



ASX

ASX Limited

Annual Report 2014

Who we are

ASX is one of the leading exchange groups in the Asia Pacific

- We operate a fully integrated exchange across multiple asset classes – equities, fixed income, derivatives and managed funds
- 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 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.asx.com.au

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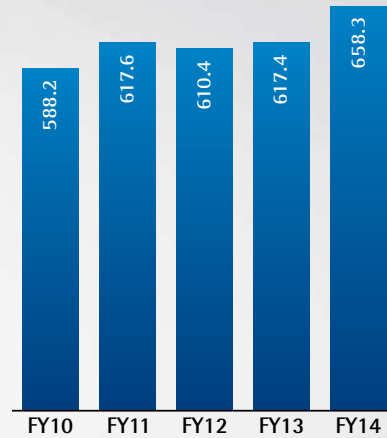
The Annual General Meeting of ASX Limited will be held at the ASX Auditorium, lower ground floor, 18 Bridge Street, Sydney, on Tuesday 23 September 2014 at 10am (Australian Eastern Standard Time)

Financial highlights

Operating revenues

\$million

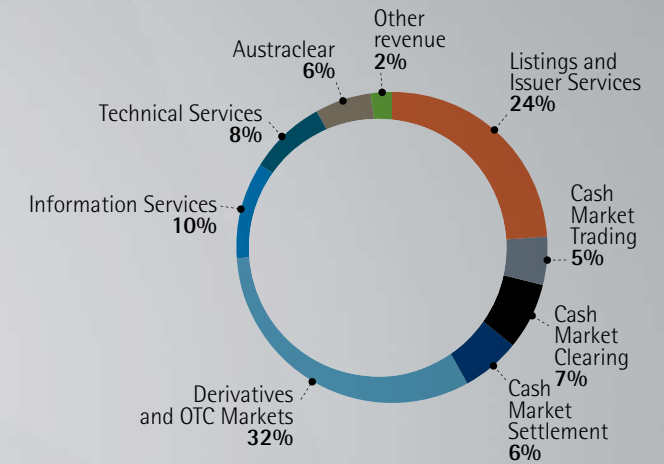
- Segment operating revenues \$658.3 million, up 6.6%
- Growth in all major revenue categories over prior corresponding period



Operating revenues mix

percent

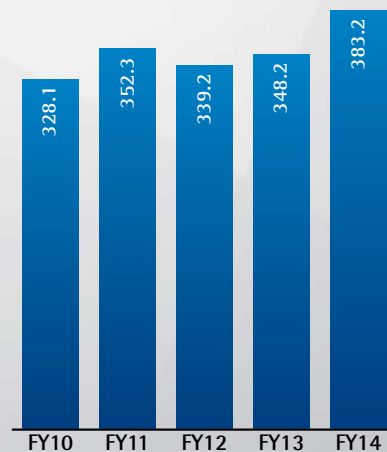
- Diversified business mix
- Domestic leader in all segments, Asian and global leader in A\$ derivatives



Profit after tax

\$million

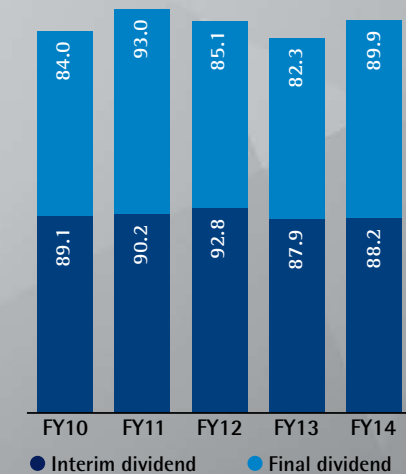
- Statutory profit after tax \$383.2 million, up 10.0%
- EBITDA up 7.1% driven by revenue growth



Dividends

cents per share

- Final dividend 89.9 cents per share fully franked, up 9.2%
- Total FY14 dividends 178.1 cents per share, up 4.6%
- Payout ratio 90% of underlying profit after tax





Rick Holliday-Smith

“ASX performed well and strengthened its position as a leading exchange group in our region.”

Chairman's letter

Dear shareholders,

In the 2014 financial year (FY14), ASX performed well and strengthened its position as a leading exchange group in our region.

We are determined that Australia's financial markets remain globally competitive and relevant. ASX plays a vital role in this, operating the country's financial markets and the central clearing and settlement infrastructure that provides investors with confidence in the quality of our markets.

FY14 financial performance

In FY14, there was strong demand for new listings and an increase in trading activity. The benchmark All Ordinaries index finished the year almost 13% up.

ASX's operating revenues and earnings were company records. Operating revenue was \$658.3 million, up 6.6% and net profit was \$383.2 million, up 10.0%.

Earnings per share (EPS) growth was impacted by the capital raising ASX completed early in the period, which increased the number of shares on issue. EPS was 198.5 cents, up 1.5%.

ASX declared a final dividend of 89.9 cents per share fully franked. The full-year dividend was 178.1 cents per share, up 4.6%. ASX continued to pay out 90% of its earnings in dividends.

More detail on ASX's operating performance is in the Managing Director and CEO's report on pages 4 and 5.

Building ASX's position as a leading exchange group

ASX is one of the top 10 listed exchange groups in the world. Its business mix and size give it the financial strength to invest in Australia's central financial market infrastructure. This allows it to meet the highest global capital standards and support a market that can compete with the major financial centres in the world.

The commitment of your Board to strengthen the Company's competitive position was evidenced early in the year when ASX raised \$553 million in new equity. Most of the equity was used to directly support ASX's clearing operations. Since the raising, ASX has worked closely with Australia's regulators to ensure that the Company will meet global regulatory standards. Progress has been positive, with both the European and US regulators providing relief to ASX while the formal regulatory processes are being progressed.

The new global regulatory environment also creates business opportunities, particularly in post-trade and risk management services. During FY14, ASX launched several new services, including a clearing service for over-the-counter (OTC) derivatives that helps Australia meet its G20 commitments and provides investors with the choice of a domestic clearing service that is regulated under Australian law. ASX's investments underscore its commitment to deliver world-class risk management solutions to investors.

Improved clarity in the regulatory environment

In an environment where global regulations are changing the exchange industry, it is important

that Australia's regulators create as much clarity as possible on the requirements they have for Australia's financial markets. In FY14, the Council of Financial Regulators issued guidance on the location requirements for the infrastructure that supports Australia's main financial markets.

The location requirements ensure that Australia's regulators can retain control over financial markets that are vital for the operation of the economy, such as equities and interest rate futures. Management of systemic risk cannot be outsourced to foreign jurisdictions.

Moreover, the location requirements provide a more certain investment environment for ASX and other operators. ASX is grateful for the improved clarity that has been provided and the responsiveness of its regulators.

ASX continues to invest in its key stakeholder relationships. An important initiative in FY14 was the establishment of a stakeholder Forum for ASX's clearing and settlement services in the cash equity market. ASX is currently the sole provider of these services and last year put in place a Code of Practice that formalises a number of commitments to its clients.

The Forum is providing valuable input into the development of Australia's clearing and settlement services, and allows ASX to report on the performance and the economics of its services. In June 2014, the Forum received a report produced by Oxera, a leading independent economics consulting firm, that compares the costs of clearing and settlement services in Australia to a number of other financial markets around the world. The report concludes that the costs of clearing and settlement of cash equities in Australia are in line with other markets of a similar size.

Chairman's letter continued

A need to focus on the strengths and competitiveness of Australia

Australia ranks highly in global financial markets. Australia's superannuation system is in the top three in the world; its interest rate markets are in the top five; and its equity market is in the top eight.

ASX provides critical infrastructure that sits at the centre of Australia's financial markets. ASX will continue to advocate for policies that support investors and promote market quality. It is the best way to serve our customers and is in the long-term interest of our Company.

To ensure that Australia continues to be a force in global financial markets, it is vital to shift focus from the regulatory settings *within* Australia to the competitiveness *of* Australia.

ASX believes that the Government's Financial System Inquiry and the Competition Policy Review have come at an important time. They enable choices to be made that secure the future and competitiveness of Australia's financial markets, and make the most of the opportunities in Asia. ASX has made submissions to both inquiries.

Board renewal

ASX's Board renewal program remained a focus in FY14. It commenced with the appointments of Ms Heather Ridout and Dr Ken Henry as directors in FY13, and continued over the last 12 months when ASX welcomed Mr Dominic Stevens and more recently Mr Damian Roche to the Board.

Both Dominic and Damian bring deep financial markets experience to the Board. They understand the needs of some of ASX's major customer groups and have navigated through the global competitive and regulatory environment in which ASX operates. They will stand for election at ASX's Annual General Meeting (AGM) on 23 September 2014.

Early in the year, two directors (Mr Russell Aboud and Mr Shane Finemore) resigned from the ASX Board. The background to their resignations was discussed at length during last year's AGM. The Board respects their decision and thanks them for the valuable contributions they made to ASX.

Our CEO, Elmer Funke Kupper, and his management team have continued to provide positive leadership, strengthening stakeholder relationships and advancing ASX's strategy.

On behalf of the Board, I would like to thank all ASX employees for their dedication to the Company and its plans.

Finally, I would also like to express my gratitude to our shareholders for the support you have shown. FY14 was a positive year and your Board is confident about ASX's future prospects.



Rick Holliday-Smith
Chairman

21 August 2014

“ASX provides critical infrastructure that sits at the centre of Australia's financial markets. ASX will continue to advocate for policies that support investors and promote market quality.”

Managing Director and CEO's report



Elmer Funke Kupper

“ASX is one of the top 10 listed exchange groups in the world, based in an attractive and well regulated financial marketplace.”

Dear shareholders,

The 2014 financial year (FY14) was my third as your CEO. It was an important year in which ASX delivered a number of significant infrastructure investments for Australia's financial markets. The investments allowed ASX to launch new post-trade services that match those in other major financial centres. This puts the Company in a better position to compete as global regulations change the shape of our industry.

The financial results were pleasing, driven by revenue growth. ASX's net profit was \$383.2 million, up 10.0% on the previous year.

| Income statement | FY14 \$m | FY13 \$m | Variance \$m % | |
|-------------------------------|-------------|-------------|-------------------|---------|
| Operating revenues | 658.3 | 617.4 | 40.9 | 6.6% |
| Operating expenses | (153.6) | (146.2) | (7.4) | (5.1%) |
| EBITDA | 504.7 | 471.2 | 33.5 | 7.1% |
| Depreciation and amortisation | (33.8) | (30.4) | (3.4) | (11.2%) |
| EBIT | 470.9 | 440.8 | 30.1 | 6.8% |
| Interest and dividend income | 70.7 | 53.5 | 17.2 | 32.3% |
| Profit before tax | 541.6 | 494.3 | 47.3 | 9.6% |
| Income tax expense | (158.4) | (146.1) | (12.3) | (8.5%) |
| Profit after tax | 383.2 | 348.2 | 35.0 | 10.0% |

Operating revenues increased 6.6% to \$658.3 million. All major business lines increased revenue for the year. The largest contributor to revenue growth was the Listings and Issuer Services business, with revenues up more than \$15 million or 10.9%. This reflects

a strong pick-up in IPO and capital raising activity, with a total of 107 new listings for the year. The total amount of IPO and secondary capital raised was \$66.0 billion, up 42.3%.

Detail on the performance of each of ASX's business lines follows my report on pages 6 to 8.

Interest and dividend income was \$70.7 million, up 32.3%. Interest income growth was assisted by the capital raising that ASX completed in early FY14.

Expenses remained well controlled and were up 5.1%, in line with guidance given at the beginning of the year. The majority of the increase was in staff expenses as ASX recruited to support its investment program. Measured in full-time equivalents (FTE), average headcount increased by 3.7% to 534 FTEs.

Capital expenditure was \$43.2 million in FY14. More than half of the capital expenditure related to ASX's investment in new post-trade services. Since FY12, ASX has invested a total of \$49 million in its financial market infrastructure. The new services that flow from this investment put the Company in a good position to compete with other major financial centres.

Looking forward

ASX is one of the top 10 listed exchange groups in the world, based in an attractive and well regulated financial marketplace.

The way financial markets operate around the world is undergoing significant change, driven by new global regulations that affect all participants in our industry – investors, intermediaries and exchanges. The regulations impact on the economics and business models of the banking sector, put higher capital

requirements on exchanges, and increase global competition between financial markets.

At the same time, they create new business opportunities for exchanges as regulators reduce the risk contained in the interbank (over-the-counter; OTC) market by requiring transactions to be cleared on a central exchange platform.

ASX is well placed to succeed in a more global and competitive industry. The Company's strategy has five key elements:

- be a global leader in Australian dollar and New Zealand dollar financial markets
- provide world-class financial infrastructure that is connected to other financial centres
- deliver an outstanding customer experience 24 hours a day
- advocate regulatory settings that support investors and deliver growth in Australia's financial markets
- be an employer of choice in the financial services industry.

ASX has been making significant investments in recent years to make these ambitions real. In FY14 a number of key components were delivered.

During the period, ASX launched new post-trade services that leverage the opportunities presented by a changing regulatory environment. These include a clearing service for OTC derivatives and a collateral management service that can deliver attractive savings to the banks that operate in the Australian market. Recently, ASX added a client clearing service that provides important new protections to Australian end investors.

Managing Director and CEO's report continued

Next to its investment in Australia's financial market infrastructure, ASX progressed a range of other initiatives that provide improved choice to investors and better services to our intermediaries.

Innovations that have been brought to market in the last 12 months include a new settlement service for unlisted managed funds (mFund), giving retail investors access to these funds through their broker platforms; and a new Renminbi (RMB) settlement service, allowing Australian companies to pay and receive RMB in the same way as they transact in Australian dollars, reducing their risk and the cost of doing international business.

External engagement

ASX has a broad range of stakeholders. Its customers include almost 2,200 listed entities and over 180 intermediaries in the cash equities and derivatives markets. Together, ASX and the intermediaries service a diverse range of retail and institutional investors.

During FY14, ASX expanded its engagement with its clients. ASX now has advisory committees for a number of derivatives markets, including interest rate futures, OTC derivatives, energy derivatives and exchange-traded equity options.

The broadest participation of stakeholders is in ASX's Forum for the clearing and settlement services in the cash equity market. The Forum brings together investors, listed companies, brokers, banks, other market operators and a wide range of industry associations that play a role in the development of Australia's clearing and settlement infrastructure. The Forum has provided ASX with valuable input, and in June 2014 recommended that ASX transition from a

T+3 to a T+2 settlement cycle in early 2016.

ASX's customer base spans the globe, and traders that are located in major financial centres participate in the Australian market from their offshore locations. ASX has connected its proprietary data network to Singapore, London and Chicago to provide an efficient service to offshore clients.

ASX's main derivatives business is open for trading 22 hours a day, from Monday to Saturday morning. In FY15, the Company will make further investments to improve the service it provides its domestic and international customers by opening a 'Customer Command Centre' that brings together key elements of ASX's customer operations and technology expertise in a single location, 24 hours a day. The Command Centre will be based in ASX's main data centre, the Australian Liquidity Centre.

In July 2014, ASX announced that in FY15 it will reduce its fees and increase growth incentives for electricity futures, interest rate futures and OTC clearing. The fee changes recognise the growth in ASX's derivatives business over the last decade and create stronger alignment between ASX and its customers. Had the fee changes been in place throughout FY14, their impact would have reduced ASX's revenues by approximately \$17 million. The combination of ASX's investment program, Australia's regulatory environment and the fee changes position the Company well for long-term success.

More details on ASX's customer initiatives can be found on pages 8 and 9.

World-class regulations

Being a world-class exchange requires world-class regulations. Australia's regulators have done a good job in ensuring that our regulations comply with the highest global standards, while recognising that there are important differences between Australia and markets such as the US and Europe. Australia is now regularly referred to as a benchmark for market regulation, particularly in areas such as high frequency trading and dark pools.

ASX will continue to be an active participant in the debate around Australia's financial market structure and regulations, through its ongoing interactions with regulators and policymakers, and through its submissions to the Financial System Inquiry and Competition Policy Review.

During the year, I was pleased to represent ASX as a member of the B20 Australian Leadership Group. The B20 provides an excellent forum to engage with business counterparts, shape economic policy and highlight the role played by exchanges in the economy. ASX supports the recommendations made by the B20 that, if adopted, can deliver higher global economic growth and millions of jobs.

Our people

ASX's ability to make long-term investments, compete for liquidity, deliver outstanding customer service and maintain the highest operational standards owes much to the commitment of my more than 500 colleagues. I acknowledge the quality of their contribution over the last 12 months, and thank them for their ongoing energy and hard work.



Elmer Funke Kupper

Managing Director and Chief Executive Officer

21 August 2014

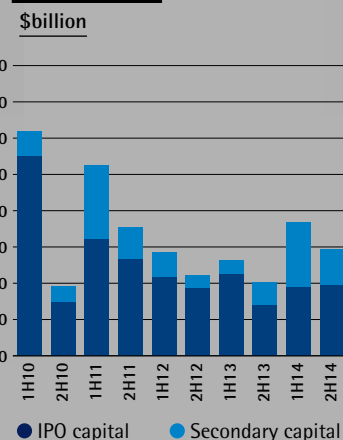
“ASX will continue to be an active participant in the debate around Australia's financial market structure and regulations.”

Business results

Listings and Issuer Services

Through its Listing Rules, ASX provides a facility for companies to list, raise capital and have their securities publicly traded. Other services provided to issuers of capital include security holding statements and sub-register services.

Capital raised



FY14 performance

- Revenue \$154.9 million, up 10.9%
- Listings revenue \$127.0 million, up 12.2%
 - 107 IPOs (82 pcps)
 - IPO capital \$27.7 billion, up 179.2%
 - Secondary capital \$38.4 billion, up 5.2%
- Issuer Services revenue \$27.9 million, up 5.6%
 - Number of holding statements up 6.9%

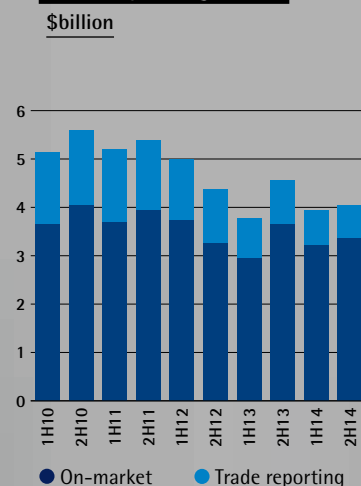
Areas of focus

- Listings and Issuer Services
 - Rights issue timetable reduced from 26 to 19 days
 - Launch of 'ASX Evolve' program for listed entities
- Investment supermarket
 - Domestic equities, government bonds, corporate bonds, exchange-traded funds (ETFs), managed funds, international equities (future focus)
- Distribution and market efficiency
 - Managed fund service (mFund) launched in May 2014, with 45 funds quoted

Cash Market

Execution services in ASX-quoted securities - equity, debt and ETFs for lit and dark trading; central counterparty clearing in ASX-quoted securities; delivery-versus-payment (DvP) settlement for on-market and bi-lateral transactions; and central securities depository.

ASX daily average value



FY14 performance

- Revenue \$117.3 million, up 2.3%
 - Trading \$33.1 million, up 0.7%
 - Clearing \$43.1 million, up 3.6%
 - Settlement \$41.1 million, up 2.3%
- On-market trading market share 91% (95% pcps)

Areas of focus

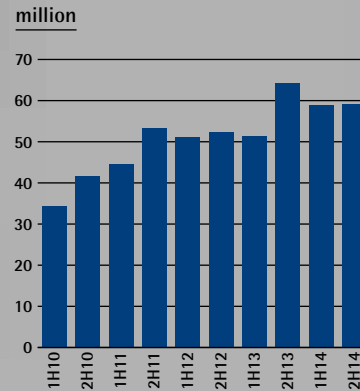
- Centre Point, ASX's anonymous mid-point matching service, generated 16.9% of trading revenue, up from 11.0% in the previous year
- Code of Practice
 - Positive operational performance of clearing and settlement services
 - Independent Oxera consultancy report concluded that the costs of post-trading services in Australia are in line with the costs in financial centres of comparable size
 - Move to T+2 settlement for cash equities in 2016
 - Annual fee for Trade Acceptance Service waived while Code in place

Business results continued

Derivatives and OTC Markets

ASX 24 offers trading of futures and options on interest rate, equity index, agricultural and energy contracts, as well as ASX's OTC derivatives clearing service. ASX derivatives includes the trading of single stock options and index options.

ASX 24 derivatives volumes



FY14 performance

- Revenue \$207.7 million, up 5.2%
- ASX 24 derivatives \$185.5 million, up 9.7%
 - Contracts traded up 2.1%
 - Full-year impact from ASX Energy
 - Lower large volume rebate
- ASX derivatives \$22.2 million, down 21.6%
 - Contracts traded down 20.8%
- OTC clearing launched, with \$124 billion notional value cleared

Areas of focus

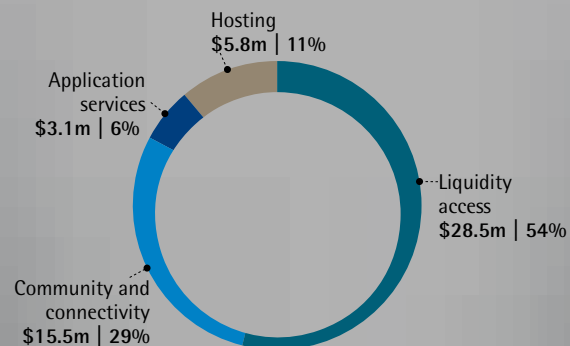
- ASX introduced VIX, equity sector and new electricity futures contracts
- Regulatory standards met by ASX Clear (Futures)
 - 'Cover 2' capital standards
- Clearing and risk management services
 - OTC dealer-to-dealer and client clearing
- Customer alignment
 - Client forums for most derivative markets
 - Fee changes for electricity futures, interest rate futures and OTC clearing from FY15

Information and Technical Services

Information Services includes the provision of real-time cash and derivatives markets information, news about listed companies, and index and reference data. Technical Services provides market access, data network, order routing and data centre services to ASX clients and third parties.

Technical Services revenue

\$52.9 million



FY14 performance

- Information Services revenue \$68.8 million, up 11.4%
 - Pricing changes implemented 1 July 2013
- Technical Services \$52.9 million, up 6.2%
 - Hosting: 142 cabinets (117 pc) and 89 customers (74 pc)
 - Community and connectivity: 50% increase in ALC service connections to 622

Areas of focus

- Information Services
 - Fee alignment to changing user profiles
- Technical Services
 - ASX Net Global launched, connecting to Singapore, London and Chicago
 - Adding third party content and service providers in the ALC and on ASX Net
 - Improved data delivery speed and more granular real-time price information for the ASX 24 derivatives market

Business results continued

Austraclear

Electronic central securities depository, real-time DvP settlement and ancillary services for debt securities and issuers; and real-time gross settlement of cash transactions.

Austraclear holdings and transaction levels



FY14 performance

- Revenue \$41.1 million, up 6.4%
 - Transaction volumes up 1.8%
 - Average balances up 7.4% to \$1.5 trillion
 - Number of debt issuances up 7.3%

Areas of focus

- ASX Collateral Service
 - Reduces collateral costs for ASX clients by utilising fixed income securities within Austraclear
 - Initial use in repo market, with approximately \$2 billion collateral under management at 15 August 2014
- Renminbi Settlement Service
 - Launched July 2014; provides a real-time RMB settlement facility, reducing currency risk and cost

Our customers

ASX is positioned at the heart of Australia's financial system. Its customers include almost 2,200 listed entities, over 180 intermediaries in the cash equities and derivatives markets, other market operators, and hundreds of settlement participants and market data vendors. These customers provide services to end investors, including Australia's corporations, asset managers such as superannuation funds and wealth managers, local and international banks, and millions of retail investors.

ASX is mindful of the important role it performs in Australia's financial system and works hard to maintain the confidence and trust of its customers and other stakeholders.

Responding to our customers

ASX has adopted a Customer Charter, which sets out how it balances the interests of customers, shareholders, end investors and the broader financial markets. It is provided on page 9.

Listening to and acting on constructive feedback from customers and end users is core to ASX's approach. In FY14, ASX established a relationship management function to help achieve an enterprise-wide approach to customer management. Customer engagement is a key component of the balanced scorecard used to assess the performance of ASX's executive team.

ASX's commitment to Australia's financial markets extends beyond its direct customers. ASX has reached out to asset managers, fund managers and the superannuation industry so that it continues to meet their needs. This helped shape many of the initiatives that were implemented in FY14, such as new equity execution services (including enhancements to Centre Point) and segregated client clearing services.

ASX works closely with industry partners, including the Association of Superannuation Funds of Australia, Australian Council of Superannuation Investors, Australian Custodial Services Association, Australian Financial Markets Association, Australian Payments Clearing Association, Australian Shareholders'

Association, Financial Services Council, Stockbrokers Association of Australia and other key industry groups.

FY14 initiatives

In FY14, ASX initiated a number of advisory committees to engage with its derivatives customers. There are advisory committees for interest rate futures, over-the-counter (OTC) derivatives, exchange-traded equity options and energy derivatives. There is also a separate advisory committee for ASX's Austraclear services.

These advisory committees represent a broad range of customers and allow ASX to meet with brokers, liquidity providers and investors on a regular basis to discuss market issues,

Our customers continued

receive guidance on product development, and workshop new ideas. ASX is encouraged by the positive feedback received from customers and others who are involved in these forums.

For cash equities clearing and settlement, ASX established a Code of Practice in August 2013. The Code has been an effective way to work with customers and industry stakeholders to deliver transparent and non-discriminatory pricing and access to ASX services. The creation of an advisory Forum of senior industry participants as part of the Code has enabled customers to provide direct input on the operation and investment priorities for ASX clearing and settlement platforms.

In June 2014, the Forum recommended that ASX transition from a T+3 to a T+2 settlement cycle for cash equities in early 2016. This will reduce risk for participants and improve certainty for investors. The Forum plays a vital ongoing role as ASX continues to invest in critical financial market infrastructure for Australia.

Details on the Code can be found at www.asx.com.au/cs/

FY15 initiatives

In July 2014, ASX announced that it will reduce its fees and increase growth incentives for electricity futures, interest rate futures and OTC clearing. The new fees and growth incentives more closely align ASX with its customers and position the company to compete for global liquidity within an evolving market structure. These changes recognise that customers use exchange-traded and OTC interest rate products together, and signal the next phase in the development of ASX's Derivatives and OTC Markets business.

During FY15, ASX will make further investments in its customer relationships. This includes extending its advisory committee structure to cover all the products and services offered by ASX, and broadening its relationships with listed companies, superannuation funds and asset managers. In July 2014, ASX launched 'ASX Evolve', which will deepen connections between ASX, listed companies and investors. The program's activities include an expanded research scheme and redesigned company information web pages. The ASX website is one of the top three sites visited by investors for financial information (according to Nielsen online ratings).

In FY15, ASX will open a 'Customer Command Centre' that brings together key elements of ASX's customer operations and technology expertise in a single location, 24 hours a day. The Customer Command Centre will be based in ASX's main data centre, the Australian Liquidity Centre, and showcase ASX's state-of-the-art technical capability and dedication to excellence in customer service.

Customer Charter

ASX's Customer Charter sets out how the company balances the interests of its customers, shareholders, end investors 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 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.

Regulatory environment

ASX operates in a highly regulated, competitive and global environment. The Global Financial Crisis (GFC) underlined the extent to which international capital markets are connected. Post the GFC, the regulatory landscape has shifted from managing the settings within domestic markets to focus on systemic stability and global standards. The changes implemented in Australia and internationally are having a profound impact on the economics and structure of financial markets around the world.

ASX proactively engages with Australian regulators to advocate domestic policy settings that:

- encourage investment in locally-based world-class financial market infrastructure
- limit fragmentation of Australia's equity market
- support investors and financial market growth.

ASX has invested more than \$500 million to ensure Australian investors continue to have access to globally competitive market infrastructure and innovative new products and services.

ASX also actively engages with regulatory bodies in other jurisdictions, particularly in the US and Europe, to ensure that it can service its international customers. This allows the financial market infrastructure operated by ASX to attract and connect to global liquidity in a way that delivers benefits to ASX's customers and end users in Australia and overseas.

Australia's regulators have implemented best practice regulatory standards with a focus on investors and efficient capital formation. ASX meets these standards, as well as the global

Principles for Financial Market Infrastructure (PFMIs) established by the Committee on Payment and Settlement Systems (CPSS) and the International Organisation of Securities Commissions (IOSCO), which apply to its activities. ASX Limited has an investment grade long-term credit rating of AA- (Standard & Poor's).

Australian regulation

In Australia, ASX's operations are overseen by two independent Australian government agencies – the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA). ASIC and the RBA 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, and for enforcing the laws against misconduct on Australia's financial markets. It also supervises Australian Financial Services Licence (AFSL) holders. ASIC assesses 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 (released on 28 July 2014), which found that ASX met its statutory obligations to operate its markets and clearing and settlement facilities, is available at www.asic.gov.au

During the year, there was continued debate about dark liquidity and high frequency trading (HFT). Transparent and efficient capital markets are important to Australia's competitiveness as a financial centre. The impact of dark liquidity and HFT depends on the policy settings implemented by regulators.

In Australia, ASIC released a review of the impact of dark liquidity and HFT on Australia's financial markets in March 2013. A number of changes to market integrity rules were announced as a result of this review. Maker-taker pricing is not permitted and regulatory fees are applied to both orders and trades in Australia, ensuring that many of the aggressive strategies prevalent overseas are uneconomic under Australia's regime. In July 2014, ASIC announced that it will review broker dark pools over the next 12 months to test that the new market integrity rules are working.

ASX continues to invest in equity market innovations that address the fragmentation arising from changes to the equity market structure. ASX believes that Australia's equity market continues to be one of the best regulated in the world.

