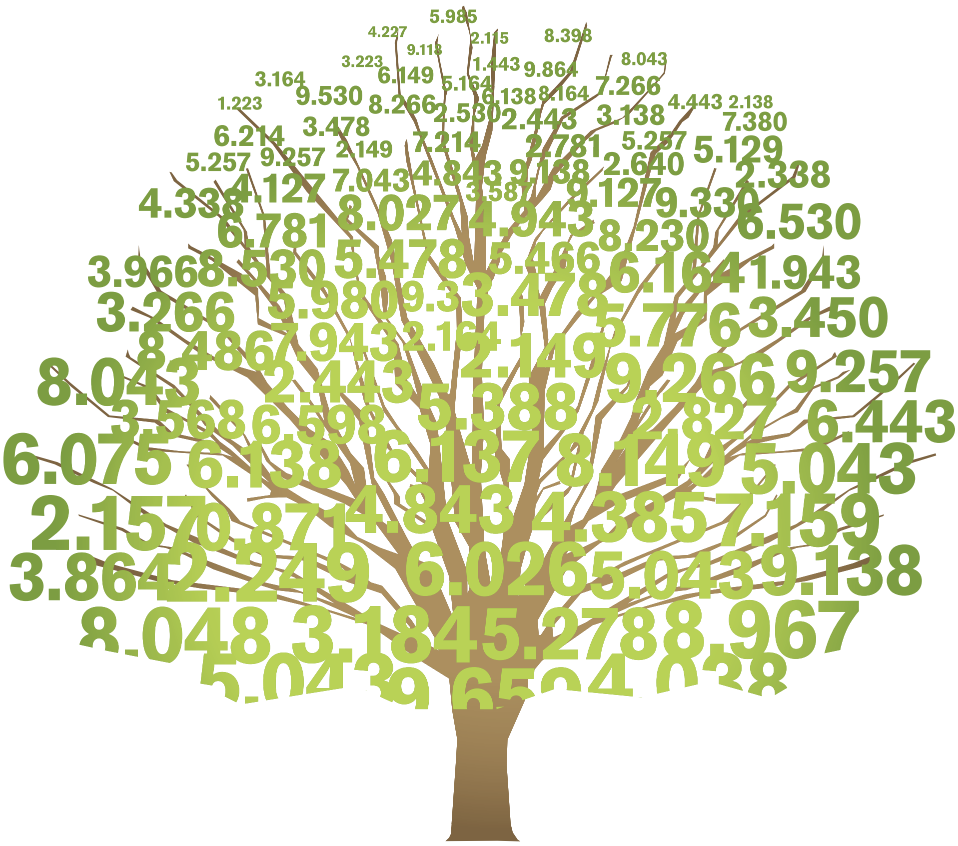
# Shaping...

ASX
AUSTRALIAN STOCK EXCHANGE

REPORT TO SHAREHOLDERS 2004/05



# ...for growth

Shaping for growth is about more than reducing costs. It's about being able to focus… to focus on promoting market integrity; on meeting our customers' needs; on growing Australia's capital markets. This report shows how ASX is shaping for growth in response to six fundamental challenges about our business:

1. Market integrity is more than just a licence responsibility.
2. Our shareholders are entitled to outstanding returns.
3. Our markets should be the best supervised markets in the world.
4. Our people should see a clear strategy.
5. Exchanges need to rethink their technology platforms.
6. Scale does matter.

"Shareholders are entitled to outstanding returns. Customers deserve outstanding service. Our people need to be engaged and happy. Our markets need first rate supervision, and our systems have to be world class. ASX is delivering on each of these fundamentals. We will continue to measure our progress in these and other areas and report back to all our stakeholders."

Tony D'Aloisio
Managing Director and Chief Executive Officer

## Our People

Building a great business means developing great people and creating a great work place – one where our people feel inspired and engaged. Our people are diverse and talented, take pride in their success and derive a sense of achievement from their work. While our restructure and profit and loss drivers review has resulted in changes to our workplace, our ongoing challenge is to stay focused on our people and implement the necessary initiatives to enable them to grow.

## ASX in the Community

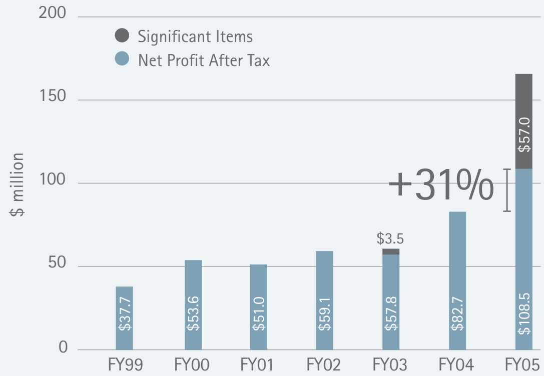
ASX aspires to be a leader in corporate responsibility. Via payroll giving, our people contribute to a range of community groups and we match these staff gifts dollar-for-dollar. Following the Boxing Day tsunami, our people contributed generously to the relief efforts and these gifts were also matched by the company.

With more Australians than ever owning shares, promoting financial literacy continues to be important for ASX. We offer ten online education classes, clear and accessible explanatory booklets, and "Investor Hour" seminars. Students at more than half the secondary schools in Australia participate in our share market game for schools.

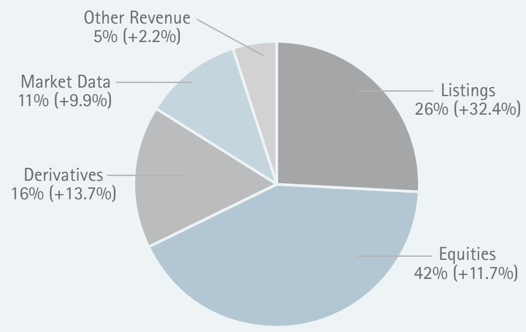
# Our Shareholders

Our profit surpassed $100 million for the first time...

### Net Profit After Tax



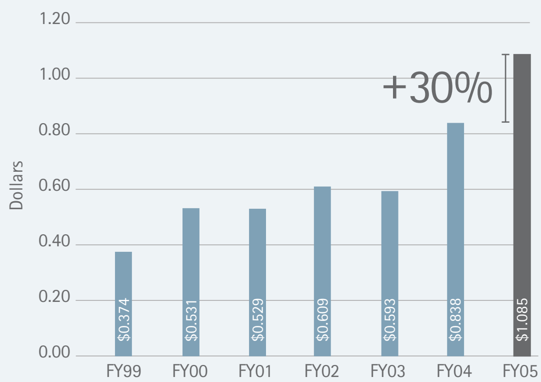

### Revenue by Category – FY05



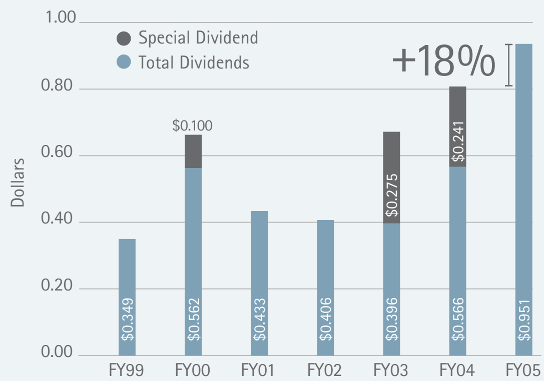

Increases on previous corresponding period are bracketed.

...And shareholders enjoyed outstanding returns...

### Normal Earnings Per Share – Pre Goodwill



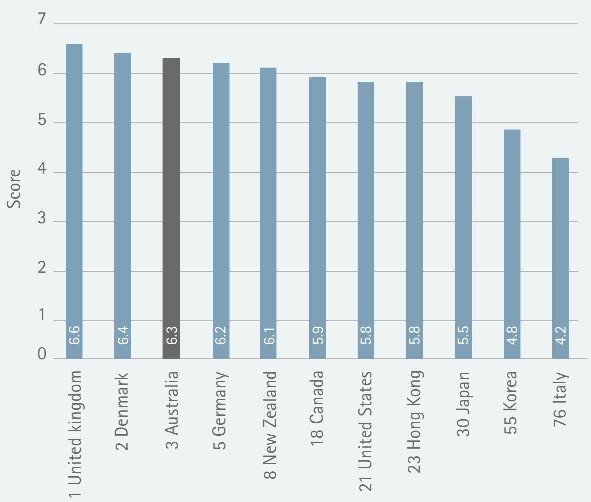

### Dividend Per Share




# Supervision of our Markets

...While our market supervision was among the best in the world.

### Regulation of Securities Exchanges. We ranked third among 104 countries.

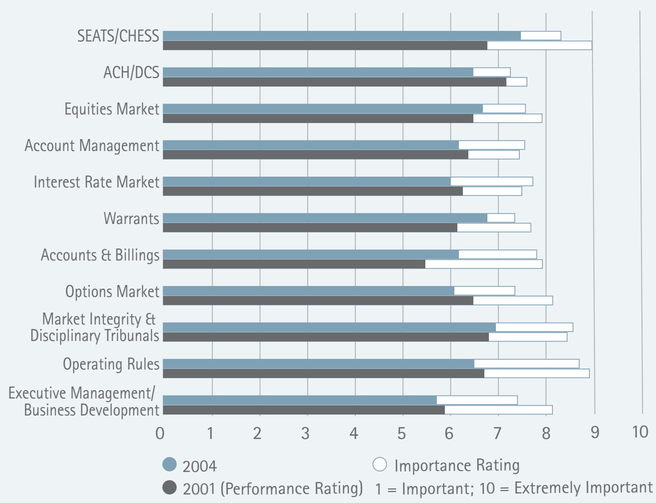



Source: The Global Competitiveness Report 2004–2005, World Economic Forum

# Our Customers

Our customers gave us generally good ratings, around six and seven out of 10... We will improve.

### Participant satisfaction with our performance in key areas




Source: ASX Participation Satisfaction Survey, 2004

Market integrity is more than
just a licence responsibility...

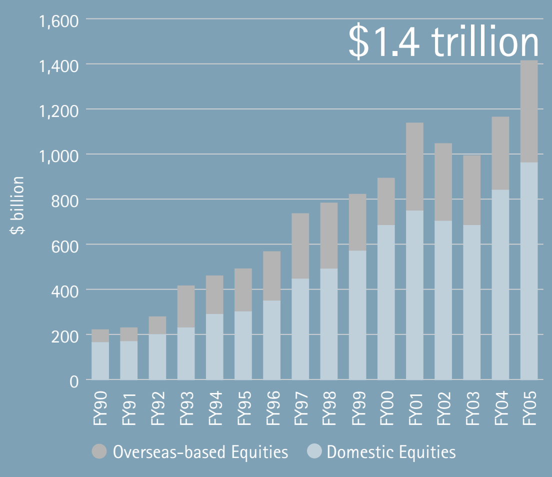
...it is a fundamental
driver of our success.

Integrity is the core value of ASX and ensuring market integrity is our point of difference.

It is the key to our brand and reputation, and a priority of our Board, senior management, people and all our stakeholders.

"The story of Australia's equity market is one of growth and depth. This is good news for investors and for the country."

The Growth of our Capital Markets




The Australian Stock Exchange can appear to be a complex and multi-faceted business, but at its heart, we are guided by one simple mandate: to improve the quality of our services so as to increase returns for shareholders.

Although a number of factors contribute to achieving this, we believe that ensuring market integrity – a market that is fair, orderly and transparent – underpins this goal. A market of integrity benefits those who use it and those who own it: you, our shareholders.

In pursuit of this mandate, ASX continues to evolve. It is with this in mind that I welcome you to our account of the financial year 2004/05. It was a good year, producing an excellent result, but it is not the end of the story.

This report shows you how your company is progressing: where it has done well and where we intend to deliver greater performance in the future.

This report also differs from previous years. For example, you will find a "scorecard" outlining what we have set out to do, and the success we have had. We will apply this perspective to all our declared intentions and activities, and report to shareholders and the wider market in an appropriate and timely manner.

Like any public company, ASX Limited is judged on both its historical performance and its prospects. Keeping shareholders and the wider market as informed as possible as to what's in store is vital.

This includes detailing our financial results and those goals that help provide an insight into the company's direction. It also means seeing ASX and Australia's equity market in the bigger picture.

Over the last decade, the market capitalisation of domestic companies listed on ASX has increased from around $280 billion to $975 billion by 30 June 2005. Growth over the last financial year alone was more than 16%.

With this growth has come a deepening of liquidity. The deeper the liquidity, the more efficient the market and the easier it is for buyers and sellers to transact quickly and with less risk. According to the World Federation of Exchanges, ASX's liquidity at the end of 2004 was 81%. By the end of the financial year it had risen to 84% – a figure comparable to New York (89.9%) and better than most exchanges in the Asia-Pacific region, including Singapore (60.8%) and Hong Kong (57.7%).

# Chairman's Report

Size and liquidity are important because they attract international investment. As a net importer of capital, Australia's attractiveness to international investors is vital. Australia ranks eighth largest on the Morgan Stanley Capital International (MSCI) free float index, slightly improving its share of global markets to 2.4% in 2005 to be only fractionally behind Switzerland (2.9%), Germany (3.0%) and Canada (3.2%). Funds managers use the MSCI to guide their investment allocations across developed markets. 42% of the value of our equity market is now owned by foreign institutions.

Our attractiveness has been enhanced by our market's performance in recent years. The Australian component of the S&P/Citigroup Broad Market Index has shown an annual average return on investment (combining price gains and dividends) of around 13% in the last 10 years. This is superior to most major markets including the US (10%), the UK (10%) and the overall world average (8%).

Not surprisingly, our market has been one of the world's most active for raising capital. Australia ranked fourth globally for capital-raised in calendar year 2004 – US$7.8 billion via 166 initial public offerings (IPOs).

Australia has enjoyed a sustained period of economic expansion thanks to a range of factors, including sound government reform and careful monetary policy management by the Reserve Bank of Australia (RBA). I would like to acknowledge the support of the government, Commonwealth Treasury and the RBA in our restructure of the National Guarantee Fund (NGF). The transfer of more than $71 million from the NGF to the Australian Clearing House to cover participant clearing risk is an important initiative to maintain the financial stability of our market.

The next stage in ASX's evolution began on 11 October 2004 with the appointment of Tony D'Aloisio as managing director and chief executive officer.

In tandem with Tony and his senior management team, the Board has set in train a number of initiatives to build on ASX's performance. These include the review of all profit and loss drivers, a review of our market supervision, and a longer-term strategic review taking account of the rapidly changing international environment. New opportunities are constantly being examined.

The Board believes our future as a company is bright. This year's result provides ample evidence of our capacity to efficiently and profitably operate deep and liquid markets of integrity. However, we cannot be complacent nor rely solely on record trading and listings activity to deliver desired outcomes. We must continue to anticipate and adapt to change.

For the 2004/05 financial year a record normal net profit of $108.5 million was achieved on normal operating revenue of $279.7 million. This has allowed the Board to deliver a final dividend to shareholders of 50.9 cents per share.

The bare financial details do not tell the whole story. The reviews and restructures that have taken place at ASX have been achieved without diminishing our operating efficiency or commitment to the highest levels of market integrity. Committing resources to integrity is an investment in ASX's future. We do it because we want to, not because we have to.

Our performance in 2004/05 was also achieved amid a smooth transition to the new leadership team headed by Tony D'Aloisio. The transition has occurred with impressive surety and confidence – itself a tribute to Tony's predecessor Richard Humphry.

Meanwhile, the process of improvement and renewal continues, most recently with the appointment of Russell Aboud to the Board as an independent, non-executive director. Board refreshment is an ongoing process and we continue to plan for our succession.

We believe your Board and senior management are well placed to lead ASX through the next phase of growth. I am confident that the company's blend of experience and expertise, that has proved so fruitful to date, will prove even more so in the years to come.

Maurice L Newman AC
Chairman

Net profit after tax

# +31% profit increase

Operating revenue

# +16% revenue increase

"I have been very fortunate to have been given the responsibility to lead such a great company."

ASX has delivered a record financial performance, driven by record levels of trading, listings and derivatives activity, which ASX supported with almost 100% systems uptime and continued strong supervision of our markets. All this reflects very positively on the Chairman and Board, the Group Executive Committee, and all our people, and builds on the work of my predecessor Richard Humphry. I have been extremely pleased in the way I have been assisted in my transition by our people at ASX and by our market participants, our listed companies and, indeed, all our stakeholders. I thank all of them.

At last year's AGM (two weeks before I took over as CEO), I outlined six priorities for the first six months or so. I am pleased to report that we have completed or made significant progress on each of them.

The selection of those priorities was to improve our ability to meet the demands of the domestic market and the increased international competition for investment funds. My experience since joining has reaffirmed that for the next three years or so, our success will be linked to the way we deal with these issues. Domestically, we face increased demand for asset classes as investment money continues to build (especially through superannuation). Our ability to develop new classes of investment (as we did with securitisation of infrastructure and hybrids) and to build equity derivatives will be important in meeting that demand and, in doing so, building the business. For the continued success of our markets in Australia we need a healthy inflow of foreign capital. As capital can move freely between markets searching for better returns, we must ensure that our market has a first class reputation for integrity and investor confidence. Let me now turn to the six priorities I outlined at the AGM, and what we have achieved.

The first priority was to ensure a smooth leadership transition. We introduced a flatter management structure with fewer senior managers. The senior team, the Group Executive Committee, appears on page 31 and their responsibilities are set out in their divisional sections of this report. I am delighted to be part of a team of such outstanding and experienced individuals.

# Managing Director's Report

The second priority was the "Profit and Loss Drivers Review" – essentially a review of our revenues, costs, capital management and adjacent businesses to ensure we are performing to our best. Just as cars do, businesses from time to time need a tune up and service. The review has been completed and key results and goals were:

- To increase our focus on core business growth, with initiatives in place to produce growth over the next three years in listing, trading, clearing and settlement – these are described further in the Markets and Strategy Divisions section on page 11;
- To improve management of costs projected to deliver savings of approximately $8.3 million in FY06 and approximately $15 to $20 million by FY08 before inflationary growth;
- To improve performance of our adjacent businesses; and
- To improve capital management, in particular, to lift the dividend policy from 70% to 90%.

One of the outcomes of the review was a number of staff redundancies. It is never easy for a CEO or for an organisation to let go of employees. Nevertheless, it was a necessary step and one we took in a way which was as financially generous as possible, given our responsibilities to our shareholders. We provided transition and outplacement services to those affected.

The third priority was a review of supervision. For ASX, market integrity is more than just a licence responsibility: it is a fundamental driver of our success. It is at the heart of our reputation and confidence in our markets. Indeed, irrespective of whether any present or future government takes on the supervisory function, we will continue to invest in supporting market integrity because it is a core value for us. It is like safety to an airline and security to a bank.

Along with our own supervisory teams, the Australian Securities and Investments Commission (ASIC), ASX Supervisory Review, and our internal audit and compliance teams all work to ensure that we run a fair, orderly and transparent market. We were pleased that in the latest ASIC annual assessment of ASX, ASIC commended us on the way we discharged our supervisory responsibilities. We have also embraced all suggestions for improvement.

The fourth priority was to complete the transition of our core trading system from SEATS to CLICK XT™. This is well progressed for introduction in the last quarter of the financial year (see page 25). We also committed to complete the split of the National Guarantee Fund. This took place on 31 March 2005 with the Australian Clearing House now having $110 million to cover participant risk.

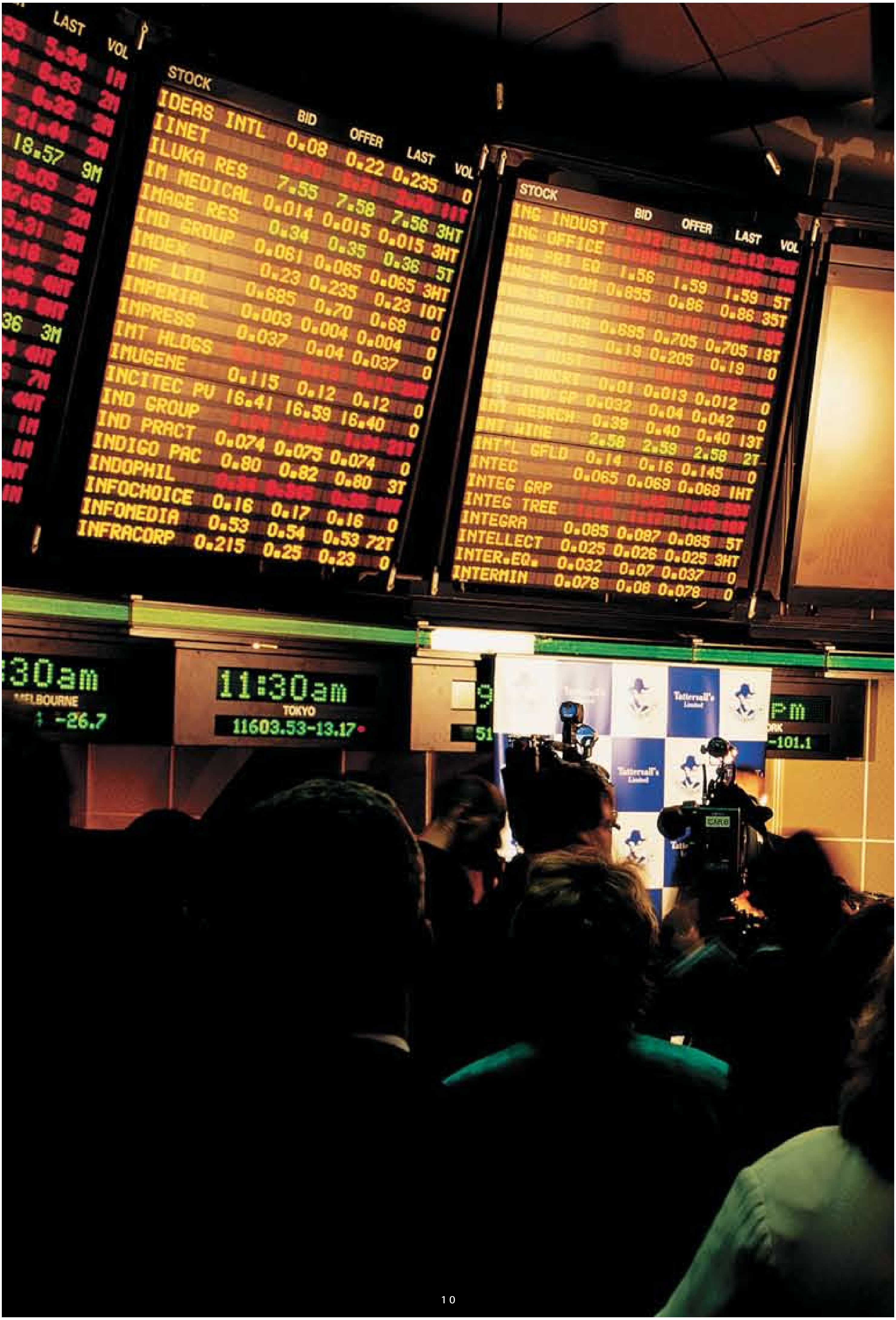
The fifth priority was to look at our strategy for the next three to five years. Work on this continues. The progress made so far means we have an excellent performing business, one that will provide a platform for the longer term from which we can meet the future demands of our domestic and international capital markets.

The final priority was to deal with important issues as they arose. In that regard, one of the most important has been to ensure that our people are engaged and motivated and are happy with their career development at ASX. You will see on page 21 how we have been approaching those tasks commencing with a climate survey. Our work on ASX in the Community and on investor education are very important initiatives for our people and the broader community.

Shareholders are entitled to outstanding returns. Customers deserve outstanding service. Our staff need to be engaged and happy. Our markets need first rate supervision, and our systems have to be world class. We are delivering on each of these fundamentals. We will continue to measure our progress in these and other areas and report back to all our stakeholders.

I have been very fortunate to have been given the responsibility to lead such a great company. This has been made easier because of the support and counsel of our Chairman, Maurice Newman, the Board, the Group Executive Committee, and the commitment and energy of our people. I thank them all, and you the shareholders, and I look forward to another great year for ASX.

Tony D'Aloisio
Managing Director and CEO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Tattersall's Limited

Our shareholders are entitled to outstanding returns...

...but increased returns to shareholders are driven by increasing returns to customers.

We bring together companies in need of capital with investors who have capital available to invest. We do this by providing a liquid market so investors can buy and sell with confidence. Our derivatives markets further grow the Australian liquidity pool and providing additional opportunities for risk management and income generation.

The Markets Division's role is to fulfil its core purpose in a way that ensures our customers and shareholders receive demonstrable value from their relationship with us.

Key to this outcome is ensuring our customers receive high quality transaction and information services.

# Markets and Strategy Divisions

**Left. Colin Scully, Deputy CEO and Group Executive Markets**
**Right. Angus Richards, Group Executive Strategy**
Responsibility for all ASX commercial services – listing, trading, clearing, settlement and market data – has been brought together in a single team. The Markets and Strategy Divisions aim to protect and grow these core services while also driving new initiatives to improve distribution and service quality. The ultimate aim is to maximise the attractiveness of the Australian capital markets.

Through dedicated teams in listings, equities and derivatives trading, clearing and settlement, market information, operations and risk management, the Markets Division spans the entire spectrum of our company's customers: more than 1,700 listed companies with a domestic capitalisation of more than $975 billion; some 90 participants (brokers) and market makers; 35,000 institutional investors globally; and – through CHESS holdings – more than 1.3 million share-owning Australians.

2004/05 was a year of record achievement, with most key metrics at new highs. The average number of daily trades increased over the year to 87,534, with daily turnover averaging almost $3.2 billion. Daily average options contracts traded increased by 23% to 89,195. With total market capitalisation exceeding $1.4 trillion (of which domestic equities constitute $975 billion), domestic market liquidity – a key measure of the attractiveness of our markets – reached a new high of 84%.

A buoyant capital market saw a record number of new companies listed, with 197 new entrants raising a total $14.9 billion of new capital on our markets while secondary equity issues amounted to $22.3 billion.

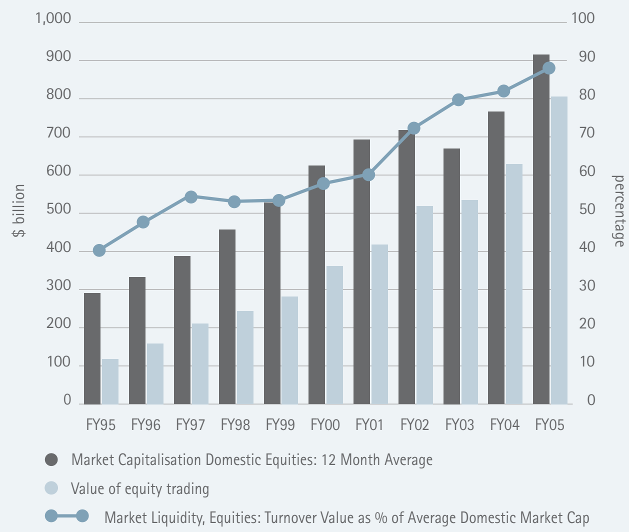
Our strategy for 2006 and beyond is strongly focused on our core business. We are looking to grow the core business, through initiatives such as developing a listings framework that better reflects differing needs of companies; further facilitating the growth of Direct Market Access trading; and further growing our options business. We will expand our information services business, especially in the area of corporate actions.

We will also look at other related sources of growth.
We are exploring whether customer demand exists for:

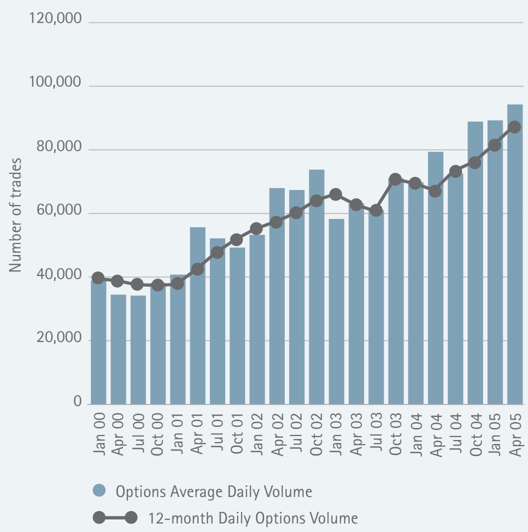
- A broadened derivatives footprint;
- An expanded clearing business;
- New information and transactional services for unlisted managed funds;
- A better approach to market indices.

Our success in these areas will be built upon our ability to achieve higher levels of customer satisfaction and having a team of highly engaged employees.

**Our equity markets have increased in size, depth and liquidity**




**Our options market continues to grow**




**Pricing**
Participants in our markets continue to enjoy lower transaction costs, with average broker fees for using our trading, clearing and settlement facilities falling from $1.85 to $1.60 per trade per side, a reduction of almost 14%. It is important that we provide first class services at prices which represent demonstrable value for our customers.

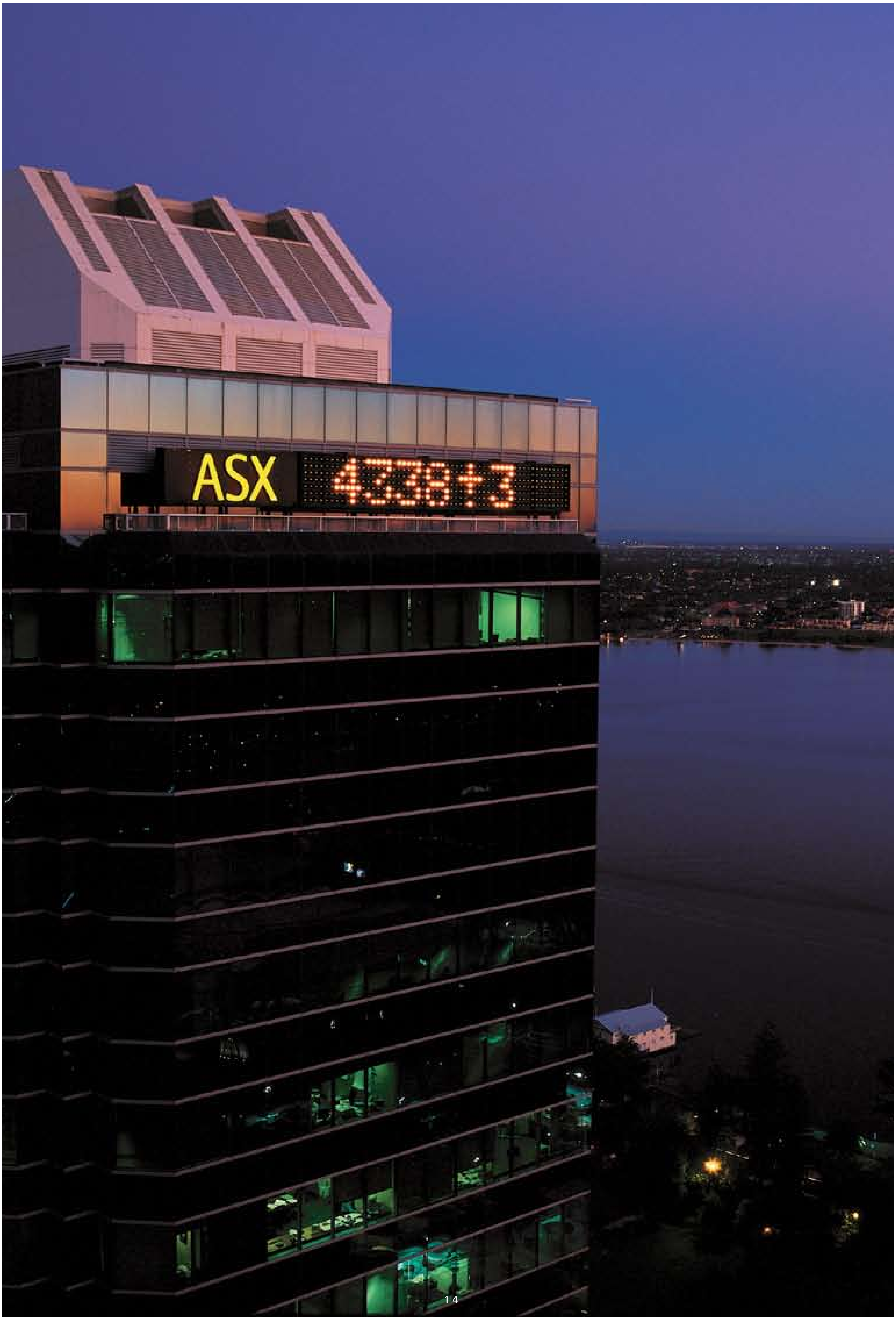
**Equity market reforms**
We are enhancing the quality and integrity of our equity market design by amendments to the micro-structure of the market in consultation with our customers. The most immediate change is the removal of broker codes from the SEATS order book. The minimum price step for low-priced stocks was reduced, while undisclosed order types will be replaced with "iceberg" order types in the new Integrated Trading System. These changes, in achieving greater balance between the trading needs of a diversity of investors, will promote efficiency by reducing market impact costs, and attract additional liquidity for the benefit of all market participants.

**Measuring our settlement efficiency**
Our systems were once again recognised by the 2005 GSCS Benchmarks survey. Global custodians ranked Australia third among 22 markets for settlement efficiency, with Australia's operational risk ranking moving from sixth to fourth.

## Maximising the Attractiveness of our Capital Market

As fund managers and hedge funds develop new strategies for trading in equities and other markets around the world, around the clock, they are demanding faster execution, simpler pricing and more direct access to the markets in which they trade – and we are responding. Our derivatives products continue to enjoy a strong following among retail investors, who recognise the risk management benefits of hedging strategies involving the use of options, warrant and futures. These strategies offer similar advantages to institutional investors. We are working to promote the benefits of options trading in the institutional market, such as the ability to hedge positions and to minimise risk through integrated trading strategies. Investors everywhere want access to investable product, yet many listed companies suffer from lack of liquidity in their stocks. We are working with brokers and listed customers to improve the liquidity of companies listed in the mid and lower cap segment of our market.


"We are working with brokers and listed companies to improve the liquidity of companies."


ASX
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## Our markets should be the best supervised markets in the world...

## ...currently they're third best out of 104 countries.

Market Supervision builds confidence among the users of markets operated by ASX. We achieve this through the constant and vigorous oversight of listed companies, brokers and broking firms, and trading activity in the market. According to the 2004-2005 Global Competitiveness Report, Australia's regulation of securities exchanges ranked number three in the world out of 104 countries. This placed us ahead of major markets like the United States, Germany and Japan on measures including market transparency, independence from excessive government influences and the effectiveness of exchange rules. As a market supervisor, we're working towards being number one.

# Market Supervision Division

### Eric Mayne, Group Executive Market Supervision

Providing a market that is fair, orderly and transparent through vigorous supervision is central to our business and a core value in everything we do. As a licensed market operator, ASX is obliged by law to provide it, and as a business entity, our reputation and attractiveness to customers depend upon it.

Market Supervision oversees adherence to ASX's Operating Rules. This involves:

- Supervising listed companies;
- Supervising trading activity in the market;
- Supervising market participants such as stockbrokers and broking firms; and
- Meeting the regulatory obligations of ASX under the Corporations Act.

We seek a cooperative and pragmatic relationship with market users, relying on education and guidance, and emphasising clear and timely disclosure. This is bolstered by our continuous monitoring of the market to detect behaviour that does not meet appropriate standards. A range of enforcement methods are employed to prevent, manage or sanction inappropriate behaviour according to its severity.

We also work closely with the Australian Securities and Investments Commission (ASIC), which is responsible for regulating the financial system, to ensure that all participants engaged in the market have confidence in its operation. This includes the supervision of our own behaviour as a listed company – it is a statutory requirement that this role be performed by ASIC rather than ASX.

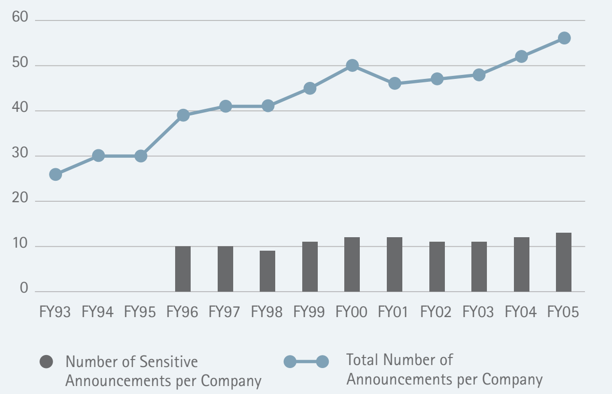
Additional oversight is provided by ASX Supervisory Review (ASXSR), an independently operating subsidiary of ASX tasked with reviewing and reporting to the ASX Board on compliance by the ASX Group with its statutory obligations as a licensed market operator and clearing and settlement service facility licensee under the Corporations Act.

Each year ASX is assessed by ASIC as to how well we comply with our licence obligations. Successive reports have found that ASX "continues to function as an effective and reliable market"[1]. In its most recent assessment published on 19 July 2005, ASIC concluded that ASX has adequate arrangements for supervising the markets we operate, including arrangements for handling conflicts between our commercial and supervisory responsibilities, for monitoring the conduct of participants in the market, and for enforcing compliance with our rules.

ASIC's assessment and the views of key stakeholder groups like the Australian Shareholders' Association, which reported "shareholders have never had so much information, protection and confidence in the operation of the market"[2], go to the heart of whether we provide markets of integrity that are fair, orderly and transparent.

1. "ASIC releases annual ASX assessment", ASIC media release, 19 July 2005
2. "Giving credit to our local exchange", *The Australian*, 21 September 2004, page 26

**Disclosure to market continues to increase**




Sensitive announcements are judged (from 1995/96) to be material and price sensitive.

**Listed companies fulfilled their governance reporting requirements**

Australian listed companies satisfactorily fulfilled their corporate governance disclosure requirements in ASX's first review of corporate governance practices since the introduction of the 10 principles and 28 recommendations of the ASX Corporate Governance Council.

During our monitoring we:

- Reviewed 1,222 annual reports released between 1 August and 31 December 2004;
- Focused on the recommendations that generated the most discussion, such as director independence and CEO/CFO sign-off; and
- Found that the aggregate level of satisfactory disclosure, where all recommendations were adopted or alternative practices were disclosed, was 84% for the whole market and 93% for the top-500 companies.

The results indicate that investors are being kept informed about the governance practices of corporate Australia.

