

# 2018 ASX Limited Half-Year Financial Statements

ASX Limited ABN 98 008 624 691 and its controlled entities.



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# Directors' report

The directors present their report together with the financial statements of ASX Limited (ASX or the Company) and its subsidiaries (together referred to as the Group), for the half-year ended 31 December 2017 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 half-year ended 31 December 2017 attributable to the owners of ASX was \$230.5 million (31 December 2016: \$219.4 million).

## Directors

The directors of ASX in office during the half-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
- Mr Robert C Priestley
- Mrs Heather M Ridout AO
- Mr Damian Roche
- Mr Peter H Warne

## Results of operations

The Group's profit after tax for the half-year ended 31 December 2017 (1H18) increased 5.1% to \$230.5 million from the prior comparable period (pcp). A summary income statement in line with the Group's segment note is reflected in the following table:

	1H18 \$m	1H17 \$m	Variance % fav/(unfav)
Operating revenue	409.0	386.6	5.8%
Operating expenses	(96.2)	(90.1)	(6.7%)
<b>EBITDA</b>	<b>312.8</b>	<b>296.5</b>	<b>5.5%</b>
Depreciation and amortisation	(22.4)	(22.1)	(1.4%)
<b>EBIT</b>	<b>290.4</b>	<b>274.4</b>	<b>5.8%</b>
Net interest and dividend income	38.2	37.5	2.0%
<b>Profit before tax</b>	<b>328.6</b>	<b>311.9</b>	<b>5.4%</b>
Income tax expense	(98.1)	(92.5)	(6.1%)
<b>Profit after tax</b>	<b>230.5</b>	<b>219.4</b>	<b>5.1%</b>

### Earnings per share (EPS)

The Group's EPS in 1H18 was 119.1 cents compared to 113.4 cents in the pcp. The 5.0% increase compared to the pcp reflects the increase in profit and minor movements in the number of treasury shares.

### Dividends

The Group's current dividend policy is to pay 90% of underlying earnings after tax. This measure excludes amounts regarded as significant non-recurring items of revenue and expenses. There were no items classified as significant in the current period or the pcp. The Board determined to pay a FY18 interim dividend of 107.2 cents per share on 28 March 2018, up 5.1% on the 102.0 cents per share paid in the pcp reflecting the increased profit.

The following table includes information relating to dividends in respect of the current and prior financial years, including dividends paid or determined by the Company since the end of the previous financial year.

Type	Cents per share	Total amount \$m	Date of payment
<b>In respect of the current financial year:</b>			
Interim	107.2	207.5	28 March 2018
<b>Total</b>	<b>107.2</b>	<b>207.5</b>	
<b>In respect of the prior financial year:</b>			
Interim	102.0	197.5	29 March 2017
Final	99.8	193.2	27 September 2017
<b>Total</b>	<b>201.8</b>	<b>390.7</b>	

Dividends are fully franked based on a tax rate of 30%.

## Operating revenue

Operating revenue as reflected in the Group's segment note increased 5.8% to \$409.0 million in 1H18 compared to the pcp.

The following table depicts the contribution to operating revenue from ASX's various business activities.

	1H18 \$m	1H17 \$m	Variance % fav/(unfav)
Listings and Issuer Services	113.5	103.3	9.8%
Derivatives and OTC Markets	138.1	133.0	3.8%
Trading Services	104.5	96.0	8.8%
Equity Post-Trade Services	52.2	52.9	(1.3%)
Other revenue	0.7	1.4	(49.7%)
<b>Total operating revenue</b>	<b>409.0</b>	<b>386.6</b>	<b>5.8%</b>

Commentary on operating revenue for the various business activities is provided in the following pages.

### Listings and Issuer Services – \$113.5 million, up 9.8%

- Annual listing revenue – up 8.4% to \$42.6 million. There were 2,275 listed entities at 31 December 2017 compared to 2,215 a year earlier. An increase in market capitalisation combined with fee increases led to the increase in revenue.
- Initial listing revenue – down 3.9% to \$9.4 million. The number of new listings decreased from 86 to 77, the capital raised in 1H18 was \$11.0 billion compared to \$11.1 billion in the pcp.
- Secondary capital raisings revenue – up 22.2% to \$32.6 million. This follows a 31.4% increase in the amount of capital raised by entities listed on the Australian Securities Exchange to \$33.9 billion, compared to \$25.8 billion in the pcp.
- Issuer Services revenue – up 10.1% to \$24.9 million. The increase in revenue was due to a 2.6% increase in the number of CHESS holding statements and fee adjustments to reflect the higher postage charges.
- Other revenue – down 19.0% to \$4.0 million. Other listing revenue was lower due to a decrease in the number of previously dormant companies relisting (backdoor listings).

