ASX

AUSTRALIAN SECURITIES EXCHANGE

ASX Limited Annual Report

2007

Who We Are

ASX was created by the merger of the former Australian Stock Exchange and SFE Corporation, holding company for the Sydney Futures Exchange, in July 2006.

ASX operates under the brand name Australian Securities Exchange and is one of the world's top-10 listed exchange groups measured by market capitalisation.

ASX spans the primary markets for corporate control and capital formation, and the secondary markets for capital allocation, price discovery and risk transfer. It functions as a market operator, supervisor, central counterparty clearer and payments system facilitator.

The diverse domestic and international customer base of ASX includes issuers of a variety of listed securities (such as corporations and trusts), investment and trading banks, fund managers, hedge funds, commodity trading advisers, and proprietary and retail traders.

Confidence in the integrity of ASX markets and clearing and settlement facilities is promoted by the supervisory activities of its wholly-owned subsidiary, ASX Markets Supervision (ASXMS), and by the regulatory oversight of the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA). ASIC also supervises ASX's own compliance as a public company with the ASX Listing Rules.

More information on ASX – the Australian Securities Exchange – can be found at: **www.asx.com.au**

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Chairman's Foreword

We had expected that the financial year ending 30 June 2007 (FY07) would be one of consolidation for ASX. It has proved to be much more. The performance of your company over the last 12 months has exceeded expectations.

When ASX and SFE Corporation (SFE) completed their merger in July 2006, the combined entity was around the 50th largest ASX-listed company with a market capitalisation of just over $5 billion. Twelve months on and with the successful integration of the two groups largely complete, the new ASX is now a top-40 company with a market value approximating $8 billion, ranking us the seventh-largest listed exchange group in the world. The increase in size has been matched by financial performance, with revenue, profit and shareholder returns growing healthily (and rebates to market participants trending to record highs in FY08). The Managing Director's (page 4) and Chief Financial Officer's (page 7) Reports provide the details.

Financial success is only one measure of ASX's performance, albeit an important one for our shareholders. Equally crucial, because ASX is the market operator, is the effectiveness of our market supervision and the quality of our service levels to market participants. ASX is a public company with unique public interest responsibilities. Market integrity and reliability of operation are not only vital to our reputation, but for Australia's capital market credentials overall.

In its fifth annual assessment of ASX's performance published in May 2007, ASIC found that we continue to provide markets that are fair, orderly and transparent. ASIC's assessment is supported by the latest Share Ownership Survey published in May 2007, which found that 71% of respondents believe that the Australian share market is well regulated. This is the third survey in a row where investor confidence in the market's integrity has exceeded 70%.

That said, our role in supervision requires constant review with new challenges arising as markets evolve. ASX believes strongly that preserving confidence in the integrity of our exchanges is essential to our commercial success. How we achieve this is explained in the Markets Supervision Report (page 26).

ASX cannot expect the highest standards from other listed entities if, from the Board down, we do not apply the same rigour to ourselves. Board renewal is an ongoing process. Over the past 12 months two of our longest serving directors, Cathy Walter and Jim Kennedy, retired after significant contributions. Our Vice-Chairman, Mike Shepherd, will also step down at this year's AGM after 19 years of outstanding service. Following the ASX/SFE merger three new directors, Rick Holliday-Smith and Peter Warne, together with Managing Director and CEO, Robert Elstone, joined the Board. Since then two more appointments have been made, David Gonski AC and Shane Finemore. Mr Gonski is expected to succeed me as Chair at the 2008 AGM. These new directors bring broad-ranging experience as well as specific knowledge to an already strong Board.

As our inclusive new brand name – Australian Securities Exchange – suggests, we now operate Australia's major financial markets for equities and derivatives, providing listing, trading, risk management, clearing, settlement, depository and market data services for domestic and international customers. Throughout FY07 record levels of activity were facilitated across most of these services (see page 19 for the highlights).

While our financial results make headlines, the profound changes the merger has brought to the Australian market micro-structure tend to be overlooked. Improved scale economies, new systems and larger capital resources give broader scope to our operations and strategies. We have already seen a tangible expression of this with transaction fee gain-sharing rebates for qualifying participants. This will gather momentum in FY08 with continued healthy market growth. However, the advantage of one national, globally competitive operator, providing access to deeper primary and secondary markets, with its positive impact on economic growth and employment, is the real story of the merger. ASX is strongly positioned to remain regionally and globally relevant in a fast consolidating exchange sector.

FY07 has been an outstanding year of achievement. The executive team under Robert Elstone and ASX staff nationwide, deserve great credit. They have worked under considerable pressure and delivered results in an exemplary manner. It is a commendable performance.

We do not forget, however, that no matter how well we perform, nothing is possible without the continued loyalty and custom of our listed entities, our market participants and our private and institutional investors. On behalf of ASX, I thank them all and assure them of our ongoing commitment to helping build their future prosperity.

Maurice L Newman AC *Chairman*

Managing Director's Report

At the half-year I indicated to shareholders that I looked forward to reporting a strong operating and financial performance for ASX for FY07. Six months on, this has proved to be the case. Net profit after tax and before significant items of $313.1 million was up 45.6% on a pro-forma basis over the previous year.

This result was driven by a combination of a vibrant year for new listings and secondary capital raisings, and strong trading activity levels in both the cash equities (and related exchange-traded options and index derivatives) markets and the exchange-traded market for interest rate and energy derivatives. During the second half of FY07, global equity market volatility, which began in early March 2007, coincided with record highs in the S&P/ASX 200 index and a shift in interest rate sentiment in Australia towards a tightening of the official cash rate. Third quarter perceptions of an easing bias from the US Federal Reserve triggered a strengthening of the Australian dollar and record volumes of SPI 200®, cash rate, bank bill and treasury bond interest rate futures contracts being traded in March 2007.

In April 2007, the Australian dollar rose to its highest level in 17 years against a trade-weighted basket of currencies. This was in anticipation of an increase in the official cash rate that never eventuated as domestic inflationary pressures abated during the fourth quarter of FY07. Subsequently, strong GDP and employment data in early June 2007 and higher than anticipated inflation data in late July 2007 gave rise to the RBA announcing a lift in the official cash rate in August 2007. During the second half of FY07, the 30 Day Interbank Cash Rate futures contract reached maturity as one of the highly liquid interest rate contracts operated by ASX, becoming a lead indicator of market sentiment towards changes to the official cash rate.

On the domestic energy front, the volume of trading in electricity futures almost quadrupled during the second half of FY07 over the prior comparable period. Between January and June 2007, prices doubled from $39.07 per megawatt hour for forward delivery (in 2008) in New South Wales to just over $83.50. Water shortages for power generation, attributable to the drought, and a growing demand and supply imbalance in electricity generation capacity were the prime reasons for the uplift in trading volumes and prices. Electricity futures pricing signals are contributing to the current debate in Australia about how best to produce much-needed additional generating capacity.

A pre-requisite to good decision-making in an energy sector overdue for microeconomic reform is transparent price discovery. Accordingly, at the start of June 2007, shortly after the report of the Prime Minister's Task Group on Emissions Trading was made public, ASX announced that it will be able to facilitate a futures market for emissions permits at the earliest opportunity once sufficient detail of the proposed Emissions Trading Scheme is known. Key to the success of the proposed Scheme, a futures market and over-the-counter (OTC) registration mechanisms operated by ASX will generate the short and long-term price signals and risk mitigation required to underpin investment certainty. To complement its existing operation of the electricity futures market, ASX is also planning to provide exchange-traded and OTC registration services for coal, natural gas and water.

A strong first half reporting season for many listed companies and healthy levels of merger, acquisition and corporate restructuring activity, combined with the improved systems latency of ASX's increasingly efficient central market, contributed to a sizeable increase in average daily volumes (and value) of cash equities traded during the entire second half of FY07.

Strong cost reduction, partly related to synergies from the ASX/SFE merger, also made a solid contribution to the FY07 uplift in group earnings. It is noteworthy that on a 'run-rate' measure, the cash cost base for the consolidated group 12 months since the merger is a modest 15% above the pre-merger cash cost base of the stand-alone Australian Stock Exchange for the FY06 reporting period.

As significant, operational performance in terms of core system availabilities and the processing of transaction volumes, company announcements, corporate actions and so on, remained comparable throughout the year to global best practice – a fact that is often taken for granted by our stakeholders. Our focus on capacity planning and global distribution contributes enormously to the performance and reach of the Australian financial sector, as well as to the facilitation of market growth and efficiency.

Market supervision activity levels were predictably higher, commensurate with strong merger and acquisition activity, buoyant private equity interest and record futures market expiry volumes in March and June 2007. Given these trends, we are continuing to expand our supervision resources. It is worth noting that while, year-on-year, the overall ASX headcount reduced from 656 (full-time equivalent) to 520, human resources devoted to market supervision and risk and assurance functions have increased, representing a higher percentage of the group's headcount than 12 months ago.

My half-year narrative in February this year covered the new organisational structure and merger implementation progress in some depth. As for business development initiatives (of which there are many), we are on track to meet our timelines for:

- market micro-structure enhancements in the cash equities market
- a new exchange-traded market for 'contracts for difference' (CFD), including CFDs listed over equities, equity indicies, foreign exchange and commodities
- new structured product rules to attract more unlisted equity products
- improvements to the Listing Rules to eliminate duplication with corporate law requirements and better meet the needs of the wide variety of companies that wish to list on ASX, and
- a footprint in the settlements space for the electronic conveyancing of mortgages, in partnership with the mortgage banking community.

These are examples of market innovation of which ASX can be proud. They come soon after two market-wide system projects (CLICK XT/ITS and EXIGO) were implemented in the first half of FY07. Both have been fundamental to our operational robustness during the year.

I also foreshadowed during the year an alignment of exchange fee rebate mechanisms between ASX and SFE-traded markets. This has now been achieved, with market announcements being made in April (ASX markets) and June (SFE markets) 2007. Based on relatively modest traded volume growth targets, qualifying market participants are being rebated marginal transaction fee revenue on a 75:25 gain-share ratio basis, attributable to a combination of merger and other discretionary cost savings. These rebate mechanisms provide an equitable sharing of traded volume revenue growth between shareholders and market participants. They also enable ASX management to focus on wider aspects of our value proposition for participant users and listed companies.

The May 2007 Federal Budget provided insight into the Government's balance sheet management – namely, supporting its own treasury bond market with a consistent treasury bond issuance profile while maintaining a zero net debt position. The recent turmoil in US credit markets is a poignant illustration of the critical role of transparent treasury bond futures markets in facilitating efficient interest rate risk transfer. The Government's policy stance, when read in conjunction with growing the Future Fund (and establishing the Higher Education Endowment Fund), continues to make an important contribution to the efficiency of the financial sector. It also constitutes sound public policy, given the trends outlined in the April 2007 update to the Intergenerational Report.

In June 2007, ASX and Standard & Poor's (S&P) implemented changes to the S&P/ASX indices to include foreign domiciled companies based on localised liquidity. Coinciding with this change was the launch of two new indices, the All Australian 50 and 200, allowing investors to select a benchmark index as an exposure to the most liquid stocks listed on ASX, or as a pure exposure to localised stocks.

In July 2007, ASIC announced a public consultation process to evaluate the public policy issues raised by licence applications for alternative trading venues for ASX-listed securities. The development of policy that contemplates multiple operators will need to closely consider the efficiency, transparency and investor protection elements of existing market regulation embedded in corporate law and ASX's licence obligations.

Progress during the year has been made on several risk management initiatives outlined in my half-year narrative. These include the pending introduction of a more contemporary stress testing regime in the futures clearing market, accompanied by a widening of the menu of eligible collateral to support the 'additional initial margin' regime introduced a few years ago by SFE Clearing Corporation (SFECC). SFECC also had its capital position boosted during FY07 by $50.0 million. In the cash equities clearing space, the Australian Clearing House (ACH) received a further capital injection of $25.0 million. It also introduced new collateral procedures during the second half of FY07 to defease 'spikes' in contingent settlement exposures, principally around quarterly expiries of the index futures contract.

These initiatives are designed to ensure that adequate fixed and variable (margin) capital is in place to support a dynamic counterparty risk profile that inevitably accompanies strong growth in exchange-traded transaction volumes. In addition, approval to admit authorised deposit-taking institution (ADI) status entities as clearing participants in ASX-traded markets is in the pipeline of regulatory and legislative amendments currently before the Parliament. These amendments are a pre-requisite to achieving user clearing benefits from the ASX/SFE merger.

As a fully integrated exchange group approaching the tenth year of its own listing maturity, it is timely for ASX to articulate the breadth of its value proposition to its stakeholder base, as well as its capital and risk management philosophy, specifically to its regulators and shareholders. Pages 22 to 25 of this Report are devoted to these important topics. The Chief Financial Officer's Report raises our standards of transparency in reporting the group's financial position and should be read in conjunction with those related topics.

The ASX Corporate Governance Council, chaired by the ASX's Chief Supervision Officer, Eric Mayne, published a balanced set of changes to its Corporate Governance Principles and Recommendations on 2 August 2007. These arose from a series of Council working groups that considered more than 100 public submissions. External oversight was also carried out by an independent review group comprising a diverse range of company directors. These refinements are due to take reporting effect from the start of calendar year 2008.

Since balance date, trading volumes in underlying cash and derivative markets have been very strong. This is in the wake of volatile equity markets and wider credit market spreads associated with contagion effects from the sub-prime mortgage sector in the US. Renewed growth in equity option volume in the second half of FY07 has also continued since balance date. The new ASX CFD offering will be launched during the first half of FY08 with the strong support of a number of brokers.

The current popularity of unlisted forms of managed investments could mean that listing activity levels may not grow during FY08. That said, the pipeline of new listings is healthy, especially in the minerals exploration sector. Moreover, generally favourable economic conditions are conducive to an equally buoyant listings year ahead, particularly as any US-exported credit squeeze will inevitably dampen some of the momentum of the private equity sector.

Depository settlement volumes for the cash equities market and securities holdings volumes for the fixed income market are anticipated to continue to grow strongly. This is commensurate with anticipated growth in cash equities trading volumes, solid bank lending and mortgage securitisation activity levels, and sizeable inflows into managed funds during FY08.

Twelve months into my appointment to lead the new ASX, my goals are to build the franchise and reputation of the group by leveraging our platforms, growing international distribution and diversifying our revenue streams – while preserving the regulatory soundness of the markets and facilities we are licensed to operate. Far from being in conflict, these business and regulatory objectives are mutually congruent.

To realise them we need to balance efficiency and effectiveness in our internal business and regulatory processes, without confusing a strong cost management culture with the need to reinvest. We must invest in and remunerate well our most valuable assets: our people. And we need to administer our technology with care and attention so that our service to customers remains operationally robust and internationally comparable in terms of functionality, latency, capacity and reliability.

At a personal level, in January 2007 I was appointed an Adjunct Professor within the Faculty of Economics and Business at the University of Sydney, a leading centre of applied research into equity and futures market micro-structures. In March 2007 I was appointed Chairman of the Financial Sector Advisory Council by the Federal Treasurer. Both of these appointments are, in part, recognition of the vital role of ASX in the financial economy of Australia. They also provide me with a unique opportunity to widen my personal contribution to the development of the nation's financial services sector.

Finally, the Board renewal referenced in the Chairman's Foreword is further evidence of the process of change underway since the ASX/SFE merger. It will greatly assist our efforts to grow the value and reputation of the Australian Securities Exchange in business and regulatory circles in the coming years. With global exchange consolidation gathering pace during FY07, the perspectives David Gonski and Shane Finemore bring to the Board of ASX at this time are invaluable.

I look forward to providing shareholders with a continuing positive update of ASX's fortunes at the AGM in October 2007.

Robert G Elstone *Managing Director and CEO*

Chief Financial Officer's Report

CONSOLIDATED PRO-FORMA INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2007 $'000	2006 $'000
REVENUE		
Listings	117,553	84,796
Cash Market	163,991	124,723
Derivatives	154,727	138,464
Information Services	61,399	44,820
Technology Infrastructure	23,496	21,175
Austraclear Services	20,489	18,132
Other Revenue	11,047	18,277
Operating Revenue	**552,702**	**450,387**
EXPENSES		
Staff Expenses	75,205	92,855
Occupancy Expenses	16,048	19,901
Equipment Expenses	25,546	26,367
Administration Expenses	17,387	25,803
Variable Expenses	4,585	3,824
Cash Operating Expenses	**138,771**	**168,750**
EBITDA	**413,931**	**281,637**
Depreciation and Amortisation	14,990	14,586
EBIT	**398,941**	**267,051**
Interest Income	22,907	24,760
Net Interest on Participant Balances	17,658	10,716
Dividend Revenue	3,150	2,700
Interest and Dividend Income	**43,715**	**38,176**
Normal Profit Before Income Tax	442,656	305,227
Income Tax Expense	(129,510)	(90,199)
Normal Profit After Income Tax	**313,146**	**215,028**
SIGNIFICANT ITEMS		
Net Gain on Divestitures	7,081	9,760
Restructure Expenses	–	(13,390)
Merger Transactions Expenses (SFE Pre-Acquisition)	(6,790)	(4,784)
Merger Implementation Expenses	(33,209)	–
Tax Credit on Significant Items	10,072	3,214
Significant Items	**(22,846)**	**(5,200)**
Profit After Income Tax	**290,300**	**209,828**
Add SFE Net Loss After Tax 1 – 11 July 2006	2,592	–
Statutory Net Profit After Tax	**292,892**	**209,828**
Normal NPAT from Pro-forma	313,146	215,028
Less SFE Normal NPAT 1 – 11 July 2006	(2,161)	–
Statutory NPAT Excluding Significant Items	**310,985**	**215,028**

Chief Financial Officer's Report – Introduction

The following discussion and analysis of ASX's financial performance is based on ASX's non-statutory (pro-forma) income statement, unless otherwise stated. The pro-forma income statement itself is not audited, but is based upon underlying externally audited accounts. It reflects performance for 12 months to 30 June 2007 (FY07) and the prior corresponding period (pcp) to 30 June 2006 (FY06). The pro-forma income statement reflects performance as if ASX and SFE were combined during the pcp.

Although the merger was effected on 11 July 2006, the pro-forma income statement is for the full 12 month period to 30 June 2007. ASX's statutory income statement reflects the 11 day adjustment, and a reconciliation between the pro-forma and statutory income statement has been provided.

SFE's net profit after tax for the 11 days to 11 July 2006 was a loss of $2.6 million due to the booking of merger transaction costs in that period. Excluding these significant expenses, the normalised profit was $2.2 million for the period.

ASX's dividend policy, earnings per share calculations for Long-Term Incentive (LTI) performance measurement and other similar calculations are based on ASX's pro-forma normal profit after income tax, adjusted in FY07 for the first 11 days of July 2006.

Since presenting first half FY07 (1H07) results in February 2007, ASX has enhanced the transparency of its financial reporting by increasing expense classifications from four to five. A new expense classification, called 'Variable Expenses', has been added to better reflect direct market activity-linked components of ASX's expense structure. Further detail on this new expense category is provided on page 14.

All references to pcp are for the 12 months to 30 June 2006 and all figures are in Australian dollars.

FY07 Results Highlights

Based on ASX's pro-forma income statement (page 7) with comparison to pcp, the key highlights of the group's financial performance for FY07 are:

- normal net profit after tax of $313.1 million, up 45.6%
- normal earnings per share (EPS) of 187.7 cents per share (cps)[1], up 40.7%
- operating revenue excluding interest and dividends of $552.7 million, up 22.7%
- cash operating expenses of $138.8 million, down 17.8%
- total significant items before tax of $32.9 million, mainly representing merger restructure costs, and
- final FY07 dividend of 91.5 cps, up 43.2%.

Normal Profit – Up 45.6%

Group normal net profit after tax for FY07 was $313.1 million ($215.0 million pcp). This result excludes significant item expenses after tax of $22.8 million ($5.2 million pcp).

Group profit performance for FY07 is largely attributable to strong market conditions and reductions in cash operating expenses. The performance of the listings business was buoyed by a number of large capital raisings and overall market capitalisation growth. Record cash equity and derivative trading activity was also experienced in the 12 month period.

The normal profit after tax represents a 12.7% return on equity (ROE) based on average capital in FY07.

Normal Earnings Per Share – Up 40.7%

The pro-forma normal result represents earnings of 187.7 cps (133.4 cps pcp[2]) based on 166,797,862 weighted average ordinary shares in FY07. This strong result reflects that the ASX/SFE merger was EPS accretive within the current 12 month reporting period.

1 Based on weighted average shares on issue in FY07.

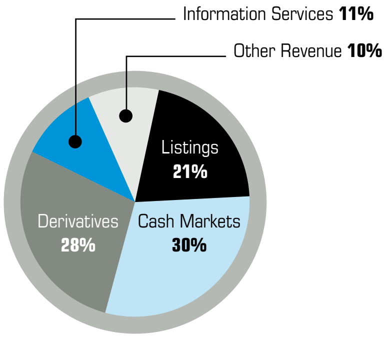
2 FY06 normal EPS based on ASX stand-alone normal profit and weighted average shares on issue.

Final Dividend – Up 43.2%

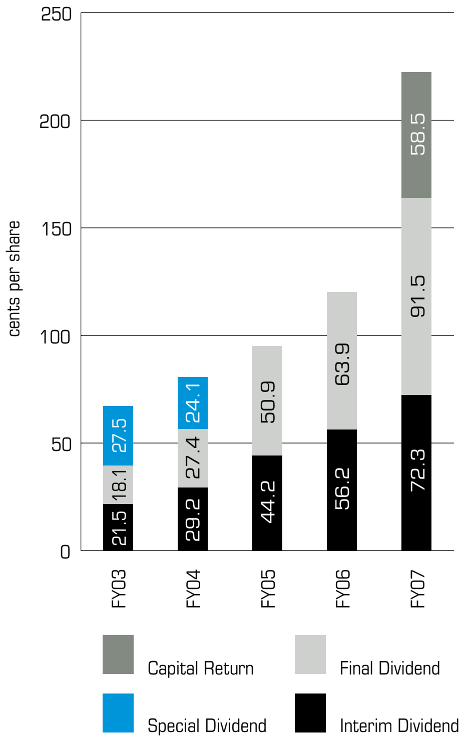
A fully franked final dividend of 91.5 cps (63.9 cps pcp) has been declared. Total fully franked dividends declared in FY07 are 163.8 cps (120.1 cps pcp). This dividend maintains ASX's policy to pay 90% of normal statutory net profit after tax as fully franked dividends.

ASX also returned 58.5 cps ($100 million) by way of a capital reduction in October 2006, satisfying a commitment made at the time of the ASX/SFE merger. Total cash returns to shareholders for FY07 amounted to 222.3 cps (120.1 cps pcp).

Operating Revenue by Category



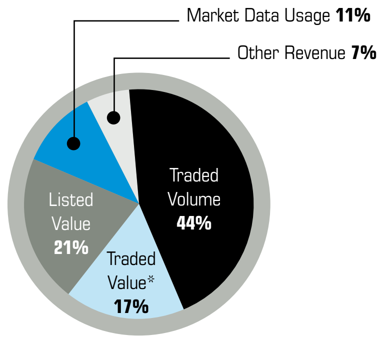
Cash Returns to Shareholders



Operating Revenue – Up 22.7%

Total operating revenue (excluding interest and dividend revenue) for FY07 was $552.7 million ($450.4 million pcp). The increase in revenue has been achieved with growth in all key revenue lines. The following pie graphs provide a breakdown of operating revenue by category and key drivers for FY07.

Operating Revenue by Business Driver



* 89% of traded value reflects ASX cash market revenue; 11% reflects Austraclear revenue.

Key business drivers data is available on pages 19 to 21.

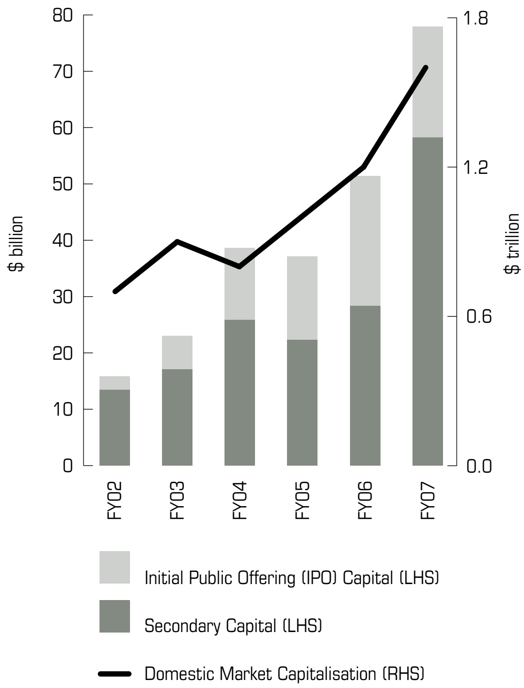
Listings – Up 38.6%

Total listings revenue for FY07 was $117.6 million ($84.8 million pcp). The increase in listings revenue has been underscored by growth in all four listing fee categories, each of which have been driven by increased activity and the overall increase in the capitalisation of the equity market operated by ASX. Based on full-year FY07 revenues:

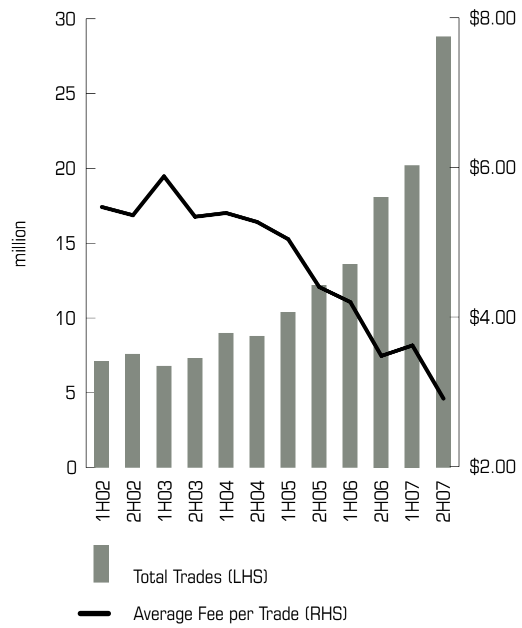
- annual listing fees of $42.9 million ($33.9 million pcp) accounted for 37% of total listings revenue
- secondary listing fees of $45.1 million ($28.0 million pcp) accounted for 38% of total listings revenue
- initial listing fees of $19.8 million ($14.0 million pcp) accounted for 17% of total listings revenue, and
- warrants and other listing fees of $9.8 million ($8.9 million pcp) accounted for 8% of total listings revenue.

At 30 June 2007, total domestic market capitalisation was $1.6 trillion, an increase of 33.3% on the $1.2 trillion at 30 June 2006. There were 284 new listings during the year (227 pcp) reflecting an average of 24 per month. The total number of listed entities at 30 June 2007 was 2,090 (1,930 pcp) with total capital raised in FY07 of $77.9 billion ($51.4 billion pcp).

Capital Raised and Domestic Market Capitalisation



Cash Market Trades



Also included in ASX listings revenue are fees from issuance of new warrants, annual warrant listing fees and fees based on the value of warrant turnover. During FY07, there were 5,873 new warrants listed compared to 4,678 during the pcp. Warrants turnover value reached a record $9.8 billion during FY07, an increase of 13.7% on the pcp.

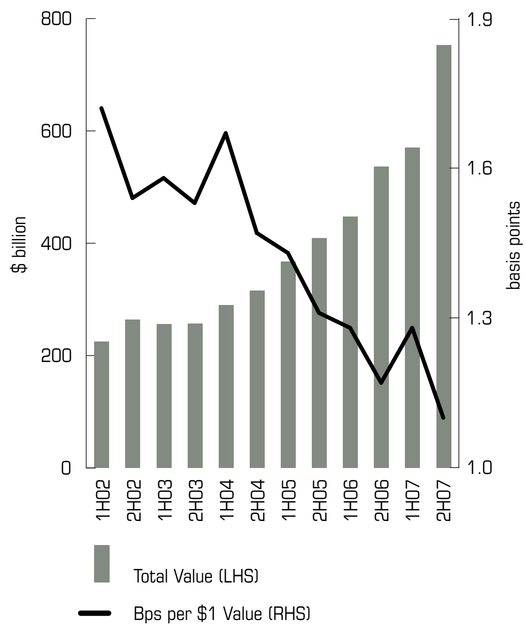
Cash Market – Up 31.5%

Total ASX cash market revenue for FY07 was $164.0 million ($124.7 million pcp). Cash market revenue includes revenue from the trading, clearing and settlement of equities, warrants and interest rate securities.

The average fee per trade (all trading, clearing and settlement charges but excluding fail fees and net of rebates) was $3.18 ($3.79 pcp) and the average fee per dollar of turnover was 1.18 bps (1.24 bps pcp) – that is, for every $1,000 of value traded, the fee for each side was 5.9 cents. Total rebates in FY07 were $24.5 million. Key cash market statistics are provided on page 19.