### Supervisory snapshot

The thoroughness of ASX's market supervision is critical in maintaining fair, orderly and transparent markets. In 2004/05, we processed 93,562 company announcements – 22.4% of which were price-sensitive – to facilitate an informed market; an average of 56 per company. To prevent a false market, we applied 768 trading halts and 395 suspensions to listed companies, and our surveillance system detected 83,917 alerts for potentially inappropriate trading incidents; 324 of which were further investigated. In total, we notified ASIC of 107 suspected breaches of ASX Rules or the Corporations Act for matters such as continuous disclosure and insider trading, and fined brokers $533,500 for 50 contraventions of our Rules.

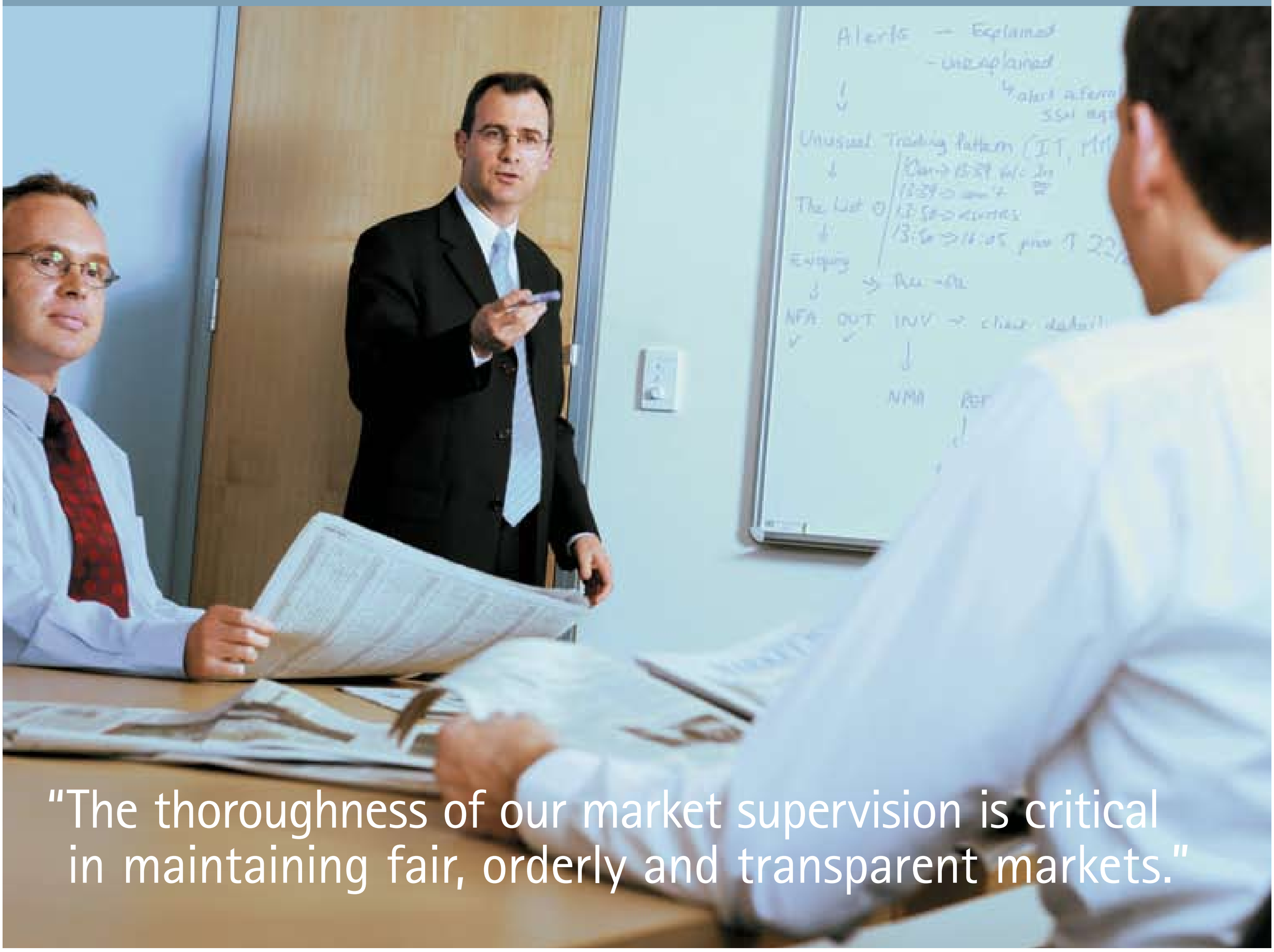
### Upgrading to SMARTS

ASX developed the world's first real-time electronic market monitoring and alert system (SOMA) in 1989. Our new systems upgrade – SMARTS – will play a critical role in our ability to stay ahead of developments in trading activity and maintain confidence in our markets.

As well as its coverage of equities trading, SMARTS provides more effective surveillance of the derivatives markets and incorporates a new function – "Spread" – that adds another dimension to the analysis of trading alerts generated by the system, thus deepening our supervisory capacity.

## Market Supervision Review

Promoting market integrity through an ongoing role as market supervisor is fundamental to our future. To ensure our supervision continues to improve and preserve market integrity, we have commenced a review of Market Supervision. The review will add resources to strengthen our supervisory activities, streamline internal structures to improve decision making, and attune the Division to be more responsive to market needs. A Regulatory Policy unit has also been created to improve our analysis of regulatory issues. This will ensure new products are brought to market more quickly and with the support of the best possible supervisory infrastructure. We will consult with all relevant stakeholders and anticipate that the review will be completed this calendar year.



"The thoroughness of our market supervision is critical in maintaining fair, orderly and transparent markets."

## Our people should see a clear strategy...

## ...and what it means for them.

Building a great business means developing great people and creating a great work place – one where our people feel inspired and engaged. Our people are diverse and talented, take pride in their success and derive a sense of achievement from their work. While our restructure and profit and loss drivers review has resulted in changes to our workplace, our ongoing challenge is to stay focused on our people and implement the necessary initiatives to enable them to grow.

# People and Development

**Geraldine Chin, General Manager People and Development**
Our people are critical to our success. Fostering an environment of initiative, inspiration and integrity is imperative to promoting confidence in our markets, delivering on our customers' expectations and doing this with utmost dependability. Over the past year, our people have experienced new challenges alongside the review and restructure, but throughout they have remained focused on our business.

The People and Development Division supports our business by recruiting, rewarding, motivating and developing our people. We do this through a program of career workshops, training curricula, performance assessments and, in the past year, by implementing a number of initiatives that are in keeping with our core values.

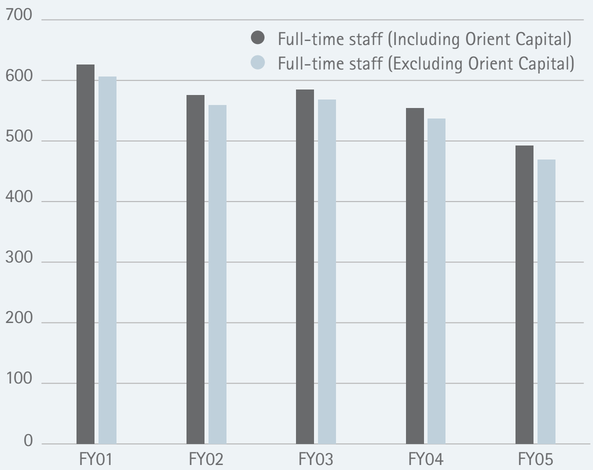
Over the last year, the People and Development Division provided support to the Group Executive Committee in its strategic review. A key contribution by the Division was supporting the restructure and redeployment of staff throughout the business, involving internal recruitment of the best candidates for newly created roles. Throughout this process, our people were provided with support through career and change-management workshops. Those who were unsuccessful in obtaining positions in the new structure were provided with comprehensive outplacement support.

A range of new initiatives has also been introduced. A program of regular staff briefings and two-way communication between staff and the Group Executive Committee is focused on engaging our people and fostering a commitment to teamwork. In addition, an enhanced individual performance assessment system that identifies areas for training and measures contributions that help us achieve our strategic outcomes was developed recently. As part of this process, we are introducing a new remuneration system that – by reference to our scorecard – will more closely align remuneration with the diverse goals of the organisation.

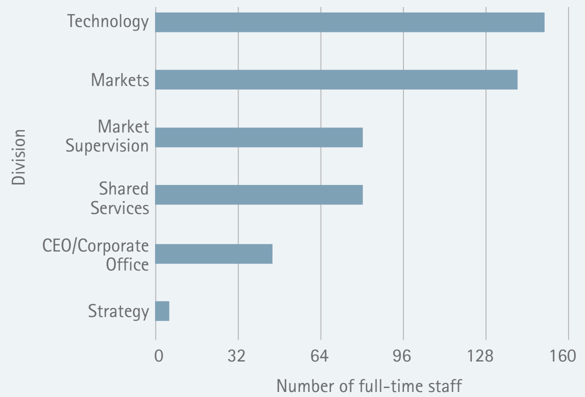
Our training programs in 2004/05 were directed towards leadership training and staff development. Career development workshops were run by an external provider for all staff to assist them in applying for roles newly created after the strategic review. Our people have extended their capabilities by participating in our in-house curriculum training programs, which included customer service, presentation skills development and change management. We also provided training on accredited recruitment techniques to ensure our managers are equipped with the necessary skills to recruit the best people.

Workshops on setting goals and career development plans will be a key feature over the next financial year. Our people will also benefit from additional support for career growth opportunities and personal development, through initiatives such as career planning tools and mentoring.

We have become more efficient as the business has evolved




While technology remains critical, our skills are spread across the organisation




Includes permanent and staff, staff on maternity leave, contractors and temporary staff and staff engaged on capitalised projects as at 30 June 2005.

**Management and leadership**
We continue to provide tailored leadership programs to build leadership capabilities in house and provide a platform for our people to grow their careers. Our leadership programs are conducted at three organisational levels: the Emerging Leaders Program, the Management Development Program for middle level managers and the Senior Management Program for those at General Manager level.

**Promoting diversity**
ASX is an equal opportunity employer and was commended by the Equal Opportunity for Women in the Workplace Agency for our commitment to equal opportunity. Our commitment towards the health, safety and welfare at work of all our people and visitors is paramount.

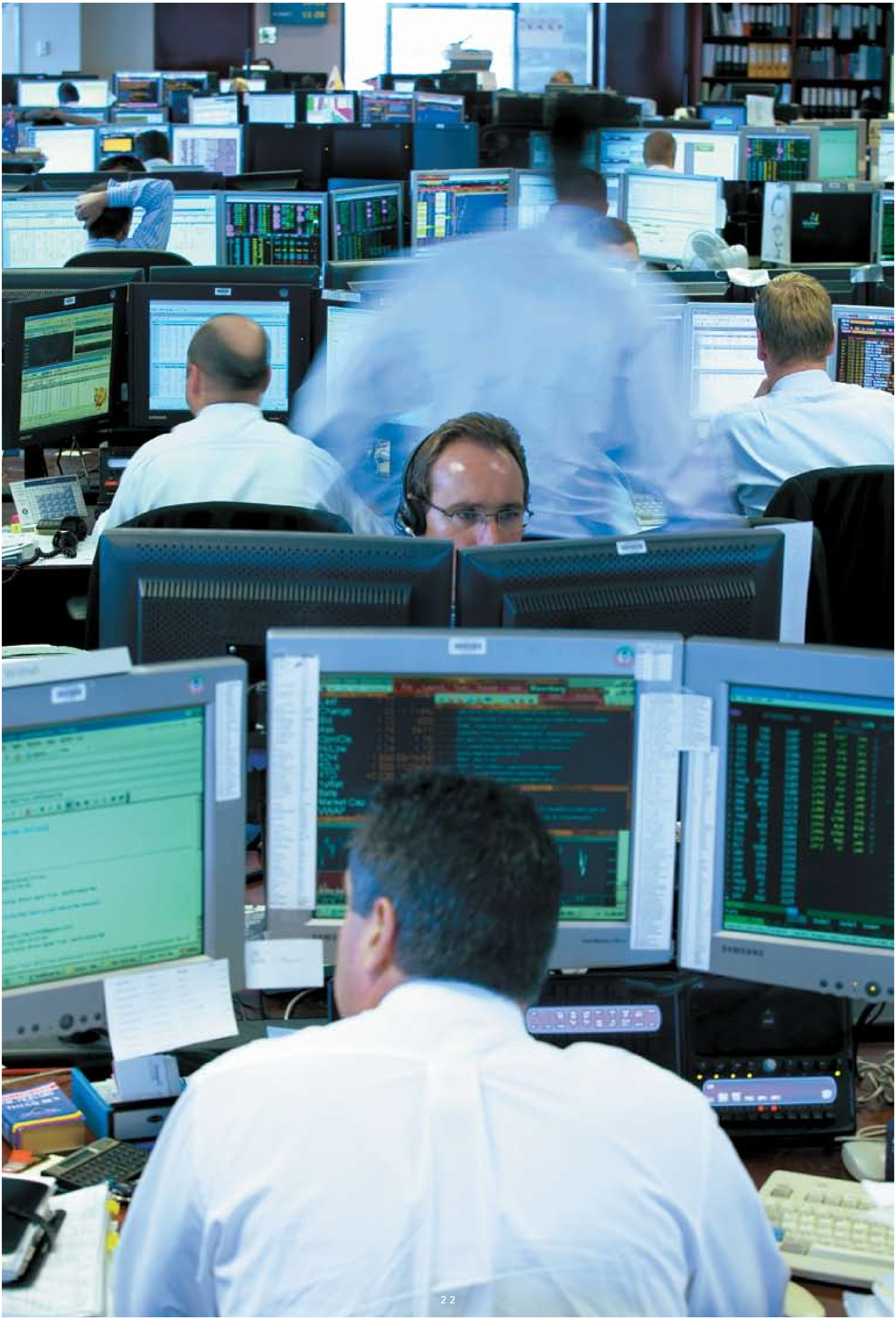
**Valuing our people**
Our goal of aligning individual with corporate performance will be achieved by:

- A performance assessment system that sets career development goals, identifies areas for training, and measures contributions in achieving strategic outcomes;
- Remuneration that is more closely aligned to performance, and includes short-term and in some cases long-term incentives;
- Opportunities for career growth and progression through different areas of ASX;
- Greater empowerment and responsibility in day-to-day work.

## Focusing on our People

Our staff climate survey, conducted in March 2005, was the first time since 1996 that a "snapshot" was taken that comprehensively captured the staff experience. The survey demonstrated that our people continue to enjoy their daily work experiences in an environment where people have a sense of achievement in their work and enjoy working with their immediate manager. However, the survey found we could improve staff engagement; building higher levels of engagement has become an immediate priority. The survey's results offered insight into ways in which we can best convey our strategy to staff. We will use the results of the climate survey to develop an ongoing, annually reviewed strategy of focusing on our people, and building a platform for them to uphold our values, shape their careers with us and further develop our business. Our aim is to foster a culture of performance, where reward is aligned with success, where achievement is recorded and milestones are celebrated.

"Building higher levels of engagement has become an immediate priority."



Exchanges need to rethink their technology platforms...

...in the way we did in 1987 – and as we are doing again today.

The Technology Division brings reliability and efficiency to our customers by providing and maintaining the computer systems and networks that support our capital markets. Efficient and effective electronic platforms – that enable efficient price discovery, match bids and offers, and settle transactions among participants – are the cornerstones to the continued success of our market.

# Technology Division

### Jeff Olsson, Group Executive Technology

ASX has the paramount task of ensuring the reliable and efficient operation of a crucial part of Australia's capital markets. But maintaining high standards of performance is never enough. Our challenge is to innovate and continually improve so that our customers can continue to execute their transactions and deliver new services.

ASX has won world-wide respect for its technological innovation. New systems in the late 1980s allowed us to replace chalkboards with computer screens and "open outcry" with keystrokes, as six city-based exchanges combined into a single national pool of liquidity. The innovations of our in-house trading platform, SEATS, and our clearing and settlement system, CHESS, have continued to evolve, helping build the Australian markets to their current high volumes and efficiency. But with daily trading volumes now routinely exceeding 100,000, the need for leading-edge technology is as relevant as ever.

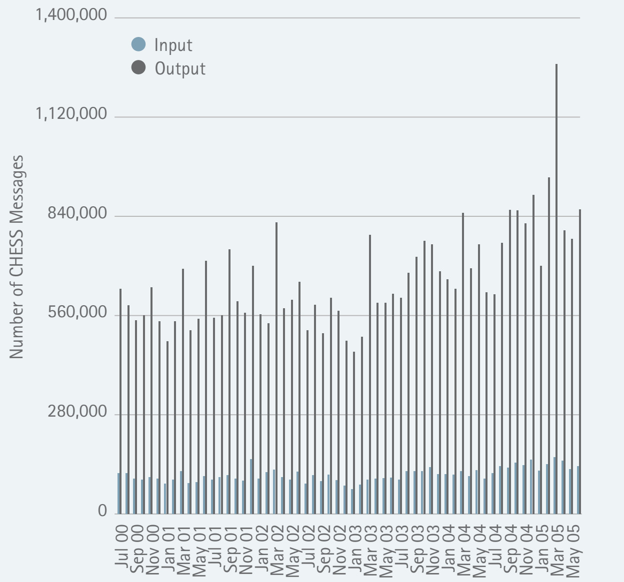
The Technology Division supports our customers by providing and maintaining electronic platforms that promote efficient price discovery and enable reliable settlement of transactions among participants. These are supported by systems that transmit company announcements, undertake surveillance of the markets, network the brokers, and deliver accurate and up-to-date information to the investing public. Business demands drive technology at ASX. The Technology Division works closely with our Markets Division to retain a customer focus at every stage of new business development. We achieve this by consulting regularly about infrastructure upgrades and phasing technology roll-outs – and by making sure our systems always have more than the necessary capacity to meet market demands.

We set a high benchmark for the service level we provide to our customers – 99.8% systems availability – and our systems continue to meet that standard. Through 2004/05 all of our critical systems exceeded this benchmark, achieving a perfect record of availability.

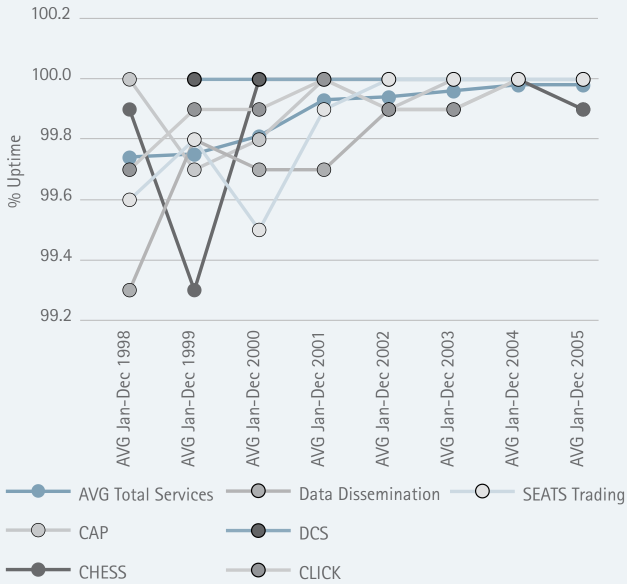
The Division is also responsible for maintaining world-class security of the ASX technology environment, through appropriate standards and processes for applications and constant vigilance against system intrusion.

The Division improves internal efficiency by supporting a technologically advanced work place: a desktop environment supported by a professionally staffed helpdesk provides the assurance that all systems are secure and up to date.

**We continue to process significant volumes of market-generated data**




**Our systems availability continues to meet high standards**




**Capacity upgrades**
Last year we improved our systems infrastructure by upgrading the bandwidth of our trading networks to allow for increased transaction volumes, accelerating our market information signal feeds, and increasing storage capacity for company announcements.

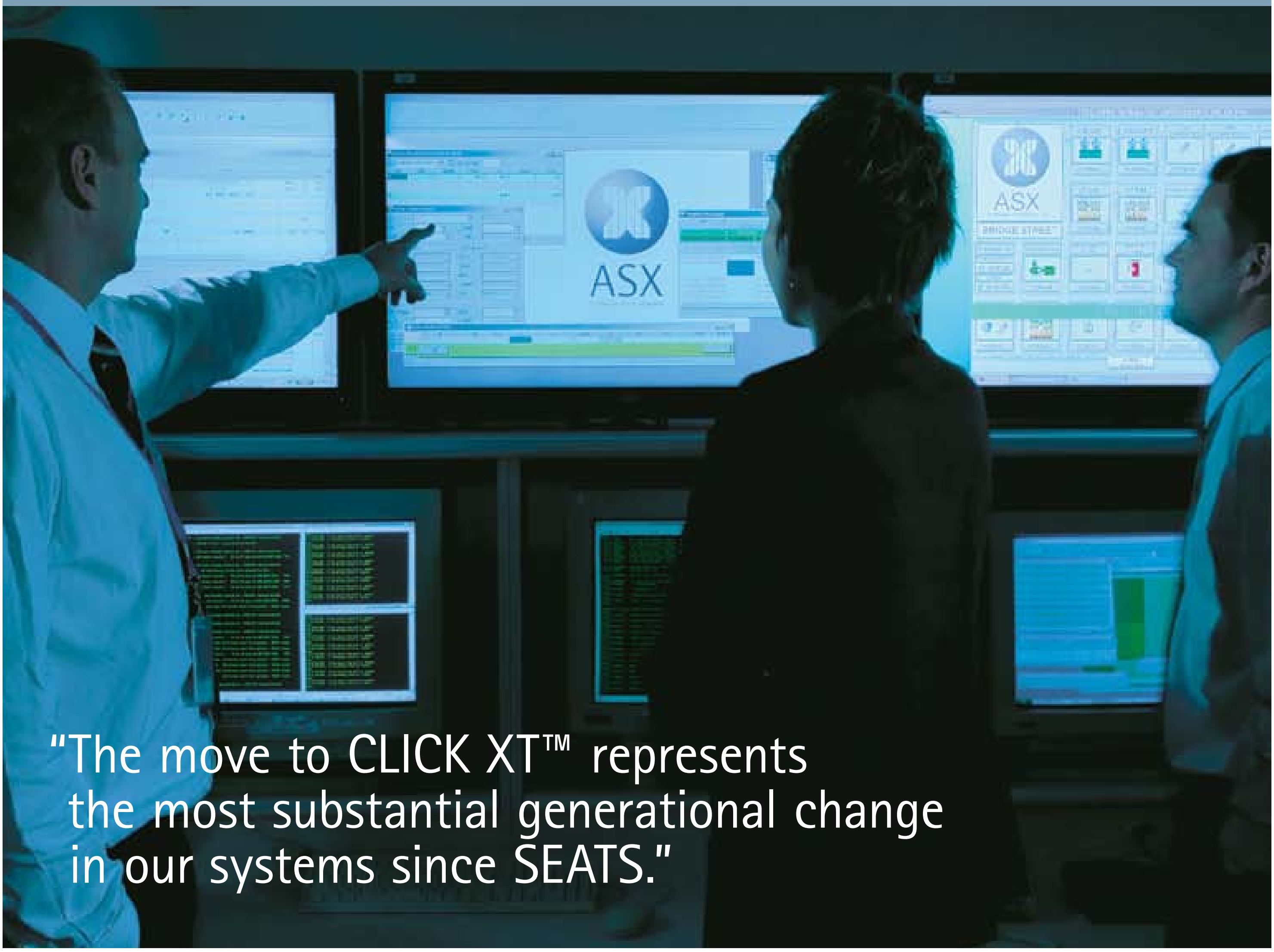
In addition, over 600 new broker gateways, featuring higher-end processors and memory, were rolled out to reduce the risk of performance-related systems issues.

**asx.com.au**
Traffic on the ASX website asx.com.au increased steadily through 2004/05, with the site now averaging around two million page impressions per day, making it one of the most popular Australian financial websites. In April 2005, the site was redesigned to improve speed and navigation without compromising the quality and reliability of content.

**Company announcements**
The Company Announcements Platform (CAP) represents the single most important source of company information and allows all investors to access announcements at the same time. We will further improve the integrity of company disclosures by developing more efficient work-flow and document management processes via straight-through-processing of announcements.

## An Integrated Trading Platform for a New Generation

ASX has been at the forefront of exchanges by delivering high-quality, innovative technology solutions that align with the interests and initiatives of our customers. We find ourselves in that position again with the rollout of one of the first integrated (equities + derivatives) trading platforms in the world. The move to CLICK XT™ represents the most substantial generational change in our systems since the "open outcry" system was made obsolete by SEATS in 1987. Developed by OMX Technology AB, CLICK XT will integrate onto a single platform the entire suite of ASX-traded products: equities, warrants and interest rate securities (currently traded on SEATS) and equity options, index options, index futures and commodity futures (currently traded on OMX's CLICK system). This will provide customers with improved functionality and new trading opportunities, such as contingent trading across equities and derivatives. The project is well underway, with migration of products to the new platform taking place progressively for project completion during 2006.




"The move to CLICK XT™ represents the most substantial generational change in our systems since SEATS."

## Scale does matter in our business…

## …but having the focus and ability to grow what we've got matters more.

We always need to shape ourselves to operate with the maximum efficiency, applying responsible cost control and strategic discipline across all facets of the business. All efforts should be directed to using resources to produce maximum value for the business – and, ultimately, the shareholders.

At heart that means getting the best people and technology, working together in the right environment, to realise the company strategy. This will allow ASX to capitalise on the many opportunities for growth now before us.

# Shared Services Division

**John Hayes, Chief Financial Officer, Group Executive Shared Services**
Shared Services Division reflects our evolution to a modern commercial business. When ASX was a mutual, dedicated to a support role for its member stockbrokers, the discipline of operating as a listed entity was a distant proposition. Today, we bring shareholders' interests to the fore: it is their equity at risk, their anticipated returns which must be delivered on and their business which must be supported and advanced, but always within the context of a market of integrity.

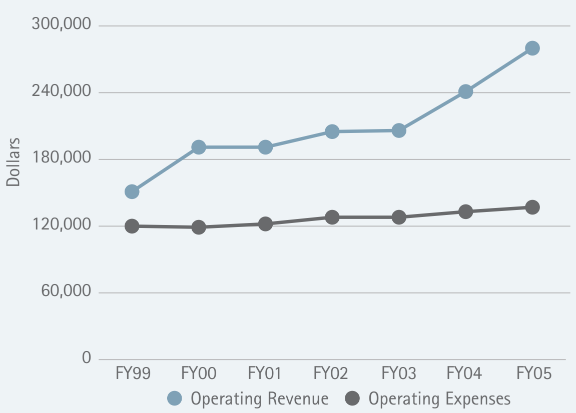
Shared Services Division seeks to optimise the management of our financial resources, to oversee risk management programs and to provide quality legal and administrative support to our business. We do this through "business as usual" activities, as well as new activities and initiatives, through cost-effective provision of services including financial control, management information, legal advice, risk management, internal audit, efficient administration and management of premises.

Performance in the 2005 financial year was very strong, with a significant commitment to further improvement made for the following years. Cost saving initiatives were implemented, including reducing staff and premises costs which will help maintain a cost-to-income ratio below 50% in future years.

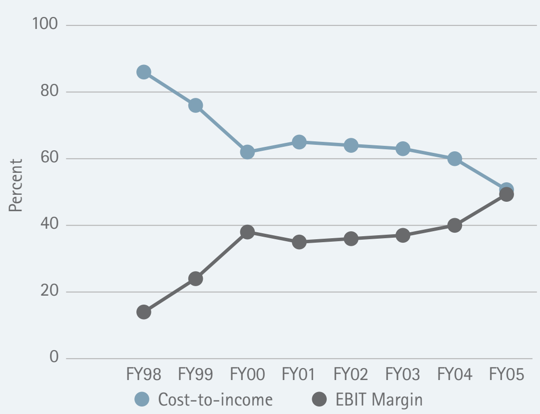
During the year, $10.2 million was spent on capital expenditure (capex). This included this years expenditure on the CLICK XT integrated trading platform. The total capex amount is within our annual target of between $10 million and $15 million including some projects. We believe this level is sustainable, though new investment will continue to be needed as market volumes grow over time. Our levels of depreciation and amortisation continue to trend downwards. An effect of the introduction of Australian International Financial Reporting Standards (AIFRS) is that we are no longer required to amortise goodwill as an expense. Instead, amortisation will be replaced by an impairment test which only results in an expense if the value of an asset were to decrease in any year.

We have undertaken a comprehensive review of our security arrangements and Business Continuity Planning, in keeping with the need to ensure our people, customers and systems are able to operate in a safe and dependable environment. From an operational perspective, all prudent measures have been adopted to maximise the ability of the business to continue in the event of a crisis. Our safeguards include the maintenance of off-site back-up facilities, standby trader workstations for our market participants and other related contingency measures. We also maintain regular, close liaison with the appropriate authorities.

Rigorous cost control has improved our operating leverage




Our cost-to-income ratio fell below 50% in FY05




**Strengthening our Clearing House**
The National Guarantee Fund (NGF) split is complete, resulting in a payment to the Australian Clearing House (ACH) of $71.5 million. The conditions attached to this payment require that they must only be used to meet clearing and settlement claims and consequently will not be available to distribute to shareholders.

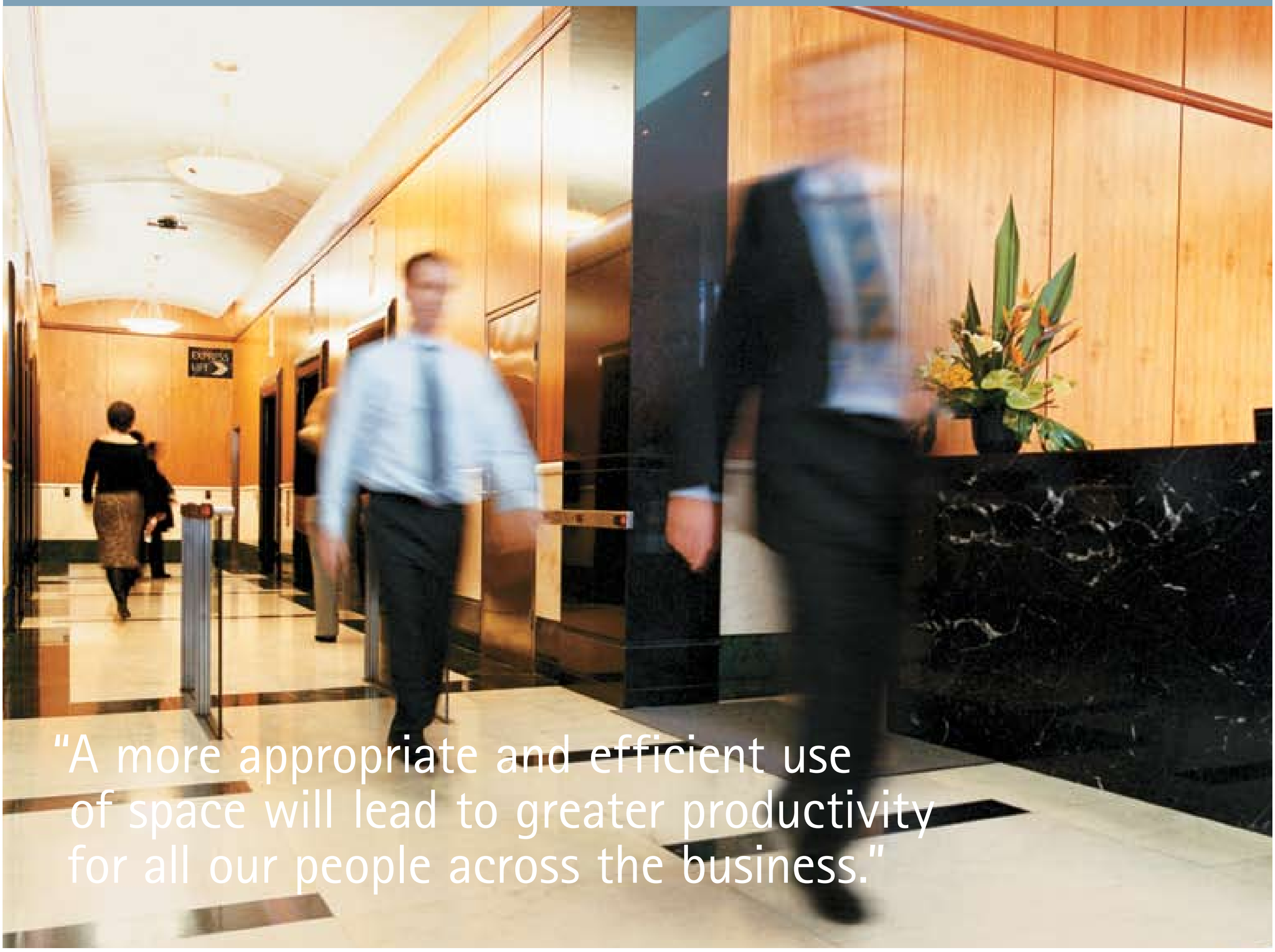
Together with $38.5 million capital allocated by ASX, ACH is now resourced to cover its obligations as the central counterparty to all market trades, in line with the Reserve Bank of Australia's systemic stability standard. This was a necessary restructure that resulted in clear, enduring benefits for investors and participants in our markets, as well as for the ASX Group.

**Risk management**
During the year we undertook a comprehensive review of all business divisions' exposure to risk and the management procedures of these risks. This review was implemented to ensure that risk accountability and responsibilities were transferred smoothly during the restructure of our business.

**Capital management**
Our policy of active capital management commits us to return capital to shareholders where the amount of capital we hold is above our operational needs. As a result, we increased our dividend payout to 90% of normal earnings. The remaining amounts of capital provide us with the necessary support for operational risk, the introduction of AIFRS and for the potential future growth of the ACH.

# Occupancy

As part of our drive to reduce costs while making ASX a better place to work, we have launched a national review of all our premises. Due to the substantial efficiencies gained since demutualisation in 1998, and "legacy" issues related to our earlier functions, our premises are not at present put to their best use. This, combined with the fluctuations of the commercial property market, resulted in an increase in occupancy costs in 2004/05. This review will address overall occupancy costs, while also producing a significant improvement to working conditions. A more appropriate, efficient use of space and resources will improve productivity for all our people across the business. Occupancy is a complex issue, particularly for ASX. Unlike most of our peer exchanges offshore, we operate a national market, and are committed to retaining a network of offices in all state capital cities. Being close to our customers is important to us and to them. ASX is a modern, progressive, vibrant organisation, and to continue to attract and retain the best people, our environment should reflect that.



"A more appropriate and efficient use of space will lead to greater productivity for all our people across the business."

# Corporate Responsibility

Seeking to be a leader in corporate responsibility, ASX serves the wider Australian community through staff payroll giving, corporate partnerships and an active program of investor education.

## Investor Education

With the goal of promoting confident investor participation in the Australian share market, stock exchanges in the capital cities pioneered investor education in the 1970s, introducing a range of seminars, classes and an early version of the share market game for secondary students.

As financial markets have grown in size and complexity, they have also grown in importance for many Australians who are building their wealth and planning to self-fund their retirement. More Australians than ever – 55 % of the adult population or eight million people – now own shares. The task of promoting the confident participation of these investors remains vital.

Today, we continue to service investors with a range of 10 online education classes and related publications. Students at more than half the secondary schools in Australia participate in our web-based share market game. Lunchtime seminars – "Investor Hours" – offer investors access to speakers on current investment topics.

The Australian Government's recent initiative to create the Financial Literacy Foundation provides an opportunity for us to align our education programs more closely with the wider financial literacy initiatives.

## ASX in the Community

Our flagship program is a payroll giving scheme, allowing our people to contribute to a range of community groups via pre-tax payroll deductions. Since 1 July 2004, we have been matching staff gifts on a dollar-for-dollar basis.

These donations helped Inspire Foundation establish beanbag net centres (community centres providing internet access for young people without access to computers) and Landcare Australia to regenerate habitat of the endangered Regent Honeyeater in central NSW. We also supported The Smith Family's "Learning for Life", and The Salvation Army's "Red Shield" appeal. Other projects undertaken by the Garvan Institute, Taronga Zoo and The Malcolm Sargent Cancer Fund for Children also received our support.

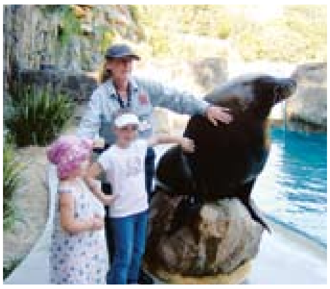
Our people also contributed generously to relief efforts following the Boxing Day tsunami disaster, gifts that were matched by the company.

Our upgrade of broker gateway computers also created an opportunity to give non-cash support to the community. We distributed 75 personal computers to various groups, including Technical Aid for the Disabled.

The ASX-Reuters Charity Foundation successfully organised its 19th annual Financial Markets charity golf day and dinner, raising more than $700,000 for 16 community groups.

A national staff committee manages "ASX in the Community" programs, with a budget approved by the Board and within guidelines endorsed by Group Executives.

Whether by encouraging secondary students to learn about the market or by supporting community groups through matched staff giving, ASX seeks to be a leader in corporate responsibility.








# Group Executive Committee

In addition to the Managing Director and CEO, Tony D'Aloisio, the Group Executive Committee consists of the following executives.

## Geraldine Chin
## General Manager People and Development

Geraldine has chief responsibility for staff resourcing and development and all staff occupational health and safety issues. Prior to working with ASX, Geraldine worked as a strategic adviser and manager of the CEO's office at Mallesons Stephen Jaques. Geraldine was involved in projects reviewing gender and generational issues, flexible working policies, and career development programs. Geraldine has a Bachelor of Laws (University Medal) and a Bachelor of Science and was awarded a Fulbright Scholarship and Frank Knox Fellowship to study a Masters of Law at Harvard Law School.

## John Hayes
## Chief Financial Officer and Group Executive Shared Services

John is responsible for the overall financial management of ASX and for providing financial and legal advice, risk management, investor relations and administration. He joined ASX in 1998 from his former position as vice-president banking & financial services research with Bankers Trust Australia Limited. John has 42 years experience in financial services, principally banking and funds management. His positions included chief financial officer of Advance Bank Australia Limited.

## Christine Jones
## Group General Counsel and Company Secretary

Christine Jones was appointed as Company Secretary on 1 June 2005. Christine is a solicitor, admitted to practice in 1985. Following experience in government and private practice, Christine has been employed by the ASX Group since 1990 and held positions including advising on the legal and regulatory framework for CHESS, Manager and Company Secretary of the Securities Exchanges Guarantee Corporation, Manager of the Market Law and Policy Group and, most recently, General Counsel of ASX.

