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**CASH MARKET SETTLEMENT**

**MANAGEMENT INCOME STATEMENT**

**FOR THE YEAR ENDED**

**30 JUNE 2024**

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### Management income statement – cash market settlement

	FY24 \$ Million	FY23 \$ Million
<b>Revenue</b>		
Cash market settlement	63.1	63.8
Revenue sharing rebate	-	-
Settlement fail fees	1.3	1.8
Technical services & Participation fees	1.1	1.2
<b>Operating Revenue</b>	<b>65.5</b>	<b>66.8</b>
<b>Expenses</b>		
Employee	(26.1)	(21.2)
Equipment	(4.7)	(4.1)
Occupancy	(1.0)	(0.9)
Administration	(5.7)	(4.4)
ASIC supervision levy	(0.9)	(0.2)
<b>Operating expenses</b>	<b>(38.4)</b>	<b>(30.8)</b>
<b>EBITDA</b>	<b>27.1</b>	<b>36.0</b>
Depreciation and amortisation	(8.9)	(0.8)
<b>EBIT</b>	<b>18.2</b>	<b>35.2</b>
Interest income	6.6	4.5
<b>Profit before tax</b>	<b>24.8</b>	<b>39.7</b>
Tax expense	(7.4)	(11.9)
<b>Profit after tax</b>	<b>17.4</b>	<b>27.8</b>
<b>EBITDA margin</b>	<b>41.3%</b>	<b>53.9%</b>
Average Capital	206.6	208.2
<b>Return on capital</b>	<b>8.4%</b>	<b>13.4%</b>

## Notes to the Management Income Statement

### Basis of preparation

This special purpose Management Income Statement for the ASX cash market settlement 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 Settlement 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 settlement services for cash equity market transactions, which include cash equities, warrants and exchange-traded funds (ETFs), but excludes exchange-traded derivatives and excludes any non-settlement services, including registry services. 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

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 settlement

Represents fees earned for the settlement of cash market trades transacted on ASX and other venues. Fees are based on a fixed charge on the number of settlement messages. These fees are recognised at settlement date. All cash market settlement fees recognised in the ASX Annual Report have been fully allocated to the cash market settlement activities as recognised in the Management Income Statement.

### Revenue sharing rebate

Represents the amount of cash market settlement fees rebated to settlement participants. The amount of the rebate represents 50% of the growth in revenue (pre-rebate) from cash market settlement in the current year over the prior comparable period. Rebates are estimated and recognised in the period as when the revenue is recorded.

### Settlement fail fees

Represents the fees levied on participants who enter settlement with a shortfall of any financial product they have an obligation to settle. ASX determines which transactions will fail whenever CHES identifies there is a shortfall in the settlement process and calculates the fees accordingly with the applicable fee schedule. Settlement fail fees are recognised in the ASX Annual Report as part of Cash market settlement fees and have been fully allocated to the cash market settlement activities as recognised in the Management Income Statement.

### Technical services and Participant fees

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.

Participant fees represent annual and initial fees paid by settlement participants for admission to or participation in ASX Settlement Pty Ltd's market for cash equity market settlement transactions. Fees are recognised evenly over the financial year in which the period of membership applies.

## Notes to the management income statement (continued)

### Expense allocation

Operating expenses have been attributed to cash market settlement 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 settlement 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 settlement 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 settlement 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 settlement, 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 settlement 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 settlement, 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 settlement. 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.

### Interest income

Interest income reflects the investment earnings on the capital attributed to cash market settlement. Interest income is recognised on an accrual basis.

### Tax

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

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## Notes to the management income statement (continued)

### Capital

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

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

Operational risk capital represents the amount of capital required and made available for operational risk as assessed by the Board and assessed against the Financial Stability Standards.

Invested capital represents the cost of infrastructure supporting the cash market settlement activities. 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 settlement 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 Settlement 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 settlement activities of ASX Settlement 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 Settlement Pty Limited

Sydney, 25 September 2024



## Independent auditor's report

To the directors of ASX Settlement Pty Limited

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### Our opinion

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

- Management income statement – cash market settlement
- 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.

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### 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.

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### 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.

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### 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 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.

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### **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