
CASH MARKET CLEARING

MANAGEMENT INCOME STATEMENT

FOR THE YEAR ENDED

30 JUNE 2024

CONTENTS

	Page Number
Management income statement	3
Notes to the management income statement	4
Directors' declaration	7
Independent auditor's report	8

Management income statement – cash market clearing

	FY24 \$ Million	FY23 \$ Million
Revenue		
Cash market clearing	64.3	68.4
Revenue sharing rebate	-	-
Participation fees	0.1	0.1
Technical services	0.3	0.3
Operating revenue	64.7	68.8
Expenses		
Employee	(24.9)	(19.8)
Equipment	(4.5)	(2.8)
Occupancy	(0.9)	(0.7)
Administration	(4.7)	(4.2)
ASIC supervision levy	(0.9)	(0.2)
Operating expenses	(35.9)	(27.7)
EBITDA	28.8	41.1
Depreciation and amortisation	(5.6)	(0.6)
EBIT	23.2	40.5
Net interest income	8.1	5.9
Profit before tax	31.3	46.4
Tax expense	(9.4)	(13.9)
Profit after tax	21.9	32.5
EBITDA margin	44.4%	59.7%
Average Capital	245.8	270.1
Return on capital	8.9%	12.0%

Notes to the Management Income Statement

Basis of preparation

This special purpose Management Income Statement for the ASX cash market clearing activities for the year ended 30 June 2024 has been prepared following the commitment made in the Code of Practice for Clearing and Settlement of Cash Equities in Australia released by ASX on 18 July 2013 and updated on 12 October 2016 and in April 2024. This Management Income Statement was authorised by the Board of Directors of ASX Clear Pty Limited on 25 September 2024.

The Management Income Statement has been prepared on the basis of the Code of Practice for Clearing and Settlement of Cash Equities in Australia and the associated ASX Internal Cost Allocation and Transfer Pricing Policy between ASX Group entities for clearing and settlement of cash equities in Australia. The Management Income Statement consists of ASX Group's clearing services for cash equity market transactions, which include cash equities, warrants and exchange-traded funds (ETFs), but excludes exchange-traded derivatives. The Management Income Statement is based on management information and does not comply with Australian Accounting Standards.

The accounting policies adopted in the preparation of this Management Income Statement are outlined below and have been consistently applied.

Revenue recognition and allocation

Revenue presented in the Management Income Statement is an allocation of the revenue recognised in ASX Limited's consolidated financial statements for the year ended 30 June 2024 (**ASX Annual Report**). A summary of the revenue recognition policies applied in the ASX Annual Report and the allocation of those revenues to in the Management Income Statement is described below.

Cash market clearing

Represents fees earned for the central counterparty clearing of cash market trades transacted on ASX and other venues. Cash market trades include equities, interest rates, warrants and exchange traded funds. Fees are based on a basis point charge on the value of the transaction. These fees are recognised at settlement date, which ordinarily occurs two days after trade date. All cash market clearing fees recognised in the ASX Annual Report have been fully allocated to the cash market clearing activities and are recorded in the Management Income Statement.

Revenue sharing rebate

Represents the amount of cash market clearing fees rebated to clearing participants. The amount of the rebate represents 50% of the growth in revenue (pre-rebate) from cash market clearing in the current financial year over the prior comparable period (pcp). Rebates are estimated and recognised in the period when the associated revenue is recognised. All rebates related to the cash market clearing fees recognised in the ASX Annual Report have been fully allocated to the cash market clearing business and are recorded in the Management Income Statement.

Participant fees

Participant fees represent annual and initial fees paid by settlement participants for admission to or participation in ASX Clear Pty Limited's market for cash equity market clearing transactions. Fees are recognised evenly over the financial year in which the period of membership applies. Participant fees are included within Cash market clearing revenue in the ASX Annual Report and have been fully allocated to the cash market clearing business and are recorded in the Management Income Statement.

Technical services

Technical services represents fees paid for technology connectivity to the ASX clearing and settlement platform. Only Technical service fees paid to access the CHES platform have been allocated and have been evenly allocated between cash market clearing and cash market settlement.

Notes to the management income statement (continued)

Expense allocation

Operating expenses have been attributed to cash market clearing based on the “ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia”, which is available on ASX’s website. Costs have been attributed as either direct costs, being those that can be directly attributable to the activities specifically undertaken within cash market settlement, or indirect or common costs. Indirect costs are those costs incurred that are not directly attributable to activities within cash market clearing but are undertaken to indirectly support these activities. Attributions of costs have been performed at the individual cost centre for the different divisions within the ASX Group of companies.

The attribution of direct and indirect costs by expense categories are described below. The attribution has been consistently applied in each financial year.

Employee costs

Direct employee costs have been attributed based on an analysis by division within ASX of the amount of time involved in direct cash market clearing activities. In some divisions this has resulted in an attribution based on the number of full-time equivalent employee costed at actual employee cost for different functions. In other divisions the allocation has been based on the percentage of time on average spent by employee performing cash market clearing activities.