## Eric Mayne
## Group Executive Market Supervision

Eric is responsible for ASX's supervision of the market, including company disclosure, market surveillance, participant conduct, and compliance with ASX's rules. He also chairs the ASX Corporate Governance Council. Eric joined ASX in May 2005 after 35 years experience in government revenue regulation and law, most recently as the National Managing Partner of Mallesons Stephen Jaques. He has a Bachelor of Laws (Hons) and Graduate Diploma of Business (Accounting), and is a member of the Board of Taxation.

## Jeff Olsson
## Group Executive Technology

Jeff is responsible for all aspects of the Technology Division, including development, operation and strategy. He joined ASX in 1997 from his position as Vice President, Information Systems with Bankers Trust Australia Limited. Jeff has more then 25 years experience in the technology industry, including diverse roles within manufacturing (BHP), public utilities (ELCOM) and the financial industry, with Bankers Trust.

## Angus Richards
## Group Executive Strategy

Angus Richards' experience in the securities industry spans some 35 years, initially in the role of a consultant on various market infrastructure development initiatives for the Sydney Stock Exchange and ASX, and from the early 1990s in an executive role with ASX. Previous executive roles at ASX include Deputy Managing Director – Markets and Settlement, Deputy Managing Director – Market Operations, and Managing Director – ASX Settlement & Transfer Corporation Pty Limited (ASTC).

## Colin Scully
## Deputy CEO and Group Executive Markets

Colin has responsibility for ASX's total service delivery to customers encompassing listings, equities and derivatives trading, equities and derivatives clearing/settlement, market information, market operations and risk management. Since joining the then Sydney Stock Exchange as a systems analyst in 1979, Colin has held management positions, in two separate terms at the exchange, across most areas of exchange activity. These included Director, Derivatives Division; Executive General Manager, Market Services Division; and between November 2001 and June 2004, Chief Operating Officer.

# Corporate Governance Statement 2004/05

ASX has again reviewed its policies and practices against the "Principles of Good Corporate Governance and Best Practice Recommendations" published by the ASX Corporate Governance Council. In general, these policies have not changed from those outlined in last year's annual report, though further refinements continue to be made. Once again ASX has adopted all 28 recommendations set out in the Guidelines.

This year, the Corporate Governance Statement is provided in tabular format to relate the response of the ASX Board clearly to each specific recommendation. The table also lists the relevant codes, policies or charters that underpin Corporate Governance practices at ASX. All these documents are available for inspection in the ASX Shareholders section of the website, www.asx.com.au

| Principle 1 | Lay solid foundations for management and oversight<br>*Recognise and publish the respective roles and responsibilities of board and management* | Reference Material |
|---|---|---|
| **Recommendation 1.1** | **Formalise and disclose the functions reserved to the Board and those delegated to management.** | |
| ASX Board Response | The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the Managing Director and those specific to the Chairman. | Board Charter |
| Principle 2 | Structure the Board to add value<br>*Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties* | |
| **Recommendation 2.1** | **A majority of the Board should be independent directors.** | |
| ASX Board Response | The Board's policy is that a majority of its directors must be independent. All the currently serving non-executive directors are independent.<br>Further discussion is provided at the end of this statement. | Definition of Independence incorporated in Board Charter |
| **Recommendation 2.2** | **The chairperson should be an independent director.** | |
| ASX Board Response | The Chairman is an independent director. | Board Charter |
| **Recommendation 2.3** | **The roles of chairperson and chief executive officer should not be exercised by the same individual.** | |
| ASX Board Response | In line with the Board Charter, the roles of Chairman and Managing Director are separated. Board policy is that the Managing Director may not become Chairman. | Board Charter |
| **Recommendation 2.4** | **The Board should establish a nomination committee.** | |
| ASX Board Response | The Board has established a Nomination and Remuneration Committee. The committee's charter sets out its roles, responsibilities and membership requirements. | Nomination and Remuneration Committee Charter |
| **Recommendation 2.5** | **Provide the information set out in Guide to reporting on Principle 2:** | |
| | • The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report. | |
| ASX Board Response | All directors have an understanding of financial markets. The Board considers the directors' diverse range of skills and experience is appropriate to discharge its responsibilities and duties. Further information is provided on pages 40 to 41 of this Annual Report. | Director Biographies – pages 40 to 41 of this Annual Report |
| | • The names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds. | |
| ASX Board Response | All non-executive directors are independent. The names of these are provided on pages 40 to 41 of this Annual report.<br>The Company's materiality thresholds are discussed on pages 38 and 39 of this Annual Report. | • Director Biographies – pages 40 to 41 of this Annual Report<br>• Board Charter |

| | | |
|---|---|---|
| | • A statement as to whether there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the company. | |
| ASX Board Response | ASX directors may seek external professional advice at the expense of the company on matters relating to their role as directors of ASX. However, they must first request approval from the Chairman or Vice-Chairman; this must not unreasonably be withheld. If permission is withheld, the matter may be referred to the whole Board. | Deed of Indemnity, Access and Insurance of Directors – this document is not publicly available |
| | • The term of office held by each director in office at the date of the annual report. | |
| ASX Board Response | This information is provided on pages 40 to 41 of this Annual Report. | Director Biographies – pages 40 to 41 of this Annual Report |
| | • The names of members of the nomination committee and their attendance at meetings of the committee. | |
| ASX Board Response | This information is provided on pages 39 and 40 to 41 of this Annual Report. | • Director Biographies – pages 40 to 41 of this Annual Report<br>• Attendance Table – page 39 of this Annual Report |
| | • Description of the procedure for the selection and appointment of directors. | |
| ASX Board Response | Board succession planning is an important part of the governance process. The Board has implemented a succession plan which will ensure the progressive and orderly renewal of Board membership. The appointment and removal of directors is governed by the ASX constitution, and the Selection and Appointment of Non-Executive Directors policy sets out the procedures followed when considering the appointment of new directors.<br>During the financial year, Russell Aboud was appointed to the Board and he took office on 1 July 2005. In accordance with ASX's constitution and the Corporations Act, shareholders will be asked to elect Mr Aboud at ASX's 2005 Annual General Meeting. Further details are outlined in the Notice of Meeting. | • Appointment and Selection of Non-Executive Directors<br>• Notice of Meeting for 2005 AGM |
| **Principle 3** | **Promote ethical and responsible decision making**<br>*Actively promote timely ethical and responsible decision making* | |
| **Recommendation 3.1** | **Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:**<br>**3.1.1 The practices necessary to maintain confidence in the company's integrity.**<br>**3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.** | |
| ASX Board Response | The company's Code of Ethics and Conduct promotes ethical and responsible decision making by directors and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with ASX. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the company. | Code of Ethics and Conduct |

# Corporate Governance Statement 2004/05 (continued)

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| **Recommendation 3.2** | **Disclose the policy concerning trading in company securities by directors, officers and employees.** | |
| ASX Board Response | The Dealing Rules set the parameters for dealing in the securities of ASX by ASX directors, and employees, and prohibit insider trading. During the year, the Board reviewed the Dealing Rules to permit dealing in ASX securities within certain trading "windows", as opposed to the previous policy which prevented dealing in certain "black out" periods. ASX also has dealing policies that apply to employees who may encounter confidential price-sensitive information relating to financial products traded on ASX's markets in the course of their employment. | Dealing Rules for Directors and Employees |
| **Recommendation 3.3** | **Provide the information indicated in Guide to reporting on Principle 3.** | |
| ASX Board Response | Ethical and responsible decision making is further promoted by the following policies.<br>The "Whistleblowing" policy is designed to support and protect employees who report non-compliant, suspicious or unethical conduct by other employees. The policy formalises ASX's commitment to protect the confidentiality and position of employees wishing to raise serious matters that affect the integrity of the ASX Group.<br>The Corporations Act requires that ASX has adequate arrangements for handling conflicts between its commercial interests and its obligations as a market licensee and licensee of clearing and settlement facilities. The Commercial and Supervisory Conflict of Interest Policy provides guidelines for the conduct expected of ASX Group employees in this regard. There are also specific codes and procedures that apply to employees who work in the Market Supervision Division of ASX. | • Whistleblowing Policy – this document is not publicly available<br>• Commercial and Supervisory Conflict of Interest Policy |
| Principle 4 | Safeguard integrity in financial reporting<br>*Have a structure to independently verify and safeguard the integrity of the company's financial reporting.* | |
| **Recommendation 4.1** | **Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.** | |
| ASX Board Response | The Chief Executive Officer and Chief Financial Officer provide such letters of assurance to the Board for each half-year and full-year result. | Audit and Risk Committee Charter |
| **Recommendation 4.2** | **The Board should establish an audit committee.** | |
| ASX Board Response | The Board has established an Audit and Risk Committee. | Audit and Risk Committee Charter |
| **Recommendation 4.3** | **Structure the audit committee so that it consists of:**<br>**• only non-executive directors;**<br>**• a majority of independent directors;**<br>**• an independent chairperson, who is not chairperson of the Board;**<br>**• at least three members.** | |
| ASX Board Response | All four members of the Audit and Risk Committee are independent and the Chairman of the committee is not the Chairman of the Board. | Audit and Risk Committee Charter |
| **Recommendation 4.4** | **The audit committee should have a formal charter.** | |
| ASX Board Response | The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities and composition requirements. | Audit and Risk Committee Charter |
| **Recommendation 4.5** | **Provide the information indicated in Guide to reporting on Principle 4:** | |
| | • Details of the names and qualifications of those appointed to the audit committee.<br>• The number of meetings of the audit committee and names of the attendees. | |
| ASX Board Response | This information is provided on pages 39 to 41 of this Annual Report. | • Director Biographies – pages 40 to 41 of this Annual Report<br>• Attendance Table – page 39 of this Annual Report. |

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|---|---|---|
| | • Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. | |
| ASX Board Response | The external auditor, KPMG, under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. The committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter. No director has any association, past or present, with ASX's external auditor. | Audit and Risk Committee Charter |
| Principle 5 | Make timely and balanced disclosure<br>*Promote timely and balanced disclosure of all material matters concerning the company* | |
| Recommendation 5.1 | **Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.** | |
| ASX Board Response | Responsibility for supervision of ASX's compliance with continuous disclosure lies with ASIC. The Listing Rule 3.1 Compliance Policy and Rules sets out the authority for disclosure approval, "awareness" and materiality of information or events, and the obligation to report these matters to designated notification officers. | Listing Rule 3.1 Compliance Policy and Rules |
| Recommendation 5.2 | **Provide the information indicated in Guide to reporting on Principle 5.** | |
| ASX Board Response | There is no further information to be provided. | |
| Principle 6 | Respect the rights of shareholders<br>*Respect the rights of shareholders and facilitate the effective exercise of those rights* | |
| Recommendation 6.1 | **Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.** | |
| ASX Board Response | In line with ASX's Shareholder Communication Policy, ASX aims to communicate clearly and transparently with shareholders and prospective shareholders.<br>ASX's website is a key source of information for ASX's shareholders and prospective shareholders. ASX places all company announcements (including analyst briefing material) on the site immediately following confirmation of their release to the market. Transcripts from analyst briefings are posted on the website. ASX also displays annual and half-year reports to shareholders, speeches and presentations given by the Chairman, Managing Director and management and other useful business indicators, including daily trading volumes.<br>Key announcements and updates can be received by email where shareholders provide their details to ASX or the appointed share registrar. | Shareholder Communications Policy |
| Recommendation 6.2 | **Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.** | |
| ASX Board Response | ASX's external auditor attends all annual general meetings and is available to answer shareholder questions. | • Notice of Meeting for 2005 Annual General Meeting<br>• ASX Shareholder Information Centre on website |
| Principle 7 | Recognise and manage risk<br>*Establish a sound system of risk oversight and management and internal control* | Reference Material |
| Recommendation 7.1 | **The Board or appropriate Board committee should establish policies on risk oversight and management.** | |
| ASX Board Response | Risk is broadly defined as anything that may impede the achievement of effective market operation and ASX's strategic goals. The Audit and Risk Committee has responsibility for reviewing the risk management framework and policies within ASX. Each year the whole Board considers a risk matrix covering all the activities of the ASX Group. | • Audit and Risk Committee Charter<br>• Risk Management Policy |

| | | |
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| **Recommendation 7.2** | **The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:** | |
| | **7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.**<br>**7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.** | |
| ASX Board Response | The Chief Executive Officer and Chief Financial Officer provide such assurance. | |
| **Recommendation 7.3** | **Provide the information indicated in Guide to reporting on Principle 7.** | |
| | Description of the company's risk management policy and internal compliance and control system. | |
| ASX Board Response | ASX's Risk Management Policy is available on the website.<br>Management has engaged PricewaterhouseCoopers to provide internal audit services in conjunction with ASX staff. The internal audit function is independent of the external audit, has full and free access to the Audit and Risk Committee to preserve independence, and also has full and free access to ASX employees and ASX records. The internal auditor reports to the Managing Director. The Audit and Risk Committee also receives reports from the internal auditor. | • Risk Management Policy<br>• Audit and Risk Committee Charter<br>• Internal Audit Charter – not publicly available |
| **Principle 8** | **Encourage enhanced performance**<br>*Fairly review and actively encourage enhanced board and management effectiveness.* | |
| **Recommendation 8.1** | **Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.** | |
| ASX Board Response | The Performance and Evaluation Policy sets out how the performance of the Board, individual directors, Board committees, the Managing Director and key executives is evaluated. The Nomination and Remuneration Committee is responsible for assessing that the framework and the processes used for conducting evaluations are appropriate and then makes recommendations to the Board in relation to the performance of the Managing Director and other key executives.<br>The Board's own performance evaluation for the year to 30 June 2005 will be undertaken with the assistance of an independent external consultant. | • Performance and Evaluation Policy<br>• Remuneration Report – page 51 of this Annual Report |
| **Principle 9** | **Remunerate fairly and responsibly**<br>*Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined* | |
| **Recommendation 9.1** | **Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.** | |
| ASX Board Response | During 2005, a comprehensive review of the performance management and remuneration arrangements for senior executives was conducted. ASX's remuneration policies are discussed in the Remuneration Report.<br>ASX announced the key terms of the Managing Director's contract on 23 April 2004. | • Remuneration Report – page 51 of this Annual Report<br>• Announcement dated 23 April 2004 |
| **Recommendation 9.2** | **The Board should establish a remuneration committee.** | |
| ASX Board Response | The Board has established a Nomination and Remuneration Committee. | • Remuneration Report<br>• Nomination and Remuneration Committee Charter |

| | | |
|---|---|---|
| **Recommendation 9.3** | **Clearly distinguish the structure of non-executive directors' remuneration from that of executives.** | |
| ASX Board Response | This information is provided in the Remuneration Report on page 51 of this Annual Report. | • Remuneration Report – page 51 of this Annual Report |
| **Recommendation 9.4** | **Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.** | |
| ASX Board Response | All equity-based remuneration has been made in accordance with the approvals granted by shareholders at the October 1999 AGM for executives and the September 2004 AGM for the Managing Director. Shareholder approval will be sought at the 2005 AGM for the Managing Director's participation in the long-term incentive plan. Further details are outlined in the Notice of Meeting. | • Remuneration Report – page 51 of this Annual Report<br>• Executive Share Plan Rules<br>• Notice of Meeting for the 2005 AGM |
| **Recommendation 9.5** | **Provide the information indicated in Guide to reporting on Principle 9.** | |
| | • Disclosure of the company's remuneration policies referred to in the best practice recommendation 9.1 and in Box 9.1. | |
| ASX Board Response | Details of ASX's remuneration policies for fixed, short-term and long-term incentives are set out in the Remuneration Report. | • Remuneration Report – page 51 of this Annual Report |
| | • The names of the members of the remuneration committee and their attendance at meetings of the committee. | |
| ASX Board Response | Further information is provided on pages 39 and 40 to 41 of this Annual Report. | • Director Biographies – pages 40 to 41 of this Annual Report<br>• Attendance Table – page 39 of this Annual Report |
| | • The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors. | |
| ASX Board Response | The Board decided on 26 August 2003 to terminate the directors' retirement scheme. The accrued entitlements have been frozen at that date and will be paid to entitled non-executive directors at the time of their retirement. This information is provided on page 51 of this Annual Report. | • Remuneration Report – page 51 of this Annual Report |
| **Principle 10** | **Recognise the legitimate interest of stakeholders**<br>*Recognise legal and other obligations to all legitimate stakeholders* | |
| **Recommendation 10.1** | **Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.** | |
| ASX Board Response | The ASX Code of Ethics and Conduct, discussed earlier, guides compliance with legal requirements and ethical responsibilities, and also sets a standard for employees and directors dealing with ASX's obligations to external stakeholders. | • Code of Ethics and Conduct<br>• Privacy Policy<br>• ASX in the Community – page 30 of this Annual Report<br>• Investor Education – page 30 of this Annual Report |

# Independence of ASX Directors

After considering its non-executive directors' previous and current relationships with ASX customers, suppliers, consultants and professional advisers, the Board has determined that none of these relationships compromises their independence.

In forming this view, the Board has employed AASB standard 1031, under which a relationship is presumed immaterial when it generates less than 5% of group revenue, and presumed material when it generates more than 10% of group revenue during a 12-month period in the absence of evidence or convincing argument, to the contrary. In considering such evidence or argument the Board takes into account the strategic value and other material but non-quantitative aspects of the relationship in question.

In ASX's diverse customer base – which spans listed companies, data vendors, institutions and brokers – no single customer generates more than 5% of group revenue on an annual basis.

Relationships of non-executive directors are summarised as follows:

| | |
|---|---|
| Maurice Newman, Chairman | Mr Newman has no commercial association with any company listed on ASX or any participating organisation in ASX's markets. His prior relationships with a participating organisation ended more than three years ago. |
| Michael Shepherd, Vice Chairman | Mr Shepherd is a member of the UBS Global Asset Management (Australia) Limited (as p.40) Responsible Entity Compliance Committee. UBS Global Asset Management (Australia) Limited (as p.40) provides arm's length investment management services to Securities Exchanges Guarantee Corporation (a company which manages the National Guarantee Fund for investor protection) and is part of the same global group as UBS Securities Australia Limited and UBS Private Clients Australia Limited, both participants in ASX's market. Mr Shepherd has no executive responsibility in this role and in any event none of these UBS entities is a material customer or supplier of ASX. |
| Russell Aboud | Mr Aboud is the non-executive chairman and shareholder of Ord Minnett Limited and a senior advisor of J P Morgan Limited, both participating organisations. Both of these organisations are not material customers of ASX. Mr Aboud was also formerly associated with the UBS Group, part of the same global group as UBS Securities Australia Limited and UBS Private Clients Australia Limited, both participants in ASX's market. Neither of these entities is a material customer or supplier of ASX. Mr Aboud retired from an executive capacity in 2003. |
| James Kennedy | Mr Kennedy is a non-executive director of three other listed entities: GWA International Ltd, Qantas Airways Limited (as p.40) and Suncorp Metway Limited (as p.40). None of these companies is a material customer of ASX. |
| Jillian Segal | Ms Segal is a director of National Australia Bank Limited (NAB). NAB provides arm's length banking facilities to ASX on normal commercial terms and is a listed company. NAB is not a material supplier or customer of ASX. During a portion of the financial year, Ms Segal was a member of the PricewaterhouseCoopers (PwC) Audit Oversight Board, a board of persons external to PwC set up to assess and report on PwC's systems for monitoring independence and quality control in respect of PwC's audit of publicly listed companies in Australia. PwC provides internal audit services for ASX and has also provided actuarial consulting services to the ASX Group on clearing risk management arrangements. PwC is not a material supplier of services to ASX nor is ASX a material customer to PwC. Ms Segal resigned from the PwC Audit Oversight Board in October 2004. Ms Segal's role with PwC was not one which involved her in the operations of PwC. |
| Michael Sharpe | Mr Sharpe is a non-executive director of Babcock and Brown Limited, a listed company which is not a material customer of ASX. Mr Sharpe was a former partner with Coopers & Lybrand, retiring in 1998. Coopers & Lybrand was one of the entities which eventually merged to become PricewaterhouseCoopers. He receives secretarial support and access to an office as part of his retirement benefit negotiated prior to his retirement from Coopers & Lybrand, but is not involved in the operations of PwC. |

| | |
|---|---|
| Trevor Rowe | Mr Rowe is Chairman, Investment Banking at Citigroup Global Markets – an entity which is part of the same global group as Citigroup Wealth Advisors Australia Pty Ltd, a participant in ASX's market. Citigroup Wealth Advisors Australia Pty Ltd is not a material customer of ASX. Mr Rowe is also the non-executive Chairman of United Group Limited, a listed entity which is not a material customer or supplier of ASX. |
| Catherine Walter | Mrs Walter is a non-executive director on the boards of two other listed entities: Orica Limited and Australian Foundation Investment Company. Neither is a material customer of ASX. Mrs Walter is also a member of the Financial Reporting Council (FRC) which subleases office space from ASX in the ordinary course of business. The FRC is not a material customer of ASX. |

For the purpose of assessing the materiality of relationships between a non-executive director and ASX (other than as a director), the threshold is set according to the significance of that relationship to the director in the context of their activities as a whole. No director has a relationship considered significant enough to compromise their independence on the ASX Board.

Given the nature of ASX's business which involves, primarily, operating Australia's main equities market, longstanding involvement and experience in our capital markets is highly desirable to bring the skills, experience and judgement required for effective decision making, including the ability to manage the cyclical nature of our markets. Hence, a number of directors have been on the Board since listing and were directors of the mutual prior to listing. The Board considers that these directors continue to exercise independent judgement in the task of enhancing shareholder value. The Board has not adopted a specific tenure threshold.

Board and Committee membership and ASX director attendance for 1 July 2004 – 30 June 2005

| | ASX Board | | Chairman's Committee | | Nomination and Remuneration Committee | | Audit and Risk Committee | | Market Rules Committee | | ACH | | ASTC | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ML Newman | 11 | 12 | 0 | 1 | 7 | 7 | | | | | | | | |
| RG Humphry[1] | 3 | 3 | 1 | 1 | | | | | | | | | | |
| T D'Aloisio[2] | 9 | 9 | | | | | | | | | 3 | 4 | 2 | 3 |
| JJ Kennedy | 12 | 12 | | | | | | | | | | | | |
| TC Rowe | 11 | 12 | | | | | 5 | 5 | | | | | | |
| JS Segal | 12 | 12 | | | | | 5 | 5 | | | | | | |
| MJ Sharpe | 12 | 12 | 1 | 1 | 6 | 7 | 5 | 5 | | | | | | |
| MH Shepherd | 12 | 12 | 0 | 1 | 6 | 7 | | | 6(4) | 7(4) | 7 | 8 | 6(1) | 6(2) |
| CM Walter | 12 | 12 | | | | | 5 | 5 | | | | | | |

Unshaded column: Meetings attended while a director or member.

Shaded column: Meetings held while a director or member, and required to attend. Numbers in brackets are circular resolutions.

1. Mr Humphry retired from the ASX Board on 10 October 2004. Mr Humphry was appointed to the ACH and ASTC Board effective 1 September 2004. Mr Humphry did not attend any meeting of ACH or ASTC while he was a director of ASX.
2. Mr D'Aloisio was appointed to the ASX Board effective 11 October 2004. Mr D'Aloisio was appointed to the ACH and ASTC Boards effective 6 December 2004.

# Director Biographies

## Maurice L Newman AC

FSIA, FSDIA
Age 67

**Term of office:**
Director since October 1990
Chairman since October 1994

**Independent:** Yes

**External directorships:**
Chancellor of Macquarie University; Director of the Queensland Investment Corporation; Chairman of Tourism New South Wales, Sydney Convention and Visitors Bureau, the Australian Government's Financial Sector Advisory Council; the Taronga Foundation and the Australian Father's Day Council; Co Chairman of Singapore Australia Business Alliance Forum; Adviser to the Marsh Group of Companies; Member of the Business Council of Australia's Chairmen's Panel; Patron of CEDA.

**Skills, experience and expertise:**
Mr Newman brings a wealth of experience to ASX, derived from wide-ranging interests and involvement with an array of corporate, professional and public sector activities. His 40-year career in the financial services industry culminated in his role as Executive Chairman of Deutsche Bank Group in Australia and New Zealand from 1985 to 1999.

**ASX Board Committee membership:**
Chairman of Nomination and Remuneration Committee and Chairman's Committee.

## Tony D'Aloisio

BA(Hons), LLB(Hons)
Age 56

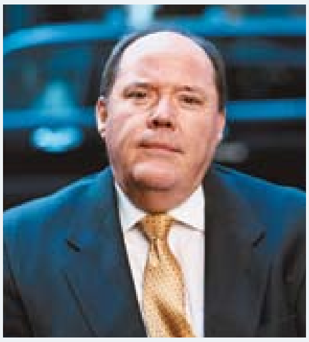
**Term of office:**
Appointed Managing Director and
Chief Executive Officer
11 October 2004

**Independent:** No

**External directorships:**
Director of Australian Charities Fund Pty Limited, Business Council of Australia, ASX Perpetual Registrars Limited; ASX representative for World Federation of Exchanges; former director of Boral Limited (May 2003 to June 2004).

**Skills, experience and expertise:**
Before joining ASX, Mr D'Aloisio held the position of Chief Executive Partner at Mallesons Stephen Jaques from January 1992 to August 2004. Mr D'Aloisio practised as a commercial lawyer at Mallesons until taking up his role as Chief Executive. His principal areas of practice were mergers and acquisitions, taxation and restrictive trade practices and international trade and investment.

**ASX Board Committee membership:**
Member of Chairman's Committee, Director of Australian Clearing House Pty Limited and ASX Settlement & Transfer Corporation Pty Limited.



## Michael H Shepherd

FSIA
Age 55

**Term of office:**
Director since October 1988
Vice Chairman since October 1991

**Independent:** Yes

**External directorships:**
Chairman of the Australian Hearing Services, a Federal Government Statutory Authority; National Vice President and Regional Chairman of The Securities Institute of Australia; Member of the compliance committee to UBS Global Asset Management (Australia) Ltd; Director of The Shepherd Centre.

**Skills, experience and expertise:**
Mr Shepherd brings a detailed understanding of the operation of Australia's financial markets, through his many years in the stockbroking profession and extensive participation on finance industry policy committees.

**ASX Board Committee membership:**
Chairman of Market Rules Committee, Director of Australian Clearing House Pty Limited and ASX Settlement & Transfer Corporation Pty Limited, Member of Nomination and Remuneration Committee and Chairman's Committee.

## James J Kennedy AO, CBE

D.Univ(QUT), FCA
Age 71

**Term of office:**
Director since February 1990

**Independent:** Yes

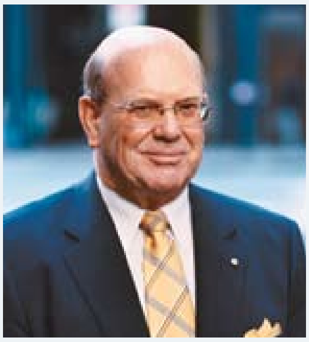
**External directorships:**
Listed Company Directorships: Director of Qantas Airways Ltd (since October 1995), Suncorp Metway Ltd (since August 1997) and GWA International Ltd (since 1992); Former director of Macquarie Goodman Funds Management Limited (October 2000 to February 2004).

**Skills, experience and expertise:**
Mr Kennedy is one of Australia's most experienced public company directors. He has had extensive involvement in both federal and state government boards and enquiries including in his role as chairman of the Australian Postal Commission. He brings an accounting, finance, and business background to the Board, as well as 13 years experience in funds management as Chairman of the Queensland Investment Corporation, from which he retired in 2001 and as a director of Macquarie Goodman Funds Management Limited.

## Russell Aboud

MBBS (Syd)
Age 48

**Term of office:** Appointed 1 July 2005
**Independent:** Yes
**External directorships:** Chairman, Ord Minnett Limited.
**Skills, experience and expertise:** Mr Aboud has extensive knowledge and experience within the international financial services and securities industry gained over 20 years. Past roles have included Global Head of European Equities Business and Head of Australasian Equities for the UBS Group. He is the current Chairman of Ord Minnett Limited and a Senior Adviser to JP Morgan Australia.



## Trevor C Rowe AM

FCIS, FAICD, ACPA
Age 62

**Term of office:**
Director since July 2002

**Independent:** Yes

**External directorships:**
Chairman Investment Banking at Citigroup Global Markets; Chairmanships at Queensland Investment Corporation, Telecorp Limited, Queensland BioCapital Fund and RSPCA Queensland Building Fund; Chancellor of Bond University; Director Resimac Limited; Member Foreign Affairs Council; Listed Company Chairman: United Group Limited (since September 2002).

**Skills, experience and expertise:**
Mr Rowe brings more than 20 years international experience in investment banking, having worked both in Australia and overseas. In April 2003, he was awarded the Commonwealth of Australia Centenary Medal for "distinguished service to the finance industry". In the June 2004 Queen's Birthday list, Mr Rowe was awarded a Member of the Order of Australia (AM) for his contribution to the investment banking sector and his contribution to the formulation of public policy, to higher education and to the community.

**ASX Board Committee membership:**
Member of the Audit and Risk Committee.

## Jillian S Segal AM

BA, LLB (UNSW), LLM (Harv)
Age 49

**Term of office:**
Director since July 2003

**Independent:** Yes

**External directorships:**
Member of the Council for Multicultural Australia, Business Regulation Advisory Group and Australia Council's Major Performing Arts Board; Listed Company Directorship: National Australia Bank (since September 2004).

**Skills, experience and expertise:**
As former Deputy Chairman of the Australian Securities and Investments Commission and Chairman of the Banking and Financial Services Ombudsman Board, Ms Segal brings a wealth of legal and regulatory experience. She was awarded a Member of the Order of Australia (AM) for service to business law in Australia, particularly in the areas of financial services reform and market regulation.

**ASX Board Committee membership:**
Member of the Audit and Risk Committee.

## Michael J Sharpe AO

BEc, Hon D.ScEcon (Sydney), FCA
Age 67

**Term of office:**
Director since December 1995

**Independent:** Yes

**External directorships:**
Director of National Australian Trustees Limited, Military Superannuation and Benefits Board of Trustees. Listed Company Directorship: Babcock and Brown Limited (since September 2004).

**Skills, experience and expertise:**
Mr Sharpe brings to shareholders a wealth of experience drawn from over 45 years in the accounting profession. Mr Sharpe was a partner in Coopers & Lybrand for most of this time, retiring in 1998. He served as Chairman of Audit in Coopers & Lybrand International and he was National Audit Partner and a member of the Executive Committee of the Australian firm. Relevant experience was gained as Chairman of the International Accounting Standards Committee, President of the Institute of Chartered Accountants in Australia, Independent Auditor of the Australian National Audit Office and a member of the Takeover Panel. Mr Sharpe has specialised knowledge of capital markets, risk management, internal controls, audit, financial reporting, public policy and regulation.

**ASX Board Committee membership:**
Chairman of the Audit and Risk Committee, Member of Chairman's Committee and Nomination and Remuneration Committee.

## Catherine M Walter AM

LLB (Hons), LLM, MBA (Melb)
Age 53

**Term of office:**
Director since April 1996

**Independent:** Yes

**External directorships:**
Melbourne Business School Limited, Member of the Financial Reporting Council; Chairman of Federal Government's Business Regulation Advisory Group; Listed Company Directorships: Director of Australian Foundation Investment Company (since August 1992), Orica Limited (since October 1998), former director of National Australia Bank (1995 to May 2004).

**Skills, experience and expertise:**
Mrs Walter has worked in law firms for 20 years, including as a commercial and corporate lawyer and as a Managing Partner; she has also served a term as a Commissioner of the City of Melbourne. Over the last 15 years, Mrs Walter has been a director of a range of listed companies, government and not for profit enterprises covering many of the industry sectors represented on ASX.

**ASX Board Committee membership:**
Member of Audit and Risk Committee.

# Financial Report

# Directors' Report

The directors present their report together with the financial report of Australian Stock Exchange Limited (ASXL) and of the consolidated entity (ASX), being ASXL and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

## Directors

The directors of ASXL in office during the financial year and until the date of this report were as follows:

- Maurice Lionel Newman AC (Chairman);
- Anthony Michael D'Aloisio, appointed 11 October 2004 (Current Managing Director and Chief Executive Officer);
- Richard George Humphry AO, retired 10 October 2004 (Previous Managing Director and Chief Executive Officer);
- Michael Henry Shepherd (Vice-Chairman);
- Russell Anthony Aboud, appointed 1 July 2005;
- James Joseph Kennedy AO, CBE;
- Trevor Cyril Rowe AM;
- Jillian Shirley Segal AM;
- Michael John Sharpe AO; and
- Catherine Mary Walter AM.

The directors were in office for the entire period unless otherwise stated.

For details of the directors' qualifications, experience and special responsibilities refer to pages 40 to 41, which are to be read as part of this report.

Directors' meetings and their attendance at those meetings (including meetings of committees of directors) are detailed on page 39, which is to be read as part of this report.

## Principal Activity

The consolidated entity provides stock exchange and ancillary services in Australia.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

## Consolidated Results

The consolidated net profit after tax for the year attributable to the members of ASXL was $165,469,000 (2004: $82,691,000). This includes a number of significant items, including the receipt of $71,489,000 from the split of the NGF fund.

The financial report of ASXL and the consolidated financial report of the consolidated entity have been reviewed and approved by the Directors on the recommendation of the Audit and Risk Committee of ASX.

## Dividends

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

| *Type* | *Cents per share* | *Total amount $000* | *Date of payment* | *Tax rate for franking credit* |
|---|---|---|---|---|
| In respect of the prior financial year: | | | | |
| Interim | 29.2 | 29,790 | 26 March 2004 | 30% |
| Final | 27.4 | 28,140 | 27 August 2004 | 30% |
| Special | 24.1 | 24,751 | 27 August 2004 | 30% |
| | 80.7 | 82,681 | | |
| In respect of the current financial year: | | | | |
| Interim | 44.2 | 45,395 | 11 March 2005 | 30% |
| Final | 50.9 | 52,255 | 26 August 2005 | 30% |
| | 95.1 | 97,650 | | |

All dividends in respect of the prior and current financial year, including dividends paid or declared by the Company since the end of the previous financial year were 100% franked.

# Directors' Report (continued)

## Review of Operations

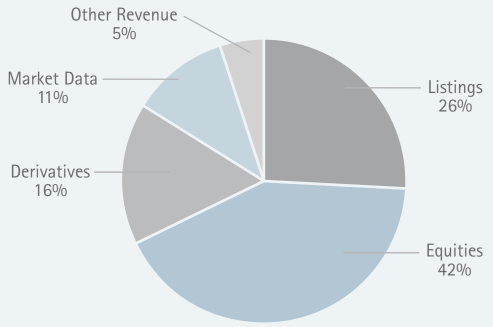
### Results – Revenue

Total revenues from ordinary activities for the year ended 30 June 2005 was $362.7 million and includes $71.5 million received from the National Guarantee Fund (NGF) as part of the restructuring of its clearing support arrangements.

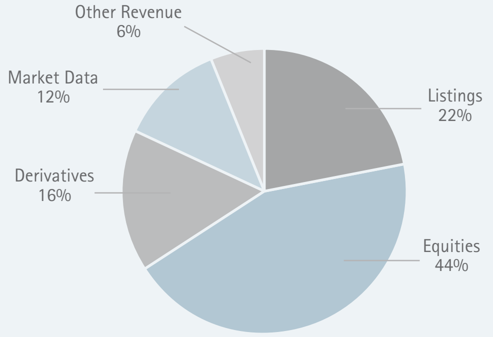
Normalised operating revenue (i.e. total revenues from ordinary activities excluding the NGF receipt) for the year ended 30 June 2005 was $291.2 million, a 16.3% increase on the $250.3 million achieved during the previous corresponding period. These figures include interest and dividend revenue, which amounted to $11.5 million during the year ended 30 June 2005 compared with $9.1 million during the previous corresponding period.

Operating revenue excluding interest and dividend revenue increased by 16.0% to $279.7 million from $241.2 million during the previous corresponding period. The charts below provide a breakdown of operating revenue (excluding interest and dividend revenue) by category for the years ended 30 June 2005 and 30 June 2004:

**Normalised Revenue by Category – FY05**




**Normalised Revenue by Category – FY04**




The increase in normalised revenue is attributed to:

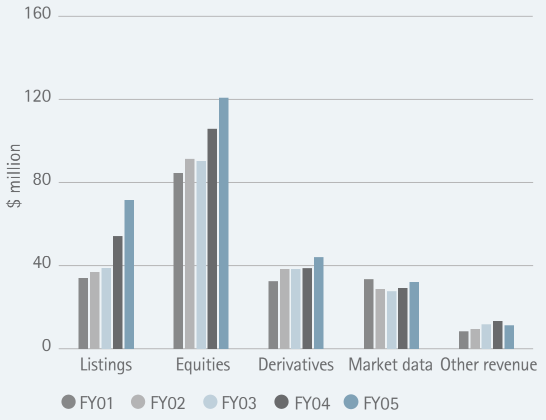
- Record equities and options volumes;
- Performance of the Listings Business driven by pricing changes and overall market capitalisation growth; and
- Overall growth in other ASX business lines.

Revenue by category for the period ended 30 June 2005, compared with the period ended 30 June 2004 shows:

- Listings revenue increased by 32.4% to $71.5 million from $54.0 million;
- Equities trading, clearing and settlement revenue increased by 11.7% to $118.4 million from $106.0 million, after providing rebates of $16.1 million;
- Derivatives revenue increased by 13.7% to $44.0 million from $38.7 million;
- Market data revenue increased by 9.9% to $32.1 million from $29.2 million;
- Other revenue increased by 2.2% to $13.7 million from $13.4 million.

The chart below demonstrates trends in these revenue categories, excluding interest and dividends, across each of the last five consecutive financial years:

**Normalised Revenue by Category – History**




### Revenue by Category

*Listings*

Revenue from listings contributed $71.5 million, an increase of 32.4% when compared to $54.0 million for the previous corresponding period. The significant increase in listings revenue can be attributed to growth in the three key listing fee categories of annual, initial and subsequent listing fees driven by increased activity, the overall increase in ASX's market capitalisation and changed pricing. Based on 2004-2005 revenues:

- Annual listing fees accounted for approximately 43% of total listings revenue;
- Secondary listing fees accounted for approximately 36% of total listings revenue;
- Initial listing fees accounted for approximately 19% of total listings revenue; and
- Other listing fees accounted for approximately 2% of total listings revenue.