# Directors' report continued

## Derivatives and OTC Markets – \$138.1 million, up 3.8%

- Futures and OTC – up 4.5% to \$101.6 million. The growth in revenue was due to a 7.9% increase in futures volumes, partly offset by higher rebates to proprietary traders. This segment of traders increased as ASX was successful in growing the number and volumes traded. The value cleared through the OTC clearing service increased to \$3.1 trillion compared to \$2.2 trillion in the pcp.
- Equity Options – down 0.7% to \$10.9 million. The decrease in revenue was due to a 6.1% decrease in the volume of contracts traded. A change in the mix of products and users offset some of the volume decrease. Index options and futures volumes were up 6.3% while single stock option volumes were down 7.7%.
- Austraclear – up 2.9% to \$25.6 million. The increase in revenue was primarily due to increased transaction volumes and increased use of the ASX Collateral Management service. At 31 December 2017, the value of assets in the ASX Collateral service was \$20.6 billion.

## Trading Services – \$104.5 million, up 8.8%

- Cash Market Trading – down 3.0% to \$22.6 million during a period of low volatility and subdued market activity. The decrease in revenue resulted from:
  - Lower on-market trading which averaged \$4.0 billion per day. ASX's share of on-market trading averaged 85.9% in 1H18, compared to 87.9% in the pcp.
  - The decline in trading was partially offset by a higher average fee due to auction and Centre Point execution continuing to grow as a proportion of total trading. Centre Point value traded represented 10.5% of ASX on-market value traded while the auction service represented 24.0%.
- Information Services – up 12.0% to \$44.7 million. The increase resulted from revenue from the BBSW interest rate benchmark which ASX commenced providing in January 2017, the addition of new information services and fee changes to certain data services.
- Technical Services – up 13.3% to \$37.2 million as ASX's ecosystem continued to expand.
  - Liquidity access – up 11.4% to \$18.1 million. The total number of ALC service connections increased to 934 from 907 in the pcp.
  - Community and connectivity – up 28.5% to \$11.8 million, attributed to the growth in users of ASX technical services provided at the ALC and through its data networks.
  - Application services – down 28.3% to \$1.9 million. The revenue was impacted by a lower number of installation charges in the ALC.
  - Hosting – up 13.9% to \$5.4 million. In 1H18, the number of customer cabinets hosted in the ALC increased from 270 to 298 at 31 December 2017.

## Equity Post-Trade Services – \$52.2 million, down 1.3%

Revenue decreased following a 3.2% decline in the value of equities traded across the entire market.

- Cash Market Clearing revenue – down 3.4% to \$25.9 million. The daily average on-market value cleared decreased 2.5% to \$4.3 billion reflecting the decrease in trading across all venues in Australia.
- Cash Market Settlement revenue – up 0.9% to \$26.3 million. There was a 6.3% decrease in the dominant settlement messages and no settlement revenue sharing rebate provided compared to \$1.1 million in the pcp.

## Operating expenses

As reflected in the segment note, underlying operating expenses (excluding finance costs and depreciation and amortisation) increased 6.7% to \$96.2 million.

	1H18 \$m	1H17 \$m	Variance % fav/(unfav)
Staff	(56.5)	(55.2)	(2.3%)
Occupancy	(8.1)	(7.3)	(10.5%)
Equipment	(13.8)	(14.6)	5.7%
Administration	(10.4)	(8.1)	(27.9%)
Variable	(4.0)	(3.4)	(17.7%)
ASIC supervision levy	(3.4)	(1.5)	(132.6%)
<b>Operating expenses</b>	<b>(96.2)</b>	<b>(90.1)</b>	<b>(6.7%)</b>

Staff costs increased 2.3% to \$56.5 million. The increase resulted primarily from the annual remuneration review. The average full-time equivalent (FTE) headcount remained broadly flat at 555 from 556 in the pcp.

Other operating costs increased 13.6% to \$39.7 million. This was due to higher occupancy costs following the commencement of the new lease for the Sydney premises and increased electricity costs, as well as higher variable costs as a result of increased postage fees. The increase in the ASIC levy reflects the upgraded cost recovery framework.

## Capital expenditure

The Group invested \$13.4 million in capital expenditure during the half-year, compared to \$20.3 million in the pcp. Expenditure included the development of a number of key projects, such as distributed ledger technology for the CHES replacement.

# Directors' report continued

## Net interest and dividend income

Net interest and dividend income increased 2.0% to \$38.2 million. Net interest consists of two components: interest earned on ASX's cash balances and net interest earned from the investment of cash collateral balances lodged by participants.