Indirect employee costs have been attributed in two ways: For divisions where the indirect or common activities cannot be specifically identified to cash market clearing, their costs have been allocated on the same percentage as total direct employee costs for all other divisions. For divisions where activities can be estimated based on analysis of functions performed they have received a percentage allocation on that basis. These estimates are based on various activity drivers which differ among different divisions.

Equipment costs

Direct equipment costs have been allocated on the basis of specific expenditure incurred on technology platforms supporting the cash market clearing activities. Where technology is shared with other activities, such as the cash market clearing and settlement platform, the allocation has been based on an estimate of the functionality related to each activity.

Indirect equipment costs, being those costs that support technology platforms that provide common services to many business activities have been allocated on the same basis as total direct staff costs, as this is considered the most appropriate driver.

Occupancy costs

Occupancy costs have been allocated on the basis of direct and indirect staff costs attributed to cash market clearing, as the overall staff costs reflect the appropriate allocation of premises.

Administration costs

All administration costs have been attributed as indirect costs as there are no specifically identifiable costs in this category for cash market clearing. Administration costs are common across many business units and include items such as stationery, travel, insurances and marketing. As these costs are common to and support many activities, they have been allocated on the basis of indirect staff costs. This is considered to be the most appropriate driver of the majority of this expenditure.

Net Interest income

Interest income reflects the investment earnings on the capital attributed to cash market clearing and the investment earnings from participant collateral lodged under cash market margining less interest paid to participants. Clearing participants receive the benchmark cash rate on balances lodged to support cash market positions. An interest charge has been applied on the difference between the liquidity requirement for cash market clearing and the default risk capital attributed, based on market interest rates for similar facilities. The liquidity requirement has been computed on a ‘Cover 2’ basis, consistent with the Financial Stability Standards. Interest income is recognised on an accrual basis.

Notes to the management income statement (continued)

Tax

Tax expense represents a charge based on the applicable income tax rate of 30% being ASX Group's prima facie income tax rate.

Capital

The ASX Group provides capital and liquidity to ASX Clear Pty Ltd and also undertakes capital expenditure in relation to cash market clearing infrastructure. Capital provided to clearing of cash market transactions is attributed to cash market clearing with reference to regulatory requirements and a risk based assessment.

The capital attribution to cash market clearing includes default risk capital and operational risk capital supporting the clearing activities, as well as invested capital in the technology infrastructure, required for the efficient operation of the clearing activities of similar scale.

The default risk capital attribution is based on the potential stress loss scenarios applicable to cash market clearing that are adopted in ASX's risk management framework. Default risk capital is in accordance with the Financial Stability Standards, calculated on a 'Cover 2' default basis.

Operational risk capital represents the amount of capital required for operational risk under the Financial Stability Standards.

Invested capital represents the cost of infrastructure supporting the cash market clearing business. The value in the current period has been estimated based on the depreciated optimised replacement cost (DORC) method adopted in prior period plus the appropriate depreciation for the current period. DORC is a generally accepted method applied to regulated assets. Where technology infrastructure is shared with other activities, the allocation is on the same basis as that adopted in the allocation of equipment costs.

The average capital presented in the Management Income Statement represents the average of the capital attributed to the cash market clearing business during the current period. The capital attribution methodology has been consistently applied in each financial year.

Directors' declaration

In the opinion of the directors of ASX Clear Pty Limited:

The management income statements and notes that are contained in pages 3 to 6 are in accordance with the Code of Practice for Clearing and Settlement of Cash Equities in Australia released by ASX on 18 July 2013 and updated on 12 October 2016, including

- (i) Presenting fairly the management information for the cash market clearing activities of ASX Clear Pty Limited, and
- (ii) Complying with the ASX internal cost allocation and transfer pricing policy between ASX group entities for clearing and settlement of cash equities in Australia.

Signed in accordance with a resolution of directors.



Stephen W Knight
Chairman
ASX Clear Pty Limited

Sydney, 25 September 2024



Independent auditor's report

To the directors of ASX Clear Pty Limited

Our opinion

We have audited the Management income statement (the "Statement") of ASX Clear Pty Limited (the "Company") for the year ended 30 June 2024. The Statement comprises:

- Management income statement – cash market clearing
- Notes to the management income statement
- Directors' declaration

In our opinion the Statement is prepared, in all material respects, in accordance with the basis of preparation included in the Notes to the management income statement.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Statement* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the statement in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to the notes to the Statement which describes the basis of accounting. The Statement has been prepared for the purpose of complying with the ASX Code of Practice for Clearing and Settlement of Cash Equities in Australia (the Code of Practice). As a result, the Statement may not be suitable for another purpose. Our report is intended solely for the Company and its directors and should not be distributed to or used by parties other than the Company and its directors. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the Statement

The directors of the Company are responsible for the preparation and presentation of the Statement in accordance with the Code of Practice. This includes determining that the the Code of Practice and the associated ASX internal cost allocation and transfer pricing policy between ASX Group entities for clearing and settlement of cash equities in Australia is an acceptable basis for the preparation of the Statement in the circumstances, and for such internal control as management determine is necessary



to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Statement

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

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

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Alexandra Richardson'.

Alexandra Richardson
Partner

Sydney
25 September 2024