Cash market revenue was earned on a record 48.9 million trades, equating to an average of 194,198 trades per day (125,047 pcp) and a record $1.3 trillion of turnover, equating to an average of $5.3 billion per day ($3.9 billion pcp). A single day trading volume record was set on 28 February 2007 with 363,758 trades, comprising an aggregate trade value of $9.1 billion. Shortly after balance date, on 10 August 2007, that mark was comfortably exceeded, with 438,195 trades, comprising an aggregate trade value of $9.0 billion, being recorded.

Cash Market Value



On 17 April and 26 June 2007, ASX announced revisions to cash market fees and rebates that took effect from 1 July 2007. These changes were designed to bring crossed trade fees and rebates in line with ASX's value proposition (see page 22), to align ASX's cash market rebate methodology with the existing SFE gain-share rebate scheme for the derivatives market, and to share some of the merger-related benefits with qualifying market participants.

Essentially, the revisions:

- substantially reduce the trading fee for on-market and off-market crossed trades
- introduce a modest (capped) clearing fee for crossed trades
- establish a new Large Participant Rebate (LPR) scheme to gain-share the benefits of increasing market activity
- provide further discounts on technology infrastructure and on participation fees for market participants who qualify for the LPR, and
- adopt first-year (only) transition arrangements that maintain participant rebates at current levels after benefits from crossing fee reductions.

The LPR scheme has clear advantages for both ASX shareholders and cash market participants relative to the rebate schemes (VIP/SVIP) which operated during FY07:

Shareholders

- Better incentivisation of participants.
- Fair revenue growth rate before incremental revenue growth is shared.
- Changed revenue risk profile due to downside protection; in a flat activity year, ASX's net cash market revenue would grow due to reduced rebates (except in the first year due to transitional arrangements).

Participants

- The potential to receive uncapped rebates subject to increasing market activity and relative to peer performance.
- Increasing average rebate per trade/turnover rather than a decreasing average in a capped SVIP scheme.
- Disproportionate sharing of growth above predetermined threshold – 75% of incremental growth.

ASX's announcements on 17 April and 26 June 2007 provided full details of cash market pricing changes. The total cash market gross revenue uplift for FY08 over FY07, above which participants collectively earn more rebates than the prior year, has been set at 12.5%. Transitional arrangements (for FY08 only), guarantee that FY07 rebate levels ($24.5 million) will be maintained as long as FY08 gross cash market revenues are at or exceed FY07 levels.

Derivatives – Up 11.7%

Total derivatives revenue for FY07 was $154.7 million ($138.5 million pcp). Derivatives revenue includes revenues from both the SFE (mainly interest rate, equity index and electricity futures and options) and ASX derivatives (mainly equity options) markets.

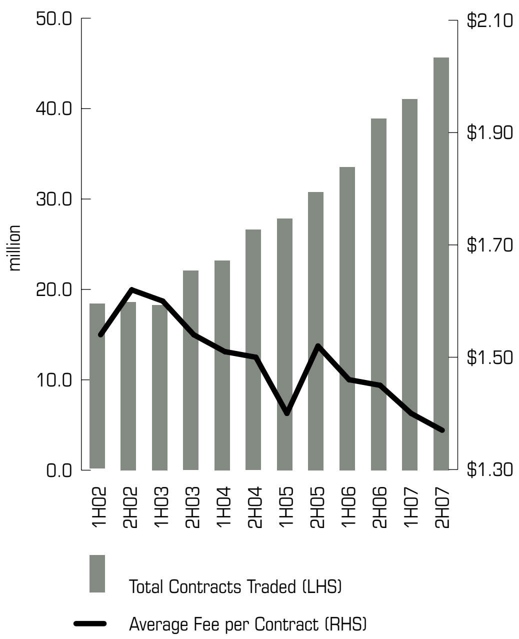
SFE Derivatives

During FY07, there were 86.7 million SFE derivative contracts traded (72.4 million pcp), equating to an average of 340,168 contracts per day (282,929 pcp), resulting in revenue of $120.3 million ($105.2 million pcp). Operating statistics on page 20 show volume and growth by major contract. Of total SFE contract volume, 22.1% was transacted by local and proprietary traders (24.1% pcp).

During the year, record rebates of $37.5 million were paid under each of the major rebate schemes (Large Volume Rebate (LVR), proprietary and local schemes). This compares to $27.4 million rebated in FY06.

The average fee per contract of $1.39 in FY07 is down from $1.45 pcp. The decrease is primarily due to the favourable gain-share operation of the LVR scheme, including the introduction of a 75:25 gain-share (in favour of participants) at higher volume thresholds, and the increased rebates paid to 'local' participants that took effect from 1 January 2007.

SFE Derivative Volumes



Looking forward to FY08, while ASX does not provide an estimate of trading volumes, the LVR scheme parameters have been adjusted so that, in total dollar terms, ASX expects to pay a similar LVR rebate if volumes are 8% higher than the previous year.

ASX also announced in June 2007 that the headline fee on certain SFE options and Exchange for Physical transactions was to be reduced from 75c to 60c per contract side. Additionally, a new rebate scheme for large users of New Zealand dollar denominated derivatives has been introduced for FY08. This will operate in the same way as the LVR scheme and reward the largest users with increasing rebates as contract volumes grow.

ASX Derivatives

During FY07, there were 23.3 million ASX derivative contracts traded, equating to an average of 92,293 per day (91,817 pcp), with an average fee per contract of $1.48 ($1.44 pcp). ASX derivatives revenue in FY07 was $34.4 million ($33.3 million pcp).

The second half performance of the ASX equity options market improved over the first half in FY07, and was assisted by the changes to special block crossing thresholds that took effect from January 2007. The market continues to be impacted by competition from OTC CFD and equity derivative markets. In response, ASX has increased market-making obligations to improve on-screen liquidity, boosted market-maker fee incentives and implemented further micro-structure changes to provide greater flexibility for institutional brokers executing large orders. ASX will be launching its own world first exchange-traded CFD market in the first half of FY08, which will allow investors to trade CFDs on equities, equity indices, foreign exchange and commodities.

Information Services – Up 37%

Total information services revenue for FY07 was $61.4 million ($44.8 million pcp).

The main source of information services revenue was the sale of market data terminal subscriptions. ASX has two market data terminal products: one for ASX markets (cash equity and equity derivatives) and one for SFE markets (equity index and interest rate derivatives). Total market data terminal subscriptions at 30 June 2007 were 61,938 (41,922 pcp) and 22,141 (18,393 pcp) respectively.

Included in FY07 are payments totalling $7.0 million ($1.5 million in 1H07, $5.5 million in 2H07) received following market data subscription audits and internal participant reviews. Of the $7.0 million received, $3.5 million relates to FY07 and the balance to prior periods.

Technology Infrastructure – Up 11%

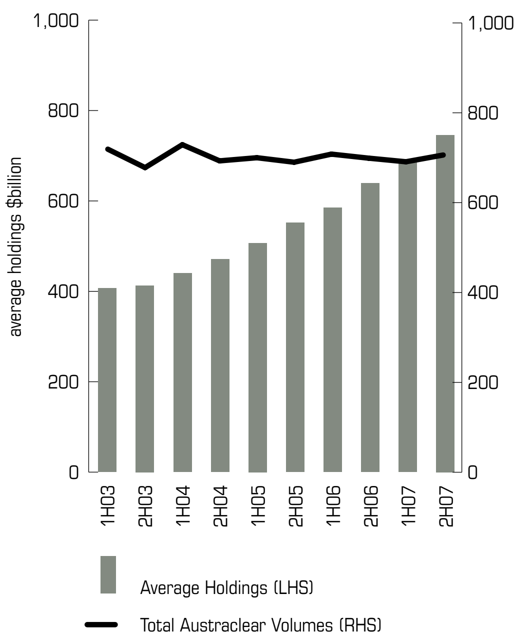
Technology infrastructure revenue for FY07 was $23.5 million ($21.2 million pcp). Key technology infrastructure statistics are provided on pages 19 and 20. From FY08, ASX will be rebating 25% of cash market infrastructure fees to participants eligible for rebates from the new LPR scheme.

Austraclear Services – Up 13%

Total Austraclear services revenue for FY07 was $20.5 million ($18.1 million pcp). Austraclear services include Austraclear depository, settlement and registry activities.

The Austraclear depository and settlement average fee (transaction and holding) for FY07 was $10.13 per transaction ($9.53 pcp). The rise was due to substantially increased holdings balances. No fee changes have been made for FY08, other than minor changes to some participants' membership fees as notified to the market on 26 June 2007.

Austraclear Volumes and Average Depository Holdings



As the above chart shows, during FY07 Austraclear transaction volumes were relatively flat, while portfolio holding balances increased 17.4%. Average holdings increased to $718.4 billion ($612.0 billion pcp), and $777.1 billion of securities were held by Austraclear at 30 June 2007, representing a doubling in depository holdings over a five-year period.

Increases in Australian dollar debt origination across both domestic and offshore issuers resulted in the continued growth in registry services revenue.

Other – Down 39.6%

Total other revenue for FY07 was $11.0 million ($18.3 million pcp). The decrease is mainly attributable to the sale of Orient Capital Pty Limited in August 2006 (please refer to note 13(b) of the financial statements for further information), where the pcp includes $6.3 million of other revenue earned from Orient Capital.

Included in other revenue in FY07 are participation fees ($4.1 million), technology-related revenue ($1.6 million), Orient Capital ($1.2 million), derivative maintenance fees ($0.6 million), revenue from education services ($0.3 million) and other miscellaneous revenue. From FY08, ASX will be rebating cash market participation fees (100%) to participants eligible for rebates from the new LPR scheme.

Cash Operating Expenses – Down 17.8%

Total cash operating expenses for FY07 were $138.8 million ($168.8 million pcp). The net movement in cash operating expenses in FY07 can be attributed to three separate factors:

- ASX/SFE merger synergies of $21.4 million
- other expense reductions of $9.8 million, and
- additional investments in ASXMS of $1.2 million.

The full-year merger synergies of $21.4 million comfortably exceed in both quantum and timing ASX's pre-merger target of $14.0 million to $18.0 million of synergy savings by end-December 2008.

Merger synergy savings resulted primarily from savings in staff costs, occupancy and administration. Notably, a full six-month effect of decisions on employee and occupancy expense savings taken in 1H07 were recorded in 2H07, and further savings slightly above expectations were achieved in 2H07.

There will be further significant investment in ASXMS in FY08 as several compliance and surveillance application enhancements initiated in FY07 are completed. Investment will also be made in additional staff. The Markets Supervision Report on page 26 contains more details on supervisory activities.

Staff Expenses – Down 19%

Total staff expenses for FY07 were $75.2 million ($92.9 million pcp). Included within staff expenses are charges for share-based payments of $2.6 million ($2.2 million pcp). Share-based payments are non-cash expenses in accordance with AASB2 *Share-Based Payments*. Staff expenses exclude redundancy and outplacement costs associated with the merger. These expenses are included as significant items.

FULL-TIME EQUIVALENT (FTE) HEADCOUNT

	30 Jun 2006	31 Dec 2006	30 Jun 2007
ASX FTE (ex-Markets Supervision)	548	459	436
ASX Markets Supervision FTE[1]	80	80	84
Orient Capital FTE	28	–	–
Total FTE	**656**	**539**	**520**

1 Includes supervision equivalent prior to establishment of ASXMS on 1 July 06.

The net decrease in staff expenses reflects headcount reductions, primarily synergy-related, as can be seen in the previous table. Although total ASX FTE was 520 at 30 June 2007, ASX expects to operate during FY08 with a headcount in the range of 540 to 560, with planned increases mainly in supervisory and operational resources.

Occupancy Expenses – Down 19.4%

Total occupancy expenses for FY07 were $16.0 million ($19.9 million pcp). The decrease largely arose from the rationalisation of both the former SFE and ASX premises.

Notwithstanding all former SFE staff relocating to ASX's Sydney office, ASX was able to vacate two floors in the Bridge Street, Sydney premises by the end of 1H07. ASX has been successful in sub-leasing SFE's former premises, Royal Naval House, effective September 2007. Any costs associated with these premises not recouped through the sub-lease have been provided as merger-related costs as part of significant items. Additionally, SFE's technology back-up site has been integrated into the equivalent ASX site, and ASX's Hobart office and SFE's Melbourne office were closed during 1H07.

ASX continues to review its Sydney premises requirements with a view to achieving further rationalisation and cost efficiency, while also meeting the group's specific occupancy needs.

Equipment Expenses – Down 3.1%

Total equipment expenses for FY07 were $25.5 million ($26.4 million pcp). Despite increased maintenance payments to OMX to support the CLICK XT/ITS application, ASX was able to reduce overall equipment expenses through the effective management of software licensing and telecommunications expenses.

As part of the merger-related IT integration, ASX has reached agreement to bring in-house the operation of previously outsourced facilities. Accordingly, the facilities management agreement with OMX covering the SECUR (SFE derivatives clearing system) and EXIGO (Austraclear system) applications will terminate at the end of FY08. ASX will then operate these alongside other core applications, providing consistency in core systems support arrangements. The full cost of integrating these facilities ($2.8 million) has been provided in the current year as part of merger restructure costs (under Significant Items), with external facilities management expenses reducing to zero from the start of FY09.

Administrative Expenses – Down 32.6%

Total administration expenses for FY07 were $17.4 million ($25.8 million pcp). Reduced expenditure was recorded in the key discretionary areas of travel, entertainment, insurance, use of external consultants and some marketing expenditures.

Following the merger, ASX has renegotiated a number of service agreements and consolidated suppliers, resulting in lower discretionary expenditure across many items. Further rationalisation of major suppliers across the two former organisations is continuing. This is expected to lead to further administration savings that will be offset by increased market supervision and governance expenditures.

Variable Expenses – Up 19.9%

Total variable operating expenses for FY07 were $4.6 million ($3.8 million pcp). Variable operating expenses include costs associated with the production of CHESS holding statements (formerly within equipment and administration expenses) and royalty payments to S&P linked to SPI 200® contract traded volumes (formerly within administration expenses). These expenses are directly correlated with market activity levels. The increase reflects record levels of market activity on both the cash and derivative markets during the year.

Depreciation and Amortisation – Up 2.8%

Total depreciation and amortisation for FY07 was $15.0 million ($14.6 million pcp).

Two of ASX's core system replacements – CLICK XT/ITS for SEATS and EXIGO for FINTRACS – were successfully completed in the first six months of FY07. Combined amortisation for the two new systems during the current year was $2.8 million with an estimated annual amortisation charge of approximately $3.8 million.

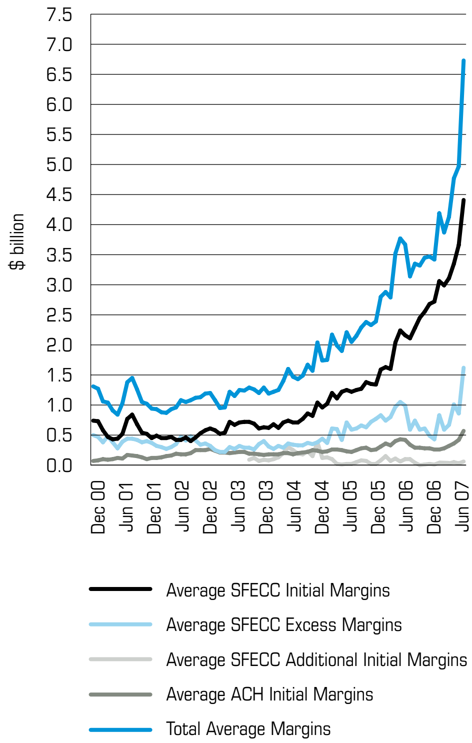
Interest and Dividend Income – Up 14.5%

Total interest and dividend income for FY07 was $43.7 million ($38.2 million pcp). Total interest and dividend revenue comprises:

- interest earned on ASX's cash reserves – $22.9 million
- net interest on ASX funds deposited by participants – $17.6 million, and
- dividends from ASX's investment in IRESS Market Technology (21.0 cents per share on 15 million shares) – $3.2 million.

As indicated in ASX's half-year result, interest income on the group's own cash balances was affected by marginally lower group cash balances ($334.8 million on 30 June 2007, compared to $402.6 million on 30 June 2006 including SFE cash) arising from the capital return ($100 million) and cash paid as part of the SFE acquisition ($33.3 million). The impact of lower cash balances was partially offset by higher average interest rates.

Average Monthly Margin Balances



Net interest income on participant cash balances rose due to higher balances associated with increased margins from derivative trading activity, principally attributable to the SPI 200® index futures contract. The chart above provides a history of average monthly margin balances.

Average margins held covering derivative positions were $4.1 billion during FY07, compared to $2.8 billion pcp. The average spread over the official RBA cash rate on investment of these margins was 11bps, noting that margins are invested in short-term liquid investments.

Tax on Normal Profit

Tax on normal profit for FY07 was $129.5 million ($90.2 million pcp).

Following the ASX/SFE merger, all Australian domiciled entities are now part of the ASX tax consolidation group. The average tax rate for the group for FY07 was 29.3%, compared to 29.6% pcp. This includes certain tax benefits associated with research and development on major systems projects. The impact of merging the two tax consolidation groups resulted in a one-off tax benefit of $7.2 million, which has been recognised through goodwill as required under accounting standards.

ASX has undertaken the allocation of assets required under tax consolidation and there were no other material tax impacts. Independent valuations were also obtained in order to allocate assets within the merged tax consolidation group.

Significant Items

Significant items for FY07 amounted to an expense of $32.9 million pre-tax and $22.8 million after tax. The four main components of significant items were:

- merger restructure expenses of $33.2 million before tax
- merger transaction expenses not capitalised of $6.8 million before tax relating to the SFE pre-acquisition period
- profit on sale of Orient Capital of $7.1 million before tax, and
- tax benefit on significant items of $10.1 million.

The components of merger restructure costs were:

- redundancy and outplacement – $10.0 million
- premises restructure – $19.1 million
- technology insourcing restructure – $2.8 million, and
- other – $1.3 million.

In the half-year results ASX disclosed the booking of merger restructure costs totalling $27.9 million before tax. The major merger integration costs were associated with redundancy payments for surplus staff and rationalisation of premises, predominantly in Sydney. Additional restructure expenses of $5.3 million were booked in 2H07 and comprise additional redundancies ($2.4 million), insourcing of SFE's data centre and clearing facilities ($2.8 million, as disclosed under Equipment Expenses) and other costs including further premises rationalisation at the Bridge Street, Sydney premises offset by the sub-lease of Royal Naval House ($0.1 million). No further merger-related restructure costs are anticipated.

Capital Expenditure

Capital expenditure for FY07 was $16.1 million ($13.9 million pcp).

As noted earlier, during the year ASX completed the implementation of two new systems (CLICK XT/ITS and EXIGO). Other key development projects underway include the ASX CFD initiative, Land Exchange Electronic Conveyancing, several new market supervision initiatives, a new company announcements platform, a new cash market risk management system and the integration of the financial systems application.

ASX estimates that total capital expenditure for the group will be within a range of $15.0 million to $20.0 million for FY08.

Issued Capital

At 30 June 2007, ASX Limited had 170,845,040 ordinary shares on issue.

During FY07, 68,004,817 new ordinary shares were issued to former SFE shareholders as consideration for ASX's merger with SFE. A further 89,483 ordinary shares were issued as a result of ASX executives converting conditional entitlements and performance rights pursuant to ASX's Long-Term Incentive Plan (LTI). A further 8,925 ordinary shares were issued to employees under the ASX employee share acquisition scheme.

On 1 December 2006, ASX issued 171,900 performance rights to 79 executives, including 30,000 to the Managing Director and CEO, giving the holders the future right to ASX shares if certain performance hurdles are met. Subject to the meeting of those hurdles, these shares will vest on 30 November 2009. Further details of LTIs are in the Remuneration Report on pages 43 to 53 including outstanding conditional entitlements from previous issues.

Equity Capital

Total ASX group equity capital at 30 June 2007 was $2,756.4 million. Equity capital net of goodwill ($2,262.8 million) is $493.6 million. The components of ASX's capital are:

- $2,361.8 million of issued capital ($99.1 million excluding goodwill)
- $233.3 million of retained earnings, with $156.3 million to be paid as the final dividend
- $71.5 million of restricted capital
- $81.0 million of asset revaluation reserves, and
- $8.7 million of equity compensation reserve arising from the employee equity schemes.

Capital Management

A summary of ASX's approach to Capital and Risk Management is contained on pages 23 to 25. This report emphasises that financial leverage in a vertically integrated group such as ASX is a decision influenced by consideration of:

- the level of tangible equity
- the risk-based claims on that equity that largely arise out of the group's central counterparty (CCP) clearing activities, and
- the required liquidity profile of the group.

ASX's assessment of its capital adequacy is set out below. Net Tangible Equity (NTE, defined as total book equity excluding goodwill and the proposed final dividend) at 30 June 2007 was $337.3 million. Against this, ASX attributes a risk-based capital requirement of $311.1 million, leaving an adequate surplus NTE of $26.2 million.

Fully deducting goodwill from book equity to derive NTE may be viewed as conservative given the level of shareholder funds versus the implied market value (approximately $2.8 billion versus $8.3 billion at 30 June 2007). Goodwill has been fully deducted because of ASX's view of its need to demonstrate prudential conservatism through maintenance of a positive NTE (regulatory capital) position. This will continue to be reviewed regularly as part of the ongoing assessment of ASX's regulatory capital adequacy.

The predominant risk-based claim on ASX's capital is counterparty clearing default risk. Both of ASX's CCP subsidiaries, ACH and SFECC, are required to meet the compliance obligations imposed by the RBA through the Financial Stability Standards embedded in the Corporations Act 2001. The current fixed capital allocation of $231.5 million represents the minimum required allocation given the size of the CCPs' exposures, the variable capital or margins held by the CCPs against these exposures, and contingent capital held in the form of participant commitments and external insurance.

The NTE position of ASX was impacted during FY07 by the capital return in October 2006 and the level of significant restructure expenses arising from the ASX/SFE merger. It is expected that the regulatory capital position will increase during FY08 given the 10% profit retention implicit in ASX's target dividend payout ratio. The level of any surplus capital position that may arise will also depend upon the risk profile of the group and, in particular, the specific exposures arising out of the CCPs.

ASX evaluates the merits of gearing the balance sheet from time to time in the light of several factors, including the level of market capitalisation, the level of regulatory capital and the potential cost of capital benefits. The current absence of debt means that significant capacity exists to gear the balance sheet for acquisition funding or boosting regulatory capital purposes. The use of debt for capital management purposes would require a corresponding reduction in regulatory capital and, as the above analysis shows, there is limited scope to pursue this. ASX is currently close to fully allocating its regulatory capital to meet its current enterprise risk profile. Further progress on CCP integration is required before any policy change on this front is envisaged.

ASX GROUP TANGIBLE EQUITY

	$m	$m	
Shareholder Equity		2,756.4	
Less Proposed Dividend		(156.3)	Proposed at 30 June 2007 to be paid 18 September 2007.
Adjusted Shareholder Equity		2,600.1	
Less Goodwill		(2,262.8)	
Net Tangible Equity		**337.3**	
Net Tangible Equity Risk Attribution:			
CCP Clearing Default Risk			
ACH	151.5		Restricted capital reserve $71.5m, issued capital $5m and subordinated debt $75m.
SFECC	80.0		Issued capital $30m and subordinated debt $50m.
		231.5	
Investment Counterparty Risk		23.0	
Operational Risk		40.0	
Fixed Assets/Investment Risk		16.6	
Total Risk Attribution		**311.1**	
Capital Held in Excess of Risk Requirement		**26.2**	

Cash and Liquidity Risk Management

ASX manages three distinct pools of funds:

- participants' cash-based margins
- restricted cash, and
- ASX's NTE excluding restricted cash.

These funds are invested in highly liquid assets (mainly short-dated securities) primarily because of volatile day-to-day movements in margins and stress-based default liquidity requirements (DLR) arising principally out of the contingent T+3 day settlement risks prevalent in the equities cash market.

At 30 June 2007, participants' margins totalled $6.2 billion, up from $3.7 billion at 30 June 2006. Participants' cash margins are invested according to counterparty credit and liquidity limits approved by the ASX Board after due consideration of the default liquidity requirements in the CCPs. This portfolio has a weighted average maturity of 23 days.

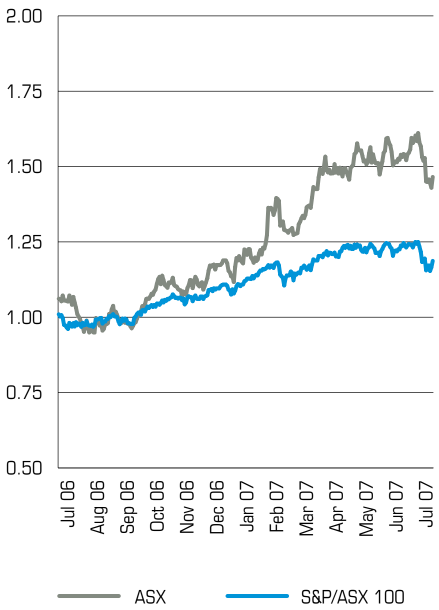
Restricted cash of $71.5 million is held in ACH as restricted funds only to be used in the event of participant default.

ASX's NTE excluding restricted cash at 30 June 2007 totalled $422.1 million, compared to $279.4 million at 30 June 2006, of which $334.8 is held in the form of cash or short-dated securities. Of these funds, $160 million is committed to the CCPs as capital or subordinated debt and must be cash-backed to support the CCPs' liquidity needs. The residual of $174.8 million is also invested in liquid assets to build a satisfactory surplus to meet operational liquidity requirements, particularly dividend and tax payments. In addition to the available liquidity on balance sheet, ASX also has available committed overdraft and stand-by credit facilities totalling $200.0 million.

Shareholder Returns

The ASX share price performed strongly throughout FY07, translating into strong capital gains for shareholders. This is in addition to higher dividends and the October 2006 return of capital provided to shareholders. In FY07, the ASX share price peaked at $51.50 on 21 June 2007, having opened at $32.05 on 3 July 2006. ASX's share price also outperformed ASX's key comparative index, the S&P/ASX 100, generating a 12 month growth of 52.0% compared to 22.1% for the index. Although ASX entered the S&P/ASX 50 Index on 14 March 2007, ASX's LTI is referenced to performance relative to the S&P/ASX 100 and the S&P/ASX 50 to 150 companies.

ASX Share Price Performance Relative to S&P/ASX 100 Index



Total shareholder returns (defined as final FY06 dividend of 63.9 cps, interim FY07 dividend of 72.3 cps, October 2006 capital return of 58.5 cps and share price movement 1,665.0 cps) per share for FY07 was $18.60, a return of 58.0% on the $32.05 opening price on 3 July 2006.

Summary

ASX's strong results for FY07 reinforce the strategic and economic logic of the ASX/SFE merger. The new Australian Securities Exchange is now a more efficient, diversified and globally relevant business.

Having worked hard to right-size the cost base, ASX will continue to tightly manage costs and, at the same time, invest where necessary, especially in new product development, maintaining our high quality operating platforms, enhancing supervisory resources, providing investor education and improving risk management capabilities.

ASX's balance sheet strength and access to debt and equity capital ensure that it is well positioned to grow organically as well as by merger or acquisition. The Managing Director and CEO's Report (page 4) outlines the initiatives and focus of the business over the past and coming year. The Markets Supervision Report (page 26) outlines a parallel commitment to our market integrity obligations. ASX's financial position is such that the group is well placed to satisfy the demands of shareholders, regulators, customers and employees.

Alan Bardwell *Chief Financial Officer*

Key Financial Ratios

	Notes	FY07	FY06
Basic earnings per share including significant items	1	175.6c	131.9c
Diluted earnings per share	1	175.0c	131.4c
Normal earnings per share	4, 5	187.7c	133.4c
Dividends per share – interim		72.3c	56.2c
Dividends per share – final		91.5c	63.9c
Return on equity	4, 6	12.7%	41.8%
EBITDA/Operating revenue	3, 4	74.9%	62.5%
EBIT/Operating revenue	3, 4	72.2%	59.3%
Total expenses/Operating revenue	3, 4	27.8%	40.7%
Capital expenditure ($'000)	2	$16,068	$13,881
Net tangible asset backing per share	2	$2.60	$3.22
Net asset backing per share	2	$16.13	$3.46
Shareholders' equity as a % of total assets (excluding participants' balances)	2	83.5%	80.4%
Shareholders' equity as a % of total assets (including participants' balances)	2	29.0%	43.8%
Share price at end of period		$48.70	$32.03
Ordinary shares on issue at end of period	2	170,845,040	102,741,815
Weighted average number of ordinary shares	2	166,797,862	102,735,112
Market value of ordinary shares on issue (at 30 June) ($m)	2	$8,320	$3,291
Full-time equivalent permanent staff			
– number at period-end	8	520	656
– average during the period	8	551	657

Notes

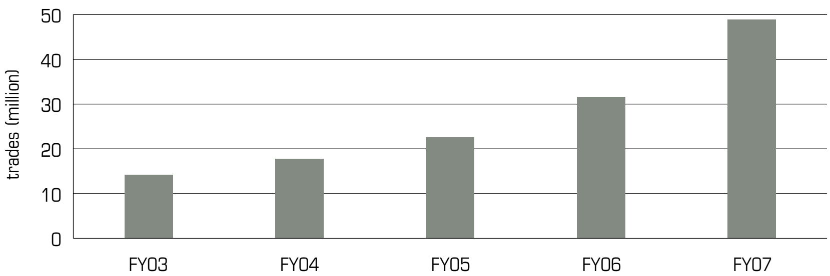
1 Based on statutory numbers and weighted average number of shares.
2 Based on statutory numbers.
3 Operating revenue excludes interest and dividend revenue (pro-forma).
4 Excluding significant items.
5 Normal earnings per share is basic earnings per share excluding significant items and weighted average number of shares (pro-forma).
6 FY07 based on pro-forma normal profit after tax and average capital. FY06 based on ASX stand-alone normal profit after tax and average capital.
7 Based on normal profit after tax and capital at period opening.
8 Includes Orient Capital staff until 31 August 2006 and SFE staff for entire periods.

