

AAC AAD AAE AAI AAJ AAK AAL AAO AAQ AAR AAS AAT AAU AAX AAY ABC ABF ABG ABH ABJ ABK ABM ABN ABP ABQ ABU ABV ABY ABZ ACB ACE ACG ACK ACL ADN ACP ACR ACS ACU ACW ADA ADD ADN ADO ADQ ADX  
 ADY AEB AEO AEE AEF AEI AEK AEM AES AFA AFR AFT AFV AGD AGE AGG AGI AGK AGO AGR AGS AGU AGX AGY AHC AHD AHE AHJ AHK AHN AHO AHR AHS AIA AIE AIG AIR AIV AIW AIY  
 AIZ AJC AJJ AJL AJM AJQ AJX AJA AKF AKG AKK AKM AKP AKW ALB ALD ALK ALL ALS ALT ALU ALY AMA AMB AMC AMM AMO AMP AMT AMU AMX ANN ANO ANP ANQ ANW ANZ ADA AOC  
 ADH ADK ADM ADN ADP APB APD APE APG API APK APN APP AQA AQC AQQ AQQ AQQ AQR AQZ ARA ARB ARD ARE ARV ARX ARR ARS ARU ARV ARW ARX ASB ASL ASP ASW ASX  
 ASZ ATH ATI ATM ATN ATP ATR ATV ATW AUB AUC AUK AUQ AUT AUW AUA AVA AVB AVD AVG AVH AVI AVJ AVK AVL AVQ AVX AVY AVZ AWC AWD AWE AXC AXE AXI AXM AXT AXZ AYA AYB AYC  
 AYE AYG AYI AYM AYR AZC AZG AZH AZK AZM AZS AZV AZY AZZ BAB BAC BAR BAS BAU BBB BBL BBR BBX BBC BCD BCI BCN BCR BCT BDI BDM BDR BEC BEN BER BFE BFG BGA BGD  
 BGG BGH BGL BGS BHG BHI BIC BIS BIT BKL BKM BKN BKP BKW BKY BLA BLD BLG BLK BLR BLT BLY BLZ BMB BMG BML BMN BMY BMZ BNC BND BNE BNO BNR BNT BNV BNX BOC BOE  
 BOL BOQ BPG BPH BPK BPL BPO BPT BRB BRC BRD BRG BRO BRU BRW BSA BSE BSI BSL BSM BSN BSR BTA BTC BTN BTR BTT BTU BUG BUL BUR BUT BUX BUY BVA BWD BWN BXB BXN BYI  
 BYL BYR BZL CAA CAB CAF CAG CAJ CAM CAP CAQ CAS CAV CAY CAZ CBA CBB CBD CBK CBP CBO CBS CBX CBZ CCC CCF CCJ CCK CCL CCP CCU CCV CDA CDB CDD CDE CDF CEG CFI CGL  
 CDD CEL CES CFE CFU CFY CGF CGI CGM CGO CGP CGR CGS CGT CGU CGV CGX CHF CHK CHN CHP CHR CHZ CIG CII CIR CIX CJK CJO CKA CKF CKK CKL CLH CLO CLO CLR CLS CLT CLV  
 CLX CLY CMC CMG CMI CMJ CMP CMR CMV CMY CNB CNC CND CNH CNI CNK CNL CNN CNO CNO CNS CNU CNX COE COF COH COI COJ COK COM COO COY COZ CPB CPD CPK CPL CPN CPS CPU  
 CPZ CQC CRB CRC CRJ CRK CRL CRM CRQ CRV CRZ CSO CSE CSL CSR CSS CSV CTD CTE CTM CTO CTP CTT CTX CTY CUE CUG CUI CUL CUP CUU CUV CUX CVC CVE CVG CVN CVR CVS CVW  
 CVY CWE CWG CWH CWK CWN CWP CXD CXM CXO CXU CXX CXY CYG CYK CYD CZE CZA CZD CZI CZN CZR DAA DCC DDD DDD DOT DEG DGH DGI DGO DGR DGG DIG DIS DJS DLC DLE  
 DLS DLX DMA DMG DMI DML DMP DMX DMY DON DOW DRA DRG DRK DRS DSB DSN DSO DTG DTL DTM DTD DUE DVA DVN DWS DYE DYL EAF EAL EAR EAX EBG EBT EQL ECS EDE  
 EEG EER EFE EFT EGH EGL EGP EGY EHG EHL EHR EIM EIO EKA EKL ELK ELT ELX EMA EMB EME EMS EMU EMX ENB ENK ENL ENR ENT EOC EOL EOG EOS EPC  
 EPD EPG EPW EPY EQT EQU EQX ERA ERD ERJ ERL ERM ERN ERO ESI ESM ESN ESR ESV ETE EUG EUL EUM EVE EVM EVN EVR EVZ EWC EXA EXC EXE EXG EXM EXR EXS EZA EZL FAC FAN  
 FAR FAS FBU FCN FCR FEL FEO FFF FFI FGE FGF FGI FIE FIS FKP FLK FLR FLT FMG FMJ FML FMS FND FNP FNT FOY FPA FPG FPH FPS FRC FRE FRG FRI FRM FRR FRY FSA FSE FTE  
 FUN FWA FWD FWL FXJ FXL FXR FYI GAP GBA GBE GGG GBI GBM GBP GBT GBX GBZ GCG GCN GCR GCS GCY GDA GDD GDY GED GEM GEN GER GES GFF GGE GGG GGH GGP GGX GIA GID GIP  
 GLA GLB GLE GLF GLG GLH GLL GLM GLN GLY GMD GME GML GMM GMR GMX GMY GNC GNG GNM GNS GNV GOA GOR GOW GPG GPH GPP GPR GRB GRG GRK GRM GRP GRR GRV GRX GRY GSC GSE  
 GSF GSZ GTE GTG GTR GUD GUF GUL GUN GWA GWR GXL GXN GXY GZL HAD HAR HAS HAV HAW HAZ HCH HCT HDG HDX HEA HEG HEM HFA HFR HGG HGL HGO HHL HHM HIG HII HIL HIN HIT  
 HJB HLS HLX HNG HNR HOG HOD HOD HRL HRS HSK HSN HST HTA HTI HTX HUM HVN HWE HYD HZL HZN IAG IAT IAU IAW IBG ICN ICP ICS ICX ICZ IOC IOL IOM IOO IDP IDT IEC  
 IEQ IFE IFL IFM IFS IFZ IGO IGR IGS IIN IKW ILU IMA IMC IMD IMF IMI IMU INL INQ INT IOG IOH ION IPA IPC IPD IPL IPP IPR IPT IRC IRD IRE IRG IRI IRL IRM IRN ISH  
 ISK ISL ISN ISS ITD ITT IUL IVA IVC IVG IVR IVT IXR IZM JAG JAL JAT JBH JET JHX JIN JKA JMB JMS JPR JRL JRV JVG JYC JYK KAB KAM KAR KAS KBC KBL KCN KDR KEN KEY KFG  
 KGD KGL KIK KIS KKO KKT KMC KMD KME KMR KNH KNL KOR KOV KPL KPR KRA KRB KRE KRL KRM KRS KSC KSD KTE KTL KZL LAS LAT LAU LBL LBT LBY LCE LCM LCR LCT LCY LEG LEI  
 LER LGD LGM LGO LHO LIC LIN LIO LKE LKO LLC LMB LMC LME LMG LML LMR LMW LNC LNG LOM LRG LRL LRR LRS LSA LSN LSR LTR LTX LWB LYC LYL MAB MAC MAD MAE MAH MAK MAN  
 MAQ MAR MAS MAT MAU MBD MBE MBK MBN MBO MDT MCE MCH MCO MCP MCR MCX MOG MOI MDL MDD MDS MDV MDX MEG MEH MEI MEL MEO MEP MES MET MEU MEY MFC MFG MGL MGN MGO MGU  
 MGW MGX MGY MGZ MHC MHI MHM MJK MIN MID MKB MKE MKO MLA MLB MLC MLD MLI MLM MLS MLX MML MMR MMS MMX MMZ MNB MNC MND MNE MNF MNM MNW MNY MNZ MQC MQD MQG MOL MOD  
 MOT MOU MOV MOX MOY MOZ MPJ MPO MQG MRC MRJ MRM MRN MRP MRQ MRR MRX MRY MSB MSC MSI MSP MSR MST MTB MTD MTE MTH MTI MTN MTS MTU MUB MUJ MUM MUN MUT MUJ MVP MVT  
 MWN MWR MWS MXI MXQ MXR MYA MYE MYG MYN MYR MYS MYX MZI MZM MZU NAB NAD NAE NAG NAM NAN NAV NBL NCK NCM NCO NCR NDL NDO NEN NER NEU NFE NFK NFL NGE NGF NGX NGY  
 NHC NHF NHH NHO NIO NIU NKP NLG NLS NME NMG NMI NML NMR NMS NOD NOE NPX NRR NRT NRU NSE NSL NSP NST NSX NTC NTL NTM NTU NUF NUP NUW NVG NVI NVT NWE NWF NWH NWR  
 NWS NWT NXR NXS NXT NYO NZO OBL OCE OCL OCP ODN ODY OEG OEG OGL OGY OHL OIL OJK OKL OKL OKL OLH OMH OMI OMX ONC ONL ONO ONT OPD OPD ORG ORG ORH  
 ORI ORL ORM ORN ORO ORO ORX OSH OSP OST OTC OTE OTH OTI OUM OVL OVR OXX OYM OZB OZL PAA PAB PAG PAN PAX PAY PBD PBG PBP PBT PCL PCP POD POM PON POY POZ PEA PEH  
 PEK PEL PEM PEN PEX PFG PFL PFM PGA PGC PGI PGL PGM PGS PHA PHG PHI PHK PHW PIE PIM PIO PIR PKR PLA PLB PLD PLH PLS PLV PLY PME PMP PMQ PMR PMV PNA PNE PNN PNO  
 PNR PNW PNK POH POK POS POZ PPC PPG PPK PPN PPP PPS PPT PPX PPY PRA PRE PRG PRH PRL PRM PRO PRR PRT PRU PRW PRY PSA PSC PSF PSH PSP PSY PTB PTM PTO PTR PTS PUN  
 PVA PVD PVE PVM PWN PWW PXG PXR PXS PYC PYM PZC QAN QBE QBL QFX QHL QIL QMG QMN QNA QNL QPN QRL QRN QRX QSS QST QTG QTM QUE QUR QXQ RAD RAF RAI RAU RAW RBR RBX  
 RCG RCI RCM RCO RCP RCR RCT RCY RDF RDG RDH RDM RDR RDS REA RED REF REH RER RES REX REY REZ RFE RFG RFL RFT RFX RGP RGU RGX RHC RHG RHI RHL RIA RJC RID RIE  
 RIG RIM RIO RIS RKN RKS RLA RLC RMA RMD RMG RMI RMP RMR RMS RMT RMX RNC RND RNG RNI RNS RNU ROB ROC ROL ROF ROX ROY RPP RQL RRE RRI RRL RRP RRS RSG RSL RSN RTR  
 RUB RUL RUM RUR RVA RVR RWD RWH RXL RXM RXP SAI SAP SAR SAT SAU SAV SAY SBI SBK SBM SBR SBR SBU SCC SCD SCI SDG SDI SDL SDM SDT SEA SEG SEH SEK SEN SEO SER SFC  
 SFH SFN SFP SFR SFW SFX SFZ SGH SGM SGN SGG SGT SGT SGT SGT SGT SHC SHD SHE SHH SHK SHL SHR SHU SHU SIE SIF SIP SPM SIT SPU SIV SIX SKC SKE SKM SKS SKT SLA SLE SLM  
 SLR SLT SLX SMA SMC SMD SMF SML SMM SMN SMR SMX SNO SNL SNR SNV SNY SOC SOF SOI SOL SOM SOD SOR SPA SPH SPI SPL SPM SPQ SPS SPT SRA SRE SRH SRI SRM SRS SRR SRV  
 SRX SRZ SSI SSL SSM SSN SST SSZ STB STE STI STK STO STP STS STX STZ SUH SUL SUM SUN SUR SVC SVL SVM SVS SVW SWA SWK SWL SWM SWN SWR SWW SXE SXG SXL SXR SXT SXX



ASX Limited

ASX

# Annual Report 2013

UEQ UGL ULT UML UNS UNV UNX UOG UOS USA USH UUL UXA UXC VAH VCL VEC VEI VEL VES VGO VGP VHL VIA VIE VII VIL VIP VKA VLA VLW VMC VMG VML VMS VMT VOC VOR VRE VRL  
 VRX VSC VTA VTG VTM VTX VVM VXR WAC WAF WAG WAL WAS WAT WBA WBB WBC WCB WCL WCN WCP WDR WDS WEB WEC WES WFE WFM WGO WGR WHC WHE WHG WHN WIG WLF WLL WLR WMN WNI  
 WNS WDR WDQ WPG WPI WPL WRG WRM WRR WSA WSE WSR WTF WTG WTP WTR WVW WVI WVM XAM XCD XRF XST XTE XXL YAL YBR YHL YRR YTC ZAM ZGL ZGM ZHE ZIM ZMG ZNC ZRL ZTA ZYL



Globally  
connected

• Internationally  
competitive

• Customer driven

• World class



ASX

# Who we are

ASX Group (ASX) is one of the world's leading exchange groups.

- We operate a fully integrated exchange across multiple asset classes – equities, fixed income and derivatives
- We service a wide range of retail, institutional and corporate customers, directly and through intermediaries
- We offer a broad range of services that allow our customers to invest, trade and manage risk. This includes listings, trading, post-trade services, and technical and information services
- We operate infrastructure that supports the systemic stability of Australia's financial markets and is critical for the efficient functioning of the nation's economy, economic growth and position in the Asia Pacific region

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

## Contents

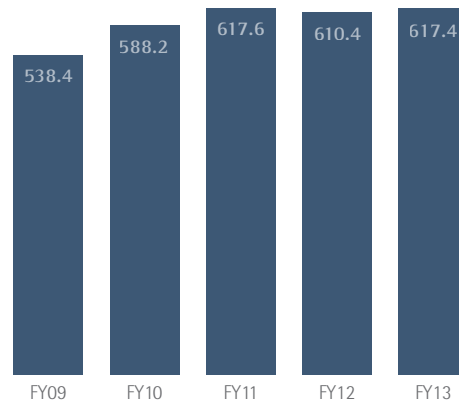
Financial highlights .....	1
Chairman's letter .....	2
Managing Director and CEO's report .....	4
Business highlights .....	7
Regulatory oversight of Australia's financial markets .....	12
Regulatory developments .....	14
Environment, social and corporate governance overview .....	16
Environment .....	17
Social .....	18
Corporate governance .....	21
Key financial ratios .....	33
Transaction levels and statistics .....	34

The Annual General Meeting of ASX Limited will be held at the ASX Auditorium, lower ground floor, 18 Bridge Street, Sydney, on Wednesday 25 September 2013 at 10 am (Sydney time).

<b>Statutory report</b>	
Contents .....	37
Directors' report .....	38
Financial statements .....	68
Shareholder information .....	117
Directory .....	119

# Financial highlights

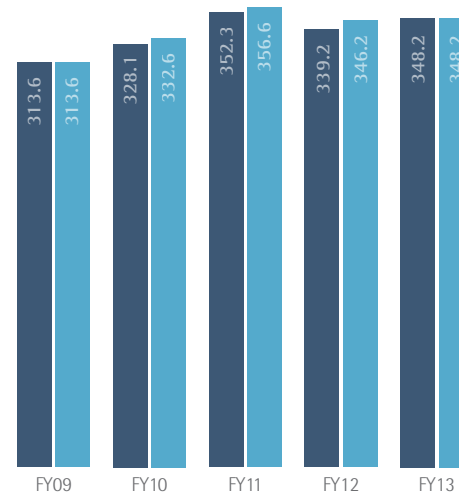
### Operating revenue \$m



- Underlying operating revenue \$617.4 million, up 1.1%
- Interest and dividend income \$53.5 million, up 7.4%

### Profit after tax \$m

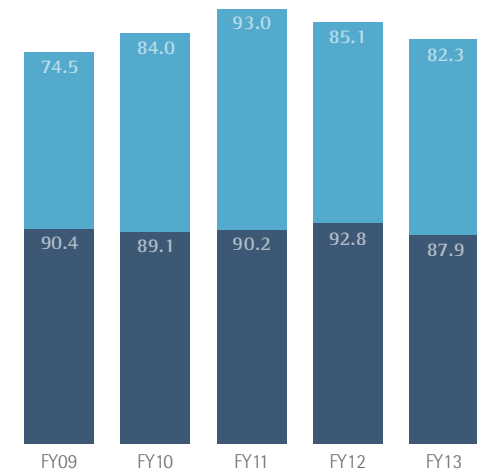
● Statutory profit ● Underlying profit



- Statutory profit after tax \$348.2 million, up 2.7%
- Underlying profit after tax (excluding significant items) \$348.2 million, up 0.6%

### Dividends – cents per share

● Interim dividend ● Final dividend



- Final dividend of 82.3 cents per share fully franked, down 3.3% following equity raising
- Total dividends in FY13 of 170.2 cents per share
- Payout ratio 90% of underlying profit after tax



Rick Holliday-Smith

## Chairman's letter

Dear shareholders,

Our aim during the past financial year (FY13) was to enhance our capabilities in all areas, so as to make ASX as strong and globally competitive as possible. We paid particular attention to our clearing and settlement activities.

We have made good progress on many important fronts that will affect the long-term future of Australia's financial markets and ASX's role in it.

In this letter I will highlight the main developments. I will focus on the changes that are taking place in the local and global regulatory environment, and on the Board's decision to raise \$553 million in new equity.

Our CEO will provide more detail on the business performance in his report, while the directors' report has been expanded in line with the new ASIC guidelines for operating and financial reviews.

Global economic conditions generally were more stable during FY13, and as the year progressed there were signs of recovery in the US economy. The Eurozone continues to face difficult conditions and this is likely to persist for some time.

In the first half, trading conditions in the Australian financial markets remained relatively subdued, particularly in the equity market. This affected first half revenue which was down 3.3% year on year. In the second half, activity

## “ASX is navigating the complex local and global regulatory environment well”

levels improved in the equity and derivatives markets, and revenue grew 5.8%.

ASX's statutory profit after tax for the year was \$348.2 million, up 2.7% on the previous year. The statutory profit in the previous year included several significant items that were identified separately at the time. Underlying profit after tax, which excludes these significant items, was up slightly on the previous year.

ASX's business mix continues to provide positive diversification benefits in the current economic environment. A significant reduction in revenue from the businesses linked to equity markets was more than offset by growth in revenue from ASX's other businesses.

Consistent with the company's policy to pay out 90% of underlying earnings as dividend, the Board declared a final dividend of 82.3 cents per share. The final dividend was impacted by the equity raising that ASX conducted during June and July 2013. The new shares that were issued as part of the equity raising will receive the final dividend. The full-year dividend was 170.2 cents.

During the year, a number of important regulatory developments had an impact on the company. I believe ASX managed these developments well and ended the year in a stronger financial and competitive position.

In cash equities trading, the Australian Securities and Investments Commission (ASIC) completed its review of the risks involved with

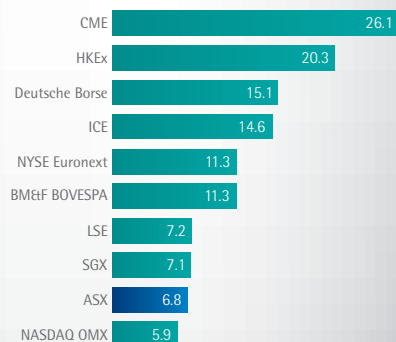
high frequency trading and dark execution. As a result, ASIC implemented several additional controls that ensure Australia's equity market continues to be one of the best regulated in the world. ASX supports the work ASIC has done and values its proactive stance on market regulation.

The Council of Financial Regulators conducted a review of the market structure for cash equities clearing and settlement. ASX is currently the sole provider of these services in Australia. In February 2013, the Treasurer announced that the Government had accepted the Council's recommendations and would defer the consideration of any new licence application for two years. In practice, this means that the existing market structure for cash equities clearing and settlement will remain in place for at least that time.

ASX agreed to establish a Code of Practice that makes a number of commitments around the governance of its cash equities clearing and settlement facilities. One of the commitments is the creation of a senior industry stakeholder forum that provides input to ASX on the operation and investment program for its clearing and settlement facilities. The Code of Practice and the Forum came into operation in August 2013. More information on the Code can be found on the ASX website [www.asx.com.au/cs](http://www.asx.com.au/cs)

In the equities market, the regulatory changes are mainly driven by our domestic regulators and by local market considerations.

Global exchange groups market capitalisation A\$bn\*



\*As at 12 August 2013

Sources: Datastream, company filings

## Chairman's letter continued

In the derivatives markets, on the other hand, the regulatory changes are driven more by global developments and the interactions between regulators located in the US, Europe, Asia and Australia. This has important implications for the way ASX manages its derivatives business and invests in new services.

The most immediate impact of the changing global regulations is expected to be felt in ASX's futures clearing house, ASX Clear (Futures). Since ASX is providing clearing services to European and US banks, it will have to comply with the standards set by the regulators in those markets. One of the emerging standards relates to the amount of capital that has to be allocated to the futures clearing house.

In June and July 2013, ASX successfully raised \$553 million in new equity. Most of the equity raised will be used to directly support ASX's clearing operations. The remainder of the equity raising will be used to support current and future growth initiatives and other licensed subsidiaries.

The Board carefully considered the changes in global regulations that would affect the capital requirements for its clearing operations. There continue to be significant uncertainties in the global regulatory environment and, as yet, there is no international standard that will apply consistently across all jurisdictions.

In this context, the Board adopted a conservative capital approach that used the higher European capital standards as the benchmark. This

approach is prudent and provides a sound commercial foundation for ASX's existing derivatives business and for its future business strategy.

On 16 August 2013, the Reserve Bank of Australia (RBA) formally advised ASX of supplementary interpretive guidance for the Financial Stability Standards. The RBA's guidance has the effect of applying the higher European capital standard to ASX Clear (Futures). Following the capital raising, ASX expects that ASX Clear (Futures) will meet the higher capital standard.

The Board's view is that this puts ASX on a strong competitive footing. The company has sent a clear signal to Australian investors that it will provide them with a competitive clearing service that ensures that their risk and collateral is managed in Australia under the supervision of our domestic regulators. Feedback from investors tells us this is a choice they want.

The Board decided that the best and fairest way to raise the additional equity was through a renounceable entitlement offer. This method ensured that all institutional and retail shareholders had the same opportunity to participate on a pro rata basis. Shareholders were able to exercise their entitlements and acquire additional shares or sell their entitlements and receive a cash value for them. The equity raising was successfully completed on 16 July 2013.

The current global market environment and changing global regulations clearly create

challenges. However, they also provide new business opportunities for exchanges, particularly in post-trade and risk management services. As a multi-asset class and vertically integrated exchange, ASX is in a unique position to offer these new services to its clients.

As a result, ASX has stepped up its investment program. In July 2013, ASX launched a new clearing service for over-the-counter (OTC) derivatives and a new collateral management service. Other services will be delivered during the 2014 financial year (FY14). When the full investment program is completed, Australian investors will have access to a well capitalised, contemporary and world-class financial infrastructure.

The Board greatly appreciates the significant support it has received from its clients, investors, regulators and the Government for its investment program. ASX believes firmly that Australia should have financial markets that are regulated to the highest standards and are globally competitive. The investments we are making support this ambition.

At the time of last year's Annual General Meeting in October 2012, Jillian Broadbent decided to step down from the Board to focus on her other interests. We are grateful for the contribution that Jillian made to ASX during her more than two-and-a-half years as a director.

ASX welcomed two new directors to the Board during the year. Heather Ridout joined the Board in August 2012 and brings significant

experience from the industry, public policy and superannuation sectors. Dr Ken Henry joined the Board in February this year, having been Treasury secretary for 10 years up until 2011. Ken is the author of the recent government white paper *Australia in the Asian Century* and chairs the Institute of Public Policy.

## “The investment in new services and additional capital supports Australia’s ambition to have world-class financial markets”

The team at ASX performed well during FY13. Under the leadership of Elmer Funke Kupper, the company improved its client and broader stakeholder relationships, navigated a number of complex regulatory developments, and advanced several important business initiatives. On behalf of the Board, I would like to thank all employees of ASX for their dedication and for the progress the company has made. I would also like to thank our shareholders for your continuing support.



**Rick Holliday-Smith**  
Chairman

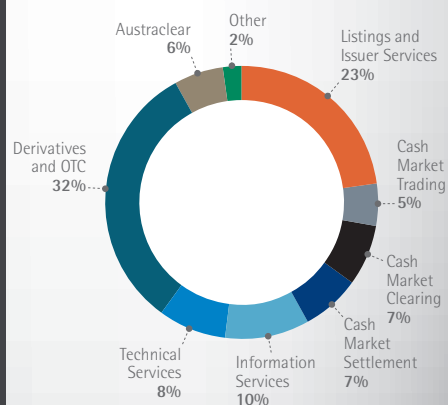
22 August 2013

## Managing Director and CEO's report



Elmer Funke Kupper

ASX's revenue mix \$617.4m



Dear shareholders,

The 2013 financial year (FY13) was my second year as your CEO. At the beginning of the year we set ourselves three broad objectives: improve our engagement with our clients and other stakeholders; navigate through a complex regulatory environment; and deliver a number of important business initiatives. We have made encouraging progress on each of these objectives.

Our financial performance continued to be impacted by activity levels in Australia's financial markets. In the first six months of the year, activity levels were subdued and, as a result, first half underlying earnings were down 5.3% on the previous year. Market conditions improved over the next six months and second half earnings were up 7.0%.

For the full-year, ASX's underlying profit after tax was \$348.2 million, up slightly on the previous year.

Operating revenue increased 1.1% to \$617.4 million. As we saw in the previous year, revenue fell in the businesses most directly linked to equity trading activity – Cash Market and Information Services. The decline in these businesses was more than offset by revenue growth in ASX's other business lines, including Listings and Issuer Services, Derivatives, Technical Services and Austraclear. This underlines the resilience of ASX's diversified business model.

Interest and dividend income was \$53.5 million, up 7.4%. Interest income declined on ASX's own cash balances as market rates fell, and increased on participant margin balances. The net effect of these movements was positive.

Expenses continued to be well controlled. Operating expenses grew by 3.6%, driven by higher staffing levels to support a number of new services that ASX will launch during the 2014 financial year. In aggregate, non-staff related expenses were flat year on year.

Capital expenditure was \$38.9 million. Approximately half of the capital expenditure related to investments in ASX's clearing and risk management infrastructure and new post-trade services. Additional capital expenditure related to a range of other business initiatives and normal maintenance programs.

The Chairman in his letter set out the rationale for the \$553 million equity raising that ASX conducted during June and July 2013. The equity raising, together with our investments in our financial infrastructure, put Australia in a strong position to be globally competitive. Most of ASX's customers are international investment banks, and to serve them our exchange needs to deliver world-class solutions and comply with international regulatory standards. We believe that being proactive in meeting the anticipated requirements is the best approach for ASX, its customers and shareholders.

### Our businesses

Below, I briefly discuss the revenue performance for each of the main business lines. More detail about each business can be found on pages 7 to 11, and in the operating and financial review beginning on page 38.

**Listings and Issuer Services** revenue was \$139.7 million, up 4.7%. Market activity continued to be subdued. There were 82 new listings during the year, compared to 99 the year before. The total amount of capital raised, including scrip-for-scrip, was \$46.4 billion, down 8.3%.

**“We appreciate the broad support we have received for our investments in Australia's financial market infrastructure”**

ASX continued to progress a number of initiatives to strengthen Australia's position as an attractive market to list and raise capital. In August 2012, ASX improved the flexibility for small and mid-cap companies to raise capital without specific shareholder approval, provided they receive approval for the program at their Annual General Meeting (AGM). In the AGM seasons under the new rules, almost 650 companies received approval from their shareholders.



## Managing Director and CEO's report continued

In addition, ASX released a clearer, more detailed Guidance Note to help companies understand and comply with their continuous disclosure obligations; updated the disclosure requirements for reserves and resources in the mining and oil and gas industries; and commenced an initiative to reduce the timetable for completing rights issues.

In May 2013, ASX started quoting Australian Government bonds on the exchange. This makes a new asset class available to retail investors and is an important step in the development of a corporate bond market.

**Cash Market** revenue was \$114.6 million, down 7.9%. Cash Market is made up of revenues from equities trading, clearing and settlement.

In the first half, market conditions remained weak and Cash Market revenue was down 18.0%. In the second half, conditions improved and Cash Market revenue was up 3.8%.

ASX performed well in what is a highly competitive equity market. The company introduced a range of new order types and execution services; contributed to the policy debate on market structure issues around high frequency trading and dark pools; and implemented new revenue sharing arrangements to improve alignment with its Cash Market customers.

ASX's market share of on-market traded value for the year averaged 94.6%.

**Information Services** revenue was \$61.8 million, down 7.8%. The reduction in revenue was linked to the fall in equity market activity, which had an impact on data usage by retail investors and professional participants.

**Technical Services** revenue was \$49.8 million, up 9.9%. Technical Services continued to be one of ASX's fastest growing businesses. It provides market access, data network, order routing and other data centre services to help clients operate in a fragmented and more complex market environment. At the end of the financial year, clients operated 117 cabinets in ASX's Australian Liquidity Centre, compared to 76 the year before.

**Derivatives and OTC** revenue was \$197.3 million, up 4.6%. Derivatives is ASX's largest business, contributing 32.0% to Group revenues in FY13.

Derivatives market activity was subdued in the first half and revenue was down 2.3%. In the second half, the interest rate environment was more supportive of market activity and ASX recorded several months of record trading volumes in interest rate futures. As a result, second half revenue was up 11.7%.

ASX continues to develop its Derivatives business. Australia's equity market volatility benchmark, the S&P/ASX 200 VIX, was made available in real-time in February 2013. This will allow ASX to launch VIX futures later this year. ASX will also launch sector futures in the coming months.

In May 2013, ASX acquired d-cyphaTrade Limited, a specialist business that researches and markets Australian electricity futures and options. d-cypha and ASX have been working together to develop the electricity market in Australia and the acquisition further strengthens the partnership. d-cypha was renamed ASX Energy.

In July 2013, ASX launched the first phase of its new over-the-counter (OTC) Derivatives Clearing Service with the support of nine domestic and international banks. The service provides central counterparty clearing for standardised OTC-traded Australian dollar interest rate derivatives, a market with a turnover of around \$15 trillion last financial year.

The ASX OTC Derivatives Clearing Service will provide significant benefits to ASX customers, including giving Australian investors access to a domestic solution where collateral is kept onshore and subject to Australian laws and regulations.

**Austraclear** revenue was \$38.6 million, up 7.2%. Austraclear provides settlement, depository and registry services for A\$ debt securities, including government and corporate bonds. Average balances in Austraclear grew 6.4% and reached \$1.4 trillion in June 2013.

In July 2013, ASX launched the first phase of a new collateral management service, which will allow customers to use fixed income securities held in Austraclear as collateral for financial

market transactions. Twelve foundation customers are working with ASX to implement the service.

**“International regulations require us to operate at the highest standards and provide new business opportunities”**

### Looking forward

In last year's report I foreshadowed that 2013 would be a year of significant regulatory developments, both in the domestic market and internationally.

ASX provided constructive input to regulators. We are mindful of the privileged position ASX occupies in shaping Australia's financial markets, and we do not take it for granted.

ASX believes that Australia's regulators are doing a good job. Their decisions on market structure have left us in a better position than many other western markets. Moreover, they are paying attention to the impact of changes on the end users of our financial systems – companies and investors.

Increasingly, the focus of policy makers, regulators and the exchange is shifting from managing the domestic market to ensuring

## Managing Director and CEO's report continued

that Australia retains and builds its position globally. This is not straightforward, as many of the international regulations that affect Australia are not being designed to suit Australian market conditions. This will remain an important area of focus for ASX in the 2014 financial year.

A changing environment also creates new business opportunities. In 2013 ASX started a number of significant projects to deliver new services that will help clients manage their businesses in the new world of global regulations. Good progress has been made in all of the initiatives and in 2014 most of them will be launched. We look forward to working with our clients to build liquidity in the new services over time.

### Our people

The achievement of our goals requires the support and energy of our more than 500 staff and contractors who help ASX develop and operate its services. I would like to thank them for their hard work and achievements during the past year. They have risen to the challenges they were given. It enables me to look to the future with confidence.



**Elmer Funke Kupper**  
Managing Director and Chief Executive Officer  
22 August 2013

## ASX Customer Charter our commitment to our customers

ASX Limited

6

ASX has a large and diverse customer base, including more than 2,100 listed companies and issuers, approximately 150 participants in the cash equities and derivatives markets, and four exchanges for clearing and settlement services. ASX customers in turn service Australia's corporations, superannuation sector, funds management industry and millions of retail investors. We operate at the centre of Australia's economy.

ASX has adopted a Customer Charter that sets out how the company balances the interests of its customers, shareholders and the broader financial markets. The Charter makes the following commitments:

- ASX works with its customers to deliver products and services that meet their needs and provide them with choice
- ASX supports Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region
- ASX makes its products and services available on a non-discriminatory basis and on reasonable commercial terms
- ASX manages its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders
- ASX recognises its role as a provider of critical financial infrastructure to Australia's financial markets, and makes the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators
- ASX runs its operations in compliance with all legal and regulatory obligations
- ASX has conflict handling arrangements in place that provide assurance and transparency about the way ASX conducts its business.

In FY13 ASX took a number of steps to make these commitments real for its clients.

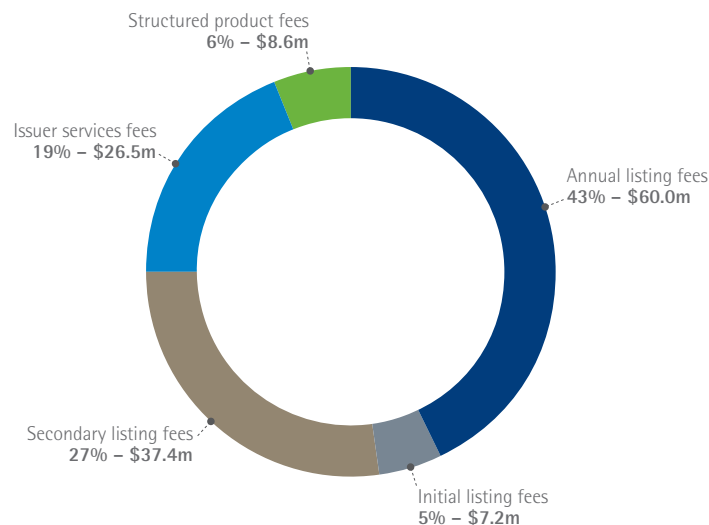
First and foremost, ASX worked closely with its clients and end investors on the development of its new post-trade services, including OTC derivatives clearing, client clearing and collateral management. The design of each service has been supported by between 9 and 12 large market participants.

In addition, ASX has established a Code of Practice for its clearing and settlement services in the cash equities market. The Code makes specific commitments around transparent and non-discriminatory access to ASX services and pricing. Moreover, ASX has established an industry stakeholder forum that will provide input to ASX on the operation and investment program in its clearing and settlement services. The Forum will have 22 members. Details on the Code can be found at [www.asx.com.au/cs](http://www.asx.com.au/cs)

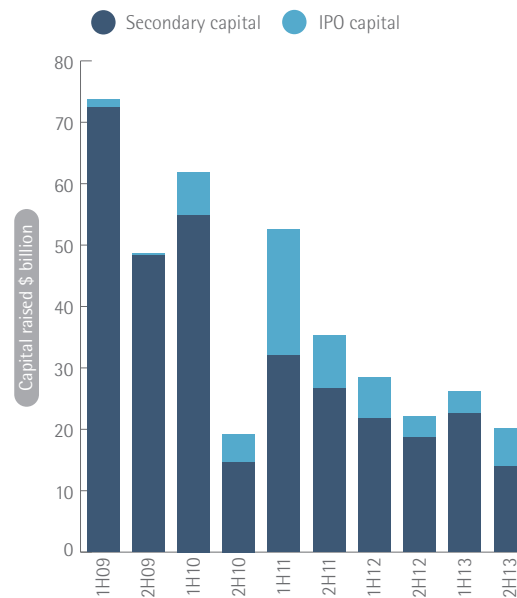
Finally, ASX improved the alignment with its customers by implementing new revenue sharing arrangements for its cash equities trading, clearing and settlement businesses. These arrangements are in addition to the existing revenue sharing arrangement in our derivatives business. Together, the revenue sharing arrangements saw ASX pay \$9.4 million in rebates to its clients in 2013 – \$7.2 million in the futures business and \$2.2 million across equities trading, clearing and settlement. When the company does well and grows, we share some of the upside with our customers.

These initiatives are tangible, positive steps in support of our Customer Charter. ASX recognises that there is much more to do, and will continue to build a more customer-centric corporate culture.