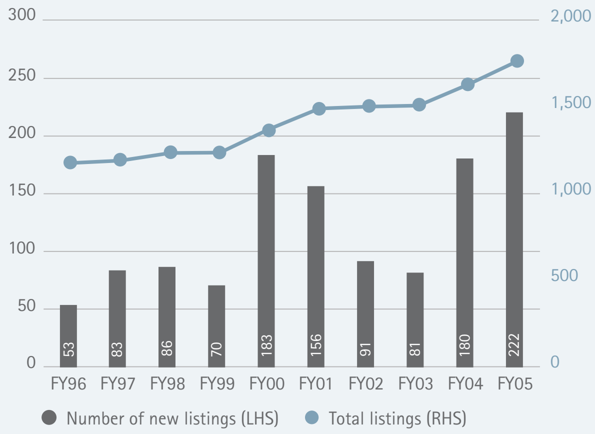
Annual listing fees remain the largest contributor towards the listing business. Annual fees now range from a minimum of $6,710 to a maximum of $133,100 based on a decreasing tiered pricing schedule. The total number of listed entities at 30 June 2005 was 1,774 compared with 1,638 at 30 June 2004. The average annual listing fee is approximately $17,454.

Revenue earned from subsequent capital raisings, which include rights issues, Dividend Reinvestment Plans (DRPs) and Share Purchase Plans (SPPs) was the second largest contributor to aggregate reported listings revenue. The continued occurrence of primary and secondary capital raisings also supports an increase in annual listings revenue from the higher total number and capitalisation of listed entities.

During 2004-2005, there were 222 new listings compared with 180 for the previous corresponding period. Significant new listings included ConnectEast Group, IAG Finance, Macquarie Capital Alliance Group, Babcock & Brown Group and Tishman Speyer Office Fund.

The following chart shows the number of new listings together with the total number of listings as at 30 June each year.

**New and Total Listings**




### *Equities trading, clearing & settlement*

Revenue from equities trading, clearing and settlement contributed $118.4 million, an increase of 11.7% when compared to $106.0 million for the previous corresponding period. This revenue was earned on a record 22.6 million SEATS trades, representing trades in equities, warrants and interest rate securities. This total equates to an average of 89,178 trades per day. During the 2004-2005 financial year, ASX also set a single date equities trading record with 135,947 equities trades on 23 February 2005.

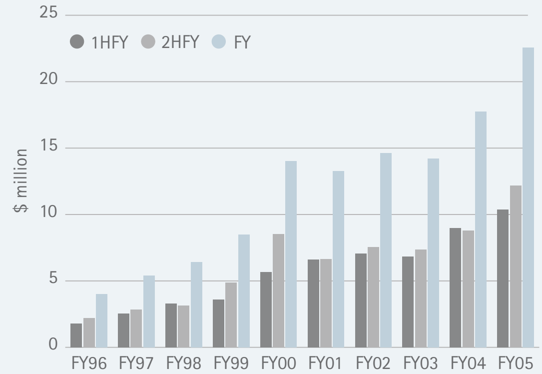
The average revenue per trade was $4.69 compared with $5.33 during the corresponding period. The decrease in average revenue per SEATS trade results from 2 key factors:

- Increased levels of Settlement Volume Rebate (SVR): The SVR discount is applied to all market settlement charges on a sliding scale according to the average number of trades per day in a given month. The higher the trade count the market is currently experiencing, the higher the SVR; and
- Changed Settlement Activity Profile: In this year, higher levels of market trades have not translated into corresponding higher levels of other settlement activity, such as additional demand transfers and holding statements.

Total rebates provided to market participants under the ASX SVR amounted to $16.1 million in the financial year ended 30 June 2005. This compares to $7.6 million for the previous corresponding period. With daily average equity trades averaging almost 90,000, the SVR provides a rebate to market participants of approximately 24.6% on clearing and settlement fees.

The graph below shows the level of SEATS trades for each half year and full year across the past 10 financial years:

**Total SEATS Trades**




### *Derivatives trading, clearing & settlement*

Revenue earned from derivatives was $44.0 million, an increase of 13.7% when compared to $38.7 million for the previous corresponding period. The derivatives business comprises ASX's activities in options, warrants and futures products.

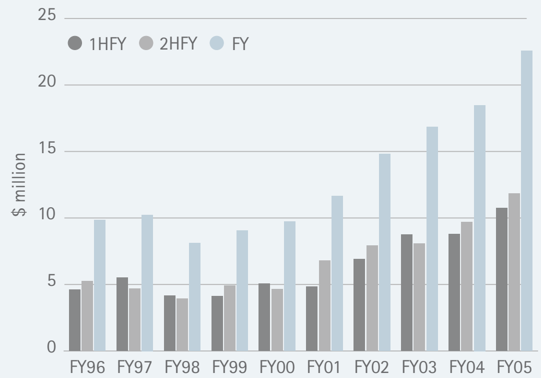
The total number of options contracts traded was 22.6 million, a significant increase of 22.2% on the 18.5 million during the previous corresponding period. This equates to a daily average of 89,195 compared with 72,489. The average revenue per contract generated was $1.47 compared with $1.54 during the previous corresponding period.

The lower average fee is a consequence of a change in the mix of market maker activity and non market maker activity impacting average fees as market makers are charged a lower fee if they meet certain obligations. To a lesser extent, the average fee is a consequence of a change in the mix of options products traded with an increase in index option activity which attracts a lower fee.

The number of contracts traded was a record for any financial year and includes a new single-day record for trading in options, with 231,112 contracts traded on 25 November 2004.

The graph below shows the level of option contracts traded for each half year and full year period across each of the past 10 financial years:

**Total Options Contracts**




### *Warrants*

The ASX warrants business relies on fees from issuance of new product, annual fees and the value of warrant turnover. As such, the warrants market showed considerable growth for the financial year to 30 June 2005.

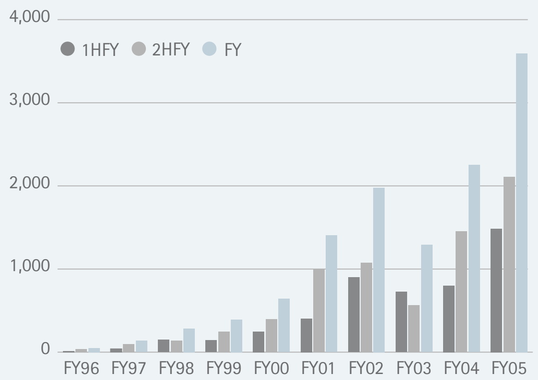
A differentiated fee schedule was initiated in November 2003 to stimulate new product innovation and reinvigorate the market for short-dated "trading" warrants. During the year to 30 June 2005, there were a record 3,595 new warrants listed compared to 2,251 during the previous corresponding period. Of these new warrants, just under 2,500 were short-dated trading warrants compared to 1,500 during the previous corresponding period. This growth in issuance resulted in a record number of warrants on issue of 2,318 at the end of June 2005.

Warrants turnover value reached a record $4.9 billion for the full year, an increase of more than 55% on the previous corresponding period. This increase is largely attributed to strong equity markets, increased product issuance and new product innovation.

Approval revenues were marginally down on the previous corresponding period as a result of the November 2003 fee reduction.

# Directors' Report (continued)

**Total Warrant Listings**




*Market data*

Revenue from Market data was $32.1 million for the year to 30 June 2005, up from $29.2 million for the previous corresponding period, a 9.9% increase. This improved performance is predominantly a consequence of improved sales and distribution of real-time price data and ComNews, ASX's real-time company news service.

Growth in revenues from the distribution of real-time price data has been driven by:

- Buoyant trading conditions experienced by all sectors of the market;
- Increases in the number of vendor "terminals" or users/traders who subscribe to real-time ASX price data. For the year ended 30 June 2005, the total number of global terminals or users with access to real-time ASX data was approximately 35,000, an increase of 10% on the previous comparison period; and
- Sales to the emerging CFD (Contract for Difference) sector.

The chart below shows the numbers of ASX real-time data subscribers.

**Terminals/Users**


ComNews is still a relatively new product, having been launched in 2003. Its growth is attributable to:

- Increasing industry and investor acceptance of the new product features and format; and
- The implementation of new marketing initiatives, including a range of simpler, and more flexible pricing options designed to meet the varying needs of a diverse customer base, including information vendors, institutions and retail or online brokers.

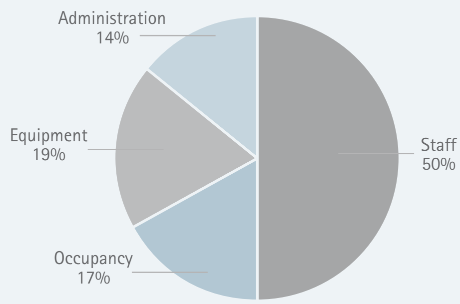
## Results – Expenses

Total operating expenses including significant items for the year to 30 June 2005 were $158.5 million, an increase of 18.9% on the $133.3 million for the previous corresponding period. The below table shows the breakdown of expenses by category, including and excluding significant items.

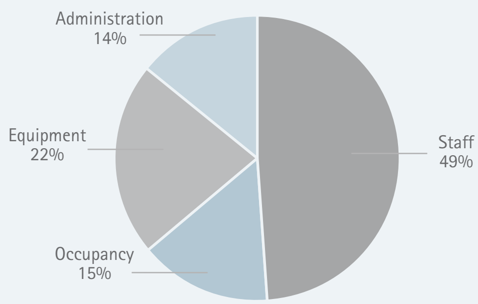
| | *"Normalised" expenses* | *Significant items* | *Expenses including significant items* |
|---|---|---|---|
| | $000 | $000 | $000 |
| Staff expenses | 69,451 | 7,731 | 77,182 |
| Occupancy expenses | 23,317 | – | 23,317 |
| Equipment expenses | 26,091 | 9,327 | 35,418 |
| Administration expenses | 18,914 | 3,704 | 22,618 |
| Total | 137,773 | 20,762 | 158,535 |

Normalised operating expenses for the year to 30 June 2005 were $137.8 million, an increase of 3.4% on the $133.3 million during the previous corresponding period. The charts below provide a breakdown of operating expenses by category for the years ended 30 June 2005 and 30 June 2004:

**Normalised Expenses by Category – FY05**




**Normalised Expenses by Category – FY04**

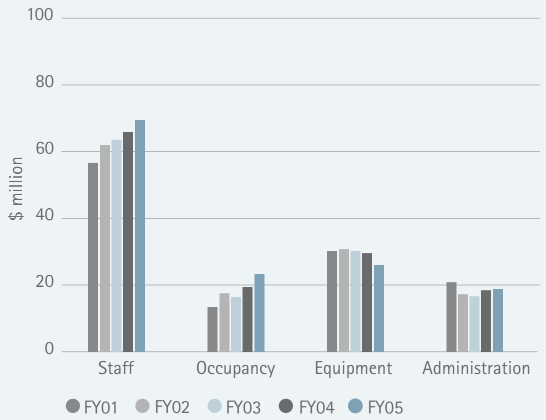



Normalised expenses for the year ended 30 June 2005 show:

- Staff expenses increased by 5.6% to $69.5 million from $65.8 million;
- Occupancy expenses increased by 19.5% to $23.3 million from $19.5 million;
- Equipment expenses decreased by 11.5% to $26.1 million from $29.5 million;
- Administration expenses increased by 1.6% to $18.9 million from $18.6 million.

The following graph illustrates the trend for each category of expenses across five financial years:

**Normalised Expenses by Category – History**




Staff expenses were $69.5 million during the year. This increase reflects inflationary cost growth. Restructure costs are identified separately as significant items.

The number of Full Time Equivalent staff (FTE's) fell to 492 at 30 June 2005 compared with 554 at 30 June 2004 mainly as a result of the P&L Drivers Review. These figures include 23 for Orient Capital (17 last year).

As a result of the review, redundancies of 61 FTE were identified. As at June 2005 44 FTE have left ASX with a further 17 expected to leave by September 2005. The costs of these redundancies have been accrued as restructuring costs in the current year. FTE count in the Market Supervision Division remains unchanged. However, 3 net FTE are foreshadowed to be added to the Market Supervision Division in 2005-2006.

ASX's occupancy expenses reached $23.3 million during the year. The increased occupancy expense reflects the variation in subleasing income earned from ASX's surplus lease space, particularly in ASX's Melbourne office. The rise also reflects the yearly rent increase associated with ASX's main premises in Sydney, together with the additional occupancy expense of assuming control of Exchange Square in Sydney. A further factor was the recognition of a $2.2 million "make-good" provision in relation to leases. Increases in energy charges, security expenses and a reduction in capitalised expenses associated with projects have also affected reported occupancy expense.

Equipment expenses were $26.1 million. There has been a reduction in most major areas of equipment expenditure, including computer equipment, telecommunication costs and software support and licence fees.

Administration expenses were $18.9 million reflecting increased variable expenses associated with the production of additional CHESS holding statements offset by other minor cost savings. Increased expenses for CHESS holding statements should be viewed positively as the costs are offset by higher revenue from the corporate and trading activity generating the additional holding statements.

## Results – Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Earnings Before Interest and Tax (EBIT)

ASX's normal EBITDA for 2004-2005 (prior to NGF and significant expenses) was $158.1 million, a 27.0% increase on the $124.5 million recorded during the previous corresponding period. Normal EBIT (prior to NGF and significant expenses) was $142.2 million, a 31.5% increase on the previous comparison period.

Interest and dividend revenue of $11.5 million consists of interest earned on ASX's cash reserves, which reached $200.6 million as at 30 June 2005. Included in ASX's cash reserves is $71.5 million received from the split of the National Guarantee Fund. This amount is also separately identified in ASX's balance sheet in a Restricted Capital Reserve.

The NGF amount of $71.5 million plus a further $38.5 million of ASX's cash balances combine to meet the Reserve Bank of Australia's clearing house stability capital requirement of $110 million. This amount is required to be held in cash or liquid securities.

Income tax expense for 2004-2005 was $38.6 million, representing an effective tax rate of 29.2% excluding the NGF receipt and other significant items.

### Significant Items including Restructuring Costs

As indicated in ASX's 25 May 2005 market announcement, ASX experienced several significant items in 2004-2005 which are not regarded as part of the normal operations of ASX. These items have been excluded from the calculation of dividends which are determined as 90% of Normal Net Profit after Tax.

The significant items that occurred during 2004-2005 were:

- National Guarantee Fund (NGF) transfer – on 31 March 2005, ASX received $71.5 million from the split of the NGF. The NGF transfer was subject to specific legislation which exempted the funds from taxation. Under the terms of the approval to split the NGF, the funds must be maintained to meet potential clearing and settlement losses in a Restricted Capital Reserve Account and as such are not available to distribute to ASX shareholders;
- Redundancy expenses – as announced in May 2005, ASX has been able to restructure its business operations and as a consequence, 61 redundancies were identified which are expected to reduce staff expenses by approximately $6.5 million per annum before normal salary reviews and incentives. ASX has incurred a one-off expense of approximately $7.4 million (pre-tax) in 2004-2005 for those redundancies;
- Consultancy and recruitment/outplacement expenses – ASX incurred consultant and outplacement costs for redundant staff and general restructuring amounting to $4.0 million in 2004-2005;
- Write-off of ASX World Link – as announced in May 2005, ASX decided to scale down World Link as demand for the service has fallen short of expectations. In-bound trading from SGX will continue. Out-bound trading (to the US and Singapore) will cease by no later than 1 January 2006. The balance of the investment in World Link of $7.3 million, was written-off during 2004-2005 and will result in a depreciation saving in the next year of $1.8 million;
- Write-off of other software and fixed assets – ASX has also written-down other software and fixed assets. The impact of this write-down is $2.0 million and will result in a depreciation saving of $1.4 million in the next year.

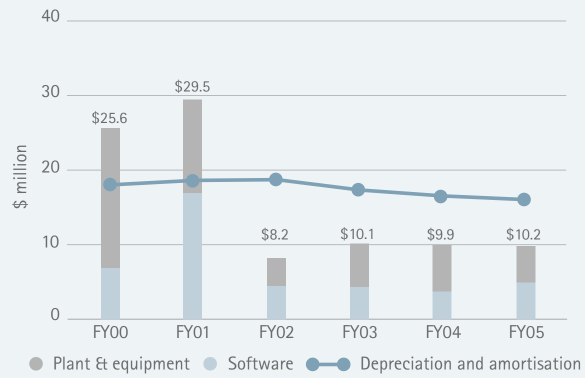
The total pre-tax impact of the significant expense items was $20.8 million.

# Directors' Report (continued)

## Results – Capital Expenditure

Capital expenditure for the 12 months to 30 June 2005 was $10.2 million compared with $9.9 million for the previous corresponding period to 30 June 2004. This is consistent with ASX's commitment to maintain annual capital expenditure around $10 million to $15 million per annum. Depreciation and amortisation expense (excluding goodwill amortisation) for the period was $15.9 million compared with $16.4 million during the previous corresponding period.

The following chart shows ASX's historical capital expenditure and depreciation.




ASX's main capital project is the Integrated Trading System (ITS) project. The ITS project involves the replacement of ASX's pioneering SEATS equities trading system with the OM developed CLICK XT system. This project will permit ASX to consolidate its current 2 trading systems (equities and derivatives) into a single system.

The resulting system is expected to deliver structural cost savings not only to ASX, but also to market participants. The ITS project is expected to "go-live" in the first half of calendar 2006.

It is anticipated that the cost of the ITS project will continue to be met within ASX's CAPEX target of $10 million to $15 million per annum.

## Results – Cash Flow

Due to the receipt of NGF funds, strong trading conditions and a low level of capitalised expenditure, ASX's cash balance reached $200.6 million at 30 June 2005. This compares to $122.4 million at 31 December 2004 and $110.0 million at 30 June 2004.

## ASX Perpetual Registrars

ASX has a 50% interest in ASX Perpetual Registrars Limited (APRL), which contributed $2.6 million on a pre-goodwill basis. Amortisation of goodwill arising from ASX's investment and previously held within ASX Perpetual was $2.7 million.

During 2004-2005, APRL were appointed as registrars to Coles Myer, and Babcock & Brown and also retained the Telstra register, while losing the IAG contract. Overall, APRL cash-based earnings improved with EBITDA increasing by 5.2% to $16.1 million from $15.3 million in the previous corresponding period.

## Key Activities in the Last 12 Months

During the 12 month period to 30 June 2005, ASX has:

### 1. Ensured a Smooth Leadership Transition and a Restructure of the Senior Management Team with a Flatter Management Structure.

Since commencing his duties on 11 October 2004, ASX Managing Director and Chief Executive Officer (CEO), Mr Tony D'Aloisio has overseen a leadership transition and restructure of the senior management team. ASX is now structured in 5 divisions each with a Group Executive reporting to the CEO – Colin Scully (GE Markets and Deputy CEO), John Hayes (GE Shared Services and CFO), Jeff Olsson (GE Technology), Eric Mayne (GE Market Supervision) and Angus Richards (GE Strategy).

Throughout this period, ASX has experienced record market activity whilst maintaining 99.9% systems uptime.

### 2. Completed the Restructure of the National Guarantee Fund.

On 31 March 2005, ASX (through its wholly owned subsidiary Australian Clearing House Pty Limited) received $71.5 million from the National Guarantee Fund. This amount, in addition to a further $38.5 million contributed by ASX, will be held in cash and liquid securities to provide capital backing for ASX's clearing business and to meet the Reserve Bank of Australia's Financial Stability Standards for Central Counterparties.

### 3. Achieved Record Volumes

During the twelve months to 30 June 2005, ASX recorded its highest ever trading volumes for any 1 day, 1 month, 6 month and 12 month period. These records were achieved with 99.9% system up time.

| *Period* | *SEATS* | *Options* |
|---|---|---|
| 1 Day | 135,947<br>(23 February 2005) | 231,112<br>(25 November 2004) |
| 1 Month | 2.2 million<br>(February 2005) | 2.3 million<br>(February 2005) |
| 6 Months | 12.1 million<br>(July to December 2004) | 11.8 million<br>(July to December 2004) |
| 12 Months | 22.6 million<br>(July to June 2005) | 22.6 million<br>(July to June 2005) |

### 4. Initiated a Review of Market Supervision (for completion by later this calendar year).

ASX has announced a review of market supervision (to be completed this calendar year). It is aimed at improving efficiency and productivity and adding resources where needed. In the meantime, it appointed a new Group Executive Market Supervision (formerly the Integrity Division). ASX said that staff numbers in the Market Supervision Division will remain at current levels for 2005-2006. An additional 3 net FTE's will be added to assist with areas where further resources are needed.

ASX has also received a positive assessment from ASIC on the way ASX supervises its markets. ASIC commended ASX for its substantial progress in strengthening its arrangements for supervising its markets and for monitoring and assessing its own compliance with its obligations as a market licensee.

ASIC particularly commended ASX's work on corporate governance with the ASX Corporate Governance Council. ASIC made suggestions for improvement which ASX is actioning. Importantly, ASIC noted that "none of the suggestions for improvements ... detracts from the conclusion that ASX's arrangements have met and continue to meet their statutory obligations".

5. Progressed the Replacement of ASX's Core Trading System from SEATS to the CLICK XT Integrated Trading Platform.

As previously announced, ASX will be replacing its SEATS trading systems with OM's CLICK XT trading system. This change will result in ASX having a single integrated trading system for all equity, debt and derivative products. The planned "go-live" date of this new system remains the first half of calendar 2006.

Including the costs of this upgrade, ASX will maintain annual CAPEX between $10-$15 million.

## Profit and Loss Drivers Review

The ASX Profit and Loss Drivers review has now been completed.

On 25 May 2005, ASX provided the initial results of Profit and Loss Drivers Review. The results set some new directions for growth and determined significant cost savings. It also provided a reinvigorated focus on servicing key customers and ensuring a capital market of integrity. The key results were:

- Focus on ASX core business (that is, to expand DMA[1] – Direct Market Access – Trading, options and listings businesses);
- Restructure ASX's business operations – as a consequence, there were 61 redundancies (approximately 10% of staff). This is anticipated to reduce staff expenses by $6.5 million;
- Scaled down ASX World Link;
- Commenced from 1 July 2005 a systematic re-examination of all areas of ASX. The objective will be to deliver efficiency savings and productivity gains;
- Restructure of premises costs over 3 years to achieve rental expense savings of $4 to $6 million.

Overall, the above initiatives seek to reduce expenses by $15 to $20 million from the current levels by 2007-2008. ASX, as with other companies, will be impacted by inflationary cost increases, and will seek to keep the impact to a minimum.

In ASX's 25 May 2005 announcement, further updates on pricing, capital management and adjacent businesses were foreshadowed:

- Capital Management

  ASX has completed its review of capital management, and in doing so has considered:

  - Re-investments that may be required to complete the restructure;
  - Whether gearing of ASX's balance sheet is appropriate;
  - Australian Clearing House's capital needs;
  - The potential effects following the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS).

ASX has concluded that it does not have an excess level of capital at this time and it is not its intention in this financial year (2005-2006) to return capital to shareholders. ASX has recently changed its dividend policy to pay 90% (from 70%) of normal net profit after tax.

- Pricing

  ASX outlined on 25 May 2005 three stages of a pricing review:

  - Review of the Settlement Volume Rebate (SVR) scheme and subsequent listing fees;
  - Pricing simplification;
  - Price benchmarking and review with comparable exchanges.

  Simplification of pricing and price benchmarking with comparable exchanges will continue and are expected to be completed by the end of this calendar year.

  In relation to the review of the SVR and subsequent listing fees, ASX has decided that for this financial year (2005-2006) ASX will not make changes to the SVR or to subsequent listing fees.

  ASX will roll the review of SVR and all other pricing into the pricing benchmarking project just described. Any changes to the fee structures resulting from that project would be implemented from 1 July 2006.

  In coming to its decision to not increase pricing in this financial year (despite inflation and other price increases), ASX has taken into account the Integrated Trading Project (SEATS to OM). Market participants will incur initial costs in adapting to the new system and it will assist them if ASX maintains its current pricing structure for this financial year.

- Adjacent businesses

  ASX's adjacent businesses are Orient Capital (wholly owned subsidiary), ASX Perpetual Registrars (50%) and IRESS Market Technology (14.1%).

  ASX has decided to retain Orient Capital for strategic reasons. ASX is also satisfied with its holding and performance of its 14.1% in IRESS. ASX will continue to hold IRESS as an investment.

  In relation to ASX Perpetual Registrars Limited (APRL), ASX is pleased with the direction and improvement in performance of APRL. ASX is in the process of concluding its consideration of strategic options for APRL.

## Significant Changes in the State of Affairs

On 31 March 2005, ASX's wholly-owned subsidiary Australian Clearing House Pty Limited (ACH) received $71.5 million from the National Guarantee Fund (NGF) as provided for under Section 891A of the Corporations Act 2001 (the Act). This amount, in addition to a further $38.5 million retained by ACH, is held in cash and liquid securities to provide capital backing for ASX's clearing business and to meet the Reserve Bank of Australia's Financial Stability Standard for Central Counterparties.

Other than the matters outlined above, there have been no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Likely Developments

Further information about likely developments in the operations of the consolidated entity and the expected results from those operations in future financial years has not been included because disclosures of the information would be likely to result in unreasonable prejudice to the consolidated entity.

## Environmental Regulation

The directors of ASXL are not aware of any significant material environmental incidents arising from the operations of the consolidated entity during the financial year.

## Events Subsequent to Balance Date

Except for the dividend declared after year end (refer note 6), there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of ASXL, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

1. DMA, Direct Market Access, is a collective term for a process which allows algorithmic trading and program trading.

## Indemnification and Insurance of Officers and Auditors

The consolidated entity has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of ASXL, its controlled entities and a related body corporate.

The officers of ASXL covered by the insurance include the current directors as listed on pages 40 to 41, executives, the company secretaries and former directors.

The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

The constitution of ASXL provides that the officers of ASXL, as detailed above, and the auditors of ASXL, KPMG, are indemnified out of the property of ASXL against any liability incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act 2001.

The officers are also indemnified out of the property of ASXL against any liability incurred in that capacity after 15 April 1994 (other than to ASXL, a related entity or a related body corporate) provided that liability does not arise out of conduct involving a lack of good faith.

## Conditional Entitlements to Unissued Shares

At the date of this report, ASXL has on issue 455,800 conditional entitlements to ordinary shares. For further details on the conditional entitlements refer to note 27.

## Shares Issued as a Result of the Exercise of Conditional Entitlements

On 5 July 2004, 552,400 conditional entitlements were converted to 633,557 ASXL ordinary shares. Under the rules of the executive share plan, the Board of Directors has used its discretion to issue additional shares, up to a maximum of 20%, based on individual performance. Refer to Remuneration Report for further details.

Since the end of the financial year, 89,400 conditional entitlements were converted to 29,664 ASXL ordinary shares. These conditional entitlements were issued by the Board due to the occurrence of a qualifying event and since the employees did not remain in employment with ASX for the full term of the plan, the number of shares issued were reduced accordingly. For all shares issued during and since the end of the financial year, there were no amounts unpaid on the shares issued and no consideration was received on conversion.

## Company Secretaries

### Christine Jones, Group General Counsel and Company Secretary BA, LLB

Christine Jones was appointed as Company Secretary on 1 June 2005. Christine is a solicitor, admitted to practice in 1985. Following experience in government and private practice, Christine has been employed by the ASX Group since 1990 and held positions including advising on the legal and regulatory framework for CHESS, Manager and Company Secretary of the Securities Exchanges Guarantee Corporation, Manager of the Market Law and Policy Group and most recently, General Counsel of ASX.

### Lyn Nikolopoulos, Deputy Secretary BA Bus

Lyn Nikolopoulos has been the Deputy Secretary since June 2002. Lyn graduated with a Bachelor of Business from UTS (Sydney) and joined ASX in 1998 as a graduate in the ASX Customer Service Centre. In December of that year, she took up a role as Company Adviser where she was responsible for the monitoring of listed companies' compliance with the ASX listing rules and assisting entities and their advisors in relation to the application and interpretation of ASX listing rules. Lyn joined the Company Secretariat department of ASX in November 2000 and is currently completing a Graduate Diploma in Applied Corporate Governance with the Chartered Secretaries Australia.

## Corporate Governance

ASXL's corporate governance matters are discussed on pages 32 to 37.

## Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain "non-audit services" in addition to their statutory duties.

The Board of directors has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional Independence*, 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 is included in the Directors' Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 28.

## Remuneration Report



## 1. Scope of Report

This report covers the remuneration arrangements for:

- The Managing Director;
- Executives – The term covers company secretaries and senior managers. It does not include the Managing Director;
- Non-executive directors.

The tables in sections 3.5 and 3.6 specify the names and titles of the holders of the 5 highest paid and the 5 positions with the greatest authority for managing the company and set out details of their remuneration and equity holdings.

## 2. Governance: Nomination and Remuneration Committee

### 2.1 Role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has immediate responsibility for developing the remuneration policies and strategies of ASX and continually evaluating their operation under delegated authority from the Board. It:

- Draws up for the Board's consideration frameworks for remuneration, underpinned with pertinent external independent advice and comparisons, to enable ASX to attract leading directors and executives who can achieve the goals of ASX and consolidate shareholder returns;
- Sets searching competence and performance standards for Directors and the Managing Director;
- Oversees incentive plans and termination policies.

In remuneration matters the Committee operates independently of senior management of the Company in its recommendations to the Board.

A full copy of the Committee's charter is available on www.asx.com.au

### 2.2 Membership and Meetings

The Committee consists of 3 independent non-executive directors. Its members throughout financial year 2005 were:

- Maurice Lionel Newman (Chair);
- Michael Henry Shepherd;
- Michael John Sharpe.

The number of meetings held by the Committee and the members' attendance at them are set out on page 39 of this Report to Shareholders.

## 3. Remuneration: Managing Director and Executives

### 3.1 Remuneration Policy

The Nomination and Remuneration Committee shapes its remuneration strategies and initiatives and determines the nature and amount of remuneration for directors, the Managing Director and executives at ASX in line with the principles articulated in the ASX remuneration policy.

The key principles:

- Link executive rewards to the integrity of our markets and the creation of shareholder value;
- Apply rigorous performance measures to both short and long-term "at risk" remuneration;
- Assess and reward performance based on both financial and non-financial performance measures;
- Provide competitive remuneration that is designed to attract, motivate and retain key executives.

### 3.2 Review of Existing Arrangements

During 2005 a comprehensive review of current arrangements for the executives was conducted to determine the type of performance management and remuneration structure that would best support ASX's business strategy, people strategy and corporate governance principles. The review included input from external remuneration consultants on market remuneration trends and practices.

The Board approved changes to the executive remuneration policy on 26 July 2005, including a new long-term incentive plan, which is subject to shareholder approval at the annual general meeting on 29 September 2005.

Further details of the proposed long-term incentive plan are set out in the notice of meeting convening the 2005 AGM, available on www.asx.com.au. The long term incentive plan includes a split of Total Shareholder Return for 50% and Earnings Per Share for 50%.

*Current mix*

The current relative weighting between fixed and variable components for financial year 2005 is, broadly:

| | | Percentage of total target remuneration | | |
|---|---|---|---|---|
| | *Financial year* | *Fixed remuneration* | *Short-term incentive* | *Long-term incentive* |
| Managing Director | 2005 | 43% | 22% | 35% |
| Specified Executives | 2005 | 55% | 17% | 28% |

The review, revised policy and proposed long-term incentive plan do not cover the arrangements for the Managing Director (in relation to fixed remuneration and Short Term Incentive (STI)) who is subject to the terms set out in his service contract (see section 3.7.1 for details). In line with the revised long term incentive plans for executives, changes to align the two plans are proposed to the second stage of the Managing Director's Long Term Incentive (LTI) (see section 3.7.1.3 for details).

### 3.3 Remuneration Structure

#### 3.3.1 Remuneration Mix

ASX's remuneration structure has 2 key elements:

- A fixed remuneration component consisting of base salary and non-monetary benefits provided on a "salary sacrifice basis";
- A variable or "at risk" component that is subject to performance and contains a short-term incentive and a long-term incentive plan. The long-term incentive for financial year 2005 consists of awards of conditional entitlements.

The total reward produces an appropriate mix of fixed remuneration with short and long-term incentive opportunities.

The amount of total remuneration is determined by reference to the role's scope, nature of the role, importance to the business, market remuneration levels, and the executive's individual performance and assessed potential.

*Remuneration mix for financial year 2006*

Total reward for executives will be aimed at the 75th percentile for superior performance for financial year 2006, based on the achievement of target performance. Target performance at ASX incorporates performance conditions (see sections 3.3.3.1 and 3.3.3.2).

The markets against which total remuneration comparisons will be made will vary by position but will be the finance, legal, technology, other sectors relevant to ASX's functions or the broader general market (defined as ASX 50 – 150 companies).

The Managing Director will continue to be benchmarked against other managing directors in Australian companies comparable to ASX.

The relative weighting of fixed and variable components varies with role level, complexity and typical market practice. ASX will require a significant proportion of total target reward to be at risk to drive and reward performance in both the short and long term.

The relative weightings for financial year 2006 are:

| | | Percentage of total target remuneration | | |
|---|---|---|---|---|
| | *Financial year* | *Fixed remuneration* | *Short-term incentive* | *Long-term incentive* |
| Managing Director | 2006 | 43% | 22% | 35% |
| Specified Executives | 2006 | 60% | 20% | 20% |

#### 3.3.2 Fixed Remuneration

The fixed remuneration component for the Managing Director and executives is calculated on a salary sacrifice basis. The types of benefits that can be packaged on a salary sacrifice basis by the Managing Director and the executives include superannuation, motor vehicles, car parking and laptops.

*Current arrangements*

Fixed remuneration levels of the Managing Director and executives are reviewed annually and referenced to market practice among companies employing similar executive talent.

Historically, benchmarking for executive roles has been against broad general industry. Increases to fixed remuneration for each specific role are generally based on market related increases.

*Arrangements for financial year 2006*

Fixed remuneration for executives will be determined on the basis of ASX remuneration policy and positioning total remuneration at the 75th percentile for superior performance. The Managing Director's fixed remuneration is reviewed by the Board in line with the terms of his contract.

Increases to fixed remuneration will not be automatic and will only be made if there have been market movements to support an increase, the executive has achieved reasonable performance against their balanced scorecard targets and exhibits the behaviour that is consistent with ASX values.

### 3.3.3 Variable "At Risk" Remuneration

Remuneration that is variable and dependent on performance is delivered through 2 elements:

- The Short-term Incentive Plan;
- The Long-term Incentive Plan.

#### *3.3.3.1 Short-term incentive plan*

*Managing Director*

The short-term incentive arrangements for the Managing Director are detailed separately in section 3.7.1.2.

*Executives – current arrangements*

The performance evaluation process takes place following the end of financial year and performance is assessed against objectives set at the start of the year. The total bonus pool available to distribute is determined according to the level at which ASX meets pre-set financial hurdles.

Senior executive performance targets are drawn from the Managing Director's performance targets and the business plan goals for the area that the executive is responsible for. Each executive has a number of Key Result Areas which are derived from Business Unit plans. The Key Result Areas incorporate both financial and personal objectives. These measures include but are not limited to ASX financial performance, strategy, business and financial planning, leadership and people management. This personalised approach to determining the annual incentive was chosen as it aligned individual behaviours with ASX's short-term strategy applying to each individual's business unit and position.

*Executives – arrangements for financial year 2006*

In July 2005 the Board approved new incentive arrangements for executives through the Short-term Incentive Plan to realise the ASX strategy by providing rewards based on achievement against the ASX balanced scorecard performance targets. Measures cover:

- Integrity of our markets;
- Shareholder return and value;
- Customer satisfaction;
- People engagement;
- Corporate and the broader investor community;
- Innovative and improved systems and processes.

The performance of each executive will be assessed against a group and individual tailored scorecard. The measures generally relate to the performance of ASX, the performance of the executive's division or group and the performance of the executive. These performance measures have been chosen because they directly align the executive's reward to the key performance drivers of ASX.

The Nomination and Remuneration Committee will review the ongoing appropriateness of the short-term incentive plan and the degree of difficulty in performance targets. At the end of the financial year, the Committee will assess the actual performance of the ASX, the divisions and the individuals against the balanced scorecard performance targets set at the beginning of the year. Based on the outcome the Committee will then recommend the incentive to be paid to executives for approval by the Board.

From October 2006, executives in the plan will be able to elect to receive their payment in the form of ASX shares or as a cash contribution to their superannuation fund within their age based limits. Any short-term incentive deferred shares are subject to time-based vesting of 2 years. During the deferral period, shares attract dividends that are paid directly to the executive. The value used to determine the number of short-term incentive shares to be allocated is based on the market share price on the date that the cash incentive would have been paid. If the executive leaves ASX during the 2 year deferral period the disposal restrictions will fall away and the executive will be able to sell the shares if they wish.

Executives of Market Supervision will participate in the Plan but will not have the option of acquiring shares in lieu of cash.

#### *3.3.3.2 Long-term incentive plan*

*Executives – Current arrangements*

Long-term incentives are currently provided through the ASX Executive Share Plan, which allows for conditional entitlements to be awarded to executives. The rules which govern the plan were approved by shareholders at the October 1999 annual general meeting.

Each conditional entitlement entitles the holder to 1 ordinary share in ASX Limited subject to performance hurdles being attained and the executive remaining in employment with ASX for a specified period. The performance hurdles are established by the Committee and approved by the Board for each offer.

The only offer currently in operation for the specified executives is the December 2003 offer. The conditional entitlements were issued to executives on 15 December 2003. The performance period for this offer was 4 years, which commenced on 1 December 2003 and ends on 30 November 2007. The base market price for the offer was calculated as the volume weighted average price during the period from 24 November 2003 to 28 November 2003 and is $15.50 per share. The fair value of conditional entitlements was calculated at grant date by an independent valuer at $9.82 for the purposes of disclosure in the remuneration report. To calculate the valuation the independent valuer used the Monte Carlo simulation technique with the following assumptions:

| | |
|---|---|
| Share price at grant date | $16.55 |
| Exercise price | Nil |
| Volatility | 24% p.a |
| Risk free rate | 5.7% |
| Dividend yield | 3% p.a |

The valuation model incorporates the likelihood of attaining the performance hurdles in the valuation, but does not include any allowance for executive turnover.

