of the Group.

### Environmental regulation

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### Indemnification and insurance of officers

The Group has paid insurance premiums for directors' and officers' liability for current and former directors and officers of the Company, its subsidiaries and related entities.

The insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

# Directors' report continued

The constitution of ASX provides that every person who is or has been a director, secretary or executive officer of the Company, and each other officer or former officer of the Company or of its related bodies corporate as the directors in each case determine, is indemnified by the Company to the maximum extent permitted by law. The indemnity covers losses or liabilities incurred by the person as a director or officer, including but not limited to liability for negligence and for legal costs on a full indemnity basis.

## Performance rights over issued shares

At the date of this report, ASX had 72,838 performance rights outstanding (2017: 71,807). For further details on the performance rights including performance hurdles for vesting, refer to the Remuneration Report on pages 39 to 50.

During the year, 8,065 (2017: 5,419) performance rights vested as a result of partial attainment of hurdles under the September 2014 long-term incentive plan. The remaining 19,367 performance rights under this plan lapsed (2017: 24,689).

## Proceedings on behalf of the Group

No application for leave has been made under section 237 of the *Corporations Act 2001* in respect of the Group and no proceedings have been brought or intervened in on behalf of the Group under that section.

## Remuneration report

Information on remuneration for the ASX Limited Board and Key Management Personnel (KMP), is contained in the Remuneration Report on pages 39 to 50.

## Non-audit services

Details of the amounts paid or payable to the Group's auditor PricewaterhouseCoopers (PwC) and its related practices for non-audit services provided during the year are set out in note E5.3 of the financial statements on page 83.

## Directors' declaration of satisfaction with independence of auditor

The Board of directors has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee
- Non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 53.

## Rounding of amounts

ASX is a company of the kind referred to in ASIC Legislative Instrument 2016/191. In accordance with that instrument, amounts in the financial statements and the Directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors:



**Rick Holliday-Smith**  
Chairman



**Dominic Stevens**  
Managing Director and Chief Executive Officer

Sydney, 16 August 2018



## Auditor's independence declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of ASX Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written over a light grey horizontal line.

**Matthew Lunn**  
Partner

PricewaterhouseCoopers

Sydney, 16 August 2018

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Statutory report – financial statements

## Contents

### **Financial statements**

Consolidated statement of comprehensive income	55
Consolidated balance sheet	56
Consolidated statement of changes in equity	57
Consolidated statement of cash flows	58

### **Preface to the notes to the financial statements 59**

### **Performance of the Group**

A1 Segment reporting	60
A2 Dividends	62
A3 Capital management	62
A4 Earnings per share	63
A5 Taxation	64

### **Risk management**

B1 Clearing risk	65
B2 Cash and cash equivalents	66
B3 Financial risk	67

### **Investments**

C1 Available-for-sale investments	73
C2 Equity accounted investments	73
C3 Investments at fair value through profit or loss	73

### **Other balance sheet assets and liabilities**

D1 Receivables	74
D2 Intangible assets	75
D3 Property, plant and equipment	76
D4 Payables	77
D5 Provisions	77

### **Group disclosures**

E1 Subsidiaries	78
E2 Deed of Cross Guarantee	79
E3 Related party transactions	80
E4 Parent entity financial information	80
E5 Other disclosures	81
E5.1 Commitments	81
E5.2 Share-based payments	81
E5.3 Auditor's remuneration	83
E5.4 Other accounting policies	84
E5.5 Subsequent events	84

### **Directors' declaration 85**

### **Independent auditor's report 86**

# Consolidated statement of comprehensive income

For the year ended 30 June	Note	2018 \$m	2017 \$m
<b>Revenue</b>			
Listings and Issuer Services		222.9	194.8
Derivatives and OTC Markets		286.7	269.4
Trading Services		211.8	197.1
Equity Post-Trade Services		105.3	104.4
Interest income		170.9	150.5
Dividend income		14.2	13.9
Share of net (loss)/profit of equity accounted investments	C2	(0.4)	0.1
Other		1.6	1.9
		<b>1,013.0</b>	<b>932.1</b>
<b>Expenses</b>			
Staff		(114.6)	(110.6)
Occupancy		(16.4)	(14.6)
Equipment		(29.4)	(29.3)
Administration		(40.3)	(30.0)
Finance costs		(102.4)	(85.2)
Depreciation and amortisation	D2, D3	(47.6)	(46.0)
Other	C2	(20.2)	-
		<b>(370.9)</b>	<b>(315.7)</b>
<b>Profit before income tax expense</b>		<b>642.1</b>	<b>616.4</b>
Income tax expense	A5	(197.0)	(182.3)
<b>Net profit for the year attributable to owners of the Company</b>		<b>445.1</b>	<b>434.1</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss<sup>1</sup>:</b>			
Change in the fair value of available-for-sale financial assets		(0.9)	(0.5)
Change in the fair value of available-for-sale investments		(10.3)	39.6
Change in the fair value of cash flow hedges		1.2	(0.4)
<b>Other comprehensive income for the year, net of tax</b>		<b>(10.0)</b>	<b>38.7</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>435.1</b>	<b>472.8</b>
<b>Earnings per share</b>			
<b>Basic earnings per share (cents per share)</b>	A4	<b>230.0</b>	<b>224.5</b>
<b>Diluted earnings per share (cents per share)</b>	A4	<b>230.0</b>	<b>224.5</b>

<sup>1</sup> \$0.2 million (2017: \$0.3 million) was reclassified from equity to profit or loss following the sale of available-for-sale financial assets prior to their maturity.

Foreign currency transactions are translated into AUD, being the currency of the primary economic environment in which the entity operates (the functional currency), using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss, except where they are deferred in equity as qualifying cash flow hedges (refer to note B3) and available-for-sale investments in unlisted entities (refer to note C1).

Revenues and expenses are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the item of expense to which it relates.

# Consolidated balance sheet

As at 30 June	Note	2018 \$m	2017 \$m
<b>Current assets</b>			
Cash and funds on deposit	B2	5,563.9	5,683.8
Available-for-sale financial assets	B2	4,001.4	3,401.8
Receivables	D1	373.2	1,124.9
Prepayments		17.4	16.6
<b>Total current assets</b>		<b>9,955.9</b>	<b>10,227.1</b>
<b>Non-current assets</b>			
Available-for-sale investments	C1	416.4	431.1
Equity accounted investments	C2	53.1	66.7
Investments at fair value through profit or loss	C3	4.8	-
Intangible assets	D2	2,438.1	2,439.2
Property, plant and equipment	D3	54.4	46.6
Prepayments		0.3	1.0
<b>Total non-current assets</b>		<b>2,967.1</b>	<b>2,984.6</b>
<b>Total assets</b>		<b>12,923.0</b>	<b>13,211.7</b>
<b>Current liabilities</b>			
Amounts owing to participants	B1	8,295.8	7,884.7
Payables	D4	354.3	1,092.4
Current tax liabilities		17.1	16.3
Provisions	D5	14.6	15.8
Revenue received in advance		22.4	18.2
<b>Total current liabilities</b>		<b>8,704.2</b>	<b>9,027.4</b>
<b>Non-current liabilities</b>			
Amounts owing to participants	B1	200.0	200.0
Net deferred tax liabilities	A5	64.7	69.3
Provisions	D5	8.5	6.8
Revenue received in advance		0.1	0.1
<b>Total non-current liabilities</b>		<b>273.3</b>	<b>276.2</b>
<b>Total liabilities</b>		<b>8,977.5</b>	<b>9,303.6</b>
<b>Net assets</b>		<b>3,945.5</b>	<b>3,908.1</b>
<b>Equity</b>			
Issued capital	A3	3,027.2	3,027.2
Retained earnings		666.7	622.2
Restricted capital reserve		71.5	71.5
Asset revaluation reserve		168.4	178.4
Equity compensation reserve		11.7	8.8
<b>Total equity</b>		<b>3,945.5</b>	<b>3,908.1</b>

Assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability.

# Consolidated statement of changes in equity

For the year ended 30 June	Note	Issued capital \$m	Retained earnings \$m	Restricted capital reserve \$m	Asset revaluation reserve \$m	Equity compensation reserve \$m	Total equity \$m
<b>Opening balance at 1 July 2017</b>		3,027.2	622.2	71.5	178.4	8.8	3,908.1
Profit for the year		-	445.1	-	-	-	445.1
Other comprehensive income for the year		-	-	-	(10.0)	-	(10.0)
<b>Total comprehensive income for the period, net of tax</b>		-	445.1	-	(10.0)	-	435.1
<b>Transactions with owners in their capacity as owners:</b>							
Incentive plans – value of employee services	E5.2	-	-	-	-	2.9	2.9
Dividends paid	A2	-	(400.6)	-	-	-	(400.6)
<b>Closing balance at 30 June 2018</b>		3,027.2	666.7	71.5	168.4	11.7	3,945.5
<b>Opening balance 1 July 2016</b>		3,027.2	576.9	71.5	139.7	8.8	3,824.1
Profit for the year		-	434.1	-	-	-	434.1
Other comprehensive income for the year		-	-	-	38.7	-	38.7
<b>Total comprehensive income for the period, net of tax</b>		-	434.1	-	38.7	-	472.8
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	A2	-	(388.8)	-	-	-	(388.8)
<b>Closing balance at 30 June 2017</b>		3,027.2	622.2	71.5	178.4	8.8	3,908.1

# Consolidated statement of cash flows

For the year ended 30 June	Note	2018 \$m	2017 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		891.7	835.4
Payments to suppliers and employees		(248.0)	(257.4)
		<b>643.7</b>	<b>578.0</b>
Interest received		169.1	150.4
Interest paid		(101.9)	(83.9)
Dividends received		14.2	13.9
Income taxes paid		(196.4)	(174.8)
<b>Net cash inflow from operating activities</b>		<b>528.7</b>	<b>483.6</b>
<b>Cash flows from investing activities</b>			
Increase in participants' margins and commitments		404.5	2,018.9
Payments for available-for-sale investments		-	(16.2)
Payments for equity accounted investments	C2	(7.0)	-
Payments for investments at fair value through profit or loss	B3, C3	(4.6)	-
Payments for other non-current assets		(48.3)	(61.0)
<b>Net cash inflow from investing activities</b>		<b>344.6</b>	<b>1,941.7</b>
<b>Cash flows from financing activities</b>			
Dividends paid	A2	(400.6)	(388.8)
<b>Net cash (outflow) from financing activities</b>		<b>(400.6)</b>	<b>(388.8)</b>
<b>Net increase in cash and cash equivalents<sup>1</sup></b>		<b>472.7</b>	<b>2,036.5</b>
Increase/(decrease) in the fair value of cash and cash equivalents		0.4	(1.3)
Increase/(decrease) in cash and cash equivalents due to changes in foreign exchange rates		6.6	(22.4)
Cash and cash equivalents at the beginning of the year		9,085.6	7,072.8
<b>Cash and cash equivalents at the end of the year<sup>1</sup></b>	<b>B2</b>	<b>9,565.3</b>	<b>9,085.6</b>
<b>Cash and cash equivalents consists of:</b>			
ASX Group funds		1,069.5	1,000.9
Participants' margins and commitments	B1	8,495.8	8,084.7
<b>Total cash and cash equivalents<sup>1</sup></b>	<b>B2</b>	<b>9,565.3</b>	<b>9,085.6</b>

<sup>1</sup> Available-for-sale financial assets pledged as security under repurchase agreements are excluded from cash and cash equivalents. Short-term repurchase agreements are used to support the investment of participants' margins.

## Reconciliation of the operating profit after income tax to the net cash flows from operating activities

<b>Net profit after tax</b>		<b>445.1</b>	<b>434.1</b>
<b>Non-cash items:</b>			
Depreciation and amortisation		47.6	46.0
Share-based payments		2.9	-
Share of net (loss)/profit of equity accounted investments		0.4	(0.1)
Tax on fair value adjustment of available-for-sale financial assets		0.4	0.2
Tax on fair value adjustment of cash flow hedges		(0.5)	0.2
FX revaluation on investments at fair value through profit or loss		(0.2)	-
Change in fair value on equity accounted investments		20.2	-
<b>Changes in operating assets and liabilities:</b>			
Increase in tax balances		0.5	7.1
(Increase) in receivables <sup>1</sup>		(3.3)	(0.1)
(Increase) in prepayments		(0.1)	(5.0)
Increase in payables <sup>1</sup>		11.1	0.3
Increase in revenue received in advance		4.2	1.8
Increase/(decrease) in provisions		0.4	(0.9)
<b>Net cash inflow from operating activities</b>		<b>528.7</b>	<b>483.6</b>

<sup>1</sup> Receivables and payables excludes the movement in margins receivable/payable. Payables also excludes the securities pledged under repurchase agreements.

Cash and cash equivalents includes all cash and funds on deposit and available-for-sale financial assets other than those pledged as security under reverse repurchase agreements (refer to note B2). Cash flows are reported on a gross basis and inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

# Preface to the notes to the financial statements

ASX Limited (ASX or the Company) is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements.

The financial statements for the consolidated entity which consists of ASX and its subsidiaries (together referred to as the Group) for the year ended 30 June 2018 were authorised for issue by the Board of Directors on 16 August 2018. The directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared on a historical cost basis, except for available-for-sale financial assets and investments which have been measured at fair value
- are measured and presented in Australian dollars which is ASX's functional and presentation currency with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

Significant accounting policies and key judgements and estimates are contained in shaded text and are included in the relevant note. These policies have been consistently applied to all years presented, unless otherwise stated.

## **Key judgements and estimates**

In the process of applying the Group's accounting policies, Management has made a number of judgements and applied estimates concerning future events.

Judgements and estimates that are material to the financial report are found in the following notes:

- C1 Available-for-sale investments
- C2 Equity accounted investments
- C3 Investments at fair value through profit or loss
- D2 Intangible assets.

## **Reclassification or restatement of prior year balances**

Certain prior year amounts in the following notes to the financial statements have been reclassified or restated to conform to current period presentations:

- B3 Financial risk
- D3 Property, plant and equipment
- E5.1 Commitments.

# Performance of the Group

## A1 Segment reporting

### (a) Description of segment

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and CEO.

The CODM assesses performance of the Group as a single segment, being an integrated organisation that provides a multi-asset class product offering which includes:

- Listing and issuer services offered to public companies and other issuers
- Trading venue or exchange activities for trading
- Clearing and settlement activities
- Exchange-traded and over-the-counter (OTC) products
- Information and technical services supporting the Group's activities.

Multi-asset class service offerings include equities, interest rate, commodity and energy products across cash and derivatives markets.

In addition to reviewing performance based on statutory profit after tax, the CODM assesses the performance of the Group based on underlying profit after tax. This measure excludes amounts regarded as significant items of revenue and expense such as those that may be associated with significant business restructuring or individual transactions of an infrequent nature. In the current reporting period, the impairment to the carrying value of the equity investment in Yieldbroker has been treated as a significant item and excluded from underlying profit after tax.

Group performance measures, including earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA), are also reviewed by the CODM. In assessing performance, doubtful debt provisions and arrangements where revenue is shared with external parties are reclassified from expenses to operating revenue; certain expenses are reclassified within operating expenses; and interest income is presented net of interest expense.

### (b) Segment results

The information provided on a regular basis to the CODM, along with a reconciliation to statutory profit after tax for the period attributable to owners of the Company, are presented on the following page.

ASX derives all external customer revenue within Australia with some services accessible, and some customers located, offshore.

No single customer generates revenue greater than 10% of the Group's total revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of rebates. Revenue is recognised when it can be reliably measured, and when it is probable that the economic benefits will flow to the Group. Revenue is recognised for the major revenue lines as described below.

- **Listings and Issuer Services** includes listing fees and other issuer services revenue. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the financial year to which they relate. Unamortised balances are recognised as deferred revenue on the balance sheet. Issuer services revenue includes revenue for the provision of holding statements and other related activities, and is recognised in the period that the service is provided.
- **Derivatives and OTC Markets** includes revenue from trading and clearing of futures and equity options, and clearing of OTC interest rate derivatives; settlement, depository and registry services for debt securities and cash transactions (Austraclear); and ASX Collateral services. Transaction revenue is recognised at trade date. Austraclear and ASX Collateral services revenue is recognised over the period the service is provided. This may involve deferring a portion of the revenue to future reporting periods.
- **Trading Services** includes revenue from cash market trading, information and technical services. Cash market transaction revenue is recognised at settlement date. The normal market convention is that settlement occurs two days after the initial trade date (T+2). Accordingly, revenue for trades transacted in the last two days prior to period end are recognised in the subsequent reporting period. Revenue in relation to information and technical services is recognised over the period the service is provided.
- **Equity Post-Trade Services** includes revenue from clearing and settlement of quoted securities including equities, debt securities, warrants and exchange-traded funds. Cash market clearing and settlement revenue is recognised at settlement date. Accordingly, clearing and settlement fees for trades transacted in the last two days prior to period end are recognised in the subsequent reporting period.