Listings and Issuer Services revenue \$139.7m



Capital raisings



## Services

- Venue for raising capital for over 2,100 listed companies and other issuers, with internationally recognised rules
  - Initial public offerings (IPOs)
  - Secondary capital raisings through a range of mechanisms
  - Equity, debt, structured products and funds quoting services
- Corporate issuer services including provision of holding statements and investor relations services

## FY13 performance

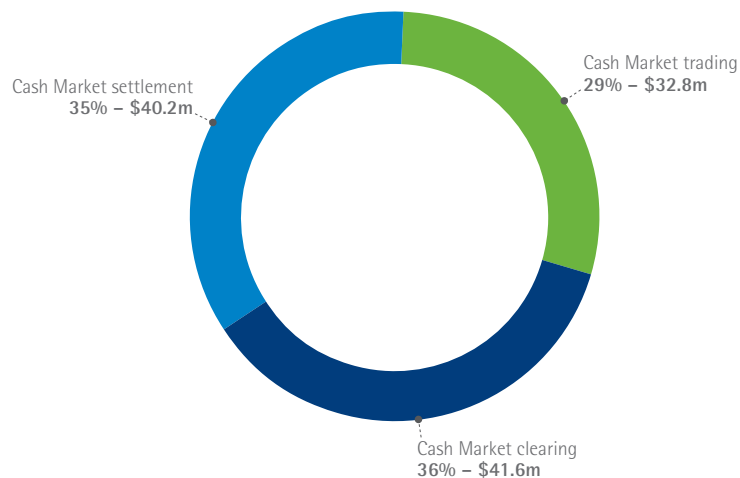
- Total revenue \$139.7 million, up 4.7%. Subdued market conditions led to a decline in the level of capital raised. Full year impact of previous fee changes increased revenue compared to the prior year
- Annual listing revenue down 0.9%
- Initial listing revenue up 14.3%. During FY13, 82 IPOs listed compared to 99 in the prior year
- Secondary capital raising revenue up 8.7%. Amount of capital raised down 9.7% to \$36.5 billion
- Structured product revenue down 0.5%, with 6,690 new warrants quoted compared to 7,113 in the prior year
- Issuer services revenue up 12.6%. Number of holding statements produced was flat on the prior year

## Areas of focus

- Maximise the opportunities of the current product offering
  - Target international IPOs
  - Increase the number of issuers and listed products
- Develop debt capital markets
  - Launched Exchange-traded Australian Government Bonds
  - Expand debt securities for retail fixed income market
- Expand issuer services offering
  - Expand investor relations service
  - Expand Equity Research Scheme
- Efficiency and distribution for customers
  - Operational efficiencies for unlisted funds administration through new managed funds service

# Cash Market

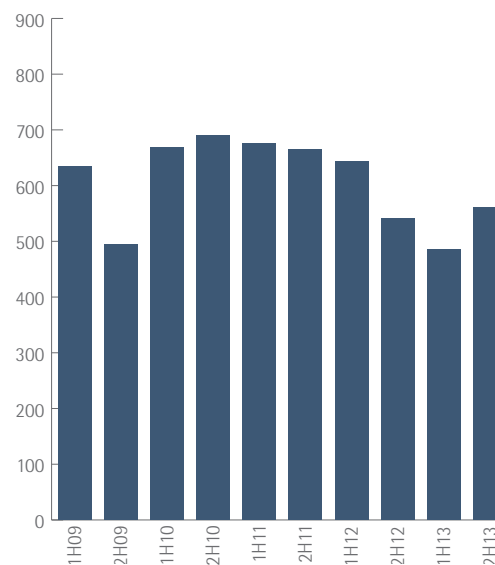
Cash Market revenue \$114.6m



## Services

- Execution services in ASX-quoted securities – equity, debt and exchange-traded funds (ETFs) for lit and dark trading
- Central counterparty clearing in ASX-quoted securities, providing capital efficiency and risk management
- Delivery-versus-payment (DvP) settlement for on-market and bi-lateral transactions
- Central securities depository providing efficient management of holdings and securities with certainty of title

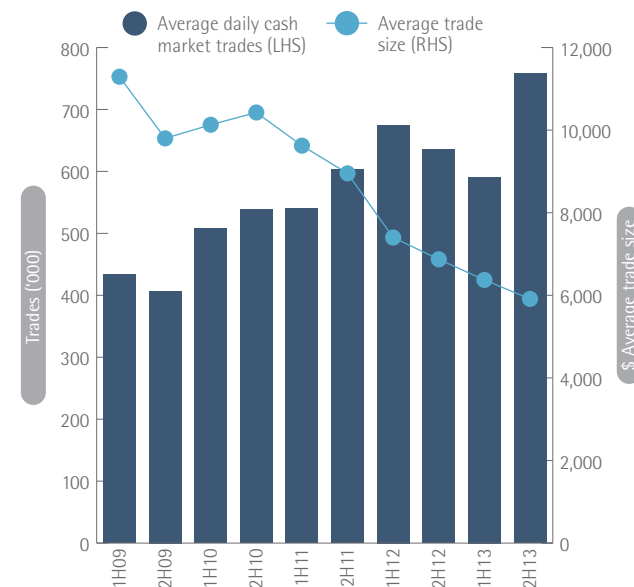
ASX value \$bn



## FY13 performance

- Total revenue \$114.6 million, down 7.9%
- Trading revenue down 9.6%
  - On-market value traded down 6.3%
  - ASX market share 94.6%
  - Trade reporting value down 28.0%
- Clearing revenue down 9.4%, with the value of trades novated and cleared \$906 billion, 7.4% lower than the prior year
- Settlement revenue down 4.8%, with a 4.0% reduction in the number of main settlement messages
- \$2.2 million provided for the trading, clearing and settlement revenue sharing schemes implemented on 1 January 2013

Daily average cash market trades and average trade size

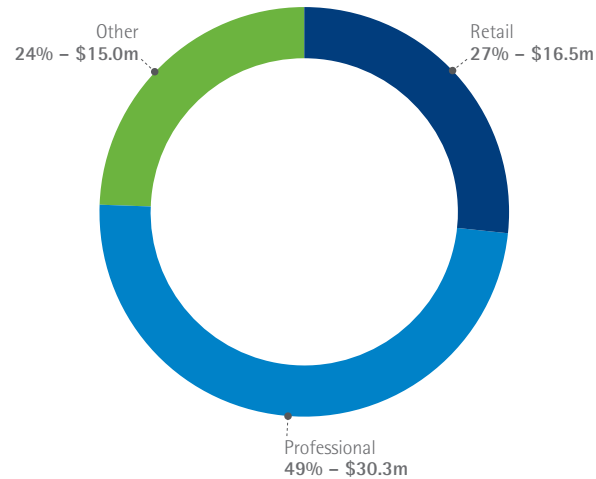


## Areas of focus

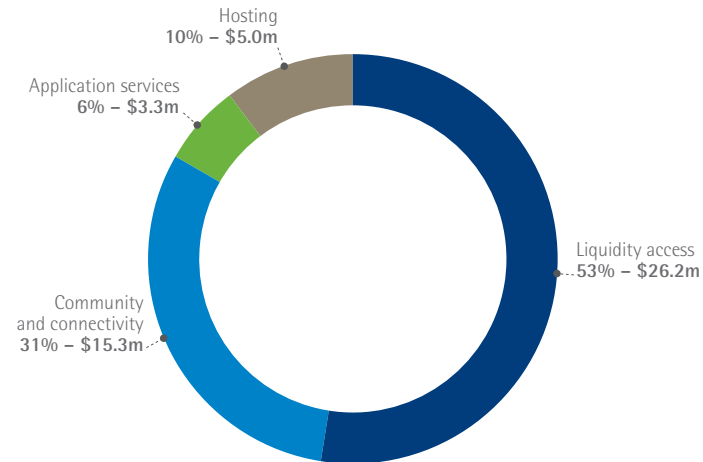
- Continue to innovate execution services for a more complex market environment
  - Centre Point trade execution enhancements
  - Block trading improvements for large orders
  - Repositioning of trade reporting services
- Enhance clearing and settlement services to meet changing customer requirements
  - Commenced margining of cash equities to further reduce risk
  - Code of Practice developed for cash equities clearing and settlement, including formal stakeholder engagement

# Information and Technical Services

Information Services revenue \$61.8m



Technical Services revenue \$49.8m



## Services

- Real-time market and reference data for cash and derivative markets and news, index licences and corporate action information
- Technical services to facilitate access and trading by customers
  - Liquidity access to ASX platforms
  - Community and connectivity, including lower latency communications network via ASX Net
  - Application services, including terminals and smart order routers
  - Hosting of customer hardware within the ASX Australian Liquidity Centre (ALC)

## FY13 performance

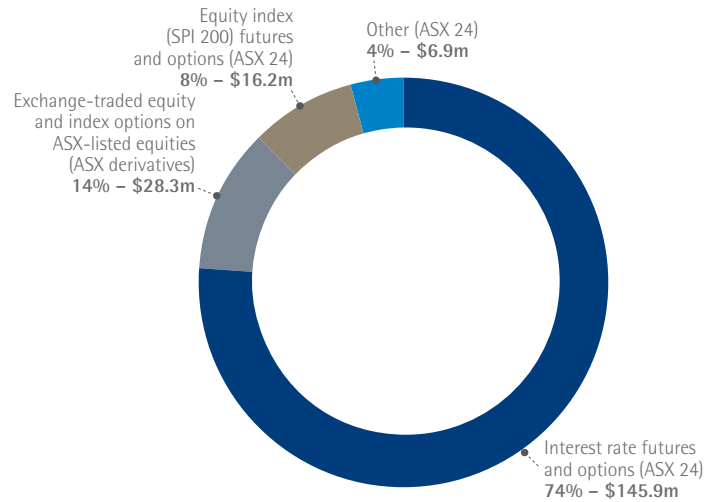
- Information Services revenue \$61.8 million, down 7.8%, impacted by reduced equity market activity
- Technical Services revenue \$49.8 million, up 9.9%, reflecting expansion of services and growth of community in the ALC and on ASX Net
  - 74 clients hosted in 117 cabinets in the ALC as at 30 June 2013 (59 clients and 76 cabinets 30 June 2012)
  - 415 Australian Liquidity service connections up from 110 in the prior year

## Areas of focus

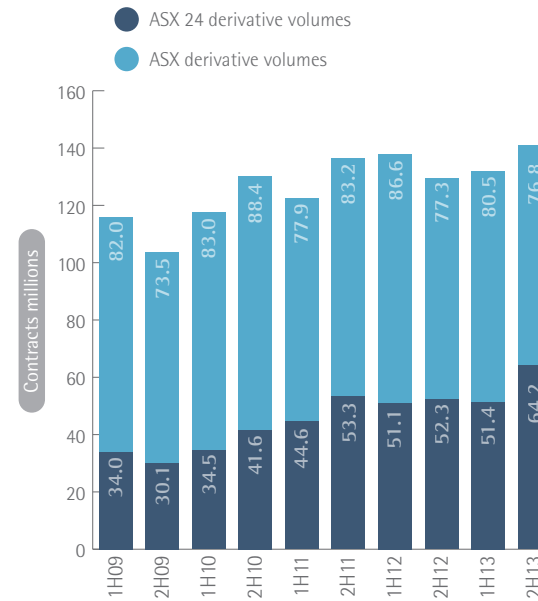
- Grow the community and available service providers in the ALC and on ASX Net
  - Expand third-party services in the ALC and on ASX Net
- Expand global connectivity to improve market access and lower costs
  - Access to ASX markets and data by locating trading hubs in the heart of international financial communities

# Derivatives and OTC Markets

Derivatives revenue \$197.3m



Derivative volumes



## Products

- Exchange-traded equity and index options on ASX-listed equities
- Interest rate futures and options
- Equity index (SPI 200) futures and options
- Agricultural and energy futures and options
- Contracts-for-difference (CFDs) on ASX-listed equities

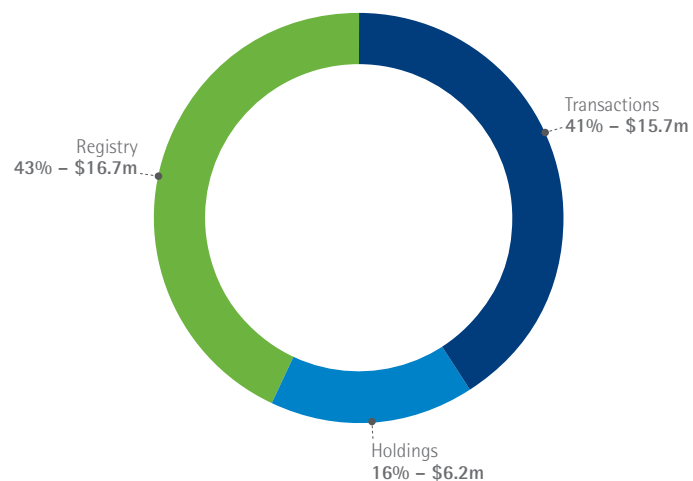
## FY13 performance

- Total revenue \$197.3 million, up 4.6%, driven by higher activity levels in the second half, mainly in interest rate futures and options
- Revenue from ASX 24 derivatives \$169.0 million, up 5.0%
  - Total number of contracts traded up 11.7% to 115.6 million
  - Higher Large Volume Rebate of \$7.2 million, resulting in lower average fee
- Revenue from ASX derivatives \$28.3 million, up 2.1%
  - Number of contracts traded down 4.0%. Higher average fees with index option fee change and less market-maker volumes

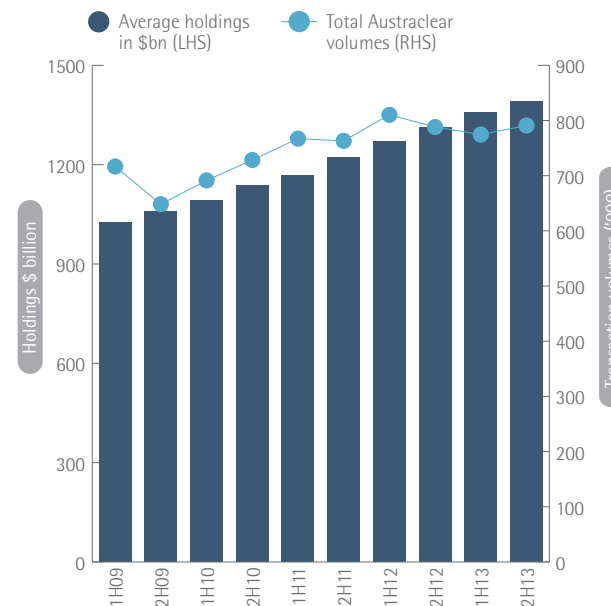
## Areas of focus

- Expand core product offering
  - VIX and sector futures
  - Electricity – d-cyphaTrade acquisition and new listed products
- Over-the-counter (OTC) clearing of interest rate derivatives for dealers
- Client level clearing for OTC derivatives and futures
- Compliance with international regulations, including increased 'Cover 2' capital resources in ASX Clear (Futures)

Austraclear revenue \$38.6m



Austraclear holdings and transaction levels



## Services

- Electronic central securities depository for debt securities
- Real-time DvP settlement for debt securities
- Real-time gross settlement of cash transactions
- Ancillary services to issuers of debt securities

## FY13 performance

- Total revenue \$38.6 million, up 7.2%, with higher holding balances and increased registry activity
- Transaction revenue down 1.0%, with total transactions down 2.1% to 1.6 million
- Holdings revenue up 7.8%, with average holdings balances up 6.4% to \$1.4 trillion
- Registry revenue \$16.7 million, up 16.1% due to increased activity and fee changes

## Areas of focus

- Deliver collateral management services for exchange-traded and OTC markets to provide capital and operational efficiencies for customers

# Regulatory oversight of Australia's financial markets

## The role of ASX Compliance

ASX Compliance Pty Limited (ASX Compliance) is a wholly-owned subsidiary within the ASX Group, which provides compliance and enforcement services to the ASX Group entities that hold licences under the Corporations Act 2001 (Cth) (Corporations Act) to operate markets or clearing and settlement facilities.

ASX Compliance has delegated authority to make certain compliance and enforcement decisions on behalf of the relevant ASX licensee under its operating rules. It also provides other services as necessary so that:

- in the case of a market licensee, it has adequate arrangements for monitoring and enforcing compliance with its operating rules
- in the case of a clearing and settlement facility licensee, it has adequate arrangements for enforcing compliance with its operating rules.

Day-to-day oversight of ASX-listed entities and the monitoring of their compliance under the Listing Rules is undertaken by the Listings Unit. ASX Compliance does not monitor and enforce ASX's own compliance with the Listing Rules. This is performed by the Australian Securities and Investments Commission (ASIC).

The Participants Unit is responsible for monitoring and enforcing participants' compliance with ASX's Operating Rules.

The responsible senior executive is the Chief Compliance Officer, who reports to the ASX Compliance Board on all matters concerning compliance and enforcement responsibility, including listed company compliance with the Listing Rules and participant compliance with the Operating Rules.

## Governance arrangements

The ASX Compliance Board provides an oversight role in relation to compliance, enforcement and conflict handling arrangements for each of the licensees.

Only one of four non-executive directors of ASX Compliance is also a director of ASX Limited. ASX's Managing Director and CEO does not sit on the Board of ASX Compliance. Details of the ASX Compliance Board are set out in the corporate governance section and at [www.asxgroup.com.au/board-and-management.htm](http://www.asxgroup.com.au/board-and-management.htm)

These arrangements are governed by an agreement and a delegations framework, and are underpinned by ASX's organisational and departmental policies and procedures. For more details see [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

## Conflict handling

ASX has a conflict handling framework in place so that relevant compliance and enforcement decisions under its various Operating Rules (including its Listing Rules) are made by ASX Compliance without inappropriate intervention or interference by other business units within ASX. Details regarding ASX's conflict handling

arrangements can be found at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

Information barriers and, where necessary, physical barriers are in place to ensure that electronic access to soft copy information and physical access to hard copy information are quarantined, as required, within each unit of ASX Compliance, so as to protect confidential information. If information is shared, it is done in accordance with ASX's organisational and departmental policies and procedures.

## ASX Corporate Governance Council

The Council was established in August 2002. ASX is the convener of and a member of the Council. It also nominates the chair (currently Alan Cameron AO) and provides executive support for the operation of the Council.

The Council brings together 21 business, investment and shareholder groups to oversee the principles-based and industry-wide framework it developed for corporate governance – the *Corporate Governance Principles and Recommendations*. The Council's overriding objective is that the principles and recommendations remain relevant and continue to provide a practical guide for listed companies, their investors and the wider Australian community.

ASX requires listed entities to disclose in their annual report the extent to which they have followed the recommendations set by the Council during the relevant reporting period. Where companies have not followed all of

the recommendations, they must identify the recommendations that have not been followed and provide an explanation for not following them ('if not, why not' reporting).

Importantly, the reporting requirements under the ASX Listing Rules provide for transparency of the corporate governance practices of listed companies, which better positions investors to make informed investment decisions. Ultimately, it is for the market to pass judgement on the corporate governance practices of Australian companies, not the Council or ASX.

The Council released a draft third edition of its *Corporate Governance Principles and Recommendations* for public consultation on 16 August 2013. This revised edition seeks to capture and reflect developments in corporate governance, both in Australia and internationally, since the publication of the second edition in 2007. It also aims to give listed entities greater flexibility to make their corporate governance disclosures on their website rather than in their annual report. This should help listed entities to streamline their annual reports and also promote better access by stakeholders to information about a listed entity's governance practices.

More detail about the Council and the principles and recommendations is available at [www.asxgroup.com.au/corporate-governance-council.htm](http://www.asxgroup.com.au/corporate-governance-council.htm)



## Regulatory oversight of Australia's financial markets continued

### Domestic regulation of ASX

ASX operates in a highly regulated environment overseen by two independent Australian government agencies – ASIC and the Reserve Bank of Australia (RBA). These government regulators have extensive powers to enforce the laws and regulations that govern financial markets in Australia.

### ASIC

ASIC is responsible for the supervision of real-time trading on Australia's domestic markets, including those operated by ASX Group, and for enforcing the laws against misconduct on Australia's financial markets, as well as supervising Australian Financial Services Licence (AFSL) holders. ASIC also has responsibility for assessing each market and clearing and settlement facility licensee annually on its compliance with its licence obligations under the Corporations Act. The most recent ASIC assessment of ASX is at [www.asic.gov.au/asic/asic.nsf/byheadline/Market+assessment+reports?openDocument#asx](http://www.asic.gov.au/asic/asic.nsf/byheadline/Market+assessment+reports?openDocument#asx)

### RBA

The RBA has responsibility for assessing whether licensed clearing and settlement facilities, including those operated by ASX Group, have complied with the RBA's Financial Stability Standards (FSS) and done all other things necessary to reduce systemic risk.

The RBA undertook a review of the FSS, and revised standards came into effect on 29 March 2013. These revised standards reflect new and

more demanding international standards for payment, clearing and settlement systems.

Details about how ASX complies with the FSS are set out at [www.asxgroup.com.au/fss-cpss-iosco-principles.htm](http://www.asxgroup.com.au/fss-cpss-iosco-principles.htm)

On 16 August 2013 the RBA advised ASX of supplementary interpretive guidance for the application of the FSS to ASX Clear (Futures) because it is a domestically licensed facility, which provides services to clearing participants established in the European Union. ASX responded to the RBA with details of the actions that will be taken to address the supplementary guidance for the standards. Refer to [www.asxgroup.com.au/fss-cpss-iosco-principles.htm](http://www.asxgroup.com.au/fss-cpss-iosco-principles.htm)

### Council of Financial Regulators

The Council of Financial Regulators (CFR) is the coordinating body for Australia's main financial regulatory agencies. Its members are the RBA (Chair), the Australian Prudential Regulation Authority (APRA), ASIC and Treasury.

CFR's role is to contribute to the efficiency and effectiveness of financial regulation, and promote the stability of the Australian financial system. CFR also provides advice to the Federal Government on the adequacy of Australia's financial regulatory arrangements. Details about CFR are available at [www.cfr.gov.au](http://www.cfr.gov.au)

### International regulation

The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee

of the International Organisation of Securities Commissions (IOSCO) are responsible for the establishment of the broad international standards for the regulation and conduct of clearing and settlement facilities. These are set out in the CPSS-IOSCO Principles for Financial Market Infrastructures, released in April 2012. The overall objective of the Principles is to ensure financial market infrastructures promote stability and efficiency in the financial system. ASIC and RBA are members of CPSS and IOSCO, and are responsible for implementing the CPSS-IOSCO Principles in Australia.

# Regulatory developments

## Introduction

The past year has been marked by significant regulatory developments, both domestically and internationally.

## Cash market trading

During the year, there continued to be significant debate about dark pools and high frequency trading (HFT).

ASIC's review of dark liquidity and HFT concluded that the current policy settings are largely appropriate. ASX believes the changes that have been made during the year are sensible. The priority now should be to bed down the controls, give them time to have an impact on behaviour, and then assess their effectiveness. Only then should further change be considered.

## Cash market clearing and settlement Code of Practice

On 9 August 2013, ASX's Code of Practice for Clearing and Settlement of Cash Equities in Australia (the Code) came into effect.

ASX agreed to develop the Code following the announcement by the Deputy Prime Minister and Treasurer on 11 February 2013 to defer a decision on any licence application from a CCP seeking to compete in the Australian cash equity market for two years.

In developing the Code, ASX worked closely with customers, industry stakeholders and Australian regulators. The principles that form the basis of the Code are:

- user input to ASX governance through the establishment of an advisory forum (the Forum) that allows customers and other industry stakeholders to provide input to the Boards of ASX Clear and ASX Settlement
- transparent and non-discriminatory pricing of clearing and settlement services
- transparent and non-discriminatory terms of access to clearing and settlement services.

The Forum comprises 22 senior representatives from clearing and settlement participants, another market operator and a wide range of other industry stakeholders, including system vendors, custodial service providers, share registries, investors, listed companies and the superannuation industry.

The Forum will provide input to the Boards of ASX Clear and ASX Settlement on the ongoing investment in the design, operation and development of the core clearing and settlement infrastructure for the cash equity market, including CHESS. It will also provide a formal mechanism for the Boards of ASX Clear and ASX Settlement to report on their strategic plans and investment decisions relating to clearing and settlement infrastructure for the cash equity market.

The first meeting of the Forum will take place on 2 October 2013.

Under the Code, ASX has also established a Business Committee to support the Forum. The Business Committee comprises representatives

of clearing participants, settlement participants and other market operators. The Business Committee will provide business and operational input to the Forum on its forward work program. The first meeting of the Business Committee was held on 16 August 2013.

A dedicated section of the ASX website has been developed for clearing and settlement of cash equities in Australia to support the Code and improve the accessibility of information on clearing and settlement services. Information relevant to the Forum and the Business Committee, including membership and meeting agendas and minutes, will also be available on the website. Further information on the Forum Business Committee and the Code, including a copy of the Code, is available at [www.asx.com.au/cs/](http://www.asx.com.au/cs/)

## Post-trade

In July 2013 ASX implemented an over-the-counter (OTC) derivatives clearing solution for the Australian market.

The OTC Derivatives Clearing Service allows for the central clearing of standardised Australian dollar-denominated OTC interest rate derivatives.

ASX worked with local and international banks on the development of this service. This service provides the basis for the development of a client clearing service, scheduled for commercial launch by the end of FY14.

The client clearing service will provide important new risk management controls to Australian investors and asset managers, giving them the choice to protect their individual positions and collateral in the event of a participant default. It will also give Australian investors access to a domestic solution where collateral is kept onshore and subject to Australian laws and regulations.

On 17 July 2013, the Council of Financial Regulators (CFR) released a report on the Australian OTC derivatives market. This provided advice to the Minister on the appropriateness of mandating requirements for trade reporting, central clearing and platform trading of OTC derivatives.

CFR has not recommended mandatory central clearing for Australian dollar-denominated interest rate derivatives at this stage, but will monitor developments in this area.

ASIC recently finalised regulatory arrangements for mandated reporting of a range of OTC derivatives.

## Financial Stability Standards (FSS)

Revised FSS came into effect in late March 2013. These revised standards reflect new and more demanding international standards for payment, clearing and settlement systems. Details regarding ASX's compliance with these standards are available at [www.asxgroup.com.au/fss-cpss-iosco-principles.htm](http://www.asxgroup.com.au/fss-cpss-iosco-principles.htm)

## Regulatory developments continued

As set out on page 13, on 16 August 2013 the RBA advised ASX of supplementary interpretive guidance for the application of the FSS to ASX Clear (Futures) because it is a domestically licensed facility, which provides services to clearing participants established in the European Union. ASX responded to the RBA with details of the actions that will be taken to address the supplementary guidance for the standards. Refer to [www.asxgroup.com.au/fss-cpss-iosco-principles.htm](http://www.asxgroup.com.au/fss-cpss-iosco-principles.htm)

### APRA

APRA has publicly stated that ASX Clear and ASX Clear (Futures) are qualifying central counterparties (CCPs) for the purposes of Prudential Standard APS 112. Refer to [www.cfr.gov.au/publications/member-publications/index.html](http://www.cfr.gov.au/publications/member-publications/index.html)

# Environment, social and corporate governance overview

## Our responsibility

ASX recognises the important contribution it makes as the core markets operator and provider of clearing and settlement facilities in Australia.

Our business model, being a multi-asset class and vertically integrated exchange, means we play a vital role at the heart of the nation's economy. We facilitate capital formation, long-term investment and risk transfer.

ASX strives to be a leader in shaping Australia's financial markets, and makes an active and positive contribution to the policy debate. The quality and integrity of our financial markets are as important to ASX as they are to the broader community.

As a public company, we are committed to conducting business in an open and accountable way, and in a manner that is honest and sustainable.

We believe our corporate governance practices are rigorous and of a high standard, and assist in the delivery of shareholder value.

Our Code of Conduct promotes ethical and responsible decision-making by directors and employees. A summary is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

Our Customer Charter formalises our commitment to our customers and can be found on page 6 of this report.

The following pages contain details about how we manage our environmental, social and governance obligations.

## Environment

ASX is a service-based organisation that does not extract resources and is not involved in the manufacture or transport of products. The Group's operations comprise over 500 office-based staff, located predominantly in one head office and two data centres. Accordingly, ASX's environmental footprint is small and arises from the energy used by the offices and data centres, and also from consumables, primarily paper.

ASX has a longstanding interest in providing market support for an emissions trading scheme in Australia. In this way, ASX could assist in promoting action on reducing carbon emissions through its expertise as a provider of market infrastructure.

A cross-divisional Environmental Committee is in place, which oversees ASX's environmental impact-reduction activities. ASX's approach to managing its environmental risks includes, where practicable:

- measuring the impact of our activities
- minimising consumption of materials
- recycling and re-using consumables
- supporting awareness of environmental issues.

ASX is a participant in the Carbon Disclosure Project and a constituent of the FTSE4Good Index Series.

Although monitoring and minimisation arrangements are in place, ASX has not adopted specific targets given its small environmental footprint.

### Environmental indicators and initiatives

Climate change	Unit	2012	2013
Direct emissions (diesel fuel for backup generators)	kt CO <sub>2</sub> -e	0.251	0.297
Indirect emissions (electricity, paper, travel, waste)	kt CO <sub>2</sub> -e	12.418	11.997

#### Initiatives

Various measures introduced at Exchange Centre (Sydney head office) to reduce office lighting and computer equipment electricity consumption.

Adoption of more efficient technology infrastructure at the ASX Australian Liquidity Centre (data centre).

Support for staff participating in Walk To Work Day and Ride To Work Day.

Participation in Earth Day.

Waste, water, energy	Unit	2012	2013
Electricity	MWh	12.849	12.247
Diesel	kL	8	8
Gas	MJ	n/a	2,610,264
Paper consumed	tonnes	75	78

#### Initiatives

Increase in paper consumption due to expansion of business has mostly been offset by:

- shareholders encouraged to receive communications, such as annual reports and dividend statements, electronically
- eliminated 130,000 printed pages per annum through digitising reports and re-engineering existing processes
- emailing internal documents and online functions developed for many internal applications to replace paper-based processes, thereby reducing paper usage by 12,000 pages per annum.

Increase in re-use or re-build of existing office furniture.

## Social

### Investor education

ASX continues to be a strong supporter of investor education, providing a range of free tools and resources to help investors understand the risks and rewards of investing.

Free online courses are available on shares, interest rate securities, exchange-traded funds (ETFs), instalment warrants, options, ASX-listed contracts-for-difference (CFDs), and futures.

One of the new courses focuses on Exchange-traded Australian Government Bonds (AGBs), which became available for trading on ASX in May 2013. This course gives investors easy access to practical information on the fundamentals of investing in AGBs, including yields, pricing and market risk.

ASX regularly updates its education courses to keep material fresh and relevant. Upgraded versions of our most popular course, Introduction to Share Investing, and of the courses on ETFs and ASX CFDs will be launched in the coming months.

ASX has responded to the growing preference for online education by developing shorter tutorials that can be viewed on mobile devices and by upgrading the recording of its presentations by industry experts. We have also established a dedicated ASX channel on YouTube.

ASX's free online education courses grew in popularity in FY13 with 198,894 downloads, up 5% on the previous year.

In addition, ASX made presentations available online from finance industry experts on a range of investment topics. There were 254,675 downloads of these presentations, almost 84,000 more than in FY12.

ASX Investor Update is a free e-newsletter service sent to over 190,000 subscribers monthly. The newsletter contains educational articles on topics ranging from the basics of investing, to strategies relevant to more experienced investors.

One of the most popular of ASX's investor education activities is the Sharemarket Game, which celebrated its 30th anniversary in 2013. Four Sharemarket Games were conducted in FY13 - two for secondary school students and two for the general public.

The games allow participants to become familiar with the mechanics of share trading and develop an appreciation of the risks and benefits associated with investing. The use of live market prices provides for a dynamic experience, with school teachers particularly appreciative of how the Sharemarket Game connects students to real-world events, be they political or economic.

In FY13, 71,743 students from over 1,000 schools played the schools Sharemarket Game, and 30,345 participants played the public game.

More information about ASX's Sharemarket Game is available at [www.asx.com.au/sharegame](http://www.asx.com.au/sharegame)

### ASX people

ASX is committed to developing, challenging and inspiring its most important assets: its people.

We aim to build an organisation of diverse, high performing professionals with varied perspectives, skills and experiences.

We encourage employees to develop their own career paths through a comprehensive learning and development framework, which supports further study, and by the pursuit of internal opportunities and promotion.

ASX believes that building a successful business means developing people's competencies and creating a workplace in which employees feel engaged. We have a comprehensive remuneration and performance management framework in place, as well as a detailed succession planning program. ASX also has programs for talent management and subject matter experts.

### Staff engagement and alignment

An engaged and aligned workforce is important, and ASX aspires to be in the top quartile for both qualities. In 2012 a staff survey was conducted by an external consulting firm to measure these categories. The results were encouraging, leading to ASX's senior management implementing a number

of initiatives to continue to improve staff alignment and engagement.

In response to the survey's findings, key initiatives during FY13 included:

- establishing a Talent and Diversity Council
- reviewing the ASX Leadership Program
- launching a sponsorship and mentoring program
- implementing a revised remuneration framework and performance management system
- including alignment and engagement improvement targets in Group Executive key performance indicators (KPIs)
- including gender diversity targets in Group Executive and General Manager KPIs
- reviewing flexible work policy and procedures.

Another staff survey was conducted in March 2013, the results of which will inform key initiatives for FY14. ASX saw an uplift in alignment and stable engagement as a result of the initiatives already undertaken. Voluntary staff turnover is below the finance industry standard.

### Learning and development

ASX provides continued professional development to all its employees through a variety of learning and development opportunities. These include training around

## Social continued

ASX competencies; external courses that are technical or product specific; on-the-job training; mentoring; online learning; knowledge and people leadership development; and formal qualifications. ASX supports employees pursuing further education through financial reimbursement and paid study leave.

### Workplace health and safety

ASX is committed to safeguarding the health and safety of all employees, visitors and contractors at work.

It does so in part by conducting its business in accordance with all workplace health and safety (WHS) laws, standards and codes of practice, which are relevant to each ASX site. ASX provides resources and support for the successful implementation of health and safety programs. ASX is also committed to creating systems and encouraging behaviours that identify and remove potential causes of workplace risk, injury and illness; or where it is not reasonably practicable to do so, controlling potential causes of workplace risk, injury and illness.

ASX's lost-time injury frequency rates are comparative to industry standards.

To monitor compliance with WHS obligations, ASX conducts an audit regularly. The last audit was completed in March 2012, and a good result was achieved.

### Recognition@ASX

Giving prompt recognition of a job well-done is an important behaviour that engages our employees and enhances the way we do business at ASX. The Recognition@ASX program provides a framework to support managers in recognising individuals or teams who have gone above and beyond what is required of them in their daily work. In addition, a CEO Award and Divisional Awards were implemented in FY13.

### Balance@ASX

Balance@ASX brings together all elements of flexible work practices at ASX. It takes a holistic approach, incorporating the elements that support the desire of ASX employees to balance work, personal and family life. The initiative supports employees in the business through talent development and career opportunity, creating flexibility in work practices, and supporting family and personal choices. During FY13, all staff who were due to return to work from parental leave did, with several staff returning on flexible working and graduated return-to-work arrangements.

It is ASX policy that a request for flexible working arrangements should be accommodated unless a good reason is given why such a request cannot be granted.

Flexible working arrangements are explicitly considered when recruiting for new roles.

### Supporting the interests of ASX people

The ASX social committee coordinates social activities and events designed to reward our employees. The committee hosts ASX-funded events including the annual Christmas party, bowling evenings, family days, trivia nights and staff drinks. Similarly, the ASX sports committee coordinates corporate and lunchtime sport activities, and assists with entry fees into corporate games. It aims to encourage all our employees to become active and balance work with a healthy lifestyle. ASX employees are also supported to take part in voluntary initiatives through the provision of paid volunteering leave. This not only benefits the community but also has a positive impact on employee satisfaction and retention.

### ASX in the community

ASX encourages and assists its employees to become active supporters of worthwhile causes and participate in programs outside the workplace. ASX's community programs allow employees to support causes and charities of their choice from a broad list of charity partners. In FY13 ASX and its employees donated \$298,344 to various charities, community partners and appeals, including charities associated with ASX's Workplace Giving program, the Gawura Indigenous Foundation and Taronga Zoo.

### ASX Thomson Reuters Charity Foundation

ASX and Thomson Reuters Group PLC formed a charity foundation in 1999 to support Australia-based children's and medical research charities by organising fundraising events with participants from financial markets and other industries. Key fundraising events include an annual golf tournament, sailing regatta, gala dinner and charity auction. In total, the events held in FY13 raised more than \$1.2 million, which was distributed to 24 charities. The Foundation's eight-person board includes three ASX executives. ASX also fulfils the company secretariat and finance functions for the Foundation, and each year many ASX employees volunteer to assist with the fundraising activities.

**ASX THOMSON REUTERS**  
F O U N D A T I O N  
CORPORATE AUSTRALIA HELPING THOSE IN NEED

For more information  
[www.asxreuterscharity.com.au](http://www.asxreuterscharity.com.au)

## Social continued

### ShareGift Australia

ASX has been a supporter of ShareGift Australia since ShareGift began operations in 2007. ShareGift Australia is a not-for-profit organisation that allows shareholders to sell parcels of shares free of brokerage costs and donate the proceeds to charity. ASX reimburses to brokers all exchange fees on ShareGift Australia transactions and prints details about ShareGift on every CHESS statement.

ASX gives its own shareholders the chance to support ShareGift Australia by enclosing a ShareGift Share Sale Donation Form with the final dividend letter from the Chairman to ASX shareholders.

At the end of FY13, ShareGift Australia had donated in excess of \$520,000 to 286 Australian charities thanks to the generosity of shareholders.



For more information  
[www.sharegiftaustralia.org.au](http://www.sharegiftaustralia.org.au)

### FTSE4Good Index Series

In FY13 ASX satisfied the requirements to remain a constituent of the FTSE4Good Index Series. ASX has been a member since September 2006.

Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice.



### FTSE4Good

For more information  
[www.ftse.com/ftse4good](http://www.ftse.com/ftse4good)



# Corporate governance

## Our corporate governance framework

The principal features of ASX's corporate governance framework are set out in this section.

ASX's corporate governance arrangements are reviewed annually by the ASX Board and relevant committees, and key operating subsidiary boards.

ASX has adopted the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Throughout the reporting period, ASX's governance arrangements have been consistent with these principles.

More information on ASX's corporate governance framework and key documents is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

A high-level structure chart describing the ASX governance framework is set out in the adjacent diagram.

Details on the components of the framework are set out in the following pages.

The information in the corporate governance section is current as at the date of the report, unless otherwise specified.



## Delegation to committees, subsidiary boards and management

- The Board has established three committees to assist it in discharging its duties
- Day-to-day management and operations are delegated to management
- ASX Compliance is responsible for monitoring and enforcing compliance of participants and listed entities with the ASX Group Operating Rules (other than for ASX Limited)
- The Clearing and Settlement Boards focus on risk management and oversight of the clearing and settlement operations
- The Audit and Risk Committee and the Nomination Committee, in addition to serving the ASX Limited Board, also serve as committees of the Clearing and Settlement Boards. The Remuneration Committee, in addition to serving the ASX Limited Board, also serves as a committee of the Clearing and Settlement Boards and the ASX Compliance Board

# Corporate governance continued

## Board of directors

### Role and responsibilities of the Board

- Accountable for the performance of the ASX Group
- Oversees the conduct of the affairs of the ASX Group, consistent with the Group's licence obligations and public policy objectives directed at financial market and payments system integrity
- Reviews and approves the Group's corporate strategy, annual budget and financial plans
- Monitors financial performance and liaises with the external auditor
- Appoints and assesses the performance of the Managing Director and CEO, and oversees succession plans for the senior executive team
- Oversees the effectiveness of management processes and approves major corporate initiatives
- Oversees the process for identifying significant risks facing the ASX Group, and oversees the control, monitoring and reporting mechanisms

The responsibilities of the Board are detailed in the Board charter, which is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm). The Board's conduct is also governed by ASX's constitution, available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### Responsibilities of the Chairman

- Independent and non-executive
- Role is separate to that of Managing Director and CEO
- The Managing Director and CEO may not become Chairman
- Leads the Board in its duties to the ASX Group
- Responsible for facilitating effective discussions at Board meetings and overseeing the processes and procedures in place to evaluate the performance of the Board, its committees and individual directors

### Composition of the Board

- As at the date of this report, there are nine directors, whose names and positions are detailed in the adjacent table
- Each of the directors, other than Mr Funke Kupper, are considered to be independent non-executive directors
- The Board considers that individually and collectively, the directors bring an appropriate mix of skills, experience and expertise
- Directors' skills and experience are detailed on the following pages

Director	Position	Appointed to ASX
Mr Rick Holliday-Smith	Chairman, independent non-executive director	July 2006*
Mr Elmer Funke Kupper	Managing Director and CEO, executive director	October 2011
Mr Russell Aboud	Independent non-executive director	July 2005
Mr Shane Finemore	Independent non-executive director	June 2007
Dr Ken Henry AC	Independent non-executive director	February 2013
Mr Peter Marriott	Independent non-executive director	July 2009
Ms Heather Ridout AO	Independent non-executive director	August 2012
Ms Jillian Segal AM	Independent non-executive director	July 2003
Mr Peter Warne	Independent non-executive director	July 2006**

\* Chairman of SFE Corporation Limited from 1998 to 2008.

\*\* Director of SFE Corporation Limited from 2000 to 2008.

## Corporate governance continued

### Rick Holliday-Smith

BA (Hons), FAICD

Chairman

Independent non-executive director

Mr Holliday-Smith was appointed a director of ASX in July 2006 and Chairman in March 2012. He is also a director of the ASX Group clearing and settlement facility licensees, and Chairman of ASX Clearing Corporation Limited and ASX Settlement Corporation Limited (their intermediate holding companies). He is Chair of the Nomination Committee and a member of the Remuneration Committee, and Audit and Risk Committee. He was Chairman of SFE Corporation Limited from 1998 until 2008.

Mr Holliday-Smith is Chairman of Cochlear Limited (Chairman since 2010, director since 2005), a director of Servcorp Limited (since 1999), a member of the Macquarie University Faculty of Business and Economics Advisory Board, and a patron of the Macquarie University Foundation.

He is a specialist in capital markets, derivatives and venture capital activities. Prior to 1998, Mr Holliday-Smith spent 11 years in Chicago, first as CEO of Chicago Research and Trading (CRT) and then as President of Nations Bank-CRT. During the 1980s he was an executive director with Wardley Australia Limited and Managing Director of Hong Kong Bank Limited, London.

### Elmer Funke Kupper

Master of Business Administration

Managing Director and CEO

Executive director

Mr Funke Kupper was appointed as ASX's Managing Director and CEO in October 2011. Mr Funke Kupper is also a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies.

During FY13, Mr Funke Kupper was appointed to the Financial Sector Advisory Council (FSAC). FSAC is part of the Treasury portfolio and provides advice to government on initiatives to position Australia as a leading financial services centre. FSAC also provides advice to the Treasury Taskforce.

During FY13, Mr Funke Kupper was also appointed by the Treasurer as a member of the Australian B20 Leadership Group.

Mr Funke Kupper was acting Chief Executive Officer of Tabcorp Holdings Limited (Tabcorp) from March 2007. He was Managing Director and CEO of Tabcorp from September 2007 to June 2011. Since June 2012, he has been a non-executive director of Tabcorp.

Prior to joining Tabcorp, Mr Funke Kupper held several senior positions with Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific, and Managing Director Personal Banking and Wealth Management. Previously, he was a senior management consultant with McKinsey & Company and AT Kearney.

### Russell Aboud

MBBS (Sydney)

Independent non-executive director

Mr Aboud was appointed a director of ASX in July 2005. He has been a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies since 1 March 2013.

He is Chairman of Manikay Partners LLC.

His previous roles have included Chairman of Ord Minnett Limited, and Global Head of European Equities and Head of Australasian Equities for the UBS Group.

Mr Aboud has extensive knowledge and experience in the international financial services and securities industries, gained over 20 years.

## Corporate governance continued

### Shane Finemore

BCom (UNSW)

Independent non-executive director

Mr Finemore was appointed a director of ASX in June 2007.

He is Managing Partner of Manikay Partners LLC, a director of Ron Finemore Transport Pty Limited and a member of the Australia as a Financial Services Centre Taskforce.

Mr Finemore has extensive experience in both New York and Sydney. He is an internationally recognised authority on securities exchanges and, in particular, brings an international perspective on exchanges.

Mr Finemore's previous roles include Managing Director at UBS Investment Bank and Head of the UBS US Fundamental Investment Group. He was also a member of the UBS Investment Bank Board.

### Dr Ken Henry AC

FASSA, BCom, PhD, DB h.c

Independent non-executive director

Dr Henry has been a director of ASX since February 2013.

Dr Henry served as the Secretary of the Federal Department of the Treasury from 2001 to 2011. He has been a director of National Australia Bank since November 2011 and is Chairman of the Institute of Public Policy (Crawford School of Public Policy) at the Australian National University (ANU).

Dr Henry is Chairman of the Advisory Council of the SMART Infrastructure Facility at the University of Wollongong and the Sir Roland Wilson Foundation, ANU; and a member of the Advisory Board of the Australian Demographic and Social Research Institute, the Australian Press Council National Advisory Panel, and the Board of Reconciliation Australia.

He is also a Governor of the Committee for Economic Development of Australia (CEDA) and a council member of Voiceless.

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

### Peter Marriott

FCA, BEc (Hons), MAICD

Independent non-executive director

Mr Marriott was appointed a director of ASX in July 2009. He is also a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. He is Chairman of Austraclear Limited and Chair of the Audit and Risk Committee.

Mr Marriott has been a director of Westpac Banking Corporation since June 2013. He is also a member of the Review Panel of the Banking and Finance Oath Limited.

Mr Marriott has been involved in the finance industry for over 30 years.

He was Chief Financial Officer of Australia and New Zealand Banking Group Limited (ANZ) from 1997 to May 2012. Prior to his career at ANZ, Mr Marriott was a partner in the Melbourne office of the then KPMG Peat Marwick.

## Corporate governance continued

### Heather Ridout AO

BEd (Hons)

Independent non-executive director

Ms Ridout has been a director of ASX since August 2012. She is a member of the Nomination Committee and the Remuneration Committee.

She is a company director and Reserve Bank Board member with a long history as a leading figure in the public policy debate in Australia.

Ms Ridout was appointed Chair of the AustralianSuper Trustee Board in March 2013, taking on the role from May 2013. She has been a director of AustralianSuper since 2007. She has also been a director of Sims Metal Management Limited since September 2011.

Her other appointments include member of the Climate Change Authority and the Advance Australia Advisory Board. Ms Ridout is also on the Board of Asialink and the Australian Chamber Orchestra. Up until 30 April 2012, Ms Ridout was 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.

Ms Ridout's previous appointments include member of the Henry Tax Review Panel, board member of Infrastructure Australia, member of the Business Roundtable on Climate Change, member of the National Workplace Relations Consultative Committee and member of the Prime Minister's Taskforce on Manufacturing.

### Jillian Segal AM

BA LLB (UNSW), LLM (Harv), FAICD

Independent non-executive director

Ms Segal was appointed a director of ASX in July 2003. She is a director of ASX Compliance Pty Limited, Chair of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nomination Committee.

Ms Segal has been a director of National Australia Bank Limited since 2004. She is Chairman of the General Sir John Monash Foundation and Deputy Chancellor of the University of New South Wales. She is also a director of the Garvan Institute of Medical Research. Ms Segal is also a member of the Federal Remuneration Tribunal, the independent statutory body that considers the remuneration of key Commonwealth officers, and a member of the Sydney Advisory Council of the Centre for Social Impact.

From 1997 to 2002 she was a commissioner of the Australian Securities and Investments Commission (ASIC), being Deputy Chairman from 2000 to 2002. She was Chairman of the Banking and Financial Services Ombudsman Board from 2002 to 2004.

Prior to joining ASIC, Ms Segal was a corporate lawyer specialising in corporate and environmental law, having been a partner at Allen, Allen and Hemsley (now Allens).