Interest income on ASX's cash balances declined 7.6% to \$8.7 million as a result of lower average interest rates. Net interest earned from the investment of participant balances increased 5.2% to \$24.4 million. This increase was driven by a 26.5% increase in the average collateral and commitment balances to \$7.0 billion. The growth in participant collateral led to the increase in finance costs as participants receive interest on balances lodged, as well as gross interest income reflecting investment of this collateral. Investment earnings on this portfolio declined to 29 basis points compared to 41 basis points above the official overnight cash rate, as the majority of the portfolio is invested on a secured basis.

Dividend income from ASX's shareholding in IRESS Limited was up 4.6% on pcp at \$5.1 million.

## Financial position

At 31 December 2017, the net assets of the Group were \$3,925.2 million, up 0.4% from 30 June 2017. Retained earnings increased \$37.4 million from continuing business operations. A summary balance sheet is presented below.

As at	31 Dec 2017 \$m	30 Jun 2017 \$m	Variance %
<b>Assets</b>			
Cash and available-for-sale financial assets	8,636.2	9,085.6	(4.9%)
Intangibles (excluding software)	2,326.5	2,326.6	-
Investments	471.2	497.8	(5.3%)
Receivables	326.3	1,124.9	(71.0%)
Other assets	168.4	176.8	(4.7%)
<b>Total assets</b>	<b>11,928.6</b>	<b>13,211.7</b>	<b>(9.7%)</b>
<b>Liabilities</b>			
Amounts owing to participants	7,251.7	8,084.7	(10.3%)
Payables	576.9	1,092.4	(47.2%)
Other liabilities	174.8	126.5	38.2%
<b>Total liabilities</b>	<b>8,003.4</b>	<b>9,303.6</b>	<b>(14.0%)</b>
<b>Equity</b>			
Capital	3,027.2	3,027.2	-
Retained earnings	659.6	622.2	6.0%
Reserves	238.4	258.7	(7.8%)
<b>Total equity</b>	<b>3,925.2</b>	<b>3,908.1</b>	<b>0.4%</b>

Notable movements in the balance sheet during the half-year were as follows:

### Investments – \$471.2 million, down 5.3%

Investments reflect ASX's 18.8% 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 shareholding in Digital Asset Holdings LLC (DAH), an unlisted US domiciled technology entity. The decrease primarily reflects a decline in the share price of IRESS.

### Amounts owing to participants – \$7,251.7 million, down 10.3%

As part of its clearing operations, the Group holds a significant amount of collateral lodged by participants to cover cash market and derivatives exposures cleared through its licensed central counterparties. The reduction primarily resulted from a decrease in net open positions held in derivatives and cash markets at period end. Average collateral lodged during the period was however 26.5% higher than the pcp.

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

### Other liabilities – \$174.8 million, up 38.2%

The increase in other liabilities mainly reflects annual fee revenue received in advance.

### Receivables and payables

The decrease in receivables and payables is predominantly due to participants' margins receivable the next day which are recognised as a receivable and payable on the balance sheet. Additionally, payables includes the liability under a repurchase agreement held at period end for \$300.0 million.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

### Rounding of amounts

ASX is a company of the kind referred to in ASIC Legislative Instrument 2016/191. In accordance with that instrument, 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



Dominic Stevens  
Managing Director and CEO  
Sydney, 15 February 2018



## Auditor's independence declaration

As lead auditor for the review of ASX Limited for the half-year ended 31 December 2017, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Matthew Lunn', written over a horizontal line.

Matthew Lunn  
Partner  
PricewaterhouseCoopers

Sydney, 15 February 2018

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# Consolidated statement of comprehensive income

For the period ended	31 Dec 2017 \$m	31 Dec 2016 \$m
<b>Revenue</b>		
Listings and Issuer Services	113.9	103.6
Derivatives and OTC Markets	138.3	133.1
Trading Services	105.2	96.3
Equity Post-Trade Services	52.2	52.9
Interest income	86.1	72.7
Dividend income	5.1	4.9
Share of net profit of equity accounted investments	-	0.5
Other	0.7	1.2
	<b>501.5</b>	<b>465.2</b>
<b>Expenses</b>		
Staff	(56.5)	(55.2)
Occupancy	(8.1)	(7.3)
Equipment	(14.5)	(15.3)
Administration	(18.4)	(13.3)
Finance costs	(53.0)	(40.1)
Depreciation and amortisation	(22.4)	(22.1)
	<b>(172.9)</b>	<b>(153.3)</b>
<b>Profit before income tax expense</b>	<b>328.6</b>	<b>311.9</b>
Income tax expense	(98.1)	(92.5)
<b>Net profit for the period attributable to owners of the Company</b>	<b>230.5</b>	<b>219.4</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss<sup>1</sup></b>		
Change in the fair value of available-for-sale investments	(21.7)	22.2
Change in the fair value of available-for-sale financial assets	-	(0.8)
Change in the fair value of cash flow hedges	0.1	0.5
<b>Other comprehensive income for the period, net of tax</b>	<b>(21.6)</b>	<b>21.9</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>208.9</b>	<b>241.3</b>
<b>Earnings per share</b>		
<b>Basic earnings per share (cents per share)</b>	<b>119.1</b>	<b>113.4</b>
<b>Diluted earnings per share (cents per share)</b>	<b>119.1</b>	<b>113.4</b>