RBA

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

The RBA revised the FSS with effect from 31 March 2013, to reflect international standards contained in the PFMIs. Details about how ASX complies with the FSS and PFMIs are set out at www.asx.com.au/regulation/regulatory-compliance/cpss-iosco.htm

In September 2013, the RBA issued its first assessment of ASX's clearing and settlement licensees under the revised FSS, which concluded that ASX had observed or broadly observed all relevant requirements. The RBA's assessment is at www.rba.gov.au

Recognition as a QCCP

The Australian Prudential Regulation Authority (APRA), Australia's banking regulator, has confirmed publicly that both ASX Clear and ASX Clear (Futures) meet the criteria for a 'Qualifying CCP'. APRA's QCCP eligibility criteria are consistent with the Basel III regulatory framework for banks. This means that Australian banks may apply concessional risk weightings for centrally cleared transactions to eligible trade exposures that are cleared through ASX Clear or ASX Clear (Futures). ASIC and the RBA have confirmed publicly that the domestic regulations they apply to ASX Clear and ASX Clear (Futures) are consistent with the PFMIs.

Council of Financial Regulators

The Council of Financial Regulators (CFR) is the coordinating body for Australia's financial regulatory agencies. Its members are the RBA (Chair), APRA, ASIC and Treasury, and it works in collaboration with the Australian Competition and Consumer Commission.

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

In July 2013, CFR released a report on the Australian over-the-counter (OTC) derivatives market, providing advice to the Treasurer on the appropriateness of mandating requirements for trade reporting, central clearing, and platform trading of OTC derivatives.

Regulatory environment continued

In March 2014, CFR released further guidance with respect to the regulation of cross-border central counterparties (CCPs) in various Australian financial markets. CFR stated that an entrant CCP would be expected to be subject to domestic incorporation and licensing requirements at a relatively low market share threshold in each of ASX-listed cash equities, ASX-listed equity options, Australian dollar interest rate futures, and Australian dollar equity index futures.

In April 2014, CFR released a report on the Australian OTC derivatives market in which it recommended that the Government mandate centralised clearing of Australian dollar interest rate derivatives between internationally active dealers. ASX supports the introduction of such a mandate.

Financial System Inquiry

In November 2013, the Government announced the Financial System Inquiry (FSI) to examine how the financial system could be positioned to meet Australia's evolving needs and support economic growth. ASX's submission highlighted the impact of global regulatory developments and commercial forces on Australian financial markets. It also advocated that the Government make policy choices which promote the maintenance of control by Australian regulators over systemically important financial markets and institutions. ASX continues to contribute to the public discussion and deliberations of the FSI. The final FSI report is expected to be provided to the Treasurer in November 2014.

Code of Practice

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

closely with customers, industry stakeholders and Australian regulators to develop the Code.

Under the Code, an advisory forum (Forum) was established, comprising senior representatives from clearing and settlement participants, another market operator and a wide range of other industry stakeholders. The Forum provides input on the ongoing investment in the design, operation and development of clearing and settlement services and infrastructure for the cash equity market, including CHES.

ASX 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 provides business and operational input to the Forum on its forward work program.

Since commencement, the Code has delivered increased transparency around pricing, financial performance and international benchmarking of ASX's post-trade services for the cash market. The proposed transition to a T+2 settlement cycle for cash equities in early 2016, which was recommended and prioritised by the Forum, is another example of a tangible outcome that the Code is delivering for the industry.

ASX also committed under the Code to commission a report benchmarking the costs of equity market clearing and settlement services in Australia against the costs of using similar services in other financial centres. In June 2014, the independent economics consulting firm Oxera published its findings, concluding that "the costs of post-trading services in Australia are in line with the costs of similar services provided in financial centres of comparable size."

Further information about the Forum and the Business Committee is available at www.asx.com.au/cs/

International regulation

The G20 member countries have either adopted, or are planning to adopt, new rules and regulations for their OTC swaps markets. These rules include mandating centralised trade reporting and clearing of OTC swaps and platform execution. ASX is impacted by these changes because the counterparties in many OTC derivative transactions that ASX seeks to clear are headquartered in jurisdictions that have placed conditions on where those counterparties may clear. ASX, the RBA and ASIC have worked with the regulators in those jurisdictions to allow foreign-registered customers to use ASX's financial market infrastructure to clear their transactions in Australia.

Another significant international development has been the requirement for a higher level of capital for entities performing clearing activities (known as 'Cover 2'). ASX responded to this requirement by raising \$553 million of equity in June and July 2013 to increase the level of capital in ASX Clear (Futures).

CFTC

The US Commodity Futures Trading Commission (CFTC) is responsible for the regulation of US futures and swaps markets. The CFTC requires CCPs wishing to clear OTC swap transactions for US market participants or US persons to register as 'derivatives clearing organisations' (DCOs).

In February 2014, the CFTC granted ASX Clear (Futures) transitional no-action relief from the requirement to register as a DCO. In August 2014, ASX commenced OTC swap trade reporting to the CFTC in accordance with

the CFTC no-action relief, allowing ASX Clear (Futures) to begin clearing Australian and New Zealand dollar-denominated interest rate swaps for US headquartered banks in Australia.

The CFTC has been developing a formal exemption framework for non-US CCPs. It is expected that this will qualify non-US CCPs based on an assessment of equivalence between the CCPs' home requirements and the PFMLs. ASX, the RBA and ASIC have been in discussions with the CFTC about this framework. In June 2014, the CFTC announced that it had entered into an MOU with the RBA and ASIC on the cross-border supervision of CCPs.

ESMA

The European Securities and Markets Authority (ESMA) is responsible for the implementation of the European Market Infrastructure Regulation (EMIR) – the EU regulation dealing with OTC derivatives, central counterparties and trade repositories.

ASX Clear (Futures) provides clearing services to clearing participants established in the EU and applied to ESMA for recognition as a 'Third Country CCP'. An important precondition for recognition is a formal determination by the European Commission that Australia's regulatory regime is equivalent with the requirements of EMIR. In September 2013, ESMA advised the European Commission that Australia's regime for CCPs was equivalent to the requirements in EMIR. On 1 August 2014, ESMA advised that ASX's application was complete and that a decision on it would be made within 180 working days. ASX Clear (Futures) has transitional relief until a decision on recognition is made.

Our people

ASX is committed to developing, challenging and inspiring its people.

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

It encourages employees to develop their own career paths through a comprehensive learning and development framework, and by supporting further study and the pursuit of internal opportunities and promotion.

Staff engagement and alignment

An engaged and aligned workforce is critical, and ASX aspires to be in the top quartile for both qualities. ASX conducts a periodic staff survey to measure and identify initiatives to continue to improve staff alignment and engagement.

Key initiatives during FY14 included:

- a targeted focus on executive leadership capability
- a new organisation-wide peer-to-peer recognition program
- an organisation-wide approach to aligning objectives, behaviours and priorities.

During FY14, ASX saw an uplift in alignment and stable engagement scores. Voluntary staff turnover is below the finance industry standard.

Organisational development

Positive organisational change and growth is supported by ASX's organisational development initiatives. These include strategic planning and alignment of talent management, leadership development, performance management, organisational capability, knowledge leader

development, and change management. Staff are also offered continued professional growth through a variety of learning and development opportunities, including internal training, external courses and online learning. ASX supports employees pursuing further education through financial reimbursement and paid study leave.

Workplace health and safety

ASX works to ensure the health and safety of all employees, visitors and contractors at work.

It does so 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 is 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 compliance with WHS obligations is periodically audited by an independent third party. ASX's lost-time injury frequency rates are comparable to industry standards.

Recognition

Giving prompt recognition of a job well-done is an important behaviour that engages ASX's employees and enhances the way ASX does business. The peer-to-peer recognition program recognises outstanding individual contributions and behaviours based on the four key behavioural drivers required to successfully deliver on the ASX strategy: customer impact, critical thinking and innovation, talent culture, and action and accountability.

ASX Wellbeing

Encouraging a healthy and happy workplace means investing in the wellbeing of ASX's people. ASX Wellbeing provides a holistic approach to support its people and their desire 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.

Supporting the interests of ASX people

ASX aims to encourage all its employees to become active and balance work with a healthy lifestyle. The ASX Social Committee coordinates a range of ASX-funded social activities and events. Similarly, the ASX Sports Committee coordinates corporate and lunchtime sport activities, and assists with entry fees into corporate games. ASX employees are also supported to take part in voluntary initiatives through the provision of paid volunteering leave.

Diversity and inclusion at ASX

ASX is determined to provide a work environment where employees have equal access to career opportunities, training and benefits. ASX aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities.

This commitment enables ASX to attract and retain employees with the best skills and abilities. The ASX Diversity Policy was reviewed in FY14 and a summary is available at www.asx.com.au/about/corporate-governance.htm

Commitment to gender balance

In FY14, ASX's commitment to gender balance focused on identifying and eliminating barriers to career development and progression for men and women within the organisation. Gender was considered in promotions, succession planning and talent management activities. Annual reviews of ASX's performance and remuneration outcomes are conducted to ensure balance and equity.

FY14 initiatives

The Talent and Diversity Committee comprising the CEO and executive team, meets quarterly and oversees the policies and programs relating to talent management, succession planning, leadership development, diversity and staff engagement. During FY14, the following initiatives were undertaken to progress gender equality across the organisation:

- gender diversity targets continue to be included in Group Executives' Key Performance Indicators (KPIs), in line with the ASX's gender diversity targets
- a requirement was introduced that at least one female candidate be shortlisted for every vacancy at CEO -1, CEO -2 and CEO -3 level
- flexible working arrangements are explicitly considered when recruiting for new roles – 84% of vacant roles in FY14 were advertised as being able to be worked flexibly
- implementation of a Flexible Working arrangements policy – with the aim that all requests for flexible working arrangements be accommodated unless a genuine operational reason is given why such a request cannot be granted

Our people continued

- 'Managing Flexible Working Arrangements' training sessions were held for managers to help support the focus on approving flexible working arrangements
- ASX continued to sponsor high-potential female employees' participation in the Chief Executive Women Leaders Development Program
- ASX was re-accredited as a Breastfeeding Friendly Workplace by the Australian Breastfeeding Association, recognising ASX's commitment to supporting parents in the workplace
- ASX's CEO continued as a member of the Male Champions of Change initiative – a corporate and institutional collaboration committed to advancing women in leadership positions.

Gender balance at Board and management levels

ASX has set targets for female representation on the Board and the first three levels of management below the Managing Director and CEO by the end of FY16. During FY14, ASX met its target of 40% at Manager level (CEO -3) and improved the number of women at the General Manager level (CEO -2). ASX's performance against these targets is set out below.

Gender diversity at ASX, as at 30 June 2014

| ASX level | Number of ASX directors/employees | Number of ASX women | % of ASX women | FY16 target female representation |
|------------------------------------|-----------------------------------|---------------------|----------------|-----------------------------------|
| Non-executive directors | 7 | 2 | 29 | 33.3 |
| CEO | 1 | 0 | 0 | N/A |
| Group Executives (CEO -1) | 8 | 2 | 25 | 40 |
| General Managers (CEO -2) | 36 | 11 | 31 | 40 |
| Managers (CEO -3) | 90 | 37 | 41 | 40 |
| Team Leaders/ Supervisors (CEO -4) | 23 | 8 | 35 | 50 |
| Professional/ technical | 375 | 141 | 38 | 40 |
| Administrative | 43 | 36 | 84 | 50 |
| Entire organisation | 576 | 235 | 41 | 45 |

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: number includes all ASX employees, including part-time and casual staff, but excludes members of the Board and independent contractors.

Note: all data provided is non-cumulative.

Prevention of harassment and discrimination

ASX addresses discrimination and harassment through prevention and online training. Upon commencement of 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, and staff are required to complete online training every two years.

Disability

ASX conducted a voluntary and anonymous staff survey in FY14, to ascertain whether staff have a disability or care for someone with a disability and, if so, whether they have been provided with appropriate support at work. Of the respondents to the survey:

- 13% identified that they currently suffer an illness, injury or disability
- 15% indicated that they care for someone with a disability either full or part-time.

ASX will use the results to help shape an internal disability action plan.

WGEA report

ASX lodged its annual public report with the Workplace Gender Equality Agency (WGEA) on 29 May 2014. A copy of this report is available at www.asx.com.au/about/corporate-governance.htm

ASX's external environment

ASX conducts its business in a way that is open, accountable and sustainable. This involves engaging with its external environment to help manage its economic, environmental and social sustainability risks.

ASX Corporate Governance Council

The ASX Corporate Governance Council (Council) was established in August 2002. ASX is the convener and a member of the Council. It also nominates the chair (currently Mr 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 has developed for corporate governance – the *Corporate Governance Principles and Recommendations*. The Council's objectives are to ensure that the principles and recommendations remain relevant and continue to provide a practical guide for listed companies, investors and the wider Australian community.

ASX requires listed entities to disclose 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).

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.

The Council released the third edition of its *Corporate Governance Principles and Recommendations* in March 2014, following

extensive industry consultation. This revised edition captures and reflects developments in corporate governance, both in Australia and internationally, since the publication of the second edition in 2007. It also gives listed entities greater flexibility to make their corporate governance disclosures on their website rather than in their annual report. The third edition applies for financial years commencing on or after 1 July 2014, although entities are encouraged to 'early adopt'. ASX has early adopted the third edition for its 2014 Annual Report.

More detail about the Council and the principles and recommendations is available at www.asx.com.au/regulation/corporate-governance-council.htm

Investor education

ASX provides a range of free tools and resources to help investors understand the risks and rewards of investing.

Free online courses are available on shares, bonds and hybrids, exchange-traded funds (ETFs), instalment warrants, options, futures and Australian government bonds. There were 227,507 downloads of these courses in FY14, up 14% on the prior year. The courses are updated regularly to keep material fresh and relevant.

Short form, mobile-friendly introductory tutorials complement the online courses.

ASX also makes presentations from finance industry experts available online. There were 180,378 downloads of these presentations in FY14. ASX hosts these on its YouTube channel.

ASX Investor Update is a free e-newsletter sent to over 200,000 subscribers monthly. The newsletter contains 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. ASX provides dedicated sharemarket games for both the general public and secondary school students across Australia.

The Game allows participants to become familiar with the mechanics of share trading and develop an appreciation of the risks and benefits associated with investing. The Game's link to the live market makes it particularly effective in connecting students to real-world events.

The Game was played by almost 70,000 students from over 1,000 schools and by more than 34,400 public participants in FY14.

A significantly redeveloped Game, with a new look and improved functionality, went live in July 2014.

More information about ASX's Sharemarket Game is available at www.asx.com.au/sharegame

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. ASX and its employees donated \$171,000 to 58 charities in FY14.

ASX ThomsonReuters Charity Foundation

The ASX ThomsonReuters Charity Foundation supports 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. Over \$1.2 million was raised and distributed to 21 charities in FY14. 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.

For more information www.asxreuterscharity.com.au

ShareGift Australia

ASX has been a supporter of ShareGift Australia since 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.

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

At the end of FY14, ShareGift Australia had donated almost \$750,000 to over 340 Australian charities.

For more information www.sharegiftaustralia.org.au

ASX's external environment continued

Environment

Through its work with the ASX Corporate Governance Council, ASX has contributed to a significant improvement in the reporting to shareholders of how listed companies manage their economic, environmental, social sustainability and governance risks.

ASX itself 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 staff, located in a head office, interstate offices and 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.

Environmental risks are monitored and assessed as part of ASX's risk management framework. Based on ASX's small footprint, these are not considered to be material.

During FY14, ASX implemented a sustainable procurement program with its key suppliers, to encourage strong environmental, social and governance standards.

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 its 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.

FTSE4Good Index Series

ASX has been a constituent of the FTSE4Good Index Series since 2006.

FTSE4Good is an equity index series that is designed to facilitate investment in companies that have met stringent social and environmental criteria.

For more information
www.ftse.com/ftse4good

Environmental indicators and initiatives

| Climate change | Unit | 2013 | 2014 |
|--|----------|------|------|
| Direct emissions (diesel fuel for backup generators, gas for chillers) | kt CO2-e | 0.3 | 0.1 |
| Indirect emissions (electricity, paper, travel, waste) | kt CO2-e | 12 | 13 |

Initiatives

- Measures to reduce gas consumption at the ASX Customer Command Centre
- Support for staff participating in Walk To Work Day and Ride To Work Day
- Member of Mobile Muster for recycling of mobile phones
- Participation in Earth Hour

| Waste, water, energy | Unit | 2013 | 2014 |
|-----------------------|--------|--------|--------|
| Electricity | GJ | 44,145 | 49,526 |
| Fuel (diesel and gas) | GJ | 2,881 | 1,221 |
| Paper consumed | tonnes | 78 | 76 |

Initiatives

- Implementation of a sustainable procurement program
- Measures to reduce gas consumption at the ASX Customer Command Centre
- Decrease in overall paper consumption by:
 - encouraging shareholders to receive communications, such as annual reports and dividend statements, electronically
 - eliminating 910,000 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
 - increasing adoption of online billing arrangements

Corporate governance

ASX's corporate governance framework

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

In March 2014, the ASX Corporate Governance Council issued a third edition of its *Corporate Governance Principles and Recommendations* (Principles). Throughout the reporting period, ASX's governance arrangements have been consistent with both the 2nd and 3rd editions of the Principles. ASX has early adopted, and this statement reports its compliance with the 3rd edition of the Principles.

More information on ASX's corporate governance framework and key documents is available at www.asx.com.au/about/corporate-governance.htm

The information in this statement is current as at 21 August 2014 and has been approved by the Board.

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 Board's committees also serve as committees of the clearing and settlement boards and ASX Compliance board. In turn, the clearing and settlement boards and ASX Compliance board provide input into the committees' deliberations

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 (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
- Enhances and protects the reputation of the ASX Group
- Reports to and communicates with shareholders

The responsibilities of the Board are detailed in the Board charter and the Board's conduct is also governed by ASX's constitution. Both are available at www.asx.com.au/about/corporate-governance.htm

Responsibilities of the Chairman

- Independent and non-executive
- Role is separate to that of CEO
- The 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, skills and experience are detailed on the following pages
- The Board considers that individually and collectively, the directors have an appropriate mix of skills, experience and expertise

Board renewal and succession planning

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

The Board uses a skills matrix to guide its assessment of the skills and experience of the current directors, and that which the Board judges will complement the effective functioning of the Board. The Board renewal process, which commenced with the appointments of Ms Heather Ridout and

Dr Ken Henry as directors in FY13, has been supported by the skills matrix.

The matrix reflects the Board's objective to have an appropriate mix of market and industry experience (including global exchanges, equities, futures, clearing and settlement, and financial services); skills (including leadership, governance, strategy, finance, risk and compliance, IT and technology, HR, business development and public policy); understanding of ASX's customers and operations; tenure; diversity (including gender) and geographic experience (local and international).

ASX's Board renewal process continued in FY14 with the appointments of Mr Dominic Stevens in December 2013 and Mr Damian Roche in August 2014.

Director appointment and election

Before appointing a director, ASX undertakes comprehensive reference checks including education, employment, character reference, criminal history, bankruptcy and disqualified company director and officer checks. It is a condition of appointment that any new director is not a disqualified person. Directors are required to annually sign a declaration to this effect.

An election of directors is held each year. Any director (except the 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.

At the 2014 AGM, Mr Stevens and Mr Roche will stand for election. Mr Peter Warne will retire by rotation and also offer himself for re-election.

Board of Directors

**Rick
Holliday-Smith**



Independent, non-executive

BA (Hons), FAICD

Mr Holliday-Smith has been Chairman of ASX since March 2012 and a director since July 2006. He is Chairman of the intermediate holding companies of the ASX Group clearing and settlement facility licensees. He is also Chair of the Nomination Committee and a member of the Remuneration Committee and the Audit and Risk Committee. He was previously Chairman of SFE Corporation Limited from 1998 until 2008.

Mr Holliday-Smith has global executive and leadership experience in capital markets and derivatives, and a background in venture capital activities. Prior to being appointed as Chairman of SFE Corporation Limited, he spent 11 years in Chicago, first as CEO of Chicago Research and Trading (CRT) and then as President of Nations Bank-CRT. Before that, he was an executive director with Wardley Australia Limited and Managing Director of Hong Kong Bank Limited, London.

Mr Holliday-Smith has been Chairman of Cochlear Limited since 2010 and a director since 2005, a director of Servcorp Limited since 1999, a Member of Macquarie University Faculty of Business and Economics Advisory Board, and a Patron of Macquarie University Foundation.

**Elmer
Funke Kupper**



Managing Director and CEO, executive director

Master of Business Administration

Mr Funke Kupper has been Managing Director and CEO of ASX since October 2011. He is also a director of each of the ASX Group clearing and settlement facility licensees and their intermediate holding companies.

Mr Funke Kupper is a member of the Financial Sector Advisory Council and a director of the Business Council of Australia. In addition, Mr Funke Kupper is a member of the Australian B20 Leadership Group and a Male Champion of Change.

Prior to his appointment at ASX, Mr Funke Kupper was Managing Director and CEO of Tabcorp Holdings Limited (Tabcorp) from September 2007 to June 2011. He has been a non-executive director of Tabcorp since June 2012.

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.

**Dr Ken
Henry AC**



Independent, non-executive

BCom (Hons), PhD, DB h.c, FASSA

Dr Henry has been a director of ASX since February 2013. He is also a director of the ASX Group clearing and settlement licensees ASX Clear Pty Limited and ASX Settlement Pty Limited, and their intermediate holding companies.

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 Limited since November 2011 and is Chairman of the Institute 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, the Sir Roland Wilson Foundation at the ANU, and the Tax and Transfer Policy Institute at the ANU. He is also a member of the Board of Reconciliation Australia, 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 policy adviser to successive Australian governments.

**Peter
Marriott**



Independent, non-executive

BEC (Hons) FCA, MAICD

Mr Marriott has been a director of ASX since July 2009. He is a director of each of the ASX Group clearing and settlement facility licensees and their intermediate holding companies. He is also 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 before which he had been Group General Manager Credit/Risk Management and General Manager Accounting.

Prior to his career at ANZ, Mr Marriott was a partner in the Melbourne office of the then KPMG Peat Marwick specialising in banking and finance and information technology, responsible for audits of listed companies and the provision of consulting services.

Board of directors continued

Heather Ridout AO



Independent, non-executive

BEd (Hons)

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

Ms Ridout 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 has been Chair of the Australian Super Trustee Board since May 2013, and a director 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 boards of Asialink, the Australian Chamber Orchestra and Note Printing Australia Limited.

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, until 30 April 2012.

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



Independent, non-executive

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

Ms Segal has been a director of ASX since July 2003. She is also 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 Sir John Monash Foundation and Deputy Chancellor of the University of New South Wales. She is a director of the Garvan Institute of Medical Research and the Australia-Israel Chamber of Commerce. She is a Trustee of the Sydney Opera House and a member of the Australian War Memorial Council.

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 from 2002 to 2004. Ms Segal was a member of the Federal Remuneration Tribunal, the independent statutory body that considers the remuneration of key Commonwealth officers, from 2010 to 2014.

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 Linklaters).

Dominic Stevens



Independent, non-executive

BCom (Hons)

Mr Stevens has been a director of ASX since December 2013. He is a director of the ASX Group clearing and settlement licensees Austraclear Limited and ASX Clear (Futures) Pty Limited, and their intermediate holding companies. He is also a member of the Audit and Risk Committee.

Mr Stevens served as the Chief Executive Officer and Managing Director of Challenger Limited from September 2008 to February 2012. He also served as Deputy Managing Director from February 2006 to September 2008, having joined the group in September 2003, with responsibility for overseeing Challenger's capital, risk management and strategy.

Prior to Challenger, Mr Stevens served as a Senior Managing Director at Zurich Capital Markets Asia, specialising in structured finance, derivatives and risk management. From 1987 to 1999 he held a number of senior roles, including as Global Partner, at Bankers Trust.

Mr Stevens has lengthy experience working in capital and derivatives markets, and is familiar with the challenges and opportunities presented by Australia's growing pool of funds under management and the increasing reach of global regulation.

Peter Warne



Independent, non-executive

BA, FAICD

Mr Warne has been a director of ASX since July 2006. Mr Warne is Chairman of the ASX Group clearing and settlement licensee ASX Clear (Futures) Pty Limited, a director of Austraclear Limited, and a director of their intermediate holding companies. He is also a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. He was previously 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, Chairman of OzForex Group Limited since 2013, Deputy Chairman of Crowe Horwath Australasia Limited and a 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 Andrew's Cathedral School Foundation. Mr Warne was previously a director of Macquarie Capital Alliance Group and an Executive Vice President of Bankers Trust Australia Limited.

Corporate governance continued

Director appointment 1 August 2014

Mr Roche was appointed a director of ASX on 1 August 2014 and will stand for election at the 2014 AGM.

Mr Roche brings 20 years of experience in global investment banking to the ASX Board. Prior to this appointment, Mr Roche was a member of the global Corporate and Investment Bank Operating Committee for J.P. Morgan, where he worked for the past 10 years. His most recent role was head of Markets and Investor Services Sales and Distribution for Asia Pacific, based in Hong Kong.

Mr Roche has extensive cross-asset class experience spanning the equities, fixed income and commodities markets, with a specific focus on the Asia Pacific region, including Australia. During his career, he has managed relationships with global investors and market participants, built new products and capabilities across sales, trading and execution, assessed and implemented related technology investments, and liaised with regulators across multiple jurisdictions.

Director induction and training

New directors receive a letter of appointment and a deed of access and indemnity. The letter of appointment outlines ASX's expectations of directors with respect to their participation, time commitment and compliance with ASX policies and regulatory requirements. An induction process for incoming directors is coordinated by Company Secretariat.

The Board receives regular updates at Board meetings, Board workshops, meetings with customers and site visits. These assist directors to keep up-to-date with relevant market and industry developments.

Performance reviews

The performance of the Board, its committees, and individual directors, is reviewed each year. The Chairman holds discussions with individual directors when evaluating their performance. This performance evaluation took place in FY14. The Board takes this evaluation into consideration when recommending directors who are up for election.

Director independence

The ASX Board has a policy addressing independence, which was updated during the year to reflect the changes to the 3rd edition of the Principles. 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.asx.com.au/about/corporate-governance.htm

The Board has not set a limit on directors' tenure. As part of the consideration of the independence of Mr Holliday-Smith, Ms Segal and Mr Warne, the Board (without any of the concerned directors present) specifically considered whether their tenure, which for Mr Holliday-Smith and Mr Warne included consideration of their tenure on the Board of SFE Corporation Limited, had impacted on their independence. The Board noted in its discussions the valuable contributions of each director based on their level of expertise, judgement, industry knowledge, understanding of ASX's complex operations and breadth of perspective; the fact that the current CEO had been in his role for less than three years; and, in the case of the Chairman, that he had announced at the 2013 AGM that, subject to ongoing Board and shareholder support, he intended to continue in his role for at least two terms.

Each of ASX's non-executive directors has been assessed as independent. ASX's CEO is not independent.

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.

Director remuneration

The non-executive director remuneration framework, including the maximum and current fees paid to non-executive directors, is described in detail in the remuneration report, which starts on page 40.

Director attendance at meetings

Details of director attendance at meetings up to 30 June 2014 are set out in the below table.

| | ASX Limited | | Audit and Risk Committee | | Nomination Committee | | Remuneration Committee | |
|--|-------------|----------|--------------------------|----------|----------------------|----------|------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Rick Holliday-Smith (Chairman) | 9 | 9 | 5 | 5 | 7 | 7 | 5 | 5 |
| Elmer Funke Kupper (Managing Director and CEO) | 9 | 9 | - | - | - | - | - | - |
| Dr Ken Henry | 9 | 9 | - | - | - | - | - | - |
| Peter Marriott | 9 | 9 | 5 | 5 | - | - | - | - |
| Heather Ridout | 9 | 9 | - | - | 7 | 7 | 5 | 5 |
| Jillian Segal | 9 | 9 | 5 | 5 | 7 | 7 | 5 | 5 |
| Dominic Stevens* | 4 | 4 | 1 | 1 | - | - | - | - |
| Peter Warne | 9 | 9 | 5 | 5 | 7 | 7 | 5 | 5 |
| Russell Aboud** | 2 | 2 | - | - | - | - | - | - |
| Shane Finemore** | 2 | 2 | - | - | - | - | - | - |

Notes

* Mr Dominic Stevens was appointed to the ASX Board on 19 December 2013.

** Mr Russell Aboud and Mr Shane Finemore resigned from the ASX Board on 19 September 2013.

Mr Damian Roche was appointed to the ASX Board on 1 August 2014 and did not attend meetings during FY14.

Corporate governance continued

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 committee charters are reviewed annually.

The charters are available at www.asx.com.au/about/corporate-governance.htm

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

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

In addition, ASX has established clear reporting lines between the committees and subsidiary boards such that at each meeting:

- Board committees report to the ASX Compliance board and clearing and settlement boards on matters relevant to those boards
- The clearing and settlement boards and ASX Compliance board report to the Board committees on matters relevant to those committees.