### Peter Warne

BA, FAICD

Independent non-executive director

Mr Warne was appointed a director of ASX in July 2006. He is also a director of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. He is Chairman of ASX Clear (Futures) Pty Limited. He is also a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. He was a director of SFE Corporation Limited from 2000 to 2008.

Mr Warne has been Chairman of Australian Leisure and Entertainment Property Management Limited since 2003, and is Deputy Chairman of Crowe Horwath Australasia Limited (formerly WHK Group Limited) (director since 2007) and a director of Macquarie Group Limited (since 2007).

He is also a director of Securities Exchanges Guarantee Corporation, Securities Industry Research Centre of Asia Pacific, NSW Treasury Corporation and Macquarie Bank Limited.

Mr Warne is an Adjunct Professor at the University of Sydney Business School, a member of the Macquarie University Faculty of Business and Economics Advisory Board, and a patron of the Macquarie University Foundation.

Mr Warne is also a member of the Advisory Board of the Australian Office of Financial Management and Chairman of the St Andrews Cathedral School Foundation.

## Corporate governance continued

### Attendance at meetings

	ASX Limited		Audit and Risk Committee		Nomination Committee		Remuneration Committee		ASX Clear Pty Limited		ASX Clear (Futures) Pty Limited		ASX Settlement Pty Limited		Austraclear Limited		ASX Compliance Pty Limited	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Rick Holliday-Smith (Chairman) <sup>^</sup>	9	9	1	1	3	3	3	3	6	6	6	6	6	6	6	6		
Elmer Funke Kupper	9	9							6	6	6	6	6	6	6	6		
Russell Aboud*	9	9							2	2	2	2	2	2	2	2		
Jillian Broadbent**	2	2							2	1	2	1	2	1	2	1		
Shane Finmore	9	9																
Dr Ken Henry#	5	5																
Peter Marriott	9	9	4	4					6	6	6	6	6	6	6	6		
Heather Ridout##	8	8			1	1	1	1										
Jillian Segal	9	9	4	4	3	3	3	3									5	5
Peter Warne	9	9	4	3	3	3	3	3	6	6	6	6	6	6	6	6		

### Notes

- <sup>^</sup> Mr Holliday-Smith became a member of the Audit and Risk Committee with effect from 1 March 2013.
- \* Mr Aboud was appointed to the Clearing and Settlement Boards from 1 March 2013.
- \*\* Ms Broadbent retired on 5 October 2012.
- # Dr Henry was appointed on 1 February 2013.
- ## Ms Ridout was appointed on 29 August 2012. She became a member of the Nomination Committee and Remuneration Committee with effect from 1 March 2013.

### Director attendance at meetings

Details of director attendance at meetings up to 30 June 2013 are set out in the adjacent table.

All directors are invited to, and do regularly, attend meetings of subsidiary boards and committees, other than ASX Compliance Pty Limited. Attendance in the table is only recorded where a director is a member.

### Director appointment and independence

Director appointment is governed by ASX's constitution, the ASX Board charter and the charters of the Nomination Committee and Remuneration Committee. These documents are available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The ASX Board has a policy addressing independence. The policy requires that a majority of directors are independent and includes guidelines for assessing the materiality of directors' relationships that may affect their independence. This policy is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The Board presumes a relationship is material if it generates more than 10% of ASX Group revenue during a 12-month period (in the absence of contrary evidence). Relationships are presumed immaterial if they generate less than 5% of ASX Group revenue.

An annual review is undertaken to assess each director's independence.

Except for Mr Funke Kupper, who is an executive officer, all directors have been assessed to be independent.

The Board has not set a limit on directors' tenure. The ASX Board recognises that longstanding directors can bring a level of expertise, judgement and breadth of perspective that is of great value to the Board, management and shareholders.

An election of directors is held each year. Any director (except the Managing Director and CEO) who has been appointed during the year must stand for election at the next Annual General Meeting (AGM). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

### Access to information, management and advice

Directors have access to management to request information.

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

### Performance reviews

Performance of the Board and of its committees and individual directors is reviewed regularly so that individual directors and the Board work effectively and efficiently in fulfilling their functions set out in the Board charter.

## Corporate governance continued

The Chairman holds discussions with individual directors when evaluating their performance.

A performance evaluation for the Board, its committees and individual directors took place in the reporting period in accordance with the procedure described above.

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

### Board renewal and succession planning

Board renewal and succession planning is an important part of the governance process.

The Board regularly reviews and evaluates its succession planning process. The Nomination Committee oversees this process.

During the year, the Board has continued its process to recruit new directors to the Board. An external search firm has assisted the Board with this process.

The Board has developed a skills matrix that identifies the skills and experience of the current directors, and the skills and experience that the Board considers necessary and desirable for the future.

During FY13, Ms Broadbent retired and Ms Ridout and Dr Henry were appointed to the Board.

Mr Finemore retires by rotation at the upcoming AGM on 25 September 2013 and will offer himself for re-election. Dr Henry will

stand for election.

### Director remuneration

The current maximum aggregate amount that may be paid to all non-executive directors is \$2,800,000 per annum, as approved by shareholders at the AGM on 5 October 2012.

In FY13 the total amount paid to non-executive directors was \$1,929,112. This amount includes superannuation and fees paid to non-executive directors of ASX in their capacity as members of the ASX Board and its committees, and as directors of subsidiary company boards.

It does not include the fees paid to Mr Warne in his capacity as a director of the Securities Exchanges Guarantee Corporation Limited (SEGC), which is not a controlled entity of ASX.

The Board reviews its fees regularly to ensure ASX non-executive directors are remunerated fairly for their services, recognising the level of skill and experience required.

It also reviews its fees to ensure it has in place a fee scale that enables ASX to attract and retain talented non-executive directors. Non-executive directors' fees are broadly aligned to the top quartile of the marketplace.

In conducting a review, the Board may obtain advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies. The last fee review was effective 1 July 2008.

Currently, there is no directors' retirement scheme. A pre-existing retirement scheme was terminated in 2003. The last benefits under the pre-existing scheme were paid in 2010. There are no further entitlements to directors under the pre-existing retirement scheme.

Further details regarding remuneration of directors are set out in the remuneration report, which starts on page 51.

### Board committees

The ASX Board has established the following committees:

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

Each committee's charter sets out its role, responsibilities, composition and structure. The Audit and Risk Committee and the Nomination Committee also serve as committees of the Clearing and Settlement Boards. The Remuneration Committee also serves as a committee of the Clearing and Settlement Boards and the ASX Compliance Board. The committee charters are reviewed annually.

The charters are available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

An overview of each committee's responsibilities is provided in the table on the next page, together with the names of the committee members.

The skills, experience and qualifications of committee members are set out on pages 23 to 25. The number of meetings and attendance at those meetings are set out on page 26.

Each committee reports regularly to the ASX Board and minutes of the committee meetings are provided to the ASX Board.

The Audit and Risk Committee has responsibility for liaising with and monitoring the performance of the external auditor. PricewaterhouseCoopers was appointed as auditor at the 2008 AGM and in the opinion of directors has conducted the audit in an effective and competent manner.

### Key operating subsidiary boards

Set out on page 29 is a summary of the roles and responsibilities of the following key operating subsidiaries within the ASX Group:

- ASX Compliance Pty Limited
- ASX clearing and settlement subsidiaries.

# Corporate governance continued

Audit and Risk Committee	Nomination Committee	Remuneration Committee
<b>Responsibilities</b>		
<p><b>Assist the Board to:</b></p> <ul style="list-style-type: none"> <li>review and monitor the integrity of the ASX Limited financial reports and statements</li> <li>review and oversee systems of risk management, internal control and legal compliance, with the exception of certain matters where the Committee and the Board rely on the Clearing and Settlement Boards and ASX Compliance Board to provide oversight (refer to page 29)</li> <li>review the work, performance and objectivity of the internal auditor</li> <li>liaise with and monitor the performance and effectiveness of the external auditor, including terms of engagement, audit plan and findings, and assessment of independence</li> <li>be satisfied the level of non-audit work carried out by the external auditor is compatible with maintaining auditor independence.</li> </ul> <p>The Committee meets with external and internal audit without management present as necessary and at least once each year.</p> <p>Current practice is for the external audit engagement partner to rotate every five years.</p> <p><b>Clearing and Settlement Boards</b></p> <p>The Audit and Risk Committee also acts as the Audit and Risk Committee for the Clearing and Settlement Boards, where such matters relate to clearing and settlement operations and do not fall within the carve-out of matters overseen by the Clearing and Settlement Boards.</p>	<p><b>Assist the Board in:</b></p> <ul style="list-style-type: none"> <li>the nomination, selection and performance evaluation process for non-executive directors</li> <li>succession plans and induction programs for non-executive directors</li> <li>identifying skills and desirable competencies for the Board and Board committees</li> <li>setting and monitoring gender diversity strategies.</li> </ul> <p><b>Clearing and Settlement Boards</b></p> <p>The Nomination Committee also serves as the Nomination Committee for the Clearing and Settlement Boards. The Clearing and Settlement Boards have delegated responsibility to the Committee for nomination matters.</p>	<p><b>Assist the Board in reviewing the:</b></p> <ul style="list-style-type: none"> <li>remuneration for ASX Group non-executive directors</li> <li>remuneration and incentive framework for the Managing Director and CEO</li> <li>remuneration and incentive framework for senior executives and all staff.</li> </ul> <p><b>Clearing and Settlement Boards and ASX Compliance Board</b></p> <p>The Remuneration Committee also serves as the remuneration committee for the Clearing and Settlement Boards and the ASX Compliance Board.</p> <p>The Clearing and Settlement Boards have delegated responsibility to the Committee for compensation arrangements and performance management processes relating to the Chief Risk Officer and the Executive General Manager, Operations.</p> <p>The ASX Compliance Board has delegated responsibility to the Committee for compensation arrangements and performance management processes relating to the Chief Compliance Officer.</p>
<b>Members</b>		
Peter Marriott, Chair Independent non-executive director	Rick Holliday-Smith, Chair Independent non-executive director	Jillian Segal, Chair Independent non-executive director
Rick Holliday-Smith Independent non-executive director (from 1 March 2013)	Heather Ridout Independent non-executive director (from 1 March 2013)	Rick Holliday-Smith Independent non-executive director
Jillian Segal Independent non-executive director	Jillian Segal Independent non-executive director	Heather Ridout Independent non-executive director (from 1 March 2013)
Peter Warne Independent non-executive director	Peter Warne Independent non-executive director	Peter Warne Independent non-executive director



## Corporate governance continued

### ASX Compliance Pty Limited

The ASX Compliance Board assists the ASX Board by providing an oversight role for each of the ASX Group licensees satisfying their obligations in relation to compliance, enforcement, and conflict handling. The ASX Compliance Board charter at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm) sets out these responsibilities.

The Chief Compliance Officer reports directly to the ASX Compliance Board on all matters concerned with compliance and enforcement responsibility, including listed company compliance with Listing Rules and participant compliance with Operating Rules.

At the date of this report, there are four non-executive directors:

- Mr Alan Cameron AO (Chairman)
- Ms Elizabeth Johnstone
- Dr Tom Parry AM
- Ms Jillian Segal AM.

Ms Segal also sits on the Board of ASX Limited.

The role of ASX Compliance in the context of the regulatory oversight of Australia's financial markets is set out on page 12.

### ASX clearing and settlement subsidiaries

The clearing and settlement subsidiaries comprise six entities. There are four subsidiary companies that hold clearing and settlement

licences required to operate clearing and settlement facilities, and there are two intermediate holding companies.

The boards of the clearing and settlement subsidiaries have the same directors:

- Mr Elmer Funke Kupper
- Mr Russell About
- Ms Pippa (Phillipa) Downes
- Mr Phil Gray
- Mr Rick Holliday-Smith
- Mr Peter Marriott
- Mr Ian McGaw
- Mr Peter Warne.

All directors, other than Mr Funke Kupper, have been assessed to be independent.

Ms Downes and Messrs Gray and McGaw do not sit on the Board of ASX Limited.

These boards focus on risk management and oversight of the clearing and settlement operations of the clearing and settlement subsidiaries, including overseeing management of clearing and settlement risk.

The ASX Board relies on these boards to provide oversight of the management accounts of the clearing and settlement subsidiaries, the management of clearing and settlement risk, and compliance with the Financial Stability Standards determined by the RBA.

More details regarding the functions and governance of these boards are set out in the Clearing and Settlement Boards charter and the ASX Board charter, which are available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### Management Role and responsibilities of the Managing Director and CEO

The Board has delegated the day-to-day management of the ASX Group to the Managing Director and CEO.

The Managing Director and CEO is responsible for the overall operational and business management of ASX. He is also responsible for managing ASX's reputation and the profit performance of ASX in accordance with the strategy, plans and policies approved by the Board.

### Company secretaries

The Board is responsible for the appointment of company secretaries. The names of ASX's company secretaries and their skills, experience and qualifications are contained in the directors' report.

### Responsibilities of management

As set out above, the ASX Board has delegated the day-to-day management of the ASX Group to the Managing Director and CEO. Senior executives reporting to the Managing Director



and CEO have their roles and responsibilities defined in specific position descriptions.

The diagram above lists the senior executive roles reporting directly to the Managing Director and CEO. More details can be found at [www.asxgroup.com.au/business-structure.htm](http://www.asxgroup.com.au/business-structure.htm)

## Corporate governance continued

### Management performance and remuneration

- The Board assesses senior executive performance on an annual basis
- This assessment is undertaken with the assistance of the Managing Director and CEO and the Remuneration Committee
- Senior executives are assessed against group and individual performance targets
- The overall performance of the ASX Group, the senior executive's function and the individual performance of the executive is considered in assessing performance
- The Managing Director and CEO is not present when the ASX Board and committees consider his performance and remuneration
- Further details regarding executive and Managing Director and CEO performance and remuneration are set out in the remuneration report (commences page 51)
- A performance evaluation for senior executives took place within the reporting period in accordance with the process described above

### Trading by ASX Group directors and employees

The ASX Group Dealing Policy places restrictions on dealing in securities by ASX directors and employees. Using derivatives and hedging arrangements for unvested ASX securities or vested ASX securities which are subject to holding locks is prohibited.

Derivatives or hedging arrangements over vested ASX securities by a director or other Key Management Personnel will be publicly disclosed by ASX. ASX's Dealing Policy is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### Risk management

ASX views effective risk management as key to achieving and maintaining its operational and strategic objectives. The Board is responsible for approving and reviewing the ASX Group risk management strategy and policy, and has established an Audit and Risk Committee to assist with this responsibility. The active identification of risks and implementation of mitigation measures are responsibilities of management.

The operating and financial review outlines the Group's activities, performance during the year, financial position and main business strategies. It also discusses some of the risks associated with the achievement of financial and operating objectives. The environment, social and governance sections provide details of how ASX manages those obligations.

Management has established an Enterprise Risk Management Committee to approve risk policies, monitor framework execution and coordinate general risk matters consistent with the Board's risk appetite, and to oversee ASX's enterprise risk management framework. The risk framework recognises the broad economic and regulatory context the Group operates

within and, importantly, distinguishes between strategic risks and operational risks.

Internal control systems and procedures are reviewed by the internal auditor. The General Manager Internal Audit reports to the Audit and Risk Committee and the Managing Director and CEO for functional audit purposes, and to the Chief Risk Officer for administrative purposes. The internal audit function is independent of external audit, has full and free access to the Audit and Risk Committee, and also has full and free access to ASX employees and ASX records. The Audit and Risk Committee monitors management's response to internal audit reviews. A copy of the Internal Audit charter is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

Regulatory Assurance also provides an assurance function. Regulatory Assurance conducts oversight of the ASX Group's key obligations through mapping the compliance framework for key obligations with a focus on market operator and clearing and settlement facility obligations, providing training to the business so that key obligations are understood and complied with, undertaking compliance reviews, and reporting to key governance bodies and regulators.

When considering the Audit and Risk Committee's review of financial statements, the ASX Board receives a written statement signed by the Managing Director and CEO, and the Chief Financial Officer affirming that ASX's

financial statements give a true and fair view, in all material respects, of the consolidated entity's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that ASX's financial statements are founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks.

In a separate written statement, the Managing Director and CEO and Chief Risk Officer also confirm to the Board that ASX's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

A summary of ASX's risk management policies on risk oversight and management of material business risks is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### Continuous disclosure

A copy of ASX's policy on how it complies with its Listing Rule 3.1 disclosure obligations can be found at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm). This policy is reviewed annually. The policy was updated during the year to reflect changes to Guidance Note 8.

## Corporate governance continued

### Diversity

ASX is committed to providing an environment in which employees have equal access to opportunities available at work, are treated with fairness and respect, have a sense of value and belonging, and are not judged by unlawful or irrelevant reference to their cultural, sexual, religious or other attributes.

Diversity at ASX refers to all the characteristics that make individuals different from each other. They include characteristics such as religion, race, ethnicity, language, gender, sexual orientation, disability and age. Diversity at ASX is about the commitment to treating individuals equally and with respect.

This commitment to diversity and inclusion enables ASX to attract and retain employees with the best skills and abilities. The ASX Diversity Policy was reviewed in FY13 and a summary is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

ASX addresses discrimination and harassment through prevention and online training. Upon commencing employment, all ASX staff complete online equal employment opportunity training in line with the ASX Diversity Policy. Specific training for all managers on these topics is conducted annually. ASX has processes in place to monitor and address discrimination.

ASX is also working to increase the participation of employees with disabilities in the workforce, given the real and significant barriers they face in being accorded equal and fair treatment, by developing a Disability Action Plan.

ASX has a strong commitment to gender diversity. In the last year, ASX's diversity initiatives focused on identifying and eliminating barriers to both development and career progression for men and women within the organisation.

In accordance with the requirements of the Workplace Gender Equality Act 2012, ASX lodged its annual public report with the Workplace Gender Equality Agency on 31 May 2013. A copy of this report can be accessed on the ASX website at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

Since 2010, ASX has been aiming for at least 33.3% female representation on the Board and in management (defined as the first three levels of management after the Managing Director and CEO) by 2015.

ASX was ranked 'Green' in the 2013 Women on Boards Traffic Lights Index on Gender Balance.

In FY13, ASX lifted its diversity goals and set targets for separate executive levels (Figure 1). This allows for greater transparency of how men and women are entering and progressing through levels of management within the organisation.

Figure 1. Gender diversity at ASX as at 30 June 2013

ASX level	Number of ASX directors/ employees	Number of ASX women (at 30 June 2013)	% of ASX women (at 30 June 2013)	ASX FY16 target female representation
<i>Non-executive directors</i>	8	2	25	33.3
CEO	1	0	0	n/a
Group Executives (CEO -1)	9	3	33	40
General Managers (CEO -2)	31	8	26	40
Managers (CEO -3)	71	24	34	40
Team Leaders/Supervisors (CEO -4)	25	12	48	50
Professional/technical	394	154	39	40
Administrative	40	33	83	n/a
<i>Entire organisation</i>	<i>571</i>	<i>234</i>	<i>41</i>	<i>45</i>

### Definitions

Group Executives (CEO -1): direct reports to the CEO (the Executive Committee) and all Key Management Personnel.

General Managers (CEO -2): executives two layers down from the CEO across the organisation.

Managers (CEO -3): executives three layers down from the CEO across the organisation.

Team Leaders/Supervisors (CEO -4): executives four layers down from the CEO across the organisation.

Entire organisation: the organisation does not include members of the Board. Figures include casual staff and exclude independent contractors.

Note: All data provided is non-cumulative and is calculated on the number of full-time and part-time employees in each level.

In FY13 the following initiatives were undertaken to progress gender equality across the organisation:

- ASX introduced gender diversity targets in Group Executives' Key Performance Indicators (KPIs), in line with the Group's gender diversity targets
- the ASX CEO continued as a member of the Male Champions of Change initiative - a corporate and institutional collaboration that is committed to actively advancing gender equality
- a requirement was introduced that at least one female candidate be shortlisted for every vacancy at the CEO -1, CEO -2 and CEO -3 level

## Corporate governance continued

- a customised set of gender diversity questions was introduced into the ASX staff survey to provide insights into any cultural barriers to gender diversity
- ASX sponsored high-potential female employees' participation in the Chief Executive Women Leaders Development Program
- ASX's policy is that a request for flexible working arrangements should be accommodated unless a good reason is given why such a request cannot be granted
- ASX achieved accreditation as a Breastfeeding Friendly Workplace from the Australian Breastfeeding Association. This accreditation recognises ASX's commitment to supporting parents in the workplace.

Flexible working arrangements are explicitly considered when recruiting for new roles.

### Code of Conduct

ASX's Code of Conduct promotes ethical and responsible decision-making by directors and employees. Employees are required to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment. A summary is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

ASX also has a Whistleblower Protection Policy designed to support and protect employees who report non-compliant or suspicious and unethical conduct by other employees. This policy formalises ASX's commitment to protect

the confidentiality and position of employees wishing to raise serious matters that affect the integrity of ASX.

### Conflict handling arrangements

ASX's conflict handling arrangements are part of our corporate governance framework and encompass the following:

- customers, competitors and supplier arrangements
  - licence obligations including the 'review party' framework
  - Trade Acceptance Service (competitors and other licensed operators)
  - information handling under the Code of Practice
- governance arrangements
  - ASX self-listing
  - directors
  - Managing Director and CEO
  - ethics
  - monitoring our own compliance.

More detail regarding our conflict handling arrangements can be found at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### Shareholder engagement

ASX aims to communicate concisely, accurately and in plain language with its shareholders. We will deal with shareholders fairly, transparently and openly.

ASX's objective is to be best practice in relation to disclosure. All market sensitive disclosure is first made available on the ASX Market Announcements Platform. We also use a number of channels and technologies to communicate widely and promptly. ASX commits to facilitating shareholder participation in shareholder meetings, and to respectfully and quickly dealing with shareholder inquiries.

All discussions with analysts are conducted by or with the prior approval of the Managing Director and CEO and the Chief Financial Officer, and are limited to an explanation of previously published material and general discussion of non-price sensitive information.

Where information is likely to be price sensitive, ASX will immediately notify the market. If there is an analyst briefing on that day, the announcement will be released prior to the briefing.

Unless authorised by the Managing Director and CEO, meetings with analysts will not be held within a four-week blackout period in advance of the half-year or full-year results announcements.

The shareholder communications and meetings statement is available at [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

### AGM

ASX's AGM will be on Wednesday 25 September 2013 at 10.00 am Sydney time, in the ASX

Auditorium, lower ground floor, Exchange Square, 18 Bridge Street Sydney.

Further details about ASX's upcoming 2013 AGM are provided on page 118.

### Political donations

ASX makes donations to political parties from time to time. During FY13 and up to the time of publication, ASX paid \$100,000 to the Federal Labor Business Forum and \$100,000 to the Liberal Party Australian Business Network.

### Stakeholder and customer engagement

ASX is committed to stakeholder and customer engagement in support of its business objectives.

ASX has adopted a Customer Charter that sets out how the company balances the interests of its customers, shareholders and the broader financial markets. The Charter is set out at page 6 of this report.

We have also established a specific Code of Practice, including an industry forum, for ASX's cash market clearing and settlement services. Information is available on ASX's website at [www.asx.com.au/cs/](http://www.asx.com.au/cs/)

ASX is a member or affiliate member of the Australian Financial Markets Association (AFMA), Business Council of Australia (BCA), Financial Services Council (FSC), World Federation of Exchanges (WFE), Stockbrokers Association of Australia and Asia Society.

## Key financial ratios

Year ended 30 June 2013	Notes	FY09	FY10	FY11	FY12	FY13
Basic EPS (including significant items)	1,6	180.4c	187.4c	198.4c	190.6c	195.5c
Diluted EPS (including significant items)	1,6	180.2c	187.4c	198.4c	190.6c	195.5c
Underlying EPS (excluding significant items)	4,5,6	180.4c	190.0c	200.8c	194.6c	195.5c
Dividends per share – interim		90.4c	89.1c	90.2c	92.8c	87.9c
Dividends per share – final		74.5c	84.0c	93.0c	85.1c	82.3c
Statutory return on equity (including significant items)	2	11.5%	11.6%	12.0%	11.5%	11.5%
Underlying return on equity	4	11.5%	11.8%	12.1%	11.7%	11.5%
EBITDA/operating revenue	3,4	74.3%	77.2%	78.1%	76.9%	76.3%
EBIT/operating revenue	3,4	71.5%	74.0%	74.3%	72.4%	71.4%
Total expenses (including depreciation and amortisation)/operating revenue	3,4	28.5%	26.0%	25.7%	27.6%	28.6%
Capital expenditure (\$'000)	2	\$25,787	\$27,549	\$50,230	\$39,074	\$38,881
Net tangible asset backing per share	2	\$2.66	\$3.49	\$4.01	\$3.85	\$5.04
Net asset backing per share	2	\$16.20	\$16.83	\$17.25	\$17.10	\$18.05
Shareholders' equity as a % of total assets (excluding participants' balances)	2	87.3%	80.5%	82.4%	83.5%	91.9%
Shareholders' equity as a % of total assets (including participants' balances)	2	40.9%	44.1%	48.9%	45.9%	45.1%

Year ended 30 June 2013	Notes	FY09	FY10	FY11	FY12	FY13
Share price at end of period	7	\$36.42	\$28.71	\$29.98	\$29.36	\$33.07
Ordinary shares on issue at end of period		171,188,524	173,573,245	175,136,729	175,136,729	184,066,764
Weighted average number of ordinary shares	6	173,888,769	175,087,834	177,534,497	177,916,677	178,068,323
Market value of ordinary shares on issue (\$m)		\$6,332	\$5,061	\$5,333	\$5,223	\$6,087
Market to book ratio		2.28	1.73	1.77	1.74	1.83

### Full-time equivalent permanent staff:

- number at period end		553	531	502	505	529
- average during the period		554	540	505	502	515

### Notes

1. Based on statutory NPAT and weighted average number of shares.
2. Based on statutory NPAT.
3. Operating revenue excludes interest and dividend revenue (underlying).
4. Excludes significant items.
5. Based on underlying NPAT and weighted average number of shares.
6. Prior years have been restated for the bonus element of the rights issue.
7. The share price for prior years has been restated.

## Transaction levels and statistics

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>Listings and issuer services</b>					
Total domestic market capitalisation (\$bn)	\$1,098	\$1,254	\$1,349	\$1,186	\$1,347
Total number of listed entities (includes all stapled entities)	2,198	2,192	2,247	2,211	2,185
Number of new listings	45	93	160	99	82
Average annual listing fee	\$21,153	\$24,254	\$26,086	\$27,388	\$27,463
Average initial listing fee	\$54,234	\$67,661	\$81,865	\$63,160	\$87,139
Average fee per \$m of secondary capital	\$398	\$723	\$759	\$851	\$1,026
Initial capital raised (\$m)	\$1,885	\$11,460	\$29,387	\$10,187	\$9,908
Secondary capital raised (\$m)	\$88,079	\$65,087	\$33,745	\$32,558	\$32,448
Other secondary capital raised including scrip-for-scrip (\$m)	\$32,561	\$4,469	\$24,947	\$7,850	\$4,027
<b>Total capital raised (including other) (\$m)</b>	<b>\$122,525</b>	<b>\$81,016</b>	<b>\$88,079</b>	<b>\$50,595</b>	<b>\$46,383</b>
Number of new warrant series quoted	3,194	2,303	2,822	7,113	6,690
Total warrant series quoted	2,516	2,226	2,409	4,743	5,140
Number of CHES holding statements issued (m)	13.8	15.8	14.1	11.1	11.1

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>Cash market</b>					
Trading days	254	253	253	253	252
Total cash market trades ('000)	106,680	132,250	144,321	165,806	174,750
Average daily cash market trades	420,002	522,729	570,440	655,359	693,454
Open trading (\$bn)	\$833.201	\$972.090	\$803.513	\$717.882	\$645.161
Auctions trading (\$bn)*	-	-	\$156.315	\$147.213	\$147.418
Centre Point (\$bn)	N/A	\$0.014	\$4.700	\$19.879	\$36.953
Trade reporting (\$bn)	\$296.259	\$387.200	\$374.612	\$300.443	\$216.420
<b>Total cash market value (\$bn)</b>	<b>\$1,129.460</b>	<b>\$1,359.304</b>	<b>\$1,339.140</b>	<b>\$1,185.327</b>	<b>\$1,045.952</b>
Average daily cash market value (\$bn)	\$4.447	\$5.373	\$5.293	\$4.685	\$4.151
Average trade size (\$)	\$10,587	\$10,278	\$9,279	\$7,149	\$5,985
Total billable value (\$bn)	\$1,093.226	\$1,302.769	\$1,300.726	\$1,161.573	\$1,024.227
Average cash market trading, clearing and settlement fee	\$1.30	\$1.14	\$0.93	\$0.75	\$0.66
Average fee per dollar of value (bps)	1.23	1.11	1.00	1.05	1.10
Velocity (total value/average market capitalisation)**	107%	103%	97%	97%	86%
Number of dominant settlement messages (m)	16.2	17.8	16.8	16.1	15.4

\* Auctions trading included in open trading in FY09 and FY10.

\*\* Total value on ASX and Chi-X.

## Transaction levels and statistics continued

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>ASX derivatives</b>					
Trading days (ASX)	254	253	253	253	252
<b>Equity derivatives (excluding ASX SPI 200)</b>					
Total contracts ('000)*	19,005	21,654	47,248	163,898	157,293
Average daily derivatives contracts*	74,821	85,590	186,751	647,819	624,179
Average fee per derivatives contract*	\$1.34	\$1.46	\$0.65	\$0.17	\$0.18
<b>Total contracts ('000) - converted to previous contract size</b>					
Equity options	15,165	16,639	15,649	15,162	14,553
Index options and futures	3,640	4,628	7,016	12,125	1,762
Grains futures and options on futures <sup>^</sup>	200	387	483	154	0
<b>Total contracts ('000) - converted to previous contract size</b>	<b>19,005</b>	<b>21,654</b>	<b>23,148</b>	<b>27,441</b>	<b>26,315</b>
<b>Contracts-for-difference</b>					
Total trades	85,883	124,172	92,905	79,854	70,255
Notional value traded (\$m)	\$1,974.0	\$3,615.6	\$3,466.0	\$2,518.0	\$1,528.8
Total open interest value (\$m) at end of period	\$64.7	\$118.6	\$87.1	\$65.7	\$52.9
Total contracts traded ('000)	90,330	152,948	176,524	128,084	110,296

\* Size of contracts reduced in May 2011.

<sup>^</sup> Grain contracts moved to ASX 24 derivative market in October 2011.

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>ASX 24 derivatives</b>					
Trading days (ASX 24)	256	256	256	256	255
<b>Total contracts - futures ('000)</b>					
ASX SPI 200	10,360	9,738	10,506	11,811	10,259
90 day bank bills	15,184	16,538	20,729	21,652	25,866
3 year bonds	22,275	30,196	38,832	42,503	47,499
10 year bonds	10,813	11,274	15,230	17,220	21,211
30 day interbank cash rate	2,105	3,691	6,195	5,334	4,780
Agricultural	17	7	7	288	354
Electricity	102	151	210	183	168
Other	2	8	1	5	19
NZD 90 day bank bills	1,406	1,627	1,694	1,597	1,176
<b>Total futures</b>	<b>62,264</b>	<b>73,230</b>	<b>93,404</b>	<b>100,593</b>	<b>111,332</b>
<b>Total contracts - options on futures ('000)</b>					
ASX SPI 200	398	352	379	477	349
90 day bank bills	132	37	52	25	7
3 year bonds	203	405	562	347	526
Overnight 3 year bonds	789	1,375	2,039	1,029	1,914
Intra-day 3 year bonds	252	679	1,504	978	1,443
Other	28	19	28	30	37
<b>Total options on futures</b>	<b>1,802</b>	<b>2,867</b>	<b>4,564</b>	<b>2,886</b>	<b>4,276</b>
<b>Total futures and options on futures contract volume ('000)</b>	<b>64,066</b>	<b>76,097</b>	<b>97,968</b>	<b>103,479</b>	<b>115,608</b>
Daily average contracts - futures and options	250,250	297,254	382,688	404,215	453,365
Average fee per contract - futures and options	\$1.69	\$1.53	\$1.45	\$1.56	\$1.46

## Transaction levels and statistics continued

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>Austraclear services</b>					
Settlement days	252	253	253	253	252
<b>Transactions ('000)</b>					
Cash transfers	667	613	613	616	587
Fixed interest securities	329	474	638	733	763
Discount securities	326	290	237	217	183
Foreign exchange	28	30	31	22	21
Other	14	13	12	11	12
<b>Total transactions</b>	<b>1,364</b>	<b>1,420</b>	<b>1,531</b>	<b>1,599</b>	<b>1,566</b>
Average daily settlement volume	5,413	5,611	6,052	6,319	6,214
Securities holdings (monthly average \$bn)	\$1,042.0	\$1,115.0	\$1,195.4	\$1,292.3	\$1,374.5
Securities holdings (period end \$bn)	\$1,071.2	\$1,160.2	\$1,242.7	\$1,330.9	\$1,406.8
Average settlement and depository fee (including portfolio holdings) per transaction (excludes registry services revenue)	\$11.23	\$13.48	\$13.15	\$13.54	\$14.01
<b>System uptime (period average)</b>					
ITS / ASX Trade	100.00%	100.00%	99.92%	99.75%	100.00%
CHESS	100.00%	100.00%	99.96%	99.99%	99.99%
SYCOM® / ASX Trade24	99.89%	99.98%	99.97%	100.00%	100.00%
SECUR	100.00%	99.99%	100.00%	100.00%	100.00%
EXIGO	99.91%	99.89%	100.00%	99.89%	100.00%

Year ended 30 June 2013	FY09	FY10	FY11	FY12	FY13
<b>Technical services</b>					
<b>Liquidity access</b>					
No. of ASX sessions – period end	1,339	1,641	1,737	1,737	1,526
No. of ASX gateways – period end	377	404	321	302	248
No. of ASX liquidity cross connects – period end	N/A	N/A	71	75	70
No. of ASX 24 gateways – period end	351	405	431	352	272
No. of ASX 24 liquidity cross connects – period end	N/A	N/A	N/A	154	221
<b>Community and connectivity</b>					
No. of ASX Net connections – period end	N/A	N/A	134	125	140
No. of ASX Net service feeds – period end	N/A	N/A	189	270	356
No. of Australian Liquidity Centre service connections – period end	N/A	N/A	N/A	110	415
<b>Application services</b>					
No. of ASX trader/ASX Best terminals – period end	771	760	743	609	491
<b>Hosting</b>					
No. of Australian Liquidity Centre cabinets – period end	N/A	N/A	N/A	76	117
No. of other data centre cabinets – period end	28	53	68	8	7
<b>Information services</b>					
ASX market data terminals – monthly average	69,709	68,666	67,580	56,727	49,964
ASX 24 market data terminals – monthly average	18,583	17,684	18,616	19,576	18,829





# Statutory report

## Financial statements

ASX Limited and its controlled entities ABN 98 008 624 691

Directors' report .....	38
Auditor's independence declaration .....	67
Consolidated statement of comprehensive income .....	68
Consolidated balance sheet .....	69
Consolidated statement of changes in equity .....	70
Consolidated statement of cash flows .....	71
Notes to the financial statements .....	72
Directors' declaration .....	115
Independent auditor's report to the members of ASX Limited .....	116

Shareholder information .....	117
Directory .....	119

# 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 2013 (FY13) 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 consolidated net profit after tax for the year attributable to the members of ASX was \$348,178,751 (2012: \$339,152,597).

## 1. 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 R Holliday-Smith**  
(Chairman since 28 March 2012)  
Director since 2006\*

**Mr E Funke Kupper**  
(Managing Director and CEO)  
Appointed 6 October 2011

**Mr RA Aboud**  
Director since 2005

**Mr SD Finemore**  
Director since 2007

**Dr KR Henry AC**  
Appointed 1 February 2013

**Mr PR Marriot**  
Director since 2009

**Ms HM Ridout AO**  
Appointed 29 August 2012

**Ms JS Segal AM**  
Director since 2003

**Mr PH Warne**  
Director since 2006\*\*

\* Chairman of SFE Corporation Limited from 1998 to 2008.

\*\* Director of SFE Corporation Limited from 2000 to 2008.

Ms JR Broadbent AO was a director from February 2010 until her retirement on 5 October 2012.

Directors' meetings and their attendance at those meetings for FY13 (including meetings of committees of directors) are disclosed in the corporate governance statement on page 26 of the Annual Report.

## 2. Company secretaries

**Amanda J Harkness,**  
Group General Counsel and Company Secretary,  
BEc LLB (Hons)(ANU), MA (Macquarie), FCIS,  
FAIM, FAICD

Ms Harkness is General Counsel and Company Secretary. As Company Secretary, she is responsible for company secretarial and corporate governance support across the Group. Ms Harkness has held senior adviser roles as a partner in the Australian law firm Herbert Smith Freehills and at the consulting firm McKinsey & Co. Ms Harkness has held executive management roles in Telstra and a start-up joint venture funded by British Telecom. She has worked in businesses in Australia, New Zealand, Malaysia, Korea, Hong Kong and Japan. Since 2009, she has been a non-executive director of Vodafone Hutchison Australia Pty Limited. Previously she has served on a range of Federal Government advisory boards focused on innovation and technology development.

The following people are also company secretaries: Elisabeth Joyner, BA (Jurisprudence) (Adelaide), LLM (Syd), FCIS, Deputy Company Secretary; and Daniel Csillag, BA, LLB (UNSW), Legal Counsel and Company Secretary. They both have experience in company secretariat roles arising from time at ASX, large listed companies or other relevant entities.

## 3. Report on the business

### 3.1 Principal activities

During the year the principal continuing activities of the Group consisted of the provision of:

- securities exchange and ancillary services
- derivative exchange and ancillary services
- central counterparty clearing services
- registry, settlement and delivery-versus-payment clearing of financial products.

### 3.2 Operating and financial review

#### Introduction

The operating and financial review outlines the Group's activities, performance during the year, financial position and main business strategies. It also discusses some of the risks associated with the achievement of financial and operating objectives.

#### 3.2.1 Business model and operating environment

ASX is a multi-asset class and vertically 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 and other subsidiaries. ASX is supervised by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA).

## Directors' report continued

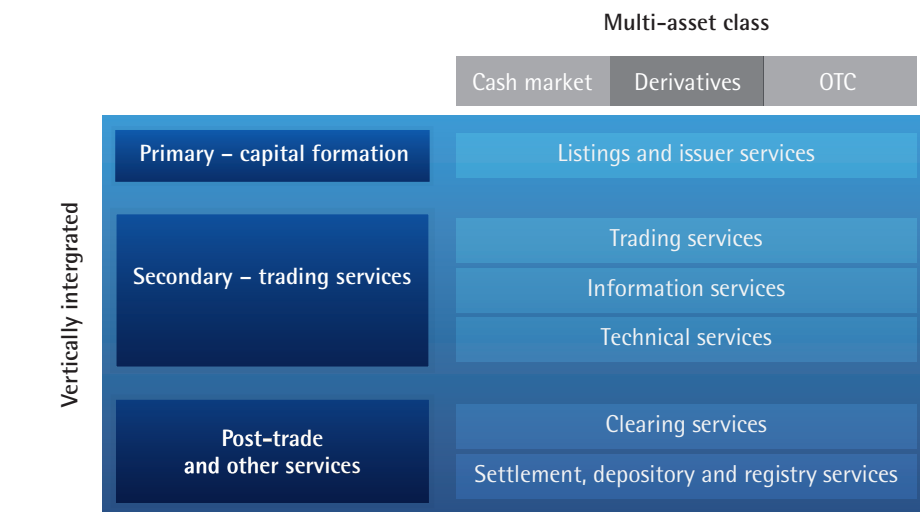
ASX services companies and other issuers that list equity and debt securities on the exchange, as well as a wide range of retail and institutional investors that invest in and trade those securities. Many of ASX's services are provided through intermediaries including specialist stockbrokers, Australian banks and Australian-based international banks. Clients of these intermediaries include retail and corporate investors, asset managers, custodians and other financial market participants. While ASX's operations are primarily based in Australia, the Group services both domestic and international customers and some of its services are accessible from offshore.

ASX's diversified business model is reflected in the adjacent diagram. ASX's business model is typical of large exchange groups operating in the Asian region.

Revenue is earned by ASX from various stages of the value chain as discussed below.

### Primary markets – capital formation

ASX, through its listing rules, provides a facility for companies to list, raise capital, and have their securities publicly traded. Capital formation is the process that brings together, in one marketplace, organisations that require capital and those that can provide it. Listed companies can access capital initially by first listing on the exchange (initial public offering or IPO) and subsequently raising additional capital (secondary capital raising).



The Group also provides other services to issuers of capital, including the generation of security holding statements and other shareholder and sub-register services. At 30 June 2013, there were 2,185 issuers on ASX. Next to the shares of listed companies, ASX lists debt securities and exchange-traded funds. In May 2013, ASX started quoting Australian Government bonds, making government debt securities available to retail investors.

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 IPOs
- level of corporate actions such as capital raisings and mergers and acquisitions
- level of retail trading activity and the resulting number of security holding statements.

ASX faces competition for listings from other exchanges both domestically and internationally. There are also other non-public means of raising capital, such as private equity funds, which can compete with the ASX primary market.

### Secondary markets – trading services

The Group operates two markets and trading platforms to facilitate the buying and selling of exchange-traded securities:

- ASX: trading of cash markets securities including equity (shares), equity derivatives such as options over individual shares, warrants, exchange-traded products (such as exchange-traded funds) and listed interest rate securities. At 30 June 2013, there were 85 trading participants on ASX. Many of these participants provide intermediary broking services to end clients. The value of turnover transacted on the market is the primary revenue driver.

In October 2011, the market structure for cash equities changed and a second licensed market operator (Chi-X) commenced, offering trading in ASX-listed securities.

- ASX 24: trading of derivative contracts including interest rate and equity index futures and options, agricultural and energy futures and options, and contracts-for-difference (CFDs) on ASX-listed equities. At 30 June 2013 there were 46 ASX 24 participants, the majority of which provide intermediary broking services. The volume of contracts traded is the primary revenue driver.

Competition in ASX 24 derivatives is mainly from offshore exchanges and alternative over-the-counter (OTC) derivatives.

## Directors' report continued

The Group provides information and technical services to its clients to support their secondary market activities. Information services include the provision of real-time market data for the cash and derivative markets, and company news, index and other reference data. The main revenue driver is the number of end users accessing the ASX and ASX 24 real-time market 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:

- liquidity access to ASX platforms
- community and connectivity services including lower latency communications network via ASX Net
- application services including terminals and smart order routers
- hosting of customer hardware within the ASX Australian Liquidity Centre (ALC).