<sup>1</sup> \$0.1 million (31 December 2016: \$0.2 million) was reclassified from equity to profit or loss following the sale of available-for-sale financial assets prior to their maturity.

# Consolidated balance sheet

As at	Note	31 Dec 2017 \$m	30 Jun 2017 \$m
<b>Current assets</b>			
Cash and funds on deposit		3,669.3	5,683.8
Available-for-sale financial assets	5	4,966.9	3,401.8
Receivables		326.3	1,124.9
Prepayments		17.6	16.6
<b>Total current assets</b>		<b>8,980.1</b>	<b>10,227.1</b>
<b>Non-current assets</b>			
Available-for-sale investments	5,6	400.0	431.1
Equity accounted investments		66.7	66.7
Investments at fair value through profit or loss	7	4.5	-
Intangible assets		2,435.0	2,439.2
Property, plant and equipment		41.9	46.6
Prepayments		0.4	1.0
<b>Total non-current assets</b>		<b>2,948.5</b>	<b>2,984.6</b>
<b>Total assets</b>		<b>11,928.6</b>	<b>13,211.7</b>
<b>Current liabilities</b>			
Amounts owing to participants	4	7,051.7	7,884.7
Payables		576.9	1,092.4
Current tax liabilities		32.4	16.3
Provisions		14.2	15.8
Revenue received in advance		74.6	18.2
<b>Total current liabilities</b>		<b>7,749.8</b>	<b>9,027.4</b>
<b>Non-current liabilities</b>			
Amounts owing to participants	4	200.0	200.0
Net deferred tax liabilities		45.2	69.3
Provisions		8.3	6.8
Revenue received in advance		0.1	0.1
<b>Total non-current liabilities</b>		<b>253.6</b>	<b>276.2</b>
<b>Total liabilities</b>		<b>8,003.4</b>	<b>9,303.6</b>
<b>Net assets</b>		<b>3,925.2</b>	<b>3,908.1</b>
<b>Equity</b>			
Issued capital	3	3,027.2	3,027.2
Retained earnings		659.6	622.2
Restricted capital reserve		71.5	71.5
Asset revaluation reserve		156.8	178.4
Equity compensation reserve		10.1	8.8
<b>Total equity</b>		<b>3,925.2</b>	<b>3,908.1</b>



# Consolidated statement of changes in equity

For the period ended	Note	Issued capital \$m	Retained earnings \$m	Restricted capital reserve \$m	Asset revaluation reserve \$m	Equity compensation reserve \$m	Total equity \$m
<b>Opening balance at 1 July 2017</b>		3,027.2	622.2	71.5	178.4	8.8	3,908.1
Profit for the period		-	230.5	-	-	-	230.5
Other comprehensive income for the period		-	-	-	(21.6)	-	(21.6)
<b>Total comprehensive income for the period, net of tax</b>		-	230.5	-	(21.6)	-	208.9
<b>Transactions with owners in their capacity as owners:</b>							
Incentive plans – value of employee services		-	-	-	-	1.6	1.6
Incentive plans - shares transferred to the Trust		-	-	-	-	(0.3)	(0.3)
Dividends paid	2	-	(193.1)	-	-	-	(193.1)
<b>Closing balance at 31 December 2017</b>		3,027.2	659.6	71.5	156.8	10.1	3,925.2
<b>Opening balance at 1 July 2016</b>		3,027.2	576.9	71.5	139.7	8.8	3,824.1
Profit for the period		-	219.4	-	-	-	219.4
Other comprehensive income for the period		-	-	-	21.9	-	21.9
<b>Total comprehensive income for the period, net of tax</b>		-	219.4	-	21.9	-	241.3
<b>Transactions with owners in their capacity as owners:</b>							
Incentive plans – value of employee services		-	-	-	-	0.2	0.2
Dividends paid	2	-	(191.5)	-	-	-	(191.5)
<b>Closing balance at 31 December 2016</b>		3,027.2	604.8	71.5	161.6	9.0	3,874.1