Transaction Levels and Statistics

ASX MARKETS STATISTICS

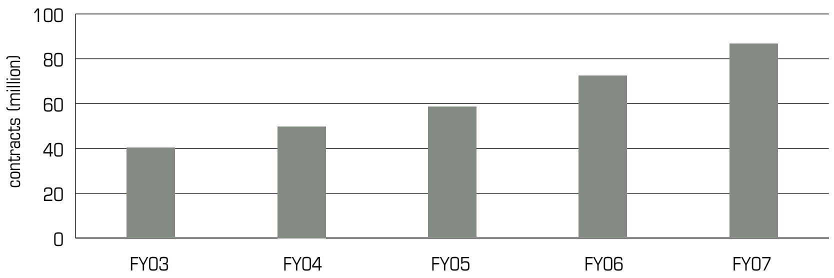
	FY07	FY06	FY05
ASX trading days	252	253	250
Listing Services			
Total domestic market capitalisation ($bn)	$1,598	$1,207	$960
Number of listed entities (includes all stapled entities)	2,090	1,930	1,774
Number of traded entities	2,011	1,836	1,640
Number of new listings	284	227	222
Market capital raised from IPOs ($m)	$19,694	$23,108	$14,883
Market capital raised from secondary listings ($m)	$58,211	$28,327	$22,264
Average initial listing fee	$69,817	$61,756	$61,020
Average annual listing fee	$21,395	$18,194	$17,454
Average fee per $m of subsequent capital	$775	$988	$1,153
Structured Products			
Number of new warrant series	5,873	4,678	3,595
Total warrant series	3,788	3,104	2,318

Total Cash Market Volumes



	FY07	FY06	FY05
Cash Market			
Total cash market trades ('000)	48,938	31,634	22,562
Average daily cash market trades ('000)	194	125	89
Average daily cash market turnover (including crossings) ($bn)	$5.25	$3.89	$3.07
Percentage of turnover crossed	31.90%	31.58%	35.96%
Percentage of turnover over $2.679m (where $75 cap applies)	8.68%	8.64%	9.18%
Average cash market trading, clearing and settlement fee	$3.18	$3.79	$4.69
Average fee per value traded (bps)	1.18	1.24	N/A
Exchange-Traded Options and Futures			
Total option contracts ('000)	22,972	23,104	22,566
Total futures contracts ('000)	288	125	153
Average daily option/futures contracts ('000)	92	92	91
Average fee per option/futures contract	$1.48	$1.44	$1.48
Information Services and Technology Infrastructure			
No. of ASX CLICK XT/ITS workstations	754	N/A	N/A
No. of ASX SEATS workstations	N/A	669	648
No. of ASX CLICK (pre-ITS) workstations	N/A	402	375
ASX market data terminals	61,938	41,922	35,828
System Uptime (Period Average)			
CLICK XT/ITS (CLICK only prior to FY07)	100.00%	100.00%	100.00%
SEATS	100.00%	99.90%	100.00%
CHESS	100.00%	100.00%	99.98%

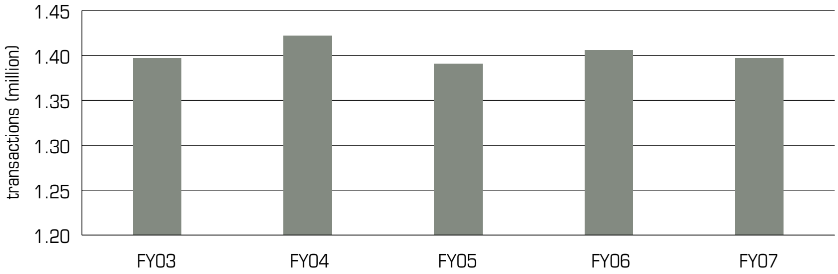
Total SFE Market Volumes



	FY07	FY06	FY05
SFE trading days	255	256	256
Futures Contracts ('000)			
SFE SPI 200®	7,345	5,917	5,198
90 Day Bank Bills	21,328	18,133	14,801
3 Year Bonds	32,178	28,735	23,957
10 Year Bonds	17,060	12,777	9,664
30 Day Interbank Cash Rate	2,942	1,494	1,250
AUD Futures	0	2	22
Other interest rate	1	1	1
Agricultural	24	17	19
Electricity	116	31	15
Share Futures and other equity	24	48	38
NZD – 90 Day Bank Bills	1,800	1,473	671
Total Futures	**82,818**	**68,628**	**55,637**
Options Contracts ('000)			
SFE SPI 200®	544	703	641
90 Day Bank Bills	722	212	197
3 Year Bonds	571	784	406
Overnight 3 Year Bonds	1,374	1,463	1,100
Intra-Day 3 Year Bonds	588	498	531
10 Year Bonds	50	49	60
Overnight 10 Year Bonds	57	77	61
Intra-Day 10 Year Bonds	1	1	2
Agricultural	0	0	1
Electricity	3	1	0
NZ Share Options	4	0	0
NZD – 90 Day Bank Bills	12	14	4
Total Options	**3,926**	**3,802**	**3,002**
Total Futures and Options Volumes ('000)	**86,744**	**72,430**	**58,639**
Daily average ('000)	340	283	229
Average fee per contract	$1.39	$1.45	$1.46
Information Services and Technology Infrastructure			
No. of SYCOM® workstations	233	238	221
No. of SYCOM® interfaces	219	162	157
SFE market data terminals	22,141	18,393	17,554
System Uptime (Period Average)			
SYCOM®	99.98%	99.81%	99.80%
OMX SECUR	100.00%	100.00%	99.93%

AUSTRACLEAR SETTLEMENT AND DEPOSITORY STATISTICS

Total Austraclear Volumes



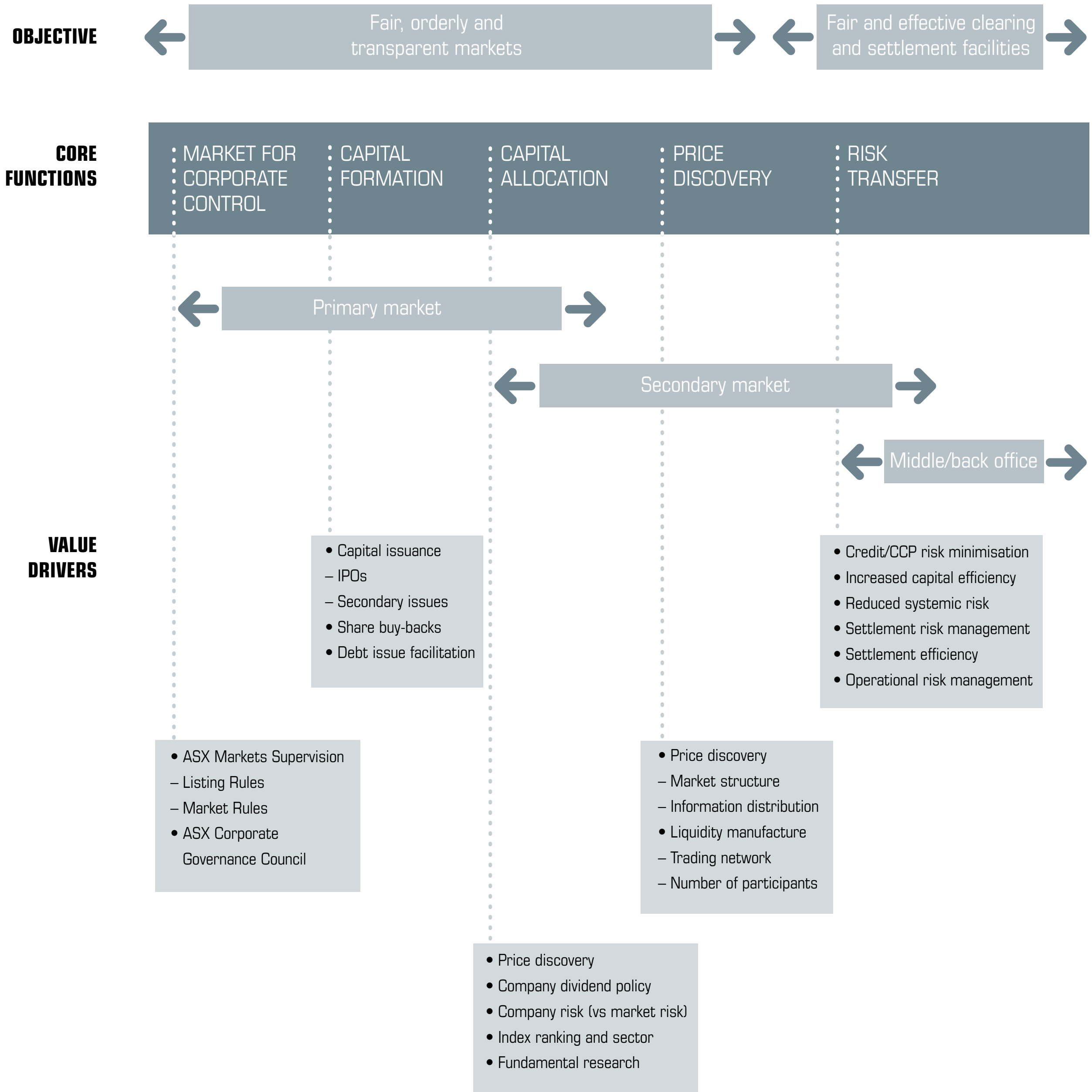
	FY07	FY06	FY05
Austraclear trading days	252	253	251
Austraclear Settlement and Depository Transactions ('000)			
Cash transfers	636	618	618
Fixed interest securities	372	376	401
Discount securities	334	342	317
Foreign exchange	39	53	35
Interest rate swaps	10	11	11
Forward rate agreements	5	5	8
Audit certificates	1	0	0
Global securities	0	1	1
Total Transactions	**1,397**	**1,406**	**1,391**
Average daily settlement volumes ('000)	5.55	5.57	5.55
Average settlement and depository fee (including portfolio holding)	$10.13	$9.53	$8.79
Securities holdings (average $bn)	$718	$612	$528
System Uptime (Period Average)			
FINTRACS/EXIGO	99.40%	99.94%	99.90%

NUMBER OF PARTICIPANTS

Total ASX Market, Clearing and Settlement	178	133	130
SFE Clearing	15	14	15
SFE Full	23	23	22
SFE Local	55	50	50
Austraclear	851	712	684

ASX's Value Proposition

The environment ASX operates in requires it to chart a balanced course among different stakeholder groups with widely disparate demands and expectations of ASX. This is a reflection of the broad franchise ASX has within the Australian financial economy. Our activities span the primary markets for corporate control and capital formation, and the secondary markets for capital allocation, price discovery and risk transfer. The diagram below depicts these activities as ASX's Value Proposition. The Value Proposition is presented to help ASX's diverse group of stakeholders better understand our overall footprint.



Capital and Risk Management

ASX's objectives when managing its capital base are to:

- safeguard the group's financial viability so that, firstly, it continues to facilitate the growth of its exchange-traded markets and, secondly, it provides appropriate risk-adjusted returns for shareholders
- support the group's prudential stability so as to meet its compliance obligations with respect to Financial Stability Standards embedded in the Corporations Act 2001, and
- provide capital for the purpose of strengthening the group's wider business, legal and operational risk management practices in order to support its overall licence compliance obligations.

ASX periodically reviews and manages its capital position to ensure optimal capital structure and shareholder returns. It does so by taking into consideration the future capital requirements of the group and its own capital efficiency, prevailing and projected operating cash flows, projected capital expenditures, and strategic investment opportunities. ASX adopts a dividend policy of providing shareholders with regular dividends with a target payout ratio of 90% of the normal (pre-significant items) profit of the year, while retaining 10% of current earnings as capital to be allocated to future uses commensurate with the group's risk profile and expenditure needs.

The group holding company, ASX Limited, monitors the group's capital position from the perspective of the group's corporate structure, the various licence requirements of its core operating subsidiaries, and the financial risk profile of those independent subsidiaries and the group as a whole.

The Audit and Risk Committee regularly reviews the internal governance arrangements within the group to ensure its enterprise-wide risk profile is understood, monitored and attested to by the Managing Director and CEO, Chief Financial Officer and Chief Risk Officer bi-annually, prior to the release of statutory financial statements to shareholders.

From a historical perspective, the highly cash generative and mutual governance models of vertically integrated exchange groups meant that they did not traditionally think about debt in their balance sheets for either financing purposes or for proactive capital management. The onset of such groups becoming publicly-listed companies (ASX was one of the first to do so) raised the spectre of buybacks and/or special dividends as a means of signalling capital management consciousness to the shareholder community. More recent suggestions to take on financial leverage to defease strong cash flow generation and produce a lower overall (weighted) cost of capital have also gained momentum with investors in the exchange sector.

ASX periodically evaluates the arguments for and against financial leverage in its group balance sheet. Regard is also had to the:

- modest relativity of the group's cash position to the market capitalisation of the enterprise, and
- low tangible component to the group's book equity, which is predominantly allocated as regulatory capital to the group's CCP subsidiaries. From a prudential standpoint, the maintenance of a positive net tangible equity position is deemed a pre-requisite of the group's licence obligations.

From a shareholder value perspective, ASX forms a view on whether the risk/reward ratio of the use of debt relative to the enterprise risk of existing activities is, or is not, in the best interests of shareholders. The merger with SFE makes this assessment more difficult owing to the historically disparate clearing and settlement arrangements applicable to cash equity and futures markets. The issue of financial leverage is kept under periodic review, particularly in relation to the opportunity for hybrid capital, debt securitisation of CCP risks, and the use of debt for strategic investments and acquisitions.

Capital Adequacy at a Conceptual Level

Capital adequacy in a vertically integrated exchange group such as ASX, involves more subjective judgement than is the case for many financial institutions and other industrial and services companies in the real economy. In part, this is due to the fact that ASX's regulatory capital regime is less prescriptive than that for financial intermediaries, with more conventional balance sheet structures and risk profiles, regulated by the Australian Prudential Regulatory Authority. It is also because multilateral, exchange-traded markets involve a mutualisation of risk (with, for the most part, counterparty subsidiaries of major banking groups) that does not have application in bilateral markets.

While as a listed entity ASX is subject to the same market disciplines as other companies, in terms of its own capital structure and cost of capital, its status as a specialised form of service provider to the wholesale and retail financial markets complicates its capital and risk management challenges. This is because it is impossible to divorce ASX's capital adequacy and risk management proficiency as an entity in its own right, from the capital and risk management efficiencies ASX delivers to market participants in its role as an integrated exchange/central counterparty.

As is the case for most financial intermediaries, capital management in vertically integrated exchange groups is preoccupied with the size of the capital resource(s) available relative to potential loss exposures. In ASX's case, risk-based capital allocation is predominantly pointed at its CCP activities and, to a lesser extent, its operational risk profile. The Chief Financial Officer's Report (page 7) provides details.

Unlike most financial intermediaries, CCP loss exposures relate less to the recoverability of assets on the balance sheet and more to the ability to collateralise on and off balance sheet exposures promptly, in response to changes in market prices of exchange-traded financial instruments. The contingent risk to a CCP's capital resources, and in turn, the upstream risk to a CCP's holding company where a CCP forms part of an integrated exchange group, is a clearing participant default and call on the capital resources of the CCP, or its ultimate holding company.

ASX's activities expose it to a variety of business, financial, regulatory and reputational risks. ASX operates two CCP clearing house subsidiaries: ACH in the cash equities and equity options market, and SFECC in the futures market. Market participants benefit from the efficiencies provided by a clearing house in the form of contractual certainty and netting arrangements. However, inherent in a CCP clearing house is credit risk – the risk of a clearing participant default and a call on the on and off balance sheet capital resources of the clearing house or ultimately, ASX Limited, the group holding company. CCP credit risk arises because each clearing house interposes itself between buyer and seller and novates matched trades. Novation benefits the capital market because it adds certainty and efficiency to transaction settlement. However, the process also exposes the clearing houses to the risk of counterparty default in respect of each novated trade transaction. ASX mitigates this risk through its own fixed and variable capital management practices and a tiered system of risk management controls.

ASX provides a vertically integrated trading, clearing and settlement system in each market that it operates. ASX's group capital adequacy position is inextricably linked to its clearing house operating subsidiaries. Accordingly, a significant capital management challenge for ASX is achieving an appropriate mix of fixed and variable (usually margin) capital to be available in the unlikely event of an ACH or SFECC participant default.

Financial Stability Standards, determined by the RBA and enshrined in the Corporations Law, require a licensed CCP to have adequate capital to be able to withstand the default of a clearing participant with the largest overall financial counterparty credit risk exposure, based on extreme but plausible market movements.

Central Counterparty Risk Management Framework

ASX manages its counterparty risk with tiers of risk controls representing lines of defence, or risk mitigation. These reduce both the probability of a clearing participant default and the loss exposure in the unlikely event of such a default.

ASX's four layers of risk control are:

(i) clearing participant membership requirements and admission standards

(ii) participant surveillance

(iii) daily counterparty credit risk controls, including margining and collateral management, and

(iv) financial resource adequacy, including fixed capital and stress testing.

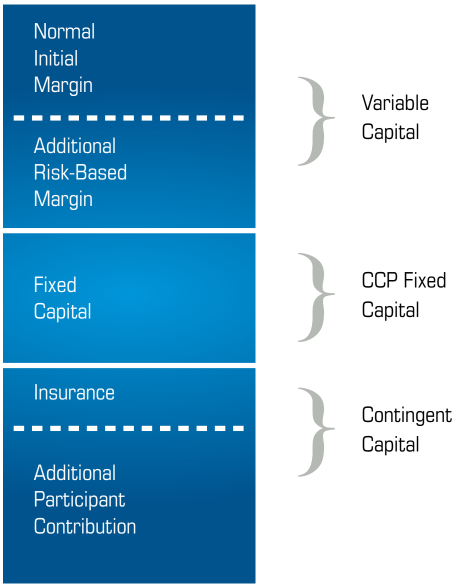
Both ASX clearing houses regularly stress-test clearing participant exposures against the amount and liquidity of variable and fixed (clearing guarantee fund) capital resources available in the event of default to ensure their adequacy. ASX's ongoing monitoring of participants' market positions and exposures, coupled with daily margining and collateral management, enables it to efficiently manage its CCP credit risk and meet its regulatory obligations.

Capital-Based Risk Mitigation

The particular risk profile and structure of a CCP makes the regulatory framework for ASX's capital adequacy assessment less prescriptive than that of other Australian financial institutions, and in many ways more subjective.

At the micro level, each clearing house is counterparty to all transactions (bilateral netting). At the macro level, the CCP model delivers multilateral netting of obligations between CCP participants.

ASX's risk management approach towards CCP credit risk is based on the efficiencies that flow from this model. The multilateral structure is based in part on the novation process, which means the CCP has a constantly changing counterparty risk profile, and in part on three structural capital-based risk mitigation layers: variable capital, fixed capital, and loss-sharing, contingent capital arrangements.



The first risk mitigation device is the CCP's ability, through its operating rules, to require clearing participants to collateralise derivative positions in line with market movements to mitigate default risk exposure. ASX undertakes daily marking to market and will take initial and other forms of risk-based margins based on estimates of normal price volatility, extreme (stress-test) volatility and concentration of risk exposure. The variable capital component can comprise cash, non-cash collateral and access rights to additional collateral embedded in the operating rules of the CCPs.

The second risk mitigation tool is the fixed capital allocated to the CCP by ASX, and any up-front capital contributions drawn from clearing participants – usually invested as cash and other highly liquid assets.

Thirdly, each CCP has a default loss-sharing arrangement with its clearing participants and a third-party insurer. This enables each CCP to call additional capital contributions from clearing participants in the event of a default, as well as draw on a third-party facility provider.

A significant capital structure challenge for ASX is to get an appropriate balance of variable capital and fixed capital within its CCPs, as well as to ensure that the percentage of the group's fixed capital allocated to its CCPs appropriately reflects ASX's enterprise-wide risk profile. Too great an emphasis on fixed capital requirements may reduce the CCPs' capital efficiency value proposition. Conversely, too great an emphasis on variable collateral management could threaten the liquidity and transparency benefits of the exchange-traded markets.

Practical considerations taken into account by ASX when determining an appropriate level of variable capital include:

- comparability of ASX initial and stress-test margins to other developed economy CCPs
- participant intra-day margining capability
- automated initial margin increases for predetermined trends in market volatility
- widening the range of acceptable non-cash collateral, and
- the credit quality of the clearing participant with the largest overall financial counterparty credit risk exposure at a given point in time, as well as, where appropriate, the credit quality and diversification of a participant's underlying client exposures.

Conclusion

ASX manages its capital base in a manner that safeguards the group's financial viability and supports its prudential stability and wider business and regulatory activities. Management of CCP loss exposures is integral to ASX's capital adequacy and poses significant, and in some senses, unique capital management challenges.

The CCP model provides clearing participants with a strong incentive to support the solvency of the ASX clearing houses. Furthermore, the CCP model underpins liquidity in exchange-traded securities and derivative contracts. These contracts are the basis of equity and interest rate price discovery, and are fundamental hedging instruments for the entire financial community in Australia.

The interdependence between each CCP and its clearing participants, makes the relationship between the capital adequacy of the CCP and the capital efficiency delivered to market users via the CCP model, a complex management and regulatory challenge. The rewards, however, are substantial and include reduced risk, improved liquidity and transparency, capital efficiency, and systemic stability.

Markets Supervision Report

The establishment of ASX Markets Supervision (ASXMS) in July 2006 was an important step towards minimising the potential for, and the perception of, conflict between ASX's regulatory and business functions. There is now the effective separation of supervisory and management decision-making, with the Chief Supervision Officer reporting directly to a separate ASXMS Board.

In the latest assessment report by ASIC, released in May 2007, the government regulator viewed the establishment of ASXMS as a positive development because:

> "*it further delineates between ASX group's commercial and supervisory activity, creates a platform for board level focus on ASX group's supervisory obligations and allows for a more transparent funding basis for supervisory activity.*"

Additionally, ASIC again confirmed the adequacy of ASX's arrangements for handling conflicts between its business interests and the requirements to maintain fair, orderly and transparent markets, monitor participant conduct and enforce its Operating Rules.

The structural changes ensure that ASXMS is well placed to meet its key priorities, namely to:

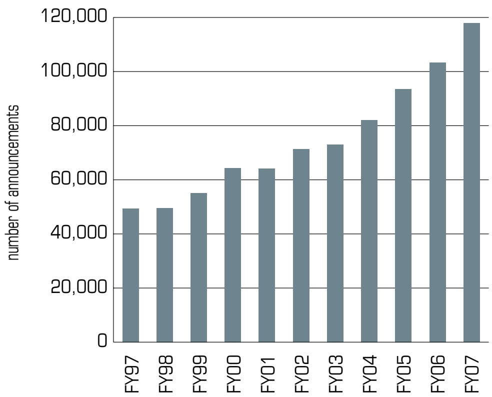
- maintain and strengthen ASX's global reputation for market integrity
- improve the quality of the supervision function, and
- minimise compliance costs and the regulatory burden for listed companies and participant firms.

The integration of the supervision activities of ASX and SFE commenced in October 2006 with the location of SFE's compliance and surveillance team within ASXMS. The merger provides an opportunity to reduce compliance and regulatory costs, particularly for participants operating in both the equities and futures markets. For example, by coordinating the inspection programs of common participants, ASX can reduce the intrusive effect of multiple inspections and achieve internal efficiencies. To facilitate this, cross-training of supervision staff on the workings of both markets commenced in FY07 and will be ongoing.

Another efficiency was gained in January 2007 when a single process for making referrals to ASIC, whether in relation to equities or futures markets, was implemented. Further improvements will result from a project to combine the best of ASX and SFE disciplinary processes. An exposure draft of proposals to streamline these processes was released to the market in April 2007. The proposals are expected to be implemented in FY08.

Maintaining and strengthening market integrity is integral to ASX's day-to-day operations. Investor confidence throughout the year was reflected in record activity levels on ASX and SFE-traded markets. Record trading activity was matched by record levels of disclosure by listed entities. In FY07 there were 117,877 company announcements made, an increase of 14% over the previous year.

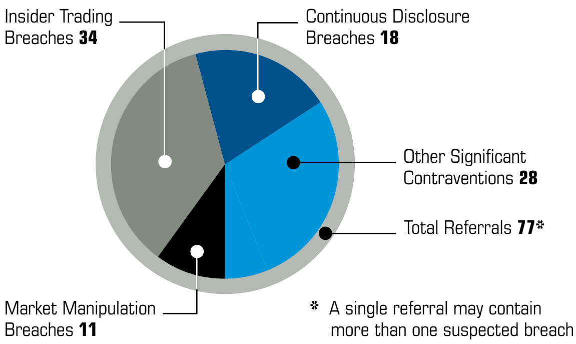
Total Market Announcements FY97 to FY07



ASX provides real-time surveillance of every trade to detect unusual and unexplained movements in price or volume. This complements the fact that the vast majority of the more than 2,000 listed entities meet their obligations to make timely disclosures to the market. In FY07, ASX issued 610 price queries to listed entities resulting in 488 announcements to the market. In addition, the Disciplinary Tribunal, an independent peer review panel, imposed fines of $451,550 against 24 market participants for 40 rule contraventions.

ASX is obliged to refer certain potential significant contraventions of its rules or the Corporations Act to ASIC. In FY07, a total of 77 such referrals were made (for ASX and SFE markets), broken down as follows:

ASX Referrals to ASIC FY07



* A single referral may contain more than one suspected breach

In FY07 ASXMS undertook several initiatives to improve the quality of supervision and minimise compliance costs for the industry. These included:

- identifying areas of overlap between ASX's Operating Rules and the Corporations Act. In-principle agreement was reached with ASIC on how these areas of overlap are to be dealt with.
  – a Guidance Note was released in December 2006 providing listed entities with better information on how ASX exercises some of its Listing Rule discretions
- the review of FY06 annual reports for reporting by listed entities (including listed trusts) under ASX Corporate Governance Council Principles and Recommendations. Completed in June 2007, the review found that the overall reporting level for listed companies – the aggregate of adoption of recommended practices and of 'if not, why not' reporting – was higher in 2006 (90%) than in either of the two previous years ASX conducted the review.
  – a separate review of governance disclosures by listed trusts for FY05 was released in October 2006. On the whole, disclosures by listed trusts were found to be comparable to disclosures by listed companies.
- the launch of the ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations by the Hon. Chris Pearce, Parliamentary Secretary to the Treasurer, on 2 August 2007. The changes reflect the contributions of more than 100 public submissions and will take effect on and from 1 January 2008.
- a review of ASX's supervisory processes and powers, mainly relating to the investigation, enforcement and disciplinary processes. This was undertaken to identify improvements that could reduce the cost of compliance for participants without undermining ASX's supervisory effectiveness. Following public submissions, the review's outcomes were announced in June 2007 and will be implemented in FY08.
- universal training for all ASX Issuers (company) Advisers nationwide on the Joint Ore Reserves Committee (JORC) Code. The JORC Code is incorporated into ASX Listing Rules and is a key tool in the promotion of investor confidence, ensuring a set of minimum reporting standards and guidelines for the mining industry.
  – joint training programs with ASIC on continuous disclosure were also conducted.

Much was achieved by ASXMS in FY07 but there is no room for complacency in a rapidly evolving marketplace. Shortly after balance date, an abnormal price discovery event occurred in the futures market following the release of quarterly CPI data on 25 July 2007. A large number of trades were subsequently cancelled in keeping with the SFE market's published Error Resolution Policy. ASXMS is conducting an intensive investigation into the matter and coordinating its efforts closely with ASIC.

Strong merger and acquisition activity, increased shareholder activism, and a rise in the number and scale of highly-leveraged private equity transactions have all generated a range of issues for regulators, company boards and investors. As ever, ASX's supervisory challenge is to make sure that the market is kept properly informed at all times.

Anecdotal evidence suggests there is a higher risk of information leakage during private equity transactions because of the complexity of transactions and the large number of parties involved. Consequently, the surveillance of the market for unusual price movements and potential insider trading activity (not all arising from private equity action) has become more demanding.

