Appendix 4E

Preliminary final report for the year ended 30 June 2016 as required by ASX listing rule 4.3A

RESULTS FOR ANNOUNCEMENT TO THE MARKET (All comparisons to year ended 30 June 2015)	$m	Up/down	Movement %
Revenues from ordinary activities	908.3	up	4.6%
Revenues from ordinary activities excluding interest income	762.0	up	6.3%
Profit after tax from ordinary activities (including significant items)	426.2	up	7.1%
Underlying profit after tax (excluding significant items)	426.2	up	5.7%

DIVIDEND INFORMATION	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim 2016 dividend per share (paid 23 March 2016)	99.1	99.1	30%
Final 2016 dividend per share determined	99.0	99.0	30%

Final dividend dates*	
Ex-dividend date	8 September 2016
Record date	9 September 2016
Payment date	28 September 2016

The Company's Dividend Reinvestment Plan (DRP) will not apply to the final dividend.
* Dates are subject to final ASX Board approval

	30 June 2016	30 June 2015
Net tangible assets per security	$7.25	$6.97

Additional Appendix 4E disclosure requirements can be found in the Annual Report which contains the Directors' Report and the 30 June 2016 Financial Statements and accompanying notes.

This report is based on the consolidated Financial Statements which have been audited by PricewaterhouseCoopers.

ASX Limited and its controlled entities

ASX Limited Annual Report

2016

ASX

The Annual General Meeting of ASX Limited will be held in the ASX Auditorium, lower ground floor, 18 Bridge Street, Sydney, on Wednesday 28 September 2016 at 10am (Australian Eastern Standard Time)

Contents

Who we are

ASX operates at the heart of Australia's financial markets. It is among the world's top 10 exchange groups and is the global leader in A$ and NZ$ financial markets.

We are a fully integrated exchange across multiple asset classes – equities, fixed income, commodities and energy.

We service retail, institutional and corporate customers directly and through Australian and international intermediaries.

We provide services that allow our customers to invest, trade and manage risk. These include listings, trading cash and derivatives, post-trade services, and information and technical services.

We operate and invest in the infrastructure that promotes the stability and development of Australia's financial markets and is critical for the efficient functioning of the nation's economy and position in the Asia Pacific region.

We advocate for regulations that support end-investors, promote the growth and integrity of the market, and strengthen Australia's global competitiveness.

More information about ASX can be found at **www.asx.com.au**

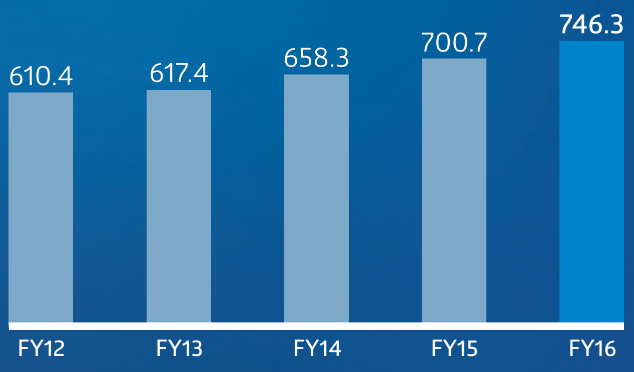
ASX Limited ABN 98 008 624 691

Financial highlights

Operating revenue

$MILLION

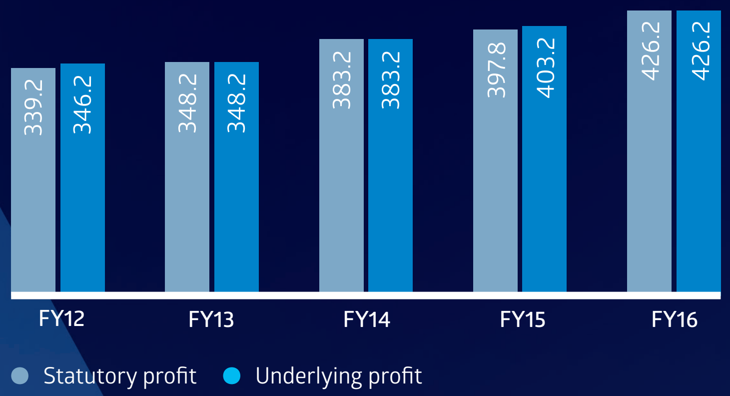
- Segment operating revenue $746.3 million, up 6.5%



Profit after tax

$MILLION

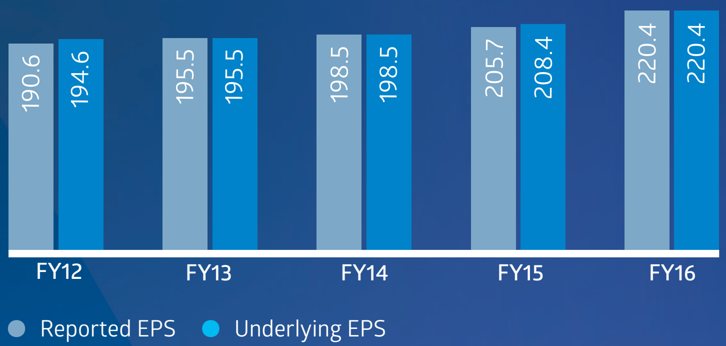
- Statutory profit after tax $426.2 million, up 7.1%
- Underlying profit after tax $426.2 million, up 5.7% driven by revenue growth



Earnings per share

CENTS

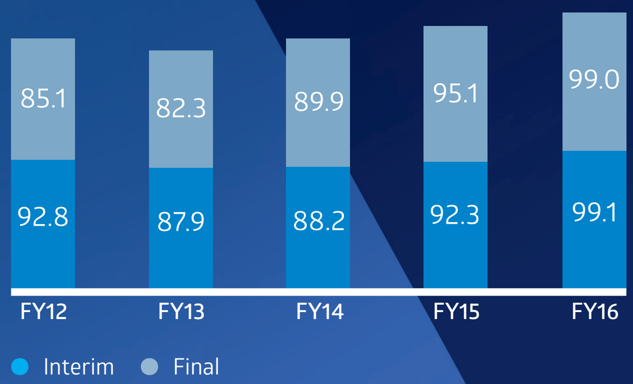
- EPS 220.4 cents per share, up 7.1%
- Underlying EPS 220.4 cents per share, up 5.8%



Dividends per share

CENTS

- Final dividend 99.0 cents per share fully franked, up 4.1%
- Total FY16 dividends 198.1 cents per share, up 5.7%
- Payout ratio 90% of underlying profit after tax



Letter from the Chairman and the CEO

Rick Holliday-Smith
Chairman

Dominic Stevens
Managing Director and CEO

Dear fellow shareholder,

On behalf of the Board of ASX Limited (ASX), we are pleased to present our 2016 Annual Report.

The last 12 months has been a period of achievement for ASX. We continued to invest in innovation, improved our service to customers and strengthened our competitiveness. It was also a period for reflection, with July 2016 being the tenth anniversary of the successful merger with the Sydney Futures Exchange, which created one of the world's first multi-asset class, vertically integrated exchanges. Today, ASX operates at the heart of Australia's financial markets, with a business well-positioned for future opportunities.

New Managing Director and CEO

On 1 August 2016, ASX welcomed Dominic Stevens as the company's Managing Director and CEO. Dominic is an experienced and highly-regarded financial services leader, ideally qualified to build on ASX's achievements. Having served on the ASX Board for almost three years, he has a deep understanding of the challenges and opportunities ahead of ASX, as well as the complex global regulatory environment in which we operate.

Dominic has been involved in financial markets for most of his adult life. As a student he visited the trading pits of the futures exchange to record price data for his university thesis. Financial markets, technology and strategy have been the keystones of his career.

This is an exciting time for ASX. We look forward to working with all of our stakeholders under new leadership and with new energy for the future.

Our thanks go to ASX's executive team and all the staff for their focus and support during the months we were searching for a new CEO. The business continued to perform well in this interim period, and we acknowledge the management of Deputy CEO, Peter Hiom and Group General Counsel, Amanda Harkness. Our customers and shareholders can be assured they are being well-served.

We would also like to acknowledge the work of our previous CEO, Elmer Funke Kupper, who resigned on 21 March 2016 after almost four-and-a-half years in the role. Elmer was a strong, popular and energetic leader, who helped create a more globally competitive, externally focused and innovative company, which is committed to investing in the infrastructure critical to Australia's financial marketplace. We thank him for his stewardship.

Financial performance

ASX's financial performance in 2016 was strong, with activity growth in all major areas, driven by continuing volatility in interest rate and equity markets, and robust secondary capital raisings. The company reported underlying net profit after tax of $426.2 million, up 5.7% on the previous year, and a rise in statutory profit after tax of 7.1%. Underlying profit excludes a restructuring charge booked in the previous year.

Operating revenue on a segment basis rose 6.5% to $746.3 million, with gains in each of ASX's four key businesses – Listings and Issuer Services, Trading Services, Equity Post-Trade Services, and Derivatives and OTC Markets. ASX restructured its activities into these groups during the year and recruited fresh skills to ensure the right focus and leadership for each business.

Operating expenses increased by 6.5% to $170.6 million and includes an accelerated investment in post-trade services and CEO transition arrangements. Capital expenditure was $50.2 million.

Total dividends announced for FY16 were 198.1 cents per share, up 5.7%. We continued to pay out 90% of our underlying profit in dividends. More detail on ASX's financial performance can be found in the Operating and Financial Review on pages 26 to 33.

In 2016, ASX made good progress on its key business initiatives.

Global leader in A$ and NZ$ financial markets

In equities, we continued to invest in execution services that help end-investors navigate a fragmented marketplace of multiple exchanges and dark pools. Innovations such as the Centre Point mid-point matching system, give customers more choice and control, and helped ASX achieve a market share of on-market trading of approximately 89%.

In derivatives, the investments ASX has made in recent years provide Australia with an attractive and globally competitive suite of products and clearing services. These include interest rate swap OTC clearing, which reached record activity levels in the period. We continue to enhance this service to attract liquidity from a broader range of market users.

Strong listings franchise

Key to the attractiveness of ASX as a venue on which to raise capital, invest and build long-term wealth, is the reputation of the listings market for quality and integrity. In 2016, ASX introduced new governance arrangements for its listings business to give the ASX Board stronger oversight of ASX's brand and reputation. We also proposed new admission requirements to provide the market with enhanced guidance about the standards expected of an ASX-listed company. A market of high quality is valuable to all its users.

The deep listings franchise is at the core of the suite of ASX's investment options for investors. During the period, ASX received regulatory approval to simplify the dual listing of New Zealand companies and continued to build a reputation as the technology exchange of the Asian time zone. Overall, there were 124 new listings and $78.6 billion of capital raised on ASX in FY16.

ASX is working to increase the asset classes available to investors through its platforms. These include corporate and government bonds, managed funds through the mFund settlement service, and exchange-traded products, which grew in FY16 to 176 listed products totalling $22.5 billion.

World-class, globally connected infrastructure

ASX is investing heavily in its critical infrastructure. During the period, we opened an office and established a technology hub in Hong Kong to connect our growing Asian customer base to Australia's financial markets community. ASX now has points of presence in the US, Europe and Asia, broadening the distribution of ASX's products and providing global access to ASX markets.

Our technology transformation is continuing, with a new trading platform for futures expected to be implemented in February 2017. ASX is working closely with customers to ensure the delivery of a high-quality platform and a smooth transition for the whole market. We are also investing in the technology that supports our equity and derivatives markets, including upgrades of our risk management and clearing systems.

ASX and our partner Digital Asset Holdings (DAH) have been leading global assessments of how distributed ledger technology or 'blockchain' could be applied to financial markets. Blockchain has the potential to provide a secure, audit trail of transactions; a chain of title that cannot be altered and that can be distributed to those who are permissioned to access to it. This creates a 'single source of truth' upon which everyone can rely.

Over the next year, ASX and DAH will be collaborating with intermediaries, issuers, investors and other industry stakeholders, including Government and regulators, to understand the benefits and implications of deploying this technology in ASX's equity post-trade environment. Any new system must meet the highest regulatory and operational standards before implementation.

We believe the potential of the technology to improve efficiency and take costs and complexity out of the system is genuine. But we also know that proving it will take time, resources and hard work. We are optimistic and in the early stages of a journey that may take three to five years.

Outstanding customer experience

T+2 settlement of sharemarket trades was introduced in March 2016. The reduction in the settlement period from three to two days has provided efficiencies for the market, reduced systemic risk and kept Australia at the forefront of global best practice. Investors are receiving their cash or shares sooner and ASX's customers have seen their cash market margin requirements decline.

The success of T+2 was underpinned by the close cooperation between ASX and its customers. This cooperation reflects ASX's efforts to improve its customer service in recent years, including via the dozen customer forums operating across the business and upgrades to ASX Online, the main digital portal through which customers interact with ASX. It is also reflected in the 24-hour Customer Support Centre opened in early 2015, which integrates ASX's operations, technology and market surveillance teams to provide prompt, informed and seamless assistance to customers.

Regulations that support growth and end-investors

Australia has been well-served by the regulatory settings put in place in recent years. These include measures to help prevent investors from being materially disadvantaged by market fragmentation and the domestic location requirements for critically important infrastructure. Such initiatives support end-investors and strengthen Australia's global competitive position.

ASX welcomed the further clarity provided in March 2016 when the Treasurer announced that Australia's regulatory agencies will not recommend approval of any equity clearing licence applications until the conditions that support the Government's policy for safe and effective competition are established. The Treasurer said this is expected to take at least 18 months and is intended to ensure competition does not compromise financial stability or the fair and effective functioning of the market.

Employer of choice in financial markets

ASX invests in the skills base of its people to remain attractive to the brightest talent and maintain its global competitiveness. In FY16, we continued to refresh our ranks with executives from outside the exchange industry and those with international financial market expertise.

Our annual staff survey showed an increase in staff engagement and alignment with ASX's long-term strategy. This improvement follows a multi-year investment in customers, products, services and capabilities.

In FY16, 51% of ASX employees took up an offer to acquire $1,000 worth of ASX shares. This was a solid endorsement of the company's strategy and performance. The high participation was acknowledged by Employee Ownership Australia and New Zealand, which awarded ASX 'Best New Employee Share Plan' for 2016.

Board renewal

On 1 August 2016, ASX appointed Melinda Conrad as a non-executive director. Melinda brings strategy and marketing skills and insights to the Board from her experience in retail, healthcare and financial services. We look forward to introducing Melinda to shareholders next month when she stands for election at ASX's Annual General Meeting on 28 September 2016.

On behalf of the Board, we thank all ASX employees for their high standards and professionalism throughout the year, and are grateful to our shareholders for your support.

ASX is in good shape. We are investing in the future and have every reason to be optimistic about 2017.

Rick Holliday-Smith
Chairman

Dominic Stevens
Managing Director and CEO

ASX Limited Board

Rick Holliday-Smith

Independent* Chairman

BA (Hons), FAICD

Mr Holliday-Smith has served as Chairman of ASX since March 2012 and as a director since July 2006. He was previously Chairman of SFE Corporation Limited from 1998 until 2006.

Mr Holliday-Smith is Chairman of ASX Compliance, the Nomination Committee and the intermediate holding companies of the ASX Group clearing and settlement facility licensees. He is also a member of the Audit and Risk, and Remuneration Committees.

Mr Holliday-Smith has global executive and leadership experience in capital markets and derivatives, and a background in venture capital activities.

His previous roles include CEO of futures and options trading firm Chicago Research and Trading (CRT), President responsible for global trading and sales at Nations Bank-CRT (a predecessor of Bank of America), both based in Chicago, and Managing Director of Hong Kong Bank Limited (a wholly owned merchant banking subsidiary of HSBC Bank), based in London.

Mr Holliday-Smith was appointed Chairman of Cochlear Limited in July 2010, having joined the Board in March 2005. He has been a director of Servcorp Limited since October 1999 and is a Member of the Macquarie University Faculty of Business and Economics Advisory Board.

*Independent as at 17 August 2016. Further details of the Board's assessment of Mr Holliday-Smith's independence are set out on page 7 of this report.

Dominic Stevens

Managing Director and CEO, Executive Director

BCom (Hons)

Mr Stevens was appointed Managing Director and CEO of ASX Limited on 1 August 2016. He was an independent non-executive director of ASX from December 2013 until his appointment as CEO.

Mr Stevens is also a director of ASX's clearing and settlement licensees, and their intermediate holding companies.

Mr Stevens has close to 30 years' experience in financial markets. He was CEO of Challenger Limited from 2008 to 2012, before which he was the company's Deputy CEO and head of capital, risk and strategy.

Prior to Challenger, he held senior positions during a long career at Bankers Trust Australia, where he had responsibility for the Australian derivatives and global metals and agricultural commodity derivatives businesses. He was a director of SocietyOne Holdings Pty Limited between November 2014 and August 2016.

Yasmin Allen

Independent, Non-Executive Director

BCom, FAICD

Ms Allen was appointed a director of ASX on 9 February 2015. She is a member of the Audit and Risk Committee.

Ms Allen is also a director of ASX Clear (Futures) Pty Limited and Austraclear Limited, the ASX clearing and settlement licensees for Australia's derivatives, OTC and debt markets, and their intermediate holding companies.

Ms Allen has extensive financial services, strategy and corporate governance experience, gained during a career of over 20 years in finance and investment banking.

She was formerly a vice president at Deutsche Bank, a director at ANZ Investment Bank and an associate director at HSBC Group.

Ms Allen was appointed a director of Cochlear Limited in August 2010 and Santos Limited in October 2014. She was a director of Insurance Australia Group Limited between November 2004 and September 2015.

Ms Allen is a director of the George Institute for Global Health and the National Portrait Gallery.

Melinda Conrad

Independent, Non-Executive Director

MBA, FAICD

Ms Conrad was appointed a director of ASX on 1 August 2016.

She has over 20 years' experience in business strategy and marketing, and brings skills and insights as an executive and director from a range of industries, including retail, financial services and healthcare.

Ms Conrad has been a strategy and marketing adviser, an executive with Colgate-Palmolive, and founded and managed a retail business.

She was appointed a director of OFX Group Limited (formerly OzForex Group) in September 2013 and Reject Shop Limited in August 2011, and was previously a director of David Jones Limited (July 2013 - August 2014) and APN News and Media Limited (January 2012 - February 2013).

Ms Conrad is also a director of the Centre for Independent Studies and the George Institute for Global Health.

Dr Ken Henry AC

Independent, Non-Executive Director

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

Dr Henry was appointed a director of ASX in February 2013. He is a member of the Audit and Risk Committee.

Dr Henry is a director of ASX Clear Pty Limited and ASX Settlement Pty Limited, the ASX clearing and settlement licensees for Australia's equity markets, and their intermediate holding companies.

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

Dr Henry served as the Secretary of the Federal Department of the Treasury from 2001 to 2011. He is Chairman of the Sir Roland Wilson Foundation at the Australian National University (ANU), Governor of the Committee for Economic Development of Australia (CEDA), and a member of the Advisory Board of the John Grill Centre for Project Leadership at the University of Sydney.

Dr Henry has been Chairman of National Australia Bank Limited since December 2015, having joined the Board in November 2011.

Peter Marriott

Independent, Non-Executive Director

BEc (Hons) FCA, MAICD

Mr Marriott was appointed a director of ASX and Chair of the Audit and Risk Committee in July 2009.

He is Chairman of Austraclear Limited, the securities settlement facility licensee for Australia's debt markets, and a director of each of the other ASX clearing and settlement facility licensees and their intermediate holding companies.

Mr Marriott has spent over 30 years in senior management roles in the finance industry, spanning international banking, finance and auditing.

Mr Marriott was Chief Financial Officer of Australia and New Zealand Banking Group Limited (ANZ) from 1997 to May 2012. He also spent two years as Group Head of Risk Management. Prior to his career at ANZ, he was a partner of KPMG Peat Marwick specialising in the banking and finance, and information technology sectors.

Mr Marriott was appointed a director of Westpac Banking Corporation in June 2013.

Heather Ridout AO

Independent, Non-Executive Director

BEc (Hons)

Mrs Ridout was appointed a director of ASX in August 2012. She is currently a director of ASX Compliance, Chair of the Remuneration Committee, and a member of the Nomination Committee.

Mrs Ridout is a company director with a long history as a leading figure in the public policy debate in Australia.

Mrs Ridout was formerly 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 April 2012.

Mrs Ridout is a member of the Board of the Reserve Bank and was appointed Chair of the AustralianSuper Trustee Board in May 2013, having joined the Board in 2007. She has also been a director of Sims Metal Management Limited since September 2011 and a director of the Australian Chamber Orchestra since December 2012.

Mrs Ridout is a member of the ASIC External Advisory Panel.

Mrs Ridout's previous appointments include member of the Henry Tax Review panel, board member of Infrastructure Australia and the Australian Workforce and Productivity Agency, and a member of the Climate Change Authority and the Prime Minister's Taskforce on Manufacturing.

Damian Roche

Independent, Non-Executive Director

BCom

Mr Roche was appointed a director of ASX in August 2014.

Mr Roche is also a director of ASX Compliance, and ASX Clear (Futures) Pty Limited and Austraclear Limited, the ASX Group clearing and settlement licensees for Australia's derivatives, OTC and debt markets, and their intermediate holding companies.

Mr Roche has 20 years' experience in global investment banks, with extensive cross-asset class expertise spanning the equities, fixed income and commodities markets, with a specific focus on the Asia Pacific region, including Australia.

Mr Roche was a member of the global Corporate and Investment Bank Operating Committee for J.P. Morgan. His most recent role was as Head of Markets and Investor Services Sales and Distribution for Asia Pacific, based in Hong Kong.

Peter Warne

Independent, Non-Executive Director

BA, FAICD

Mr Warne was appointed a director of ASX in July 2006. He was previously a director of SFE Corporation Limited from 2000 to 2006. He is also a member of the Audit and Risk, Nomination and Remuneration Committees.

Mr Warne is Chairman of ASX Clear (Futures) Pty Limited, the ASX clearing and settlement licensee for Australia's derivatives and OTC markets, a director of Austraclear Limited, the securities settlement facility licensee for Australia's debt and OTC markets, and a director of their intermediate holding companies.

Mr Warne has over 30 years' experience in financial markets and brings a deep practical and technical understanding of debt, equities and derivatives markets, and risk management.

Mr Warne is a director of Securities Exchanges Guarantee Corporation and NSW Treasury Corporation. He is also an Adjunct Professor at the University of Sydney Business School, and a member of the Macquarie University Faculty of Business and Economics Advisory Board.

Mr Warne has been Chairman of Macquarie Bank Limited and Macquarie Group Limited since April 2016, having served as a director since July 2007.

He has also been Chairman of Australian Leisure and Entertainment Property Management Limited since September 2003 and OFX Group Limited (formerly OzForex Group) since September 2013. He was previously Deputy Chairman of Crowe Horwath Australasia Limited between May 2007 and January 2014.

Board composition

- At the date of this report, there are nine directors, whose names, skills and experience are detailed on pages 4 to 6
- Mr Dominic Stevens was appointed Managing Director and CEO (CEO) on 1 August 2016
- Mr Elmer Funke Kupper resigned as CEO on 21 March 2016
- Ms Melinda Conrad was appointed to the Board on 1 August 2016
- Ms Jillian Segal retired from the Board on 1 September 2015
- The Board is committed to maintaining the diversity of the Board and at least 33% female representation

Board renewal and succession planning

The Board regularly reviews its composition and succession plans.

The skills and experience of the Board reflect ASX's role as the provider of critical infrastructure to Australia's financial markets and its leading position in the Asia Pacific region.

Board succession renewal planning also extends to the clearing and settlement and ASX Compliance boards.

Board skills matrix

The Board uses the skills matrix below to guide its assessment of the skills and experience of current non-executive directors, and to identify any gaps in the collective skills of the Board.

Category	Explanation
Executive leadership	Successful career as a senior executive or CEO
Strategy	Define strategic objectives, constructively question business plans and implement strategy
Financial acumen	Accounting and reporting, corporate finance and internal controls, including assessing quality of financial controls
Risk and compliance	Forward-looking, able to identify the key risks to the organisation and monitor effectiveness of risk management frameworks and practices
Public policy	Public and regulatory policy, including impact on markets and corporations
Information/ Technology/ Digital	Use and governance of critical information technology infrastructure, digital disruption and information monetisation
Business development	Commercial and business experience, including development of product, service or customer management strategies, and innovation
People and change management	Overseeing and assessing senior management, remuneration frameworks, strategic human resource management and organisational change
Corporate governance	Knowledge, experience and commitment to the highest standards of governance
International exchange experience	International financial markets or exchange groups, including post-trade services and relationships with financial market participants
Financial services experience	Broking, funds management, superannuation and/or investment banking activities

The Board considers that individually and collectively, the directors have an appropriate mix of skills, experience and expertise.

Corporate governance

ASX's corporate governance framework

ASX's governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles) throughout the reporting period, except in respect of the interim arrangements during the search for a new CEO, which are described below.

This statement, including details of the ASX Limited Board on pages 4 to 6, is current as at 18 August 2016 and has been approved by the Board.

More information on ASX's corporate governance is available on ASX's website.

CEO appointment

Mr Dominic Stevens commenced as Managing Director and CEO (CEO) of ASX Limited on 1 August 2016.

The Board's search for a new CEO was led by the Chairman and supported by an external firm. Mr Stevens' appointment was recommended by the Nomination Committee and approved by the Board.

Mr Stevens was not involved in the Board's processes.

Interim arrangements and Chairman independence

During the period before a new CEO was appointed, Mr Peter Hiom (Deputy CEO) and Ms Amanda Harkness (Group General Counsel) managed the business under the oversight of the Chairman, Mr Rick Holliday-Smith. The Chairman did not perform any day-to-day management or operational functions.

The Board is aware that even though he did not have any executive responsibilities, a perception could exist that these interim arrangements impacted on Mr Holliday-Smith's independence. Accordingly, the Board treated Mr Holliday-Smith as if he was not independent during this period.

Arrangements were put in place so that the Chairman's closer oversight of, and engagement with, ASX management was properly addressed and explained. This framework was documented in amendments to ASX's charters.

A Board sub-committee comprising the chairs of the Audit and Risk and Remuneration Committees, and one other non-executive director, provided guidance to the Chairman and oversaw the operation of the interim arrangements.

As the Listing Rules provide that only non-executives can be members of ASX's Audit and Risk, and Remuneration Committees, Mr Holliday-Smith resigned as a member of those committees, attending meetings in the interim period as an observer only.

Mr Holliday-Smith has not received, and will not be paid, any amounts other than his pre-existing Chairman's fee for the services he performed up to 1 August 2016.

Board assessment of interim arrangements

Mr Holliday-Smith has been assessed by the Board to be an independent and non-executive director as at 17 August 2016. He was also assessed as an independent and non-executive prior to the resignation of the former CEO in March 2016.

The Board determined it was appropriate for Mr Holliday-Smith to remain Chairman of ASX Limited and the Nomination Committee until a new CEO was appointed, notwithstanding that he was being treated as if he was not regarded as independent. This was because the Board believed he should continue to be Chairman of the Board as it undertook to identify and appoint ASX's new CEO and progress its Board renewal program.

Board of directors

Role and responsibilities of the Board

- Accountable for the performance of the ASX Group
- Oversees the conduct of the ASX Group, consistent with its licence obligations and public policy objectives of financial market integrity and financial system stability
- Reviews and approves the corporate strategy, annual budget and financial plans
- Monitors financial performance
- Appoints and assesses the performance of the CEO, and oversees executive succession plans
- Oversees the effectiveness of Management processes and approves major corporate initiatives
- Monitors ASX's culture
- Oversees the process for identifying significant risks facing ASX and control, monitoring and reporting mechanisms
- Enhances and protects the reputation of ASX
- Reports to and communicates with shareholders
- Reviews earnings and other forecasts

The responsibilities of the Board are detailed in the Board Charter. The Board's conduct is also governed by ASX's constitution.

Delegation to committees, subsidiary boards and Management

- The Board has established the Audit and Risk, Nomination and Remuneration Committees to assist it to discharge its duties
- Day-to-day management and operations are delegated to Management
- ASX Compliance monitors and enforces compliance with the ASX Operating Rules under the oversight of the ASX Compliance board
- The clearing and settlement (CS) boards focus on risk management and oversight of the clearing and settlement operations

Responsibilities of the Chairman

- Independent and non-executive. An Executive Chairman may be appointed for a limited time in exceptional circumstances
- The CEO may not be or become Chairman
- Leads the Board in its duties to ASX
- Facilitates effective Board meeting discussion
- Contact point for senior external stakeholders, including shareholders, regulators and media
- Oversees processes and procedures to evaluate the performance of the Board, its committees and individual directors

During the period until a new CEO was appointed:

- Continued as Chairman of Nomination Committee, ASX Compliance and CS licensee holding companies
- No day-to-day operational functions, responsibilities or powers
- Oversight of the two executives managing ASX's business.

