



ASX

2011  
ASX Limited Annual Report



## WHO WE ARE

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ASX Limited is the listed holding company for a number of licensed operating subsidiaries, together forming the ASX Group (ASX or Group), which offer a range of market services linked by a common purpose: to provide core financial markets services and infrastructure to meet the needs of a wide range of financial markets stakeholders, and for a globally competitive and vibrant Australian economy.

ASX is a multi-asset class, vertically integrated exchange group, ranked one of the world's top-10 largest by market capitalisation. Its activities span:

- primary and secondary market services, including the raising, allocation and hedging of capital flows, trading and investing, and price and volume discovery (via Australian Securities Exchange);
- central counterparty risk transfer (via subsidiaries of ASX Clearing Corporation); and
- transaction settlement for both the equities and fixed income markets (via subsidiaries of ASX Settlement Corporation).

ASX functions as a market operator, clearing house, payments system facilitator and central securities depository. ASX also oversees compliance with its operating rules, promotes standards of corporate governance among Australia's listed companies and helps to educate retail investors.

The domestic and international customer base of ASX is diverse. It includes issuers (such as corporations and trusts) of a variety of listed securities and financial products, investment and trading banks, fund managers, hedge funds, commodity trading advisers, brokers and proprietary traders, market data vendors and retail investors, as well as other listing and trading venues.

Underpinning ASX's activities as a market operator is the quality of the monitoring and enforcement of compliance with its operating rules performed by its wholly-owned subsidiary, ASX Compliance. By providing its systems, processes and services reliably and fairly, ASX seeks to promote confidence in the markets that depend on its infrastructure. This is integral to ASX's long-term commercial success.

Confidence in the operations of the companies within the Group is reinforced by the whole-of-market regulation undertaken by the Australian Securities and Investments Commission (ASIC) across all listing and trading venues, as well as the oversight by the Reserve Bank of Australia of the Group's clearing and settlement facilities for financial system stability. ASIC also supervises ASX's own compliance as a public company with ASX Listing Rules.

More information on ASX can be found at: [www.asxgroup.com.au](http://www.asxgroup.com.au)



## CHAIRMAN'S LETTER

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Dear shareholders,

When a lot is going on around you it can be easy to be swept along by the momentum of others. But that's the time to shut out distractions and focus on the things that matter – like the primacy of stakeholder interests and long-term sustainability.

This is how the ASX Group (ASX or Group) has approached the challenges of the last 12 months.

While change has been a constant companion, we have been working to ensure that ASX adapts proactively, rather than reactively, to change.

This is the lesson of our history. With origins that stretch back 150 years, ASX has successfully embraced the dynamic development of financial markets. And on many fronts, like electronic trading or demutualisation, we've been at the global forefront of these developments.

We have remained resilient not by abandoning what we do for fashionable innovation but by continuing to improve on what we do best.

The core services ASX provides to meet the fundamental needs of our customers – facilitating the raising of capital, matching buyers and sellers, enabling hedging and risk management, providing custody and safekeeping, and all within a transparent, fully regulated environment – are as important today as they've ever been.

The financial year ending 30 June 2011 (FY11) has been another solid year financially and operationally for the Group because of ASX's ability to deliver these core services, with improved functionality and greater competency, without being distracted by the headline-grabbing events of the past year.

The reports by the Managing Director and CEO (page 5) and the Chief Financial Officer (page 8) detail ASX's performance over the past year.

I am grateful that you, our more than 44,500 shareholders, have continued to have faith in the value of what ASX does. Thank you for your support.

Naturally, ASX was disappointed the attempted combination with Singapore Exchange Limited was not able to proceed. We believed strongly in the merits of the proposal. But we've moved on.

We are proud of ASX's longstanding ability to progress, develop and realise opportunities. It has placed the company in good stead.

ASX has been preparing for the reality of domestic competition and a more complex environment for market services for several years. According to the Australian Securities and Investments Commission's (ASIC) timetable, new entrants could be operating by November this year. We'll be ready.

ASX has, for example, upgraded to new trading platforms, reduced headline transaction fees for equity market customers and introduced new functionality that has reduced market impact costs, enlarged trading capacity and dramatically quickened execution speed. In readiness for multiple market operators, ASX has also developed a trade acceptance service that will clear and settle trades executed on other trading venues in an identical manner to trades executed on ASX's own equity market. Other initiatives are featured later in a theme piece beginning on page 31 in this report entitled: 'A Course for a New Future'.

Given our people, our range of services and our longstanding commitment to the local market, ASX will continue to play an integral role in the Australian economy. As was the case throughout FY11, our clearing and settlement

infrastructure will continue to help lower systemic risk; the ASX Corporate Governance Council and ASX Compliance will continue to promote standards of corporate governance among listed companies; and our market development initiatives will continue to provide ASX customers with state-of-the-art exchange infrastructure and innovative new products and services.

We'll be doing this under new leadership; new leadership that is inheriting a company in great shape and well prepared for a more complex regulatory and operating environment.

At last year's Annual General Meeting (AGM) I announced that Robert Elstone had decided not to extend his term as Managing Director and CEO for a second time. He has been CEO of ASX since the merger with SFE Corporation in July 2006 and had been CEO of SFE for six years before that. By any standards, he has served stakeholders in both institutions well.

I am particularly conscious of the contribution Robert has made during my time as ASX Chairman. I became Chairman in September 2008 – the same month as the collapse of Lehman Brothers and the onset of the global financial crisis. Financial markets have never been the same since. Over the following three years, ASX had its own fair share of regulatory and operational challenges, including the transfer of supervision to ASIC, a new disclosure regime for short selling and securities lending, and a new set of market integrity rules. It has been an 'issues rich' time to serve on the Board.

During this, at times tumultuous, period, I relied on Robert's judgement and experience, and was comforted knowing that the day-to-day management of our company was in very capable hands. His manifest financial and operational skills, coupled with his personal discipline and ability to conceive and execute strategy were a boon to me, the Board, ASX staff and, I trust, to you our shareholders.

The Board respects Robert's belief that a new era for ASX should be accompanied by new ASX leadership. Accordingly, we have conducted a comprehensive executive search process for Robert's successor. The Board is now well placed to make a decision about ASX's next Managing Director and CEO. I expect that our selection process will draw to a close very shortly and that an announcement will be made prior to our AGM on 22 September 2011.

ASX continues to be in outstanding hands. I say that unequivocally because of the strength of leadership across the whole Group under Robert's stewardship and with the assistance of a very able deputy in Peter Hiom.

ASX personnel nationwide continue to impress me with their resilience and dedication, and I formally note the enormous gratitude that the Board and I feel for their excellent efforts over the past year.

While the ASX Board enjoyed continuity in FY11, the board of our subsidiary, ASX Compliance, which oversees compliance with ASX's operating and listing rules, welcomed the appointment of Elizabeth Johnstone in May 2011. Elizabeth is a former partner with Blake Dawson and a director of various organisations, including the Auditing and Assurance Standards Board and the Royal Flying Doctor Service of Australia (South Eastern Section). She joins Jillian Segal AM and Dr Thomas Parry AM on the ASX Compliance board chaired by Alan Cameron AO, a former Chairman of ASIC.

The pace of change within the financial services industry shows no sign of slackening. I am confident that with its people, processes and culture of innovation ASX's future will be prosperous.

**David M Gonski AC  
Chairman**

## MANAGING DIRECTOR AND CEO'S REPORT

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### Introduction

The financial year ending 30 June 2011 (FY11) was dominated by geopolitical and natural disaster events of local, regional and global significance. For the ASX Group (ASX or Group) of companies, it was a year dominated by ongoing preparation (and engagement with regulators) for competition for market services as well as the workload associated with an attempted combination with Singapore Exchange Limited. Whilst disappointed with the outcome of the latter, ASX's readiness for the former is unequivocal, as outlined on pages 31 to 35 of this Annual Report.

The Group achieved sound financial, operational and compliance performance for FY11, recording an underlying net profit after tax of \$356.6 million. Statutory net profit after tax of \$352.3 million reflects modest significant expense items related to the migration to the new ASX Trade platform in November 2010, and merger transaction costs incurred between October 2010 and April 2011.

Annual dividends to shareholders rose to 183.2 cents per share (fully franked), on the basis of a 90% payout ratio. The 10% earnings retention further bolstered a strong ASX Group capital and liquidity position, both of which remain appropriate in the current financial environment. The Chief Financial Officer's Report accompanying this commentary provides more detailed insight into income statement line items and balance sheet composition.

### Discussion and Analysis

Business activity levels in FY11 were generally robust. Listings activity in the primary market was underpinned by strong initial public offerings translating into 160 new listings for FY11, compared to 93 in the previous year. This boosted initial capital raisings to \$29.4 billion compared to \$11.5 billion in FY10. Secondary capital issuance was lower than the high levels

of FY10 that emanated from the global financial crisis, down to \$33.7 billion in FY11 from \$65.1 billion in FY10.