Long-term institutional investors have raised concerns about being disadvantaged vis-à-vis private equity bidders, particularly in relation to the details of proposed deals. The activity of hedge funds during a bid period has added layers of complexity to a transaction's momentum and the parties' market disclosure obligations. Positions taken in the exchange-traded markets may be easy to identify but not so easy when OTC derivatives are used. Boards too, have come under extra scrutiny, particularly in relation to their management of conflicts during leveraged management buyouts.

Against this backdrop, ASX, through its supervisory subsidiary – ASXMS – is alert to the need for balanced regulatory responses to market evolution; responses that engender investor confidence and market integrity, while fostering capital market growth and innovation. It is a balance ASXMS constantly works at achieving.

Eric Mayne *Chief Supervision Officer*

ASX is committed to maintaining the highest standards of corporate governance.

The principal features of ASX's corporate governance regime are set out in this section. Further details on corporate governance matters are available on ASX's website (**www.asx.com.au**) and in the notes to the financial statements. The relevant codes, policies or charters that underpin ASX's corporate governance practices are all available on the website.

ASX believes that, throughout the reporting period, its governance arrangements have been consistent with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

ASX's trading and clearing businesses are conducted through the following entities and wholly-owned subsidiaries:

ASX LIMITED
- Licensed operator of cash and derivatives markets
- Regulated by ASIC

SYDNEY FUTURES EXCHANGE LIMITED
- Licensed operator of derivatives markets
- Regulated by ASIC

AUSTRALIAN CLEARING HOUSE PTY LIMITED and SFE CLEARING CORPORATION PTY LIMITED
- Licensed clearing and settlement facilities – central counterparty
- Regulated by ASIC
- Regulated by RBA

ASX SETTLEMENT AND TRANSFER CORPORATION PTY LIMITED and AUSTRACLEAR LIMITED
- Licensed clearing and settlement facilities – securities settlement
- Regulated by ASIC
- Regulated by RBA

A number of changes were made to the composition of the boards of ASX group companies during the reporting period following the merger of ASX and SFE. The subsidiary companies shown above are directed by boards that comprise:

- the Managing Director and CEO of ASX
- some other members of the ASX Board
- in the case of the clearing and settlement boards, and ASXMS, some external non-executive directors, independent of the ASX Board, and
- some ASX executive management representatives.

The clearing and settlement boards have the same directors. These boards comprise Messrs Russell Aboud, Robert Elstone, Rick Holliday-Smith, Michael Shepherd and Peter Warne (all members of the ASX Board); external directors, Messrs Phil Gray and Ian McGaw; and members of ASX management, Messrs Alan Bardwell (Chief Financial Officer), Peter Hiom (Group Executive Business Development), and Colin Scully (Group Executive Operations).

On 1 July 2006, ASXMS, a wholly-owned subsidiary of ASX, commenced operations. The directors comprise three ASX main Board directors, Mr Maurice Newman, Ms Jillian Segal and Mr Michael Sharpe, and two external directors independent of ASX, Mr Peter Jollie and Mr Thomas Parry. Further details regarding the operation of ASXMS are contained on pages 26 to 27 of this Report.

The following corporate governance practices are in place to enable the Board to oversee the growth of shareholder value, while ensuring that ASX's market activities are properly managed and that the value of its brand and its standing within the financial and payments system are maintained.

Board of Directors – Role and Responsibilities

The Board is accountable to shareholders for the performance of ASX. Board members also have a responsibility to ensure that the affairs of the group are conducted consistently with licence obligations as well as public policy objectives directed at financial market and payments system integrity.

The Board has adopted a charter that sets out the role, composition and responsibilities reserved by the Board, those delegated to the Managing Director and CEO, and those specific to the Chairman. The conduct of the Board is also governed by the Constitution of ASX.

The responsibilities of the Board include:

- reviewing and approving corporate strategies, the annual budget and financial plans
- overseeing and monitoring organisational performance and the achievement of the group's strategic goals and objectives
- monitoring financial performance and liaising with the group's auditor
- appointing and assessing the performance of the Managing Director and CEO, and other senior executives

- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the group have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place, and
- reporting to, and communicating with, shareholders.

Board of Directors – Composition, Structure and Remuneration

During FY07, the Board comprised the following directors:

Mr M L Newman AC (Chairman)
Mr M H Shepherd (Vice-Chairman)
Mr R A Aboud
Mr R G Elstone (Managing Director and CEO), *appointed 25 July 2006*
Mr S D Finemore, *appointed 1 June 2007*
Mr D M Gonski AC, *appointed 1 June 2007*
Mr R Holliday-Smith, *appointed 25 July 2006*
Mr T C Rowe AM
Ms J S Segal AM
Mr M J Sharpe AO
Mr P H Warne, *appointed 25 July 2006*

Mr J J Kennedy AO, OBE, *retired 9 October 2006*
Ms C M Walter AM, *retired 9 October 2006*

Mr A M D'Aloisio (former Managing Director and CEO), *resigned 25 July 2006*

The Board considers that individually and collectively the directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities. All directors have an understanding of financial markets. The extensive financial markets experience within the Board spans involvement in managing a diverse range of trading, asset management, financing, corporate advisory and public policy activities. The Board considers the directors' diverse range of skills and experience is appropriate to discharge their responsibilities and duties.

The Board's policy is that a majority of its directors must be independent. ASX values the experience and perspective brought to the Board by board members who are involved with stakeholders of ASX, including listed companies and participants of its markets. Such involvement is not perceived to diminish a director's ability to act as an independent director of ASX.

Previously, ASX policy prohibited the Managing Director and CEO, and Chairman from sitting on the board of, or having a material commercial association with, a company listed on ASX or a participant in ASX's markets. During the year, the Board reviewed this policy in light of the establishment of a separate supervisory subsidiary. ASXMS was set-up to provide greater transparency of, and accountability for, ASX's supervisory operations as well as to address the perception of conflict between ASX's regulatory and commercial functions. Following that review, the Board determined to remove the prohibition in so far as the Chairman was concerned. The prohibition on the Managing Director and CEO remains.

In line with the Board Charter, the roles of Chairman and Managing Director and CEO are separated. Board policy is that the Managing Director and CEO may not become Chairman.

In giving effect to its policy that the majority of directors must be independent, the Board conducts an annual assessment of the independence of each director using agreed criteria. In its FY07 assessment, the Board considered its non-executive directors' previous and current relationships with ASX customers, suppliers, consultants and professional advisers. It determined that none of these relationships could reasonably be perceived to materially interfere with or compromise their independence.

In forming this view, the Board employed AASB Standard 1031 – *Materiality* to determine levels of materiality. Accordingly, a relationship is presumed immaterial when it generates less than 5%, 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, the Board takes into account the strategic value and other aspects, including non-quantitative aspects, of the relationship in question. 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 significant enough to compromise their independence on the Board.

The Board has not set any 'bright line' tests as to the number of terms or years on the Board that should be regarded as undermining independence. As a result of the merger with SFE, two SFE group directors, Messrs Holliday-Smith and Warne, in addition to the Managing Director and CEO, joined the Board of ASX. Accordingly, in assessing directors' independence, the Board has had regard to the length of directors' service both on the boards of ASX and former SFE group companies.

Mr Shepherd has been a director of ASX since 1988. Mr Newman has been a director of ASX since 1990. Prior to the merger, Mr Warne had served as a director of SFE for two separate periods totalling 16 years. The Board is satisfied that these directors have not formed associations with management or with others that compromise their ability to effectively monitor the performance of the ASX group and that they continue to be independent. These longstanding directors bring a level of expertise, judgment, dedication and breadth of perspective to the performance of their responsibilities that is of great value to the Board, management and shareholders.

On the basis of these assessments, the Board confirms that all the currently serving non-executive directors are independent. The only director not considered independent is Mr Elstone. Mr Elstone is not considered independent by virtue of his executive office.

The current limit on the total aggregate remuneration that may be paid by ASX to its non-executive directors each year is capped at $2.0 million. The total fees paid to non-executive directors during the reporting period was $1.9 million (excluding accrued retirement benefits).

Mr Shepherd will retire as a director following the conclusion of the 2007 AGM. Mr Newman will retire at the 2008 AGM. In order to assist with an orderly Board succession, given these retirements, Messrs Shane Finemore and David Gonski have been appointed to the Board. Each will seek election as directors at the 2007 AGM. This will mean that for a transitional period, the Board will comprise 11 directors. Given the expanded Board and the fact that directors' fees have not been reviewed since the 2004 AGM, it is proposed that at the 2007 AGM the Board will seek shareholder approval to increase the cap on non-executive directors' fees.

The Board decided on 26 August 2003 to terminate the directors' retirement scheme. The accrued entitlements, which were calculated based on years of service as a director, have been frozen at that date and will be paid to entitled non-executive directors at the time of their retirement.

Board of Directors – Renewal

Board succession planning is an important part of the governance process. During the year the Board undertook an extensive Board evaluation, review and succession planning process with the assistance of an independent external consultant. The process included one-on-one interviews with directors. The Chairman formally discussed the performance of each individual director. The results of the review were presented by the consultant and discussed by the Board as a whole.

The Board has adopted a succession plan to ensure the progressive and orderly renewal of Board membership. As part of this plan the Board has appointed two additional directors in anticipation of the retirements of Mr Shepherd and Mr Newman at the 2007 and 2008 AGMs respectively. The appointment of directors is governed by the ASX Constitution and the Selection and Appointment of Non-Executive Directors policy. An election of directors is held each year. Any director who has been appointed during the year must stand for election at the next AGM. Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

During the year the Board also undertook a formal process of reviewing the Managing Director and CEO's performance.

Share Trading Policy

ASX's Dealing Rules govern when ASX staff and directors may deal in ASX securities and other financial products. This includes restricting dealings in ASX securities to limited trading windows throughout the year.

Board Committees

The Board is supported by an Audit and Risk Committee, and a Nomination and Remuneration Committee.

The Audit and Risk Committee comprises Messrs Sharpe (Chairman), Holliday-Smith and Warne, and Ms Segal. Other directors are welcome to attend. Mr Elstone, the external auditor and other senior executives attend meetings by invitation.

The Audit and Risk Committee's responsibilities are governed by its charter and include:

- financial reporting – to review and monitor the financial integrity of the ASX group's financial reports and statements
- corporate control – to review and make recommendations regarding the adequacy and integrity of the ASX group's enterprise risk management framework and system of internal control, and the monitoring of the control process through internal auditing, and
- compliance – to review and make recommendations as to whether the ASX group is in compliance with relevant laws and regulations, is conducting its affairs ethically and is maintaining effective controls against employee conflict of interest and fraud.

These core responsibilities include the review and approval of internal and external audit work plans, and the review of significant accounting/reporting issues and financial statements. This requires regular reporting to the Board.

The Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The Audit and Risk Committee meets with the external auditor without management in attendance as necessary. It satisfies itself that the level of non-audit work carried out by the external auditor is compatible with maintaining audit independence, taking into account the guidelines which it has set. KPMG has acted as auditor of ASX for over 10 years. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years, with the most recent rotation having taken place in August 2006.

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.

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and CEO, and the Chief Financial Officer, that the company's financial reports give a true and fair view, in all material respects, of the company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the company's financial reports are founded on a sound system of risk management and internal compliance and control, which, in all material respects, implements the policies adopted by the Board. In a separate written statement, the Managing Director and CEO, and the Chief Risk Officer also confirm to the Board that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects for the period, and that nothing has occurred since period-end that would materially change the position.

These internal control systems and procedures are reviewed by an Internal Auditor, who reports administratively to the Chief Risk Officer and on functional audit matters to the Audit and Risk Committee, and Managing Director and CEO. The Audit and Risk Committee monitors management's response to these reviews. The internal audit function is independent of the external audit, has full and free access to the Audit and Risk Committee, and also has full and free access to ASX employees and ASX records.

The Board has also established a Nomination and Remuneration Committee. The Committee comprises Messrs Newman (Chairman), Holliday-Smith, Rowe, Shepherd and Warne. The Committee's charter sets out its roles, responsibilities and membership requirements.

Its primary responsibilities are to:

- assess the necessary and desirable competencies of Board members
- review Board succession plans
- evaluate the Board's performance
- review remuneration of ASX group directors
- make recommendations for the appointment of directors to the Board
- make recommendations to the Board on staff remuneration, recruitment, retention and termination policies
- make recommendations to the Board concerning remuneration packages and incentive schemes for the Managing Director and CEO, and senior management
- periodically review performance and succession planning for senior executives and other key staff
- periodically review performance and succession planning for the Managing Director and CEO, and
- review company superannuation arrangements.

Details of ASX's remuneration framework and policies are contained within the Directors' Report (page 41).

Other committees may be appointed from time to time to deal with issues associated with the conduct of ASX's various activities.

Continuous Disclosure

ASX has policies in place for satisfying its continuous disclosure obligations, including processes for authorising media releases and market announcements.

The internal policy framework includes the following elements designed to ensure provision of equal access to material information:

- all discussions with analysts are to be conducted by (or, with the prior sanction of) the Managing Director and CEO or the Chief Financial Officer, and to be limited to explanation of previously published material and general discussion of non-price sensitive information
- where information likely to be price sensitive is to be released for the first time on the day that an analyst briefing is scheduled, a market announcement should be made no later than the start of the briefing
- where it is not anticipated that the material to be distributed is price sensitive, a market announcement should be made of any material distributed (eg at formal presentations to analysts) by the end of the day on which the presentation is conducted, and
- as a general rule, meetings with analysts will not be held within a four-week 'blackout' period in advance of the annual or half-year results announcement.

Independent Professional Advice

Any director may, with the approval of the Chairman or Vice-Chairman, seek independent professional advice at the company's expense on matters relating to their role as an ASX director.

Communicating with Shareholders

In line with ASX's Shareholder Communication Policy, ASX aims to communicate clearly and transparently with shareholders and prospective shareholders. At the core of the Board's approach to reporting to shareholders is a commitment to disclosing as much information as possible, particularly in the Annual Report and in the public disclosure of trading volume data on a daily and monthly basis. Extensive information is set out in the Annual Report, including in the Directors' Report and Financial Report, enabling shareholders to understand the costs and benefits of various company policies, such as the linkage in remuneration policies between payments and performance. Shareholders are encouraged to attend the AGM at which the external auditor will be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the Independent Audit Report.

ASX's website (**www.asx.com.au**) is also 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 too, are posted on the website. ASX also displays annual reports to shareholders, speeches and presentations given by the Chairman, Managing Director and CEO, and senior management, and a range of other information considered to be of interest to investors. Of particular note is the posting of monthly exchange-traded volumes that provide investors with a useful guide to current period exchange-trading revenues. Exchange-traded volumes are also published daily in *The Australian Financial Review* and other major Australian newspapers.

ASX from time to time makes donations to political parties. It does so on a bi-partisan basis. Contributions are capped at a maximum of $25,000 in any one year.

Code of Conduct

ASX'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.

Ethical and responsible decision-making at ASX is also promoted by other policies such as the 'Whistleblowing' policy which 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 ASX.

Supervisory Responsibilities

ASX group companies are authorised operators of financial markets and clearing and settlement facilities. In these capacities, ASX has obligations to promote and maintain market integrity. These are considered consistent with and critical to its role and objectives (both prudential and commercial) as an operator of robust and efficient market and clearing and settlement facilities.

This principally involves real-time monitoring and post-trade analysis of trading activity and enforcement of ASX group Operating Rules. This role complements the investigative and enforcement roles of regulatory agencies established by government.

As the market operator, ASX is subject to oversight by ASIC directed at ensuring that:

- ASX conducts a fair, orderly and transparent market and fair and effective clearing and settlement facilities – that is, ensuring that ASX's procedures for monitoring trading activity and for taking appropriate disciplinary action are effective, and
- ASX complements ASIC's function of ensuring that licensed financial service providers act fairly, honestly and efficiently – that is, ensuring that ASX enforces its own requirements of market participants as to their 'fitness and propriety' to deal with clients.

As an operator of clearing and settlement facilities, ASX is subject to oversight by both ASIC and RBA. ASX is also subject to oversight involving various market regulators in other jurisdictions, including in the US and UK.

The Corporations Act requires ASX to have adequate arrangements for handling conflicts between its commercial interests and its obligations as a market licensee and licensee of clearing and settlement facilities. The ASX Conflict of Interest Protocol provides guidelines for the conduct expected of ASX employees in this regard. There are also specific codes and procedures that apply to employees who work in ASXMS.

In addition, ASX has established ASXMS to provide greater transparency of, and accountability for, ASX's supervisory operations, as well as to address the perception of conflict between ASX's regulatory and commercial functions. The role of ASXMS is to:

- provide services to ASX to ensure that ASX has adequate arrangements for handling conflicts of interest, monitoring participants' conduct and enforcing compliance with ASX's Operating Rules

- monitor supervision resources to ensure that these are sufficient to enable ASXMS to provide its services to ASX
- monitor the performance of the Chief Supervision Officer, and
- report to the ASX Board on its activities.

Details of Directors as at 16 August 2007

MAURICE L NEWMAN AC, SFFin, FSDIA, FAICD

Chairman, independent non-executive director

Mr Newman was appointed Chairman of ASX in October 1994 and prior to this as director in October 1990. He is the Chairman of ASX Markets Supervision Pty Limited and the Nomination and Remuneration Committee.

Mr Newman is a director of Queensland Investment Corporation Limited, Chancellor of Macquarie University, and chairman of the Australian Broadcasting Corporation, Taronga Foundation and the Australian Father's Day Council. He is an adviser to the Marsh group of companies, honorary life member and fellow of the Securities and Derivatives Industry Association (SDIA), member of the Business Council of Australia's Chairmen's Panel, and patron of the Committee for Economic Development of Australia (CEDA).

MICHAEL H SHEPHERD, SFFin

Vice-Chairman, independent non-executive director

Mr Shepherd was appointed a director of ASX in 1988 and as Vice-Chairman in 1991. He is a member of the Nomination and Remuneration Committee and a director of ASX Settlement and Transfer Corporation Pty Limited, Austraclear Limited, SFE Clearing Corporation Pty Limited and Australian Clearing House Pty Limited.

Mr Shepherd is also the National President of the Financial Services Institute of Australasia (Finsia), a director of The Shepherd Centre and a member of the compliance committee to UBS Global Asset Management (Australia) Limited.

RUSSELL A ABOUD, MBBS (Syd)

Independent non-executive director

Mr Aboud was appointed a director of ASX on 1 July 2005. He is a director of ASX Settlement and Transfer Corporation Pty Limited, Austraclear Limited, SFE Clearing Corporation Pty Limited and Australian Clearing House Pty Limited.

Mr Aboud is the non-executive chairman of Ord Minnett Limited. He 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.

ROBERT G ELSTONE, BA (Hons), MA (Econ), MCom

Managing Director and CEO, executive director

Mr Elstone was appointed Managing Director and CEO of ASX on 25 July 2006. Prior to this he was Managing Director and Chief Executive Officer of SFE Corporation Limited beginning May 2000. He is a director of Australian Clearing House Pty Limited, SFE Clearing Corporation Pty Limited, Austraclear Limited and ASX Settlement and Transfer Corporation Pty Limited.

Mr Elstone had previously held senior executive positions as Chief Financial Officer of two major Australasian companies – Pioneer International Limited and prior to that Air New Zealand Limited – whilst also being a non-executive director of the National Australia Bank Limited and a member of the Board of Guardians of the Future Fund until his appointment as Managing Director and CEO of ASX.

Mr Elstone is Chair of the Financial Sector Advisory Council, a non-statutory advisory body to the Federal Treasurer, and an Adjunct Professor in the Faculty of Economics and Business at the University of Sydney.

SHANE D FINEMORE, B.Comm (UNSW)

Independent non-executive director

Mr Finemore was appointed a director of ASX on 1 June 2007.

Mr Finemore is Managing Director at UBS Investment Bank. He was formerly Head of the UBS US Fundamental Investment Group and a member of the UBS Investment Bank Board, US Equities Operating Committee and co-chaired the US Equities Trading Committee.

Mr Finemore is an internationally recognised expert on securities exchanges.

DAVID M GONSKI AC, LLB, B.Comm (UNSW), FAICD, FCPA

Independent non-executive director

Mr Gonski was appointed a director of ASX on 1 June 2007.

Mr Gonski is Chairman of Coca-Cola Amatil Limited and Investec Bank Australia Limited, and is a director of Westfield Holdings Limited and Singapore Airlines Limited. He is Chancellor of the University of New South Wales, a member of the Prime Minister's Community Business Partnership and Senior Adviser to Morgan Stanley.

Previously, Mr Gonski was a director of the Australia and New Zealand Banking Group Limited (ANZ), ING Australia Limited and John Fairfax Holdings Limited.

RICK HOLLIDAY-SMITH, BA (Hons), FAICD

Independent non-executive director

Mr Holliday-Smith was appointed a director of ASX on 25 July 2006. Prior to this he was Chairman of SFE Corporation Limited from 1998. He is currently Chairman of Austraclear Limited and SFE Clearing Corporation Pty Limited, and director of Australian Clearing House Pty Limited and ASX Settlement and Transfer Corporation Pty Limited. He is also a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Mr Holliday-Smith is a specialist in capital markets, derivatives and venture capital activities. He is a director of St George Bank Limited, Servcorp Limited and Cochlear Limited, and Chairman Snowy Hydro Limited. Prior to 1998, Mr Holliday-Smith spent 11 years in Chicago, firstly as CEO of Chicago Research and Trading (CRT), and then as President of NationsBanc-CRT. During the 1980s, he was an executive director with Wardley Australia Limited and Managing Director of Hong Kong Bank Limited, London.

TREVOR C ROWE AM, FCIS, FAICD, ACPA

Independent non-executive director

Mr Rowe was appointed a director of ASX in 2002. He is a member of the Nomination and Remuneration Committee.

Mr Rowe is Executive Chairman of Rothschild Australia Limited and Chairman of Queensland Investment Corporation Limited, Gotalk Limited, Queensland BioCapital Fund, United Group Limited, Enhance Management Limited and Bond Foundation Limited. He is Chancellor of Bond University Ltd, and a member of the Foreign Affairs Council and the Board of Guardians of the Future Fund of Australia.

JILLIAN S SEGAL AM, BA LLB (UNSW), LLM (Harv), FAICD

Independent non-executive director

Ms Segal was appointed a director of ASX in 2003. She is a director of ASX Markets Supervision Pty Limited and a member of the Audit and Risk Committee.

Ms Segal is also a director of National Australia Bank Limited and the Major Performing Arts Board of the Australia Council, and a member of the Council of the University of NSW and the Business Regulation Advisory Group. Ms Segal is also President of the Administrative Review Council. Previously, she was Chairman of the Banking and Financial Services Ombudsman, a Member of the Audit Standards Oversight Board for PricewaterhouseCoopers, and Commissioner and Deputy Chair of the Australian Securities and Investments Commission (ASIC).

Prior to joining ASIC, Ms Segal was a corporate lawyer specialising in corporate and environmental law, having been a partner at Allen Allen & Hemsley (now Allens Arthur Robinson).

MICHAEL J SHARPE AO, BEc, Hon D.Sc Econ (Syd), FCA, FAICD

Independent non-executive director

Mr Sharpe was appointed a director of ASX in 1995. He is the Chairman of the Audit and Risk Committee and a director of ASX Markets Supervision Pty Limited.

Mr Sharpe is also a director of Securities Exchanges Guarantee Corporation Limited, Babcock and Brown Limited, and National Australia Trustees Limited. Mr Sharpe's 40-year career in the accounting profession culminated in his retirement as a partner of Coopers and Lybrand (now PricewaterhouseCoopers) in 1998. He has served 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 as a member of the Takeovers Panel.

Mr Sharpe is a Fellow of the Institute of Chartered Accountants and Fellow of the Australian Institute of Company Directors.

PETER H WARNE, BA

Independent non-executive director

Mr Warne was appointed a director of ASX on 25 July 2006. Prior to this he was a director of SFE Corporation Limited from 2000. He is a director of Austraclear Limited, SFE Clearing Corporation Pty Limited, Australian Clearing House Pty Limited and ASX Settlement and Transfer Corporation Pty Limited. He is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Mr Warne is Chairman of Capital Markets CRC Limited, Next Financial Limited and Australian Leisure and Entertainment Property Management Limited, and a director of Securities Exchanges Guarantee Corporation Limited, WHK Group Limited, Securities Industry Research Centre of Asia Pacific and Macquarie Bank Limited. He is also a member of the advisory board of the Australian Office of Financial Management.

Previously, Mr Warne was a director of Macquarie Capital Alliance group, a former Executive Vice-President of Bankers Trust Australia Limited and acted as a consultant for Macquarie Bank Limited during 1999.

Board and Committee Meetings Attended by ASX Limited Directors during FY07

Board Meetings

	ASX Limited Board*		ASX Markets Supervision Pty Ltd		Australian Clearing House Pty Ltd		SFE Clearing Corporation Pty Ltd		ASX Settlement and Transfer Corporation Pty Ltd		Austraclear Ltd		Sydney Futures Exchange Ltd	
	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**
ML Newman	12	12	8	8									2	2
MH Shepherd	12	11			7	7	9	9	8	8	7	7	2	2
RA Aboud	12	10			3	3	9	9	4	4	7	7		
RG Elstone	10	10			7	7	9	9	8	8	7	7	6	6
SD Finemore	1	1												
DM Gonski	1	1												
R Holliday-Smith	10	10			3	2	9	7	4	3	7	7	6	6
TC Rowe	12	12												
JS Segal	12	11	8	8										
MJ Sharpe	12	12	8	8										
PH Warne	10	10			3	3	9	9	4	4	7	7	6	6
JJ Kennedy	5	3												
CM Walter	5	5												

* Mr AM D'Aloisio resigned as a director on 25 July 2006 and did not attend any meetings of the ASX Board during FY07.

Committee Meetings

	Nomination and Remuneration Committee		Audit and Risk Committee		Market Rules Committee	
	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**	Entitled to Attend	**Attended**
ML Newman	5	5				
MH Shepherd	5	5			2	2
R Holliday-Smith	5	4	5	5		
TC Rowe	5	4	2	0		
JS Segal			6	6		
MJ Sharpe			6	6		
PH Warne	5	4	5	5		
CM Walter			2	2		

Board of Directors

Russell Aboud | Michael Shepherd | David Gonski | Trevor Rowe | Robert Elstone MD and CEO | Michael Sharpe

Jillian Segal | Rick Holliday-Smith | Maurice Newman Chairman | Peter Warne | Shane Finemore

Corporate Responsibility

ASX believes being at the centre of Australia's capital markets is a privilege that provides scope to fulfil certain responsibilities. These include helping to build the knowledge and confidence of retail investors, and promoting good corporate governance among Australia's listed companies. We are also mindful of our impact on the environment, and assist our staff to participate in and support charitable and other worthwhile causes.

Investor Education

ASX is a strong supporter of the drive for financial literacy in our community through a range of information and education services. Understanding the sharemarket and the principles of investing are increasingly important with almost half the adult population of Australia – or around 7.3 million people – owning shares, either directly or through a managed fund or via their self-managed super fund.

ASX's website, **www.asx.com.au**, was Australia's most popular financial news and information website in FY07 according to Nielsen/NetRatings Market Intelligence. On average, over one million unique browsers visited asx.com.au each month. It provides a vast array of information for investors, including share prices, dividends, the latest company announcements and market statistics.

People wanting to learn more about the sharemarket can access any of the more than a dozen online education courses through **www.asx.com.au.**

They can also play one of two ASX sharemarket games – either the public game or the one for schools. Both games allow participants to become familiar with the mechanics of share trading and to develop an appreciation of the risks and benefits associated with investing in the sharemarket. Players are given a hypothetical amount of money and have access to educational tools such as newsletters, company announcements and watch-lists to assist them in making informed decisions about stock selection. In the schools game alone, more than 600,000 secondary school students from across Australia have taken part since the game's debut in electronic format in 1998.

Corporate Governance

ASX has chaired the ASX Corporate Governance Council since its inception in August 2002. The Council brings together 21 business, investment and shareholder groups with the mission to develop a principles-based framework for corporate governance that provides a practical guide for listed companies, their investors and the wider Australian community.

In FY07 the Council reviewed its corporate governance principles and recommendations for the first time since they were issued in March 2003. After receiving more than 100 public submissions, a revised set of principles was released on 2 August 2007 with a start date set for 1 January 2008.

The revised Corporate Governance Principles and Recommendations continue to provide a flexible, practical and non-prescriptive framework for the Australian market. Market disclosure remains the cornerstone. The more transparent listed companies are about their corporate governance practices, the better placed investors will be to make informed investment decisions. ASX recognises that corporate governance is an evolving debate and will endeavour to ensure that the principles remain relevant to the Australian business and investment communities.

More details about the ASX Corporate Governance Council can be found at:
www.asx.com.au/supervision/governance

FTSE4Good

ASX is included in the international FTSE4Good Index Series. The FTSE4Good Index Series was launched in 2001 by the UK-headquartered FTSE Group and is a series of benchmark and tradable indices for socially responsible investors. FTSE4Good inclusion criteria are developed using an extensive market consultation process and are approved by an independent committee of experts.