Director appointment and election

Before appointing a director, ASX undertakes comprehensive reference checks including education, employment, character, criminal history and bankruptcy. It is also a condition of appointment that any new director is not a disqualified person. Directors make an annual declaration to this effect.

Directors are generally elected for three years. Retiring directors are not automatically re-appointed. Any director (except the CEO) who has been appointed during the year must stand for election at the next Annual General Meeting (AGM).

Dr Ken Henry will retire by rotation and is standing for re-election supported by the other directors. Ms Conrad will stand for election at the 2016 AGM.

Performance reviews

The performance of the Board, its committees and individual directors are reviewed each year. In FY16, the Board commissioned an external review to evaluate its performance and processes.

The Chairman holds discussions with individual directors when evaluating their performance. These evaluations took place in respect of FY16. The Board takes this evaluation into consideration when recommending directors for election.

Director induction and training

New directors receive a letter of appointment. This outlines ASX's expectations about director time commitment, compliance with ASX policies and regulatory requirements. An induction process is coordinated by Company Secretariat.

The Board keeps up-to-date with relevant market and industry developments through regular briefings at Board meetings, Board workshops, meetings with customers and site visits.

Director independence

The ASX Board Policy on Independence requires that a majority of directors are independent. It includes guidelines for assessing the materiality of directors' relationships that may affect their independence.

There is no limit on director tenure. Mr Holliday-Smith and Mr Peter Warne have been directors of ASX Limited for 10 years. The Board reviewed and determined that their tenure has not impacted on their independence. This review noted the deep expertise, judgement, industry knowledge and understanding of the ASX Group's operations brought by each director.

Each of ASX's non-executive directors has been assessed as independent. Further details of the Board's approach to Mr Holliday-Smith's independence is set out on page 7.

Mr Stevens ceased to be independent following his appointment as CEO.

Director attendance at meetings

Details of director attendance at meetings up to 30 June 2016 are set out below. Provided there is no conflict of interests, directors are also invited, and frequently attend, meetings of Board committees of which they are not members. Board meetings held on short notice have been noted separately.

	Scheduled Board meetings		Short-notice Board meetings[1]		Audit and Risk Committee		Nomination Committee		Remuneration Committee	
Director name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Rick Holliday-Smith (Chairman)[2]	7	7	6	5	3	3	4	4	3	3
Yasmin Allen	7	6	6	5	4	4	-	-	-	-
Ken Henry	7	7	6	6	4	4	-	-	-	-
Peter Marriott[3]	7	7	6	6	4	4	-	-	2	2
Heather Ridout	7	7	6	6	-	-	4	4	5	5
Damian Roche	7	7	6	6	-	-	-	-	-	-
Dominic Stevens	7	7	6	6	4	4	-	-	-	-
Peter Warne	7	7	6	4	4	4	4	4	5	5
Elmer Funke Kupper[4]	4	4	6	4	-	-	-	-	-	-
Jillian Segal[5]	1	1	1	1	1	1	-	-	1	1

[1] Meetings held on short notice.
[2] Resigned from Audit and Risk and Remuneration Committees on 4 May 2016.
[3] Joined Remuneration Committee on 18 May 2016.
[4] Resigned 21 March 2016.
[5] Retired 1 September 2015.

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 shareholding policy and remuneration

Board policy is that non-executive directors should accumulate at least 5,000 ASX shares (12,000 for the Chairman) within three years of their appointment. All continuing directors have achieved the guideline. New directors have three years from the date of their appointment to achieve the guideline.

ASX's remuneration framework is described in detail in the remuneration report, which starts on page 17.

Conflict and information handling arrangements

ASX has put in place a comprehensive set of Conflict Handling Arrangements to address the potential for actual and perceived conflicts. These encompass:

- governance arrangements, including ASX self-listing
- customers, competitors and supplier arrangements
  - licence obligations including the 'review party' framework
  - information handling standards.

The Australian Securities and Investments Commission (ASIC) is ASX's listing authority. ASIC monitors ASX Limited's compliance with the Listing Rules.

Board committees

The ASX Board has established three committees:

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

Each committee is chaired by an independent director.

Each committee's charter sets out its role, responsibilities, composition and structure. Charters are reviewed annually.

Reports and minutes from committees are provided to the ASX Board.

The Board approved a number of changes to committee membership during the year. Their composition during the year, and to the date of this report, are set out on this page.

ASX has established reporting lines between the committees and subsidiary boards such that:

- Board committees report to ASX subsidiary boards on relevant matters
- ASX subsidiary boards report to the Board and Board committees on relevant matters.

Audit and Risk Committee

- Integrity of ASX Limited's consolidated financial reports
- Adequacy of ASX's corporate reporting process
- Systems of risk management, internal control and legal compliance (except matters specifically overseen by ASX subsidiaries)
- Internal audit oversight
- External audit liaison and monitoring of performance and effectiveness
- Receive audit reports and approve the audit plan
- Review external auditor independence, including considering the level of non-audit work carried out by the external auditor
- Monitor ASX's risk culture

Nomination Committee

- Review process for nomination and selection of ASX Group directors and CEO
- Identify desirable director competencies and experience
- Review director performance and the process for reviewing contributions
- Review ASX Group director succession plans and induction programs
- Set and review Board gender diversity strategies

Remuneration Committee

- Remuneration for ASX Group staff and non-executive directors
- Incentive framework for CEO and senior executives
- Achievement against gender diversity objectives, including remuneration equality
- Compliance of remuneration arrangements with Financial Stability Standards and other regulatory requirements

Committee Membership

Audit and Risk Committee

- Mr Peter Marriott (Chair)
- Ms Yasmin Allen (from 1 July 2015)
- Dr Ken Henry (from 1 July 2015)
- Mr Rick Holliday-Smith (except 4 May – 17 August 2016)
- Mr Dominic Stevens (up to 1 August 2016)
- Mr Peter Warne
- Ms Jillian Segal (retired 1 September 2015)

Nomination Committee

- Mr Rick Holliday-Smith (Chair)
- Mrs Heather Ridout
- Mr Peter Warne
- Ms Jillian Segal (retired 1 September 2015)

Remuneration Committee

- Mrs Heather Ridout (Chair)
- Mr Rick Holliday-Smith (except 4 May – 17 August 2016)
- Mr Peter Warne
- Mr Peter Marriott (from 18 May – 17 August 2016)
- Ms Jillian Segal (retired 1 September 2015)

Board oversight of ASX listings business

ASX implemented new governance arrangements and proposed new admission requirements for its listings business in FY16. Mr Holliday-Smith and Mr Roche joined the ASX Compliance board in February 2016, at which time Mr Holliday-Smith became Chairman. These changes support the maintenance of ASX's high listing standards. They reflect the evolution of global financial markets and that the attractiveness of ASX's listings franchise is built on four foundations:

- strength of the Australian economy and investment environment
- trust in the regulatory environment administered by ASX and Australia's regulatory agencies
- quality of the ASX brand
- integrity of ASX's listing rules framework.

These arrangements give the ASX Limited Board stronger oversight of ASX's brand and reputation. The ASX Board reviews and provides guidance on the type of entities that should be permitted to list on ASX. ASX's discretion to admit entities is exercised by an executive management Policy and Listings Standards Committee. In FY16, ASX's discretion to refuse to admit entities was strengthened by the removal of an appeal right to the ASX Appeals Tribunal.

These initiatives were implemented so that ASX's listings standards remain fit for purpose. An ASIC assessment completed in FY16 concluded that ASX had met its obligations in respect of its listing standards.

The ASX Limited Board receives input from the ASX Compliance board and management on:

- trends in financial markets, and global standards for admission requirements and compliance
- processes for admission to the ASX Official List
- matters that could impact on the strategy, brand or licence obligations of the ASX Group, including key and emerging risks
- monitoring and enforcement of ASX's Operating Rules, including the Listing Rules
- ASX's conflict handling practices.

The ASX Compliance board charter sets out further details regarding its function and governance as part of the ASX Group's governance arrangements.

A majority of ASX Compliance directors are independent non-executives. The biographies of the ASX Compliance board directors are available on ASX's website.

Robust controls and procedures in the form of Information Handling Standards are in place to manage commercially sensitive information provided to ASX by other licensed listing and trading venues.

ASX clearing and settlement subsidiaries

ASX has four subsidiary companies that hold CS licences required to operate clearing and settlement facilities, and two intermediate holding companies. The CS boards focus on risk management and oversight of the operations of the CS subsidiaries.

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

The CS boards' charter sets out further details regarding their functions and governance.

ASX Clear and ASX Settlement are the sole providers of clearing and settlement arrangements for Australia's cash equities markets. The boards of ASX Clear and ASX Settlement each have three directors who do not sit on the ASX Limited Board. These directors meet separately, constituted as the board of ASX Clear and ASX Settlement, to determine matters that require consideration of commercially sensitive information if another market operator or listing venue is obtaining services from, or access to, ASX's clearing and settlement facilities. These boards also oversee Management's handling of commercially sensitive information and the provision of services, or access to, other market operators and listing venues. ASX Limited directors do not attend or receive copies of papers or minutes for such meetings. Management attendance is limited to employees given permission by the relevant market operator or listing venue.

All directors, other than ASX's CEO are independent non-executives. The biographies of the CS board directors are available on ASX's website.

Management

Role and responsibilities of the CEO

The Board delegates day-to-day management of the ASX Group to the CEO.

In the interim period until the appointment of Mr Stevens as CEO, responsibility for the overall operational and business management of ASX was with the Deputy CEO and Group General Counsel. These executives were responsible for managing ASX's reputation and profit performance in accordance with the strategy, plans and policies approved by the Board, under oversight from the Chairman. These interim arrangements have ceased.

Senior Management

The senior executives, or Key Management Personnel (KMP), of ASX are listed on page 20 of the remuneration report.

Roles and responsibilities are defined in specific position descriptions.

The biographies of ASX's senior executives are available on ASX's website.

Management performance and remuneration

- The Board assesses KMP performance on an annual basis
- KMP are assessed against Group and individual performance targets
- KMP are not present when their performance and remuneration are discussed
- Further details regarding KMP performance and remuneration are set out in the remuneration report which commences on page 17
- A performance evaluation for KMP took place in FY16 in accordance with this process

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. Details of ASX's company secretaries are contained on page 34.

Trading by ASX Group directors and employees

ASX's Group Dealing Rules restrict dealing in securities by ASX directors and employees. These were reviewed in FY16. Derivatives and hedging arrangements for unvested ASX securities, or vested ASX securities subject to holding locks, are prohibited.

Risk management

Effective risk management is key to achieving and maintaining ASX's operational and strategic objectives. The Board is responsible for approving and reviewing the ASX Group risk management strategy, policy and framework. This is designed to identify, assess and manage key strategic, operational and emerging risks. The active identification of risks and implementation of mitigation measures are responsibilities of Management. Risks are formally reviewed at an executive risk workshop that is part of the preparation of ASX's three-year strategic plan. Ongoing monitoring and reporting to the Audit and Risk Committee and the Board occurs throughout the year.

Material business risks are described in the Operating and Financial Review, which also outlines the Group's activities, performance, financial position and main business strategies. ASX's management of economic, environmental and social sustainability risks is discussed in the environment, social and governance section of this report on pages 14 to 16.

The Audit and Risk Committee reviews ASX's enterprise risk management framework annually and receives regular reports on enterprise risks, technology and cyber security, internal audit, regulatory assurance and external audit. It also receives reports from the CS and ASX Compliance boards, as well as half-yearly Management certifications. This process was followed in FY16.

The CS boards review and provide oversight of risk management processes, internal controls and compliance systems in respect of the management of clearing and settlement risks (including clearing counterparty credit risk, treasury investment risk and liquidity risk of ASX Clear and ASX Clear (Futures), and the settlement risks within ASX Settlement), as well as the ASX Group's compliance with the RBA's Financial Stability Standards.

Cyber resilience is integral to effective risk management at ASX. The Audit and Risk Committee receives regular updates on ASX's cyber security strategy, including controls, threat assessments, data analytics, mitigation, random testing, staff awareness, training and assurance. Internal policies, procedures and standards are updated on a regular and dynamic basis, as required. Establishment of an integrated cross-functional team was agreed during the year to enhance coordination and management of ASX's cyber and physical security functions. ASX Management works closely with relevant cyber security agencies. ASIC conducted a review of ASX's cyber resilience during the year. It concluded that ASX had met its obligations for management of cyber resilience.

Management has established an Enterprise Risk Management Committee to oversee ASX's enterprise risk management framework, approve risk policies, monitor framework execution and coordinate general risk matters consistent with the Board's risk appetite. A periodic external assessment of ASX's enterprise risk management framework took place during the year. One of the outcomes was the creation of a management Business Risk Committee comprising key first and second level risk managers to provide greater focus on 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, CS boards, and the CEO (and Group General Counsel during the interim period until a CEO was appointed) 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 online.

Regulatory Assurance also provides an assurance function. It conducts oversight of the Group by mapping the compliance framework for key obligations, overseeing ASX's conflict handling arrangements, 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 CS boards for key licence obligations and conflict handling arrangements, and to the Group General Counsel for functional purposes.

When considering the Audit and Risk Committee's review of half-year and full-year financial statements, the ASX Board customarily receives a statement from the CEO and the Chief Financial Officer (CFO) consistent with the requirements of the *Corporations Act 2001*. It also receives a statement from the CEO and Chief Risk Officer that ASX's risk management and internal control systems are operating effectively for material business risks. For the FY16 financial statements, these statements were provided by the Deputy CEO and Group General Counsel (who were the ASX employees performing the chief executive function to the end of the reporting period), together with the CFO or Chief Risk Officer, as applicable.

Continuous disclosure

ASX's Listing Rule 3.1 Policy sets out how ASX complies with its disclosure obligations. This policy was reviewed in FY16 and determined to continue to be fit for purpose.

Code of Conduct

ASX's Code of Conduct and Anti-Bribery and Corruption, Whistleblower Protection and Fraud Control policies promote ethical and responsible decision-making by all directors and employees of the ASX Group. A Gift and Entertainment Policy for employees and directors requires reporting of all gifts above a specified threshold. The Audit and Risk Committee receives periodic reports. Employees are required to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment. There are formal escalation and grievance procedures. All forms of facilitation payments are forbidden.

The Whistleblower Protection Policy supports employees who report non-compliant or suspicious and unethical conduct by other employees. This formalises ASX's commitment to protect the confidentiality and position of employees wishing to raise matters that affect the integrity of ASX.

Staff attestations of compliance and understanding with these policies were provided in FY16. The Audit and Risk Committee receives regular reports on these matters.

Diversity

ASX's Diversity Policy describes how ASX promotes diversity in the workforce. The diversity objectives adopted by the Board, and performance in FY16, are set out on page 15.

Shareholder engagement

ASX's Shareholder Communications Policy sets out ASX's aim to:

- communicate with shareholders concisely, accurately and in plain language
- deal with shareholders fairly, transparently and openly.

All market sensitive disclosure, including any earnings or other guidance, is first made available on the ASX Market Announcements Platform. ASX does not selectively brief or provide forecasts to analysts or investors.

ASX uses a number of channels and technologies, including webcasting and social media, to communicate widely and promptly. It enables shareholders to participate in shareholder meetings, and deals with shareholder enquiries respectfully and quickly.

Annual General Meeting

ASX's AGM will be held on Wednesday 28 September 2016 at 10am Australian Eastern Standard Time, in the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street, Sydney. Further details about ASX's 2016 AGM are provided on page 74.

Payments to political parties

ASX actively engages with government and political decision-makers about the role ASX performs, the investments it is making to build world-class infrastructure, and the globally competitive and dynamic market environment in which it operates.

ASX has a responsibility to the market and its shareholders, customers and staff to support well-informed government decisions through proactively and clearly communicating its position on matters of public policy and the opportunities and challenges facing the business.

During FY16, 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. No other payments to political parties were made during FY16.

All payments to political parties are disclosed by ASX and must be approved by the CEO and the Group General Counsel in line with the policy and limits set by the Board.

Regulatory environment and market structure

ASX operates in a highly regulated, globally competitive environment. International capital markets are increasingly connected, and regulators around the world are implementing global standards to achieve systemic stability. Australia's regulatory settings are recognised as consistent with international standards.

Australia's regulatory environment

ASX's ability to connect customers to international liquidity is supported by the work of the two government agencies that oversee ASX's operations: the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA).

ASIC is responsible for the supervision of real-time trading on Australia's domestic markets and sets market integrity rules to govern whole-of-market activity. ASIC annually assesses the compliance of ASX's market and clearing and settlement facility licensees with their licence obligations. The latest ASIC Market Assessment Report concluded that ASX met its obligations.

The RBA is responsible for assessing whether licensed clearing and settlement facilities have complied with the Financial Stability Standards (FSS) and have done all other things necessary to reduce systemic risk. RBA annually assesses whether ASX is complying with the FSS. The latest RBA Assessment concluded that ASX observed or broadly observed all relevant requirements.

The RBA is the chair and ASIC is a member of the Council of Financial Regulators (CFR). CFR is the coordinating body for Australia's financial regulatory agencies.

Clearing market structure

In March 2016, the Treasurer announced that regulatory arrangements would be developed over the next 18 months for safe and effective competition in equities clearing. The current equities clearing market structure will remain until those regulatory arrangements are implemented.

The Treasurer endorsed the recommendations of the CFR regarding competition in equities clearing. The recommendations provide for the development and implementation of 'minimum conditions' to support the Government's policy for safe and effective competition. These are intended to ensure competition does not compromise financial stability or the fair and effective functioning of the market, including through location requirements for critical market infrastructure.

The Treasurer also endorsed CFR setting out regulatory expectations for ASX's conduct in operating its cash equities clearing and settlement facilities while it remains the sole provider of these services. CFR is expected to release these regulatory expectations in FY17. They relate to key governance, pricing and access matters. ASX will update its Code of Practice for Clearing and Settlement of Cash Equities in Australia to align with the CFR's regulatory expectations.

Consistency with global standards

ASX complies with the FSS, as well as the global Principles for Financial Market Infrastructures (PFMIs). ASX's compliance with the FSS and PFMIs is set out in the Principles for FMI Disclosure Framework document. This is updated periodically.

ASX's clearing houses operate to a 'Cover 2' standard for credit and liquidity risk. Sufficient capital is held to withstand the default of their two largest participants under extreme but plausible market conditions. ASX Limited and ASX's clearing houses each have a long-term credit rating of AA- from Standard & Poor's.

Recovery and resolution

ASX has implemented recovery rules for its clearing houses that comply with domestic and international standards. The rules were implemented following extensive consultation with market participants, customers and regulators between October 2014 and April 2016. Recovery rules set out how ASX would use loss allocation and replenishment tools to address losses or liquidity shortfalls following clearing participant default or non-default loss events, as soon as practicable, including within one business day.

In November 2015, the CFR responded to feedback on its Resolution Regime for Financial Market Infrastructure consultation. Resolution refers to the ability of a public authority to take control of a distressed central counterparty to return it to viability or facilitate its orderly wind-down. CFR has indicated that draft legislation to establish an Australian resolution regime is expected in FY17, subject to Parliament's legislative program. ASX supports the early implementation of this regime.

International clearing standards

An important outcome of international regulatory harmonisation has been the requirement that key over-the-counter (OTC) derivatives transactions by the largest dealers be centrally cleared.

Australia
Mandated centralised clearing of interest rate derivatives denominated in A$, US$, euros, British pounds and Japanese yen between OTC derivatives dealers in Australia came into effect in April 2016. This reduces the cost for Australian market participants to access global markets.

Europe and US
ASX, the RBA and ASIC have worked with the regulators where ASX's key international customers are based to allow those clients to use ASX's OTC markets to clear their transactions in Australia.

ASX's futures and equity clearing houses were among the first group of international clearing houses to be formally recognised as a 'Third Country CCP' by the European Securities and Markets Authority (ESMA).

ASX's futures clearing house was the first international clearing house to be exempt from registration as a 'Derivatives Clearing Organization' by the US Commodity Futures Trading Commission (CFTC).

Customer engagement

ASX operates at the heart of Australia's financial markets. Local and international intermediaries and banks, settlement participants, market data vendors and other market operators rely on ASX to provide financial market infrastructure every day. Together, ASX and its customers service over 2,200 listed companies and other issuers, institutional investors, asset managers, superannuation funds, wealth managers and millions of retail investors.

Improving the customer experience

ASX employees have customer-related goals and targets, with the main customer-facing functions led by a member of ASX's Executive Committee.

ASX's 24-hour Customer Support Centre provides end-to-end customer service across the exchange's technology, operations, clearing risk and market surveillance activities. The Centre has improved ASX's customer responsiveness and reduced the time taken to resolve operational issues experienced by customers. In addition, a Technical Account Management team provides dedicated change management and service support.

ASX has international offices in Chicago, Hong Kong and London. Its on-the-ground presence in these major financial centres allows ASX to better understand and service its growing offshore client base.

In May 2016, ASX replaced ASX Online, its B2B digital platform for market participants and technical services customers. The new portal has simplified interaction with ASX, improving day-to-day operational activities and enhancing the user experience.

Working closely with our customers

ASX is collaborating closely with its customers as it upgrades its core technology applications. These include a new futures trading platform and the assessment of distributed ledger technology as a possible replacement for CHESS. The involvement of industry is critical to de-risking the change process for customers and ensuring a smooth transition for the whole market.

A similar process underpinned the transition to a T+2 settlement cycle in March 2016. The reduction in the settlement period from three to two days was the culmination of an extensive two-year program, involving over 100 parties in Australia and New Zealand. The new arrangement has provided efficiencies for the market, with cash market margin requirements for ASX participants declining by up to 30%.

Seeking feedback and consultation

ASX uses forums, public consultations and an annual survey to obtain feedback from customers.

There are customer forums across all of ASX's businesses, which discuss market developments, provide feedback on service delivery, and help prioritise investment in products and services.

ASX's Code of Practice for Clearing and Settlement of Cash Equities in Australia formalises the involvement of ASX's customers in the operation and development of Australia's cash equities clearing and settlement infrastructure.

In FY16, the Business Committee established under the Code contributed to the implementation of T+2 settlement, the discontinuation of non-settlement days and the roadmap for the development of post-trade services infrastructure.

Customer input also informs ASX's product development. New derivatives products introduced in FY16 following user feedback include 20 year bond futures, mini-SPI futures, eastern Australia wheat futures and TORESS options.

In FY16, ASX conducted public consultations on topics such as liquidity risk management, trade cancellations, reverse takeovers and new listing admission requirements. These help ASX to understand the views of its customers and balance the interests of its many and diverse stakeholders.

Feedback from ASX's annual customer survey acknowledged that ASX was making good progress, but further work is required to:

- deepen engagement with and better understand their business
- reduce their costs
- improve service delivery
- increase communication.

This feedback has been incorporated into ASX's plans and activities.

Supporting issuers and investors

Maintaining the attractiveness of the Australian market to list and raise capital is a fundamental objective of ASX.

In FY16, ASX consulted on proposals to update the admission requirements for listing to maintain the quality of ASX as a world-class listing venue. The changes included increasing the financial thresholds, introducing a 20% minimum free float, and adjusting the shareholder spread tests.

ASX had constructive stakeholder engagement on the proposals and is giving careful consideration to the feedback, including the potential impact on particular industries. It expects to respond to the feedback and publish the new listing admission requirements by October 2016.

In 2016, the ASX Evolve program continued to bring companies and investors closer together. The program funds research coverage for small and mid-cap companies, publishes the Listed@ASX magazine for the investor relations and adviser community, and hosts the International Spotlight Series that showcases ASX-listed companies to institutional investors in Asia and North America.

ASX recognises that confident and informed investors are the lifeblood of a vibrant and liquid financial market. ASX's investor education initiatives are described in the next section of this report.

Environment, social and governance

Environment, social and governance (ESG) risks are monitored as part of the Board's oversight of ASX's enterprise risk management framework. They reflect ASX's focus on the long-term sustainability of its business. This section describes how ASX addresses these risks, and provides transparency on the management of ASX's environmental footprint. Economic risks are addressed in the Operating and Financial Review.

Investor education

Promoting informed investing supports ASX's business. According to the most recent Australian Share Ownership Study, 36% of adult Australians participate in the sharemarket directly through shares and other listed investments, or indirectly through managed funds or self-managed super. Share ownership is the preferred asset class for personal investments and Australia continues to have one of the highest levels of share ownership in the world.

ASX provides access to free tools and resources to explain the potential rewards and risks of investing. These include online courses on shares, bonds and hybrids, exchange-traded products, instalment warrants, options, futures and Australian Government bonds. ASX's YouTube channel features presentations from finance industry experts. ASX's monthly Investor Update e-newsletter covers topics ranging from investment basics to strategies relevant to more experienced investors, and has over 220,000 subscribers. Face-to-face events in capital cities focus on ASX products and services, and connect investors with finance professionals.

The ASX Sharemarket Game provides an opportunity for the general public and secondary school students to become familiar with the mechanics of share trading. The Game is linked to the live market, which connects students to real-world events. Over 68,000 students from 900 schools, and 57,000 members of the public, played the Game last year.

ASX people

ASX aims to build and retain a highly motivated team of professionals with the best available skills and experience.

The Remuneration Committee oversees and receives periodic reports about ASX's human capital policies and programs. In addition, the Executive Committee regularly reviews talent and leadership programs, performance management and reward processes, succession planning outcomes, diversity strategy progress, and staff alignment and engagement results.

Culture

Management and the Board review the core set of values and behaviours that reflect ASX's brand and culture. An annual survey measures staff alignment, engagement and commitment to ASX values and behaviours. Results are reviewed by the Remuneration Committee, and the clearing and settlement and ASX Compliance boards. ASX's internal audit and regulatory assurance functions provide periodic feedback on risk and compliance consciousness.

ASX staff alignment and engagement increased in FY16. Alignment is in the top quartile and engagement is at the top of the second quartile of ASX's peer group.

Remuneration

ASX's market positioning for fixed remuneration is the median to upper quartile. All employees are entitled to participate in a short-term incentive (STI) plan, subject to performance. During the year, an offer to all ASX employees to acquire ASX shares under an $1,000 General Employee Share Plan was accepted by 51% of ASX staff.

ASX's remuneration report on page 17 describes ASX's approach to senior executive remuneration.

Training and retention

Staff can access learning and development programs at all levels of the organisation. These programs are reviewed periodically to remain contemporary and aligned to organisational goals. ASX partners with the Macquarie Graduate School of Management to support emerging female leaders in their MBA studies.

Voluntary turnover was 12.0% in FY16.

Recognition

Recognition at ASX is supported through programs that focus on excellence in the behaviours critical to the company's long-term success.

Workplace health and safety

ASX's FY16 lost-time injury frequency rate (the number of lost-time injuries per 1 million hours worked) was less than 0.1. This is significantly below FY15 and industry benchmarks.

ASX is committed to the health and safety of all employees, visitors and contractors. Employees are encouraged to adopt behaviours that identify and then remove or control potential causes of workplace risk, injury and illness.

The Audit and Risk Committee receives quarterly updates on ASX's compliance with workplace, health and safety (WHS) laws, standards and codes of practice. WHS performance is audited periodically by an independent third party.

ASX Wellbeing

ASX Wellbeing supports staff to balance work, personal and family life.

A range of wellbeing initiatives are offered to staff on a subsidised basis, including yoga, pilates, meditation, lunchtime sport and a walking club. The ASX Social Committee coordinates company-funded social activities and events throughout the year.

Diversity and inclusion

ASX supports an inclusive and diverse work environment where employees have equal access to career opportunities, training and benefits. Employees are treated with fairness and respect, and are not judged by gender, age, ethnicity, race, cultural background, religion, sexual orientation, disability, or caring responsibilities.

ASX strives to make the most of its available talent by eliminating barriers to career development and progression for women in the organisation.

Gender equality is a business priority and ASX is committed to supporting the equal participation of men and women in the workforce.

ASX supports marriage equality.

Gender equality targets

ASX has made good progress towards its gender diversity targets. The overall organisational target of 40% has been met. The current target of 40% at all senior management levels continues for FY17.

Female representation in ASX as at 30 June 2016:

	% women		
ASX level	FY16	FY15	Target
Board of directors	22[1]	30	33.3
Group Executives	25	25	40
Executive Committee	36	36	40
Management Executive	38	34	40
Managers/Team Leaders	41	40	40
Professional/technical	39	40	40
Administrative	85	85	50+
Entire organisation	42	43	40+

[1] Female directors 33.3% as at 1 August 2016.