*Performance conditions*

The growth in ASX Total Shareholder Return as measured against a comparator group determines the percentage of the conditional entitlements that vest:

| *ASX's growth in TSR relative to the comparator group* | *Percentage of conditional entitlements that vest* |
|---|---|
| Less than median (<50th percentile) | None |
| Median (50th percentile) | 60% |
| Between median and upper quartile (50th to 75th percentile) | 60% plus 1.6% for each percentile |
| Upper quartile (75th percentile) or above | 100% |

The Total Shareholder Return performance condition was chosen as it is widely accepted as one of the best indicators of shareholder value creation. The comparator group is the S&P/ASX 100 adjusted to exclude foreign companies, mineral companies and property trusts at 1 December 2003.

The below table sets out the companies included in the comparator group for the Managing Director and Executives' current LTIPs. There will be a new comparator group for the arrangements for the 2006 financial year.

| *Managing Director* | *Executives* |
|---|---|
| Alinta Limited | Alinta Limited |
| Amcor Limited | Amcor Limited |
| AMP Limited | AMP Limited |
| Ansell Limited | Ansell Limited |
| APN News & Media Limited | APN News & Media Limited |
| Aristocrat Leisure Limited | Aristocrat Leisure Limited |
| Australia and New Zealand Banking Group Limited | Australia and New Zealand Banking Group Limited |
| Australian Gas Light Company (The) | Australian Gas Light Company (The) |
| AWB Limited | AWB Limited |
| AXA Asia Pacific Holdings Limited | AXA Asia Pacific Holdings Limited |
| Billabong International Limited | Billabong International Limited |
| Boral Limited | Boral Limited |
| Brambles Industries Limited | Brambles Industries Limited |
| Challenger Financial Services Group Limited | Challenger Financial Services Group Limited |
| Coca-Cola Amatil Limited | Coca-Cola Amatil Limited |
| Cochlear Limited | Cochlear Limited |
| Coles Myer Limited | Coles Myer Limited |
| Commonwealth Bank of Australia | Commonwealth Bank of Australia |
| Computershare Limited | Computershare Limited |
| CSL Limited | CSL Limited |
| CSR Limited | CSR Limited |
| DCA Group Limited | Fairfax (John) Holdings Limited |
| Fairfax (John) Holdings Limited | Foodland Associated Limited |
| Foodland Associated Limited | Foster's Group Limited |
| Foster's Group Limited | Futuris Corporation Limited |
| Futuris Corporation Limited | Gunns Limited |
| Gunns Limited | Harvey Norman Holdings Limited |
| Harvey Norman Holdings Limited | Insurance Australia Group Limited |
| Insurance Australia Group Limited | James Hardie Industries N.V. |
| James Hardie Industries N.V. | Leighton Holdings Limited |
| Leighton Holdings Limited | Lend Lease Corporation Limited |
| Lend Lease Corporation Limited | Lion Nathan Limited |
| Lion Nathan Limited | Macquarie Airports |
| Macquarie Airports | Macquarie Bank Limited |
| Macquarie Bank Limited | Macquarie Infrastructure Group |
| Macquarie Infrastructure Group | Mayne Group Limited |
| Mayne Group Limited | National Australia Bank Limited |
| National Australia Bank Limited | National Foods Limited |
| National Foods Limited | News Corporation Limited (The) |
| News Corporation Limited (The) | Orica Limited |
| Orica Limited | Paperlinx Limited |
| Pacific Brands Limited | Patrick Corporation Limited |
| Paperlinx Limited | Perpetual Trustees Australia Limited |
| Patrick Corporation Limited | Promina Group Limited |
| Perpetual Trustees Australia Limited | Publishing & Broadcasting Limited |
| Promina Group Limited | Qantas Airways Limited |
| Publishing & Broadcasting Limited | QBE Insurance Group Limited |
| Qantas Airways Limited | Rinker Group Limited |
| QBE Insurance Group Limited | Seven Network Limited |
| Rinker Group Limited | Sigma Company Limited |
| Sigma Company Limited | Sonic Healthcare Limited |
| Sonic Healthcare Limited | Southcorp Limited |
| Southcorp Limited | St George Bank Limited |
| St George Bank Limited | Suncorp-Metway Limited |
| Suncorp-Metway Limited | TAB Limited |
| Tabcorp Holdings Limited | Tabcorp Holdings Limited |
| Telstra Corporation Limited | Telstra Corporation Limited |
| Ten Network Holdings Limited | Ten Network Holdings Limited |
| Toll Holdings Limited | Toll Holdings Limited |
| Transurban Group | Transurban Group |
| Wesfarmers Limited | Wesfarmers Limited |
| West Australian Newspapers Holdings Limited | West Australian Newspapers Holdings Limited |
| Westpac Banking Corporation | Westfield Holdings Limited |
| Woolworths Limited | Westpac Banking Corporation |
| | Woolworths Limited |

TSR measurement for the purposes of calculating vesting is performed by a third party (in 2004 this was Standard & Poor's). The results are circulated to the members of the Board for their confirmation.

The Board has discretion to increase or decrease the amount of vested shares by up to 20%, taking into account the executive's individual performance.

No further offers of conditional entitlements to shares have been made to the specified executives during the financial year 2005.

*Executives – arrangements for financial year 2006*

The Board has proposed a series of changes to the long-term incentive plan for executives. The changes provide additional focus on the long-term performance of the ASX and bring the long-term incentive in line with typical market practice. Shareholder approval will be sought at the 2005 AGM.

Full details of the proposed changes are set out in the notice convening the 2005 AGM. The key changes are:

- The performance period will be reduced from 4 years to 3 years to align the period to typical market practice;
- Half of the grant will be subject to a Total Shareholder Return hurdle and the remaining half will be subject to an earnings-per-share hurdle. The total shareholder return measure will continue to be used to ensure an alignment with shareholder expectations, while the earnings per share measure is being introduced to ensure a greater focus on improved earnings;
- For 50th percentile ranking, 50% of the total shareholder return grant will vest. (Formerly 60% would vest for 50th percentile ranking.);
- Awards will continue to be structured as they have been historically. However, they will be referred to as "performance rights". This reflects more common terminology in the market place;
- The comparator group for the total shareholder return hurdle will be changed to the ASX 50 – 150 companies, less property trusts and minerals companies plus selected international exchange services.

In addition to these changes, ASX is implementing a separate long-term incentive plan for the Market Supervision area. It has these key differences:

- Staff in the Market Supervision area will be entitled to cash awards only;
- Performance will be assessed on:
  1. International benchmarks (integrity of markets) for comparable exchanges;
  2. ASIC and ASX Supervisory Review's (ASXSR) assessments of ASX's supervision division;
  3. Customer satisfaction surveys (both internal and external) ranking service levels and integrity of our markets;
  4. Any other matters that the Board in consultation with the Managing Director set as performance targets with the relevant executive at the beginning of each plan.

The Board considers that executives in Market Supervision should not have their LTI tied to ASX's share price and earnings per share to minimise perceptions of potential conflict.

## 3.4 Remuneration Policy: Relationship to ASX Long-term Performance

ASX's remuneration policy links the remuneration of the Managing Director and the executives to ASX's long-term performance through the award of conditional entitlements. All these conditional entitlements have Total Shareholder Return as a performance measure. This measure ensures that the conditional entitlements only become exercisable on achievement of at least median growth in total shareholder return relative to our peers (see above 3.3 on proposed changes).

| *Year end 30 June* | *2001* | *2002* | *2003* | *2004* | *2005* |
|---|---|---|---|---|---|
| Interim Dividend (cps) | 26.8 | 19.5 | 21.5 | 29.2 | 44.2 |
| Final Dividend (cps) | 16.5 | 21.1 | 18.1 | 27.4 | 50.9 |
| Special Dividend (cps) | – | – | 27.5 | 24.1 | – |
| Total Dividend (cps) | 43.3 | 40.6 | 67.1 | 80.7 | 95.1 |
| Operating profit after tax ($m) | 51.0 | 59.1 | 57.8 | 82.7 | 165.5* |
| Share price at 30 June ($) | 14.25 | 13.40 | 12.52 | 15.54 | 23.13 |

* This includes the NGF receipt and other significant items. Normal Profit was $108.5 million.

### 3.5 Remuneration Table for Executives

The following table contains the details prescribed by S300A of the Corporations Act 2001 in relation to the names of the relevant executives, position held and the period for which the position was held. During February 2005, ASX completed a restructure, which resulted in changes to the senior management team. The table below sets out the positions held for executives before and after the restructure.

| *Name* | *Current position held (10 February 2005 to 30 June 2005)* | *Previous position held (30 June 2004)* |
|---|---|---|
| JM Hayes | Group Executive – Shared Services & Chief Financial Officer | Chief Financial Officer |
| CA Jones | Group General Counsel & Company Secretary | General Counsel |
| ES Mayne | Group Executive – Market Supervision (appointed 16 May 2005) | – |
| JJ Olsson | Group Executive – Technology | Executive General Manager – Production Services |
| AG Richards | Group Executive – Strategy | Deputy Managing Director |
| CR Scully | Group Executive – Markets & Deputy Chief Executive Officer | Chief Operating Officer |
| CJ Hamilton | Executive General Manager – Clearing & Settlement (ceased employment 30 June 2005) | Executive General Manager – Clearing & Settlement |
| KL Hamilton | – | Executive General Manager – Issuers & Integrity (ceased employment 31 December 2004) |
| MA Roche | Executive General Manager – Market Services (ceased employment 30 June 2005) | Executive General Manager – Market Services |

The following table outlines the nature and amount of the elements of the remuneration of the five highest paid executives and specified executives of ASX:

| | | *Primary* | | | *Post-employment* | *Equity Compensation* | | | *Other* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *Salary & fees[1]* | *Cash bonuses[2]* | *Non-cash benefits[3]* | *Super-annuation contrib-utions* | *Value of conditional entitle-ments[4]* | *Value of additional shares[5]* | *Percentage of total remun-eration* | *Payment in lieu of notice[8]* | *Other benefits* | *Total remun-eration* |
| | | $ | $ | $ | $ | $ | $ | % | $ | $ | $ |
| JM Hayes | 2005 | 484,395 | 175,000 | 14,559 | 11,585 | 72,330 | – | 9.5 | – | 3,512 | 761,381 |
| | 2004 | 421,141 | 130,000 | 14,151 | 11,002 | 165,250 | 52,938 | 27.4 | – | 2,847 | 797,329 |
| CA Jones | 2005 | 278,017 | 80,000 | 2,131 | 71,985 | 48,055 | – | 10.0 | – | 2,500 | 482,688 |
| | 2004 | 267,906 | 95,000 | 2,100 | 46,402 | 103,060 | 32,541 | 24.7 | – | 2,500 | 549,509 |
| ES Mayne (appointed 16 May 2005) | 2005 | 85,073 | – | – | 1,460 | – | – | – | – | 410 | 86,943 |
| JJ Olsson[6] | 2005 | 252,291 | 89,605 | 2,292 | 70,585 | 48,798 | – | 10.5 | – | 2,554 | 466,125 |
| | 2004 | 243,378 | 72,800 | 2,310 | 56,817 | 100,179 | 31,296 | 25.8 | – | 2,188 | 508,968 |
| AG Richards | 2005 | 415,986 | 136,700 | 18,138 | 11,585 | 72,825 | – | 11.1 | – | – | 655,234 |
| | 2004 | 411,659 | 150,000 | 17,764 | 11,002 | 173,820 | 56,208 | 28.0 | – | 716 | 821,169 |
| CR Scully | 2005 | 642,515 | 185,000 | 18,564 | 93,170 | 85,458 | – | 8.3 | – | 2,554 | 1,027,261 |
| | 2004 | 454,280 | 150,000 | 18,291 | 67,587 | 185,000 | 68,300 | 26.8 | – | 2,082 | 945,540 |
| CJ Hamilton | 2005 | 274,533 | 130,000 | 14,158 | 15,399 | 57,268 | – | 5.3 | 591,511 | 3,378 | 1,086,247 |
| (ceased employment 30 June 2005) | 2004 | 362,423 | 50,000 | 17,495 | 14,816 | 153,526 | 49,513 | 31.2 | – | 2,772 | 650,545 |
| KL Hamilton | 2005 | 209,382 | 125,000 | 2,284 | 11,585 | – | – | – | 500,000 | 3,403 | 851,654 |
| (ceased employment 31 Dec 2004) | 2004 | 388,792 | 160,000 | 3,434 | 11,002 | 143,771 | 45,620 | 25.1 | – | 2,627 | 755,246 |
| MA Roche | 2005 | 304,867 | 150,000 | 3,172 | 12,785 | 57,268 | – | 4.8 | 656,622 | 3,968 | 1,188,682 |
| (ceased employment 30 June 2005) | 2004 | 370,302 | 140,000 | 3,381 | 12,202 | 143,465 | 45,620 | 26.3 | – | 2,987 | 717,957 |
| Total | 2005 | 2,947,059 | 1,071,305 | 75,298 | 300,139 | 442,002 | – | 6.7 | 1,748,133 | 22,279 | 6,606,215 |
| Total | 2004 | 2,919,881 | 947,800 | 78,926 | 230,830 | 1,168,071 | 382,036 | 27.0 | – | 18,719 | 5,746,263 |
| Total disclosed | 2004[7] | 2,046,170 | 730,000 | 57,021 | 112,795 | 811,306 | 268,686 | 26.8 | – | 11,260 | 4,037,238 |

1. Salary & fees includes salary, annual leave and long service leave on an accruals basis.
2. Cash bonuses relate to performance bonuses paid for the preceding financial year as the current year bonus has yet to be determined. 100% of the bonus was paid in cash.
3. Non-cash benefits consist of the provision of car parking and notional interest on employee share purchase plan loans. Refer to note 21(b) for further details on the share purchase plan.
4. The notional value ascribed to this long-term incentive (conditional entitlements) has been determined by an independent actuary using the criteria set out in Accounting Standard AASB 1046 and AASB 1046A. The notional value of the conditional entitlements has been apportioned over the term of the plan on a straight-line basis. Each conditional entitlement was valued at $9.82. The valuation methodology and inputs to the valuation have been disclosed in the narrative accompanying this table. Comparative values have not been updated to reflect changes in AASB 1046 during the year.
5. "Value of additional shares" relates to the value ascribed to additional shares issued by the Board of Directors under the terms of the Executive Share Plan.
6. Mr Olsson was appointed Group Executive – Technology on 10 February 2005. Before this appointment he was Executive General Manager Production Services. However, we have opted to show his remuneration for the entire year and his comparative amount for the prior year.
7. "Total disclosed 2004" are the totals which were disclosed in the 2004 report to shareholders. This disclosure is required under Accounting Standard AASB 1046.
8. Payment is made up of one year's salary in lieu of notice and for CJ Hamilton and MA Roche an additional three months payment for restrictive covenant.

Directors' and officers' indemnity insurance has not been included in the above figures since it is impracticable to determine an appropriate allocation basis.

# Directors' Report (continued)

## 3.6 Equity Holdings of Managing Director and Relevant Executives

### 3.6.1 Holdings of Conditional Entitlements

The following table shows the movement during the reporting period in the number of conditional entitlements over ordinary shares in ASXL held directly, indirectly or beneficially, by each Managing Director and relevant Executive, including their personally-related entities:

| | Holding at 1 July 2004 | Granted as remuneration | | Exercised [1 2] | | Lapsed[1] | | Holding at 30 June 2005[3] | | Minimum value of award to vest | Maximum value of award to vest | Fair value per entitlement at 30 June 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | No. | $ | No. | $ | No. | $ | No. | $ | $ | $ | $ |
| **Managing Directors** | | | | | | | | | | | | |
| AM D'Aloisio | – | 97,900 | 1,011,307 | – | – | – | – | 97,900 | 1,011,307 | – | 1,213,568 | 10.33 |
| RG Humphry | 115,300 | – | – | 115,300 | 1,196,814 | – | – | – | – | – | – | – |
| **Executives** | | | | | | | | | | | | |
| JM Hayes | 63,200 | – | – | 34,000 | 352,920 | – | – | 29,200 | 286,744 | – | 344,093 | 9.82 |
| CA Jones | 40,300 | – | – | 20,900 | 216,942 | – | – | 19,400 | 190,508 | – | 228,610 | 9.82 |
| ES Mayne | – | – | – | – | – | – | – | – | – | – | – | – |
| JJ Olsson | 39,800 | – | – | 20,100 | 208,638 | – | – | 19,700 | 193,454 | – | 232,145 | 9.82 |
| AG Richards | 65,500 | – | – | 36,100 | 374,718 | – | – | 29,400 | 288,708 | – | 346,450 | 9.82 |
| CR Scully | 72,100 | 6,400 | 62,848 | 37,600 | 390,288 | – | – | 40,900 | 401,638 | – | 481,966 | 9.82 |
| CJ Hamilton | 58,100 | – | – | 31,800 | 330,084 | 17,065 | 167,578 | 9,235 | 90,688 | – | 90,688 | 9.82 |
| KL Hamilton | 55,800 | – | – | 29,300 | 304,134 | 26,500 | 260,230 | – | – | – | – | – |
| MA Roche | 55,500 | – | – | 29,300 | 304,134 | 16,965 | 166,596 | 9,235 | 90,688 | – | 90,688 | 9.82 |
| Total | 565,600 | 104,300 | 1,074,155 | 354,400 | 3,678,672 | 60,530 | 594,404 | 254,970 | 2,553,735 | – | 3,028,208 | |

1. These conditional entitlements are based on the valuation conducted at grant date.
2. The market price of ASX shares at the time of exercising was $15.81.
3. All conditional entitlements in existence at 30 June 2005 will potentially vest in December 2007, unless there is a qualifying reason for the Board to exercise their discretion and allocate shares prior to this date. The amount represents the total value of conditional entitlements at 30 June 2005 and will be expensed over the term of the plan on a straight line basis. Therefore amounts disclosed in 3.5 and 4.4 represent the expense only for the period.

### 3.6.2 Holdings of Ordinary Shares

The following table shows the movement during the reporting period in the number of ordinary shares in ASXL held directly, indirectly or beneficially, by each Managing Director and relevant Executive, including their personally-related entities:

| | *Holding at 1 July 2004* | *Received on exercise of conditional entitlements[1]* | *Net change – other[2]* | *Holding at date of this report* |
|---|---|---|---|---|
| **Managing Directors** | | | | |
| AM D'Aloisio | – | – | 3,000 | 3,000 |
| RG Humphry[5] | 150,000 | 138,360 | (288,360) | not required |
| **Executives** | | | | |
| JM Hayes | 201 | 39,100 | (39,100) | 201 |
| CA Jones | 3,425 | 24,035 | – | 27,460 |
| ES Mayne | – | – | – | – |
| JJ Olsson | 23,537 | 23,115 | – | 46,652 |
| AG Richards | 46,340 | 41,515 | (54,000) | 33,855 |
| CR Scully | 6,096 | 44,180 | (40,000) | 10,276 |
| CJ Hamilton[3] | 5,391 | 36,570 | (41,961) | not required |
| KL Hamilton[4] | 5,084 | 33,695 | (38,779) | not required |
| MA Roche[3] | 30,546 | 33,695 | (64,241) | not required |
| Total | 270,620 | 414,265 | (563,441) | 121,444 |

1. No amount was paid on vesting of conditional entitlements.
2. Net change – other includes purchases and sales of shares and additions and deletions of initial and final shareholdings for directors and executives who joined ASX or ceased employment during the financial year.
3. Ceased employment with ASX on 30 June 2005, therefore shareholdings after this date have not been disclosed.
4. Ceased employment with ASX on 31 December 2004, therefore shareholdings after this date have not been disclosed.
5. Retired as Managing Director on 10 October 2004, therefore shareholdings after this date have not been disclosed.

No ordinary ASXL shares were granted to the Managing Directors or relevant Executives as remuneration during the period.

## 3.7 Executive Service Contracts

### 3.7.1 Managing Director

The structure of the Managing Director's compensation is in accordance with his service agreement.

#### *3.7.1.1 Fixed remuneration*

At the time of appointment, a fixed remuneration amount of $1,100,000 per annum was set by the Board. This amount is reviewable at the Board's discretion each year.

The fixed remuneration includes the 9% Superannuation Guarantee Contribution (capped at $11,585).

Non-monetary benefits are provided on a "salary sacrifice basis". The types of benefits that can be packaged by the Managing Director include superannuation, motor vehicles, car parking and laptops.

#### *3.7.1.2 Short-term incentive plan*

The Managing Director is entitled to annual short term incentive payments of up to 50% of fixed salary. Any short term incentive entitlements actually awarded are determined at the discretion of the Board after assessing the performance of ASX, the performance of the Managing Director and relevant market information against agreed performance targets and priorities.

The Board has set performance targets in relation to ASX group performance and the Managing Director's contribution to that performance. These targets relate to:

- Integrity of our markets;
- Shareholder return and value;
- Customer satisfaction;
- People engagement;
- Corporate and the broader investor community;
- Innovative and improved systems and processes.

The Board will, in its discretion, assess the Managing Director against those targets.

# Directors' Report (continued)

*3.7.1.3 Long-term incentive plan*

The service agreement between the Managing Director and ASX entitles the Managing Director to participate in a long term incentive plan in 2 stages subject to shareholder approval.

The Managing Director participates in the existing ASX Executive Share Plan. Participation is in accordance with the rules of the plan which also apply to other executives of ASX.

The first stage was approved by shareholders at the 2004 annual general meeting and that plan is aligned to the existing plan. Shareholder approval will be sought for the second stage at the 2005 annual general meeting. Details of the second stage are outlined in the Notice convening this meeting. It is proposed that the second stage will be aligned to the LTI applying to the executives.

*Stage 1 – November 2004 offer*

The first stage of the long-term incentive plan was approved by shareholders at the 2004 annual general meeting. It granted 97,900 conditional entitlements to ASX shares to the Managing Director. The performance period for this offer is 3 years from 1 November 2004 to 30 November 2007. The number of conditional entitlements granted was calculated as 160% of his annual fixed remuneration divided by the market price of ASX's shares. Market price was the volume weighted average price in the five trading days to the commencement of the performance period. The volume weighted average price was $17.99.

The performance conditions for the November 2004 offer made to the Managing Director are the same as those for the December 2003 offer to other executives (detailed in Section 3.3.3.2). However, the performance period for the Managing Director is 3 years and the comparator group is based on the ASX 100 constituents (less foreign companies, mineral companies and property trusts) as at 1 November 2004.

The fair value of conditional entitlements was calculated at grant date by an independent valuer at $10.33 for the purposes of disclosure in the remuneration report. To calculate the independent valuer used the Monte Carlo simulation technique with the following assumptions:

| | |
|---|---|
| Share price at grant date | $18.90 |
| Exercise price | Nil |
| Volatility | 18.5% p.a |
| Risk free rate | 5.1% |
| Dividend yield | 3% p.a |

The valuation model incorporates the likelihood of attaining the performance hurdles (TSR) in the valuation, but does not include any allowance for executive turnover.

*Stage 2 – 2005*

Shareholder approval for the second stage of the Managing Director's long-term incentive plan will be sought at the 2005 annual general meeting. Details of this stage are outlined in the notice convening this meeting.

*3.7.1.4 Service contract term and retirement benefits*

The Managing Director and Chief Executive Officer was appointed to the position at ASX on 11 October 2004, for an initial term to 31 December 2007 with an option (at the Board's discretion) to renew for a further 2 years.

The Managing Director receives the 9% Superannuation Guarantee Contribution (capped at $11,585) and does not receive any other retirement benefits.

*3.7.1.5 Service contract termination benefits and notice periods*

| | | | Treatment of long-term incentives | |
|---|---|---|---|---|
| *Type of termination* | *Notice period* | *Treatment of short-term incentives* | *Vested (unexercised awards)* | *Unvested awards* |
| Termination for poor performance | 12 months | Determined by Board | Released to Managing Director | Board has discretion to determine whether awards should vest |
| Termination for cause | N/A | No payment | Shares subject to any restrictions forfeited | Awards will lapse |
| Termination for illness | 6 months | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |
| Termination upon death | N/A | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |
| Expiry of contract | N/A | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |

### 3.7.2 Executives

A controlled entity, ASX Operations Pty Limited, has service contracts with each of the executives. Except in the case of Mr Mayne, these contracts are for an undefined term and as such are capable of termination on reasonable notice. No termination payments are provided for under these contracts.

Mr Mayne's service contract is for an initial term of 2 years commencing on 16 May 2005 and thereafter year to year. Mr Mayne may resign by giving 3 months notice at any time. The consolidated entity can terminate the contract:

- At any time after the initial 2 year term, by giving 12 months notice;
- At any time for poor performance, by giving 3 months notice; or
- At any time in the case of serious misconduct, without notice.

In the case of resignation or termination, Mr Mayne will receive any amount owing to him in respect of his fixed remuneration package calculated to the termination date and any accrued but untaken statutory leave entitlements as at that date. Payment of any short term and long term incentives will depend on the nature of the termination:

- In the case of resignation, termination for poor performance or termination by 12 months notice after the initial 2 year term, consideration will be given to what, if any, short term incentive should be paid;
- In the case of resignation, any long term incentive awarded but not paid before the termination date will be paid but any entitlement not awarded at the termination date will lapse;
- In the case of termination by 12 months notice after the initial 2 year term, consideration will be given to what amount, if any, should be paid in respect of the long term incentive.

Following the recent internal restructuring of its senior positions, ASX is in the process of entering into new service contracts with specified executives. Full details will appear in next year's Remuneration Report.

# 4. Remuneration: Non-executive Directors

## 4.1 Remuneration Policy

Non-executive directors' individual fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid to all non-executive directors is $2,000,000 per annum as approved by shareholders at the annual general meeting on 28 September 2004. This amount does not include retirement benefits but does include superannuation and fees paid to non-executive directors of ASX in their capacity as members of ASX Board and committees, directors of subsidiary company boards, and the Securities Exchange Guarantee Corporation.

The Board reviews its fees to ensure ASX non-executive directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role, and to have in place a fee scale which enables ASX to attract and retain talented non-executive directors. In conducting a review the Board takes advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies. Non-executive directors' fees are broadly aligned to the top quartile of the marketplace. The last fee review conducted in 2003/2004 took into account:

- The market rates for non-executive directors of companies;
- The termination of the retirement benefits scheme; and
- The amount and level of effort employed by ASX non-executive directors in undertaking their duties.

## 4.2 Remuneration Structure

Non-executive directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the Board, which is to provide oversight and guide strategy, and of management, which is to operate the business and execute the company's strategy. Non-executive directors are not subject to a minimum shareholding requirement. However, they may hold shares in ASX subject to the ASX Dealing Rules.

Directors receive no benefits in addition to their fees, other than office and secretarial support provided at no cost to the Chairman of the ASXL Board. Benefits such as car parking are provided on a "salary sacrifice" basis.

*Retirement benefits*

The Board decided on 26 August 2003 to terminate the retirement benefits scheme which had been approved by shareholders in 1998. The accrued entitlements have been frozen at that date and will be paid to entitled non-executive directors at the time of retirement. Non-executive directors who joined the Board in the 3 years before 26 August 2003 have no accrued entitlement to a retirement benefit as the minimum service period under the scheme to qualify for a benefit was 3 years. The remuneration table in Section 4.4 records the accrued retirement benefits to date.

## 4.3 Non-executive Directors' Fees

Including fee scales for key committees and subsidiary boards on which non-executive directors serve.

| *Position* | *Fee per annum $* |
|---|---:|
| Chairman of the Board | 300,000 |
| Vice Chairman of the Board | 125,000 |
| Non-executive director | 100,000 |
| Audit and Risk Committee Chair | 40,000 |
| Audit and Risk Committee member | 20,000 |
| Nomination and Remuneration Committee member[1] | 10,000 |
| Market Rules Committee Chair | 20,000 |
| ASX Settlement and Transfer Corporation Pty Ltd director | 30,000 |
| Australian Clearing House Pty Ltd director | 30,000 |

1. The Chairman of the Board is the Chairman of the Nomination and Remuneration Committee. He receives no additional fee for this role.

## 4.4 Remuneration Table for Directors

The following table outlines the nature and amount of each major element of the remuneration of the Directors of ASXL:

| | | Primary | | | Post-employment | | Equity | | | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees[1] | Cash bonus[2] | Non-cash benefits[3] | Super-annuation | Accrued retirement benefits[4] | Value of conditional entitle-ments[5] | Value of additional shares[6] | Percentage of total remun-eration | Other benefits | Total remun-eration | Total accrued retirement benefits[7] |
| | | $ | $ | $ | $ | $ | $ | $ | % | $ | $ | $ |
| **Managing Directors** | | | | | | | | | | | | |
| AM D'Aloisio (appointed 11 Oct 2004) | 2005 | 880,984 | – | – | 8,348 | – | 216,837 | – | 19.6 | 909 | 1,107,078 | – |
| RG Humphry | 2005 | 313,211 | 550,000 | 4,069 | 3,237 | – | – | – | – | – | 870,517 | – |
| (retired 10 Oct 2004) | 2004 | 1,000,802 | 466,500 | 14,030 | 50,286 | 1,156,450 | 459,345 | 239,363 | 20.6 | 2,863 | 3,389,639 | 3,300,000 |
| **Non-executive Directors** | | | | | | | | | | | | |
| ML Newman[8] | 2005 | 285,440 | – | 14,560 | 11,585 | – | – | – | – | – | 311,585 | 312,571 |
| Chairman | 2004 | 285,970 | – | 14,030 | 11,002 | 13,127 | – | – | – | – | 324,129 | 312,571 |
| MH Shepherd | 2005 | 130,605 | – | – | 95,980 | – | – | – | – | – | 226,585 | 136,395 |
| Vice-chairman | 2004 | 144,823 | – | 14,030 | 80,147 | 5,728 | – | – | – | – | 244,728 | 136,395 |
| JJ Kennedy | 2005 | 109,000 | – | – | – | – | – | – | – | – | 109,000 | 113,662 |
| | 2004 | 100,000 | – | – | 8,938 | 3,708 | – | – | – | – | 112,646 | 113,662 |
| M Fowles | 2005 | – | – | – | – | – | – | – | – | – | – | – |
| (retired 30 Sept 2003) | 2004 | – | – | – | 20,437 | 3,708 | – | – | – | – | 24,145 | – |
| TC Rowe | 2005 | 120,000 | – | – | 10,800 | – | – | – | – | – | 130,800 | – |
| | 2004 | 120,000 | – | – | 10,041 | – | – | – | – | – | 130,041 | – |
| JS Segal | 2005 | 120,000 | – | – | – | – | – | – | – | – | 120,000 | – |
| | 2004 | 110,000 | – | – | – | – | – | – | – | – | 110,000 | – |
| MJ Sharpe | 2005 | 65,605 | – | – | 95,980 | – | – | – | – | – | 161,585 | 113,662 |
| | 2004 | 118,050 | – | – | 53,952 | 3,708 | – | – | – | – | 175,710 | 113,662 |
| CM Walter | 2005 | 120,000 | – | – | 10,800 | – | – | – | – | – | 130,800 | 113,662 |
| | 2004 | 120,000 | – | – | 10,041 | 3,708 | – | – | – | – | 133,749 | 113,662 |
| Total | 2005 | 2,144,845 | 550,000 | 18,629 | 236,730 | – | 216,837 | – | 6.8 | 909 | 3,167,950 | 789,952 |
| Total | 2004 | 1,999,645 | 466,500 | 42,090 | 244,844 | 1,190,137 | 459,345 | 239,363 | 15.0 | 2,863 | 4,644,787 | 4,089,952 |

1. Salary & fees include Board and committee fees for non-executive directors and salary, annual leave and long service leave for the executive directors. All amounts are included on an accruals basis.
2. Cash bonuses relate to performance bonuses paid for the preceding financial year as the current year bonus has yet to be determined. 100% of the bonus was paid in cash.
3. Non-cash benefits consist of the provision of car parking.
4. Retirement benefits for non-executive directors was frozen on 26 August 2003. The amount disclosed in the 2004 row relates to the accrual of retirement benefits for the period 1 July 2003 to 26 August 2003. The current Managing Director and CEO is not entitled to any retirement benefits excluding superannuation.
5. The notional value ascribed to this long-term incentive (conditional entitlements) has been determined by an independent actuary using the criteria set out in Accounting Standard AASB 1046 and AASB 1046A. The notional value of the conditional entitlements has been apportioned over the term of the plan on a straight-line basis. The conditional entitlement was valued at $10.38 for Mr RG Humphry and $10.33 for Mr AM D'Aloisio. The valuation methodology and inputs to the valuation have been disclosed in the narrative accompanying this table. Comparative values have not been updated to reflect changes in AASB 1046 during the year.
6. "Value of additional shares"- relates to the value ascribed to additional shares issued by the Board of Directors under the terms of the Executive Share Plan.
7. The total accrued retirement benefits have been disclosed in accordance with the ASX Corporate Governance Council best practice recommendations.
8. Mr Newman is provided with office and secretarial support to assist him in carrying out his ASXL Board duties. No cost is included as part of his remuneration above.

Directors and officers indemnity insurance has not been included in the above figures since it is impracticable to determine an appropriate allocation basis.

Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During the financial year, $52,546 in total was paid to the directors of ASXL who were also directors of SEGC.

### 4.5 Shareholdings of Non-executive Directors

The table below summarises the movements in holdings of ordinary shares in ASX Limited held directly, indirectly or beneficially, by each ASX Director and their personally-related entities.

| | *Holding at 1 July 2004* | *Holding at 30 June 2005* | *Holding at date of this report* |
|---|---|---|---|
| **Non-executive Director** | | | |
| ML Newman | 83,000 | 83,000 | 83,000 |
| MH Shepherd | 30,000 | 30,000 | 30,000 |
| RA Aboud | – | – | – |
| JJ Kennedy | 1,000 | 1,000 | 1,000 |
| TC Rowe | 4,300 | 4,300 | 4,300 |
| JS Segal | 2,000 | 2,000 | 2,000 |
| MJ Sharpe | 2,000 | 2,000 | 2,000 |
| CM Walter | 8,000 | 8,000 | 8,000 |
| Total | 130,300 | 130,300 | 130,300 |

There were no movements in the shareholdings of ASX non-executive directors during the financial year and up until the date of this report.

## Rounding of Amounts to Nearest Thousand Dollars

ASXL is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Dated at Sydney this 26th day of July 2005.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC
Chairman

Tony D'Aloisio
Managing Director

## Auditor Independence

The directors received the following declaration from the auditor of Australian Stock Exchange Limited:

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Australian Stock Exchange Limited.**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

NT Davis
Partner

Sydney, 26th day of July 2005

# Statements of Financial Performance

for the year ended 30 June 2005

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| **Revenues from ordinary activities** | | | | | |
| Listings | | 71,507 | 54,036 | – | – |
| Equities trading, clearing & settlement | | 118,368 | 105,968 | – | – |
| Derivatives trading, clearing & settlement | | 44,009 | 38,658 | – | – |
| Market data | | 32,087 | 29,218 | – | – |
| Dividend revenue | | 2,325 | 1,875 | 90,325 | 101,875 |
| Interest revenue | | 9,214 | 7,220 | 2,202 | 2,544 |
| Receipt from National Guarantee Fund* | 2, 4 | 71,489 | – | – | – |
| Other revenue | | 13,688 | 13,356 | – | – |
| **Total revenues from ordinary activities** | 2 | 362,687 | 250,331 | 92,527 | 104,419 |
| **Expenses from ordinary activities** | | | | | |
| Staff expenses | | 77,182 | 65,815 | – | – |
| Occupancy expenses | | 23,317 | 19,462 | – | – |
| Equipment expenses | | 35,418 | 29,450 | – | – |
| Administration expenses | | 22,618 | 18,597 | 77 | 809 |
| **Total expenses from ordinary activities** | 3, 4 | 158,535 | 133,324 | 77 | 809 |
| Share of net (loss) of associate accounted for using the equity method | 13 | (105) | (434) | – | – |
| **Profit from ordinary activities before income tax expense** | | 204,047 | 116,573 | 92,450 | 103,610 |
| Income tax (expense) relating to ordinary activities | 5(a) | (38,578) | (33,350) | (638) | (520) |
| **Profit from ordinary activities after income tax expense** | | 165,469 | 83,223 | 91,812 | 103,090 |
| Net (profit) attributable to outside equity interest | | – | (532) | – | – |
| **Net profit attributable to members of the parent entity** | 19 | 165,469 | 82,691 | 91,812 | 103,090 |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity | | – | – | – | – |
| **Total changes in equity from non-owner related transactions attributable to the members of the parent entity** | | 165,469 | 82,691 | 91,812 | 103,090 |
| Basic earnings per share (cents per share) | 7 | 161.1 | 81.1 | | |
| Diluted earnings per share (cents per share) | 7 | 160.1 | 80.3 | | |

* During the year, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt and are held as restricted cash assets for clearing and settlement support; and are not distributable to ASX shareholders.

The Statements of Financial Performance are to be read in conjunction with the Notes to the Financial Statements.

# Statements of Financial Position

as at 30 June 2005

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| **Current assets** | | | | | |
| Restricted cash assets | 20, 25 | 71,489 | – | – | – |
| Unrestricted cash assets | 25 | 129,088 | 110,048 | 37,561 | 17,846 |
| Receivables | 9 | 23,696 | 23,741 | – | – |
| Other assets | 10 | 4,638 | 5,054 | – | – |
| **Total current assets** | | 228,911 | 138,843 | 37,561 | 17,846 |
| **Non-current assets** | | | | | |
| Investments accounted for using the equity method | 13 | 47,202 | 47,307 | – | – |
| Investments – other | 11 | 22,950 | 22,950 | 83,548 | 83,548 |
| Deferred tax assets | 5(c) | 11,475 | 10,380 | 11,475 | 10,380 |
| Property, plant and equipment | 14 | 35,004 | 50,988 | – | – |
| Receivables | 9 | 7,912 | 14,388 | 57,588 | 74,471 |
| Intangible assets | 12 | 4,756 | 5,034 | – | – |
| **Total non-current assets** | | 129,299 | 151,047 | 152,611 | 168,399 |
| **Total assets** | | 358,210 | 289,890 | 190,172 | 186,245 |
| **Current liabilities** | | | | | |
| Payables | 15 | 14,067 | 11,931 | – | – |
| Current tax liabilities | 5(b) | 16,805 | 17,989 | 16,789 | 17,673 |
| Provisions | 16 | 21,417 | 19,204 | – | – |
| Other liabilities | 17 | 7,991 | 6,610 | – | 6 |
| **Total current liabilities** | | 60,280 | 55,734 | 16,789 | 17,679 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 5(d) | 2,123 | 5,689 | 2,123 | 5,689 |
| Provisions | 16 | 8,828 | 8,671 | – | – |
| Other liabilities | 17 | – | – | 14,857 | – |
| **Total non-current liabilities** | | 10,951 | 14,360 | 16,980 | 5,689 |
| **Total liabilities** | | 71,231 | 70,094 | 33,769 | 23,368 |
| **Net assets** | | 286,979 | 219,796 | 156,403 | 162,877 |
| **Equity** | | | | | |
| Contributed equity | 18 | 106,282 | 106,282 | 106,282 | 106,282 |
| Retained profits | 19 | 109,208 | 113,514 | 50,121 | 56,595 |
| Restricted capital reserve | 20 | 71,489 | – | – | – |
| **Total equity** | | 286,979 | 219,796 | 156,403 | 162,877 |

The Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements.