Trade execution activity levels in secondary and derivative markets were mixed. Cash equities markets exhibited no growth in traded value, principally due to investor concerns globally about the scale of European sovereign debt refinancing challenges and indicators of a more sluggish than anticipated US economy. Futures markets (particularly for interest rate derivatives) grew strongly in the wake of market volatility emanating from the geopolitical unrest in the Middle East, the natural disaster in Japan during the March quarter of 2011, a rebound in 'carry trade' activity and a strengthening Australian dollar. Electricity derivative volumes were also very strong, due to high levels of price volatility and expanded distribution to a more diverse range of market participants.

Equity and interest rate market volatility during FY11 translated into little change in open (risk) positions in derivative markets. Therefore, corresponding levels of risk collateral held by ASX Clearing Corporation on behalf of the Group's central counterparty (CCP) subsidiaries were relatively stable throughout the reporting period. Earnings spreads on that held collateral were also consistent with the prior year. Net interest income derived from investment of the Group's own cash-backed capital resources grew strongly during FY11, as a consequence of a higher average official cash rate than that which prevailed in FY10, and higher cash balances.

Post-trade clearing and settlement activity levels mirrored trade execution activity in the equities and futures markets, whilst fixed income settlement system (Austraclear) transaction, registry and holdings levels all rose. Just prior to balance date ASX announced that its relevant equity clearing and settlement subsidiaries would deliver a new trade acceptance service offering

to Chi-X Australia (under a five-year service agreement) when it is due to start operating in late 2011. Once that service is operational, post-trade activity levels (and revenues) in ASX Clear and ASX Settlement will no longer fully correlate with trade execution activity conducted on the market operated by the Australian Securities Exchange.

Operational performance throughout FY11 was robust. New trade execution platforms were introduced in the cash market (ASX Trade) and futures market (ASX Trade24), delivering world-class order execution latency. A new high-speed distribution network (ASX Net) was introduced, supporting both trading platforms. That network will be extended to include some of the Group's clearing and settlement platforms during FY12, delivering simplified network management benefits to market participants as well as enhanced speed of trade execution, data and other services.

Derivative market expiry processes in both stock and index options and futures markets were orderly throughout FY11, in terms of position concentration and settlement price integrity risk. They also presented no downstream default management risks for the Group's CCP subsidiaries during normal expiry peaks in arbitrage trading activity and clearing counterparty exposure.

Timeliness of both equities and fixed income settlements was at the upper quartile of international benchmarks throughout the year, with no time extension requirements arising as a consequence of the performance of the Group's own technology platforms at any stage during FY11.

Capacity headroom across each of the Group's trading, clearing and settlement system applications remains well within foreseeable growth in order and trade volumes. Nevertheless, capacity planning processes

remain vigilant in anticipation of prolific growth in order-to-trade ratios once newly licensed trade execution venues for ASX-listed securities start operating.

A new state-of-the-art ASX data centre, a short distance from Sydney's central business district, is at an advanced stage of development and should be operationally ready to roll out new co-location, data and other technology services later in 2011, in addition to enhancing business continuity arrangements. A refurbished Exchange Square at ASX's Sydney head office reopened in late April 2011 with improved facilities for listing functions, annual general meetings of listed companies and trade forum initiatives for ASX products and services.

### **Outlook**

In the period since 30 June 2011 global financial markets have been preoccupied by the uncertainty around the US Government's debt ceiling, contagion risks from European sovereign debt and the downgrading in status of US sovereign debt by Standard & Poor's. The coincidence of these global investor concerns has generated a perception that global financial risks have little prospect of receding in the short-term, amid fears of a second wave crisis in the global banking system and credit markets.

This perception has translated into subdued equity trading activity on most of the world's major exchanges as well as globally weaker equity prices. It has also maintained an atmosphere of generally lacklustre equity capital formation. Conversely, equity index and interest rate derivative markets have been particularly active.

On ASX markets in the seven-week period since 30 June 2011, the average daily cash market traded value is \$5.7 billion, up 20.5% on the same period last year, while the daily average stock and index options volume is 135,309 contracts, a rise of 79.8% on a year ago.

Futures markets are continuing to experience strong activity, with average daily volume of 521,298 contracts, up 85.7%.

During the recent period of dramatic market volatility, ASX's systems and processes continued to provide consistent service availability for its many users.

On the organisational front, I indicated at the last Annual General Meeting (in September 2010) that I would not be seeking a further extension to my term of office when my contract was due to complete in early July 2011; albeit I felt an obligation to provide my Board colleagues with the maximum flexibility in my service agreement to enable the Board to plan for my succession.

In total, I have enjoyed 11 years as a public company CEO in the exchange sector. It has been a particularly interesting and often demanding five years at the helm of ASX (particularly during the global financial crisis). It is a very different company today to the one that combined with SFE Corporation back in 2006.

Two good companies merged to become one outstanding company thanks to the efforts of an effective and balanced Board, a capable and collegiate executive management team and exceptional staff. I wish my successor well in shaping the next chapter in ASX's evolution, and thank shareholders, staff and my Board and executive management colleagues for their support during my period of stewardship.

**Robert G Elstone**  
**Managing Director and CEO**

## CHIEF FINANCIAL OFFICER'S REPORT

<b>Consolidated Pro-Forma Income Statement for the Year Ended 30 June 2011</b>	<b>FY06 \$'000</b>	<b>FY07 \$'000</b>	<b>FY08 \$'000</b>	<b>FY09 \$'000</b>	<b>FY10 \$'000</b>	<b>FY11 \$'000</b>
<b>REVENUE</b>						
Listings and Issuer Services	101,912	146,079	149,376	128,335	146,129	150,351
Cash Market	102,789	127,312	159,635	138,787	150,777	133,909
Derivatives	138,464	154,727	166,859	133,774	147,815	172,247
Information Services	44,820	61,399	68,003	71,025	68,752	70,886
Technical Services	21,175	23,496	27,663	28,625	29,852	40,357
Austraclear Services	18,132	20,489	21,870	24,678	31,178	33,759
Other Revenue	23,095	19,200	21,305	13,201	13,672	16,119
<b>Operating Revenue</b>	<b>450,387</b>	<b>552,702</b>	<b>614,711</b>	<b>538,425</b>	<b>588,175</b>	<b>617,628</b>
<b>EXPENSES</b>						
Staff	92,855	75,205	77,914	81,743	77,653	78,776
Occupancy	19,901	16,048	12,682	12,759	13,910	13,597
Equipment	26,367	25,546	23,292	22,696	22,229	21,366
Administration	25,803	17,387	17,250	16,043	15,198	13,932
Variable	3,824	4,585	5,547	5,017	5,172	4,491
ASIC Supervision Levy	-	-	-	-	-	3,388
<b>Cash Operating Expenses</b>	<b>168,750</b>	<b>138,771</b>	<b>136,685</b>	<b>138,258</b>	<b>134,162</b>	<b>135,550</b>
<b>EBITDA</b>	<b>281,637</b>	<b>413,931</b>	<b>478,026</b>	<b>400,167</b>	<b>454,013</b>	<b>482,078</b>
Depreciation and Amortisation	14,586	14,990	15,913	15,042	18,875	23,299
<b>EBIT</b>	<b>267,051</b>	<b>398,941</b>	<b>462,113</b>	<b>385,125</b>	<b>435,138</b>	<b>458,779</b>
Net Interest Income	24,760	22,907	27,707	19,707	12,842	20,818
Net Interest on Participant Balances	10,716	17,658	24,561	32,839	16,468	16,780
Dividend Revenue	2,700	3,150	4,852	7,027	8,075	9,856
<b>Interest and Dividend Income</b>	<b>38,176</b>	<b>43,715</b>	<b>57,120</b>	<b>59,573</b>	<b>37,385</b>	<b>47,454</b>
<b>Underlying Profit Before Income Tax</b>	<b>305,227</b>	<b>442,656</b>	<b>519,233</b>	<b>444,698</b>	<b>472,523</b>	<b>506,233</b>
Income Tax Expense	(90,199)	(129,510)	(153,284)	(131,088)	(139,925)	(149,657)
<b>Underlying Profit After Income Tax</b>	<b>215,028</b>	<b>313,146</b>	<b>365,949</b>	<b>313,610</b>	<b>332,598</b>	<b>356,576</b>
<b>Less Significant Items</b>						
Merger Expenses	(4,784)	(39,999)	-	-	-	(4,418)
Other Significant Items	(3,630)	7,081	-	-	(6,373)	(1,693)
Tax Credit on Significant Items	3,214	10,072	-	-	1,912	1,833
Less SFE Net Profit (12 months to 30 June 2006)	(74,325)	-	-	-	-	-
Add SFE Net Loss (1 to 11 July 2006)	-	2,592	-	-	-	-
<b>Statutory Reported Net Profit After Tax</b>	<b>135,503</b>	<b>292,892</b>	<b>365,949</b>	<b>313,610</b>	<b>328,137</b>	<b>352,298</b>

The consolidated pro-forma income statement on page 8 sets out the underlying and statutory results for the ASX Group for the past six years. The pro-forma income statement is not audited, but is based upon externally audited accounts and should be read in conjunction with the financial statements.

The pro-forma income statement, including the underlying net profit after tax (NPAT), is provided in order to assist in understanding the ASX Group result. Certain revenues and expenses have been reclassified in the pro-forma income statement along with a reconciliation to reported statutory NPAT. In arriving at underlying profitability certain revenues and expenses have also been excluded and treated as significant items. A full reconciliation is also provided in the segment note included in the financial statements (page 113). Each year is presented on a comparable basis, with consistent application of principles supporting the reported underlying profit.