Definitions
Group Executives: direct reports to the CEO
Executive Committee: all Group Executives and Executive General Managers
Management Executive: executives two layers below the CEO
Managers/Team Leaders: executives three layers below the CEO
Entire organisation: includes casual staff and excludes non-executive directors and independent contractors

Note: all data is non-cumulative and is calculated on the number of employees in each level.

Accountability for gender diversity

Executive leaders are accountable to deliver gender equality through targets in their STI plans. These targets include staff survey results and diversity.

ASX requires a gender balanced shortlist when recruiting for all roles.

Gender pay equality

ASX is committed to addressing pay equality through ongoing monitoring, analysis, communication and improvement where required. Annual remuneration recommendations and performance outcomes are analysed to prevent gender pay inequality. A dedicated budget for FY16 addressed a number of pay equity gaps.

Building leadership capability

Staff are supported through career management, retention and development plans. An employee-led networking initiative has implemented programs to increase networking events, create informal learning and development opportunities, and ensure that employees on parental leave remain connected to the workplace.

ASX participates in the Chief Executive Women Leaders Development Program, which provides individual coaching for participants.

In FY16, one of ASX's senior executives won a scholarship sponsored by Chief Executive Women to attend the Women's Leadership Forum at Harvard Business School. The judges commended the efforts of ASX to provide opportunities for the diversity of its employees to advance and develop their talents.

Supporting working families

All employees have the opportunity to work flexibly. A recent staff survey indicated that 46% of staff work in a flexible capacity, with higher engagement and alignment for those employees. Staff may also purchase up to an additional two weeks leave.

ASX's parental leave policy provides 16-weeks paid primary carer parental leave, with secondary carer paid leave of four weeks. Superannuation contributions continue during paternity leave.

ASX is accredited as a Breastfeeding Friendly Workplace by the Australian Breastfeeding Association.

Prevention of harassment and discrimination

ASX addresses discrimination and harassment through prevention and online training. On commencement of employment, all ASX staff complete online equal employment opportunity training in line with the ASX Diversity and Inclusion Policy.

ASX has processes in place to monitor and address discrimination, and staff must complete online training periodically.

WGEA report

ASX is recognised as an Employer of Choice for Gender Equality by the Federal Government's Workplace Gender Equality Agency (WGEA). It lodged its WGEA Annual Report in May 2016.

Ethics and integrity

ASX's Code of Conduct and Anti-Bribery and Corruption, Fraud Control, and Whistleblower Protection policies promote ethical and responsible decision-making by all ASX directors and employees. ASX employees certify they understand and comply with these policies. Periodic training is provided on these policies, as well as on those promoting Equal Employment Opportunity, diversity and dealing rules.

Further details are set out on page 11 of the corporate governance section of this report.

ASX in the community

ASX assists its employees to become active supporters of worthwhile causes and participate in community programs outside the workplace. This includes providing paid volunteering leave. ASX's community programs allow employees to support causes and charities of their choice. ASX matches employee donations to these charity partners, with $153,104 donated to 59 charities in FY16.

ASX ThomsonReuters Charity Foundation

The ASX ThomsonReuters Charity Foundation supports Australian children's and medical research charities by organising fundraising events for financial markets participants. Over $1.6 million was raised and distributed to 30 charities in FY16. The Foundation's eight-person board includes three ASX representatives.

ASX fulfils the company secretariat and finance functions for the Foundation, and many ASX employees volunteer to assist with the fund raising activities.

ShareGift Australia

ASX has supported ShareGift Australia since 2007 and promotes the charity on CHESS statements sent to investors. ShareGift Australia allows shareholders to sell shares free of brokerage costs and donate the proceeds to charity. ASX reimburses all ASX exchange fees on these transactions. ASX encourages its shareholders to support ShareGift Australia by enclosing a Share Sale Donation Form each year with the year-end dividend. ShareGift Australia has donated over $1.35 million to almost 450 charities.

Anzac Centenary Public Fund

ASX is contributing $1 million to the Anzac Centenary Public Fund. The Fund, established by the Australian Government, receives donations to commemorate the centenary of Australia's involvement in the First World War and a Century of Service. Projects honour and improve understanding of the service and sacrifice of Australia's servicemen and women, past and present, in defending Australia's values and freedoms.

Environment

ASX is a service-based organisation that does not extract physical or natural resources and is not involved in the manufacture or transport of products. ASX's environmental footprint is small and arises from the energy used by its three offices and two data centres, and also from consumables, primarily paper. ASX's environmental risks are not significant.

Electricity usage

ASX has implemented a number of initiatives to address direct and indirect emissions in its business. ASX's energy consumption has increased slightly over the last three years, reflecting increased headcount and activity levels during the period.

More than half of ASX's energy usage is in the Australian Liquidity Centre (ALC, ASX's primary data centre). The ALC supports the equipment and systems of customers who co-locate with ASX instead of in their own or other facilities. Growth in this business (and its energy consumption) reflects the ALC's position as the premier community of financial markets infrastructure in Australia. The number of hosted IT cabinets in the ALC has increased from 117 to 231 over the last three years.

Paper usage

ASX's paper usage (excluding CHESS statements and notifications) has decreased by more than 40% over the last three years. Management continues to implement initiatives that reduce paper usage in ASX's business and the financial market overall.

Suppliers

Material suppliers must comply with a Supplier Code of Conduct, which includes minimum requirements across key ESG areas. ESG considerations are included in all material procurement tenders.

Assessment of ASX's ESG practices

ASX participates in the following external assessments of its ESG practices:

- Carbon Disclosure Project - provides transparency on ASX's emissions, waste, and water usage
- FTSE4Good Index Series - identifies companies that have met stringent social and environmental criteria.

ASX's ESG practices have also been assessed by MSCI ESG research.

Environmental impact

Greenhouse gas (GHG) emissions	Unit	2014	2015	2016
Scope 1 – diesel and gas	t CO2-e[1]	100	29	11
Scope 2 – electricity	t CO2-e	12,250	13,011	14,440

GHG emissions by activity	Unit	2014	2015	2016
Scope 1 – diesel and gas combustion	t CO2-e	100	29	11
Scope 2 – electricity (data centre hosting)	t CO2-e	7,963	8,457	10,108
– electricity (remainder ASX's business)		4,288	4,554	4,332
Scope 3 – travel (business travel and commuting)	t CO2-e	956	986	1,021
– paper usage (office)	t CO2-e	23	16	0[2]
– paper usage (CHESS statements and notifications)	t CO2-e	129	146	0[2]

Paper usage	Unit	2014	2015	2016
Office use	tonnes	12	8	7
CHESS statements and notifications	tonnes	64	73	75

[1] Tonnes of carbon dioxide equivalent.
[2] GHG emissions reported inclusive of carbon offset. ASX commenced using 100% carbon neutral paper in 2015.

Environmental targets

Environmental risks are monitored, assessed and managed as part of ASX's risk management framework. ASX's approach to managing these risks includes: measuring the impact of its activities, minimising consumption of materials, recycling and re-using consumables, and supporting awareness of environmental issues. The Environment Committee oversees ASX's environmental impact-reduction activities.

FY16 initiatives

- Launched ASX Environment Committee Newsletter
- Implemented paperless supplier invoice process
- Simplified new shareholder communications
- Upgraded recycling programs, including batteries, phones and coffee pods
- Reduced paper CO2 emissions through use of carbon neutral paper

FY17 initiatives/targets

Management will implement FY17 targets for controllable consumption of paper (excluding CHESS statements and notifications) and energy (excluding ASX's data centre hosting) using metrics that reflect variability in ASX's business. These targets and reporting will be included in ASX's FY17 Annual Report.

Management and a cross-divisional Environment Committee will continue to identify other initiatives in FY17.

ASX Corporate Governance Council

The ASX Corporate Governance Council publishes a principles-based framework for corporate governance practices – the Corporate Governance Principles and Recommendations – that serves as a relevant and practical guide for listed entities, investors and the wider Australian Community.

The Council brings together 21 business, investment and shareholder groups. As the convenor, ASX nominates the chair (currently Mr Alan Cameron AO), contributes one member of the Council and provides executive support.

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 a recommendation, they must provide an explanation ('if not, why not' reporting). These reporting requirements provide for transparency of the corporate governance practices of listed companies, which enables investors to make informed investment decisions.

ESG guidance to issuers

The Council has contributed to a significant improvement in public reporting and awareness of ESG matters by listed entities. The Corporate Knights and Aviva survey of sustainability disclosures by international listed companies rated sustainability disclosures by Australian public companies the third highest in the world.

The third edition of the Principles released in March 2014 required listed entities to include details in their Annual Report of how they manage their material economic, environmental, social sustainability and governance risks.

While ASX does not prescribe specific ESG benchmarks, it has commissioned independent research that serves as a resource for listed entities on good practice, disclosure expectations and benchmarking. This research has led to a greater action on, and improved disclosure of, diversity and sustainability risks facing listed entities.

Remuneration report

This report outlines ASX's remuneration framework and the outcomes for the year ended 30 June 2016 (FY16) for the ASX Limited Board and the Key Management Personnel (KMP) responsible for planning, directing and controlling the activities of the ASX Group.

Remuneration philosophy

ASX's remuneration framework rewards 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 on both financial and non-financial measures
- provide competitive remuneration that is designed to attract, motivate and retain talent and promote diversity
- promote sound and effective risk management and market integrity.

Role of Remuneration Committee

The Remuneration Committee oversees ASX's executive remuneration framework and monitors remuneration outcomes to take account of the interests of shareholders, and ASX's commitment to maintaining sound and effective risk management, and the integrity of its markets.

The Board approves, and reviews on an annual basis, the remuneration of ASX's KMP on the recommendation of the Remuneration Committee.

Advice to Remuneration Committee

The Remuneration Committee operates independently of ASX management and may engage remuneration advisors directly. No remuneration advisors were engaged in FY16.

Input is received from a number of subsidiary boards and committees regarding the performance and remuneration of certain KMP:

- ASX's clearing and settlement boards regarding the Group Executive, Operations and Chief Risk Officer
- ASX Compliance board regarding the Chief Compliance Officer
- Audit and Risk Committee regarding the Chief Financial Officer.

Remuneration of Mr Dominic Stevens

Mr Dominic Stevens commenced as Managing Director and CEO of ASX on 1 August 2016. A summary of his remuneration arrangements was released to the market on that day.

Mr Stevens' FY17 remuneration comprises a mix of 40% fixed, 40% short-term incentive (STI) and 20% long-term incentive (LTI):

Component	Amount
Fixed	$2,000,000
STI	$2,000,000 (target) Maximum 150% of target 40% cash 30% deferred in equity for two years 30% deferred in equity for four years
LTI	$1,000,000 ASX share price (face value)
Total (at target)	$5,000,000

Mr Stevens' CEO remuneration is consistent with ASX's executive remuneration policy outlined in this report. Sixty percent of his overall remuneration is at risk. Over 70% of this at risk remuneration will be deferred into either equity (STI) or performance rights (LTI). Mr Stevens' grant of LTI will be submitted for shareholder approval at the 2016 AGM.

The non-executive directors consider that Mr Stevens' remuneration package (including the proposed grant under the LTI plan) is reasonable and appropriate having regard to the circumstances of the Company and Mr Stevens' responsibilities as CEO.

Arrangements following Mr Elmer Funke Kupper's resignation

Mr Elmer Funke Kupper resigned as CEO of ASX on 21 March 2016.

The Board considered his contribution and ASX's performance in FY16 prior to accepting his resignation. Mr Funke Kupper received on cessation of his employment:

- payment in lieu of six-month notice period
- pro-rata cash component of his FY16 STI. The deferred component of his FY16 STI was forfeited
- his statutory entitlements.

Mr Funke Kupper was subsequently paid his deferred STI from FY14 on 1 July 2016 in full, after the Board decided not to clawback any of this payment. He remains eligible to receive his deferred STI from FY15 on 1 July 2017, subject to ASX's Clawback Policy.

The Board determined that these STI awards, which were for performance in FY14 and FY15, should not automatically be forfeited given the circumstances of Mr Funke Kupper's resignation.

Mr Funke Kupper's 80,362 LTI performance rights lapsed. The Board had a discretion to permit any performance rights to be retained by Mr Funke Kupper. This was not exercised.

Mr Peter Hiom and Ms Amanda Harkness were appointed to lead the organisation after the resignation of Mr Funke Kupper, in addition to their existing roles. All other Group Executives reported to Mr Hiom or Ms Harkness during the interim period. Mr Hiom and Ms Harkness received a one-off additional payment of $250,000 in recognition of these additional responsibilities.

ASX Group remuneration

The remuneration arrangements for all staff are made up of a fixed remuneration component and a variable component. The variable component for all staff is 'at risk' subject to performance, and delivered through the STI plan and an LTI plan for the CEO and Deputy CEO.

The relative weighting of fixed and variable components (remuneration mix) will vary with role level, complexity and market practice. The remuneration mix is expressed as a percentage of the total reward which equates to 100%.

STI deferral into equity is in place for all KMP. The deferral arrangements set out in this report apply to the CEO, Group Executives, Executive General Managers and General Managers. They represent approximately 6.7% of ASX headcount.

The FY16 remuneration mix for KMP for on target performance was:

	Fixed	Variable (at risk)	
		STI*	LTI
CEO and Deputy CEO	40%	40%	20%
Other KMP	60-75%	25-40%	0%

* The remuneration mix is for on-target performance (100%). For above target performance, STI can be up to 150% of target STI.

Fixed remuneration

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

Fixed remuneration is reviewed on an annual basis against comparable market data. ASX market positioning is the median to upper quartile, depending on individual performance. Increases are not automatic and are subject to a minimum level of individual performance.

Variable remuneration

The STI plan provides variable remuneration to drive the achievement of ASX's strategy and performance objectives during the year. All employees are eligible to participate.

Employees set individual goals and targets across six scorecard areas: strategic priorities, customers and growth, people and culture, operational excellence, regulatory focus, and financial results. Employees in the operations, clearing and settlement, and compliance functions have goals that promote sound and effective risk management and market integrity. Individual goals and targets support ASX's strategic goals. Managers have regular conversations with team members about their development and progress against individual goals and targets.

STI awards are based on the performance of the ASX Group against the objectives set by the Board, and individual performance against the goals and targets in the individual scorecards, as assessed by each individual's manager and senior executive.

Calculation of STI award

KMP STI is calculated using the formula illustrated below:

Target STI in $ × **Group incentive pool %** × **Individual performance rating %** = **STI award in $ equity deferral**

- **Target STI in $**: Target reward model; On-target STI as % of total reward
- **Group incentive pool %**: Determines the available pool; Financial and non-financial performance
- **Individual performance rating %**: Differentiated based on 1-5 rating scale; Behaviours as 'gate'; Individual goals linked to ASX strategy
- **STI award in $ equity deferral**: Recommendation; Incentives are at Board discretion; 60% award deferred into equity for KMP

Target STI

KMP target STI was increased in FY16 to recognise the lower upfront cash payment and longer vesting period under the STI deferral arrangements.

Group incentive pool

The Board makes an assessment of the Group's performance split evenly between financial objectives and non-financial and strategic objectives. The assessment for FY16 is set out on page 19 of this report.

Based on that assessment, the Board approves a Group incentive pool percentage that is applied to the target Group pool. For example, if the target STI pool for executives is $10.0 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 $8.0 million.

Individual performance

Individual performance determines the amount of STI awarded. Up to 150% of target STI can be awarded for exceptional performance. The minimum award is nil.

Satisfactory performance against the ASX leadership behaviours must be achieved to be eligible for an STI award.

The performance of each KMP is assessed by the Remuneration Committee and the Board.

STI deferral and vesting

A percentage of STI awards for senior executives is automatically deferred into equity:

STI award	KMP and Executive General Managers (% of award)	General Managers (% of award)
Cash payment upfront	40%	50%
Deferred in equity for two years	30%	50%
Deferred in equity for four years	30%	N/A

FY16 Group performance and remuneration outcomes

This section summarises the Board's assessment of ASX's FY16 performance and remuneration outcomes.

Fixed remuneration outcomes
• Fixed remuneration increases from 1 July 2016 across the ASX Group averaged 2%
STI outcomes reflect company performance
• The Group met its objectives for FY16 • STI outcomes for Executives ranged from 90% to 110% of target STI and were, on average, at target
EPS portion of FY14 LTI was not met
• The 70% earnings per shares (EPS) portion of the FY14 LTI award was not met • The 30% total shareholder return (TSR) portion of the FY14 LTI award will be determined at the September 2016 vesting date

In assessing STI financial performance, the Board takes into consideration the market conditions in the businesses directly exposed to market activity levels. This means that incentives may be awarded even when market conditions lead to a fall in revenue or earnings, provided other objectives are met.

Board assessment of ASX's FY16 performance against objectives

Financial objectives – 50%	Performance	Board assessment
Revenue growth	Revenue increased 6.5%	At target
Net profit after tax (NPAT)	Underlying NPAT up 5.7%. Statutory NPAT up 7.1%	
Earnings per share (EPS)	Underlying EPS up 5.8%	
Dividends per share (DPS)	Full-year dividend per share 198.1 cents, up 5.7%. Payout ratio 90%	

Non-financial objectives – 50%	Performance	Board assessment
Customers and growth Build strong partnerships with clients and a customer-focused culture	Strengthened engagement with customers and delivered tangible benefits • Launched 20 year bond contract and other derivatives products • Continued growth in OTC clearing services with $2.7 trillion cleared and record levels in June 2016 • Implemented T+2 settlement that provides efficiencies for investors and market participants • Launched new online portal for participants and technical services customers • Opened an office in Hong Kong and improved distribution of the ASX derivatives market • Established customer experience team - customer survey indicates improving service delivery and strategic alignment, with more work to do Strategic investment in Digital Asset Holdings to develop distributed ledger technology and build an understanding of the potential benefits and implications for Australia's financial markets	At target
Technical and operational performance Deliver world-class trading and post-trade infrastructure to Australia's financial markets	Solid operational performance and reliability • Critical systems availability met the 99.8% and 99.95% ASX benchmarks. Two unrelated 'severity one' issues in one day • Third party clearing and settlement services met all agreed service levels • Progressed ASX's technology investment program • New trading platform for futures live-date deferred to February 2017, focus on new services to support OTC clearing and distributed ledger technology	At target – de-risking of technology strategy
Regulatory compliance and risk management Maintain ASX's position as one of the highest quality and best regulated exchange groups	Significant progress towards meeting the highest standards • Positive regulatory reviews with no major issues raised • AA- (long-term) credit rating from Standard & Poor's maintained • Progress towards meeting the Financial Stability Standards • Compliance with European and US rules • Reviewed risk management processes following BBY default and recommended changes to legislation • Established an IT governance team with a focus on IT security • Upgrading risk management systems to consolidate technology and improve capabilities • Updated governance arrangements for ASX Compliance and ASX's listings business Government announced that existing cash equities clearing market structure will remain for at least 18 months	At target
People and culture Build a strong performance culture with a highly engaged team	Positive progress, with stable staff survey results • Alignment continues in top quartile and engagement close to top quartile • Progress against diversity targets of 40% at all senior management levels • Workplace health and safety - lost-time injury frequency rate less than 0.1	At target – diversity slightly behind target
Stakeholder engagement Be recognised as a positive contributor to Australia's economic future	• Continued engagement with end-investors, listed companies and the superannuation sector • Provided input into domestic and international regulatory processes	At target

Long-term incentive overview

The purpose of the LTI plan is to recognise performance and behaviours that deliver substantial long-term shareholder value.

Only the CEO and Deputy CEO participate in ASX's LTI plan. The former CEO's LTI was forfeited upon his resignation. ASX will submit Mr Stevens' FY17 LTI grant for shareholder approval at the 2016 AGM.

The LTI is a grant of performance rights over ASX ordinary shares, which will vest if ASX achieves performance hurdles determined by the Board.

ASX's LTI has a four-year performance period. The number of performance rights is allocated based on the volume weighted average price of ASX shares (face value) on the 10 business days preceding the grant date. No dividends are paid on the performance rights. There is no retesting. Half of the performance rights have an earnings per share (EPS) and half have a total shareholder return (TSR) performance condition.

EPS LTI component

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 ASX. 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. Exclusion of these items would be clearly identified and explained if such action changed any vesting outcome.

Compound annual growth in EPS (4 years)

Performance	% of equity to vest
< 5.1% (pa)	0%
5.1%	50%
5.1% - 10.0%	50% to 100% straight line pro-rata vesting
>10%	100%

EPS performance is measured over a four-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 performance period as the end year.

TSR LTI component

TSR is calculated as the movement in share price and dividends received, assuming re-investment of dividends. TSR is measured against a peer group determined by the Board at the time of the offer based on the ASX 100, excluding property trusts.

Ranking of TSR (4 years)

Performance	% of equity to vest
< 51st percentile	0%
51st percentile	50%
51st – 76th percentile	50% to 100% straight line pro-rata vesting
>76th percentile	100%

The peer group may change as a result of specific events such as mergers and acquisitions, delisting and financial failure. There are guidelines for adjusting the peer group following such events.

Past LTI grants

Shares relating to grants of performance rights that have vested are allocated from a surplus pool of unvested LTI offers within a special purpose trust and released as shares to the employee. Shares allocated under the LTI plans rank equally with other shares on issue at the time those shares are allocated.

Grant year	FY16	FY15	FY14
Grant date	30 September 2015	23 September 2014	25 September 2013
Participation	2	2	2
Performance measure	50% EPS 50% TSR	70% EPS 30% TSR	70% EPS 30% TSR
EPS vesting commences at	5.1% compound growth	8.1% compound growth	8.1% compound growth
TSR vesting commences at	51st percentile	51st percentile	51st percentile
Vesting period	4 years	3 years	3 years
Vesting date	1 October 2019	24 September 2017	26 September 2016
Dividends paid	No	No	No
Retesting	No	No	No

Accounting treatment of LTI

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 performance period.

The fair value of performance rights for the TSR awards is 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:

Grant year	FY16	FY15	FY14
Share price at grant date	$37.88	$36.45	$34.70
Volatility (pa)	16%	14%	20%
Discount rate (risk free rate) (pa)	1.94%	2.87%	2.81%
Dividend yield (pa)	4.75%	5.0%	5.1%
Fair value of performance rights (EPS awards)	$31.32	$31.37	$29.78
Fair value of performance rights (TSR awards)	$15.36	$17.94	$13.57
Weighted average AASB 2 share-based payment fair value	$23.34	$27.34	$24.91

Executive service agreements

Each KMP has an ongoing service contract. The contracts do not provide for any termination payments, other than payment in lieu of notice and any statutory entitlements. The key terms are:

			Minimum notice periods (months)		
Name	Position held	Contract effective date	Executive	ASX	Poor performance
D J Stevens	Managing Director and CEO	1 August 2016	6	12	3
R Aziz	Chief Financial Officer	19 July 2010	3	6	1[2]
A J Bardwell	Chief Risk Officer	19 July 2010	6	12	1[2]
L A Green	Group Executive Human Resources	3 August 2015	6	12	3[2]
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 2015	6	12	3[2]
T J Hogben	Group Executive Operations	1 April 2010	3	6	1[2]
K A Lewis	Chief Compliance Officer	19 July 2010	6	12	6
T Thurman	Chief Information Officer	17 December 2014	6	12	3
E Funke Kupper[1]	Former Managing Director and CEO	6 October 2011	6	12	3

[1] E Funke Kupper resigned 21 March 2016.
[2] The notice period for termination for poor performance requires an initial written notice of one month.

Treatment of STI and LTI on departure

All deferred or unearned STI is forfeited in the event of resignation (unless approved by ASX) or dismissal due to misconduct or poor performance. Treatment of STI on departure for other reasons is based on the discretion of the Board (for the CEO) or CEO.

Performance rights (LTI) will lapse immediately in the event of resignation (unless approved by ASX) or dismissal due to misconduct or poor performance, unless the Board determines in its discretion that the participant ceased employment for a qualifying reason. This includes pursuit of other company-approved initiatives, death, serious illness or accident. Where LTI does not lapse immediately, the Board may determine in its discretion the proportion of shares that are forfeited.

The CEO will forfeit any STI or LTI if ASX determines that such action is necessary to protect the financial soundness of ASX or where adverse outcomes have arisen that reduce the original assessment of the performance generating the provision of the benefit.

Clawback Policy and Board discretion

The Clawback Policy permits the Board to clawback some or all of an executive's proposed performance-based remuneration if the Board considers that such remuneration would be an 'inappropriate benefit'. This includes any STI or LTI award and other performance-based component of remuneration that has not yet been paid or vested without restrictions to an executive. The Board has absolute discretion to determine 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.

The Board may adjust LTI outcomes by up to 20%, or more if outcomes have been materially impacted by changes to dividend policy, capital structure, gearing or corporate structure.

This discretion has not been applied in the current year or prior years. The Board will exercise such discretion in a manner that is consistent with supporting sound and effective risk management, protecting ASX's long-term stability and aligned with creation of long-term shareholder value. If this discretion was applied in any year, it would be clearly disclosed and explained.

Non-executive director remuneration

The Remuneration Committee reviews and recommends to the Board the remuneration for non-executive directors.

Fees are broadly aligned to the top quartile of the marketplace so that:

- ASX non-executive directors are remunerated fairly for their services, recognising the workload, and level of skill and experience required for the role
- ASX can attract and retain talented non-executive directors
- fees are in line with market practice.

Remuneration structure

Non-executive director remuneration includes:

- Board fee
- committee (including subsidiary board) fees
- superannuation.

Board, committee and subsidiary board fees have regard to the responsibilities of each position. 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. ASX does not have a non-executive director retirement scheme.

Director fees

The maximum aggregate amount that may be paid to all ASX non-executive directors in their capacity as members of the ASX Board and its committees, and as directors of subsidiary boards, is $2.8 million per annum. This was approved by shareholders at the 2012 AGM. The amount paid in FY16 was $2.4 million.

The Board reviews its fees regularly in line with ASX's objectives for non-executive remuneration. The next review will take place in November 2016.

There have been no increases to ASX Limited Board and committee fees since January 2014. A change to the composition of ASX's committees and subsidiary boards increased the total amount paid to some directors in FY16 compared to FY15.

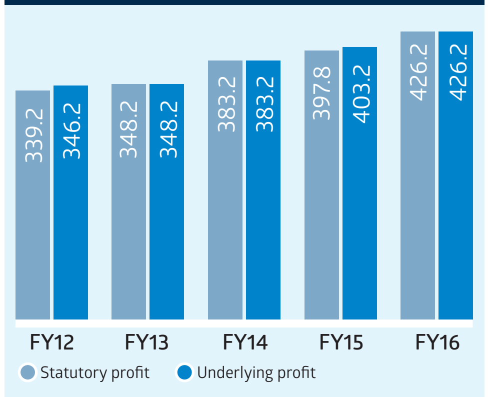
Chairman fees

Mr Holliday-Smith has not received, and will not be paid, any amounts other than his pre-existing Chairman's fee for the services he performed up to 1 August 2016.

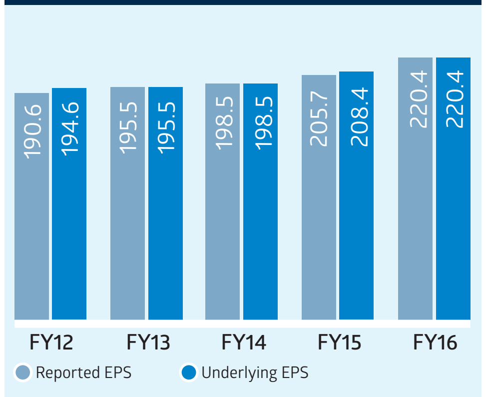
Company performance

ASX's financial performance over the five-year period ending FY16 is shown in the graphs below.

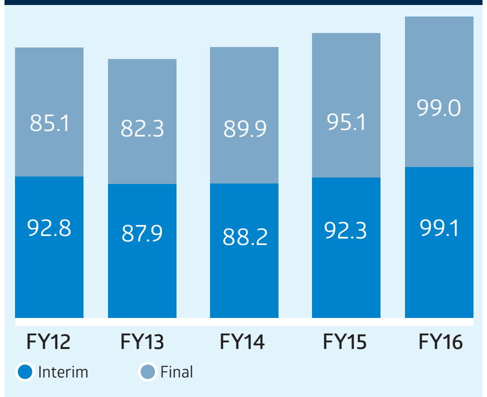
Net profit after tax ($million)



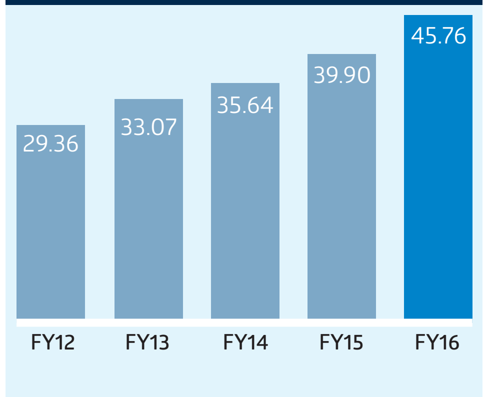
Earnings per share (EPS) (cents)



Dividends per share (cents)



ASX share price ($ at end of financial year)



Statutory remuneration of Group Executive KMP

The remuneration table below has been prepared 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.