As a constituent within the FTSE4Good Index Series, ASX is demonstrating that it is working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights.

More details can be found at: **www.ftse.com/ftse4good**

ASX in the Community

ASX's community programs allow ASX staff to support causes and charities of their choice, from a broad list determined by the Staff Community Committee. ASX's Staff Community Committee has 12 members representing all of the major functions within ASX and each state office.

Workplace Giving

ASX staff support 27 charities through the national Workplace Giving program. ASX matches staff donations on a dollar-for-dollar basis. In FY07, total giving reached $125,253. Fourteen percent of ASX's eligible workforce participated.

Emergency Donations

In addition to the formal Workplace Giving program, ASX provides emergency donations. In FY07, ASX donated $10,000 to the Java Earthquake emergency appeal.

Volunteering

ASX launched a staff volunteering policy and program in June 2006 that provides one-day's paid leave for all employees who volunteer their services to charities and other worthwhile causes.

In FY07, 90 employees, or around 17% of staff, volunteered. The volunteering activities included working with the Smith Family's Learning for Life Education Support Program, donating blood through the Australian Red Cross, and conducting workshops on business risk management for the Inspire Foundation, a charitable group that uses internet-based technology to help prevent youth suicide. Thirty staff also donated their time at the ASX/Reuters Charity Golf Tournament, assisting the Foundation to raise $1.2 million.

Key Partnerships

In FY07 ASX continued to support the Garvan Institute for Medical Research's Neurobiology Program, and animal and environmental conservation through its sponsorship of the Australian Marine Mammal Research Centre at Taronga Zoo. We also re-established our partnership with Research Australia, by agreeing to house and support its Sydney operations for two years.

Research Australia is a not-for-profit alliance of organisations and companies with a common mission to make health and medical research a higher national priority. Research Australia credits ASX's early and ongoing support as pivotal in its establishment.

Environmental Sustainability

ASX has a relatively small 'carbon footprint' because of its modest size (just over 500 employees) and because it operates in the financial services industry. Nevertheless, the efficient and sustainable management of energy consumption is an important part of our corporate responsibility. ASX currently has in place a waste reduction system, including programs for recycling mobile phones, and paper and cardboard products. New environmental targets are being set following the ASX/SFE merger to help ASX monitor and, where possible, reduce its environmental impact. These will be reported during FY08.

Statutory Report

FINANCIAL REPORT – ASX Limited and its Controlled Entities
ABN 98 008 624 691

DIRECTORS' REPORT

The directors present their report together with the Financial Report of ASX Limited (ASXL) and of the Group (ASX), being ASXL and its controlled entities, for the year ended 30 June 2007 (FY07) and the auditor's report thereon. The Financial Report has been reviewed and approved by the directors on the recommendation of the Audit and Risk Committee of ASX.

The consolidated net profit after tax for the year attributable to the members of ASXL was $292,892,000 (2006: $135,503,000). The current year includes the financial results of SFE Corporation Limited (SFE) and its controlled entities from 12 July 2006.

1 Directors

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

Mr M L Newman AC (Chairman)
Mr M H Shepherd (Vice-Chairman)
Mr R A Aboud
Mr R G Elstone (Managing Director and CEO), *appointed 25 July 2006*
Mr S D Finemore, *appointed 1 June 2007*
Mr D M Gonski AC, *appointed 1 June 2007*
Mr R Holliday-Smith, *appointed 25 July 2006*
Mr T C Rowe AM
Ms J S Segal AM
Mr M J Sharpe AO
Mr P H Warne, *appointed 25 July 2006*

Mr J J Kennedy AO, OBE, *retired 9 October 2006*
Ms C M Walter AM, *retired 9 October 2006*

Mr A M D'Aloisio (former Managing Director and CEO), *resigned 25 July 2006*

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

Directors' meetings and their attendance at those meetings for FY07 (including meetings of committees of directors) are disclosed in the Corporate Governance statement on page 35.

2 Company Secretaries

Anthony D'Arcy, General Counsel and Company Secretary, BA (Hons) LLB (Hons) ANU

Mr D'Arcy joined ASX in 2001 and was appointed Company Secretary on 21 July 2006. Mr D'Arcy is a solicitor, admitted to practice in 1988. He practiced law in private practice before joining ASX. He was appointed General Counsel in April 2005 with responsibility for the management and delivery of legal services to ASX. He was previously Company Secretary of ASX from July 2004 to June 2005.

Kristy Chambers, Deputy Secretary, GradDip HRM

Ms Chambers was appointed Deputy Company Secretary on 27 November 2006. Ms Chambers is currently completing her Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and has a Graduate Diploma in Human Resources Management. She has experience working as Company Secretary in financial institutions and private equity firms in Australia and the UK.

Lyn Nikolopoulos, former Deputy Secretary, BA Bus

Ms Nikolopoulos was Deputy Company Secretary until 10 October 2006.

3 Report on the Business

3.1 Principal Activity

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

- provision of stock exchange and ancillary services
- provision of derivative exchange and ancillary services
- provision of counterparty clearing services, and
- provision of settlement and clearing of financial products.

On 11 July 2006 ASXL merged with SFE (the holding company for the Sydney Futures Exchange). See note 13 to the financial statements for further information.

3.2 Review of Operations

In accordance with ASIC Class Order 98/2395, this information is contained in the Managing Director and CEO's Report (page 4) and the Chief Financial Officer's Report (page 7).

3.3 Dividends

The following table includes information relating to dividends in respect of the prior and current financial years, 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	56.2	57,740	17 March 2006	30%
Final	63.9	65,652	9 August 2006	30%
Total	120.1	123,392		
In respect of the current financial year				
Interim	72.3	123,508	16 March 2007	30%
Final	91.5	156,323	18 September 2007	30%
Total	163.8	279,831		

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

3.4 Significant Changes in the State of Affairs

Other than the merger with SFE, there were no significant changes in the state of affairs during the year.

3.5 Events Subsequent to Balance Date

Dividend announced after year-end

On 15 August 2007, the Board resolved to pay a final dividend of 91.5 cents per share fully franked.

3.6 Likely Developments

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

4 Environmental Regulation

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

5 Indemnification and Insurance of Officers and Auditors

The Group 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, 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 judgment 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.

6 Share Information

6.1 Conditional Entitlements to Unissued Shares

At the date of this report, ASXL has on issue 515,700 conditional entitlements and performance rights to ordinary shares. For further details on the conditional entitlements and performance rights, refer to the Remuneration Report (page 43).

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

During FY07, 89,483 ordinary shares were issued from the conversion of conditional entitlements.

7 Proceedings on Behalf of the Company

No application under Section 237 of the Corporations Act 2001 has been made in respect of the Group, and there are no proceedings that a person has brought or intervened in on behalf of the Group under that Section.

8 Corporate Governance

ASXL's corporate governance matters are discussed on pages 28 to 35.

9 Non-Audit Services

During the year KPMG, the company's auditor, has performed certain 'non-audit services' in addition to its statutory duties. Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year, are set out in note 29 to the Financial Statements.

10 Directors' Declaration of Satisfaction with Independence of Auditor

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

- non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit and Risk Committee, 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 2001 is included on page 55.

11 Remuneration Report

11.1 Introduction

This report outlines ASX's overall reward strategy for FY07 and provides detailed information on the remuneration arrangements in this period for the directors of ASXL, including the Managing Director and CEO, Key Management Personnel and other employees of ASX.

The report has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by Accounting Standard AASB 124 *Related Party Disclosures*, which are permitted to be transferred to the Remuneration Report by Regulation 2M.6.04, and are therefore subject to audit. The disclosures in sections 11.9.2 and 11.10.4 are additional disclosures required by the Corporations Act 2001 and its Regulations which have not been audited.

ASX's remuneration policy may be amended from time to time and is reviewed at least once a year. This may result in changes being made to the policy for the year ending 30 June 2008 (FY08).

11.2 ASX's Reward Policy

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The performance and reward strategy for all staff has the following objectives:

- link between performance and pay
- link between business objectives and individual objectives
- transparent and consistent process for fixed and incentive-based pay
- competitiveness and reasonableness, and
- acceptability to shareholders.

As part of the overall reward strategy, ASX has in place a balanced scorecard approach to measure staff performance. The scorecard approach enables consistency for all levels of staff within the organisation and provides a link for staff in understanding how they contribute to each of the areas of the scorecard, and therefore to ASX's overall strategy and goals.

For the current reporting period 'Integration' was included as an additional area in the balanced scorecard due to the significance of the merger with SFE. As part of the objective setting process at the commencement of the performance review period, staff set objectives in each of the six areas of the corporate scorecard:

1. Supervision and reputation focus – integrity of our markets.
2. Business focus – shareholder return and value.
3. Customer focus (internal and external) – customer satisfaction.
4. People and teamwork focus – people engagement.
5. Systems and process focus – innovative and improved systems and processes.
6. Corporate responsibility focus – corporate and the broader investor community.

The scorecard formed a key part of the reward strategy when considering fixed remuneration increases, determining short-term incentive payments and the performance measures adopted for the long-term incentive plans.

This report provides detail on how ASX applied the reward strategy for the Managing Director and CEO, and other employees during the period.

11.3 Governance of the ASX Reward Policy

Role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the Committee) has responsibility for developing the reward policies and strategies of ASX, and continually evaluating their operation under delegated authority from the Board. This Committee:

- recommends frameworks for remuneration to the ASXL Board
- sets competence and performance standards for the Managing Director and CEO, and
- oversees incentive plans and termination policies.

On remuneration matters the Committee operates independently of ASX senior management in its recommendations to the Board. A full copy of the Committee's charter is available on **www.asx.com.au**.

Membership and Meetings

The Committee consisted of five independent non-executive directors, Messrs:

- Maurice Newman (Chair)
- Rick Holliday-Smith
- Trevor Rowe
- Michael Shepherd, and
- Peter Warne.

The number of meetings held by the Committee and the members' attendance at them are set out on page 35.

11.4 Delivering Business Strategy through Performance and Reward

The ASX performance and reward framework used the balanced scorecard to directly link ASX's overall business strategy and wider objectives to reward. Both fixed remuneration and the short-term incentive are linked to the achievement of objectives set by ASX.

Additionally, the reward framework linked the remuneration of the Managing Director and CEO, and Group Executives, General Managers and other key staff (other than in Markets Supervision) to ASX's long-term performance through the award of performance rights. A total of 50% of the performance rights have a comparative total shareholder return (TSR) as a performance measure. This measure ensures that the performance rights only become exercisable on achievement of at least median growth in TSR relative to a peer group. The remaining 50% have absolute earnings per share (EPS) as a performance measure. This measure ensures that key staff who are invited to participate in the plan are also aligned with long-term earnings growth.

11.5 Determining Total Reward at ASX – Managing Director and CEO, and other Employees

Components of Reward

At ASX there are two key elements of total reward:

1. Fixed remuneration component, and a
2. Variable or 'at risk' component that is subject to performance and contains a cash-based Short-Term Incentive (STI) and a Long-Term Incentive Plan (LTI). The LTI for eligible selected high-performing key employees consists of awards of performance rights. For staff in Markets Supervision the LTI is a cash-based plan.

The total reward approach produces a mix of fixed remuneration and variable remuneration (short and long-term incentive opportunities). The relative weighting of fixed and variable remuneration for target performance varies with role level, complexity of the role and typical market practice. Consistent with market practice, Group Executives and General Managers have a greater proportion of their total reward 'at risk' – that is, their variable component is a larger portion of the overall reward compared to other employees.

For FY07, total remuneration was targeted towards the 75th percentile for key high-performing employees.

Fixed Remuneration

Fixed remuneration for all employees comprises cash salary, superannuation and, in some cases, non-monetary benefits provided on a 'salary sacrifice' basis, such as motor vehicles, superannuation and personal computers.

A key part of the ASX reward strategy is to ensure alignment to the market. For all ASX employees, the markets against which total remuneration comparisons are made varies by position but are typically drawn from the finance, legal, technology and other sectors relevant to ASX's functions, or from the broader general market. The Managing Director and CEO's fixed remuneration was reviewed by the Board in line with the terms of his contract.

Increases to fixed remuneration are not automatic and are normally made if there have been market movements to support an increase, if there has been acceptable performance against objectives and if the appropriate behaviours are exhibited that are consistent with ASX's cultural values.

Short-Term Incentive Arrangements

MANAGING DIRECTOR AND CEO

The STI arrangements for the Managing Director and CEO are detailed separately in Section 11.7.

EMPLOYEES

All employees are eligible to participate in the STI. The performance of each Group Executive and member of Group Executive Committee is assessed against group and individual performance targets. For FY07, factors that were considered in assessing overall performance were performance of ASX, the performance of the Group Executive's division or group, and the individual performance of the Group Executive.

For Group Executives in FY07, the policy was that incentive payments ranged from 0% of fixed remuneration when performance expectations were not met, to 33% of fixed remuneration for exceptional performance. For General Managers the policy ranged from 0% to 31%. For all other employees the policy range was from 0% to 20%. It is proposed that further changes will be made to the maximum STI opportunity for FY08 to further differentiate levels of performance. For Group Executives the maximum STI opportunity for exceptional performance will be 50% of fixed remuneration. For General Managers the maximum will be 40% and for all other employees the maximum will be 25%.

Long-Term Incentive Arrangements

There were three offers in operation for eligible employees:

- December 2003 grants under the legacy Executive Share Plan
- December 2005 grants under the ASX Long-Term Incentive Plan, and
- December 2006 grants under the ASX Long-Term Incentive Plan.

DECEMBER 2003 OFFER

The offer made to eligible employees in December 2003 was made under the Executive Share Plan. Under this offer, each conditional entitlement entitles the holder to one ordinary ASXL share subject to performance hurdles being attained and the employee 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 conditional entitlements were issued on 15 December 2003.

PERFORMANCE CRITERIA

The performance period for this offer was four years, which commenced on 1 December 2003 and ends on 30 November 2007.

The awards vest based on a TSR performance condition relative to a comparator group. The comparator group comprises the constituents of the S&P/ASX 100 and has been adjusted to exclude foreign companies, mineral companies and property trusts at 1 December 2003. See Appendix A (page 54) for companies included in the comparator group.

For the 2003 offer the conditional entitlements that vest are determined as follows:

ASX'S GROWTH IN TSR RELATIVE TO THE COMPARATOR GROUP	PERCENTAGE OF CONDITIONAL ENTITLEMENTS THAT VEST
Less than 50th percentile	0%
50th percentile	60%
Between 50th percentile and 75th percentile	60% plus 1.6% for each percentile above 50th percentile
At or above 75th percentile	100%

The TSR performance condition was chosen as it is widely accepted as one of the better indicators of shareholder value creation.

TSR measurement for the purposes of calculating vesting is performed by a third party, Standard & Poor's (S&P). The results are circulated to the Board for its confirmation. A third party is requested to provide these results to ensure independence of assessment. The Board has discretion to increase or decrease the amount of vested shares by up to 20 percent under both the EPS and TSR awards. This enables the Board to account for individual performance over the performance period.

VALUATION OF GRANT

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. This valuation has been conducted in accordance with AASB 2 *Share-Based Payment* criteria.

The Monte Carlo simulation technique has been used based on the following assumptions:

Share price at grant date	$16.55
Exercise price	Nil
Volatility	24% pa
Discount rate (risk-free rate)	5.7% pa
Dividend yield	3% pa

The Monte Carlo simulation technique is an extension of the binomial method and the Black-Scholes Merton formula. The Monte Carlo model incorporates features such as forfeiture and performance hurdles that the other models do not use, but does not include any allowance for executive turnover.

December 2005 and December 2006 offers

The December 2005 and December 2006 offers were made under the ASX LTI. The rules which govern this plan were approved by shareholders at the 2005 Annual General Meeting (AGM). A copy of the plan rules is available on **www.asx.com.au**. Under this offer, eligible participants received an award of performance rights, which are conditional entitlements to receive ASX shares for no consideration, subject to satisfaction of performance criteria. These awards are structured the same as the 2003 offer and the reference to 'Performance Rights' is a cosmetic change to reflect more common terminology in the marketplace. The performance rights were issued on 1 December 2005 and 1 December 2006.

In line with the appropriate remuneration policy for the eligible participant, the number of performance rights granted was calculated as a percentage of the eligible participant's annual fixed remuneration divided by the value of performance rights on the date of award. The valuation was based on the methodology prescribed by accounting standard AASB 2 for valuing share-based payments without any performance conditions.

PERFORMANCE CRITERIA

The performance period for these offers is three years each, which for the 2005 plan commenced on 1 December 2005 and ends on 30 November 2008, and which for the 2006 plan commenced on 1 December 2006 and ends on 30 November 2009.

For the 2005 and 2006 grants, the award of 50% of the performance rights will be subject to an EPS performance condition, and the award of the other 50% will be subject to a performance condition related to ASX's TSR.

The TSR performance condition was chosen as it is widely accepted as one of the better indicators of shareholder value creation. The TSR performance condition is complemented by the EPS condition that ensures a focus on improved earnings.

EPS AWARD

For the purposes of the plans, EPS is calculated by dividing the net profit attributable to members of ASX for the relevant reporting period (adjusted for the after-tax effect of any significant items) by the weighted average number of ordinary shares of the company.

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

ASX's EPS growth will be measured relative to a target of 8% per annum compound growth.

The proportion of the EPS award that vests will be determined as follows:

ASX'S COMPOUND EPS GROWTH	PROPORTION OF EPS AWARD VESTING
8% pa or less	0%
Between 8.1% and 9.9%	5% of the EPS award for each 0.1% of compound EPS growth above 8%
10% or more pa	100%

In line with the Committee's charter, at the end of the performance period, the Committee is provided with the EPS growth data and will make an assessment as to what extent the EPS performance condition has been met.

TSR AWARD

The comparator group for the TSR hurdle for the December 2005 grant and the December 2006 grant was the S&P/ASX 50 to 150 companies, less property trusts and minerals companies, plus selected international exchange services as at the date of offer. Under both these offers, the international exchange services have been defined as Hong Kong Exchanges and Clearing Limited, Singapore Exchange Limited and Deutsche Borse.

See Appendix A (page 54) for companies included in the comparator group.

The proportion of the TSR award that vests will be determined based on ASX's ranking as follows:

TSR RANK	PROPORTION OF TSR AWARD VESTING
Less than 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above 50th percentile
At or above 75th percentile	100%

TSR measurement for the purposes of calculating vesting is performed by a third party, S&P. These results are confirmed by the Board. The Board has discretion to increase or decrease the amount of vested shares by up to 20% under both the EPS and TSR awards, taking into account the executive's individual performance.

VALUATION OF GRANTS

2005 PLAN

For accounting purposes, the fair value of the performance rights for the EPS award at the grant date was calculated using the share price of $30.49 at market close on 1 December 2005, less the present value of the expected dividends over the three-year performance period. This fair value of each performance right was calculated to be $26.48.

The fair value of performance rights for the TSR award was calculated at grant date by an independent valuer at $18.14. This valuation has been conducted in accordance with AASB 2 *Share-Based Payment* criteria.

The Monte Carlo simulation technique has been used based on the following assumptions:

Share price at grant date	$30.49
Exercise price	Nil
Volatility	18.5% pa
Discount rate (risk-free rate)	5.3% pa
Dividend yield	4.7% pa

2006 PLAN

For accounting purposes, the fair value of the performance rights for the EPS award at the grant date was calculated using the share price of $36.13 at market close on 1 December 2006, less the present value of the expected dividends over the three-year performance period. This fair value of each performance right was calculated to be $32.04

The fair value of performance rights for the TSR award was calculated at grant date by an independent valuer at $19.25. This valuation has been conducted in accordance with AASB 2 *Share-Based Payment* criteria.

The Monte Carlo simulation technique has been used based on the following assumptions:

Share price at grant date	$36.13
Exercise price	Nil
Volatility	21.0% pa
Discount rate (risk-free rate)	5.8% pa
Dividend yield	4.0% pa

Refer to December 2003 offer for details of the Monte Carlo simulation technique.

Long-Term Incentive Arrangements – Markets Supervision

ASX has implemented a separate LTI for the Markets Supervision area. Eligible employees in Markets Supervision do not have their LTI linked to ASX's share price and EPS. The Markets Supervision LTI delivers awards in cash only.

In line with eligible employees being made an offer under the ASX LTI, an offer was made to eligible employees under the Markets Supervision LTI in December 2005 and December 2006. The only 'Key Management Personnel' in the Markets Supervision LTI is Mr Eric Mayne.

PERFORMANCE CRITERIA – DECEMBER 2005 OFFER

The performance period for the 2005 offer commenced on 1 December 2005 and ends on 30 November 2008.

The amount of cash payment that an eligible participant may receive at the end of the performance period will be determined as follows:

(a) If cumulative threshold performance is achieved, a participant will be entitled to 55% of the maximum cash opportunity.

(b) For every year in the performance period that the yearly targets are met, a participant will be entitled to an additional 15% of the maximum cash opportunity. Thus, if cumulative threshold performance is achieved and the yearly targets are met in each of the three years, a participant will be entitled to receive 100% of the maximum cash opportunity.

(c) If performance is above threshold but below target, a participant will be entitled to receive a percentage of the maximum cash opportunity as determined by the Managing Director and CEO in consultation with the Committee.

(d) If performance is below threshold, a participant is not entitled to receive any cash payment.

For the 2005 offer, the performance of the eligible participants will be assessed on:

- international benchmarks (integrity of markets) for comparable exchanges
- ASIC and ASXMS assessments of ASX's supervision division
- customer satisfaction surveys (both internal and external) ranking service levels and integrity of ASX markets
- staff engagement, and
- process improvement.

At the end of each performance period the Managing Director and CEO will, in consultation with the Committee and ASXMS Board, determine whether, and if so, the extent to which, the performance criteria applicable to that performance period have been met and the amount of cash payment, if any, to be paid to a participant.

PERFORMANCE CRITERIA – DECEMBER 2006 OFFER

The performance period for the 2006 offer commenced on 1 December 2006 and ends on 30 November 2009.

For the 2006 offer the performance of the eligible participants will be assessed on two criteria:

- ASIC assessment of ASXMS, and
- ASXMS Board assessment criteria.

Each of the performance criteria applies to one-half of the maximum cash opportunity being offered to the participant. 50% of the maximum cash opportunity will vest subject to ASIC assessment criteria and 50% will vest subject to ASXMS Board assessment criteria.

Remuneration Details for Key Management Personnel

The following section of the report details information on the remuneration paid to, and how remuneration was calculated, for Key Management Personnel.

In accordance with AASB 124 *Related Party Disclosures*, Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

11.6 Managing Director and CEO (period 1 July 2006 – 25 July 2006)

Mr Tony D'Aloisio resigned from his position as Managing Director and CEO on 25 July 2006. Mr D'Aloisio's employment with ASX ceased on 25 October 2006.

11.7 Managing Director and CEO (period 25 July 2006 – current)

Mr Robert Elstone was appointed as Managing Director and CEO on 25 July 2006. The structure of the current Managing Director and CEO's compensation is in accordance with his service contract. In accordance with the contract, there are three components to the Managing Director and CEO's remuneration:

Fixed Remuneration

The fixed remuneration component applicable to FY07 was $1.2 million per annum. This amount is inclusive of the superannuation contributions (SGC). The Board has determined that the fixed remuneration component to apply to FY08 will be $1.5 million per annum.

Short-Term Incentive Payments

The current Managing Director and CEO was entitled to an annual STI payment of up to 50% of fixed remuneration for FY07. The Board has determined that eligibility would increase to 75% of fixed remuneration for FY08. The actual STI payment awarded (if any) is determined at the discretion of the Board after assessing the performance of the ASX Group, the performance of Mr Elstone and relevant market information against agreed performance targets and priorities.

Long-Term Incentive

The current Managing Director and CEO participates in ASX's LTI, following shareholder approval obtained at the 2006 AGM held on 9 October 2006.

Participation in the LTI is in accordance with the principles of the LTI.

Mr Elstone will participate in the LTI over two stages:

- Stage 1 – December 2006 offer, and
- Stage 2 – December 2007 offer.

The performance period for both Stage 1 and Stage 2 will be three years.

On 1 December 2006, Mr Elstone was awarded 30,000 performance rights under the LTI.

PERFORMANCE CRITERIA

For both Stage 1 and Stage 2, the award of 50% of the performance rights will be subject to an EPS performance condition and the award of the other 50% will be subject to a performance condition related to ASX's TSR.

Service Contract Term

The appointment of the current Managing Director and CEO, Mr Robert Elstone, is for three years in the first instance. It may however be extended for a further two years by mutual agreement. Under the termination provisions of the contract, ASX may terminate Mr Elstone's contract by giving written notice of a period which is the lesser of:

(a) If termination takes place before 30 June 2009:
  – 12 months, or
  – if termination takes place in the final 12 months of the term, the balance of the period until expiry of the term, or

(b) If termination takes place after 30 June 2009:
  – six months, or
  – if termination takes place in the final six months of the term, the balance of the period until expiry of the term.

11.8 Executive Service Contracts

A controlled entity, ASX Operations Pty Limited, has service contracts with each of the Key Management Personnel, identified for the purposes of satisfying AASB 124 *Related Party Disclosures*. The agreements are effective 1 October 2006, except for Mr Alan Bardwell and Mr Peter Hiom, whose contracts are effective 4 December 2006 and 10 October 2006 respectively. The details of benefits and notice periods covered by these contracts are indicated in the following table:

		Treatment of	Treatment of long-term incentives	
Type of termination	Notice period	short-term incentives	Vested (unexercised awards)	Unvested awards
Termination by notice	12 months	Discretion of the MD/CEO	Released to the Executive	Board discretion
Termination for poor performance	6 months*	Not referred to in Employment Agreement	Released to the Executive	Board discretion
Termination for cause	Immediately	Not referred to in Employment Agreement	Shares subject to any restrictions forfeited	Awards will lapse
Termination for illness	Not referred to in Employment Agreement	Discretion of the MD/CEO	Released to the Executive	Awards vest pro-rated for the amount of the performance period served, based on performance criteria being met
Termination upon death	Not referred to in Employment Agreement	Not referred to in Employment Agreement	Released to the Executive	Awards vest pro-rated for the amount of the performance period served, based on performance criteria being met
Termination by the Executive	6 months	Discretion of the MD/CEO	Released to the Executive	Awards will lapse
Termination by redundancy	12 months or redundancy benefit calculated in accordance with ASX policy, whichever is greater	Not referred to in Employment Agreement	Released to the Executive	Awards vest pro-rated for the amount of the performance period served, based on performance criteria being met

* The service contracts for Mr Bardwell and Mr Hiom differ in that the notice period in case of termination for poor performance is three months notice with an initial written notice of one month.

Mr Eric Mayne's service contract commenced on 16 May 2005 and differs in the following aspects:

- In the case of termination for poor performance, three months notice is required.
- In the case of termination for cause, consideration will be given to what, if any, short-term incentive should be paid.
- In the case of expiry of contract, the current contract expires on 1 May 2008 and thereafter year-to-year.
- In the case of termination by the executive, three months notice is required.
- In the case of redundancy, this is not referred to in the contract.

11.9 Remuneration Tables – Executives

11.9.1 Breakdown of Remuneration

Details of the remuneration of the Group Executives of ASXL, other than the Managing Director and CEO, are set out below:

$		SHORT-TERM Salary[3]	SHORT-TERM Short-term incentive[4]	SHORT-TERM Non-monetary[5]	SHORT-TERM Other	POST-EMPLOYMENT Superannuation	OTHER LONG-TERM	TERMINATION BENEFITS	SHARE-BASED PAYMENT Equity-settled[6]	**Total**	% Performance-related*	% CEs/PRs related*[7]
AJ Bardwell[1] (com 4 Dec 06)	07	334,924	75,000	–	–	7,264	–	–	19,364	436,552	21.6	4.4
current CFO	06	–	–	–	–	–	–	–	–	–	–	–
JM Hayes[2] (dep 31 Dec 06)	07	268,029	100,000	5,687	–	4,692	4,793	700,000	676,419[8]	1,759,620	44.1	38.4
former CFO	06	640,686	200,000	14,738	2,687	12,139	5,827	–	105,207	981,284	31.1	10.7
PD Hiom[1,2] (com 11 Jul 06)	07	380,901	125,000	–	–	12,338	6,139	–	19,364	543,742	26.6	3.6
Group Executive – Bus Dev	06	–	–	–	–	–	–	–	–	–	–	–
ES Mayne[1,2]	07	606,768	200,000	2,141	4,426	12,686	–	–	–	826,021	24.2	–
CSO	06	669,776	197,760	1,006	319	12,139	–	–	–	881,000	22.4	–
JJ Olsson[1,2]	07	348,401	140,000	14,371	–	12,686	6,620	–	103,891	625,969	39.0	16.6
Group Executive – Technology	06	382,795	125,000	11,775	2,445	12,139	6,629	–	69,565	610,348	31.9	11.4
CR Scully[1,2]	07	612,888	150,000	25,681	–	12,686	10,651	–	212,216	1,024,122	35.4	20.7
Group Executive – Operations	06	636,036	260,000	30,632	2,554	12,139	10,058	–	154,510	1,105,929	37.5	14.0
Total	07	2,551,911	790,000	47,880	4,426	62,352	28,203	700,000	1,031,254	5,216,026	34.9	19.8
Total	06	2,329,293	782,760	58,151	8,005	48,556	22,514	–	329,282	3,578,561	31.1	9.2

com = commenced CFO = Chief Financial Officer * These figures are not audited
dep = departed CSO = Chief Supervision Officer Bus Dev = Business Development

Notes to the Executives' remuneration table:

1 Key Management Personnel other than directors of the Group.

2 Five officers receiving the highest remuneration within the Group other than Managing Director and CEO.

3 Salary includes salary and annual leave on an accruals basis.

4 Short-term incentives relate to performance bonuses for the current financial year, payable in the following financial year.