The Audit and Risk Committee meets separately and without management with the internal and external auditor at least once a year.

| Audit and Risk Committee | Nomination Committee | Remuneration Committee |
|---|--|--|
| Responsibilities | | |
| <ul style="list-style-type: none"> • Review and monitor the integrity of ASX's consolidated financial reports and the adequacy of ASX's corporate reporting processes • Review and oversee systems of risk management, internal control and legal compliance, with the exception of specific matters overseen by the clearing and settlement boards and ASX Compliance board • Review the work, performance and objectivity of the internal auditor • Liaise with and monitor the performance and effectiveness of the external auditor, including the terms of engagement, audit plan and findings and assessment of independence • Be satisfied that the level of non-audit work carried out by the external auditor is compatible with maintaining auditor independence | <ul style="list-style-type: none"> • Identify skills and desirable competencies for the Board and committees • Nomination, selection and performance evaluation process for non-executive directors • Succession plans and induction programs for non-executive directors • Setting and monitoring gender diversity strategies | <ul style="list-style-type: none"> • Remuneration for ASX Group and non-executive directors • Remuneration and incentive framework for the CEO • Remuneration and incentive framework for senior executives and all staff |
| Interaction with subsidiary boards | | |
| <ul style="list-style-type: none"> • Serves as the audit and risk committee of the clearing and settlement boards • Receives reports from the ASX Compliance board and clearing and settlement boards about compliance and risk management matters delegated to those entities • Preparation and methodology for special purpose accounts pursuant to the Code of Practice for Clearing and Settlement of Cash Equities | <ul style="list-style-type: none"> • Serves as nomination committee for the appointment of non-executive directors to the ASX Compliance board and the clearing and settlement boards • Reports to ASX Compliance board and clearing and settlement boards about nomination matters | <ul style="list-style-type: none"> • Serves as remuneration committee for the ASX Compliance board and the clearing and settlement boards, in relation to remuneration and performance management of the Chief Compliance Officer, and the Chief Risk Officer and Group Executive Operations, respectively • Receives input from the ASX Compliance and clearing and settlement boards as part of the annual performance management process for the senior executives listed above |
| Members | | |
| Peter Marriott (Chair) | Rick Holliday-Smith (Chair) | Jillian Segal (Chair) |
| Rick Holliday-Smith | Heather Ridout | Rick Holliday-Smith |
| Jillian Segal | Jillian Segal | Heather Ridout |
| Dominic Stevens (from 21 May 2014) | Peter Warne | Peter Warne |
| Peter Warne | | |

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 sets out these responsibilities at www.asx.com.au/about/corporate-governance.htm

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.

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 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 of ASX Compliance:

- 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. ASX's CEO does not sit on the ASX Compliance board.

The biographies of the ASX Compliance board are available on ASX's website at www.asx.com.au/about/board-and-management.htm

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 two intermediate holding companies. These boards focus on risk management and oversight of the clearing and settlement operations of the clearing and settlement subsidiaries.

All of the directors are independent non-executive directors, other than the CEO of ASX:

- Mr Elmer Funke Kupper
- Ms Pippa (Phillipa) Downes*
- Mr Phil Gray*
- Dr Ken Henry AC
- Mr Rick Holliday-Smith
- Mr Peter Marriott
- Mr Ian McGaw*
- Mr Dominic Stevens
- Mr Peter Warne.

* Denotes directors who do not sit on the Board of ASX Limited.

Each board has three directors who do not sit on the Board of ASX Limited. The boards are constituted such that those directors who are not ASX Limited non-executive directors can form a quorum and meet to consider any confidential or commercially sensitive information relating to ASX's competitors. ASX has implemented conflict handling processes so that such matters are considered by the relevant boards without ASX Limited directors present.

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 Reserve Bank of Australia (RBA).

The biographies of the clearing and settlement boards directors are available on ASX's website at www.asx.com.au/about/board-and-management.htm. Further 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.asx.com.au/about/corporate-governance.htm

Management

Role and responsibilities of the CEO

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

The 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 ASX Group General Counsel and Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The names of ASX's company secretaries and their skills, experience and qualifications are contained on page 28.

Responsibilities of management

Senior executives reporting to the CEO have their roles and responsibilities defined in specific position descriptions.

| Role | Executive |
|---|--------------------|
| Managing Director and CEO | Elmer Funke Kupper |
| Chief Financial Officer | Ramy Aziz |
| Chief Risk Officer | Alan Bardwell |
| Group General Counsel and Company Secretary, Group Executive Corporate Affairs* | Amanda Harkness |
| Deputy CEO | Peter Hiom |
| Group Executive Operations | Timothy Hogben |
| Chief Compliance Officer | Kevin Lewis |
| Group Executive Human Resources | Amanda Mostyn |
| Chief Information Officer | Tim Thurman |

* Ms Amanda Harkness assumed responsibility for Corporate Affairs and Government Relations in February 2014.

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The biographies of the senior executives are available on ASX's website at www.asx.com.au/about/executive-team.htm

Management performance and remuneration

- The Board assesses senior executive performance on an annual basis
- This assessment is undertaken with the assistance of the 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 CEO is not present when the ASX Board and committees consider his performance and remuneration
- Further details regarding senior executive and CEO performance and remuneration are set out in the remuneration report which commences on page 40
- A performance evaluation for senior executives took place during FY14 in accordance with this process

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

senior executive will be publicly disclosed by ASX. ASX's Dealing Policy is available at www.asx.com.au/about/corporate-governance.htm

Risk management

ASX believes effective risk management is 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. The active identification of risks and implementation of mitigation measures are responsibilities of management.

ASX monitors its exposure to all risks, including economic, environmental and social sustainability risks. Material business risks are described in the operating and financial review, which also outlines the Group's activities, performance during the year, financial position and main business strategies. This specific report and the Annual Report overall provide further details about how ASX manages its economic, environmental and social sustainability risks.

The Audit and Risk Committee reviews ASX's enterprise risk management framework annually and receives quarterly reports in relation to enterprise (strategic and operational) risks, internal audit, regulatory assurance, external audit and from the clearing and settlement boards, as well as half-yearly management certifications.

The clearing and settlement boards review and provide oversight of risk management processes, internal controls and compliance systems in respect of the management of clearing and settlement risks (being the clearing counterparty credit risk, the treasury investment risk and the liquidity risk of the

central counterparty clearing subsidiaries, and the settlement risks within the securities settlement facilities), as well as the ASX Group's compliance with the RBA's Financial Stability Standards. The clearing and settlement boards provide regular reports to the Audit and Risk Committee and minutes of their meetings are provided to the ASX Board (except where they cover matters relating to confidential competitor information). 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, ASX Compliance board, clearing and settlement boards, and the CEO for functional audit purposes, and to the Chief Risk Officer for administrative purposes. The Audit and Risk Committee approves the remuneration of the General Manager Internal Audit. The internal audit function is independent of external audit, and has full and free access to the Audit and Risk Committee, ASX employees and ASX records. The Audit and Risk Committee determines internal audit's scope and budget each year and monitors management's response to internal audit reviews. The Internal Audit charter is available at www.asx.com.au/about/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 Australian and international obligations are understood and complied with; undertaking compliance reviews; and reporting to regulators. The General Manager Regulatory Assurance has a direct reporting line to the Chairs of the Audit and Risk Committee, ASX Compliance board, and the clearing and settlement boards in relation to key licence obligations, conflict handling arrangements and certain compliance enforcement matters, and to the Group General Counsel for other purposes.

When considering the Audit and Risk Committee's review of half-year and full-year financial statements, the ASX Board receives a written statement signed by the 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 the 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 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

Corporate governance continued

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.asx.com.au/about/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.asx.com.au/about/corporate-governance.htm. This policy was reviewed in FY14.

Diversity

A summary of ASX's diversity policy, the measurable objectives adopted by the Board under that policy and performance in FY14 are set out on pages 12 and 13.

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.asx.com.au/about/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 and information handling arrangements

ASX has implemented conflict handling arrangements 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.

ASX has also implemented information handling standards under the Trade Acceptance Service (TAS) and Settlement Facilitation Service (SFS), so that robust controls and procedures exist to manage competitively sensitive information provided to ASX by other licensed listing venues and trading venues.

ASX's conflict and information handling arrangements are part of its corporate governance framework and encompass:

- customers, competitors and supplier arrangements
 - licence obligations including the 'review party' framework
 - information handling standards under the TAS and SFS
- governance arrangements
 - ASX self-listing
 - directors
 - Managing Director and CEO
 - ethics
- monitoring ASX's own compliance.

ASX provides ASIC with a quarterly report of its compliance with its conflict handling arrangements. ASIC performs regular reviews of these arrangements as part of its annual assessment.

More detail regarding ASX's conflict handling arrangements can be found at www.asx.com.au/about/corporate-governance.htm

Shareholder engagement

ASX aims to communicate concisely, accurately and in plain language with its shareholders. It deals with shareholders fairly, transparently and openly.

ASX's objective is to have best practice disclosure. All market sensitive disclosure is first made available on the ASX Market Announcements Platform. ASX also uses a number of channels and technologies to communicate widely and promptly, including webcasting and publishing its half-year and full-year results announcements, AGM and key speeches and presentations by the Chairman, CEO and senior executives. 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 CEO or the Chief Financial Officer, and are limited to an explanation of previously published material and general discussion of non-price sensitive information.

Unless authorised by the 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.asx.com.au/about/corporate-governance.htm

AGM

ASX's AGM will be held on Tuesday 23 September 2014 at 10am Australian Eastern Standard Time, in the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street, Sydney.

Further details about ASX's upcoming 2014 AGM are provided on page 93.

Payments to political parties

ASX provides critical financial market infrastructure for Australia in a highly regulated and globally competitive environment.

ASX actively engages with government and political decision-makers to help them understand the role ASX performs, the investments it is making to build world-class services, and the complex and evolving market structure in which it operates.

FY14 was a federal election year. It was also a year during which ASX contributed to public policy debates concerning its equities, derivatives and clearing businesses. ASX continues to advocate regulatory settings that support investors and deliver growth in Australia's financial markets. ASX has a responsibility to its shareholders, customers and staff to proactively engage with government and clearly communicate its position on matters of public policy.

During FY14, ASX paid \$100,000 in membership fees to each of the Liberal Party Australian Business Network and the Federal Labor Business Forum. ASX's membership of these business networks provides an opportunity to engage with a wide cross-section of policy and business decision-makers. In addition to these business network memberships, ASX representatives attended two Liberal Party events during FY14 at a cost of \$25,000.

All payments to political parties are disclosed by ASX and must be approved by the CEO and the Group General Counsel.

Key financial ratios

| Year ended 30 June 2014 | Notes | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|-------|----------|----------|----------|----------|----------|
| Basic earnings share (EPS) | 1,2 | 187.4c | 198.4c | 190.6c | 195.5c | 198.5c |
| Diluted EPS | 1,2 | 187.4c | 198.4c | 190.6c | 195.5c | 198.5c |
| Underlying EPS | 2,3 | 190.0c | 200.8c | 194.6c | 195.5c | 198.5c |
| Dividend per share – interim | | 89.1c | 90.2c | 92.8c | 87.9c | 88.2c |
| Dividend per share – final | | 84.0c | 93.0c | 85.1c | 82.3c | 89.9c |
| Statutory return on equity | 4 | 11.6% | 12.0% | 11.5% | 11.5% | 10.6% |
| Underlying return on equity | 5 | 11.8% | 12.1% | 11.7% | 11.5% | 10.6% |
| EBITDA/operating revenue | 6,7 | 77.2% | 78.1% | 76.9% | 76.3% | 76.7% |
| EBIT/operating revenue | 6,7 | 74.0% | 74.3% | 72.4% | 71.4% | 71.5% |
| Total expenses (including depreciation and amortisation)/operating revenue | 6,7 | 26.0% | 25.7% | 27.6% | 28.6% | 28.5% |
| Capital expenditure (\$'000) | | \$27,549 | \$50,230 | \$39,074 | \$38,881 | \$43,235 |
| Net tangible asset backing per share | | \$3.49 | \$4.01 | \$3.85 | \$5.04 | \$6.53 |
| Net asset backing per share | | \$16.83 | \$17.25 | \$17.10 | \$18.05 | \$18.96 |
| Shareholders' equity as a % of total assets (excluding participants' balances) | | 80.5% | 82.4% | 83.5% | 91.9% | 91.3% |
| Shareholders' equity as a % of total assets (including participants' balances) | | 44.1% | 48.9% | 45.9% | 45.1% | 45.8% |

| Year ended 30 June 2014 | Notes | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|-------|-------------|-------------|-------------|-------------|-------------|
| Share price at end of period | 8 | \$28.71 | \$29.98 | \$29.36 | \$33.07 | \$35.64 |
| Ordinary shares on issue at end of period | | 173,573,245 | 175,136,729 | 175,136,729 | 184,066,764 | 193,595,162 |
| Weighted average number of ordinary shares | 2 | 175,087,834 | 177,534,497 | 177,916,677 | 178,068,323 | 193,022,315 |
| Market value of ordinary shares on issue (\$m) | | \$5,061 | \$5,333 | \$5,223 | \$6,087 | \$6,900 |
| Market to book ratio | | 1.73 | 1.77 | 1.74 | 1.83 | 1.88 |

Full-time equivalent permanent staff:

| | | | | | | |
|-----------------------------|--|-----|-----|-----|-----|-----|
| - number at period end | | 531 | 502 | 505 | 529 | 526 |
| - average during the period | | 540 | 505 | 502 | 515 | 534 |

Notes

1. Based on statutory net profit after tax (NPAT) including significant items and weighted average number of shares.
2. Financial years 2010 to 2012 were restated for the bonus element of the rights issue in financial year 2013.
3. Based on underlying NPAT excluding significant items and weighted average number of shares.
4. Based on statutory NPAT including significant items.
5. Based on underlying NPAT excluding significant items.
6. Operating revenue excludes interest and dividend revenue (underlying).
7. EBITDA – earnings before interest, tax, depreciation and amortisation; EBIT – earnings before interest and tax. These metrics along with total expenses exclude significant items.
8. The share price for financial years 2010 to 2012 was restated for the impact of the capital raising in financial year 2013.

Transaction levels and statistics

| Year ended 30 June 2014 | FY10 | FY11 | FY12 | FY13 | FY14 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Listings and issuer services | | | | | |
| Total domestic market capitalisation (\$bn) | \$1,254 | \$1,349 | \$1,186 | \$1,347 | \$1,552 |
| Total number of listed entities (includes all stapled entities) | 2,192 | 2,247 | 2,211 | 2,185 | 2,192 |
| Number of new listings | 93 | 160 | 99 | 82 | 107 |
| Average annual listing fee | \$24,254 | \$26,086 | \$27,388 | \$27,463 | \$28,333 |
| Average initial listing fee | \$67,661 | \$81,865 | \$63,160 | \$87,139 | \$166,786 |
| Average fee per \$m of secondary capital | \$723 | \$759 | \$851 | \$1,026 | \$1,002 |
| Initial capital raised (\$m) | \$11,460 | \$29,387 | \$10,187 | \$9,908 | \$27,659 |
| Secondary capital raised (\$m) | \$65,087 | \$33,745 | \$32,558 | \$32,448 | \$33,378 |
| Other secondary capital raised including scrip-for-scrip (\$m) | \$4,469 | \$24,947 | \$7,850 | \$4,027 | \$4,985 |
| Total capital raised (including other) (\$m) | \$81,016 | \$88,079 | \$50,595 | \$46,383 | \$66,022 |
| Number of new warrant series quoted | 2,303 | 2,822 | 7,113 | 6,690 | 4,206 |
| Total warrant series quoted | 2,226 | 2,409 | 4,743 | 5,140 | 3,564 |
| Number of CHES holding statements issued (m) | 15.8 | 14.1 | 11.1 | 11.1 | 11.8 |

| Year ended 30 June 2014 | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash market | | | | | |
| Trading days | 253 | 253 | 253 | 252 | 253 |
| Total cash market trades ('000) | 132,250 | 144,321 | 165,806 | 174,750 | 181,861 |
| Average daily cash market trades | 522,729 | 570,440 | 655,359 | 693,454 | 718,817 |
| Open trading (\$bn) | \$972.090 | \$803.513 | \$717.882 | \$645.161 | \$612.491 |
| Auctions trading (\$bn)* | – | \$156.315 | \$147.213 | \$147.418 | \$157.338 |
| Centre Point (\$bn) | \$0.014 | \$4.700 | \$19.789 | \$36.953 | \$61.135 |
| Trade reporting (\$bn) | \$387.200 | \$374.612 | \$300.443 | \$216.420 | \$177.933 |
| Total cash market value (\$bn) | \$1,359.304 | \$1,339.140 | \$1,185.327 | \$1,045.952 | \$1,008.897 |
| Average daily on-market value (\$bn) | \$3.842 | \$3.812 | \$3.498 | \$3.292 | \$3.284 |
| Average daily value (including trade reporting) (\$bn) | \$5.373 | \$5.293 | \$4.685 | \$4.151 | \$3.988 |
| Average trade size | \$10,278 | \$9,279 | \$7,149 | \$5,985 | \$5,548 |
| Total billable value (\$bn) | \$1,302.769 | \$1,300.726 | \$1,161.573 | \$1,024.227 | \$989.760 |
| Average cash market trading, clearing and settlement fee | \$1.14 | \$0.93 | \$0.75 | \$0.66 | \$0.64 |
| Average fee per dollar of value (bps) | 1.11 | 1.00 | 1.05 | 1.10 | 1.16 |
| Velocity (total value/average market capitalisation)** | 103% | 97% | 97% | 86% | 78% |
| Number of dominant settlement messages (m) | 17.8 | 16.8 | 16.1 | 15.4 | 15.2 |

* Auctions trading included in open trading in FY10.

** Total value transacted on all venues.

Transaction levels and statistics continued

| Year ended 30 June 2014 | FY10 | FY11 | FY12 | FY13 | FY14 |
|---|---------------|---------------|----------------|----------------|----------------|
| ASX derivatives | | | | | |
| Trading days (ASX) | 253 | 253 | 253 | 252 | 253 |
| Equity derivatives (excluding ASX SPI 200) | | | | | |
| Equity options | 16,639 | 39,749 | 151,619 | 145,531 | 116,343 |
| Index options and futures | 4,628 | 7,016 | 12,125 | 11,762 | 8,249 |
| Grains futures and options on futures [^] | 387 | 483 | 154 | N/A | N/A |
| Total contracts ('000)* | 21,654 | 47,248 | 163,898 | 157,293 | 124,592 |
| Average daily derivatives contracts* | 85,590 | 186,751 | 647,819 | 624,179 | 492,460 |
| Average fee per derivatives contract* | \$1.46 | \$0.65 | \$0.17 | \$0.18 | \$0.18 |
| Total contracts ('000) - converted to previous contract size | | | | | |
| Equity options | 16,639 | 15,649 | 15,162 | 14,553 | 11,634 |
| Index options and futures | 4,628 | 7,016 | 12,125 | 11,762 | 8,249 |
| Grains futures and options on futures [^] | 387 | 483 | 154 | N/A | N/A |
| Total contracts ('000) - converted to previous contract size | 21,654 | 23,148 | 27,441 | 26,315 | 19,883 |

[^] Grain contracts moved to the ASX 24 derivatives market in October 2011.

* Size of contracts reduced in May 2011.

| Year ended 30 June 2014 | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|---------------|---------------|----------------|----------------|----------------|
| ASX 24 derivatives | | | | | |
| Trading days (ASX 24) | 256 | 256 | 256 | 255 | 256 |
| Total contracts – futures ('000) | | | | | |
| ASX SPI 200 | 9,738 | 10,506 | 11,811 | 10,259 | 9,715 |
| 90 day bank bills | 16,538 | 20,729 | 21,652 | 25,866 | 25,903 |
| 3 year bonds | 30,196 | 38,832 | 42,503 | 47,499 | 47,886 |
| 10 year bonds | 11,274 | 15,230 | 17,220 | 21,211 | 25,520 |
| 30 day interbank cash rate | 3,691 | 6,195 | 5,334 | 4,780 | 3,517 |
| Agricultural | 7 | 7 | 288 | 354 | 181 |
| Electricity | 151 | 210 | 183 | 168 | 165 |
| Other | 8 | 1 | 5 | 19 | 20 |
| NZD 90 day bank bills | 1,627 | 1,694 | 1,597 | 1,176 | 1,157 |
| Total futures | 73,230 | 93,404 | 100,593 | 111,332 | 114,064 |
| Total contracts – options on futures ('000) | | | | | |
| ASX SPI 200 | 352 | 379 | 477 | 349 | 473 |
| 90 day bank bills | 37 | 52 | 25 | 7 | 4 |
| 3 year bonds | 405 | 562 | 347 | 526 | 416 |
| Overnight 3 year bonds | 1,375 | 2,039 | 1,029 | 1,914 | 1,523 |
| Intra-day 3 year bonds | 679 | 1,504 | 978 | 1,443 | 1,527 |
| Other | 19 | 28 | 30 | 37 | 47 |
| Total options on futures | 2,867 | 4,564 | 2,886 | 4,276 | 3,990 |
| Total futures and options on futures contract volume ('000) | 76,097 | 97,968 | 103,479 | 115,608 | 118,054 |
| Daily average contracts - futures and options | 297,254 | 382,688 | 404,215 | 453,365 | 461,148 |
| Average fee per contract - futures and options | \$1.53 | \$1.45 | \$1.56 | \$1.46 | \$1.57 |

Transaction levels and statistics continued

| Year ended 30 June 2014 | FY10 | FY11 | FY12 | FY13 | FY14 |
|---|--------------|--------------|--------------|--------------|--------------|
| Austraclear services | | | | | |
| Settlement days | 253 | 253 | 253 | 252 | 253 |
| Transactions ('000) | | | | | |
| Cash transfers | 613 | 613 | 616 | 587 | 600 |
| Fixed interest securities | 474 | 638 | 733 | 763 | 800 |
| Discount securities | 290 | 237 | 217 | 183 | 162 |
| Foreign exchange | 30 | 31 | 22 | 21 | 21 |
| Other | 13 | 12 | 11 | 12 | 10 |
| Total transactions | 1,420 | 1,531 | 1,599 | 1,566 | 1,593 |
| Average daily settlement volume | 5,611 | 6,052 | 6,319 | 6,214 | 6,298 |
| Securities holdings (monthly average \$bn) | \$1,115.0 | \$1,195.4 | \$1,292.3 | \$1,374.5 | \$1,475.5 |
| Securities holdings (period end \$bn) | \$1,160.2 | \$1,242.7 | \$1,330.9 | \$1,406.8 | \$1,571.8 |
| Average settlement and depository fee (including portfolio holdings) per transaction (excludes registry services revenue) | \$13.48 | \$13.15 | \$13.54 | \$14.01 | \$14.18 |
| System uptime (period average) | | | | | |
| ASX Trade | 100.00% | 99.92% | 99.75% | 100.00% | 99.97% |
| CHESS | 100.00% | 99.96% | 99.99% | 99.99% | 100.00% |
| ASX Trade24 | 99.98% | 99.97% | 100.00% | 100.00% | 100.00% |
| Futures Clearing | 99.99% | 100.00% | 100.00% | 100.00% | 100.00% |
| Austraclear | 99.89% | 100.00% | 99.89% | 100.00% | 99.95% |
| Year ended 30 June 2014 | | | | | |
| Technical services (number at period end) | | | | | |
| Liquidity access | | | | | |
| ASX sessions | 1,641 | 1,737 | 1,737 | 1,526 | 1,431 |
| ASX gateways | 404 | 321 | 302 | 248 | 233 |
| ASX liquidity cross connects | N/A | 71 | 75 | 70 | 61 |
| ASX 24 gateways | 405 | 431 | 352 | 272 | 241 |
| ASX ITCH access | N/A | N/A | N/A | 24 | 31 |
| ASX OUCH access | N/A | N/A | N/A | 19 | 31 |
| ASX 24 liquidity cross connects | N/A | N/A | 154 | 221 | 297 |
| ASX 24 ITCH access | N/A | N/A | N/A | 16 | 25 |
| Community and connectivity | | | | | |
| ASX Net connections | N/A | 134 | 125 | 140 | 122 |
| ASX Net service feeds | N/A | 189 | 270 | 356 | 356 |
| Australian Liquidity Centre service connections | N/A | N/A | 110 | 415 | 622 |
| Application services | | | | | |
| ASX Trader/ASX Best terminals | 760 | 743 | 609 | 491 | 318 |
| Hosting | | | | | |
| Australian Liquidity Centre cabinets | N/A | N/A | 76 | 117 | 142 |
| Other data centre cabinets | 53 | 68 | 8 | 7 | 7 |
| Information services | | | | | |
| ASX market data terminals - monthly average* | 68,666 | 67,580 | 56,727 | 49,964 | 66,701 |
| ASX 24 market data terminals - monthly average* | 17,684 | 18,616 | 19,576 | 18,829 | 18,497 |

* New billing methodology applied from FY14, impacting on the number of terminals recorded.

Statutory report

Financial statements

ASX Limited and its controlled entities ABN 98 008 624 691

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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 2014 (FY14) 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 \$383.2 million (2013: \$348.2 million).

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 Rick Holliday-Smith (Chairman)

**Mr Elmer Funke Kupper
(Managing Director and CEO)**

Dr Ken R Henry AC

Mr Peter R Marriott

Ms Heather M Ridout AO

Mr Damian Roche (appointed 1 August 2014)

Ms Jillian S Segal AM

**Mr Dominic J Stevens
(appointed 19 December 2013)**

Mr Peter H Warne

Mr Russell A Aboud was a director from 2005 until his resignation on 19 September 2013.

Mr Shane D Finemore was a director from 2007 until his resignation on 19 September 2013.

Directors' meetings and their attendance at those meetings for FY14 (including meetings of committees of directors) are disclosed on page 19 of the Annual Report. The qualifications and experience of directors, including current and recent directorships, is detailed on pages 17 to 19 of the Annual Report.

2. Company secretaries

Amanda J Harkness

**Group General Counsel and Company Secretary,
Group Executive Corporate Affairs
BEc LLB (Hons)(ANU), MA (Macquarie), FCIS,
FAIM, FAICD**

Ms Harkness is Group 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: Marcin Firek, BEc LLB (Macquarie), FCIS, General Manager Company Secretariat; and Daniel Csillag, BA LLB (UNSW), Senior Legal Counsel and Company Secretary. They both have experience in company secretariat roles arising from time at ASX, large listed companies and other relevant entities.

Directors' report continued

3. Report on the business

3.1 Principal activities

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

- securities exchange and ancillary services
- derivative exchange and ancillary services
- central counterparty clearing services
- registry, depository, 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 and uncertainties that could impact on the Group and its ability to achieve its 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 subsidiaries. ASX holds market operator licences and clearing and settlement facilities licences to undertake its activities. ASX is subject to direct oversight by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA).

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, which is reflected in the diagram on this page, is typical of large exchange groups operating in Asia Pacific.

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

Primary markets – capital formation

Capital formation is the process that brings together, in one marketplace, organisations that require capital and those that can provide it. ASX, through its Listing Rules, provides a facility for companies to list, raise capital, and have their securities publicly traded. Listed companies can access capital initially by listing on the exchange (initial public offering or IPO) and subsequently by 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 2014, there were 2,192 issuers on ASX. Along with the shares of listed companies, ASX lists debt securities (including government debt securities) and exchange-traded funds.

In May 2014, ASX launched its Australian managed funds service, mFund. This service automates the application and redemption process for unlisted managed funds. It provides efficiencies to the funds management industry and improved distribution and access for 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 secondary capital raisings and mergers and acquisitions
- level of retail trading activity and the resulting number of holding statements

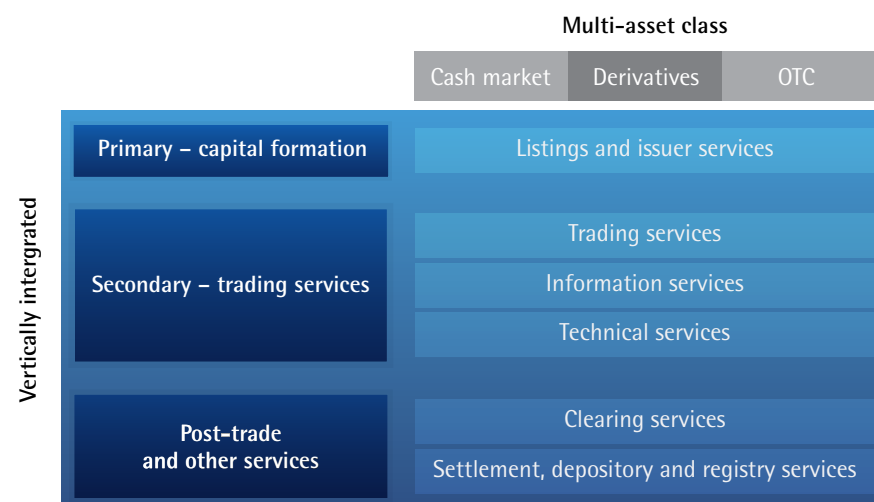
- number and value of managed funds utilising mFund.

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 licenced markets to facilitate the buying and selling of exchange-traded securities.

- ASX – trading of cash market securities including equity (shares), equity derivatives such as options over individual shares, warrants, exchange-traded funds and listed debt securities. At 30 June 2014, there were 82 trading participants. Many of these participants provide intermediary broking services to end investors. The value of



Directors' report continued

turnover transacted on the ASX market is the primary revenue driver. In FY14, turnover was approximately \$1.0 trillion. Competition in trading is from another equity market operator and off-market trading facilities.

- ASX 24 – trading of futures and options on futures on interest rate, equity index, agricultural and energy markets. At 30 June 2014, there were 54 trading participants on ASX 24 and approximately \$44.0 trillion of notional value was traded. The volume of contracts traded is the primary revenue driver. Competitive offerings to ASX 24 derivatives include offshore exchanges and over-the-counter (OTC) products.

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 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 via ASX platforms
- community and connectivity services including a secure low 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 Australian-based capital and collateral, and are directly overseen by Australia's regulators.

Clearing

ASX provides central counterparty clearing (CCP) services to the secondary cash and derivatives markets. It does this through the operation of two licensed subsidiaries, ASX Clear and ASX Clear (Futures). As CCPs, the clearing subsidiaries 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. The main revenue drivers for clearing services are the value of equity securities or number of derivative contracts novated and centrally cleared.