Dividend income is recognised when the right to receive the dividend has been established.

Interest income comprises interest earned on the Group's own funds, as well as interest earned from the investment of funds lodged by participants as collateral. Interest income is recognised using the effective interest rate method.

Interest expense is recognised as a finance cost in the statement of comprehensive income using the effective interest rate method.

# Performance of the Group<sup>continued</sup>

For the year ended 30 June	2018			2017		
	Segment information \$m	Adjustments \$m	Consolidated income statement \$m	Segment information \$m	Adjustments \$m	Consolidated income statement \$m
<b>Revenue</b>						
Listings	171.4	2.3	173.7	150.3	2.1	152.4
Issuer Services	49.2	-	49.2	42.4	-	42.4
<b>Listings and Issuer Services</b>	<b>220.6</b>	<b>2.3</b>	<b>222.9</b>	<b>192.7</b>	<b>2.1</b>	<b>194.8</b>
Equity Options	21.9	0.2	22.1	21.7	0.2	21.9
Futures and OTC Clearing	212.5	-	212.5	197.4	-	197.4
Austraclear	52.0	0.1	52.1	50.0	0.1	50.1
<b>Derivatives and OTC Markets</b>	<b>286.4</b>	<b>0.3</b>	<b>286.7</b>	<b>269.1</b>	<b>0.3</b>	<b>269.4</b>
Cash Market Trading	45.7	0.3	46.0	46.3	-	46.3
Information Services	90.1	-	90.1	82.5	-	82.5
Technical Services	74.1	1.6	75.7	67.2	1.1	68.3
<b>Trading Services</b>	<b>209.9</b>	<b>1.9</b>	<b>211.8</b>	<b>196.0</b>	<b>1.1</b>	<b>197.1</b>
Cash Market Clearing	51.9	0.4	52.3	53.3	-	53.3
Cash Market Settlement	52.9	0.1	53.0	51.1	-	51.1
<b>Equity Post-Trade Services</b>	<b>104.8</b>	<b>0.5</b>	<b>105.3</b>	<b>104.4</b>	-	<b>104.4</b>
<b>Other</b>	<b>1.0</b>	<b>0.6</b>	<b>1.6</b>	<b>1.9</b>	-	<b>1.9</b>
<b>Operating revenue</b>	<b>822.7</b>			<b>764.1</b>		
Interest income		170.9	170.9		150.5	150.5
Dividend income		14.2	14.2		13.9	13.9
Share of net (loss)/profit of equity accounted investments		(0.4)	(0.4)		0.1	0.1
<b>Total revenue</b>		<b>190.3</b>	<b>1,013.0</b>		<b>168.0</b>	<b>932.1</b>
<b>Expenses</b>						
Staff	(114.6)	-	(114.6)	(110.6)	-	(110.6)
Occupancy	(16.4)	-	(16.4)	(14.6)	-	(14.6)
Equipment	(27.9)	(1.5)	(29.4)	(27.9)	(1.4)	(29.3)
Administration	(22.4)	(17.9)	(40.3)	(18.2)	(11.8)	(30.0)
Variable	(7.9)	7.9	-	(6.7)	6.7	-
ASIC levy	(6.3)	6.3	-	(2.9)	2.9	-
<b>Operating expenses</b>	<b>(195.5)</b>			<b>(180.9)</b>		
<b>EBITDA</b>	<b>627.2</b>			<b>583.2</b>		
Finance costs	-	(102.4)	(102.4)	-	(85.2)	(85.2)
Depreciation and amortisation	(47.6)	-	(47.6)	(46.0)	-	(46.0)
Other	-	(20.2)	(20.2)	-	-	-
<b>Total expenses</b>	<b>(47.6)</b>	<b>(127.8)</b>	<b>(370.9)</b>	<b>(46.0)</b>	<b>(88.8)</b>	<b>(315.7)</b>
<b>EBIT</b>	<b>579.6</b>			<b>537.2</b>		
<b>Net interest and dividend income</b>						
Net interest income	18.2	(18.2)	-	17.8	(17.8)	-
Net interest on participant balances	50.3	(50.3)	-	47.5	(47.5)	-
Dividend income	14.2	(14.2)	-	13.9	(13.9)	-
<b>Net interest and dividend income</b>	<b>82.7</b>	<b>(82.7)</b>	-	<b>79.2</b>	<b>(79.2)</b>	-
<b>Underlying profit before tax</b>	<b>662.3</b>	<b>(20.2)</b>	<b>642.1</b>	<b>616.4</b>	-	<b>616.4</b>
Income tax expense	(197.0)	-	(197.0)	(182.3)	-	(182.3)
<b>Underlying profit after tax</b>	<b>465.3</b>	<b>(20.2)</b>	<b>445.1</b>	<b>434.1</b>	-	<b>434.1</b>
Significant items <sup>1</sup>	(20.2)	20.2	-	-	-	-
<b>Net profit after tax</b>	<b>445.1</b>	-	<b>445.1</b>	<b>434.1</b>	-	<b>434.1</b>

<sup>1</sup> Refer to note C2 for further details.

# Performance of the Group<sup>continued</sup>

## A2 Dividends

The Board's policy is to pay a dividend based on 90% of underlying net profit after tax. This policy is unchanged from the prior year.

The following table includes information relating to dividends recognised and paid by ASX during the financial year.

	Cents per share	Total amount \$m
<b>For the year ended 30 June 2018</b>		
Final dividend for the year ended 30 June 2017	99.8	193.2
Interim dividend for the year ended 30 June 2018	107.2	207.5
<b>Total</b>	<b>207.0</b>	<b>400.7</b>
<b>For the year ended 30 June 2017</b>		
Final dividend for the year ended 30 June 2016	99.0	191.7
Interim dividend for the year ended 30 June 2017	102.0	197.5
<b>Total</b>	<b>201.0</b>	<b>389.2</b>

The above dividends paid by the Company include amounts attached to certain shares held by the Group's Long-Term Incentive Plan Trust (LTIP). The dividend revenue recognised by LTIP of \$0.1 million (2017: \$0.4 million) has been eliminated on consolidation.

Since the end of the financial year, the directors have determined a final dividend of 109.1 cents per share totalling \$211.2 million. The dividend will be fully franked based on tax paid at 30%.

A liability is recognised for the amount of any dividends determined on or before the balance date but not yet paid. Typically, the final dividend in respect of a financial year is determined after balance date, and therefore no provision is recognised.

### Dividend franking account

As at 30 June	2018 \$m	2017 \$m
Franking credits available for future years at 30% adjusted for the payment of current income tax	268.6	239.2

Adjusting for the payment of the final dividend for the year ended 30 June 2018, the franking balance would be \$178.1 million (2017: \$156.4 million).

## A3 Capital management

At 30 June 2018, equity of the Group totalled \$3,945.5 million (2017: \$3,908.1 million). The Group's capital supports a range of activities and risks. Capital requirements are subject to change from time to time. Some factors that may impact the amount of capital the Group requires to support its business include:

- the level of goodwill recognised from business combinations. This goodwill may be impacted by the performance of the Group and subsequent impairment leading to a reduction in capital
- regulatory standards, both domestic and international, which may impact the level of capital supporting the clearing and settlement activities or other licensed activities. Regulatory standards applying to many financial market participants have increased in recent years and there is an expectation that these may increase further over time. There may also be uncertainty over the application of new regulatory standards
- the competitive environment in which ASX operates may lead to higher levels of capital in order to provide competitive services, noting that customers may be able to access competing services internationally
- the level or concentration of activity undertaken in markets and clearing and settlement facilities operated by ASX. Generally a higher level of activity may result in higher capital requirements, however the relationship is not necessarily linear
- the general economic or credit conditions that may impact on capital requirements as the level of risk generally increases as credit conditions deteriorate. The level of operational risk capital held by the Group can be impacted by any revision to future loss assessments and regulatory requirements
- the level of investments made, their fair value and the potential movement in their market values. Capital requirements are also impacted by ASX's level of investment in existing or new services. These investments are predominantly in intangible software assets and other equity investments which may be subject to write-down under certain circumstances.

The Board's policy is to maintain an appropriate level of capital within the Group and relevant subsidiaries with the objectives of:

- meeting its compliance obligations with respect to the Financial Stability Standards and other regulations, including international regulations, as required by the various licences held
- sustaining prudential stability through maintaining an adequate level of equity at the Group level, cognisant of the fact that a significant allocation of capital supports the activities of the two licensed central counterparty (CCP) clearing subsidiaries as discussed in note B1 and the two licensed settlement facilities
- facilitating growth of the Group's exchange-traded and OTC markets, and providing appropriate risk-adjusted returns to shareholders.

In accordance with the Group's objectives and policies, capital represented by cash is invested at an appropriate liquidity profile, taking into consideration the potential claims on that equity that may arise from the Group's activities, predominantly CCP clearing.

The Group's objective is also to maintain its credit rating at the current AA- long-term and A-1+ short-term as rated by Standard & Poor's (S&P).

# Performance of the Group continued

## (a) Ordinary share capital

Fully paid ordinary shares carry the right to participate in dividends. Ordinary shares also entitle the holder to the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value and ASX does not have a limited amount of authorised capital. At 30 June 2018, all ordinary shares issued were fully paid. On a show of hands, every holder of ordinary shares present in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

As at 30 June 2018, the closing balance of ordinary share capital was \$3,027.2 million (2017: \$3,027.2 million) and the number of shares outstanding was 193,595,162 (2017: 193,595,162). There were no movements in the balance of ordinary share capital or the number of shares outstanding in the current or prior financial year.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend reinvestment plan shares allotted to ASX shareholders as part of the dividend reinvestment plan (DRP) at the DRP allocation price are classified as fully paid ordinary shares.

## (b) Treasury shares

The following table presents the movement in treasury shares during the financial year:

For the year ended 30 June	2018 No. of shares	2017 No. of shares
Opening balance	183,218	181,269
Issue of shares under the LTIP	(8,065)	(5,419)
Issue of deferred shares under employee equity plans	(116,801)	-
Shares transferred to the LTIP	2,708	7,368
<b>Closing balance</b>	<b>61,060</b>	<b>183,218</b>

Treasury shares are shares in ASX held by a trust for the benefit of employees under the ASX Long-Term Incentive (LTI) plan as described in the remuneration report. The original purchase price of the shares, net of any tax effect, is deducted from the equity compensation reserve in equity.

Shares allocated to employees under the deferred short-term incentive (DSTI) plan are held as treasury shares when forfeited until such time that they are reallocated under another DSTI or LTI plan.

## (c) Reserves

### Restricted capital reserve

The restricted capital reserve was created when funds were transferred from the National Guarantee Fund (NGF) to ASX Clear Pty Ltd (ASX Clear) in 2005. Under the terms of the transfer, ASX Clear must not, without first obtaining the consent in writing of the Assistant Treasurer (the Minister), take action to use these funds for a purpose other than clearing support.

### Asset revaluation reserve

Changes in the fair value of financial assets including available-for-sale assets and investments and assets designated as part of cash flow hedging relationships, are taken to the asset revaluation reserve. Amounts are recognised in profit or loss when the associated available-for-sale financial assets and investments are sold or impaired or to the extent that the cash flow hedges are ineffective.

The movement in the asset revaluation reserve is primarily due to the change in the market value of investments in listed and unlisted entities (refer to note C1).

### Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of performance rights issued under ASX equity plans.

Refer to the consolidated statement of changes in equity for details of movements in the reserves.

## A4 Earnings per share

As at 30 June	2018	2017
Basic and diluted earnings per share (cents)	230.0	224.5
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	193,507,104	193,415,430

The increase in weighted average number of ordinary shares reflects lower treasury shares held during the current financial year. The basic and diluted earnings per share (EPS) amounts have been calculated on the basis of net profit after tax of \$445.1 million (2017: \$434.1 million).

Basic EPS is calculated by dividing the consolidated profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Performance of the Group<sup>continued</sup>

## A5 Taxation

The movements during the year in the following components of deferred tax asset and liability were recognised in profit or loss with the exception of revaluations of available-for-sale financial assets, available-for-sale investments and cash flow hedges, which were recognised in other comprehensive income.

As at 30 June	2018 \$m	2017 \$m
<b>(a) Income tax expense</b>		
Profit before income tax expense	642.1	616.4
Prima facie income tax expense calculated at 30% (2017: 30%) on the profit before tax	(192.6)	(184.9)
<b>Movement in income tax expense due to:</b>		
Non-deductible items	(1.2)	(0.2)
Non-assessable items	(0.1)	0.1
Equity accounted investments impairment <sup>1</sup>	(6.1)	-
Franking credit offset	2.5	2.4
Research and development tax offset	0.4	0.2
Adjustments to current tax for prior periods	0.1	0.1
<b>Total income tax expense</b>	<b>(197.0)</b>	<b>(182.3)</b>
<b>(b) Major components of income tax expense</b>		
Current tax expense	(197.3)	(181.2)
Movement in deferred tax liability	(0.2)	0.4
Movement in deferred tax asset	0.4	(1.6)
Adjustments to current tax for prior periods	0.1	0.1
<b>Total income tax expense</b>	<b>(197.0)</b>	<b>(182.3)</b>
<b>(c) Income tax on items recognised directly in equity</b>		
Deferred STI shares returned to trust	0.2	-
<b>Total</b>	<b>0.2</b>	<b>-</b>
<b>(d) Income tax on items recognised directly in other comprehensive income</b>		
Revaluation of available-for-sale financial assets	0.4	0.2
Revaluation of available-for-sale investments – listed entities	6.3	(17.2)
Revaluation of available-for-sale investments – unlisted entities	(1.9)	0.2
Revaluation of cash flow hedges	(0.5)	0.2
<b>Total</b>	<b>4.3</b>	<b>(16.6)</b>
<b>(e) Deferred tax asset/(liability)</b>		
Deferred tax asset comprises the estimated future benefit at an income tax rate of 30% (2017: 30%) of the below items:		
Doubtful debts provisions	0.2	0.3
Employee entitlements provisions	9.6	9.8
Premises provisions	2.0	2.0
Accrued expenses	0.5	1.0
Revenue received in advance	4.9	3.7
Revaluation of cash flow hedges	-	0.3
Revaluation of available-for-sale financial assets	0.3	-
Revaluation of available-for-sale investments – unlisted entities	-	0.5
<b>Deferred tax asset</b>	<b>17.5</b>	<b>17.6</b>

As at 30 June	2018 \$m	2017 \$m
Deferred tax (liability) comprises the estimated future expense at an income tax rate of 30% (2017: 30%) of the following items:		
Fixed assets	(9.4)	(9.2)
Revaluation of cash flow hedges	(0.2)	-
Revaluation of available-for-sale financial assets	-	(0.2)
Revaluation of available-for-sale investments – listed entities	(70.9)	(77.2)
Revaluation of available-for-sale investments – unlisted entities	(1.4)	-
Long-term incentive plan	(0.3)	(0.3)
<b>Deferred tax (liability)</b>	<b>(82.2)</b>	<b>(86.9)</b>
<b>Net deferred tax (liability)</b>	<b>(64.7)</b>	<b>(69.3)</b>

<sup>1</sup> A deferred tax asset has not been recognised on the \$20.2 million impairment to the carrying value of Yieldbroker.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. Income tax expense recognised in profit or loss comprises current and deferred income tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and tax liabilities are offset if there is a legally enforceable right to offset and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred income tax is not recognised for certain temporary differences such as the initial recognition of goodwill.

The amount of deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised, and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and when the deferred tax balances relate to income taxes levied by the same tax authority.

Further information on the Group's tax obligations can be found in the Tax Transparency Report available on ASX's website.

# Risk management

The Group is subject to a variety of risks including clearing and settlement risk, and operational risk.

## B1 Clearing risk

The Group undertakes central counterparty (CCP) clearing and collects margins and other balances (commitments) from clearing participants as security for clearing risk undertaken.

Sub-sections (a) and (b) below discuss participants' obligations and the nature of collateral and commitments lodged, as well as ASX's recognition principles concerning these liabilities.

### (a) Novation

The Group has two wholly owned subsidiaries that provide CCP clearing services:

- ASX Clear Pty Limited (ASX Clear), which provides novation of cash market securities and derivatives
- ASX Clear (Futures) Pty Limited (ASX Clear (Futures)), which provides novation of both exchange-traded and OTC derivatives.

As a CCP, transactions between two clearing participant organisations are novated to the CCPs. This makes the CCPs contractually responsible for the obligations entered into by clearing participants on both the buying and selling legs of the same transaction. Through novation, the respective CCP assumes the credit risk of the underlying clearing participant in the event of a participant default. The novation process results in all positions held by the CCPs being matched.