5 Non-monetary benefits relate to the provision of car parking and notional interest on employee share purchase plan loans. Refer to note 24(d) for further details of the share purchase plan.

6 The value of equity-settled share-based payments has been determined by an independent actuary, using the criteria set out in AASB 2 *Share-Based Payments*.

7 Percentage of remuneration that is related to Conditional Entitlements/Performance Rights.

8 $768,000 relates to cash-settled and the equity-settled proportion is negative $91,581 as this relates to reversal of AASB2 expenses previously charged.

Amounts disclosed for remuneration of directors and executives exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts. This is not allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.

11.9.2 Holdings of Conditional Entitlements

The following table shows the movement during the reporting period in the fair value of performance-related conditional entitlements over ordinary shares in ASXL held directly, indirectly or beneficially, by the Managing Director and CEO, and Executives, including their personally-related entities:

	Granted in year[1] $	Exercised in year $	Lapsed in year[2] $	Total value in year $
RG Elstone	769,350	–	–	769,350
AJ Bardwell	100,016	–	–	100,016
PD Hiom	100,016	–	–	100,016
ES Mayne[3]	–	–	–	–
JJ Olsson	100,016	–	–	100,016
CR Scully	100,016	–	–	100,016

1 The value of performance rights granted in the year is the fair value of the performance rights calculated at grant date using the Monte Carlo simulation technique. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

2 No conditional entitlements lapsed during the year.

3 Eric Mayne is subject to a cash-based LTI – see section 11.5 for further details.

The following table shows the minimum and maximum values of conditional entitlements and performance rights.

Grant date	15 Dec 03		1 Dec 05		1 Dec 06	
Vesting date	30 Nov 07		30 Nov 08		30 Nov 09	
	Min $	Max $	Min $	Max $	Min $	Max $
RG Elstone	–	–	–		–	769,350
AJ Bardwell	–	–	–	–	–	100,016
PD Hiom	–	–	–	–	–	100,016
ES Mayne	–	–	–	–	–	–
JJ Olsson	–	193,454	–	107,088	–	100,016
CR Scully	–	401,638	–	274,413	–	100,016

11.10 Remuneration for Non-Executive Directors

11.10.1 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 AGM on 28 September 2004. In FY07, the total amount paid to non-executive directors was $1,877,822 excluding accrued retirement benefits paid. This amount includes superannuation and fees paid to non-executive directors of ASXL in their capacity as members of the ASXL Board and committees, and as directors of subsidiary company boards. It does not include the fees paid to non-executive directors of ASXL in their capacity as members of the Securities Exchanges Guarantee Corporation (SEGC).

The Board reviews its fees to ensure ASXL 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 was conducted at the end of 2005 and is currently being updated.

11.10.2 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 non-executive directors, 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 ASXL subject to the ASX Dealing Rules.

11.10.3 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 three 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 three years. The remuneration table in section 11.10.6 records the accrued retirement benefits to date.

11.10.4 Holdings of Ordinary Shares

The table below summarises the movements in holdings of ordinary shares in ASXL held directly, indirectly or beneficially, by each ASXL non-executive director and their personally-related entities.

	Holding at 1 Jul 06	Holding at 30 Jun 07	Holding at 15 Aug 07
Non-executive director			
ML Newman	60,000	60,000	60,000
MH Shepherd	20,000	20,000	20,000
RA Aboud	10,000	322,382	322,382
SD Finemore	N/A	–	–
DM Gonski	N/A	15,806	15,806
R Holliday-Smith	–	3,825	3,825
TC Rowe	4,300	4,300	4,300
JS Segal	2,000	2,000	2,000
MJ Sharpe	2,000	2,000	2,000
PH Warne	–	5,610	5,610
JJ Kennedy	1,000	N/A	N/A
CM Walter	8,000	N/A	N/A

11.10.5 Conditional Entitlements and Performance Rights Granted

No conditional entitlements and performance rights have been granted to non-executive directors.

11.10.6 Remuneration Tables for Directors (including Executive Director)

Details of the remuneration of the directors of ASXL are set out in the table below:

$		SHORT-TERM Salary and fees[1]	SHORT-TERM Short-term incentive[2]	SHORT-TERM Non-monetary[3]	POST-EMPLOYMENT Superannuation	POST-EMPLOYMENT Other	OTHER LONG-TERM	TERMINATION BENEFITS	SHARE-BASED PAYMENT Equity-settled[4]	**Total**	Accrued retirement benefits*[5]
EXECUTIVE											
RG Elstone[6, 12]	07	1,194,175	600,000	11,281	11,852	–	15,518	–	148,952	1,981,778	–
MD and CEO	06	–	–	–	–	–	–	–	–		–
AM D'Aloisio[6, 13]	07	379,199	180,844	2,000	4,283	–	–	7,779,159	–	8,345,485	–
MD and CEO	06	1,146,993	566,500	522	12,139	–	–	–	476,560	2,202,714	–
NON-EXECUTIVE											
ML Newman[7]	07	428,719	–	11,281	12,472	–	–	–	–	452,472	312,571
Chairman	06	342,514	–	14,736	12,139	–	–	–	–	369,389	312,571
MH Shepherd	07	189,936	–	3,973	12,686	–	–	–	–	206,595	136,395
Vice-Chairman	06	237,500	–	4,701	12,139	–	–	–	–	254,340	136,395
RA Aboud	07	145,409	–	–	12,686	–	–	–	–	158,095	–
	06	118,750	–	–	10,688	–	–	–	–	129,438	–
SD Finemore[11]	07	10,416	–	–	937	–	–	–	–	11,353	–
	06	–	–	–	–	–	–	–	–	–	–
DM Gonski[11]	07	10,416	–	–	937	–	–	–	–	11,353	–
	06	–	–	–	–	–	–	–	–	–	–
R Holliday-Smith[10]	07	167,692	–	–	11,852	–	–	–	–	179,544	–
	06	–	–	–	–	–	–	–	–	–	–
JJ Kennedy[9]	07	37,468	–	1,151	–	113,662	–	–	–	152,281	–
	06	129,438	–	4,045	–	–	–	–	–	133,483	113,662
TC Rowe	07	133,000	–	–	11,970	–	–	–	–	144,970	–
	06	138,750	–	–	11,804	–	–	–	–	150,554	–
JS Segal	07	195,000	–	–	–	–	–	–	–	195,000	–
	06	138,750	–	–	–	–	–	–	–	138,750	–
MJ Sharpe	07	225,000	–	2,646	11,417	–	–	–	–	239,063	113,662
	06	180,000	–	2,519	12,139	–	–	–	–	194,658	113,662
CM Walter[8]	07	39,875	–	–	3,497	113,662	–	–	–	157,034	–
	06	138,750	–	–	11,804	–	–	–	–	150,554	113,662
PH Warne[10]	07	185,534	–	–	11,852	–	–	–	–	197,386	–
	06	–	–	–	–	–	–	–	–	–	–
Total	07	3,341,839	780,844	32,332	106,441	227,324	15,518	7,779,159	148,952	12,432,409	562,628
Total	06	2,571,445	566,500	26,523	82,852	–	–	–	476,560	3,723,880	789,952

* These figures are not audited

Notes to the directors' remuneration table:

1 Salary and fees include Board and committee fees for non-executive directors and salary and annual leave for the executive director. All amounts are included on an accruals basis.

2 Short-term incentives relate to performance bonuses for the current financial year, payable in the following financial year. 100% of the short-term incentive is payable in cash.

3 Non-monetary benefits relate to the provision of car parking and payment of medical insurance.

4 The value of equity-settled share-based payments has been determined by an independent actuary, using the criteria set out in AASB 2 *Share-Based Payments*.

5 Retirement benefits for non-executive directors were frozen on 26 August 2003. The current Managing Director and CEO is not entitled to any retirement benefits other than superannuation. The total accrued retirement benefits have been disclosed in accordance with the ASX Corporate Governance Council best practice recommendations.

6 Mr Elstone commenced office on 25 July 2006 and Mr D'Aloisio resigned from his position as Managing Director and CEO on 25 July 2006.

7 Mr Newman is provided with office and secretarial support to assist him in carrying out his ASX Board duties. No cost is included as part of his remuneration above.

8 Ms Walter retired on 9 October 2006.

9 Mr Kennedy retired on 9 October 2006.

10 Mr Holliday-Smith and Mr Warne were appointed 25 July 2006.

11 Mr Finemore and Mr Gonski were appointed 1 June 2007.

12 Percentage of Mr Elstone's remuneration which was performance-related is 37.8%. Percentage of remuneration which was performance-rights related is 7.5%.

13 Percentage of Mr D'Aloisio's remuneration which was performance-related is 2.2%, (31.9% excluding termination payment) (2006: 47.4%). Percentage of remuneration which was performance-rights related is nil (2006: 21.6%).

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

Amounts disclosed for remuneration of directors and executives exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts. This is not allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.

Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During FY07, $51,710 was paid to the directors of ASXL who were also directors of SEGC.

12 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, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006. In accordance with those Class orders, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC *Chairman*

Robert G Elstone *Managing Director and CEO*

Sydney, 15th day of August 2007

Appendix A*

December 2003 Offer – Comparator Group

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

December 2005 Offer – Comparator Group

ASX Limited; HK Exchange and Clearing; Singapore Exchange; Deutche Borse; Adelaide Brighton Limited; ABC Learning Centres; Adelaide Bank Limited; Australian Infrastructure; Alinta Limited; Alesco Corporation; Australand Property; Ansell Limited; APN News and Media Limited; AWB Limited; Billabong International; Babcock and Brown Infrastructure; Baycorp Advantage Limited; Bendigo Bank Limited; Babcock and Brown Limited; Bank Of Queensland Limited; Burns Philp and Company; Coca-Cola Amatil Limited; Connecteast Group; Challenger Financial; Coates Hire Limited; Cochlear Limited; Computershare Limited; Crane Group Limited; CSR Limited; Corporate Express Australia; David Jones Limited; Downer Edi Limited; Diversified Utility; DCA Group Limited; Envestra Limited; Futuris Corporation; FKP Property Group; Fairfax (John) Holdings; Gunns Limited; Great Southern Plant; Henderson Group PLC; Hills Industries Limited; Healthscope Limited; Harvey Norman Holdings Limited; James Hardie Industries N.V.; Just Group Limited; Leighton Holdings Limited; Lion Nathan Limited; Macquarie Communications; Metcash Limited; Mayne Pharma Ltd; Nufarm Limited; Pacific Brands Limited; Perpetual Trustees Australia; Paperlinx Limited; Record Investments Limited; Ramsay Health Care Limited; Southern Cross Broad; Seven Network Limited; SFE Corporation Limited; Sigma Company Limited; Spotless Group Limited; Symbion Health Limited; Ten Network Holdings; Timbercorp Limited; Toll Holdings Limited; Transfield Services; Tower Limited; United Group Limited; UniTAB Limited; West Australian News.

December 2006 Offer – Comparator Group

ASX Limited; HK Exchange & Clearing; Singapore Exchange; Deutche Borse; Adelaide Brighton Limited; ABC Learning Centres; Adelaide Bank Limited; Adelaide Brighton Limited; Allco Finance Group Limited; Australian Infrastructure; APN News & Media Limited; Australia Wealth Management; AWB Limited; Billabong International; Babcock & Brown Infrastructure; Bendigo Bank Limited; Babcock & Brown Limited; Babcock & Brown Capital Limited; Bank Of Queensland Limited; Boral Limited; Coca-Cola Amatil Limited; Connecteast Group; Challenger Financial; Coates Hire Limited; Cochlear Limited; Computershare Limited; Crane Group Limited; CSR Limited; David Jones Limited; Downer Edi Limited; Diversified Utility; Dyno Nobel Limited; Futuris Corporation; Flight Centre Limited; Goodman Fielder Limited; Gunns Limited; Henderson Group PLC; Healthscope Limited; Harvey Norman Holdings Limited; Incitec Pivot Limited; James Hardie Industries N.V.; Leighton Holdings Limited; Lion Nathan Limited; Macquarie Communications; Metcash Limited; Nufarm Limited; Pacific Brands Limited; Perpetual Trustees Australia; Paperlinx Limited; Ramsay Health Care Limited; ResMed Inc: Seek Limited; Southern Cross Broad; Seven Network Limited; Sigma Company Limited; Sonic Healthcare Limited; Sp Ausnet; Spark Infrastructure Group; Symbion Health Limited; Telecom Corporation of New Zealand Limited; Ten Network Holdings; Transfield Services; Transpacific Industries; United Group Limited; West Australian News.

* This information is not audited

AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of ASX Limited

The directors received the following declaration from the auditor of ASX Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 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

JF Teer *Partner*

Sydney, 15th day of August 2007

INCOME STATEMENTS

For the year ended 30 June 2007	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Revenues					
Listings		**117,553**	84,796	**–**	–
Cash market		**163,991**	124,722	**–**	–
Derivatives		**152,135**	33,337	**–**	–
Information services		**61,135**	35,725	**–**	–
Technology infrastructure		**23,275**	13,376	**–**	–
Austraclear services		**19,984**	–	**–**	–
Dividends		**3,150**	2,700	**457,150**	52,700
Other		**10,930**	13,675	**–**	–
	4	**552,153**	308,331	**457,150**	52,700
Expenses					
Staff expenses		**84,389**	69,301	**–**	–
Occupancy expenses		**37,619**	31,958	**–**	–
Equipment expenses		**41,859**	21,411	**–**	–
Administration expenses		**21,702**	21,434	**904**	149
	5	**185,569**	144,104	**904**	149
Interest income		**290,144**	32,510	**2,020**	4,165
Interest paid to participants		**(250,375)**	(16,018)	**–**	–
Net interest income		**39,769**	16,492	**2,020**	4,165
Net gain on sale of subsidiary	13(b)	**7,081**	–	**6,679**	–
Net gain on sale of associate		**–**	9,760	**–**	6,472
Profit before income tax expense	6	**413,434**	190,479	**464,945**	63,188
Income tax expense	7	**(120,542)**	(54,976)	**(2,913)**	(3,146)
Net profit for the period attributable to equity holders of the parent		**292,892**	135,503	**462,032**	60,042
Basic earnings per share (cents per share)	9	**175.6**	131.9	**–**	–
Diluted earnings per share (cents per share)	9	**175.0**	131.4	**–**	–

ASX purchased SFE on 11 July 2006, therefore the Income Statement only consolidates SFE from this date.

The Income Statements should be read in conjunction with the notes to the Financial Statements.

BALANCE SHEETS

		Consolidated		The Company	
		2007	2006	**2007**	2006
As at 30 June 2007	Note	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash	10(a)	**118,677**	112,193	**9,912**	2,386
Available-for-sale financial assets	10(b)	**6,504,104**	534,729	**–**	70,390
Receivables	11	**417,249**	25,770	**147,053**	–
Other assets	12	**7,312**	3,671	**–**	327
Total current assets		**7,047,342**	676,363	**156,965**	73,103
Non-current assets					
Investments	13	**138,600**	93,295	**2,562,189**	101,438
Property, plant and equipment	14	**19,025**	17,246	**–**	–
Receivables	11	**557**	1,124	**75,557**	52,024
Intangible assets - software	15	**50,180**	20,184	**–**	–
Intangible assets - goodwill	16	**2,262,759**	5,034	**–**	–
Total non-current assets		**2,471,121**	136,883	**2,637,746**	153,462
Total assets		**9,518,463**	813,246	**2,794,711**	226,565
Current liabilities					
Payables	17	**438,406**	22,255	**–**	–
Amounts owing to participants	18	**6,175,968**	370,610	**–**	–
Current tax liabilities	7	**35,805**	24,248	**35,520**	24,248
Provisions	19	**14,506**	18,624	**–**	–
Other current liabilities	20	**12,754**	3,585	**–**	28,020
Total current liabilities		**6,677,439**	439,322	**35,520**	52,268
Non-current liabilities					
Amounts owing to participants	18	**40,550**	–	**–**	–
Net deferred tax liabilities	7	**23,832**	3,950	**34,695**	19,362
Provisions	19	**20,258**	14,067	**–**	–
Total non-current liabilities		**84,640**	18,017	**34,695**	19,362
Total liabilities		**6,762,079**	457,339	**70,215**	71,630
Net assets		**2,756,384**	355,907	**2,724,496**	154,935
Equity					
Issued capital	22	**2,361,820**	106,282	**2,361,820**	106,282
Retained earnings		**233,349**	129,617	**273,006**	134
Restricted capital reserve	23	**71,489**	71,489	**–**	–
Asset revaluation reserve	23	**81,045**	44,835	**80,955**	44,835
Equity compensation reserve	23	**8,681**	3,684	**8,715**	3,684
Total equity		**2,756,384**	355,907	**2,724,496**	154,935

The Balance Sheets should be read in conjunction with the notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated For the year ended 30 June 2006	Issued capital $'000	Retained earnings $'000	Restricted capital reserve $'000	Asset revaluation reserve $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2005	106,282	104,143	71,489	29,085	1,968	312,967
Net profit for the period	–	135,503	–	–	–	135,503
Share-based payment	–	–	–	–	1,716	1,716
Change in fair value of available-for-sale financial assets (net of tax)	–	–	–	15,750	–	15,750
Dividends paid (not previously provided)	–	(110,029)	–	–	–	(110,029)
Closing balance at 30 June 2006	106,282	129,617	71,489	44,835	3,684	355,907
Income and expense recognised directly in equity	–	–	–	–	1,716	1,716
Total recognised income and expense for the period	–	135,503	–	–	1,716	137,219
For the year ended 30 June 2007						
Opening balance at 1 July 2006	**106,282**	**129,617**	**71,489**	**44,835**	**3,684**	**355,907**
Net profit for the period	**–**	**292,892**	**–**	**–**	**–**	**292,892**
Shares issued to staff	**439**	**–**	**–**	**–**	**–**	**439**
Share-based payment	**–**	**–**	**–**	**–**	**547**	**547**
Capital return	**(99,908)**	**–**	**–**	**–**	**–**	**(99,908)**
SFE merger	**2,355,007**	**–**	**–**	**–**	**4,450**	**2,359,457**
Change in fair value of available-for-sale financial assets (net of tax)	**–**	**–**	**–**	**36,210**	**–**	**36,210**
Dividends paid (not previously provided)	**–**	**(189,160)**	**–**	**–**	**–**	**(189,160)**
Closing balance at 30 June 2007	**2,361,820**	**233,349**	**71,489**	**81,045**	**8,681**	**2,756,384**
Income and expense recognised directly in equity	**439**	**–**	**–**	**–**	**547**	**986**
Total recognised income and expense for the period	**439**	**292,892**	**–**	**–**	**547**	**293,878**

The Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

The Company For the year ended 30 June 2006	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2005	106,282	50,121	29,085	1,968	187,456
Net profit for the period	–	60,042	–	–	60,042
Share-based payment	–	–	–	1,716	1,716
Change in fair value of available-for-sale financial assets (net of tax)	–	–	15,750	–	15,750
Dividends paid (not previously provided)	–	(110,029)	–	–	(110,029)
Closing balance at 30 June 2006	106,282	134	44,835	3,684	154,935
Income and expense recognised directly in equity	–	–	–	1,716	1,716
Total recognised income and expense for the period	–	60,042	–	1,716	61,758
For the year ended 30 June 2007					
Opening balance at 1 July 2006	**106,282**	**134**	**44,835**	**3,684**	**154,935**
Net profit for the period	**–**	**462,032**	**–**	**–**	**462,032**
Shares issued to staff	**439**	**–**	**–**	**–**	**439**
Shared–based payment	**–**	**–**	**–**	**581**	**581**
Capital return	**(99,908)**	**–**	**–**	**–**	**(99,908)**
SFE merger	**2,355,007**	**–**	**–**	**4,450**	**2,359,457**
Change in fair value of available–for-sale financial assets (net of tax)	**–**	**–**	**36,120**	**–**	**36,120**
Dividends paid (not previously provided)	**–**	**(189,160)**	**–**	**–**	**(189,160)**
Closing balance at 30 June 2007	**2,361,820**	**273,006**	**80,955**	**8,715**	**2,724,496**
Income and expense recognised directly in equity	**439**	**–**	**–**	**581**	**1,020**
Total recognised income and expense for the period	**439**	**462,032**	**–**	**581**	**463,052**

The Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

CASH FLOW STATEMENTS

		Consolidated		The Company	
		2007	2006	**2007**	2006
For the year ended 30 June 2007	Note	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Cash receipts from customers		**553,123**	335,527	**–**	–
Cash paid to suppliers and employees		**(173,890)**	(166,004)	**(904)**	(149)
Cash generated from operations		**379,233**	169,523	**(904)**	(149)
Interest received		**290,144**	32,510	**2,020**	4,165
Interest paid		**(250,375)**	(16,018)	**–**	–
Dividends received		**3,150**	2,700	**457,150**	52,700
Income taxes paid	7	**(110,718)**	(49,200)	**(100,091)**	(49,184)
Cash received from Financial Industry Development Account		**2,219**	944	**–**	–
Net cash provided by operating activities	25(a)	**313,653**	140,459	**358,175**	7,532
Cash flows from investing activities					
Acquisition of SFE, net of cash acquired		**(57,738)**	(6,295)	**(57,738)**	(6,295)
Proceeds on sale of subsidiary	13(b)	**14,722**	–	**14,722**	–
Proceeds on sale of associate		**–**	58,927	**–**	58,927
Increase in participants' margins and commitments		**2,800,472**	152,233	**–**	–
Payments for non-current assets		**(15,350)**	(13,881)	**–**	–
(Payments to)/receipts from subsidiary entities		**–**	–	**(89,522)**	78,618
Proceeds on sale of plant and equipment		**23**	92	**–**	–
Repayments from associate		**–**	6,036	**–**	6,036
Net cash provided by/(used in) investing activities		**2,742,129**	197,112	**(132,538)**	137,286
Cash flows from financing activities					
Dividends paid by ASX Ltd		**(189,160)**	(110,029)	**(189,160)**	(110,029)
Dividend paid by SFE Corporation Ltd		**(44,128)**	–	**–**	–
Costs of financing activity		**–**	(327)	**–**	(327)
Capital return		**(99,908)**	–	**(99,908)**	–
Receipts from employee share plan loans		**567**	753	**567**	753
Net cash (used in) financing activities		**(332,629)**	(109,603)	**(288,501)**	(109,603)
Net increase/(decrease) in cash and cash equivalents		**2,723,153**	227,968	**(62,864)**	35,215
Fair value increase of available-for-sale financial assets		**57**	–	**–**	–
Cash and cash equivalents at the beginning of the financial period		**646,922**	418,954	**72,776**	37,561
Cash and cash equivalents on acquisition of SFE		**3,252,649**	–	**–**	–
Cash and cash equivalents at the end of the financial period		**6,622,781**	646,922	**9,912**	72,776
Classification of cash balances:					
ASX own funds		**334,774**	204,823	**9,912**	72,776
Restricted capital reserve	23(b)	**71,489**	71,489	**–**	–
Participants' margins and commitments		**6,216,518**	370,610	**–**	–
Total cash and cash equivalents		**6,622,781**	646,922	**9,912**	72,776

The Cash Flow Statements should be read in conjunction with the notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Significant Accounting Policies

ASX Limited (the 'Company' or 'ASXL') is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial report was authorised for issuance by the Board of Directors on 15 August 2007.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Interpretations, and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of ASX comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that ASX has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation.*

The Financial Report has been prepared in Australian dollars on the historical cost basis except for available-for-sale financial assets which have been recognised at fair value. The functional currency of the Group is also Australian dollars.

Except as described below, the accounting policies have been applied to all periods presented in these financial statements and have been applied consistently by all Group entities.

Available-for-sale financial assets

Cash equivalents have been reclassified from held-to-maturity to available-for-sale. The impact of this reclassification is not material.

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

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements* (October 2006). The principal purpose of this revised standard is to remove some of the Australian specific additional disclosures.
- AASB 2007-4 *Amendments to Australian Accounting Standards* (April 2007). The major impact of this for ASX is that no consolidated financial statements are required where the entity is included in the ASX Group consolidated financial statements and where there are no external users of the statements.

The following standards, amendments to standards and interpretations applicable to ASX were available for early adoption but have not been applied by the Group and the Company in these financial statements:

- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable to the ASX Group for the annual reporting period beginning 1 July 2007 and is expected to only impact on disclosures within the Financial Report
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share* and AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 2005-10 is applicable to the ASX Group for the annual reporting period beginning 1 July 2007 and is expected to only impact on disclosures within the Financial Report
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. Also, AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 must be adopted in conjunction with AASB 8. Both AASB 8 and AASB 2007-3 are applicable to the ASX Group for the annual reporting period beginning 1 July 2009 and are expected to only impact on disclosures within the Financial Report

- Interpretation 11 *AASB 2 Shared-Based Payment – Group and Treasury Share Transactions* is applicable to the ASX Group for the annual reporting period beginning 1 July 2007. This is not expected to impact on the ASX Group
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 is applicable for the annual reporting period beginning 1 July 2007 and early adoption would not impact on ASX as no impairment losses have been recognised.

(b) Basis of Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Listings revenue

Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised evenly over the year.

Cash market

ASX has elected under AASB 139 *Financial Instruments: Recognition and Measurement* to account for revenue from equities trading, clearing and settlement at settlement date. The normal market convention is that this occurs three days after initial trade date.

Derivatives

Derivatives fees are recognised at trade date.

Information services

Revenue from the provision of information services is recognised at the time the service is performed.

Technology infrastructure

Revenue from technology infrastructure is recognised in the period the service is supplied.

Austraclear services

Revenue from Austraclear depository and settlement fees is recognised in the period of service. Revenue from Austraclear registry fees is recognised in the period earned and spread over the period of service in relation to registry activities.

(e) Leases

Finance leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Operating leases

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease where the lease payments have fixed increases.

Lease incentive

Lease incentives are included in several of the operating leases negotiated by the Group, and include rent-free periods and free fit-out of leased areas. The estimated value of the lease incentives has been apportioned over the life of the lease. The net lease costs are recognised in the Income Statement over the lease term to permit a proper matching of expenditure and revenue.

(f) Foreign Currency Translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is ASX Group's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet
- Income and expenses for each Income Statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions).

(g) Interest

Interest income comprises interest earned on ASX's own funds and restricted capital reserve, plus interest earned on participant funds. Interest income on available-for-sale assets is recognised over the asset's term to maturity. Interest paid to participants is recognised in the period incurred.

(h) Dividends

A liability is made for the amount of any dividend declared on or before the end of the financial year but not distributed at Balance Sheet date. Typically, the final dividend in respect of a financial year is declared after year-end, and is therefore not provided for until declared.

(i) Income Tax

Income tax in the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for certain temporary differences, e.g. the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

ASXL elected to form a tax consolidated group for income tax purposes with effect from 1 July 2002. As a result of the merger with the SFE, the SFE tax consolidated group elected to join with the ASXL tax consolidated group on 12 July 2006. ASXL has remained as the head entity for the purposes of the tax consolidation legislation and is therefore liable for the income tax liabilities of the ASXL tax consolidated group.

In accordance with UIG 1052 *Tax Consolidation Accounting*, the consolidated current and deferred tax amounts arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using 'separate taxpayer within Group' approach.

Tax funding agreement

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

- ASX Operations Pty Limited
- Australian Clearing House Pty Limited
- ASX Settlement & Transfer Corporation Pty Limited
- ASX Markets Supervision Pty Limited
- Australian Stock Exchange Pty Limited (formerly ASX International Services Pty Limited)
- SFE Corporation Limited
- Sydney Futures Exchange Limited
- SFE Clearing Corporation Pty Limited
- Austraclear Limited
- Austraclear Services Limited
- Equityclear Pty Limited
- Australian Clearing Corporation Limited
- Chess Depository Nominees Pty Limited
- ASX Futures Exchange Pty Limited
- ASX 234 Pty Ltd
- ASX 345 Pty Ltd
- Options Clearing House Pty Limited
- SECH Nominees Pty Limited, and
- TNS Clearing 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 tax funding agreement also has the objective of allocating the deferred tax asset relating to tax losses only, and current tax liability of the main operating subsidiaries to ASXL. The subsidiaries will reimburse ASXL for their portion of the Group's current tax liability and will recognise this payment as an inter-entity payable/receivable in their financial statements for that financial year. ASXL will reimburse the subsidiaries for the deferred tax asset from any unused tax losses/credits and ASXL will compensate the subsidiaries by making a payment equal to the carrying value of the deferred tax asset (that arose from the unused tax losses/credits).