# Statements of Cash Flows

for the year ended 30 June 2005

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 307,640 | 267,875 | – | – |
| Payments to suppliers and employees | | (160,712) | (144,610) | (77) | (809) |
| Dividends received | | 2,325 | 1,875 | 90,325 | 101,875 |
| Interest received | | 9,214 | 7,220 | 2,202 | 2,544 |
| Income taxes paid | 5(b) | (44,423) | (28,223) | (44,119) | (27,730) |
| Receipts from subsidiaries under tax funding agreement | | – | – | 37,936 | 33,261 |
| Cash received from Financial Industry Development Account | | 6,621 | 5,314 | – | – |
| Receipt from National Guarantee Fund* | 25(c) | 71,489 | – | – | – |
| **Net cash provided by operating activities** | 25(a) | 192,154 | 109,451 | 86,267 | 109,141 |
| **Cash flows from investing activities** | | | | | |
| Expenditure on internally developed assets | | (4,903) | (3,740) | – | – |
| Purchase of plant and equipment | | (5,270) | (6,171) | – | – |
| Proceeds on sale of plant and equipment | | 358 | 155 | – | – |
| Payment for additional investment in controlled entity | 12 | – | (5,347) | – | (5,347) |
| Proceeds on sale of investment in controlled entity | | – | – | – | 5,000 |
| Loans from/(to) subsidiary entities | | – | – | 25,258 | (72,896) |
| Repayments from associate | | 5,539 | 3,008 | 5,539 | 3,008 |
| **Net cash (used in)/provided by investing activities** | | (4,276) | (12,095) | 30,797 | (70,235) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | 6 | (98,286) | (76,311) | (98,286) | (76,311) |
| Proceeds from employee share plan loans | | 937 | 1,334 | 937 | 1,334 |
| **Net cash (used in) financing activities** | | (97,349) | (74,977) | (97,349) | (74,977) |
| **Net increase/(decrease) in cash held** | | 90,529 | 22,379 | 19,715 | (36,071) |
| **Cash at beginning of year** | | 110,048 | 87,669 | 17,846 | 53,917 |
| **Cash at end of year** | 25(c) | 200,577 | 110,048 | 37,561 | 17,846 |

* During the year, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt and are held as restricted cash assets for clearing and settlement support; and are not distributable to ASX shareholders.

The Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements.

## 1. Statement of Significant Accounting Policies

The significant accounting policies that have been adopted in the preparation of this financial report are:

**(a) Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there has been a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

**(b) Principles of Consolidation**

Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Associates

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss after tax is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions Eliminated on Consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to transactions with associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

**(c) Revenue Recognition**

Operating Revenue

Operating revenue comprises amounts earned (net of returns, rebates and allowances) from the provision of products or services to entities outside the consolidated entity. Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority, when the goods are provided or, in relation to the provision of services, when services have been performed.

Dividend Revenue

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends and other investments is recognised when dividends are received.

Interest Revenue

Interest revenue is recognised as it accrues. It includes gains or losses on short-term bills when revaluing them to market.

Sale of Non-current Assets

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Receipt from National Guarantee Fund

Funds received from the National Guarantee Fund were recognised as revenue when the funds were received.

**(d) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(e) Taxation**

The consolidated entity adopts the income statement liability method of tax-effect accounting.

Income tax expense for the year is calculated on the operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, are carried forward in the statement of financial position as a deferred tax asset or a deferred tax liability.

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or in relation to tax losses, when realisation is virtually certain.

ASXL elected to form a tax consolidated group for income tax purposes with effect from 1 July 2002. ASXL, the head entity, therefore recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions). Refer to note 5 for further details.

**(f) Earnings Per Share**

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares of the company.

Diluted EPS is calculated by dividing net profit attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares and dilutive potential ordinary shares.

## 1. Statement of Significant Accounting Policies (continued)

**(g) Cash and Cash Equivalents**

Both restricted and unrestricted cash assets are stated at market value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within one working day, with a term to maturity of less than three months.

### Restricted Cash Assets

Restricted cash assets were created when "ring-fenced" funds were transferred from the National Guarantee Fund to the Australian Clearing House, part of the ASX Group. Under the terms of the transfer, ACH must not, without first obtaining the consent in writing of the Minister, take action to use these funds for a purpose other than clearing and settlement support. These funds are disclosed on the Statement of Financial Position as "Restricted cash assets". Refer to note 20 for further details.

**(h) Receivables**

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful debts. Trade debtors are to be settled within thirty days and are carried at amounts due. Loans to related parties are recognised and carried at the nominal amount. Interest is taken up as income on an accruals basis.

**(i) Investments**

### Controlled Entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

### Associates

In the Company's financial statements, investments in unlisted shares of associates are carried at the lower of cost and recoverable amount.

### Other Companies

Other investments are carried at the lower of cost or recoverable amount.

**(j) Property, Plant and Equipment**

### Cost and Valuation

All classes of property, plant and equipment are measured at cost.

### Depreciation and Amortisation

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation is provided on a straight-line basis on all plant and equipment, over their estimated useful lives. The depreciation periods used for each class of asset, for the current and previous years, are as follows:

| | *Years* |
|---|---|
| Property, plant and equipment | |
| – Plant and equipment | 3-7 |
| – Leasehold improvements | The lease term |
| Computer equipment and software | 3-7 |
| Motor vehicles | 4-6 |

### Capital Works in Progress

This represents costs-to-date of internally constructed assets. These assets are depreciated once the asset is ready for use.

### Leased Plant and Equipment

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

### Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the elapsed items, are recognised as an expense as incurred.

### Leased Premises

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Lease incentives are included in several of the operating leases negotiated by the consolidated entity, and include rent-free periods and free fit-out of leased areas. The estimated value of the lease incentives has been apportioned over future accounting periods. The provision has been calculated on the basis of discounted net future cash flows. The net lease costs are charged against the results for those periods to permit a proper matching of expenditure and revenue. Refer note 1(q) for further details.

### Capitalisation and Amortisation of Software Expenditure

Expenditure for major upgrades or enhancements to existing major systems is capitalised and amortised over seven years, or if minor enhancements to existing systems, the lesser of five years or the remaining useful life of the system being enhanced. Expenditure on new software projects less than $500,000 is expensed. Internal costs are also included in capitalised expenditure.

**(k) Goodwill**

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity.

For associates, the consolidated financial statements include the carrying amount of goodwill in the equity accounted investment carrying amount.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to arise. This period of amortisation is 20 years.

**(l) Recoverable Amount of Non-current Assets**

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down. In determining recoverable amount, the relevant cash flows have been discounted to their present value.

**(m) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 30 days.

**(n) Employee Benefits**

### Wages, Salaries, Annual Leave and Non-monetary Benefits

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

### Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' cumulative services provided to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms to maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

### Employee and Executive Share Plans

The value of equity based compensation schemes, as described in note 27, are not recognised as an employee benefits expense. This policy will change with the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS). Refer to note 8 for further details.

**(o) Superannuation Fund**

ASX employees are members of the ASX Superannuation Plan (the plan), which is part of an externally managed multi-employer trust. The plan exists to provide benefits for employees and their dependants on retirement, disability or death. The consolidated entity contributes to the plan in addition to contributions made by employees. Employer contributions are recognised as an expense as they are made.

**(p) Foreign Currency**

Some operating expenses, including system maintenance fees, are paid in foreign currencies. Foreign currency transactions are translated to Australian currency at the rates of exchange prevailing at the dates of the transactions. At 30 June 2005 and 30 June 2004, there were no significant foreign currency exposures.

**(q) Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, being risk free rates of government bonds most closely matching the expected future payments. The unwinding of the discount is treated as part of the expense related to the particular provision.

A provision for dividends payable is not recognised in the reporting period unless the dividends are declared or publicly recommended.

### Surplus Lease Space

A provision is made for surplus leased premises when it is determined that no substantive future benefit will be obtained by ASX from its occupancy. This arises where premises are currently leased under non-cancellable operating leases and the consolidated entity either:

- Currently does not occupy the premises and does not expect to occupy it in the future;
- Sublets the premises for lower rentals than it is presently obliged to pay under the original lease; or
- Currently occupies the premises, but the premises have been assessed to be of no substantive benefit beyond a known future date.

The provision has been calculated on the basis of discounted estimated net future cash flows.

### Make Good

The consolidated entity has certain operating leases that require the premises to be returned to the lessor in its original condition. The operating lease payments do not include the "make good" payment at the end of the lease term.

A provision is recognised when an obligation to make good exists, which can be reliably estimated.

**(r) Novation**

Australian Clearing House (ACH), a controlled entity of ASX, provides contract guarantee support for clearing across all ASX markets which includes exchange traded options, futures, transferable derivative instruments ("warrants"), securities and managed investments ("equities"). Transactions between two participating organisations are replaced by novation. The novation replaces the original contract between the two participating organisations with a contract between the selling participating organisation and ACH, and a contract between ACH and the buying participating organisation.

Through the novation process, all positions are matched. Novated contracts are currently disclosed as contingent assets and contingent liabilities. Refer to note 23(c) for further details.

The treatment of novation is being reviewed as part of the implementation of AIFRS. Refer note 8 for further details.

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 2. Revenues from Ordinary Activities

**Revenues from operating activities**

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| Operating revenue | | 279,659 | 241,236 | – | – |
| Dividend revenue | | | | | |
| – controlled entities | | – | – | 88,000 | 100,000 |
| – other corporations | | 2,325 | 1,875 | 2,325 | 1,875 |
| Interest revenue | | | | | |
| – associated company | 26(c) | 646 | 965 | 646 | 965 |
| – other parties | | 8,568 | 6,255 | 1,556 | 1,579 |
| Receipt from National Guarantee Fund* | 4, 20 | 71,489 | – | – | – |
| **Revenues from ordinary activities** | | 362,687 | 250,331 | 92,527 | 104,419 |
| Revenue on sale of plant and equipment | | 720 | 155 | – | – |

## 3. Expenses/(gains) from Ordinary Activities

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| Included in expenses from ordinary activities are the following items: | | | | | |
| Depreciation of: | | | | | |
| Plant and equipment | | 4,909 | 4,420 | – | – |
| Motor vehicles | | 55 | 70 | – | – |
| Computer equipment and software | | 10,926 | 11,879 | – | – |
| Total depreciation | | 15,890 | 16,369 | – | – |
| Amortisation of: | | | | | |
| Goodwill | | 278 | 204 | – | – |
| Total amortisation | | 278 | 204 | – | – |
| Total depreciation and amortisation | | 16,168 | 16,573 | – | – |
| Net doubtful debts expense | | 213 | 294 | – | – |
| Net loss on sale and write-downs of plant and equipment | | 9,547 | 231 | – | – |
| Operating lease rental expense | | 15,593 | 17,204 | – | – |

## 4. Individually Significant Income/(Expenses) Included in Profit from Ordinary Activities Before Income Tax Expense

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| Receipt from National Guarantee Fund* | 20 | 71,489 | – | – | – |
| Restructuring expenses** | | | | | |
| – Redundancy expenses | | (7,436) | – | – | – |
| – Consultancy & recruitment expenses | | (3,999) | – | – | – |
| – Software & other fixed asset write-offs | | (2,032) | – | – | – |
| – ASX World Link software & equipment write-off | | (7,295) | – | – | – |
| Total | | 50,727 | – | – | – |

* During the year, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt and are held as restricted cash assets for clearing and settlement support; and are not distributable to ASX shareholders.

** On the Statements of Financial Performance, $7.7 million of restructuring expenses have been included within staff expenses, $3.7 million within administration expenses and $9.3 million within equipment expenses.

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 5. Taxation

### (a) Income Tax (Expense)

| | | | | |
|---|---|---|---|---|
| Prima facie income tax (expense) calculated at 30% (2004: 30%) on the operating profit before tax | (61,214) | (34,972) | (27,736) | (31,083) |
| Movement in income tax (expense) due to: | | | | |
| Non-tax deductible items | (252) | (427) | – | – |
| Dividends from wholly owned subsidiaries | – | – | 26,400 | 30,000 |
| Receipt from National Guarantee Fund | 21,447 | – | – | – |
| Imputation credit gross up | (299) | (241) | (299) | (241) |
| Franking credit offset | 997 | 804 | 997 | 804 |
| FIDA non-assessable income | 771 | 1,230 | – | – |
| Research and development concession | 101 | 48 | – | – |
| Equity accounted associate result | (32) | (130) | – | – |
| Building allowance | 47 | 48 | – | – |
| Amortisation of goodwill | (83) | (61) | – | – |
| Income tax expense related to current and deferred tax transactions of the wholly-owned subsidiaries in the tax consolidated group | – | – | (37,879) | (32,850) |
| | (38,517) | (33,701) | (38,517) | (33,370) |
| Increase in tax base of depreciable assets on tax consolidation | – | 538 | – | – |
| (Under) provision in prior year | (61) | (187) | (57) | (187) |
| Recovery of income tax under a tax funding agreement | – | – | 37,936 | 33,037 |
| Total income tax (expense) | (38,578) | (33,350) | (638) | (520) |
| Total income tax (expense) is made up of: | | | | |
| Current income tax provision | (43,178) | (35,026) | (43,178) | (34,631) |
| Deferred tax liability | 3,566 | (243) | 3,566 | (283) |
| Deferred tax asset | 1,095 | 1,047 | 1,095 | 1,320 |
| (Under) provision in prior year | (61) | (187) | (57) | (187) |
| Tax related receivable from wholly owned subsidiaries | – | – | 37,936 | 33,037 |
| Deferred tax liability created on revaluation of assets on acquisition | – | 1,059 | – | – |
| Deferred tax balances of acquired subsidiary transferred on tax consolidation | – | – | – | 224 |
| Total income tax (expense) | (38,578) | (33,350) | (638) | (520) |

### (b) Current Tax Liabilities

| | | | | |
|---|---|---|---|---|
| Balance at beginning of year | 17,989 | 10,999 | 17,673 | 10,585 |
| Current year's income tax expense on operating profit | 43,178 | 35,026 | 43,178 | 34,631 |
| Income tax paid | (44,423) | (28,223) | (44,119) | (27,730) |
| Under provision in prior year | 61 | 187 | 57 | 187 |
| Current tax liabilities | 16,805 | 17,989 | 16,789 | 17,673 |

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 5. Taxation (continued)

**(c) Deferred Tax Asset**

Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2004:30%) of the following items:

| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
|---|---|---|---|---|
| Provisions for: | | | | |
| – Doubtful debts | 350 | 287 | 350 | 287 |
| – Employee benefits | 6,349 | 6,612 | 6,349 | 6,612 |
| – Leased premises | 1,558 | 1,616 | 1,558 | 1,616 |
| – Superannuation | 5 | – | 5 | – |
| Accrued expenses | 2,980 | 1,661 | 2,980 | 1,661 |
| Revenue received in advance | 233 | 204 | 233 | 204 |
| Deferred tax asset | 11,475 | 10,380 | 11,475 | 10,380 |

**(d) Deferred Tax Liability**

Deferred tax liability comprises the estimated expense at an income tax rate of 30% (2004: 30%) of the following items:

| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
|---|---|---|---|---|
| Accrued interest | 297 | 99 | 297 | 99 |
| Capitalised project costs | 1,312 | 5,040 | 1,312 | 5,040 |
| Depreciation timing differences | 514 | 550 | 514 | 550 |
| Deferred tax liability | 2,123 | 5,689 | 2,123 | 5,689 |

### Tax Consolidation

ASXL elected to form a tax consolidated group for income tax purposes with effect from 1 July 2002. ASXL is the head entity for the purposes of the tax consolidation legislation and therefore is legally liable for the income tax liabilities of the ASXL tax consolidated group.

In accordance with Urgent Issues Group Abstract 52 "Income Tax Accounting under the Tax Consolidation System", the deferred tax balances of the subsidiaries in the tax consolidated group are recognised by ASXL.

### Tax Funding Agreement

ASXL has entered into a tax funding agreement with the following subsidiaries:

- ASX Operations Pty Limited;
- Australian Clearing House Pty Limited (formerly named Options Clearing House Pty Limited);
- ASX Settlement and Transfer Corporation Pty Limited;
- ASX International Services Pty Limited; and
- Orient Capital Pty Limited.

The agreement has the objective of achieving an appropriate allocation of the group's income tax expense to the main operating subsidiaries within the ASX group. The subsidiaries party to the tax funding agreement reimburse ASXL for their portion of the group's tax expense based on a formula set out in the agreement, and recognise this amount as tax expense in their financial statements. All deferred tax balances for the group are recognised in ASXL.

## 6. Dividends

Dividends recognised in the current year by the company are:

| | Cents per share | Total amount $000 | Date of payment | Franked tax rate | Percentage franked |
|---|---|---|---|---|---|
| Final – 2004 | 27.4 | 28,140 | 27 August 2004 | 30% | 100% |
| Special – 2004 | 24.1 | 24,751 | 27 August 2004 | 30% | 100% |
| Interim – 2005 | 44.2 | 45,395 | 11 March 2005 | 30% | 100% |
| Total amount | 95.7 | 98,286 | | | |

**Subsequent events**

Since the end of the financial year, the directors declared the following dividend:

| | *Cents per share* | *Total amount $000* | *Date of payment* | *Franked tax rate* | *Percentage franked* |
|---|---|---|---|---|---|
| Final – 2005 | 50.9 | 52,255 | 26 August 2005 | 30% | 100% |
| Total amount | 50.9 | 52,255 | | | |

The final dividend has not been recognised in the financial statements for the year ended 30 June 2005 but will be recognised in subsequent financial reports.

| | *Consolidated* | |
|---|---|---|
| | *2005 $000* | *2004 $000* |
| **Dividend franking account** | | |
| 30% franking credits available to shareholders of ASXL for subsequent financial years | 25,573 | 23,470 |

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for franking credits that will arise from the payment of the current income tax payable.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The amount of franking credits available to shareholders disclosed above has been measured under the New Business Tax System (Imputation) Act 2002, and represents income tax paid amounts available to frank distributions. Therefore, fully franked dividends to the amount of $59,670,000 could potentially be paid to shareholders.

## 7. Earnings Per Share

| | *Consolidated* | |
|---|---|---|
| | *2005* | *2004* |
| Basic earnings per share (cents) | 161.1 | 81.1 |
| Diluted earnings per share (cents) | 160.1 | 80.3 |

| | *2005 $000* | *2004 $000* |
|---|---|---|
| The following reflects the income and share data used in the calculation of basic and diluted earnings per share: | | |
| Earnings used in calculating basic and diluted earnings per share[1] | 165,469 | 82,691 |

| | *Number of shares* | *Number of shares* |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 102,689,776 | 102,019,933 |
| Effect of dilutive securities: | | |
| Contingently issuable shares | 636,161 | 972,825 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 103,325,937 | 102,992,758 |
| Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share | 23,804 | 4,896 |

1. Earnings used in calculating basic and diluted earnings per share includes the transfer of funds of $71.5 million from the NGF. These funds are tax exempt and are held as restricted cash assets for clearing and settlement support; and are not distributable to ASX shareholders.

## 8. Impact of Adopting Australian Equivalents to IFRS

ASX will be required to prepare financial statements using Australian equivalents to International Financial Reporting Standards (AIFRS) for the first time for the half year ending 31 December 2005 and year ending 30 June 2006. ASX is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to AIFRS. ASX has allocated internal resources and sought external advice to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result ASX established a project team to address the issues identified. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at ASX's date of transition to AIFRS, 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when ASX prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

**Impact of transition to AIFRS**

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact on the financial statements.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

(a) Ongoing work being undertaken by the AIFRS project team;

(b) Potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and

(c) Emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

**Reconciliation of net profit under AGAAP to that expected under AIFRS**

| | Consolidated | The Company |
|---|---|---|
| | *30 June 2005 $000* | *30 June 2005 $000* |
| Net profit after tax as reported under AGAAP | 165,469 | 91,812 |
| Share-based payment expense | (1,356) | (1,356) |
| Amortisation of goodwill – Orient | 278 | – |
| Amortisation of goodwill – APRL | 2,658 | – |
| Balance at end of year | 167,049 | 90,456 |

**Reconciliation of equity as presented under AGAAP to that expected under AIFRS**

| | | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | *30 June 2005 $000* | *1 July 2004 $000* | *30 June 2005 $000* | *1 July 2004 $000* |
| **Retained earnings** | | | | | |
| Retained earnings under AGAAP | | 109,208 | 105,899 | 50,121 | 29,816 |
| Recognition of share-based payment expense | (i) | (1,973) | (617) | (1,973) | (617) |
| Adjustment to tax bases of assets | (ii) | 1,528 | 1,572 | – | – |
| Amortisation of goodwill – Orient | (iii) | 278 | – | – | – |
| Amortisation of goodwill – APRL | (iii) | 2,658 | – | – | – |
| Retained earnings under AIFRS | | 111,699 | 106,854 | 48,148 | 29,199 |
| **Other reserves** | | | | | |
| Other reserves under AGAAP | | – | – | – | – |
| Equity compensation reserve | (i) | 1,973 | 617 | 1,973 | 617 |
| Other reserves under AIFRS | | 1,973 | 617 | 1,973 | 617 |

## (i) AASB 2: Share-based Payment

ASX currently provides equity-based compensation to staff in the form of shares and conditional entitlements for remuneration purposes. At present under AGAAP, no expense is being recognised for any shares or conditional entitlements issued to staff for no consideration. Under AIFRS, however, issues of shares and conditional entitlements to staff will require expensing based on the fair value of the instruments and this amount will be recognised over the relevant period of service.

AASB 2 applies to all equity instruments issued after 7 November 2002, which have not vested as at 1 January 2005. At 30 June 2005, ASX has two conditional entitlement plans that will be subject to AASB 2 and will therefore require expensing. The conditional entitlements subject to AASB 2 were issued 15 December 2003 and 2 November 2004. Details of these plans can be found at www.asx.com.au in the shareholder information section of the website.

At 1 July 2004, retained earnings will be reduced by $617,000 and a corresponding equity compensation reserve will be created. The 30 June 2005 comparatives for the year ended 30 June 2006 will be adjusted and an expense of $1,356,000 will be disclosed. At each reporting date the non-market conditions assumptions used in the calculation are adjusted for our expectations and accordingly, the amount expensed will be revised.

## (ii) AASB 112: Income Taxes

On transition to AIFRS the income tax balances will be calculated based on the "balance sheet approach" replacing the "income statement approach" currently used under AGAAP. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability for accounting purposes and its tax base. Income tax expense will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

The expected impact on the consolidated entity at 1 July 2004 of the change in basis and transition adjustments on the deferred tax balances and the previously reported tax expense is an increase in deferred tax assets of $1,528,000. This adjustment is due to the differing treatment of capital work assets (e.g. leasehold improvements) that are now temporary differences under AIFRS. There are no anticipated adjustments in respect of the Company at 1 July 2004.

There are no material adjustments anticipated for the year ended 30 June 2005 for the consolidated entity or the Company.

## (iii) AASB 3: Business Combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet.

Current ASX accounting policy is to amortise goodwill on a straight-line basis over 20 years. Under AASB 3, the amortisation of goodwill is prohibited but the balance will be subject to impairment testing. Therefore ASX will not recognise goodwill amortisation as an expense for the year ended 30 June 2006 and all future years. Assuming no impairment, ASX will no longer recognise goodwill amortisation of $0.3M per annum relating to the acquisition of Orient Capital, and APRL's equity accounted result will improve by $2.7M per annum. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition.

## (iv) AASB 132: Financial Instruments: Disclosure and Presentation

## AASB 139: Financial Instruments: Recognition and Measurement

As permitted by the election available under AASB 1, AASB 132 and AASB 139 will not be applied until the financial year beginning 1 July 2005.

### Investments in Listed Entities

ASX currently recognises its investment in IRESS Market Technology at cost. Under AIFRS this investment will be recognised at fair value in the balance sheet and any movements in the fair value between reporting periods will be recognised in an asset revaluation reserve account in equity.

At 30 June 2005, the fair value of the investment in IRESS was $64.5M, compared to its cost of $23M. This asset will be revalued upwards on 1 July 2005 by $41.5M to reflect its fair value. An asset revaluation reserve will be created for $29M which reflects the $41.5M increment in value less the deferred tax liability created of $12M.

There will be no impact on the profit or loss account from year to year unless the asset is impaired or disposed of.

### Novation

As a result of the novation process, Australian Clearing House Pty Limited (ACH) acts as the central counterparty for ASX's markets. Upon novation, market transactions between trading participants are replaced by contracts between the clearing participant acting for the seller and ACH as buyer, and between the clearing participant acting for the buyer and ACH as seller. Once all transactions are novated, the total of all amounts and financial products that a clearing participant is obliged to pay and deliver to ACH on a business day are set off against the total of all amounts and financial products that the participant is entitled to receive from ACH on that business day to arrive at net payment and net delivery obligations between ACH and each clearing participant.

#### *Cash settled securities transactions*

At 30 June 2005 ACH had a right to receive from participants payments of $628.8M and a corresponding obligation to make payments to participants of $628.8M (2004: $374.4M) in relation to cash settled securities transactions. These payments relate to the delivery and receipt of all unsettled cash market securities transactions. Under AIFRS, there are two methods of accounting being considered by ASX:

- Recognise the face value of the unsettled trades as a financial asset and an equal and offsetting financial liability on the face of the balance sheet. This would have no profit or loss impact;
- Recognise the transactions at settlement date, at which time there would be no settlement obligations, and consequently, no financial asset or equal and offsetting financial liability are required on the balance sheet. However, there would be a profit and loss impact because the revenue of the transactions could not be recognised until settlement date. The impact of this at 30 June 2005 would be a $44,000 reduction in revenue.

There is no consistent treatment adopted by other exchanges, and we are currently researching each alternative which includes legal and financial analysis and consultation with other exchanges. No decision has been made at this stage whether to adopt either method until all alternatives have been fully researched.

#### *Derivative trades*

At 30 June 2005, ACH required total collateral of $475.9M (2004: $522.7M) to cover participants' derivatives exposure. This was made up of bank guarantees for the amount of $84.8M (2004: $87.2M), cash of $218.4M (2004: $168.1M) and the remainder in securities.

## 8. Impact of Adopting Australian Equivalents to IFRS (continued)

### (iv) AASB 132: Financial Instruments: Disclosure and Presentation

### AASB 139: Financial Instruments: Recognition and Measurement (continued)

At that date, clearing participants had lodged collateral with ACH in the form of securities with a haircut value of $1,504.5M (2004: $1,271.9M).

The total fair market value of open derivative trades at 30 June 2005 is $974.6M.

Under AIFRS, ASX is required to take up the fair market value of open derivative contracts at balance date. Currently cash margin cover is not disclosed on the balance sheet as it is considered that the cash is held under an implied trust arrangement. This is currently being reviewed.

It is expected that collateral cover comprising securities and bank guarantees will continue to be disclosed as contingent assets and contingent liabilities.

### (v) Operating Leases

Under AIFRS, operating lease payments should be recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Fixed rate increases to lease rental payments should therefore be calculated and recognised on a straight line basis over the lease term. Under AGAAP, fixed rate increases which approximate CPI have been recognised on a cash basis. The financial impact of adopting AIFRS is approximately a $7M decrease to retained earnings at 1 July 2004 based on current lease arrangements. However, the company is currently undertaking a major review of its occupancy arrangements, which may result in significant changes to the company's current lease arrangements and will impact the financial effect of adopting AIFRS.

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| **9. Receivables** | | | | | |
| **Current** | | | | | |
| Trade debtors | | 24,132 | 22,463 | – | – |
| Less: Provision for doubtful debts | | (1,168) | (955) | – | – |
| | | 22,964 | 21,508 | – | – |
| Other debtors | | 732 | 2,233 | – | – |
| | | 23,696 | 23,741 | – | – |
| **Non-current** | | | | | |
| Loan to associate – unsecured | 26(c) | 6,036 | 11,575 | 6,036 | 11,575 |
| Loans to controlled entities | 26(b) | – | – | – | 10,407 |
| Employee share plan trust loans | 21(b) | 1,876 | 2,813 | 1,876 | 2,813 |
| Subordinated loan – controlled entities | | – | – | 49,676 | 49,676 |
| | | 7,912 | 14,388 | 57,588 | 74,471 |
| **10. Other Assets** | | | | | |
| **Current** | | | | | |
| Prepayments | | 2,501 | 3,142 | – | – |
| Accrued revenue | | 2,137 | 1,912 | – | – |
| | | 4,638 | 5,054 | – | – |
| **11. Investments – Other** | | | | | |
| **Non-current** | | | | | |
| *Controlled entities* | | | | | |
| Unlisted shares at cost | | – | – | 8,143 | 8,143 |
| *Investment in associate – at cost* | | – | – | 52,455 | 52,455 |
| *Other corporations* | | | | | |
| Listed shares at cost* | | 22,950 | 22,950 | 22,950 | 22,950 |
| | | 22,950 | 22,950 | 83,548 | 83,548 |

*ASXL owns shares in the following listed company:

| | |
|---|---|
| Name of the entity: | IRESS Market Technology Limited |
| Principal activity: | The provision of equity and related market services to professional market participants. |
| Percentage ownership interest held: | 14.0% |
| Carrying amount of investment: | $22,950,000 |

The market value of shares held in IRESS Market Technology Limited at 30 June 2005 was $64,500,000 (2004: $48,000,000).

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 12. Intangible Assets

| | | | | |
|---|---|---|---|---|
| Goodwill | 5,551 | 5,551 | – | – |
| Accumulated amortisation | (795) | (517) | – | – |
| | 4,756 | 5,034 | – | – |

On 1 January 2004, ASXL acquired the final 50% of the voting share capital of Orient Capital Pty Limited, making it a 100% owned subsidiary on that date. The acquisition details are as follows:

| | $000 |
|---|---|
| Consideration paid: | |
| Cash paid and incidental costs of acquisition | 5,347 |
| Fair value of 50% of net assets acquired | (2,384) |
| Goodwill arising on acquisition | 2,963 |

## 13. Investments Accounted for using the Equity Method

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| Investment in associate | 47,202 | 47,307 | – | – |

Details of the investment in associate, ASX Perpetual Registrars Limited (APRL), are as follows:

Principal activity: Share registry services

Balance date: 30 June 2005

Ownership interest: 50%

| | 2005 $000 | 2004 $000 |
|---|---|---|
| **ASX Perpetual Registrars Limited**<br>**Statements of revenue and expenses** | | |
| Revenues | 54,776 | 53,591 |
| Operating expenses | 38,674 | 38,316 |
| EBITDA | 16,102 | 15,275 |
| Depreciation and amortisation (excluding goodwill) | 7,617 | 7,693 |
| EBIT | 8,485 | 7,582 |
| Interest expense | 1,304 | 1,951 |
| Net profit before tax and goodwill amortisation | 7,181 | 5,631 |
| Income tax (expense) | (2,075) | (1,301) |
| Net profit after tax pre goodwill amortisation | 5,106 | 4,330 |
| Goodwill amortisation | (3,099) | (2,982) |
| Net profit after income tax expense | 2,007 | 1,348 |

## 13. Investments Accounted for using the Equity Method (continued)

| | 2005 $000 | 2004 $000 |
|---|---|---|
| **Reconciliation of associate's reported result to equity accounted result** | | |
| ASXL's 50% share of APRL profit | 1,003 | 674 |
| Goodwill amortisation | 1,550 | 1,491 |
| Income tax expense | 1,038 | 651 |
| Share of associate's operating profit before income tax and goodwill | 3,591 | 2,816 |
| Share of associate's income tax (expense) attributable to operating profit | (1,038) | (651) |
| Net profit after tax pre goodwill | 2,553 | 2,165 |
| Adjustments:<br>Amortisation of goodwill arising from investment | (2,658) | (2,599) |
| Share of associate's net loss – equity accounted | (105) | (434) |
| *The consolidated entity's share of aggregate assets and liabilities of associate is as follows:* | | |
| Current assets | 7,592 | 7,302 |
| Non-current assets | 35,436 | 37,102 |
| Total assets | 43,028 | 44,404 |
| Current liabilities | 2,965 | 2,888 |
| Non-current liabilities* | 9,293 | 11,749 |
| Total liabilities | 12,258 | 14,637 |
| Net assets – as reported by associate | 30,770 | 29,767 |
| Adjustments arising from equity accounting:<br>Goodwill (net of amortisation) | 16,432 | 17,540 |
| Net assets – equity accounted | 47,202 | 47,307 |
| *Share of post-acquisition retained (losses) attributable to associate* | | |
| Share of associate's retained (losses) at the beginning of the year | (5,148) | (4,714) |
| Share of associate's net (losses) accounted for using the equity method | (105) | (434) |
| Share of associate's retained (losses) at the end of the year | (5,253) | (5,148) |
| *Movement in carrying amount of investment* | | |
| Carrying amount of investment in associate at the beginning of the financial year | 47,307 | 47,741 |
| Share of associate's net (losses) | (105) | (434) |
| Carrying amount of investment in associate at the end of the financial year | 47,202 | 47,307 |
| *Commitments* | | |
| Share of associate's operating lease commitments payable: | 3,204 | 3,257 |
| Share of associate's capital commitments: | – | – |

* Part of a shareholder loan facility used to fund the development of a new registry system. ASXL share of funding facility is $6.0 million. Refer note 26(c) for further details.

## 14. Property, Plant and Equipment

The movements in the consolidated property, plant and equipment balances are as follows:

| | *Property, plant and equipment* | *Computer equipment and software* | *Motor vehicles* | *Capital works in progress* | *Total* |
|---|---|---|---|---|---|
| | *$000* | *$000* | *$000* | *$000* | *$000* |
| **Cost** | | | | | |
| Balance at 1 July 2004 | 60,685 | 95,340 | 286 | 2,292 | 158,603 |
| Additions | 1,296 | 3,832 | 143 | 4,902 | 10,173 |
| Disposals and write-downs | (586) | (24,302) | (99) | – | (24,987) |
| Transfers | – | 1,026 | – | (1,026) | – |
| Balance at 30 June 2005 | 61,395 | 75,896 | 330 | 6,168 | 143,789 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 July 2004 | 42,217 | 65,181 | 217 | – | 107,615 |
| Depreciation/amortisation expense | 4,909 | 10,926 | 55 | – | 15,890 |
| Write back on disposals | (104) | (14,585) | (31) | – | (14,720) |
| Balance at 30 June 2005 | 47,022 | 61,522 | 241 | – | 108,785 |
| Net book value at 30 June 2005 | 14,373 | 14,374 | 89 | 6,168 | 35,004 |
| **Cost** | | | | | |
| Balance at 1 July 2003 | 58,790 | 81,418 | 707 | 5,219 | 146,134 |
| Additions | 2,938 | 3,352 | – | 3,621 | 9,911 |
| Disposals | (336) | (213) | (421) | – | (970) |
| Fair-value adjustment on acquisition of Orient Capital | – | 3,528 | – | – | 3,528 |
| Transfers | (707) | 7,255 | – | (6,548) | – |
| Balance at 30 June 2004 | 60,685 | 95,340 | 286 | 2,292 | 158,603 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 July 2003 | 37,915 | 53,500 | 415 | – | 91,830 |
| Depreciation/amortisation expense | 4,420 | 11,879 | 70 | – | 16,369 |
| Write back on disposals | (118) | (198) | (268) | – | (584) |
| Balance at 30 June 2004 | 42,217 | 65,181 | 217 | – | 107,615 |
| Net book value at 30 June 2004 | 18,468 | 30,159 | 69 | 2,292 | 50,988 |

The Company, ASXL, had $Nil property, plant and equipment at 30 June 2005 (2004: $Nil) and $Nil movements occurred during the year (2004: $Nil).

| | Note | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 15. Payables

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Trade creditors | | 6,046 | 6,270 | – | – |
| Other creditors and accruals | | 8,021 | 5,661 | – | – |
| | | 14,067 | 11,931 | – | – |

## 16. Provisions

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Employee benefits | 21(a) | 19,468 | 18,430 | – | – |
| Leased premises | | 1,949 | 774 | – | – |
| | | 21,417 | 19,204 | – | – |
| **Non-current** | | | | | |
| Employee benefits | 21(a) | 3,337 | 3,867 | – | – |
| Leased premises | | 5,491 | 4,804 | – | – |
| | | 8,828 | 8,671 | – | – |

The movements in the consolidated provision balances shown above are as follows:

| | Employee benefits $000 | Leased premises $000 | Total $000 |
|---|---|---|---|
| Balance at 1 July 2004 | 22,297 | 5,578 | 27,875 |
| – made during the year | 16,988 | 2,898 | 19,886 |
| – used during the year | (16,480) | (1,036) | (17,516) |
| Balance at 30 June 2005 | 22,805 | 7,440 | 30,245 |

## 17. Other Liabilities

| | Note | Consolidated 2005 $000 | Consolidated 2004 $000 | The Company 2005 $000 | The Company 2004 $000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Revenue received in advance | | 7,908 | 6,513 | – | – |
| Other | | 83 | 97 | – | 6 |
| | | 7,991 | 6,610 | – | 6 |
| **Non-current** | | | | | |
| Loans from controlled entities | 26(b) | – | – | 14,857 | – |

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005<br>$000 | 2004<br>$000 | 2005<br>$000 | 2004<br>$000 |

## 18. Contributed Equity

**Share Capital**

| | | | | |
|---|---|---|---|---|
| Ordinary shares – fully paid | 106,282 | 106,282 | 106,282 | 106,282 |

**(a) Ordinary Shares**

| | Number of shares | |
|---|---|---|
| Movements in ordinary shares during the year | | |
| Balance at beginning of year | 102,019,933 | 102,019,933 |
| Shares issued under executive share plans | 649,757 | – |
| Shares issued to employees ($1,000 to each employee) | 32,500 | – |
| Balance at end of year | 102,702,190 | 102,019,933 |

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up the company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

**(b) Conditional Entitlements**

| | 2005<br>No. | 2004<br>No. |
|---|---|---|
| Movements in conditional entitlements during the year | | |
| Balance at beginning of year | 1,027,900 | 562,600 |
| Number issued during the year | 111,800 | 483,400 |
| Number cancelled, lapsed or vested during the year | (594,500) | (18,100) |
| Balance at end of year | 545,200 | 1,027,900 |

Conditional entitlements are options issued with a zero exercise price. One conditional entitlement equals one ordinary share, subject to the achievement of performance hurdles. The Board of Directors has discretion to increase or decrease the amount by up to 20% taking into account the participant's performance.