An important part of the Group's investment in post-trade services has been the development of an OTC clearing service for Australian dollar interest rate swaps. During FY14, this service commenced clearing OTC transactions and was enhanced to provide client level clearing. This allows clients of clearing participants, such as fund managers and state treasuries, to maintain segregated balances with the CCP and thereby reduce their risk in the event of clearing participants defaulting. Client level clearing for futures was introduced in July 2014.

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 \$1.5 trillion of securities at 30 June 2014. 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 clears and settles transactions undertaken on another trading venue (Chi-X) through a Trade Acceptance Service, allowing the seamless clearing or settlement of these transactions 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 through the Austraclear Central Securities Depository (CSD), which held \$1.6 trillion of debt securities at

30 June 2014. 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.

During the year, the ASX Collateral service was launched. This service allows customers of ASX to utilise collateral held in Austraclear as an alternative to cash, to meet obligations to other customers or to ASX's clearing subsidiaries. With increasingly stringent regulatory requirements and higher compliance costs, the service adds value by reducing the cost of collateral for market participants. ASX's vertically integrated business model enables it to offer the collateral management service, leveraging its existing infrastructure. ASX earns revenues for the provision of this service based on the value of collateral lodged.

Following is a discussion of the contribution of each of the above services to the Group's revenues and a review of the Group's operations over the financial year.

Directors' report continued

3.2.2 Review of operations

Equity raising

On 11 June 2013, ASX announced it was issuing new shares to raise \$553.8 million. ASX invested the additional equity in ASX Clear (Futures) to address international capital standards for CCPs which are higher than the previous standard. 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 undertaken in two stages, institutional (24 June 2013) and retail (16 July 2013). The retail component was completed in the current financial year and resulted in the issue of 9,528,398 shares for consideration of \$285.9 million.

The proceeds from the entitlement offer were applied to:

- provide \$200.0 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 \$250.0 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.

Standard & Poor's credit rating

During the year ASX obtained credit ratings from Standard & Poor's (S&P) for the parent entity ASX Limited and clearing subsidiary ASX Clear (Futures). S&P assigned a long-term rating of AA- and a short-term rating of A1+ to both entities. The ratings outlook from S&P for both entities is stable.

3.2.3 Results of operations

The Group's profit after tax for the year ended 30 June 2014 increased by 10.0% to \$383.2 million. A summary income statement in line with the Group's segment note is reflected in the following table:

| \$million | FY14 | FY13 | Variance % fav/ (unfav) |
|-------------------------------|--------------|--------------|-------------------------------|
| Operating revenues | 658.3 | 617.4 | 6.6 |
| Operating expenses | (153.6) | (146.2) | (5.1) |
| EBITDA | 504.7 | 471.2 | 7.1 |
| Depreciation and amortisation | (33.8) | (30.4) | (11.2) |
| EBIT | 470.9 | 440.8 | 6.8 |
| Interest and dividend income | 70.7 | 53.5 | 32.3 |
| Profit before tax | 541.6 | 494.3 | 9.6 |
| Tax expense | (158.4) | (146.1) | (8.5) |
| Profit after tax | 383.2 | 348.2 | 10.0 |

Earnings per share

The Group's earnings per share (EPS) in FY14 were 198.5 cents (FY13: 195.5 cents). EPS in the current period was impacted by the issue of new shares from the entitlement offer equity raising undertaken in 2013. The increase of 1.5% year-on-year resulted from increased profitability, offset by a higher weighted average number of shares on issue.

Dividends

ASX paid an interim dividend of 88.2 cents per share and will pay a final dividend of 89.9 cents per share on 24 September 2014. Total dividend per share of 178.1 cents is 4.6% higher than the prior year, and reflects the impact of higher earnings offset by the additional shares.

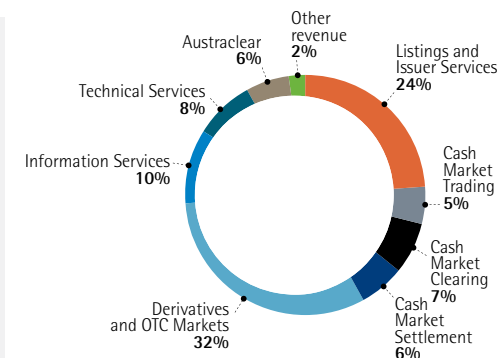
The Board's dividend policy is to pay 90% of underlying earnings after tax. Underlying earnings are results from operations adjusted for any significant revenue or expenses such as those associated with major transactions. In the current and prior financial year no such adjustments were made to earnings.

Operating revenues

Operating revenues in FY14 increased 6.6% to \$658.3. All major revenue categories grew compared to the prior year.

The following table depicts the contribution to operating revenues from ASX's various business activities. The percentage contribution of each category is further illustrated in the pie chart. Derivatives and OTC Markets is ASX's largest business, contributing almost 32% to Group revenues.

| Revenue category | FY14 \$million | FY13 \$million | Variance % fav |
|---------------------------------|-------------------|-------------------|-------------------|
| Listing and Issuer Services | 154.9 | 139.7 | 10.9 |
| Cash Market Trading | 33.1 | 32.8 | 0.7 |
| Cash Market Clearing | 43.1 | 41.6 | 3.6 |
| Cash Market Settlement | 41.1 | 40.2 | 2.3 |
| Derivatives and OTC Markets | 207.7 | 197.3 | 5.2 |
| Information Services | 68.8 | 61.8 | 11.4 |
| Technical Services | 52.9 | 49.8 | 6.2 |
| Austraclear | 41.1 | 38.6 | 6.4 |
| Other revenue | 15.6 | 15.6 | 0.4 |
| Total operating revenues | 658.3 | 617.4 | 6.6 |



Commentary on operating revenues for the various business activities is detailed separately below. Details of transaction levels which drive a large portion of ASX's revenues are contained on pages 25 to 27 of the Annual Report.

Listings and Issuer Services – \$154.9 million, up 10.9%

In FY14 there were more new listings and an increase in the amount of capital raised.

- Initial listing revenue – up 149.8% to \$17.9 million. There were 107 IPOs during the year, compared to 82 in the prior year. IPO capital amounted to \$27.7 billion, up from \$9.9 billion in the prior year. In FY14, initial listings were spread across various industry sectors.
- Annual listing revenue – up 3.5% to \$62.1 million. There were 2,192 entities on the ASX official list at 30 June 2014 (30 June 2013: 2,185). Increases in market capitalisation combined with fee changes during the year were the main drivers supporting the increase in revenue.
- Secondary capital raisings revenue – up 2.8% to \$38.4 million. The increase in revenue is

Directors' report continued

due to a 5.2% increase in the amount of secondary capital raised to \$38.4 billion.

- Issuer services revenue – up 5.6% to \$27.9 million. The increase in revenue resulted primarily from growth in the number of CHESSE holding statements, up 6.9%.
- Other revenue – down 0.8% to \$8.6 million. The decrease is attributable to a decline in new warrants of 37.1%, partly offset by growth in other listing services.

Cash Market – \$117.3 million, up 2.3%

Cash Market revenue includes fees for trading, clearing and settlement of ASX-quoted securities including equities, debt securities and exchange-traded funds. The total value traded per day across all exchanges and broker platforms in Australia increased 2.2%.

- Trading revenue – up 0.7% to \$33.1 million. The increase in revenue resulted from:
 - marginally lower on-market trading on ASX. On-market value traded on ASX was \$3.3 billion per day. ASX's share of on-market trading averaged 90.6% in FY14 (FY13: 94.6%)
 - increased trading through Centre Point and the auction process. The value traded on Centre Point during the year increased 65.4% to \$61.1 billion and represented 7.4% of ASX's total value traded (FY13: 4.5%). Centre Point's functionality matches buyers and sellers at the mid-point of the national best bid and offer, and attracts higher fees than trading through the central limit order book
 - 18% decline in trade reporting (ie trades executed off-market and reported

to ASX), compared to FY13. These transactions incur a lower fee than on-market trading

- no participant rebate being applied to cash market trading revenue in the current year. \$0.4 million was paid in FY13.
- Clearing revenue – up 3.6% to \$43.1 million due to the total value novated increasing 3.6%. The participant clearing rebate decreased by \$0.7 million to \$0.4 million in FY14.
- Settlement revenue – up 2.3% to \$41.1 million. The dominant settlement message was down 1.6% compared to FY13. This was offset by higher revenue on other message types. The participant settlement rebate decreased by \$0.5 million to \$0.2 million.

Derivatives and OTC Markets – \$207.7 million, up 5.2%

Derivatives revenue includes revenue for trading and clearing of futures and options on ASX and ASX 24 markets, and clearing of OTC interest rate derivatives.

- ASX – down 21.6% to \$22.2 million. ASX derivatives include single stock equity and index options. The reduction in revenue was due to a 20.8% decrease in the number of contracts traded. ASX has introduced a number of initiatives to promote liquidity including increased market making incentives, improved crossing rules and an enhanced margin simulator.
- ASX 24 – up 9.7% to \$185.5 million. ASX 24 derivatives include exchange-traded futures and options on interest rate, ASX SPI 200 index, commodity and energy

markets. This business also includes the new clearing service ASX launched in FY14 for OTC derivatives. The increase in revenue was driven by a 2.1% increase in futures and options contract volumes traded to 118.1 million, a full-year of revenue contribution from the ASX Energy business (acquired in May 2013) and lower volume rebates compared to the prior year. Following the introduction of OTC clearing during the year, \$124.4 billion of notional value was cleared through this service. In FY14, the Group also introduced a number of new products including VIX and sector futures. Volumes in these products were low in FY14.

Information Services – \$68.8 million, up 11.4%

The increase in revenue was mainly the result of a fee restructure, which increased institutional data royalties and reduced retail data royalties.

Approximately \$1.6 million of income from royalties in FY14 related to prior periods.

Technical Services – \$52.9 million, up 6.2%

Technical Services facilitates market connectivity and access for customers to ASX and third-party services. Revenue from Technical Services continued to increase following previous significant investment in ASX's data centre (ALC) and communications network.

- Liquidity access – up 4.0% to \$28.5 million. Over the year, the total number of ALC service connections increased from 415 to 622.
- Community and connectivity – up 10.5% to \$15.5 million, attributed to the growth in users of ASX technical services provided at ALC and through its data networks.

- Application services – down 6.8% to \$3.1 million. The number of ASX Best terminals decreased during the period from 491 to 318.

- Hosting – up 15.4% to \$5.8 million. In FY14, the number of customer cabinets hosted in the ALC increased from 117 to 142.

Austraclear – \$41.1 million, up 6.4%

Austraclear revenue increased as follows.

- Transaction revenue – up 3.0% to \$16.2 million. Transaction revenue is earned on depository and settlement services on a range of financial instruments, including DvP functionality, enabling simultaneous settlement of securities with cash. The increase in revenue is due to a fee change during the year and a 1.8% increase in transaction volumes.
- Holdings revenue – up 3.0% to \$6.4 million. As a central securities depository, Austraclear generates revenue for holding third party, predominantly fixed income, securities. The value of securities held increased 11.7% to \$1.6 trillion in FY14. The increase in revenue is due to a higher average value of securities held, offset by a change in billing methodology and the introduction of a revenue rebate scheme.
- Registry and other revenue – up 10.8% to \$18.5 million. Registry revenue is predominantly driven by the value of new and existing securities registered. The number of debt issuances registered was up 7.3% on the prior year.

Directors' report continued

Operating expenses

Operating expenses (excluding finance costs and depreciation and amortisation) increased 5.1% to \$153.6 million. The increase in expenses was driven by higher staffing levels to support a number of new services, and higher equipment and variable costs.

Staff costs increased 6.0% to \$92.4 million. The average full-time equivalent (FTE) headcount increased from 515 in FY13 to 534 in FY14. As at 30 June 2014, ASX employed 526 FTE staff with a number of vacancies outstanding.

Other operating costs increased 3.8% to \$61.2 million due to higher equipment and administration costs to support new services. Variable costs related to the processing of CHES holding statements increased 13.6% to \$4.3 million as the volume of statements was higher. Supervisory fees paid to ASIC reduced following a credit received relating to prior periods.

Depreciation and amortisation expenses increased 11.2% to \$33.8 million. This was due to the increased capital investment in new services as well as ongoing technology maintenance and a refresh of existing platforms.

Capital expenditure

The Group incurred \$43.2 million of capital expenditure during the year, compared to \$38.9 million in FY13. Of this, \$25 million was attributable to the development of the Group's post-trade services business initiatives. These included the development of the OTC clearing service, ASX Collateral, client clearing services for both OTC and futures markets, and a replacement derivatives clearing platform. Other capital expenditure related to

a range of business initiatives including the continued development of associated network infrastructure as well as normal maintenance programs.

Since FY12, ASX has invested \$49 million in Australia's post-trade infrastructure.

Net interest and dividend income

Net interest and dividend income increased 32.3% to \$70.7 million. Net interest consists of two components: interest earned on ASX's cash balances and net interest earned from the investment of collateral balances lodged by participants.

Interest income on ASX's own cash balances increased 118.7% to \$28.6 million primarily due to cash raised through ASX's capital raising in June and July 2013. Funds from the capital raising were used to repay the borrowing and increase the Group's capital invested in the clearing subsidiaries' default funds.

Net interest earned from the investment of participant collateral balances increased 1.0% to \$31.3 million. This increase was due to higher average collateral balances offset by a lower investment margin. Collateral balances averaged \$3.7 billion in FY14, up 5.5% as derivative open positions increased. The Group's net earnings rate on the collateral invested averaged 44 basis points, compared to 46 basis points in the prior year.

Dividend income from ASX's shareholding in IRESS increased 15.2% to \$10.8 million during the financial year (2013: \$9.4 million). ASX participated in the IRESS capital raising by taking up its full entitlement in the pro rata rights offer in August 2013.

3.2.4 Financial position

At 30 June 2014, the net assets of the Group were \$3,670.9 million, up 10.5% from 30 June 2013. The increase in net assets was primarily attributable to additional equity raised in July 2013 of \$280.8 million from the retail component of the pro rata entitlement offer. In addition, retained earnings increased \$53.3 million from continuing business operations, net of dividends paid. The asset revaluation reserve increased from \$68.0 million to \$82.5 million and reflects the increase in the unrealised gain on the IRESS investment after tax.

A summary balance sheet is presented below.

| \$million | 30 June 2014 | 30 June 2013 | Variance % |
|--|-----------------|-----------------|---------------|
| Assets | | | |
| Cash and available-for-sale financial assets | 5,015.6 | 4,496.2 | 11.6 |
| Goodwill | 2,317.6 | 2,317.6 | - |
| Investments | 250.5 | 185.6 | 34.9 |
| Other assets | 425.1 | 369.3 | 15.1 |
| Total assets | 8,008.8 | 7,368.7 | 8.7 |
| Liabilities | | | |
| Amounts owing to participants | 3,986.1 | 3,753.1 | (6.2) |
| Other liabilities | 351.8 | 293.8 | (19.8) |
| Total liabilities | 4,337.9 | 4,046.9 | (7.2) |
| Equity | | | |
| Capital | 3,027.2 | 2,746.4 | 10.2 |
| Retained earnings | 480.9 | 427.6 | 12.5 |
| Reserves | 162.8 | 147.8 | 10.2 |
| Total equity | 3,670.9 | 3,321.8 | 10.5 |

In addition to the equity raised from the entitlement offer, the following major balance sheet items contributed to significant movements in assets and liabilities during the year.

Investments – up \$64.9 million or 34.9%

Investments reflect ASX's shareholding in IRESS Limited, a listed entity providing financial market and wealth management technology solutions. During the year, ASX participated in the pro rata entitlement offer undertaken by IRESS, taking up its full entitlement for an additional investment of \$39.3 million.

The increase is attributable to the additional shares purchased and the increase in the fair value of the investment. ASX has been a long-term investor in IRESS and is the largest shareholder with a current holding of 19.2%.

Amounts owing to participants – up \$233.0 million or 6.2%

As part of the clearing operations, the Group holds a significant amount of collateral lodged by participants to cover cash market and derivatives exposures including OTC transactions. The increase related to additional commitments lodged by OTC clearing participants, as well as larger positions held in interest rate and equity index futures.

The increase in participant balances in the current financial year results in a corresponding increase in cash and available-for-sale financial assets, as the balances are invested by ASX. The balance of the increase in cash is related to additional Group funds.

Directors' report continued

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 operations and its business strategy. A number of important regulatory developments that impact on the Group are discussed below.

Financial market infrastructure

On 27 February 2014, the Treasury released a consultation paper proposing that the Government mandate centralised clearing of OTC interest rate derivatives denominated in the G4 countries (US dollar, Euro, British pound, and Yen). ASX made a submission to the Government that Australian dollar-denominated (AUD) OTC interest rate derivatives should be mandated for central clearing at the same time as the G4 currencies. The Government subsequently released for public consultation a proposal to make a determination, in the second half of 2014, which will allow ASIC to make rules requiring the central clearing of G4 and AUD OTC interest rate derivatives, limited to large financial institutions with significant levels of cross-border activity in these products.

On 27 March 2014, the Council of Financial Regulators released guidance on how its regulatory influence framework with respect to cross-border central counterparties (CCPs) would be applied. The guidance clarifies that an entrant CCP would be expected to be subject to domestic incorporation and licensing requirements at a relatively low market share threshold in each of the following product classes: ASX-listed cash equities; ASX-listed equity options; Australian dollar interest rate futures; and Australian dollar equity index futures.

Equity market regulatory controls

During the year ASX was involved in implementing a number of controls that flowed from changes to ASIC market integrity rules, including those that arose from reviews of high frequency trading and dark pools. Regulatory settings that have had a positive impact on the Australian equity market include the following:

- prohibition of maker-taker pricing
- regulatory fees based on a combination of orders and trades
- minimum tick sizes have not been narrowed
- price improvement must be meaningful.

ASX was an active contributor to the reviews, and supports the proactive and practical approach taken by the regulators.

Cash equities clearing and settlement

ASX is the sole provider of cash equities clearing and settlement services in the Australian market. In response to the then Treasurer's announcement in February 2013 that a decision on any new licence application for a cash equities clearing facility would be deferred for two years, ASX put in place 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 cash market 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.

Since the commencement of the Code, the Forum has met three times and has provided an effective mechanism for users of ASX's services to provide input to the Boards of ASX Clear and ASX Settlement. While no formal process has been announced, the Council of Financial Regulators is currently expected to finalise a review of the operation of the Code and provide any further recommendations to the Treasurer by February 2015.

As part of the consultation process under the Code of Practice, ASX has agreed to move the settlement cycle for cash equities from T+3 to T+2. This is planned to commence in 2016.

During the year ASX commissioned Oxera, a leading independent economics consultancy, to benchmark the costs of using ASX's cash equity post-trade services against the costs of similar services in other financial centres. The Oxera report concluded that the costs of post-trade services in Australia are in line with the costs of similar services provided in financial centres of comparable size. Oxera's report also acknowledges that there is a high level of transparency around the pricing, financial performance and international benchmarking of ASX's services.

Financial standards and international regulations

ASX's CCPs and settlement facilities must comply with the Financial Stability Standards (FSS). In March 2013, new FSS became applicable and following a review by regulators, ASX's facilities received a rating status of 'observed' or 'broadly observed'. ASX continues to enhance its operations in order to fully

comply with the standards, particularly as certain elements of the standards are finalised and transitional relief expires.

The FSS are increasingly being influenced by international regulations and discussions between regulators in different jurisdictions, in an effort to align them across markets. The standards are subject to change 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 is 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) to meet the higher international capital standards.

Notable regulatory developments during the financial year include the following.

- ASX Clear (Futures) formally lodged its application for recognition as a 'Third Country CCP' by the European Securities and Markets Authority. This follows the announcement by the European regulator of material equivalence of the Australian framework. ASX Clear (Futures) is seeking recognition because a number of its clearing participants are incorporated in member states of the European Union. On 1 August 2014 ESMA advised that the application was complete and that a decision on it would be made within 180 working days. ASX has transitional relief from the recognition requirement in the interim.
- On 6 February 2014 the US Commodity Futures Trading Commission (CFTC) granted ASX Clear (Futures) no-action relief that allows it to clear Australian and

Directors' report continued

New Zealand dollar denominated OTC interest rate derivatives for US bank branches in Australia, without the need for ASX to undertake CFTC's full registration process for 'derivatives clearing organisations'.

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 FY14, 63.5% of revenues were derived from primary, secondary and derivative market activity (listings and issuer services, cash markets and derivatives).

The level of activity, which is impacted by a number of factors including general economic conditions, has a significant impact on ASX's revenues. In addition to total activity levels, ASX's strategies may be impacted by existing or new competitors both domestically or globally. 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:

- be a global leader in Australian dollar and New Zealand dollar financial markets
- provide world-class, globally connected financial infrastructure
- deliver an outstanding customer experience
- advocate regulatory settings that support investors and growth
- be recognised as an employer of choice in financial markets. A discussion of the key initiatives for achieving this objective is outlined in the 'Our people' section of the Annual Report on pages 12 and 13.

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 further diversify revenue sources for ASX.

Listings and Issuer Services

The Listings and Issuer Services strategy comprises three main elements:

- improve Australia's attractiveness as a market to list and raise capital
- develop an investment supermarket of products and services
- 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 to list and raise capital. These include improved capital raising flexibility for small to medium-sized companies (market capitalisation of less than \$300 million), allowing them to raise up to 25% of their issued capital without specific shareholder approval; and enhanced reporting of reserves and resources for the mining oil and gas sectors. In addition, the rights issue timetable has been reduced from 26 to 19 days to provide further efficiencies to listed entities in raising capital.

Develop an investment supermarket of products and services

In order to give the broadest choice to customers, ASX is expanding the range of products and asset classes available for issuers and investors. Some of the products that complement traditional equities include:

- government bonds – ASX provides the ability for clients to trade small parcels of Australian government bonds on the exchange in the same way as equity trading
- corporate bonds – ASX supports initiatives to promote and expand the Australian corporate bond market
- exchange-traded funds (ETFs) – in recent years ASX has focused on increasing the number and range of ETFs. During the year the value of ETFs increased 52.2%, with \$11.8 billion listed on ASX at 30 June 2014
- managed funds (mFund) – mFund allows investors to apply for and redeem unlisted managed funds using their broker platform. At 30 June 2014, there were 45 funds available on mFund across five brokers.

Provide efficiencies to issuers and investors

ASX recently introduced 'ASX Evolve', a program of initiatives designed to improve the connection between investors and companies listed on the exchange. The program includes an existing equity research scheme that supports small and mid-cap companies, and will deliver a redesign of company information on the ASX website. The ASX website is one of the top three sites accessed by investors for financial information (according to Nielsen online ratings), with over 20 million page views, six million visits and more than 1.5 million unique browsers per month.

Cash Market

The Group competes domestically with market operator Chi-X, as well as operators of non-exchange venues (commonly referred to as dark pools) for trading in ASX-listed securities. ASX performed well in a competitive equity trading market with a market share of 90.6% of on-market traded value during the year.

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. ASX has 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 FY14, Centre Point order types accounted for 7.4% of value transacted on ASX and 16.9% of ASX's trading revenue. The competitive environment means that product innovation and the review of marketing programs and pricing are continuous processes.

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.

As noted in the 'Regulatory and market structure developments' section of this report, ASX provided input to regulators to ensure that Australia's financial markets continue to be among the best regulated in the world.

Derivatives and OTC Markets

Derivatives and OTC Markets is ASX's largest business measured by revenue. ASX's strategy is to be the global leader in Australian and New Zealand dollar financial markets. ASX will continue to seek new products and services,

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and to provide flexible and cost effective trading and clearing platforms. The issuance of new futures products, energy derivatives and client-level clearing are examples of new initiatives being undertaken.

In addition to increasing the products and services 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 them to connect through ASX's data network (ASX Net Global).

In July 2014, ASX announced that it will reduce the fees that clearing participants pay to trade interest rate futures and clear OTC derivatives. The fee changes recognise the significant growth in ASX's derivatives business over the last decade, create stronger alignment between ASX's and its customers, and position ASX to compete for liquidity within an evolving market structure.

ASX estimates that if the new fees and incentives had been in operation in FY14, along with discontinuation of the large volume rebate, it would have reduced ASX's derivatives revenue by approximately \$17 million.

The diagram on this page depicts the post-trade infrastructure in operation at ASX. It shows the markets ASX operates for trading, along with the two central counterparty clearing subsidiaries, ASX's collateral management service and the two depositories, CHES and Austraclear.

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. 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 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 the ALC and communications network (ASX Net). The ALC has further capacity to offer hosting services to customers and grow the community of financial service providers it supports. ASX will continue to invest in its product and service offerings in order to become the leading shared infrastructure provider for the financial community. In addition, ASX will seek to deepen its linkages to global markets through its network connections to other financial centres.

While 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.

The ASX Collateral service allows customers to reduce their cost of providing collateral. Usage of the service commenced in FY14 with approximately \$2 billion of collateral under management at 15 August 2014, supporting repurchase transactions between banks. This service allows 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.

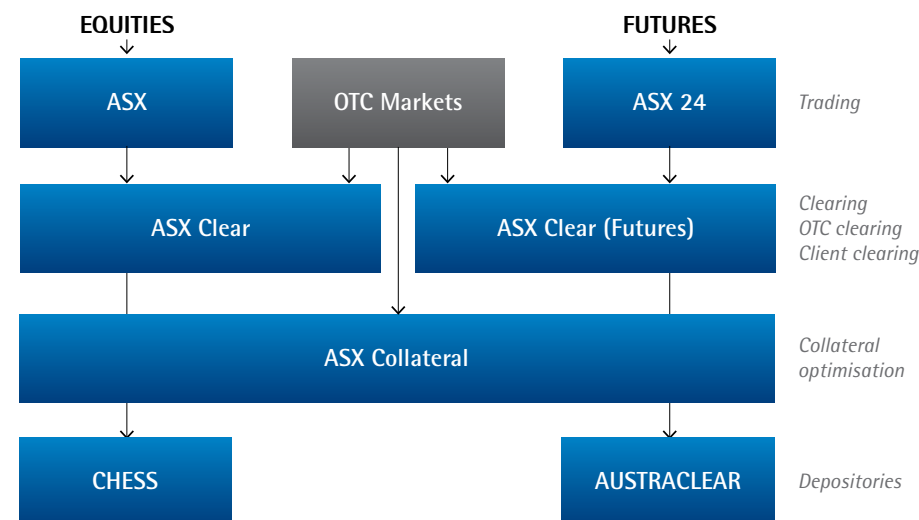
In July 2014, ASX launched its Renminbi (RMB) Settlement Service. This service allows customers to use RMB as a settlement currency in cross-border transactions, with reduced settlement risk and lower cost. Long-term, the

RMB initiative will allow for the development of a range of investment products, including RMB-denominated bonds and structured instruments.

Engagement with clients

ASX has a large and diverse customer base, including approximately 2,200 listed companies and issuers, and around 180 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 has implemented a number of initiatives that aim to build a more customer-centric corporate culture. These include the adoption of a Customer Charter that sets out how the Company balances the interests of its customers, shareholders and the broader financial markets.



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As discussed earlier, the fee changes announced in relation to derivatives and OTC clearing are an example of ASX increasing its alignment with customers and also working to stimulate liquidity in markets that it operates.

ASX's engagement with customers extends to other industry partners including the Australian Financial Markets Association, Stockbrokers Association of Australia, Financial Service Council and Australian Shareholders' Association. These groups represent many of ASX's customers and have an interest in the state of Australia's financial markets.

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. Advisory committees have also been established for various derivative markets.

Information technology platforms

ASX's business is highly reliant on the information technology platforms utilised to support its various activities. ASX's objective is to provide stable, reliable and innovative technology solutions that are quick to adapt to new and changing business requirements, while conforming to regulatory standards.

ASX makes significant technology investments by introducing new technology platforms and upgrading existing platforms. In the coming years, ASX plans to upgrade several core platforms for trading, clearing and settlement. This follows the recent investment in new post-trade infrastructure.

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, as well as increased capital requirements.

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. 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 under which it and its customers operate.

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 and comprehensive regulatory assurance function and governance framework. ASIC and the RBA provide annual assessments of the Group's licensed subsidiaries.

These licence obligations may result in the Group undertaking significant programs or investments in order to meet licence conditions. These can impact on ASX as well as ASX's customers. ASX seeks to manage these risks by engaging with regulators and customers to achieve the best possible outcome for Australian financial markets.

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 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 in 2013 to defer any decision on additional clearing licences for two years. There are also domestic competitors offering listing services and exchange-traded futures contracts.

In some of its businesses, ASX is facing competition from overseas financial markets, such as 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.

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

Regulations that affect ASX and its customers

Regulations 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 offer 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-July 2013, ASX raised \$553.8 million of new equity, the majority of which has been applied to support its clearing facilities and meet the international

Directors' report continued

capital standards for clearing houses. The Group provided additional equity capital of \$200.0 million to ASX Clear (Futures) to increase the default fund to meet the Group's estimate of 'Cover 2' capital standards. 'Cover 2' refers to the amount of resources required in stressed market conditions to withstand the potential default of the two clearing participants with the highest exposures. During FY14, ASX has continued to focus on meeting international standards for clearing facilities, including accreditation by various international agencies.

Regulations may change over time and require ASX to increase the capital it provides in support of the Group's clearing and settlement activities.

Regulations may also impact the investment strategy that ASX adopts in relation to capital and collateral balances held to support its licenced clearing and settlement activities. Changes in regulations over time may impact earnings generated by the investment of these balances.

The Group manages the risks from changing regulations by active and extensive involvement with regulators, policymakers 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, 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 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 manage operational risk through its enterprise risk framework, and with 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 that operational incidents or fraudulent activity could have a significant impact on the Group.

Clearing risk

The Group's CCP activities expose it to credit, investment and liquidity risk. In the event that clearing participants encounter financial difficulties, this could result in failure to meet their contractual obligations. 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.