# Consolidated statement of cash flows

For the period ended	31 Dec 2017 \$m	31 Dec 2016 \$m
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	506.7	471.8
Payments to suppliers and employees (inclusive of GST)	(147.3)	(151.9)
	<b>359.4</b>	<b>319.9</b>
Interest received	85.7	73.9
Interest paid	(52.0)	(40.3)
Dividends received	5.1	4.9
Income taxes paid	(96.6)	(84.4)
<b>Net cash inflow from operating activities</b>	<b>301.6</b>	<b>274.0</b>
<b>Cash flows from investing activities</b>		
(Decrease) in participants' margins and commitments	(822.1)	(66.4)
Payments for available-for-sale investments	-	(16.2)
Payments for investments at fair value through profit or loss	(4.6)	-
Payments for other non-current assets	(20.4)	(36.0)
<b>Net cash (outflow) from investing activities</b>	<b>(847.1)</b>	<b>(118.6)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(193.1)	(191.5)
<b>Net cash (outflow) from financing activities</b>	<b>(193.1)</b>	<b>(191.5)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(738.6)</b>	<b>(36.1)</b>
Increase/(decrease) in the fair value of cash and cash equivalents	0.1	(0.4)
(Decrease) in cash and cash equivalents due to changes in foreign exchange rates	(10.9)	(34.1)
Cash and cash equivalents at the beginning of the period	9,085.6	7,072.8
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>	<b>8,336.2</b>	<b>7,002.2</b>
<b>Cash and cash equivalents consist of:</b>		
ASX Group funds	1,084.5	1,014.5
Participants' margins and commitments	7,251.7	5,987.7
<b>Total cash and cash equivalents<sup>1</sup></b>	<b>8,336.2</b>	<b>7,002.2</b>

<sup>1</sup> Available-for-sale financial assets pledged as security under repurchase agreements are excluded from cash and cash equivalents. Short-term repurchase agreements are used to support the management of participants' margins.

## Reconciliation of the operating profit after income tax to the net cash flows from operating activities:

<b>Net profit after tax</b>	<b>230.5</b>	<b>219.4</b>
<b>Add non-cash items:</b>		
Depreciation and amortisation	22.4	22.1
Share-based payments	1.3	0.2
Share of net profit of equity accounted investments	-	(0.5)
Tax on fair value adjustment of available-for-sale financial assets	-	0.3
Tax on fair value adjustment of cash flow hedges	-	(0.2)
Tax on shares transferred to the Long-Term Incentive Plan Trust	(0.1)	-
FX revaluation on investments at fair value through profit or loss	0.1	-
<b>Changes in operating assets and liabilities:</b>		
Increase in tax balances	1.5	8.0
(Increase) in current receivables <sup>1</sup>	(1.3)	(1.8)
(Increase) in current prepayments	(1.0)	(1.5)
Decrease/(increase) in non-current prepayments	0.6	(2.8)
(Decrease) in payables <sup>1</sup>	(8.7)	(19.2)
Increase in current revenue received in advance	56.4	50.5
(Decrease)/increase in current provisions	(1.6)	1.3
Increase/(decrease) in non-current provisions	1.5	(1.8)
<b>Net cash inflow from operating activities</b>	<b>301.6</b>	<b>274.0</b>

<sup>1</sup> Receivables and payables excludes the movement in margins receivable/payable. Payables also excludes the securities pledged under repurchase agreements.

# Notes to the financial statements

ASX Limited (ASX or the Company) is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements.

The condensed financial statements for the consolidated entity which consist of ASX and its subsidiaries (together referred to as the Group) for the half-year ended 31 December 2017 were authorised for issue by the Board of Directors on 15 February 2018. The directors have the power to amend and reissue the financial statements.

The half-year 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 31 December 2017 and the results of the subsidiaries for the half-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 measured and presented in Australian dollars which is ASX's functional and presentation currency with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Legislative Instrument 2016/191.

The half-year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 June 2017 and any public announcements made by the Company during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group's accounting policies have been consistently applied to all periods presented, unless otherwise stated.

## 1. 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 an integrated organisation that provides a multi-asset class product offering which includes:

- 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
- information and technical services supporting the Group's activities.

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 or prior financial year.