### (b) Participants' margins

Clearing participants are required to lodge an amount (initial margin) on open cash market and derivative positions novated to the Group's CCPs. These margins are based on risk parameters attached to the underlying security or contract at trade date and may include additional margins called on participants. The margin rates are subject to regulatory standards including a high level of confidence that they meet expected movements based on historical events. However, there could be circumstances where losses are greater than the margins held.

At 30 June, participants' margins and commitments lodged and recognised on balance sheet comprised of the following:

As at 30 June	2018 \$m	2017 \$m
<b>Current</b>		
Cash	7,884.6	7,671.6
Debt securities	411.2	213.1
<b>Total current amounts owing to participants</b>	<b>8,295.8</b>	<b>7,884.7</b>
<b>Non-current</b>		
Cash commitments	200.0	200.0
<b>Total non-current amounts owing to participants</b>	<b>200.0</b>	<b>200.0</b>
<b>Total amounts owing to participants</b>	<b>8,495.8</b>	<b>8,084.7</b>

Current amounts owing to participants represent collateral lodged to cover margin requirements on unsettled derivative contracts and cash market trades. Non-current amounts owing to participants represent cash balances lodged by participants as commitments to clearing guarantee funds, which at reporting date had no determined repayment date.

Margins that are settled by cash or debt securities are recognised on balance sheet at fair value and are classified as amounts owing to participants within current liabilities. Balances lodged in cash are interest bearing and are carried at the amounts deposited which represent fair value. Margins that are settled by equity securities are not recognised on balance sheet as the Group is not party to the contractual provisions of the instruments other than in the event of a default.

In addition to the initial margin, participants must also settle changes in the fair value of derivatives contracts (variation margin), and in certain circumstances must lodge additional margins. Participants must settle both initial and variation margins daily, including possible intraday and additional margin calls. The amounts owing to participants are repayable on settlement or closure of the contracts.

In the event of default by a clearing participant, ASX Clear and ASX Clear (Futures) are required to provide funds or settle securities of the defaulting participant. The CCPs also have the authority to retain collateral and commitments deposited by the defaulting clearing participant to satisfy its obligations. As at 30 June, collateral and commitments lodged by clearing participants comprised the following:

As at 30 June	ASX Clear		ASX Clear (Futures)	
	2018 \$m	2017 \$m	2018 \$m	2017 \$m
Cash	567.3	672.3	7,517.3	7,199.3
Equity securities	3,333.2	3,398.3	-	-
Debt securities	-	-	411.2	213.1

All net delivery and net payment obligations relating to cash market and derivative securities owing to or by participants as at 30 June 2018 were subsequently settled.

### (c) Financial resources available to CCPs

The Financial Stability Standards require each CCP to have adequate financial resources to cover its exposures in the event of default by the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. Financial resources include the clearing default funds shown in the next two tables as well as eligible collateral and commitments. The level of clearing default funds which the CCPs must maintain may therefore increase from time to time. The Financial Stability Standards also require each CCP to have a process for replenishing clearing default funds after depletion caused by a default loss. The replenished fund, which may be less than the original fund, is then available to support new activity post the loss. To comply with this obligation, the Group has undertaken, in certain circumstances, to provide funds up to pre-determined levels for replenishment of the clearing default funds. The Group may utilise a number of alternative funding sources to contribute to an increase in or replenishment of the CCPs' clearing default funds, including its own cash reserves. In certain circumstances participants may have an obligation to the CCP to contribute to an increase in or replenishment of the clearing default funds.

# Risk management continued

The CCPs' operating rules also provide for the CCPs to undertake certain actions to deal with events of default and utilisation of collateral, commitments and clearing default funds. These include the ability to call recovery assessments, impose payment reductions or implement termination of positions.

The following tables show the financial resources available to the CCPs to support their clearing activities (over and above the collateral lodged by participants).

## ASX Clear

As at 30 June	2018 \$m	2017 \$m
Restricted capital reserve	71.5	71.5
Equity provided by the Group	178.5	178.5
<b>Paid-in resources</b>	<b>250.0</b>	<b>250.0</b>
Recovery assessments	300.0	300.0
<b>Total financial resources</b>	<b>550.0</b>	<b>550.0</b>

The financial resources at 30 June 2018 available to ASX Clear in the event of a participant default would be applied in the following order:

- collateral, other margin or contributions lodged by the defaulting participant
- restricted capital reserve of \$71.5 million
- equity capital of \$178.5 million
- contributions lodged by non-defaulting participants under the ASX Clear operating rules (no contributions were lodged in the current or prior year)
- recovery assessments of \$300.0 million which can be levied on participants (no amounts were levied in the current or prior year).

## ASX Clear (Futures)

Equity provided by the Group	120.0	120.0
Cash commitments	100.0	100.0
Equity provided by the Group	150.0	150.0
Cash commitments	100.0	100.0
Equity provided by the Group	180.0	180.0
<b>Paid-in resources</b>	<b>650.0</b>	<b>650.0</b>
Recovery assessments <sup>1</sup>	200.0	200.0
<b>Total financial resources</b>	<b>850.0</b>	<b>850.0</b>

<sup>1</sup> \$200m for a single default event and up to \$600m for more than one default event.

The financial resources at 30 June 2018 available to ASX Clear (Futures) in the event of a participant default would be applied in the following order:

- collateral lodged by the defaulting participant
- equity capital of \$120.0 million
- commitments lodged by participants, totalling \$100.0 million. Any defaulting participant's commitments in this total will be included in amounts previously applied as part of (1) above
- equity capital of \$150.0 million
- commitments lodged by participants, totalling \$100.0 million
- equity capital of \$180.0 million
- recovery assessments of \$200.0 million which can be levied on participants (no amounts were levied in the current or prior year).

A participant may be either a futures or OTC participant or both. The order of application with respect to items 3 and 5 above will depend on the status of the defaulting participant. Where a participant default is only a single category (i.e. futures or OTC), then the non-defaulting participants' commitments from the same category are utilised in item 3, with the other category utilised in item 5. Where a defaulting participant is both a futures and OTC participant, the other non-defaulting participants' commitments are apportioned for the purposes of 3 and 5.

## B2 Cash and cash equivalents

The cash and funds on deposit and available-for-sale financial assets (other than those assets pledged as security under repurchase agreements) represent total cash and cash equivalents as per the statement of cash flows. The balance represents the Group's own cash funds as well as collateral and commitments lodged by participants in accordance with note B1.

As at 30 June	2018 \$m	2017 \$m
Cash at call	447.2	504.3
Reverse repurchase agreements	4,790.7	4,958.5
Deposits	326.0	221.0
<b>Cash and funds on deposit</b>	<b>5,563.9</b>	<b>5,683.8</b>
Money market instruments - at cost	4,002.3	3,401.3
Revaluation recognised in equity	(0.9)	0.5
<b>Available-for-sale financial assets</b>	<b>4,001.4</b>	<b>3,401.8</b>
<b>Total cash and cash equivalents</b>	<b>9,565.3</b>	<b>9,085.6</b>

The cash and cash equivalents above includes \$71.5 million of restricted cash that is available for use by the entity in specific circumstances as described in note A3(c) and is also recognised as a restricted capital reserve within equity on the balance sheet.

Available-for-sale financial assets comprise short-term money market investments, including negotiable certificates of deposit, bonds, floating rate notes, promissory notes and treasury notes, and are traded in active markets.

Reverse repurchase agreements are recognised within cash and funds on deposit at the amount of the cash consideration paid. The securities purchased under the agreement are not recognised on the balance sheet as substantially all the risks and rewards of ownership are retained by the counterparty to the agreement.

Available-for-sale financial assets are initially recognised at fair value, being the fair value of the consideration given, plus transaction costs that are directly attributable to acquiring the asset. After initial recognition, available-for-sale financial assets continue to be measured at fair value as determined by valuation techniques outlined in note B3(d)(i).

Fair value gains or losses are recognised directly in the asset revaluation reserve in equity until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Impairment indicators for available-for-sale assets include a significant or prolonged decline in the fair value of the security below its cost. When the asset is considered to be impaired, any loss that had been recognised directly in equity is transferred to profit or loss.

# Risk management continued

## B3 Financial risk

The Group's activities expose it to a variety of financial risks including market risk (comprising interest rate, foreign currency and equity price risk), credit risk and liquidity risk.

The Group's overall risk management strategy seeks to manage potential adverse effects on the financial performance of the Group. Risk management is carried out under policies approved by the Board of Directors. Management monitors investment credit, foreign currency, liquidity and cash flow interest rate risk, and manages clearing default credit risk with counterparties in accordance with approved Board mandates with ongoing reporting to the respective boards.

The Group holds the following financial assets and liabilities by category:

As at 30 June	Note	2018				2017			
		Fair value through profit or loss \$m	Available-for-sale \$m	Amortised cost \$m	Total \$m	Available-for-sale \$m	Amortised cost \$m	Total \$m	
<b>Financial assets</b>									
Cash and funds on deposit	B2	-	-	5,563.9	5,563.9	-	5,683.8	5,683.8	
Available-for-sale financial assets	B2	-	4,001.4	-	4,001.4	3,401.8	-	3,401.8	
Receivables	D1	-	-	373.2	373.2	-	1,124.9	1,124.9	
Available-for-sale investments	C1	-	416.4	-	416.4	431.1	-	431.1	
Investments at fair value through profit or loss	C3	4.8	-	-	4.8	-	-	-	
<b>Total financial assets</b>		<b>4.8</b>	<b>4,417.8</b>	<b>5,937.1</b>	<b>10,359.7</b>	<b>3,832.9</b>	<b>6,808.7</b>	<b>10,641.6</b>	
<b>Financial liabilities</b>									
Payables	D4	-	-	348.2	348.2	-	1,085.7	1,085.7	
Amounts owing to participants	B1	-	-	8,495.8	8,495.8	-	8,084.7	8,084.7	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>8,844.0</b>	<b>8,844.0</b>	<b>-</b>	<b>9,170.4</b>	<b>9,170.4</b>	

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets (excluding available-for-sale investments) as detailed in the previous table.

### (a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, foreign exchange rates and other market prices.

#### (i) Interest rate risk

Exposure arising from	Risk management
Variable rate cash investments and money market instruments expose the Group to cash flow interest rate risk.	<ul style="list-style-type: none"> <li>The Boards of the relevant subsidiaries have set limits with respect to maximum and weighted average maturity and value at risk.</li> <li>Managed by policies that enable the Group to pay a variable rate of interest to participants on the funds held.</li> </ul>
Fixed rate money market instruments that are carried at fair value expose the Group to fair value interest rate risk.	<ul style="list-style-type: none"> <li>The Boards of the relevant subsidiaries have set limits with respect to maximum and weighted average maturity and value at risk.</li> </ul>

Interest bearing assets comprise the investment of the Group's cash resources (participant collateral lodged in cash and Group funds). Interest bearing liabilities comprise collateral and commitment funds lodged by participants.

The Group's receivables, available-for-sale investments and payables are non-interest bearing so are therefore not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate (directly) due to a change in market interest rates.

# Risk management continued

The following table presents the Group's interest bearing financial assets and liabilities at 30 June.

As at 30 June	2018			2017		
	Floating interest rate \$m	Fixed interest rate \$m	Total \$m	Floating interest rate \$m	Fixed interest rate \$m	Total \$m
<b>Interest bearing financial assets</b>						
Cash and funds on deposit	447.2	5,116.7	5,563.9	504.3	5,179.5	5,683.8
Available-for-sale financial assets	90.3	3,499.9	3,590.2	267.8	2,920.9	3,188.7
Investments at fair value through profit or loss	-	4.8	4.8	-	-	-
<b>Total interest bearing financial assets</b>	<b>537.5</b>	<b>8,621.4</b>	<b>9,158.9</b>	<b>772.1</b>	<b>8,100.4</b>	<b>8,872.5</b>
Weighted average interest rate at period end	1.49%	1.99%		1.20%	1.78%	
<b>Interest bearing financial liabilities</b>						
Amounts owing to participants	8,495.8	-	8,495.8	8,084.7	-	8,084.7
<b>Total interest bearing financial liabilities</b>	<b>8,495.8</b>	<b>-</b>	<b>8,495.8</b>	<b>8,084.7</b>	<b>-</b>	<b>8,084.7</b>
Weighted average interest rate at period end	1.05%			1.06%		
<b>Net interest bearing financial (liabilities)/assets</b>	<b>(7,958.3)</b>	<b>8,621.4</b>	<b>663.1</b>	<b>(7,312.6)</b>	<b>8,100.4</b>	<b>787.8</b>

With respect to the prior table:

- floating interest rate refers to financial instruments where the interest rate is subject to change prior to maturity or repayment – predominantly deposits at call and floating rate notes
- fixed interest rate refers to financial instruments where the interest rate is fixed up to maturity – predominantly term deposits, negotiable certificates of deposit, promissory notes, treasury notes, reverse repurchase agreements, bonds and convertible notes.

## Sensitivity analysis (net of tax)

Changes in interest rates affect the Group's profit or loss due to higher/lower interest income earned on its cash, available-for-sale financial assets and investments at fair value through profit or loss while equity is affected due to the change in fair values of available-for-sale financial assets. The Group does not account for any interest bearing financial liabilities at fair value through profit or loss.

An analysis of this sensitivity and its impact on the Group's profit or loss and equity net of tax for the year is provided in the table below. The analysis is based on a hypothetical 25 basis point change in interest rates at 30 June and has been applied to the interest rate risk exposures that exist at that date. All other variables have been held constant.

	2018		2017	
	Impact on profit \$m	Impact on equity \$m	Impact on profit \$m	Impact on equity \$m
+25 basis point change in interest rates	(1.0)	(1.6)	(0.7)	(1.3)
-25 basis point change in interest rates	1.0	1.6	0.7	1.3

As interest paid on financial liabilities reference overnight official cash rates and interest earned on financial assets reference a range of rates such as BBSW, the sensitivity on a 25 basis point increase/decrease could result in an overall impact on profit of (\$2.0) million/\$2.0 million respectively. This assumes all variables remain constant.

## (ii) Foreign currency risk

Exposure arising from	Risk management
Cash flow commitments in foreign currencies entered into by the Group.	• Where the Group enters into material cash flow commitments in foreign currencies, its policy is to enter into hedging arrangements to mitigate the exchange risk where possible.
Collateral on clearing participants' derivatives exposures lodged in foreign currency and held by the Group's CCPs.	• The collateral held in foreign currency is offset by an equal payable in the same currency to the participant, which reduces foreign currency risk in the normal course of business. Where non-matching currency is lodged as collateral, a discount is applied to its value.

The majority of the Group's net foreign currency risk is associated with foreign denominated cash, net interest income and exchange fees receivable. Such exposure is converted to AUD on a regular basis.

At 30 June 2018, USD 16.7 million (2017: USD 12.4 million) was designated by the Group as the hedging instrument in qualifying cash flow hedges for committed expenditure to be paid in USD. These amounts are included in the following table within cash and funds on deposit. During the current financial year, the use of cash flow hedges resulted in a \$0.5 million (2017: \$0.3 million) increase in cash flow required for committed capital and operating expenses.

Available-for-sale investments denominated in USD are subject to foreign currency risk, impacting their carrying value.

# Risk management continued

The table below shows the Group's exposure on its balance sheet to foreign currency risk at the end of the year, expressed in AUD.

As at 30 June	2018				2017			
	NZD \$m	USD \$m	EUR \$m	JPY \$m	NZD \$m	USD \$m	EUR \$m	JPY \$m
<b>Financial assets</b>								
Cash and funds on deposit	131.4	113.7	1.6	105.5	143.6	17.6	1.5	173.4
Receivables	0.7	-	-	-	0.5	-	-	0.1
Available-for-sale investments	-	28.9	-	-	-	22.7	-	-
Investments at fair value through profit or loss	-	4.8	-	-	-	-	-	-
<b>Financial liabilities</b>								
Payables	0.2	-	-	-	0.2	-	-	-
Amounts owing to participants	130.5	90.3	1.6	104.6	143.2	1.3	1.5	172.9
<b>Net exposure</b>	<b>1.4</b>	<b>57.1</b>	<b>-</b>	<b>0.9</b>	<b>0.7</b>	<b>39.0</b>	<b>-</b>	<b>0.6</b>
Exchange rate for conversion AUD 1:	1.0878	0.7352	0.6355	81.23	1.0524	0.7683	0.6716	86.19

## Sensitivity analysis (net of tax)

Changes in exchange rates affect the Group's profit or loss due to the gain/loss recognised on translation of foreign currency denominated financial assets and liabilities at balance date. Equity is affected due to USD foreign currency cash flow commitments designated as cash flow hedges and the valuation of foreign currency investments.