		Short-term				Post-employment	Long-term				
$	Year	Salary	STI	Non-monetary	Other[1]	Superannuation benefits	Deferred STI	Other[2]	Share-based payments[3]	Total	Performance-related[4]
Current											
R Aziz Chief Financial Officer	2016 2015	430,692 431,217	120,000 110,000	- -	- -	19,308 18,783	105,000 100,000	7,059 7,068	- -	682,059 667,068	33.0% 31.5%
A J Bardwell Chief Risk Officer	2016 2015	604,765 606,217	75,200 77,500	 -	- -	19,308 18,783	73,750 60,000	- -	927 -	773,950 762,500	19.2% 18.0%
L A Green Group Executive Human Resources (commenced 3 August 2015)	2016	292,616	70,000	6,838	150,000	18,988	-	-	-	538,442	13.0%
A J Harkness Group General Counsel and Company Secretary, Group Executive Corporate Affairs	2016 2015	680,692 681,217	206,000 170,000	- -	250,000 -	19,308 18,783	160,000 145,000	11,347 11,355	- -	1,327,347 1,026,355	27.6% 30.7%
P D Hiom Deputy CEO	2016 2015	962,205 787,702	400,000 600,000	18,487 18,515	250,000 -	19,308 18,783	200,000 175,000	15,894 13,066	110,577 260,979	1,976,471 1,874,045	36.0% 55.3%
T J Hogben Group Executive Operations	2016 2015	455,692 456,217	140,000 117,500	- -	- -	19,308 18,783	117,500 108,750	7,596 7,605	- -	740,096 708,855	34.8% 31.9%
K A Lewis Chief Compliance Officer	2016 2015	680,692 681,217	150,800 135,000	- -	- -	19,308 18,783	142,500 145,000	- -	- -	993,300 980,000	29.5% 28.6%
T Thurman Chief Information Officer	2016 2015	558,981 532,166	160,000 170,000	21,711 49,293	- -	19,308 18,783	163,750 146,250	- -	- -	923,750 916,492	35.0% 34.5%
Former											
E Funke Kupper Managing Director and CEO (resigned 21 March 2016)	2016 2015	1,253,097 1,731,217	525,000 750,000	- -	865,346 -	14,722 18,783	1,500,000 712,500	- -	(614,713) 260,979	3,543,452 3,473,479	39.8% 49.6%
A J Mostyn Group Executive Human Resources (resigned 30 June 2015)	2015	356,217	62,500	-	-	18,783	57,500	5,834	-	500,834	24.0%
Total	2016 2015	5,919,432 6,263,387	1,847,000 2,192,500	47,036 67,808	1,515,346 -	168,866 169,047	2,462,500 1,650,000	41,896 44,928	(503,209) 521,958	11,498,867 10,909,628	33.1% 40.0%

1 Reflects one-off payments made during the year.
2 Reflects accrued long service leave entitlements.
3 Reflects annual share-based payments expense for performance rights issued and shares purchased under the employee share scheme. The expense is calculated using the fair value of performance rights or shares at grant date, less any write-back for performance rights lapsed as a result of non-market hurdles not attained.
4 Reflects the percentage of total remuneration that is performance-related (STI, deferred STI and shared-based payments relating to performance rights).

Remuneration received or available in the financial year

The remuneration table below has been provided as additional non-statutory information to assist in understanding the total value of remuneration received by Group Executive KMP in the current and prior financial years.

						Previous year awards that vested in FY16		
		Total fixed remuneration for FY16[1]	Other remuneration	STI awarded and paid in FY16[2]	Total payments applicable to FY16	Deferred STI award[3]	Deferred share-based awards[4]	Total remuneration received in FY16[5]
$	Year	a	b	c	d=a+b+c	e	f	g=d+e+f
Current								
R Aziz Chief Financial Officer	2016 2015	450,000 450,000	- -	120,000 110,000	570,000 560,000	100,000 100,000	- -	670,000 660,000
A J Bardwell Chief Risk Officer	2016 2015	625,000 625,000	- -	75,200 77,500	700,200 702,500	70,000 50,000	- -	770,200 752,500
L A Green Group Executive Human Resources (commenced 3 August 2015)	2016	318,442	150,000	70,000	538,442	-	-	538,442
A J Harkness Group General Counsel and Company Secretary, Group Executive Corporate Affairs	2016 2015	700,000 700,000	250,000 -	206,000 170,000	1,156,000 870,000	150,000 140,000	- -	1,306,000 1,010,000
P D Hiom Deputy CEO	2016 2015	1,000,000 825,000	250,000 -	400,000 600,000	1,650,000 1,425,000	175,000 175,000	- -	1,825,000 1,600,000
T J Hogben Group Executive Operations	2016 2015	475,000 475,000	- -	140,000 117,500	615,000 592,500	117,500 100,000	- -	732,500 692,500
K A Lewis Chief Compliance Officer	2016 2015	700,000 700,000	- -	150,800 135,000	850,800 835,000	150,000 140,000	- -	1,000,800 975,000
T Thurman Chief Information Officer	2016 2015	600,000 600,000	- -	160,000 170,000	760,000 770,000	157,500 135,000	- -	917,500 905,000
Former								
E Funke Kupper Managing Director and CEO (resigned 21 March 2016)	2016 2015	1,267,819 1,750,000	865,346 -	525,000 750,000	2,658,165 2,500,000	750,000 675,000	- -	3,408,165 3,175,000
A J Mostyn Group Executive Human Resources (resigned 30 June 2015)	2015	375,000	-	62,500	437,500	52,500	-	490,000

1 Fixed remuneration comprises salary, superannuation, non-monetary benefits and share-based payments that have been salary sacrificed.
2 The portion of STI awarded in FY16 in cash. The remaining portion of STI in respect of FY16 but deferred for two and four years, is shown in the Group Executive KMP STI allocations for FY16 table on page 24.
3 This relates to the payment of the cash-based STI awarded in July 2014 (2015: July 2013) and deferred for two years.
4 No deferred share-based awards vested in FY16.
5 The STI and deferred award payments shown as being received in the financial year were made shortly after the conclusion of the financial year.

Group Executive KMP STI allocations for FY16

	STI target	Total STI awarded[1] $	Total STI awarded[1] %	STI portion deferred[2] $
Current				
R Aziz	300,000	300,000	100%	180,000
A J Bardwell	209,000	188,000	90%	112,800
L A Green	175,000	175,000	100%	105,000
A J Harkness	467,000	515,000	110%	309,000
P D Hiom	1,000,000	1,000,000	100%	600,000
T J Hogben	317,000	350,000	110%	210,000
K A Lewis	377,000	377,000	100%	226,200
T Thurman	400,000	400,000	100%	240,000
Former				
E Funke Kupper[3] (resigned 21 March 2016)	1,750,000	525,000	40%	-

[1] Total STI award including cash payment and deferred component.
[2] This represents the value of the STI award that is deferred until 1 July 2018 and 1 July 2020. The deferred STI awards are subject to continued satisfactory performance during the deferral period.
[3] Total STI awarded is pro-rated to reflect the portion of the year served prior to resignation. The deferred component of FY16 STI was forfeited.

Group Executive KMP LTI allocations for FY16

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 Group Executive KMP, including their personally related parties:

	Held at 1 July 2015	Granted as compensation during the year	Vested and exercised during the year	Lapsed during the year	Held at 30 June 2016
Current					
P D Hiom	93,220	13,041	-	(35,680)	70,581
Former					
E Funke Kupper (resigned 21 March 2016)	93,220	22,822	-	(116,042)	-

No other KMP had performance-related rights over issued ordinary shares in ASX directly, indirectly or beneficially.

Value of Group Executive KMP LTI allocations for FY16

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

Grant date: / Vesting date:	25 September 2013 / 26 September 2016 Min $[1]	Max $[2]	23 September 2014 / 24 September 2017 Min $[1]	Max $[2]	30 September 2015 / 1 October 2019 Min $[1]	Max $[2, 3]
Current						
P D Hiom	-	749,990	-	749,991	-	304,377
Former						
E Funke Kupper (resigned 21 March 2016)	-	-	-	-	-	-

[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 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 per share of the FY16 grant is $23.34.

No other KMP had performance-related rights over issued ordinary shares in ASX directly, indirectly or beneficially.

Group Executive KMP holdings of ordinary shares

	Held at 1 July 2015	Received on vesting of rights over deferred shares	Other changes	Held at 30 June 2016
Current				
D J Stevens (commenced 1 August 2016)	11,500	-	-	11,500
R Aziz	28,545	-	-	28,545
A J Bardwell	4,906	-	24	4,930
L A Green (commenced 3 August 2015)	N/A	-	-	-
A J Harkness	4,577	-	-	4,577
P D Hiom	30,295	-	-	30,295
T J Hogben	-	-	-	-
K A Lewis	-	-	-	-
T Thurman	-	-	-	-
Former				
E Funke Kupper (resigned 21 March 2016)	11,053	-	N/A	N/A

Non-executive director fees for FY16

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.

$	Year	Short-term salary and fees	Subsidiary boards and committees	Post-employment superannuation	Total
Current					
R Holliday-Smith	2016	425,000	50,000	19,308	494,308
	2015	425,000	50,000	18,783	493,783
Y A Allen	2016	150,000	80,208	19,308	249,516
(appointed 9 February 2015)	2015	37,500	-	3,563	41,063
K R Henry	2016	150,000	85,000	19,308	254,308
	2015	150,000	55,000	18,783	223,783
P R Marriott	2016	150,000	150,000	19,308	319,308
	2015	150,000	150,000	18,783	318,783
H M Ridout	2016	150,000	71,667	14,481	236,148
	2015	150,000	15,000	15,675	180,675
D Roche	2016	150,000	73,958	18,894	242,852
(appointed 1 August 2014)	2015	112,500	-	10,688	123,188
D J Stevens	2016	150,000	85,000	19,308	254,308
	2015	150,000	85,000	18,783	253,783
P H Warne	2016	150,000	146,500	19,308	315,808
	2015	150,000	145,000	18,783	313,783
Former					
J S Segal	2016	25,679	19,688	4,310	49,677
(resigned 1 September 2015)	2015	150,000	115,000	18,783	283,783
Total	2016	1,500,679	762,021	153,533	2,416,233
	2015	1,475,000	615,000	142,624	2,232,624

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 2015	Other changes	Held at 30 June 2016	Holding at 18 August 2016
Current				
R Holliday-Smith	8,000	4,000	12,000	12,000
Y A Allen	-	5,000	5,000	5,000
M B Conrad (appointed 1 August 2016)	N/A	N/A	N/A	-
K R Henry	1,860	3,140	5,000	5,000
P R Marriott	5,316	-	5,316	5,316
H M Ridout	5,000	-	5,000	5,000
D Roche	10,000	-	10,000	10,000
P H Warne	6,000	-	6,000	6,000
Former				
J S Segal (resigned 1 September 2015)	4,211	N/A	N/A	N/A

Further details of the Board director shareholding policy for non-executive directors is set out on page 8 of this report.

Operating and financial review

The operating and financial review outlines ASX's activities, performance, financial position and main business strategies. It also discusses the key risks and uncertainties that could impact on ASX and its subsidiaries (together referred to as the Group) and its ability to achieve its financial and other objectives.

Business model and operating environment

ASX is a multi-asset class and vertically integrated exchange group, and ranks in the top 10 exchange groups globally when measured by market capitalisation. It 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. ASX holds market operator licences and clearing and settlement licences to undertake its activities. ASX is subject to 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 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 and vertically integrated business model is typical of large exchange groups operating in the Asia Pacific.

Primary markets capital formation – Listings and Issuer Services

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 and infrastructure, provides a facility for companies to list, raise capital and have their securities publicly traded.

The Group provides a range of services to issuers of capital, including the generation of security holding statements and other shareholder and sub-register services. At 30 June 2016, there were 2,204 issuers on ASX. Along with the shares of companies, ASX lists debt securities (including government debt securities) and exchange-traded products.

ASX also provides its mFund settlement service to access unlisted funds.

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 initial public offerings (IPOs)
- level of corporate actions, such as secondary capital raisings
- 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

Trading Services comprises the trading of securities in the cash market as well as the information and technical services offered by ASX.

Cash market – trading of cash market securities includes equity (shares), warrants, exchange-traded funds and listed debt securities. At 30 June 2016, there were 77 trading participants, many of which provide intermediary broking services to end-investors. The value of turnover transacted on the ASX market is the primary revenue driver. There is competition in trading from another equity market operator and off-market trading facilities, which are often referred to as 'broker dark pools'.

ASX 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, company news, and index and other reference data. The main revenue driver is the number of end-users accessing real-time market data as well as the level of enterprise agreements for the provision of 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 communication network via ASX Net
- application services including terminals to access ASX platforms
- hosting of customer infrastructure 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.

Equity Post-Trade 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 overseen by Australia's regulators. Clearing and settlement of cash markets is undertaken by ASX for the entire Australian marketplace.

Cash market clearing

ASX provides central counterparty clearing (CCP) services to the cash market through a licensed subsidiary, ASX Clear. As a CCP, the clearing subsidiary becomes the central counterparty to every trade and assumes the credit risk of each ASX clearing participant. In effect, ASX becomes the seller to every buyer and the buyer to every seller. This process is known as novation. The CCP supports these risk management activities with collateral lodged by clearing participants and ASX funds available in the event of participant failure to meet their obligations. The main revenue driver is the value of equity securities novated and centrally cleared.

Cash market 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 (CHESS). This system registers the title (ownership) of shares and held $1.6 trillion of securities at 30 June 2016. 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. The main driver of settlement revenue is the number of settlement messages.

ASX is currently the sole provider of clearing and settlement services for ASX-listed securities traded in Australia's cash market. ASX clears and settles transactions in non-ASX listed securities undertaken on another licensed market through a Trade Acceptance Service, allowing the seamless clearing and settlement of these transactions alongside ASX-listed transactions.

During the year, the Federal Treasurer provided clarity on the market structure for equities clearing. The Treasurer announced that Australia's regulatory agencies will not recommend approval of any clearing licence applications until the conditions that support the Government's policy for safe and effective competition are established. This is expected to take at least 18 months. ASX has maintained its commitment to the Code of Practice that sets out how it manages its clearing and settlement infrastructure on behalf of the Australian market.

Derivatives and OTC Markets

ASX offers exchange-traded derivatives, including the trading and clearing of futures and options on futures on interest rate, equity index, agricultural and energy contracts, as well as exchange-traded options over individual securities. At 30 June 2016, there were 59 futures trading participants and approximately $51.4 trillion of notional value was transacted during the year. The number of contracts traded is the primary revenue driver. ASX provides CCP clearing of these exchange-traded derivatives as well as clearing of over-the-counter (OTC) derivatives through a licensed clearing subsidiary, ASX Clear (Futures). This entity provides risk management services supported by clearing participant collateral and funds provided by both ASX and participants, which are available in the event participants fail to meet their obligations. Competition comes from offshore exchanges and OTC products. Clearing of futures and options occurs exclusively in Australia by ASX while clearing of OTC derivatives may be undertaken by certain foreign domiciled clearing entities.

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. The number of transactions is the main revenue driver.

Depository services are provided through the Austraclear Central Securities Depository (CSD), which held $1.9 trillion of debt securities at 30 June 2016. These securities consist of fixed income securities including 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 and the subsequent cash transfers associated with the terms of the individual securities. The main drivers of registry revenue are the number and value of securities held in the registry.

The ASX Collateral Service allows customers of ASX to utilise collateral held in Austraclear to meet obligations to other customers or to ASX's clearing subsidiaries. The service adds value by reducing the cost of collateral for market participants. ASX earns revenue 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 segment revenue and a review of the Group's operations over the financial year.

Review of operations

Investment in Digital Asset Holdings, LLC

During the financial year, ASX acquired an 8.5% equity interest in Digital Asset Holdings, LLC (DAH) for consideration of USD $17.4 million (A$24.4 million). DAH specialises in the development of distributed ledger technology (DLT) solutions (commonly referred to as blockchain), and is undertaking a project to develop a potential solution for ASX equity post-trade services currently performed by CHESS.

Results of operations

The Group's profit after tax for the year ended 30 June 2016 increased by 7.1% to $426.2 million. Compared to underlying profit of the prior year, (which excluded a restructuring charge to support the technology transformation program and other organisation changes), profit after tax increased 5.7%. A summary income statement in line with the Group's segment note is reflected in the following table:

$ million	FY16	FY15	Variance% fav/(unfav)
Operating revenue	746.3	700.7	6.5
Operating expenses	(170.6)	(160.1)	(6.5)
EBITDA	575.7	540.6	6.5
Depreciation and amortisation	(42.7)	(38.6)	(10.5)
EBIT	533.0	502.0	6.2
Interest and dividend income	73.1	71.9	1.7
Profit before tax	**606.1**	**573.9**	**5.6**
Tax expense	(179.9)	(170.7)	(5.4)
Underlying profit after tax	**426.2**	**403.2**	**5.7**
Significant items after tax	-	(5.4)	-
Statutory profit after tax	**426.2**	**397.8**	**7.1**

Earnings per share

The Group's basic earnings per share (EPS) in FY16 were 220.4 cents (FY15: 205.7 cents). The increase in EPS of 7.1% resulted from higher earnings in the current year. Underlying EPS was up 5.8% on the pcp.

Dividends

ASX paid an interim dividend of 99.1 cents per share and directors have determined a final dividend of 99.0 cents per share. Total dividends per share of 198.1 cents are 5.7% higher than the prior year, and reflect the increase in underlying earnings.

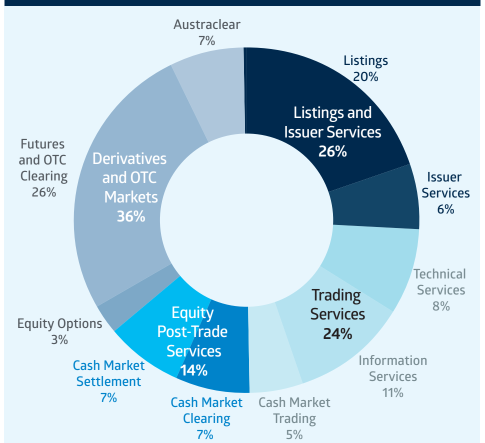
The Board's dividend policy is to pay 90% of underlying earnings after tax. This is reviewed each time the Board considers payment of a dividend. Underlying earnings (NPAT) are results from operations adjusted for any significant revenues or expenses such as those associated with major restructuring or transactions.

Operating revenue

Operating revenue in FY16 increased 6.5% to $746.3 million. All major revenue categories grew compared to the prior year.

The following table depicts the contribution to operating revenue from ASX's various business activities. The percentage contribution of each category is illustrated in the pie chart and reflects ASX's diversified business mix.

Operating revenue mix



ASX re-aligned responsibilities for the business activities into the four key categories above during the year.

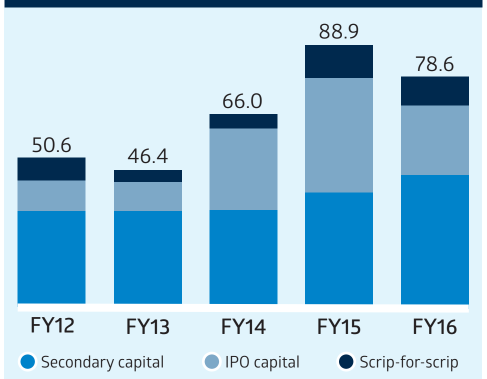
Revenue category	FY16 $ million	FY15 $ million	Variance% fav/(unfav)
Listings and Issuer Services	192.7	183.5	5.0
Trading Services	182.8	169.9	7.7
Equity Post-Trade Services	102.0	91.8	11.1
Derivatives and OTC Markets	265.8	253.9	4.7
Other revenue	3.0	1.6	Large
Total operating revenue	**746.3**	**700.7**	**6.5**

Commentary on operating revenue for the various business activities is provided below. Details of transaction levels that drive a large portion of ASX's revenue are contained on pages 70 to 72 of the Annual Report.

Listings and Issuer Services – $192.7 million, up 5.0%

In FY16, the number of new listings and secondary capital raised increased, while the total amount of capital raised was lower than the pcp.

Total capital raised ($billion)

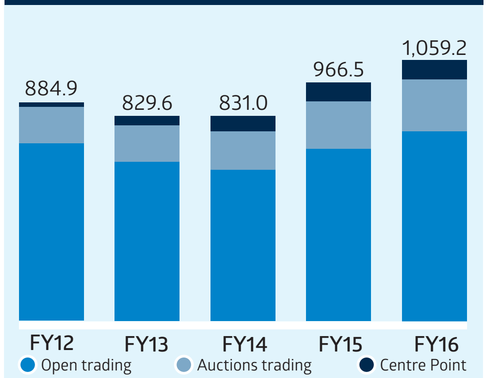


- Initial listing revenue – down 10.8% to $18.6 million. IPO capital raised was $23.6 billion, down from $38.9 billion and there were 124 IPOs compared to 120 in the prior year. In FY16, listings were from a range of industry sectors, with 27 initial listings from the technology sector.
- Annual listing revenue – up 6.3% to $75.2 million. There were 2,204 entities listed on the ASX at 30 June 2016 (30 June 2015: 2,220). Increases in market capitalisation combined with fee changes were the main drivers supporting the increase in revenue.
- Secondary capital raisings revenue – up 5.6% to $45.1 million. The increase in revenue is due to a 10.1% increase in the amount of secondary capital raised to $55.0 billion.
- Issuer services revenue – up 7.5% to $43.3 million. The increase in revenue resulted primarily from growth in the number of CHESS holding statements, up 6.4% and other issuer services, up 16.5%.

Trading Services - $182.8 million, up 7.7%

The following table depicts the growth in ASX on-market value traded over the past five years.

ASX on-market value traded ($billion)



Cash Market Trading – up 12.9% to $40.7 million

The increase in revenue resulted from:

- Higher on-market trading of $4.2 billion per day, up 9.6%. ASX's share of on-market trading averaged 88.7% in FY16, slightly down on FY15 at 89.7%.
- Increased trading through Centre Point and the auction process both of which attract higher fees. Centre Point value traded was $78.9 billion, representing 7.5% of on-market value traded. Trading through the auction process represented 19.8% of on-market value traded. Together these accounted for 45.9% of ASX trading revenue.
- Participant trading rebates were $2.2 million compared to $2.5 million in the pcp. This rebate scheme has been discontinued from 1 July 2016.

Information Services – up 8.7% to $80.1 million

The increase in revenue resulted from restructuring of fees which increased institutional data royalties and reduced retail data royalties. Enterprise-wide agreements were also entered into with many institutions for the provision of market data over multiple years. Higher revenue also resulted from royalties from the licensing of the SPI 200 index.

Technical Services – up 3.2% to $62.0 million

The increase in revenue was due to:

- Liquidity access – up 1.2% to $31.3 million. Over the year, the total number of ALC service connections increased from 679 to 819.
- Community and connectivity – up 4.8% to $17.3 million, attributed to the growth in users of ASX technical services provided at the ALC and through its data networks.
- Application services – down 8.6% to $5.3 million. The revenue was impacted by a lower number of cross-connection installations in the ALC.
- Hosting – up 18.1% to $8.1 million. In FY16, the number of customer cabinets hosted in the ALC saw a further increase from 188 to 231.

Equity Post-Trade - $102.0 million, up 11.1%

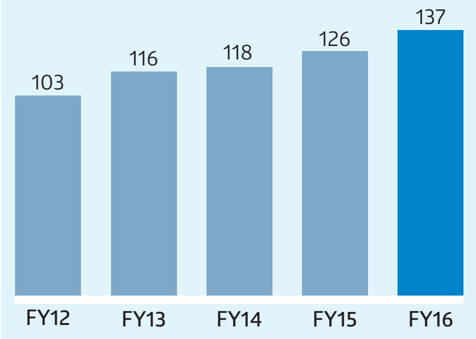
- Cash market clearing revenue – up 14.5% to $54.1 million. The daily average on-market value cleared increased 11.7% to $4.4 billion reflecting the increase in trading across all venues in Australia.
- The clearing revenue sharing rebate was $3.2 million compared to $3.6 million in the pcp.

- ASX reduced clearing fees by 10% from 1 July 2016. The clearing revenue sharing rebate will continue to operate and returns 50% of any increase in revenue (pre-rebate) from the prior year to all customers.
- Settlement revenue – up 7.6% to $47.9 million. Higher on-market trading activity levels led to a 9.6% increase in the dominant settlement messages compared to FY15.
- The settlement revenue sharing rebate was $2.1 million compared to $1.2 million in the pcp.

Derivatives and OTC Markets - $265.8 million, up 4.7%
Derivatives and OTC markets includes futures and equity options; clearing of OTC interest rate derivatives; settlement, depository and registry services for debt securities and cash transactions (Austraclear); and ASX Collateral Services.

- Futures and OTC – up 6.9% to $194.3 million. The increase in revenue was due to an 8.3% increase in volumes, partly offset by higher proprietary trader rebates. ASX also provided $14.4 million in interest rate rebates to customers trading futures and clearing OTC transactions. The value cleared through the OTC clearing service increased to $2.7 trillion compared to $0.8 trillion in the pcp.
- Equity options – down 6.0% to $23.1 million. The decrease in revenue was due to a 15.8% decrease in the volume of contracts traded partly offset by a change in the mix of products and users. Single stock option volumes were down 19.0% while index option and futures volumes were up 16.5%.
- Austraclear – up 1.5% to $48.4 million. The increase in revenue was primarily due to increased registry activity and higher balances in the depository. At 30 June 2016, the value of assets in the ASX Collateral Service was $4.8 billion compared to $4.1 billion in the pcp.

Futures and options on futures volume (million)



Operating expenses

Underlying operating expenses (excluding finance costs, depreciation and amortisation, and significant items) increased 6.5% to $170.6 million.

Operating expenses	FY16 $ million	FY15 $ million	Variance % fav/(unfav)
Staff	101.1	96.4	(4.9)
Occupancy	14.1	13.7	(3.0)
Equipment	27.0	24.0	(12.5)
Administration	19.3	17.2	(11.6)
Variable	6.2	5.1	(23.3)
ASIC Supervision Levy	2.9	3.7	21.8
Operating expenses	**170.6**	**160.1**	**(6.5)**

Staff costs increased 4.9% to $101.1 million. The increase resulted from the annual remuneration reviews and CEO transition costs. The average full-time equivalent (FTE) headcount increased from 524 in FY15 to 534 in FY16. As at 30 June 2016, ASX employed 546 FTE staff. The increase in FTE supports the new business initiatives, technology transformation including DLT, and continued upskilling within the organisation.

Other operating costs increased 9.1% to $69.5 million due to higher equipment and administration costs associated with new service offerings and higher variable costs.

CHESS holding statement production costs increased 23.3% to $6.2 million, as the number of statements was 6.4% higher along with increased postage charges.

Depreciation and amortisation expenses increased 10.5% to $42.7 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 $50.2 million of capital expenditure during the year, compared to $44.4 million in FY15. Expenditure was focused on the technology transformation program, particularly the futures trading platform, the enhanced risk management platform and the new ASX Online customer portal that primarily provides services to trading, clearing and settlement customers. The next phase of the technology transformation program will focus on equity post-trade platforms.

Net interest and dividend income

Net interest and dividend income increased 1.7% to $73.1 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 cash balances declined 17.3% to $22.3 million as a result of lower interest rates. Net interest earned from the investment of participant balances increased 17.0% to $37.7 million. This increase was driven by a 10.9% increase in average collateral balances to $4.6 billion. A change in the composition of the margins also contributed to the increase in interest. Investment earnings on this portfolio remained consistent with the prior year at 41 basis points above the official overnight cash rate.

Dividend income from ASX's shareholding in IRESS Limited increased 3.1% to $13.1 million.

Financial position

At 30 June 2016, the net assets of the Group were $3,824.1 million, up 1.7% from 30 June 2015.

A summary balance sheet is presented below.

