

**CASH MARKET**

**SETTLEMENT**

**MANAGEMENT INCOME**

**STATEMENT**

**FOR THE YEAR ENDED**

**30 JUNE 2015**

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### Management Income Statement – Cash Market Settlement

	FY15 \$ Million	FY14 \$ Million
<b>Revenue</b>		
Cash market settlement	43.8	41.3
Revenue sharing rebate	(1.2)	(0.2)
Settlement access fees	0.1	0.1
Participation fees	0.4	0.4
Settlement fail fees	1.5	1.4
Technical services	0.5	0.5
<b>Operating Revenue</b>	<b>45.1</b>	<b>43.5</b>
<b>Expenses</b>		
Staff	7.8	7.4
Equipment	2.2	2.0
Occupancy	1.1	1.2
Administration	1.4	1.5
<b>Operating expenses</b>	<b>12.5</b>	<b>12.1</b>
<b>EBITDA</b>	32.6	31.4
Depreciation and amortisation	0.2	0.2
<b>EBIT</b>	<b>32.4</b>	<b>31.2</b>
Net interest income	2.7	2.8
<b>Profit before tax</b>	<b>35.1</b>	<b>34.0</b>
Tax expense	(10.5)	(10.2)
<b>Profit after tax</b>	<b>24.6</b>	<b>23.8</b>
Capital charge	(14.7)	(14.2)
<b>Economic profit after capital charge</b>	<b>9.9</b>	<b>9.6</b>
<b>EBITDA margin</b>	<b>72.4%</b>	<b>72.3%</b>
Total Capital	140.9	135.8
<b>Return on capital</b>	<b>17.5%</b>	<b>17.5%</b>

## Notes to the Management Income Statement

### Summary of significant accounting policies

These statements are the management income statements for the ASX cash market settlement activities. They have 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.

These management statements were authorised for release by the Board of Directors of ASX Settlement Pty Limited on 20 August 2015.

### Basis of preparation

These special purpose management statements have 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. As these are based on management information they do not comply with Australian Accounting standards.

The accounting policies adopted in the preparation of these statements are outlined below.

### Revenue recognition

Consistent with the ASX financial statements, revenue is recognised when it is probable that the economic benefits will flow to these activities and the revenue can be reliably measured. Revenue recognition policies have been consistently applied in each financial year. The specific allocation of revenues is described below.

**Cash market settlement** represents fees earned for the settlement 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 fixed charge on the number of settlement messages. These fees are accounted for at settlement date.

**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 period over the prior comparable period.

**Participant fees** represent annual and initial fees paid by settlement participants for membership in ASX Settlement Pty Limited. Fees are recognised in the period earned.

**Technical services** represents fees paid for technology connectivity to the ASX clearing and settlement platform. Fees paid to access the CHES platform have been allocated between cash market clearing and cash market settlement on an equivalent basis.

## Notes to the Management Income Statement (continued)

### Expense allocations

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. Costs have been attributed as either direct costs being those that can be directly attributable to the activities specifically undertaken within cash market settlement and 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. The cost allocation and transfer pricing policy is available on the ASX website.

### Staff costs

Direct staff 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 staff costed at actual staff cost for different functions. In other divisions the allocation has been based on the percentage of time on average spent by staff performing cash market settlement activities.

Indirect staff 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 staff 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 the 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.

## **Notes to the Management Income Statement (continued)**

### **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.

### **Capital**

The capital attribution to cash market settlement includes, operational risk capital supporting the settlement activities, as well as invested capital in the technology infrastructure.

Operational risk capital represents the amount of capital required and made available for operational risk as assessed by the Board having regard to global benchmarks.

Invested capital represents the cost of infrastructure supporting the cash market settlement activities. 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 capital charge in the management income statement reflects ASX's cost of capital applied to the capital attributed to cash market settlement.

The capital attribution methodology has been consistently applied in each financial year.

### **Tax**

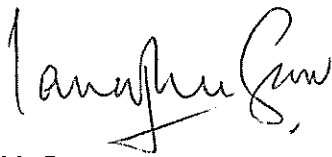
Tax expense represents a charge based on the applicable income tax rate.

## 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, 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.

A handwritten signature in black ink, appearing to read 'Ian McGaw', with a stylized flourish at the end.

Ian McGaw  
Chairman  
ASX Settlement Pty Limited

Sydney, 20 August 2015



## **Independent auditor's report to the directors of ASX Settlement Pty Limited**

We have audited the accompanying management income statement for the cash market settlement activities of ASX Settlement Pty Limited, which comprises the income statement and a summary of significant accounting policies for the year ended 30 June 2015.

### ***Directors' responsibility for the management income statement***

The directors of ASX Clear Pty Limited are responsible for the preparation of the management income statement and have determined that the basis of preparation described in the summary of significant accounting policies to the management income statement is appropriate to meet the requirements of the Code of Practice for Clearing and Settlement of Cash Equities in Australia which became operational on 9 August 2013 and complies with the ASX Internal Cost Allocation and Transfer Pricing Policy between ASX group entities for clearing and settlement of cash equities in Australia published on 21 August 2014.

The directors' responsibility also includes such internal control as they determine is necessary to enable the preparation of the management income statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the management income statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 management income statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the management income statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the management income statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the management income statement 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, if any, made by directors as well as evaluating the overall presentation of the management income statement.

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





**Opinion**

In our opinion, the management income statement presents fairly, in all material respects, the results of the cash market clearing activities of ASX Settlement Pty Limited for the year ended 30 June 2015 in accordance with the accounting policies described in the summary of significant accounting policies to the management income statement.

**Basis of Accounting and Restriction on Use**

Without modifying our opinion, we draw attention to the summary of significant accounting policies to the management income statement, which describe the basis of accounting. The management income statement has been prepared to assist ASX Settlement Pty Limited to meet the financial reporting requirements of the Code of Practice for Clearing and Settlement of Cash Equities in Australia which became operational on 9 August 2013 and complies with the ASX Internal Cost Allocation and Transfer Pricing Policy between ASX group entities for clearing and settlement of cash equities in Australia published on 21 August 2014. As a result, the management income statement may not be suitable for another purpose. No opinion is expressed as to whether the basis on which the underlying management income statement is prepared is appropriate to the needs of the users.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written in a cursive style.

Matthew Lunn  
Partner

Sydney  
20 August 2015