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

### (b) Segment results

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

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

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

# Notes to the financial statements continued

For the period ended	31 Dec 2017			31 Dec 2016		
	Segment information \$m	Adjustments \$m	Consolidated income statement \$m	Segment information \$m	Adjustments \$m	Consolidated income statement \$m
<b>Revenue</b>						
Listings	88.6	0.4	89.0	80.7	0.3	81.0
Issuer Services	24.9	-	24.9	22.6	-	22.6
<b>Listings and Issuer Services</b>	<b>113.5</b>	<b>0.4</b>	<b>113.9</b>	<b>103.3</b>	<b>0.3</b>	<b>103.6</b>
Equity Options	10.9	0.2	11.1	11.0	-	11.0
Futures and OTC Clearing	101.6	-	101.6	97.2	-	97.2
Austraclear	25.6	-	25.6	24.8	0.1	24.9
<b>Derivatives and OTC Markets</b>	<b>138.1</b>	<b>0.2</b>	<b>138.3</b>	<b>133.0</b>	<b>0.1</b>	<b>133.1</b>
Cash Market Trading	22.6	-	22.6	23.3	-	23.3
Information Services	44.7	-	44.7	39.9	-	39.9
Technical Services	37.2	0.7	37.9	32.8	0.3	33.1
<b>Trading Services</b>	<b>104.5</b>	<b>0.7</b>	<b>105.2</b>	<b>96.0</b>	<b>0.3</b>	<b>96.3</b>
Cash Market Clearing	25.9	-	25.9	26.8	-	26.8
Cash Market Settlement	26.3	-	26.3	26.1	-	26.1
<b>Equity Post-Trade Services</b>	<b>52.2</b>	<b>-</b>	<b>52.2</b>	<b>52.9</b>	<b>-</b>	<b>52.9</b>
<b>Other</b>	<b>0.7</b>	<b>-</b>	<b>0.7</b>	<b>1.4</b>	<b>(0.2)</b>	<b>1.2</b>
<b>Operating revenue</b>	<b>409.0</b>			<b>386.6</b>		
Interest income		86.1	86.1		72.7	72.7
Dividend income		5.1	5.1		4.9	4.9
Share of net profit of equity accounted investments		-	-		0.5	0.5
<b>Total revenue</b>		<b>92.5</b>	<b>501.5</b>		<b>78.6</b>	<b>465.2</b>
<b>Expenses</b>						
Staff	(56.5)	-	(56.5)	(55.2)	-	(55.2)
Occupancy	(8.1)	-	(8.1)	(7.3)	-	(7.3)
Equipment	(13.8)	(0.7)	(14.5)	(14.6)	(0.7)	(15.3)
Administration	(10.4)	(8.0)	(18.4)	(8.1)	(5.2)	(13.3)
Variable	(4.0)	4.0	-	(3.4)	3.4	-
ASIC supervision levy	(3.4)	3.4	-	(1.5)	1.5	-
<b>Operating expenses</b>	<b>(96.2)</b>			<b>(90.1)</b>		
<b>EBITDA</b>	<b>312.8</b>			<b>296.5</b>		
Finance costs	-	(53.0)	(53.0)	-	(40.1)	(40.1)
Depreciation and amortisation	(22.4)	-	(22.4)	(22.1)	-	(22.1)
<b>Total expenses</b>	<b>(22.4)</b>	<b>(54.3)</b>	<b>(172.9)</b>	<b>(22.1)</b>	<b>(41.1)</b>	<b>(153.3)</b>
<b>EBIT</b>	<b>290.4</b>			<b>274.4</b>		
<b>Net interest and dividend income</b>						
Net interest income	8.7	(8.7)	-	9.4	(9.4)	-
Net interest on participant balances	24.4	(24.4)	-	23.2	(23.2)	-
Dividend income	5.1	(5.1)	-	4.9	(4.9)	-
<b>Net interest and dividend income</b>	<b>38.2</b>	<b>(38.2)</b>	<b>-</b>	<b>37.5</b>	<b>(37.5)</b>	<b>-</b>
<b>Underlying profit before tax</b>	<b>328.6</b>	<b>-</b>	<b>328.6</b>	<b>311.9</b>	<b>-</b>	<b>311.9</b>
Income tax expense	(98.1)	-	(98.1)	(92.5)	-	(92.5)
<b>Underlying profit after tax</b>	<b>230.5</b>	<b>-</b>	<b>230.5</b>	<b>219.4</b>	<b>-</b>	<b>219.4</b>
Significant items, net of tax	-	-	-	-	-	-
<b>Net profit after tax</b>	<b>230.5</b>	<b>-</b>	<b>230.5</b>	<b>219.4</b>	<b>-</b>	<b>219.4</b>

# Notes to the financial statements continued

## 2. Dividends

Dividends recognised and paid by the Company in the periods ended 31 December 2017 and 31 December 2016:

For the period ended 31 Dec 2017	Cents per share	Total amount \$m
Final dividend for the year ended 30 June 2017	99.8	193.2
For the period ended 31 Dec 2016		
Final dividend for the year ended 30 June 2016	99.0	191.7

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 \$0.1 million (31 December 2016: \$0.2 million) has been eliminated on consolidation.