Central counterparty clearing activities expose the Group to investment and liquidity risk on participants' collateral balances held. The Group is also exposed to investment risk on its own cash reserves. The Group seeks to manage these risks by investing cash with high quality counterparties, maintaining sufficient cash reserves and marketable securities and regular forward planning and forecasting of liquidity requirements. Furthermore, the Board has implemented policies that specify concentration limits as well as maximum average maturity limits.

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.

ASX has agreed to change the settlement cycle for cash equities from T+3 to T+2. T+2 settlement operates in a number of markets, including Germany and Hong Kong, and will shortly be introduced throughout Europe.

The CCP pre-funded financial resources provided by ASX, which are at risk of loss in the event of a default, currently total \$250.0 million in ASX Clear and \$450.0 million in ASX Clear (Futures). These resources and their

application are fully described in note 22 to the financial statements.

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 |
|---|-----------------|------------------|-------------------|
| In respect of the current financial year | | | |
| Interim | 88.2 | 170.8 | 26 March 2014 |
| Final | 89.9 | 174.0 | 24 September 2014 |
| Total | 178.1 | 344.8 | |
| In respect of the prior financial year | | | |
| Interim | 87.9 | 153.9 | 27 March 2013 |
| Final | 82.3 | 159.4 | 25 September 2013 |
| Total | 170.2 | 313.3 | |

3.4 Significant changes in the state of affairs

During the year, the Group completed its rights issue to raise additional funds in order to:

- contribute an additional \$200.0 million to ASX Clear (Futures) Pty Limited to address emerging international capital standards for clearing houses
- replace the Group's \$250.0 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.

Directors' report continued

3.5 Events subsequent to balance date

Since the end of the reporting period, the Board resolved to pay a final dividend of 89.9 cents per share fully franked.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2014 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, risks previously mentioned, 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 185,396 performance rights outstanding. For further details on the performance rights including performance hurdles for vesting, refer to the remuneration report (page 44).

Exercise of performance rights to ordinary shares

No performance rights vested during the financial year.

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.

8. Corporate governance

Group corporate governance matters are discussed on pages 16 to 23.

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 | |
|---|----------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Statutory audit services: | | |
| Audit and review of the financial reports and other audit work under <i>Corporations Act 2001</i> | 566,400 | 566,317 |
| Audit of information technology platforms | 155,000 | 150,500 |
| Other audit services: | | |
| Audit of technology applications | 61,811 | - |
| Non-audit services: | | |
| Tax compliance services | 72,032 | 64,050 |
| Other non-audit services | 50,000 | 152,500 |
| Total auditor's remuneration | 905,243 | 933,367 |

Other audit services includes the audit of security features within certain technology applications and risk model validation. Other non-audit services includes a review of derivative pricing systems used for risk management. In the prior year, other non-audit services included due-diligence work performed in relation to the rights issue, the acquisition of d-cyphaTrade Limited, and for the review of the ASX compliance framework.

In addition to the above, total audit fees of \$27,500 and tax compliance fees of \$18,105 (2013: \$26,800 for audit fees and \$17,750 for tax compliance fees) 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 on page 53.

Directors' report continued

11. Remuneration report – audited

The remuneration report outlines ASX's remuneration philosophy, framework and outcomes for the year ended 30 June 2014 (FY14) for the Board of directors, the CEO, and other executives.

Key Management Personnel (KMP) comprises the Board of directors, the CEO and the Group Executives having authority and responsibility for planning, directing and controlling the activities of the entity.

This report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*.

11.1 Governance

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

A copy of the Committee's charter is available on ASX's website www.asx.com.au/about/corporate-governance.htm

Members of the Remuneration Committee during FY14

The members of the Remuneration Committee during FY14 were:

- Ms Jillian Segal (Chair) AM
- Mr Rick Holliday-Smith
- Ms Heather Ridout AO
- Mr Peter Warne.

Details of the number of meetings attended by the Committee members are set out on page 19. All directors are invited to attend committee meetings and regularly do so.

Involvement of independent advisors

The Remuneration Committee operates independently of ASX senior management and has the ability to directly engage remuneration advisers. Engagements are entered into directly with the Remuneration Committee Chair and advice is provided directly to the Remuneration Committee.

During FY14, Ernst & Young provided advice, including relating to:

- current market practices regarding remuneration structures, and STI and LTI market practice
- material to support the Committee's review of existing remuneration arrangements of the CEO.

No remuneration recommendations as defined by the *Corporations Act 2001* were provided.

Involvement of subsidiary boards

The Remuneration Committee receives input from a number of subsidiary boards before making any remuneration determinations relating to executives:

- ASX's clearing and settlement boards provide feedback on the performance of executives involved in ASX's clearing risk and settlement operations
- the ASX Compliance board provides feedback on the performance of the Chief Compliance Officer.

Annual General Meeting voting

At its last AGM held in September 2013, 98.0% of votes were cast in favour of the remuneration report.

11.2 FY14 remuneration and performance highlights

The Board reviews the remuneration policy at least once a year to ensure it remains consistent with governance considerations as well as market practice and is aligned with the Group's strategy and objectives. The key remuneration highlights in FY14 were:

| | |
|---|--|
| CEO remuneration | The CEO's overall remuneration structure and total reward opportunity remained unchanged in FY14. No changes will be made for the FY15 performance period. |
| Executive remuneration framework | During FY14, the Board amended the STI deferral mechanism. From FY14, 50% of all STIs awarded to executives will be deferred for two years. |
| Fixed remuneration outcomes | There was a general freeze in executive fixed remuneration in FY14. Exceptions were made only for changes in roles or where market conditions warranted an adjustment. Fixed remuneration increases in FY15 average 3.0%. |
| STI outcomes reflect Company performance | The Board determined that the Group met its objectives for FY14. Individual STI outcomes were, on average, on target. Total statutory remuneration for KMPs in FY14 increased relative to FY13, as a result of stronger operating and financial performance across the Group (refer tables 11.14 and 11.14.2). |
| EPS portion of FY12 LTI was not met | The 70% earnings per share (EPS) portion of the FY12 LTI award has not been met. The 30% total shareholder return (TSR) portion of the FY12 LTI award will be determined on the October 2014 vesting date. |
| Clawback policy | In June 2014, the Board approved a new clawback policy, which will apply to any STI reward, LTI reward and other performance-based components of remuneration which have not yet been paid, or vested without restrictions to an executive. The policy applies to performance-based remuneration awarded from FY15 onwards. |

Directors' report continued

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 talent.

11.4 Remuneration framework – composition of remuneration

The remuneration arrangements for all staff are made up of a fixed remuneration component and a variable component.

The variable component is 'at risk' and subject to performance, and delivered through the STI plan.

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

Fixed remuneration

Fixed remuneration comprises cash salary, compulsory superannuation and other salary sacrificed benefits.

Fixed remuneration is reviewed on an annual basis. Increases are not automatic and are subject to a minimum level of individual

performance. Overall increases to Group fixed remuneration are 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.

Short-Term Incentive plan

The Short-Term Incentive (STI) plan is aimed at driving the achievement of the ASX strategy and performance objectives over a 12-month period.

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

The STI provides potential rewards that are differentiated. STI awards are based on an evaluation of 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 scorecards.

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

All employees are eligible to participate, however participation varies from year to year at the discretion of the CEO and the Board.

Remuneration for staff below executive level

For staff below executive level, STI awards in FY14 averaged \$8,020. 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. 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 has been in place since FY10. In July 2014, a DRI was awarded to 36 employees, with an award of \$35,000 each.

11.5 Composition of executive remuneration

The executive remuneration framework applies to all executives of ASX.

As at 30 June 2014, there were 44 executives 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%. For the CEO and Deputy CEO the mix includes LTI.

The following table illustrates the typical remuneration mix for executives for on target performance.

| | Fixed | Variable | |
|------------|--------|-----------------------------|-----------------------------|
| | | Short-Term Incentive (STI)* | Long-Term Incentive (LTI)** |
| CEO | 43% | 38% | 19% |
| Deputy CEO | 35% | 33% | 32% |
| Executive | 65-80% | 20-35% | 0% |

* STI for the CEO and Deputy CEO are subject to contractual arrangements; they are maximum values not targets.

** LTI are maximum grant values.

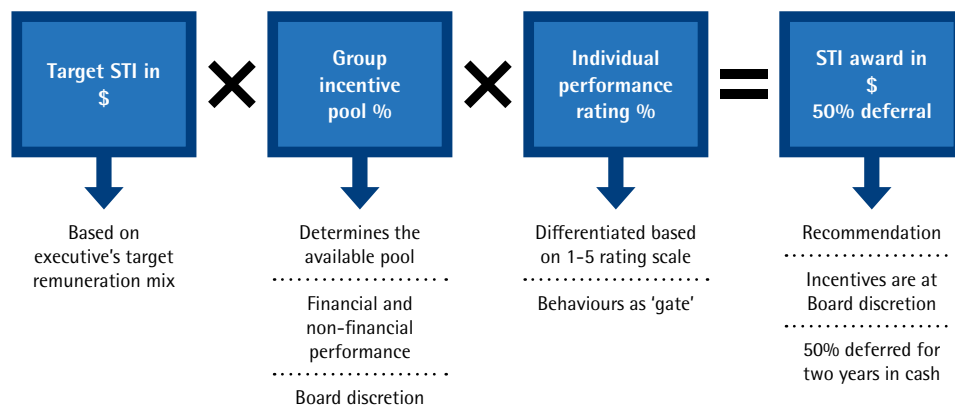
The relative weighting of fixed and variable components will vary with role level, complexity and typical market practice.

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

Directors' report continued

11.5.2 Calculation of STI award to executives

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 formula as illustrated in the below diagram.



Target STI

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

The sum of the individual target STI amounts determines the target Group pool for executives.

Group incentive pool

At the end of the year the Board approves the Group incentive pool percentage that is applied to the target Group pool, 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 STI pool for executives is \$6.0 million and the Board determines that the Group's performance was below target and awards 80% of the pool, the Group STI pool available for distribution to executives would be \$4.8 million.

Individual performance

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

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 and reviewed by the CEO. The 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 CEO against objectives set at the start of the performance period.

11.5.3 STI deferral and vesting

50% of the STI awarded to executives is automatically deferred for two years. All deferrals are paid 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.

Payment of the deferred award will be subject to continued satisfactory performance during the deferral period, and will be forfeited in the case of resignation by the executive, or termination for misconduct or poor performance.

11.5.4 Clawback policy

In June 2014, the Board approved a clawback policy to apply to awards beginning from the FY15 performance period. The underlying principle of the ASX clawback policy is that an

executive should not receive performance-based remuneration if the Board considers that such a remuneration would be an 'inappropriate benefit'.

In such instances, the Board reserves the right to clawback some or all of the executive's proposed performance-based remuneration.

Remuneration covered by this policy includes any STI reward, LTI reward and other performance-based component of remuneration which has not yet been paid or vested without restrictions to an executive.

The Board has absolute discretion in relation to determining what constitutes an 'inappropriate benefit' and how to apply the clawback, subject to compliance with the law and the conditions set out in the policy. This discretion can be applied at any time.

11.6 Linking FY14 Group performance to remuneration outcomes

The table on the next page provides an overview of ASX's performance for FY14 against financial and non-financial performance measures.

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/or earnings provided some, or all, of the other objectives are met.

Based on the improved financial results and operating performance in FY14, the Board determined that the Group met its performance objectives for the year. The Board decided to award STI that was, on average, on target.

Directors' report continued

| Priority | FY14 performance/progress |
|---|--|
| Financial performance | |
| Net profit after tax (NPAT) and EPS growth | <p><i>NPAT up 10.0% on the previous year. EPS up 1.5% on previous year</i></p> <ul style="list-style-type: none"> Revenues increased 6.6% with growth in all main businesses lines. While the derivatives business showed revenue growth in aggregate, revenues from equity options declined. Expenses increased 5.1% to support investment in initiatives. Expense growth and capital expenditure were in line with market guidance. Positive profit growth. Earnings per share growth impacted by equity raising in July 2013. Full-year dividend per share 178.1 cents, up 4.6%. Payout ratio 90%. |
| Non-financial performance | |
| Customers and growth | <p><i>Positive engagement with clients and continued investment in services. (Further detail is set out on pages 36 and 37 of the directors' report.)</i></p> <ul style="list-style-type: none"> Implemented new post-trade services (including OTC clearing) that provide world-class financial infrastructure to Australian investors and greater efficiencies to intermediaries. Developed the first non-Australian dollar electronic cash transfer service allowing customers to complete high value transfers in Renminbi in near real-time. Launched several new products and services, including mFund, which provides an efficient process to investors who wish to apply for and redeem unlisted managed funds. Some new derivatives products achieved below target growth in first year. Continued to innovate in equity trade execution with growth in premium execution services such as Centre Point. Achieved further growth in the number of domestic customers in technical services and international customers connecting through ASX Net Global. |
| Operational excellence | <p><i>Solid technical and operational performance</i></p> <ul style="list-style-type: none"> Critical trading, clearing and settlement systems availability was above the 99.8% ASX benchmark. Operational issues in relation to a software release in February 2014 led to a decision to halt the equity market for 30 minutes. Clearing and settlement services provided to third party exchanges through the Trade Acceptance Service met all agreed service levels. |
| Regulatory compliance | <p><i>Positive regulatory environment and compliance with key obligations</i></p> <ul style="list-style-type: none"> No major issues were raised in regulatory reviews. Substantial progress in working with regulators to meet domestic and international standards for financial market infrastructure, including receiving transitional regulatory relief from European and US regulators. Conducted \$553.8 million equity raising in June-July 2013 with majority of funds allocated to support clearing operations. ASX was assigned credit ratings of AA- (long-term) and A1+ (short-term) by Standard & Poor's. Rating confirms ASX's position as one of the highest rated exchange groups in the world. |
| People and culture | <p><i>Focus on aligning our priorities, people and behaviours</i></p> <ul style="list-style-type: none"> Continued recruitment to support key business initiatives. 2014 staff survey results show a modest uplift in alignment and stable staff engagement. In FY14 ASX expanded gender targets and reporting to four management levels. Diversity targets are 33% Board representation and 40% management representation by FY16. FY14 outcomes against this target were 29% non-executive directors, 25% CEO -1, 31% CEO -2 and 41% CEO -3. |
| Stakeholder engagement | <p><i>Continued improvement in engagement with key stakeholders</i></p> <ul style="list-style-type: none"> Client forums are in place for most traded markets, including cash equities, interest rate derivatives, and electricity and energy derivatives. Positive engagement with the stakeholder Forum established under the Code of Practice for ASX's cash equities clearing and settlement services. In June 2014, the Forum recommended a move from a T+3 to a T+2 settlement cycle for the Australian market. Continued engagement with key stakeholder groups, including the superannuation sector, funds management industry, Australian Financial Markets Association and Stockbrokers Association. Improved clarity from regulators around the location requirements that attach to systemically important financial infrastructure. Confirms the importance of strong local regulatory control over infrastructures that operate systemically important markets. |

11.7 Long-term incentive 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 performance rights over ASX ordinary shares.

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 is reviewed each year. In FY14 and for FY15, participation is restricted to the CEO and the 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. For the CEO, participation is subject to shareholder approval. The FY14 grant to the CEO was approved at the 2013 AGM.

Directors' report continued

The following table provides a summary of the details of the LTI grants in operation during FY14:

| Grant year | FY14 | FY13 | FY12 |
|--------------------------------|--------------------|--------------------|--------------------|
| Grant date | 25 September 2013 | 5 October 2012 | 7 October 2011 |
| Participation | 2 | 2 | 2 |
| Performance measure | 70% EPS 30% TSR | 70% EPS 30% TSR | 70% EPS 30% TSR |
| TSR vesting commences at | 51st percentile | 51st percentile | 50th percentile |
| Number of rights per executive | 30,108 | 35,680 | 26,910 |
| Vesting period | 3 years | 3 years | 3 years |
| Vesting date | 26 September 2016 | 8 October 2015 | 10 October 2014 |
| Dividends paid | No | No | Yes |
| Retesting | No | No | No |

Shares relating to grants for the CEO and the Deputy CEO from FY12 have been allocated from a surplus pool of unvested LTI offers within a special purpose trust, until the relevant vesting date and Board approval of the release of shares to the employee. Shares allocated under the LTI plans rank equally with other shares on issue at the time those shares are allocated.

Performance rights issued under the LTI have two performance conditions:

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

Earnings per share performance condition

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. There were no significant items in the current or prior financial years.

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

Earnings per share 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 performance condition

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 determined by the Board at the time of the offer and based on the S&P/ASX 100:

- excluding property trusts and mineral companies represented by the S&P Global Industry Classification Standards of Minerals and Metals & Mining
- including international exchanges (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.

TSR determination

The proportion of the TSR award that vests for grants from FY13 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% |

The proportion of the TSR award that vests for the FY12 grant 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 Accounting treatment

For accounting purposes, the fair value of the performance rights for the EPS awards is 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.

Directors' report continued

The fair value of performance rights for the TSR awards for the FY12, FY13 and FY14 plans was calculated at grant date by an independent valuer using a Black-Scholes option valuation model and Monte Carlo simulation. Details of the awards, including inputs to the valuation model, are summarised in the following table:

| | FY14 grant | FY13 grant | FY12 grant |
|---|------------|------------|------------|
| Share price at grant date | \$34.70 | \$29.86 | \$30.28 |
| Volatility (pa) | 20% | 20% | 29% |
| Discount rate (risk free rate) (pa) | 2.81% | 2.45% | 3.64% |
| Dividend yield (pa) | 5.1% | 5.8% | 5.4% |
| Fair value of performance rights (EPS awards) | \$29.78 | \$25.09 | \$30.28 |
| Fair value of performance rights (TSR awards) | \$13.57 | \$11.53 | \$22.26 |
| Weighted average share-based payment fair value | \$24.91 | \$21.02 | \$27.87 |

11.9 ASX Group dealing policy

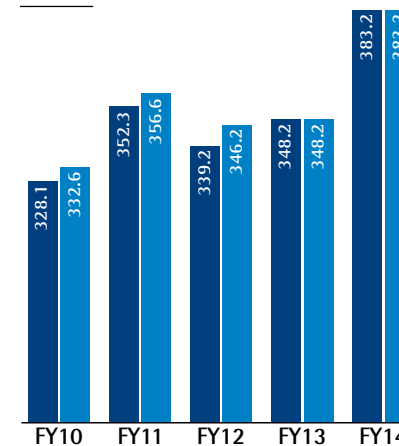
The ASX Group dealing policy is described in the corporate governance report refer to page 22.

11.10 Group performance

ASX's financial performance over the five-year period ending FY14 is shown in the following graphs.

Net profit after tax

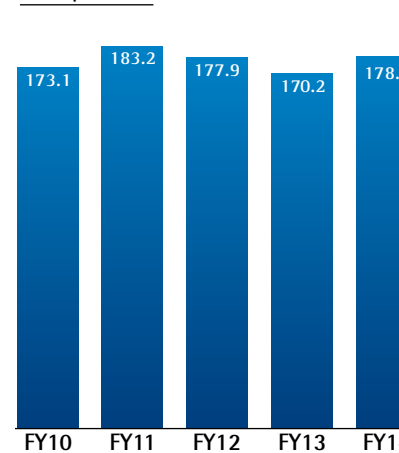
\$million



● Statutory profit ● Underlying profit

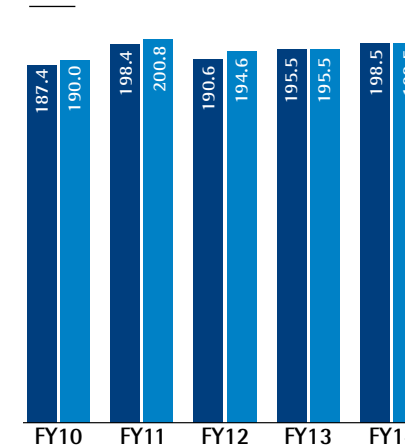
Dividends

cents per share



Earnings per share (EPS)¹

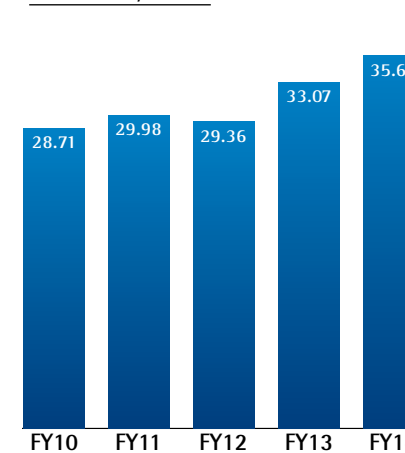
cents



● Reported EPS ● Underlying EPS

ASX share price²

at financial year end



1. Financial years 2010 to 2012 were restated for the bonus element of the rights issue in financial year 2013.

2. The share price for financial years 2010 to 2012 was restated for the impact of the capital raising in 2013.

Directors' report continued

11.11 Executive contracts – summary of key dates and notice periods

Each Group Executive has an ongoing service contract with ASX or a controlled entity, other than Mr Thurman, who has a contract with a four-year term. The current contracts do not provide for any termination payments, other than payment in lieu of notice and any statutory entitlements.

The key employment terms of the Group Executives in FY14 are:

| Name | Position held | Contract effective date | Minimum notice periods (months) | | |
|----------------|--|-------------------------|---------------------------------|-----|------------------|
| | | | Executive | ASX | Poor performance |
| E Funke Kupper | Managing Director and CEO | 6 October 2011 | 6 | 12 | 3 |
| R Aziz | Chief Financial Officer | 19 July 2010 | 3 | 6 | 1* |
| A J Bardwell | Chief Risk Officer | 19 July 2010 | 6 | 12 | 1* |
| A J Harkness | Group General Counsel and Company Secretary, Group Executive Corporate Affairs | 10 September 2007 | 6 | 12 | 6 |
| P D Hiom | Deputy CEO | 1 July 2011 | 6 | 12 | 3* |
| T J Hogben | Group Executive Operations | 1 April 2010 | 3 | 6 | 1* |
| K A Lewis | Chief Compliance Officer | 19 July 2010 | 6 | 12 | 6 |
| A J Mostyn | Group Executive Human Resources | 10 October 2006 | 3 | 6 | 3* |
| T Thurman | Chief Information Officer | 13 June 2012 | 6 | 9 | 3 |

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

Treatment of STI on departure

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.

The payment of any STI on departure of an executive is at the discretion of the CEO.

Treatment of LTI on departure

Where a participant ceases employment and has been awarded performance rights but has not yet been provided shares, those performance rights 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 or hardship (for example, the death,

serious illness or accident of an executive or any other similar hardship incurred by the executive).

A participant will forfeit any right or interest in shares under the Plan held subject to the restrictions if, during the restriction period the participant ceases to be employed other than for a qualifying reason and the Board directs that such shares are to be forfeited; or the participant has in the opinion of the Board been dismissed with cause or committed an act of fraud, dishonesty or gross misconduct.

11.12 Executive director contract – CEO

Remuneration structure

The remuneration structure of the CEO for FY14 is set out in the table below.

There are three components to the CEO's remuneration:

| | | |
|---------------------|--------------------|-------------|
| Fixed remuneration | \$1,750,000 | 43% |
| STI (maximum) | \$1,500,000 | 38% |
| LTI | \$750,000 | 19% |
| Total reward | \$4,000,000 | 100% |

The CEO's remuneration structure remains unchanged since his commencement in October 2011.

Fixed remuneration

This amount is inclusive of superannuation contributions. Fixed remuneration is subject to annual review.

Short-term incentive

The performance objectives for the CEO are set by the ASX Board in consultation with the CEO. 50% of the STI is deferred for two years.

After assessing the CEO's performance for the

FY14 performance period, the Board awarded the CEO an STI payment of \$1,500,000 with a 50% deferral component.

Clawback provision

The CEO 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, where adverse outcomes have arisen during the deferral period that reduce the original assessment of the performance generating the deferred allocation or as otherwise permitted under the clawback policy (from FY15).

Long-term incentive

Subject to shareholder approval, the CEO will be entitled to participate in the ASX executive LTI scheme in accordance with the rules of the scheme and ASX policy.

The CEO 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 the CEO in FY14 within the terms of the LTI plan. The FY14 offer was approved by shareholders at the 2013 AGM.

The CEO was awarded an allocation of 30,108 performance rights in FY14. The performance rights are allocated based on the LTI grant value divided by the fair value of the performance rights.

The FY15 offer will be put forward for shareholder approval at the 2014 AGM. If the FY15 grant is not approved by shareholders, the value of the incentive, which would have been granted had shareholder approval been

Directors' report continued

obtained, will be provided to the CEO in cash at the time the FY15 grant would have been paid, subject to meeting relevant performance hurdles.

Treatment of STI on departure

The terms and conditions outlined in the CEO's contract regarding the treatment of STI awards in the case of termination are:

| 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 CEO |
| Poor performance/summary dismissal | No payment to the CEO | No payment to the CEO |
| Cause | No payment to the CEO | No payment to the CEO |
| Illness | Discretion of the Board | Discretion of the Board |
| Death | Discretion of the Board | Discretion of the Board |

* The 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.

Treatment of LTI on departure

The terms and conditions outlined in the CEO's contract regarding 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.

If an LTI incentive grant is not approved at the AGM, and the value of the incentive is provided to the CEO in cash, the CEO 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.

11.13 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.

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 remuneration structure.

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 carried. 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 currently subject to a minimum shareholding requirement. The Board is reviewing a director's shareholding policy for implementation in FY15.

Director 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 FY14, the total amount paid to non-executive directors was \$1,950,449. 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 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.

During FY14, the Board approved an increase in the fees paid to the directors of the clearing and settlement boards to reflect the considerable increase in their workload as a result of the Code of Practice, OTC clearing, FSS requirements and more prescriptive requirements including EU and US processes. A number of ASX Limited directors sit on these boards.

A fee for membership of the Nomination Committee was also introduced. There were no other changes to non-executive director fees.

There are no entitlements to directors under pre-existing retirement schemes. A pre-existing retirement scheme was terminated in 2003.

Directors' report continued

11.14 Statutory remuneration of CEO and Group Executives

| \$ | Year | Short-term | | Non-monetary | Post-employment | | Long-term | | Share-based payments ² | Total | Performance-related ³ |
|---|-------------|------------------|------------------|----------------|-------------------------|----------------------|--------------------|----------------|-----------------------------------|--------------|----------------------------------|
| | | Salary | STI | | Superannuation benefits | LTI and deferred STI | Other ¹ | | | | |
| E Funke Kupper Managing Director and CEO | 2014 | 1,732,225 | 750,000 | - | 17,775 | 587,500 | - | 262,834 | 3,350,334 | 47.8% | |
| | 2013 | 1,733,530 | 675,000 | - | 16,470 | 250,000 | - | 437,492 | 3,112,492 | 43.8% | |
| R Aziz Chief Financial Officer | 2014 | 407,225 | 100,000 | - | 17,775 | 92,500 | 6,668 | - | 624,168 | 30.8% | |
| | 2013 | 408,530 | 90,000 | - | 16,470 | 80,000 | 6,668 | - | 601,668 | 28.3% | |
| A J Bardwell Chief Risk Officer | 2014 | 607,225 | 70,000 | - | 17,775 | 50,000 | - | - | 745,000 | 16.1% | |
| | 2013 | 608,530 | 50,000 | - | 16,470 | 25,000 | - | - | 700,000 | 10.7% | |
| A J Harkness Group General Counsel and Company Secretary, Group Executive Corporate Affairs | 2014 | 569,211 | 150,000 | - | 17,775 | 115,000 | 9,488 | - | 861,474 | 30.8% | |
| | 2013 | 533,530 | 140,000 | - | 16,470 | 82,500 | - | (25,667) | 746,833 | 26.4% | |
| P D Hiom Deputy CEO | 2014 | 761,501 | 560,000 | 20,724 | 17,775 | 175,000 | 12,575 | 262,834 | 1,810,409 | 55.1% | |
| | 2013 | 760,412 | 525,000 | 23,118 | 16,470 | 175,000 | 12,319 | 411,826 | 1,924,145 | 57.8% | |
| T J Hogben Group Executive Operations | 2014 | 432,225 | 117,500 | - | 17,775 | 100,000 | 7,205 | - | 674,705 | 32.2% | |
| | 2013 | 433,530 | 90,000 | - | 16,470 | 87,500 | 7,227 | (25,667) | 609,060 | 24.9% | |
| K A Lewis Chief Compliance Officer | 2014 | 665,175 | 150,000 | 7,050 | 17,775 | 130,000 | - | - | 970,000 | 28.9% | |
| | 2013 | 662,876 | 140,000 | 10,654 | 16,470 | 134,167 | - | - | 964,167 | 28.4% | |
| A J Mostyn ⁴ Group Executive Human Resources | 2014 | 332,225 | 62,500 | - | 17,775 | 51,250 | 5,418 | - | 469,168 | 24.2% | |
| | 2013 | 333,530 | 52,500 | - | 16,470 | - | 5,418 | - | 407,918 | 12.9% | |
| T Thurman Chief Information Officer | 2014 | 460,345 | 157,500 | 71,880 | 17,775 | 67,500 | - | - | 775,000 | 29.0% | |
| | 2013 | 426,895 | 135,000 | 106,635 | 16,470 | - | - | - | 685,000 | 19.7% | |
| Total | 2014 | 5,967,357 | 2,117,500 | 99,654 | 159,975 | 1,368,750 | 41,354 | 525,668 | 10,280,258 | 39.0% | |
| | 2013 | 5,901,363 | 1,897,500 | 140,407 | 148,230 | 834,167 | 31,632 | 797,984 | 9,751,283 | 36.2% | |

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

2. Reflects annual share-based payments expense and is calculated using the fair value of performance rights at grant date, less any write-back for performance rights lapsed as a result of non-market hurdles not attained.