	30 June 2016 $ million	30 June 2015 $ million	Variance %
Assets			
Cash and available-for-sale financial assets	7,072.8	4,879.0	45.0
Goodwill	2,317.6	2,317.6	-
Investments	424.8	376.8	12.7
Other assets	636.4	485.2	31.2
Total assets	**10,451.6**	**8,058.6**	**29.7**
Liabilities			
Amounts owing to participants	6,088.2	3,886.2	56.7
Other liabilities	539.3	412.7	30.7
Total liabilities	**6,627.5**	**4,298.9**	**54.2**
Equity			
Capital	3,027.2	3,027.2	-
Retained earnings	576.9	526.3	9.6
Reserves	220.0	206.2	6.7
Total equity	**3,824.1**	**3,759.7**	**1.7**

Notable movements in the balance sheet were as follows.

Investments – up $48.0 million or 12.7%
Investments reflect ASX's 19.1% shareholding in IRESS Limited, a listed entity providing financial market and wealth management technology solutions; a 49% shareholding in Yieldbroker Pty Limited, an unlisted entity operating licensed electronic markets for trading Australian and New Zealand debt securities; and a 8.5% shareholding in Digital Asset Holdings LLC (DAH), an unlisted US domiciled technology entity.

The investment in IRESS increased 7.6% to $334.9 million, while the investment in DAH undertaken during the year was valued at $23.3 million at 30 June 2016. ASX's carrying value of its investment in Yieldbroker was $66.6 million.

Amounts owing to participants –up $2,202.0 million or 56.7%
As part of its 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 larger positions held in interest rate and equity index futures following elevated levels of volatility in markets around the end of June 2016.

The increase in participant balances results in a corresponding increase in cash and available-for-sale financial assets, as the balances are invested by ASX.

Regulatory and market structure developments

The financial market structure and regulatory requirements have a significant impact on the way ASX manages its operations and business strategy. The regulatory environment is discussed on page 12.

Business strategies and prospects for future financial years

ASX revenue is driven predominantly by activity levels in Australia's financial markets, which are impacted by a number of factors including general economic conditions. The level of activity impacts on ASX's revenue as many fees are linked to market activity through the number of contracts traded, and by the values of transactions, the equity index and capital raisings.

In addition to activity levels, ASX's strategies may be impacted by existing or new competitors both domestically or globally. In this context, ASX's 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 the global leader in Australian dollar and New Zealand dollar financial markets
- expand the range of products and services to intermediaries and end-investors
- provide world-class, globally connected financial infrastructure
- deliver an outstanding customer experience.

ASX advocates regulatory settings that support investors and growth, and is committed to being recognised as an employer of choice in financial markets.

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 success of the key business strategies discussed below.

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
ASX has implemented a range of initiatives in recent years aimed at maintaining and enhancing the attractiveness of Australia as a place to list and raise capital. These include greater capital raising flexibility for small and mid-size companies, improved reporting guidance, and a reduced timetable for rights issues. Recently, ASX consulted on new admission requirements for listing, which seek to maintain the quality of ASX as a world-class listing venue.

ASX has a particular focus on increasing the number of New Zealand companies and those from the technology sector listed on the exchange. During the year, ASX streamlined the process for New Zealand entities to dual list on ASX. There were 8 New Zealand and 27 technology IPOs in FY16, and a total of 167 technology companies were listed on ASX as at 30 June 2016.

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:

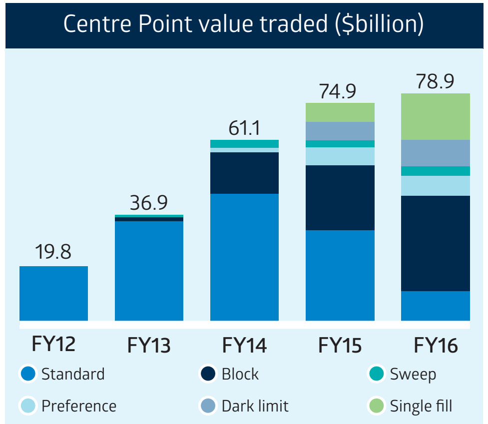
- government bonds – ASX provides the ability for clients to trade Australian Government bonds on the exchange in the same way as equity trading
- corporate bonds – ASX supports Government initiatives to promote and expand the Australian corporate bond market
- exchange-traded products (ETPs) – in recent years ASX has focused on increasing the number and range of ETPs. There are 176 ETPs listed on ASX totalling $22.5 billion
- managed funds (mFund) – mFund allows investors to apply for and redeem unlisted managed funds using their broker platform. At 30 June 2016, there were 161 funds available on mFund through 18 brokers.

Provide efficiencies to issuers and investors
ASX Evolve is a program of initiatives designed to improve the connection between investors and companies listed on the exchange. The program includes an equity research scheme that supports small and mid-cap companies. ASX also organises investor briefings in Australia and overseas that improve the exposure of small and mid-cap companies to investors.

Trading Services
ASX competes domestically with another market operator, as well as operators of non-exchange venues (commonly referred to as broker dark pools) for trading in ASX-listed securities. ASX performed well in a competitive equity trading market with a market share of 88.7% 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.

The Centre Point order type is an example where ASX has created an innovative suite of products following feedback from end-investors. During FY16, Centre Point order types accounted for 7.5% of value transacted on ASX and 17.6% of ASX's trading revenue. The chart below shows the growth in Centre Point activity and the new innovations launched over the past four years.



Within the information and technical services offerings, ASX's strategy is predominantly driven by the needs of clients in equities and derivatives. These requirements include cross-connectivity as well as 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 subscribe to data rather than access it via a vendor, and there is an increase in automated usage of data rather than via a person operating a terminal. ASX's services are being tailored to meet these changing customer requirements. ASX provides enterprise licences for large users of data that offer pricing certainty to customers along with standard monthly royalty plans.

ASX's success in expanding its technical services follows the investment in the ALC and communications network (ASX Net). ASX's aim is to 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 provider for the financial community.

While innovative service offerings further diversify ASX's revenue, 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.

Equity Post-Trade Services
ASX is the sole provider of equity post-trade services to the Australian market consisting of clearing and settlement of cash market transactions. Following a review by the Council of Financial Regulators (CFR), the Treasurer announced that any new licence to undertake cash market clearing would not be granted until a regulatory framework for safe and effective competition was in place. This is expected to take at least 18 months from the Treasurer's announcement in March 2016.

ASX's strategy within equities post-trade is to continue to innovate in order to improve the efficiency of clearing and settlement and provide benefits to issuers and investors, including lowering the overall costs within the market. The transition from three days to two days for settlement, commonly referred to as T+2, was implemented in March 2016 following broad industry support. This initiative provided significant benefits to participants including reduced capital requirements for cash equity transactions.

During the year ASX commenced an analysis of the use of distributed ledger technology as a possible replacement for the settlement of cash equity trades. In doing so, ASX invested in and partnered with a specialist technology provider DAH. Over FY17/FY18, ASX anticipates developing a platform that may eventually replace the existing CHESS application for equities settlement and provide improved security, trust, efficiency and timeliness to the process.

Derivatives and OTC Markets
ASX's strategy is to be the global leader in Australian and New Zealand dollar financial markets. ASX will continue to develop new products and services, increase distribution, and provide flexible and cost-effective trading and clearing platforms.

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 use ASX derivatives products by making it easier for them to connect through ASX's data network (ASX Net Global). ASX is attracting a growing number of offshore traders to its derivatives market and in FY17 will continue its focus on the Asia Pacific.

During the year several new futures products were added, including a 20 year bond contract, mini-SPI and eastern Australia wheat futures. In 2017, ASX expects to launch a deliverable gold futures contract with the Perth Mint. ASX increased distribution with the opening of an office in Hong Kong focused on attracting Asian sales.

A new futures trading platform replacing the existing SYCOM system will also be introduced in FY17 providing further efficiencies to customers.

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.

The Austraclear platform also allows cash transfers in renminbi and has newly introduced renminbi debt registry functionality. This efficient and secure payments mechanism provides renminbi-denominated cash transfers similar to Australian dollar cash transfers.

ASX's strategy includes delivering collateral efficiency to customers by leveraging the functionality of Austraclear. The ASX Collateral Service allows customers to utilise collateral held in ASX's Austraclear debt registry to meet obligations to other customers or to ASX's clearing subsidiaries.

Engagement with clients
ASX has a large and diverse customer base, including approximately 2,200 listed companies and issuers, and around 136 participants in the cash equities and derivatives markets. In addition, ASX provides services to other market operators and various specialist businesses in the Australian financial markets.

ASX has implemented a number of initiatives that aim to build a more customer-centric corporate culture. ASX engagement with customers extends to industry partners including the Australian Financial Markets Association, Stockbrokers Association of Australia, Financial Services Council, Australian Council of Superannuation Investors, Australian Custodial Services Association, Australian Payments Clearing Association and Australian Shareholders' Association. These groups represent many of ASX's customers and have an interest in the quality and development of Australia's financial markets.

Three years ago ASX introduced a Code of Practice that sets out how ASX will manage equity clearing and settlement services for the benefit of all stakeholders. The Code provides for non-discriminatory access to ASX's clearing and settlement services, creates a transparent governance model and establishes a forum that allows a broad range of stakeholders to provide input to ASX. ASX will update the Code to align it to the new regulatory expectations, which are expected to be released by the CFR in FY17.

Information technology platforms
ASX's business is highly reliant on the information technology platforms that support its various activities. ASX's objective is to provide stable, reliable and innovative technology solutions that meet the regulatory standards, provide efficient connectivity for clients, and are quick to adapt to new and changing business requirements. In 2015, ASX announced it was undertaking a significant technology transformation program to update and replace many of its core applications. The first phase includes the futures trading platform, risk applications to monitor and manage clearing risk, and market monitoring systems currently being developed and deployed. The next phase, now underway, is focused on post-trade platforms for derivatives and equities, including the distributed ledger technology referred to earlier for the equities settlement process. The technology transformation program is aimed at having world-class applications supporting ASX's various services.

Risks

The Group's operations and financial results are subject to a number of risks. ASX has a strong track record of managing the wide range of risks that arise from operating and servicing Australia's financial markets. Many of these risks are not directly in the control of ASX. The main risks affecting ASX include:

- the economic environment and market activity levels
- changes to regulation, market structure and competition
- operational risks in technology infrastructure and processes
- clearing and settlement risk, as well as increased capital requirements
- investment risk on cash and other investments.

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. Slowing economic activity can lead to a reduction in activity and revenue. Changing levels of volatility may also impact on ASX's activities. ASX's diversified business model mitigates some of these risks, as revenue is earned from a range of activities and services. The expansion into new services is designed to further diversify the Group's revenue over time.

Changes to regulation and market structure

ASX operates 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 reputational damage, action being taken against the Group, financial penalties, or loss of the licences. In addition to line management, the Group has internal audit and regulatory assurance functions, and executive and Board oversight to monitor these risks. ASIC and RBA provide annual assessments of the Group's licensed subsidiaries.

In addition, the clearing and settlement and ASX Compliance subsidiaries have independent boards to oversee these operations.

The 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 Australia's financial markets, and by ongoing monitoring of the effectiveness of the arrangements.

Market structure and competition

ASX faces competition domestically and internationally in many parts of its business. Competition can come from other exchanges as well as 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 another market operator in the Australian cash equities market.

In March 2016, the Treasurer announced that the current market structure for cash equities clearing will remain in place for at least 18 months, until the conditions that support the Government's policy for safe and effective competition are established. Following these regulatory changes, the Government will be in a position to consider additional clearing facilities, noting that for systemically important functions such as equities or interest rate futures, any licensed clearing facility will need to operate within Australia including holding capital and collateral domestically. ASX is currently the only licensed clearing and settlement facility for cash equities in Australia.

In some of its businesses, ASX is facing competition from overseas financial markets, such as the central clearing of OTC Australian dollar interest rate swaps. Decisions by Australian regulators or overseas regulators can impact on ASX's relative competitive position. For example, regulators have implemented location requirements for certain systemically important services. Changes to these requirements can impact on Australia's and ASX's competitiveness. ASX makes 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 across its business.

While changes to the market structure are outside the control of ASX, the company is actively engaged in providing input to regulators and policymakers.

Regulations that affect ASX and its customers

Regulations can impact on the way ASX provides its services and the attractiveness of its services to 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 clearing service for OTC derivatives flows from changing international and domestic regulations.

Regulations may change over time and may require ASX to increase the capital and liquidity it provides in support of the Group's clearing and settlement activities. Changing regulations also impact on the level of capital and liquidity ASX customers are required to hold in order to undertake their business through ASX. These changes can lead to customers undertaking less activity through ASX. In some instances, regulations may also benefit ASX by providing capital efficiencies to customers who transact through licensed exchanges such as ASX.

Regulations may also impact on the investment strategy that ASX adopts in relation to capital and collateral balances held to support its licensed clearing and settlement activities. Changes in regulations over time may impact on earnings generated by the investment of these balances. From FY17, ASX expects investment earnings on collateral invested to start to decline as new regulatory investment guidelines are implemented. The full impact of the changes is expected to be in place by FY18.

The Group manages the risks from changing regulations by active engagement 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 technology platforms that facilitate trading, clearing and settlement. 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 have a financial impact on ASX. Given the nature of its business, clients and other third parties connect to ASX via its proprietary network (ASX Net) and to the ASX website. This exposes the group to cyber security risks, particularly as the frequency and sophistication of cyber attacks are increasing within financial markets.

The Group seeks to reduce these risks by investing in its underlying infrastructure, maintaining an understanding of trends in technology and cyber security, 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 reduce any impact from disruptions.

The Group's operations and responsibilities cover a broad range of services and functions. The way in which these responsibilities and functions are discharged, and operational incidents or errors, can impact on the financial performance of the Group and adversely affect its reputation. ASX seeks to manage operational risk by putting in place clear procedures, automating activities and by following its enterprise risk framework. 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, a failure to meet their contractual obligations could result. This risk is commonly referred to as clearing default risk and 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. 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 maturity limits. At 30 June 2016, the Group had $7.1 billion invested with a range of counterparties, comprising collateral balances and cash reserves.

The CCP pre-funded financial resources provided by ASX, which are at risk of loss in the event of a default, currently total $250 million in ASX Clear and $450 million in ASX Clear (Futures). These resources and their application are fully described in note B1 to the financial statements.

The management of clearing risk is important to the stability of Australia's financial markets, as the CCPs provide critical infrastructure for the orderly completion of transactions. For cash equity transactions, the risk is typically the period between execution of a trade and settlement; while in derivatives, the risk is typically the daily movement in the value of the open positions or outstanding contracts. 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. Such collateral could however prove inadequate, or a default could occur before the additional collateral is received.

Settlement risk

ASX settles equity and debt instrument transactions on a delivery-versus-payment basis. As such, it facilitates the orderly exchange of securities for cash. Settlement errors expose the Group to potential financial and reputational impacts. On average, the Group settled $4.7 billion of equity securities and $64.8 billion of debt instruments daily through its settlement facilities.

The Group manages settlement risk by a range of measures, including setting out rules and processes for settlement to occur and having infrastructure (IT platforms and processes) in place to conduct the settlement process.

During the year the settlement cycle for cash equities went from T+3 to T+2. This reduced clearing risk by requiring settlement of equity transactions to occur two days after trade compared to the previous three days.

Investment risk

ASX is exposed to counterparty risk in the event an investment counterparty, such as a bank or issuer of financial instruments, fails. At 30 June 2016, ASX had approximately $6.1 billion of cash collateral invested with a range of counterparties. In addition, it had approximately $1 billion of Group cash invested, much of which supports the clearing and settlement activities. Investment earnings on the Group cash is impacted by the level of interest rates and is also subject to the risk of investment counterparty default.

New Financial Stability guidelines will impact on ASX's investment strategy for cash collateral lodged by participants. The new guidelines will result in a repositioning of the portfolio over the next 12 months into largely secured assets. As a result, earnings from the investment of cash collateral are expected to decline with the full impact expected from FY18.

ASX has significant equity investments in IRESS, Yieldbroker and DAH (refer notes C1 and C2 of the financial statements). The value of these investments is subject to change based on the performance of each entity. A significant decline in their financial performance and/or prospects may result in a loss to ASX as the value of the investment may be required to be reduced. The carrying value of the DAH investment is subject to change from movements in the AUD/USD as the investment is denominated in USD. Changes are recognised through the equity reserve.

In addition, ASX has $2.3 billion of goodwill recognised on balance sheet. The carrying value of this asset may be impacted if the financial performance of ASX deteriorates. Details of the carrying value and analysis of possible impairment is contained in note D2 of the financial statements. There have been no impairments recognised on these assets to date.

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 2016 (FY16) 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 $426.2 million (2015: $397.8 million).

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 Dominic J Stevens (Managing Director and CEO)
- Ms Yasmin A Allen
- Ms Melinda B Conrad
- Dr Ken R Henry AC
- Mr Peter R Marriott
- Mrs Heather M Ridout AO
- Mr Damian Roche
- Mr Peter H Warne

Mr Dominic Stevens was appointed Managing Director and CEO, and Ms Melinda Conrad was appointed a director, on 1 August 2016.

Mr Elmer Funke Kupper was Managing Director and CEO from 2011 until his resignation on 21 March 2016.

Ms Jillian Segal was a director from 2003 until her resignation on 1 September 2015.

Directors' meetings and attendance at those meetings for FY16 (including meetings of committees of directors) are disclosed on page 8 of the Annual Report. The qualifications and experience of directors, including current and recent directorships, are detailed on pages 4 to 6 of the Annual Report.

Company secretaries

Amanda J Harkness

Group General Counsel and Company Secretary, Group Executive Corporate Affairs
BEc LLB (Hons)(ANU), MA (Macquarie), FGIA, 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. She has been recognised as one of the world's leading General Counsel in the Financial Times FT Global General Counsel 30 list.

The following people are also Company Secretaries: Mr Marcin Firek, BEc LLB (Macquarie), FGIA, General Manager Company Secretariat; and Mr Daniel Csillag, BA LLB (UNSW), Senior Legal Counsel and Company Secretary. They both have experience in company secretariat roles from their time at ASX, large listed companies and other relevant entities.

Report on the business

Principal activities

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

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

Review of operations

Information on the operations and financial position of the Group, and its business strategies and prospects, is set out in the Operating and Financial Review on pages 26 to 33 of this Annual Report.

Dividends

The following table includes information relating to dividends for the current and prior financial years, including dividends determined 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	99.1	191.9	23 March 2016
Final	99.0	191.7	28 September 2016
Total	**198.1**	**383.6**	
In respect of the prior financial year			
Interim	92.3	178.7	18 March 2015
Final	95.1	184.1	23 September 2015
Total	**187.4**	**362.8**	

The final dividend was determined on 18 August 2016.

Significant changes in the state of affairs

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

Events subsequent to balance date

On 1 August 2016, Mr Stevens was appointed Managing Director and CEO, having previously been a non-executive director. No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the:

a. Group's operations in future financial years

b. results of those operations in future financial years, or

c. Group's state of affairs in future financial years.

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 on pages 26 to 33 of this Annual Report. The expected results from those operations in future financial years have not been included because they depend on factors, such as general economic conditions, the risks outlined, and the success of these strategies, some of which are outside the control of the Group.

Environmental regulation

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

Indemnification and insurance of officers

The Group has paid insurance premiums for 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.

Share information

Performance rights to ordinary shares

At the date of this report, ASX had 70,581 performance rights outstanding (2015: 186,440). For further details on the performance rights including performance hurdles for vesting, refer to the remuneration report on pages 17 to 25 of this Annual Report.

Exercise of performance rights to ordinary shares

No performance rights vested during the financial year.

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.

Remuneration report

Information on ASX's remuneration framework and the outcomes for FY16 for the ASX Limited Board, the CEO and the CEO's direct reports, and changes for FY17, is included in the remuneration report on pages 17 to 25 of this Annual Report.

Corporate governance

Group corporate governance matters are discussed on pages 7 to 11 of this Annual Report and are also available on the Group's website.

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 non-audit services provided during the year are set out in the following table.

	Consolidated	
	2016 $	2015 $
Non-audit services:		
Tax compliance services	57,265	58,395
Due diligence services	240,950	-
Total non-audit services	**298,215**	**58,395**

In addition to the above, total non-audit service fees of $18,105 (2015: $18,105) were received by the auditor for tax compliance services for ASX Division 3 Compensation Fund and the Sydney Futures Exchange Limited Fidelity Fund, which are not consolidated as part of the Group.

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 Group 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.

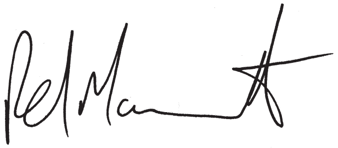
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 36.

Rounding of amounts

ASX is a company of the kind referred to in ASIC Class Order 2016/191 dated 24 March 2016. In accordance with that class order, amounts in the financial statements and the directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors:

Rick Holliday-Smith
Chairman



Peter R Marriott
Director

Sydney, 18 August 2016

Auditor's independence declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2016, 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.

Matthew Lunn
Partner

PricewaterhouseCoopers

Sydney, 18 August 2016

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Liability limited by a scheme approved under Professional Standards Legislation.

Statutory report – Financial statements

Contents

Consolidated statement of comprehensive income

For the year ended 30 June	Note	2016 $m	2015[1] $m
Revenue			
Listings and issuer services		194.3	185.0
Trading services		183.8	170.8
Equity post-trade services		102.0	91.8
Derivatives and OTC markets		266.2	254.3
Interest income		146.3	151.4
Dividend income		13.1	12.7
Share of net profit of equity accounted investments		0.9	0.3
Other		1.7	1.7
		908.3	**868.0**
Expenses			
Staff		(101.1)	(104.1)
Occupancy		(14.1)	(13.7)
Equipment		(28.4)	(25.3)
Administration		(29.6)	(27.8)
Finance costs		(86.3)	(92.3)
Depreciation and amortisation		(42.7)	(38.6)
		(302.2)	**(301.8)**
Profit before income tax expense		**606.1**	**566.2**
Income tax expense	A5	(179.9)	(168.4)
Net profit for the period attributable to owners of the Company		**426.2**	**397.8**
Other comprehensive income			
Items that may be reclassified to profit or loss[2]:			
Change in the fair value of available-for-sale financial assets		(0.5)	0.7
Change in the fair value of available-for-sale investments		15.8	41.4
Change in the fair value of cash flow hedges		(1.0)	0.8
Other comprehensive income for the period, net of tax		**14.3**	**42.9**
Total comprehensive income for the period attributable to owners of the Company		**440.5**	**440.7**
Earnings per share			
Basic earnings per share (cents per share)	A4	220.4	205.7
Diluted earnings per share (cents per share)	A4	220.4	205.7

[1] See preface to the notes to the financial statements for details regarding the reclassification of revenue items.
[2] $0.3 million (2015: $0.1 million) was reclassified from equity to profit or loss following the sale of available-for-sale financial assets prior to their maturity.

The consolidated entity consists of ASX Limited (ASX or the Company) and its subsidiaries (together referred to as the Group). 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). These financial statements are presented in Australian dollars (AUD) which is the Group's functional and presentation currency. Foreign currency transactions are translated 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 to note B3) and available-for-sale investments in unlisted entities (refer to note C1).

Goods and services tax (GST) Revenues and expenses are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the item of expense to which it relates.

Consolidated balance sheet

As at 30 June	Note	2016 $m	2015 $m
Current assets			
Cash and funds on deposit	B2	3,276.4	1,989.4
Available-for-sale financial assets	B2	3,796.4	2,889.6
Receivables	D1	469.1	328.6
Prepayments		12.6	9.4
Total current assets		7,554.5	5,217.0
Non-current assets			
Available-for-sale investments	C1	358.2	311.1
Equity accounted investments	C2	66.6	65.7
Intangible assets - goodwill	D2	2,317.6	2,317.6
Intangible assets - software	D3	103.1	92.4
Property, plant and equipment	D4	51.6	54.8
Total non-current assets		2,897.1	2,841.6
Total assets		10,451.6	8,058.6
Current liabilities			
Amounts owing to participants	B1	5,888.2	3,686.2
Payables	D5	437.8	312.5
Current tax liabilities		9.9	13.1
Provisions	D6	14.5	13.6
Revenue received in advance		16.4	18.0
Other liabilities		-	0.1
Total current liabilities		6,366.8	4,043.5
Non-current liabilities			
Amounts owing to participants	B1	200.0	200.0
Net deferred tax liabilities	A5	51.6	44.3
Provisions	D6	9.0	10.9
Revenue received in advance		0.1	0.2
Total non-current liabilities		260.7	255.4
Total liabilities		6,627.5	4,298.9
Net assets		3,824.1	3,759.7
Equity			
Issued capital	A3	3,027.2	3,027.2
Retained earnings		576.9	526.3
Restricted capital reserve		71.5	71.5
Asset revaluation reserve		139.7	125.4
Equity compensation reserve		8.8	9.3
Total equity		3,824.1	3,759.7

Goods and services tax (GST) Assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset. 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.

Consolidated statement of changes in equity

For the year ended 30 June	Note	Issued capital $m	Retained earnings $m	Restricted capital reserve $m	Asset revaluation reserve $m	Equity compensation reserve $m	Total equity $m
Opening balance at 1 July 2015		3,027.2	526.3	71.5	125.4	9.3	3,759.7
Profit for the period		-	426.2	-	-	-	426.2
Other comprehensive income for the period		-	-	-	14.3	-	14.3
Total comprehensive income for the period, net of tax		-	426.2	-	14.3	-	440.5
Transactions with owners in their capacity as owners:							
Employee share schemes - value of employee services	E5	-	-	-	-	(0.5)	(0.5)
Dividends paid	A2	-	(375.6)	-	-	-	(375.6)
Closing balance at 30 June 2016		3,027.2	576.9	71.5	139.7	8.8	3,824.1
Opening balance 1 July 2014		3,027.2	480.9	71.5	82.5	8.8	3,670.9
Profit for the period		-	397.8	-	-	-	397.8
Other comprehensive income for the period		-	-	-	42.9	-	42.9
Total comprehensive income for the period, net of tax		-	397.8	-	42.9	-	440.7
Transactions with owners in their capacity as owners:							
Employee share schemes - value of employee services	E5	-	-	-	-	0.5	0.5
Dividends paid	A2	-	(352.4)	-	-	-	(352.4)
Closing balance at 30 June 2015		3,027.2	526.3	71.5	125.4	9.3	3,759.7

Restricted capital reserve The restricted capital reserve was created when funds were transferred from the National Guarantee Fund (NGF) to ASX Clear Pty Ltd (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 Changes in the fair value of financial assets including available-for-sale assets and investments and assets designated as part of cash flow hedging relationships, are taken to the asset revaluation reserve. Amounts are recognised in profit or loss when the associated available-for-sale assets and investments 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 the market value of investments in listed and unlisted entities (refer to note C1).

Equity compensation reserve The equity compensation reserve is used to recognise the fair value of performance rights issued under the ASX Long-Term Incentive (LTI) plan.

Consolidated statement of cash flows

For the year ended 30 June	Note	2016 $m	2015 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		801.2	756.1
Payments to suppliers and employees (inclusive of GST)		(252.3)	(210.4)
		548.9	545.7
Interest received		148.0	153.0
Interest paid		(85.6)	(92.2)
Dividends received		13.1	12.7
Income taxes paid		(182.0)	(197.4)
Net cash inflow from operating activities		442.4	421.8
Cash flows from investing activities			
Increase/(decrease) in participants' margins and commitments		2,146.4	(126.8)
Payments for available-for-sale investments	C1	(24.4)	(1.6)
Payments for equity accounted investments		-	(65.3)
Payments for other non-current assets		(48.4)	(41.5)
Net cash inflow/(outflow) from investing activities		2,073.6	(235.2)
Cash flows from financing activities			
Dividends paid		(375.6)	(352.4)
Net cash (outflow) from financing activities		(375.6)	(352.4)
Net increase/(decrease) in cash and cash equivalents		2,140.4	(165.8)
(Decrease)/increase in the fair value of cash and cash equivalents		(2.2)	2.3
Increase in cash and cash equivalents due to changes in foreign exchange rates		55.6	26.9
Cash and cash equivalents at the beginning of the financial period		4,879.0	5,015.6
Cash and cash equivalents at the end of the financial period	B2	7,072.8	4,879.0
Cash and cash equivalents consist of:			
ASX Group funds		984.6	992.8
Participants' margins and commitments	B1	6,088.2	3,886.2
Total cash and cash equivalents		7,072.8	4,879.0

For the year ended 30 June	2016 $m	2015 $m
Reconciliation of the operating profit after income tax to the net cash flows from operating activities		
Net profit after tax	426.2	397.8
Non-cash items:		
Depreciation and amortisation	42.7	38.6
Share-based payments	(0.5)	0.5
Share of net profit of equity accounted investments	(0.9)	(0.3)
Tax on fair value adjustment of available-for-sale financial assets	0.2	(0.3)
Tax on fair value adjustment of cash flow hedges	0.4	(0.3)
Changes in operating assets and liabilities:		
(Decrease) in tax balances	(2.7)	(28.4)
(Increase) in current receivables	(8.2)	(7.8)
(Increase)/decrease in prepayments	(3.2)	0.3
(Decrease)/increase in payables	(8.8)	20.1
(Decrease)/increase in revenue received in advance	(1.7)	3.2
(Decrease) in other current liabilities	(0.1)	-
Increase in current provisions	0.9	0.3
(Decrease) in non-current provisions	(1.9)	(1.9)
Net cash inflow from operating activities	442.4	421.8

Cash and cash equivalents includes all cash and funds on deposit and available-for-sale financial assets (refer to note B2). Cash flows are reported on a gross basis. The GST components 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.