An analysis of this sensitivity and its impact on the Group's profit or loss and equity net of tax for the year is provided in the table below. The analysis is based on a hypothetical 10% change in the market exchange rate of the AUD against other currencies at 30 June and has been applied to the foreign currency risk exposures that exist at that date. All other variables, including interest rates, have been held constant. The impact is expressed in AUD.

	2018		2017	
	Impact on profit \$m	Impact on equity \$m	Impact on profit \$m	Impact on equity \$m
	USD \$m	USD \$m	USD \$m	USD \$m
Impact on equity				
+10% strengthening of AUD	(0.3)	(3.6)	-	(2.5)
-10% weakening of AUD	0.4	4.4	-	3.0

At the inception of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and also on an ongoing basis, of whether the instruments that are used in hedging transactions have been, and will continue to be highly effective in offsetting changes in cash flows of hedged items.

For cash flow hedges, the effective portion of any change in the fair value of the instrument that is designated and that qualifies as a cash flow hedge is recognised in the asset revaluation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

## (iii) Price risk

Exposure arising from	Risk management
Equity securities price movements with respect to the Group's investments in listed entities of \$387.5 million (2017: \$408.4 million).	<ul style="list-style-type: none"> <li>Ongoing monitoring of values with respect to any impairment, with consideration given to financial and other implications of holding the instruments.</li> </ul>
Price movements of the Group's unquoted securities of \$28.9 million (2017: \$22.7 million) and convertible notes of \$4.8 million (2017: nil).	<ul style="list-style-type: none"> <li>Strategic investment to support the Group's distributed ledger technology development. Reports are submitted to the Group's senior management and Board of Directors on a regular basis.</li> </ul>
Other price movements associated with underlying equities and derivatives on trades novated to the CCPs.	<ul style="list-style-type: none"> <li>Under normal circumstances, this risk is minimal as the trades are matched. However price movements may impact on credit risk associated with participant obligations (as discussed in the following section).</li> </ul>

## Sensitivity analysis (net of tax)

Changes in quoted market prices affect the Group's equity due to the change in fair value of the Group's listed equity investment (refer to note C1). As the Group does not account for any equity investments at fair value through profit or loss, any change in fair value resulting from a change in price would only affect profit or loss if the investment was subsequently sold. If the price of the listed equity investment increased/decreased by 10% at 30 June 2018, with all other variables held constant, equity would have increased/decreased by \$27.1 million (2017: \$28.6 million), net of tax.

# Risk management continued

## (b) Credit risk

Exposure arising from	Risk management
Through its CCP activities, the Group is exposed to the potential loss that may arise from the failure of a counterparty to meet its obligations or commitments. The obligations mainly relate to T+2 settlement risk for cash market trades and daily mark-to-market movements on open derivative positions. Failure of clearing participants to meet these obligations exposes the Group to potential losses.	<ul style="list-style-type: none"> <li>• Clearing participant membership requirements and admission standards, including minimum capital requirements.</li> <li>• Participant surveillance, including capital monitoring.</li> <li>• Daily and intraday counterparty credit risk control, including margining and collateral management.</li> <li>• Position limits based on the capital of the participant.</li> <li>• Financial resource adequacy, including fixed capital and stress-testing of clearing participants' exposure limits against the amount and liquidity of variable and fixed financial resources available.</li> <li>• Operating rules that deal with recovery and resolution of losses in the event of a clearing participant default. Refer to note B1(c).</li> <li>• Margin calls outside of Australian business hours.</li> </ul>
Investment counterparty credit risk arises on certain financial assets including cash, funds on deposit, available-for-sale financial assets, and trade and other receivables.	<ul style="list-style-type: none"> <li>• Board policies that limit the amount of credit exposure and concentration to any one counterparty, as well as minimum credit ratings for counterparties. Investments are limited to non-derivative assets.</li> <li>• Recovery rules that address the allocation of losses between the Group and clearing participants.</li> <li>• Active debt collection procedures and regular review of trade receivables ageing.</li> </ul>

The Group's ongoing monitoring of participants' market positions and exposures, coupled with daily margining and collateral management, including possible intraday and additional margin calls, enable it to manage its central counterparty credit risk and meet its regulatory obligations. Further information on the resources available to the CCPs in the event of a participant default is shown in note B1.

S&P credit ratings are used in determining the credit quality of the counterparty with whom cash and funds on deposit, and current available-for-sale financial assets are held.

Counterparties are limited to the Commonwealth of Australia, foreign governments and banks, and Australian state governments and banks with a minimum short-term credit rating of A2. The Group's largest single counterparty exposure at the end of the reporting period was \$2,285.4 million (2017: \$1,876.2 million) to an Australian licensed bank with a S&P short-term credit rating of A1+. The majority of this exposure was secured against Commonwealth Government securities. The risk ratings of the counterparties that the Group has exposure to at the end of the period are shown in the following table.

As at 30 June	2018				2017			
	A1+ \$m	A1 \$m	A2 \$m	Total \$m	A1+ \$m	A1 \$m	A2 \$m	Total \$m
Cash at call	177.8	269.4	-	447.2	323.3	180.9	0.1	504.3
Reverse repurchase agreements <sup>1</sup>	3,933.7	857.0	-	4,790.7	3,770.4	-	1,188.1	4,958.5
Deposits	110.0	216.0	-	326.0	25.0	196.0	-	221.0
<b>Total cash and funds on deposit</b>	<b>4,221.5</b>	<b>1,342.4</b>	<b>-</b>	<b>5,563.9</b>	<b>4,118.7</b>	<b>376.9</b>	<b>1,188.2</b>	<b>5,683.8</b>
Negotiable certificates of deposit	442.4	374.9	-	817.3	172.4	193.0	-	365.4
Promissory notes	2,555.6	-	-	2,555.6	1,926.2	-	-	1,926.2
Treasury notes	99.7	-	-	99.7	-	-	-	-
Floating rate notes	90.3	-	-	90.3	265.8	2.0	-	267.8
Bonds	438.5	-	-	438.5	842.4	-	-	842.4
<b>Total available-for-sale financial assets</b>	<b>3,626.5</b>	<b>374.9</b>	<b>-</b>	<b>4,001.4</b>	<b>3,206.8</b>	<b>195.0</b>	<b>-</b>	<b>3,401.8</b>

<sup>1</sup> Reverse repurchase agreements are collateralised by Commonwealth, foreign government or Australian state government securities.

The Group uses other measures to monitor the credit of other financial assets, which includes trade receivables, margins receivable from participants, accrued revenue, interest receivable and available-for-sale investments. Intercompany receivables consist of balances owing between the entities of the Group and are eliminated on consolidation. The parent entity considers the credit risk on these balances to be low.

## (c) Liquidity risk

Exposure arising from	Risk management
Margins to cover derivatives and cash market exposures are settled with participants and invested in the short-term money market on a daily basis. The investment of these balances requires strict management to provide sufficient liquidity for the routine daily margin settlement.	<ul style="list-style-type: none"> <li>• The Board has implemented policies that specify liquidity requirements, based on whether assets can be liquidated and converted to cash on a same-day basis, including maximum average maturity limits. Instruments that are eligible for repurchase agreements with the Reserve Bank of Australia are treated as liquid.</li> <li>• Forward planning and forecasting of liquidity requirements.</li> </ul>

The expected undiscounted contractual cash flows of the Group's financial assets and liabilities are shown in the following table. All available-for-sale financial assets are eligible for repurchase in the secondary market. All financial assets and liabilities are non-derivative.

The values on the balance sheet may differ to the assets and liabilities in the following table due to the difference in fair value at balance date compared to the contractual cash flows up to maturity.

# Risk management continued

As at 30 June 2018	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year \$m	No specific maturity \$m	Total \$m
<b>Financial assets</b>						
Cash and funds on deposit	3,276.7	2,297.3	-	-	-	5,574.0
Available-for-sale financial assets	703.2	1,880.5	1,437.6	-	-	4,021.3
Receivables	372.2	0.7	0.1	0.2	-	373.2
Available-for-sale investments	-	-	-	-	416.4	416.4
Investments at fair value through profit or loss	-	-	-	4.8	-	4.8
<b>Total financial assets</b>	<b>4,352.1</b>	<b>4,178.5</b>	<b>1,437.7</b>	<b>5.0</b>	<b>416.4</b>	<b>10,389.7</b>
<b>Financial liabilities</b>						
Payables	337.8	8.7	0.9	-	0.8	348.2
Amounts owing to participants	8,295.8	-	-	-	200.0	8,495.8
<b>Total financial liabilities</b>	<b>8,633.6</b>	<b>8.7</b>	<b>0.9</b>	<b>-</b>	<b>200.8</b>	<b>8,844.0</b>
<b>Commitments</b>						
Capital and operating commitments	0.9	2.7	16.2	69.2	-	89.0
Operating lease commitments	0.7	1.4	6.4	62.7	-	71.2
<b>Total commitments</b>	<b>1.6</b>	<b>4.1</b>	<b>22.6</b>	<b>131.9</b>	<b>-</b>	<b>160.2</b>
<b>As at 30 June 2017</b>						
<b>Financial assets</b>						
Cash and funds on deposit	2,651.7	2,971.0	72.4	-	-	5,695.1
Available-for-sale financial assets	728.6	1,241.5	1,448.8	-	-	3,418.9
Receivables	1,123.3	1.5	0.1	-	-	1,124.9
Available-for-sale investments	-	-	-	-	431.1	431.1
<b>Total financial assets</b>	<b>4,503.6</b>	<b>4,214.0</b>	<b>1,521.3</b>	<b>-</b>	<b>431.1</b>	<b>10,670.0</b>
<b>Financial liabilities</b>						
Payables	1,076.6	4.5	2.6	1.0	1.0	1,085.7
Amounts owing to participants	7,884.7	-	-	-	200.0	8,084.7
<b>Total financial liabilities</b>	<b>8,961.3</b>	<b>4.5</b>	<b>2.6</b>	<b>1.0</b>	<b>201.0</b>	<b>9,170.4</b>
<b>Commitments</b>						
Capital and operating commitments	0.3	2.0	18.4	46.5	-	67.2
Operating lease commitments	0.8	1.5	5.8	68.0	-	76.1
<b>Total commitments</b>	<b>1.1</b>	<b>3.5</b>	<b>24.2</b>	<b>114.5</b>	<b>-</b>	<b>143.3</b>

With respect to amounts owing to participants, while contractually some balances may be more than one month, they have been classified as having maturities up to one month on the basis of the shortest possible obligation for repayment.

## (d) Fair value measurements

### (i) Fair value hierarchy and valuation techniques

The following table presents the Group's financial assets measured and recognised at fair value at 30 June. The Group does not have any financial liabilities measured at fair value.

As at 30 June	2018				2017			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>								
Available-for-sale financial assets:								
- Negotiable certificates of deposit	-	817.3	-	817.3	-	365.4	-	365.4
- Promissory notes	-	2,555.6	-	2,555.6	-	1,926.2	-	1,926.2
- Treasury notes	-	99.7	-	99.7	-	-	-	-
- Floating rate notes	-	90.3	-	90.3	-	267.8	-	267.8
- Bonds	389.6	48.9	-	438.5	192.2	650.2	-	842.4
Available-for-sale investments	387.5	-	28.9	416.4	408.4	-	22.7	431.1
Investments at fair value through profit or loss	-	-	4.8	4.8	-	-	-	-
<b>Total financial assets</b>	<b>777.1</b>	<b>3,611.8</b>	<b>33.7</b>	<b>4,422.6</b>	<b>600.6</b>	<b>3,209.6</b>	<b>22.7</b>	<b>3,832.9</b>

# Risk management continued

There were no transfers between levels for recurring measurements during the year. The Group did not measure any financial assets at fair value on a non-recurring basis as at 30 June 2018.

The classification of financial instruments within the fair value hierarchy and the valuation techniques used to determine their values are detailed below.

## Level 1

Level 1 inputs are unadjusted quoted prices in active markets at the measurement date for identical assets and liabilities. Financial instruments included in this category are the Group's listed equity investment and Australian Government bonds. The fair value of listed investments is determined by reference to the ASX-quoted closing price at reporting date and the fair value of Australian Government bonds are determined by reference to readily observable quoted prices for identical assets in active markets.

## Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). All current available-for-sale financial assets other than Australian Government bonds as noted above are classified as Level 2 financial instruments as their fair values are determined using discounted cash flow models or observable market prices for identical assets that are not actively traded.

## Level 3

Level 3 inputs are based on unobservable market data. The fair value of the Group's unlisted equity investment is determined using a discounted cash flow model which includes unobservable inputs and therefore is classified as a Level 3 instrument. The investments held at fair value through profit and loss have also been classified as a level 3 instrument.

### (ii) Fair values of other financial instruments

The Group has a number of financial instruments which are not measured at fair value on the balance sheet. Due to their short-term nature, the carrying amounts of current receivables, current payables and current amounts owing to participants are assumed to approximate their fair value. The carrying amount of non-current amounts owing to participants approximates their fair value as the impact of discounting is not significant.

### (iii) Level 3 fair value instruments

The following table presents the changes in Level 3 fair value instruments during the year:

For the year ended 30 June 2018	Investments in unlisted entities <sup>1</sup> \$m	Investments at fair value through profit or loss <sup>2</sup> \$m	Total \$m
<b>Opening balance at 1 July</b>	22.7	-	22.7
Additions	-	4.6	4.6
Price revaluation	5.0	-	5.0
FX revaluation gain:			
- Recognised in equity	0.9	-	0.9
- Recognised in profit or loss	-	0.2	0.2
- Recognised in deferred tax	0.3	-	0.3
<b>Closing balance at 30 June</b>	<b>28.9</b>	<b>4.8</b>	<b>33.7</b>
<b>For the year ended 30 June 2017</b>			
<b>Opening balance at 1 July</b>	23.3	-	23.3
Additions	-	-	-
Price revaluation	-	-	-
FX revaluation loss:			
- Recognised in equity	(0.4)	-	(0.4)
- Recognised in deferred tax	(0.2)	-	(0.2)
<b>Closing balance at 30 June</b>	<b>22.7</b>	<b>-</b>	<b>22.7</b>

<sup>1</sup> The revaluation gain/(loss), net of tax, has been recognised within the asset revaluation reserve.  
<sup>2</sup> The (loss), net of tax, has been recognised within administration expenses in the statement of comprehensive income.

A change in the unobservable inputs used to determine the fair value of the unlisted equity investment would not have a material impact on the financial statements.

### (e) Enforceable netting arrangements

There are no financial assets and financial liabilities recognised on a net basis. In the event that a clearing participant defaults and ASX assumes open positions under novation, ASX's policy is to recognise the net open positions where it has the right to offset exposures.

In the event that a clearing participant defaults, ASX may utilise collateral and commitments lodged by that participant to offset net losses realised from the close-out of positions. While ASX has the right to offset this collateral from the open position, its policy is to only offset following the close-out. The aggregate amount of collateral and commitments lodged by participants at 30 June 2018 was \$8,495.8 million (2017: \$8,084.7 million).

# Investments

## C1 Available-for-sale investments

As at 30 June	2018 \$m	2017 \$m
Investments in listed entities	387.5	408.4
Investments in unlisted entities	28.9	22.7
<b>Total available-for-sale investments</b>	<b>416.4</b>	<b>431.1</b>

### (a) Investments in listed entities

As at 30 June 2018, ASX held 19% (2017: 19%) of the share capital in IRESS Limited (IRESS), whose principal activities consist of the provision of financial planning and associated tools, in addition to an equity information and trading platform for financial market and wealth management participants.

The Group does not have significant influence over the investee as it has no representation on the Board of directors and does not have the power to participate in financial and operating policy decisions.

There was no impairment in investments in listed entities during the current or prior financial year.

### (b) Investments in unlisted entities

As at 30 June 2018, ASX held 7% (2017: 8%) equity interest in Digital Asset Holdings LLC (DAH), which specialises in the development of distributed ledger technology solutions. The investment was revalued upwards by \$5.0m during the year to align with the Level 3 estimated current market value.

Available-for-sale-investments are initially recognised at fair value, being the consideration given plus transaction costs that are directly attributable to acquiring the asset. After initial recognition, they continue to be measured at fair value.

The fair value of investments in listed entities is determined by reference to quoted market prices at the close of business on the balance sheet date. Refer to note B3(d)(i).

The fair value of investments in unlisted entities is determined by reference to unobservable market data at balance date. Refer to note B3(d)(iii).

## C2 Equity accounted investments

As at 30 June 2018, ASX held a 49% (2017: 49%) interest in an associate entity, Yieldbroker Pty Limited (Yieldbroker). Yieldbroker's principal place of business is Australia. It operates licensed electronic markets for trading Australian and New Zealand debt securities and interest rate derivatives.