(j) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(k) Goods and Services Tax (GST)

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Balance Sheet.

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

(l) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1 (r)).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(m) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(n) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash balances and available-for-sale investments that are readily convertible to cash.

(o) Receivables

Trade receivables

Trade receivables, which generally have terms of 30 days, are recognised and carried at original invoice amount. The collectibility of debts is assessed at each reporting date and an impairment loss is recognised for any doubtful debts. Doubtful debts are written off when it is clear that the receivable is not able to be collected.

Margins receivable

Margins receivable from participants, which are due for settlement on the next business day (refer note 11 – Receivables), include the fair value of derivative positions and are recognised on trade-date, the date on which the derivative contracts are registered.

Receivables from related parties

Inter-company trading balances are recognised at amortised cost. Loans to related parties are recognised at amortised cost.

(p) Investments and Other Financial Assets

All investments are initially recognised at fair value, being the fair value of the consideration given and the costs of acquiring the investment.

Available-for-sale investments

Available-for-sale investments comprise money market investments readily convertible to cash within one working day, with a term to maturity of three months or less and which are subject to an insignificant risk of changes in value.

After initial recognition, investments that are classified as available-for-sale are measured at fair value. Apart from impairment losses, gains or losses on available-for-sale investments are recognised directly in an asset revaluation reserve in equity until the investment is de-recognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. When the investment is considered to be impaired, any gain or loss that had been recognised directly in equity is removed from equity and recognised in profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Unlisted shares in subsidiaries

Unlisted shares in subsidiaries are held at cost.

(q) Property, Plant and Equipment

All classes of property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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 ready for use. Depreciation is provided on a straight-line basis on all plant and equipment, over their estimated useful lives.

The depreciation periods for each class of asset, for the current and previous years, are as follows:

	Years ended 30 Jun 07 and 30 Jun 06
Leasehold improvements	the lease term
Plant and equipment	3-7 years
Computer equipment	3-5 years

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

(r) Intangible Assets

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised, but it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense.

Computer software

Computer system development projects, which are expected to provide future benefits, are capitalised at cost and amortised on a straight-line basis over their expected useful life. Capitalised project costs are amortised from the time the project assets are in use. Certain staff costs are capitalised when they can be specifically attributed to major software development projects.

The estimated useful lives for the Group's computer software are as follows:

	Year ended 30 Jun 07
ASX market trading system	7 years (2006: 7 years)
SFE market trading system	minimum term of vendor support
ASX market clearing system	7 years (2006: 7 years)
SFE market clearing system	10 years
SFE settlement and depository system	10 years

(s) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid. The amounts, which are stated at amortised cost, are unsecured and are usually paid within 30 days of recognition.

(t) Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable the obligation will be settled. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and when appropriate, the risks specific to the liability.

Surplus lease space

A provision is required to be made for surplus space in leased premises when it is determined that no substantive future benefit will be obtained by the Group from its occupancy. This arises where premises are currently leased under non-cancellable operating leases and the Group 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.

Make good provision

The Group has operating leases for office space that require the premises to be returned to the lessor in their original condition. The operating lease payments do not include the 'make good' payment at the end of the lease term. A provision is recognised when an obligation to make good exists, which can be reliably estimated.

(u) Employee Benefits

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts if current liabilities and discounted amounts if non-current, based on remuneration wage and salary rates that the Group expects to pay as at reporting date, including related on-costs such as workers' compensation and payroll tax.

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.

Retirement benefit obligations

Obligations for contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

Share-based payment transactions

The Group provides conditional entitlements and performance rights to ordinary shares of the Company to executives and certain staff members as part of the Long-Term Incentive Plan. The fair value of the conditional entitlements and performance rights granted is recognised as an expense with a corresponding increase in equity compensation reserve. The fair value is measured at grant date and is expensed over the performance period. The fair value is determined by an external valuer using the Monte Carlo simulation method, taking into account the terms and conditions upon which the conditional entitlements and performance rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of conditional entitlements and performance rights expected to vest, with a corresponding adjustment to the equity compensation reserve. Where the conditional entitlements and performance rights did not subsequently vest due to a market condition (e.g. 'Total Shareholder Return') not being attained, the expense is not reversed.

The Group also has share plans where staff may be granted shares with a fair value of $1,000. These shares are expensed on the date they are issued to staff based on the ASXL share price on the date of issue, with a corresponding increase in equity.

Bonus plans

The Group recognises a liability and an expense for bonuses taking into consideration the performance of the company and staff. A provision is recognised where there is contractual obligation or where there is past practice that gives clear evidence of the amount of the obligation.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(v) Issued Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Novation of Trades

The Group fully owns two subsidiaries providing central counterparty clearing:

– Australian Clearing House Pty Limited (ACH), which provides novation of cash market securities and derivatives, and

– SFE Clearing Corporation Pty Limited (SFECC), which provides novation of derivatives.

Novation

Transactions between two participant organisations are replaced by novation. The novation replaces the original contract between the two participant organisations with a contract between the selling participant organisation and ACH or SFECC, and a contract between ACH or SFECC and the buying participant organisation. Through the novation process, all positions are matched.

Refer to note 18 for details of equity and derivative trade balances at 30 June 2007.

Cash market securities (comprises equities and managed investments)

Cash market securities are not recognised until settlement date which means that trades occurring in the last three trading days before balance date are not recognised as a financial asset or liability. As a consequence, revenue on cash market securities in the last three trading days before balance date is not recognised in the period the trade occurs.

Derivatives (comprises exchange traded options, futures and warrants)

Derivatives are recognised at fair value at trade date, which is zero. Participants are required to lodge an amount (initial margins) which varies from contract to contract and is based on risk parameters attached to the underlying product at trade date. Movements in the fair value of derivatives after trade date are paid or received on a daily basis via cash settlement (variation margins).

Initial margins which are settled by cash and debt securities which are held by ACH and SFECC are recognised on balance sheet at fair value. Initial margins which are settled by bank guarantees and equity securities are not recognised on balance sheet in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, as ACH is not party to the contractual provisions of the instruments. Initial margins recognised on balance sheet are classified in 'cash and cash equivalents' and 'amounts owing to participants'.

Variation margins are cash settled on a daily basis. Variation margins receivable or payable are recognised on balance sheet at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* .

2 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a central risk department and a Group treasury function under policies approved by the Board of directors. The central risk department manages clearing default credit risk with counterparties, and the Group treasury function manages investment credit, market liquidity and cash flow interest rate risks within limits approved by the Board of Directors and monitored by Risk Management.

(a) Market Risk

For the Group, market risk on contracts traded on the Australian Securities Exchange, including Sydney Futures Exchange, is negligible as the novation process ensures that the Group is not exposed to any price movements on the contracts (refer to note 1(w)).

(b) Credit Risk

The Group has policies in place to manage credit risk with clearing participants including the requirement for participants to lodge margins on open derivative contracts and the daily settlement of market price movements in all derivative contracts traded on Australian Securities Exchange. The credit risk is further managed as described in note 24. With respect to the financial assets of the Group the Board has implemented policies that limit that amount of credit exposure to any one financial institution.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and marketable securities. The Board has implemented policies that specify maximum average maturity limits in order to manage the liquidity risk which is managed by the Group treasury function and monitored by Risk Management. The Group also maintains various credit facilities which are available to meet liquidity requirements (refer to note 25).

(d) Interest Rate Risk

The Group has significant interest bearing assets and liabilities. Interest rate risk on the assets is managed by policies that enable the Group to pay a variable rate on its interest bearing liabilities.

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables:

2 Financial Risk Management *continued*

2007	Note	Floating interest rate 2007 $'000	Fixed interest rate 2007 $'000	Non-interest bearing 2007 $'000	Total 2007 $'000
Financial assets					
Cash	10(a)	118,677	–	–	118,677
Available-for-sale financial assets	10(b)	–	6,504,104	–	6,504,104
Receivables	11	–	–	417,249	417,249
Investments in listed shares	13	–	–	138,600	138,600
Loans to employees	11	–	–	557	557
		118,677	6,504,104	556,406	7,179,187
Weighted average interest rate		6.15%	6.34%	–	–
Financial liabilities					
Payables	17	–	–	438,406	438,406
Amounts owing to participants	18	6,216,518	–	–	6,216,518
Other liabilities	20	–	–	12,754	12,754
		6,216,518	–	451,160	6,667,678
Weighted average interest rate		6.06%	–	–	–
Net financial assets/(liabilities)		**(6,097,841)**	**6,504,104**	**105,246**	**511,509**
2006		2006	2006	2006	2006
Financial assets					
Cash	10(a)	112,193	–	–	112,193
Available-for-sale financial assets	10(b)	–	534,729	–	534,729
Receivables	11	–	–	25,770	25,770
Investments in listed shares	13	–	–	93,295	93,295
Loans to employees	11	–	–	1,124	1,124
		112,193	534,729	120,189	767,111
Weighted average interest rate		5.62%	5.66%	–	–
Financial liabilities					
Payables	17	–	–	22,255	22,255
Amounts owing to participants	18	370,610	–	–	370,610
Other liabilities	20	–	–	3,585	3,585
		370,610	–	25,840	396,450
Weighted average interest rate		5.62%	–	–	–
Net financial assets/(liabilities)		**(258,417)**	**534,729**	**94,349**	**370,661**

Book value approximates to fair value.

(e) Foreign Currency Risk

The Group has no significant exposure to foreign currency risk for the year ended 30 June 2007 (2006: $Nil).

3 Critical Accounting Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimated recoverable amount of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(m). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

Estimated recoverable amount of intangibles

The Group tests annually whether intangibles (software assets) have suffered any impairment, in accordance with the accounting policy stated in note 1(m). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations required the use of assumptions.

4 Segment Reporting

Business Segments

The Group accounts internally for the following business segments:

Exchange traded activities

These activities comprise the derivation of revenue from the operation of the licensed securities and derivatives exchanges (Australian Securities Exchange including Sydney Futures Exchange), and the licensed clearing operations conducted by Australian Clearing House Pty Limited, ASX Settlement & Transfer Corporation Pty Limited and SFE Clearing Corporation Pty Limited. This includes fees for trading, clearing and settlement of equity and derivative contracts, together with revenues from market data services, technology infrastructure, and net interest on participant margin balances held.

Non-exchange traded activities

These include settlement, depository and registry services for debt securities, conducted by the licensed clearing entity, Austraclear Limited. This includes fees for transactions and holdings of debt securities as well as registry and issuer and paying agency fees.

Unallocated revenue and unallocated expenses

Unallocated revenue includes interest earned on group cash reserves. Where applicable, costs that are directly attributable to specific business segments have been charged to those segments, and those costs remaining are unallocated expenses.

BUSINESS SEGMENT FINANCIAL STATEMENTS

For the year ended 30 June 2007	Exchange Traded 2007 $'000	Non-Exchange Traded 2007 $'000	Unallocated 2007 $'000	Consolidated 2007 $'000
Revenues				
Listings	117,553	–	–	117,553
Cash market	163,991	–	–	163,991
Derivatives	152,135	–	–	152,135
Information services	61,135	–	–	61,135
Austraclear services	–	19,984	–	19,984
Technology infrastructure	23,275	–	–	23,275
Dividends	–	–	3,150	3,150
Other revenue	2,194	4,442	4,294	10,930
	520,283	24,426	7,444	552,153
Net interest income				
Interest income	267,600	730	21,814	290,144
Interest expense	(250,375)	–	–	(250,375)
	17,225	730	21,814	39,769
Net gain on sale of subsidiary	–	–	7,081	7,081
	537,508	25,156	36,339	599,003
Operating expenses	(128,339)	(9,142)	(33,209)	(170,690)
Depreciation and amortisation	(10,923)	(1,713)	(2,243)	(14,879)
Profit before income tax expense	398,246	14,301	887	413,434
Income tax expense				(120,542)
Net profit				292,892
Segment assets	6,686,476	34,779	2,797,208	9,518,463
Segment liabilities	6,558,318	17,110	186,651	6,762,079
Acquisitions of plant and equipment and intangibles	12,980	822	2,266	16,068

4 Segment Reporting *continued*

BUSINESS SEGMENT FINANCIAL STATEMENTS

For the year ended 30 June 2006	Exchange Traded 2006 $'000	Non-Exchange Traded 2006 $'000	Unallocated 2006 $'000	Consolidated 2006 $'000
Revenues				
Listings	84,796	–	–	84,796
Cash market	124,722	–	–	124,722
Derivatives	29,985	–	–	29,985
Information services	35,725	–	–	35,725
Technology infrastructure	16,728	–	–	16,728
Dividends	–	–	2,700	2,700
Other revenue	3,384	–	10,291	13,675
	295,340	–	12,991	308,331
Net interest income				
Interest income	17,576	–	14,934	32,510
Interest expense	(16,018)	–	–	(16,018)
	1,558	–	14,934	16,492
Net gain on sale of associate	–	–	9,760	9,760
	296,898	–	37,685	334,583
Operating expenses	(120,231)	–	(13,390)	(133,621)
Depreciation and amortisation	(8,089)	–	(2,394)	(10,483)
Profit before income tax expense	168,578	–	21,901	190,479
Income tax expense				(54,976)
Net profit				135,503
Segment assets	417,688	–	395,558	813,246
Segment liabilities	374,311	–	83,028	457,339
Acquisitions of plant and equipment and intangibles	13,881	–	–	13,881

Geographical segments

The Group operates predominantly in one geographic segment, Australia.

5 Expenses

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Included in expenses are the following items:				
Net doubtful debts (recoveries)	**(425)**	(102)	**–**	–
Net loss on sale and write-downs of plant and equipment	**6,049**	882	**–**	–
Operating lease rental expense	**13,668**	16,505	**–**	–
Employer contribution to superannuation plan	**4,498**	3,407	**–**	–
Expense relating to share-based payments	**1,146**	2,257	**–**	–
Depreciation and amortisation	**14,879**	10,483	**–**	–

6 Individually Significant Expenses Included in Profit Before Income Tax Expense

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Staff expenses	**9,998**	1,301	**–**	–
Occupancy expenses	**19,088**	11,606	**–**	–
Equipment expenses	**2,839**	–	**–**	–
Administration expenses	**1,284**	483	**791**	–
Total	**33,209**	13,390	**791**	–

During the year the $33.2 million of significant expenses resulted from restructuring of operations, premises and staff following the merger with SFE. The table above shows the categories to which the significant items have been allocated in the Financial Statements.

7 Taxation

	Consolidated		The Company	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(a) Income Tax (Expense)				
Profit before income tax expense	**413,434**	190,479	**464,945**	63,188
Prima facie income tax (expense) calculated at 30% (2006: 30%) on the profit before tax	**(124,030)**	(57,144)	**(139,483)**	(18,956)
Movement in income tax (expense) due to:				
Non-tax deductible items	**(159)**	(324)	**–**	–
Adjustment arising from sale of associate	**–**	987	**–**	–
Adjustment arising from sale of subsidiary	**(575)**	–	**(575)**	–
Dividends from wholly owned subsidiaries	**–**	–	**136,200**	15,000
Deductible capitalised merger costs	**2,717**	–	**–**	–
Non-deductible employee equity schemes	**(203)**	–	**–**	–
Net franking credit offset	**945**	810	**945**	810
FIDA non-assessable income	**714**	651	**–**	–
Research and development concession	**61**	43	**–**	–
(Under)/over provision in prior year	**(12)**	1	**–**	–
Total income tax (expense)	**(120,542)**	(54,976)	**(2,913)**	(3,146)
(b) Major Components of Income Tax Expense				
Current tax expense	**(111,892)**	(56,644)	**(3,060)**	(3,029)
Movement in deferred tax liability	**(861)**	(269)	**147**	(117)
Movement in deferred tax asset	**970**	1,936	**–**	–
Reduction in deferred tax on sale of subsidiary	**(38)**	–	**–**	–
Reduction in deferred tax taken to goodwill	**(8,709)**	–	**–**	–
(Under)/over provision in prior year	**(12)**	1	**–**	–
Total income tax (expense)	**(120,542)**	(54,976)	**(2,913)**	(3,146)
(c) Deferred Tax Recognised Directly in Equity				
Relating to revaluation of available-for-sale asset	**(15,480)**	(6,750)	**(15,480)**	(6,750)
Total	**(15,480)**	(6,750)	**(15,480)**	(6,750)
(d) Provision for Current Income Tax				
Balance at beginning of year	**24,248**	16,805	**24,248**	16,789
Acquisition of SFE	**10,371**	–	**–**	–
Income tax paid	**(110,718)**	(49,200)	**(100,091)**	(49,184)
Group current year income tax expense	**111,892**	56,644	**111,363**	56,644
Under/(over) provision in prior year	**12**	(1)	**–**	(1)
Current tax liabilities	**35,805**	24,248	**35,520**	24,248

7 Taxation *continued*

	Consolidated		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(e) Deferred Tax Asset/(Liability)				
Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2006: 30%) of the following items:				
Provisions for:				
– Doubtful debts	**194**	320	**–**	–
– Employee benefits	**5,523**	6,314	**–**	–
– Leased premises	**4,381**	1,039	**–**	–
– Superannuation	**193**	(1)	**–**	–
Accrued expenses	**4,225**	2,821	**–**	–
Straight-lining of leases	**4,612**	2,313	**–**	–
Merger costs	**1,190**	–	**–**	–
Settlement date accounting revenue adjustment	**665**	365	**–**	–
Deferred income	**–**	322	**–**	–
Lease surrender	**1,881**	2,508	**–**	–
Deferred tax asset	**22,864**	16,001	**–**	–
Deferred tax liability comprises the estimated expense at an income tax rate of 30% (2006:30%) of the following items:				
Accrued interest	**6,485**	828	**–**	147
Fixed assets	**579**	(92)	**–**	–
Prepayments	**160**	–	**–**	–
Capitalised projects	**4,748**	–	**–**	–
Revaluation of available-for-sale asset	**34,724**	19,215	**34,695**	19,215
Deferred tax liability	**46,696**	19,951	**34,695**	19,362
Net deferred tax (liability)	**(23,832)**	(3,950)	**(34,695)**	(19,362)

8 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 – 2006	63.9	65,652	9 August 2006	30%	100%
Interim – 2007	72.3	123,508	16 March 2007	30%	100%
Total amount	136.2	189,160			

During the year, SFE Corporation Limited paid a dividend which had previously been provided for:

	Cents per share	Total amount $000	Date of payment	Franked tax rate	Percentage franked
Final – 2006	32.6	44,128	9 August 2006	30%	100%

Dividends recognised in the prior year by the Company are:

	Cents per share	Total amount $000	Date of payment	Franked tax rate	Percentage franked
Final – 2005	50.9	52,289	26 August 2005	30%	100%
Interim – 2006	56.2	57,740	17 March 2006	30%	100%
Total amount	107.1	110,029			

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 – 2007	91.5	156,323	18 September 2007	30%	100%
Total amount	91.5	156,323			

The final dividend has not been recognised in the Financial Statements for the year ended 30 June 2007, but will be recognised in subsequent financial reports.

	The Company	
	2007	2006
Dividend franking account	**$'000**	$'000
30% franking credits available to shareholders of ASXL for subsequent financial years	**74,699**	36,200

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. Fully franked dividends to the amount of $174,297,667 could potentially be paid to shareholders.

9 Earnings Per Share

	Consolidated	
	2007	2006
Basic earnings per share (cents)	**175.6**	131.9
Diluted earnings per share (cents)	**175.0**	131.4

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

Weighted average number of ordinary shares used in calculating basic earnings per share	**166,797,862**	102,735,112
Number of contingently issuable shares	**558,987**	376,570
Weighted average number of ordinary shares used in calculating diluted earnings per share	**167,356,849**	103,111,682

Diluted earnings per share includes the potential effect of unexercised conditional entitlements/performance rights over ordinary shares, issued as part of the ASX Long-Term Incentive Plans.

The basic and diluted earnings per share amounts have been calculated on the basis of net profit after tax of $292,892,000 (2006: $135,503,000).

10 (a) Cash and Cash Equivalents

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Cash and funds on deposit		**118,677**	112,193	**9,912**	2,386
Bank bills, bank certificates of deposit and fixed interest notes held at fair value		**6,504,104**	534,729	**–**	70,390
Total cash and available-for-sale financial assets		**6,622,781**	646,922	**9,912**	72,776
Less: participant balances		**(6,216,518)**	(370,610)	**–**	–
Less: restricted cash		**(71,489)**	(71,489)	**–**	–
Balances as per Cash Flow Statement		**334,774**	204,823	**9,912**	72,776

Clearing participants are required to deposit cash or eligible securities to satisfy margin requirements on outstanding positions on Australian Securities Exchange including Sydney Futures Exchange. Cash deposited is adjusted daily, ensuring the minimum requirements are maintained. In the event of default by a clearing participant on its obligations under contracts, ACH and SFECC have the authority to retain any balances deposited by the defaulting clearing participant to satisfy its obligations.

Deposits at call earn floating interest rates between 0% and 8.00% (2006: 0% and 7.25%). These deposits have an average maturity of one day (2006: one day).

10 (b) Available-For-Sale Financial Assets

Bank bills, certificates of deposit and fixed rate notes – at amortised cost	**6,503,988**	534,729	**–**	70,390
Revaluation surplus transferred to equity	**116**	–	**–**	–
Bank bills, certificates of deposit and fixed rate notes – at fair value	**6,504,104**	534,729	**–**	70,390

Unlisted securities

Unlisted securities, including bank bills, certificates of deposit and fixed rate notes are traded in active markets. Refer to note 1(p) for the accounting policy on available-for-sale financial assets. These securities all have maturities less than one year and carry fixed interest rates between 6.32% and 8.27% (2006: 5.63% and 7.46%). The average interest rate across the entire group of available-for-sale securities is 6.34% (2006: 5.66%).

11 Receivables

	Note				
Current					
Trade debtors		**67,427**	19,209	**–**	–
Less: impairment loss		**(641)**	(1,066)	**–**	–
		66,786	18,143	**–**	–
Margins receivable		**341,800**	3,701	**–**	–
Loans to controlled entities	27	**–**	–	**147,053**	–
Other debtors		**8,663**	3,926	**–**	–
Total		**417,249**	25,770	**147,053**	–
Non-current					
Loans to employees		**557**	1,124	**557**	1,124
Subordinated loan – controlled entities		**–**	–	**75,000**	50,900
Total		**557**	1,124	**75,557**	52,024

12 Other Assets

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Prepayments		**7,312**	3,671	**–**	327

13 Investments

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Non-current					
Controlled entities					
Unlisted shares at cost					
– SFE Corporation Limited	13(a)	**–**	6,295	**2,423,489**	6,295
– Orient Capital Pty Limited	13(b)	**–**	–	**–**	8,043
– Investment in other subsidiaries		**–**	–	**100**	100
Other corporations					
Listed shares at fair value	13(c)	**138,600**	87,000	**138,600**	87,000
Total		**138,600**	93,295	**2,562,189**	101,438

(a) Investment in SFE Corporation Limited

On 11 July 2006 ASX Limited acquired 100% of the shares of SFE Corporation Limited (SFE), via a Scheme of Arrangement. SFE and its subsidiary companies provide exchange traded and over the counter (OTC) services throughout the Asia Pacific region and in other major financial cities in the world.

The components of the cost of the combination are as follows:

	$'000
Shares consideration 68,004,817 @ $34.63*	2,355,007
Cash	33,308
Directly attributable costs**	16,515
Former MD and CEO termination payment	7,779
Consideration for transfer of vested SFE options of former SFE MD and CEO and other senior executives	6,430
Deferred consideration for transfer of vested SFE options of former SFE MD and CEO	4,450
Total cost of combination	2,423,489

* Closing ASX share price on 11 July 2006.

** $6,295,000 of the directly attributable costs were classified as 'Deferred acquisition costs' at 30 June 2006.

In accordance with AASB 3 *Business Combinations*, the acquiree's identifiable assets, liabilities and contingent liabilities have been measured at fair value at the date of exchange:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Cash	82,886	–	82,886
Available-for-sale financial assets	3,169,763	–	3,169,763
Receivables	145,364	–	145,364
Other current assets	4,966	–	4,966
Investments	1	–	1
Plant and equipment	9,218	71	9,289
Intangibles	22,400	6,980	29,380
Goodwill	24,391	(24,391)	–
Current payables	(173,830)	–	(173,830)
Current financial liabilities	(3,012,007)	–	(3,012,007)
Current provisions	(46,739)	–	(46,739)
Current tax liabilities	(10,362)	–	(10,362)
Deferred income	(4,901)	–	(4,901)
Non-current payables	(114)	–	(114)
Non-current provisions	(797)	–	(797)
Net deferred tax (liabilities)/assets	(4,448)	8,709	4,261
Non-current financial liabilities	(36,430)	–	(36,430)
	169,361	(8,631)	160,730
Goodwill on acquisition			2,262,759
Consideration paid			2,423,489

The goodwill recognised on the acquisition is due to a number of factors which were highlighted in the explanatory memorandum to the proposed merger of SFE Corporation Limited with ASX, dated 29 May 2006. These are as follows:

- increased size and financial strength of the merged entity
- broader product coverage and improved earnings diversity
- cost synergies, and
- improved positioning for global exchange consolidation.

It is impracticable to determine the profit of the acquiree since acquisition since the operations, staff and premises of the acquiree have been integrated into the ASX Group.

If the acquisition had occurred on 1 July 2006, consolidated revenue for the period would have been $555.8 million and consolidated net profit after tax for the period would have been $290.3 million.

The net loss after tax of SFE for the period 1 – 11 July 2006 was $2.6 million including $4.7 million of significant expenses after tax related to the merger.

(b) Investment in Orient Capital Pty Limited

On 31 August 2006, the Group disposed of its 100% interest in Orient Capital Pty Limited.

Details of the sale are as follows:

	Consolidated 2007 $'000	The Company 2007 $'000
Consideration received	14,748	14,748
Costs of disposal	(26)	(26)
Carrying amount of net assets sold	(7,641)	(8,043)
Gain on sale before income tax	7,081	6,679
Tax effect	(2,699)	(2,004)
Gain on sale after income tax	4,382	4,675

(c) Listed Shares at Fair Value

ASXL owns 12.7% (2006: 13.7%) of the share capital in IRESS Market Technology Limited, whose principal activity is the provision of equity and related market services to professional market participants. The original cost of the investment was $22,950,000.

The investment in IRESS is classified as an 'available-for-sale' financial asset. Its fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

14 Property, Plant and Equipment

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

2007	Leasehold improvements $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
Cost				
Balance at 1 July 2006	23,543	19,185	33,125	75,853
Acquisition of SFE	12,070	3,629	9,106	24,805
Additions	2,266	548	3,911	6,725
Disposals and write-downs	(11,225)	(509)	(358)	(12,092)
Balance at 30 June 2007	26,654	22,853	45,784	95,291
Accumulated depreciation				
Balance at 1 July 2006	17,071	15,959	25,577	58,607
Acquisition of SFE	5,530	3,216	6,778	15,524
Depreciation expense	2,242	1,534	4,139	7,915
Disposals and write-downs	(5,065)	(362)	(353)	(5,780)
Balance at 30 June 2007	19,778	20,347	36,141	76,266
Net book value at 30 June 2007	**6,876**	**2,506**	**9,643**	**19,025**
2006				
Cost				
Balance at 1 July 2005	31,220	30,002	30,566	91,788
Additions	279	452	3,965	4,696
Disposals and write-downs	(7,956)	(11,269)	(1,406)	(20,631)
Balance at 30 June 2006	23,543	19,185	33,125	75,853
Accumulated depreciation				
Balance at 1 July 2005	26,976	19,981	23,654	70,611
Depreciation expense	2,394	1,967	3,294	7,655
Disposals and write-downs	(12,299)	(5,989)	(1,371)	(19,659)
Balance at 30 June 2006	17,071	15,959	25,577	58,607
Net book value at 30 June 2006	**6,472**	**3,226**	**7,548**	**17,246**

The Company had $nil Property, Plant and Equipment at 30 June 2007 (2006: $nil) and nil movements occurred during the year (2006: $nil).

15 Intangible Assets – Software

The movements in the consolidated intangible asset balances are as follows:

	Computer software
2007	$'000
Cost	
Balance at 1 July 2006	61,148
Acquisition of SFE	42,560
Additions	9,343
Disposals and write-downs	(4,005)
Balance at 30 June 2007	109,046
Accumulated amortisation	
Balance at 1 July 2006	40,964
Acquisition of SFE	13,169
Amortisation expense	6,964
Disposals and write-downs	(2,231)
Balance at 30 June 2007	58,866
Net book value at 30 June 2007	**50,180**
2006	
Cost	
Balance at 1 July 2005	52,001
Additions	9,185
Disposals and write-downs	(38)
Balance at 30 June 2006	61,148
Accumulated amortisation	
Balance at 1 July 2005	38,174
Amortisation expense	2,828
Disposals and write-downs	(38)
Balance at 30 June 2006	40,964
Net book value at 30 June 2006	**20,184**

The Company had $nil Intangible assets – software at 30 June 2007 (2006: $nil) and nil movements occurred during the year (2006: $nil).