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.

### Post-trade and other services

ASX's clearing and settlement infrastructure provides critical risk management services to financial market participants and investors. ASX's post-trade operations are backed by significant capital and collateral, and are overseen by Australian regulators.

#### Clearing

ASX provides central counterparty clearing (CCP) services to the secondary markets of ASX and ASX 24. It does this through the operation of two licensed subsidiaries, ASX Clear and ASX Clear (Futures). In addition, an OTC clearing service was launched in July 2013 to provide CCP services for OTC A\$ interest rate swaps.

As CCPs, the clearing subsidiaries of ASX become the central counterparty to every trade and assume the credit risk of each ASX Clearing Participant. In effect, they become the seller to every buyer and the buyer to every seller. This process is known as novation. Further details on these activities are contained in note 25 to the financial statements. The main revenue driver for clearing services is the value of securities or number of contracts novated and centrally cleared.

#### Cash equities settlement

ASX's settlement services help reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors. Settlement occurs on a delivery-versus-payment (DvP) basis and involves the exchange of cash for physical delivery of securities.

Cash market settlement is conducted through the Clearing House Electronic Sub-register System (CHES). This system registers the title (ownership) of shares and held \$1.3 trillion of securities at 30 June 2013. 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 (known as DvP model 3). The main driver of settlement revenue is the number of settlement messages.

ASX is currently the sole provider of clearing and settlement services for Australia's cash market. ASX provides services to Chi-X through a Trade Acceptance Service allowing transactions conducted on the Chi-X trading platform to be seamlessly cleared and settled alongside ASX transactions.

#### Austraclear

Austraclear provides settlement, depository and registry services for debt securities and cash transactions. ASX's model for debt securities settles transactions on a trade-by-trade basis, which provides for certainty of settlement (DvP model 1). The number of transactions is the main revenue driver.

Depository services are provided across many products through the Austraclear Central Securities Depository (CSD), which held \$1.4 trillion of debt securities at 30 June 2013. The securities held in Austraclear consist of fixed income securities such as asset backed

securities, Australian government bonds and semi-government bonds. Settlement of transactions on these securities occurs through real-time gross settlement (RTGS). The value of securities held is the main revenue driver.

Registry services are provided whereby Austraclear facilitates security registration, the holding of relevant documentation and the subsequent cash transfers associated with the terms of the individual securities. The main drivers of registry revenues are the number and value of securities held in the registry.

In July 2013, the ASX Collateral service was launched. This service will allow customers of ASX to utilise collateral held in ASX's Austraclear debt registry to meet obligations to other customers or to ASX's clearing subsidiaries. These securities may be used as an alternative to the customer providing cash collateral. This service provides attractive efficiencies to ASX customers. ASX expects to earn revenues for the provision of the service based on the value of collateral lodged.

The contribution of each of the above services to the Group's overall revenue and a review of the Group's operations in the financial years are discussed below.

## Directors' report continued

### 3.2.2 Review of operations

#### Significant transactions

During the year the Group undertook the following significant transactions.

#### Equity raising

On 11 June 2013, ASX announced it was issuing new shares to raise approximately \$553 million. The raising was conducted as a fully underwritten 2 for 19 pro rata accelerated renounceable entitlement offer with retail trading of the entitlements. The offer was completed in two stages (institutional: 24 June 2013 and retail: 16 July 2013) and resulted in the issue of an additional 18,458,433 ordinary ASX Limited shares. The proceeds from the entitlement offer will be applied for the following purposes:

- provide \$200 million additional equity to ASX Clear (Futures) – the clearing facility and central counterparty for all futures, options on futures, and ASX-listed CFDs
- repay a non-recourse \$250 million borrowing in ASX Clearing Corporation (a wholly-owned subsidiary of ASX Limited)
- fund current and future growth initiatives and support other licensed subsidiaries of the Group.

ASX is investing the additional equity in ASX Clear (Futures) to address international capital standards for CCPs which are higher than the previous standard. Since ASX is providing clearing services to European and US banks,

it will need to comply with the regulatory standards set by the regulators in those markets. ASX expects that ASX Clear (Futures) will meet the highest level of the international capital standards.

Investment in the Group's clearing houses will support ASX's existing business and strengthen the position of ASX to compete on a global basis. The repayment of the debt facility eliminates any potential refinancing risk.

The impact of the equity raising on the Group is reflected in note 23 to the financial statements.

#### Purchase of d-cyphaTrade Limited (d-cypha)

On 31 May 2013, ASX acquired 100% of the issued share capital of d-cypha. On acquisition d-cypha was renamed ASX Energy Limited. This entity researches, develops, markets and promotes Australian energy futures and options for trading and clearing on the futures market operated by ASX. The acquisition enables the Group to combine the sales and product innovation strengths of d-cypha with the distribution and risk management capabilities of ASX, and to expand its position in the energy derivatives markets.

The Group acquired d-cypha for \$55.1 million with the majority of the purchase consideration being attributable to goodwill. Refer to note 9 of the financial statements for further details on the acquisition.

### 3.2.3 Results of operations

The Group's statutory profit after tax for the year ended 30 June 2013 increased 2.7% to \$348.2 million from the prior comparable period (pcp). The pcp profit after tax included \$7.0 million of significant expenses associated with the strategic review of the business undertaken in that year. No such significant expenses were incurred in FY13.

When measured on an underlying basis (excluding significant items), profit after tax increased 0.6% compared to the pcp.

A summary income statement in line with the Group's segment note is reflected below:

\$ million	FY13	FY12	Variance % fav/ (unfav)
Operating revenue	617.4	610.4	1.1
Cash operating expenses	146.2	141.1	(3.6)
<b>EBITDA</b>	<b>471.2</b>	<b>469.3</b>	<b>0.4</b>
Depreciation and amortisation	30.4	27.6	(9.9)
<b>EBIT</b>	<b>440.8</b>	<b>441.7</b>	<b>(0.2)</b>
Interest and dividend income	53.5	49.8	7.4
<b>Underlying profit before tax</b>	<b>494.3</b>	<b>491.5</b>	<b>0.6</b>
Tax expense	(146.1)	(145.3)	(0.5)
<b>Underlying profit after tax</b>	<b>348.2</b>	<b>346.2</b>	<b>0.6</b>
Significant items	-	(7.0)	100.0
<b>Statutory profit after tax</b>	<b>348.2</b>	<b>339.2</b>	<b>2.7</b>

Activity levels in the first six months of the year remained subdued and as a result, underlying profit after tax was down 5.3% compared to the pcp. Market conditions improved in the next six months and underlying profit after tax in the second half increased 7.0% compared to pcp.

#### Earnings per share (EPS)

The Group's earnings per share in FY13 were 195.5 cents. The impact of the capital raising on EPS was not material as it occurred late in the financial year.

In order to provide a comparison to the previous year, the prior year's EPS has been restated to adjust for the impact of the capital raising. The restated EPS in FY12 is 190.6 cents. On this basis, the increase in EPS is 2.6% and resulted from higher earnings in the current year.

#### Dividends

The Board's dividend policy is to pay 90% of underlying earnings after tax. This policy remained unchanged in the current financial year.

ASX paid an interim dividend of 87.9 cents per share and will pay a final dividend of 82.3 cents per share on 25 September 2013. The final dividend will be paid on the expanded number of shares following the issue of 18,458,433 new shares from the institutional and retail entitlement offer.

## Directors' report continued

### Operating revenue

Group operating revenue increased 1.1% compared to the pcp. Cash market and information services revenue declined as these businesses are directly linked to equity trading activity, which was lower than the pcp. This revenue decline was more than offset by growth in ASX's other businesses including listings and issuer services, derivatives, technical services and Austraclear.

The table below depicts the contribution to operating revenue from ASX's various business activities. Derivatives and OTC markets is ASX's largest business contributing 32% to Group revenues during the year.

Revenue Category	FY13 \$ million	%
Listing and issuer services	139.7	23%
Cash market trading	32.8	5%
Cash market clearing	41.6	7%
Cash market settlement	40.2	7%
Information services	61.8	10%
Technical services	49.8	8%
Derivatives and OTC markets	197.3	32%
Austraclear services	38.6	6%
Other revenue	15.6	2%
<b>Total operating revenue</b>	<b>617.4</b>	<b>100%</b>

Operating revenue contributed by the various business activities is detailed below.

Details of transaction levels which drive a large portion of ASX's revenues are contained on pages 34 to 36 of the Annual Report.

Listings and issuer services - \$139.7 million, up 4.7%

Activity drivers across primary markets were weaker than the pcp with fewer new listings and lower levels of corporate actions, such as mergers and acquisitions. Revenue increased in FY13 predominantly as a result of fee changes made at the beginning of the financial year.

- Initial listing revenue - up 14.3% to \$7.2 million. There were 82 IPOs compared to 99 in the pcp. Capital raised from these new listings amounted to \$9.9 billion, down 2.7% from \$10.2 billion in the pcp.
- Annual listing revenue - down 0.9% to \$60.0 million. There were 2,185 entities on the ASX official list of companies at 30 June 2013 compared to 2,211 a year earlier.
- Secondary capital raisings revenue - up 8.7% to \$37.4 million. Secondary capital raised was \$36.5 billion compared to \$40.4 billion in the pcp.
- Issuer services revenue - up 12.6% to \$26.5 million. The number of equity holding statements was down marginally on the pcp.

Cash market - \$114.6 million, down 7.9%

Cash market revenue includes fees for trading (\$32.8 million), clearing (\$41.6 million) and settlement (\$40.2 million) of ASX-quoted securities including equities, debt securities and exchange-traded funds.

In the first half, market conditions remained weak and cash market revenue was down 18.0%. In the second half, conditions improved and revenue was up 3.8%. For the full-year:

- Trading revenue - down 9.6% to \$32.8 million. The decrease resulted from a fall in on-market value traded on ASX which was down 6.3% compared to pcp. ASX's market share of on-market trading averaged 94.6% for the year.
- The value of trades reported to ASX through the Trade Reporting service declined 28% in FY13. This service attracts lower fees than trade execution.
- Cash market clearing - down 9.4% to \$41.6 million. The total value cleared decreased 7.4% to \$906 billion, reflecting the decline in cash market activity in Australia.
- Cash market settlement - down 4.8% to \$40.2 million. Lower overall activity levels led to a decrease in main settlement messages of 4.0% to 15.4 million.

In January 2013 ASX introduced new revenue sharing arrangements to improve alignment with its cash market customers. For the six months from 1 January 2013 to 30 June 2013, ASX rebated a total of \$2.2 million across the three schemes that cover cash market trading, clearing and settlement.

Derivatives and OTC markets - \$197.3 million, up 4.6%

Derivatives revenue includes revenue for trading and clearing of options, futures and CFDs on ASX and ASX 24 markets.

- ASX 24 - up 5.0% to \$169.0 million. The increase in revenue was due to an 11.7% increase in contract volumes traded to 115.6 million. The growth was driven by the second half of the year, which saw improved trading conditions in Australia's interest markets. The increase in activity levels allowed ASX to pay \$7.2 million in volume-related rebates to large customers under the existing Large Volume Rebate scheme, up from \$3.2 million in the prior year.
- ASX - up 2.1% to \$28.3 million. Revenue increased despite a 4.0% reduction in the number of contracts traded. This was a result of fee adjustments made at the beginning of the year and a change in the mix of volumes, with market-maker volumes decreasing as a percentage of the total. Market-makers pay lower fees due to their provision of liquidity.

Information services - \$61.8 million, down 7.8%

The decrease in revenue primarily resulted from a reduction in retail and professional cash market activity and the consequent decline in demand for related information services. The monthly average subscriber terminal numbers in ASX and ASX 24 declined 9.8% compared to the pcp.

## Directors' report continued

### Technical services – \$49.8 million up 9.9%

Technical services continued to be one of ASX's fastest growing businesses. Revenue increased following previous significant investment in ASX's new data centre, the ALC, and its proprietary fibre network, ASX Net. These services assist customers to operate and manage costs in the current market structure. The increase in revenue is attributed to the growing community of customers using the ASX Net and ALC services. The number of cabinets hosted in the ALC increased from 76 to 117, the number of ASX Net Connections increased from 125 to 140, and the total number of ALC service connections increased from 110 to 415.

### Austraclear – \$38.6 million, up 7.2%

Austraclear revenue increased 7.2% with higher levels of securities held and an increase in registry activity.

- Transaction revenue – down 1.0% to \$15.7 million. The decrease in revenue reflects a 2.1% decline in transaction volumes partly offset by increases in certain fees.
- Holdings revenue – up 7.8% to \$6.2 million. The revenue increase was driven by the higher value of securities held which, compared to pcp, increased by 5.7% to \$1.4 trillion.
- Registry revenue – up 16.1% to \$16.7 million due to increased activity and fee changes.

### Operating expenses

The Group's operating expenses (excluding finance costs) decreased 0.8% compared to the pcp. Adjusting for the significant items that were incurred in the prior year, cash operating expenses (excluding finance costs and depreciation and amortisation) increased 3.6% to \$146.2 million.

The increase in expenses was driven by higher staffing levels to support a number of new services that ASX will launch during the 2014 financial year. The average full-time equivalent (FTE) headcount increased from 502 in FY12 to 515 in FY13. At 30 June 2013 ASX employed 529 FTE staff compared to 505 a year earlier.

Other cash operating costs, in aggregate, were virtually flat. Lower occupancy costs offset higher equipment and administration costs.

Depreciation and amortisation expenses increased 9.9% to \$30.4 million. This was due to the increased capital investment in new services as well as ongoing technology maintenance and a refresh of existing platforms. In particular, depreciation expense was incurred on a full-year operation of the new data centre.

### Capital expenditure

The Group incurred capital expenditure of \$38.9 million during the year, down slightly from \$39.1 million the prior year. Approximately half of the expenditure related to the development of new clearing and post-trade services. These included the

development of the OTC clearing and ASX Collateral services launched in July 2013, and the completion of the cash market margining initiative which commenced in June 2013. Other capital expenditure related to a range of business initiatives, including the continued development of the cash market trading platform and associated network infrastructure, and normal maintenance programs.

### Net interest and dividend income

Net interest and dividend income increased 7.4% to \$53.5 million. Net interest consists of two components: interest earned on ASX's cash balances and net interest earned from the investment of participant collateral balances.

Interest income on ASX's own cash balances declined 36.5% to \$13.1 million as market rates fell.

Net interest earned from the investment of participant balances increased 55.5% to \$31.0 million. This increase was due to higher average collateral balances and higher interest spreads earned. Collateral balances averaged \$3.6 billion in FY13, up 38.4% as derivative open positions increased. The Group's net earning rate on the collateral invested averaged 46 basis points, up from 38 basis points the prior year.

Dividend income from ASX's shareholding in IRESS was up slightly to \$9.4 million.

### 3.2.4 Financial position

At 30 June 2013, the net assets of the Group increased \$326.8 million from the pcp to \$3,321.8 million. The increase in net assets was primarily attributable to additional equity of \$263.2 million raised in June 2013 from the institutional component of the pro rata entitlement offer. In addition, retained earnings increased \$45.3 million from continuing business operations, net of dividends paid.

A summary balance sheet is presented below.

\$ million	30 June 2013	30 June 2012	Variance
<b>Assets</b>			
Cash and available-for-sale financial assets	4,496.2	3,696.2	800.0
Goodwill	2,317.6	2,262.8	54.8
Investments	185.6	162.1	23.5
Other assets	369.3	406.1	(36.8)
<b>Total assets</b>	<b>7,368.7</b>	<b>6,527.2</b>	<b>841.5</b>
<b>Liabilities</b>			
Amounts owing to participants	3,753.1	2,939.6	813.5
Borrowings	-	250.0	(250.0)
Other liabilities	293.8	342.6	(48.8)
<b>Total liabilities</b>	<b>4,046.9</b>	<b>3,532.2</b>	<b>514.7</b>
<b>Equity</b>			
Capital	2,746.4	2,483.2	263.2
Retained earnings	427.6	382.3	45.3
Reserves	147.8	129.5	18.3
<b>Total equity</b>	<b>3,321.8</b>	<b>2,995.0</b>	<b>326.8</b>

## Directors' report continued

The following major balance sheet items contributed to significant movements in asset and liabilities during the year.

### Amounts owing to participants – up \$813.5 million

As part of the clearing operations, the Group holds a significant amount of collateral lodged by participants to cover cash market and derivatives exposures. The majority of the increase related to larger positions held in interest rate and equity index futures. In June 2013, the Group introduced margining of cash equity exposures – ie a requirement by participants to lodge collateral. At 30 June 2013, \$212 million was lodged by participants as collateral on cash equity positions. The increase in participant balances in the current financial year is reflected by a corresponding increase in cash and available-for-sale financial assets, as these balances are invested by ASX.

### Goodwill – up \$54.8m

On 31 May 2013, the Group purchased 100% of the issued share capital of d-cypha. The purchase resulted in an additional \$54.8 million of goodwill in the Group which is attributable to the excess of consideration paid over the fair value of net identifiable assets acquired. Further information on the purchase of d-cypha is discussed above and in note 9 to the financial statements.

### Borrowings – down \$250 million

The Group repaid a \$250 million borrowing on 28 June 2013. The funds were previously used

as part of the financial resources available to the Group's two licensed clearing subsidiaries' default funds. The financial resources previously provided by the borrowing have now been replaced with equity raised from the pro rata entitlement offer described above. The Group currently has no external debt facilities.

### Share capital – up \$263.2 million

ASX conducted a \$553 million equity raising during June and July 2013. The raising was conducted as a 2 for 19 pro rata entitlement to existing eligible shareholders. The institutional component of the raising was completed in June and contributed an additional \$263.2 million to capital (net of costs). This component resulted in the issue of 8.9 million ordinary shares.

The retail component of the equity raising was completed in July and resulted in the issue of 9.5 million ordinary shares and equity of \$281.1 million. Capital raised from the retail portion is not included in the 30 June 2013 balance sheet.

### Investments

Investments reflect ASX's shareholding in IRESS Limited, a listed entity providing financial market and wealth management technology solutions. In August 2013, ASX participated in the pro rata entitlement offer undertaken by IRESS. ASX took up its full entitlement for an additional investment of \$39.3 million. ASX has been a long-term investor in IRESS and is the largest shareholder with a current holding of just over 19%.

### 3.2.5 Regulatory and market structure developments

The Australian financial market structure and the regulatory requirements have a significant impact on the way ASX manages its business and its business strategy. During the year, a number of important regulatory developments had an impact on the Group.

#### Equity market regulatory controls

During the year regulators reviewed several of the controls that apply to the equity market and particularly those relating to high frequency trading and dark pools. ASX was an active contributor to the reviews. A number of changes were implemented that further strengthens the quality of Australia's equity market. ASX supports the additional measures and appreciates the proactive and practical approach taken by the regulators.

#### Cash equities clearing and settlement

During the year the Council of Financial Regulators (CFR) conducted a comprehensive review of the market structure for cash equities clearing and settlement. ASX is the sole provider of cash equities clearing and settlement services in the Australian market.

In February 2013, the Treasurer announced that a decision on any new licence application for a cash equities clearing facility would be deferred for two years. This means that the current market structure will be retained for two years.

ASX committed to implement a Code of Practice for the provision of cash equities

clearing and settlement services. The Code came into effect in August 2013 and sets out ASX's commitment to:

- establish an ongoing advisory forum (the Forum) that allows users of ASX's clearing and settlement services and other industry stakeholders to provide input to ASX
- transparent and non-discriminatory pricing of clearing and settlement services
- transparent and non-discriminatory terms of access to clearing and settlement services.

After a period of two years CFR will review the operation of the Code and provide any further recommendations to the Treasurer.

#### Financial Stability Standards and international regulations

In March 2013, new Financial Stability Standards (FSS) became applicable to ASX's licensed clearing and settlement activities. ASX's clearing and settlement subsidiaries have adopted the new standards and are enhancing their operations to ensure full and continued compliance. One important enhancement that will be developed in FY14 is the segregation and portability of client positions with the clearing entity. ASX is working with its clients and regulators to provide a solution that meets their requirements.

The FSS are increasingly being influenced by international regulations and discussions between regulators in different jurisdictions, in an effort to align them across markets.



## Directors' report continued

The standards are subject to changes and their application may be uncertain from time to time. The most significant impact of the international regulations is on ASX Clear (Futures), and particularly the level of capital that will be required to support the clearing facility. In June and July 2013, ASX raised additional equity to increase the level of capital in ASX Clear (Futures). ASX expects that ASX Clear (Futures) will meet the higher international capital standards.

The changes to the international regulatory environment also create new business opportunities for exchanges. One of the changes that regulators are seeking to implement is the central clearing of OTC derivative transactions such as interest rate swaps. In July 2013, ASX launched the first phase of a new service that allows for the central clearing of A\$ interest rate swaps.

In FY14 the focus for ASX will be on implementing the FSS, achieving accreditation by international regulatory agencies, and growing its post-trade services in the Australian market.

### 3.2.6 Business strategies and prospects for future financial years

ASX revenues are driven predominantly by activity levels in Australia's financial markets. In FY13, 73.2% of revenues were derived from primary, secondary and derivative market activity (listings and issuer services, cash markets and derivatives). In this context, the ASX strategy is to support the competitiveness

and growth of Australia's financial markets, and to invest in new services that investors and intermediaries value. The key elements of the ASX strategy are to:

- provide world-class services in each business
- ensure Australia's financial markets and ASX are internationally competitive
- create global connectivity to support clients
- improve engagement with clients and other stakeholders.

With the key elements as a backdrop, following is a discussion of key strategic developments in each business. The key drivers of revenue in future financial years will continue to be those noted in the business model and operating environment section of this report, as well as the level of success of the key business strategies discussed below.

The strategies described below are expected to provide revenue growth and/or further diversify revenue sources for ASX.

#### Listings and issuer services

The listings and issuer services strategy comprises three main elements:

1. improve Australia's attractiveness as a market to list and raise capital
2. expand and provide a range of products and asset classes available for issuers and investors
3. provide efficiencies to issuers and investors.

#### Improve Australia's market attractiveness

ASX has progressed a range of initiatives aimed at maintaining and enhancing the attractiveness of Australia as a country to list and raise capital. These include:

- Improved capital raising flexibility for small to medium sized companies (market capitalisation of less than \$300 million). The changes allow these companies to raise a further 10% of issued capital without specific shareholder approval, in addition to the previous threshold of 15%.
- Implementation of an ASX-funded pilot Equity Research Scheme to provide independent research information on smaller companies who are not covered by equity research. This initiative will be expanded in FY14 and improves the information available to investors to assist in investment decision-making.
- Enhanced reporting of reserves and resources for the mining, and oil and gas sectors. This aims to assist shareholders to make informed investment decisions.
- Improved guidance on continuous disclosure through an update of Guidance Note 8. This followed extensive consultation with stakeholders including issuers, regulators, investors and advisers.
- Proposed reduction in the rights issue timetable. In June 2013, the Group released proposals to reduce the standard timetable for rights issues from 26 to 19 business days.

#### Expand products

Expansion into different asset classes continues to be assessed by the Group to diversify its revenue and provide contemporary offerings. In recent years ASX has focused on increasing the number and range of exchange-traded funds (ETFs). In FY13, fixed income ETFs were listed on ASX adding to the range of other ETFs such as equities.

In May 2013, exchange trading in Australian Government bonds was introduced allowing investors to acquire small parcels of government debt securities on-exchange. ASX looks to increase the debt securities available for trading on-exchange over time, including state government bonds and corporate bonds.

#### Provide efficiencies

An important initiative is the development of an Australian Managed Funds service, which will provide automation of the application and redemption process for unlisted managed funds. This initiative will start to automate an existing largely paper-based process, providing efficiencies to the funds management industry and improved distribution and access for investors. Implementation of the service is subject to regulatory approval. ASX has approximately 60 foundation customers interested in utilising the service once available.

#### Cash market

The Group competes domestically with another market operator (Chi-X), as well as operators of non-exchange venues (commonly referred to as dark pools) for trading in ASX-listed securities.

## Directors' report continued

ASX performed well in a competitive equity trading market with a market share of 94.6% of on-market traded value during the year.

The Group's strategy consists of two main elements:

1. provide input into the market structure and regulatory settings applicable to Australia's equity market
2. provide innovative and competitive service offerings.

As noted in the regulatory and market structure development section of this report, ASX provided input to regulators to ensure that Australia's financial markets continue to be amongst the best regulated in the world. In FY14, the focus will be on implementation of the Code of Practice for clearing and settlement of cash equities.

### Provide innovative and competitive services

ASX's 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. In FY13, ASX introduced several innovations to its Centre Point suite of order types, which allow for execution of trades at the midpoint of the prevailing bid and offer prices on the ASX market. During the year, Centre Point order types accounted for 3.5% of ASX's on-market value traded and approximately 11.0% of ASX's trading revenue. The competitive environment means that product innovation, and the

review of marketing programs and pricing, is a continuous process.

Development of competitive service offerings in cash markets is closely linked to enhanced services in ASX's information and technical services, as these provide customers with critical information and connectivity.

### Derivatives and OTC markets

Derivatives and OTC markets is ASX's largest business measured by revenue. The Group's strategy is to develop new derivative products, expand asset classes, attract additional users and provide new clearing services to OTC markets.

The new products and associated asset classes include:

- VIX futures contract – the S&P/ASX 200 VIX index measures expected future volatility. ASX plans to list a VIX futures contract, allowing participants to trade the movement in the VIX.
- Sectoral futures – ASX is developing futures contracts based on equity market sectors to supplement the existing ASX 200 SPI futures and option contracts. These contracts will allow participants to trade the movement on specific sectors in addition to the existing index.
- Energy derivatives – the acquisition of d-cypha, which researches, develops, markets and promotes Australian energy derivatives, will assist ASX in increasing distribution and expanding the current energy futures and options asset class available to investors.

The financial success of the above strategies will depend on the level of liquidity in the contracts and trading volumes. ASX offers financial incentives to market-makers in certain products in order to provide liquidity and increase trading volumes.

In addition to increasing the products available for trading, ASX has strategies designed to attract additional users to its products. These include attracting overseas traders to trade ASX derivative products by making it easier for traders to connect. A range of financial incentives may also be offered for market-makers or new traders in order to increase liquidity.

### Over-the-counter derivatives clearing

An important part of ASX's clearing strategy is the development of an OTC clearing service for \$A interest rate derivatives. On 1 July 2013, ASX's OTC clearing dealer-to-dealer service was launched. ASX expects that customers will connect to the service over the 6-12 months following the launch. The service allows clearing participants to clear their OTC interest rates swaps through the CCP.

The OTC derivatives clearing service will provide capital efficiencies to clients. Banks utilising the service will be able to hold lower levels of capital for positions centrally cleared through ASX, and clients will be able to offset OTC exposures with existing futures positions to reduce the overall level of collateral they are required to provide.

The service will be enhanced in FY14 to provide for client level clearing. This will allow clients of clearing participants, such as fund managers and state treasuries, to maintain segregated balances with ASX, making it easier to transfer their position to other clearing participants if required.

ASX is working with nine banks and nine asset managers to develop and implement the various clearing services. These parties support ASX in the development and have no obligation to use the service. ASX believes that it is important that Australian investors have the choice to use an Australian-based service that is regulated locally and holds the required capital and collateral in Australia.

### Information and technical services

ASX's strategy is predominantly driven by the needs of clients in equities and derivatives. These requirements include low latency (high speed) services to access information and ASX's trading platforms. During FY13, ASX introduced low latency access to the equities and derivative platforms, and low latency data services for equities. Low latency derivatives data is expected to be available in FY14. ASX's data centre, the ALC, and proprietary network, ASX Net, allow these services to be provided to customers.

Demand for information services is impacted by the level of activity and the number of users accessing ASX market data. There is an increasing trend for customers to directly

## Directors' report continued

consume data rather than access it via a vendor, and there is an increase in automated consumption of data rather than via a person operating a terminal. ASX's services are being tailored to meet these changing customer requirements.

ASX's success in expanding its technical services offering follows the investment in its new data centre (ALC) and communications network (ASX Net). The ALC has further capacity to offer hosting services to customers and to continue to enhance the community of financial service providers it supports. In FY13, ASX Net Global provided links between the ALC and financial communities located in Singapore, London and Chicago. In FY14 this service will also support Australian customers wishing to connect to those financial centres.

While these innovative service offerings provide further diversification of ASX revenues, the primary determinant of demand for ASX's information will be the underlying level of activity and the number of users wishing to access data and trading platforms. These depend on prevailing market conditions and the product offering in the cash and derivative markets.

### Austraclear

Austraclear operates on a delivery-versus-payment basis so that customers receive efficient, secure and guaranteed delivery of the underlying security or the cash. Registry services provide for efficient electronic registration and record-keeping, as well as the ability to streamline customer transactions.

ASX's strategy involves delivering collateral efficiency to customers by leveraging the functionality within Austraclear into the ASX Collateral service described below. The provision of efficiencies for customers by offering straight-through-processing is another important element.

### ASX Collateral service

An important focus for ASX is the development of the ASX Collateral service. In the first phase, this development involves the Austraclear registry which holds \$1.4 trillion of debt securities.

The ASX Collateral service allows clients to use securities in Austraclear to collateralise financial market transactions. With increasingly stringent regulatory requirements and higher compliance costs, the service aims to add value by reducing the cost of collateral for market participants. Twelve customers have become foundation clients, and ASX expects customers to gradually connect to the service in FY14.

The service is expected to be expanded to allow customers to use equity securities within CHES as collateral.

ASX's vertically integrated business model puts it in a unique position to offer the collateral management service, leveraging its existing infrastructure.

### Post-trade investments

The investments ASX is making in its post-trade services, described in more detail in the above sections of this report, are an important part of ASX's strategy. The objective is to give Australia's financial markets a world-class infrastructure that is internationally competitive and globally connected. The diagram on the following page depicts the target post-trade infrastructure. Across FY13 and FY14, ASX will make considerable progress in delivering the domestic infrastructure. Connectivity to other markets will be considered after the domestic infrastructure is in place.

### Engagement with clients

ASX has a large and diverse customer base, including over 2,100 listed companies and issuers, and approximately 150 participants in the cash equities and derivatives markets. In addition, ASX provides services to Chi-X and various other specialist businesses in the Australian financial markets.

ASX is implementing a number of initiatives that aim to build a more customer-centric corporate culture.

ASX has adopted a Customer Charter that sets out how the company balances the interests of its customers, shareholders and the broader financial markets. In FY13, ASX continued to expand its engagement with customers with more regular bilateral meetings as well as several industry initiatives. Three initiatives are summarised below.

### Service development

ASX worked closely with its clients and end investors on the development of its clearing and collateral management services.

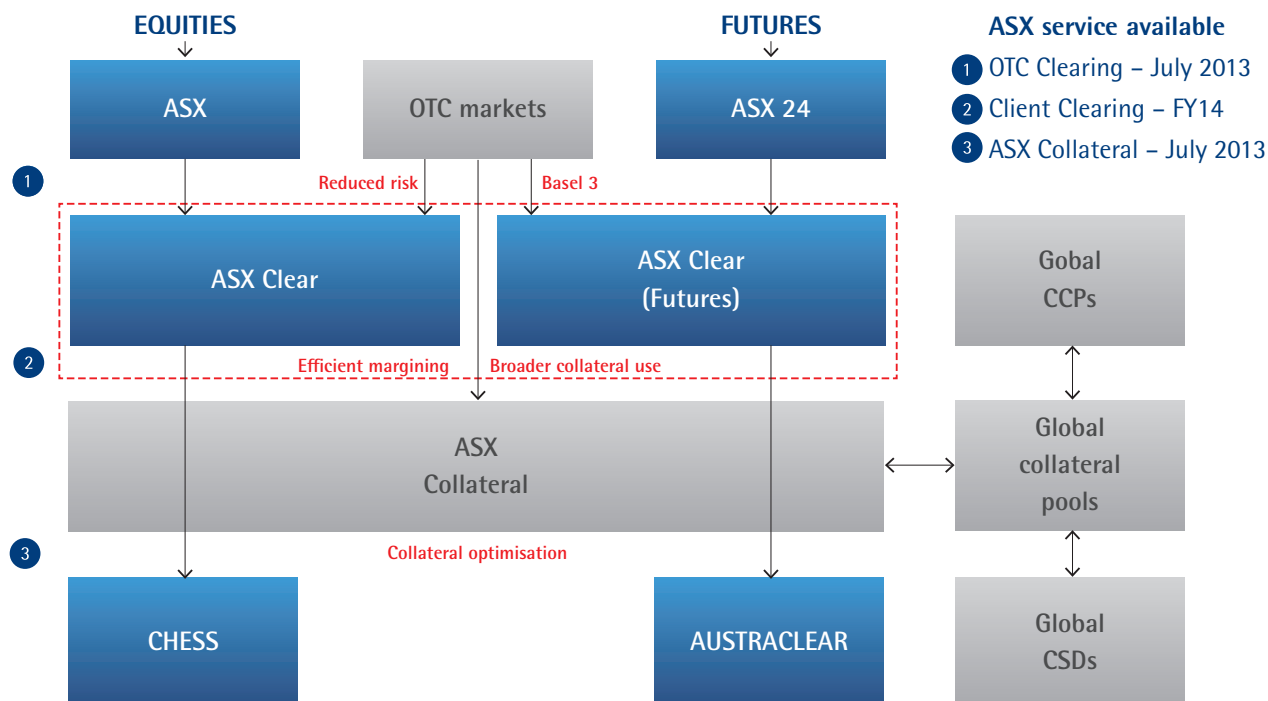
### Stakeholder forum and engagement

As part of the Code of Practice for its clearing and settlement services in the cash equities market, ASX established a forum that brings together clients and other stakeholders to provide input to ASX on the operation and investment program for its clearing and settlement services. The Code also makes commitments around transparent and non-discriminatory pricing and access to ASX services.

### Alignment

During the year, ASX improved the alignment with its customers through the implementation of new revenue sharing arrangements for its cash equities trading, clearing and settlement businesses. These arrangements are in addition to the existing revenue sharing arrangement in ASX's derivatives business. In FY13, ASX provided \$9.4 million to its customers under these revenue sharing schemes, up from \$3.2 million in the prior year.

## Directors' report continued



### 3.2.7 Risks

The Group's operations and financial results are subject to a number of risks. ASX has a strong track record of managing a multitude of risks that arise from operating and servicing Australia's financial markets. Nevertheless, important risks remain, some of which are not directly in the control of ASX. The main risks affecting ASX include:

- the economic environment and market activity levels
- changes to regulation and market structure

- operational risks in technology infrastructure and processes
- clearing risk.

#### The economic environment and market activity levels

The ASX businesses, financial position and operating results are highly dependent on the levels of market activity. This includes the number of listed issuers, the number of new company listings, the volume and value of financial instruments traded, the number of settlement messages, and similar factors. The

Group generates a significant portion (73.2% in FY13) of revenues from services that depend significantly on activity levels. Market activity levels are significantly influenced by economic performance, government policy and general financial market conditions in Australia and internationally.

ASX's diversified business model mitigates some of these risks, as revenues are earned from a range of activities and services. The expansion into new services is designed to further diversify the Group's revenues over time.

### Changes to regulation and market structure

ASX's businesses operate in highly regulated markets. The business is affected by licences that it holds, the market structure in which it operates, and the regulations that it and its customers operate under.

#### Licences

Several of the Group entities hold licences to operate financial markets, such as securities and derivatives exchanges as well as clearing and settlement facilities. These licences impose obligations on the Group to comply with a range of conditions. Failure to meet these obligations may result in action being taken against the Group or loss of the licences. The Group has an established comprehensive regulatory assurance function and governance framework. ASIC and the RBA provide annual assessments of the Group's licensed subsidiaries.

#### Market structure and competition

ASX faces competition domestically and internationally in many parts of its business, from exchanges as well as other non-traditional sources. Changes to the existing financial market structure can affect the strategic market position and the performance of ASX. An example of a change in market structure was the licensing of Chi-X to operate in the Australian cash equities market. In 2015 the government will again review the market structure for cash equities clearing and settlement, having decided recently to defer any decision on additional clearing licences for two years.

## Directors' report continued

While changes to the market structure are outside the control of ASX, the company is actively engaged in providing input to regulators and policy makers when they review market structures.

In some of its businesses, ASX is facing competition from overseas financial markets, such as Toronto, London and Chicago. Decisions by Australian regulators or overseas regulators can impact on ASX's relative competitive position. ASX is making significant investments in its business to ensure that Australia continues to have world-class financial markets. ASX's strategy is to provide a globally competitive service offering in all of its businesses.

### Regulations that affect ASX and its customers

Regulations can impact on ASX and on the customers of ASX. These can impact on the way ASX provides its services and the attractiveness of its services to different customers. Changes to domestic or international regulations can pose risks to ASX. From time to time, new regulations may provide opportunities for ASX to provide new services to its customers. The development of ASX's new clearing service for OTC derivatives flows from changing international regulations.

In FY13, ASX proactively participated in regulatory reviews and consultations affecting Australia's financial markets. In June 2013, ASX announced that it would raise \$553 million of new equity to support its clearing facilities and meet the emerging international capital standards for clearing houses.

In FY14, ASX expects that a significant focus will continue to be on meeting international standards for clearing facilities, including accreditation by various international agencies.

The Group manages the risks from changing regulations by active and extensive involvement with regulators, policy makers and customers. As regulatory settings, particularly international, are outside the control of ASX, changes may impact on ASX's business.

### Operational risks in technology infrastructure and processes

The Group operates a number of significant technology platforms that facilitate trading, clearing and settlement, which are critical to the operation of Australia's financial markets. Due to the complexity of and the high reliance on this infrastructure, which facilitates large volumes of transactions, failure or other operational incidents can impact on the functioning of markets and potentially have a financial impact on ASX. The Group seeks to mitigate these risks by investing significant resources in its underlying infrastructure and entering into strategic relationships with specialist technology providers. The

infrastructure and operations are subject to regulatory oversight, and ASX has backup recovery infrastructure and processes to minimise any impact from disruptions.

The Group's operations cover a broad range of services. Operational incidents or errors can impact on the financial performance of the Group and adversely affect its reputation. The Group seeks to mitigate operational risk through a comprehensive enterprise risk framework and detailed policies and procedures for operational roles. Automation of activities is another important element in reducing the risk of operational errors. While these policies assist in reducing the likelihood of events occurring, the high volume and value of transactions on ASX means the impact of operational incidents or fraudulent activity could have a significant impact on the Group.

### Clearing risk

The Group's CCP activities expose it to credit risk. In the event that clearing participants encounter financial difficulties, this could result in failure to meet their obligations under contract. This risk, commonly referred to as clearing default risk, is managed by a number of controls. These include enforcing minimum financial and operating criteria for clearing participants, requiring participants to provide collateral, holding pre-funded financial resources, and maintaining established risk policies and procedures to ensure that the counterparty risks are monitored and proactively managed.

The management of these risks is important to the stability of Australia's financial markets, as the CCPs provide critical infrastructure for the orderly clearing and completion of transactions. For cash equity transactions, the risk is typically the three-day period between execution of a trade and settlement; while in derivatives, the risk is typically the daily movement in the value of the open position or outstanding contract. Collateral is called daily by the CCPs and in some instances intra-day. Additional collateral is called depending on market conditions and the individual exposures of clearing participants.

The CCP pre-funded financial resources provided by ASX, which are at risk of loss in the event of a default, currently total \$250 million in ASX Clear and \$450 million in ASX Clear (Futures). The resources in ASX Clear (Futures) will increase to \$650 million. These resources and their application are fully described in note 25 to the financial statements.

The Group may also face a range of other risks from time to time in conducting its business activities. While it aims to manage risks in order to avoid adverse impacts on its financial standing, some risks are outside the control of the Group.

## Directors' report continued

### 3.3 Dividends

The following table includes information relating to dividends in respect of the current and prior financial years, including dividends paid or declared by the Company since the end of the financial year.

Type	Cents per share	Total amount \$m	Date of payment
<b>In respect of the current financial year</b>			
Interim	87.9	153.9	27 March 2013
Final	82.3	159.4	25 September 2013
<b>Total</b>	<b>170.2</b>	<b>313.3</b>	
<b>In respect of the prior financial year</b>			
Interim	92.8	162.5	21 March 2012
Final	85.1	149.0	19 September 2012
<b>Total</b>	<b>177.9</b>	<b>311.5</b>	

### 3.4 Significant changes in the state of affairs

During the year, the Group undertook a rights issue to raise additional funds in order to:

- contribute an additional \$200 million to ASX Clear (Futures) Pty Limited to address emerging international capital standards for clearing houses
- replace the Group's \$250 million borrowing
- fund current and future growth initiatives and support other licensed subsidiaries of the Group.

There were no other significant changes in the state of affairs during the year.

### 3.5 Events subsequent to balance date

Since the end of the reporting period, the Board resolved to pay a final dividend of 82.3 cents per share fully franked.

On 16 July 2013, the Company issued an additional 9,528,398 ordinary shares on completion of the retail component of the rights issue announced in June 2013. The shares were issued for the gross proceeds of \$285.9 million and have not been recognised in these financial statements. The equity recognised after deducting transaction costs was \$281.1 million. Refer to note 23 in the financial statements.

In August 2013, ASX participated in the institutional component of a 2 for 9 pro rata accelerated renounceable entitlement offer (the Offer) undertaken by IRESS Limited. The Offer resulted in an additional 5,500,007 shares being issued to ASX for the consideration of \$39.3 million. Refer to note 13 in the financial statements.

On 16 August 2013, the Reserve Bank of Australia (RBA) formally advised ASX of supplementary interpretive guidance for the Financial Stability Standards. The RBA's guidance has the effect of applying the higher European capital standard to ASX Clear (Futures). Following the capital raising, ASX expects that ASX Clear (Futures) will meet the higher capital standard.

Except for the matters discussed above, no

other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect, the:

- Group's operations in future financial years
- results of those operations in future financial years, or
- Group's state of affairs in future financial years.

### 3.6 Likely developments

For further information about likely developments in the operations of the Group, refer to the business strategies and prospects for future financial years section in the operating and financial review. The expected results from those operations in future financial years have not been included because they depend on factors such as general economic conditions and the success of these strategies.

### 4. Environmental regulation

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

### 5. Indemnification and insurance of officers

The Group has paid insurance premiums in respect of 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.

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.

### 6. Share information

#### Performance rights to ordinary shares

At the date of this report, ASX had 125,180 performance rights over issued shares outstanding with the ordinary shares held in trust. For further details on the performance rights including performance hurdles for vesting, refer to the remuneration report (page 56).

#### Exercise of performance rights to ordinary shares

During the year, 10,800 performance rights vested as a result of partial attainment of performance hurdles, under the 2010 long-term incentive plan.