During the year, the carrying amount was reduced by \$20.2 million to recognise the decline in current market value based on value-in-use using projected future cash flows. This impairment follows financial under-performance compared to expectations due to slower growth in certain products moving to electronic trading. The pre-tax discount rate used is 12.0% and the growth rate used to extrapolate cash flow projections beyond five years is 3.5%. The impairment loss is included in other expenses in the consolidated statement of comprehensive income. The carrying amount of the investment in Yieldbroker is \$46.5 million (2017: \$66.7 million).

On 31 May 2018, ASX invested \$7 million (comprises 50% shareholding) in a joint venture named Sympli Australia Pty Ltd (Sympli). Sympli's principal place of business is Australia. Sympli intends to offer electronic conveyancing solutions for property settlements, known as a Electronic Lodgment Network Operator (ELNO).

The table below provides financial information for ASX's interest in equity accounted investments, Yieldbroker (49%) and Sympli (50%):

For the year ended 30 June	2018 \$m	2017 \$m
(Loss)/profit from continuing operations	(0.4)	0.1
Impairment charge recognised	(20.2)	-
<b>Total comprehensive income</b>	<b>(20.6)</b>	<b>0.1</b>

Equity accounted investments are initially recognised at cost. The carrying amount is subsequently adjusted to recognise the Group's share of the investee's post-acquisition profit and loss and other comprehensive income. This is recognised in the Group's profit and loss and comprehensive income respectively. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The carrying amount of each equity accounted investment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of comprehensive income. The recoverable amount is the higher of the assets' fair value less costs of disposal and value in use, and is assessed at the end of each reporting period.

## C3 Investments at fair value through profit or loss

In December 2017, ASX acquired USD3.5 million of convertible notes issued by DAH. ASX has the right to convert these notes to DAH shares at any time up to maturity in 2027, and under certain circumstances the notes mandatorily convert to DAH shares.

Refer to note B3(d)(iii) for the movement and balance of investments at fair value through profit or loss at period end.

The convertible notes have been designated at fair value through profit or loss on initial recognition. After initial recognition, any change in fair value will be recognised in the Group's profit and loss. If the notes are converted to equity prior to or at maturity date, the converted shares along with existing shares held will be classified as fair value through other comprehensive income (FVTOCI) following irrevocable election to measure equity investment at FVTOCI.

# Other balance sheet assets and liabilities

## D1 Receivables

As at 30 June	2018 \$m	2017 \$m
<b>Current</b>		
Trade receivables	93.7	92.8
Less: provision for impairment	(0.8)	(0.8)
	<b>92.9</b>	<b>92.0</b>
Margins receivable	266.6	1,021.6
Accrued revenue	5.4	6.1
Interest receivable	6.9	5.1
Other debtors	1.4	0.1
<b>Total receivables</b>	<b>373.2</b>	<b>1,124.9</b>

### Trade receivables aged analysis

The following table shows the aged analysis for trade receivables of the Group.

Not past due	89.0	87.3
Past due 0-30 days	2.9	0.9
Past due 31-60 days	0.1	3.1
Past due 61-90 days	0.6	0.4
Past due 91 days and over	0.3	0.3
<b>Trade receivables not impaired</b>	<b>92.9</b>	<b>92.0</b>
Trade receivables impaired	0.8	0.8
<b>Total trade receivables</b>	<b>93.7</b>	<b>92.8</b>

Trade receivables, which generally have terms of 30 days, are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

The collectability of trade receivables is reviewed on a regular basis. Debts known to be uncollectable are written-off by reducing the carrying amount directly. A provision is raised when there is objective evidence that the Group will not be able to collect all of the original amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. Impairment losses are recognised in the statement of comprehensive income in administration expenses.

Margins receivable represents collateral receivable from clearing participants on cash markets and derivative positions held at the end of the day, and are received on the next business day. The amounts include the movement in the fair value of derivative positions and are recognised on trade date.

### (a) Impaired trade receivables

As at 30 June 2018, the Group provided \$0.8 million (2017: \$0.8 million) for trade receivables that were identified as being impaired. The individually impaired receivables relate to debts that remain unpaid for a prolonged period despite active debt collection procedures.

The movements in the provision for impairment of trade receivables are as follows:

For the year ended 30 June	2018 \$m	2017 \$m
<b>Opening balance at 1 July</b>	<b>(0.8)</b>	<b>(1.1)</b>
Provision for impairment recognised during the year	(0.8)	(0.9)
Receivables written-off during the year as uncollectable	0.2	0.4
Provisions subsequently reversed	0.6	0.8
<b>Closing balance at 30 June</b>	<b>(0.8)</b>	<b>(0.8)</b>

### (b) Past due but not impaired

As at 30 June 2018, \$3.9 million (2017: \$4.7 million) of trade receivables were past due but not impaired. These balances relate to a number of individual customers with whom the Group expects to recover the debts.

The other classes within receivables do not include any amounts that are past due and are not impaired. Based on the credit history of these classes, it is expected that these amounts will be received when due.

# Other balance sheet assets and liabilities continued

## D2 Intangible assets

The movements in the intangible asset balances are as follows:

For the year ended 30 June	2018					2017				
	Software \$m	Trade- marks \$m	Customer lists \$m	Goodwill \$m	Total \$m	Software \$m	Trade- marks \$m	Customer lists \$m	Goodwill \$m	Total \$m
Opening balance:										
Cost	359.7	7.9	1.2	2,317.6	2,686.4	321.6	-	-	2,317.6	2,639.2
Accumulated amortisation and impairment	(247.1)	-	(0.1)	-	(247.2)	(218.5)	-	-	-	(218.5)
<b>Net book value at 1 July</b>	<b>112.6</b>	<b>7.9</b>	<b>1.1</b>	<b>2,317.6</b>	<b>2,439.2</b>	<b>103.1</b>	<b>-</b>	<b>-</b>	<b>2,317.6</b>	<b>2,420.7</b>
Movement:										
Additions	33.5	-	-	-	33.5	41.8	7.9	1.2	-	50.9
Disposals – cost	(44.1)	-	-	-	(44.1)	-	-	-	-	-
Disposals – accumulated amortisation	44.1	-	-	-	44.1	-	-	-	-	-
Amortisation expense	(31.6)	-	(0.3)	-	(31.9)	(28.6)	-	(0.1)	-	(28.7)
Impairment	(1.1)	-	-	-	(1.1)	(3.7)	-	-	-	(3.7)
Write-offs	(1.6)	-	-	-	(1.6)	-	-	-	-	-
<b>Net book value at 30 June</b>	<b>111.8</b>	<b>7.9</b>	<b>0.8</b>	<b>2,317.6</b>	<b>2,438.1</b>	<b>112.6</b>	<b>7.9</b>	<b>1.1</b>	<b>2,317.6</b>	<b>2,439.2</b>
Closing balance:										
Cost	347.5	7.9	1.2	2,317.6	2,674.2	359.7	7.9	1.2	2,317.6	2,686.4
Accumulated amortisation and impairment	(235.7)	-	(0.4)	-	(236.1)	(247.1)	-	(0.1)	-	(247.2)
<b>Net book value at 30 June</b>	<b>111.8</b>	<b>7.9</b>	<b>0.8</b>	<b>2,317.6</b>	<b>2,438.1</b>	<b>112.6</b>	<b>7.9</b>	<b>1.1</b>	<b>2,317.6</b>	<b>2,439.2</b>

### (a) Software

The impairment expense recognised in the current and prior financial year relates to certain software intangible assets that were identified as having no future economic benefit to the Group. Impairment charges were recognised within depreciation and amortisation in the statement of comprehensive income.

Costs incurred in developing products or systems, and acquiring software and licences that will contribute to future benefits, are capitalised at cost and amortised on a straight-line basis over their expected useful lives, from the time the assets are in use. Certain staff costs are capitalised when they can be specifically attributed to software development projects. Software purchased from external vendors is classified as externally acquired and may include capitalised staff costs that have been incurred in the implementation of the software.

Software is subject to amortisation and is reviewed for indicators of impairment at the end of each reporting period or when events or changes in circumstances have arisen that indicate the carrying value may be impaired. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Determining whether the intangibles are impaired requires an estimation of their useful lives, residual values and amortisation method. The effect of any changes will be recognised on a prospective basis.

The estimated useful lives of significant computer software systems is as follows:

Trading platforms	5 years
Clearing platforms	5 years
Depository/registry platforms	10 years

### (b) Trademarks and customer lists

There was no impairment expense recognised during the year for trademarks or customer lists.

Trademarks and customer lists have been externally acquired and are measured at cost. Customer lists are amortised on a straight-line basis over their estimated useful life of five years while the registered trademark has an indefinite useful life and is not amortised. The trademark is assessed for impairment at each reporting date or when there are indicators of impairment.

### (c) Goodwill

#### (i) Impairment test for goodwill

The Group consists of two cash generating units (CGUs), namely exchange-traded and non exchange-traded. The goodwill attributable to each CGU at the time of acquisition is as follows:

- Exchange-traded: \$2,242.2 million
- Non exchange-traded: \$75.4 million.

No impairment charge arose in the current or prior financial year.

#### (ii) Key assumptions used for value-in-use calculations

Management has determined the budgeted operating results based on past performance and expectations for the future. The growth rates used for revenue and expense projections are consistent with, or lower than, historical trends for the CGUs.

The pre-tax discount rate used is 9.25% (2017: 9.25%) for all CGUs. The growth rate used to extrapolate cash flow projections beyond five years is 3.5% (2017: 3.5%) per annum for the exchange-traded CGU and 3.5% (2017: 3.5%) per annum for the non exchange-traded CGU. These calculations support the carrying value of goodwill.

# Other balance sheet assets and liabilities continued

Goodwill on acquisition is initially measured at cost, being the excess of the consideration paid over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill has an indefinite useful life and as such is not subject to amortisation and is tested semi-annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGUs) and goodwill is allocated to each of the Group's CGUs that are expected to benefit from the business combination in which the goodwill arose.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of comprehensive income.

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial estimates reviewed by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates started in note D2(c)(ii). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

## D3 Property, plant and equipment

The movements in the property, plant and equipment asset balances are as follows:

	2018				2017			
	Leasehold improvements \$m	Plant and equipment \$m	Computer equipment \$m	Total \$m	Leasehold improvements \$m	Plant and equipment \$m	Computer equipment \$m	Total \$m
<b>For the year ended 30 June</b>								
Opening balance:								
Cost	34.1	47.9	126.3	208.3	33.3	46.5	119.9	199.7
Accumulated depreciation	(23.2)	(36.6)	(101.9)	(161.7)	(19.9)	(33.6)	(94.6)	(148.1)
<b>Net book value at 1 July</b>	<b>10.9</b>	<b>11.3</b>	<b>24.4</b>	<b>46.6</b>	<b>13.4</b>	<b>12.9</b>	<b>25.3</b>	<b>51.6</b>
Movement:								
Additions	0.4	1.8	18.6	20.8	0.8	1.4	6.4	8.6
Disposals – cost	(1.5)	(19.6)	(59.7)	(80.8)	-	-	-	-
Disposals – accumulated depreciation	1.5	19.6	59.7	80.8	-	-	-	-
Depreciation expense	(2.6)	(2.6)	(7.6)	(12.8)	(3.3)	(3.0)	(7.3)	(13.6)
Write-offs	-	(0.2)	-	(0.2)	-	-	-	-
<b>Net book value at 30 June</b>	<b>8.7</b>	<b>10.3</b>	<b>35.4</b>	<b>54.4</b>	<b>10.9</b>	<b>11.3</b>	<b>24.4</b>	<b>46.6</b>
Closing balance:								
Cost	33.0	29.9	85.2	148.1	34.1	47.9	126.3	208.3
Accumulated depreciation	(24.3)	(19.6)	(49.8)	(93.7)	(23.2)	(36.6)	(101.9)	(161.7)
<b>Net book value at 30 June</b>	<b>8.7</b>	<b>10.3</b>	<b>35.4</b>	<b>54.4</b>	<b>10.9</b>	<b>11.3</b>	<b>24.4</b>	<b>46.6</b>

Property, plant and equipment is measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

The cost of improvements to leasehold property is capitalised and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds on disposal with the carrying amount and are included in profit or loss.

Depreciation of assets begins from the time an asset is implemented and available for use. Depreciation is provided on a straight-line basis on all plant and equipment, over their estimated useful lives.

The depreciation periods for each class of asset, for the current and previous years, are as follows:

Leasehold improvements	The shorter of minimum lease term and useful life
Plant and equipment	3 – 10 years
Computer equipment	3 – 5 years

# Other balance sheet assets and liabilities continued

## D4 Payables

As at 30 June	2018 \$m	2017 \$m
Trade creditors	7.7	2.2
Margins payable	266.6	1,021.6
Interest payable	8.8	8.3
Rebates payable	12.3	14.4
Transaction taxes payable	6.1	6.7
Employee-related payables	17.2	20.9
Accrued expenses	28.3	17.2
Other payables	7.3	1.1
<b>Total</b>	<b>354.3</b>	<b>1,092.4</b>

Payables are initially recognised at fair value and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid. The amounts, stated at amortised cost using the effective interest method, are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date.

Interest payable includes interest owed to participants on cash collateral and commitments lodged. Interest is recognised as a finance cost in the statement of comprehensive income using the effective interest rate method.

## D5 Provisions

As at 30 June

Current		
Employee provisions	14.1	13.6
Premises provisions	0.5	2.2
<b>Total</b>	<b>14.6</b>	<b>15.8</b>
Non-current		
Employee provisions	3.0	2.9
Premises provisions	5.5	3.9
<b>Total</b>	<b>8.5</b>	<b>6.8</b>

The movements in the premises provision are as follows:

For the year ended 30 June		
Opening balance at 1 July	6.1	8.1
Provisions used during the period	(1.0)	(2.2)
Additions during the period	0.8	0.1
Unwinding of discount	0.1	0.1
<b>Closing balance at 30 June</b>	<b>6.0</b>	<b>6.1</b>

The provisions for employee benefits predominantly relate to annual and long service leave obligations. Premises provisions comprise lease rental amortised on a straight-line basis over the term of the lease, and provisions for make-good and lease incentives.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, that it is probable the obligation will be settled and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

Current employee provisions include liabilities for annual leave and wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These are recognised in respect of employees' services up to the end of the reporting period. Long service leave provisions that the Company does not have an unconditional right to defer for 12 months after the reporting date are recognised as a current provision, regardless of when the actual settlement is expected to occur. Current employee provisions are measured at the amounts expected to be paid when the liabilities are settled.

Non-current employee provisions include long service leave provisions where the Company has an unconditional right to defer settlement for at least 12 months after the reporting period. Non-current employee provisions are not expected to be wholly settled within 12 months after the end of the reporting date, and are therefore measured as the present value of expected future payments.

When determining whether employees qualify or are expected to qualify for the Group's long service leave arrangements, consideration is given to history of employee departures and periods of service. Expected future wage and salary levels are discounted using the rates attached to a basket of comparable liquid corporate bonds at the end of each reporting period, which most closely match the terms to maturity of the related liabilities.

For short-term cash incentives offered to staff the Group recognises a liability and an expense. A provision is recognised where there is a contractual obligation or where there is past practice that gives clear evidence of the amount of the obligation.

Where short-term incentives are deferred to a future period the value of the incentives is expensed over the term of the deferral and recognised as a liability. Amounts expected to be wholly settled within 12 months after the end of the reporting date are recognised as current, all others are recognised as non-current.

Make-good obligations are provided for office space under operating leases that require the premises to be returned to the lessor in their original condition. The operating lease payments do not include the make-good payment at the end of the lease term. Provisions for make-good obligations are recognised when the Group becomes party to operating lease contracts that include make-good clauses.

Lease incentives received or receivable, such as rent-free periods and premises fit-out allowances, may be included in operating leases entered into by the Group. The value of lease incentives is included in the premises provision and is recognised as a reduction in occupancy expense in profit or loss on a straight-line basis over the term of the lease. Where the original lease term has been extended, these incentives will continue to be recognised over the original lease term.