Since the end of the half-year, the directors have determined an interim dividend of 107.2 cents per share totalling \$207.5 million. The dividend will be fully franked based on tax paid at 30%.

The interim dividend has not been recognised in the financial statements for the half-year ended 31 December 2017, and will be recognised in the following reporting period.

## 3. Issued capital

### (a) Movements in ordinary share capital

At 31 December 2017, the closing balance of ordinary share capital was \$3,027.2 million (2017: \$3,027.2 million) and the number of shares outstanding was 193,595,162 (2017: 193,595,162). There were no movements in the balance of ordinary share capital or the number of shares outstanding in the current or prior periods.

### (b) Treasury shares

The following table presents the movement in the number of treasury shares during the period.

For the period ended	31 Dec 2017 No. of shares	30 Jun 2017 No. of shares
<b>Opening balance</b>	<b>183,218</b>	<b>181,269</b>
Issue of shares under the Long-Term Incentive plan	(8,065)	(5,419)
Issue of deferred shares under employee equity plans	(111,660)	-
Shares transferred to LTIP	-	7,368
<b>Closing balance</b>	<b>63,493</b>	<b>183,218</b>

## 4. Amounts owing to participants

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

Participants' margins and commitments recognised on balance sheet at period end comprised the following:

As at	31 Dec 2017 \$m	30 Jun 2017 \$m
<b>Current</b>		
Cash lodged	6,628.8	7,671.6
Debt securities lodged	422.9	213.1
<b>Total current amounts owing to participants</b>	<b>7,051.7</b>	<b>7,884.7</b>
<b>Non-current</b>		
Commitments lodged as cash	200.0	200.0
<b>Total non-current amounts owing to participants</b>	<b>200.0</b>	<b>200.0</b>
<b>Total amounts owing to participants</b>	<b>7,251.7</b>	<b>8,084.7</b>

Collateral and commitments lodged by clearing participants as at report date comprised the following:

As at	ASX Clear		ASX Clear (Futures)	
	31 Dec 2017 \$m	30 Jun 2017 \$m	31 Dec 2017 \$m	30 Jun 2017 \$m
Cash	441.9	672.3	6,386.9	7,199.3
Equity securities	3,438.6	3,398.3	-	-
Debt securities	-	-	422.9	213.1

Collateral lodged as equities are not recognised on the balance sheet as the Group is not party to the contractual provisions of the instruments other than in the event of a default.

All net delivery and net payment obligations relating to cash market and derivative securities owing to or by participants as at 31 December 2017 were subsequently settled.

# Notes to the financial statements continued

## 5. Fair value measurements of financial instruments

### (a) Fair value hierarchy and valuation techniques

The following table presents the Group's financial assets measured and recognised at fair value at report date. The Group does not have any financial liabilities measured at fair value.

As at 31 Dec 2017	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>				
Available-for-sale financial assets <sup>1</sup>				
- Negotiable certificates of deposit	-	760.5	-	760.5
- Promissory notes	-	3,052.9	-	3,052.9
- Floating rate notes	-	310.8	-	310.8
- Bonds	736.6	106.1	-	842.7
Available-for-sale investments	372.7	-	27.3	400.0
Investments at fair value through profit or loss	-	-	4.5	4.5
<b>Total financial assets</b>	<b>1,109.3</b>	<b>4,230.3</b>	<b>31.8</b>	<b>5,371.4</b>

### As at 30 Jun 2017

<b>Financial assets</b>				
Available-for-sale financial assets				
- Negotiable certificates of deposit	-	365.4	-	365.4
- Promissory notes	-	1,926.2	-	1,926.2
- Floating rate notes	-	267.8	-	267.8
- Bonds	192.2	650.2	-	842.4
Available-for-sale investments	408.4	-	22.7	431.1
<b>Total financial assets</b>	<b>600.6</b>	<b>3,209.6</b>	<b>22.7</b>	<b>3,832.9</b>

<sup>1</sup> Available-for-sale financial assets include securities pledged as collateral under repurchase agreements.

There were no transfers between levels for recurring measurements during the year. The Group did not measure any financial assets at fair value on a non-recurring basis as at 31 December 2017.

The classification of financial instruments within the fair value hierarchy and the valuation techniques used to determine their values are detailed below.