Since the half-year report was released in February 2011, revenue classifications have been adjusted to more accurately reflect the value proposition of the ASX Group services to different customer groups. The former 'listings' category has been expanded into 'listings and issuer services' and includes the full range of listing services provided to issuers (listed entities). These other services include holding statements and other registry services provided to listed entities. Revenues from these services were previously classified under settlement revenues within cash market. In addition, the 'market connectivity' category is now referred to as 'technical services' in order to incorporate the expanded services within this category. All prior year comparatives have been reclassified on the same basis with appropriate amendments to applicable statistics.

There were no significant changes in the Group's accounting policies during the year ended 30 June 2011 (FY11).

The following commentary is based on the pro-forma income statement and, unless otherwise stated, analysis of FY11 is based on a comparison to the prior comparable period (pcp), being the year ended 30 June 2010 (FY10).

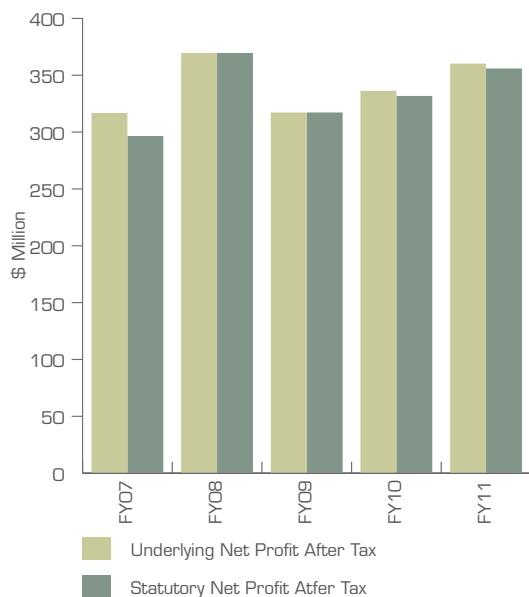
### FY11 Financial Highlights

A summary of the Group's performance in FY11 compared to the pcp follows, while key financial ratios are available on page 27:

- statutory NPAT of \$352.3 million, up 7.4%, underlying NPAT of \$356.6 million, up 7.2%;
- statutory earnings per share (EPS) of 201.6 cents per share (cps), up 5.9%, underlying EPS of 204.0 cps, up 5.7%;
- operating revenue excluding interest and dividends of \$617.6 million, up 5.0%;
- earnings before interest, tax, depreciation and amortisation (EBITDA), excluding significant items, of \$482.1 million, up 6.2%;
- net interest and dividend revenue of \$47.5 million, up 26.9%;
- cash operating expenses, excluding significant items, of \$135.6 million, up a modest 1.0%;
- significant items expense before tax of \$6.1 million (\$4.3 million after tax), primarily reflecting transaction costs incurred on the proposed merger between ASX and Singapore Exchange Limited (SGX), and costs associated with the earlier than anticipated migration to the new ASX Trade execution platform; and
- final dividend declared of 93.0 cps, up 10.7%, bringing total FY11 dividends to 183.2 cps, up 5.8%.

The following graph portrays the Group's underlying and statutory NPAT over the past five years.

#### Underlying and Statutory NPAT FY07 to FY11



#### Underlying Net Profit – Up 7.2%

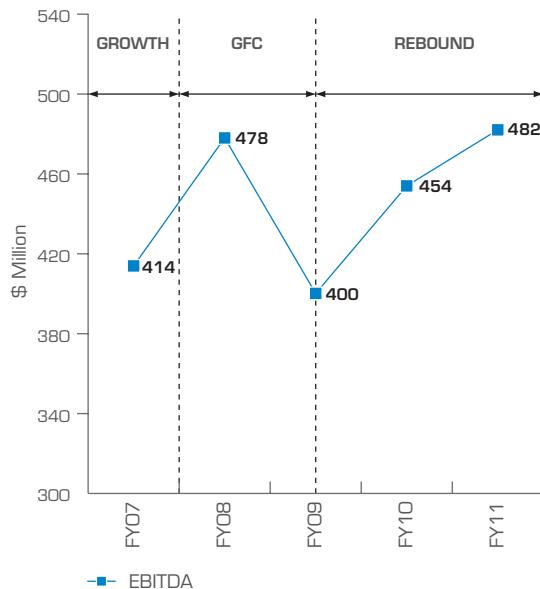
Underlying NPAT for FY11 was \$356.6 million (\$332.6 million pcp). The 7.2% increase in underlying profitability resulted from higher operating revenue and growth in net interest income, offset by slightly higher cash operating expenses and higher depreciation and amortisation charges. Underlying profitability in FY11 is only 2.6% lower than the record NPAT achieved in FY08, just prior to the sharp reduction in transactional activity levels attributable to the period of the global financial crisis (GFC).

The increase in operating revenue compared to pcp was primarily due to higher derivatives revenue and the growth experienced by listings and issuer services, Austraclear, technical services and information services. Cash operating expenses were only marginally higher, reflecting strong control of discretionary costs. Accordingly, EBITDA increased by 6.2%, from \$454.0 million in FY10 to a record \$482.1 million in FY11.

Underlying profitability in the second half of FY11 (2H11) was 3.1% higher than in 1H11, (\$181.1 million in 2H11 and \$175.5 million in 1H11). This increase is attributable to stronger futures and options volume in 2H11, 19.5% higher than 1H11, and increased technical services revenue from new and improved cash market services. Cash operating expenses were also slightly lower in 2H11 compared to 1H11.

The following graph depicts the underlying EBITDA over the past five years.

#### EBITDA FY07 to FY11



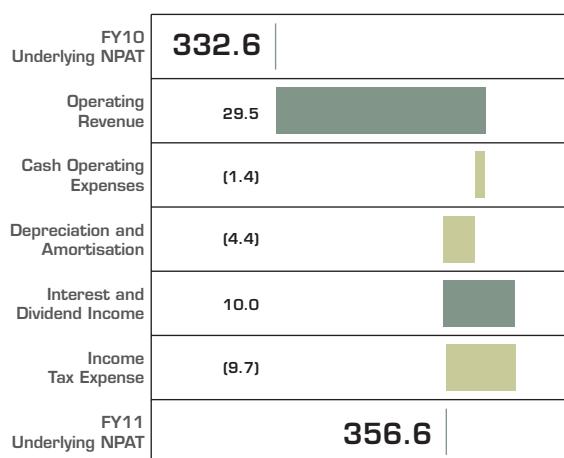
During the growth period preceding the GFC, revenue grew and costs reduced, primarily due to synergies from the ASX-SFE merger and rising transactional value traded in both cash and derivative markets. The GFC period was characterised by revenue declines from reduced activity levels, and strict cost containment by ASX. The period since the GFC reflects a rebound in revenue and activity levels, and continued cost containment.

In FY11 activity levels across ASX markets were mixed, with derivatives volumes growing strongly and cash market value traded remaining at roughly similar levels to FY10. The All Ordinaries Index increased 7.7% during FY11, from its

close of 4324.8 on 30 June 2010 to 4659.8 on 30 June 2011. Total cash market traded value reduced 1.5% to \$1,339.1 billion, however the number of trades increased 9.1% to 144.3 million. Derivative volumes increased 23.9% to a total of 121.1 million contracts in FY11. Compared to 1H11, derivative volumes traded were up 18.8%, whilst cash market value traded was a modest 1.7% lower during 2H11.

The following graph shows the movement in underlying NPAT in FY11 by income statement line item.

#### Underlying NPAT Highlights FY11 (\$ Million)



The underlying NPAT represents a 12.1% annual return on equity (11.8% pcp) based on average capital in each period.

ASX's financial position continues to be underpinned by a strong balance sheet with an adequate capital and liquidity position to support the Group's activities, as detailed later in this report.

#### Underlying Earnings Per Share – Up 5.7%

Underlying EPS of 204.0 cents (193.0 cps pcp) was achieved in FY11 based on a weighted average of 174,760,520 ordinary shares on issue. The increase in underlying EPS resulted from the increase in underlying NPAT, partly

offset by the increase in the weighted average number of shares on issue due to the operation of the dividend reinvestment plan (DRP) for the payment of the final FY10 dividend in September 2010.

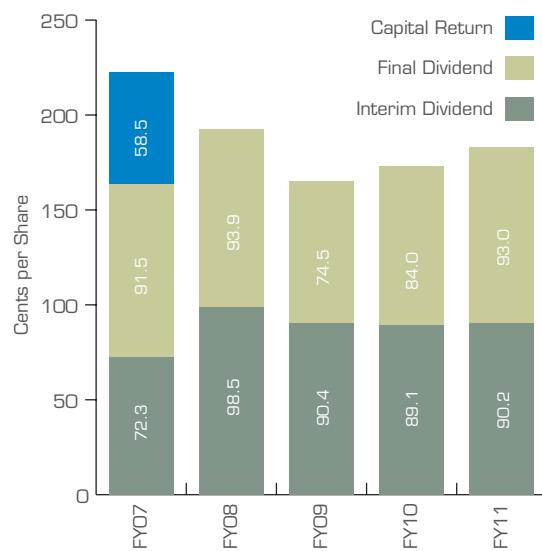
#### Final Dividend – Up 10.7%

A fully franked final dividend of 93.0 cps (84.0 cps pcp) has been declared, payable on 22 September 2011. Dividends in FY11 totalled 183.2 cps, 5.8% higher than the 173.1 cps in the pcp, based on a consistent payout ratio of 90% of underlying NPAT.