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

4. Ms A J Mostyn was appointed a KMP on 1 July 2013. FY13 comparatives are provided for information purposes only.

Directors' report continued

11.14.1 Remuneration received or available in the financial year

The below remuneration table has been provided as additional non-statutory information to assist users in understanding the total value of remuneration received by KMP in the current and prior financial years. The remuneration provided in the prior table 11.14 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 payments expense to be calculated using the grant date fair value of the shares rather than current market prices.

| \$ | Year | Total fixed remuneration for FY14 ¹ | STI awarded and paid in FY14 ² | Total payments applicable to FY14 ³ | Previous years awards that vested in FY14 | | | Total remuneration received in FY14 |
|---|------|--|---|--|---|---------------------------------|--|-------------------------------------|
| | | | | | Deferred STI award ³ | Deferred LTI award ⁴ | Deferred share-based awards ⁵ | |
| | | a | b | c=a+b | d | e | f | g=c+d+e+f |
| E Funke Kupper Managing Director and CEO | 2014 | 1,750,000 | 750,000 | 2,500,000 | 500,000 | - | - | 3,000,000 |
| | 2013 | 1,750,000 | 675,000 | 2,425,000 | - | - | - | 2,425,000 |
| R Aziz Chief Financial Officer | 2014 | 425,000 | 100,000 | 525,000 | 85,000 | - | - | 610,000 |
| | 2013 | 425,000 | 90,000 | 515,000 | 75,000 | - | - | 590,000 |
| A J Bardwell Chief Risk Officer | 2014 | 625,000 | 70,000 | 695,000 | 50,000 | - | - | 745,000 |
| | 2013 | 625,000 | 50,000 | 675,000 | - | - | - | 675,000 |
| A J Harkness Group General Counsel and Company Secretary, Group Executive Corporate Affairs | 2014 | 586,986 | 150,000 | 736,986 | 90,000 | - | - | 826,986 |
| | 2013 | 550,000 | 140,000 | 690,000 | 75,000 | - | 69,447 | 834,447 |
| P D Hiom Deputy CEO | 2014 | 800,000 | 560,000 | 1,360,000 | 175,000 | - | - | 1,535,000 |
| | 2013 | 800,000 | 525,000 | 1,325,000 | 175,000 | - | 69,447 | 1,569,447 |
| T J Hogben Group Executive Operations | 2014 | 450,000 | 117,500 | 567,500 | 100,000 | - | - | 667,500 |
| | 2013 | 450,000 | 90,000 | 540,000 | 75,000 | - | 69,447 | 684,447 |
| K A Lewis Chief Compliance Officer | 2014 | 690,000 | 150,000 | 840,000 | 120,000 | - | - | 960,000 |
| | 2013 | 690,000 | 140,000 | 830,000 | 75,000 | 170,000 | - | 1,075,000 |
| A J Mostyn ⁶ Group Executive Human Resources | 2014 | 350,000 | 62,500 | 412,500 | 50,000 | - | - | 462,500 |
| | 2013 | 350,000 | 52,500 | 402,500 | - | - | - | 402,500 |
| T Thurman Chief Information Officer | 2014 | 550,000 | 157,500 | 707,500 | - | - | - | 707,500 |
| | 2013 | 550,000 | 135,000 | 685,000 | - | - | - | 685,000 |

- Fixed remuneration comprises salary, non-monetary benefits, other short-term remuneration and superannuation. Non-monetary benefits are available as salary sacrifice.
- The portion of STI awarded in FY14 but deferred for two years is shown in table 11.14.2.
- This relates to the payment of the cash-based STI awarded in July 2012 (2013: July 2011) and deferred for two years.
- The prior year relates to the vesting of the cash-based LTI awarded in July 2010.
- Prior year figures relate to the vesting of the July 2010 share-based LTI offer. It has been calculated using the total number of shares vested and the ASX-quoted share price at vesting date.
- Ms A J Mostyn was appointed a KMP on 1 July 2013. FY13 comparatives are provided for information purposes only.

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

11.14.2 CEO and Group Executive STI allocations for FY14

| | STI Target ¹ | Total STI awarded ² | | STI portion deferred ³ |
|----------------|-------------------------|--------------------------------|------|-----------------------------------|
| | | \$ | % | \$ |
| E Funke Kupper | 1,500,000 | 1,500,000 | 100% | 750,000 |
| R Aziz | 209,328 | 200,000 | 96% | 100,000 |
| A J Bardwell | 156,250 | 140,000 | 90% | 70,000 |
| A J Harkness | 250,924 | 300,000 | 120% | 150,000 |
| P D Hiom | 775,000 | 735,000 | 95% | 175,000 |
| T J Hogben | 221,642 | 235,000 | 106% | 117,500 |
| K A Lewis | 295,714 | 300,000 | 101% | 150,000 |
| A J Mostyn | 116,667 | 125,000 | 107% | 62,500 |
| T Thurman | 300,000 | 315,000 | 105% | 157,500 |

1. STI values for the 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 2016. The deferred awards are subject to Board review at the time of payout.

11.14.3 CEO and Group Executive LTI allocations for FY14

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

| | Held at 1 July 2013 | Granted as compensation during the year | Vested and exercised during the year | Lapsed during the year | Held at 30 June 2014 |
|----------------|------------------------|---|--|---------------------------|-------------------------|
| E Funke Kupper | 62,590 | 30,108 | - | - | 92,698 |
| R Aziz | - | - | - | - | - |
| A J Bardwell | - | - | - | - | - |
| A J Harkness | - | - | - | - | - |
| P D Hiom | 62,590 | 30,108 | - | - | 92,698 |
| T J Hogben | - | - | - | - | - |
| K A Lewis | - | - | - | - | - |
| A J Mostyn | - | - | - | - | - |
| T Thurman | - | - | - | - | - |

11.14.4 CEO and Group Executive holdings of ordinary shares

| | Held at 1 July 2013 | Received on vesting of rights over deferred shares | Other changes | Held at 30 June 2014 |
|----------------|------------------------|--|---------------|-------------------------|
| E Funke Kupper | 10,000 | - | 1,053 | 11,053 |
| R Aziz | 27,777 | - | 768 | 28,545 |
| A J Bardwell | 4,438 | - | 468 | 4,906 |
| A J Harkness | 2,477 | 2,100 | - | 4,577 |
| P D Hiom | 28,195 | 2,100 | - | 30,295 |
| T J Hogben | 1,231 | 2,100 | - | 3,331 |
| K A Lewis | - | - | - | - |
| A J Mostyn | 29,212 | - | 3,076 | 32,288 |
| T Thurman | - | - | - | - |

Directors' report continued

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

| Grant date: Vesting date: | 7 October 2011 10 October 2014 | 5 October 2012 8 October 2015 | 25 September 2013 26 September 2016 | | | |
|------------------------------|-----------------------------------|----------------------------------|--|---------------------|---------------------|-----------------------|
| | Min \$ ¹ | Max \$ ² | Min \$ ¹ | Max \$ ² | Min \$ ¹ | Max \$ ^{2,3} |
| E Funke Kupper | - | 749,982 | - | 749,994 | - | 749,990 |
| R Aziz | - | - | - | - | - | - |
| A J Bardwell | - | - | - | - | - | - |
| A J Harkness | - | - | - | - | - | - |
| P D Hiom | - | 749,982 | - | 749,994 | - | 749,990 |
| T J Hogben | - | - | - | - | - | - |
| K A Lewis | - | - | - | - | - | - |
| A J Mostyn | - | - | - | - | - | - |
| T Thurman | - | - | - | - | - | - |

1. Since the performance rights are issued at zero exercise price, their minimum total value is nil, on the basis that they will not vest if the applicable performance/vesting conditions are not met.
2. The above amounts represent the maximum fair value for future years of the performance rights yet to vest, as at their grant date. The maximum total value is the number of rights issued multiplied by the weighted average fair value.
3. The fair value of the FY14 grant is \$24.91 for both Mr E Funke Kupper and Mr P D Hiom.

11.15 Non-executive director disclosure tables

Non-executive director remuneration

Details of the remuneration of the non-executive 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 pages 20 and 21 of the corporate governance section for details of directorships and memberships of subsidiary boards and committees.

| \$ | Year | Short-term salary and fees | Post-employment superannuation | Total |
|---|------|----------------------------|--------------------------------|-----------|
| Current | | | | |
| R Holliday-Smith | 2014 | 475,000 | 17,775 | 492,775 |
| | 2013 | 455,083 | 16,470 | 471,553 |
| K R Henry (appointed 1 February 2013) | 2014 | 186,780 | 16,683 | 203,463 |
| | 2013 | 62,083 | 5,588 | 67,671 |
| P R Marriott | 2014 | 287,500 | 17,775 | 305,275 |
| | 2013 | 275,000 | 16,470 | 291,470 |
| H M Ridout (appointed 29 August 2012) | 2014 | 162,500 | 15,031 | 177,531 |
| | 2013 | 115,861 | 10,428 | 126,289 |
| J S Segal | 2014 | 262,500 | 17,775 | 280,275 |
| | 2013 | 260,000 | 16,470 | 276,470 |
| D J Stevens (appointed 19 December 2013) | 2014 | 99,358 | 8,584 | 107,942 |
| P H Warne | 2014 | 265,000 | 17,775 | 282,775 |
| | 2013 | 265,000 | 16,470 | 281,470 |
| Former | | | | |
| R A Aboud (resigned 19 September 2013) | 2014 | 55,000 | 4,444 | 59,444 |
| | 2013 | 173,528 | 14,785 | 188,313 |
| S D Finmore (resigned 19 September 2013) | 2014 | 37,500 | 3,469 | 40,969 |
| | 2013 | 150,000 | 13,500 | 163,500 |
| Total | 2014 | 1,831,138 | 119,311 | 1,950,449 |
| | 2013 | 1,756,555 | 110,181 | 1,866,736 |

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.

| | Held at 1 July 2013 | Other changes | Held at 30 June 2014 | Holding at 21 August 2014 |
|---|------------------------|------------------|-------------------------|------------------------------|
| Current | | | | |
| R Holliday-Smith | 3,825 | 403 | 4,228 | 4,228 |
| K R Henry (appointed 1 February 2013) | - | - | - | - |
| P R Marriott | 3,000 | 316 | 3,316 | 3,316 |
| H M Ridout (appointed 29 August 2012) | - | - | - | - |
| D Roche (appointed 1 August 2014) | N/A | N/A | N/A | - |
| J S Segal | 2,000 | 211 | 2,211 | 2,211 |
| D J Stevens (appointed 19 December 2013) | N/A | - | - | - |
| P H Warne | 6,000 | - | 6,000 | 6,000 |
| Former | | | | |
| R A Aboud (resigned 19 September 2013) | 25,000 | N/A | N/A | N/A |
| S D Finmore (resigned 19 September 2013) | 4,000 | N/A | 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 in accordance with that class order, 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, 21 August 2014



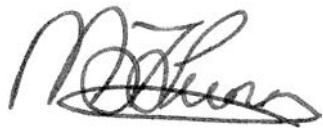
Elmer Funke Kupper
Managing Director and CEO

Auditor's independence declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Matthew Lunn', with a large, stylized flourish at the end.

Matthew Lunn
Partner

Sydney
21 August 2014

PricewaterhouseCoopers

Consolidated statement of comprehensive income

| For the year ended 30 June 2014 | Note | 2014 \$m | 2013 \$m |
|--|------|----------------|----------------|
| Revenue | | | |
| Listings and issuer services | | 156.9 | 140.7 |
| Cash market | | 117.3 | 114.6 |
| Derivatives and OTC markets | | 207.9 | 204.0 |
| Information services | | 68.8 | 61.8 |
| Technical services | | 54.2 | 51.5 |
| Austraclear | | 41.1 | 38.6 |
| Dividend income | | 10.8 | 9.4 |
| Interest income | | 135.6 | 147.6 |
| Other | | 15.9 | 15.7 |
| | | 808.5 | 783.9 |
| Expenses | | | |
| Staff | | (92.4) | (87.2) |
| Occupancy | | (14.3) | (13.7) |
| Equipment | | (24.2) | (23.6) |
| Administration | | (26.5) | (31.2) |
| Depreciation and amortisation | | (33.8) | (30.4) |
| Finance costs | | (75.7) | (103.5) |
| | | (266.9) | (289.6) |
| Profit before income tax expense | | 541.6 | 494.3 |
| Income tax expense | 5 | (158.4) | (146.1) |
| Net profit for the period attributable to owners of the Company | | 383.2 | 348.2 |

| For the year ended 30 June 2014 | Note | 2014 \$m | 2013 \$m |
|--|----------|--------------|--------------|
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss: | | | |
| Change in the fair value of available-for-sale investments | | 15.8 | 16.4 |
| Change in the fair value of available-for-sale financial assets | | - | 0.1 |
| Changes in the fair value of cash flow hedges | | (1.3) | 1.0 |
| Other comprehensive income for the period, net of tax | | 14.5 | 17.5 |
| Total comprehensive income for the period attributable to owners of the Company | | 397.7 | 365.7 |
| Earnings per share | | | |
| Basic earnings per share (cents per share) | 7 | 198.5 | 195.5 |
| Diluted earnings per share (cents per share) | 7 | 198.5 | 195.5 |

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 2014 | Note | 2014 \$m | 2013 \$m |
|-------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and funds on deposit | 8(a) | 2,607.8 | 3,218.6 |
| Available-for-sale financial assets | 8(b) | 2,407.8 | 1,277.6 |
| Receivables | 9 | 274.1 | 229.6 |
| Other assets | 10 | 9.7 | 8.0 |
| Total current assets | | 5,299.4 | 4,733.8 |
| Non-current assets | | | |
| Investments | 11 | 250.5 | 185.6 |
| Property, plant and equipment | 12 | 52.6 | 56.1 |
| Intangible assets – software | 13 | 88.7 | 75.6 |
| Intangible assets – goodwill | 14 | 2,317.6 | 2,317.6 |
| Total non-current assets | | 2,709.4 | 2,634.9 |
| Total assets | | 8,008.8 | 7,368.7 |

| As at 30 June 2014 | Note | 2014 \$m | 2013 \$m |
|--------------------------------------|------|----------------|----------------|
| Current liabilities | | | |
| Payables | 15 | 242.6 | 196.1 |
| Amounts owing to participants | 16 | 3,786.1 | 3,678.6 |
| Current tax liabilities | | 42.3 | 33.0 |
| Provisions | 17 | 13.3 | 13.4 |
| Other current liabilities | 18 | 14.9 | 16.8 |
| Total current liabilities | | 4,099.2 | 3,937.9 |
| Non-current liabilities | | | |
| Amounts owing to participants | 16 | 200.0 | 74.5 |
| Net deferred tax liabilities | 5 | 25.7 | 17.9 |
| Provisions | 17 | 12.8 | 13.2 |
| Other non-current liabilities | 18 | 0.2 | 3.4 |
| Total non-current liabilities | | 238.7 | 109.0 |
| Total liabilities | | 4,337.9 | 4,046.9 |
| Net assets | | 3,670.9 | 3,321.8 |
| Equity | | | |
| Issued capital | 20 | 3,027.2 | 2,746.4 |
| Retained earnings | | 480.9 | 427.6 |
| Restricted capital reserve | 21 | 71.5 | 71.5 |
| Asset revaluation reserve | 21 | 82.5 | 68.0 |
| Equity compensation reserve | 21 | 8.8 | 8.3 |
| Total equity | | 3,670.9 | 3,321.8 |

The consolidated balance sheet should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

| | Note | Issued capital \$m | Retained earnings \$m | Restricted capital reserve \$m | Asset revaluation reserve \$m | Equity compensation reserve \$m | Total equity \$m |
|--|------|-----------------------|--------------------------|-----------------------------------|----------------------------------|------------------------------------|---------------------|
| For the year ended 30 June 2014 | | | | | | | |
| Opening balance at 1 July 2013 | | 2,746.4 | 427.6 | 71.5 | 68.0 | 8.3 | 3,321.8 |
| Profit for the year | | - | 383.2 | - | - | - | 383.2 |
| Other comprehensive income for the year | | - | - | - | 14.5 | - | 14.5 |
| Total comprehensive income for the year, net of tax | | - | 383.2 | - | 14.5 | - | 397.7 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Contributions of equity, net of transaction costs | 20 | 280.8 | - | - | - | - | 280.8 |
| Employee share schemes - value of employee services | 25 | - | - | - | - | 0.5 | 0.5 |
| Dividends provided for or paid | 6 | - | (329.9) | - | - | - | (329.9) |
| Closing balance at 30 June 2014 | | 3,027.2 | 480.9 | 71.5 | 82.5 | 8.8 | 3,670.9 |
| For the year ended 30 June 2013 | | | | | | | |
| Opening balance at 1 July 2012 | | 2,483.2 | 382.3 | 71.5 | 50.5 | 7.5 | 2,995.0 |
| Profit for the year | | - | 348.2 | - | - | - | 348.2 |
| Other comprehensive income for the year | | - | - | - | 17.5 | - | 17.5 |
| Total comprehensive income for the year, net of tax | | - | 348.2 | - | 17.5 | - | 365.7 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Contributions of equity, net of transaction costs | 20 | 263.2 | - | - | - | - | 263.2 |
| Employee share schemes - value of employee services | 25 | - | - | - | - | 0.8 | 0.8 |
| Dividends provided for or paid | 6 | - | (302.9) | - | - | - | (302.9) |
| Closing balance at 30 June 2013 | | 2,746.4 | 427.6 | 71.5 | 68.0 | 8.3 | 3,321.8 |

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

| For the year ended 30 June 2014 | Note | 2014 \$m | 2013 \$m |
|---|-----------|---------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 714.5 | 671.2 |
| Payments to suppliers and employees (inclusive of GST) | | (219.4) | (200.3) |
| | | 495.1 | 470.9 |
| Interest received | | 141.6 | 138.2 |
| Interest paid | | (77.3) | (103.7) |
| Dividends received | | 10.8 | 9.4 |
| Income taxes paid | | (145.3) | (148.2) |
| Net cash inflow from operating activities | 24 | 424.9 | 366.6 |
| Cash flows from investing activities | | | |
| Increase in participants' margins and commitments | | 232.9 | 813.5 |
| Payments for investments | | (42.2) | - |
| Payment for acquisition of subsidiary, net of cash acquired | | - | (53.6) |
| Payments for other non-current assets | | (42.3) | (36.7) |
| Net cash inflow from investing activities | | 148.4 | 723.2 |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares | | 277.9 | 261.6 |
| Repayment of borrowings | | - | (250.0) |
| Dividends paid | | (329.9) | (302.9) |
| Net cash (outflow) from financing activities | | (52.0) | (291.3) |

| For the year ended 30 June 2014 | Note | 2014 \$m | 2013 \$m |
|---|-------------|----------------|----------------|
| Net increase in cash and cash equivalents | | 521.3 | 798.5 |
| (Decrease)/increase in fair value of cash and cash equivalents | | (1.9) | 1.6 |
| Cash and cash equivalents at the beginning of the financial period | | 4,496.2 | 3,696.1 |
| Cash and cash equivalents at the end of the financial period | 8(c) | 5,015.6 | 4,496.2 |
| Cash and cash equivalents consist of: | | | |
| ASX Group funds | 8(c) | 1,029.5 | 743.1 |
| Participants' margins and commitments | 16 | 3,986.1 | 3,753.1 |
| Total cash and cash equivalents* | | 5,015.6 | 4,496.2 |

* 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 issue by the Board of directors on 21 August 2014. The directors have the power to amend and reissue the financial statements.

(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.

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.

Rounding of amounts

ASX is a company of the kind referred to in ASIC Class Order 98/100. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest hundred thousand dollars, unless otherwise indicated.

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).

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 and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time in the annual reporting period that commenced on 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*.

The adoption of AASB 10 during the period resulted in a change in accounting policy explained below. The other standards only affected disclosures in the notes to the financial statements.

The Group also elected to early adopt AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* which had no impact.

Changes in accounting policies – principles of consolidation

AASB 10 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees. As a result, the Group has changed its accounting policy for determining whether it has control over an investee and consequently whether it consolidates that investee.

Subsidiaries are those entities that are controlled by the Group. Control exists where the Group has power over an entity, exposure or rights to variable returns from its involvement with that entity and has

the ability to use that power to affect those returns. In assessing control, in addition to considering the existence of potential voting rights that are presently exercisable or convertible, the Group also considers relationships with other parties that may result in the Group controlling an entity on the basis of de facto circumstances.

The Group reassessed its investments in other entities to assess whether the conclusion to consolidate under the new accounting policy had changed. No differences were identified in the control conclusion and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

New accounting standards and interpretations not yet adopted by the Group

The following new or amended accounting standards and interpretations issued by the AASB have been identified as those which may have a material impact on the Group in the period of initial application. Whilst published, these standards and interpretations were not mandatory for the annual reporting period ended 30 June 2014, and have not been early adopted by the Group. The Group's assessment of the impact of these standards and interpretations is set out below.

- 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* address the classification, measurement

Notes to the financial statements continued

and derecognition of financial assets and financial liabilities, and since December 2013, also sets out new rules for hedge accounting.

AASB 9 is the Australian equivalent of IFRS 9 *Financial Instruments*, which comes as a consequence of the IASB's objective to create an improved and simplified financial instruments standard. The IASB have structured its project into three phases:

Phase 1: Classification and measurement
Phase 2: Impairment methodology
Phase 3: Hedge accounting

AASB 9 and related amending standards are first mandatory for the Group's consolidated financial statements for the year ending 30 June 2019 (as prescribed by AASB 2014-1, refer below). The Group's assessment of the impacts of AASB 9 is ongoing and will continue up until adoption of the standard.

- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* makes changes to existing Standards and Interpretations across three topics. Parts A and B are a consequence of the amendments arising on the issuance of AASB CF 2013-1 *Amendments to the Australian Conceptual Framework*, which amends a number of standards and interpretations to delete references to AASB 1031 *Materiality*. Part A and B amendments are mandatory for the Group's 30 June 2015 consolidated financial statements and do not impact the Group's current accounting policies and practices.

Part C incorporates Chapter 6 *Hedge Accounting* (issued by the IASB) into AASB 9 *Financial Instruments* and makes other

amendments impacting on the accounting for financial instruments. Furthermore, Part C defers the mandatory effective date of AASB 9 from annual reporting periods beginning on or after 1 January 2015 to 1 January 2017. However, the effect of the more recently issued standard AASB 2014-1 *Amendments to Australian Accounting Standards* Part E is that the adoption date of AASB 9 has been deferred by a further year. The Group is yet to complete its assessment of the potential impacts of AASB 2013-9 amendments as they relate to AASB 9.

- AASB 2014-1 *Amendments to Australian Accounting Standards* is an omnibus amending standard comprising five distinct parts. Each part has its own application date and transition provisions.
 - Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles
 - Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119 *Employee Benefits*)
 - Part C: Materiality
 - Part D: Consequential Amendments arising from AASB 14 *Regulatory Deferral Accounts*
 - Part E: Financial Instruments

Parts A, B, C and D have been assessed as either having little or no impact on the Group in their respective periods of initial application.

Part E defers the mandatory effective date of AASB 9 to annual reporting periods beginning on or after 1 January 2018, overriding the previous effective date introduced by AASB 2013-9 Part C. Should

ASX not elect to early adopt AASB 9, the new standard will be first applied in the financial statements for the year ended 30 June 2019. Part E makes further amendments as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9, as well as related amendments to other standards. Part E is applicable to annual reporting periods beginning on or after 1 January 2015, with some amendments only becoming mandatorily applicable from a later date. The Group is yet to complete its assessment of the potential impacts of AASB 2014-1 amendments as they relate to AASB 9.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group 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 2014 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 is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power to direct the activities of the entity. In addition to considering the existence of potential voting rights that are presently exercisable or convertible, the Company also considers relationships with other parties that may result in the Company controlling an entity on the basis of de facto circumstances.

The 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 while ASX Clearing Corporation trust manages the cash 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, as well as the calculation of earnings per share.

(c) Segment reporting

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

(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.

Notes to the financial statements continued

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 and OTC Markets

Derivatives and OTC revenue includes revenue from trading and clearing of futures, options, and contracts-for-difference (CFDs), as well as clearing of OTC interest rate swaps. 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 liquidity access, community and connectivity, application services and hosting, is recognised over the period the service is provided.

Austraclear

Revenue from Austraclear depository, registry and settlement fees is recognised over the period the service is provided. This may involve

deferring a portion of the 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.

(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 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 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

Notes to the financial statements continued

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)).

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 that are expected to benefit from the business combination in which the goodwill arose. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of comprehensive income.

Non-financial assets that are subject to amortisation (including other intangibles) are reviewed for indicators of impairment at the end of each reporting period or 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 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 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 cash and which are subject to an insignificant risk of change 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. Impairment losses are recognised in the statement of comprehensive income.

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.

Notes to the financial statements continued

(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 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 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.

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.

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.

The estimated useful lives of the Group's significant computer software systems are shown in the following table.

| | 2014 | 2013 |
|---|------------|----------|
| Cash market trading system | 5 years | 5 years |
| Derivative trading system | 5 years | 5 years |
| Cash market clearing system | 5 years | 5 years |
| Derivative and OTC clearing systems | 5 years | 10 years |
| Debt depository and collateral management systems | 4–10 years | 10 years |

(q) Hedging activities

The Group enters into hedging arrangements in order to mitigate the risk associated with foreign exchange rate fluctuations. 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.

(r) 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

Notes to the financial statements continued

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.

(s) Interest payable

Interest payable includes interest owed to participants on cash collateral lodged in addition to interest owed on any borrowings. Interest is recognised as a finance cost in the statement of comprehensive income using the effective interest rate method.

(t) 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 are 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.

(u) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised within provisions. All other short-term employee benefit obligations are recognised within payables.

Long-term obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which

the employees render the related service. They are therefore recognised in the provision for employee benefits and 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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Share-based payments

The Group provides performance rights to ordinary shares of the Company to employees as part of the Long-Term Incentive (LTI) 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 LTI 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 wholly settled within 12 months after the end of the reporting date are recognised as current, while the amounts not expected to be wholly settled within 12 months of the reporting date are recognised as non-current.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of when the offer of those benefits can no longer be withdrawn or when costs for a restructure within the scope of AASB 137 are recognised. In the case of a voluntary redundancy offer, the benefits are measured based on the number of employees expected to accept the offer. Benefits not expected to be settled wholly within 12 months after the end of the period are discounted to present value.

Notes to the financial statements continued

(v) 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 DRP allocation price are classified as fully paid ordinary shares.

(w) Treasury shares

Shares held by the Group's Long-Term Incentive Plan trust are for the benefit of employees under the ASX LTI 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).

(x) 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.

(y) Novation of trades

The Group has the following wholly-owned subsidiaries that provide central counterparty clearing services (CCP):

- ASX Clear Pty Limited (ASX Clear), which provides novation of cash market securities and derivatives

- ASX Clear (Futures) Pty Limited (ASX Clear (Futures)), which provides novation of both exchange-traded and OTC derivatives.

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 on both buying and selling legs of the same transaction. 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 22, which are available to support their activities in the event of a default by a clearing participant.

Cash market securities

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

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 the 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 or debt securities are recognised on balance sheet at fair value. Initial margins which are settled by bank guarantees or equity securities are not recognised on balance sheet in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, as the Group 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 13 *Fair Value Measurement*.

(z) Parent entity financial information

The financial information for the parent entity, ASX, disclosed in note 30, 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 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 14(b) 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, foreign currency and equity price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to manage potential adverse effects on the financial performance of the Group. Risk management is carried out 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 are 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 20(e).

The Group holds the following financial assets and liabilities by category.

| As at 30 June 2014 | Note | Available -for-sale \$m | Amortised cost \$m | Total \$m |
|-------------------------------------|------|-------------------------------|--------------------------|----------------|
| Financial assets | | | | |
| Cash and funds on deposit | 8 | - | 2,607.8 | 2,607.8 |
| Available-for-sale financial assets | 8 | 2,407.8 | - | 2,407.8 |
| Receivables | 9 | - | 274.1 | 274.1 |
| Investments | 11 | 250.5 | - | 250.5 |
| Total financial assets | | 2,658.3 | 2,881.9 | 5,540.2 |
| Financial liabilities | | | | |
| Payables | 15 | - | 242.6 | 242.6 |
| Amounts owing to participants | 16 | - | 3,986.1 | 3,986.1 |
| Other liabilities | 18 | - | 0.1 | 0.1 |
| Total financial liabilities | | - | 4,228.8 | 4,228.8 |
| As at 30 June 2013 | | | | |
| Financial assets | | | | |
| Cash and funds on deposit | 8 | - | 3,218.6 | 3,218.6 |
| Available-for-sale financial assets | 8 | 1,277.6 | - | 1,277.6 |
| Receivables | 9 | - | 229.6 | 229.6 |
| Investments | 11 | 185.6 | - | 185.6 |
| Total financial assets | | 1,463.2 | 3,448.2 | 4,911.4 |
| Financial liabilities | | | | |
| Payables | 15 | - | 196.1 | 196.1 |
| Amounts owing to participants | 16 | - | 3,753.1 | 3,753.1 |
| Other liabilities | 18 | - | 3.5 | 3.5 |
| Total financial liabilities | | - | 3,952.7 | 3,952.7 |

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. Under normal circumstances, this risk is negligible as the novation process results in the Group not being directly exposed to any price movements on the contracts (refer to note 1(y)). 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 positions as well as holding initial and sometimes additional margins on cash and derivative positions. The Group also has formal default procedures in place to limit the loss in the event of a participant default or likely default. Separate clearing guarantee funds are in place for each CCP to provide additional resources in the event of a default. Refer to note 22(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 cash collateral and commitment funds lodged by participants.