### 7. Proceedings on behalf of the Group

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

## Directors' report

### 8. Corporate governance

Group corporate governance matters are discussed on pages 21 to 32.

### 9. Non-audit services

During the year PricewaterhouseCoopers (PwC), the Company's auditor, performed certain 'non-audit services' in addition to its statutory duties. Details of the amounts paid to PwC and its related practices for audit and non-audit services provided during the year are set out in the table below.

	Consolidated	
	2013 \$	2012 \$
<b>Audit services:</b>		
Audit and review of the financial reports and other audit work under Corporations Act 2001	507,300	477,600
Audit of information technology platforms	150,500	159,000
<b>Non-audit services:</b>		
Tax compliance services	64,050	48,550
Other non-audit services*	152,500	88,298
<b>Total auditor's remuneration</b>	<b>874,350</b>	<b>773,448</b>

\* Other non-audit services included due-diligence work performed in relation to the rights issue and the acquisition of d-cypha, and for the review of the ASX compliance framework.

In addition to the above, total audit fees of \$26,800 (2012: \$26,000) and tax compliance fees of \$17,750 (2012: \$17,750) were received by the auditor in relation to Securities

Exchanges Guarantee Corporation Limited (SEGC), National Guarantee Fund (NGF), ASX Division 3 Compensation Fund and the Sydney Futures Exchange Limited Fidelity Fund, which are not consolidated as part of the Group.

### 10. 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 during the year by the auditor 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 Company 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 included on page 67.

### 11. Remuneration report – audited

The remuneration report outlines ASX's remuneration philosophy, framework and outcomes for the year ended 30 June 2013 (FY13) for all employees, including directors, the Managing Director and CEO, and other Key Management Personnel (KMP). KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

The Board reviews the remuneration policy at least once a year to ensure it remains consistent with market practice and is aligned with the Group strategy and objectives.

During FY13, the Board reviewed the Executive reward framework, including participation in the Group's long-term incentive (LTI) plan. Executive refers to Group Executives, Executive General Managers and General Managers.

The remuneration policies and principles presented in the FY13 remuneration report are consistent with the refinements in the remuneration structure for FY13 that were set out in the FY12 remuneration report, while incorporating some further developments.

This remuneration report includes some changes that provide more detail and further improve the clarity of ASX's remuneration

practices and outcomes. Table 11.15.1 of this report provides the actual remuneration awarded and received by KMP during FY13, and table 11.15.2 summarises the short-term incentives (STI) awarded to KMP compared to their target STI. This report has been prepared in accordance with the requirements of s300A of the Corporations Act 2001.

## Directors' report continued

### 11.1 2013 remuneration and performance highlights

<b>Managing Director and Chief Executive Officer remuneration</b>	The Managing Director and CEO's overall remuneration structure and total reward opportunity remained unchanged in FY13. No changes will be made for the FY14 performance period.
<b>Fixed remuneration outcomes</b>	Fixed remuneration was reviewed in FY13 and increases took effect from 1 July 2013. ASX decided to freeze compensation for Executives in FY14. Fixed remuneration increases below Executive level in FY14 averaged 2.5%.
<b>Short-term incentive outcomes reflect company performance</b>	The Board determined that for the FY13 performance period the Group met most, but not all, of its objectives. As a result, short-term incentives were, on average, below target.
<b>Long-term incentive performance hurdles partially met</b>	The 2010 LTI grant partially vested in June 2013. The 50% earnings per share (EPS) performance criterion of the plan was not met and this portion of the award lapsed. The 50% total shareholder return (TSR) performance criterion was determined to be at the 55th percentile. Eligible employees were awarded 30% of their total 2010 award grant.
<b>Appointment of new non-executive directors</b>	Ms Jillian Broadbent AO retired from the Board on 5 October 2012. Two new non-executive directors were appointed during the year. Ms Heather Ridout AO was appointed on 29 August 2012 and Dr Ken Henry AC was appointed on 1 February 2013.

### 11.2 Governance

The Board has a separate Remuneration Committee, which monitors remuneration outcomes that strike an appropriate balance between the interests of shareholders and rewarding, motivating and retaining employees.

A copy of the Committee's charter is available on ASX's website [www.asxgroup.com.au](http://www.asxgroup.com.au).

The Remuneration Committee operates independently of ASX senior management and has the ability to engage remuneration advisers independently of ASX management.

Where independent remuneration advisers are engaged, the arrangements are entered into directly with the Remuneration Committee Chair and advice is provided directly to the Remuneration Committee.

During FY13, Ernst & Young was engaged by the Chair of the Remuneration Committee to provide independent advice regarding remuneration structures, and STI and LTI market practice. No remuneration recommendations as defined by the Corporations Act 2001 were provided.

The members of the Remuneration Committee during FY13 were:

**Jillian Segal AM (Chair)**

**Rick Holliday-Smith**

**Heather Ridout AO  
(from 1 March 2013)**

**Peter Warne.**

Details of the number of meetings attended by the Committee members are set out on page 26. All directors are invited to attend Committee meetings and they regularly do so.

During FY13, ASX made changes to the performance review process for Executives involved in the clearing risk management and settlement operations functions. New international standards require a greater level of independent oversight by the Boards of the clearing and settlement subsidiaries of ASX.

As a result of these new requirements, the award recommendations for Executives involved in the clearing risk and settlement operations functions are reviewed by the Clearing and Settlement Boards. A similar process already exists for the Chief Compliance Officer where the ASX Compliance Board provides additional independent input.

### Annual General Meeting voting

A 25% or higher 'no' vote on the remuneration report triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed.

At its last AGM held in October 2012, ASX recorded a 'no' vote of 3.6%.

### 11.3 Remuneration philosophy

The ASX reward framework is designed to reward employees for behaviours and results that contribute towards the delivery of the ASX strategy. The framework is based on the following key principles:

- 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 based on both financial and non-financial performance measures
- provide competitive remuneration that is designed to attract, motivate and retain key employees and that is aligned to market best practice.

### 11.4 Remuneration framework

The remuneration arrangements for all staff, including the Managing Director and CEO and Executives, are made up of a fixed remuneration component and a variable component. The variable component is 'at risk' and subject to performance.

The weighting between the fixed and variable components varies by level of accountability and role in the Group.



## Directors' report continued

### Fixed remuneration

For all employees fixed remuneration comprises cash salary and compulsory superannuation. Employees can also include salary sacrifice benefits, such as motor vehicles and additional superannuation, as part of their remuneration package.

Fixed remuneration is reviewed on an annual basis. Increases are not automatic and are subject to a minimum level of individual performance. The overall Group fixed remuneration spend is at the discretion of the Board.

All roles within ASX are benchmarked against comparable external market data. The markets against which fixed remuneration comparisons are made vary by position but are typically the finance, legal, technology and other sectors relevant to ASX's functions or the broader general market.

The ASX market positioning for fixed remuneration is the median to upper quartile, depending on individual performance.

### Variable 'at risk' remuneration

Variable remuneration is dependent on performance and delivered through the STI plan. The STI plan is aimed at driving the achievement of the ASX strategy and performance objectives over a 12-month period.

The STI plan provides potential rewards that are differentiated based on achievement against the goals set for each employee at the beginning of the performance period.

The performance assessment process provides the framework for assessing performance for all employees at ASX. Employees have individual key performance indicators (KPIs) across five scorecard areas: customers and growth, people and culture, operational excellence, regulatory focus, and financial results.

For Executives, a minimum level of performance against the ASX leadership behaviours must be achieved to be eligible for an STI award.

The STI plan is not intended to pay rewards every year to every individual. It is a component of 'at risk' remuneration that will be awarded having evaluated ASX's performance against objectives as determined by the Board, and the extent to which individuals achieve performance against the KPIs set in their individual scorecard.

All employees are eligible to participate, although the actual number of employees who receive an STI varies.

For staff below Executive level, STI awards in FY13 averaged \$7,312. They were paid in cash. The STI plan for Executives differs from other staff and is described in more detail in section 11.5.2.

### Discretionary retention incentive

ASX operates a Discretionary Retention Incentive (DRI) plan for staff below Executive level. Executives do not participate in the DRI. The DRI is designed as a retention tool, targeting critical roles and potential successors.

Participation in the program is reviewed annually and is based on nominations by Group Executive members.

Payments for eligible employees are deferred and paid in cash after a two-year holding lock, and are subject to continued employment with ASX over the holding lock period. Eligible staff must have achieved consistently satisfactory performance during the two years.

In the event of employees leaving ASX due to resignation, misconduct or where satisfactory performance is not maintained, the DRI will be forfeited.

The DRI plan was launched in 2010 and the offer in July 2013 was the fourth year that the plan operated. In FY14, a DRI was awarded to 46 employees, with an award of \$35,000 each.

### Long-term incentive

Under the LTI plan the Board may award performance rights to Executives that vest over a three-year period subject to performance conditions. Participation in the LTI plan in FY13 was restricted to the Managing Director and CEO and the Deputy CEO.

Grants were made to the Managing Director and CEO and the Deputy CEO with a grant date of 5 October 2012. The grant to the Managing Director and CEO was approved at the 2012 AGM.

Details on the LTI framework are in section 11.7.

### 11.5 Executive remuneration

The Executive remuneration framework applies to senior staff of ASX. As at 30 June 2013, 40 staff were covered under the Executive remuneration framework. Executives represent approximately 8% of total ASX staff.

#### 11.5.1 Target remuneration mix

The reward opportunity for Executives is determined by the remuneration mix that applies to their role. The remuneration mix determines the balance between fixed remuneration and variable remuneration (STI).

The remuneration mix is expressed as a percentage of the total reward which equates to 100%.

The following table illustrates the typical remuneration mix for Executives. The Managing Director and CEO, and Deputy CEO's arrangements are outside of the arrangements described below.

Typical remuneration mix (%) for on-target performance	
Fixed	Variable
65-80%	20-35%
	50% of variable STI is deferred for 2 years with a minimum of \$50,000 or \$100,000 deferred

The percentage of the total reward that represents STI ranges from 20% of total reward to 35% of total reward. The relative weighting of fixed and variable components will vary with role level, complexity and typical market practice.

## Directors' report continued

The variable STI component has an automatic two-year deferred element. The STI payments are in cash.

ASX may over time change the remuneration mix for Executives to create greater alignment across the Executive group and ensure consistency with market practice.

### 11.5.2 STI determining factors

The STI framework links individual awards directly to the Group's performance and the Executive's individual contribution. An Executive's STI is calculated by taking three factors into account and applying the following formula:

$$\text{INDIVIDUAL TARGET STI IN \$} \times \text{GROUP INCENTIVE POOL \%} \times \text{INDIVIDUAL PERFORMANCE RATING \%} = \text{STI AWARD IN \$}$$

All STI awards are at the discretion of the Board.

#### Target STI

The target STI is determined by the remuneration mix for each individual Executive.

The sum of the individual target STI awards determine the target Group pool. The target Group pool is included in the normal company budget and accrued through the year.

#### Group incentive pool

At the end of the year the Board approves the Group incentive pool percentage that is applied to the Group budget, based on its assessment of Group performance.

The Board makes an assessment of the Group's performance based on two factors:

- financial performance (50%)
- progress against non-financial and strategic objectives (50%).

The decision is expressed as a percentage of the target Group pool. For example, if the target Group STI pool is \$12.5 million and the Board determines that the Group's performance was below target and awards 80% of the pool, then the Group STI pool available for distribution would be \$10 million.

#### Individual performance

Each Executive has an individual scorecard with a number of KPIs that are designed to support the ASX strategy.

The KPIs are set across the five scorecard areas of customers and growth, people and culture, operational excellence, regulatory focus, and financial results. Performance against these measures is captured through the Executive's individual STI multiple.

The individual performance of each Executive is assessed using a five point scale. At each level of the individual performance rating scale, Executives can earn more or less than their target STI. For exceptional performance, 150% of the target STI can be awarded. The minimum award is nil.

The performance of General Managers is assessed by the responsible Group Executive

member and reviewed by the Managing Director and CEO. The Managing Director and CEO assesses the performance of Group Executive members in consultation with the Remuneration Committee and the Board.

The Chairman, in consultation with the Remuneration Committee and the Board, assesses the performance of the Managing Director and CEO against objectives set at the start of the performance period.

### 11.5.3 STI deferral and vesting

The STI framework provides for 50% of the STI that is awarded to Executives to be automatically deferred for two years. There is a minimum deferral amount of \$50,000 or \$100,000 dependent on the role. Where 50% of the STI award is below the minimum deferral the minimum amount is deferred. All deferrals are in cash.

For example, an Executive who has a target STI of \$100,000 can potentially receive an STI award of \$150,000 (150% of target). This assumes that the Group incentive pool is 100% and the Executive is an exceptional performer. Of the \$150,000 STI award, 50% or \$75,000 would be deferred for two years.

The payment of the deferred award will be subject to continued satisfactory performance during the period, and will be forfeited in the case of resignation by the Executive, misconduct or poor performance.

### 11.6 Linking FY13 incentives to Group performance

To determine the Group incentive pool (as set out in section 11.5.2), at the end of the financial year the Board reviews the Group's performance against financial and non-financial objectives. In assessing financial performance, the Board takes into consideration the market conditions in the ASX businesses that are directly exposed to market activity levels. This means that incentives may be awarded even when market conditions lead to a fall in revenue and earnings.

At the end of the FY13 performance period, the Board determined that the Group met most, but not all, of its performance objectives for the year. The Board decided to award STI that was, on average, below target.

The STI outcomes for the individual KMP against their target STI are provided in table 11.15.2 on page 64.

The table on the following page provides an overview of the Group's performance for the year ended 30 June 2013 against key financial and non-financial performance measures.

## Directors' report continued

Priority	FY13 performance/progress
<b>Financial performance</b>	
<b>Net Profit After Tax (NPAT) and EPS growth</b>	<p>Statutory NPAT up 2.7%. Underlying NPAT and EPS in line with previous year</p> <ul style="list-style-type: none"> <li>Revenues grew in all businesses except those directly linked to equity markets, where activity levels were low in the first half (these recovered in the second half).</li> <li>First half underlying NPAT was down 5.3% compared to pcp. Second half underlying NPAT increased 7.0% compared to pcp.</li> </ul>
<b>Non-financial performance</b>	
<b>Customers and growth</b>	<p>Improved client engagement and increased investment in new services. Further detail is set out on pages 45 to 47 of the directors' report. Highlights include:</p> <ul style="list-style-type: none"> <li>Implemented a Code of Practice and established a stakeholder forum to provide input into the investment program and operational performance of cash equities clearing and settlement services. The forum includes 11 clients and 9 other stakeholders.</li> <li>Put in place customer revenue sharing arrangements in cash trading, clearing and settlement businesses in addition to existing rebate schemes in futures business. Total revenue share paid was \$9.4 million.</li> <li>Increased investment in new products and services across cash market, listings, derivatives and post-trade services.</li> <li>Positive trading systems reliability (see below) and several successful projects. However, implementation of a new margining process (CME Span) fell short of customers' expectations and considerable time was required to address customer issues.</li> </ul>
<b>Operational excellence</b>	<p>Solid technical and operational performance</p> <ul style="list-style-type: none"> <li>Critical trading, clearing and settlement systems availability was above the 99.8% ASX benchmark. No significant operational incidents in trading systems.</li> <li>Outage of the ASX Market Announcements Platform of approximately four hours on 9 October 2012.</li> </ul>
<b>Regulatory compliance</b>	<p>Continued compliance with key licence obligations</p> <ul style="list-style-type: none"> <li>No major issues were raised in regulatory reviews.</li> <li>Improvements agreed during previous reviews were satisfactorily progressed.</li> <li>Good progress in addressing compliance with new FSS and impact of EU regulations.</li> </ul>

Priority	FY13 performance/progress
<b>People and culture</b>	<p>Good progress in building a stronger, externally-focused performance culture</p> <ul style="list-style-type: none"> <li>The ASX Executive remuneration framework has been aligned with its business strategy.</li> <li>Executive recruitment added a greater level of international exchange and client experience.</li> <li>Staff alignment and engagement is measured through the ASX staff survey. The 2013 survey showed an uplift in alignment and stable engagement. More work is needed to bring ASX up to its ambition of top quartile performance.</li> <li>ASX has Group targets for gender diversity. In FY13 ASX expanded gender reporting to four levels below the CEO. An elevated target of 40% by FY16 was set for management layers with the lowest female representation. FY13 outcomes against this target were 33% for CEO -1, 26% for CEO -2 and 34% for CEO -3. In FY13 targets were also set for each of the operating units managed by Group Executives.</li> </ul>
<b>Stakeholder engagement</b>	<p>Improved engagement with key stakeholders</p> <ul style="list-style-type: none"> <li>Significantly increased engagement with individual clients and stakeholder groups, with active participation in consultation processes and industry forums.</li> <li>Substantial progress in working with regulators and clients in designing and implementing equity market controls, particularly in relation to high frequency trading and dark pools.</li> <li>Current market structure for clearing and settlement of cash equities retained for two years. ASX developed a Code of Practice for these activities in consultation with clients, and received industry support from clients and asset managers for investments in post-trade services.</li> </ul>

### 11.7 Long-term incentive (performance rights) overview and participation

The purpose of the LTI plan is to recognise performance, skills and behaviours that deliver sustainable long-term shareholder value. The LTI is a grant which consists of awards of performance rights over ASX ordinary shares. The performance period for the grants is three years.

Participation in the LTI is reviewed each year. In FY13 and for FY14, the intention is to keep participation restricted to the Managing Director and CEO and the Deputy CEO.

## Directors' report continued

### Key design features

The key features of the LTI design include:

- three-year performance period
- no re-testing
- performance measures are 70% EPS and 30% relative TSR
- vesting for the TSR portion commences at the 51st percentile
- no dividends are paid during the performance period for awards made from 2012.

### LTI arrangements operating during FY13

The following table provides a summary of the details of the LTI grants that were in operation during FY13:

Grant year	Participation*	Performance measure	Vesting period	Dividends paid
<b>LTI awards not expired</b>				
2012 (October)	2	70% EPS   30% TSR	3 years	No
2011 (October)	2	70% EPS   30% TSR	3 years	Yes
<b>LTI awards performance period ended</b>				
2010 (June)	7	50% EPS   50% TSR	3 years	Yes

\* Participation reflects the number of employees that were made an offer at the grant date. For the 2012 and 2011 grants, participation was restricted to the Managing Director and CEO, and Deputy CEO.

Offers made to eligible employees are made under plan rules approved by shareholders at the 2005 ASX AGM. The performance criteria which apply to an award of performance rights are determined by the Board.

Shares relating to the 2010 grant were purchased on-market and are held in a special purpose trust until the relevant vesting date and Board approval of the release of shares to the employee.

Shares relating to the 2011 and 2012 grants for the Managing Director and CEO and the Deputy CEO were allocated from a surplus pool of unvested LTI offers within the trust.

Shares allocated under the LTI plans rank equally with other shares on issue at the time those shares are allocated.

### 11.7.1 Performance conditions

The vesting of performance rights under the LTI is dependent on two performance conditions – EPS and TSR.

For the 2010 awards, the vesting of 50% of the performance rights was subject to an absolute EPS performance condition and the vesting of the other 50% was subject to a relative TSR performance condition.

From 2011, the vesting of 70% of the performance rights is subject to an absolute EPS performance condition and the vesting of the other 30% is subject to a relative TSR performance condition.

### Earnings per share

EPS is calculated by dividing the underlying profit after tax attributable to members of ASX 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 the company.

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.

EPS performance is measured over a three-year period using the most recent financial year-end prior to the award as the base year, and the final financial year in the three-year performance period as the end year.

### EPS determination

The EPS growth is measured relative to a target of 8% per annum compound growth. The proportion of the EPS award that vests is determined as follows:

ASX's compound EPS growth	Proportion of EPS award vesting
8% or less per annum	0%
Between 8.1% and 9.9% per annum	5% of the EPS award for each 0.1% of compound EPS growth above 8% per annum
At or above 10% per annum	100%

### Total shareholder return

TSR is calculated as the movement in share price and dividends received assuming re-investment of dividends. TSR is measured against a comparative group of companies. The comparative group is determined by the Board at the time of the offer. The comparative group of companies used for assessing ASX's relative TSR is the S&P/ASX 100 with the following exclusions and additions:

## Directors' report continued

### Exclusions

Property trusts and mineral companies represented by the S&P Global Industry Classification Standards of Minerals and Metals & Mining.

### Additions

Selected international exchanges represented by Hong Kong Exchanges and Clearing Limited, Singapore Exchange Limited and Deutsche Borse.

The composition of the comparative group may change as a result of specific events such as mergers and acquisitions, delistings and financial failure. The Remuneration Committee has agreed guidelines for adjusting the comparative group following such events.

The proportion of the TSR award that vests for the 2012 grant and future grants is determined as follows:

TSR rank	Proportion of TSR award vesting
Less than 51st percentile	0%
51st percentile	50%
Between 51st percentile and 76th percentile	50% plus an additional 2% of this award for each additional percentile ranking above 51st percentile
At or above the 76th percentile	100%

For the 2010 and 2011 grants the proportion of the TSR award that will vest is determined as follows:

TSR rank	Proportion of TSR award vesting
Less than 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above 50th percentile
At or above the 75th percentile	100%

### 11.8 ASX Group Dealing Policy

The ASX Group Dealing Policy prohibits employees from entering into transactions (eg a derivative) that operate or are intended to operate to limit the economic risk of holding unvested ASX shares.

This policy is enforced by requiring all staff to acknowledge their understanding, and also through regular awareness training sessions. Annual audits are also performed for adherence.

Employees can only deal in vested ASX shares in accordance with the ASX Group Dealing Policy.

### 11.9 Accounting treatment

For accounting purposes, the fair value of the performance rights for the EPS awards was calculated using the share price at market close on the grant date, less the present value of the expected dividends over the three-year performance period.

The fair value of performance rights for the TSR awards for the 2010, 2011 and 2012 plans was calculated at grant date by an independent valuer using a Black-Scholes option valuation model and Monte Carlo simulation. Grant dates are 1 July 2010, 7 October 2011 and 5 October 2012, respectively. Details of the awards, including inputs to the valuation model, are summarised in the following table:

	2012 grant	2011 grant	2010 grant
Share price at grant date	\$29.86	\$30.28	\$28.80
Volatility (pa)	20%	29%	37%
Discount rate (risk free rate) (pa)	2.45%	3.64%	4.44%
Dividend yield (pa)	5.8%	5.4%	4.8%
Fair value of performance rights (EPS awards)	\$25.09	\$30.28	\$28.80
Fair value of performance rights (TSR awards)	\$11.53	\$22.26	\$19.61
Weighted average AASB 2 share-based payment fair value	\$21.02	\$27.87	\$24.21
Participation (includes offers made to the Managing Director and CEO)	2	2	7
Details of award (no. of performance rights)			
- Managing Director and CEO, and Deputy CEO (each)	35,680	26,910	-
- Other staff (including Deputy CEO)	-	-	Three levels of awards: 3,000, 5,000 and 7,000

## Directors' report continued

### 11.10 Long-term incentive (cash-based)

#### Overview and participation

For the Chief Compliance Officer the LTI is a cash-based plan. Eligible employees in ASX Compliance do not have their LTI linked to ASX's share price or EPS. The performance period for these offers is three years.

For all offers the performance of the eligible participant is assessed on two main criteria:

Criterion	Assessment	Weighting
Criterion 1	Outcome of ASIC assessment	50%
Criterion 2	ASX Compliance Board and ASX Managing Director and CEO review of ASX Compliance scorecard	50%

The ASX Compliance Board may review other appropriate reports provided by Regulatory Assurance and Internal Audit to make an assessment.

The 2010 grant for the ASX Compliance LTI vested in June 2013. There have been no offers since 2010 and there are no LTI cash-based plans outstanding.

#### Performance conditions

The proportion of cash payment for each area of the performance criteria is assessed at the end of the performance period as follows:

Cumulative threshold to be achieved	Proportion of award vesting	Conditions
55%	55%	If cumulative threshold is achieved, participants will be entitled to 55% of the maximum cash opportunity
Year 1	15%	For every year that the yearly targets are met, the participant will be entitled to an additional 15% of the maximum cash opportunity
Year 2	15%	
Year 3	15%	

If performance is above the threshold but below the target, a participant will be entitled to receive a percentage of the maximum cash opportunity.

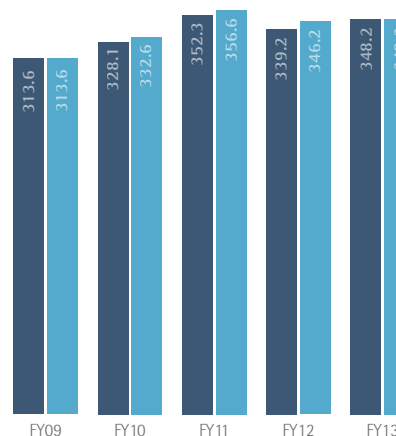
If performance is below the threshold, a participant is not entitled to receive any cash payment.

### 11.11 Performance of ASX

ASX's financial performance over the five-year period ending 30 June 2013 is shown in the following graphs. For comparative purposes, the EPS has been restated for the bonus element of the rights issue as detailed in note 23. The final dividend for 2013 is payable on the expanded number of shares (18,458,433) issued under the entitlement offer (refer to note 23). The ASX share price has also been restated.

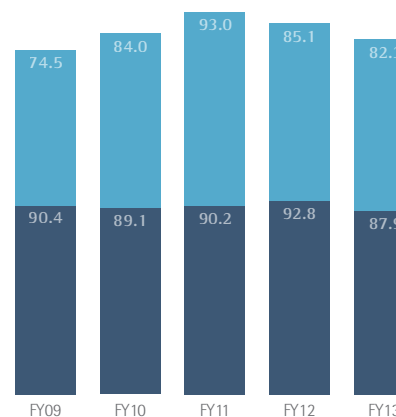
#### Net profit after tax \$m

● Statutory profit ● Underlying profit



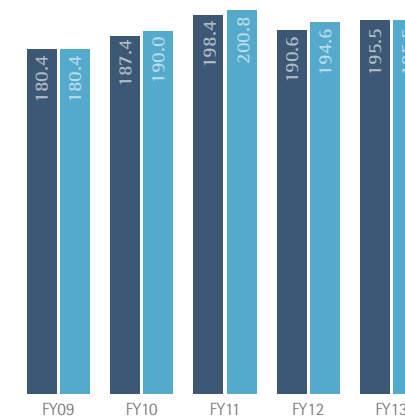
#### Dividends – cents per share

● Interim dividend ● Final dividend

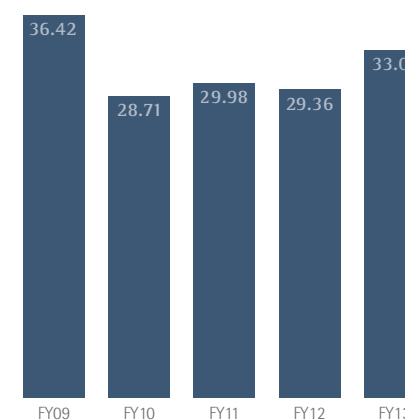


#### Earnings per share (EPS) – cents

● Reported EPS ● Underlying EPS



#### ASX share price – at financial year end



## Directors' report continued

### 11.12 Executive contracts – summary of key dates and notice periods

A controlled entity, ASX Operations Pty Limited, has ongoing service contracts with each KMP (except Mr Funke Kupper who has a service contract with ASX Limited). In the case of Mr Thurman, his contract is for a four-year term.

The table below contains the key terms of the KMP in FY13. The current contracts do not provide for any termination payments, other than payment in lieu of notice.

Name	Position held	Contract effective date	Minimum notice periods (months)		
			Executive	ASX	Poor performance
<b>Current</b>					
Mr Elmer Funke Kupper	Managing Director and CEO	6 October 2011	6	12	3
Mr Ramy Aziz	Chief Financial Officer	19 July 2010	3	6	1*
Mr Alan J Bardwell	Chief Risk Officer	19 July 2010	6	12	1*
Ms Amanda J Harkness	Group General Counsel and Company Secretary	10 September 2007	6	12	6
Mr Peter D Hiom	Deputy CEO	1 July 2011	6	12	3*
Mr Tim J Hogben	Executive General Manager Operations	1 April 2010	3	6	1*
Mr Kevin A Lewis	Chief Compliance Officer	19 July 2010	6	12	6
Mr Tim Thurman	Chief Information Officer	13 June 2012	6	9	3
<b>Former</b>					
Mr Jeff J Olsson	Group Executive Technology	Resigned 9 July 2012	6	12	6

\* The notice period for termination for poor performance requires an initial written notice of one month.

### Treatment of STI on departure

The payment of any STI on departure of an Executive is at the discretion of the Managing Director and CEO.

Any deferred STI is forfeited in the case of poor performance, misconduct or resignation. If ASX provides notice, other than for poor performance or misconduct, the award will fully vest.

### Treatment of LTI on departure

Termination by reason of	Treatment of LTI	
	Vested (unexercised) awards	Unvested awards
ASX provides notice	Released to the Executive	Discretion of the Board*
Poor performance	Released to the Executive	Discretion of the Board
Cause	Shares subject to any restrictions forfeited	Awards will lapse
Illness	Released to the Executive	Awards vest pro-rated for the amount of the performance period served based on performance criteria being met
Notice by the Executive	Released to the Executive	Awards will lapse

\* Where a participant ceases employment and has unvested shares they lapse immediately unless the Board determines in its discretion that the participant has ceased as a result of a qualifying reason. The Board will determine in its discretion the proportion of shares to be provided. Qualifying reasons are defined as pursuit of other company initiatives, hardship, redundancy or any other circumstances which the Board considers as extraordinary.

## Directors' report continued

### 11.13 Executive director contract – Managing Director and CEO

#### Remuneration mix

There are three components to the Managing Director and CEO's remuneration:

Fixed remuneration	\$1,750,000	43%
STI (maximum)	\$1,500,000	38%
LTI	\$750,000	19%
<b>Total reward</b>	<b>\$4,000,000</b>	<b>100%</b>

There is no change to the remuneration structure for the Managing Director and CEO in FY14.

#### Fixed remuneration

The Managing Director and CEO's fixed remuneration in FY13 was \$1,750,000. This amount is inclusive of superannuation contributions. Fixed remuneration is subject to annual review.

#### Short-term incentive

Mr Funke Kupper will be entitled to an STI of up to \$1,500,000 subject to financial and non-financial performance of the Group.

Mr Funke Kupper's performance objectives are set by the ASX Board in consultation with Mr Funke Kupper. Pursuant to the terms of the contract, ASX may defer payment of up to 50% of the STI for two years.

After assessing Mr Funke Kupper's performance for the FY13 performance period, the Board awarded Mr Funke Kupper an STI payment of \$1,350,000 with a 50% deferral component.

#### Clawback provision

Mr Funke Kupper will forfeit any deferred STI if his employment is terminated by his resignation, due to his misconduct or poor performance, or if ASX determines that such action is necessary to protect the financial soundness of ASX, or where adverse outcomes have arisen during the deferral period that reduce the original assessment of the performance generating the deferred allocation.

#### Long-term incentive

Subject to shareholder approval, Mr Funke Kupper will be entitled to participate in the ASX Executive LTI scheme in accordance with the rules of the scheme and ASX policy.

Mr Funke Kupper will be entitled to an annual LTI grant valued at up to \$750,000 subject to the achievement of EPS (70%) and TSR (30%) hurdles. This will take the form of an annual award of performance rights.

An offer was made to Mr Funke Kupper in FY13 within the terms of the LTI plan. The FY13 offer was approved by shareholders at the 2012 AGM.

The FY14 offer will be put to the 2013 AGM. If the FY14 grant is not approved at the 2013 AGM, the value of the incentive will be provided to Mr Funke Kupper in cash, subject to meeting relevant performance hurdles.

Based on the following calculation, the Managing Director and CEO was awarded an allocation of 35,680 performance rights in FY13. An allocation will be made in FY14 and each year of his tenure on the same basis.

$$\text{GRANT VALUE (\$)} \div \text{FAIR VALUE OF THE PERFORMANCE RIGHTS} = \text{RIGHTS ALLOCATED}$$

### Summary of contract terms

Details regarding notice periods are set out in section 11.12. In the event of illness, ASX can terminate by giving three months written notice.

Further details of benefits covered by the Managing Director and CEO's contract are detailed below, including treatment of STI (both current and deferred) and LTI awards:

### Treatment of STI on departure

Termination by reason of	Treatment of STI	
	Current	Deferred*
ASX provides notice	Discretion of the Board	Discretion of the Board
Notice by the Executive	Discretion of the Board	No payment to the MD and CEO
Poor performance/summary dismissal	No payment to the MD and CEO	No payment to the MD and CEO
Cause	No payment to the MD and CEO	No payment to the MD and CEO
Illness	Discretion of the Board	Discretion of the Board
Death	Discretion of the Board	Discretion of the Board

\* The Managing Director and CEO will not be entitled to any payment of deferred STI where the Board determines that such action is necessary to protect the financial soundness of ASX or where adverse outcomes have arisen during the deferral period that reduce the original assessment of the performance generating the deferred allocation.



## Directors' report continued

### Treatment of LTI on departure

The terms and conditions outlined in the Managing Director and CEO's contract in the treatment of LTI awards in the case of termination are:

- poor performance – LTI awards will lapse
- notice provided by the CEO – unvested awards will lapse.

In regard to LTI incentive grants that are not approved at the AGM, and the value of the incentive is provided to Mr Funke Kupper in cash, Mr Funke Kupper will forfeit any such cash payment equivalent if his employment is terminated by resignation, due to his misconduct or poor performance, or if ASX determines that such action is necessary to protect the financial soundness of ASX or where adverse outcomes have arisen during the deferral period that reduce the original assessment of the performance generating the deferred allocation.

### 11.14 Non-executive director remuneration

#### Remuneration framework

The Remuneration Committee has responsibility for reviewing and recommending to the Board appropriate remuneration arrangements for non-executive directors.

Non-executive directors' individual fees are determined by the ASX Board within the aggregate amount approved by shareholders.

Fees are set so that:

- ASX non-executive directors are remunerated fairly for their services, recognising the level of skill and experience required to conduct the role
- the fee scale enables ASX to attract and retain talented non-executive directors
- they are in line with market practice through advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies.

#### Remuneration structure

Non-executive director remuneration includes the following components:

- Board fee
- committee (and where relevant subsidiary board) fees
- superannuation.

Board, committee and subsidiary board fees are structured by having regard to the responsibilities of each position within the Board, committees and subsidiary boards. Fees are determined by the Board within the aggregate amount approved by shareholders.

Non-executive directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the non-executive directors, which is to provide oversight and guide strategy,

and of management, which is to operate the Group's activities and execute the Group's strategy.

ASX non-executive directors are not subject to a minimum shareholding requirement. They may hold shares in ASX subject to the ASX Group Dealing Policy.

#### Directors annual fees

The current maximum aggregate amount which may be paid to all non-executive directors is \$2.8 million per annum, as approved by shareholders at the AGM on 5 October 2012.

In FY13, the total amount paid to non-executive directors was \$1,929,112. This amount includes superannuation and fees paid to non-executive directors of ASX in their capacity as members of the ASX Board and its committees, and as directors of subsidiary company boards. It does not include the fees paid to Mr Warne in his capacity as a director of the Securities Exchanges Guarantee Corporation Limited (SEGC), which is not a controlled entity of ASX.

The Board reviews its fees regularly so that ASX non-executive directors are remunerated fairly for their services, recognising the level of skill and experience required. Fees are set to enable ASX to attract and retain talented non-executive directors. Non-executive directors' fees are broadly aligned to the top quartile of the marketplace.

In conducting a review, the Board may obtain advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies. The last fee review was effective 1 July 2008.

Currently, there is no directors' retirement scheme. A pre-existing retirement scheme was terminated in 2003. The last benefits under the pre-existing scheme were paid in 2010. There are no further entitlements to directors under the pre-existing scheme.

# Directors' report continued

## 11.15 KMP disclosure tables

Remuneration of Key Management Personnel is set out below.

\$	Year	Short-term			Post-employment superannuation	Long-term		Share-based payments <sup>2</sup>	Total	Performance- related <sup>3</sup>	Share-based related <sup>4</sup>
		Salary	STI	Non- monetary		LTI and deferred STI	Other <sup>1</sup>				
<b>Current</b>											
Elmer Funke Kupper Managing Director and CEO	2013	1,733,530	675,000	-	16,470	250,000	-	437,492	3,112,492	43.8%	14.1%
	2012	1,273,165	500,000	-	11,766	-	-	187,495	1,972,426	34.9%	9.5%
Ramy Aziz Chief Financial Officer	2013	408,530	90,000	-	16,470	80,000	6,668	-	601,668	28.3%	-
	2012	409,225	85,000	-	15,775	67,500	6,795	3,075	587,370	26.5%	0.5%
Alan J Bardwell Chief Risk Officer	2013	608,530	50,000	-	16,470	25,000	-	-	700,000	10.7%	-
	2012	609,225	80,000	-	15,775	-	-	-	705,000	11.3%	-
Amanda J Harkness Group General Counsel and Company Secretary	2013	533,530	140,000	-	16,470	82,500	-	(25,667)	746,833	26.4%	(3.4%)
	2012	509,225	90,000	-	15,775	75,000	-	56,490	746,490	29.7%	7.6%
Peter D Hiom Deputy CEO	2013	760,412	525,000	23,118	16,470	175,000	12,319	411,826	1,924,145	57.8%	21.4%
	2012	767,516	500,000	16,709	15,775	125,000	13,022	243,985	1,682,007	51.7%	14.5%
Tim J Hogben Executive General Manager Operations	2013	433,530	90,000	-	16,470	87,500	7,227	(25,667)	609,060	24.9%	(4.2%)
	2012	409,225	100,000	-	15,775	75,000	6,795	59,565	666,360	35.2%	8.9%
Kevin A Lewis Chief Compliance Officer	2013	662,876	140,000	10,654	16,470	134,167	-	-	964,167	28.4%	-
	2012	659,225	120,000	-	15,775	141,667	-	-	936,667	27.9%	-
Tim Thurman Chief Information Officer (commenced 13 June 2012)	2013	426,895	135,000	106,635	16,470	-	-	-	685,000	19.7%	-
	2012	54,228	-	65,000	1,731	-	-	-	120,959	-	-
<b>Former</b>											
Jeff J Olsson Group Executive Technology (resigned 9 July 2012)	2013	10,119	-	-	843	-	156	-	11,118	-	-
	2012	442,516	120,000	16,709	15,775	-	7,626	-	602,626	19.9%	-
Robert G Elstone Managing Director and CEO (retired 11 October 2011)	2013	-	-	-	-	-	-	-	-	-	-
	2012	411,874	317,248	4,670	7,303	-	7,481	-	748,576	42.4%	-
<b>Total</b>	<b>2013</b>	<b>5,577,952</b>	<b>1,845,000</b>	<b>140,407</b>	<b>132,603</b>	<b>834,167</b>	<b>26,370</b>	<b>797,984</b>	<b>9,354,483</b>	<b>37.2%</b>	<b>8.5%</b>
	<b>2012</b>	<b>5,545,424</b>	<b>1,912,248</b>	<b>103,088</b>	<b>131,225</b>	<b>484,167</b>	<b>41,719</b>	<b>550,610</b>	<b>8,768,481</b>	<b>33.6%</b>	<b>6.3%</b>

1. 'Long-term other' includes long service leave entitlements.

2. Reflects annual amortisation of share-based payment expense/(credit) and is calculated using the fair value of performance rights at grant date, less any write-back on performance rights lapsed as a result of non-market hurdles not attained (July 2010 plan).

3. Reflects the percentage of total remuneration that is performance-related.

4. Reflects the percentage of total remuneration that is performance rights related.

Amounts disclosed for remuneration of directors and executives exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts. The Group has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of the company, its controlled entities and related entities. The officers of ASX covered by the insurance include the current directors, executives, the company secretaries, former directors and officers.

## Directors' report continued

### 11.15.1 Remuneration received or available in the 2013 financial year

The below remuneration table has been prepared to provide shareholders with increased clarity and transparency of remuneration realised by Key Management Personnel in financial year 2013. The remuneration provided in the prior table 11.15 is measured in accordance with accounting standards as required by the Corporations Act 2001. The accounting standards only 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 payment expense to be calculated using the grant date fair value of the shares rather than current market prices. The table below has been provided as additional non-statutory information to assist users in understanding the total value of remuneration received by KMP in the current financial year, including remuneration awarded in prior periods.

KMP	Year	Total fixed remuneration for FY13 <sup>1</sup>	STI awarded and paid in FY13 <sup>2</sup>	Total cash payments applicable to FY13	Previous years awards that vested in FY13			Total remuneration received in FY13
					Deferred STI award <sup>3</sup>	Deferred LTI award <sup>4</sup>	Deferred share-based awards <sup>5</sup>	
		a	b	c=a+b	d	e	f	g=c+d+e+f
E Funke Kupper Managing Director and CEO (commenced 6 October 2011)	2013	1,750,000	675,000	2,425,000	-	-	-	2,425,000
	2012	1,284,931	500,000	1,784,931	-	-	-	1,784,931
R Aziz Chief Financial Officer	2013	425,000	90,000	515,000	75,000	-	-	590,000
	2012	425,000	85,000	510,000	60,000	-	24,821	594,821
AJ Bardwell Chief Risk Officer	2013	625,000	50,000	675,000	-	-	-	675,000
	2012	625,000	80,000	705,000	-	-	-	705,000
AJ Harkness Group General Counsel and Company Secretary	2013	550,000	140,000	690,000	75,000	-	69,447	834,447
	2012	525,000	90,000	615,000	75,000	-	-	690,000
PD Hiom Deputy CEO	2013	800,000	525,000	1,325,000	175,000	-	69,447	1,569,447
	2012	800,000	500,000	1,300,000	75,000	-	-	1,375,000
TJ Hogben Executive General Manager Operations	2013	450,000	90,000	540,000	75,000	-	69,447	684,447
	2012	425,000	100,000	525,000	75,000	-	24,821	624,821
KA Lewis Chief Compliance Officer	2013	690,000	140,000	830,000	75,000	170,000	-	1,075,000
	2012	675,000	120,000	795,000	75,000	-	-	870,000
T Thurman Chief Information Officer (commenced 13 June 2012)	2013	550,000	135,000	685,000	-	-	-	685,000
	2012	120,959	-	120,959	-	-	-	120,959

1. Fixed remuneration comprises salary, non-monetary benefits, other short-term remuneration and superannuation. Non-monetary benefits are available as salary sacrifice.

2. This is the portion of total STI awarded and paid to KMP in FY13. The portion of STI awarded in FY13 but deferred for two years is shown in table 11.15.2.