Given the Group's current capital position (explained in more detail later in this report), ASX has determined that the DRP will not be activated for the final dividend in FY11. ASX will continue to review and manage its capital position conservatively and determine, based on capital requirements, whether the DRP will apply to future dividends.

The average annual growth rate in dividends over the past five years was 2.8%. Cash returns to shareholders over the past five years are shown in the graph below.

#### Cash Return to Shareholders FY07 to FY11



## Operating Revenue – Up 5.0%

Total operating revenue (excluding interest and dividend revenue) in FY11 was \$617.6 million, 5.0% up on pcp. Total operating revenue exceeded the previous record level achieved in FY08. Operating revenue in 2H11 was slightly higher than in 1H11.

The following graph depicts the change in operating revenue by major category during the year.

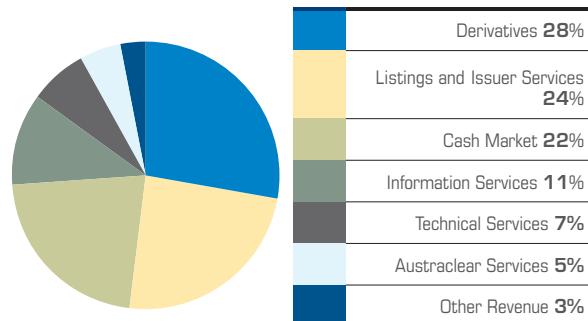
### Operating Revenue Highlights FY11 (\$ Million)

FY10 Operating Revenue	588.2
Listings and Issuer Services	4.2
Cash Market	(16.9)
Derivatives	24.4
Information Services	2.1
Technical Services	10.5
Austraclear Services	2.6
Other	2.5
FY11 Operating Revenue	617.6

Revenue growth was achieved in all categories, other than cash market, with mixed activity drivers during FY11. The decrease in cash market is mostly attributable to a trade execution fee reduction which came into effect in July 2010.

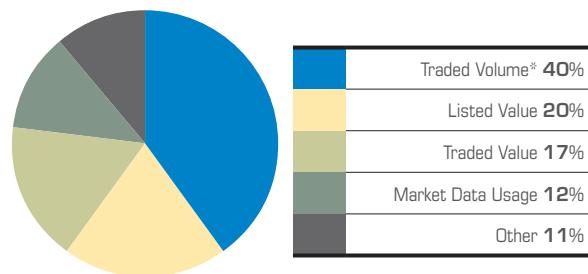
The following chart shows operating revenue by main category. Compared to the pcp, cash market revenue contribution decreased from 25.6% to 21.7%, while derivatives revenue contribution increased from 25.1% to 27.9%, and technical services revenue contribution increased from 5.1% to 6.5%. Cash market trading revenue represented 6.3% of total ASX revenue in FY11, compared to 10.4% in FY10.

## Operating Revenue by Category FY11



Revenue contribution from the main business drivers is depicted in the following chart.

## Operating Revenue by Business Driver FY11



\*Traded volume from cash market accounted for 12% and traded volume from derivatives accounted for 28% of the total.

The primary business driver for derivatives and cash market settlement revenue is traded volume, while the main driver of cash market trading and clearing revenue is value traded and cleared. Cash market settlement revenue is dependent on settlement messages which, while impacted by volume traded, do not correlate fully to traded volume due to efficiencies provided through settlement aggregation.

Detailed transaction statistics and key business drivers of ASX revenues are contained on pages 28 to 30.

## Listings and Issuer Services – Up 2.9%

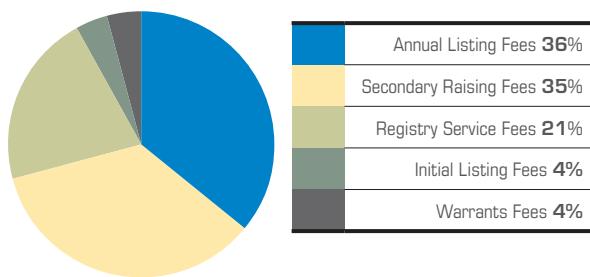
As explained earlier in this report, the former listings revenue category has been expanded to include other issuer services provided to listed entities. These other services were previously reported under settlement revenue within

cash market, and include securities lodgement holding statement production and other registry updates and amendments, of relevance to listed entity shareholder information.

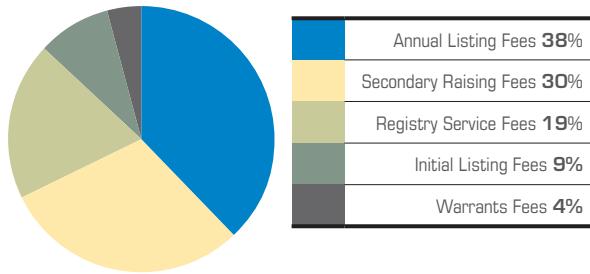
Total revenue from listings and issuer services in FY11 was \$150.4 million (\$146.1 million pcp).

The following charts depict the breakdown of listings and issuer services revenue for FY10 and FY11.

#### Listings and Issuer Services Revenue by Type FY10



#### Listings and Issuer Services Revenue by Type FY11



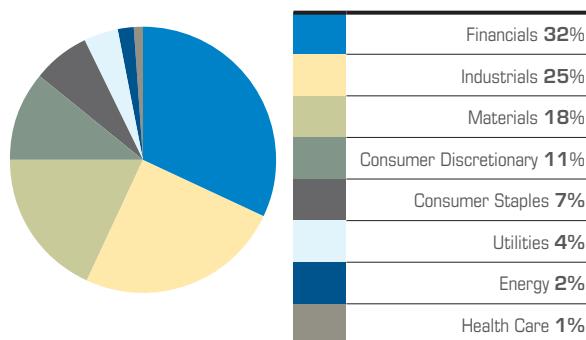
Annual listing fees of \$57.8 million were earned in FY11 (\$52.9 million pcp) primarily due to higher market capitalisation and an increased number of listed entities. The total number of listed entities at 30 June 2011 was 2,247, up 2.5% on the 2,192 listed a year earlier. There were 105 companies removed from the list in FY11 compared to 99 in FY10. During the year, total domestic market capitalisation increased moderately to \$1.35 trillion, compared to \$1.25 trillion at 30 June 2010. The All Ordinaries Index increased 7.7% over the course of the year, closing at 4659.8 on

30 June 2011, having peaked at 5064.9 on 11 April 2011. During 2H11 the All Ordinaries Index retreated 3.9% from its close of 4846.9 at 31 December 2010 as global equity market sentiment shifted to a less confident outlook for international growth.

Initial listing fees of \$13.1 million were earned in FY11 (\$6.3 million pcp) as a result of increased listings. During FY11 there were 160 new listings compared to 93 new listings in the pcp. Of these new listings, 93 were in the materials sector which includes metals and mining. Financials, however, accounted for the largest value of capital raised at 32% of the total raised. The amount of initial capital raised in FY11 was \$29.4 billion, a 156.4% increase on the \$11.5 billion raised in the pcp. The average initial listing fee earned in FY11 was \$81,865 compared to \$67,661 in the pcp.

The following chart shows the proportional value of capital raised by initial listings in FY11 split by industry sector.

#### Value of Initial Listings by Industry Sector FY11



Secondary capital raising fees (which includes fees from subsequent capital raisings and dividend reinvestment plan issues) were \$44.6 million in FY11 (\$50.3 million pcp). Secondary capital raised of \$33.7 billion in FY11 was down 48.2% on the \$65.1 billion raised in the pcp. The incidence of large raisings in FY11 was less than in the pcp, with two raisings over \$1 billion (\$2.3 billion in value) compared to 11

(\$19.0 billion in value) in the pcp. The number of individual small raisings under \$100 million was 8,420 in FY11 compared to 5,818 in the pcp. In addition to secondary capital raised in FY11, \$24.9 billion of capital was issued by listed entities as consideration for acquisition (\$4.5 billion pcp). Consequently, the average fee per million dollars of secondary capital raised (including capital issued as consideration for scrip-based acquisitions) increased to \$759 (\$723 pcp).

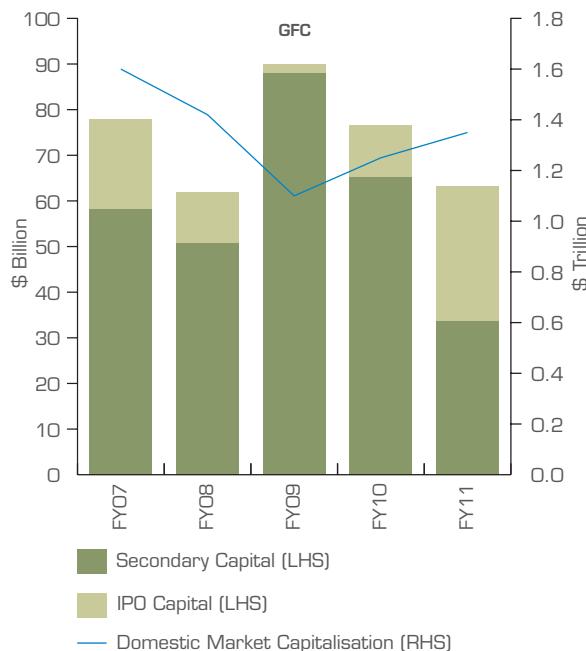
The following table shows the quantum of secondary capital raised by size of transaction in FY11 and FY10.