# Group disclosures

## E1 Subsidiaries

### Parent entity<sup>1</sup>: ASX Limited

#### Subsidiaries of ASX Limited:

ACN 611 659 664 Limited<sup>2</sup>  
ASX Acceler8 Pty Limited  
ASX Benchmarks Pty Limited  
ASX Clearing Corporation Limited  
ASX Compliance Pty Limited  
ASX Data Analytics Pty Limited  
ASX Energy Limited  
ASX Futures Exchange Pty Limited  
ASX Long-Term Incentive Plan Trust  
ASX Operations Pty Limited<sup>2</sup>  
ASX Settlement Corporation Limited<sup>2</sup>  
Australian Securities Exchange Limited<sup>2</sup>  
Australian Stock Exchange Pty Limited  
SFE Corporation Limited<sup>2</sup>

#### Subsidiaries of ASX Operations Pty Limited:

ASX Collateral Management Services Pty Limited  
Australian Clearing Corporation Limited<sup>2</sup>  
Australian Clearing House Pty Limited  
Equityclear Pty Limited  
New Zealand Futures and Options Exchange Limited  
Options Clearing House Pty Limited  
Sydney Futures Exchange Pty Limited

#### Subsidiaries of ASX Clearing Corporation Limited:

ASX Clear (Futures) Pty Limited  
ASX Clear Pty Limited  
ASX Clearing Corporation Trust

#### Subsidiaries of ASX Settlement Corporation Limited:

ASX Settlement Pty Limited  
Austraclear Limited

#### Subsidiaries of ASX Settlement Pty Limited:

CHESS Depository Nominees Pty Limited

#### Subsidiaries of Austraclear Limited:

Austraclear Services Limited

#### Subsidiaries of Australian Securities Exchange Limited:

Australian Securities Exchange (US) Inc

ASX Limited and Australian Securities Exchange Limited are licensed to operate financial markets while ASX Clear, ASX Clear (Futures), Austraclear Limited and ASX Settlement Pty Limited are licensed to operate clearing and settlement facilities.

In accordance with the *Corporations Act 2001*, the Group maintains two fidelity funds for claims about the defalcation of monies in relation to cash market and derivative trading. ASX Limited acts as manager for the ASX Division 3 Compensation Fund and Australian Securities Exchange Limited acts as trustee for the Sydney Futures Exchange Limited Fidelity Fund. ASX is also the sole member of the Securities Exchanges Guarantee Corporation (SEGC) which is responsible for administering the NGF, a compensation fund available to meet certain types of claims arising from dealings with participants of ASX and, in limited circumstances, participants of ASX Clear, in accordance with the *Corporations Act 2001*.

ASX Division 3 Compensation Fund, Sydney Futures Exchange Limited Fidelity Fund and SEGC are not consolidated into the Group.

All subsidiaries are incorporated in Australia except for Australian Securities Exchange (US) Inc (incorporated in the US), New Zealand Futures and Options Exchange Limited and ASX Energy Limited (both incorporated in New Zealand). All subsidiaries have the same reporting date.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power to direct the activities of the entity. In addition to considering the existence of potential voting rights that are presently exercisable or convertible, the Company also considers relationships with other parties that may result in the Company controlling an entity on the basis of de facto circumstances.

The Group has two established trusts. LTIP administers the Group's employee share scheme while ASX Clearing Corporation Trust manages the cash of the two CCP subsidiaries. Both trusts are consolidated as the substance of the relationship is that they are controlled by the Group.

<sup>1</sup> Parent entity refers to the immediate controlling entity of the entity in which the investment is shown. The parent entity's investment in relation to all subsidiaries during the financial year was 100% (2017: 100%).

<sup>2</sup> These subsidiaries are parties to the Deed of Cross Guarantee (the Deed) and have been granted relief from preparing financial statements in accordance with ASIC Legislative Instrument 2016/785. Refer to note E2 for details of the Deed.

# Group disclosures continued

## E2 Deed of Cross Guarantee

Pursuant to ASIC Legislative Instrument 2016/785, the wholly owned subsidiaries listed below are relieved from the requirement to prepare financial reports and directors' reports.

It is a condition of the instrument that the Company and each of the participating subsidiaries enter into the Deed under which each company guarantees the debts of the others.

The subsidiaries subject to the Deed at the end of the reporting period are:

Subsidiary name	ABN/ACN
ACN 611 659 664 Limited	611 659 664
ASX Operations Pty Limited	42 004 523 782
Australian Clearing Corporation Limited	068 624 813
Australian Securities Exchange Limited	83 000 943 377
ASX Settlement Corporation Limited	48 008 617 187
SFE Corporation Limited	74 000 299 392

The above entities represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the Deed that are controlled by the Company, they also represent the 'extended closed group'.

No entities were added or removed from the Deed during the year.

### (a) Consolidated statement of comprehensive income and summary of movements in retained earnings

Set out below is a consolidated statement of comprehensive income and summary of movements in consolidated retained earnings for the closed group consisting of ASX Limited and the previously mentioned parties to the Deed.

For the year ended 30 June	2018 \$m	2017 \$m
<b>Statement of comprehensive income</b>		
Total revenue	892.8	829.5
Total expenses	(268.5)	(231.5)
<b>Profit before income tax expense</b>	<b>624.3</b>	<b>598.0</b>
Income tax expense	(177.7)	(163.4)
<b>Net profit for the period</b>	<b>446.6</b>	<b>434.6</b>
<b>Items that may be reclassified to profit or loss:</b>		
Change in the fair value of available-for-sale investments	(10.3)	39.6
Change in the fair value of cash flow hedges	1.2	(0.4)
<b>Other comprehensive income for the period, net of tax</b>	<b>(9.1)</b>	<b>39.2</b>
<b>Total comprehensive income for the period</b>	<b>437.5</b>	<b>473.8</b>
<b>Summary of movements in consolidated retained earnings:</b>		
Retained earnings at the beginning of the period	619.8	574.4
Dividends paid	(400.7)	(389.2)
Profit for the period	446.6	434.6
<b>Retained earnings at the end of the period</b>	<b>665.7</b>	<b>619.8</b>

### (b) Balance sheet

Set out below is a consolidated balance sheet for the closed group.

As at 30 June	2018 \$m	2017 \$m
<b>Current assets</b>		
Cash and funds on deposit	142.6	159.6
Available-for-sale financial assets	191.3	88.7
Receivables	85.5	102.4
Prepayments	17.4	16.6
<b>Total current assets</b>	<b>436.8</b>	<b>367.3</b>
<b>Non-current assets</b>		
Investments in subsidiaries	731.1	731.1
Available-for-sale investments	416.4	431.1
Equity accounted investments	53.1	66.7
Investments at fair value through profit or loss	4.8	-
Intangible assets	2,374.3	2,375.2
Property, plant and equipment	54.4	46.6
Prepayments	0.3	1.0
<b>Total non-current assets</b>	<b>3,634.4</b>	<b>3,651.7</b>
<b>Total assets</b>	<b>4,071.2</b>	<b>4,019.0</b>
<b>Current liabilities</b>		
Payables	70.1	58.9
Current tax liabilities	17.0	16.2
Provisions	14.6	15.8
Revenue received in advance	22.4	18.2
<b>Total current liabilities</b>	<b>124.1</b>	<b>109.1</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	64.9	69.2
Provisions	8.5	6.8
Revenue received in advance	0.1	0.1
<b>Total non-current liabilities</b>	<b>73.5</b>	<b>76.1</b>
<b>Total liabilities</b>	<b>197.6</b>	<b>185.2</b>
<b>Net assets</b>	<b>3,873.6</b>	<b>3,833.8</b>
<b>Equity</b>		
Issued capital	3,027.2	3,027.2
Retained earnings	665.7	619.8
Asset revaluation reserve	169.0	178.0
Equity compensation reserve	11.7	8.8
<b>Total equity</b>	<b>3,873.6</b>	<b>3,833.8</b>

# Group disclosures continued

## E3 Related party transactions

### (a) Transactions between subsidiaries

ASX Operations Pty Limited provides operational support for the majority of the Group's activities. Expenses paid, revenues collected and purchase of capital items on behalf of other entities within the Group are booked into inter-entity accounts. Interest is not charged on any inter-entity account, other than trust balances.

Transactions between the Company and subsidiaries are eliminated on consolidation.

Balances receivable by the Company from wholly owned subsidiaries within the Group are as follows:

As at 30 June	2018 \$000	2017 \$000
<b>Current</b>		
Amounts due from subsidiaries	245,543	182,114

The following transactions occurred between subsidiaries and the Company during the year:

For the year ended 30 June		
Dividends paid to the parent entity	451,000	421,000

### (b) Transactions with other related entities

The following transactions occurred with other related entities during the year:

Purchase of services from associates	162	60
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These transactions are on an arms length basis and under normal commercial terms and conditions.

### (c) Key Management Personnel (KMP) remuneration

KMP compensation (including non-executive directors) provided during the financial year is set out in the table below. Further details are disclosed in the Remuneration Report on pages 39 to 50.

Short-term employee benefits	9,943	10,067
Post-employment benefits	284	279
Long-term benefits	231	517
Share-based payments	1,894	560
<b>Total</b>	<b>12,352</b>	<b>11,423</b>

The share-based payments reflects the expense for performance rights issued under the ASX long-term incentive plan, shares issued under equity plans and shares purchased under the employee share scheme. The expense is calculated using the fair value of performance rights or shares at grant date, less any write-back for performance rights lapsed as a result of non-market hurdles not attained.

## E4 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

For the year ended 30 June	2018 \$m	2017 \$m
<b>Statement of comprehensive income</b>		
Total revenue	465.0	435.2
Total expenses	(20.4)	(0.6)
<b>Profit before income tax expense</b>	<b>444.6</b>	<b>434.6</b>
Income tax expense	(1.7)	(1.5)
<b>Net profit for the period</b>	<b>442.9</b>	<b>433.1</b>
Other comprehensive income for the period, net of tax	(10.3)	39.6
<b>Total comprehensive income for the period</b>	<b>432.6</b>	<b>472.7</b>

### As at 30 June

#### Balance sheet

Current assets	245.9	190.7
Non-current assets	3,657.3	3,680.8
<b>Total assets</b>	<b>3,903.2</b>	<b>3,871.5</b>
Current liabilities	17.0	16.1
Non-current liabilities	72.3	76.2
<b>Total liabilities</b>	<b>89.3</b>	<b>92.3</b>
<b>Net assets</b>	<b>3,813.9</b>	<b>3,779.2</b>
Issued capital	3,027.2	3,027.2
Retained earnings	608.3	566.2
Asset revaluation reserve	168.5	178.8
Equity compensation reserve	9.9	7.0
<b>Total equity</b>	<b>3,813.9</b>	<b>3,779.2</b>

The financial information for the parent entity, ASX, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Unlisted shares in subsidiaries are accounted for at cost in the financial statements of ASX.

ASX elected to form a tax consolidated group (tax group) for income tax purposes. ASX is the head entity and is therefore liable for the income tax liabilities of the tax group. The consolidated current and deferred tax amounts arising from temporary differences of the members of the tax group are recognised in the separate financial statements of the members of the tax group using the 'separate taxpayer within group' approach.

ASX has entered into a tax funding agreement with members of the Australian tax group. The agreement has the objective of achieving an appropriate allocation of the Group's income tax expense to the main operating subsidiaries within the Group. The tax funding agreement also has the objective of allocating deferred tax assets relating to tax losses only, and current tax liabilities of the main operating subsidiaries to ASX. The subsidiaries will reimburse ASX for their portion of the Group's current tax liability and will recognise this payment as an inter-entity payable or receivable in their financial statements for that financial year. ASX will reimburse the subsidiaries for the deferred tax asset from any unused tax losses or credits by making a payment equal to the carrying value of the deferred tax asset.

# Group disclosures continued

## (b) Guarantees entered into by the parent entity

The parent entity, ASX, is party to a Deed of Cross Guarantee together with the entities defined in note E2. Under the Deed, the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. No deficiencies of assets exist in any of these entities.

## (c) Contractual commitments and contingencies

ASX has an agreement with ASX Clear for a \$150.0 million (2017: \$150.0 million) standby liquidity loan facility that may be used in limited and specific circumstances following the default of clearing participants.

ASX has an agreement with CHES Depositary Nominees Pty Limited (CDN) which provides \$10.0 million (2017: \$10.0 million) in funds to support CDN's licence obligations if required. No payments were made under either facility in the current or prior financial year.

The NGF, which is administered by SEGC, is maintained to provide compensation for prescribed claims arising from dealings with market participants as set out in the *Corporations Act 2001*. If the net assets of the NGF fall below the minimum amount determined by the Minister, SEGC may determine that ASX or participants must pay a levy to SEGC. No levies were called on ASX in the current or prior financial year.

In accordance with the Financial Stability Standards recovery rules the parent entity, ASX, is obligated in certain circumstances to replenish a shortfall in the financial resources available to the CCPs up to predetermined levels for any one participant default. No replenishments were made in the current or prior year.

In accordance with the Australian Financial Services Licence of ASX Collateral Management Services Pty Limited, ASX Limited has an obligation to fund any amounts required by the subsidiary.

ASX Limited did not have any other contractual commitments or contingent liabilities for the years ended 30 June 2018 or 2017.

## (d) Borrowings

The Group did not have any drawn borrowings during the current or prior financial year. ASX Limited has an unsecured committed facility that can only be called upon to provide short-term liquidity to ASX Clear following a clearing participant default. The facility limit is \$100.0 million (2017: \$100.0 million) and remained undrawn at the date of this report.

## E5 Other disclosures

### E5.1 Commitments

#### (a) Capital commitments

Capital commitments contracted for but not yet incurred as at balance date are as follows:

As at 30 June	2018 \$m	2017 \$m
Intangible assets – software	24.5	10.0

#### (b) Operating lease commitments

Commitments for minimum lease payments of non-cancellable leases are as follows:

Due:		
Not later than one year	8.5	8.1
Later than one year but not later than five years	35.4	31.6
Later than five years	27.3	36.4
<b>Total</b>	<b>71.2</b>	<b>76.1</b>

The Group's major leases are for the premises from which it operates. These leases are all generally long-term with unexpired periods up to 10 years, with options to extend for further periods included in certain lease agreements. Future rentals are subject to indexation and periodical rent reviews. The operating lease expense for the year was \$10.2 million (2017: \$9.6 million).

Operating leases are those in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee. Minimum lease payments, which includes fixed rental increases, are recognised in profit or loss on a straight-line basis over the period of the lease.

### E5.2 Share-based payments

#### (a) Long-term incentive plan

The Group provides performance rights to ordinary shares of the Company to employees as part of the LTI plan to recognise performance, skills and behaviours that deliver sustainable long-term shareholder value. They entitle certain KMP to performance rights over ASX Limited shares.

Under the plans, participants are granted performance rights that only vest if certain performance conditions are met. All performance rights are to be settled by physical delivery of ordinary shares in ASX Limited subject to the performance conditions being attained.

The number of rights that vest depends on an EPS hurdle being achieved and ASX's total shareholder return (TSR) relative to a comparator group. The plans do not carry rights to dividends. The terms and conditions of these grants are shown in the following table.

During the year, 8,065 performance rights vested following the partial attainment of performance hurdles under the September 2014 LTI plan. The remaining 19,367 performance rights under this plan lapsed. In the prior year, 5,419 performance rights vested following the partial attainment of performance hurdles under the September 2013 LTI plan. The remaining 24,689 performance rights under this plan lapsed.

# Group disclosures continued

Grants outstanding at the end of the reporting period:

Grant date/employees entitled	Number of instruments granted	Vesting conditions	Contractual life of the award	Weighted average fair value
Performance rights granted to KMP on 26 September 2017	28,463	4 years service; 50% of performance rights require relative TSR and 50% of performance rights require growth in EPS above the target	4 years	\$34.30
Performance rights granted to KMP on 28 September 2016	31,334	4 years service; 50% of performance rights require relative TSR and 50% of performance rights require growth in EPS above the target	4 years	\$29.68
Performance rights granted to KMP on 30 September 2015	13,041	4 years service; 50% of performance rights require relative TSR and 50% of performance rights require growth in EPS above the target	4 years	\$23.34
<b>Total</b>	<b>72,838</b>			

## (b) Deferred equity plans

The Group operates deferred equity plans for KMPs and other employees. Under the plan, an employee may receive a portion of their STI, which is deferred for 2 to 4 years in equity. If the employee ceases employment during the deferred share period, the shares are forfeited, except in certain limited circumstances.

Employees have full ownership rights of the shares under the schemes including voting rights and entitlement to dividends. Provided the employee remains employed by the ASX Group and maintain satisfactory individual performance, the shares are subject to a holding lock until vesting. Post vesting, employees can only deal with the shares in accordance with ASX's dealing rules. The shares cannot be transferred to another person or disposed of during this period.

The number of shares allocated to each eligible employee is the amount of the STI award deferred into shares divided by the volume weighted average price (VWAP) over the five business days up to and including the offer close date, rounded to the nearest share.

The shares are recognised at their fair value, being the market price on purchase date. The average fair value of the shares issued under the deferred equity plans during the year was \$53.07 (2017: \$51.45).

## (c) Employee share purchase plan

The ASX employee share purchase plan offers the opportunity for employees to purchase fully paid ordinary shares in ASX through salary sacrifice up to the value of \$1,000 at a discount of 10%. All Australian permanent full-time and part-time employees, and maximum-term contractors with end dates beyond 30 June are eligible to participate in the scheme.

Employees have full ownership rights of the shares under the scheme including voting rights and entitlement to dividends. The shares are subject to a three-year holding lock and as such cannot be transferred to another person or disposed of until the earlier of cessation of employment or three years from grant date, and subject to compliance with ASX's dealing rules.