Variable rate cash investments and money market instruments expose the Group to cash flow interest rate risk, while 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 and commitments 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 Boards of the relevant subsidiaries have also set limits with respect to maximum and weighted average maturity and value at risk limits, 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.

| | Floating interest rate rate \$m | Fixed interest rate rate \$m | Total \$m |
|--|---------------------------------------|------------------------------------|----------------|
| As at 30 June 2014 | | | |
| Interest bearing financial assets | | | |
| Cash and funds on deposit | 897.8 | 1,710.0 | 2,607.8 |
| Available-for-sale financial assets | 965.6 | 1,442.2 | 2,407.8 |
| Total interest bearing financial assets | 1,863.4 | 3,152.2 | 5,015.6 |
| Weighted average interest rate at period end | 2.67% | 3.19% | |
| Interest bearing financial liabilities | | | |
| Amounts owing to participants | 3,986.1 | - | 3,986.1 |
| Total interest bearing financial liabilities | 3,986.1 | - | 3,986.1 |
| Weighted average interest rate at period end | 1.98% | | |
| Net interest bearing financial (liabilities)/assets | (2,122.7) | 3,152.2 | 1,029.5 |
| As at 30 June 2013 | | | |
| Interest bearing financial assets | | | |
| 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 |
| Total interest bearing financial assets | 2,095.4 | 2,400.8 | 4,496.2 |
| Weighted average interest rate at period end | 2.62% | 3.32% | |
| Interest bearing financial liabilities | | | |
| Amounts owing to participants | 3,753.1 | - | 3,753.1 |
| Total interest bearing financial liabilities | 3,753.1 | - | 3,753.1 |
| Weighted average interest rate at period end | 2.10% | | |
| Net interest bearing financial (liabilities)/assets | (1,657.7) | 2,400.8 | 743.1 |

Notes to the financial statements continued

With respect to the prior table:

- floating interest rate refers to financial instruments where the interest rate is subject to change prior to maturity or repayment, predominantly deposits at call and floating rate notes
- fixed interest rate refers to financial instruments where the interest rate is fixed up to maturity, predominantly term deposits, bank accepted bills, negotiable certificates of deposit and bonds.

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 2014, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, equity would have been \$431,042 lower/higher (2013: \$96,314) 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 2014, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, equity would have been \$650,725 lower/higher (2013: \$760,402) due to a change in fair value of available-for-sale financial assets.

Cash flow interest rate risk (net of tax):

At 30 June 2014, if interest rates had increased/decreased by 25 basis points from year end rates with all other variables held constant, profit would be \$747,157 higher/lower (2013: \$718,269) 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), Euros (EUR) and British pounds (GBP). 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 2014, USD 12.3 million and EUR 0.1 million were designated by the Group as the hedging instruments in qualifying cash flow hedges for committed expenditure to be paid in USD (2013: USD 9.3 million) and EUR (2013: EUR 1.7 million).

These amounts are included in the following table. All hedges are expected to be extinguished within 12 months from balance date.

The Group's exposure to foreign currency risk at the end of the period, expressed in AUD, was as follows:

| | 30 June 2014 | | | | 30 June 2013 | | | |
|-------------------------------------|--------------|-------------|------------|------------|--------------|-------------|------------|------------|
| | NZD | USD | EUR | GBP | NZD | USD | EUR | GBP |
| Financial assets: | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Cash and funds on deposit | 80.3 | 257.6 | 0.2 | 0.1 | 99.3 | 305.6 | 2.3 | - |
| Receivables | 0.2 | 0.1 | - | - | 0.3 | 0.1 | - | - |
| Financial liabilities: | | | | | | | | |
| Payables | 0.2 | - | - | - | 0.2 | - | - | - |
| Amounts owing to participants | 79.7 | 243.2 | - | - | 98.9 | 293.4 | - | - |
| Net exposure | 0.6 | 14.5 | 0.2 | 0.1 | 0.5 | 12.3 | 2.3 | - |
| Exchange rate for conversion AUD 1: | 1.0733 | 0.9421 | 0.6904 | 0.5530 | 1.1889 | 0.9248 | 0.7095 | 0.6065 |

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 | |
|-----|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| NZD | 38 | 33 |
| USD | 90 | 144 |
| JPY | 3 | 3 |

A 10 percent strengthening/weakening of the AUD against the USD would have decreased/increased equity by \$0.8 million (net of tax) (2013: \$0.6 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 an insignificant amount (2013: \$0.1 million, net of tax) as a result of foreign currency cash flow commitments designated as cash flow hedges.

Notes to the financial statements continued

(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 2014 was \$250.5 million (2013: \$185.6 million). Management of these risks is by ongoing monitoring of the values with respect to any impairment and considering the financial and other implications of holding these instruments.

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 on trades novated to the CCPs. Under normal circumstances, 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).

Equity price risk sensitivity analysis (net of tax):

A 10 percent increase/decrease in the price of the Group's external listed equity investment (refer note 11) at balance date would have increased/decreased equity by \$17.5 million (2013: \$13.0 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
- daily counterparty credit risk control, including margining and collateral management
- financial resource adequacy, including fixed capital and stress-testing exposure limits
- 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 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 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 22(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 counterparty, as well as minimum credit ratings for counterparties.

The Group's largest single counterparty exposure at the end of the reporting period was \$1,033.5 million (2013: \$1,381.8 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 manages the cash and funds on deposit and available-for-sale financial assets so as to 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 | |
| 2014 | | | | |
| Cash and funds on deposit | 2.5 | 2,249.3 | 356.0 | 2,607.8 |
| Bank bills | - | 58.9 | - | 58.9 |
| Negotiable certificates of deposit | 247.7 | 488.2 | 434.0 | 1,169.9 |
| Floating rate notes | - | 860.1 | 105.5 | 965.6 |
| Bonds | 170.0 | 43.4 | - | 213.4 |
| Total available-for-sale financial assets | 417.7 | 1,450.6 | 539.5 | 2,407.8 |
| 2013 | | | | |
| Cash and funds on deposit | 4.7 | 2,993.9 | 220.0 | 3,218.6 |
| Bank bills | - | 39.9 | - | 39.9 |
| Negotiable certificates of deposit | - | 181.8 | 364.1 | 545.9 |
| Floating rate notes | - | 691.8 | - | 691.8 |
| Total available-for-sale financial assets | - | 913.5 | 364.1 | 1,277.6 |

Notes to the financial statements continued

Other financial assets

Trade and other receivables mainly consist of margins receivable from participants and fees outstanding from market participants, listed corporations, users of market data and other services.

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 and impairment of trade debtor balances are provided in note 9.

Margins receivable from participants at 30 June 2014 were settled in full on 1 July 2014.

Intercompany receivables consist of balances owing between the entities of the Group and are eliminated on consolidation. The parent entity considers the credit risk on these balances to be low.

(c) Liquidity risk

The Group seeks to manage liquidity risk, which includes the maintenance of sufficient cash reserves and marketable securities, in addition to regular forward planning and forecasting of liquidity requirements. Regarding 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. 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. All available-for-sale financial assets are eligible for repurchase in the secondary market. The investment of these balances are managed to provide sufficient liquidity for the routine daily margin settlement. The expected contractual cashflows of these investments, and other financial assets and liabilities, are shown in the following table. The Group did not hold any derivative contracts in the current or prior years.

| | 30 June 2014 | | | | | 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 | |
| Assets | | | | | | |
| Cash and funds on deposit | 1,129.7 | 1,364.4 | 132.1 | - | - | 2,626.2 |
| Available-for-sale financial assets | 740.9 | 353.9 | 1,216.4 | 131.5 | - | 2,442.7 |
| Receivables | 272.7 | 1.4 | - | - | - | 274.1 |
| Investments | - | - | - | - | 250.5 | 250.5 |
| Total assets | 2,143.3 | 1,719.7 | 1,348.5 | 131.5 | 250.5 | 5,593.5 |
| Liabilities | | | | | | |
| Payables | 223.2 | 13.3 | 6.1 | - | - | 242.6 |
| Amounts owing to participants | 3,786.1 | - | - | - | 200.0 | 3,986.1 |
| Other liabilities | 0.1 | - | - | - | - | 0.1 |
| Total liabilities | 4,009.4 | 13.3 | 6.1 | - | 200.0 | 4,228.8 |
| Commitments | | | | | | |
| Capital and operating commitments | 0.7 | 1.5 | 7.6 | 49.1 | - | 58.9 |
| Operating lease commitments | 0.9 | 1.7 | 7.7 | 46.4 | - | 56.7 |
| Total commitments | 1.6 | 3.2 | 15.3 | 95.5 | - | 115.6 |

Notes to the financial statements continued

| | 30 June 2013 | | | | | Total |
|-------------------------------------|-------------------------|--------------------------------|-------------------------------|----------------|--------------------------------|----------------|
| | Up to 1 month \$m | >1 month to 3 months \$m | >3 months to 1 year \$m | >1 year \$m | No specific maturity \$m | \$m |
| Assets | | | | | | |
| 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 |
| Investments | - | - | - | - | 185.6 | 185.6 |
| Total assets | 2,467.0 | 1,434.0 | 846.4 | - | 185.6 | 4,933.0 |
| Liabilities | | | | | | |
| Payables | 175.7 | 13.9 | 6.5 | - | - | 196.1 |
| Amounts owing to participants | 3,678.6 | - | - | - | 74.5 | 3,753.1 |
| Other liabilities | 0.1 | - | 0.3 | 3.1 | - | 3.5 |
| Total liabilities | 3,854.4 | 13.9 | 6.8 | 3.1 | 74.5 | 3,952.7 |
| Commitments | | | | | | |
| 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 |
| Total commitments | 6.2 | 5.3 | 18.2 | 100.0 | - | 129.7 |

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. Available-for-sale financial assets include securities with contractual cash flows beyond one year, however are classified as current assets on the balance sheet as they are expected to be held for less than 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.

(d) Fair value measurements

The Group measures and recognises its investments and available-for-sale financial assets at fair value on a recurring basis.

(i) Fair value hierarchy

AASB 13 *Fair Value Measurements* requires disclosure of fair value measurements by each level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- 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)
- 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 measured and recognised at fair value at 30 June. The Group did not have any financial liabilities measured at fair value at 30 June 2014 (2013: nil).

| | Level 1 \$m | Level 2 \$m | Level 3 \$m | Total \$m |
|--------------------------------------|----------------|----------------|----------------|----------------|
| 30 June 2014 | | | | |
| Assets | | | | |
| Investments | 250.5 | - | - | 250.5 |
| Available-for-sale financial assets: | | | | |
| - Bank bills | - | 58.9 | - | 58.9 |
| - Negotiable certificates of deposit | - | 1,169.9 | - | 1,169.9 |
| - Floating rate notes | - | 965.6 | - | 965.6 |
| - Bonds | 170.0 | 43.4 | - | 213.4 |
| Total assets | 420.5 | 2,237.8 | - | 2,658.3 |
| 30 June 2013 | | | | |
| Assets | | | | |
| 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 |
| Total assets | 185.6 | 1,277.6 | - | 1,463.2 |

Notes to the financial statements continued

There were no transfers between levels for recurring measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting date.

The Group did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2014.

(ii) Valuation techniques used to determine fair values

The fair value of the Group's external listed equity investment is determined by reference to the ASX-quoted closing price at reporting date. The fair value of Australian government bonds are determined by reference to published bond yields. As the fair value of the investment and government bonds are based on quoted market prices in active markets these instruments fall 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 bank-issued bonds are determined by reference to the respective quoted bond yields.

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.

(iii) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to their short-term nature, the carrying amounts of current receivables, current payables and other liabilities are assumed to approximate their fair value. The carrying amount of non-current payables approximates their fair value as the impact of discounting is not significant.

(e) Enforceable master netting arrangements

In the event of a clearing participant defaulting on its obligations, ASX has the right to enforce net settlement of participant's margin requirements and existing collateral balances. Disclosure of net amounts is not considered meaningful as it assumes the highly improbable scenario of all participants defaulting simultaneously.

4. Segment reporting

(a) Description of segment

The Managing Director and CEO, as the 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 OTC 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 of a non-recurring nature. There were no significant items in the current or prior financial year.

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

(b) Segment results

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

Notes to the financial statements continued

| Year ended 30 June 2014 | Segment information \$m | Adjustments \$m | Consolidated income statement \$m |
|--------------------------------|------------------------------------|----------------------------|--|
| Revenue | | | |
| Listings and issuer services | 154.9 | 2.0 | 156.9 |
| Cash market | 117.3 | - | 117.3 |
| Derivatives and OTC markets | 207.7 | 0.2 | 207.9 |
| Information services | 68.8 | - | 68.8 |
| Technical services | 52.9 | 1.3 | 54.2 |
| Austraclear | 41.1 | - | 41.1 |
| Other | 15.6 | 0.3 | 15.9 |
| Operating revenues | 658.3 | | |
| Interest income | | 135.6 | 135.6 |
| Dividend income | | 10.8 | 10.8 |
| Total revenue | | 150.2 | 808.5 |
| Expenses | | | |
| Staff | 92.4 | - | 92.4 |
| Occupancy | 14.3 | - | 14.3 |
| Equipment | 23.0 | 1.2 | 24.2 |
| Administration | 16.3 | 10.2 | 26.5 |
| Variable | 4.3 | (4.3) | - |
| ASIC supervision levy | 3.3 | (3.3) | - |
| Operating expenses | 153.6 | | |
| EBITDA | 504.7 | | |
| Finance costs | | 75.7 | 75.7 |
| Depreciation and amortisation | 33.8 | - | 33.8 |
| Total expenses | | 79.5 | 266.9 |
| EBIT | 470.9 | | |

| Year ended 30 June 2014 | Segment information \$m | Adjustments \$m | Consolidated income statement \$m |
|---|------------------------------------|----------------------------|--|
| Net interest and dividend income | | | |
| Net Interest income | 28.6 | (28.6) | - |
| Net interest on participant balances | 31.3 | (31.3) | - |
| Dividend income | 10.8 | (10.8) | - |
| Net interest and dividend income | 70.7 | (70.7) | - |
| Profit before tax | 541.6 | - | 541.6 |
| Income tax expense | (158.4) | - | (158.4) |
| Profit after tax | 383.2 | - | 383.2 |

Notes to the financial statements continued

| Year ended 30 June 2013 | Segment information \$m | Adjustments \$m | Consolidated income statement \$m |
|--------------------------------|------------------------------------|----------------------------|--|
| Revenue | | | |
| Listings and issuer services | 139.7 | 1.0 | 140.7 |
| Cash market | 114.6 | - | 114.6 |
| Derivatives and OTC markets | 197.3 | 6.7 | 204.0 |
| Information services | 61.8 | - | 61.8 |
| Technical services | 49.8 | 1.7 | 51.5 |
| Austraclear | 38.6 | - | 38.6 |
| Other | 15.6 | 0.1 | 15.7 |
| Operating revenues | 617.4 | | |
| Interest income | | 147.6 | 147.6 |
| Dividend income | | 9.4 | 9.4 |
| Total revenue | | 166.5 | 783.9 |
| Expenses | | | |
| 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) | - |
| Operating expenses | 146.2 | | |
| EBITDA | 471.2 | | |
| Finance costs | | 103.5 | 103.5 |
| Depreciation and amortisation | 30.4 | - | 30.4 |
| Total expenses | | 113.0 | 289.6 |
| EBIT | 440.8 | | |

| Year ended 30 June 2013 | Segment information \$m | Adjustments \$m | Consolidated income statement \$m |
|---|------------------------------------|----------------------------|--|
| Net interest and dividend income | | | |
| Net Interest income | 13.1 | (13.1) | - |
| Net interest on participant balances | 31.0 | (31.0) | - |
| Dividend income | 9.4 | (9.4) | - |
| Net interest and dividend income | 53.5 | (53.5) | - |
| Profit before tax | 494.3 | - | 494.3 |
| Income tax expense | (146.1) | - | (146.1) |
| Profit after tax | 348.2 | - | 348.2 |

(c) Geographical information

The revenue from external parties is measured in the same way as in the statement of comprehensive income. ASX derives all external customer revenue within Australia.

(d) Major customers

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

Notes to the financial statements continued

5. Taxation

| | 2014 \$m | 2013 \$m |
|---|----------------|----------------|
| (a) Income tax expense | | |
| Profit before income tax expense | 541.6 | 494.3 |
| Prima facie income tax expense calculated at 30% (2013: 30%) on the profit before tax | (162.5) | (148.3) |
| Movement in income tax expense due to: | | |
| Non-deductible items | (0.2) | (0.4) |
| Franking credit offset | 2.7 | 2.5 |
| Adjustments to current tax for prior periods | 1.0 | 0.1 |
| Research and development tax offset | 0.6 | - |
| Total income tax expense | (158.4) | (146.1) |
| (b) Major components of income tax expense | | |
| Current tax expense | (155.6) | (144.6) |
| Movement in deferred tax liability | (3.4) | (1.6) |
| Movement in deferred tax asset | (0.4) | - |
| Adjustments for current tax of prior periods | 1.0 | 0.1 |
| Total income tax expense | (158.4) | (146.1) |
| (c) Deferred income tax on items recognised directly in equity | | |
| Rights issue | 2.1 | 2.0 |
| Total | 2.1 | 2.0 |
| (d) Income tax on items recognised directly in other comprehensive income | | |
| Revaluation of investments | (6.8) | (7.1) |
| Revaluation of cash flow hedges | 0.6 | (0.4) |
| Total | (6.2) | (7.5) |

| | 2014 \$m | 2013 \$m |
|--|---------------|---------------|
| (e) Deferred tax asset/(liability)* | | |
| Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2013: 30%) of the below items. | | |
| Provisions for: | | |
| Doubtful debts | 0.4 | 0.4 |
| Employee entitlements | 9.5 | 8.7 |
| Premises provisions | 3.5 | 3.6 |
| Accrued expenses | 3.9 | 3.1 |
| Revenue received in advance | 3.6 | 3.4 |
| Revaluation of cash flow hedges | 0.1 | - |
| Deferred tax asset | 21.0 | 19.2 |
| Deferred tax liability comprises the estimated future expense at an income tax rate of 30% (2013: 30%) of the following items: | | |
| Fixed assets | (11.0) | (7.6) |
| Revaluation of investments | (35.1) | (28.4) |
| 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) |
| Deferred tax liability | (46.7) | (37.1) |
| Net deferred tax liability | (25.7) | (17.9) |

* 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.

Notes to the financial statements continued

6. Dividends

Dividends recognised and paid by the Company in the year ended 30 June 2014:

| | Cents per share | Total amount \$m |
|--|-----------------------|------------------------|
| Final dividend for the year ended 30 June 2013 | 82.3 | 159.3 |
| Interim dividend for the year ended 30 June 2014 | 88.2 | 170.8 |
| Total amount | 170.5 | 330.1 |

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. The dividend revenue recognised by LTIP of \$0.2 million (2013: \$0.1 million) has been eliminated on consolidation.

Dividends recognised and paid by the Company in the prior 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 |
| Total amount | 173.0 | 302.9 |

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 24 September 2014. 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 2014 | 89.9 | 174.0 |
| Total amount | 89.9 | 174.0 |

The final dividend has not been recognised in the financial statements for the year ended 30 June 2014, and will be recognised in the following reporting period.

Dividend franking account

| | Company | |
|--|-------------|-------------|
| | 2014 \$m | 2013 \$m |
| Franking credits available for subsequent reporting periods based on a tax rate of 30% | 169.0 | 153.7 |

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 2014, the franking balance will be \$94.5 million (2013: \$85.4 million).

7. Earnings per share

| | 2014 | 2013 |
|--|-------|-------|
| Basic and diluted earnings per share (cents) | 198.5 | 195.5 |

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 | 193,022,315 | 175,288,375 |
| Bonus element of rights issue | - | 2,779,948 |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 193,022,315 | 178,068,323 |

The basic and diluted earnings per share (EPS) amounts have been calculated on the basis of net profit after tax of \$383.2 million (2013: \$348.2 million).

In the prior year, the Group undertook a pro rata rights issue as detailed in note 20(d). 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 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.

Notes to the financial statements continued

8. Cash and funds on deposit and available-for-sale financial assets

(a) Cash and funds on deposit

| | 2014 \$m | 2013 \$m |
|----------------------------------|----------------|----------------|
| Cash at call | 897.8 | 1,403.6 |
| Deposits | 1,710.0 | 1,815.0 |
| Cash and funds on deposit | 2,607.8 | 3,218.6 |

(b) Available-for-sale financial assets

| | | |
|---|----------------|----------------|
| Money market instruments – at cost | 2,406.9 | 1,276.6 |
| Revaluation recognised directly in equity | 0.9 | 1.0 |
| Money market instruments – at fair value | 2,407.8 | 1,277.6 |

Money market instruments

Money market instruments, including bank bills, certificates of deposit, bonds 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 | 2,607.8 | 3,218.6 |
| Money market instruments – at fair value | 2,407.8 | 1,277.6 |
| Total cash and funds on deposit and available-for-sale financial assets | 5,015.6 | 4,496.2 |
| Less: participant balances (refer note 16) | (3,986.1) | (3,753.1) |
| ASX Group funds as per statement of cash flows | 1,029.5 | 743.1 |

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, under cash and derivatives markets, are calculated and settled daily. In the event of default by a clearing participant on its obligations under contracts, ASX Clear and ASX Clear (Futures) have the authority to retain collateral deposited by the defaulting clearing participant to satisfy its obligations.

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 21(b). The cash is included in the previous table in cash and funds on deposit, and is also recognised as a restricted capital reserve within equity on the balance sheet.

None of the above financial assets are either past due or impaired.

9. Receivables

| | 2014 \$m | 2013 \$m |
|---|--------------|--------------|
| Current | | |
| Trade receivables | 69.6 | 66.3 |
| Less: provision for impairment | (1.5) | (1.3) |
| | 68.1 | 65.0 |
| Margins receivable | 186.9 | 137.5 |
| Accrued revenue | 10.2 | 12.0 |
| Interest receivable | 8.2 | 14.2 |
| Other debtors | 0.7 | 0.9 |
| Total | 274.1 | 229.6 |
| Trade receivables aged analysis | | |
| As at 30 June, the aged analysis for trade receivables of the Group was as follows: | | |
| Not past due | 62.3 | 59.2 |
| Past due 0-30 days | 2.8 | 2.7 |
| Past due 31-60 days | 1.8 | 1.0 |
| Past due 61-90 days | 1.0 | 0.5 |
| Past due 91 days and over | 0.2 | 1.6 |
| Total trade receivables not impaired | 68.1 | 65.0 |
| Trade receivables impaired | 1.5 | 1.3 |
| Total trade receivables | 69.6 | 66.3 |

Notes to the financial statements continued

Impaired trade receivables

As at 30 June 2014, the Group had provided for \$1.5 million (2013: \$1.3 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:

| | 2014 \$m | 2013 \$m |
|--|--------------|--------------|
| At 1 July | (1.3) | (1.5) |
| Provision for impairment recognised during the year | (0.4) | (0.4) |
| Receivables written-off during the year as uncollectable | 0.1 | 0.4 |
| Provisions subsequently reversed | 0.1 | 0.2 |
| At 30 June | (1.5) | (1.3) |

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 written-off when there is no expectation of recovering the balance.

Past due but not impaired

As at 30 June 2014, \$5.8 million (2013: \$5.8 million) of trade receivables were past due but not impaired. These balances relate to a number of individual customers with whom the Group expects to recover the debts.

The other classes within receivables do not include any amounts that are past due 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 2014.

10. Other assets

| | 2014 \$m | 2013 \$m |
|--------------|-------------|-------------|
| Prepayments | 9.7 | 8.0 |
| Total | 9.7 | 8.0 |

Prepayments include prepaid system maintenance, licence fees, insurance and rent which are all incurred in the ordinary course of business.

11. Investments

| Non-current | | |
|-----------------------------|--------------|--------------|
| | 2014 \$m | 2013 \$m |
| Listed shares at fair value | 250.5 | 185.6 |
| Total | 250.5 | 185.6 |

At 30 June 2014, ASX held 19.2% (2013: 19.1%) 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.

In August 2013, ASX participated in the institutional component of a 2 for 9 pro rata accelerated renounceable entitlement 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. In addition to this, ASX purchased 331,350 shares on market for the consideration of \$2.9 million.

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.

Notes to the financial statements continued

12. 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 |
|--------------------------------|----------------------------------|-------------------------------|------------------------------|--------------|
| At 1 July 2012 | | | | |
| Cost | 26.0 | 45.1 | 83.4 | 154.5 |
| Accumulated depreciation | (9.1) | (22.2) | (57.7) | (89.0) |
| Net book value | 16.9 | 22.9 | 25.7 | 65.5 |
| Year ended 30 June 2013 | | | | |
| Opening net book value | 16.9 | 22.9 | 25.7 | 65.5 |
| 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) |
| Closing net book value | 14.6 | 20.2 | 21.3 | 56.1 |
| At 30 June 2013 | | | | |
| Cost | 26.2 | 45.3 | 87.2 | 158.7 |
| Accumulated depreciation | (11.6) | (25.1) | (65.9) | (102.6) |
| Net book value | 14.6 | 20.2 | 21.3 | 56.1 |
| Year ended 30 June 2014 | | | | |
| Opening net book value | 14.6 | 20.2 | 21.3 | 56.1 |
| Additions | 1.9 | 0.4 | 6.3 | 8.6 |
| Depreciation expense | (2.5) | (2.8) | (6.5) | (11.8) |
| Impairment and write-downs | (0.3) | - | - | (0.3) |
| Closing net book value | 13.7 | 17.8 | 21.1 | 52.6 |
| At 30 June 2014 | | | | |
| Cost | 27.8 | 45.7 | 93.3 | 166.8 |
| Accumulated depreciation | (14.1) | (27.9) | (72.2) | (114.2) |
| Net book value | 13.7 | 17.8 | 21.1 | 52.6 |

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:

| | 2014 \$m | 2013 \$m |
|------------------------|-------------|-------------|
| Leasehold improvements | 0.4 | 0.1 |
| Plant and equipment | 0.1 | - |
| Computer equipment | 3.0 | 1.0 |
| Total | 3.5 | 1.1 |

Impairment

The carrying value of an office fitout was written down to nil during the year following the decision to upgrade these premises. The impairment charge of \$0.3 million was recognised within depreciation and amortisation in the statement of comprehensive income. There were no impairments of property, plant and equipment in the prior financial year.

13. Intangible assets – software

The movements in the intangible asset balances are as follows:

| | 2014 \$m | 2013 \$m |
|-------------------------------|-------------|-------------|
| At 1 July | | |
| Cost | 217.7 | 183.8 |
| Accumulated amortisation | (142.1) | (126.1) |
| Net book value | 75.6 | 57.7 |
| Opening net book value | | |
| Acquisition of subsidiary | - | 0.1 |
| Additions | 34.8 | 34.5 |
| Amortisation expense | (21.2) | (16.4) |
| Impairment and write-downs | (0.5) | (0.3) |
| Closing net book value | 88.7 | 75.6 |
| At 30 June | | |
| Cost | 251.9 | 217.7 |
| Accumulated amortisation | (163.2) | (142.1) |
| Net book value | 88.7 | 75.6 |

Notes to the financial statements continued

Assets in the course of development

The carrying amounts of the assets disclosed above include \$27.6 million (2013: \$31.9 million) of intangible assets – software that is in the course of development.

Impairment

The impairment in the current and prior financial year relates to certain intangible assets that were identified as having no future economic benefit to the Group. Impairment charges were recognised within depreciation and amortisation in the statement of comprehensive income.

14. Intangible assets – goodwill

| | 2014 \$m | 2013 \$m |
|-----------------------------------|----------------|----------------|
| Opening balance at 1 July | 2,317.6 | 2,262.8 |
| Movements during the year | – | 54.8 |
| Closing balance at 30 June | 2,317.6 | 2,317.6 |

During the prior 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.

(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. Goodwill is tested semi-annually or more frequently if there are indicators of impairment. Management determined the Group to consist of two CGUs, namely exchange-traded and non exchange-traded.

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial estimates reviewed by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates 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
- non exchange-traded: \$75.4 million.

No impairment charge arose in the current or prior year.

(b) Key assumptions used for value-in-use calculations

Management determined budgeted operating results based on past performance and expectations for the future. The growth rates used for revenue and expense projections are consistent with, or lower than, historical trends for the CGUs.

The pre-tax discount rate used is 10.5% (2013: 10.5%) for all CGU's and reflects risk-adjusted estimates. The growth rate used to extrapolate cash flow projections beyond five years is 3.5% (2013: 3.5%) per annum for the exchange-traded CGU and 3.5% (2013: 3.0%) per annum for the non exchange-traded CGU.

15. Payables

| | 2014 \$m | 2013 \$m |
|---------------------------|--------------|--------------|
| Trade creditors | 1.1 | 0.8 |
| Margins payable | 186.9 | 137.5 |
| Interest payable | 6.2 | 7.7 |
| Rebates payable | 12.4 | 15.6 |
| Transaction taxes payable | 5.2 | 5.5 |
| Employee-related payables | 17.3 | 14.6 |
| Expense accruals | 11.6 | 11.5 |
| Other payables | 1.9 | 2.9 |
| Total | 242.6 | 196.1 |

16. Amounts owing to participants

| | 2014 \$m | 2013 \$m |
|--------------|----------------|----------------|
| Current | 3,786.1 | 3,678.6 |
| Non-current | 200.0 | 74.5 |
| Total | 3,986.1 | 3,753.1 |

The current amounts owing to participants represent collateral lodged to cover margin requirements on unsettled derivative contracts and cash market trades. 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 22(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.