Value of Capital Raised	Secondary Capital Raised	
	FY10 \$ Million	FY11 \$ Million
Less than \$100 million	19,298	17,965
\$100 million to \$500 million	19,588	9,488
\$500 million to \$1 billion	7,229	3,990
Over \$1 billion	18,972	2,302
<b>Total</b>	<b>65,087</b>	<b>33,745</b>

Of the total secondary capital raised, 77.0% was due to subsequent issues (rights, placements, employee issues, etc) while 23.0% was a result of company DRPs. This compares to 84.3% for subsequent issues and 15.7% for DRPs in the pcp.

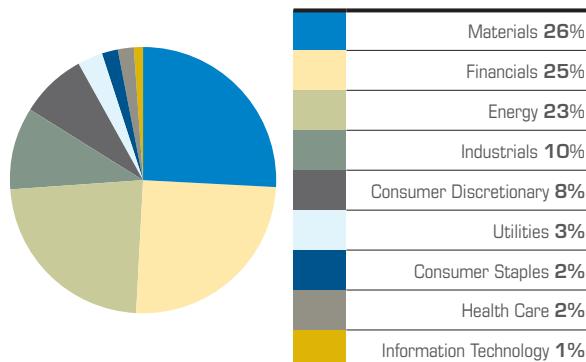
The following graph shows total capital raisings and market capitalisation over the past five years.

### Capital Raisings and Market Capitalisation FY07 to FY11



The chart below shows the proportion of secondary capital value raised by industry sector in FY11. Materials, which includes metals and mining, led the level of secondary raisings with 26% (22% in FY10) while financials accounted for 25% (39% in the pcp).

### Value of Secondary Capital Raisings by Industry Sector FY11



Fees from structured products, such as warrant and debt listings, of \$6.6 million were earned in FY11 (\$6.0 million pcp). During FY11, 2,822 new warrants were listed, up 22.5% on the 2,303 warrants listed in the pcp. Warrants

turnover value was \$2.9 billion in FY11, 51.7% down on the \$6.0 billion in the pcp.

Revenue from issuer services of \$28.3 million was earned in FY11 compared to \$30.6 million in the pcp, principally due to lower holding statement production activity.

### Cash Market – Down 11.2%

Total cash market revenue for FY11 was \$133.9 million (\$150.8 million pcp).

The decrease in revenue was primarily due to a reduction in the headline ASX trade execution fee, partly offset by the abolition of the large participant rebate. Lower settlement activity and associated revenues also contributed to the decrease. Of the total cash market revenue, trading revenue accounted for 28.9% (38.5% pcp), clearing revenue 37.1% (31.8% pcp) and settlement revenue 34.0% (29.7% pcp).

In FY11 the total value traded in the secondary market was \$1.34 trillion, down 1.5% on the \$1.36 trillion in the pcp. This represents daily average traded value of \$5.3 billion in FY11, down 1.5% on the \$5.4 billion in the pcp. The value of trading applicable to exchange-traded funds (ETFs) listed on ASX grew 13.8% during FY11. The average velocity for cash markets (total traded value as a percentage of the average total market capitalisation) was 96.9% in FY11 (102.6% pcp). The total number of trades in FY11 was 144.3 million, up 9.1% on the 132.2 million trades in the pcp, and the daily average volume of trades (570,440) was also up 9.1% on the 522,726 in the pcp.

The average value of each trade in FY11 was \$9,279 compared to \$10,278 in the pcp. Whilst the average trade size has decreased significantly over the past five years, more than halving, the trade size in FY11 only reduced slightly. Smaller trade sizes are evidence of order disaggregation, attributable to the incidence of high frequency and algorithmic trading execution methods.

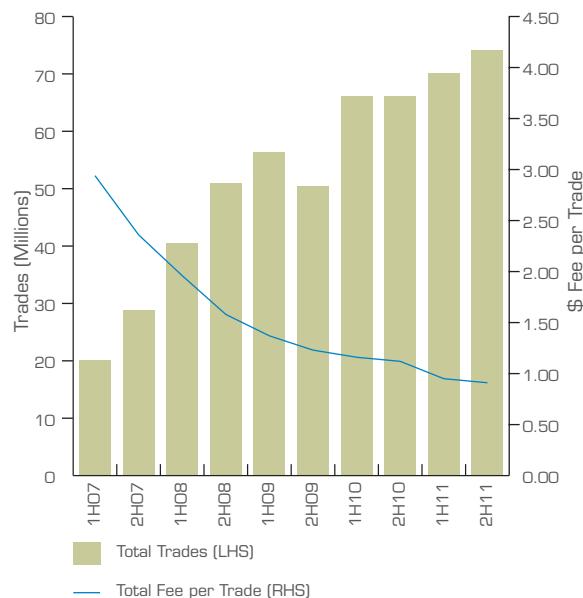
The following graph shows the daily average trades and average trade size over the past five years.

### Daily Average Cash Market Trades and Average Trade Size FY07 to FY11

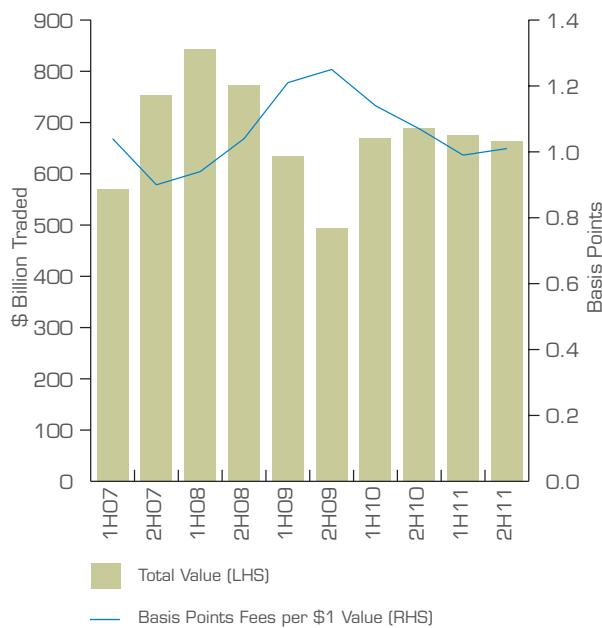


The following graphs show the cash market volume and value traded, and average fees (trading, clearing and settlement) over the past five years.

### Cash Market Trades FY07 to FY11



### Cash Market Value FY07 to FY11



In FY11, 72.5% of all value traded (71.0% in the pcp) was novated and cleared through ASX's central counterparty (CCP) clearing subsidiary, ASX Clear. Revenue from cash market trade execution reduced to \$38.7 million in FY11, compared to \$61.4 million in the pcp. Revenue from clearing was \$49.6 million in FY11 compared to \$50.8 million in the pcp, and settlement revenue was \$45.6 million compared to \$47.4 million in the pcp (all pcp comparatives are pre-rebates).

The reduction in trading revenue was primarily due to the lower headline trade execution fee introduced on 1 July 2010, offset by the removal of large participant rebates. Clearing revenue was slightly lower than the pcp as a result of the reduction in total value cleared, while settlement revenue declined due to lower settlement messages despite an increase in the total number of trades. This reflects settlement consolidation made available to participants by ASX.

The average cost of trading, clearing and settlement on ASX's market reduced to \$0.93 per trade (\$1.14 pcp) and the average fee

per dollar of turnover reduced to 1.00 basis point (bps) (1.11 bps pcp), with trade execution representing 0.29 bps (0.45 bps pcp). This meant that for every \$1,000 of value traded, the fee for each side (trading, clearing and settlement) was 5 cents (6 cents pcp). These reductions reflect the combined impact of reducing the headline trade execution fee, offering new trade execution order types and removing the large participant rebate.

### Derivatives – Up 16.5%

Total derivatives revenue for FY11 was \$172.2 million (\$147.8 million pcp).

Derivatives traded and cleared through ASX Clear (consisting mainly of exchange-traded equity options, excluding the ASX SPI 200) generated revenue of \$30.5 million in FY11 (\$31.6 million pcp).

In order to improve liquidity in the single stock options market, ASX introduced enhanced market maker obligations and reduced the contract size for these derivative instruments from 1,000 shares to 100 shares per contract during May 2011 (with an equivalent reduction in the exchange fee). On a consistent volume basis (ie translating traded contracts after the change on an equivalent basis) the total contract volume traded was 23.1 million in FY11, an increase of 6.9% on the 21.7 million in the pcp. This translates to an average of 91,495 contracts per day, also up 6.9% on the pcp, with the period since the contract size change exhibiting growth of 11.7% compared to the same period a year earlier.