The number of shares allocated to each employee is the offer amount divided by the VWAP over the five business days up to and including the offer close date, rounded down to the nearest share.

The shares are recognised at their fair value, being the market price on the purchase date. In 2018, the fair value was \$57.85 (2017: \$51.97).

	2018 No. of shares issued	2017 No. of shares issued
Deferred equity plans	116,801	93,928
Employee share purchase plan	5,627	6,403

## Group disclosures continued

### (e) Employee expenses

The table below shows the total share-based payments recognised within staff expenses during the year and includes the impact of reversals resulting from non-market based performance hurdles not being achieved.

	2018 \$m	2017 \$m
Long-term incentive plan	0.5	-
Deferred equity plans	4.7	1.7
Employee share purchase plan	0.3	0.3
Other share-based payments	-	0.2
<b>Total</b>	<b>5.5</b>	<b>2.2</b>

The fair value of the performance rights for the EPS component is calculated using the share price at market close on the grant date, less the present value of the expected dividends over the performance period. The fair value of performance rights for the TSR component is calculated by an independent valuer using a Black-Scholes option valuation model.

Fair values are recognised over the vesting period as an expense with a corresponding increase in the equity compensation reserve. Fair values include the impact of any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The impact of any revisions to the original estimates are recognised in profit or loss with a corresponding adjustment to equity.

### E5.3 Auditor's remuneration

The following fees were paid or payable by the Group for and on behalf of all Group entities for services provided by the auditor and its related practices during the financial year:

PricewaterhouseCoopers Australia	2018 \$'000	2017 \$'000
<b>Statutory audit services:</b>		
Audit and review of the financial statements and other audit work under the <i>Corporations Act 2001</i>	627	612
Audit of information technology platforms	184	180
<b>Other audit services:</b>		
Model validation	-	152
Code of Practice compliance	90	90
<b>Non-audit services:</b>		
Tax compliance services	105	74
Other review services	55	-
<b>Total remuneration for PricewaterhouseCoopers Australia</b>	<b>1,061</b>	<b>1,108</b>

# Group disclosures continued

## E5.4 Other accounting policies

### (a) New and amended standards and interpretations adopted by the Group

The new standards and amendments to standards that are mandatory for the first time in the financial year commenced on 1 July 2017 do not affect any amounts recognised in the current or prior years, and are not likely to materially affect amounts in future years. The Group has not elected to apply any pronouncements before their operative date in the financial year ended 30 June 2018.

### (b) New and amended standards and interpretations not yet adopted by the Group

The following new or amended accounting standards and interpretations have been issued by the AASB but are not mandatory for the financial year ended 30 June 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these standards and interpretations is set out below.

Title	Nature of change and impact on the Group	Mandatory and anticipated date of application
AASB 9 <i>Financial Instruments</i>	<p>The new standard changes the criteria for classifying and recognising financial instruments and introduces a new expected credit loss model for calculating impairment. It also aligns hedge accounting more closely with common risk management practices.</p> <ul style="list-style-type: none"> <li>The Group's current debt securities are classified as available-for-sale and measured at fair value through other comprehensive income. On initial adoption of the standard all debt securities other than those lodged by participants to cover margin obligations will be reclassified and measured at amortised cost. The current balance of the asset revaluation reserve will be reversed. This is because the contractual cash flows of the securities are solely payments of principal and interest and the Group's business model for managing the portfolio is primarily to hold the securities in order to collect these contractual cash flows. The opening asset revaluation reserve for the comparative period (1 July 2018) will be restated to reverse fair value impact resulting in an increase, net of tax of \$0.6 million (refer to note B2).</li> <li>Debt securities lodged by participants to satisfy margin obligations will be reclassified to fair value through profit and loss as they do not meet the criteria for amortised cost or fair value through other comprehensive income. This will have no material impact on the financial statements on the date of adoption and are expected to have an immaterial impact in future financial periods.</li> <li>The Group's investments in equity instruments will continue to be measured at fair value through other comprehensive income. There will only be an impact on future financial periods when the investments are disposed as the gain or loss can no longer be recycled to profit or loss and must remain in equity. This will have no material impact on the financial statements on the date of adoption.</li> <li>The new impairment requirements will not have a material impact on the financial statements on the date of adoption.</li> <li>The new standard only impacts financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities. Therefore there will be no impact on the accounting for the Group's financial liabilities.</li> </ul>	Periods beginning on or after 1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>This standard will replace AASB 111 Construction Contracts and AASB 118 Revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer.</p> <p>On initial adoption of the standard, applicable customer revenue from previous years under the standard's requirements will be reversed from retained earnings and will be amortised into profit and loss. This amortisation methodology also applies to future revenue received from customers.</p> <p>Under the current interpretation of the standard there will be an impact on how listing fee revenue will be recognised. From 1 July 2018 initial listing fee revenue will be deferred over a period of 5 years and subsequent listing fee revenue will be deferred over a period of 3 years. The impact to retained earnings on adoption of this standard will be approximately \$84.7 million. The profit and loss for the comparative period (30 June 2018) will be restated by approximately \$8.2 million. However the Group understands the interpretation of this standard with respect to listing fees is currently under review by the International Financial Reporting Interpretation Committee (IFRIC) and the final outcome of that interpretation at the date of this report is unknown. Subject to the final interpretation, the impact of this standard could be different to that disclosed above, or could result in no change in revenue recognition for the Group.</p>	Periods beginning on or after 1 January 2018
AASB 16 <i>Leases</i>	<p>This standard will replace AASB 117 Leases. It contains a revised definition of a lease and has removed the distinction between operating and finance leases by lessees.</p> <p>On initial adoption of the standard, the Group will be required to recognise a right of use asset and a corresponding lease liability measured at the present value of future lease payments on the balance sheet for all leases. A depreciation and finance charge will be recognised over the term of the lease. Certain performance metrics and ratios will be impacted as a result of these changes.</p> <p>If adopted at year end, it would have the affect of recognising a right-of-use asset of approximately \$59.1 million and lease liability of approximately \$58.4 million with respect to premises leases the Group has entered into. The Group's assessment of the accounting, disclosure and financial impact on adoption of the standard will continue up to the date of application.</p>	Periods beginning on or after 1 January 2019

There are no other standards that are not yet effective or are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

## E5.5 Subsequent events

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group.

# Directors' declaration

In the opinion of the directors of ASX Limited (the Company):

- a. the financial statements and notes that are contained in pages 55 to 84 and the Remuneration Report set out on pages 39 to 50 in the Annual Report, are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
  - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c. at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note E2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note E2, and
- d. the financial statements also comply with International Financial Reporting Standards.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the directors:



**Rick Holliday-Smith**  
Chairman



**Dominic Stevens**  
Managing Director and Chief Executive Officer

Sydney, 16 August 2018



# Independent auditor's report to the members of ASX Limited

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of ASX Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

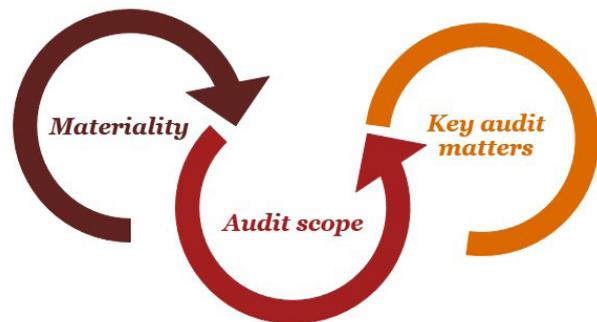
### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The accounting processes are structured around a Group Finance function at its head office in Sydney, where we predominantly performed our audit procedures.



### Materiality

- For the purpose of our audit we used overall Group materiality of \$33 million, which represents approximately 5% of the Group's profit before tax, adjusted for impairment.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and is a generally accepted benchmark. We excluded impairment as this is an unusual or infrequently occurring item.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

### Audit scope

- Our audit focused on areas where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

### PricewaterhouseCoopers, ABN 52 780 433 757

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# Independent auditor's report to the members of ASX Limited

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of assets</b></p> <p><b>A) Goodwill impairment assessment</b> Page 75 note D2 for details of the asset.</p> <p>The Group's goodwill is recognised in two Cash Generating Units (CGUs): 'exchange-traded' (\$2,242.2 million) and 'non-exchange traded' (\$75.4 million).</p> <p>We focused on this area due to the size of the goodwill balance (\$2,317.6 million as at 30 June 2018), and because the Group's assessment of the value-in-use of the CGUs involves judgements about the future results of the business and the discount rates applied to future cash flow forecasts.</p> <p>The Group has performed an annual impairment assessment over the goodwill balance, as required by AASB 136 <i>Impairment of assets</i> (AASB 136), by:</p> <ol style="list-style-type: none"> <li>1. Calculating the value in use for each CGU using a discounted cash flow model. These models use cash flows (revenues, expenses and capital expenditure) for each CGU for five years, with a growth rate used to extrapolate cash flow projections beyond 5 years (terminal growth rate) applied to the 5th year. These cash flows were then discounted to net present value using the discount rate as determined by the Group; and</li> <li>2. Comparing the resulting value in use of each CGU to their respective carrying values.</li> </ol> <p>The Group also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (terminal growth rate and discount rate) to assess the impact on the valuations.</p>	<p>We performed testing over both CGUs (exchange –traded and non-exchange traded) within the Goodwill balance, which included the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• We evaluated the Group's cash flow forecasts and the process by which they were developed, including considering the mathematical accuracy of the underlying calculations in the model. We also compared the forecasts to the latest Board-approved budgets. We found that the budgets used in the value-in-use calculations were consistent with the Board-approved budgets, and that the key assumptions were subject to oversight by the directors.</li> </ul> <p>We also challenged:</p> <ol style="list-style-type: none"> <li>1. The Group's key assumptions for growth rates in the forecasts by comparing them to historical results and economic and industry forecasts; and</li> <li>2. The discount rate used in the model by assessing the cost of capital for the Group by comparing it to market data and industry research.</li> </ol> <p>We engaged experts to agree that the discount and growth rates were within a range of reasonableness. We found that the growth rate assumptions were consistent with historic results adjusted for current economic outlook and industry forecasts.</p> <p>We found that the discount rate used by the Group of 9.25% pre-tax was consistent with market data and industry research.</p> <p>We stress-tested the assumptions used by the Group to establish the impact on results from using other possible growth rates and discount rates which were within a reasonably foreseeable range.</p> <p>We found that the headroom remained between the stress-tested value-in-use calculations and the carrying value of the CGUs in the financial statements. In particular, we noted that headroom remained even when a zero terminal growth rate was assumed, in conjunction with no revenue growth for the first five years.</p>



## Independent auditor's report to the members of ASX Limited

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of assets – continued</b></p> <p><b>B) Yieldbroker impairment assessment</b> Page 73 note C2 for details of the asset.</p> <p>At 30 June 2018, the Yieldbroker investment (Yieldbroker) is carried at \$46.5m (2017: \$66.7m), which reflects an impairment charge in the current year of \$20.2m.</p> <p>We focused on this area due to the financial significance of the impairment charge and the level of judgement involved in determining the recoverable amount of Yieldbroker.</p> <p>In line with AASB 136, where there is an indication that an asset may be impaired, the Group is required to estimate the recoverable amount and where this is less than its carrying amount, recognise any impairment loss immediately in the profit or loss. The Group determined that indicators of impairment existed as at year end and, following an estimation of the recoverable amount of Yieldbroker, has recorded an impairment loss in relation to the investment of \$20.2m. This was determined by the Group as follows:</p> <ol style="list-style-type: none"> <li>1. Calculating a value-in-use for Yieldbroker, using a discounted cash flow model as required by AASB 136. The key assumptions in this model include estimated cash flows over a five-year period based on the Yieldbroker board-approved FY19 budget, a growth rate used to extrapolate cash flow projections beyond five years (terminal growth rate) of 3.5% and a discount rate of 12%. The output of the model is the net present value of the future cashflows.</li> <li>2. Comparing the recoverable amount to Yieldbroker's carrying amount at 30 June 2018 value and recognising the difference of \$20.2m immediately in profit or loss.</li> </ol>	<p>We performed testing over the impairment assessment of Yieldbroker, which included the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• We engaged experts to assess the methodology used by the Group.</li> <li>• We evaluated the cash flow forecasts used in the discounted cash flow model and the process by which they were determined, including considering the mathematical accuracy of the underlying calculations in the model. We compared them to the most recent Yieldbroker board-approved FY19 budget and proposed FY20 and FY21 Yieldbroker forecasts. We found that the estimated cashflows used in the value-in-use model were consistent with budgeted amounts proposed, amended following board review.</li> </ul> <p>We challenged key assumptions, including:</p> <ol style="list-style-type: none"> <li>1. The appropriateness of estimated cash flows (including surplus cash available for distribution immediately) by comparing them to historic earnings and economic and industry forecasts; and</li> <li>2. The discount rate (12%) and terminal growth rate (3.5%), assisted by experts.</li> </ol> <p>We assessed the sensitivity of the recoverable amount by stress-testing the key assumptions, including cash flow growth rates, the discount rate and terminal growth rate.</p> <p>The impairment loss recognised of \$20.2m was consistent with the Group's calculations using the discounted cash flow model subject to our audit procedures.</p> <p>We assessed the disclosure included in the financial statements, relating to the impairment, against the requirements of AASB 136 and found it to be appropriate.</p>



## Independent auditor's report to the members of ASX Limited

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of available-for-sale debt securities</b></p> <p>Page 67 note B3 for details of the assets and page 71 note B3 for the level 1 or 2 classification.</p> <p>We focused on this area due to the size of the balance and the inherent judgement involved in determining the fair value of financial instruments.</p> <p>As at 30 June 2018, the available-for-sale assets were valued at \$4,001.4 million (2017: \$3,401.8 million).</p> <p>Of these assets, \$389.6m were classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available for identical assets.</p> <p>The remaining \$3,611.8m were classified as 'level 2' financial instruments in accordance with the classification under Australian Accounting Standards where values are derived from observable prices (or inputs to valuation models) other than quoted prices included within level 1.</p> <p>The valuation of the level 2 securities therefore requires a higher degree of judgement.</p> <p>Available-for-sale debt securities are held within Austraclear, which is owned and operated by the Group and provides depository, registration, cash transfer and settlement services for debt instruments securities in financial markets in Australia.</p>	<p>To test valuation, we first developed an understanding and evaluated the controls in place over the valuation of available-for-sale securities.</p> <p>We engaged experts to develop an independent expectation of the valuation for 100% of securities held at 30 June 2018. We then compared this to the valuations recorded on the balance sheet.</p> <p>We found that all securities tested were recorded at values materially consistent with the valuations that we independently calculated.</p> <p>To test existence, our audit procedures included the following, amongst others:</p> <ol style="list-style-type: none"> <li>1. Performed tests of key controls used to manage the information technology activities and computer environments, covering the overall IT computer environment, program development, program changes, access to programs and data, and computer operations in place at Austraclear;</li> <li>2. Performed tests over the operation of the Austraclear control that matches trade details between counterparties, by inputting a range of test trades, with both correct and incorrect details, to test that only the correct sample trades were processed by the system; and</li> <li>3. Assessed generation of the Austraclear holdings reports by running test reports and comparing the output to the observed data in the system.</li> </ol> <p>We found these controls could be relied upon for the purposes of our audit.</p>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, including FY18 highlights; Vision, strategy, execution; Letter from the Chairman; Letter from the CEO; Operating and financial review; Corporate responsibility and sustainability; Corporate governance; Directors' report; Key financial ratios; Transaction levels and statistics; Shareholder information; and Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.



## Independent auditor's report to the members of ASX Limited

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### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 or to cease operations, or have no realistic alternative but to do so.