Notes to the financial statements continued

17. Provisions

| | 2014 \$m | 2013 \$m |
|---------------------|-------------|-------------|
| Current | | |
| Employee provisions | 11.3 | 11.7 |
| Premises provisions | 2.0 | 1.7 |
| Total | 13.3 | 13.4 |
| Non-current | | |
| Employee provisions | 3.2 | 3.0 |
| Premises provisions | 9.6 | 10.2 |
| Total | 12.8 | 13.2 |

The movement in the premises provision during the year is set out below.

| | 2014 \$m | 2013 \$m |
|---------------------------------------|-------------|-------------|
| Opening balance at 1 July | 11.9 | 15.3 |
| Provisions used during the period | (1.7) | (4.2) |
| Provisions reversed during the period | - | (0.5) |
| Additions during the period | 1.3 | 1.3 |
| Unwinding of discount | 0.1 | - |
| Closing balance at 30 June | 11.6 | 11.9 |

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 2014, the provision for surplus lease space was \$0.2 million (2013: \$0.5 million).

The provision for employee benefits predominantly relates to annual and long service leave obligations.

18. Other liabilities

| | 2014 \$m | 2013 \$m |
|--------------------------------|-------------|-------------|
| Current | | |
| Revenue received in advance | 14.8 | 16.4 |
| Other current liabilities | 0.1 | 0.4 |
| Total | 14.9 | 16.8 |
| Non-current | | |
| Revenue received in advance | 0.2 | 0.3 |
| Other non-current liabilities | - | 3.1 |
| Total | 0.2 | 3.4 |
| Total other liabilities | 15.1 | 20.2 |

19. Commitments

(a) Capital commitments

Capital commitments contracted for but not yet incurred as at balance date are as follows:

| | 2014 \$m | 2013 \$m |
|------------------------------|-------------|-------------|
| Intangible assets - software | - | 9.0 |
| Total | - | 9.0 |

(b) Operating lease commitments

Commitments for minimum lease payments of non-cancellable leases:

| Due: | 2014 \$m | 2013 \$m |
|---|-------------|-------------|
| Not later than one year | 10.3 | 9.8 |
| Later than one year but not later than five years | 29.7 | 34.2 |
| Later than five years | 16.7 | 15.9 |
| Total | 56.7 | 59.9 |

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. The operating lease expense for the year was \$10.8 million (2013: \$10.7 million).

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20. Issued capital

(a) Movements in ordinary share capital

| | 2014 \$m | 2013 \$m |
|--|----------------|----------------|
| Opening balance at 1 July | 2,746.4 | 2,483.2 |
| Rights issue | 285.9 | 267.9 |
| Less: transaction costs relating to the rights issue | (7.2) | (6.7) |
| Deferred tax credit recognised directly in equity | 2.1 | 2.0 |
| Closing balance at 30 June | 3,027.2 | 2,746.4 |

| | 2014 No. of shares | 2013 No. of shares |
|-----------------------------------|--------------------------|--------------------------|
| Opening balance at 1 July | 184,066,764 | 175,136,729 |
| Rights issue | 9,528,398 | 8,930,035 |
| Closing balance at 30 June | 193,595,162 | 184,066,764 |

(b) Treasury shares

| | 2014 | 2013 |
|---|------------------|------------------|
| Opening balance at 1 July | (181,269) | (192,069) |
| Issue of deferred shares under the LTI plan | - | 10,800 |
| Closing balance at 30 June | (181,269) | (181,269) |

The Group's Long-Term Incentive Plan trust holds treasury shares for the benefit of employees under the ASX LTI plan as described in the remuneration report. The shares are deducted from the equity compensation reserve in equity. The carrying value of the treasury shares at 30 June 2014 was \$8.0 million (2013: \$8.0 million).

(c) 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. Ordinary shares have no par value and ASX does not have a limited amount of authorised capital. At 30 June 2014, 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.

(d) 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 \$200.0 million to ASX Clear (Futures) to address emerging international capital standards for clearing houses
- replace the Group's \$250.0 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.

(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 and OTC 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.

The Board's objective is to maintain a prudent surplus of 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 22(a).

The Group's capital requirements are subject to change from time to time. Some factors that may impact on 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 or other licensed activities. Regulatory standards applying to many financial market participants have increased in recent years and there is an expectation that these may increase further over time. There may also be uncertainty over the application of new regulatory standards

Notes to the financial statements continued

- 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.

In accordance with the Group's objectives and policies, its capital is invested at an appropriate liquidity profile, taking into consideration the 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 default risk within the Group's central counterparty clearing activities is disclosed in note 22(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.

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 access to sufficient capital reserves which are based on a risk-based capital adequacy calculation. During the prior financial year, the Board determined to increase the capital base of the Group through the issue of new securities as described in note 20(d). The decision was made in anticipation of emerging international capital standards for central clearing counterparties (which have since become applicable), 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.

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 are shown in note 22(a).

21. 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, \$71.5 million

The restricted capital reserve was created when funds were transferred from the National Guarantee Fund to ASX Clear in 2005. Under the terms of the transfer, ASX Clear must not, without first obtaining the consent in writing

of the Assistant Treasurer (the Minister), take action to use these funds for a purpose other than clearing and settlement support.

Asset revaluation reserve, \$82.5 million

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 11 for the market value). There was no impairment in investments during the current or prior financial year.

Equity compensation reserve, \$8.8 million

The equity compensation reserve is used to recognise the fair value of performance rights issued under the ASX LTI plan. Treasury shares held on trust under the LTI plan are deducted from the equity compensation reserve, net of tax.

22. Contingencies

(a) Novation

The Group, through the operation of its licensed clearing subsidiaries, has contingent liabilities as detailed below. ASX Clear and ASX Clear (Futures) 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 and ASX Clear (Futures) are wholly-owned subsidiaries of ASX Clearing Corporation Limited (ASXCC) which is a wholly-owned subsidiary of ASX.

ASX Clear

ASX Clear is the counterparty to certain derivative contracts and cash market securities transactions. Derivative contracts include exchange-traded options, futures and warrants. 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 and the buying party with the contract between ASX Clear and the selling party. From ASX Clear's perspective, all positions are matched.

As at 30 June 2014, total collateral lodged by clearing participants was \$4,739.5 million (2013: \$4,446.2 million). This was made up of the following:

- cash of \$549.8 million (30 June 2013: \$561.5 million)
- bank guarantees of \$15.7 million (30 June 2013: \$17.5 million)
- equity securities of \$4,174.0 million (30 June 2013: \$3,867.2 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 2014 were subsequently settled.

ASX Clear has the following financial resources available to support its central counterparty clearing activities (over and above collateral deposited by participants):

Notes to the financial statements continued

| | 30 June 2014 \$m | 30 June 2013 \$m |
|---|------------------------|------------------------|
| Restricted capital reserve | 71.5 | 71.5 |
| Equity provided by the Group | 103.5 | 103.5 |
| Subordinated debt provided by the Group | 75.0 | 75.0 |
| Paid in resources | 250.0 | 250.0 |
| Emergency assessments | 300.0 | 300.0 |
| Total financial resources | 550.0 | 550.0 |

The financial resources at 30 June 2014 available to ASX Clear in the event of a clearing default would be applied in the following order as set out in the ASX Clear clearing rule 8.3.1 Application of Clearing Assets:

- collateral or other margin or contributions lodged by the defaulting participant with ASX Clear
- restricted capital reserve of \$71.5 million
- equity capital of \$103.5 million and subordinated debt of \$75.0 million provided by ASXCC
- contributions lodged by non-defaulting participants under the ASX Clear clearing rules. No contributions were lodged in the current or prior year
- emergency assessments of \$300.0 million which can be levied on participants (nil has been levied for periods ending 30 June 2014 and 2013).

In accordance with the Financial Stability Standards, ASX Clear has determined the Reserve Requirement to be \$150.0 million. As the Reserve Requirement may vary from time

to time, ASX Clear has the obligation to provide financial resources to cover any shortfall in the Reserve Requirement. ASX Clear may utilise a number of alternatives to provide these financial resources including equity, debt and participant commitments.

ASX Clear (Futures)

ASX Clear (Futures) is the counterparty to certain exchange-traded and OTC derivative contracts. Transactions between two participating organisations are replaced by novation, which simultaneously offsets the contract between ASX Clear (Futures) and the buying organisation with the contract between ASX Clear (Futures) and the selling organisation. From ASX Clear (Futures) perspective, all positions are matched.

ASX Clear (Futures) 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) participants are required to lodge collateral on positions novated to the CCP. As at 30 June 2014, total collateral lodged by clearing participants and recognised on balance sheet was \$3,236.3 million (30 June 2013: \$3,117.2 million). This was made up of the following:

- cash of \$3,118.3 million (30 June 2013: \$3,117.2 million)
- debt securities of \$118.0 million (30 June 2013: nil).

All net payment obligations relating to derivative market transactions owing to or by clearing participants of ASX Clear (Futures) as at 30 June 2014 were subsequently settled.

In the current financial year, the Group made a number of changes to the composition and amount of the Clearing Guarantee Fund available to ASX Clear (Futures). The changes relate to the following:

- futures clearing – ASX Clear (Futures) reduced futures participant financial commitments by \$20.0 million and replaced it with subordinated debt provided by the Group
- secondary commitments – on 1 July 2013, the obligation to provide secondary commitments was removed
- international standards – the Group provided additional equity of \$180.0 million to ASX Clear (Futures) to increase the default fund to meet ASX's estimate of 'Cover 2' capital standards
- OTC derivatives clearing – OTC participants contributed \$100.0 million of financial commitments towards the Clearing Guarantee Fund.

The above changes are shown in the following table of resources available to ASX Clear (Futures) to support its central counterparty clearing activities (over and above collateral deposited by participants) as follows:

| | 30 June 2014 \$m | 30 June 2013 \$m |
|---|------------------------|------------------------|
| Equity provided by the Group | 30.0 | 30.0 |
| Subordinated debt provided by the Group | 90.0 | 70.0 |
| Participant financial backing | 100.0 | 120.0 |
| Equity provided by the Group | 150.0 | 150.0 |
| Participant financial backing | 100.0 | - |
| Equity provided by the Group | 180.0 | - |
| Paid in resources | 650.0 | 370.0 |
| Secondary commitments | - | 30.0 |
| Total financial resources | 650.0 | 400.0 |

The financial resources available to ASX Clear (Futures) will be applied in the following order in the event of a participant default:

- collateral and participant financial backing lodged by the defaulting participant with ASX Clear (Futures)
- equity capital of \$30.0 million and subordinated debt of \$90.0 million provided by ASXCC, the immediate parent entity
- participant financial backing lodged by participants, totalling \$100.0 million. Any defaulting participant's financial backing in this total will be included in amounts previously applied as part of (1) above
- equity capital of \$150.0 million provided by the Group
- participant financial backing lodged by participants, totalling \$100.0 million
- equity capital of \$180.0 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 participants' 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.

(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 2014 were \$103.8 million (30 June 2013: \$103.9 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 \$76.0 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. 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.

23. 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 (the Deed) under which each company guarantees the debts of the others.

The subsidiaries subject to the Deed at the end of the reporting period are:

| Subsidiary name | ABN/ACN |
|---|----------------|
| 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 |

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'.

There were no entities added or removed from the Deed during the year.

(a) Consolidated statement of comprehensive income and summary of movements in retained earnings

Set out below is a consolidated statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 30 June 2014, and the prior financial year, for the Closed Group consisting of ASX Limited and the above mentioned parties to the Deed.

| | 2014 \$m | 2013 \$m |
|---|--------------|--------------|
| Statement of comprehensive income | | |
| Total revenue | 720.4 | 664.7 |
| Total expenses | 196.0 | 186.0 |
| Profit before income tax expense | 524.4 | 478.7 |
| Income tax expense | (141.4) | (135.2) |
| Net profit after tax | 383.0 | 343.5 |
| Items that may be reclassified to profit or loss: | | |
| Change in the fair value of investments | 15.8 | 16.4 |
| Change in the fair value of cash flow hedges | (1.3) | 1.0 |
| Other comprehensive income for the year, net of tax | 14.5 | 17.4 |
| Total comprehensive income for the year | 397.5 | 360.9 |
| Summary of movements in consolidated retained earnings | | |
| Retained earnings at the beginning of the year | 427.1 | 386.6 |
| Dividends paid | (330.1) | (303.0) |
| Profit for the year | 383.0 | 343.5 |
| Retained earnings at the end of the year | 480.0 | 427.1 |

Notes to the financial statements continued

(b) Balance sheet

Set out below is a consolidated balance sheet for the year ended 30 June 2014, and the prior financial year, for the Closed Group consisting of ASX Limited and the above mentioned parties to the Deed.

| | 2014 \$m | 2013 \$m |
|-------------------------------------|----------------|----------------|
| Current assets | | |
| Cash and funds on deposit | 242.8 | 162.7 |
| Available-for-sale financial assets | 66.7 | 64.8 |
| Receivables | 56.0 | 50.9 |
| Other assets | 9.7 | 7.9 |
| Total current assets | 375.2 | 286.3 |
| Non-current assets | | |
| Investments | 807.4 | 562.5 |
| Receivables | 167.2 | 151.7 |
| Property, plant and equipment | 52.6 | 56.1 |
| Intangible assets – software | 88.1 | 74.6 |
| Intangible assets – goodwill | 2,262.8 | 2,262.8 |
| Total non-current assets | 3,378.1 | 3,107.7 |
| Total assets | 3,753.3 | 3,394.0 |

| | 2014 \$m | 2013 \$m |
|--------------------------------------|----------------|----------------|
| Current liabilities | | |
| Payables | 47.2 | 48.4 |
| Current tax liabilities | 41.8 | 32.8 |
| Provisions | 13.2 | 13.2 |
| Other current liabilities | 14.9 | 16.8 |
| Total current liabilities | 117.1 | 111.2 |
| Non-current liabilities | | |
| Deferred tax liabilities | 25.3 | 17.3 |
| Provisions | 12.8 | 13.2 |
| Other non-current liabilities | 0.2 | 3.3 |
| Total non-current liabilities | 38.3 | 33.8 |
| Total liabilities | 155.4 | 145.0 |
| Net assets | 3,597.9 | 3,249.0 |
| Equity | | |
| Issued capital | 3,027.2 | 2,746.4 |
| Retained earnings | 480.0 | 427.1 |
| Asset revaluation reserve | 81.9 | 67.2 |
| Equity compensation reserve | 8.8 | 8.3 |
| Total equity | 3,597.9 | 3,249.0 |

Notes to the financial statements continued

24. Notes to the statement of cash flows

| | 2014 \$m | 2013 \$m |
|---|--------------|--------------|
| Reconciliation of the operating profit after income tax to the net cash flows from operating activities | | |
| Net profit after tax | 383.2 | 348.2 |
| Add non-cash items: | | |
| Depreciation and amortisation | 33.0 | 30.0 |
| Share-based payments | 0.5 | 0.8 |
| Net loss on disposal and impairment of non-current assets | 0.8 | 0.4 |
| Changes in assets and liabilities: | | |
| Increase/(decrease) in tax balances | 13.1 | (2.2) |
| Decrease/(increase) in current receivables | 4.8 | (15.3) |
| (Increase) in other current assets | (1.7) | (0.8) |
| (Decrease)/increase in payables | (3.2) | 4.5 |
| (Decrease)/increase in other current liabilities | (1.9) | 2.5 |
| (Decrease)/increase in other non-current liabilities | (3.2) | 0.1 |
| (Decrease)/increase in current provisions | (0.1) | 0.2 |
| (Decrease) in non-current provisions | (0.4) | (1.8) |
| Net cash provided by operating activities | 424.9 | 366.6 |

25. Share-based payments

The Group has long-term incentive plans in place to recognise performance, skills and behaviours that deliver sustainable long-term shareholder value. They entitle certain Key Management Personnel to performance rights over ASX Limited shares. Under the plans, participants are granted performance rights that only vest if certain performance conditions are met. All performance rights are to be settled by physical delivery of ordinary shares in ASX Limited subject to the performance conditions being attained. The number of rights that vest depends on an EPS hurdle being achieved and ASX's total shareholder return (TSR) relative to a comparator group comprising the S&P/ASX 100 constituents (excluding resource companies and property trusts) established at the beginning of the performance period, as well as selected overseas exchanges. The performance rights granted under the October 2011 plan include rights to dividends. No other plans carry rights to dividends. 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 | Weighted average fair value |
|---|-------------------------------|--|-------------------------------|-----------------------------|
| Performance rights granted to certain Key Management Personnel on 6 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 | \$27.87 |
| Performance rights granted to certain Key Management Personnel on 5 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 | \$21.02 |
| Performance rights granted to certain Key Management Personnel on 25 September 2013 | 60,216 | 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 | \$24.91 |
| Total | 185,396 | | | |

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 was calculated at grant date by an independent valuer using a Black-Scholes option valuation model and Monte Carlo simulation.

No grants vested during the current reporting period.

Employee expenses

Amounts recognised in profit or loss based on the amortisation of the grant date fair value of performance rights are shown below.

| | 2014 \$m | 2013 \$m |
|---|-------------|-------------|
| Performance rights granted in July 2010 | - | (0.1) |
| Performance rights granted in October 2011 | (0.3) | 0.5 |
| Performance rights granted in October 2012 | 0.5 | 0.4 |
| Performance rights granted in October 2013 | 0.3 | - |
| Total expense recognised as employee costs | 0.5 | 0.8 |

Reversals of share-based payment expenses above have resulted from non-market based performance hurdles not being achieved.

Notes to the financial statements continued

26. Key Management Personnel disclosures

(a) Key Management Personnel compensation

Key Management Personnel compensation (including non-executive directors) is as follows:

| | 2014 \$ | 2013 \$ |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | 10,015,650 | 9,377,903 |
| Post-employment benefits | 279,285 | 247,171 |
| Long-term benefits | 1,410,103 | 860,537 |
| Share-based payments | 525,669 | 797,984 |
| Total | 12,230,707 | 11,283,595 |

Further details of Key Management Personnel remuneration are disclosed in the remuneration report on pages 40 to 52.

(b) Loans to Key Management Personnel

There are no outstanding loans between any Group entities and Key Management Personnel.

27. Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is ASX Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

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.

| | Company | |
|---|---------------|---------------|
| | 2014 \$000 | 2013 \$000 |
| Balances with entities within the wholly-owned group | | |
| Net amounts receivable by the Company from wholly-owned subsidiaries at balance date is as follows: | | |
| Current | | |
| Amounts due from subsidiaries | 357,381 | 237,198 |
| Dividends | | |
| Dividends received or due and receivable by the Company from wholly-owned subsidiaries | 364,500 | 341,000 |

(c) Transactions with other 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. In accordance with the *Corporations Act 2001*, the Group maintains two fidelity funds for claims about the defalcation of monies in relation to cash market and derivative trading. ASX Limited acts as manager for the ASX Division 3 Compensation Fund and Australian Securities Exchange Limited acts as trustee for the Sydney Futures Exchange Limited Fidelity Fund. ASX 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.

The following transactions occurred with related parties:

| | 2014 \$000 | 2013 \$000 |
|---|---------------|---------------|
| Superannuation contributions | | |
| Contributions to superannuation funds on behalf of employees | 5,762 | 5,043 |
| Subscription for new ordinary shares by Key Management Personnel as a result of: | | |
| Rights issue | 161 | - |

Notes to the financial statements continued

28. Subsidiaries

Parent entity: ASX Limited

| | Parent entity's investment ¹ | |
|--|---|-----------|
| | 2014 % | 2013 % |
| Subsidiaries of ASX Limited: | | |
| ASX Operations Pty Limited ² | 100 | 100 |
| ASX Compliance Pty Limited | 100 | 100 |
| SFE Corporation Limited ² | 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 ² | 100 | 100 |
| ASX Settlement Corporation Limited ² | 100 | 100 |
| ASX Energy Limited | 100 | 100 |
| Subsidiaries of ASX Settlement Corporation Limited: | | |
| ASX Settlement Pty Limited | 100 | 100 |
| Austraclear Limited | 100 | 100 |
| Subsidiaries of ASX Operations Pty Limited: | | |
| 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 ² | 100 | 100 |
| New Zealand Futures and Options Exchange Limited | 100 | 100 |
| ASX Collateral Management Services Pty Limited | 100 | 100 |
| Subsidiaries of ASX Settlement Pty Limited: | | |
| CHESS Depository Nominees Pty Limited | 100 | 100 |
| Subsidiaries of Australian Securities Exchange Limited: | | |
| Australian Securities Exchange (US) Inc | 100 | 100 |

| | Parent entity's investment ¹ | |
|--|---|-----------|
| | 2014 % | 2013 % |
| Subsidiaries of Austraclear Limited: | | |
| Austraclear Services Limited | 100 | 100 |
| Subsidiaries of ASX Clearing Corporation Limited: | | |
| 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 23 for details of the Deed of Cross Guarantee.

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 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).

All subsidiaries have the same reporting date.

Notes to the financial statements continued

29. Auditor's remuneration

During the year the following fees were paid or payable by the Group for and on behalf of all Group entities for services provided by the auditor and its related practices:

| PricewaterhouseCoopers Australia | 2014 \$ | 2013 \$ |
|--|----------------|----------------|
| Statutory audit services: | | |
| Audit and review of the financial statements and other audit work under the <i>Corporations Act 2001</i> | 566,400 | 566,317 |
| Audit of information technology platforms | 155,000 | 150,500 |
| Other audit services: | | |
| Audit of technology applications | 61,811 | - |
| Non-audit services: | | |
| Tax compliance services | 72,032 | 64,050 |
| Other non-audit services | 50,000 | 152,500 |
| Total remuneration for PricewaterhouseCoopers Australia | 905,243 | 933,367 |

Other audit services includes the audit of security features within certain technology applications and risk model validation. Other non-audit services includes a review of derivative pricing systems used for risk management. In the prior year, other non-audit services included due-diligence work performed in relation to the rights issue, the acquisition of d-cyphaTrade Limited, and for the review of the ASX compliance framework.

In addition to the above, total audit fees of \$27,500 and tax compliance fees of \$18,105 (2013: \$26,800 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.

30. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2014 \$m | 2013 \$m |
|--|----------------|----------------|
| Statement of comprehensive income | | |
| Total revenue | 375.5 | 350.7 |
| Total expenses | - | - |
| Profit before income tax expense | 375.5 | 350.7 |
| Income tax expense | (0.6) | (0.4) |
| Net profit for the period | 374.9 | 350.3 |
| Other comprehensive income (net of tax) | 15.8 | 16.4 |
| Total comprehensive income | 390.7 | 366.7 |
| Balance sheet | | |
| Current assets | 360.0 | 248.4 |
| Non-current assets | 3,259.4 | 3,014.5 |
| Total assets | 3,619.4 | 3,262.9 |
| Current liabilities | 41.9 | 32.9 |
| Non-current liabilities | 32.2 | 26.7 |
| Total liabilities | 74.1 | 59.6 |
| Net assets | 3,545.3 | 3,203.3 |
| Issued capital | 3,027.2 | 2,746.4 |
| Retained earnings | 429.1 | 384.2 |
| Asset revaluation reserve | 82.0 | 66.2 |
| Equity compensation reserve | 7.0 | 6.5 |
| Total equity | 3,545.3 | 3,203.3 |

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 the entities defined in note 23. 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 up to a maximum 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 and ASX Clear (Futures) do not fall below \$145.0 million. Both of the above undertakings are subject to the solvency of ASX Clear and ASX Clear (Futures), 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 2014 or 30 June 2013. Further details in regards to the subordinated loans are provided in note 22(a).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013 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 a party to agreements with ASX Clear and CHESS Depository Nominees Pty Ltd (CDN) to provide a loan facility of \$50.0 million to ASX Clear and \$10.0 million to CDN. ASX Clear and CDN are wholly-owned subsidiaries of ASX Limited. In relation to ASX Limited's agreement with ASX Clear, the subsidiary may use the facility for limited and specific circumstances.

ASX Limited did not have any other contractual commitments as at 30 June 2014 or 30 June 2013.

31. Subsequent events

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

Directors' declaration

In the opinion of the directors of ASX Limited (the Company):

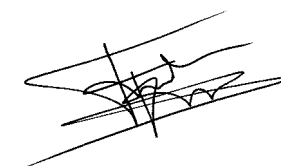
- (a) the financial statements and notes that are contained in pages 54 to 90 and the remuneration report set out on pages 40 to 52 in the directors' report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 23 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 23, 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 2014.

Signed in accordance with a resolution of the directors:



Rick Holliday-Smith
Chairman



Elmer Funke Kupper
Managing Director and CEO

Sydney, 21 August 2014

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 2014, 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 consolidated 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 2014 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.

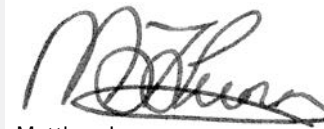
Report on the remuneration report

We have audited the remuneration report included in pages 40 to 52 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers



Matthew Lunn
Partner

Sydney
21 August 2014

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 the Australian Parliament.

Distribution of shareholdings at 31 July 2014

| Number of shares held | Number of holders | Number of shares | % of issued capital |
|-----------------------|-------------------|--------------------|---------------------|
| 1 to 1,000 | 38,670 | 15,488,007 | 8.00 |
| 1,001 to 5,000 | 12,369 | 24,245,711 | 12.52 |
| 5,001 to 10,000 | 909 | 6,279,945 | 3.24 |
| 10,001 to 100,000 | 657 | 21,133,239 | 10.92 |
| 100,001 and over | 118 | 126,448,260 | 65.32 |
| Total | 52,723 | 193,595,162 | 100.00 |

The number of investors holding less than a marketable parcel of 14 (\$35.95) securities was 340, and they hold 1,686 securities.

Substantial shareholders at 31 July 2014

There were no substantial shareholders in ASX at 31 July 2014 disclosed by a substantial holding notice given to the Company.

| Largest 20 shareholders at 31 July 2014 | Number of shares | % of issued capital |
|---|--------------------|---------------------|
| 1. HSBC Custody Nominees (Australia) Limited | 36,744,804 | 18.98 |
| 2. JP Morgan Nominees Australia Limited | 31,362,847 | 16.20 |
| 3. National Nominees Limited | 24,047,385 | 12.42 |
| 4. Citicorp Nominees Pty Limited | 8,316,715 | 4.30 |
| 5. BNP Paribas Nominees Pty Limited | 4,665,585 | 2.41 |
| 6. RBC Dexia Investor Services Australia Nominees Pty Limited | 3,987,191 | 2.06 |
| 7. Bond Street Custodians Limited | 2,304,552 | 1.19 |
| 8. UBS Wealth Management Australia Nominees Pty Limited | 898,711 | 0.46 |
| 9. BT Portfolio Services Limited | 826,019 | 0.43 |
| 10. Navigator Australia Limited | 629,543 | 0.33 |
| 11. Milton Corporation Limited | 496,965 | 0.26 |
| 12. AMP Life Limited | 489,886 | 0.25 |
| 13. Australian Foundation Investment Company Limited | 458,685 | 0.24 |
| 14. Invia Custodian Pty Limited | 369,325 | 0.19 |
| 15. Law Venture Pty Limited | 310,365 | 0.16 |
| 16. Netwealth Investments Limited | 308,544 | 0.16 |
| 17. Avanteos Investments Limited | 296,009 | 0.15 |
| 18. Argo Investments Limited | 269,701 | 0.14 |
| 19. RBC Dexia ACF North | 251,852 | 0.13 |
| 20. Gwynvill Trading Pty Limited | 241,559 | 0.12 |
| Total | 117,276,243 | 60.58 |

On-market buy-back

There is no current on-market buy-back.

Shareholder information continued

Shareholders' calendar

FY14

Full-year financial results announcement 21 August 2014

Full-year final dividend

Ex-dividend date 3 September 2014

Record date for dividend entitlements 5 September 2014

Payment date 24 September 2014

Annual General Meeting 23 September 2014

FY15*

Half-year financial results announcement 12 February 2015

Half-year interim dividend

Ex-dividend date 4 March 2015

Record date for dividend entitlements 6 March 2015

Payment date 18 March 2015

Full-year financial results announcement 20 August 2015

Full-year final dividend

Ex-dividend date 2 September 2015

Record date for dividend entitlements 4 September 2015

Payment date 23 September 2015

Annual General Meeting 30 September 2015

* Dates are subject to final ASX Board approval.

Annual General Meeting 2014

The ASX Limited AGM will be held at the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street Sydney, New South Wales, at 10am (Australian Eastern Standard Time) on Tuesday 23 September 2014.

The AGM will be webcast live on the internet at www.asx.com.au/agm

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.

The external auditor will be present at the AGM to answer questions relevant to the external audit.

Electronic communication

ASX encourages shareholders to receive information electronically.

Shareholders who currently receive information by post can log in at www.linkmarketservices.com.au to provide their email address and elect to receive electronic communications.

ASX emails shareholders when important information becomes available such as dividend statements, notices of meeting, voting forms and annual reports.

Electronic communication allows ASX to communicate with shareholders faster and reduce its use of 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

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

Directory

Shareholder enquiries

Enquiries about shareholdings in ASX Limited

Please direct all correspondence to ASX's share registry:

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000

Telephone

1300 724 911

Email

asx@linkmarketservices.com.au

Website

www.linkmarketservices.com.au

Questions to the ASX Chairman, Managing Director and CEO, or auditor

These may be emailed to:

company.secretariat@asx.com.au or to ASX's registered office (details adjacent), marked to the attention of the Company Secretary.

Alternatively, you may download a Question Form for the AGM at:

www.asx.com.au/agm

For further information

Website

www.asx.com.au

Email

info@asx.com.au

Investor relations

Telephone

(61 2) 9227 0260

Email

investor.relations@asx.com.au

Media

Telephone

(61 2) 9227 0218

Email

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 40, Central Park
152-158 St George's Terrace
Perth WA 6000

Telephone

(61 8) 9224 0000

Melbourne

Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Telephone

(61 3) 9617 8611

ASX's auditor

PricewaterhouseCoopers
GPO Box 2650
Sydney NSW 1171

Telephone

(61 2) 8266 0000

Website

www.pwc.com.au