Average daily volatility of the All Ordinaries Index reduced to 0.6% in FY11 compared to 0.8% in FY10. The average fee per trade in FY11 decreased, due to a changed product mix, to \$1.32 from \$1.46 in the pcp, based on an equivalent translation of volumes to the former contract size.

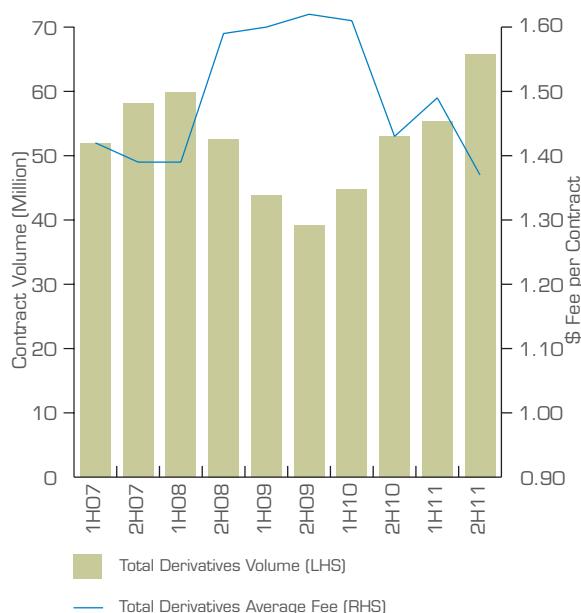
Revenue from futures and options on futures (including ASX SPI 200 contracts) traded and cleared through ASX Clear (Futures) was \$141.8 million in FY11 (\$116.2 million pcp). The increase in revenue resulted primarily from the strong growth in traded volume and was achieved despite higher rebate payments. Futures and options on futures volume traded in FY11 totalled a record 98.0 million contracts, up 28.7% on the 76.1 million contracts traded in FY10. Of the major debt contracts, compared to pcp, the 30 day interbank cash rate futures contract volumes increased 67.8%, 3 year bond futures contract volumes increased 28.6%, 90 day bank bill futures contract volumes increased 25.3%, and 10 year bond futures contract volumes increased 35.1%.

Trading in the ASX SPI 200 futures contract increased 7.9% compared to the pcp, with options over the same contract increasing 7.7%. Also of note, compared to pcp, total option contracts traded grew strongly by 59.2% to 4.6 million contracts. This resulted from significant growth in the 3 year bond intra-day and 3 year bond overnight contract volumes. Trading in electricity contracts also grew strongly (39.9%) with 0.2 million contracts traded in FY11.

ASX provided \$20.0 million in futures market large volume fee rebates in FY11 (\$10.5 million pcp). This reflects incremental rebates applied at 75%, in favour of users, following growth in volumes above the 7% growth threshold applicable in FY11. The average fee per trade net of all rebates dropped slightly to \$1.45, compared to \$1.53 in the pcp, due mainly to the operation of the Large Volume Rebate (LVR) scheme. In FY12 the LVR will begin to apply when eligible volumes grow 2.5%; ie to 100.4 million contracts. ASX also provides volume-based rebates to proprietary full participants. These users traded approximately 19.7% of the total FY11 volumes.

The following graph shows total volumes and average exchange fees for derivative contracts traded, including futures and options on futures, over the past five years. Volumes and the average fee have been expressed on the basis of the equivalent former contract size for single stock options to assist comparability.

#### **Derivative Volume and Average Fee (Equity Derivatives and Futures and Options) FY07 to FY11**



#### **Information Services – Up 3.1%**

Total revenue from information services in FY11 of \$70.9 million was up 3.1% on FY10 (\$68.8 million pcp). Average monthly data terminal subscriptions for FY11 were 86,196 compared to 86,350 in FY10, while total market data terminal subscriptions at 30 June 2011 were 82,476 compared to 82,457 at 30 June 2010. Of the total information services revenue, approximately 83.7% relates to cash market and equity option data, with the remainder due predominantly to data from futures and options traded on the ASX Trade24 platform.

#### **Technical Services – Up 35.2%**

Technical services revenue for FY11 was \$40.4 million (\$29.9 million pcp). Connectivity fees are derived on workstations, open interfaces and

networks used to access both the cash and derivatives markets. Fees are also attributable to co-location hosting services currently offered to trading participants in the cash market. The total number of devices (workstations and interfaces) at 30 June 2011 was 2,928 compared to 2,831 at 30 June 2010.

The increase in revenue reflects increased demand for terminals as well as increased services provided by ASX Net, a high-speed fibre optic communication network commissioned during FY11. ASX's new data centre, scheduled for completion in the second quarter of FY12, will provide greatly increased hosting and connectivity services. This will include additional capacity to host ASX Trade participants, as well as offering hosting and connectivity services to ASX Trade24 and other market service providers.

#### Austraclear Services – Up 8.3%

Total Austraclear services revenue for FY11 was \$33.8 million (\$31.2 million pcp), with revenue growth experienced across all of Austraclear's services that span fixed income securities depository, settlement and registry activities.

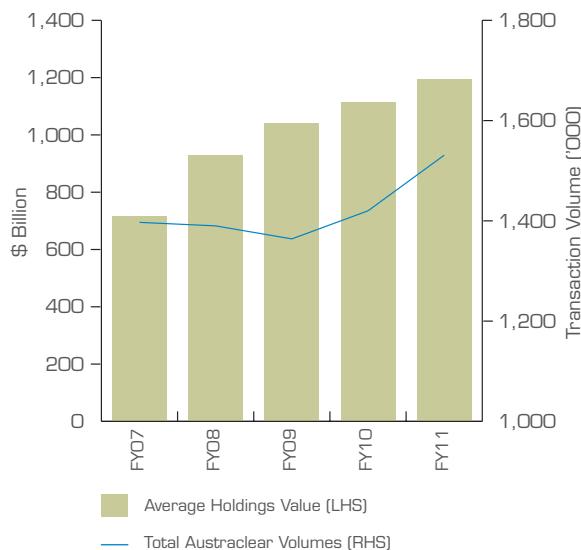
Depository holdings were up slightly compared to pcp and averaged \$1.20 trillion over FY11 (\$1.12 trillion pcp). At 30 June 2011, \$1.24 trillion of securities were held in Austraclear (\$1.16 trillion at 30 June 2010). Over the year, holdings of short-dated securities (discount securities) reduced by 12.7%, while holdings of long-dated securities (fixed income securities) increased by 11.9%. Of the total holdings within Austraclear, treasury bonds represented 13.0%, electronic certificates of deposit 15.2%, corporate bonds 18.7%, floating rate notes 30.8%, with the balance of 22.3% made up by other miscellaneous holdings.

The volume of Austraclear transactions in FY11 increased 7.8% to 1.53 million (1.42 million pcp), with fixed interest securities transactions

up 34.6%, cash transfers unchanged and discount securities transactions down 18.3%. The Austraclear depository and settlement average fee per transaction (transaction and holding revenue, excluding registry services revenue) for FY11 decreased slightly to \$13.15 per transaction (\$13.48 pcp).

The following graph shows Austraclear depository holdings and transaction volumes over the past five years.

#### Austraclear Holdings and Transaction Levels FY07 to FY11



#### Other Revenue – Up 17.9%

Total other revenue for FY11 was \$16.1 million (\$13.7 million pcp). During FY11 initial securities delivery settlement fails on T+3 cash market equity settlements remained below historical normal levels of 1%, with an average of 0.09% (0.10% pcp). Subsequent 'knock-on' settlement fail rates (ie total rescheduled settlements caused by the initial delays) averaged 0.51% during FY11 (0.46% pcp). In addition to fees for delayed settlement, other revenue also includes ASX and Austraclear participation fees.

### Cash Operating Expenses – Up 1.0%

Total cash operating expenses for FY11 were \$135.6 million (\$134.2 million pcp). Equipment, occupancy and administration expenses were lower than the pcp, while staff expenses increased. Variable costs were lower due to the decrease in the production of cash market holding statements. The ASIC supervision levy, effective from August 2010 and payable by market operators, is included in cash operating expenses.

ASX classified certain items as significant in order to provide a better understanding of the underlying cost base. In FY11, items treated as significant include expenses related to the proposed merger with SGX, expenses associated with the migration to ASX Trade and credits related to an over-provision on surplus lease costs. Further details on these items are covered later in this report.

### Staff Expenses – Up 1.4%

Total staff expenses for FY11 were \$78.8 million, up \$1.1 million compared to \$77.7 million in the pcp. The increase in staff costs is due to the full-year impact of the fixed remuneration increase awarded to staff on 1 April 2010, and higher short-term and deferred incentives, offset by lower average headcount than in FY10, broadly attributable to the transfer of 23 staff to ASIC in August 2010.

Staff expenses for FY12 are expected to increase, following the 1 July 2011 remuneration review, which awarded staff an average increase of 5%, in keeping with sectoral relativity benchmarking.

Full-time equivalent (FTE) headcount at 30 June 2011 was 502 compared to 531 at 30 June 2010. The average headcount during FY11 was 505 compared to the average of 540 during FY10. ASX expects to operate in FY12 close to the year end (FY11) FTE headcount number.