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### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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### Report on the Remuneration report

#### Our opinion on the Remuneration report

We have audited the Remuneration report included in pages 39 to 50 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration report of ASX Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Matthew Lunn  
Partner

Voula Papageorgiou  
Partner

Sydney, 16 August 2018

# Key financial ratios

Year ended 30 June 2018	Notes	FY14	FY15	FY16	FY17	FY18
Basic earnings per share (EPS)	1	198.5c	205.7c	220.4c	224.5c	230.0c
Diluted EPS	1	198.5c	205.7c	220.4c	224.5c	230.0c
Underlying EPS	2	198.5c	208.4c	220.4c	224.5c	240.4c
Dividend per share – interim		88.2c	92.3c	99.1c	102.0c	107.2c
Dividend per share – final		89.9c	95.1c	99.0c	99.8c	109.1c
Statutory return on equity	3	10.6%	10.8%	11.4%	11.4%	11.5%
Underlying return on equity	4	10.6%	10.9%	11.4%	11.4%	12.0%
EBITDA/operating revenue	5,6	76.7%	77.1%	77.1%	76.3%	76.2%
EBIT/operating revenue	5,6	71.5%	71.6%	71.4%	70.3%	70.5%
Total expenses (including depreciation and amortisation)/operating revenue	5,6	28.5%	28.4%	28.6%	29.7%	29.5%
Capital expenditure (\$'000)		\$43,235	\$44,404	\$50,237	\$50,329	\$54,132
Net tangible asset backing per share		\$6.53	\$6.97	\$7.25	\$7.59	\$7.79
Net asset backing per share		\$18.96	\$19.42	\$19.75	\$20.19	\$20.38
Shareholders' equity as a % of total assets (excluding participants' balances)		91.3%	90.1%	87.6%	76.2%	89.1%
Shareholders' equity as a % of total assets (including participants' balances)		45.8%	46.7%	36.6%	29.6%	30.5%
Share price at end of period		\$35.64	\$39.90	\$45.76	\$53.61	\$64.39
Ordinary shares on issue at end of period		193,595,162	193,595,162	193,595,162	193,595,162	193,595,162
Weighted average number of ordinary shares (excluding treasury shares)	7	193,022,315	193,413,893	193,413,893	193,415,430	193,507,104
Market value of ordinary shares on issue at end of period (\$m)		\$6,900	\$7,724	\$8,859	\$10,379	\$12,466
Market to book ratio at end of period		1.88	2.05	2.32	2.66	3.16
<b>Full-time equivalent permanent staff</b>						
Number at period end		526	515	546	554	587
Average during the period		534	524	534	556	560

## Notes

1. Based on statutory net profit after tax (NPAT) including significant items and weighted average number of shares.
2. Based on underlying NPAT excluding significant items and weighted average number of shares.
3. Based on statutory NPAT including significant items.
4. Based on underlying NPAT excluding significant items.
5. Operating revenue excludes interest and dividend revenue (underlying).
6. EBITDA – earnings before interest, tax, depreciation and amortisation; EBIT – earnings before interest and tax. These metrics along with total expenses exclude significant items.
7. Weighted average number of ordinary shares used to calculate EPS.

# Transaction levels and statistics

Year ended 30 June 2018	FY14	FY15	FY16	FY17	FY18
<b>Listings and Issuer Services</b>					
Total domestic market capitalisation (\$bn)	\$1,552	\$1,612	\$1,620	\$1,777	\$1,957
Total number of listed entities (includes stapled entities)	2,192	2,220	2,204	2,239	2,285
Number of new listings	107	120	124	152	137
Average annual listing fee	\$28,333	\$31,859	\$34,101	\$35,419	\$37,569
Average initial listing fee	\$166,786	\$174,080	\$150,199	\$105,680	\$135,273
Average fee per \$m of initial capital	\$645	\$537	\$790	\$1,096	\$721
Average fee per \$m of secondary capital	\$1,002	\$854	\$819	\$1,124	\$1,051
Initial capital raised (\$m)	\$27,659	\$38,916	\$23,587	\$14,652	\$25,693
Secondary capital raised (\$m)	\$33,378	\$38,787	\$45,299	\$37,160	\$43,022
Other secondary capital raised including scrip-for-scrip (\$m)	\$4,985	\$11,170	\$9,704	\$4,156	\$12,998
<b>Total capital raised (\$m)</b>	<b>\$66,022</b>	<b>\$88,873</b>	<b>\$78,590</b>	<b>\$55,968</b>	<b>\$81,713</b>
Number of new warrant series quoted	4,206	2,903	2,959	1,828	1,967
Total warrant series quoted	3,564	3,050	2,886	2,827	2,976
Number of CHES holding statements issued (m)	11.8	13.1	14.0	13.6	14.6
<b>Cash market</b>					
Trading days	253	254	254	253	252
Total cash market trades ('000)	181,861	190,647	235,923	266,433	292,528
Average daily cash market trades	718,817	750,578	928,829	1,053,096	1,160,826
Continuous trading (\$bn)	\$612.491	\$698.315	\$770.805	\$735.447	\$677.893
Auctions (\$bn)	\$157.338	\$193.292	\$209.412	\$236.983	\$262.126
Centre Point (\$bn)	\$61.135	\$74.933	\$78.941	\$107.043	\$106.481
Trade reporting (\$bn)	\$177.933	\$145.909	\$144.991	\$167.377	\$185.316
<b>Total cash market value (\$bn)</b>	<b>\$1,008.897</b>	<b>\$1,112.449</b>	<b>\$1,204.149</b>	<b>\$1,246.850</b>	<b>\$1,231.816</b>
Average daily on-market value (\$bn)	\$3.284	\$3.805	\$4.170	\$4.267	\$4.153
Average daily value (including trade reporting) (\$bn)	\$3.988	\$4.380	\$4.741	\$4.928	\$4.888
Average trade size	\$5,548	\$5,835	\$5,104	\$4,680	\$4,211
Average trading fee per dollar of value (bps)	0.33	0.32	0.33	0.37	0.37
Velocity (total value/average market capitalisation) <sup>1</sup>	78%	82%	92%	88%	83%
Number of dominant settlement messages (m)	15.2	15.7	17.1	17.8	17.9

<sup>1</sup> Total value transacted on all venues.

# Transaction levels and statistics continued

Year ended 30 June 2018	FY14	FY15	FY16	FY17	FY18
<b>Equity options (excluding ASX SPI 200)</b>					
Trading days (exchange-traded options)	253	254	254	253	252
<b>Total contracts traded – equity options ('000)</b>					
Single stock options	116,343	109,546	88,701	93,295	80,091
Index options and futures	8,249	10,958	12,768	10,388	12,461
Average daily single stock options contracts	459,854	431,283	349,218	368,755	317,822
Average daily index options contracts	32,606	43,143	50,269	41,060	49,449
Average fee per derivatives contract	\$0.18	\$0.20	\$0.23	\$0.21	\$0.24
<b>Futures</b>					
Trading days (futures and options)	256	256	257	256	255
<b>Total contracts traded – futures ('000)</b>					
ASX SPI 200	9,715	10,301	12,105	12,255	13,782
90 day bank bills	25,903	28,706	29,567	28,931	33,226
3 year bonds	47,886	49,717	50,105	53,233	56,041
10 year bonds	25,520	29,498	36,079	41,697	47,729
20 year bonds	N/A	N/A	423	545	383
30 day interbank cash rate	3,517	3,678	4,112	2,455	1,952
Agricultural	181	135	132	91	84
Electricity	165	224	257	344	371
Other <sup>1</sup>	20	107	137	102	149
NZ\$ 90 day bank bills	1,157	1,394	1,915	1,422	1,697
<b>Total futures</b>	<b>114,064</b>	<b>123,760</b>	<b>134,832</b>	<b>141,075</b>	<b>155,414</b>
<b>Total contracts traded – options on futures ('000)</b>					
ASX SPI 200	473	454	363	202	140
90 day bank bills	4	-	4	2	-
3 year bonds	416	245	356	152	85
Overnight 3 year bonds	1,523	896	579	478	314
Intraday 3 year bonds	1,527	927	660	460	344
10 year bonds	23	24	4	19	32
Electricity	20	27	23	27	36
Other <sup>2</sup>	4	8	2	3	4
<b>Total options on futures</b>	<b>3,990</b>	<b>2,581</b>	<b>1,991</b>	<b>1,343</b>	<b>955</b>
<b>Total futures and options on futures contract volume ('000)</b>					
Daily average contracts – futures and options	461,148	493,520	532,386	556,321	613,211
Average fee per contract – futures and options	\$1.57	\$1.44	\$1.42	\$1.39	\$1.36
<b>OTC markets</b>					
Total notional cleared value (\$bn) <sup>3</sup>	\$124.413	\$805.869	\$2,742.002	\$5,165.949	\$6,314.322
Open notional cleared value (period end \$bn) <sup>3</sup>	\$120.409	\$440.506	\$1,600.194	\$2,924.287	\$3,773.703

<sup>1</sup> Other includes VIX and sector futures.

<sup>2</sup> Other includes overnight and intraday 10 year bonds and agricultural.

<sup>3</sup> Cleared notional value is double sided.

# Transaction levels and statistics continued

Year ended 30 June 2018	FY14	FY15	FY16	FY17	FY18
<b>Austraclear</b>					
Settlement days	253	254	254	253	252
<b>Transactions ('000)</b>					
Cash transfers	600	602	590	582	605
Fixed interest securities	800	774	717	741	770
Discount securities	162	157	150	146	146
Foreign exchange	21	22	11	9	9
Other	10	9	2	1	1
<b>Total transactions ('000)</b>	<b>1,593</b>	<b>1,564</b>	<b>1,470</b>	<b>1,479</b>	<b>1,531</b>
Average daily settlement volume	6,298	6,156	5,786	5,844	6,076
Securities holdings (monthly average \$bn)	\$1,475.5	\$1,671.5	\$1,857.6	\$1,915.4	\$1,908.5
Securities holdings (period end \$bn)	\$1,571.8	\$1,752.5	\$1,895.6	\$1,860.3	\$1,948.8
Average settlement and depository fee (including portfolio holdings) per transaction (excludes registry services revenue)	\$14.18	\$14.88	\$15.60	\$16.34	\$16.63
<b>System uptime (period average)</b>					
ASX trade	99.97%	100.00%	100.00%	99.79%	100.00%
CHESS	100.00%	100.00%	99.98%	100.00%	99.99%
Futures trading	100.00%	99.97%	99.96%	100.00%	100.00%
Futures clearing	100.00%	100.00%	100.00%	100.00%	100.00%
Austraclear	99.95%	100.00%	99.93%	99.98%	99.98%
<b>Technical Services (number at period end)</b>					
<b>ASX distribution platform</b>					
Australian Liquidity Centre cabinets	142	188	231	285	301
Other data centre cabinets	7	8	8	13	13
<b>Connection services</b>					
ASX Net connections	122	126	116	123	112
ASX Net service feeds	356	358	382	437	444
Australian Liquidity Centre service connections	622	679	819	871	984
<b>ASX service access</b>					
ASX trader/ASX best terminals	318	277	251	230	150
ASX ITCH access	31	31	39	43	49
Futures ITCH access	25	36	45	74	80
<b>ASX market access</b>					
ASX sessions	1,431	1,185	1,113	1,033	922
ASX gateways	233	207	192	179	160
ASX liquidity cross-connects	61	55	57	60	64
ASX OUCH access	31	44	58	73	82
Futures gateways	241	228	208	199	251
Futures liquidity cross-connects	297	357	306	334	381

# Shareholder information

## ASX Limited – ordinary shares

ASX has ordinary shares on issue. These are listed on the Australian Securities Exchange under ASX code: ASX. Details of trading activity are published daily in most major Australian newspapers (print, online and mobile) and by electronic information vendors, and broadcast on television and radio.

At a general meeting, every shareholder present in person or by direct vote, proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held unless that share is a default share.

The ASX constitution classifies default shares as any shares held above the 15% voting power limit by one party and its associates.

## Distribution of shareholdings at 27 July 2018

Number of shares held	Number of holders	Number of shares	% of issued capital
1 to 1,000	39,362	14,256,929	7.36
1,001 to 5,000	10,332	20,377,460	10.53
5,001 to 10,000	792	5,543,210	2.86
10,001 to 100,000	629	19,792,438	10.23
100,001 and over	94	133,625,125	69.02
<b>Total</b>	<b>51,209</b>	<b>193,595,162</b>	<b>100.00</b>

## On-market buy-back

There is no current on-market buy-back.

## Substantial shareholders at 27 July 2018

The following organisations have disclosed a substantial shareholder notice to ASX.

Name	Number of shares	% of voting power
UniSuper Limited	23,280,620	12.03%
BlackRock Group	9,701,163	5.01%

## Largest 20 shareholders at 27 July 2018

Name	Number of shares	% of issued capital
1. HSBC Custody Nominees (Australia) Limited	47,173,487	24.37
2. JP Morgan Nominees Australia Limited	27,804,675	14.36
3. BNP Paribas Nominees Pty Limited	25,761,086	13.31
4. Citicorp Nominees Pty Limited	12,229,878	6.32
5. National Nominees Limited	6,029,038	3.11
6. Australian Foundation Investment Company Limited	708,685	0.37
7. AMP Life Limited	604,843	0.31
8. Milton Corporation Limited	548,965	0.28
9. BKI Investment Company Limited	377,000	0.19
10. Senior Master of the Supreme Court	333,084	0.17
11. Law Venture Pty Ltd	308,999	0.16
12. Navigator Australia Limited	278,369	0.14
13. Pacific Custodians Pty Limited	256,637	0.13
14. Gwynvill Trading Pty Limited	241,559	0.12
15. Mr George Carrington	195,000	0.10
16. Mr Michael Briody	183,474	0.09
17. Mr Leslie Paynter	183,474	0.09
18. Mr Kevin Troy	183,474	0.09
19. Raffael Pty Limited	183,474	0.09
20. Mr Gilles Kryger	183,474	0.09
<b>Total</b>	<b>123,768,675</b>	<b>63.89%</b>

## Shareholders' calendar

### FY18

Full-year financial results announcement	16 August 2018
<b>Full-year final dividend</b>	
Ex-dividend date	6 September 2018
Record date for dividend entitlements	7 September 2018
Payment date	26 September 2018
<b>Annual General Meeting</b>	<b>4 October 2018</b>

### FY19<sup>1</sup>

Half-year financial results announcement	14 February 2019
<b>Half-year interim dividend</b>	
Ex-dividend date	7 March 2019
Record date for dividend entitlements	8 March 2019
Payment date	27 March 2019
Full-year financial results announcement	15 August 2019
<b>Full-year final dividend</b>	
Ex-dividend date	5 September 2019
Record date for dividend entitlements	6 September 2019
Payment date	25 September 2019
<b>Annual General Meeting</b>	<b>24 September 2019</b>

<sup>1</sup> Dates are subject to final ASX Board approval.

# Shareholder information continued

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## Annual General Meeting 2018

The ASX AGM will be held in the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street, Sydney, New South Wales, at 10am (Sydney time) on Thursday 4 October 2018.

ASX's Notice of Annual General Meeting has been released on the Market Announcements Platform. Shareholders will receive a copy of the Notice of Meeting in accordance with their communications election.

The AGM will be webcast live on the internet. Please visit [www.asx.com.au/agm](http://www.asx.com.au/agm)

A copy of the webcast will be placed on the ASX website after the event.

The external auditor will be present at the AGM to answer questions relevant to the external audit.

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## Electronic communication

ASX encourages shareholders to receive information electronically.

Shareholders who currently receive information by post can log in at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to provide their email address and elect to receive electronic communications.

ASX emails shareholders when important information becomes available such as financial results, dividend statements, notice of meetings, voting forms and annual reports.

Electronic communication allows ASX to communicate with shareholders quickly and reduces ASX's paper usage.

For further information, please contact ASX's share registry, Link Market Services, on 1300 724 911 or [asx@linkmarketservices.com.au](mailto:asx@linkmarketservices.com.au)

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## Important information about dividend payments

Australian and New Zealand shareholders receive their dividend payments by direct credit only. No cheque payments are made to these shareholders.

If you have not already done so, please provide direct credit instructions by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

# Directory

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## Shareholder enquiries

### Enquiries about shareholdings in ASX Limited

Please direct all correspondence to ASX's share registry:

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

Telephone  
1300 724 911

Email  
asx@linkmarketservices.com.au

Website  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Questions to the ASX Chairman, Managing Director and CEO, or auditor

These may be emailed to:  
company.secretariat@asx.com.au

Or mailed to ASX's registered office (details in right-hand column), marked to the attention of the Company Secretary.

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## For further information

Website  
[www.asx.com.au](http://www.asx.com.au)

### ASX customer service

Telephone from within Australia  
131 279 (for the cost of a local call from anywhere in Australia)

Telephone from overseas  
(61 2) 9338 0000

General enquiries email  
info@asx.com.au

### Investor relations

Telephone  
(61 2) 9227 0646

Email  
investor.relations@asx.com.au

### Media

Telephone  
(61 2) 9227 0218

Email  
media@asx.com.au

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## ASX's offices around Australia

### Sydney (ASX's registered office)

Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Telephone  
(61 2) 9227 0000

### Perth

Level 40, Central Park  
152-158 St George's Terrace  
Perth WA 6000

Telephone  
(61 8) 9224 0000

### Melbourne

Level 4, North Tower, Rialto  
525 Collins Street  
Melbourne VIC 3000

Telephone  
(61 3) 9617 8611

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## ASX's auditor

PricewaterhouseCoopers  
GPO Box 2650  
Sydney NSW 2001

Telephone  
(61 2) 8266 0000

Website  
[www.pwc.com.au](http://www.pwc.com.au)



[asx.com.au](http://asx.com.au)



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