16 Intangible Assets – Goodwill

		Consolidated	
		2007	2006
	Note	**$'000**	$'000
Opening balance		**5,034**	5,034
Movements during the year			
– Disposal of Orient Capital Pty Limited	13(b)	**(5,034)**	–
– Acquisition of SFE Corporation Limited	13(a)	**2,262,759**	–
Closing balance		**2,262,759**	5,034

(a) Impairment Test for Goodwill and Intangibles

Goodwill is allocated to the Group's cash-generating-units (CGUs) identified according to business segment. Management determined the ASX Group to consist of two CGUs, namely Exchange traded and Non-exchange traded.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial estimates reviewed by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The goodwill attributable to each CGU is as follows:

- Exchange traded: $2,187,379,000, and
- Non-exchange traded: $75,380,000.

No impairment charge arose in the current year (2006: nil).

(b) Key Assumptions Used for Value-In-Use Calculations

Management determined budgeted gross margin based on past performance and the fees applicable from 1 July 2007, and its expectations for the future. The growth rates, used for revenue and expense projections are consistent with or lower than historical trends for the business segment.

The post-tax discount rates used are 11.75% for both CGUs and reflects risk estimates for the business segment. The growth rate used to extrapolate cash flow projections beyond five years is 8% pa for the Exchange traded CGU and 1% pa for the Non-exchange traded CGU.

17 Payables

	Consolidated		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade creditors	**3,231**	3,077	**–**	–
Margins payable	**341,800**	3,701	**–**	–
Interest payable	**34,636**	–	**–**	–
Rebates payable	**32,011**	279	**–**	–
Other creditors and accruals	**26,728**	15,198	**–**	–
Total	**438,406**	22,255	**–**	–

18 Amounts Owing to Participants

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current	**6,175,968**	370,610	**–**	–
Non-current	**40,550**	–	**–**	–
Total	**6,216,518**	370,610	**–**	–

Amounts owing to participants represent balances to cover margins on equity and derivative contracts, and are repayable to clearing participants on settlement or closure of contracts (refer note 24(a)). These interest bearing balances are carried at the amounts deposited which represent fair value.

19 Provisions

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current				
Employee entitlements	**8,814**	17,503	**–**	–
Premises provisions	**5,692**	1,121	**–**	–
Total	**14,506**	18,624	**–**	–
Non-current				
Employee entitlements	**4,013**	4,022	**–**	–
Premises provisions	**16,245**	10,045	**–**	–
Total	**20,258**	14,067	**–**	–

The movement in the premises provision during the year consists of:

	Premises
Consolidated	$'000
Balance at 1 July 2006	**11,166**
Provisions made during the year	**13,093**
Provisions used/reversed during the period	**(2,322)**
Balance at 30 June 2007	**21,937**
Current	**5,692**
Non-current	**16,245**
The Company	
Balance at 1 July 2006	**–**
Balance at 30 June 2007	**–**

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

The leased premises provision comprises lease straight-lining adjustment, make good provisions, surplus lease provisions and lease incentives.

20 Other Liabilities

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
Revenue received in advance		**8,754**	3,541	**–**	–
Loans from controlled entities	27	**–**	–	**–**	28,020
Other financial liabilities		**4,000**	44	**–**	–
Total		**12,754**	3,585	**–**	28,020

The loans from controlled entities are interest-free and have no fixed repayment date.

21 Commitments

(a) Capital and Operating Commitments

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Due:				
Not later than one year	**9,012**	15,443	**–**	–
Later than one year but not later than five years	**20,635**	17,355	**–**	–
Later than five years	**15,392**	19,536	**–**	–
Total	**45,039**	52,334	**–**	–

(b) Non-Cancellable Operating Lease Rental Commitments

Future operating lease rental of premises:

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Due:				
Not later than one year	**13,337**	15,330	**–**	–
Later than one year but not later than five years	**48,938**	62,304	**–**	–
Later than five years	**–**	7,802	**–**	–
Total	**62,275**	85,436	**–**	–

The Group'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 five years with options to extend for further periods. Future rentals are subject to indexation and periodical rent reviews. The above amounts represent committed gross payments and the Group has contracted to receive sub-lease income of $5,475,857.

22 Issued Capital

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Opening balance at 1 July		**106,282**	106,282	**106,282**	106,282
Merger with SFE	13(a)	**2,355,007**	–	**2,355,007**	–
Capital return		**(99,908)**	–	**(99,908)**	–
Shares issued to staff		**439**	–	**439**	–
Closing balance at 30 June		**2,361,820**	106,282	**2,361,820**	106,282

Capital return

On 20 October 2006, ASX made a capital return on 170,782,432 shares of 58.5 cents per share. This resulted in a payment of $99.9 million. Refer to Statement of Changes in Equity for impact on ASX capital and the Cash Flow Statement for the impact on cash.

Movements in ordinary shares during the year:	2007 No. of shares	2006 No. of shares
Balance at beginning of year	**102,741,815**	102,702,190
Issued on merger with SFE	**68,004,817**	–
Shares issued under Long-Term Incentive Plans	**89,483**	39,625
$1,000 free shares issued to staff	**8,925**	–
Total	**170,845,040**	102,741,815

Fully paid ordinary shares carry the right to participate in dividends. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. At 30 June 2007 all ordinary shares issued were fully paid. On a show of hands every holder of ordinary shares present in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

23 Reserves

(a) Movements in Reserves

Refer to Statement of Changes in Equity for movement in reserve balances.

(b) Nature and Purpose of Reserves

Restricted capital 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.

Asset revaluation reserve

Changes in the fair value of financial assets (including investments) classified as available-for-sale are taken to the asset revaluation reserve as described in note 1(p). Amounts are recognised in the Income Statement when the associated assets are sold or impaired.

Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of conditional entitlements/performance rights issued under the ASX Long-Term Incentive Plans.

24 Contingent Liabilities

(a) Novation

The Group fully owns two subsidiaries, Australian Clearing House Pty Limited (ACH) and SFE Clearing Corporation Pty Limited (SFECC), which provide novation of certain financial assets and liabilities.

Australian Clearing House Pty Limited

ACH, a controlled entity of ASX, provides contract guarantee support for clearing across all ASX markets which includes derivatives; comprising exchange traded options, futures, and warrants; and cash market securities comprising equities and managed investments. 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.

As at 30 June 2007 ACH had a right to receive from participants payments of $1,473.3 million (2006: $742.5m) and a corresponding obligation to make payments of $1,473.3 million (2006: $742.5m) relating to cash market securities. Furthermore, total collateral required by ACH to cover participants' derivatives exposures was $1,242.1 million (2006: $1,080.9m). This was made up of cash of $470.9 million (2006: $370.6m), bank guarantees of $112.1 million (2006: $116.0m) and the remainder in equity securities. As at that date, participants had lodged collateral with ACH in the form of equity securities with a market value of $3,109.9 million (2006: $2,605.4m).

At the date of this financial report, all net delivery and net payment obligations relating to cash market securities owing to or by participants at 30 June 2007 were settled.

Support

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 2001 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 due to 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. Any losses incurred as a result of default by a participant default may have to be met from ACH's own financial resources including the restricted capital.

In the event of a clearing default, the financial resources at 30 June 2007 available to ACH, to be applied in the following order, are:

1. Collateral or other margin or contributions lodged by the defaulting participant with ACH under the ACH Clearing Rules.
2. Restricted Capital Reserve of $71.5 million. In accordance with the terms of ACH's Australian Clearing and Settlement Facility Licence, unless the Minister agrees otherwise, these funds can only be used by ACH for clearing and settlement support.
3. ASXL provided subordinated debt of $75 million and equity capital of $5 million. ASXL has funded the difference between the Restricted Capital Reserve 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, ACH has determined the Reserve Requirement to be $150 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 Restricted Capital Reserve 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 re-capitalise ACH following a clearing loss. ASX will continue to support the day to day operations of ACH (e.g. by the provision of staff, facilities and funds to meet expenses (other than a clearing loss)).

4 External insurance cover up to $100 million, with an insurer rated AA by Standard & Poor's.

5 Contributions obtained from participants under the ACH Clearing Rules. (Nil for years ending 30 June 2007 and 2006).

6 Emergency Assessments of $300 million may be levied on participants under the ACH Clearing Rules. (Nil has been levied for years ending 30 June 2007 and 2006).

The order in which these resources may be applied is set out in detail in the ACH Clearing Rules 5.8.3 Application of Clearing Assets.

Fidelity risk levy to SEGC

As a result of the NGF restructure in March 2005, a minimum amount is retained in the NGF to cover fidelity claims made against market participants. The minimum amount at 30 June 2007 was $99.7 million. If the amount of the NGF falls below the minimum amount determined by the Minister 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 that 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 may give rise to a civil action, but does not constitute an offence under the Act.

SFE Clearing Corporation Pty Limited

SFECC provides clearing for Sydney Futures Exchange derivatives markets. 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 SFECC, and a contract between SFECC and the buying participating organisation. Through the novation process, all positions are matched.

SFECC is liable for the settlement of all futures and options contracts traded on the Sydney Futures Exchange between clearing participants, and is supported by margins received from participants and by specific financial commitments totalling $200 million referred to as the 'Clearing Guarantee Fund'. In the event of participant default, once available margins have been used the Clearing Guarantee Fund would normally be applied to meet a participant default in the following priority:

	2007 $'000
SFECC equity and subordinated debt	80,000
Participant financial backing	60,000
External insurance	60,000
	200,000

Participant financial backing comprises cash ($40,550,000) and non-cash commitments (letters of credit drawn on a major Australian licensed bank $19,450,000). The external insurance has been taken out with an insurer rated AA by Standard & Poor's. In the event of a default in excess of the $200 million Clearing Guarantee Fund, the balance of SFECC's net assets would be at risk and SFECC could call emergency contributions from participants totalling $30 million. At 30 June 2007 SFECC had total net assets of $36,653,000.

In the event that the net assets of SFECC are less than $30 million, SFE Corporation Limited (a wholly-owned subsidiary of ASX) has undertaken to pay to SFECC such amount of money as SFECC certifies is necessary to meet the shortfall in its net assets below $30 million, other than shortfall directly attributable to a default by a Clearing Participant, thereby underwriting SFECC's commitment to the Clearing Guarantee Fund.

(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 Income Statement and Balance Sheet, comprising the Company and the subsidiaries that are party to the Deed, after eliminating all transactions between parties to the Deed, at 30 June 2007, are shown below:

Summarised Income Statement, Balance Sheet and Retained Earnings for parties to the Deed of Cross Guarantee	Consolidated 2007 $'000	2006 $'000
Income Statement		
Profit before related income tax expense	**445,750**	228,476
Income tax (expense)	**(77,859)**	(51,863)
Profit after related income tax expense	**367,891**	176,613
Retained earnings at beginning of year	**128,008**	61,424
Dividends recognised during year	**(189,160)**	(110,029)
Retained earnings at end of year	**306,739**	128,008
Balance Sheet		
Current assets		
Cash	**31,956**	77,248
Available-for-sale financial assets	**34,897**	71,238
Receivables	**190,323**	20,293
Other assets	**3,361**	3,614
Total current assets	**260,537**	172,393
Non-current assets		
Investments – other	**2,572,189**	111,439
Deferred tax assets	**14,196**	–
Property, plant and equipment	**15,864**	16,989
Intangible assets	**20,382**	18,306
Receivables	**75,557**	52,024
Total non-current assets	**2,698,188**	198,758
Total assets	**2,958,725**	371,151
Current liabilities		
Payables	**33,283**	18,357
Current tax liabilities	**35,520**	24,248
Provisions	**15,574**	18,150
Other current liabilities	**3,032**	2,513
Total current liabilities	**87,409**	63,268
Non-current liabilities		
Deferred tax liabilities	**35,251**	3,330
Provisions	**16,548**	6,654
Other non-current liabilities	**–**	7,315
Loans - related parties	**61,288**	7,775
Total non-current liabilities	**113,087**	25,074
Total liabilities	**200,496**	88,342
Net assets	**2,758,229**	282,809
Equity		
Issued capital	**2,361,820**	106,282
Asset revaluation reserve	**80,955**	44,835
Equity compensation reserve	**8,715**	3,684
Retained earnings	**306,739**	128,008
Total equity	**2,758,229**	282,809

(c) Litigation

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

(d) Employee Share Plans

In prior years employees were provided with non-recourse loans to acquire ordinary shares under an ASX employee share purchase plan. 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. Details specific to offers made under this plan are outlined below:

	Offer 1	Offer 2	Offer 3	Total
Issue price of shares	$8.34	$13.85	$12.51	
Contingent liability will arise if ASXL share price falls to	$2.14	$8.24	$7.59	
	$'000	$'000	$'000	$'000
Market value of shares	1,896	1,481	1,911	5,288
Loan balance outstanding	24	259	274	557
Contingent liability	–	–	–	–

The ASXL share price at 30 June 2007 was $48.70 (2006: $32.03). At 30 June 2007, there was no contingent liability relating to any of the above offers (2006: $nil).

25 Notes to the Cash Flow Statement

(a) Reconciliation of the Operating Profit After Income Tax to the Net Cash Flows from Operating Activities

	Consolidated		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Net profit after tax	**292,892**	135,503	**462,032**	60,042
Add non-cash items:				
Depreciation and amortisation	**14,879**	10,483	**–**	–
Gain on sale of associate	**–**	(9,760)	**–**	(6,472)
Gain on sale of subsidiary	**(7,081)**	–	**(6,679)**	–
Net loss on sale and write-down of non-current assets	**6,049**	882	**–**	–
Share-based payment expense	**1,146**	1,819	**–**	–
Shares issued to staff	**439**	–	**–**	–
Changes in assets and liabilities:				
Increase/(decease) in tax balances	**9,825**	5,776	**(97,178)**	(46,038)
(Increase)/decrease in current receivables	**(47,044)**	4,887	**–**	–
Decrease/(increase) in other current assets	**2,202**	(2,032)	**–**	–
Increase in payables	**34,532**	4,384	**–**	–
Increase/(decrease) in other current liabilities	**2,519**	(4,149)	**–**	–
(Decrease) in current provisions	**(2,087)**	(3,187)	**–**	–
Increase/(decrease) in non-current provisions	**12,697**	(3,864)	**–**	–
(Decrease) in other non-current liabilities	**(7,315)**	(283)	**–**	–
Net cash provided by operating activities	**313,653**	140,459	**358,175**	7,532

25 Notes to the Cash Flow Statement *continued*

(b) Financing Facilities Available

	Consolidated		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
At balance date, the following financing facilities had been negotiated and were available:				
Bank overdraft	**50,000**	50,000	**50,000**	50,000
Bridging finance	**–**	150,000	**–**	150,000
Term debt facility	**–**	425,000	**–**	425,000
Stand-by line of credit	**150,000**	100,000	**–**	100,000

At balance date the entire balance of financing facilities was not utilised.

26 Key Management Personnel Disclosures

The Group has taken advantage of the relief provided by Corporations Regulation 2M.6.04 to reduce duplication in the annual report of listed entities, and as such, certain disclosures required by AASB 124 *Related Party Disclosures* have been transferred to the Remuneration Report and are subject to audit.

(a) Identity of Key Management Personnel

The following were Key Management Personnel of the Group at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period:

Non-executive directors:

Mr ML Newman (Chairman)
Mr MH Shepherd (Vice-Chairman)
Mr RA Aboud
Mr DM Gonski (appointed 1 June 2007)
Mr SD Finemore (appointed 1 June 2007)
Mr R Holliday-Smith (appointed 25 July 2006)
Mr TC Rowe
Ms JS Segal
Mr MJ Sharpe
Mr PH Warne (appointed 25 July 2006)
Mr JJ Kennedy (retired 9 October 2006)
Ms CM Walter (retired 9 October 2006)

Current Managing Director and CEO

Mr RG Elstone (appointed 25 July 2006)

Former Managing Director and CEO

Mr AM D'Aloisio (resigned 25 July 2006)

Executives

Mr AJ Bardwell (Chief Financial Officer appointed 4 December 2006)
Mr ES Mayne (Chief Supervision Officer)
Mr JJ Olsson (Group Executive Technology)
Mr PD Hiom (Group Executive Business Development appointed 12 July 2006)
Mr CR Scully (Group Executive Operations)

(b) Key Management Personnel Compensation

The Key Management Personnel compensation is as follows:

	Consolidated	
	2007	2006
	$	$
Short-term employee benefits	**7,175,516**	5,484,567
Post-employment benefits	**391,426**	119,269
Other long-term benefits	**38,928**	16,687
Termination benefits	**7,779,159**	–
Share-based payments	**503,787**	700,635
Total	**15,888,816**	6,321,158

Included in 2007 are termination payments made to the former Managing Director and CEO (refer to Remuneration Report Section 11.10.6) and the former Chief Financial Officer (refer to Remuneration Report Section 11.9.1). Compensation for all Key Management Personnel is incurred through ASX Operations Pty Limited and SFE Corporation Limited, therefore Company disclosures are nil balances.

(c) Individual Directors and Executives Compensation Disclosures

Information regarding directors and executives compensation is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

(d) Loans to Key Management Personnel

No Key Management Personnel has entered into any loans with any company in the ASX Group except to participate in ASX share acquisition schemes.

In prior years, interest-free loans were offered to all ASX staff, excluding the Managing Director and CEO, as part of employee share purchase plans. These plans are no longer in use by ASXL and the balances relate to issues made in prior years. Executives were eligible to participate in these share purchase plans, and consequently took out interest-free loans. ASX Directors including the Managing Director and CEO, 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 on the Group to Key Management Personnel 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
2007	65,254	(18,333)	–	46,921	5,206	2
2006	70,546	(5,292)	–	65,254	5,574	2

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 8.75%.

2 The 2006 comparatives have been restated to reflect only those Key Management Personnel included in 2007 analysis.

The disclosures above are in aggregate as no individual loan balance exceeded $100,000 at any time during the financial year.

(e) Conditional Entitlements and Performance Rights Granted as Compensation

The following shows the movement during the reporting period in the number of conditional entitlements and performance rights over ordinary shares in ASXL held directly, indirectly or beneficially, by each Key Management Personnel, including their related parties:

	Held at 1 July 2006	Granted as compensation	Held at 30 June 2007
Directors			
RG Elstone	–	30,000	30,000
Executives			
AJ Bardwell	–	3,900	3,900
PD Hiom	–	3,900	3,900
ES Mayne*	–	–	–
JJ Olsson	24,400	3,900	28,300
CR Scully	53,200	3,900	57,100

* ES Mayne (Chief Supervision Officer) does not receive any equity-settled based long-term incentives. Instead he is entitled to a cash-based long-term incentive – see Remuneration Report for further details.

In addition to the above, RG Elstone is entitled to receive 134,000 shares on 25 January 2008, in respect of SFE options held prior to the merger.

The performance rights granted as compensation were done so as part of the December 2006 plan – see Remuneration Report for further details.

No conditional entitlements or performance rights were vested at the reporting date.

(f) 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 Key Management Personnel, including their related parties:

	Held at 1 July 2006	Shares acquired on SFE merger	Net change – other[1]	Held at 30 June 2007
Directors				
RG Elstone	–	–	–	–
AM D'Aloisio[2]	3,000	–	–	Not required
ML Newman	60,000	–	–	60,000
MH Shepherd	20,000	–	–	20,000
RA Aboud	10,000	312,382	–	322,382
SD Finemore[3]	Not required	–	–	–
DM Gonski[3]	Not required	–	–	15,806
R Holliday-Smith	–	3,825	–	3,825
TC Rowe	4,300	–	–	4,300
JS Segal	2,000	–	–	2,000
MJ Sharpe	2,000	–	–	2,000
PH Warne	–	5,610	–	5,610
JJ Kennedy[4]	1,000	–	–	Not required
CM Walter[4]	8,000	–	–	Not required
Executives				
AJ Bardwell	–	–	21	21
PD Hiom	–	209,100	–	209,100
ES Mayne	–	–	–	–
JJ Olsson	24,400	–	22,273	46,673
CR Scully	53,200	–	(48,798)	4,402

1 Net change – other includes purchases and sales of shares.

2 Resigned as Managing Director and CEO on 25 July 2006, therefore shareholdings after this date have not been disclosed.

3 Appointed as ASXL directors on 1 June 2007, therefore shareholdings at this date have not been disclosed.

4 Retired as ASXL director on 9 October 2006, therefore shareholdings after this date have not been disclosed.

27 Related Parties

(a) Parent Entity

The ultimate parent entity within the ASX Group is ASX Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

ASX Operations Pty Limited (ASXO) acts as the operating entity for most of the transactions of the Group. Expenses paid, revenues collected and purchase of capital items on behalf of other entities within the Group are booked into inter-entity trading accounts. Interest is not charged on any inter-entity trading account.

ASXL has a subordinated loan agreement with ACH for $75,000,000 (2006: $50,000,000). 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 liquid and cash 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.

Balances with entities within the wholly-owned group	Note	The Company **2007 $'000**	The Company 2006 $'000
The aggregate amount payable/receivable to wholly-owned controlled entities by the Company at balance date is as follows:			
Current			
Loans to/(from) controlled entities	11, 20	**147,053**	(28,020)
Non-current			
Subordinated loan to controlled entities	11	**75,000**	50,900
Interest is not paid on any inter-company loans.			
Dividends			
Dividends received or due and receivable by the Company from wholly-owned controlled entities		**454,000**	50,000

(c) Transactions with Directors and Director Related entities

The Company, on a daily basis, enters into transactions under normal commercial terms and conditions with corporations that some of the directors are either related to or employed by.

The Group maintains two fidelity funds for Australian Securities Exchange against claims for the defalcation of monies in relation to equities, futures and options trading. ASXL acts as trustee for ASX Division 3 Compensation Fund and Sydney Futures Exchange Limited acts as trustee to the Sydney Futures Exchange Limited Fidelity Fund.

ASXL is the sole member of SEGC, which is responsible for administering the National Guarantee Fund, a compensation fund available to meet certain types of claims arising from dealings with participants of ASX and, in limited circumstances, participants of ACH.

28 Controlled Entities

Name of entity	Parent entity's investment[1] **2007 %**	2006 %
Parent entity: ASX Limited		
Controlled entities:		
ASX Operations Pty Limited (ASXO)[2]	**100**	100
ASX Supervisory Review Pty Limited[5]	**100**	100
ASX Markets Supervision Pty Limited	**100**	–
CHESS Depositary Nominees Pty Limited	**100**	100
SFE Corporation Limited	**100**	–
Australian Stock Exchange Pty Limited (previously ASX International Services Pty Limited)	**100**	100
ASX Futures Exchange Pty Limited	**100**	100
Orient Capital Pty Limited[4]	**–**	100
Controlled entities of ASXO:		
ASX Settlement and Transfer Corporation Pty Limited	**100**	100
Australian Clearing House Pty Limited[3]	**100**	100
ASX 345 Pty Limited (previously ASX Pty Limited)	**100**	100
Options Clearing House Pty Limited[2]	**100**	100
ASX 234 Pty Limited (previously Australian Securities Exchange Pty Limited)	**100**	100
SECH Nominees Pty Limited[2]	**100**	100
Controlled entities of ASTC:		
TNS Clearing Pty Limited	**100**	100
Controlled entities of SFE Corporation Limited:		
Sydney Futures Exchange Limited	**100**	100
SFE Clearing Corporation Pty Limited (SFECC)[3]	**100**	100
Austraclear Limited (ACL)[3]	**100**	100
SFE Executive Equity Plan Trust	**100**	100
New Zealand Futures and Options Exchange Limited	**100**	100
Controlled entities of Sydney Futures Exchange Ltd:		
Australian Securities Exchange (US) Inc (formerly Sydney Futures Exchange (US) Inc)	**100**	100
Controlled entities of ACL:		
Austraclear Services Limited	**100**	100
Equityclear Pty Limited	**100**	100
Australian Clearing Corporation Limited	**100**	100

1 Parent entity refers to the immediate controlling entity of the entity in which the investment is shown.

2 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Class Order 98/1418. Refer note 24(b) for details of the Deed of Cross Guarantee.

3 Australian Clearing House Pty Limited, SFE Clearing Corporation Pty Limited and Austraclear Limited are subject to certain restrictions resulting from their licence obligations.

4 ASXL sold Orient Capital Pty Limited on 31 August 2006 – see note 13(b) for further details.

5 ASX Supervisory Review Pty Limited was de-registered on 30 June 2007.

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 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 except for Australian Securities Exchange US Inc (incorporated in the US) and New Zealand Futures and Options Exchange Limited (incorporated in New Zealand).

29 Auditor's Remuneration

Audit fees paid by ASX Group for and on behalf of all ASX Group entities were:

	Consolidated	
	2007	2006
	$	$
Audit services:		
Audit and review of the financial reports and other audit work under Corporations Act 2001	**758,215**	534,450
Non-audit services:		
Audit of clearing system and processes	**–**	200,000
Tax compliance services	**136,210**	98,471
Advisory services	**–**	53,700
Other audit related services	**99,500**	89,419
Total auditor's remuneration	**993,925**	976,040

In addition to the above, the auditors received total audit fees of $23,400 in relation to the audits of SEGC, and ASX and SFE fidelity funds which are not consolidated as part of the ASX Group results.

Also, the ASX Group paid internal audit and taxation fees of $53,280 and $51,133 respectively in relation to work performed by KPMG for SFE prior to the merger and their appointment as auditors of SFE.

30 Subsequent Events

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

DIRECTORS' DECLARATION

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

(a) the financial statements and notes and the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.5 and 11.10.6 of the Remuneration Report in the Directors' Report, set out on pages 56 to 89, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Group as at 30 June 2007 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a), and

(c) the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.5 and 11.10.6 of the Remuneration Report in the Directors' Report comply with AASB 124 *Related Party Disclosures*, and

(d) 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 note 28 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 2007.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC *Chairman*

Robert G Elstone *Managing Director and CEO*

Sydney, 15th day of August 2007

INDEPENDENT AUDIT REPORT

Independent Auditor's Report to the Members of ASX Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of ASX Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'Remuneration Report' in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.5 and 11.10.6 of the Directors' Report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards but that the financial report of the Company does not comply.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' Report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of ASX Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.5 and 11.10.6 of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

JF Teer *Partner*

Sydney, 15th day of August 2007

SHAREHOLDER INFORMATION

As at 31 July 2007

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 to 1,000	23,678	11,130,540	6.51
1,001 to 5,000	8,667	18,669,268	10.93
5,001 to 10,000	810	5,825,779	3.41
10,001 to 100,000	811	28,625,415	16.76
100,001 and over	167	106,594,038	62.39
Total	34,133	170,845,040	100.00

The number of security investors holding less than a marketable parcel of 11 securities ($49.05 on 31 July 2007) is 94 and they hold 437 securities.

Substantial Shareholders

The following organisation has disclosed a substantial shareholder notice to ASX:

Name	Number of shares	% of voting power advised
Commonwealth Bank of Australia	9,087,022	5.32%

Largest 20 Shareholders

The largest 20 shareholders in the company are:

	Name	Number of shares	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	20,164,955	11.80
2	Citicorp Nominees Pty Limited	16,612,019	9.72
3	JP Morgan Nominees Australia Limited	15,793,651	9.24
4	National Nominees Limited	14,823,870	8.68
5	ANZ Nominees Limited	7,330,115	4.29
6	UBS Nominees Pty Limited	4,381,603	2.56
7	Cogent Nominees Pty Limited	3,732,064	2.18
8	UBS Wealth Management Australia Nominees Pty Limited	1,945,154	1.14
9	Bond Street Custodians Limited	1,536,852	0.90
10	Queensland Investment Corporation	1,209,181	0.71
11	AMP Life Limited	1,087,247	0.64
12	Invia Custodian Pty Limited	946,890	0.55
13	Merrill Lynch (Australia) Nominees Pty Limited	401,160	0.23
14	Speedy Target Limited	317,373	0.19
15	Aust Executor Trustees NSW Limited	296,478	0.17
16	RBC Dexia Investor Services Australia Nominees Pty Limited	296,153	0.17
17	Mr Robert John Connolly	287,847	0.17
18	Law Venture Pty Limited	285,942	0.17
19	Belike Nominees Pty Limited	270,405	0.16
20	Equity Trustees Limited	237,849	0.14
	Total	91,956,808	53.81

On-Market Buy-Back

There is no current on-market buy-back.

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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 1, 89 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) 3832 4114

Melbourne
Level 45, South Tower, Rialto
525 Collins Street
Melbourne VIC 3000
Telephone (61 3) 9617 8611
Facsimile (61 3) 9614 0303

Perth
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000
Telephone (61 8) 9224 0000
Facsimile (61 8) 9221 2020

Share registry
Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Telephone 1300 724 911 or (61 2) 8280 7470
Facsimile (61 2) 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Auditor
KPMG

ASX on the internet
www.asx.com.au
Email: info@asx.com.au

ASX by telephone
Customer Service
131 279 (for the cost of a local call
from anywhere in Australia)
(61 2) 9338 0000 (from overseas)

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