Terms and conditions of conditional entitlements

For details of the terms and conditions refer to note 27.

## 19. Retained Profits

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005<br>$000 | 2004<br>$000 | 2005<br>$000 | 2004<br>$000 |
| Balance at beginning of year | 113,514 | 105,899 | 56,595 | 29,816 |
| Net profit attributable to members of the parent entity | 165,469 | 82,691 | 91,812 | 103,090 |
| Dividends paid | (98,286) | (76,311) | (98,286) | (76,311) |
| Transfer from asset revaluation reserve | – | 1,235 | – | – |
| Transfer to restricted capital reserve | (71,489) | – | – | – |
| Balance at end of year | 109,208 | 113,514 | 50,121 | 56,595 |

## 20. Restricted Capital Reserve

**(a) Nature and Purpose of the Reserve**

The restricted capital reserve was created when "ring-fenced" funds were transferred from the National Guarantee Fund to ACH, part of the ASX Group. Under the terms of the transfer, ACH must not, without first obtaining the consent in writing of the Minister, take action to use these funds for a purpose other than clearing and settlement support. These funds are disclosed on the Statement of Financial Position as "Restricted cash assets".

**(b) Movements During the Year**

| | | Consolidated | | The Company | |
|---|---|---|---|---|---|
| | *Note* | *2005 $000* | *2004 $000* | *2005 $000* | *2004 $000* |
| Balance at beginning of year | | – | – | – | – |
| Transfer from Retained Profits | | 71,489 | – | – | – |
| Balance at end of year | | 71,489 | – | – | – |

On 31 March 2005, ASX received approval to restructure the clearing support arrangements of the NGF. As part of this restructure, ACH, a wholly owned subsidiary of ASX, received a payment of $71,489,000 from the NGF as provided for under s891A of the Act.

## 21. Employee Benefits

**(a) Aggregate Employee Benefits, Including On-costs**

The aggregate employee benefits recognised in the statement of financial position are as follows:

| | | | | | |
|---|---|---|---|---|---|
| Current | 16 | 19,468 | 18,430 | – | – |
| Non-current | 16 | 3,337 | 3,867 | – | – |
| | | 22,805 | 22,297 | – | – |

The present value of employee benefits not expected to be settled within twelve months of balance date has been calculated using the following weighted averages:

| | | | | |
|---|---|---|---|---|
| Assumed rate of increase in salary and wages rates | 3.0% | 3.0% | – | – |
| Discount rate applied to non-current portion | 5.7% | 5.7% | – | – |
| Settlement term (years) | 6 | 6 | – | – |

The total number of full-time equivalent employees at 30 June 2005 was 492 (2004: 554).

**(b) Employee Share Plans**

The consolidated entity has implemented two general employee share plans. These are detailed below:

- *ASX employee share acquisition plan (plan 1)*

Under this plan, shares having a market value of $1,000 each, were offered to all eligible employees at no cost. Dealing in the shares issued under the plan is not permitted for a period of three years from date of issue, unless the participant ceases to be an employee.

- *ASX employee share purchase plan (plan 2)*

Eligible employees were entitled to acquire ordinary shares up to a maximum market value of 10% of their fixed remuneration package, the total allocation being capped at a market value of approximately $2,500,000 for each of the three offers made under this plan. Employees were offered a 10-year interest-free, non-recourse loan to facilitate the share purchase. Ordinary shares issued under this facility are held in trust on the employees' behalf, with any dividends paid on those shares being applied against any outstanding loan balance. No term restrictions apply to plan 2 shares. Where employees elect to sell their shares, they become entitled to the excess of the proceeds over the amount outstanding on the loan and any costs of sale. Where sale proceeds fall short of loan balances plus selling costs, the trustee, ASX Operations Pty Limited, a controlled entity, underwrites the resulting loss. The last offer made under this plan was April 2001. Further details of any contingent liabilities relating to the above employee share purchase plans can be found at note 23(e).

ASX has decided that no further issues will be made under this plan.

Details of the ordinary shares allocated under both plans are as follows:

| *Plan* | | *Number of eligible employees* | *Date of issue* | *Issue price $* | *Number of shares issued* | *Market value on issue $* |
|---|---|---|---|---|---|---|
| **Plan 1:*** | | | | | | |
| | – offer 2 | 587 | 12 Sep 2002 | 12.37 | 45,765 | 566,113 |
| | – offer 3 | 500 | 11 Aug 2004 | 15.44 | 32,500 | 501,800 |
| **Plan 2:** | | | | | | |
| | – offer 1 | 470 | 5 Dec 1998 | 8.34 | 300,112 | 2,502,934 |
| | – offer 2 | 449 | 31 Mar 2000 | 13.85 | 179,374 | 2,484,330 |
| | – offer 3 | 592 | 20 Apr 2001 | 12.51 | 199,755 | 2,498,935 |
| Total | | | | | 757,506 | 8,554,112 |

* Shares issued under Plan 1 – offer 1 vested with employees on 4 December 2001.

The details of plan 1 (offer 2 and 3) and plan 2 (offers 1, 2 and 3) are as follows:

| | *Plan 1 Offer 2 No.* | *Plan 1 Offer 3 No.* | *Plan 2 Offer 1 No.* | *Plan 2 Offer 2 No.* | *Plan 2 Offer 3 No.* | *Total No.* |
|---|---|---|---|---|---|---|
| Shares remaining at 30 June 2004 | 35,235 | – | 91,385 | 88,506 | 117,435 | 332,561 |
| Shares issued during the financial year | – | 32,500 | – | – | – | 32,500 |
| Shares disposed of during the financial year | (6,399) | (4,615) | (23,491) | (21,253) | (27,708) | (83,466) |
| Shares remaining at 30 June 2005 | 28,836 | 27,885 | 67,894 | 67,253 | 89,727 | 281,595 |

| | *$000* | *$000* | *$000* | *$000* | *$000* | *$000* |
|---|---|---|---|---|---|---|
| Loan balance at 30 June 2004 | – | – | 483 | 1,036 | 1,294 | 2,813 |
| Loan repayments | – | – | (138) | (230) | (310) | (678) |
| Dividends paid (offset against loan balance) | – | – | (80) | (77) | (102) | (259) |
| Loan balance at 30 June 2005 | – | – | 265 | 729 | 882 | 1,876 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Market value of shares at 30 June 2005 | 667 | 645 | 1,570 | 1,556 | 2,075 | 6,513 |

ASXL share price at 30 June 2005 was $23.13 (2004: $15.54)

**(c) Executive Share Plan**
Refer to note 27 for details.

## 21. Employee Benefits (continued)

**(d) Superannuation Plans**

The consolidated entity and employees contribute to the ASX superannuation plan (the plan) which is part of the Mercer Retirement Trust, a multi-employer trust. Within the plan, all members participate in the accumulation fund except for seven members who remain in the defined benefit fund category. The plan complies with all the requirements of the Superannuation Industry (Supervision) Act 1993.

| | *2005 $000* | *2004 $000* |
|---|---|---|
| At 30 June 2005, the latest available unaudited information relating to the fund is: | | |
| Net market value of assets | 36,121 | 32,936 |
| Accrued benefits | 35,963 | 32,750 |
| Excess of net assets over accrued benefits | 158 | 186 |
| Vested benefits | 35,963 | 32,750 |
| Employer contributions to the plan | 3,622 | 3,656 |

An actuarial valuation of the fund was performed at 30 June 2005 and there were no unfunded liabilities at that date.

## 22. Commitments

**(a) Capital and Operating Commitments**

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

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| | *2005 $000* | *2004 $000* | *2005 $000* | *2004 $000* |
| Due: | | | | |
| Not later than one year | 13,204 | 11,459 | – | – |
| Later than one year but not later than five years | 16,907 | 16,091 | – | – |
| Later than five years | 23,016 | 32,572 | – | – |
| | 53,217 | 60,122 | – | – |

**(b) Non-cancellable Operating Lease Rental Commitments**

Future operating lease rental of premises not provided for in the financial statements:

| | *Consolidated 2005 $000* | *Consolidated 2004 $000* | *The Company 2005 $000* | *The Company 2004 $000* |
|---|---|---|---|---|
| Due: | | | | |
| Not later than one year | 18,571 | 18,940 | – | – |
| Later than one year but not later than five years | 69,904 | 71,326 | – | – |
| Later than five years | 30,775 | 49,048 | – | – |
| | 119,250 | 139,314 | – | – |

The consolidated entity's major leases are in respect of premises from which it operates. These leases are all generally long-term with unexpired periods ranging from one to seven years with options to extend for further periods. Future rentals are subject to indexation and periodical rental reviews.

## 23. Contingent Liabilities

**(a) Support for National Guarantee Fund**

If the amount of the National Guarantee Fund falls below the minimum amount determined in accordance with the Act, SEGC may determine that ASX must pay a levy to SEGC. Where a levy becomes payable, ASX may determine that participants in the market must pay a levy, provided that the total amounts payable under this levy do not exceed the amount payable by ASX to SEGC. However, the amount in the NGF has not fallen below the applicable minimum amount since the NGF was formed and SEGC has not imposed any levies. Failure by either ASX or a participant in the market to pay a levy does not constitute an offence under the Act.

**(b) Deed of Cross Guarantee**

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and directors' reports.

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 effect of the Deed, dated 1 June 1992, is that 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. If a winding up occurs under other provisions of the Act 2001, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

The subsidiaries subject to the Deed are:

- ASX Operations Pty Limited (ABN: 42 004 523 782);
- Options Clearing House Pty Limited (ABN: 29 003 435 014);
- SECH Nominees Pty Limited (ABN: 53 008 610 660).

Consolidated statements of financial performance and consolidated statements of financial position, comprising the company and the subsidiaries that are party to the Deed, after eliminating all transactions between parties to the Deed, at 30 June 2005, are shown below.

**Summarised Statements of Financial Performance and Retained Profits**
for parties to the Deed of Cross Guarantee

| | *Consolidated* | |
|---|---|---|
| | *2005 $000* | *2004 $000* |
| Profit from ordinary activities before related income tax expense | 95,589 | 110,798 |
| Income tax (expense) relating to ordinary activities | (28,102) | (18,370) |
| Profit from ordinary activities after related income tax expense | 67,487 | 92,428 |
| Retained profits at beginning of the year | 99,926 | 83,809 |
| Net profit for the year | 67,487 | 92,428 |
| Dividends recognised during the year | (98,286) | (76,311) |
| Retained profits at end of the year | 69,127 | 99,926 |

## 23. Contingent Liabilities (continued)

**(b) Deed of Cross Guarantee (continued)**

**Statements of Financial Position**

for parties to the Deed of Cross Guarantee

| | *Consolidated* | |
|---|---|---|
| | *2005* *$000* | *2004* *$000* |
| **Current assets** | | |
| Cash assets | 80,660 | 64,531 |
| Receivables | 24,707 | 23,272 |
| Other financial assets | 2,427 | 4,825 |
| **Total current assets** | 107,794 | 92,628 |
| **Non-current assets** | | |
| Investments – other | 93,548 | 114,448 |
| Deferred tax assets | 11,475 | 10,380 |
| Property, plant and equipment | 32,088 | 47,515 |
| Receivables | 57,588 | 53,019 |
| **Total non-current assets** | 194,699 | 225,362 |
| **Total assets** | 302,493 | 317,990 |
| **Current liabilities** | | |
| Payables | 13,546 | 11,738 |
| Current tax liabilities | 16,789 | 17,673 |
| Provisions | 21,321 | 19,182 |
| Other | 7,213 | 5,930 |
| **Total current liabilities** | 58,869 | 54,523 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 2,123 | 5,158 |
| Provisions | 8,756 | 8,572 |
| Loans – related parties | 57,336 | 43,529 |
| **Total non-current liabilities** | 68,215 | 57,259 |
| **Total liabilities** | 127,084 | 111,782 |
| **Net assets** | 175,409 | 206,208 |
| **Equity** | | |
| Contributed equity | 106,282 | 106,282 |
| Retained profits | 69,127 | 99,926 |
| **Total equity** | 175,409 | 206,208 |

### (c) Australian Clearing House Pty Limited (ACH)

A controlled entity of ASX, ACH operates a clearing facility in relation to securities, derivatives and certain other financial products traded on ASX's markets. Most market transactions are novated to ACH in accordance with its operating rules.

As a result of the novation process, ACH acts as the central counterparty for ASX's markets. Upon novation, market transactions between trading participants are replaced by contracts between the clearing participant acting for the seller and ACH as buyer, and between the clearing participant acting for the buyer and ACH as seller. As a result, ACH effectively "stands between" the two participants. The obligations owed by both participants and ACH are referred to as "Clearing Obligations". Once all transactions are novated, the total of all amounts and financial products that a clearing participant is obliged to pay and deliver to ACH on a business day are set off against the total of all amounts and financial products that the participant is entitled to receive from ACH on that business day to arrive at net payment and net delivery obligations between ACH and each clearing participant. If one participant to the original trade fails to meet its obligations, ACH remains bound to perform the obligations which ACH has to the other participant. This means that ACH assumes the credit risk relating to the original transaction. If a participant fails to meet its Clearing Obligations, ACH will suffer a "Clearing Loss" representing the cost of closing out its exposure in relation to those Clearing Obligations.

As at 30 June 2005 ACH had a right to receive from participants payments of $628.8 million and a corresponding obligation to make payments to participants of $628.8 million (2004: $374.4 million). These payments relate to the delivery and receipt of all unsettled cash market securities obligations. Furthermore, total collateral required by ACH to cover participants' derivatives exposures was $475.9 million (2004: $522.7 million). This was made up of bank guarantees for the amount of $84.8 million (2004: $87.2 million), cash of $218.4 million (2004: $168.1 million) and the remainder in securities. As at that date clearing participants had lodged collateral with ACH in the form of securities with a haircut value of $1,504.5 million (2004: $1,271.9 million).

As at the date of the financial report, all net delivery and net payment obligations owing to ACH by clearing participants at 30 June 2005 were settled.

No part of these amounts have been recorded as assets and corresponding liabilities in the statement of financial position of the consolidated entity at 30 June 2005 (2004: $nil).

Historically, if a participant failed to meet its net delivery or net payment obligations to ACH, ACH had recourse to the National Guarantee Fund (NGF) maintained by the Securities Exchanges Guarantee Corporation Limited (SEGC) under the Corporations Act and could make a claim on the NGF to cover its loss. However, ACH's right to claim on the NGF in these circumstances ended on 31 March 2005. This occurred because of a restructuring of the NGF under section 891A of the Act. As a result of this restructure, ACH received a payment of $71.5 million from the NGF and the Corporations Regulations 2001 were amended to remove ACH's ability to make a claim on the NGF for Clearing Losses arising after 31 March 2005. From this time, any losses incurred as a result of default by a participant default may ultimately have to be met from ACH's own financial resources.

In the event of such a loss, the financial resources available to ACH include:

1. Collateral or other margin or Contributions lodged by the defaulting participant with ACH under the ACH Clearing Rules.
2. The funds obtained from the NGF. ACH received approximately $71.5 million from the NGF which is "ring-fenced" and held by it in a restricted capital reserve (the "NGF amount"). In accordance with the terms of ACH's Australian CS Facility Licence, unless the Treasurer agrees otherwise, these funds can only be used by ACH for clearing and settlement support.
3. ASX contributed capital. ASX has funded the initial difference between the amount that ACH received from the NGF and the capital amount required to be held by ACH to meet the RBA Stability Standard for Central Counterparties from time to time (the "Reserve Requirement"). Currently the Reserve Requirement is $110 million. As a result, ASX increased its capital contribution to ACH of $38.5 million. As the Reserve Requirement may vary from time to time, ASX has an ongoing obligation to provide additional capital to ACH if required to cover the difference between the Reserve Requirement and the total of the ASX's existing capital in ACH and the NGF amount remaining at that time. Alternatively, ACH may decide to replace some of the capital contributed by ASX with Contributions obtained from participants under the ACH Clearing Rules, thereby reducing the amount of capital which ASX is obliged to provide to ACH.

   However, ASX is not obliged to contribute additional capital to recapitalise ACH following a Clearing Loss. ASX will continue to support the day to day operations of ACH (eg by the provision of staff, facilities and funds to meet expenses (other than a Clearing Loss)). However, other than as set out above, ASX has no other obligations to fund ACH. For example, it is not obliged to provide additional capital to ACH beyond the RBA capital requirements.
4. The proceeds of any available insurance policies.
5. Contributions obtained from participants under the ACH Clearing Rules.
6. Emergency Assessments levied on participants under the ACH Clearing Rules.

The order in which these resources may be applied is set out in detail in the ACH Clearing Rules.

As part of the arrangements to restructure the NGF, ACH agreed to indemnify SEGC in respect of certain possible transitional clearing claims, which a claimant was entitled to make before 31 March 2005 and which were served on SEGC before 30 September 2005. As at the date of the financial report, no such claims had been made or foreshadowed.

### (d) Litigation

The consolidated entity is a defendant from time to time in legal proceedings. Where appropriate, the consolidated entity takes legal advice. The consolidated entity does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

### (e) Employee Share Plans

Employees have been provided with non-recourse loans to acquire ordinary shares under ASX employee share purchase plan – plan 2 as detailed in note 21. Under this plan, employees may elect not to repay the loan thereby forgoing ownership in the shares. Where this occurs, the shares are sold on the market with the net proceeds utilised to offset the outstanding loan balance. A contingent liability arises where the proceeds from sale are insufficient to meet any outstanding loan balance net of dividends.

## 23. Contingent Liabilities (continued)

**(e) Employee Share Plans (continued)**

Details specific to offers made under this plan are outlined below:

| | *Plan 2 – offer 1* | *Plan 2 – offer 2* | *Plan 2 – offer 3* |
|---|---|---|---|
| Issue price of shares | $8.34 | $13.85 | $12.51 |
| Contingent liability will arise if ASXL share price falls to | $4.57 | $10.67 | $10.02 |

| | *$000* | *$000* | *$000* |
|---|---|---|---|
| Market value of shares | 1,570 | 1,556 | 2,075 |
| Loan balance outstanding | 265 | 729 | 882 |
| Contingent liability | – | – | – |

The ASXL share price at 30 June 2005 was $23.13 (2004: $15.54). At 30 June 2005, there was no contingent liability relating to any of the above plan 2 offers (2004: $ nil).

**(f) SGX Link**

ASX and Singapore Stock Exchange Limited (SGX) are operating a cross-border trading link using wholly owned subsidiaries. The activities of each subsidiary operating the trading link have reciprocal financial guarantees from ASX and SGX.

ASX has given a guarantee of SG$4.8 million to SGX in respect of its operating subsidiary, ASX International Services Pty Limited. SGX has given a guarantee of AUD$4.8 million in respect of its operating subsidiary, SGXLink.

**(g) Employee Benefits**

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| | *2005 $000* | *2004 $000* | *2005 $000* | *2004 $000* |
| Employee benefits under service agreements with directors and officers who take part in the management of the consolidated entity, which have not been provided in the accounts: | 3,395 | – | 2,755 | – |

## 24. Segment Reporting

ASX provides stock exchange and ancillary services in Australia. The revenue streams derived from those services are shown in the statements of financial performance.

## 25. Notes to the Statements of Cash Flows

| | *Consolidated* | | *The Company* | |
|---|---|---|---|---|
| | *2005 $000* | *2004 $000* | *2005 $000* | *2004 $000* |
| **(a) Reconciliation of the Operating Profit from Ordinary Activities After Income Tax to the Net Cash Flows from Operating Activities** | | | | |
| Profit from ordinary activities after tax | 165,469 | 83,223 | 91,812 | 103,090 |
| **Add non-cash items:** | | | | |
| Depreciation and amortisation | 15,890 | 16,369 | – | – |
| Share of associates losses | 105 | 434 | – | – |
| Net loss on sale and write-downs of non-current assets | 9,547 | 231 | – | – |
| Amortisation of goodwill | 278 | 204 | – | – |
| **Changes in assets and liabilities during the financial year:** | | | | |
| (Decrease)/increase in tax items | (5,845) | 5,128 | (5,545) | 6,051 |
| Decrease/(increase) in current receivables | 407 | (1,911) | – | – |
| Decrease in other current assets | 416 | 2,030 | – | – |
| Increase in payables | 2,136 | 1,556 | – | – |
| Increase in other current liabilities | 1,381 | 1,732 | – | – |
| Increase in current provisions | 2,213 | 1,400 | – | – |
| Increase/(decrease) in non-current provisions | 157 | (945) | – | – |
| Net cash provided by operating activities | 192,154 | 109,451 | 86,267 | 109,141 |

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |
| **(b) Financing Facilities Available** At balance date, the following financing facilities had been negotiated and were available: | | | | |
| Total facilities: | | | | |
| Standby line of credit facility (unsecured) | 100,000 | 50,000 | – | 50,000 |
| Used at balance date: | | | | |
| Standby line of credit facility (unsecured) | – | – | – | – |
| Unused at balance date: | | | | |
| Standby line of credit facility (unsecured) | 100,000 | 50,000 | – | 50,000 |
| **(c) Reconciliation of Cash** Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the Statements of Financial Position as follows: | | | | |
| Restricted cash assets | 71,489 | – | – | – |
| Unrestricted cash assets | 129,088 | 110,048 | 37,561 | 17,846 |
| Cash at end of year | 200,577 | 110,048 | 37,561 | 17,846 |

Refer to Note 1(g) for restrictions placed on restricted cash assets.

## 26. Related Party Disclosures

**(a) Directors**

The directors of ASXL during the financial year were:

| Name | Position held | |
|---|---|---|
| Maurice Lionel Newman | Chairman | |
| Anthony Michael D'Aloisio | Managing Director and Chief Executive Officer | Appointed 11 October 2004 |
| Richard George Humphry | Managing Director and Chief Executive Officer | Retired 10 October 2004 |
| Michael Henry Shepherd | Vice-Chairman | |
| James Joseph Kennedy | Non-executive Director | |
| Trevor Cyril Rowe | Non-executive Director | |
| Jillian Shirley Segal | Non-executive Director | |
| Michael John Sharpe | Non-executive Director | |
| Catherine Mary Walter | Non-executive Director | |

All directors were in office for the full financial year unless otherwise stated.

Mr ML Newman was a member of the advisory Board of Marsh Inc., a subsidiary of which rendered services to ASX in the ordinary course of business.

Mr RG Humphry, a former director of ASX Limited, has entered into a 3 year consulting agreement with ASXL. Under this agreement, Mr Humphry has been paid $76,263 in the current financial year. Mr Humphry also received $47,116 in relation to directorships of subsidiary Boards of ASXL.

Mr MH Shepherd is a Member of the UBS Global Asset Management (Australia) Ltd Responsible Entity Compliance Committee. UBS Global Asset Management (Australia) Ltd provides funds management services to SEGC in the ordinary course of business.

Mr JJ Kennedy is a director of Qantas Airways Limited, which has an established commercial relationship with ASX in the ordinary course of business.

Messrs JJ Kennedy, TC Rowe, Mr MJ Sharpe, Ms JS Segal, and Mrs CM Walter were directors of either participating organisations and/or listed entities during the year. Products purchased by, and fees levied on, both participating organisations and listed entities are on the standard terms and conditions available to all participating organisations and listed companies.

Ms JS Segal is a director of National Australia Bank Limited, which renders banking and financial services to ASX in the ordinary course of business.

Mr MJ Sharpe was, from 1968 to 1998, a partner in Coopers & Lybrand. He receives retirement benefits including an office and secretarial services, negotiated at the time of his retirement, from PricewaterhouseCoopers, who render consulting services including internal audit services in the ordinary course of business.

Mrs CM Walter is a member of the Financial Reporting Council, which subleases office space from ASX in the ordinary course of business.

## 26. Related Party Disclosures (continued)

**(b) Wholly-owned Group Transactions**

The ultimate parent entity in the wholly-owned group is Australian Stock Exchange Limited.

ASX Operations Pty Limited (ASXO) acts as the operating entity for most of the transactions of the consolidated entity. Expenses paid, revenues collected and purchases of capital items on behalf of other entities within the consolidated entity are booked to inter-entity loan accounts. No settlement of inter-entity accounts occurs. Interest is not charged on any inter-entity loan accounts.

ASXO received a management fee of $369,000 exclusive of GST (2004: $389,000) in respect of administration, accounting and legal services provided to SEGC. Included in other debtors is an amount receivable from SEGC of $100,000 (2004: $118,000). Settlement of the account with SEGC occurs regularly.

ASXL received $6,621,000 (2004: $5,314,000) from FIDA during the year. An amount of $18,000 is receivable from FIDA at 30 June 2004 (2004: $1,881,000).

ASXL has a subordinated loan agreement with ACH for $20,000,000. Repayment obligations are subordinated, in the event of default, to all other creditors of ACH under an associated trust deed. No interest is charged on the loan. This loan has no fixed repayment date and is not repayable in the foreseeable future. This loan is held in cash and liquid securities by ACH to provide capital backing for ASX's clearing business and to meet the Reserve Bank of Australia's Financial Stability Standard for Central Counterparties.

ASXL has a subordinated loan agreement with ASX Settlement and Transfer Corporation Pty Limited (ASTC) for $28,776,000. Repayment obligations are subordinated, in the event of default, to all other creditors of ASTC under an associated trust deed. No interest is charged on the loan.

| | Note | The Company | |
|---|---|---|---|
| | | 2005 $000 | 2004 $000 |
| **Balances with entities within the wholly-owned group** | | | |
| The aggregate amount payable/receivable to wholly-owned controlled entities by the company at balance date is as follows: | | | |
| **Non-current** | | | |
| Loans to controlled entities | 9 | – | 10,407 |
| Loans from controlled entities | 17 | 14,857 | – |
| Interest is not paid on any inter-company loans. | | | |
| **Dividends** | | | |
| Dividends received or due and receivable by the company from wholly-owned controlled entities | | 100,000 | 100,000 |

**(c) Other related parties**

**Balances with other related parties**

| | Note | 2005 $000 | 2004 $000 |
|---|---|---|---|
| The aggregate amounts receivable from associates of the company at balance date are as follows: | | | |
| **Non-current** | | | |
| Loan to associate | 9 | 6,036 | 11,575 |

ASXL previously agreed to provide ASX Perpetual Registrars Limited a shareholder loan facility of $15 million to fund the development of a new registry system. Repayments during the year have reduced the loan balance to $6.0 million.

Interest on the loan is based on normal commercial terms. During the year, interest revenue on the above loan amounted to $0.646 million (2004: $0.965 million).

ASX Reuters Charity Foundation Limited is a joint venture company sponsored by the Australian Stock Exchange Limited and Reuters Australia Pty Limited. Its principal activity is to raise funds for charity. ASX provides on-going management assistance and resources to the foundation. No income is derived by ASXL from the foundation.

## 27. Director and Executive Disclosures for Disclosing Entities

### 1. Scope of Report

This report covers the remuneration arrangements for:

- The Managing Director;
- Executives – The term covers company secretaries and senior managers. It does not include the Managing Director;
- Non-executive directors.

The table in section 3.5 specifies the names and titles of the holders of the 5 highest paid and the 5 positions with the greatest authority for managing the company and sets out details of their remuneration and equity holdings.

### 2. Governance: Nomination and Remuneration Committee

#### 2.1 Role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee has immediate responsibility for developing the remuneration policies and strategies of ASX and continually evaluating their operation under delegated authority from the Board. It:

- Draws up for the Board's consideration frameworks for remuneration, underpinned with pertinent external independent advice and comparisons, to enable ASX to attract leading directors and executives who can achieve the goals of ASX and consolidate shareholder returns;
- Sets searching competence and performance standards for Directors and the Managing Director;
- Oversees incentive plans and termination policies.

In remuneration matters the Committee operates independently of senior management of the Company in its recommendations to the Board.

A full copy of the Committee's charter is available on www.asx.com.au

#### 2.2 Membership and Meetings

The Committee consists of 3 independent non-executive directors. Its members throughout financial year 2005 were:

- Maurice Lionel Newman (Chair);
- Michael Henry Shepherd;
- Michael John Sharpe.

The number of meetings held by the Committee and the members' attendance at them are set out on page 39 of the Report to Shareholders.

### 3. Remuneration: Managing Director and Executives

#### 3.1 Remuneration Policy

The Nomination and Remuneration Committee shapes its remuneration strategies and initiatives and determines the nature and amount of remuneration for directors and executives at ASX in line with the principles articulated in the ASX remuneration policy.

The key principles:

- Link executive rewards to the integrity of our markets and the creation of shareholder value;
- Apply rigorous performance measures to both short and long-term "at risk" remuneration;
- Assess and reward performance based on both financial and non-financial performance measures;
- Provide competitive remuneration that is designed to attract, motivate and retain key executives.

## 3.2 Review of Existing Arrangements

During 2005 a comprehensive review of current arrangements for the executives was conducted to determine the type of performance management and remuneration structure that would best support ASX's business strategy, people strategy and corporate governance principles. The review included input from external remuneration consultants on market remuneration trends and practices.

The review, revised policy and proposed long-term incentive plan do not cover the arrangements for the Managing Director (in relation to fixed remuneration and STI) who is subject to the terms set out in his service contract (see section 3.7.1 for details). In line with the revised long term incentive plans for executives, changes are proposed to the second stage of the Managing Director's LTI (see section 3.7.1.3 for details).

## 3.3 Remuneration Structure

### 3.3.1 Remuneration Mix

ASX's remuneration structure has 2 key elements:

- A fixed remuneration component consisting of base salary and non-monetary benefits provided on a "salary sacrifice basis";
- A variable or "at risk" component that is subject to performance and contains a short-term incentive and a long-term incentive plan. The long-term incentive for financial year 2005 consists of awards of conditional entitlements.

The total reward produces an appropriate mix of fixed remuneration with short and long-term incentive opportunities.

The amount of total remuneration is determined by reference to the role's scope, nature of the role, importance to the business, market remuneration levels, and the executive's individual performance and assessed potential.

#### Current Mix

The current relative weighting between fixed and variable components for financial year 2005 is, broadly:

| | | *Percentage of total target remuneration* | | |
|---|---|---|---|---|
| | *Financial year* | *Fixed remuneration* | *Short-term incentive* | *Long-term incentive* |
| Managing Director | 2005 | 43% | 22% | 35% |
| Specified Executives | 2005 | 55% | 17% | 28% |

### 3.3.2 Fixed Remuneration

The fixed remuneration component for the Managing Director and executives is calculated on a salary sacrifice basis. The types of benefits that can be packaged on a salary sacrifice basis by the Managing Director and the executives include superannuation, motor vehicles, car parking and laptops.

The amount of fixed remuneration is determined by reference to the role's scope, nature, of the role, importance to the business, market remuneration levels, and the executives' individual performance and assessed potential.

*Current arrangements*

Fixed remuneration levels of the Managing Director and executives are reviewed annually and referenced to market practice among companies employing similar executive talent.

Historically, benchmarking for executive roles has been against broad general industry. Increases to fixed remuneration for each specific role are generally based on market related increases.

### 3.3.3 Variable "At Risk" Remuneration

Remuneration that is variable and dependent on performance is delivered through 2 elements:

- The Short-term Incentive Plan;
- The Long-term Incentive Plan.

#### *3.3.3.1 Short-term incentive plan*

*Managing Director*

The short-term incentive arrangements for the Managing Director are detailed separately in section 3.7.1.2.

*Executives – current arrangements*

The performance evaluation process takes place following the end of financial year and performance is assessed against objectives set at the start of the year. The total bonus pool available to distribute is determined according to the level at which ASX meets pre-set financial hurdles.

Senior executive performance targets are drawn from the Managing Director's performance targets and the business plan goals for the area that the executive is responsible for. Each executive has a number of Key Result Areas which are derived from Business Unit plans. The Key Result Areas incorporate both financial and personal objectives. These measures include but are not limited to ASX financial performance, strategy, business and financial planning, leadership and people management. This personalised approach to determining the annual incentive was chosen as it aligned individual behaviours with ASX's short-term strategy applying to each individual's business unit and position.

#### *3.3.3.2 Long-term incentive plan*

*Executives – current arrangements*

Long-term incentives are currently provided through the ASX Executive Share Plan, which allows for conditional entitlements to be awarded to executives. The rules which govern the plan were approved by shareholders at the October 1999 annual general meeting. Each conditional entitlement entitles the holder to 1 ordinary share in ASX Limited subject to performance hurdles being attained and the executive remaining in employment with ASX for a specified period. The performance hurdles are established by the Committee and approved by the Board for each offer.

The only offer currently in operation for the specified executives is the December 2003 offer. The conditional entitlements were issued to executives on 15 December 2003. The performance period for this offer was 4 years, which commenced on 1 December 2003 and ends on 30 November 2007. The base market price for the offer was calculated as the volume weighted average price during the period from 24 November 2003 to 28 November 2003 and is $15.50 per share. The fair value of conditional entitlements was calculated at grant date by an independent valuer at $9.82 for the purposes of disclosure in the remuneration report. To calculate the valuation the independent valuer used the Monte Carlo simulation technique with the following assumptions:

| | |
|---|---|
| Share price at grant date | $16.55 |
| Exercise price | Nil |
| Volatility | 24% p.a |
| Risk free rate | 5.7% |
| Dividend yield | 3% p.a |

## 27. Director and Executive disclosures for Disclosing Entities (continued)

*3.3.3.2 Long-term incentive plan (continued)*

The valuation model incorporates the likelihood of attaining the performance hurdles in the valuation, but does not include any allowance for executive turnover.

*Performance conditions*

The growth in ASX Total Shareholder Return as measured against a comparator group determines the percentage of the conditional entitlements that vest:

| *ASX's growth in TSR relative to the comparator group* | *Percentage of conditional entitlements that vest* |
|---|---|
| Less than median (<50th percentile) | None |
| Median (50th percentile) | 60% |
| Between median and upper quartile (50th to 75th percentile) | 60% plus 1.6% for each percentile |
| Upper quartile (75th percentile) or above | 100% |

The Total Shareholder Return performance condition was chosen as it is widely accepted as one of the best indicators of shareholder value creation. The comparator group is the S&P/ASX 100 adjusted to exclude foreign companies, mineral companies and property trusts at 1 December 2003. Further details of the companies included in the comparator group are available on the ASX website at www.asx.com.au and the Directors' Report at section 3.3.3.2. TSR measurement for the purposes of calculating vesting is performed by a third party (in 2004 this was Standard & Poor's). The results are circulated to the members of the Board for their confirmation.

The Board has discretion to increase or decrease the amount of vested shares by up to 20%, taking into account the executive's individual performance. No further offers of conditional entitlements to shares have been made to the specified executives during the financial year 2005.

### 3.4 Remuneration Policy: Relationship to ASX Long-term Performance

ASX's remuneration policy links the remuneration of the Managing Director and the specified executives to ASX's long-term performance through the award of conditional entitlements. All these conditional entitlements have Total Shareholder Return as a performance measure. This measure ensures that the conditional entitlements only become exercisable on achievement of at least median growth in total shareholder return relative to our peers.