Preface to the notes to the financial statements

ASX is a for-profit company limited by shares incorporated and domiciled in Australia.

The consolidated financial statements of the Group for the year ended 30 June 2016 were authorised for issue by the Board of directors on 18 August 2016. The directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared on a historical cost basis, except for available-for-sale financial assets and investments which have been measured at fair value
- are presented in Australian dollars (being ASX's functional and presentation currency) with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Class Order 2016/191.

Significant accounting and company policies and key judgements and estimates are contained in shaded text and are included within the relevant note. These policies have been consistently applied to all years presented, unless otherwise stated.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events.

Judgements and estimates that are material to the financial report are found in the following notes:

- C1 Available-for-sale investments
- C2 Equity accounted investments
- D2 Intangible assets – goodwill
- D3 Intangible assets – software.

Reclassification of prior year balances

On 1 July 2015, the Group re-aligned responsibilities for the business activities into four main categories reflecting the management structure for each activity. The four main categories are:

- listings and issuer services
- trading services
- equity post-trade services
- derivatives and OTC markets.

The prior year operating revenue line items in the consolidated statement of comprehensive income have been reclassified to reflect this change and enhance comparability. The effect of the reclassification is shown in the below table:

Consolidated statement of comprehensive income (extract)	2015 $m	Movement Increase/(decrease) $m	2015 (Restated) $m
Listings and issuer services	178.1	6.9	185.0
Trading services (includes cash market trading, technical services and information services)	-	170.8	170.8
Equity post-trade services (includes cash market clearing and settlement)	-	91.8	91.8
Derivatives and OTC markets (includes futures, equity options, OTC clearing, Austraclear and collateral)	206.5	47.8	254.3
Cash market (includes cash market trading, clearing and settlement)	125.2	(125.2)	-
Information services	73.7	(73.7)	-
Technical services	58.2	(58.2)	-
Austraclear (includes collateral)	45.4	(45.4)	-
Interest income	151.4	-	151.4
Dividend income	12.7	-	12.7
Share of net profit of equity accounted investments	0.3	-	0.3
Other	16.5	(14.8)	1.7
	868.0	-	**868.0**

Performance of the Group

A1 Segment reporting

(a) Description of segment

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.

The CODM assesses performance of the Group as a single segment, being a vertically integrated organisation that provides a multi-asset class product offering.

Vertical integration includes the:

- listing and issuer services offered to public companies and other issuers
- trading venue or exchange activities for trading
- clearing and settlement activities
- exchange-traded and over-the-counter (OTC) products.

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 an infrequent nature. There were no items reported as significant in the current financial year. A restructure charge of $7.7 million before tax, classified as significant items, was recognised in the prior year to support the technology transformation program and other organisational changes.

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 are 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, are presented on the following page.

The revenue categories within the note have been re-aligned to better reflect the main business activities of the Group and are consistent with internal reporting. This change has also been reflected in the statement of comprehensive income. The prior year has been restated for comparability.

ASX derives all external customer revenue within Australia and some services are accessible offshore.

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

Revenue is measured at the fair value of the consideration received or receivable, net of rebates. Revenue is recognised when it can be reliably measured, and when it is probable that the economic benefits will flow to the Group. Revenue is recognised for the major revenue lines as shown below.

- Listings and issuer services includes listing fees and other issuer services revenue. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the financial year to which they relate. Unamortised balances are recognised as deferred revenue 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.
- Trading services includes revenue from cash market trading, information and technical services. Cash market transaction revenue is recognised at settlement date. The normal market convention is that settlement occurs two days after the initial trade date (T+2). Prior to 7 March 2016 it was three days (T+3). Accordingly, revenue for trades transacted in the last two days prior to period end are recognised in the subsequent reporting period (settlement date). Revenue in relation to information and technical services is recognised over the period the service is provided.
- Equity post-trade services includes revenue from clearing and settlement of quoted securities including equities, debt securities, warrants and exchange-traded funds. Clearing and settlement fees for trades transacted in the last two days prior to period end are recognised in the subsequent reporting period.
- Derivatives and OTC markets includes revenue from trading and clearing of futures and equity options, and clearing of OTC interest rate derivatives; settlement, depository and registry services for debt securities and cash transactions (Austraclear); and ASX Collateral services. Transaction revenue is recognised at trade date except for Austraclear and ASX Collateral services where revenue is recognised over the period the service is provided. This may involve deferring a portion of the revenue to future reporting periods.

Dividend income is recognised when the right to receive the dividend has been established.

Interest income comprises interest earned on the Group's own funds, as well as interest earned from the investment of funds lodged by participants as collateral. Interest income is recognised using the effective interest method.

Interest expense is recognised as a finance cost in the statement of comprehensive income using the effective interest rate method.

Year ended 30 June 2016	Segment information $m	Adjustments $m	Consolidated income statement $m
Revenue			
Listings	149.4	1.6	151.0
Issuer services	43.3	-	43.3
Listings and issuer services	**192.7**	**1.6**	**194.3**
Cash market trading	40.7	-	40.7
Information services	80.1	-	80.1
Technical services	62.0	1.0	63.0
Trading services	**182.8**	**1.0**	**183.8**
Cash market clearing	54.1	-	54.1
Cash market settlement	47.9	-	47.9
Equity post-trade services	**102.0**	**-**	**102.0**
Equity options	23.1	-	23.1
Futures and OTC clearing	194.3	0.3	194.6
Austraclear	48.4	0.1	48.5
Derivatives and OTC markets	**265.8**	**0.4**	**266.2**
Other	**3.0**	**(1.3)**	**1.7**
Operating revenue	**746.3**		
Interest income		146.3	146.3
Dividend income		13.1	13.1
Share of net profit of equity accounted investments		0.9	0.9
Total revenue		**162.0**	**908.3**
Expenses			
Staff	(101.1)	-	(101.1)
Occupancy	(14.1)	-	(14.1)
Equipment	(27.0)	(1.4)	(28.4)
Administration	(19.3)	(10.3)	(29.6)
Variable	(6.2)	6.2	-
ASIC supervision levy	(2.9)	2.9	-
Operating expenses	**(170.6)**		
EBITDA	**575.7**		
Finance costs	-	(86.3)	(86.3)
Depreciation and amortisation	(42.7)	-	(42.7)
Total expenses	**(42.7)**	**(88.9)**	**(302.2)**
EBIT	**533.0**		

Year ended 30 June 2016	Segment information $m	Adjustments $m	Consolidated income statement $m
Net interest and dividend income			
Net interest income	22.3	(22.3)	-
Net interest on participant balances	37.7	(37.7)	-
Dividend income	13.1	(13.1)	-
Net interest and dividend income	**73.1**	**(73.1)**	**-**
Underlying profit before tax	**606.1**	**-**	**606.1**
Income tax expense	(179.9)	-	(179.9)
Underlying profit after tax	**426.2**	**-**	**426.2**
Significant items	-	-	-
Tax on significant items	-	-	-
Net profit after tax	**426.2**	**-**	**426.2**

Year ended 30 June 2015	Segment information $m	Adjustments $m	Consolidated income statement $m
Revenue			
Listings	143.3	1.5	144.8
Issuer services	40.2	-	40.2
Listings and issuer services	**183.5**	**1.5**	**185.0**
Cash market trading	36.1	-	36.1
Information services	73.7	-	73.7
Technical services	60.1	0.9	61.0
Trading services	**169.9**	**0.9**	**170.8**
Cash market clearing	47.3	-	47.3
Cash market settlement	44.5	-	44.5
Equity post-trade services	**91.8**	**-**	**91.8**
Equity options	24.6	-	24.6
Futures and OTC clearing	181.6	0.3	181.9
Austraclear	47.7	0.1	47.8
Derivatives and OTC markets	**253.9**	**0.4**	**254.3**
Other	**1.6**	**0.1**	**1.7**
Operating revenue	**700.7**		
Interest income		151.4	151.4
Dividend income		12.7	12.7
Share of net profit of equity accounted investments		0.3	0.3
Total revenue		**167.3**	**868.0**
Expenses			
Staff	(96.4)	(7.7)	(104.1)
Occupancy	(13.7)	-	(13.7)
Equipment	(24.0)	(1.3)	(25.3)
Administration	(17.2)	(10.6)	(27.8)
Variable	(5.1)	5.1	-
ASIC supervision levy	(3.7)	3.7	-
Operating expenses	**(160.1)**		
EBITDA	**540.6**		
Finance costs	-	(92.3)	(92.3)
Depreciation and amortisation	(38.6)	-	(38.6)
Total expenses	**(38.6)**	**(103.1)**	**(301.8)**
EBIT	**502.0**		

Year ended 30 June 2015	Segment information $m	Adjustments $m	Consolidated income statement $m
Net interest and dividend income			
Net interest income	26.9	(26.9)	-
Net interest on participant balances	32.3	(32.3)	-
Dividend income	12.7	(12.7)	-
Net interest and dividend income	**71.9**	**(71.9)**	**-**
Underlying profit before tax	**573.9**	**(7.7)**	**566.2**
Income tax expense	(170.7)	2.3	(168.4)
Underlying profit after tax	**403.2**	**(5.4)**	**397.8**
Significant items	(7.7)	7.7	-
Tax on significant items	2.3	(2.3)	-
Net profit after tax	**397.8**	**-**	**397.8**

A2 Dividends

Dividends recognised and paid by ASX for the financial years ended 30 June 2016 and 2015:

	Cents per share	Total amount $m
2016		
Final dividend for the year ended 30 June 2015	95.1	184.1
Interim dividend for the year ended 30 June 2016	99.1	191.9
Total amount	194.2	376.0
2015		
Final dividend for the year ended 30 June 2014	89.9	174.0
Interim dividend for the year ended 30 June 2015	92.3	178.7
Total amount	182.2	352.7

The above dividends paid by the Company include amounts attached to certain shares held by the Group's Long-Term Incentive Plan Trust (LTIP). The dividend revenue recognised by LTIP of $0.4 million (2015: $0.3 million) has been eliminated on consolidation.

Since the end of the financial year, the directors have determined the below dividend. 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 2016	99.0	191.7

The Board's policy is to pay a dividend based on 90% of underlying net profit after tax. A liability is recognised for the amount of any dividends determined on or before the end of the financial year but not paid at balance sheet date. Typically, the final dividend in respect of a financial period is determined after period end, and is therefore not included as a provision at year end.

Dividend franking account

Company	2016 $m	2015 $m
Franking credits available for future years at 30% adjusted for the payment of current income tax	221.3	201.0

Adjusting for the payment of the final dividend for the year ended 30 June 2016, the franking balance would be $139.2 million (2015: $122.1 million).

A3 Capital management

At 30 June 2016, equity of the Group totalled $3,824.1 million (2015: $3,759.7 million). The Group's capital supports a range of activities and risks. Capital requirements are subject to change from time to time. Some factors that may impact the amount of capital the Group requires to support its business include:

- regulatory standards, both domestic and international, which may impact on the level of capital supporting the clearing and settlement activities 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
- 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 or concentration 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 that 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.

The Board's policy is to maintain an appropriate level of capital within the Group and relevant subsidiaries with the objectives of:

- meeting its compliance obligations with respect to the Financial Stability Standards, and other regulations, including international, as required by the various licences held
- sustaining prudential stability through maintaining an adequate level of equity at the Group level, cognisant of the fact that a significant allocation of capital supports the activities of the two licensed central counterparty (CCP) clearing subsidiaries as discussed in note B1 and the two licensed settlement facilities
- facilitating growth of the Group's exchange-traded and OTC markets, and providing appropriate risk-adjusted returns to shareholders.

In accordance with the Group's objectives and policies, capital represented by cash is invested at an appropriate liquidity profile, taking into consideration the potential claims on that equity that may arise from the Group's activities, predominantly CCP clearing.

(a) Movements in ordinary share capital

The closing balance of ordinary share capital as at 30 June 2016 was $3,027.2 million (2015: $3,027.2 million). There was no movement in ordinary share capital in the current or prior year.

The number of shares outstanding as at 30 June 2016 was 193,595,162 (2015: 193,595,162). There was no movement in the number of shares outstanding in the current or prior year.

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 2016, 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.

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.

(b) Treasury shares

The number of treasury shares as at 30 June 2016 was 181,269 (2015: 181,269). There was no movement in the number of treasury shares in the current or prior year.

The LTIP holds treasury shares for the benefit of employees under the ASX LTI plan as described in the remuneration report. The shares, net of any tax effect, are deducted from the equity compensation reserve in equity.

A4 Earnings per share

	2016	2015
Basic and diluted earnings per share (cents)	220.4	205.7
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	193,413,893	193,413,893

The basic and diluted earnings per share (EPS) amounts have been calculated on the basis of net profit after tax of $426.2 million (2015: $397.8 million).

Basic EPS 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 EPS adjusts the figures used in the determination of basic EPS 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.

A5 Taxation

The movements during the year in the following components of deferred tax asset and liability were recognised in profit or loss with the exception of revaluations of available-for-sale financial assets, available-for-sale investments and cash flow hedges, which were recognised in other comprehensive income.

	2016 $m	2015 $m
(a) Income tax expense		
Profit before income tax expense	606.1	566.2
Prima facie income tax expense calculated at 30% (2015: 30%) on the profit before tax	(181.8)	(169.9)
Movement in income tax expense due to:		
Non-deductible items	(0.4)	(0.3)
Non-assessable items	0.2	0.1
Franking credit offset	2.1	1.5
Adjustments to current tax for prior periods	-	0.2
Total income tax expense	**(179.9)**	**(168.4)**
(b) Major components of income tax expense		
Current tax expense	(178.8)	(168.4)
Movement in deferred tax liability	(0.1)	0.6
Movement in deferred tax asset	(1.0)	(0.8)
Adjustments for current tax of prior periods	-	0.2
Total income tax expense	**(179.9)**	**(168.4)**
(c) Income tax on items recognised directly in other comprehensive income		
Revaluation of available-for-sale financial assets	0.2	(0.3)
Revaluation of available-for-sale investments	(6.8)	(17.8)
Revaluation of cash flow hedges	0.4	(0.3)
Total	**(6.2)**	**(18.4)**
(d) Deferred tax asset/(liability)		
Deferred tax asset comprises the estimated future benefit at an income tax rate of 30% (2015: 30%) of the below items:		
Provisions for:		
Doubtful debts	0.3	0.5
Employee entitlements	10.5	9.9
Premises provisions	2.6	3.1
Accrued expenses	1.6	2.6
Revenue received in advance	3.6	4.0
Revaluation of cash flow hedges	0.2	-
Revaluation of available-for-sale investments - unlisted entities	0.3	-
Deferred tax asset	**19.1**	**20.1**
Deferred tax liability comprises the estimated future expense at an income tax rate of 30% (2015: 30%) of the following items:		
Fixed assets	(10.0)	(10.4)
Revaluation of available-for-sale financial assets	(0.4)	(0.6)
Revaluation of available-for-sale investments - listed entities	(60.0)	(52.9)
Revaluation of cash flow hedges	-	(0.2)
Long-term incentive plan	(0.3)	(0.3)
Deferred tax liability	**(70.7)**	**(64.4)**
Net deferred tax liability	**(51.6)**	**(44.3)**

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. Income tax expense recognised in profit or loss comprises current and deferred income tax.

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. Current tax assets and tax liabilities are offset if there is a legally enforceable right to offset and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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.

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.

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.

Risk management

Some of the risks the Group is exposed to include clearing and settlement risk and operational risk. ASX settled equity (on average $4.7 billion per day) and debt instrument (on average $64.8 billion per day) transactions on a delivery-versus-payment basis. Settlement errors expose the Group to potential financial and reputational losses. Operational incidents or errors can impact on the financial performance of the Group and adversely affect its reputation.

B1 Clearing risk

The Group collects margins and other balances (commitments) from clearing participants as security for clearing risk undertaken.

Subsections (a) and (b) below discuss participants' obligations and the nature of collateral and commitments lodged, as well as ASX's recognition principles concerning these liabilities.

(a) Novation

The Group has the following wholly-owned subsidiaries that provide CCP clearing services:

- 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.

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 the buying and selling legs of the same transaction. Through novation, the respective CCP assumes the credit risk of the underlying clearing participant in the event of a participant default. The novation process results in all positions held by the CCPs being matched.

(b) Participants' margins

Clearing participants are required to lodge an amount (initial margin) on open cash market and derivative positions novated to the Group's CCPs. These margins are based on risk parameters attached to the underlying security or contract at trade date. The margin rates are subject to regulatory standards including a high level of confidence that they meet expected movements based on historical events. However there could be circumstances where losses are greater than the margins held.

At 30 June, participants' margins and commitments recognised on balance sheet comprised:

	2016 $m	2015 $m
Cash	5,674.9	3,595.1
Debt securities	213.3	91.1
Current amounts owing to participants	**5,888.2**	**3,686.2**
Commitments	200.0	200.0
Non-current amounts owing to participants	**200.0**	**200.0**
Total participants' margins and commitments	**6,088.2**	**3,886.2**

Current amounts owing to participants represent collateral lodged to cover margin requirements on unsettled derivative contracts and cash market trades. 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.

Margins that are settled by cash or debt securities are recognised on balance sheet at fair value and are classified as amounts owing to participants within current liabilities. Balances lodged in cash are interest bearing and are carried at the amounts deposited which represent fair value. Margins that are settled by bank guarantees or equity securities are not recognised on balance sheet as the Group is not party to the contractual provisions of the instruments other than in the event of a default.

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. The amounts owing to participants are repayable on settlement or closure of the contracts.

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. As at 30 June, collateral lodged by clearing participants was as follows:

	ASX Clear		ASX Clear (Futures)	
	2016 $m	2015 $m	2016 $m	2015 $m
Cash	815.7	673.7	4,859.2	2,921.4
Bank guarantees	14.6	16.0	-	-
Equity securities	3,385.7	3,625.2	-	-
Debt securities	-	-	213.3	91.1

All net delivery and net payment obligations relating to cash market and derivative securities owing to or by participants as at 30 June 2016 were subsequently settled.

(c) Financial resources available to CCPs

The Financial Stability Standards require each CCP to have adequate financial resources to cover its exposures in the event of default by the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. Financial resources include the clearing default funds shown in the next two tables as well as eligible collateral. The level of clearing default funds which the CCPs must maintain may therefore increase from time to time. The Financial Stability Standards also require each CCP to have a process for replenishing any clearing default funds after depletion caused by a default loss. The replenished fund is then available to support new activity post the loss. To comply with this obligation, the company has undertaken in certain circumstances to provide funds up to pre-determined levels for replenishment of the clearing default funds. The

Group may utilise a number of alternative funding sources to contribute to an increase in or replenishment of the CCPs' clearing default funds, including its own cash reserves. In certain circumstances participants may have an obligation to the CCP to contribute to an increase in or replenishment of the clearing default funds.

The CCPs' operating rules also provide for the CCPs to undertake certain actions to deal with events of default and utilisation of collateral and clearing default funds. These are further explained below.

On 30 June 2016, the subordinated debt provided by the Group to each CCP was replaced with an equivalent amount of equity.

ASX Clear

	2016 $m	2015 $m
Restricted capital reserve	71.5	71.5
Equity provided by the Group	178.5	103.5
Subordinated debt provided by the Group	-	75.0
Paid in resources	**250.0**	**250.0**
Recovery assessments	300.0	300.0
Total financial resources	**550.0**	**550.0**

The financial resources at 30 June 2016 available to ASX Clear in the event of a participant default would be applied in the following order:

1. collateral or other margin or contributions lodged by the defaulting participant
2. restricted capital reserve of $71.5 million
3. equity capital of $178.5 million
4. contributions lodged by non-defaulting participants under the ASX Clear operating rules (no contributions were lodged in the current or prior year)
5. recovery assessments of $300.0 million which can be levied on participants (nil has been levied for periods ending 30 June 2015 and 2016).

ASX Clear (Futures)

	2016 $m	2015 $m
Equity provided by the Group	120.0	30.0
Subordinated debt provided by the Group	-	90.0
Commitments	100.0	100.0
Equity provided by the Group	150.0	150.0
Commitments	100.0	100.0
Equity provided by the Group	180.0	180.0
Total financial resources	**650.0**	**650.0**

The financial resources at 30 June 2016 available to ASX Clear (Futures) in the event of participant default would be applied in the following order:

1. collateral and commitments lodged by the defaulting participant
2. equity capital of $120.0 million
3. commitments lodged in cash by participants, totalling $100.0 million. Any defaulting participant's commitments in this total will be included in amounts previously applied as part of (1) above
4. equity capital of $150.0 million
5. commitments lodged in cash by participants, totalling $100.0 million
6. equity capital of $180.0 million.

A participant may be both a futures and OTC participant. The order of application in the event of a default with respect to items 3 and 5 above, 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, with the other category 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.

B2 Cash and funds on deposit and available-for-sale financial assets

The cash, funds on deposit and available-for-sale financial assets represent total cash and cash equivalents as per the statement of cash flows. The balance represents the Group's own cash funds as well as collateral lodged by participants in accordance with note B1.

(a) Cash and funds on deposit

	2016 $m	2015 $m
Cash at call	2,781.4	1,159.4
Deposits	495.0	830.0
Cash and funds on deposit	**3,276.4**	**1,989.4**

(b) Available-for-sale financial assets

	2016 $m	2015 $m
Money market instruments – at cost	3,795.1	2,887.5
Revaluation recognised directly in equity	1.3	2.1
Available-for-sale financial assets	**3,796.4**	**2,889.6**

Available-for-sale financial assets comprise short-term money market investments, including bank bills, certificates of deposit, bonds, floating rate notes, promissory notes and treasury notes and are traded in active markets.

Available-for-sale financial assets 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. After initial recognition, available-for-sale financial assets continue to be measured at fair value as determined by valuation techniques outlined in note B3(d)(ii).

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.

Impairment indicators for available-for-sale assets include a significant or prolonged decline in the fair value of the security below its cost. When the asset is considered to be impaired, any loss that had been recognised directly in equity is transferred to profit or loss.

(c) 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 the policy below the statement of changes in equity.

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

B3 Financial risk management

The Group's activities expose it to a variety of financial risks including market risk (comprising interest rate, foreign currency and equity price risk), credit risk and liquidity risk. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets as detailed on the following table.

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 under policies approved by the Board of Directors.

Management monitors investment credit, foreign currency, market liquidity and cash flow interest rate risk, and manages clearing default credit risk with counterparties with ongoing reporting to the respective boards.

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

As at 30 June 2016	Note	Available-for-sale $m	Amortised cost $m	Total $m
Financial assets				
Cash and funds on deposit	B2	-	3,276.4	3,276.4
Available-for-sale financial assets	B2	3,796.4	-	3,796.4
Receivables	D1	-	469.1	469.1
Available-for-sale investments	C1	358.2	-	358.2
Total financial assets		**4,154.6**	**3,745.5**	**7,900.1**
Financial liabilities				
Payables	D5	-	431.2	431.2
Amounts owing to participants	B1	-	6,088.2	6,088.2
Total financial liabilities		**-**	**6,519.4**	**6,519.4**
As at 30 June 2015				
Financial assets				
Cash and funds on deposit	B2	-	1,989.4	1,989.4
Available-for-sale financial assets	B2	2,889.6	-	2,889.6
Receivables	D1	-	328.6	328.6
Available-for-sale investments	C1	311.1	-	311.1
Total financial assets		**3,200.7**	**2,318.0**	**5,518.7**
Financial liabilities				
Payables	D5	-	306.0	306.0
Amounts owing to participants	B1	-	3,886.2	3,886.2
Other liabilities		-	0.1	0.1
Total financial liabilities		**-**	**4,192.3**	**4,192.3**

(a) Market risk

Market risk is the risk of loss arising from movements in observable market variables such as interest rates, foreign exchange rates and other market prices.

(i) Interest rate risk

Exposure arising from	Risk management
Variable rate cash investments and money market instruments expose the Group to cash flow interest rate risk.	• The Boards of the relevant subsidiaries have set limits with respect to maximum and weighted average. maturity and value at risk • Principally managed by policies that enable the Group to pay a variable rate of interest to participants on the funds held.
Fixed rate money market instruments that are carried at fair value expose the Group to fair value interest rate risk.	• The Boards of the relevant subsidiaries have set limits with respect to maximum and weighted average maturity and value at 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.

The Group's receivables, investments, payables and other liabilities are non-interest bearing so are therefore not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate due to a change in market interest rates. The Group's interest bearing financial assets and liabilities are shown in the following table.

As at 30 June 2016	Floating interest rate $m	Fixed interest rate $m	Total $m
Interest bearing financial assets			
Cash and funds on deposit	1,711.4	1,565.0	3,276.4
Available-for-sale financial assets	1,012.9	2,783.5	3,796.4
Total interest bearing financial assets	**2,724.3**	**4,348.5**	**7,072.8**
Weighted average interest rate at period end	1.97%	2.20%	
Interest bearing financial liabilities			
Amounts owing to participants	6,088.2	-	6,088.2
Total interest bearing financial liabilities	**6,088.2**	**-**	**6,088.2**
Weighted average interest rate at period end	1.21%		
Net interest bearing financial (liabilities)/assets	**(3,363.9)**	**4,348.5**	**984.6**
As at 30 June 2015			
Interest bearing financial assets			
Cash and funds on deposit	1,159.4	830.0	1,989.4
Available-for-sale financial assets	1,161.0	1,728.6	2,889.6
Total interest bearing financial assets	**2,320.4**	**2,558.6**	**4,879.0**
Weighted average interest rate at period end	2.29%	2.74%	
Interest bearing financial liabilities			
Amounts owing to participants	3,886.2	-	3,886.2
Total interest bearing financial liabilities	**3,886.2**	**-**	**3,886.2**
Weighted average interest rate at period end	1.52%		
Net interest bearing financial (liabilities)/assets	**(1,565.8)**	**2,558.6**	**992.8**

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, promissory notes, treasury notes, reverse repurchase agreements 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 2016, if interest rates had increased/decreased by 25 basis points from year-end rates with all other variables held constant, equity would have been $0.9 million lower/higher (2015: $0.8 million) due to a change in the fair value of available-for-sale financial assets.

Fair value interest rate risk for floating rate instruments (net of tax)

At 30 June 2016, if interest rates had increased/decreased by 25 basis points from year-end rates with all other variables held constant, equity would have been $0.2 million lower/higher (2015: $0.1 million) due to a change in the fair value of available-for-sale financial assets.

Cash flow interest rate risk (net of tax)

At 30 June 2016, if interest rates had increased/decreased by 25 basis points from year-end rates with all other variables held constant, profit would be $0.4 million higher/lower (2015: $0.5 million) mainly due to higher/lower interest income on cash and available-for-sale financial assets.

(ii) Foreign currency risk

Exposure arising from	Risk management
Foreign currency transactions The Group enters into cash flow commitments in foreign currencies.	• Where the Group enters into cash flow commitments in foreign currencies, its policy is to enter into hedging arrangements to mitigate the exchange risk where possible.
Clearing operations The Group's CCPs accept and hold foreign currency as collateral on clearing participants' 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.

The majority of the Group's foreign currency risk is associated with foreign denominated cash, net interest and exchange fees receivable. Such exposure however, is not considered significant and is converted to AUD on a regular basis.

At 30 June 2016, USD 24.0 million (2015: USD 7.2 million) and EUR 5.6 million (2015: EUR 7.5 million) were designated by the Group as the hedging instruments in qualifying cash flow hedges for committed expenditure to be paid in USD and EUR. These amounts are included in the below table within cash and funds on deposit.

During the current financial year, the use of cash flow hedges resulted in a $1.2 million reduction in cash flow required for committed capital and operating expenses (2015: $1.2 million).