3. This relates to the payment of the cash-based STI awarded in July 2011 (2012: July 2010) and deferred for two years.

4. This relates to the vesting of the cash-based LTI awarded in July 2010.

5. This relates to the vesting of the July 2010 (2012: December 2008) share-based LTI offer. It has been calculated using the total number of shares vested and the ASX-quoted share price at vesting date.

Regarding the above table, the timing of STI and deferred award payments shown as being received in the financial year are made shortly after the conclusion of the financial year.

## Directors' report continued

### 11.15.2 KMP STI allocations for 2013

KMP	STI Target <sup>1</sup>	Total STI awarded <sup>2</sup>		STI portion deferred <sup>3</sup>
		\$	%	\$
E Funke Kupper	1,500,000	1,350,000	90%	675,000
R Aziz	209,328	190,000	91%	100,000
AJ Bardwell	156,250	100,000	64%	50,000
AJ Harkness	235,714	280,000	119%	140,000
PD Hiom	775,000	700,000	90%	175,000
TJ Hogben	221,642	190,000	86%	100,000
KA Lewis	295,714	280,000	95%	140,000
T Thurman	300,000	270,000	90%	135,000

1. STI values for the Managing Director and CEO and the Deputy CEO are maximum values not targets (refer to separate contractual arrangements). Targets for other KMPs are for on-target performance.
2. Total STI award including cash payment and deferred component.
3. This represents the value of the STI award that is deferred until 1 July 2015. The deferred awards are subject to Board review at time of payout.

### 11.15.3 Other remuneration tables - LTI allocations to KMP for the year ended 30 June 2013

The following table shows the movement during the reporting period in the fair value of performance-related rights over issued ordinary shares in ASX held directly, indirectly or beneficially, by the Managing Director and CEO, and other KMP, including their personally-related entities:

	Granted in year no. of shares	Granted in year \$	Exercised in year no. of shares	Exercised in year \$	Lapsed in year no. of shares	Lapsed in year \$
E Funke Kupper	35,680	749,994	-	-	-	-
R Aziz	-	-	-	-	-	-
AJ Bardwell	-	-	-	-	-	-
AJ Harkness	-	-	2,100	50,841	4,900	118,629
PD Hiom	35,680	749,994	2,100	50,841	4,900	118,629
TJ Hogben	-	-	2,100	50,841	4,900	118,629
KA Lewis	-	-	-	-	-	-
T Thurman	-	-	-	-	-	-

## Directors' report continued

During the year, 70% of the July 2010 LTI plan shares lapsed because certain vesting conditions were not satisfied. The remaining 30% vested during the year. The following table shows the minimum and maximum values of performance rights that may be received by KMP as remuneration in future financial years:

Grant date: Vesting date:	6 October 2011 6 October 2014	5 October 2012 5 October 2015		
	Min \$	Max \$	Min \$	Max \$
E Funke Kupper	-	749,982	-	749,994
R Aziz	-	-	-	-
AJ Bardwell	-	-	-	-
AJ Harkness	-	-	-	-
PD Hiom	-	749,982	-	749,994
TJ Hogben	-	-	-	-
KA Lewis	-	-	-	-
T Thurman	-	-	-	-

Since the performance rights are issued at zero exercise price, their minimum value is nil, on the basis that they may not vest.

### 11.16 Non-executive director disclosure tables

#### Non-executive director remuneration

Details of the remuneration of the directors of ASX are set out in the following table. Remuneration includes all fees received as directors of ASX as well as subsidiary boards and committees. Refer to the corporate governance section for details of directorships and memberships of subsidiary boards and committees (pages 27 to 29).

\$	Year	Short-term salary and fees	Post-employment superannuation	Total
<b>Current</b>				
R Holliday-Smith	2013	455,083	16,470	471,553
	2012	310,919	15,775	326,694
RA About	2013	173,528	14,785	188,313
	2012	150,000	13,500	163,500
SD Finmore	2013	150,000	13,500	163,500
	2012	150,000	13,500	163,500
KR Henry (appointed 1 February 2013)	2013	62,083	5,588	67,671
PR Marriott	2013	275,000	16,470	291,470
	2012	270,000	15,775	285,775
HM Ridout (appointed 29 August 2012)	2013	115,861	10,428	126,289
JS Segal	2013	260,000	16,470	276,470
	2012	260,000	15,775	275,775
PH Warne	2013	265,000	16,470	281,470
	2012	260,000	14,143	274,143
<b>Former</b>				
D Gonski (retired 28 March 2012)	2013	-	-	-
	2012	281,250	11,831	293,081
JR Broadbent (retired 5 October 2012)	2013	57,989	4,387	62,376
	2012	220,000	15,775	235,775
<b>Total</b>	<b>2013</b>	<b>1,814,544</b>	<b>114,568</b>	<b>1,929,112</b>
	2012	1,902,169	116,074	2,018,243

## Directors' report continued

### Equity holdings of non-executive directors

No performance rights have been granted to ASX non-executive directors.

The table below summarises the movements in holdings of ordinary shares in ASX held directly, indirectly or beneficially, by each ASX non-executive director and their personally-related entities.

	Holding at 1 July 2012	Holding at 30 June 2013	Holding at 22 August 2013
<b>Current</b>			
R Holliday-Smith	3,825	3,825	4,228
RA Aboud	25,000	25,000	25,000
SD Finemore	4,000	4,000	4,422
KR Henry (appointed 1 February 2013)	-	-	-
PR Marriott	3,000	3,000	3,316
HM Ridout (appointed 29 August 2012)	-	-	-
JS Segal	2,000	2,000	2,211
PH Warne	6,000	6,000	6,000
<b>Former</b>			
JR Broadbent (retired 5 October 2012)	2,000	N/A	N/A

### 12. Rounding of amounts

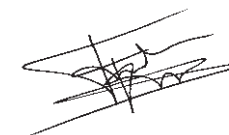
ASX is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006. In accordance with those class orders, amounts in the financial statements and the directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors:



**Rick Holliday-Smith**  
Chairman

Sydney, 22 August 2013



**Elmer Funke Kupper**  
Managing Director and CEO

### Auditor's independence declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2013, 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.



M J Codling  
Partner

PricewaterhouseCoopers

Sydney  
22 August 2013

## Consolidated statement of comprehensive income

For the year ended 30 June 2013	Note	2013 \$m	2012 \$m
<b>Revenue</b>			
Listings and issuer services		140.7	133.4
Cash market		114.6	124.5
Derivatives		204.0	197.0
Information services		61.8	66.9
Technical services		51.5	46.3
Austraclear services		38.6	36.0
Dividends		9.4	9.3
Interest income		147.6	154.3
Other		15.7	16.1
		<b>783.9</b>	<b>783.8</b>
<b>Expenses</b>			
Staff		(87.2)	(84.5)
Occupancy		(13.7)	(19.9)
Equipment		(23.6)	(22.7)
Administration		(31.2)	(30.1)
Depreciation and amortisation		(30.4)	(30.4)
Finance costs		(103.5)	(113.8)
		<b>(289.6)</b>	<b>(301.4)</b>
<b>Profit before income tax expense</b>		<b>494.3</b>	<b>482.4</b>
Income tax expense	6	(146.1)	(143.2)
<b>Net profit for the period attributable to owners of the Company</b>		<b>348.2</b>	<b>339.2</b>

For the year ended 30 June 2013	Note	2013 \$m	2012 \$m
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
Change in the fair value of available-for-sale investments		16.4	(41.3)
Change in the fair value of available-for-sale financial assets		0.1	0.4
Changes in the fair value of cash flow hedges		1.0	0.1
<b>Other comprehensive income for the period, net of tax</b>		<b>17.5</b>	<b>(40.8)</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>365.7</b>	<b>298.4</b>
<b>Earnings per share</b>			
<b>Basic earnings per share (cents per share)</b>	<b>8</b>	<b>195.5</b>	<b>190.6*</b>
<b>Diluted earnings per share (cents per share)</b>	<b>8</b>	<b>195.5</b>	<b>190.6*</b>

\* The prior year has been restated to reflect the impact of the bonus element of the rights issue as detailed in note 8.

The consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.



## Consolidated balance sheet

As at 30 June 2013	Note	2013 \$m	2012 \$m
<b>Current assets</b>			
Cash and funds on deposit	10(a)	3,218.6	2,528.6
Available-for-sale financial assets	10(b)	1,277.6	1,167.5
Receivables	11	229.6	275.7
Other assets	12	8.0	7.2
<b>Total current assets</b>		<b>4,733.8</b>	<b>3,979.0</b>
<b>Non-current assets</b>			
Investments	13	185.6	162.1
Receivables	11	-	0.1
Property, plant and equipment	14	56.1	65.5
Intangible assets - software	15	75.6	57.7
Intangible assets - goodwill	16	2,317.6	2,262.8
<b>Total non-current assets</b>		<b>2,634.9</b>	<b>2,548.2</b>
<b>Total assets</b>		<b>7,368.7</b>	<b>6,527.2</b>

As at 30 June 2013	Note	2013 \$m	2012 \$m
<b>Current liabilities</b>			
Payables	17	196.1	249.4
Amounts owing to participants	18	3,678.6	2,853.5
Current tax liabilities		33.0	36.7
Provisions	20	13.4	13.1
Other current liabilities	21	16.8	14.3
<b>Total current liabilities</b>		<b>3,937.9</b>	<b>3,167.0</b>
<b>Non-current liabilities</b>			
Amounts owing to participants	18	74.5	86.1
Borrowings	19	-	250.0
Net deferred tax liabilities	6	17.9	10.8
Provisions	20	13.2	15.0
Other non-current liabilities	21	3.4	3.3
<b>Total non-current liabilities</b>		<b>109.0</b>	<b>365.2</b>
<b>Total liabilities</b>		<b>4,046.9</b>	<b>3,532.2</b>
<b>Net assets</b>		<b>3,321.8</b>	<b>2,995.0</b>
<b>Equity</b>			
Issued capital	23	2,746.4	2,483.2
Retained earnings		427.6	382.3
Restricted capital reserve	24	71.5	71.5
Asset revaluation reserve	24	68.0	50.5
Equity compensation reserve	24	8.3	7.5
<b>Total equity</b>		<b>3,321.8</b>	<b>2,995.0</b>

The consolidated balance sheet should be read in conjunction with the notes to the financial statements.

## Consolidated statement of changes in equity

	Issued capital \$m	Retained earnings \$m	Restricted capital reserve \$m	Asset revaluation reserve \$m	Equity compensation reserve \$m	Total equity \$m
<b>For the year ended 30 June 2013</b>						
<b>Opening balance at 1 July 2012</b>	<b>2,483.2</b>	<b>382.3</b>	<b>71.5</b>	<b>50.5</b>	<b>7.5</b>	<b>2,995.0</b>
Profit for the year	-	348.2	-	-	-	348.2
Other comprehensive income for the year	-	-	-	17.5	-	17.5
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>348.2</b>	<b>-</b>	<b>17.5</b>	<b>-</b>	<b>365.7</b>
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs	263.2	-	-	-	-	263.2
Employee share schemes - value of employee services	-	-	-	-	0.8	0.8
Dividends provided for or paid	-	(302.9)	-	-	-	(302.9)
<b>Closing balance at 30 June 2013</b>	<b>2,746.4</b>	<b>427.6</b>	<b>71.5</b>	<b>68.0</b>	<b>8.3</b>	<b>3,321.8</b>
<b>For the year ended 30 June 2012</b>						
<b>Opening balance at 1 July 2011</b>	<b>2,483.2</b>	<b>368.3</b>	<b>71.5</b>	<b>91.3</b>	<b>6.8</b>	<b>3,021.1</b>
Profit for the year	-	339.2	-	-	-	339.2
Other comprehensive income for the year	-	-	-	(40.8)	-	(40.8)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>339.2</b>	<b>-</b>	<b>(40.8)</b>	<b>-</b>	<b>298.4</b>
<b>Transactions with owners in their capacity as owners:</b>						
Employee share schemes - value of employee services	-	-	-	-	0.7	0.7
Dividends provided for or paid	-	(325.2)	-	-	-	(325.2)
<b>Closing balance at 30 June 2012</b>	<b>2,483.2</b>	<b>382.3</b>	<b>71.5</b>	<b>50.5</b>	<b>7.5</b>	<b>2,995.0</b>

## Consolidated statement of cash flows

For the year ended 30 June 2013	Note	2013 \$m	2012 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		671.2	673.7
Payments to suppliers and employees (inclusive of GST)		(200.3)	(220.5)
		<b>470.9</b>	<b>453.2</b>
Interest received		138.2	153.9
Interest paid		(103.7)	(114.6)
Dividends received		9.4	9.3
Income taxes paid		(148.2)	(174.8)
<b>Net cash inflow from operating activities</b>	<b>27</b>	<b>366.6</b>	<b>327.0</b>
<b>Cash flows from investing activities</b>			
Increase in participants' margins and commitments		813.5	423.2
Payments for investments		-	(7.1)
Payment for acquisition of subsidiary, net of cash acquired	9	(53.6)	-
Payments for other non-current assets		(36.7)	(41.0)
<b>Net cash inflow from investing activities</b>		<b>723.2</b>	<b>375.1</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		261.6	-
Repayment of borrowings		(250.0)	-
Dividends paid		(302.9)	(325.2)
<b>Net cash (outflow) from financing activities</b>		<b>(291.3)</b>	<b>(325.2)</b>

For the year ended 30 June 2013	Note	2013 \$m	2012 \$m
<b>Net increase in cash and cash equivalents</b>		<b>798.5</b>	<b>376.9</b>
<b>Increase in fair value of cash and cash equivalents</b>		<b>1.6</b>	<b>0.6</b>
Cash and cash equivalents at the beginning of the financial period		3,696.1	3,318.6
<b>Cash and cash equivalents at the end of the financial period</b>	<b>10(c)</b>	<b>4,496.2</b>	<b>3,696.1</b>
<b>Cash and cash equivalents consist of:</b>			
ASX Group funds	10(c)	743.1	756.5
Participants' margins and commitments	18	3,753.1	2,939.6
<b>Total cash and cash equivalents*</b>		<b>4,496.2</b>	<b>3,696.1</b>

\* Total cash and cash equivalents includes cash and funds on deposit and available-for-sale financial assets.

The consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

# Notes to the financial statements

## 1. Summary of significant accounting policies

ASX Limited (the Company or ASX) is a company domiciled in Australia. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of ASX and its subsidiaries (together referred to as the Group).

The consolidated financial statements were authorised for issuance by the Board of directors on 22 August 2013.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. ASX Limited is a for-profit entity for the purpose of preparing these financial statements.

### Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Historical cost convention

The financial statements have been prepared on a historical cost basis except for available-

for-sale financial assets and investments which have been recognised at fair value.

### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### New and amended standards adopted by the Group

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 do not affect any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of other comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2013.

### New and amended standards – not yet mandatory

The Group's assessment of the impact of the accounting standards and amendments that have been issued, but are not yet effective and have not been early adopted for the financial year ended 30 June 2013, is shown below.

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory effective date of AASB 9 and Transition Disclosures* (effective from 1 January 2015). AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. However, the provisions of AASB 9 are subject to further change following the release of the Exposure Draft *Classification and Measurement: Limited Amendments to AASB 9 (proposed amendments to AASB 9 (2010))* in December 2012. Accordingly, the Group is unable to determine the effect of adopting AASB 9 and has not yet decided when it will be adopted. Currently, the new standard and amendments will be mandatory for the Group's 30 June 2016 financial statements.
- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised

AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights and exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. The Group has performed an initial analysis of the new requirements and based on that initial assessment does not expect that their adoption will affect the Group's consolidation. However, as practice is still emerging in this area, the Group will complete a final assessment as interpretation

## Notes to the financial statements continued

of the standard becomes clearer. Subject to final assessment, the Group expects to continue to exclude the following related entities from its consolidation on the basis they are not controlled by the Group: ASX Division 3 Compensation Fund; Sydney Futures Exchange Limited Fidelity Fund; National Guarantee Fund; and Securities Exchanges Guarantee Corporation Limited.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. As the Group does not have any such arrangements, the adoption of AASB 11 is not expected to impact the Group.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Group's investments.

The Group will adopt the new standards from their operative date. They will therefore be applied for the Group's 30 June 2014 financial statements.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective from 1 January 2013) explain how to measure fair value and aim to enhance fair value disclosures. The new standard and amendment is yet to be fully assessed however it is not expected to have a material impact on the Group as fair value measurements are not extensively used.

The Group will adopt the new standard and amendment from their operative date. They will therefore be applied for the Group's 30 June 2014 financial statements.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective from 1 July 2013) removes the individual key management personnel requirements from AASB 124 *Related Party Disclosures*. The adoption of this amendment will reduce the Group's individual key management personnel disclosures in the notes to the financial statements.

The amendment is not available for early adoption and will be mandatory for the Group's 30 June 2014 financial statements.

- Revised AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (effective 1 January 2013) introduce a number of changes to

the recognition and measurement criteria in accounting for employee benefits. Among these includes revising the distinction between short and long-term benefits for measurement purposes to be based on when the payment is expected rather than when the payment can be demanded. The Group is still assessing the full impact of the revised standard and amendment however it is not expected to have a material impact on the Group.

The Group will adopt the new standard and amendment from their operative date. They will therefore be applied for the Group's 30 June 2014 financial statements.

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (effective from 1 January 2013 and 1 January 2014 respectively) clarify the requirements for offsetting financial assets and financial liabilities and introduce new disclosure requirements. The Group is still assessing the full impact of the amendments however it is not expected to have a material impact on the Group.

The Group will adopt the amendments from their operative date. Therefore they will be applied for the Group's 30 June 2014 and 30 June 2015 financial statements respectively.

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* [AASB 1, AASB 101, AASB 116, AASB 132 and AASB 134 and Interpretation 2] (effective from 1 January 2013) introduces a number of amendments to the above accounting standards and interpretation.

The amendments are not expected to have a material impact on the Group. The Group will adopt the new amendments from their operative date. They will therefore be applied for the Group's 30 June 2014 financial statements.

There are no other standards that affect future periods that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Principles of consolidation Subsidiaries

The consolidated financial statements include the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the year then ended.

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 has the power to govern the financial and operating policies that generally accompany a shareholding of more than one-half of the voting rights.

## Notes to the financial statements continued

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(j)).

Unrealised gains and losses and inter-entity balances resulting from transactions with, or between, subsidiaries are eliminated in full on consolidation.

### Established trusts

The Group has two established trusts. The Long-Term Incentive Plan trust administers the Group's employee share scheme whilst ASX Clearing Corporation trust manages the cash and funds on deposit and certain available-for-sale financial assets of the two central counterparty clearing subsidiaries. Both trusts are consolidated as the substance of the relationship is that they are controlled by the Group.

Shares held by the Group's Long-Term Incentive Plan trust are treated as treasury shares and deducted from equity.

### (c) Segment reporting

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

### (d) Foreign currency translation

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is ASX's functional and presentation currency.

Foreign currency transactions are translated into 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 note 1(q)).

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group bases its estimates on historical results, taking into consideration the type of customer, nature of the transaction and the specific circumstances of each arrangement. Revenue is recognised for the major revenue lines as shown below.

### Listings and issuer services

Listings and issuer services includes listing fees and other issuer services revenue.

The Group earns revenue from annual listing fees, initial listing fees and subsequent capital raisings. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised on a pro rata basis over the financial year to which they relate. Unamortised balances are recognised as deferred revenue within 'other current liabilities' 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.

### Cash market

Cash market revenue includes revenue from trading, clearing and settlement of equities, warrants, exchange-traded funds and interest rate products. The Group has elected under AASB 139 *Financial Instruments: Recognition and Measurement* to account for revenue from cash market trading, clearing and settlement at settlement date. The normal market convention is that settlement occurs three days after the initial trade date. Accordingly, revenue for trades transacted in the last three days prior to period end are recognised in the subsequent reporting period (settlement date).

### Derivatives

Derivatives revenue includes revenue from trading, clearing and settlement of futures, options and contracts-for-difference.

Derivatives transaction revenue is recognised at trade date.

### Information services

Revenue from the provision of market data is recognised over the period the service is provided.

### Technical services

Revenue from technical services, which includes technology connectivity and technology hosting services, is recognised over the period the service is provided.

### Austraclear services

Revenue from Austraclear depository, registry and settlement fees is recognised in the period the service is provided. This may involve deferring a portion of revenue to future reporting periods.

### Dividends

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

### Interest income

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

## Notes to the financial statements continued

### (f) Leases

#### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. Where operating leases have fixed increases the payments are recognised over the period of the lease on a straight-line basis.

Lease income from operating leases where the Group is a sub-lessor is recognised in profit or loss on a straight-line basis over the lease term.

#### Lease incentives

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 estimated value of lease incentives is apportioned 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.

### (g) Income tax

Income tax expense recognised in profit or loss for the period comprises current and deferred income tax. 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.

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.

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. 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.

The amount of deferred income tax is determined using tax rates (and laws) 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.

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. 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 release the asset and settle the liability simultaneously.

### (h) Earnings per share

#### Basic earnings per share

Basic earnings per share 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 earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share 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.

### (i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component 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.

### (j) Business combinations

The acquisition method of accounting is used to account for all business combinations involving the purchase of external entities regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Costs directly attributable to the acquisition are expensed as incurred. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1(p)).

## Notes to the financial statements continued

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (k) Impairment of assets

Intangible assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are 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 there are separately identifiable cash flows (cash generating units (CGUs)) and goodwill is allocated to each of the Group's CGUs. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets that are subject to amortisation (including other intangibles) are tested for impairment when events or changes in circumstances have arisen that indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

After initial recognition, available-for-sale financial assets are measured at fair value. When the asset is considered to be impaired, any gain or loss that had been recognised directly in equity is transferred to profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment indicators for available-for-sale and financial assets at amortised cost include a significant or prolonged decline in the fair value of the security below its cost.

### (l) Cash and cash equivalents

Cash and cash equivalents as presented on the statement of cash flows comprise cash balances, funds on deposit and available-for-sale financial assets which include short-term money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (m) Receivables

#### Trade receivables

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 which are

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. The amount of the impairment loss is recognised in the statement of comprehensive income within administration expenses.

### Margins receivable

Margins receivable represents collateral receivable from clearing participants on cash markets and derivative positions held at the end of the day and are due to be received on the next business day. The amounts include the fair value of derivative positions and are recognised on trade-date, the date on which the cash market and derivative contracts are registered.

### (n) Available-for-sale financial assets and investments

Available-for-sale financial assets and investments 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.

With the exception of impairment losses, 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. When the asset is considered to be impaired, any gain or loss

that had been recognised directly in equity is transferred to profit or loss.

### Available-for-sale financial assets

Available-for-sale financial assets comprise short-term money market investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Fair value is determined by valuation techniques including discounted cash flow analysis which utilises quoted market prices and yields for similar instruments.

### Available-for-sale investments

Investments classified as available-for-sale include shares held in listed entities.

After initial recognition, available-for-sale investments are measured at fair value. For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date.

### (o) Property, plant and equipment

All classes of property, plant and equipment are 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



## Notes to the financial statements continued

the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 (note 1(k)).

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

Assets are depreciated from the date of acquisition or, in respect of internally developed assets, from the time an asset is completed and ready 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

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.

### (p) Intangible assets

#### Goodwill

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 is not amortised, but is reviewed semi-annually for impairment or more frequently if events or changes in circumstances indicate that 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.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

#### Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits, are capitalised at cost and amortised on a straight-line basis over their expected useful lives. Capitalised

costs are amortised from the time the assets are in use. Certain staff costs are capitalised when they can be specifically attributed to major software development projects. Computer software is reviewed for indicators of impairment when events or changes in circumstances have arisen that indicate that 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 estimated useful lives of the Group's significant computer software systems are shown in the following table.

	2013	2012
Cash market trading system	5 years	5 years
Derivative trading system	5 years	5 years
Cash market clearing system	7 years	7 years
Derivative clearing system	10 years	10 years
Debt settlement and depository system	10 years	10 years

### (q) Hedging activities

The Group enters into hedging arrangements in order to mitigate the risk associated with fluctuations of foreign currency. The Group documents at the inception of the hedging transaction 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 the statement of comprehensive income within other income or other expense.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities and related legal costs are recognised as transaction costs of the loan, capitalised as a prepayment for associated borrowings and amortised over the period of the facility to which it relates.

### (s) Payables

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 which 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.

## Notes to the financial statements continued

### (t) Interest payable

Interest payable includes interest owed to participants on cash collateral lodged in addition to interest owed on borrowings. Interest is recognised as a finance cost in the statement of comprehensive income using the effective interest rate method.

### (u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, 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 the statement of comprehensive income.

#### Surplus lease space

A provision for onerous contracts is recognised for surplus space in leased premises when it is determined that no substantive future benefit will be obtained from the lease. This arises where premises are currently leased under non-cancellable operating leases and the Group either:

- does not occupy the premises and does not expect to occupy it in the future
- sub-lets the premises for lower rentals than it is presently obliged to pay under the original lease, or

- occupies the premises, but the premises is not expected to provide any substantive benefit beyond a known future date and there is a committed plan to vacate.

#### Make-good obligations

The Group has operating leases for office space 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 obligations.

### (v) Employee benefits

#### Short-term obligations

Liabilities for wages and salaries, annual leave and non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period. Amounts expected to be settled within 12 months after the end of the period in which the employees render the related service are classified as current and are measured at the amounts expected to be paid when the liability is settled. The liability for annual leave and accumulating personal leave is recognised within provisions on the balance sheet. All other short-term employee benefits are recognised within payables.

#### Other long-term obligations

The liabilities for annual leave and long service leave not expected to be settled within 12 months after the end of the period in which the employees render the related service are

classified as non-current and are 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 national government bonds at the end of each reporting period which most closely match the terms to maturity of the related liabilities.

#### Share-based payment transactions

The Group provides performance rights to ordinary shares of the Company to employees as part of the long-term incentive plan. The fair value of the performance rights granted is recognised over the vesting period as an expense with a corresponding increase in the equity compensation reserve. The fair value includes 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.

The long-term incentive plan is administered by the Long-Term Incentive Plan trust (note 1(b)).

### Short-term incentive plans

The Group recognises a liability and an expense for short-term cash incentives offered to staff. 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 settled within 12 months after the end of the reporting date are recognised as current whilst the amounts not expected to be settled within 12 months of the reporting date are recognised as non-current.

#### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

### (w) Issued capital

#### Ordinary shares

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

## Notes to the financial statements continued

DRP allocation price are classified as fully paid ordinary shares.

### (x) Treasury shares

Shares held by the Group's Long-Term Incentive Plan trust are for the benefit of employees under the ASX long-term incentive plan as described in the remuneration report. Treasury shares, net of any tax effect, are deducted from the equity compensation reserve in equity (refer to the remuneration report in section 11 of the directors' report).

### (y) Dividends

A liability is recognised for the amount of any dividends declared on or before the end of the financial year but not distributed at balance sheet date. Typically, the interim and final dividends in respect of a financial period are declared after period end, and are therefore not provided for until declared.

### (z) Novation of trades

The Group has the following wholly-owned subsidiaries that provide central counterparty clearing services (CCP):

- ASX Clear Pty Limited, which provides novation of cash market securities and derivatives
- ASX Clear (Futures) Pty Limited, which provides novation of derivatives.

### Novation

Transactions between two clearing participant organisations are replaced by novation. This makes the CCPs contractually responsible

for the obligations entered into by clearing participants. The novation process results in all positions held by the CCPs being matched.

Through novation, the respective CCP assumes the credit risk of the underlying clearing participant in the event of a participant default. The CCPs hold financial resources, detailed in note 25, which are available to support their activities in the event of a default by a clearing participant.

### Cash market securities (comprises equity, debt securities and managed investments)

Cash market securities are recognised at settlement date which is normally three days after trade date. As a consequence, receivables resulting from trading in cash market securities in the last three trading days of the reporting period are recognised in the subsequent financial period.

### Derivatives (comprises options, futures, warrants, contracts-for-difference)

Derivatives are recognised at fair value at trade date. As the positions are matched, the net fair value equates to zero.

### Participant margins

Participants are required to lodge an amount (initial margin) on open cash market and derivative positions. The margin varies from contract to contract and is based on risk parameters attached to the underlying product at trade date.

In addition to initial margin, participants must also settle changes in the fair value of

derivatives contracts (variation margin).

Participants must settle both initial and variation margins daily.

Initial margins which are settled by cash and debt securities held by ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited are recognised on balance sheet at fair value. Initial margins which are settled by bank guarantees and equity securities in ASX Clear Pty Limited are not recognised on balance sheet in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, as ASX Clear Pty Limited is not party to the contractual provisions of the instruments. Initial margins recognised on balance sheet are classified as 'amounts owing to participants' within current liabilities.

Initial and variation margins receivable or payable are recognised on balance sheet at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

### (aa) Parent entity financial information

The financial information for the parent entity, ASX, disclosed in note 33, has been prepared on the same basis as the consolidated financial statements, except as set out below.

### Unlisted shares in subsidiaries

Unlisted shares in subsidiaries are accounted for at cost in the financial statements of ASX.

### Tax consolidation legislation

ASX elected to form a tax consolidated

group for income tax purposes. ASX is the head entity for the purposes of the tax consolidation legislation and is therefore liable for the income tax liabilities of the ASX tax consolidated group.

In accordance with UIG 1052 *Tax Consolidation Accounting*, the consolidated current and deferred tax amounts arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach.

### Tax funding agreement

ASX has entered into a tax funding agreement with all Australian-owned subsidiaries. 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 and ASX will compensate the subsidiaries by making a payment equal to the carrying value of the deferred tax asset (that arose from the unused tax losses or credits).

## Notes to the financial statements continued

### 2. Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are relevant and believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Estimated impairment of goodwill

The Group tests at least semi-annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(k). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions.

#### (b) Estimated impairment of other intangibles

Computer software is reviewed for impairment when events or changes in circumstances have arisen that indicate that the carrying value may be impaired. 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.

### 3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a Group risk function under policies approved by the Board of directors. The Board has endorsed a risk appetite statement. The Group's risks are managed in accordance with this statement. The clearing risk function manages clearing default credit risk with counterparties. Investment credit, foreign currency, market liquidity and cash flow interest rate risk is managed within limits approved by the Board of directors and monitored by the Group risk function.

In addition to the above risks, the Group also seeks to maintain an adequate level of capital to support its operations. This is discussed further in note 23(e).

The Group holds the following financial instruments by category.

	Available -for-sale \$m	Amortised cost \$m	Total \$m
<b>As at 30 June 2013</b>			
<b>Financial assets</b>			
Cash and funds on deposit	-	3,218.6	3,218.6
Available-for-sale financial assets	1,277.6	-	1,277.6
Receivables	-	229.6	229.6
Investments	185.6	-	185.6
<b>Total financial assets</b>	<b>1,463.2</b>	<b>3,448.2</b>	<b>4,911.4</b>
<b>Financial liabilities</b>			
Payables	-	196.1	196.1
Amounts owing to participants	-	3,753.1	3,753.1
Other liabilities	-	3.8	3.8
<b>Total financial liabilities</b>	<b>-</b>	<b>3,953.0</b>	<b>3,953.0</b>
<b>As at 30 June 2012</b>			
<b>Financial assets</b>			
Cash and funds on deposit	-	2,528.6	2,528.6
Available-for-sale financial assets	1,167.5	-	1,167.5
Receivables	-	275.8	275.8
Investments	162.1	-	162.1
<b>Total financial assets</b>	<b>1,329.6</b>	<b>2,804.4</b>	<b>4,134.0</b>
<b>Financial liabilities</b>			
Payables	-	249.4	249.4
Amounts owing to participants	-	2,939.6	2,939.6
Borrowings	-	250.0	250.0
Other liabilities	-	3.7	3.7
<b>Total financial liabilities</b>	<b>-</b>	<b>3,442.7</b>	<b>3,442.7</b>

## Notes to the financial statements continued

### (a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, interest rates and other market prices.

The Group is exposed to market risk on contracts novated to the central counterparty clearing subsidiaries, however this risk is negligible as the novation process ensures that the Group is not directly exposed to any price movements on the contracts (refer to note 1(z)). Market risk, however, may impact on the likelihood of a counterparty defaulting and one of the CCPs assuming the position under novation. The Group manages this risk through daily settlement of variation margins which marks-to-market open derivative positions as well as holding initial margins on cash and derivative positions. The Group also has formal default procedures in place and separate clearing guarantee funds set up for each CCP to limit the loss in the event of a participant default or likely default. Refer to note 25(a) for further details.

Specific market risks that the Group is directly exposed to are discussed below.

#### (i) Interest rate risk

The Group has significant interest bearing assets and liabilities that expose it to interest rate risk. Interest bearing assets comprise the investment of the Group's cash resources (participant collateral lodged and Group funds). Interest bearing liabilities comprise collateral lodged by participants.

Variable rate cash investments and money market instruments expose the Group to cash flow interest rate risk whilst fixed rate money market instruments that are carried at fair value expose the Group to fair value interest rate risk.

Interest rate risk attached to the investment of participant funds lodged as collateral is principally managed by policies that enable the Group to pay a variable rate of interest to participants on the funds held.

In the normal course of business the Group holds funds on deposit and short-term money market instruments until maturity, noting that the short-term money market instruments are available-for-sale for liquidity purposes. The Board has also set limits with respect to maximum and weighted average maturity in order to limit interest rate risk.

The Group's receivables, investments, payables and other liabilities 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 due to a change in market interest rates.

The Group's interest bearing financial assets and liabilities are shown in the following table.

As at 30 June 2013	Floating interest rate \$m	Fixed interest rate \$m	Total \$m
<b>Interest bearing financial assets</b>			
Cash and funds on deposit	1,403.6	1,815.0	3,218.6
Available-for-sale financial assets*	691.8	585.8	1,277.6
<b>Total interest bearing financial assets</b>	<b>2,095.4</b>	<b>2,400.8</b>	<b>4,496.2</b>
Weighted average interest rate at period end	2.62%	3.32%	
<b>Interest bearing financial liabilities</b>			
Amounts owing to participants	3,753.1	-	3,753.1
<b>Total interest bearing financial liabilities</b>	<b>3,753.1</b>	<b>-</b>	<b>3,753.1</b>
Weighted average interest rate at period end	2.10%		
<b>Net interest bearing financial assets/(liabilities)</b>	<b>(1,657.7)</b>	<b>2,400.8</b>	<b>743.1</b>

\* Available-for-sale financial assets are carried at fair value.

## Notes to the financial statements continued

As at 30 June 2012	Floating interest rate \$m	Fixed interest rate \$m	Total \$m
<b>Interest bearing financial assets</b>			
Cash and funds on deposit	1,418.6	1,110.0	2,528.6
Available-for-sale financial assets*	251.2	916.3	1,167.5
<b>Total interest bearing financial assets</b>	<b>1,669.8</b>	<b>2,026.3</b>	<b>3,696.1</b>
Weighted average interest rate at period end	3.20%	3.90%	
<b>Interest bearing financial liabilities</b>			
Amounts owing to participants	2,939.6	-	2,939.6
Borrowings	250.0	-	250.0
<b>Total interest bearing financial liabilities</b>	<b>3,189.6</b>	<b>-</b>	<b>3,189.6</b>
Weighted average interest rate at period end	2.92%		
<b>Net interest bearing financial assets/(liabilities)</b>	<b>(1,519.8)</b>	<b>2,026.3</b>	<b>506.5</b>

\* Available-for-sale financial assets are carried at fair value.

With respect to the prior tables:

- 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, bank accepted bills and negotiable certificates of deposit.

### Sensitivity analysis

The Group does not account for any interest bearing financial assets or liabilities at fair value through profit or loss. As such, any change in fair value that would result from a change in interest rates at the end of the reporting period would only affect profit or loss if a subsequent disposal is made prior to maturity.

### Fair value interest rate risk for fixed rate instruments (net of tax):

At 30 June 2013, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, equity would have been \$96,314 lower/higher (2012: \$50,796) due to a change in fair value of available-for-sale financial assets.

### Fair value interest rate risk for floating rate instruments (net of tax):

At 30 June 2013, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, equity would have been \$8,026 lower/higher (2012: \$21,815) due to a change in fair value of available-for-sale financial assets.

### Cash flow interest rate risk (net of tax):

At 30 June 2013, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, profit would be \$718,269 higher/lower (2012: \$389,369) mainly due to a higher/lower interest income on cash and available-for-sale financial assets.

### (ii) Foreign currency risk

The Group enters into foreign currency transactions and as a result holds foreign denominated assets and liabilities on balance sheet. The majority of the Group's foreign currency risk is associated with foreign denominated cash, net interest and exchange fees receivable. These balances relate primarily to NZ dollars (NZD), US dollars (USD) and Euros (EUR). Such exposure however, is not considered significant and is converted to Australian dollars (AUD) on a regular basis.

As part of its clearing operations, the Group's CCPs accept and hold foreign currency as collateral on clearing participant's derivatives exposures. 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 the Group enters into cash flow commitments in foreign currencies, its policy is to hedge the exchange risk associated with the transaction wherever possible. At 30 June 2013, USD 9.3 million and EUR 1.7 million were designated by the Group as the hedging instruments in qualifying cash flow hedges for committed expenditure to be paid in USD (2012: USD 4.5 million) and EUR (2012: nil). These amounts are included in the following table.

## Notes to the financial statements continued

The Group's exposure to foreign currency risk at the end of the period, expressed in AUD, was as follows:

	30 June 2013			30 June 2012		
	NZD	USD	EUR	NZD	USD	EUR
<b>Financial assets:</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Cash and funds on deposit	99.3	305.6	2.3	118.7	272.9	-
Receivables	0.3	0.1	-	0.1	-	-
<b>Financial liabilities:</b>						
Payables	0.2	-	-	0.2	-	-
Amounts owing to participants	98.9	293.4	-	118.0	267.0	-
<b>Net exposure</b>	<b>0.5</b>	<b>12.3</b>	<b>2.3</b>	<b>0.6</b>	<b>5.9</b>	<b>-</b>
Exchange rate for conversion AUD 1:	1.1889	0.9248	0.7095	1.2746	1.0174	0.8082

### Foreign exchange risk sensitivity analysis (net of tax):

A 10 percent strengthening/weakening of the AUD against the following currencies at 30 June would have increased/decreased profit or loss (net of tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2013 \$'000	2012 \$'000
NZD	33	37
USD	144	92
EUR	-	-

A 10 percent strengthening/weakening of the AUD against the USD would have decreased/increased equity by \$0.6 million (net of tax) (2012: \$0.3 million) as a result of foreign currency cash flow commitments designated as cash flow hedges. A 10 percent strengthening/weakening of the AUD against the EUR would have decreased/increased equity by \$0.1 million (net of tax) (2012: nil) as a result of foreign currency cash flow commitments designated as cash flow hedges.

### (iii) Price risk

The Group is exposed to equity securities price risk through its investment in external equity instruments classified as available-for-sale. The value of equity investments held as available-for-sale at 30 June 2013 was \$185.6 million (2012: \$162.1 million). Management of these risks is by ongoing monitoring of the values with respect to any impairment and appropriate risk-based capital allocation.

The Group's equity investments are publicly listed on the Australian Securities Exchange.

The Group is also indirectly exposed to price movements associated with the underlying equities and derivatives of trades novated to the CCPs. This risk is minimal as the trades are matched, however these price movements may impact a participant's ability to meet its obligations to the Group. Management of the credit risk associated with participant obligations is discussed in note 3(b) below.

### Equity price risk sensitivity analysis (net of tax):

A 10 percent change in the price of the Group's external listed equity investment (refer note 13) at balance date would have increased/decreased equity by \$13.0 million (2012: \$11.3 million). The Group does not account for any equity investments at fair value through profit or loss, therefore any change in fair value that would result from a change in price at the end of the reporting period would only affect the profit or loss if the investment was subsequently disposed.

### (b) Credit risk

The Group is exposed to default credit risk associated with the novation of trades to the CCPs and counterparty credit risk from certain financial assets including cash, funds on deposit, available-for-sale financial assets, and trade and other receivables. These are discussed separately below.

### Default credit risk

Through the novation process, 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+3 settlement risk for cash market trades and daily mark-to-market movements on open derivative positions. Failure to meet these obligations exposes the Group to potential losses on settlement. These are managed by the following layers of risk control:

- clearing participant membership requirements and admission standards including minimum capital requirements
- participant surveillance including capital monitoring

## Notes to the financial statements continued

- daily counterparty credit risk control, including margining and collateral management
- financial resource adequacy, including fixed capital and stress testing
- position limits based on the capital of the participant.

Both of the Group's CCPs continually stress-test clearing participant exposures against the amount and liquidity of variable and fixed financial resources (clearing guarantee fund) available in the event of default. 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, enables it to efficiently manage its central counterparty credit risk and meet its regulatory obligations.

Further information in regards to the resources available to the CCPs in the event of a participant default is shown in note 25(a).

### Cash and funds on deposit and available-for-sale financial assets

With respect to the financial assets of the Group, the Board has implemented policies that limit the amount of credit exposure and concentration to any one financial institution and class of institution as well as minimum credit ratings for counterparty Approved Deposit Taking Institutions.

The Group's largest single counterparty exposure at the end of the reporting period was \$1,381.8 million (2012: \$1,090.1 million) to an Australian licensed bank with a Standard & Poor's (S&P) short-term credit rating of A1+.

S&P credit ratings are used in determining the credit quality of the counterparty with whom cash and funds on deposit and available-for-sale financial assets are held. The portfolio risk management function ensures that cash and funds on deposit and available-for-sale financial assets comply with board mandates which specifically address the exposure limits to counterparties with certain credit ratings. The risk ratings of the counterparties to which the Group has exposure at the end of the period are shown below.

	Counterparty credit ratings			Total \$m
	AAA \$m	A1+ \$m	A1 \$m	
<b>2013</b>				
<b>Cash and funds on deposit</b>	<b>4.7</b>	<b>2,993.9</b>	<b>220.0</b>	<b>3,218.6</b>
Bank bills	-	39.9	-	39.9
Negotiable certificates of deposit	-	181.8	364.1	545.9
Floating rate notes	-	691.8	-	691.8
<b>Total available-for-sale financial assets</b>	<b>-</b>	<b>913.5</b>	<b>364.1</b>	<b>1,277.6</b>

	Counterparty credit ratings			Total \$m
	AAA \$m	A1+ \$m	A1 \$m	
<b>2012</b>				
<b>Cash and funds on deposit</b>	<b>0.7</b>	<b>2,385.4</b>	<b>142.5</b>	<b>2,528.6</b>
Bank bills	-	238.5	-	238.5
Negotiable certificates of deposit	-	243.6	190.8	434.4
Floating rate notes	-	251.2	-	251.2
Commonwealth Government bonds	243.4	-	-	243.4
<b>Total available-for-sale financial assets</b>	<b>243.4</b>	<b>733.3</b>	<b>190.8</b>	<b>1,167.5</b>

### Other financial assets

Trade and other receivables mainly consist of fees outstanding from market participants, listed corporations and users of market data and margins receivable from participants.