#### Level 1

Level 1 inputs are unadjusted quoted prices in active markets at the measurement date for identical assets and liabilities. Financial instruments included in this category are the Group's listed equity investment and Australian Government bonds. The fair value of the listed investment is determined by reference to the ASX-quoted closing price at reporting date and the fair value of Australian Government bonds are determined by reference to readily observable quoted prices for identical assets in active markets.

#### Level 2

Level 2 inputs are 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). All current available-for-sale financial assets other than Australian Government bonds as noted above are classified as level 2 financial instruments as their fair values are determined using discounted cash flow models or observable market prices for identical assets that are not actively traded.

#### Level 3

Level 3 inputs are based on unobservable market data. The fair value of the Group's unlisted equity investment and investments at fair value through profit or loss is determined by reference to inputs such as the most recent issue price of shares or convertible notes adjusted for the ranking of the different classes of units. As these are unobservable inputs, the investments are classified as level 3 instruments.

### (b) 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 current amounts owing to participants are assumed to approximate their fair value. The carrying amount of non-current amounts owing to participants approximates their fair value as the impact of discounting is not significant.

### (c) Level 3 fair value instruments

The following table presents the changes in Level 3 fair value instruments during the period:

For the period ended 31 Dec 2017	Investments in unlisted entities <sup>1</sup> \$m	Investments at fair value through profit or loss <sup>2</sup> \$m	Total \$m
<b>Opening balance</b>	<b>22.7</b>	<b>-</b>	<b>22.7</b>
Additions	-	4.6	4.6
Price revaluation	5.0	-	5.0
FX revaluation	(0.4)	(0.1)	(0.5)
<b>Closing balance</b>	<b>27.3</b>	<b>4.5</b>	<b>31.8</b>

#### For the period ended 30 Jun 2017

<b>Opening balance</b>	<b>23.3</b>	<b>-</b>	<b>23.3</b>
FX revaluation	(0.6)	-	(0.6)
<b>Closing balance</b>	<b>22.7</b>	<b>-</b>	<b>22.7</b>

<sup>1</sup> The revaluation gain/(loss), net of tax, has been recognised within the asset revaluation reserve.

<sup>2</sup> The (loss), net of tax, has been recognised within administration expenses in the statement of comprehensive income.

# Notes to the financial statements continued

## 6. Available-for-sale investments

As at	31 Dec 2017 \$m	30 Jun 2017 \$m
Investments in listed entities	372.7	408.4
Investments in unlisted entities	27.3	22.7
<b>Total available-for-sale investments</b>	<b>400.0</b>	<b>431.1</b>

## 7. Investments at fair value through profit or loss

On 7 December 2017, following ASX's decision to replace CHES with distributed ledger technology developed in conjunction with Digital Asset Holdings LLC (DAH), ASX subscribed for USD 3.5 million convertible notes issued by DAH. ASX has the right to convert these notes to DAH shares at any time up to maturity in 2027, and under certain circumstances the notes mandatorily convert to DAH shares.

Refer to note 5(d) for the movement and balance of investments at fair value through profit or loss at period end.

The notes have been designated at fair value through profit or loss on initial recognition.

## 8. Intangible assets

### Software

During the half-year ended 31 December 2017, the Group incurred \$11.8 million of capital expenditure for intangible assets - software (31 December 2016: \$17.8 million).

## 9. New and amended standards and interpretations

There are no new or amended standards applicable for the first time for the December 2017 half-year report that affect the Group's accounting policies or any of the amounts recognised in the financial statements.

The assessment of AASB 9 *Financial Instruments* and AASB 16 *Leases* which are effective in future financial years, has been reflected in the FY17 Annual Report. In light of emerging practices since the 2017 financial statements were issued, the assessment of any potential financial impact of AASB 15 *Revenue from Contracts with Customers* on initial and subsequent listing fees is being reviewed. There is no material impact on any other revenue.

## 10. Subsequent events

From the end of the reporting period to the date of this report, no matter or circumstance has arisen which has significantly affected, or may significantly affect, 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 7 to 15 are in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
  - ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (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.

Signed in accordance with a resolution of the directors:



Rick Holliday-Smith  
Chairman



Dominic Stevens  
Managing Director and CEO

Sydney, 15 February 2018





# Independent auditor's review report to the members of ASX Limited

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## Report on the half-year financial report

We have reviewed the accompanying half-year financial report of ASX Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Company. The consolidated entity comprises the Company and the entities it controlled during that half-year.

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## Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

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## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of ASX Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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## Independent auditor's review report to the members of ASX Limited

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### Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2017 included on the Company's web site. The Company's directors are responsible for the integrity of the web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Matthew Lunn'.

Matthew Lunn  
Partner

A handwritten signature in black ink that reads 'V. Papageorgiou'.

Voula Papageorgiou  
Partner

Sydney, 15 February 2018