Available-for-sale investments denominated in USD are subject to foreign currency risk, impacting their carrying value.

The table below shows the Group's exposure to foreign currency risk at the end of the year, expressed in AUD.

	30 June 2016				30 June 2015			
	NZD	USD	EUR	JPY	NZD	USD	EUR	JPY
Financial assets:	$m	$m	$m	$m	$m	$m	$m	$m
Cash and funds on deposit	125.8	33.1	8.3	253.0	108.3	170.2	11.0	-
Receivables	0.7	-	-	-	0.7	-	-	-
Available-for-sale investments	-	23.3	-	-	-	-	-	-
Financial liabilities:								
Payables	0.2	-	-	-	0.3	-	-	-
Amounts owing to participants	125.2	-	-	252.8	108.0	160.4	-	-
Net exposure	**1.1**	**56.4**	**8.3**	**0.2**	**0.7**	**9.8**	**11.0**	**-**
Exchange rate for conversion AUD 1:	1.0489	0.7458	0.6711	76.73	1.1218	0.7669	0.6843	93.92

Foreign exchange risk sensitivity analysis (net of tax)

At 30 June 2016, a 10 percent strengthening/weakening of the AUD against the following currencies would have increased/decreased profit or loss, net of tax by the amounts shown below. This analysis assumes all other variables, in particular interest rates, remain constant.

	2016 $m	2015 $m
NZD	0.1	-

A 10 percent strengthening/weakening of the AUD against the USD would have decreased/increased equity by $3.6 million (net of tax) (2015: $0.6 million), as a result of foreign currency cash flow commitments designated as cash flow hedges and investments in unlisted securities. A 10 percent strengthening/weakening of the AUD against the EUR would have decreased/increased equity by $0.5 million (net of tax) (2015: $0.7 million), as a result of foreign currency cash flow commitments designated as cash flow hedges and investments in unlisted securities.

At the inception of the hedging transaction, the Group documents 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.

(iii) Price risk

Exposure arising from	Risk management
Equity securities price movements with respect to the Group's investments in listed entities of $334.9 million (2015: $311.1 million).	• Ongoing monitoring of values with respect to any impairment, with consideration to financial and other implications of holding instruments.
Other price movements associated with underlying equities and derivatives on trades novated to the CCPs.	• Under normal circumstances, this risk is minimal as the trades are matched. However price movements may impact on credit risk associated with participant obligations (as discussed in the following section).

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 C1) at balance date would have increased/decreased equity by $23.4 million (2015: $21.8 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

Exposure arising from	Risk management
Clearing participant 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+2 settlement risk for cash market trades and daily mark-to-market movements on open derivative positions. Failure of clearing participants to meet these obligations exposes the Group to potential losses.	• Clearing participant membership requirements and admission standards, including minimum capital requirements. • Participant surveillance, including capital monitoring. • Daily and intraday counterparty credit risk control, including margining and collateral management. • Position limits based on the capital of the participant. • Financial resource adequacy, including fixed capital and stress-testing of clearing participants' exposure limits against the amount and liquidity of variable and fixed financial resources available. • Operating rules that deal with recovery and resolution of losses in the event of a clearing participant default.
Investment counterparty credit risk arising on certain financial assets including cash, funds on deposit, current available-for-sale financial assets, and trade and other receivables.	• Board policies that limit the amount of credit exposure and concentration to any one counterparty, as well as minimum credit ratings for counterparties. Investments are limited to non-derivative assets. • Operating rules that address the allocation of losses between the Group and clearing participants. • Active debt collection procedures and regular review of the ageing of trade receivables.

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 on the resources available to the CCPs in the event of a participant default is shown in note B1.

Standard & Poor's (S&P) credit ratings are used in determining the credit quality of the counterparty with whom cash and funds on deposit, and current available-for-sale financial assets are held. Counterparties are limited to licensed banks with a minimum short-term credit rating of A1, Australian state governments and the Commonwealth of Australia.

The Group's largest single counterparty exposure at the end of the reporting period was $1,007.1 million (2015: $740.6 million) to an Australian licensed bank with an S&P short-term credit rating of A1+. The risk ratings of the counterparties that the Group has exposure to at the end of the period are shown in the following table.

	Counterparty credit ratings		
2016	A1+ $m	A1 $m	Total $m
Cash and funds on deposit	2,642.5	633.9	3,276.4
Negotiable certificates of deposit	624.1	555.4	1,179.5
Promissory notes	1,123.1	-	1,123.1
Treasury notes	114.8	-	114.8
Floating rate notes	797.1	215.8	1,012.9
Bonds	366.1	-	366.1
Total current available-for-sale financial assets	3,025.2	771.2	3,796.4
2015			
Cash and funds on deposit	1,404.3	585.1	1,989.4
Bank bills	34.9	-	34.9
Negotiable certificates of deposit	608.7	569.5	1,178.2
Promissory notes	239.5	-	239.5
Floating rate notes	935.3	225.7	1,161.0
Bonds	271.5	4.5	276.0
Total current available-for-sale financial assets	2,089.9	799.7	2,889.6

The Group does not utilise credit ratings to determine the credit quality of other financial assets, which includes trade receivables, margins receivable from participants, accrued revenue and interest receivable. 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

Exposure arising from	Risk management
Clearing operations of CCPs Margins to cover derivatives and cash market exposures are settled with participants and invested in the short-term money market on a daily basis. The investment of these balances requires strict management to provide sufficient liquidity for the routine daily margin settlement.	• The Board has implemented policies that specify liquidity requirements, based on whether assets can be liquidated and converted to cash on a same-day basis, including maximum average maturity limits. Instruments that are eligible for repurchase agreements with the Reserve Bank of Australia are treated as liquid. • Forward planning and forecasting of liquidity requirements.

The expected contractual undiscounted cash flows of these investments, and other financial assets and liabilities, are shown in the table on the following page. All available-for-sale financial assets are eligible for repurchase in the secondary market. All financial assets and liabilities are non-derivative.

The values on the balance sheet may differ to the assets and liabilities in the table on the following page due to the difference in fair value at balance date compared to the contractual cash flows up to maturity.

30 June 2016	Up to 1 month $m	>1 month to 3 months $m	>3 months to 1 year $m	>1 year[1] $m	No specific maturity $m	Total $m
Assets						
Cash and funds on deposit	2,447.1	788.2	45.4	-	-	3,280.7
Available-for-sale financial assets	668.7	1,573.0	1,362.8	248.0	-	3,852.5
Receivables	467.1	2.0	-	-	-	469.1
Available-for-sale investments	-	-	-	-	358.2	358.2
Total assets	**3,582.9**	**2,363.2**	**1,408.2**	**248.0**	**358.2**	**7,960.5**
Liabilities						
Payables	406.0	17.8	1.2	6.2	-	431.2
Amounts owing to participants	5,888.2	-	-	-	200.0	6,088.2
Total liabilities	**6,294.2**	**17.8**	**1.2**	**6.2**	**200.0**	**6,519.4**
Commitments						
Capital and operating commitments	0.7	2.2	15.0	50.9	-	68.8
Operating lease commitments	0.9	1.8	8.4	93.4	-	104.5
Total commitments	**1.6**	**4.0**	**23.4**	**144.3**	**-**	**173.3**
30 June 2015						
Assets						
Cash and funds on deposit	940.4	321.0	735.3	-	-	1,996.7
Available-for-sale financial assets	280.2	261.6	2,278.4	126.3	-	2,946.5
Receivables	328.1	0.5	-	-	-	328.6
Available-for-sale investments	-	-	-	-	311.1	311.1
Total assets	**1,548.7**	**583.1**	**3,013.7**	**126.3**	**311.1**	**5,582.9**
Liabilities						
Payables	280.5	15.3	1.0	9.2	-	306.0
Amounts owing to participants	3,686.2	-	-	-	200.0	3,886.2
Other liabilities	0.1	-	-	-	-	0.1
Total liabilities	**3,966.8**	**15.3**	**1.0**	**9.2**	**200.0**	**4,192.3**
Commitments						
Capital and operating commitments	0.4	1.6	16.3	35.2	-	53.5
Operating lease commitments	0.9	1.7	8.0	103.9	-	114.5
Total commitments	**1.3**	**3.3**	**24.3**	**139.1**	**-**	**168.0**

[1] Available-for-sale financial assets include securities with contractual cash flows beyond one year, but are classified as current assets on the balance sheet as they are expected to be held for less than 12 months. These comprise Commonwealth Government securities lodged as collateral by clearing participants. Under normal circumstances the Group does not receive coupon payments on these instruments.

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

(i) Fair value hierarchy

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 in either year.

30 June 2016	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Available-for-sale financial assets:				
- Negotiable certificates of deposit	-	1,179.5	-	1,179.5
- Promissory notes	-	1,123.1	-	1,123.1
- Treasury notes	-	114.8	-	114.8
- Floating rate notes	-	1,012.9	-	1,012.9
- Bonds	213.3	152.8	-	366.1
Available-for-sale investments	334.9	-	23.3	358.2
Total assets	**548.2**	**3,583.1**	**23.3**	**4,154.6**
30 June 2015				
Assets				
Available-for-sale financial assets:				
- Bank bills	-	34.9	-	34.9
- Negotiable certificates of deposit	-	1,178.2	-	1,178.2
- Promissory notes	-	239.5	-	239.5
- Floating rate notes	-	1,161.0	-	1,161.0
- Bonds	91.1	184.9	-	276.0
Available-for-sale investments	311.1	-	-	311.1
Total assets	**402.2**	**2,798.5**	**-**	**3,200.7**

The Group uses the following hierarchy to categorise its financial instruments measured and carried at fair value:

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

There were no transfers between levels for recurring measurements during the year. The Group did not measure any assets or liabilities at fair value on a non-recurring basis as at 30 June 2016.

(ii) Valuation techniques used to determine fair values

Investments in listed entities The fair value of the Group's external listed equity investment is determined by reference to the ASX-quoted closing price at reporting date.

Australian Government bonds Fair values are determined by reference to published bond yields.

As the fair value of investments in listed entities and government bonds are based on quoted market prices in active markets, these instruments fall within level 1 of the fair value hierarchy.

Available-for-sale financial assets (excluding Australian Government bonds) Discounted cash flow analysis is used as the primary valuation technique for fair value measurement of current 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 is 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.

Investments in unlisted entities The fair value of the Group's external unlisted equity investment is determined by reference to the most recent purchase price (inclusive of the cost of any rights to acquire) for the same class of securities held at reporting date. As the fair value of unlisted equity investments is based on unobservable market data, these instruments fall within level 3 of the fair value hierarchy.

(iii) Fair values of other financial instruments

The Group has a number of financial instruments which are not measured at fair value on 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 netting arrangements

There are no financial assets and financial liabilities recognised on a net basis. In the event that a clearing participant defaults and ASX assumes open positions under novation, ASX's policy is to recognise the net open positions where it has the right to offset exposures.

In the event that a clearing participant defaults, ASX may utilise collateral lodged by that participant to offset net losses realised from the close-out of positions. While ASX has the right to offset this collateral from the open position, its policy is to only offset following the close-out. The aggregate amount of collateral lodged by participants at 30 June 2016 was $6,088.2 million (2015: $3,886.2 million).

(iv) Level 3 fair value instruments

The following table presents the changes in level 3 instruments for the years ended 30 June 2016 and 2015.

	2016 $m	2015 $m
Opening balance at 1 July	-	-
Additions	23.3	-
Closing balance at 30 June	23.3	-

There were no gains or losses recognised in profit or loss for the years ended 30 June 2016 and 2015.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. This analysis assumes all other variables, in particular foreign exchange rates, remain constant.

Description	Fair value at 30 June 2016 $m	Unobservable inputs*	Change in Inputs	Relationship of unobservable inputs to fair value
Investment in unlisted entities	$23.3	Purchase price	10%	A 10% increase/decrease in the purchase price would increase/decrease fair value by $2.3 million
Total assets	$23.3			

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Investments

C1 Available-for-sale investments

	2016 $m	2015 $m
Investments in listed entities	334.9	311.1
Investments in unlisted entities	23.3	-
Total available-for-sale investments	358.2	311.1

(a) Investments in listed entities

As at 30 June 2016, ASX held 19.1% (2015: 19.2%) of the share capital in IRESS Limited (IRESS), whose principal activities consist of the provision of financial planning and associated tools, in addition to an equity information and trading platform for financial market and wealth management participants.

During the current financial year, ASX did not purchase any share capital in IRESS (2015:$1.6 million).

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.

There was no impairment in investments in listed entities during the current or prior financial year.

(b) Investments in unlisted entities

During the current financial year, ASX acquired an 8.5% equity interest in Digital Asset Holdings LLC (DAH) for consideration of $24.4 million (USD $17.4 million). DAH specialises in the development of distributed ledger technology solutions.

Available-for-sale investments are initially recognised at fair value, being the consideration given plus transaction costs that are directly attributable to acquiring the asset. After initial recognition, they continue to be measured at fair value.

The fair value of investments in listed entities is determined by reference to quoted market prices at the close of business on the balance sheet date.

The fair value of investments in unlisted entities is determined by reference to unobservable market data at balance date.

Refer to note B3 for valuation techniques.

C2 Equity accounted investments

As at 30 June 2016, ASX held a 49% (2015: 49%) interest in an associate entity, Yieldbroker Pty Limited (Yieldbroker). Yieldbroker's principal place of business is Australia. It operates licensed electronic markets for trading Australian and New Zealand debt securities and interest rate derivatives.

The carrying amount of equity accounted investments was $66.6 million (2015: $65.7 million). There was no impairment charge incurred in the current or prior year.

The financial information below represents ASX's 49% share of Yieldbroker from the period of ownership:

	2016 $m	2015 $m
Profit from continuing operations	0.9	0.3
Other comprehensive income	-	-
Total comprehensive income	0.9	0.3

Equity accounted investments are initially recognised at cost. The carrying amount is subsequently adjusted to recognise the Group's share of the investee's post-acquisition profit and loss and other comprehensive income. This is recognised in the Group's profit and loss and comprehensive income respectively. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The carrying amount of equity accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Other balance sheet assets and liabilities

D1 Receivables

	2016 $m	2015 $m
Current		
Trade receivables	93.7	80.0
Less: provision for impairment	(1.1)	(1.6)
	92.6	**78.4**
Margins receivable	365.9	233.6
Accrued revenue	4.3	9.6
Interest receivable	5.0	6.6
Other debtors	1.3	0.4
Total	**469.1**	**328.6**

Trade receivables aged analysis

As at 30 June, the aged analysis for trade receivables of the Group was as follows:

Not past due	85.6	74.1
Past due 0-30 days	0.5	0.6
Past due 31-60 days	4.4	2.6
Past due 61-90 days	1.9	0.7
Past due 91 days and over	0.2	0.4
Total trade receivables not impaired	**92.6**	**78.4**
Trade receivables impaired	1.1	1.6
Total trade receivables	**93.7**	**80.0**

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 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 represents collateral receivable from clearing participants on cash markets and derivative positions held at the end of the day, and are received on the next business day. The amounts include the movement in the fair value of derivative positions and are recognised on trade date.

(a) Impaired trade receivables

As at 30 June 2016, the Group provided $1.1 million (2015: $1.6 million) for trade receivables that were identified as being impaired. The individually impaired receivables 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	2016 $m	2015 $m
At 1 July	**(1.6)**	**(1.5)**
Provision for impairment recognised during the year	(0.6)	(0.9)
Receivables written-off during the year as uncollectable	0.2	0.3
Provisions subsequently reversed	0.9	0.5
At 30 June	**(1.1)**	**(1.6)**

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.

(b) Past due but not impaired

As at 30 June 2016, $7.0 million (2015: $4.3 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 and are not impaired. Based on the credit history of these classes, it is expected that these amounts will be received when due.

D2 Intangible assets - goodwill

The carrying amount of intangible assets - goodwill as at 30 June 2016 was $2,317.6 million (2015: 2,317.6 million). There was no movement in intangible assets - goodwill in the current or prior year.

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.

(a) Impairment test for goodwill

Management determined the Group to consist of two cash generating units (CGUs), namely exchange-traded and non exchange-traded. 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.

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 (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.

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.

(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 9.5% (2015: 9.5%) for all CGUs. The growth rate used to extrapolate cash flow projections beyond five years is 3.5% (2015: 3.5%) per annum for the exchange-traded CGU and 3.5% (2015: 3.5%) per annum for the non exchange-traded CGU. These calculations support the carrying value of goodwill.

D3 Intangible assets – software

The movements in the intangible assets - software balances are as follows:

	2016 $m	2015 $m
Cost	282.4	251.9
Accumulated amortisation	(190.0)	(163.2)
Net book value at 1 July	**92.4**	**88.7**
Additions	40.1	30.5
Amortisation expense	(28.5)	(26.4)
Impairment and write-downs	(0.9)	(0.4)
Net book value at 30 June	**103.1**	**92.4**
Cost	321.6	282.4
Accumulated amortisation	(218.5)	(190.0)
Net book value at 30 June	**103.1**	**92.4**

All intangible assets – software are classified as externally acquired.

The impairment charge recognised 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.

Costs incurred in developing products or systems, and acquiring software and licences that will contribute to future benefits, are capitalised at cost and amortised on a straight-line basis over their expected useful lives, from the time the assets are in use. Certain staff costs are capitalised when they can be specifically attributed to major software development projects.

Software purchased from external vendors is classified as externally acquired and may include capitalised staff costs that have been incurred in the implementation of the software.

Software is subject to amortisation and is reviewed for indicators of impairment at the end of each reporting period or when events or changes in circumstances have arisen that indicate 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. 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.

Estimated useful lives of significant computer software systems	
Cash market and derivative trading systems	5 years
Cash market clearing system	5 years
Derivative and OTC clearing systems	5 years
Debt depository system	10 years

D4 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
30 June 2016				
Cost	32.8	46.3	101.1	180.2
Accumulated depreciation	(16.8)	(30.6)	(78.0)	(125.4)
Net book value at 1 July 2015	**16.0**	**15.7**	**23.1**	**54.8**
Additions	0.5	0.2	9.4	10.1
Depreciation expense	(3.1)	(3.0)	(7.2)	(13.3)
Net book value at 30 June 2016	**13.4**	**12.9**	**25.3**	**51.6**
Cost	33.3	46.5	110.5	190.3
Accumulated depreciation	(19.9)	(33.6)	(85.2)	(138.7)
Net book value at 30 June 2016	**13.4**	**12.9**	**25.3**	**51.6**
30 June 2015				
Cost	27.8	45.7	93.3	166.8
Accumulated depreciation	(14.1)	(27.9)	(72.2)	(114.2)
Net book value at 1 July 2014	**13.7**	**17.8**	**21.1**	**52.6**
Additions	5.0	0.6	8.2	13.8
Depreciation expense	(2.7)	(2.7)	(6.2)	(11.6)
Net book value at 30 June 2015	**16.0**	**15.7**	**23.1**	**54.8**

Property, plant and equipment is 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 reporting 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.

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 of assets begins 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.

D5 Payables

	2016 \$m	2015 \$m
Trade creditors	1.7	0.7
Margins payable	365.9	233.6
Interest payable	7.0	6.3
Rebates payable	19.6	19.4
Transaction taxes payable	6.6	6.5
Employee-related payables	20.6	18.9
Expense accruals	14.8	20.5
Other payables	1.6	6.6
Total	**437.8**	**312.5**

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 that are unpaid. The amounts, stated at amortised cost using the effective interest method, are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date.

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.

D6 Provisions

	2016 \$m	2015 \$m
Current		
Employee provisions	12.2	11.6
Premises provisions	2.3	2.0
Total	**14.5**	**13.6**
Non-current		
Employee provisions	3.2	3.1
Premises provisions	5.8	7.8
Total	**9.0**	**10.9**

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

	2016 \$m	2015 \$m
Opening balance at 1 July	**9.8**	**11.6**
Provisions used during the period	(2.0)	(2.1)
Provisions reversed during the period	-	(0.1)
Additions during the period	0.2	0.3
Unwinding of discount	0.1	0.1
Closing balance at 30 June	**8.1**	**9.8**

The provisions for employee benefits predominantly relate to annual and long service leave obligations. Premises provisions comprise lease rental amortised on a straight-line basis over the term of the lease, and provisions for make-good and lease incentives.

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 profit or loss.

Current employee provisions include liabilities for annual leave and 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. These are recognised in respect of employees' services up to the end of the reporting period. Long service leave provisions that the Company does not have an unconditional right to defer for 12 months after the reporting date are recognised as a current provision, regardless of when the actual settlement is expected to occur. Current employee provisions are measured at the amounts expected to be paid when the liabilities are settled.

Non-current employee provisions include long service leave provisions where the Company has an unconditional right to defer settlement for at least 12 months after the reporting period. Non-current employee provisions are not expected to be wholly settled within 12 months after the end of the reporting date, and are therefore 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 a basket of comparable liquid corporate bonds at the end of each reporting period, which most closely match the terms to maturity of the related liabilities.

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, all others are recognised as non-current.

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 are permitted to be provided for within the scope of accounting standard guidance. Benefits not expected to be settled wholly within 12 months after the end of the period are discounted to present value.

Surplus lease space provisions are recognised for onerous contracts 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 does not expect that the premises will provide any substantive benefit beyond a known future date and there is a committed plan to vacate.

Make-good obligations are provided for office space under operating leases 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.

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 value of lease incentives is included in the premises provision and is recognised as a reduction in occupancy expense 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.

Group disclosures

E1 Subsidiaries

Parent entity[1]: ASX Limited

Subsidiaries of ASX Limited:
ACN 611 659 664 Limited[2]
ASX Acceler8 Pty Limited
ASX Clearing Corporation Limited
ASX Compliance Pty Limited
ASX Data Analytics Pty Limited
ASX Energy Limited
ASX Futures Exchange Pty Limited
ASX Long-Term Incentive Plan Trust
ASX Operations Pty Limited[2]
ASX Settlement Corporation Limited[2]
Australian Securities Exchange Limited[2]
Australian Stock Exchange Pty Limited
SFE Corporation Limited[2]

Subsidiaries of ASX Settlement Corporation Limited:
ASX Settlement Pty Limited
Austraclear Limited

Subsidiaries of Austraclear Limited:
Austraclear Services Limited

Subsidiaries of ASX Operations Pty Limited:
ASX Collateral Management Services Pty Limited
Australian Clearing Corporation Limited[2]
Australian Clearing House Pty Limited
Equityclear Pty Limited
New Zealand Futures and Options Exchange Limited
Options Clearing House Pty Limited
Sydney Futures Exchange Pty Limited

Subsidiaries of ASX Settlement Pty Limited:
CHESS Depositary Nominees Pty Limited

Subsidiaries of Australian Securities Exchange Limited:
Australian Securities Exchange (US) Inc

Subsidiaries of ASX Clearing Corporation Limited:
ASX Clearing Corporation Trust
ASX Clear (Futures) Pty Limited
ASX Clear Pty Limited

1. Parent entity refers to the immediate controlling entity of the entity in which the investment is shown. The parent entity's investment in relation to all subsidiaries during the financial year was 100% (2015: 100%).
2. These subsidiaries have been granted relief from the necessity to prepare financial statements in accordance with ASIC Class Order 98/1418. Refer note E2 for details of the Deed of Cross Guarantee.

ASX Limited and Australian Securities Exchange Limited are licensed to operate financial markets while ASX Clear, ASX Clear (Futures), Austraclear Limited and ASX Settlement Pty Limited are licensed to operate clearing and settlement facilities.

Although ASX is the sole member of the Securities Exchanges Guarantee Corporation (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 to pursue Group objectives nor is it entitled to the entity's assets.

All subsidiaries are incorporated in Australia except for Australian Securities Exchange (US) Inc (incorporated in the US), New Zealand Futures and Options Exchange Limited and ASX Energy Limited (both incorporated in New Zealand). All subsidiaries have the same reporting date.

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.

Established trusts The Group has two established trusts. LTIP administers the Group's employee share scheme while ASX Clearing Corporation Trust manages the cash of the two CCP subsidiaries. Both trusts are consolidated as the substance of the relationship is that they are controlled by the Group.

E2 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418, 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
ACN 611 659 664 Limited	611 659 664
ASX Operations Pty Limited	42 004 523 782
Australian Clearing Corporation Limited	068 624 813
Australian Securities Exchange Limited	83 000 943 377
ASX Settlement Corporation Limited	48 008 617 187
SFE Corporation Limited	74 000 299 392

The above entities represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed that are controlled by the Company, they also represent the 'Extended Closed Group'.

ACN 611 659 664 Limited, a newly formed entity in the current financial year, was added to the Deed during the year. No entities were 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 2016 and prior year, for the Closed Group consisting of ASX Limited and the above mentioned parties to the Deed.

	2016 $m	2015 $m
Statement of comprehensive income		
Total revenue	816.9	757.5
Total expenses	(219.5)	(214.2)
Profit before income tax expense	**597.4**	**543.3**
Income tax expense	(164.0)	(153.2)
Net profit for the period	**433.4**	**390.1**
Items that may be reclassified to profit or loss:		
Change in the fair value of available-for-sale investments	15.8	41.4
Change in the fair value of cash flow hedges	(1.0)	0.8
Other comprehensive income for the period, net of tax	**14.8**	**42.2**
Total comprehensive income for the period	**448.2**	**432.3**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the period	**517.4**	**480.0**
Dividends paid	(376.0)	(352.7)
Profit for the period	433.4	390.1
Retained earnings at the end of the period	**574.8**	**517.4**

(b) Balance sheet

Set out below is a consolidated balance sheet for the year ended 30 June 2016 and prior year, for the Closed Group.

	2016 $m	2015 $m
Current assets		
Cash and funds on deposit	159.1	134.6
Available-for-sale financial assets	45.9	125.6
Receivables	130.9	229.5
Prepayments	12.6	9.4
Total current assets	**348.5**	**499.1**
Non-current assets		
Investments in subsidiaries	722.0	557.0
Available-for-sale investments	358.2	311.1
Equity accounted investments	66.6	65.7
Intangible assets – goodwill	2,262.8	2,262.8
Intangible assets – software	102.8	92.0
Property, plant and equipment	51.6	54.8
Total non-current assets	**3,564.0**	**3,343.4**
Total assets	**3,912.5**	**3,842.5**
Current liabilities		
Payables	61.9	64.9
Current tax liabilities	9.9	13.5
Provisions	14.5	13.5
Revenue received in advance	16.4	18.0
Other liabilities	-	0.1
Total current liabilities	**102.7**	**110.0**
Non-current liabilities		
Deferred tax liabilities	51.1	43.5
Provisions	9.0	10.9
Revenue received in advance	0.1	0.2
Total non-current liabilities	**60.2**	**54.6**
Total liabilities	**162.9**	**164.6**
Net assets	**3,749.6**	**3,677.9**
Equity		
Issued capital	3,027.2	3,027.2
Retained earnings	574.8	517.4
Asset revaluation reserve	138.8	124.0
Equity compensation reserve	8.8	9.3
Total equity	**3,749.6**	**3,677.9**

E3 Related party transactions

(a) Transactions between subsidiaries

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	
Balances with entities within the wholly owned group	**2016 $000**	**2015 $000**
Net amounts receivable by the Company from wholly owned subsidiaries at balance date is as follows:		
Current		
Amounts due from subsidiaries	161,972	285,031
Dividends		
Dividends received or due and receivable by the Company from wholly owned subsidiaries	414,000	375,500

(b) 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 SEGC are not consolidated by ASX.

ASX Limited is the sole member of SEGC, which is responsible for administering the NGF, 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.

Significant transactions with related entities:	2016 $000	2015 $000
Contributions to superannuation funds on behalf of employees	6,077	5,917

E4 Parent entity financial information

(a) Summary financial information

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

	2016 $m	2015 $m
Statement of comprehensive income		
Total revenue	434.6	396.0
Total expenses	(0.6)	(0.1)
Profit before income tax expense	**434.0**	**395.9**
Income tax expense	(3.5)	(4.5)
Net profit for the period	**430.5**	**391.4**
Other comprehensive income for the period, net of tax	15.8	41.4
Total comprehensive income for the period	**446.3**	**432.8**
Balance sheet		
Current assets	165.3	304.4
Non-current assets	3,598.7	3,385.8
Total assets	**3,764.0**	**3,690.2**
Current liabilities	9.9	13.6
Non-current liabilities	58.4	50.7
Total liabilities	**68.3**	**64.3**
Net assets	**3,695.7**	**3,625.9**
Issued capital	3,027.2	3,027.2
Retained earnings	522.3	467.8
Asset revaluation reserve	139.2	123.4
Equity compensation reserve	7.0	7.5
Total equity	**3,695.7**	**3,625.9**

The financial information for the parent entity, ASX, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Unlisted shares in subsidiaries are accounted for at cost in the financial statements of ASX.