The Group's activities result in relationships with a large part of the financial sector as well as all companies listed on the Australian Securities Exchange and a variety of institutional entities and trusts. As such there is no concentration of receivables to any one debtor. The Group does not utilise credit ratings to determine the credit quality of other financial assets. The credit quality of other financial assets including trade receivables, margins receivable from participants, accrued revenue and interest receivable is managed by a number of factors available to the entity such as active debt collection procedures and other means including suspension of participation rights or delisting of entities. In addition, trade receivable amounts are aged, with the ageing reviewed on a regular basis to minimise credit risk. Further details on the ageing of trade debtor balances are provided adjacently.



## Notes to the financial statements continued

Margins receivable from participants at 30 June 2013 were settled on 1 July 2013.

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.

### Trade receivables aged analysis:

As at 30 June, the aged analysis for trade receivables of the Group is as follows:

	2013 \$m	2012 \$m
Not past due	59.2	54.9
Past due 0-30 days	2.7	2.3
Past due 31-60 days	1.0	0.4
Past due 61-90 days	0.5	0.1
Past due 91 days and over	1.6	0.8
<b>Total trade receivables not impaired</b>	<b>65.0</b>	<b>58.5</b>
Trade receivables impaired	1.3	1.5
<b>Total trade receivables</b>	<b>66.3</b>	<b>60.0</b>

### (c) Liquidity risk

The Group implements prudent liquidity risk management which includes the maintenance of sufficient cash reserves and marketable securities in addition to regular forward planning and forecasting of liquidity requirements. In regards to the investment of the Group's cash resources (including participant funds) the Board has implemented policies that specify maximum average maturity limits in order to address the liquidity risk which is managed by the portfolio risk management function and monitored by the Group risk function. Specific liquidity limits are also approved by the Board based on whether assets can be liquidated and converted to cash on the same day.

The Group's primary liquidity requirements result from the clearing operations of the CCPs. 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 the participant balances are managed prudently to ensure sufficient liquidity for the routine daily margin settlement. The expected contractual cashflows of these investments and other financial assets and liabilities, is shown in the following table.

## Notes to the financial statements continued

	30 June 2013					Total \$m
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year \$m	No specific maturity \$m	
<b>Current assets:</b>						
Cash and funds on deposit	1,704.1	1,227.0	299.2	-	-	3,230.3
Available-for-sale financial assets	543.6	198.1	545.8	-	-	1,287.5
Receivables	219.3	8.9	1.4	-	-	229.6
<b>Non-current assets:</b>						
Investments	-	-	-	-	185.6	185.6
Receivables	-	-	-	-	-	-
<b>Total assets</b>	<b>2,467.0</b>	<b>1,434.0</b>	<b>846.4</b>	<b>-</b>	<b>185.6</b>	<b>4,933.0</b>
<b>Current liabilities:</b>						
Payables	175.7	13.9	6.5	-	-	196.1
Amounts owing to participants	3,678.6	-	-	-	-	3,678.6
Other current liabilities	0.1	-	0.3	-	-	0.4
<b>Non-current liabilities:</b>						
Payables	-	-	-	-	-	-
Amounts owing to participants	-	-	-	74.5	-	74.5
Other non-current liabilities	-	-	-	3.4	-	3.4
<b>Total liabilities</b>	<b>3,854.4</b>	<b>13.9</b>	<b>6.8</b>	<b>77.9</b>	<b>-</b>	<b>3,953.0</b>

	30 June 2013					Total \$m
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year \$m	No specific maturity \$m	
<b>Commitments:</b>						
Capital and operating commitments	5.3	3.7	10.9	49.9	-	69.8
Operating lease commitments	0.9	1.6	7.3	50.1	-	59.9
<b>Total commitments</b>	<b>6.2</b>	<b>5.3</b>	<b>18.2</b>	<b>100.0</b>	<b>-</b>	<b>129.7</b>

## Notes to the financial statements continued

	30 June 2012					Total \$m
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year \$m	No specific maturity \$m	
<b>Current assets:</b>						
Cash and funds on deposit	1,418.8	1,119.8	-	-	-	2,538.6
Available-for-sale financial assets	674.8	1.7	256.7	345.6	-	1,278.8
Receivables	270.1	4.3	1.3	-	-	275.7
<b>Non-current assets:</b>						
Investments	-	-	-	-	162.1	162.1
Receivables	-	-	-	-	0.1	0.1
<b>Total assets</b>	<b>2,363.7</b>	<b>1,125.8</b>	<b>258.0</b>	<b>345.6</b>	<b>162.2</b>	<b>4,255.3</b>
<b>Current liabilities:</b>						
Payables	236.5	7.4	18.7	-	-	262.6
Amounts owing to participants	2,853.5	-	-	-	-	2,853.5
Other current liabilities	0.1	-	0.3	-	-	0.4
<b>Non-current liabilities:</b>						
Payables	-	-	-	32.2	-	32.2
Amounts owing to participants	-	-	-	86.1	-	86.1
Borrowings	-	-	-	250.0	-	250.0
Other non-current liabilities	-	-	-	3.3	-	3.3
<b>Total liabilities</b>	<b>3,090.1</b>	<b>7.4</b>	<b>19.0</b>	<b>371.6</b>	<b>-</b>	<b>3,488.1</b>

	30 June 2012					Total \$m
	Up to 1 month \$m	>1 month to 3 months \$m	>3 months to 1 year \$m	>1 year \$m	No specific maturity \$m	
<b>Commitments:</b>						
Capital and operating commitments	1.2	1.7	12.7	19.3	-	34.9
Operating lease commitments	0.8	1.7	7.5	62.4	-	72.4
<b>Total commitments</b>	<b>2.0</b>	<b>3.4</b>	<b>20.2</b>	<b>81.7</b>	<b>-</b>	<b>107.3</b>

The values on the balance sheet may differ to the assets and liabilities in the above tables due to the difference in fair value at balance date compared to the contractual cash flows up to maturity. In the prior year, available-for-sale financial assets included securities with contractual cash flows beyond one year, however are classified as current assets on the balance sheet as they are expected to be realised within 12 months.

With respect to amounts owing to participants, the actual maturity cannot be determined as maturity will depend on a number of factors including new contracts opened and contracts closed by participants. These have been classified as having maturities up to one month on the basis of the shortest possible legal obligation for repayments.

## Notes to the financial statements continued

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by each level of the following fair value measurement hierarchy:

- i. quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- ii. 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) (level 2)
- iii. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's financial assets and liabilities measured and recognised at fair value at 30 June.

<b>30 June 2013</b>	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>				
Investments	185.6	-	-	185.6
Available-for-sale financial assets:				
- Bank bills	-	39.9	-	39.9
- Negotiable certificates of deposit	-	545.9	-	545.9
- Floating rate notes	-	691.8	-	691.8
<b>Total assets</b>	<b>185.6</b>	<b>1,277.6</b>	<b>-</b>	<b>1,463.2</b>
<b>Total liabilities</b>				
	-	-	-	-

<b>30 June 2012</b>	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>				
Investments	162.1	-	-	162.1
Available-for-sale financial assets:				
- Bank bills	-	238.5	-	238.5
- Negotiable certificates of deposit	-	434.4	-	434.4
- Floating rate notes	-	251.2	-	251.2
- Commonwealth Government bonds	-	243.4	-	243.4
<b>Total assets</b>	<b>162.1</b>	<b>1,167.5</b>	<b>-</b>	<b>1,329.6</b>
<b>Total liabilities</b>				
	-	-	-	-

The fair value of the Group's external listed equity investment is determined by reference to the ASX-quoted closing price at reporting date. As the fair value of the investment is based on quoted market prices in active markets this instrument falls within level 1 of the fair value hierarchy.

Discounted cash flow analysis is used as the primary valuation technique for fair value measurement of available-for-sale financial assets. The fair value of bank bills, negotiable certificates of deposit and floating rate notes are determined by reference to money market bid rates, while the fair value of Commonwealth Government bonds is determined by reference to the Commonwealth Government bond yield.

As the fair value of these instruments is determined using valuation techniques rather than quoted market prices, they do not qualify for recognition in level 1 of the hierarchy. However, as the inputs (rates) used in the discounted cash flow analysis are derived from quoted market prices, and are readily observable in the market, these instruments will qualify for recognition within level 2 of the fair value hierarchy.

The carrying amounts of current receivables, payables and other liabilities are assumed to approximate their fair values due to their short-term nature. The carrying amount of non-current payables approximates their fair value as the impact of discounting is not significant.

## Notes to the financial statements continued

### 4. Segment reporting

The Managing Director and CEO, as the Chief Operating Decision Maker (CODM), assesses performance of the Group as a single segment, being a vertically integrated organisation (eg providing services to the primary and secondary financial markets as well as post-trade activities) that provides a multi-asset class product offering.

Vertical integration includes the:

- exchange issuer services offered to public companies and other organisations
- trading venue or exchange activities for trading
- clearing and settlement activities offered to participants
- exchange and over-the-counter products provided to other customers.

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.

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, operating revenue is reclassified for arrangements where revenue is shared with external parties, doubtful debt provisions recognised against revenue and gross interest income. Operating expense adjustments relate to the classification of certain expenses including variable expenses and gross interest expense. The reporting provided to the CODM presents interest income net of interest expense. Net tangible equity, defined as total equity less goodwill, is used in strategic decision-making regarding the Group's capital management.

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, is provided on the following page.

## Notes to the financial statements continued

<b>Year ended 30 June 2013</b>	<b>Segment information \$m</b>	<b>Adjustments \$m</b>	<b>Consolidated income statement \$m</b>
<b>Revenue</b>			
Listings and issuer services	139.7	1.0	140.7
Cash market	114.6	-	114.6
Derivatives	197.3	6.7	204.0
Information services	61.8	-	61.8
Technical services	49.8	1.7	51.5
Austraclear services	38.6	-	38.6
Other	15.6	0.1	15.7
<b>Operating revenue</b>	<b>617.4</b>		
Interest income		147.6	147.6
Dividends		9.4	9.4
<b>Total revenue</b>		<b>166.5</b>	<b>783.9</b>
<b>Expenses</b>			
Staff	87.2	-	87.2
Occupancy	13.7	-	13.7
Equipment	22.4	1.2	23.6
Administration	15.6	15.6	31.2
Variable	3.8	(3.8)	-
ASIC supervision levy	3.5	(3.5)	-
<b>Cash operating expenses</b>	<b>146.2</b>		
<b>EBITDA</b>	<b>471.2</b>		
Finance costs		103.5	103.5
Depreciation and amortisation	30.4		30.4
<b>Total expenses</b>		<b>113.0</b>	<b>289.6</b>
<b>EBIT</b>	<b>440.8</b>		

<b>Year ended 30 June 2013</b>	<b>Segment information \$m</b>	<b>Adjustments \$m</b>	<b>Consolidated income statement \$m</b>
<b>Net interest and dividend income</b>			
Interest income	13.1	(13.1)	-
Net interest on participant balances	31.0	(31.0)	-
Dividend income	9.4	(9.4)	-
<b>Net interest and dividend income</b>	<b>53.5</b>	<b>(53.5)</b>	<b>-</b>
<b>Underlying profit before tax</b>	<b>494.3</b>	<b>-</b>	<b>494.3</b>
Income tax (expense)/credit	(146.1)	-	(146.1)
<b>Underlying profit after tax</b>	<b>348.2</b>	<b>-</b>	<b>348.2</b>
Significant items	-	-	-
Tax on significant items	-	-	-
<b>Profit after tax</b>	<b>348.2</b>	<b>-</b>	<b>348.2</b>
	<b>Segment information \$m</b>	<b>Adjustments \$m</b>	<b>Consolidated balance sheet \$m</b>
<b>Net tangible equity</b>			
Total assets	7,368.7	-	7,368.7
Less: total liabilities	(4,046.9)	-	(4,046.9)
Less: intangible assets - goodwill	(2,317.6)	-	(2,317.6)
Less: intangible assets - software	-	(75.6)	(75.6)
<b>Net tangible equity</b>	<b>1,004.2</b>	<b>(75.6)</b>	<b>928.6</b>

## Notes to the financial statements continued

Year ended 30 June 2012	Segment information \$m	Adjustments \$m	Consolidated income statement \$m
<b>Revenue</b>			
Listings and issuer services	133.4	-	133.4
Cash market	124.5	-	124.5
Derivatives	188.7	8.3	197.0
Information services	66.9	-	66.9
Technical services	45.3	1.0	46.3
Austraclear services	36.0	-	36.0
Other	15.6	0.5	16.1
<b>Operating revenue</b>	<b>610.4</b>		
Interest income		154.3	154.3
Dividends		9.3	9.3
<b>Total revenue</b>		<b>173.4</b>	<b>783.8</b>
<b>Expenses</b>			
Staff	82.6	1.9	84.5
Occupancy	15.5	4.4	19.9
Equipment	21.6	1.1	22.7
Administration	13.5	16.6	30.1
Variable	3.7	(3.7)	-
ASIC supervision levy	4.2	(4.2)	-
<b>Cash operating expenses</b>	<b>141.1</b>		
<b>EBITDA</b>	<b>469.3</b>		
Finance costs		113.8	113.8
Depreciation and amortisation	27.6	2.8	30.4
<b>Total expenses</b>		<b>132.7</b>	<b>301.4</b>
<b>EBIT</b>	<b>441.7</b>		

Year ended 30 June 2012	Segment information \$m	Adjustments \$m	Consolidated income statement \$m
<b>Net interest and dividend income</b>			
Interest income	20.6	(20.6)	-
Net interest on participant balances	19.9	(19.9)	-
Dividend income	9.3	(9.3)	-
<b>Net interest and dividend income</b>	<b>49.8</b>	<b>(49.8)</b>	<b>-</b>
<b>Underlying profit before tax</b>	<b>491.5</b>	<b>(9.1)</b>	<b>482.4</b>
Income tax (expense)/credit	(145.3)	2.1	(143.2)
<b>Underlying profit after tax</b>	<b>346.2</b>	<b>(7.0)</b>	<b>339.2</b>
Significant items	(9.1)	9.1	-
Tax on significant items	2.1	(2.1)	-
<b>Profit after tax</b>	<b>339.2</b>	<b>-</b>	<b>339.2</b>
	Segment information \$m	Adjustments \$m	Consolidated balance sheet \$m
<b>Net tangible equity</b>			
Total assets	6,527.2	-	6,527.2
Less: total liabilities	(3,532.2)	-	(3,532.2)
Less: intangible assets - goodwill	(2,262.8)	-	(2,262.8)
Less: intangible assets - software	-	(57.7)	(57.7)
<b>Net tangible equity</b>	<b>732.2</b>	<b>(57.7)</b>	<b>674.5</b>

## Notes to the financial statements continued

### 5. Other income and expenses

	2013 \$m	2012 \$m
Profit before income tax includes the following specific items of income and (expense):		
Disposal and impairment of property, plant and equipment*	(0.1)	(2.0)
Disposal and impairment of intangible assets - software*	(0.3)	(1.0)
Surplus lease space and associated premises restoration	-	(4.4)
Net business restructuring expenses	-	(1.9)
Directly attributable costs of business combination	(0.1)	-
Interest on repayment of borrowings	(0.7)	-
Net doubtful debts expense	(0.1)	(0.4)
Share-based payment expenses	(0.8)	(0.7)
Employer contributions to superannuation plans	(5.8)	(6.1)
Operating lease rental expenses	(10.9)	(13.0)

\* These expenses are included within 'depreciation and amortisation' on the consolidated statement of comprehensive income.

In the current financial year, the Group incurred \$0.1 million of directly attributable expenses on acquisition of d-cyphaTrade Limited (renamed ASX Energy Limited). Refer to note 9 for further details of the acquisition. The Group also incurred interest expense of \$0.7 million in the current financial year on repayment of the borrowing. The borrowing was previously used to support the operations of the Group's CCPs, however has now been replaced with Group funds. Refer to note 19 for further details.

In the prior year, disposals and impairment of non-current assets, surplus lease and restoration costs and business restructuring expenses resulted from the decision to close two interstate offices, the rationalisation of data centre and office premises, and a strategic review of trade execution service offerings.

### 6. Taxation

	2013 \$m	2012 \$m
<b>(a) Income tax (expense)</b>		
Profit before income tax expense	494.3	482.4
Prima facie income tax (expense) calculated at 30% (2012: 30%) on the profit before tax	(148.3)	(144.7)
<b>Movement in income tax (expense) due to:</b>		
Non-deductible items	(0.4)	(0.9)
Net franking credit offset	2.5	2.3
Adjustments for current tax of prior periods	0.1	0.1
<b>Total income tax (expense)</b>	<b>(146.1)</b>	<b>(143.2)</b>
<b>(b) Major components of income tax (expense)</b>		
Current tax expense	(144.6)	(146.4)
Movement in deferred tax liability	(1.6)	(0.9)
Movement in deferred tax asset	-	4.0
Adjustments for current tax of prior periods	0.1	0.1
<b>Total income tax (expense)</b>	<b>(146.1)</b>	<b>(143.2)</b>
<b>(c) Income tax on items recognised directly in equity</b>		
Rights issue	2.0	-
<b>Total</b>	<b>2.0</b>	<b>-</b>



## Notes to the financial statements continued

	2013 \$m	2012 \$m
<b>(d) Income tax on items recognised directly in other comprehensive income</b>		
Revaluation of available-for-sale financial assets	-	(0.2)
Revaluation of investments	(7.1)	17.7
Revaluation of cash flow hedges	(0.4)	-
<b>Total</b>	<b>(7.5)</b>	<b>17.5</b>
<b>(e) Deferred tax asset/(liability)*</b>		
Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2012: 30%) of the below items.		
<b>Provisions for:</b>		
Doubtful debts	0.4	0.5
Employee entitlements	8.7	8.0
Leased premises	3.6	4.2
Accrued expenses	3.1	1.9
Revenue received in advance	3.4	2.6
<b>Deferred tax asset</b>	<b>19.2</b>	<b>17.2</b>
Deferred tax liability comprises the estimated future expense at an income tax rate of 30% (2012: 30%) of the following items:		
Fixed assets	(7.6)	(6.1)
Revaluation of investments	(28.4)	(21.3)
Revaluation of available-for-sale financial assets	(0.3)	(0.3)
Revaluation of cash flow hedges	(0.5)	-
Long-term incentive plan	(0.3)	(0.3)
<b>Deferred tax liability</b>	<b>(37.1)</b>	<b>(28.0)</b>
<b>Net deferred tax liability</b>	<b>(17.9)</b>	<b>(10.8)</b>

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

## 7. Dividends

Dividends recognised and paid by the Company in the year ended 30 June 2013:

	Cents per share	Total amount \$m
Final dividend for the year ended 30 June 2012	85.1	149.0
Interim dividend for the year ended 30 June 2013	87.9	153.9
<b>Total amount</b>	<b>173.0</b>	<b>302.9</b>

The above dividends paid by the Company in the current period include amounts attached to certain shares held by the Group's Long-Term Incentive Plan trust (LTIP). The dividend revenue recognised by LTIP has been eliminated on consolidation.

Dividends recognised and paid by the Company in the prior year ended 30 June 2012:

	Cents per share	Total amount \$m
Final dividend for the year ended 30 June 2011	93.0	162.9
Interim dividend for the year ended 30 June 2012	92.8	162.5
<b>Total amount</b>	<b>185.8</b>	<b>325.4</b>

### Dividends not recognised at the end of the reporting period

Since the end of the financial year, the directors declared the below dividend which will be paid on 25 September 2013. The dividend will be fully franked based on tax paid at 30%.

	Cents per share	Total amount \$m
Final dividend for the year ended 30 June 2013	82.3	159.4
<b>Total amount</b>	<b>82.3</b>	<b>159.4</b>

The final dividend has not been recognised in the financial statements for the year ended 30 June 2013, and will be recognised in the following reporting period.

# Notes to the financial statements continued

## Dividend franking account

	Company	
	2013 \$m	2012 \$m
Franking credits available for subsequent reporting periods based on a tax rate of 30%	153.7	135.7

The above amounts represent the balance of the dividend franking account at period end adjusted for franking credits that will arise from the payment of the current income tax payable.

Following the payment of the final dividend for the year ended 30 June 2013, the franking balance will be \$85.4 million (2012: \$71.8 million).

## 8. Earnings per share

	2013	Restated 2012
Basic and diluted earnings per share (cents)	195.5	190.6

The following reflects the share data used in the calculation of basic and diluted earnings per share:

Weighted average number of ordinary shares used in calculating basic and diluted earnings per share pre adjusting for bonus element of the rights issue	175,288,375	175,136,729
Bonus element of rights issue	2,779,948	2,779,948
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	178,068,323	177,916,677

The basic and diluted earnings per share amounts have been calculated on the basis of net profit after tax of \$348.2 million (2012: \$339.2 million).

On 24 June 2013, the Group issued 8,930,035 new ordinary shares on completion of the institutional component of the rights issue detailed in note 23. The issue was offered at \$30.00 per share and represented a discount to the fair value of the existing shares. The number of shares used for the current and prior year calculation of earnings per share has been adjusted for the discounted rights issue. An adjustment factor of 1.0159 has been applied based on ASX Limited's share price of \$35.84 per share on 7 June 2013, the last trading day before the record date of 14 June 2013, and the theoretical ex-rights price (TERP) at that date of \$35.28 per share. TERP is the theoretical price at which ASX shares would trade immediately after the rights issue. Refer to note 23 for further details.

## 9. Business combinations

### (a) Summary of acquisition

On 31 May 2013 ASX acquired 100% of the issued share capital of d-cyphaTrade Limited (d-cypha). d-cypha researches, develops, markets and promotes Australian electricity futures and options for trading and clearing on the futures market operated by ASX. The acquisition will enable the Group to combine the sales and product innovation strengths of d-cypha with the distribution and risk management capabilities of ASX, and will assist ASX in its objective to expand its position in the energy derivatives markets. d-cypha was renamed as ASX Energy Limited (ASX Energy).

Details of the purchase consideration, the net assets acquired and the goodwill are as follows:

Purchase consideration	\$m
Cash paid pre balance date	55.0
Cash paid post balance date	0.1
<b>Total</b>	<b>55.1</b>

The assets and liabilities recognised as a result of the acquisition are shown below.

	Fair value \$m
Cash and deposits	1.4
Trade receivables	0.5
Intangible assets - software	0.1
Payables	(1.6)
Employee provisions	(0.1)
<b>Net identifiable assets</b>	<b>0.3</b>
Goodwill	54.8
<b>Net assets acquired</b>	<b>55.1</b>

The goodwill is attributable to d-cypha's established position as a leader in the development of electricity futures in the Australian market, the acquired profitability of the business as a result of this position, and the future profitability expected from the synergies that will result from combining the sales and product innovation strengths of d-cypha with ASX's distribution and risk management capabilities.

There were no acquisitions in the year ended 30 June 2012.

### Acquired receivables

The fair value of acquired trade receivables is \$0.5 million. There was no impairment of trade receivables at 30 June 2013.

### Revenue and profit contribution

The acquired business contributed revenues of \$0.6 million and net profit of \$0.3 million to the Group for the period 31 May 2013 to 30 June 2013. If the acquisition had occurred on

## Notes to the financial statements continued

1 July 2012, consolidated revenue and profit for the year ended 30 June 2013 would have been \$790.6 million and \$351.5 million respectively. These amounts have been calculated using the Group's accounting policies.

### Settlement of a pre-existing relationship

The business combination effectively settles a pre-existing revenue sharing agreement between the Group and d-cypha. The pre-existing agreement has been deemed by ASX to reflect market pricing following a review of current contract provisions, taking into consideration the input of ASX and d-cypha, and comparison to a similar profit sharing agreement currently undertaken by the Group. As a result, there is no initial profit or loss recognised regarding the acquisition.

### (b) Purchase consideration – cash outflow

	2013 \$m
Cash paid pre balance date	55.0
<b>Less: balances acquired</b>	
Cash	1.4
<b>Outflow of cash – investing activities</b>	<b>53.6</b>

### Acquisition related costs

Acquisition related costs of \$0.1 million are included in administration expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

## 10. Cash and funds on deposit and available-for-sale financial assets

### (a) Cash and funds on deposit

	2013 \$m	2012 \$m
Cash at call	1,403.6	1,418.6
Deposits	1,815.0	1,110.0
<b>Cash and funds on deposit</b>	<b>3,218.6</b>	<b>2,528.6</b>

### (b) Available-for-sale financial assets

	2013 \$m	2012 \$m
Money market instruments – at cost	1,276.6	1,166.6
Revaluation recognised directly in equity	1.0	0.9
<b>Money market instruments – at fair value</b>	<b>1,277.6</b>	<b>1,167.5</b>

### Money market instruments

Money market instruments, including bank bills, certificates of deposit, Commonwealth Government bonds and fixed and floating rate notes, are traded in active markets. Refer to note 1(n) for the accounting policy on available-for-sale financial assets.

### (c) Reconciliation to cash at the end of the year

Cash and funds on deposit	3,218.6	2,528.6
Money market instruments – at fair value	1,277.6	1,167.5
<b>Total cash and funds on deposit and available-for-sale financial assets</b>	<b>4,496.2</b>	<b>3,696.1</b>
Less: participant balances (refer note 18)	(3,753.1)	(2,939.6)
<b>ASX Group funds as per statement of cash flows</b>	<b>743.1</b>	<b>756.5</b>

### Participant balances

Clearing participants are required to deposit cash or eligible securities to satisfy margin requirements on outstanding positions novated to the Group's CCPs. Margin obligations, including those under cash market margining, are calculated and settled daily to ensure that the minimum requirements are maintained. In the event of default by a clearing participant on its obligations under contracts, ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited have the authority to retain collateral deposited by the defaulting clearing participant to satisfy its obligations.

## Notes to the financial statements continued

### Restricted cash

The Group holds \$71.5 million of restricted cash that is only available for use by the entity in specific circumstances as described in note 24(b). The cash is included above in cash and funds on deposit, and is also recognised as a restricted capital reserve within equity on the balance sheet.

### (d) Risk exposure of cash and funds on deposit and available-for-sale financial assets

The Group's exposure to interest rate and foreign currency risk is discussed in note 3(a). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each category of cash and funds on deposit and the fair value of available-for-sale financial assets as shown above. An analysis of the credit quality of the above assets is also shown in note 3(b).

None of the above financial assets are either past due or impaired.

### 11. Receivables

	2013 \$m	2012 \$m
<b>Current</b>		
Trade receivables	66.3	60.0
Less: provision for impairment	(1.3)	(1.5)
	<b>65.0</b>	<b>58.5</b>
Margins receivable	137.5	199.5
Accrued revenue	12.0	9.7
Interest receivable	14.2	4.9
Other debtors	0.9	3.1
<b>Total</b>	<b>229.6</b>	<b>275.7</b>
<b>Non-current</b>		
Receivables	-	0.1
<b>Total</b>	<b>-</b>	<b>0.1</b>

### Impaired trade receivables

As at 30 June 2013 the Group had provided for \$1.3 million (2012: \$1.5 million) of trade receivables that were identified as being impaired. The individually impaired receivables mainly

relate to companies that are in administration, entities with prolonged suspension from the ASX official list of listed companies, and debts that remain unpaid for a prolonged period despite active debt collection procedures.

Movements in the provision for impairment of trade receivables are as follows:

	2013 \$m	2012 \$m
<b>At 1 July</b>	<b>(1.5)</b>	<b>(1.1)</b>
Provision for impairment recognised during the year	(0.4)	(0.7)
Receivables written-off during the year as uncollectable	0.4	0.1
Provisions subsequently reversed	0.2	0.2
<b>At 30 June</b>	<b>(1.3)</b>	<b>(1.5)</b>

The creation and release of the provision for impairment of trade receivables has been included in administration expenses in the statement of comprehensive income. Amounts provided for are generally written-off when there is no expectation of recovering the balance.

### Past due but not impaired

As at 30 June 2013, \$5.8 million (2012: \$3.6 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. Refer to note 3(b) for the ageing of trade receivable balances that are past due but not impaired.

The other classes within receivables do not include any amounts that are past due but not impaired. Based on the credit history of these classes, it is expected that these amounts will be received when due. Margins receivable from participants were settled on 1 July 2013.

### Risk exposure

Information about the Group's exposure to foreign currency and interest rate risk from receivables is included in note 3(a).

Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount

## Notes to the financial statements continued

of each class of receivables above. Refer to note 3 for more information on the risk management policy of the Group and the ageing of the Group's trade receivables.

### 12. Other assets

	2013 \$m	2012 \$m
Prepayments	8.0	7.2
<b>Total</b>	<b>8.0</b>	<b>7.2</b>

Prepayments include prepaid system maintenance, licence fees, insurance and rent which are all incurred in the ordinary course of business.

### 13. Investments

#### Non-current

Listed shares at fair value	185.6	162.1
<b>Total</b>	<b>185.6</b>	<b>162.1</b>

At 30 June 2013, ASX held 19.1% (2012: 19.3%) of the share capital in IRESS Limited (IRESS), whose principal activities consist of the provision of information, trading, order management and financial planning systems and related services to equity market participants and wealth management professionals.

The investment is classified as available-for sale. The fair value is determined by reference to the ASX-quoted closing price at balance sheet date (refer to note 3 (d)).

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.

#### Risk exposure

The maximum exposure to price risk at the end of the period is the fair value of investments classified as available-for-sale. Management of equity price risk is discussed further in note 3(a). The investment is not considered to be impaired.

### Events subsequent to balance date

In August 2013, ASX participated in the institutional component of a 2 for 9 pro rata accelerated renounceable entitlement offer (the Offer) undertaken by IRESS Limited. The Offer resulted in an additional 5,500,007 shares being issued to ASX for consideration of \$39.3 million.

### 14. Property, plant and equipment

The movements in the property, plant and equipment asset balances are as follows:

	Leasehold improvements \$m	Plant and equipment \$m	Computer equipment \$m	Total \$m
<b>2013</b>				
<b>At 1 July 2012</b>				
Cost	26.0	45.1	83.4	154.5
Accumulated depreciation	(9.1)	(22.2)	(57.7)	(89.0)
<b>Net book value</b>	<b>16.9</b>	<b>22.9</b>	<b>25.7</b>	<b>65.5</b>
<b>Year ended 30 June 2013</b>				
<b>Opening net book value</b>	<b>16.9</b>	<b>22.9</b>	<b>25.7</b>	<b>65.5</b>
Additions	0.2	0.4	3.8	4.4
Loss on disposal	-	(0.1)	-	(0.1)
Depreciation expense	(2.5)	(3.0)	(8.2)	(13.7)
<b>Closing net book value</b>	<b>14.6</b>	<b>20.2</b>	<b>21.3</b>	<b>56.1</b>
<b>At 30 June 2013</b>				
Cost	26.2	45.3	87.2	158.7
Accumulated depreciation	(11.6)	(25.1)	(65.9)	(102.6)
<b>Net book value</b>	<b>14.6</b>	<b>20.2</b>	<b>21.3</b>	<b>56.1</b>

## Notes to the financial statements continued

	Leasehold improvements \$m	Plant and equipment \$m	Computer equipment \$m	Total \$m
<b>2012</b>				
At 1 July 2011				
Cost	39.6	29.5	79.9	149.0
Accumulated depreciation	(16.7)	(21.6)	(53.6)	(91.9)
<b>Net book value</b>	<b>22.9</b>	<b>7.9</b>	<b>26.3</b>	<b>57.1</b>
Year ended 30 June 2012				
<b>Opening net book value</b>	<b>22.9</b>	<b>7.9</b>	<b>26.3</b>	<b>57.1</b>
Additions	8.6	6.5	7.3	22.4
Re-classifications	(11.1)	11.1	-	-
Loss on disposal	(0.6)	(0.4)	(0.1)	(1.1)
Depreciation expense	(2.2)	(2.0)	(7.8)	(12.0)
Impairment and write-downs*	(0.7)	(0.2)	-	(0.9)
<b>Closing net book value</b>	<b>16.9</b>	<b>22.9</b>	<b>25.7</b>	<b>65.5</b>
At 30 June 2012				
Cost	26.0	45.1	83.4	154.5
Accumulated depreciation	(9.1)	(22.2)	(57.7)	(89.0)
<b>Net book value</b>	<b>16.9</b>	<b>22.9</b>	<b>25.7</b>	<b>65.5</b>

\* These expenses are included within depreciation and amortisation in the statement of comprehensive income.

### Assets in the course of development

The carrying amounts of the property, plant and equipment shown above include the following expenditure which is in the course of development:

	2013 \$m	2012 \$m
Leasehold improvements	0.1	0.1
Plant and equipment	-	0.2
Computer equipment	1.0	1.1
<b>Total</b>	<b>1.1</b>	<b>1.4</b>

### Impairment

There is no impairment of the carrying value of property, plant and equipment in the current financial year.

The impairment shown in the prior financial year predominantly relates to assets that were no longer required following the closure of two interstate offices and the rationalisation of data centre and office premises. The impairment charge was recognised in the statement of comprehensive income (refer note 5).

### 15. Intangible assets – software

The movements in the intangible asset balances are as follows:

	2013 \$m	2012 \$m
At 1 July		
Cost	183.8	166.1
Accumulated amortisation	(126.1)	(110.7)
<b>Net book value</b>	<b>57.7</b>	<b>55.4</b>
Opening net book value		
Acquisition of subsidiary	0.1	-
Additions	34.5	18.7
Loss on disposals	-	-
Amortisation expense	(16.4)	(15.4)
Impairment and write-downs	(0.3)	(1.0)
<b>Closing net book value</b>	<b>75.6</b>	<b>57.7</b>
At 30 June		
Cost	217.7	183.8
Accumulated amortisation	(142.1)	(126.1)
<b>Net book value</b>	<b>75.6</b>	<b>57.7</b>

## Notes to the financial statements continued

### Assets in the course of development

The carrying amounts of the assets disclosed above include \$31.9 million (2012: \$11.7 million) of intangible assets – software which is in the course of development.

### Impairment

The impairment in the current financial year relates to certain intangible assets that were identified as having no future economic benefit to the Group.

The impairment shown in the prior financial year relates to certain intangible software assets that were identified as impaired following a strategic review of trade execution services. The impairment charge was recognised in the statement of comprehensive income (refer note 5).

### 16. Intangible assets – goodwill

	2013 \$m	2012 \$m
<b>Opening balance at 1 July</b>	<b>2,262.8</b>	<b>2,262.8</b>
Movements during the year	54.8	-
<b>Closing balance at 30 June</b>	<b>2,317.6</b>	<b>2,262.8</b>

During the current financial year, the Group acquired 100% of the share capital of d-cyphaTrade Limited (renamed as ASX Energy Limited). As part of the transaction, the Group recognised \$54.8 million of goodwill as represented by the excess of the purchase consideration over the fair value of net identifiable assets acquired. For the purpose of impairment testing, the goodwill that arose on the transaction is allocated to the Group's exchange-traded cash generating unit (CGU) due to the exchange-traded electricity products with which ASX Energy is associated. The acquisition is discussed further in note 9.

#### (a) Impairment test for goodwill and intangibles

Goodwill is allocated to the Group's CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. Management determined the Group to consist of two CGUs, namely exchange-traded and non exchange-traded.

The recoverable amount of the 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 stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The goodwill attributable to each CGU at the time of acquisition is as follows:

- exchange-traded: \$2,242.2 million, and
- non exchange-traded: \$75.4 million.

No impairment charge arose in the current year (2012 : nil).

#### (b) Key assumptions used for value-in-use calculations

Management determined budgeted gross margin 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 rates used are 10.5% (2012: 12.2%) for exchange-traded and 10.5% (2012: 12.6%) for non exchange-traded, and reflect risk-adjusted estimates for each CGU. The growth rate used to extrapolate cash flow projections beyond five years is 3.5% (2012: 3.5%) per annum for the exchange-traded CGU and 3.0% (2012: 3.0%) per annum for the non exchange-traded CGU.

### 17. Payables

	2013 \$m	2012 \$m
Trade creditors	0.8	3.2
Margins payable	137.5	199.5
Interest payable	7.7	7.9
Rebates payable	15.6	8.0
Transaction taxes payable	5.5	4.6
Employee-related payables	14.6	13.8
Expense accruals	11.5	8.4
Other payables	2.9	4.0
<b>Total</b>	<b>196.1</b>	<b>249.4</b>

## Notes to the financial statements continued

### Risk exposure

Information about the Group's exposure to foreign currency and interest rate risk is provided in note 3(a).

### 18. Amounts owing to participants

	2013 \$m	2012 \$m
Current	3,678.6	2,853.5
Non-current	74.5	86.1
<b>Total</b>	<b>3,753.1</b>	<b>2,939.6</b>

In the prior financial year, amounts owing to participants represented collateral lodged to cover margin requirements on unsettled derivative contracts. In the current financial year, ASX Clear Pty Limited introduced the requirement for participants to lodge collateral on unsettled cash market trades in addition to derivatives contracts. The new requirement seeks to enhance the risk management controls of ASX Clear Pty Limited and are discussed further in note 25(a). The amounts owing to participants are repayable on settlement or closure of the contracts. Balances lodged in cash are interest bearing and are carried at the amounts deposited which represent fair value. Amounts lodged in the form of debt securities are carried at fair value. Collateral provided by clearing participants in the form of equity securities and guarantees is not recognised on balance sheet (refer note 25(a)). Non-current amounts owing to participants represent cash balances deposited by participants as commitments to clearing guarantee funds which at reporting date had no determined repayment date. Letters of credit provided by clearing participants in respect of commitments are not recognised on balance sheet (refer note 25(a)).

### 19. Borrowings

Non-current	-	250.0
<b>Total</b>	<b>-</b>	<b>250.0</b>

The Group's non-recourse borrowing was repaid on 28 June 2013. It was previously used to support the financial resources of the Group's CCPs. The Group incurred interest of \$0.7 million on repayment of the borrowing. These expenses have been recognised within finance costs in the statement of comprehensive income.

The borrowing entity was ASX Clearing Corporation Limited (ASXCC), a wholly-owned subsidiary of ASX Limited. ASXCC complied with all obligations under the facility during the current and previous financial years.

### 20. Provisions

	2013 \$m	2012 \$m
<b>Current</b>		
Employee provisions	11.7	10.4
Premises provisions	1.7	2.7
<b>Total</b>	<b>13.4</b>	<b>13.1</b>
<b>Non-current</b>		
Employee provisions	3.0	2.4
Premises provisions	10.2	12.6
<b>Total</b>	<b>13.2</b>	<b>15.0</b>

The movement in the premises provision during the year is set out below.

	2013 \$m	2012 \$m
<b>Opening balance at 1 July</b>	<b>15.3</b>	<b>11.8</b>
Provisions used during the period	(4.2)	(3.9)
Provisions reversed during the period	(0.5)	(0.1)
Additions during the period	1.3	7.5
<b>Closing balance at 30 June</b>	<b>11.9</b>	<b>15.3</b>

Premises provisions comprise lease rental amortised on a straight-line basis over the term of the lease, make-good provisions, surplus lease space provisions and lease incentives. At 30 June 2013, the provision for surplus lease space was \$0.5 million (2012: \$2.9 million).

The provision for employee benefits predominantly relates to annual and long service leave obligations.



## Notes to the financial statements continued

### 21. Other liabilities

	2013 \$m	2012 \$m
<b>Current</b>		
Revenue received in advance	16.4	13.9
Other current liabilities	0.4	0.4
<b>Total</b>	<b>16.8</b>	<b>14.3</b>
<b>Non-current</b>		
Revenue received in advance	0.3	-
Other non-current liabilities	3.1	3.3
<b>Total</b>	<b>3.4</b>	<b>3.3</b>
<b>Total other liabilities</b>	<b>20.2</b>	<b>17.6</b>

### 22. Commitments

#### (a) Capital commitments

Capital commitments contracted for but not yet incurred as at balance date are as follows:

	2013 \$m	2012 \$m
Intangible assets	9.0	2.7
<b>Total</b>	<b>9.0</b>	<b>2.7</b>

#### (b) Operating lease commitments

Commitments for minimum lease payments of non-cancellable leases:

Due:	2013 \$m	2012 \$m
Not later than one year	9.8	10.0
Later than one year but not later than five years	34.2	42.1
Later than five years	15.9	20.3
<b>Total</b>	<b>59.9</b>	<b>72.4</b>

The Group's major leases are in respect of 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.

### 23. Issued capital

#### (a) Movements in ordinary share capital

	2013 \$m	2012 \$m
<b>Opening balance at 1 July</b>	<b>2,483.2</b>	<b>2,483.2</b>
Rights issue - institutional component	267.9	-
Less: transaction costs relating to the institutional rights issue	(6.7)	-
Deferred tax credit recognised directly in equity	2.0	-
<b>Closing balance at 30 June</b>	<b>2,746.4</b>	<b>2,483.2</b>

#### Post balance date movements:

Rights issue - retail component	285.9	-
Less: transaction costs relating to the retail rights issue	(6.7)	-
Deferred tax credit recognised directly in equity	1.9	-
<b>Closing balance as at the date of this report</b>	<b>3,027.5</b>	<b>2,483.2</b>

	2013 No. of shares	2012 No. of shares
<b>Opening balance at 1 July</b>	<b>175,136,729</b>	<b>175,136,729</b>
Rights issue - institutional component	8,930,035	-
<b>Closing balance at 30 June</b>	<b>184,066,764</b>	<b>175,136,729</b>

#### Post balance date movements:

Rights issue - retail component	9,528,398	-
<b>Closing balance as at the date of this report</b>	<b>193,595,162</b>	<b>175,136,729</b>

## Notes to the financial statements continued

### (b) Ordinary shares

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. At 30 June 2013, 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.

### (c) Rights issue

On 11 June 2013 the Group invited eligible shareholders to subscribe to a pro rata accelerated renounceable entitlement offer of 18,458,433 ordinary shares at an issue price of \$30.00 per share on the basis of 2 shares for every 19 fully paid ordinary shares held. The rights issue was undertaken as a fully underwritten pro rata accelerated renounceable entitlement offer with both an institutional and retail component which included the ability for eligible retail shareholders to trade their entitlements.

The purpose of the rights issue was to raise additional funds in order to:

- contribute an additional \$200 million to ASX Clear (Futures) Pty Limited to address emerging international capital standards for clearing houses
- replace the Group's \$250 million borrowing

- fund current and future growth initiatives and support other licensed subsidiaries of the Group.