<b>Full-Time Equivalent Headcount</b>	<b>30 June 2007</b>	<b>30 June 2008</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>30 June 2011</b>
ASX (ex-ASX Compliance)	436	439	443	427	434
ASX Compliance	84	103	110	104	68
<b>Total</b>	<b>520</b>	<b>542</b>	<b>553</b>	<b>531</b>	<b>502</b>

The FTE reduction in the year within ASX Compliance (formerly ASX Markets Supervision) is primarily a result of the transfer of 23 staff to ASIC, as well as the internal movement of the participant capital monitoring function to the Group's risk management area.

### Occupancy Expenses – Down 2.3%

Total occupancy expenses for FY11 were \$13.6 million compared to \$13.9 million in the pcp. There were no significant changes to premises during FY11. The decrease in costs is attributable to rental adjustments in some interstate offices. The new data centre has not had an impact on FY11 occupancy costs but will impact on FY12 costs. During FY12 occupancy costs are expected to increase due to the expanded occupancy from the new centre. Costs are expected to reduce slightly in future periods as the existing data centre premises are decommissioned following the transfer of all platforms and communication hubs. As noted under the technical services commentary, the new data centre will provide significantly expanded hosting and other services due to its larger scale compared to current facilities.

### Equipment Expenses – Down 3.9%

Total equipment expenses for FY11 were \$21.4 million, down from \$22.2 million in the pcp. The reduction is attributable to reduced maintenance agreements on platforms supported internally and continued focus on other equipment and communication services. Slightly higher equipment costs are expected in FY12, with ongoing support and maintenance arrangements increasing due to the implementation of the new ASX Trade platform and upgraded agreements for the Austraclear

and ASX Clear (Futures) settlement and clearing platforms. The new data centre will also lead to increased equipment costs. The increase will be offset by reduced maintenance costs on ASX Trade24, attributable to in-sourcing of support arrangements that took effect from January 2011.

#### **Administration Expenses – Down 8.3%**

Total administration expenses for FY11 were \$13.9 million, down from \$15.2 million in the pcp. The reduction is primarily due to premium savings arising from the cancellation of default insurance supporting ASX's CCP clearing activities, replaced with a medium-term debt facility during FY10. ASX will continue to actively manage discretionary expenses and expects administrative expenses to increase in line with the CPI in FY12.

#### **Variable Expenses – Down 13.2%**

Total variable operating expenses for FY11 were \$4.5 million, down 13.2% on the \$5.2 million in the pcp. An 11.1% decrease in the number of holding statements issued resulted in lower processing and postage costs.

#### **ASIC Supervision Levy**

The ASIC supervision levy in FY11 was \$3.4 million. This levy was effective from 1 August 2010, the date of the transfer of certain supervisory activities from ASX to ASIC. ASIC has stated that ASX's supervision levy for 1H12 will be \$2.2 million. Treasury is expected to consult on the framework of the applicable levy post the entry of additional market operators in equities trading. The final determination of that framework is expected to impact on the levy paid by ASX in 2H12 and beyond.

#### **Significant Items**

FY11 significant items expense totalled \$6.1 million pre-tax and \$4.3 million post-tax. As these items are excluded from underlying NPAT, they will not impact on the final dividend distribution outlined earlier in this report.

Details of items reported as significant are:

- \$2.7 million expense - accelerated amortisation of the previous cash market trading platform (ITS) and associated business restructure as discussed in the FY10 Annual Report. This platform has now been fully amortised, decommissioned and replaced by the new ASX Trade platform;
- \$4.4 million expense - transaction costs associated with the former proposed merger between ASX and SGX. These costs relate predominantly to transaction structuring and legal adviser fees. ASX did not incur any 'break fee' payments associated with the termination of the merger implementation agreement; and
- \$1.0 million credit - related to reversal of surplus premises lease provisions following termination of lease obligations.

#### **Depreciation and Amortisation – Up 23.4%**

Total depreciation and amortisation for FY11 was \$23.3 million (\$18.9 million pcp). The increase in this expense is directly attributable to the higher levels of capital expenditure in recent years. Depreciation and amortisation expense is expected to increase further in FY12 following completion of the new data centre in the second quarter of FY12.

#### **Interest and Dividend Income – Up 26.9%**

Total interest and dividend income for FY11 was \$47.5 million (\$37.4 million pcp). Total interest and dividend revenue comprises:

- net interest earned on ASX's cash reserves, after interest expense on borrowings - \$20.8 million (\$12.8 million pcp);
- net interest earned from the investment of funds deposited by participants with ASX - \$16.8 million (\$16.5 million pcp); and
- dividends from ASX's investment in IRESS Market Technology - \$9.9 million (\$8.1 million pcp).

The breakdown of net interest income earned by ASX Clearing Corporation (ASXCC) Group (comprising the clearing subsidiaries) and the remainder of the ASX Group for FY10 and FY11 is detailed in the following table:

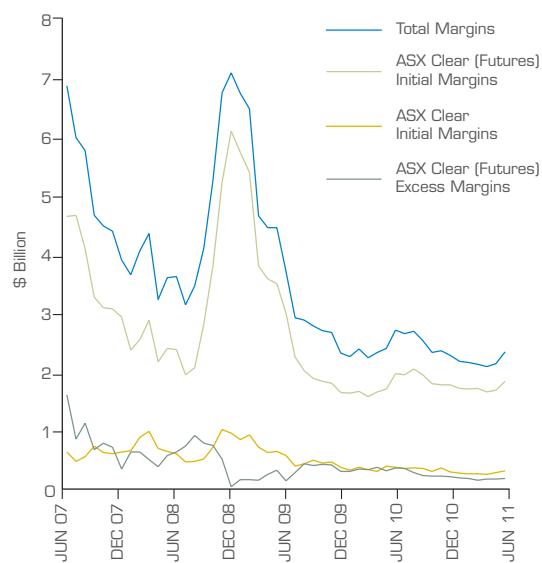
	FY10	FY11
<b>ASX Group (excluding ASXCC Group)</b>		
Interest earnings on Group cash (excluding CCP capital) \$'000	5,642	12,921
Average cash balance \$'000	146,858	270,254
Average yield %	4.0%	4.8%
<b>ASXCC Group</b>		
Net interest earnings on CCP fixed financial resources (net of cost of debt) \$'000	7,200	7,897
Average own cash balance (net of debt) \$'000	250,000	250,000
Net interest earned on CCP activities \$'000	16,468	16,780
Average margin balances \$bn	2.7	2.4
Average investment spread bps	26	29
<b>Total net interest earned \$'000</b>	<b>29,310</b>	<b>37,598</b>

The interest earned on CCP activities includes the risk-based spread fees borne by clearing participants, as well as credit spreads earned from the investment of risk margin collateral balances.

Interest earned on the ASX Group's own cash reserves averaged 4.8% in FY11, compared to 4.0% in the pcp, as a result of higher average short-term cash rates. The Reserve Bank of Australia increased the overnight cash rate once during FY11, on 3 November 2010, to 4.75%. The average ASX Group cash balance net of debt, including cash committed to the ASXCC Group, was \$520.3 million in FY11 compared to \$396.9 million in the pcp.

Average cash collateral margins held by the two CCPs decreased slightly during FY11. The following graph shows the average cash margins held since 2007 by each clearing entity.

**Average Monthly Cash Margin Balances FY07 to FY11**



Participant cash margin balances averaged \$2.4 billion in FY11 compared to \$2.7 billion in the pcp. The breakdown of margins held at 30 June 2011 and 30 June 2010 is listed in the table overleaf. Over the course of the year, total margin balances reduced, despite the large increase in the number of contracts traded, as low levels of volatility, mainly in equity markets, meant margin rate increases were not required.

	<b>Margins Held at</b>	
	<b>30 June 2010 \$ Million</b>	<b>30 June 2011 \$ Million</b>
<b>Cash and cash equivalents</b>		
ASX Clear initial margins	353.6	290.6
ASX Clear (Futures) initial margins – house	615.0	495.3
ASX Clear (Futures) initial margins – client	1,551.8	1,280.0
ASX Clear (Futures) additional and excess margins	387.4	368.0
<b>Total margins on balance sheet</b>	<b>2,907.8</b>	<b>2,433.9</b>
Non-cash collateral held off balance sheet		
<b>ASX Clear – guarantees and equity collateral</b>	<b>3,911.9</b>	<b>4,210.8</b>

ASX continues to conservatively manage the investment portfolio, consisting of participant margin balances, with particular emphasis on the liquidity of the portfolio. The average investment spread earned on this portfolio in FY11 was 29 bps over the official cash rate compared to 26 bps in FY10. The weighted average maturity of this portfolio was 43 days at 30 June 2011 (41 days at 30 June 2010), with 93% (91% pcp) invested with authorised deposit taking institutions (ADIs) with a Standard & Poor's (S&P) short-term rating of A1+ or higher.

Dividend income of \$9.9 million was earned from the investment in IRESS, up from \$8.1 million pcp. ASX currently holds 18.7% of the share capital of IRESS (18.8% at 30 June 2010).