Tax consolidation ASX elected to form a tax consolidated group (tax group) for income tax purposes. ASX is the head entity and is therefore liable for the income tax liabilities of the tax group. The consolidated current and deferred tax amounts arising from temporary differences of the members of the tax group are recognised in the separate financial statements of the members of the tax group using the 'separate taxpayer within group' approach.

Tax funding agreement ASX has entered into a tax funding agreement with members of the Australian tax group. 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.

(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 E2. 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.

In accordance with the recovery rules the parent entity, ASX, is obligated in certain circumstances to replenish a shortfall in the financial resources available to the CCPs up to predetermined levels for any one participant default. No replenishments were made in the current or prior year.

(c) Contractual commitments and contingencies

ASX has an agreement with ASX Clear for a $150 million standby loan facility that may be used in limited and specific circumstances following default of clearing participants.

ASX has an agreement with CHESS Depositary Nominees Pty Limited (CDN) which provides $10 million (2015: $10 million) in funds to support CDN's licence obligations. No payments were made under either facility in the current or prior year.

The 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*. If the net assets of the NGF fall below the minimum amount determined by the Minister, 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. No levies were called in the current or prior year.

In accordance with the Australian Financial Services Licence of ASX Collateral Management Services Pty Limited, the Group has an obligation to fund any amounts required by the subsidiary.

ASX Limited did not have any other contractual commitments or contingent liabilities as at 30 June 2016 or 30 June 2015.

(d) Borrowings

The Group did not have any drawn borrowings during the current or previous financial year. ASX Limited has an unsecured committed facility that can only be called upon to provide short-term liquidity to ASX Clear following a clearing participant default. The facility limit is $100 million and remained undrawn at the date of this report.

E5 Other disclosures

E5.1 Commitments

(a) Capital commitments

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

	2016 $m	2015 $m
Intangible assets - software	20.4	4.4

(b) Operating lease commitments

Commitments for minimum lease payments of non-cancellable leases:

Due:	2016 $m	2015 $m
Not later than one year	11.1	10.6
Later than one year but not later than five years	37.6	38.6
Later than five years	55.8	65.3
Total	**104.5**	**114.5**

The Group's major leases are for the premises from which it operates. These leases are all generally long-term with unexpired periods up to 11 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 $10.7 million (2015: $10.4 million).

Operating leases are those in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee. Minimum lease payments, which includes fixed rental increases, are recognised in profit or loss on a straight-line basis over the period of the lease.

E5.2 Share-based payments

(a) Long-term incentive plan

The Group provides performance rights to ordinary shares of the Company to employees as part of the LTI plan to recognise performance, skills and behaviours that deliver sustainable long-term shareholder value. They entitle certain Key Management Personnel (KMP) 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. The plans do not carry rights to dividends. The terms and conditions of these grants are shown in the table on the following page.

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 KMP on 30 September 2015	13,041	4 years service; 50% of performance rights require relative TSR and 50% of performance rights require growth in EPS	4 years	$23.34
Performance rights granted to KMP on 23 September 2014	27,432	3 years service; 30% of performance rights require relative TSR and 70% of performance rights require growth in EPS	3 years	$27.34
Performance rights granted to KMP on 25 September 2013	30,108	3 years service; 30% of performance rights require relative TSR and 70% of performance rights require growth in EPS	3 years	$24.91
Total	70,581			

No grants vested during the current reporting period.

(b) Employee share purchase plan

In February 2016, ASX employees were offered the opportunity to purchase shares in ASX at a discount of 10 percent up to the value of $1,000 under a salary sacrifice arrangement. Under the arrangement, employees can only dispose of the shares purchased at the earlier of cessation of employment with ASX or 1 March 2019.

On 26 February 2016, 6,672 ASX shares were allocated to 278 employees participating in the scheme. The purchase price on this date was $41.83 which represents the fair value of the shares. Employees have legal ownership of the shares under the scheme. The costs of acquisition were expensed as incurred.

(c) Employee expenses

The table below shows the total share-based payments recognised within staff expenses during the year and includes the impact of reversals resulting from non-market based performance hurdles not being achieved.

	2016 $m	2015 $m
Long-term incentive plan	(0.5)	0.5
Employee share purchase plan	0.2	-
Other share-based payments	0.2	-
Total	(0.1)	0.5

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 performance period. The fair value of performance rights for the TSR awards is calculated by an independent valuer using a Black-Scholes option valuation model and Monte Carlo simulation at grant date.

Fair values are recognised over the vesting period as an expense with a corresponding increase in the equity compensation reserve. Fair values include the impact of 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.

E5.3 Key Management Personnel remuneration

KMP compensation (including non-executive directors) provided during the financial years ended 30 June 2016 and 2015 is as follows:

	2016 $000	2015 $000
Short-term employee benefits	11,592	10,614
Post-employment benefits	322	312
Long-term benefits	2,504	1,695
Share-based payments	(503)	522
Total	13,915	13,143

Further details of KMP remuneration are disclosed in the remuneration report on pages 17 to 25.

E5.4 Auditor's remuneration

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 during the financial years ended 30 June 2016 and 2015:

PricewaterhouseCoopers Australia	2016 $	2015 $
Statutory audit services:		
Audit and review of the financial statements and other audit work under the *Corporations Act 2001*	627,889	595,560
Audit of information technology platforms	194,440	159,700
Other audit services:		
Model validation	153,000	182,800
Code of Practice compliance	10,200	41,000
Non-audit services:		
Tax compliance services	57,265	58,395
Due diligence services	240,950	-
Total remuneration for PricewaterhouseCoopers Australia	1,283,744	1,037,455

In addition to the above, total audit fees of $29,046 (2015: $28,200) and tax compliance fees of $18,105 (2015: $18,105) 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.

E5.5 Other accounting policies

(a) New and amended standards and interpretations adopted by the Group

The new standards and amendments to standards that are mandatory for the first time in the annual reporting period commenced on 1 July 2015 do not affect any amounts recognised in the current or prior periods, and are not likely to materially affect amounts in future periods. The Group has not elected to apply any pronouncements before their operative date in the annual reporting period ended 30 June 2016.

(b) New and amended standards and interpretations not yet adopted by the Group

The following new or amended accounting standards and interpretations have been issued by the AASB but are not mandatory for the annual reporting period ended 30 June 2016 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.

Title	Nature of change and impact on the Group	Mandatory and anticipated date of application
AASB 9 *Financial Instruments*	The new standard simplifies the model for classifying and recognising financial instruments and introduces a new expected credit loss model for calculating impairment. It also aligns hedge accounting more closely with common risk management practices. Under the new standard, the Group's available-for-sale assets that are currently measured at fair value through other comprehensive income are required to be measured either at amortised cost or fair value through profit or loss. There will be no impact on the accounting for the Group's financial liabilities as the new standard only impacts financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities. The Group's assessment of the potential accounting, disclosure and financial impact on adoption of the standard will continue up to the date of application.	1 January 2018
AASB 15 *Revenue from Contracts with Customers*	This standard will replace AASB 111 *Construction Contracts* and AASB 118 *Revenue*. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to the customer. There will be no impact on the Group's accounting policies on the adoption of the standard, however there will be new disclosure requirements.	1 January 2018
AASB 16 *Leases*	This standard will replace AASB 117 *Leases*. It contains a revised definition of a lease and has removed the distinction between operating and finance leases by lessees. On adoption of the standard, the Group will be required to recognise its leases on the balance sheet with a corresponding depreciation and finance charge recognised over the term of the lease. Certain performance metrics and ratios will be impacted as a result of the above changes. The Group's assessment of the potential accounting, disclosure and financial impact on adoption of the standard will continue up to the date of application.	1 January 2018

There are no other standards that are not yet effective or are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

E5.6 Subsequent events

On 1 August 2016, Mr Dominic Stevens was appointed Managing Director and CEO.

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

Directors' declaration

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

a. the financial statements and notes that are contained in pages 38 to 63 and the remuneration report set out on pages 17 to 25 in the Annual 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 2016 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 E2 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 E2, and

d. the financial statements also comply with International Financial Reporting Standards.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Deputy CEO and Group General Counsel and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the directors:

Rick Holliday-Smith
Chairman

Peter R Marriott
Director

Sydney, 18 August 2016

Independent auditor's report to the members of ASX Limited

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Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of ASX Limited (the Company) and its subsidiaries (together the Group) is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's consolidated financial position as at 30 June 2016 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 30 June 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

Overview

Set out below is an overview of our audit approach, highlighting key aspects including materiality level, scope and Key Audit Matters of our audit. These are described in further detail later in this report.

Audit scope	The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors. We tailored the scope of our audit to ensure we obtained sufficient appropriate audit evidence to express an opinion on the financial report as a whole.
Materiality	For the purposes of our audit we used a threshold for overall Group materiality of $30 million, which represents 5% of profit before tax of the Group.
Key audit matters	The Key Audit Matters, which are those matters which were of the most significance in our audit, were: • goodwill impairment assessment; and • valuation and existence of available-for-sale financial assets.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial report. In particular, we considered where the directors made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial report as a whole, taking into account the structure of the Group, the Group's processes and controls, and the industry in which the Group operates. The accounting processes are structured around a Group Finance function at its head office in Sydney, where we predominatly performed our audit procedures.

We also ensured that the audit team included the appropriate skills and competencies which are needed for the audit of the Group. This included industry experts in addition to specialists and experts in IT and valuation.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial report set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial report as a whole.

Overall Group materiality	$30 million (2015: $28 million)
How we determined it	5% of profit before tax of the Group
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the metric against which the performance of the Group is most commonly measured, and is a generally accepted benchmark. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable quantitative materiality thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. In the following section we have described the key audit matters we identified and have included a summary of the principal audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

Goodwill impairment assessment

The Group's goodwill is recognised in two Cash Generating Units (CGUs): 'exchange-traded' ($2,242.2 million) and 'non-exchange traded' ($75.4 million).

We focused on this area due to the size of the goodwill balance ($2,317.6 million as at 30 June 2016), and because the Group's assessment of the 'value in use' of the CGUs involves judgements about the future results of the business and the discount rates applied to future cash flow forecasts.

The Group performed an impairment assessment over the goodwill balance by:

1. calculating the value in use for each CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for each CGU for five years, with a terminal growth rate applied to the fifth year. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and
2. comparing the resulting value in use of each CGU to their respective book values.

The Group also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.

As a final check, the Group compared the book values of both CGUs to the ASX Limited market capitalisation and to major analyst valuations for the Company.

Refer to page 39 (consolidated balance sheet), and page 56 note D2 for details of the Group's impairment test and assumptions.

How our audit addressed the matter

While only 3% of the goodwill relates to the non-exchange traded CGU, the balance is still well above our materiality threshold and so we perform detailed procedures over both CGUs which included the following, amongst others:

We evaluated the Group's cashflow forecasts and the process by which they were developed, including considering the mathematical accuracy of the underlying calculations. We also compared them to the latest Board-approved budgets. We found that the budgets used in the value in use calculations were consistent with the Board approved budgets, and that the key assumptions were subject to oversight by the directors. We noted that the Board-approved budgets cover a period of three years, but that forecasts for the purposes of the value in use calculation extend out to five years. We therefore made years four to five a particular focus area for the procedures below.

We compared current year (2016) actual results with the figures included in the prior year (2015) forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. We found that actual performance was materially consistent with forecast performance.

We also challenged:

- the Group's key assumptions for growth rates in the forecasts by comparing them to historical results and economic and industry forecasts; and
- the discount rate used in the model by assessing the cost of capital for the Group by comparing it to market data and industry research.

We found that the growth rate assumptions were consistent with historic results adjusted for the economic outlook and industry forecasts.

We found that the discount rate used by the Group of 9.5% pre-tax was consistent with market data and industry research.

We then stress-tested the assumptions used by analysing the impact on results from using other reasonably possible growth rates and discount rates which were within a reasonably foreseeable range.

We found that headroom remained between the stress-tested value in use calculations and the carrying value of the CGUs in the financial statements. In particular, we noted that headroom remained even when a zero terminal growth rate was assumed in conjunction with no revenue growth for the first five years.

As a final test we also compared the Group's net assets as at 30 June 2016 of $3.8 billion to its market capitalisation of $8.9 billion and noted the $5 billion of implied headroom was consistent with the results of our testing.

Key audit matter	How our audit addressed the matter
Valuation and existence of available-for-sale financial assets We focused on this area due to the size of the balance and the inherent judgement involved in determining the fair value of financial instruments. As at 30 June 2016, the available-for-sale assets were valued at $3,796.4 million (2015: $2,889.6 million). Of these assets, $213.3 million were classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available for identical assets. The remaining $3,583.1 million were classified as 'level 2' financial instruments in accordance with the classification under Australian Accounting Standards where values are derived from observable prices (or inputs to valuation models) other than quoted prices included within level 1. The valuation of the level 2 securities therefore requires a higher degree of judgement. Refer to page 49 note B2 (b) for details of the assets and page 53 note B3 (d) for the level 1 or 2 classification.	Our audit procedures included the following, amongst others: There were no material differences noted between the available-for-sale security balances held at 30 June 2016 and the Austraclear holdings statements. Austraclear provides depository, registration, cash transfer and settlement services for debt instrument securities in financial markets in Australia. As Austraclear is owned and operated by the Company, our work included testing the: 1. controls used to manage the Information Technology activities and computer envi ronment, covering the overall IT computer environment, program development, program changes, access to programs, and data and computer operations in place at Austraclear; 2. operation of the Austraclear control that matches trade details between counterparties, by inputting a range of test trades, with both correct and incorrect details, to test that only appropriate trades were processed by the system; and 3. generation of the Austraclear holdings reports by running test reports and comparing the output to the observed data in the system. We found these controls could be relied upon for the purposes of our audit. To test valuation we first understood and evaluated the controls in place over the valuation of available-for-sale securities. For both level 1 and level 2 securities we then used independent sources of information to determine an acceptable range of valuations for 100% of the securities held at 30 June 2016, and compared this to the valuations recorded on the balance sheet. We found that all securities tested were recorded at values materially consistent with the valuations that we independently calculated.

We attended all four Audit and Risk Committee meetings held during the year, each of which included discussions without management present. Through these meetings and other interactions and correspondence, among other things we sought to ensure the Audit and Risk Committee members understood:

- our audit plan for the year and in particular our areas of focus which, as required by auditing standards, included specific attention to the risk of management override of internal controls and the risk of fraud in revenue;
- how we had assessed and challenged any alternative accounting treatments considered by management;
- the results of our audit work in relation to the Key Audit Matters, as described above; and
- the results of our audit work in relation to other areas of heightened focus, such as the investments made in Digital Asset Holdings, LLC in the current year and management's other critical accounting estimates (described in the preface to the notes to the financial statements) including available-for-sale investments, software and equity accounted investments.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

- identifying and assessing the risks of material misstatement of the financial report, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation; and
- obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information
The directors are responsible for the other information in the Annual Report for the year ended 30 June 2016 other than the financial report and our report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Report on the audit of the remuneration report

Opinion on the remuneration report
We have audited the remuneration report on pages 17 to 25 for the year ended 30 June 2016. In our opinion, the remuneration report of ASX Limited, for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities for the remuneration report
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.

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney, 18 August 2016

Key financial ratios

Year ended 30 June 2016	Notes	FY12	FY13	FY14	FY15	FY16
Basic earnings per share (EPS)	1,2	190.6c	195.5c	198.5c	205.7c	220.4c
Diluted EPS	1,2	190.6c	195.5c	198.5c	205.7c	220.4c
Underlying EPS	2,3	194.6c	195.5c	198.5c	208.4c	220.4c
Dividend per share – interim		92.8c	87.9c	88.2c	92.3c	99.1c
Dividend per share – final		85.1c	82.3c	89.9c	95.1c	99.0c
Statutory return on equity	4	11.5%	11.5%	10.6%	10.8%	11.4%
Underlying return on equity	5	11.7%	11.5%	10.6%	10.9%	11.4%
EBITDA/operating revenue	6,7	76.9%	76.3%	76.7%	77.1%	77.1%
EBIT/operating revenue	6,7	72.4%	71.4%	71.5%	71.6%	71.4%
Total expenses (including depreciation and amortisation)/operating revenue	6,7	27.6%	28.6%	28.5%	28.4%	28.6%
Capital expenditure ($'000)		$39,074	$38,881	$43,235	$44,404	$50,237
Net tangible asset backing per share		$3.85	$5.04	$6.53	$6.97	$7.25
Net asset backing per share		$17.10	$18.05	$18.96	$19.42	$19.75
Shareholders' equity as a % of total assets (excluding participants' balances)		83.5%	91.9%	91.3%	90.1%	87.6%
Shareholders' equity as a % of total assets (including participants' balances)		45.9%	45.1%	45.8%	46.7%	36.6%
Share price at end of period	8	$29.36	$33.07	$35.64	$39.90	$45.76
Ordinary shares on issue at end of period		175,136,729	184,066,764	193,595,162	193,595,162	193,595,162
Weighted average number of ordinary shares	2	177,916,677	178,068,323	193,022,315	193,413,893	193,413,893
Market value of ordinary shares on issue ($m)		$5,223	$6,087	$6,900	$7,724	$8,859
Market to book ratio		1.74	1.83	1.88	2.05	2.32
Full-time equivalent permanent staff:						
- number at period end		505	529	526	515	546
- average during the period		502	515	534	524	534

Notes
1. Based on statutory net profit after tax (NPAT) including significant items and weighted average number of shares.
2. Financial year 2012 has been 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 year 2012 has been restated for the impact of the capital raising in financial year 2013.

Transaction levels and statistics

Year ended 30 June 2016	FY12	FY13	FY14	FY15	FY16
Listings and issuer services					
Total domestic market capitalisation ($bn)	$1,186	$1,347	$1,552	$1,612	$1,620
Total number of listed entities (includes stapled entities)	2,211	2,185	2,192	2,220	2,204
Number of new listings	99	82	107	120	124
Average annual listing fee	$27,388	$27,463	$28,333	$31,859	$34,101
Average initial listing fee	$63,160	$87,139	$166,786	$174,080	$150,199
Average fee per $m of secondary capital	$851	$1,026	$1,002	$854	$819
Initial capital raised ($m)	$10,187	$9,908	$27,659	$38,916	$23,587
Secondary capital raised ($m)	$32,558	$32,448	$33,378	$38,787	$45,299
Other secondary capital raised including scrip-for-scrip ($m)	$7,850	$4,027	$4,985	$11,170	$9,704
Total capital raised ($m)	**$50,595**	**$46,383**	**$66,022**	**$88,873**	**$78,590**
Number of new warrant series quoted	7,113	6,690	4,206	2,903	2,959
Total warrant series quoted	4,743	5,140	3,564	3,050	2,886
Number of CHESS holding statements issued (m)	11.1	11.1	11.8	13.1	14.0
Cash market					
Trading days	253	252	253	254	254
Total cash market trades ('000)	165,806	174,750	181,861	190,647	235,923
Average daily cash market trades	655,359	693,454	718,817	750,578	928,829
Open trading ($bn)	$717.882	$645.161	$612.491	$698.315	$770.805
Auctions trading ($bn)	$147.213	$147.418	$157.338	$193.292	$209.412
Centre Point ($bn)	$19.789	$36.953	$61.135	$74.933	$78.941
Trade reporting ($bn)	$300.443	$216.420	$177.933	$145.909	$144.991
Total cash market value ($bn)	**$1,185.327**	**$1,045.952**	**$1,008.897**	**$1,112.449**	**$1,204.149**
Average daily on-market value ($bn)	$3.498	$3.292	$3.284	$3.805	$4.170
Average daily value (including trade reporting) ($bn)	$4.685	$4.151	$3.988	$4.380	$4.741
Average trade size	$7,149	$5,985	$5,548	$5,835	$5,104
Total billable value ($bn)	$1,161.573	$1,024.227	$989.760	$1,092.799	$1,189.162
Average cash market trading, clearing and settlement fee per trade	$0.75	$0.66	$0.64	$0.66	$0.59
Average fee per $1,000 of value traded (cents)	10.5	11.0	11.6	11.3	11.6
Average fee per dollar of value (bps)	1.05	1.10	1.16	1.13	1.16
Velocity (total value/average market capitalisation)[1]	97%	86%	78%	82%	92%
Number of dominant settlement messages (m)	16.1	15.4	15.2	15.7	17.1

[1] Total value transacted on all venues.

Year ended 30 June 2016	FY12	FY13	FY14	FY15	FY16
Equity options (excluding ASX SPI 200)					
Trading days (exchange-traded options)	253	252	253	254	254
Total contracts traded – equity options ('000)					
Single stock options	151,619	145,531	116,343	109,546	88,701
Index options and futures	12,125	11,762	8,249	10,958	12,768
Grains futures and options on futures[1]	154	N/A	N/A	N/A	N/A
Total equity options ('000)	**163,898**	**157,293**	**124,592**	**120,504**	**101,469**
Average daily derivatives contracts	647,819	624,179	492,460	474,426	399,486
Average fee per derivatives contract	$0.17	$0.18	$0.18	$0.20	$0.23
Futures					
Trading days (futures and options)	256	255	256	256	257
Total contracts traded – futures ('000)					
ASX SPI 200	11,811	10,259	9,715	10,301	12,105
90 day bank bills	21,652	25,866	25,903	28,706	29,567
3 year bonds	42,503	47,499	47,886	49,717	50,105
10 year bonds	17,220	21,211	25,520	29,498	36,079
20 year bonds	N/A	N/A	N/A	N/A	423
30 day interbank cash rate	5,334	4,780	3,517	3,678	4,112
Agricultural	288	354	181	135	132
Electricity	183	168	165	224	257
Other[2]	5	19	20	107	137
NZ$ 90 day bank bills	1,597	1,176	1,157	1,394	1,915
Total futures	**100,593**	**111,332**	**114,064**	**123,760**	**134,832**
Total contracts traded – options on futures ('000)					
ASX SPI 200	477	349	473	454	363
90 day bank bills	25	7	4	-	4
3 year bonds	347	526	416	245	356
Overnight 3 year bonds	1,029	1,914	1,523	896	579
Intra-day 3 year bonds	978	1,443	1,527	927	660
Other[2]	30	37	47	59	29
Total options on futures	**2,886**	**4,276**	**3,990**	**2,581**	**1,991**
Total futures and options on futures contract volume ('000)	**103,479**	**115,608**	**118,054**	**126,341**	**136,823**
Daily average contracts – futures and options	404,215	453,365	461,148	493,520	532,386
Average fee per contract – futures and options	$1.56	$1.46	$1.57	$1.44	$1.42
OTC markets					
Total notional cleared value ($bn)[3]	N/A	N/A	124.413	805.869	2,742.002
Open notional cleared value (period end $bn)[3]	N/A	N/A	120.409	440.506	1,600.194

[1] Grain contracts were transferred to the futures market in October 2011.
[2] Other includes VIX and sector futures.
[3] Cleared notional value is double sided

Year ended 30 June 2016	FY12	FY13	FY14	FY15	FY16
Austraclear					
Settlement days	253	252	253	254	254
Transactions ('000)					
Cash transfers	616	587	600	602	590
Fixed interest securities	733	763	800	774	717
Discount securities	217	183	162	157	150
Foreign exchange	22	21	21	22	11
Other	11	12	10	9	2
Total transactions ('000)	**1,599**	**1,566**	**1,593**	**1,564**	**1,470**
Average daily settlement volume	6,319	6,214	6,298	6,156	5,786
Securities holdings (monthly average $bn)	$1,292.3	$1,374.5	$1,475.5	$1,671.5	$1,857.6
Securities holdings (period end $bn)	$1,330.9	$1,406.8	$1,571.8	$1,752.5	$1,895.6
Average settlement and depository fee (including portfolio holdings) per transaction (excludes registry services revenue)	$13.54	$14.01	$14.18	$14.88	$15.60
System uptime (period average)					
ASX Trade	99.75%	100.00%	99.97%	100.00%	100.00%
CHESS	99.99%	99.99%	100.00%	100.00%	99.98%
Futures trading	100.00%	100.00%	100.00%	99.97%	99.96%
Futures clearing	100.00%	100.00%	100.00%	100.00%	100.00%
Austraclear	99.89%	100.00%	99.95%	100.00%	99.93%
Technical services (number at period end)					
Liquidity access					
ASX sessions	1,737	1,526	1,431	1,185	1,113
ASX gateways	302	248	233	207	192
ASX liquidity cross-connects	75	70	61	55	57
ASX 24 gateways	352	272	241	228	208
ASX ITCH access	N/A	24	31	31	39
ASX OUCH access	N/A	19	31	44	58
ASX 24 liquidity cross-connects	154	221	297	357	306
ASX 24 ITCH access	N/A	16	25	36	45
Community and connectivity					
ASX Net connections	125	140	122	126	116
ASX Net service feeds	270	356	356	358	382
Australian Liquidity Centre service connections	110	415	622	679	819
Application services					
ASX Trader/ASX Best terminals	609	491	318	277	251
Hosting					
Australian Liquidity Centre cabinets	76	117	142	188	231
Other data centre cabinets	8	7	7	8	8

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, online and mobile) 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.

Distribution of shareholdings at 29 July 2016

Number of shares held	Number of holders	Number of shares	% of issued capital
1 to 1,000	41,097	15,660,766	8.09
1,001 to 5,000	11,680	22,969,131	11.87
5,001 to 10,000	873	6,105,783	3.15
10,001 to 100,000	664	20,909,766	10.80
100,001 and over	108	127,949,716	66.09
Total	54,422	193,595,162	100.00

The number of investors holding less than a marketable parcel of 11 ASX shares (based on a share price of $49.70) was 334. They hold 1,247 ASX shares in total.

On-market buy-back

There is no current on-market buy-back.

Substantial shareholders at 29 July 2016

The following organisations have disclosed a substantial shareholder notice to ASX.

Name	Number of shares	% of voting power
UniSuper Limited	14,575,384	7.53
Schroder Investment Management Australia Limited	10,542,882	5.45

Largest 20 shareholders at 29 July 2016

Name	Number of shares	% of issued capital
1. HSBC Custody Nominees (Australia) Limited	37,271,917	19.25
2. JP Morgan Nominees Australia Limited	26,474,186	13.68
3. BNP Paribas Noms Pty Limited	19,754,723	10.20
4. National Nominees Limited	16,025,604	8.28
5. Citigroup Nominees Pty Limited	10,909,698	5.64
6. Bond Street Custodians Limited	2,622,856	1.35
7. RBC Dexia Investor Services Australia Nominees Pty Limited	1,522,905	0.79
8. Australian Foundation Investment Company Limited	708,685	0.37
9. Navigator Australia Limited	629,921	0.33
10. Milton Corporation Limited	548,965	0.28
11. CS Fourth Nominees Pty Limited	490,959	0.25
12. BT Portfolio Services Limited	451,882	0.23
13. UBS Nominees Pty Limited	394,790	0.20
14. Avanteos Investments Limited	378,310	0.20
15. Brickworks Limited	375,500	0.19
16. Senior Master of the Supreme Court	332,134	0.17
17. Law Venture Pty Ltd	310,365	0.16
18. Asgard Capital Management Ltd	259,116	0.13
19. Share Direct Nominees Pty Limited	251,962	0.13
20. Gwynvill Trading Pty Limited	241,559	0.12
Total	119,956,037	61.95

Shareholders' calendar

FY16

Full-year financial results announcement	**18 August 2016**
Full-year final dividend	
Ex-dividend date	8 September 2016
Record date for dividend entitlements	9 September 2016
Payment date	28 September 2016
Annual General Meeting	28 September 2016

FY17[1]

Half-year financial results announcement	**17 February 2017**
Half-year interim dividend	
Ex-dividend date	9 March 2017
Record date for dividend entitlements	10 March 2017
Payment date	29 March 2017
Full-year financial results announcement	**17 August 2017**
Full-year final dividend	
Ex-dividend date	7 September 2017
Record date for dividend entitlements	8 September 2017
Payment date	27 September 2017
Annual General Meeting	26 September 2017

[1] Dates are subject to final ASX Board approval.

Annual General Meeting 2016

The ASX AGM will be held in the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street Sydney, New South Wales, at 10am (Australian Eastern Standard Time) on Wednesday 28 September 2016.

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 ASX website after the event.

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 ASX's 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 and New Zealand. 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 mailed to ASX's registered office (details in right-hand column), 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

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Media

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ASX customer service

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131 279 (for the cost of a local call from anywhere in Australia)

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ASX's offices around Australia

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Exchange Centre
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Sydney NSW 2000

Telephone
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