The institutional component was completed on 24 June 2013 and resulted in the issue of 8,930,035 ordinary shares for proceeds of \$267.9 million. The retail component was completed on 16 July 2013 and resulted in the issue of 9,528,398 ordinary shares for proceeds of \$285.9 million. As the retail component was completed following the end of the financial period, it has not been recognised in the balance sheet.

### (d) Treasury shares

As at 30 June 2013, the Group's Long-Term Incentive Plan trust held 181,269 treasury shares (2012: 192,069) with a value of \$8.0 million (2012: \$8.5 million) for the benefit of employees under the ASX long-term incentive plan as described in the remuneration report. The shares are deducted from the equity compensation reserve in equity.

### (e) Capital management

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

- maintaining the Group's and subsidiaries' financial viability in order to continue to facilitate growth of its exchange-traded markets and provide appropriate risk-adjusted returns to shareholders

- supporting the Group's prudential stability and meeting its compliance obligations with respect to the Financial Stability Standards, or other regulations as required by the various licences held by the parent and subsidiary entities
- providing capital for the purpose of strengthening the Group's wider business, legal and operational risk management practices, ensuring compliance with its overall licence obligations.

The Board's objective is to maintain a prudent surplus of net tangible equity at the Group level, cognisant of the fact that a significant allocation of capital supports the activities of the central counterparty clearing subsidiaries as discussed in note 25(a).

The Group's 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:

- regulatory standards, both domestic and international which may impact on the level of capital supporting the clearing and settlement activities of 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 of activity undertaken in markets and clearing and settlement facilities operated by ASX. Generally the higher level of activity may result in higher capital requirements, however the relationship is not necessarily linear
- the general economic or credit conditions which 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 market value and the potential movement in their market values.

Capital requirements may also be impacted by ASX's level of investment in existing or new services. ASX's policy is to consider economic returns as one factor in determining where to apply capital and considers other funding solutions as part of its overall capital management strategy.

In accordance with the Group's objectives and policies, its capital is invested at an appropriate liquidity profile, taking into consideration the

## Notes to the financial statements continued

risk-based claims on that equity that may arise from the Group's activities, predominantly central counterparty clearing. The amount of the Group's capital that is committed to the Group's central counterparty clearing activities is disclosed in note 25(a).

The Board's current policy is to pay a dividend based on 90% of underlying net profit after tax (as defined in note 4). This policy is unchanged from the prior comparable period. As part of its broader capital management activities, the Group has also implemented a dividend reinvestment plan to support its capital requirements. The Board determines at each dividend resolution to what extent, if any, the Dividend Reinvestment Plan will apply based on the capital requirements of the Group. The plan was not activated in the current or prior financial years or for the final dividend payable on 25 September 2013.

The licensed clearing and settlement facility subsidiaries are required to maintain sufficient resources to meet their licence obligations. In managing the capital base of these subsidiaries the Board, in accordance with the Group's objectives and policies, ensures that each of the subsidiaries have sufficient capital reserves which are based on a risk-based capital adequacy calculation.

During the current financial year, the Board determined to increase the capital base of the Group through the issue of new securities as described in note 23(c). The decision was made

in anticipation of emerging international capital standards for central clearing counterparties, to address the ongoing refinancing risk of the Group's prior non-recourse borrowing and to provide additional support for current and future growth initiatives.

The equity raising strengthens the Group's position in the evolving international clearing and settlement environment, and provides additional capital to support expected growth of the Group's current operations and expected future initiatives in an increasingly competitive international market.

Further details regarding changes to the composition and amount of resources available to support the Group's two licensed clearing subsidiaries in light of the emerging international capital standards is shown in note 25(a).

### 24. Reserves

#### (a) Movements in reserves

Refer to the statement of comprehensive income and statement of changes in equity for the movements in reserve balances.

#### (b) Nature and purpose of reserves

##### Restricted capital reserve

The restricted capital reserve was created when funds were transferred from the National Guarantee Fund to ASX Clear Pty Limited in 2005. Under the terms of the transfer, ASX Clear Pty Limited must not, without first obtaining the consent in writing of the Minister for Financial Services and

Superannuation (the Minister), take action to use these funds for a purpose other than clearing and settlement support.

##### Asset revaluation reserve

Changes in the fair value of financial assets including investments, available-for-sale assets and assets designated as part of cash flow hedging relationships are taken to the asset revaluation reserve as described in note 1(n) and 1(q). Amounts are recognised in profit or loss when the associated investments and available-for-sale assets 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 market value of investments (refer note 13 for the market value). There was no impairment in investments at 30 June 2013.

##### Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of performance rights issued under the ASX long-term incentive plan. Treasury shares held on trust under the long-term incentive plan are deducted from the equity compensation reserve, net of tax.

### 25. Contingencies

#### (a) Novation

The Group, through the operation of its licensed clearing subsidiaries, has contingent liabilities as detailed below. ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited provide central counterparty clearing by way of novation of certain financial assets and

liabilities. The effect of novation is to make these subsidiaries contractually responsible for the obligations entered into by clearing participants on ASX and other markets. ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited are wholly-owned subsidiaries of ASX Clearing Corporation Limited (ASXCC) which is a wholly-owned subsidiary of ASX.

##### ASX Clear Pty Limited

ASX Clear Pty Limited is the counterparty to certain derivative contracts transacted on the ASX market and cash market securities, transacted on both the ASX market and another licensed market. Derivative contracts include exchange-traded options, futures and warrants, whilst cash market securities comprise equities, listed debt securities and managed investments. Transactions between two participating organisations are replaced by novation which simultaneously offsets the contract between ASX Clear Pty Limited and the buying party with the contract between ASX Clear Pty Limited and the selling party. From ASX Clear Pty Limited's perspective, all positions are matched.

During the current financial year, ASX Clear Pty Limited introduced a requirement for clearing participants to lodge collateral on unsettled cash markets positions. Previously, collateral was required to be lodged for derivatives positions only. The requirement was introduced to enhance the risk management controls of ASX Clear Pty Limited and reduce the systemic risk in the cash market environment. The

## Notes to the financial statements continued

requirements became effective on 11 June 2013. As at 30 June 2013, the total collateral lodged on cash market positions was \$212.0 million. As at 30 June 2013, total collateral lodged by clearing participants, including that for cash market margining was \$4,446.2 million (2012: \$4,161.9 million). This was made up of the following:

- cash of \$561.5 million (30 June 2012: \$254.5 million)
- bank guarantees of \$17.5 million (30 June 2012: \$62.8 million)
- equity securities of \$3,867.2 million (30 June 2012: \$3,844.6 million).

The bank guarantees and equity securities are not recognised on balance sheet.

All net delivery and net payment obligations relating to cash market and derivative securities owing to or by participants as at 30 June 2013 were subsequently settled.

ASX Clear Pty Limited has the following financial resources available to support its central counterparty clearing activities (over and above collateral deposited by participants):

	Date of report \$m	30 June 2013 \$m	30 June 2012 \$m
Restricted capital reserve	71.5	71.5	71.5
Equity and subordinated debt provided by the Group	178.5	178.5	78.5
Group external borrowing	-	-	100.0
<b>Paid in resources</b>	<b>250.0</b>	<b>250.0</b>	<b>250.0</b>
Emergency assessments	300.0	300.0	300.0
<b>Total financial resources</b>	<b>550.0</b>	<b>550.0</b>	<b>550.0</b>

During the current financial year, the external borrowing was replaced with equity provided by the Group to address the refinancing risk associated with the borrowing. The new equity was raised through a rights issue by the Group as detailed in note 23.

The financial resources at 30 June 2013 available to ASX Clear Pty Limited in the event of a clearing default would be applied in the following order as set out in the ASX Clear Pty Limited clearing rule 8.3.1 Application of Clearing Assets:

1. collateral or other margin or contributions lodged by the defaulting participant with ASX Clear Pty Limited

2. restricted capital reserve of \$71.5 million. In accordance with the terms of ASX Clear Pty Limited's Australian Clearing and Settlement Facility Licence, unless the Minister agrees otherwise, these funds can only be used by ASX Clear Pty Limited for clearing and settlement support

3. equity capital of \$103.5 million and subordinated debt of \$75 million provided by ASXCC. Under its licence obligations, ASX Clear Pty Limited is required to comply with the Reserve Bank of Australia's (RBA) Financial Stability Standards. ASXCC is party to a deed whereby it undertakes to replenish equity capital of \$3.5 million subject to the solvency of ASX Clear Pty Limited and the occurrence of other limited and specific circumstances

4. contributions lodged by non-defaulting participants under the ASX Clear Pty Limited clearing rules. No contributions were lodged in the current or prior period

5. emergency assessments of \$300 million which can be levied on participants (nil has been levied for periods ending 30 June 2013 and 2012).

In accordance with the Standards, ASX Clear Pty Limited has determined the Reserve Requirement to be \$150 million. As the Reserve Requirement may vary from time to time, ASX Clear Pty Limited has the obligation to provide financial resources to cover any shortfall in the Reserve Requirement. ASX Clear Pty Limited may utilise a number of alternatives to provide

these financial resources including equity, debt, participant commitments and insurance.

### ASX Clear (Futures) Pty Limited

ASX Clear (Futures) Pty Limited is the counterparty to derivative contracts comprising futures, options and contracts-for-difference transacted on the ASX 24 market. Transactions between two participating organisations are replaced by novation which simultaneously offsets the contract between ASX Clear (Futures) Pty Limited and the buying organisation with the contract between ASX Clear (Futures) Pty Limited and the selling organisation. From ASX Clear (Futures) Pty Limited's perspective, all positions are matched. From 1 July 2013, ASX Clear (Futures) Pty Ltd offered central counterparty clearing services in relation to Australian dollar OTC interest rate swap contracts.

ASX Clear (Futures) Pty Limited is liable for the settlement of these derivative contracts traded between its clearing participants, and is supported by collateral received from clearing participants as well as by specific financial resources referred to as the Clearing Guarantee Fund.

ASX Clear (Futures) Pty Limited's participants are required to lodge collateral on positions novated to the CCP. As at 30 June 2013, total collateral lodged by clearing participants and recognised on balance sheet was \$3,117.2 million (30 June 2012: \$2,599.0 million). This was made up of the following:

## Notes to the financial statements continued

- cash of \$3,117.2 million (30 June 2012: \$2,355.6 million)
- debt securities of nil (30 June 2012: \$243.4 million).

All net payment obligations relating to derivative market transactions owing to or by clearing participants of ASX Clear (Futures) Pty Limited as at 30 June 2013 were subsequently settled.

In the current financial year and in the subsequent period up to the date of this report, the Group made a number of changes to the composition and amount of the Clearing Guarantee Fund available to ASX Clear (Futures) Pty Ltd. The changes relate to the following:

### Borrowing

The external non-recourse borrowing was repaid and replaced with equity capital provided by the Group to address the associated refinancing risk on 28 June 2013.

### OTC derivative clearing

On 1 July 2013, the CCP reduced futures participant financial commitments by \$20.0 million. This resulted in repayment of \$11.7 million to those participants representing the portion lodged as cash. The Group contributed \$20.0 million of additional subordinated debt to the CCP to replace these resources.

### International standards

The Group, on 16 August 2013, provided additional equity of \$180 million to ASX Clear (Futures) Pty Limited to increase the default fund to meet ASX's estimate of 'Cover 2' capital standards. 'Cover 2' refers to the amount of resources required to be held to withstand the potential default of the two clearing participants with the highest exposures. 'Cover 2' requirements apply to certain international standards.

### Secondary commitments

On 1 July 2013, the obligation to provide secondary commitments was removed.

The above changes are shown in the adjacent table of resources available to ASX Clear (Futures) Pty Limited to support its central counterparty clearing activities (over and above collateral deposited by participants) as follows:

	Date of report \$m	30 June 2013 \$m	30 June 2012 \$m
Equity provided by the Group	30.0	30.0	30.0
Subordinated debt provided by the Group	90.0	70.0	70.0
Participant financial backing	100.0	120.0	120.0
Group external borrowing	-	-	150.0
Equity provided by the Group	150.0	150.0	-
Participant financial backing	-	-	-
Equity provided by the Group	180.0	-	-
<b>Paid in resources</b>	<b>550.0</b>	<b>370.0</b>	<b>370.0</b>
Secondary commitments	-	30.0	30.0
<b>Total financial resources</b>	<b>550.0</b>	<b>400.0</b>	<b>400.0</b>

The financial resources available to ASX Clear (Futures) Pty Limited as at the date of this report will be applied in the following order in the event of a participant default:

1. collateral and participant financial backing lodged by the defaulting participant with ASX Clear (Futures) Pty Limited
2. equity capital of \$30 million and subordinated debt of \$90 million provided by ASXCC, the immediate parent entity. ASXCC is party to a deed whereby it undertakes to replenish equity capital of \$30 million subject to the solvency of ASX Clear (Futures) Pty Limited and the occurrence of other limited and specific circumstances
3. participant financial backing lodged by participants, totalling \$100 million. Any defaulting participant's financial backing in this total will be included in amounts previously applied as part of amounts in (1) above
4. equity capital of \$150 million provided by the Group
5. participant financial backing lodged by participants
6. equity capital of \$180 million provided by the Group.

## Notes to the financial statements continued

With respect to items 3 and 5 above, participant financial backing refers to commitments provided by futures participants and OTC participants. A participant may be both a futures and OTC participant. The order of application in the event of a default will depend on the status of the defaulting participant. Where a participant default is only a single category (ie futures or OTC), then the non-defaulting participant commitments from the same category are utilised in item 3. The other category participants commitments are utilised in item 5. Where a defaulting participant is a participant in both futures and OTC, the other non-defaulting participants commitments are apportioned for the purposes of 3 and 5.

ASX anticipates that the total Clearing Guarantee Fund will increase to \$650 million in the next financial year.

### (b) Securities Exchanges Guarantee Corporation (SEGC) – levy

The National Guarantee Fund (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. The net assets of the NGF at 30 June 2013 were \$103.9 million (30 June 2012: \$103.4 million). If the net assets of the NGF fall below the minimum amount determined by the Minister in accordance with the Corporations Act 2001 (currently \$76 million), SEGC may determine that ASX must pay a levy to SEGC. Where a

levy becomes payable, ASX may determine that market participants must pay a levy, provided that the total amounts payable under this levy do not exceed the amount payable by ASX to SEGC. The amount in the NGF has not fallen below the applicable minimum amount since the NGF was formed and SEGC has not imposed any levies. Failure by either ASX or a market participant to pay a levy may give rise to a civil action, but does not constitute an offence under the Corporations Act. In accordance with applicable accounting standards, neither SEGC nor NGF are consolidated by ASX.

ASX is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASX has a contingent liability to provide a maximum of \$1,000 of capital in the event it is called on by SEGC.

### 26. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) the wholly-owned subsidiaries listed below are relieved from the requirement to prepare a financial report and directors' report.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee 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
ASX Operations Pty Limited	42 004 523 782
SFE Corporation Limited	74 000 299 392
Australian Securities Exchange Limited	83 000 943 377
Australian Clearing Corporation Limited	068 624 813
ASX Settlement Corporation Limited	48 008 617 187

### (a) Consolidated income statement, statement of comprehensive income and summary of movements in retained earnings

The above entities represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by the Company, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 30 June 2013 for the Closed Group consisting of ASX Limited, ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited.

	2013 \$m	2012 \$m
<b>Statement of comprehensive income</b>		
Total revenue	664.7	668.1
Total expenses	186.0	186.1
<b>Profit before income tax expense</b>	<b>478.7</b>	<b>482.0</b>
Income tax expense	(135.2)	(134.3)
<b>Net profit after tax</b>	<b>343.5</b>	<b>347.7</b>
<b>Items that may be reclassified to profit or loss</b>		
Change in the fair value of investments	16.4	(41.3)
Change in the fair value of cash flow hedges	1.0	0.1
<b>Other comprehensive income for the year, net of tax</b>	<b>17.4</b>	<b>(41.2)</b>
<b>Total comprehensive income for the year</b>	<b>360.9</b>	<b>306.5</b>

## Notes to the financial statements continued

	2013 \$m	2012 \$m
Summary of movements in consolidated retained earnings		
<b>Retained earnings at the beginning of the year</b>	<b>386.6</b>	<b>364.3</b>
Dividends paid	(303.0)	(325.4)
Profit for the year	343.5	347.7
<b>Retained earnings at the end of the year</b>	<b>427.1</b>	<b>386.6</b>

### (b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2013 for the Closed Group consisting of ASX Limited, ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited.

#### Current assets

Cash and funds on deposit	162.7	166.5
Available-for-sale financial assets	64.8	30.0
Receivables	50.9	43.9
Other assets	7.9	6.9
<b>Total current assets</b>	<b>286.3</b>	<b>247.3</b>

#### Non-current assets

Investments	562.5	233.9
Receivables	151.7	193.1
Property, plant and equipment	56.1	65.5
Intangible assets - software	74.6	56.5
Intangible assets - goodwill	2,262.8	2,262.8
<b>Total non-current assets</b>	<b>3,107.7</b>	<b>2,811.8</b>
<b>Total assets</b>	<b>3,394.0</b>	<b>3,059.1</b>

	2013 \$m	2012 \$m
<b>Current liabilities</b>		
Payables	48.4	39.4
Current tax liabilities	32.8	36.7
Provisions	13.2	13.1
Other current liabilities	16.8	14.3
<b>Total current liabilities</b>	<b>111.2</b>	<b>103.5</b>

#### Non-current liabilities

Deferred tax liabilities	17.3	10.2
Provisions	13.2	15.0
Other non-current liabilities	3.3	3.3
<b>Total non-current liabilities</b>	<b>33.8</b>	<b>28.5</b>
<b>Total liabilities</b>	<b>145.0</b>	<b>132.0</b>

#### Net assets

<b>Net assets</b>	<b>3,249.0</b>	<b>2,927.1</b>
<b>Equity</b>		
Issued capital	2,746.4	2,483.2
Retained earnings	427.1	386.6
Asset revaluation reserve	67.2	49.8
Equity compensation reserve	8.3	7.5
<b>Total equity</b>	<b>3,249.0</b>	<b>2,927.1</b>

## Notes to the financial statements continued

### 27. Notes to the statement of cash flows

	2013 \$m	2012 \$m
Reconciliation of the operating profit after income tax to the net cash flows from operating activities		
<b>Net profit after tax</b>	<b>348.2</b>	<b>339.2</b>
<b>Add non-cash items:</b>		
Depreciation and amortisation	30.0	27.4
Share-based payment	0.8	0.7
Net loss on disposal and impairment of non-current assets	0.4	3.0
<b>Changes in assets and liabilities:</b>		
(Decrease) in tax balances	(2.2)	(31.6)
(Increase) in current receivables	(15.3)	(0.1)
(Increase)/decrease in other current assets	(0.8)	0.5
Increase/(decrease) in payables	4.5	(15.7)
Increase in other current liabilities	2.5	1.9
Increase/(decrease) in other non-current liabilities	0.1	(0.2)
Increase/(decrease) in current provisions	0.2	(1.1)
(Decrease)/increase in non-current provisions	(1.8)	3.0
<b>Net cash provided by operating activities</b>	<b>366.6</b>	<b>327.0</b>

### 28. Share-based payments

The Group has long-term incentive plans in place entitling Key Management Personnel and other employees to performance rights over ASX Limited shares. Under the plans, participants are granted performance rights that only vest if certain performance conditions are met. The grants outstanding at 30 June 2013 were made in October 2011 and October 2012. All performance rights are to be settled by physical delivery of ordinary shares in ASX Limited subject to performance conditions being attained. The terms and conditions of these grants are shown in the following table.

Grants outstanding at the end of the reporting period:

Grant date / employees entitled	Number of instruments granted	Vesting conditions	Contractual life of the award
Performance rights granted to Key Management Personnel in October 2011	53,820	3 years' service, 30% of performance rights require relative total shareholder return and 70% of performance rights require growth in earnings per share	3 years
Performance rights granted to Key Management Personnel in October 2012	71,360	3 years' service, 30% of performance rights require relative total shareholder return and 70% of performance rights require growth in earnings per share	3 years
<b>Total</b>	<b>125,180</b>		

Grants vested during the current reporting period as a result of performance hurdles being met:

Grant date / employees entitled	Number of instruments granted	Vesting conditions	Contractual life of the award
Performance rights granted to Key Management Personnel in July 2010	6,300	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
Performance rights granted to other employees in July 2010	4,500	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
<b>Total</b>	<b>10,800</b>		

Further detail regarding the Group's long-term incentive plans, including calculation of the grant date fair values, can be found in sections 11.7 and 11.9 of the remuneration report.



## Notes to the financial statements continued

### Employee expenses

Amounts recognised in profit or loss based on the amortisation of the grant date fair value of performance rights are shown below.

	2013 \$m	2012 \$m
Performance rights granted in December 2008	-	0.1
Performance rights granted in July 2010	(0.1)	0.3
Performance rights granted in October 2011	0.5	0.3
Performance rights granted in October 2012	0.4	-
<b>Total expense recognised as employee costs</b>	<b>0.8</b>	<b>0.7</b>

Reversals of share-based payment expenses above have resulted from non-market based performance hurdles not being achieved.

### 29. Key Management Personnel disclosures

The following disclosures should be read in conjunction with the remuneration report contained in the directors' report. Details of Key Management Personnel remuneration are disclosed in the remuneration report.

#### (a) Key Management Personnel compensation

Key Management Personnel compensation (including non-executive directors) is as follows:

	2013 \$	2012 \$
Short-term employee benefits	9,377,903	9,462,929
Post-employment benefits	247,171	247,299
Long-term benefits	860,537	525,886
Share-based payments	797,984	550,610
<b>Total</b>	<b>11,283,595</b>	<b>10,786,724</b>

#### (b) Loans to Key Management Personnel

There are no outstanding loans between any Group entities and Key Management Personnel.

#### (c) Performance rights granted as compensation

The following shows the movement during the reporting period in the number of performance rights over ordinary shares in ASX held directly, indirectly or beneficially, by each Key Management Personnel, including their related parties:

	Held at 1 July 2012	Granted as compensation during the year	Vested and exercised during the year	Lapsed during the year	Held at 30 June 2013
<b>Current</b>					
E Funke Kupper Managing Director and CEO	26,910	35,680	-	-	62,590
R Aziz Chief Financial Officer	-	-	-	-	-
AJ Bardwell Chief Risk Officer	-	-	-	-	-
AJ Harkness Group General Counsel and Company Secretary	7,000	-	2,100	4,900	-
PD Hiom Deputy CEO	33,910	35,680	2,100	4,900	62,590
TJ Hogben Executive General Manager Operations	7,000	-	2,100	4,900	-
KA Lewis Chief Compliance Officer	-	-	-	-	-
T Thurman Chief Information Officer	-	-	-	-	-
<b>Former</b>					
JJ Olsson Group Executive Technology (resigned 9 July 2012)	-	-	-	-	-

## Notes to the financial statements continued

	Held at 1 July 2011	Granted as compensation during the year	Vested and exercised during the year	Lapsed during the year	Held at 30 June 2012
<b>Current</b>					
E Funke Kupper Managing Director and CEO	-	26,910	-	-	26,910
R Aziz Chief Financial Officer	2,000	-	820	1,180	-
AJ Bardwell Chief Risk Officer	-	-	-	-	-
AJ Harkness Group General Counsel and Company Secretary	7,000	-	-	-	7,000
PD Hiom Deputy CEO	7,000	26,910	-	-	33,910
TJ Hogben Executive General Manager Operations	9,000	-	820	1,180	7,000
KA Lewis Chief Compliance Officer	-	-	-	-	-
T Thurman Chief Information Officer	-	-	-	-	-
<b>Former</b>					
JJ Olsson Group Executive Technology (resigned 9 July 2012)	-	-	-	-	-
RG Elstone Managing Director and CEO (retired 11 October 2011)	-	-	-	-	-

### (d) Holdings of ordinary shares

The following table shows the movement during the reporting period in the number of ordinary shares in ASX held directly, indirectly or beneficially, by each Key Management Personnel and non-executive director, including their related parties.

	Held at 1 July 2012	Received during the year as remuneration	Other changes	Held at 30 June 2013
<b>Current non-executive directors</b>				
R Holliday-Smith	3,825	-	-	3,825
RA Aboud	25,000	-	-	25,000
SD Finmore	4,000	-	-	4,000
KR Henry*	Not required	-	-	-
PR Marriott	3,000	-	-	3,000
HM Ridout**	Not required	-	-	-
JS Segal	2,000	-	-	2,000
PH Warne	6,000	-	-	6,000
<b>Former non-executive directors</b>				
JR Broadbent***	2,000	Not required	Not required	Not required
<b>Current executives</b>				
E Funke Kupper	-	-	10,000	10,000
R Aziz	27,777	-	-	27,777
AJ Bardwell	4,438	-	-	4,438
AJ Harkness	2,477	-	-	2,477
PD Hiom	28,195	-	-	28,195
TJ Hogben	1,231	-	-	1,231
KA Lewis	-	-	-	-
T Thurman	-	-	-	-
<b>Former executives</b>				
JJ Olsson****	2,655	Not required	Not required	Not required

\* Dr KR Henry was appointed as a director on 1 February 2013.

\*\* Ms HM Ridout was appointed a director on 29 August 2012.

\*\*\* Ms JR Broadbent was a director until her retirement on 5 October 2012.

\*\*\*\* Mr JJ Olsson resigned from the Group on 9 July 2012.

## Notes to the financial statements continued

	Held at 1 July 2011	Received during the year as remuneration	Other changes	Held at 30 June 2012
<b>Non-executive directors</b>				
R Holliday-Smith	3,825	-	-	3,825
RA Aboud	25,000	-	-	25,000
SD Finemore	4,000	-	-	4,000
KR Henry	Not required	-	-	Not required
PR Marriott	3,000	-	-	3,000
HM Ridout	Not required	-	-	Not required
JS Segal	2,000	-	-	2,000
PH Warne	6,000	-	-	6,000
<b>Former non-executive directors</b>				
JR Broadbent	2,000	-	-	2,000
DM Gonski	15,806	Not required	Not required	Not required
<b>Current executives</b>				
E Funke Kupper	Not required	-	-	-
R Aziz	26,957	820	-	27,777
AJ Bardwell	4,438	-	-	4,438
AJ Harkness	2,477	-	-	2,477
PD Hiom	28,195	-	-	28,195
TJ Hogben	411	820	-	1,231
KA Lewis	-	-	-	-
T Thurman	Not required	-	-	-
<b>Former executive</b>				
JJ Olsson	2,655	Not required	Not required	Not required
RG Elstone	2,000	Not required	Not required	Not required

### 30. Related parties

#### (a) Parent entity

The ultimate parent entity within the Group is ASX Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 31.

ASX Operations Pty Limited provides operational support for the majority of the Group's transactions. 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.

#### Balances with entities within the wholly-owned group

	Company	
	2013 \$m	2012 \$m
Net amounts receivable by the Company from wholly-owned subsidiaries at balance date is as follows:		
<b>Current</b>		
Amounts due from subsidiaries*	237.2	247.0

Net amounts receivable by the Company from wholly-owned subsidiaries at balance date is as follows:

#### Current

Amounts due from subsidiaries\* 237.2 247.0

\*Interest is not paid on any inter-company balances.

#### Dividends

Dividends received or due and receivable by the Company from wholly-owned subsidiaries	341.0	499.0
--	-------	-------

#### (c) Transactions with directors and director-related entities

The Company regularly enters into transactions on an arm's length basis and under normal commercial terms and conditions with corporations that some of the directors are either related to or employed by.

#### (d) Transactions with related entities

In accordance with the Corporations Act 2001, the Group maintains two fidelity funds for claims relating to the defalcation of monies in relation to cash market and derivative trading. ASX Limited acts as trustee for the ASX Division 3 Compensation Fund and Australian Securities Exchange Limited acts as trustee for the Sydney Futures Exchange Limited Fidelity Fund. ASX Division 3 Compensation Fund, Sydney Futures Exchange Limited Fidelity Fund and Securities Exchanges Guarantee Corporation (SEGC) are not consolidated by ASX.

ASX Limited is the sole member of SEGC, which is responsible for administering the National Guarantee Fund, 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 Pty Limited.

# Notes to the financial statements continued

## 31. Subsidiaries

Parent entity: ASX Limited

	Parent entity's investment <sup>1</sup>	
	2013 %	2012 %
<b>Subsidiaries of ASX Limited:</b>		
ASX Operations Pty Limited <sup>2</sup>	100	100
ASX Compliance Pty Limited	100	100
SFE Corporation Limited <sup>2</sup>	100	100
Australian Stock Exchange Pty Limited	100	100
ASX Futures Exchange Pty Limited	100	100
ASX Clearing Corporation Limited	100	100
ASX Long-Term Incentive Plan Trust	100	100
Australian Securities Exchange Limited <sup>2</sup>	100	100
ASX Settlement Corporation Limited <sup>2</sup>	100	100
ASX Energy Limited <sup>3</sup>	100	-
<b>Subsidiaries of ASX Settlement Corporation Limited:</b>		
ASX Settlement Pty Limited	100	100
Austraclear Limited	100	100
<b>Subsidiaries of ASX Operations Pty Limited:</b>		
Sydney Futures Exchange Pty Limited	100	100
Options Clearing House Pty Limited	100	100
Australian Clearing House Pty Limited	100	100
Equityclear Pty Limited	100	100
Australian Clearing Corporation Limited <sup>2</sup>	100	100
New Zealand Futures and Options Exchange Limited	100	100
ASX Collateral Management Services Pty Limited <sup>4</sup>	100	-
<b>Subsidiaries of ASX Settlement Pty Limited:</b>		
CHESS Depository Nominees Pty Limited	100	100

	Parent entity's investment <sup>1</sup>	
	2013 %	2012 %
<b>Subsidiaries of Australian Securities Exchange Limited:</b>		
Australian Securities Exchange (US) Inc	100	100
<b>Subsidiaries of Austraclear Limited:</b>		
Austraclear Services Limited	100	100
<b>Subsidiaries of ASX Clearing Corporation Limited:</b>		
ASX Clear Pty Limited	100	100
ASX Clear (Futures) Pty Limited	100	100

1. Parent entity refers to the immediate controlling entity of the entity in which the investment is shown.

2. These subsidiaries have been granted relief from the necessity to prepare financial statements in accordance with ASIC Class Order 98/1418. Refer note 26 for details of the Deed of Cross Guarantee.

3. ASX Energy Limited was purchased by the Company on 31 May 2013. Refer to note 9 for further details.

4. ASX Collateral Management Services Pty Limited was incorporated on 13 September 2012.

ASX Limited and Australian Securities Exchange Limited are licensed to operate financial markets, while ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited, Austraclear Limited and ASX Settlement Pty Limited are licensed to operate clearing and settlement facilities.

Although ASX is the sole member of Securities Exchanges Guarantee Corporation Limited (SEGC), SEGC has not been consolidated into the Group's consolidated financial statements. SEGC is governed by the Corporations Act 2001 and ASX is not able to control the entity so as to pursue Group objectives nor is it entitled to the entity's assets. All subsidiaries were incorporated in Australia except for Australian Securities Exchange US Inc (incorporated in the US), and New Zealand Futures and Options Exchange Limited and ASX Energy Limited (incorporated in New Zealand).

## Notes to the financial statements continued

### 32. Auditor's remuneration

Audit fees incurred by the Group for and on behalf of all Group entities were:

	2013 \$	2012 \$
<b>Audit services:</b>		
Audit and review of the financial statements and other audit work under Corporations Act 2001	507,300	477,600
Audit of information technology platforms	150,500	159,000
<b>Non-audit services:</b>		
Tax compliance services	64,050	48,550
Other non-audit services*	152,500	88,298
<b>Total auditor's remuneration</b>	<b>874,350</b>	<b>773,448</b>

\* Other non-audit services included due-diligence work performed in relation to the rights issue and the acquisition of d-cypha and for the review of the ASX compliance framework.

In addition to the above, total audit fees of \$26,800 and tax compliance fees of \$17,750 (2012: \$26,000 for audit fees and \$17,750 for tax compliance fees) were received by the auditor in relation to SEGC, NGF, ASX Division 3 Compensation Fund and the Sydney Futures Exchange Limited Fidelity Fund, which are not consolidated as part of the Group.

### 33. Parent entity financial information

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 \$m	2012 \$m
<b>Statement of comprehensive income</b>		
Total revenue	350.7	508.4
Total expenses	-	-
<b>Profit before income tax expense</b>	<b>350.7</b>	<b>508.4</b>
Income tax expense	(0.4)	(0.5)
<b>Net profit for the period</b>	<b>350.3</b>	<b>507.9</b>
Other comprehensive income (net of tax)	16.4	(41.2)
<b>Total comprehensive income</b>	<b>366.7</b>	<b>466.7</b>
<b>Balance sheet</b>		
Current assets	248.4	247.7
Non-current assets	3,014.5	2,685.9
<b>Total assets</b>	<b>3,262.9</b>	<b>2,933.6</b>
Current liabilities	32.9	36.8
Non-current liabilities	26.7	21.3
<b>Total liabilities</b>	<b>59.6</b>	<b>58.1</b>
<b>Net assets</b>	<b>3,203.3</b>	<b>2,875.5</b>
Issued capital	2,746.4	2,483.2
Retained earnings	384.2	336.9
Asset revaluation reserve	66.2	49.7
Equity compensation reserve	6.5	5.7
<b>Total equity</b>	<b>3,203.3</b>	<b>2,875.5</b>

## Notes to the financial statements continued

### (b) Guarantees entered into by the parent entity

The parent entity, ASX, is party to a Deed of Cross Guarantee together with ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited as described in note 26. 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.

ASX is also party to an agreement whereby it undertakes to replenish any shortfall of share capital in ASX Clearing Corporation Limited below a minimum amount of \$33.5 million. In addition, ASX also guarantees to make, or procures ASX Clearing Corporation Limited to make, such loan advances that may be required to ensure that the combined outstanding principal amount of the subordinated loans provided by ASX Clearing Corporation Limited to ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited do not fall below the original combined principal amount of \$145 million. Both of the above undertakings are subject to the solvency of ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited, and the occurrence of other limited and specific circumstances. There was no shortfall in either share capital or subordinated loan balances as at 30 June 2013 or 30 June 2012. Further details in regards to the subordinated loans are provided in note 25(a).

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012 except as mentioned below. For information about guarantees given by the parent entity, please see above.

ASX is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASX has a contingent liability to provide a maximum of \$1,000 of capital in the event it is called on by SEGC.

### (d) Contractual commitments

ASX Limited is party to an agreement to provide a loan facility of \$50 million to ASX Clear Pty Limited. ASX Clear Pty Limited may use the facility for limited and specific circumstances as detailed in the loan agreement. ASX Clear Pty Limited is a wholly-owned subsidiary of ASX Limited.

ASX Limited did not have any other contractual commitments as at 30 June 2013 or 30 June 2012.

### 34. Subsequent events

On 16 July 2013, the Company issued an additional 9,528,398 ordinary shares on completion of the retail component of the rights issue announced in June 2013. The shares were issued for the gross proceeds of \$285.9 million and have not been recognised in these financial statements. The net proceeds received after deducting transaction costs were \$279.2 million. Refer to note 23 for further details.

In August 2013, ASX participated in the institutional component of a 2 for 9 pro rata accelerated renounceable entitlement offer (the Offer) undertaken by IRESS Limited. The Offer resulted in an additional 5,500,007 shares being issued to ASX for consideration of \$39.3 million.

On 16 August 2013, the RBA formally advised ASX of supplementary interpretive guidance for the Financial Stability Standards. The RBA's guidance has the effect of applying the higher European capital standard to ASX Clear (Futures). Following the capital raising ASX expects that ASX Clear (Futures) will meet the higher capital standard.

From the end of the reporting period to the date of this report, no other 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 68 to 114 and the remuneration report set out on pages 51 to 66 in the directors' 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 2013 and of its performance for the financial year ended on that date, and
  - (ii) complying with 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 26 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 26, and
- (d) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1(a).

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 2013.

Signed in accordance with a resolution of the directors:



**Rick Holliday-Smith**  
Chairman



**Elmer Funke Kupper**  
Managing Director and CEO

Sydney, 22 August 2013

## Independent auditor's report to the members of ASX Limited

### Report on the financial report

We have audited the accompanying financial report of ASX Limited (the company), which comprises the balance sheet as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the ASX Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility 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 the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### Auditor's opinion

In our opinion:

- (a) the financial report of ASX Limited is 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 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1.

### Report on the remuneration report

We have audited the remuneration report included in pages 51 to 66 of the directors' report for the year ended 30 June 2013. 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.

### Auditor's opinion

In our opinion, the remuneration report of ASX Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



M J Codling  
Partner

Sydney  
22 August 2013



## 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 and online) 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, as set by Parliament.

### Distribution of shareholdings at 25 July 2013

Number of shares held	Number of holders	Number of shares	% of issued capital
1 to 1,000	34,698	13,682,332	7.07
1,001 to 5,000	11,555	22,373,668	11.56
5,001 to 10,000	867	5,962,860	3.08
10,001 to 100,000	668	21,372,572	11.04
100,001 and over	126	130,203,730	67.25
<b>Total</b>	<b>47,914</b>	<b>193,595,162</b>	<b>100.00</b>

The number of investors holding less than a marketable parcel of 15 (\$34.76) securities was 382, and they hold 2,191 securities.

### Substantial shareholders at 25 July 2013

There were no substantial shareholders in ASX at 25 July 2013 disclosed by a substantial holding notice given to the Company.

Largest 20 shareholders at 25 July 2013	Number of shares	% of issued capital
1. JP Morgan Nominees Australia Limited	32,419,213	16.75
2. HSBC Custody Nominees (Australia) Limited	29,599,849	15.29
3. National Nominees Limited	27,856,082	14.39
4. Citicorp Nominees Pty Limited	10,155,261	5.25
5. BNP Paribas Nominees Pty Limited	5,511,951	2.85
6. RBC Dexia Investor Services Australia Nominees Pty Limited	5,004,539	2.58
7. Bond Street Custodians Limited	2,565,129	1.32
8. UBS Wealth Management Australia Nominees Pty Limited	1,120,381	0.58
9. AMP Life Limited	921,052	0.48
10. BT Portfolio Services Limited	851,814	0.44
11. UBS Nominees Pty Limited	725,459	0.37
12. Australian Foundation Investment Company Limited	458,685	0.24
13. Invia Custodian Pty Limited	453,999	0.23
14. Milton Corporation Limited	451,724	0.23
15. Navigator Australia Limited	436,594	0.23
16. CS Fourth Nominees Pty Limited	347,383	0.18
17. Law Venture Pty Limited	310,365	0.16
18. Netwealth Investments Limited	295,016	0.15
19. Asgard Capital Management Limited	282,202	0.15
20. Avanteos Investments Limited	272,316	0.14
<b>Total</b>	<b>120,039,014</b>	<b>62.01</b>

### On-market buy-back

There is no current on-market buy-back.

## Shareholder information continued

### Shareholders' calendar

#### FY13

Full-year financial results announcement 22 August 2013

#### Full-year final dividend

Ex-dividend date 2 September 2013

Record date for dividend entitlements 6 September 2013

Payment date 25 September 2013

Annual General Meeting 25 September 2013

#### FY14\*

Half-year financial results announcement 13 February 2014

#### Half-year interim dividend

Ex-dividend date 3 March 2014

Record date for dividend entitlements 7 March 2014

Payment date 19 March 2014

Full-year financial results announcement 21 August 2014

#### Full-year final dividend

Ex-dividend date 1 September 2014

Record date for dividend entitlements 5 September 2014

Payment date 24 September 2014

Annual General Meeting 23 September 2014

\* Dates are subject to final ASX Board approval and Listing Rule 3.1 disclosure.

### Annual General Meeting 2013

The ASX Limited AGM will be held at the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street Sydney, New South Wales, at 10 am (Sydney time) on Wednesday 25 September 2013.

The AGM will be webcast live on the internet at [www.asxgroup.com.au/asx-annual-general-meetings.htm](http://www.asxgroup.com.au/asx-annual-general-meetings.htm). A copy of the webcast will be placed on the website after the event to enable the AGM proceedings to be viewed at a later time.

### Electronic communications

ASX encourages shareholders to receive information electronically.

ASX emails shareholders when important information becomes available such as dividend statements, notices of meeting, voting forms and annual reports.

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.

Electronic communication allows ASX to communicate with shareholders faster, and makes our communications more environmentally friendly by not using paper.

For further information, please contact our share registry, Link Market Services, on 1300 724 911 (for the cost of a local call) or [asx@linkmarketservices.com.au](mailto:asx@linkmarketservices.com.au)

### IMPORTANT INFORMATION ABOUT DIVIDEND PAYMENTS

Payments are made by direct credit only to ASX shareholders with registered addresses in Australia, New Zealand and the United Kingdom. No cheque payments are made.

If you have not already done so, please provide direct credit instructions by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

# Directory

## Shareholder enquiries

### Enquiries about shareholdings in ASX

Please direct all correspondence regarding shareholdings in ASX Limited 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](mailto:asx@linkmarketservices.com.au)

Website  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Questions to the Chairman, Managing Director and CEO, or auditor

These may be sent via email to:

[companysecretariat@asx.com.au](mailto:companysecretariat@asx.com.au) or to ASX's registered office (details adjacent), marked to the attention of the Company Secretary.

## For further information

Website  
[www.asx.com.au](http://www.asx.com.au)  
[www.asxgroup.com.au](http://www.asxgroup.com.au)

Email  
[info@asx.com.au](mailto:info@asx.com.au)

### Investor relations

Telephone  
(61 2) 9227 0260

Email  
[investor.relations@asx.com.au](mailto:investor.relations@asx.com.au)

### Media and communications

Telephone  
(61 2) 9227 0410

Email  
[media@asx.com.au](mailto:media@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

## 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 8, Exchange Plaza  
2 The Esplanade  
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

## ASX's auditor

PricewaterhouseCoopers  
GPO Box 2650  
Sydney NSW 1171

Telephone  
(61 2) 8266 0000

Website  
[www.pwc.com.au](http://www.pwc.com.au)

*This page has been left blank intentionally*

© Copyright 2013 ASX Limited ABN 98 008 624 691

The information in this publication does not constitute investment, financial or legal advice and must not be relied upon as such. You should obtain independent professional advice tailored to your specific circumstances and needs prior to making any investment and/or financial decisions. The information in this document does not, and must not be construed as an offer or recommendation of securities or other financial products.

ASX Limited  
ABN 98 008 624 691  
and its controlled entities

[www.asxgroup.com.au](http://www.asxgroup.com.au)