### 3.5 Remuneration Table for Executives

During February 2005, ASX completed a restructure, which resulted in changes to the senior management team. The table below sets out the positions held for executives before and after the restructure.

| *Name* | *Current position held (10 February 2005 to 30 June 2005)* | *Previous position held (30 June 2004)* |
|---|---|---|
| JM Hayes | Group Executive – Shared Services & Chief Financial Officer | Chief Financial Officer |
| CA Jones | Group General Counsel & Company Secretary | General Counsel |
| ES Mayne | Group Executive – Market Supervision (appointed 16 May 2005) | – |
| JJ Olsson | Group Executive – Technology | Executive General Manager – Production Services |
| AG Richards | Group Executive – Strategy | Deputy Managing Director |
| CR Scully | Group Executive – Markets & Deputy Chief Executive Officer | Chief Operating Officer |
| CJ Hamilton | Executive General Manager – Clearing & Settlement (ceased employment 30 June 2005) | Executive General Manager – Clearing & Settlement |
| KL Hamilton | – | Executive General Manager – Issuers & Integrity (ceased employment 31 December 2004) |
| MA Roche | Executive General Manager – Market Services (ceased employment 30 June 2005) | Executive General Manager – Market Services |

The following table outlines the nature and amount of the elements of the remuneration of the specified executives and the five highest paid executives of ASX:

| | | Primary | | | Post-employment | Equity compensation | | | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *Salary & fees*[1] | *Cash bonuses*[2] | *Non-cash benefits*[3] | *Superannuation contributions* | *Value of conditional entitlements*[4] | *Value of additional shares*[5] | *Percentage of total remuneration* | *Payment in lieu of notice*[8] | *Other benefits* | *Total remuneration* |
| | | $ | $ | $ | $ | $ | $ | % | $ | $ | $ |
| JM Hayes | 2005 | 484,395 | 175,000 | 14,559 | 11,585 | 72,330 | – | 9.5 | – | 3,512 | 761,381 |
| | 2004 | 421,141 | 130,000 | 14,151 | 11,002 | 165,250 | 52,938 | 27.4 | – | 2,847 | 797,329 |
| CA Jones | 2005 | 278,017 | 80,000 | 2,131 | 71,985 | 48,055 | – | 10.0 | – | 2,500 | 482,688 |
| | 2004 | 267,906 | 95,000 | 2,100 | 46,402 | 103,060 | 32,541 | 24.7 | – | 2,500 | 549,509 |
| ES Mayne (appointed 16 May 2005) | 2005 | 85,073 | – | – | 1,460 | – | – | 0.0 | – | 410 | 86,943 |
| JJ Olsson[6] | 2005 | 252,291 | 89,605 | 2,292 | 70,585 | 48,798 | – | 10.5 | – | 2,554 | 466,125 |
| | 2004 | 243,378 | 72,800 | 2,310 | 56,817 | 100,179 | 31,296 | 25.8 | – | 2,188 | 508,968 |
| AG Richards | 2005 | 415,986 | 136,700 | 18,138 | 11,585 | 72,825 | – | 11.1 | – | – | 655,234 |
| | 2004 | 411,659 | 150,000 | 17,764 | 11,002 | 173,820 | 56,208 | 28.0 | – | 716 | 821,169 |
| CR Scully | 2005 | 642,515 | 185,000 | 18,564 | 93,170 | 85,458 | – | 8.3 | – | 2,554 | 1,027,261 |
| | 2004 | 454,280 | 150,000 | 18,291 | 67,587 | 185,000 | 68,300 | 26.8 | – | 2,082 | 945,540 |
| CJ Hamilton | 2005 | 274,533 | 130,000 | 14,158 | 15,399 | 57,268 | – | 5.3 | 591,511 | 3,378 | 1,086,247 |
| (ceased employment 30 June 2005) | 2004 | 362,423 | 50,000 | 17,495 | 14,816 | 153,526 | 49,513 | 31.2 | – | 2,772 | 650,545 |
| KL Hamilton | 2005 | 209,382 | 125,000 | 2,284 | 11,585 | – | – | 0.0 | 500,000 | 3,403 | 851,654 |
| (ceased employment 31 Dec 2004) | 2004 | 388,792 | 160,000 | 3,434 | 11,002 | 143,771 | 45,620 | 25.1 | – | 2,627 | 755,246 |
| MA Roche | 2005 | 304,867 | 150,000 | 3,172 | 12,785 | 57,268 | – | 4.8 | 656,622 | 3,968 | 1,188,682 |
| (ceased employment 30 June 2005) | 2004 | 370,302 | 140,000 | 3,381 | 12,202 | 143,465 | 45,620 | 26.3 | – | 2,987 | 717,957 |
| Total | 2005 | 2,947,059 | 1,071,305 | 75,298 | 300,139 | 442,002 | – | 6.7 | 1,748,133 | 22,279 | 6,606,215 |
| Total | 2004 | 2,919,881 | 947,800 | 78,926 | 230,830 | 1,168,071 | 382,036 | 27.0 | – | 18,719 | 5,746,263 |
| Total disclosed | 2004[7] | 2,046,170 | 730,000 | 57,021 | 112,795 | 811,306 | 268,686 | 26.8 | – | 11,260 | 4,037,238 |

1. Salary & fees includes salary, annual leave and long service leave on an accruals basis.
2. Cash bonuses relate to performance bonuses paid for the preceding financial year as the current year bonus has yet to be determined. 100% of the bonus was paid in cash.
3. Non-cash benefits consist of the provision of car parking and notional interest on employee share purchase plan loans. Refer to note 21(b) for further details on the share purchase plan.
4. The notional value ascribed to this long-term incentive (conditional entitlements) has been determined by an independent actuary using the criteria set out in Accounting Standard AASB 1046 and AASB 1046A. The notional value of the conditional entitlements has been apportioned over the term of the plan on a straight-line basis. Each conditional entitlement was valued at $9.82. The valuation methodology and inputs to the valuation have been disclosed in the narrative accompanying this table. Comparative values have not been updated to reflect changes in AASB 1046 during the year.
5. "Value of additional shares" relates to the value ascribed to additional shares issued by the Board of Directors under the terms of the Executive Share Plan.
6. Mr Olsson was appointed Group Executive – Technology on 10 February 2005. Before this appointment he was Executive General Manager Production Services. However, we have opted to show his remuneration for the entire year and his comparative amount for the prior year.
7. "Total disclosed 2004" are the totals which were disclosed in the 2004 report to shareholders. This disclosure is required under Accounting Standard AASB 1046.
8. Payment is made up of one year's salary in lieu of notice and for CJ Hamilton and MA Roche an additional three months payment for restrictive covenant.

Directors' and officers' indemnity insurance has not been included in the above figures since it is impracticable to determine an appropriate allocation basis.

## 27. Director and Executive Disclosures for Disclosing Entities (continued)

### 3.6 Equity Holdings of Managing Director and Relevant Executives

#### 3.6.1 Holdings of Conditional Entitlements

The following table shows the movement during the reporting period in the number of conditional entitlements over ordinary shares in ASXL held directly, indirectly or beneficially, by each Managing Director and relevant Executive, including their personally-related entities:

| | *Holding at 1 July 2004* | *Granted as remuneration* | | *Exercised[1 2]* | | *Lapsed[1]* | | *Holding at 30 June 2005[3]* | | *Minimum value of award to vest* | *Maximum value of award to vest* | *Fair value per entitlement at 30 June 2005* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *No.* | *No.* | *$* | *No.* | *$* | *No.* | *$* | *No.* | *$* | *$* | *$* | *$* |
| **Managing Directors** | | | | | | | | | | | | |
| AM D'Aloisio | – | 97,900 | 1,011,307 | – | – | – | – | 97,900 | 1,011,307 | – | 1,213,568 | 10.33 |
| RG Humphry | 115,300 | – | – | 115,300 | 1,196,814 | – | – | – | – | – | – | – |
| **Executives** | | | | | | | | | | | | |
| JM Hayes | 63,200 | – | – | 34,000 | 352,920 | – | – | 29,200 | 286,744 | – | 344,093 | 9.82 |
| CA Jones | 40,300 | – | – | 20,900 | 216,942 | – | – | 19,400 | 190,508 | – | 228,610 | 9.82 |
| ES Mayne | – | – | – | – | – | – | – | – | – | – | – | – |
| JJ Olsson | 39,800 | – | – | 20,100 | 208,638 | – | – | 19,700 | 193,454 | – | 232,145 | 9.82 |
| AG Richards | 65,500 | – | – | 36,100 | 374,718 | – | – | 29,400 | 288,708 | – | 346,450 | 9.82 |
| CR Scully | 72,100 | 6,400 | 62,848 | 37,600 | 390,288 | – | – | 40,900 | 401,638 | – | 481,966 | 9.82 |
| CJ Hamilton | 58,100 | – | – | 31,800 | 330,084 | 17,065 | 167,578 | 9,235 | 90,688 | – | 90,688 | 9.82 |
| KL Hamilton | 55,800 | – | – | 29,300 | 304,134 | 26,500 | 260,230 | – | – | – | – | – |
| MA Roche | 55,500 | – | – | 29,300 | 304,134 | 16,965 | 166,596 | 9,235 | 90,688 | – | 90,688 | 9.82 |
| Total | 565,600 | 104,300 | 1,074,155 | 354,400 | 3,678,672 | 60,530 | 594,404 | 254,970 | 2,553,735 | – | 3,028,208 | |

1. These conditional entitlements are based on the valuation conducted at grant date.
2. The market price of ASX shares at the time of exercising was $15.81.
3. All conditional entitlements in existence at 30 June 2005 will potentially vest in December 2007, unless there is a qualifying reason for the Board to exercise their discretion and allocate shares prior to this date. The amount represents the total value of conditional entitlements at 30 June 2005 and will be expensed over the term of the plan on a straight line basis. Therefore amounts disclosed in 3.5 and 4.4 represent the expense only for the period.

#### 3.6.2 Holdings of Ordinary Shares

The following table shows the movement during the reporting period in the number of ordinary shares in ASXL held directly, indirectly or beneficially, by each Managing Director and relevant Executive, including their personally-related entities:

| | *Holding at 1 July 2004* | *Received on exercise of conditional entitlements[1]* | *Net change – other[2]* | *Holding at date of this report* |
|---|---|---|---|---|
| **Managing Directors** | | | | |
| AM D'Aloisio | – | – | 3,000 | 3,000 |
| RG Humphry[5] | 150,000 | 138,360 | (288,360) | not required |
| **Executives** | | | | |
| JM Hayes | 201 | 39,100 | (39,100) | 201 |
| CA Jones | 3,425 | 24,035 | – | 27,460 |
| ES Mayne | – | – | – | – |
| JJ Olsson | 23,537 | 23,115 | – | 46,652 |
| AG Richards | 46,340 | 41,515 | (54,000) | 33,855 |
| CR Scully | 6,096 | 44,180 | (40,000) | 10,276 |
| CJ Hamilton[3] | 5,391 | 36,570 | (41,961) | not required |
| KL Hamilton[4] | 5,084 | 33,695 | (38,779) | not required |
| MA Roche[3] | 30,546 | 33,695 | (64,241) | not required |
| Total | 270,620 | 414,265 | (563,441) | 121,444 |

1. No amount was paid on vesting of conditional entitlements.
2. Net change – other includes purchases and sales of shares and additions and deletions of initial and final shareholdings for directors and executives who joined ASX or ceased employment during the financial year.
3 Ceased employment with ASX on 30 June 2005, therefore shareholdings after this date have not been disclosed.
4. Ceased employment with ASX on 31 December 2004, therefore shareholdings after this date have not been disclosed.
5. Retired as Managing Director on 10 October 2004, therefore shareholdings after this date have not been disclosed.

No ordinary ASXL shares were granted to the Managing Directors or relevant Executives as remuneration during the period.

## 3.7 Executive Service Contracts

### 3.7.1 Managing Director

The structure of the Managing Director's compensation is in accordance with his service agreement.

#### *3.7.1.1 Fixed remuneration*

At the time of appointment, a fixed remuneration amount of $1,100,000 per annum was set by the Board. This amount is reviewable at the Board's discretion each year.

The fixed remuneration includes the 9% Superannuation Guarantee Contribution (capped at $11,585).

Non-monetary benefits are provided on a "salary sacrifice basis". The types of benefits that can be packaged by the Managing Director include superannuation, motor vehicles, car parking and laptops.

#### *3.7.1.2 Short-term incentive plan*

The Managing Director is entitled to annual short term incentive payments of up to 50% of fixed salary. Any short term incentive entitlements actually awarded are determined at the discretion of the Board after assessing the performance of ASX, the performance of the Managing Director and relevant market information against agreed performance targets and priorities.

#### *3.7.1.3 Long-term incentive plan*

The service agreement between the Managing Director and ASX entitles the Managing Director to participate in a long term incentive plan in 2 stages subject to shareholder approval.

The Managing Director participates in the existing ASX Executive Share Plan. Participation is in accordance with the rules of the plan which also apply to other executives of ASX.

The first stage was approved by shareholders at the 2004 annual general meeting and is discussed below. Shareholder approval will be sought for the second stage at the 2005 annual general meeting. Details of the second stage are outlined in the Notice convening this meeting. It is proposed that the second stage will be aligned to the LTI applying to the executives.

*Stage 1 – November 2004 offer*

The first stage of the long-term incentive plan was approved by shareholders at the 2004 annual general meeting. It granted 97,900 conditional entitlements to ASX shares to the Managing Director. The performance period for this offer is 3 years from 1 November 2004 to 30 November 2007.

The number of conditional entitlements granted was calculated as 160% of his annual fixed remuneration divided by the market price of ASX's shares. Market price was the volume weighted average price in the five trading days to the commencement of the performance period. The volume weighted average price was $17.99.

The performance conditions for the November 2004 offer made to the Managing Director are the same as those for the December 2003 offer to other specified executives (detailed in Section 3.3.3.2). However, the performance period for the Managing Director is 3 years and the comparator group is based on the ASX 100 constituents (less foreign companies, mineral companies and property trusts) as at 1 November 2004.

The fair value of conditional entitlements was calculated at grant date by an independent valuer at $10.33 for the purposes of disclosure in the remuneration report. To calculate the independent valuer used the Monte Carlo simulation technique with the following assumptions:

| | |
|---|---|
| Share price at grant date | $18.90 |
| Exercise price | Nil |
| Volatility | 18.5% p.a |
| Risk free rate | 5.1% |
| Dividend yield | 3% p.a |

The valuation model incorporates the likelihood of attaining the performance hurdles (TSR) in the valuation, but does not include any allowance for executive turnover.

*Stage 2 – 2005*

Shareholder approval for the second stage of the Managing Director's long-term incentive plan will be outlined at the 2005 annual general meeting. Details of this stage are outlined in the notice convening this meeting.

#### *3.7.1.4 Service contract term and retirement benefits*

The Managing Director and Chief Executive Officer was formally appointed to the position at ASX on 11 October 2004, for an initial term to 31 December 2007 with an option (at the Board's discretion) to renew for a further 2 years.

The Managing Director receives the 9% Superannuation Guarantee Contribution (capped at $11,585) and does not receive any other retirement benefits.

#### *3.7.1.5 Service contract termination benefits and notice periods*

| | | | Treatment of long-term incentives | |
|---|---|---|---|---|
| *Type of termination* | *Notice period* | *Treatment of short-term incentives* | *Vested (unexercised awards)* | *Unvested awards* |
| Termination for poor performance | 12 months | Determined by Board | Released to Managing Director | Board has discretion to determine whether awards should vest |
| Termination for cause | N/A | No payment | Shares subject to any restrictions forfeited | Awards will lapse |
| Termination for illness | 6 months | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |
| Termination upon death | N/A | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |
| Expiry of contract | N/A | Determined by Board | Released to Managing Director | Awards vest pro-rated for the amount of the performance period served |

## 27. Director and Executive Disclosures for Disclosing Entities (continued)

### 3.7.2 Specified Executives

A controlled entity, ASX Operations Pty Limited, has service contracts with each of the specified executives. Except in the case of Mr Mayne, these contracts are for an undefined term and as such are capable of termination on reasonable notice. No termination payments are provided for under these contracts.

Mr Mayne's service contract is for an initial term of 2 years commencing on 16 May 2005 and thereafter year to year. Mr Mayne may resign by giving 3 months notice at any time. The consolidated entity can terminate the contract:

- At any time after the initial 2 year term, by giving 12 months notice;
- At any time for poor performance, by giving 3 months notice; or
- At any time in the case of serious misconduct, without notice.

In the case of resignation or termination, Mr Mayne will receive any amount owing to him in respect of his fixed remuneration package calculated to the termination date and any accrued but untaken statutory leave entitlements as at that date. Payment of any short term and long term incentives will depend on the nature of the termination:

- In the case of resignation, termination for poor performance or termination by 12 months notice after the initial 2 year term, consideration will be given to what, if any, short term incentive should be paid;
- In the case of resignation, any long term incentive awarded but not paid before the termination date will be paid but any entitlement not awarded at the termination date will lapse;
- In the case of termination by 12 months notice after the initial 2 year term, consideration will be give to what amount, if any, should be paid in respect of the long term incentive.

Following the recent internal restructuring of its senior positions, ASX is in the process of entering into new service contracts with specified executives. Full details with appear in next year's Remuneration Report.

## 4. Remuneration: Non-executive Directors

### 4.1 Remuneration Policy

Non-executive directors' individual fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid to all non-executive directors is $2,000,000 per annum as approved by shareholders at the annual general meeting on 28 September 2004. This amount does not include retirement benefits but does include superannuation and fees paid to non-executive directors of ASX in their capacity as members of ASX Board and committees, directors of subsidiary company boards, and the Securities Exchange Guarantee Corporation.

The Board reviews its fees to ensure ASX non-executive directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role, and to have in place a fee scale which enables ASX to attract and retain talented non-executive directors. In conducting a review the Board takes advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies. Non-executive directors' fees are broadly aligned to the top quartile of the marketplace. The last fee review conducted in 2003/2004 took into account:

- The market rates for non-executive directors of companies;
- The termination of the retirement benefits scheme; and
- The amount and level of effort employed by ASX non-executive directors in undertaking their duties.

### 4.2 Remuneration Structure

Non-executive directors receive a cash fee for service and have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. This policy reflects the differences in the role of the Board, which is to provide oversight and guide strategy, and of management, which is to operate the business and execute the company's strategy. Non-executive directors are not subject to a minimum shareholding requirement. However, they may hold shares in ASX subject to the ASX Dealing Rules.

Directors receive no benefits in addition to their fees, other than office and secretarial support provided at no cost to the Chairman of the ASXL Board. Benefits such as car parking are provided on a "salary sacrifice" basis.

*Retirement benefits*

The Board decided on 26 August 2003 to terminate the retirement benefits scheme which had been approved by shareholders in 1998. The accrued entitlements have been frozen at that date and will be paid to entitled non-executive directors at the time of retirement. Non-executive directors who joined the Board in the 3 years before 26 August 2003 have no accrued entitlement to a retirement benefit as the minimum service period under the scheme to qualify for a benefit was 3 years. The remuneration table in Section 4.4 records the accrued retirement benefits to date.

### 4.3 Non-executive Directors' Fees

Including fee scales for key committees and subsidiary boards on which non-executive directors serve.

| *Position* | *Fee per annum $* |
|---|---|
| Chairman of the Board | 300,000 |
| Vice Chairman of the Board | 125,000 |
| Non-executive director | 100,000 |
| Audit and Risk Committee Chair | 40,000 |
| Audit and Risk Committee member | 20,000 |
| Nomination and Remuneration Committee member[1] | 10,000 |
| Market Rules Committee Chair | 20,000 |
| ASX Settlement and Transfer Corporation Pty Ltd director | 30,000 |
| Australian Clearing House Pty Ltd director | 30,000 |

1. The Chairman of the Board is the Chairman of the Nomination and Remuneration Committee. He receives no additional fee for this role.

## 4.4 Remuneration Table for Directors

The following table outlines the nature and amount of each major element of the remuneration of the Directors of ASXL:

| | | Primary | | | Post-employment | | Equity compensation | | | Other | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees[1] | Cash bonuses[2] | Non-cash benefits[3] | Superannuation | Accrued retirement benefits[4] | Value of conditional entitlements[5] | Value of additional shares[6] | Percentage of total remuneration | Other benefits | Total remuneration | Total accrued retirement benefits[7] |
| | | $ | $ | $ | $ | $ | $ | $ | % | $ | $ | $ |
| **Managing Director** | | | | | | | | | | | | |
| AM D'Aloisio (appointed 11 Oct 2004) | 2005 | 880,984 | – | – | 8,348 | – | 216,837 | – | 19.6 | 909 | 1,107,078 | – |
| RG Humphry | 2005 | 313,211 | 550,000 | 4,069 | 3,237 | – | – | – | – | – | 870,517 | – |
| (retired 10 Oct 2004) | 2004 | 1,000,802 | 466,500 | 14,030 | 50,286 | 1,156,450 | 459,345 | 239,363 | 20.6 | 2,863 | 3,389,639 | 3,300,000 |
| **Non-Executive Directors** | | | | | | | | | | | | |
| ML Newman[8] | 2005 | 285,440 | – | 14,560 | 11,585 | – | – | – | – | – | 311,585 | 312,571 |
| Chairman | 2004 | 285,970 | – | 14,030 | 11,002 | 13,127 | – | – | – | – | 324,129 | 312,571 |
| MH Shepherd | 2005 | 130,605 | – | – | 95,980 | – | – | – | – | – | 226,585 | 136,395 |
| Vice-chairman | 2004 | 144,823 | – | 14,030 | 80,147 | 5,728 | – | – | – | – | 244,728 | 136,395 |
| JJ Kennedy | 2005 | 109,000 | – | – | – | – | – | – | – | – | 109,000 | 113,662 |
| | 2004 | 100,000 | – | – | 8,938 | 3,708 | – | – | – | – | 112,646 | 113,662 |
| M Fowles | 2005 | – | – | – | – | – | – | – | – | – | – | – |
| (retired 30 Sept 2003) | 2004 | – | – | – | 20,437 | 3,708 | – | – | – | – | 24,145 | – |
| TC Rowe | 2005 | 120,000 | – | – | 10,800 | – | – | – | – | – | 130,800 | – |
| | 2004 | 120,000 | – | – | 10,041 | – | – | – | – | – | 130,041 | – |
| JS Segal | 2005 | 120,000 | – | – | – | – | – | – | – | – | 120,000 | – |
| | 2004 | 110,000 | – | – | – | – | – | – | – | – | 110,000 | – |
| MJ Sharpe | 2005 | 65,605 | – | – | 95,980 | – | – | – | – | – | 161,585 | 113,662 |
| | 2004 | 118,050 | – | – | 53,952 | 3,708 | – | – | – | – | 175,710 | 113,662 |
| CM Walter | 2005 | 120,000 | – | – | 10,800 | – | – | – | – | – | 130,800 | 113,662 |
| | 2004 | 120,000 | – | – | 10,041 | 3,708 | – | – | – | – | 133,749 | 113,662 |
| Total | 2005 | 2,144,845 | 550,000 | 18,629 | 236,730 | – | 216,837 | – | 6.8 | 909 | 3,167,950 | 789,952 |
| Total | 2004 | 1,999,645 | 466,500 | 42,090 | 244,844 | 1,190,137 | 459,345 | 239,363 | 15.0 | 2,863 | 4,644,787 | 4,089,952 |

1. Salary & fees include Board and committee fees for non-executive directors and salary, annual leave and long service leave for the executive directors. All amounts are included on an accruals basis.
2. Cash bonuses relate to performance bonuses paid for the preceding financial year as the current year bonus has yet to be determined. 100% of the bonus was paid in cash.
3. Non-cash benefits consist of the provision of car parking.
4. Retirement benefits for non-executive directors was frozen on 26 August 2003. The amount disclosed in the 2004 row relates to the accrual of retirement benefits for the period 1 July 2003 to 26 August 2003. The current Managing Director and CEO is not entitled to any retirement benefits excluding superannuation.
5. The notional value ascribed to this long-term incentive (conditional entitlements) has been determined by an independent actuary using the criteria set out in Accounting Standard AASB 1046 and AASB 1046A. The notional value of the conditional entitlements has been apportioned over the term of the plan on a straight-line basis. The conditional entitlement was valued at $10.38 for Mr RG Humphry and $10.33 for Mr AM D'Aloisio. The valuation methodology and inputs to the valuation have been disclosed in the narrative accompanying this table. Comparative values have not been updated to reflect changes in AASB 1046 during the year.
6. "Value of additional shares" relates to the value ascribed to additional shares issued by the Board of Directors under the terms of the Executive Share Plan.
7. The total accrued retirement benefits have been disclosed in accordance with the ASX Corporate Governance Council best practice recommendations.
8. Mr Newman is provided with office and secretarial support to assist him in carrying out his ASXL Board duties. No cost is included as part of his remuneration above.

Directors and officers indemnity insurance has not been included in the above figures since it is impracticable to determine an appropriate allocation basis.

Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During the financial year, $52,546 in total was paid to the directors of ASXL who were also directors of SEGC.

## 27. Director and Executive Disclosures for Disclosing Entities (continued)

### 4.5 Shareholdings of Non-executive Directors

#### Ordinary Share Holdings

The table below summarises the movements in holdings of ordinary shares in ASX Limited held directly, indirectly or beneficially, by each ASX Director and their personally-related entities.

| | *Holding at 1 July 2004* | *Holding at 30 June 2005* | *Holding at date of this report* |
|---|---|---|---|
| **Non-executive director** | | | |
| ML Newman | 83,000 | 83,000 | 83,000 |
| MH Shepherd | 30,000 | 30,000 | 30,000 |
| RA Aboud | – | – | – |
| JJ Kennedy | 1,000 | 1,000 | 1,000 |
| TC Rowe | 4,300 | 4,300 | 4,300 |
| JS Segal | 2,000 | 2,000 | 2,000 |
| MJ Sharpe | 2,000 | 2,000 | 2,000 |
| CM Walter | 8,000 | 8,000 | 8,000 |
| Total | 130,300 | 130,300 | 130,300 |

There were no movements in the shareholdings of ASX non-executive directors during the financial year and up until the date of this report.

## 5. Other Transactions – Specified Directors and Specified Executives

### Loans to Specified Directors and Specified Executives

No specified director or specified executive has entered into any loans with any company in the ASX Group except to participate in ASX share acquisition schemes.

Interest free loans have been offered to all ASX staff, excluding the Chief Executive Officer, as part of employee share purchase plans. This plan is no longer in use by ASXL and the balances relate to issues made in prior years. All specified executives in the current year have participated in these share purchase plans, and have consequently taken out interest free loans. Specified directors, including the Managing Director and chief executive officer, were not eligible to participate in the share acquisition plans and therefore have no loan balances.

Details regarding the aggregate of loans made by any entity in the economic entity to specified directors and executives, and the number of individuals who held a loan during the year are as follows:

| | | *Opening balance*[2] | *Repayments* | *Interest charged* | *Closing balance* | *Interest not charged*[1] | *Number in the group* |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | No. |
| Specified directors | 2005 | – | – | – | – | – | – |
| | 2004 | – | – | – | – | – | – |
| Specified executives | 2005 | 260,668 | (86,550) | – | 174,119 | 18,571 | 4 |
| | 2004 | 210,693 | (24,168) | – | 186,525 | 14,931 | 5 |

1. Interest not charged represents a notional interest amount which would be payable if interest was charged on an arm's length basis. The assumed arm's length interest rate used was 7.99%.
2. Due to different specified executives being disclosed for the two reporting periods, the 2004 opening balance does not equal the 2005 opening balance.

The disclosures above are in aggregate as no individual loan balance exceeded $100,000 at any time during the financial year.

| | Consolidated | | The Company | |
|---|---|---|---|---|
| | 2005 $000 | 2004 $000 | 2005 $000 | 2004 $000 |

## 28. Auditor's Remuneration

*Auditor of the company – KPMG*

**Audit services required by Corporations Act 2001:**

| | | | | |
|---|---|---|---|---|
| Audit and review of the financial reports | 486,085 | 472,655 | – | – |
| **Non-audit services:** | | | | |
| CHESS and DCS industry audits | 190,000 | 173,000 | – | – |
| Other audit services | 3,825 | 6,105 | – | – |
| *Taxation services* | | | | |
| Tax compliance services: | | | | |
| – Review of income tax returns | 23,000 | 25,500 | – | – |
| – Research and development tax concessions | 9,390 | 38,900 | – | – |
| – Consolidated income tax regime | 5,150 | 43,350 | – | – |
| – Goods and Services Tax | 14,250 | 16,558 | – | – |
| – FBT assistance | – | 4,950 | – | – |
| Corporate tax advisory services: | | | | |
| – Employee benefits | 12,900 | 29,800 | – | – |
| – National Guarantee Fund | – | 29,450 | – | – |
| – Workcover | – | 12,450 | – | – |
| – General corporate tax | 34,710 | 44,872 | – | – |
| – ASX World Link | 6,000 | – | – | – |
| *Accounting advisory services:* | | | | |
| – International Financial Reporting Standards | 38,500 | – | – | – |
| – National Guarantee Fund | 44,500 | 14,300 | – | – |
| *Miscellaneous* | | | | |
| – Recruitment of junior staff | – | 12,800 | – | – |
| – Research paper on capital adequacy model | – | 15,000 | – | – |
| – Information technology | – | 2,100 | – | – |
| Total non-audit services | 382,225 | 469,135 | – | – |
| Total auditor's remuneration | 868,310 | 941,790 | – | – |

All amounts shown above are exclusive of GST.

The parent entity's audit fees were paid by ASX Operations Pty Limited, a wholly-owned subsidiary.

Non-audit services are any services provided, excluding audits required by the Corporations Act 2001.

Refer to the directors' report for details on compliance with the auditor independence requirements of the Corporations Act 2001.

## 29. Controlled Entities

Particulars in Relation to Controlled Entities

| | | Parent entity's investment (a) | |
|---|---|---|---|
| | | *2005* | *2004* |
| *Name of entity* | *Note* | *%* | *%* |
| Parent entity: Australian Stock Exchange Limited | | | |
| **Controlled entities:** | | | |
| ASX Operations Pty Limited (ASXO)* | (b) | 100 | 100 |
| ASX Futures Exchange Pty Limited* | | 100 | 100 |
| ASX International Services Pty Limited | | 100 | 100 |
| ASX FundConnect Pty Limited* | | 100 | 100 |
| ASX Supervisory Review Pty Limited * | | 100 | 100 |
| CHESS Depositary Nominees Pty Limited | | 100 | 100 |
| Orient Capital Pty Limited* | (c) | 100 | 100 |
| **Controlled entities of ASXO:** | | | |
| ASX Settlement and Transfer Corporation Pty Limited (ASTC) | | 100 | 100 |
| ASX Pty Limited* | | 100 | 100 |
| Australian Clearing House Pty Limited | | 100 | 100 |
| Australian Securities Exchange Pty Limited* | | 100 | 100 |
| Options Clearing House Pty Limited * | (b) | 100 | 100 |
| SECH Nominees Pty Limited* | (b) | 100 | 100 |
| **Controlled entities of ASTC:** | | | |
| TNS Clearing Pty Limited* | | 100 | 100 |

Notes:

(a) Parent entity refers to the immediate controlling entity of the entity in which the investment is shown.

(b) A controlled entity that has entered into a Deed of Cross Guarantee with Australian Stock Exchange Limited in respect of relief granted from specified accounting and financial reporting requirements in accordance with ASIC Class Order 98/1418. Refer note 23(b) for details of the Deed of Cross Guarantee.

(c) Australian Stock Exchange Limited acquired the remaining 50% of the share capital on issue of Orient Capital Pty Limited on 1 January 2004. Refer to note 12 for further details.

Although ASXL owns 100% of Securities Exchanges Guarantee Corporation Limited (SEGC), SEGC has not been consolidated into the ASX Group financial statements. SEGC is governed by the Corporations Act 2001 and ASXL is not able to control the entity so as to pursue ASX objectives nor is it entitled to the entity's assets.

All controlled entities were incorporated in Australia.

*Denotes those controlled entities for which an audit of their financial statements is not required.

## 30. Financial Instruments

**(a) Credit Risk**

The credit risk on financial assets of the consolidated entity, which has been recognised in the statements of financial position, other than investments in shares, is generally the carrying amount net of any provisions for doubtful debts.

Credit risk relating to short-term and investment securities is managed by placing certain funds with a minimum of two professional fund managers who invest the portfolio in accordance with investment agreements approved by the Board. The investment agreements provide guidelines limiting the exposure of the portfolio to an optimum level of liquidity in investments with a number of counterparties. These guidelines include restricting the maximum value of the portfolios held by each counterparty dependent upon each of those counterparties' published credit ratings.

**(b) Interest-rate Risk**

The consolidated entity has minimal exposure to interest-rate risk. Interest-rate risk arises in relation to short-term and investment securities comprising short-term deposits, bank bills and fixed interest securities. The consolidated entity's exposure to interest-rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

| | | *Weighted average interest rate* | | *Floating interest rate* | | *Fixed interest rate** | | *Non-interest bearing* | | *Total* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *2005* | *2004* | *2005* | *2004* | *2005* | *2004* | *2005* | *2004* | *2005* | *2004* |
| | *Note* | *%* | *%* | *$000* | *$000* | *$000* | *$000* | *$000* | *$000* | *$000* | *$000* |
| Restricted cash assets | 25 | 5.50 | 5.14 | – | – | 71,489 | – | – | – | 71,489 | – |
| Unrestricted cash assets | 25 | 5.50 | 5.14 | 14,691 | 63,212 | 114,253 | 46,760 | 144 | 76 | 129,088 | 110,048 |
| Trade and other receivables | 9 | 7.13 | 6.80 | 6,036 | 11,575 | – | – | 25,572 | 26,554 | 31,608 | 38,129 |
| Other financial assets | 10 | – | – | 2,137 | 1,912 | – | – | – | – | 2,137 | 1,912 |
| Investments in listed shares | 11 | – | – | – | – | – | – | 22,950 | 22,950 | 22,950 | 22,950 |
| | | | | 22,864 | 76,699 | 185,742 | 46,760 | 48,666 | 49,580 | 257,272 | 173,039 |
| **Financial liabilities** | | | | | | | | | | | |
| Trade and other payables | 15 | _ | – | – | – | – | – | 14,067 | 11,931 | 14,067 | 11,931 |
| Employee benefits payable | 16 | 5.74 | 5.74 | – | – | 3,337 | 3,867 | 19,468 | 18,430 | 22,805 | 22,297 |
| Other liabilities | 17 | – | – | – | – | – | – | 7,991 | 6,610 | 7,991 | 6,610 |
| | | | | – | – | 3,337 | 3,867 | 41,526 | 36,971 | 44,863 | 40,838 |
| Net financial assets | | | | 22,864 | 76,699 | 182,405 | 42,893 | 7,140 | 12,609 | 212,409 | 132,201 |

* All fixed interest securities have a term to maturity of less than 12 months, other than the non-current long service leave portion of the employee benefits balance. The term to maturity for this financial liability is as follows:

Fixed interest rate maturing in:

| | | |
|---|---|---|
| Greater than 1 year less than 5 years | 1,593 | 2,011 |
| Greater than 5 years | 1,744 | 1,856 |
| | 3,337 | 3,867 |

**(c) Financial Futures Contracts**

There were no futures contracts entered into at 30 June 2005 (2004: $nil).

**(d) Net Fair Values of Financial Assets and Financial Liabilities**

### Valuation Approach

All financial assets and financial liabilities are carried at cost. Cost approximates net fair value in all cases except for investments in listed companies. The difference between the fair value and cost of investments in listed companies is disclosed at note 11. There were no unrecognised financial instruments for the year ended 30 June 2005 (2004: $nil).

## 31. Subsequent Events

For dividends declared after 30 June 2005 refer to note 6.

Except for the above mentioned items, no other matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

# Directors' Declaration

1. In the opinion of the directors of Australian Stock Exchange Limited (the company):
   (a) the financial statements and notes, set out on pages 64 to 101, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; 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.
2. There are reasonable grounds to believe that the company and the controlled entities identified in notes 23(b) will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2005.

Dated at Sydney this 26th day of July 2005.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC
Chairman

Tony D'Aloisio
Managing Director

# Independent Audit Report

## to the members of Australian Stock Exchange Limited

## Scope

### The Financial Report and Directors' Responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements (notes 1 to 31), and the directors' declaration for both Australian Stock Exchange Limited (the "Company") and the Australian Stock Exchange Group (the "consolidated entity"), for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit Opinion

In our opinion, the financial report of Australian Stock Exchange Limited is in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

ND

N T Davis
Partner

Sydney, 26 July 2005

# Shareholder Information

(as at 22 July 2005)

The following additional information is provided in accordance with the listing rules.

## Ordinary Shares

### Voting Power

ASX has ordinary shares on issue. At a general meeting, every shareholder present in person or by 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 constitution classifies default shares as any shares held above the 15% voting power limit by one party and its associates as set by Parliament.

### Distribution of Shareholdings

| *Number of shares held* | *Number of holders* | *Number of shares* | *% of issued capital* |
|---|---|---|---|
| 1 – 1,000 | 10,742 | 5,863,689 | 5.71 |
| 1,001 – 5,000 | 4,531 | 10,536,650 | 10.26 |
| 5,001 – 10,000 | 466 | 3,588,974 | 3.49 |
| 10,001 – 100,000 | 535 | 22,242,231 | 21.66 |
| 100,001 and over | 151 | 60,470,646 | 58.88 |
| Total | 16,425 | 102,702,190 | 100.00 |

The number of shareholders holding less than a marketable parcel of 20 ordinary shares ($25.24 on 22 July 2005) is 64 and they hold 341 ordinary shares.

### Substantial Shareholders

The following organisations have disclosed a substantial shareholder notice to ASX.

| *Name* | *Number of shares* | *% of voting power advised* |
|---|---|---|
| Barclays Global Investors Australia Limited | 6,872,959 | 6.68% |
| Commonwealth Bank Group | 8,445,659 | 8.22% |

### Largest 20 Shareholders

| *The largest 20 shareholders in the company are:* | *Number of shares* | *% of issued capital* |
|---|---|---|
| National Nominees Limited | 9,774,415 | 9.52% |
| Citicorp Nominees Pty Limited | 9,217,333 | 8.97% |
| JP Morgan Nominees Australia Limited | 8,612,651 | 8.39% |
| Westpac Custodian Nominees Ltd | 5,409,188 | 5.27% |
| ANZ Nominees Limited Ltd | 3,768,997 | 3.67% |
| Cogent Nominees Pty Limited | 1,760,435 | 1.71% |
| RBC Global Services Australia Nominees Pty Limited | 1,199,043 | 1.17% |
| Bond Street Custodians Limited | 954,738 | .93% |
| PSS Board | 604,540 | .59% |
| Health Super Pty Ltd | 495,140 | .48% |
| CSS Board | 451,590 | .44% |
| Queensland Investment Corporation | 429,073 | .42% |
| Invia Custodian Pty Limited | 350,974 | .34% |
| Victorian Workcover Authority | 238,103 | .23% |
| UBS Private Clients Australia Nominees Pty Ltd | 237,835 | .23% |
| The Australian National University Investment Section | 220,000 | .21% |
| AMP Life Limited | 208,469 | .20% |
| ASX Operations Pty Limited | 197,989 | .19% |
| Government Superannuation Office – State Super Fund A/c | 176,372 | .17% |
| Douglas James Norman Derham | 171,666 | .17% |
| Total | 44,478,551 | 43.31% |

### On-market Buy-back

There is no current on-market buy-back.

# Directory

## ASX around Australia

### Sydney

Exchange Centre
20 Bridge Street
Sydney NSW 2000
Telephone (61 2) 9227 0000
Facsimile (61 2) 9227 0885

### Adelaide

Level 19
91 King William Street
Adelaide SA 5000
Telephone (61 8) 8216 5000
Facsimile (61 8) 8216 5098

### Brisbane

Riverside Centre
Level 5, 123 Eagle Street
Brisbane QLD 4000
Telephone (61 7) 3835 4000
Facsimile (61 7) 3835 1004

### Hobart

AMP Building
Level 12, 86 Collins Street
Hobart TAS 7000
Telephone (61 3) 6234 7333
Facsimile (61 3) 6234 3922

### Melbourne

Stock Exchange Centre
Level 3, 530 Collins Street
Melbourne VIC 3000
Telephone (61 3) 9617 8611
Facsimile (61 3) 9614 0575

### Perth

Exchange Plaza
2 The Esplanade
Perth WA 6000
Telephone (61 8) 9224 0000
Facsimile (61 8) 9221 2020

### Share registry

ASX Perpetual
Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Telephone (61 2) 8280 7111
Facsimile (61 2) 9287 0303
Internet
www.asxperpetual.com.au

### Auditor

KPMG

### ASX on the internet

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### ASX by phone

131 ASX (279)
for the cost of a local call
from anywhere in Australia



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August 2005.

Thankyou you to Goldman Sachs JB Were for allowing us to photograph their trading room for the Technology Division Section.

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