### Capital Expenditure

Capital expenditure for FY11 of \$50.2 million compares to \$27.5 million in the pcp and includes the majority of expenditure required on the new data centre. Expenditure in FY11 was also incurred on a range of other projects including the new cash market trading platform (ASX Trade), the new futures platform (ASX Trade24), an upgrade to the Austraclear system (EXIGO), and various other technology related projects and business investments. Many of these projects are focused on new initiatives and

service offerings that ASX is implementing. ASX expects that FY12 capital expenditure will be in the range of \$35.0 million to \$40.0 million. This level includes approximately a further \$10 million to complete the new data centre and is in line with previous guidance of \$30 million to \$35 million of total expenditure on this facility. The data centre facility fit-out is estimated to have a minimum useful economic life of 10 years.

### Issued Capital

At 30 June 2011, ASX had 175,136,729 ordinary shares on issue (173,573,245 as at 30 June 2010). The increase of 1,563,484 was due to the:

- issue of 1,560,413 shares under the DRP in September 2010; and
- issue of 3,071 shares under the employee share acquisition plan in July 2010.

ASX does not currently have any outstanding rights to unissued shares. At 30 June 2011 ASX had 247,760 treasury shares held on trust related to current unvested and prior Long-Term Incentive (LTI) plan grants. Vesting of some of these rights (issued in December 2008 and July 2010) will be dependent on attainment of performance hurdles in future periods, explained in more detail in the remuneration report (page 63). During FY11 a grant of 39,000 performance rights was made under the LTI plan (1 July 2010) and 31,460 rights vested (1 December 2010) pursuant to a grant made in December 2007.

### Balance Sheet Summary

The table overleaf is a summary of the Group balance sheet at 30 June 2011 and 30 June 2010.

**ASX Group Balance Sheet**

	As at 30 June 2010 \$ Million	As at 30 June 2011 \$ Million
<b>Assets</b>		
Cash and available-for-sale financial assets	3,716.8	3,318.6
Goodwill	2,262.8	2,262.8
Other assets	641.2	601.1
<b>Total assets</b>	<b>6,620.8</b>	<b>6,182.5</b>
<b>Liabilities</b>		
Amounts owing to participants	2,990.2	2,516.4
Borrowings	250.0	250.0
Other liabilities	459.3	395.0
<b>Total liabilities</b>	<b>3,699.5</b>	<b>3,161.4</b>
<b>Equity</b>		
Capital	2,437.3	2,483.2
Retained earnings	319.7	368.3
Reserves	164.3	169.6
<b>Total equity</b>	<b>2,921.3</b>	<b>3,021.1</b>

During FY11 total assets reduced to \$6,182.5 million, total liabilities reduced to \$3,161.4 million and total equity increased from \$2,921.3 million to \$3,021.1 million. The reduction in total liabilities resulted from the lower collateral balances held, as noted earlier in this report. This reduction resulted in lower total assets as these collateral balances are held as cash and available-for-sale assets. The increase in net equity reflects earnings retention and additional equity from the September 2010 DRP.

The carrying value of goodwill recognised at the time of the ASX-SFE merger remained unchanged, and is supported by a value-in-use calculation (more fully disclosed in the financial statements).

Borrowings of \$250 million, supporting the financial resources of the two CCP subsidiaries, remained unchanged, although the term of the facility was renegotiated for a four-year term (to August 2015) shortly after the 30 June 2011 balance date. The borrowings are not utilised for

other ASX Group purposes. This debt is non-recourse to the wider ASX Group and would not be repayable under certain participant default management scenarios.

Other assets and liabilities include collateral balances due at reporting date and settled the following day. The decrease primarily reflects the lower amount due next day based on margin requirements at balance date.

**Equity Capital**

Total ASX Group equity capital at 30 June 2011 was \$3,021.1 million. Net tangible equity, defined as total equity less goodwill of \$2,262.8 million, was \$758.3 million. Net tangible asset backing per share (equity less goodwill and other intangibles) increased to \$4.01 at 30 June 2011 compared to \$3.49 at 30 June 2010. The components of ASX's equity capital at 30 June 2011 were:

- \$2,483.2 million of issued capital (\$220.4 million excluding goodwill), up \$45.9 million from 30 June 2010 due to the issuance of ordinary shares under the DRP in September 2010;
- \$368.3 million of retained earnings, up \$48.6 million from 30 June 2010, reflecting FY11 statutory earnings after tax offset by the payment of dividends. \$162.9 million (90% of underlying profit after income tax) will be utilised for the final dividend payable in September 2011;
- \$71.5 million of restricted capital reserves, unchanged from 30 June 2010;
- \$91.3 million of asset revaluation reserves, up \$5.5 million from 30 June 2010, primarily due to the appreciation in value of ASX's investment in IRESS; and
- \$6.8 million of equity compensation reserve arising from the share-based LTI plan, down \$0.2 million from 30 June 2010.

## Capital Management

ASX manages its capital by making an assessment of risk-based capital requirements. ASX uses net tangible equity (defined as total equity less goodwill) to determine the adequacy of capital available to meet current requirements, as well as to ensure it has sufficient flexibility to meet potential future capital needs.

At 30 June 2011 ASX attributed a risk-based capital requirement of \$376.4 million against available net tangible equity of \$758.3 million to derive a measured capital surplus of \$381.9 million. Adjustment for the proposed final dividend payable in September 2011 reduces the capital surplus to \$219.0 million. This measured capital surplus is deemed adequate and appropriate in the current environment. It also provides a suitable buffer that can be utilised to meet any potential fluctuations in current capital requirements, with particular reference to the ongoing capital needs of ASX's CCP clearing subsidiaries, such as the potential replenishment of CCP financial resources. Future requirements, not currently allowed for, may include changes in regulatory capital needs which may emerge from current global consideration of CCP capital requirements or result from new service initiatives that ASX may undertake (for example, in relation to clearing of over-the-counter derivatives). A summary of the Group's risk-based capital analysis follows:

<b>ASX Group Equity</b>	<b>As at 30 June 2010 \$ Million</b>	<b>As at 30 June 2011 \$ Million</b>
Shareholders equity	2,921.3	3,021.1
Less goodwill	(2,262.8)	(2,262.8)
<b>Net tangible equity</b>	<b>658.5</b>	<b>758.3</b>
Risk-based capital attribution:		
Clearing participant default risk	250.0	250.0
Investment, operational and fixed asset risk	121.7	126.4
<b>Total risk-based capital attribution</b>	<b>371.7</b>	<b>376.4</b>
<b>Non-attributed capital position</b>	<b>286.8</b>	<b>381.9</b>
Less dividend payable	(145.8)	(162.9)
Add dividend reinvestment plan*	42.3	-
<b>Non-attributed capital after provision for dividend</b>	<b>183.3</b>	<b>219.0</b>

\*Forecast for final FY10

As the preceding analysis indicates, the primary risk affecting the ASX Group from a current capital perspective relates to the potential for clearing participant default. This capital attribution reflects the level of ASX Group equity and subordinated debt provided to ASX Clear and ASX Clear (Futures) to form part of their financial resources that are available, after using any defaulting participant margins, to absorb any shortfalls from a clearing participant default. No capital is set aside for the \$250 million debt supporting these funds, due to the non-recourse nature of the facility in certain events of participant defaults.

Given the adequate level of non-attributed capital even after allowing for the final dividend, ASX has determined that the DRP will not apply to the final FY11 dividend. This level of capital is considered appropriate to support ASX's current activities.

The following tables set out the composition of financial resources comprising the clearing guarantee funds for ASX Clear and ASX Clear (Futures) at 30 June 2011 and 30 June 2010. The \$250 million of clearing participant default risk is supported by ASX Group capital and subordinated debt provided to the two CCP clearing subsidiaries.

<b>ASX Clear Guarantee Fund</b>	<b>As at 30 June 2010 \$ Million</b>	<b>As at 30 June 2011 \$ Million</b>
Restricted capital reserve	71.5	71.5
Capital contributed by ASX Group	3.5	3.5
Subordinated debt provided by ASX Group	75.0	75.0
<b>Sub-total ASX Group provided resources</b>	<b>150.0</b>	<b>150.0</b>
Non-recourse debt (external)	100.0	100.0
Clearing participant commitments – uncalled	300.0	300.0
<b>Total ASX Clear clearing guarantee fund</b>	<b>550.0</b>	<b>550.0</b>

<b>ASX Clear (Futures) Guarantee Fund</b>	<b>As at 30 June 2010 \$ Million</b>	<b>As at 30 June 2011 \$ Million</b>
Capital contributed by ASX Group	30.0	30.0
Subordinated debt provided by ASX Group	70.0	70.0
<b>Sub-total ASX Group provided resources</b>	<b>100.0</b>	<b>100.0</b>
Clearing participant commitments – lodged	120.0	120.0
Non-recourse debt (external)	150.0	150.0
Clearing participant commitments – uncalled *	30.0	30.0
<b>Total ASX Clear (Futures) clearing guarantee fund</b>	<b>400.0</b>	<b>400.0</b>

\*Subsequent to 30 June 2011, the clearing participant uncalled commitments rank after the non-recourse debt in the event of a default.

Further detail on the operation of the respective financial resources (guarantee funds) is provided in note 25 Contingencies, within the financial statements on page 127.

### Liquidity Management

ASX manages its liquidity to ensure free cash flow is always available to meet obligations as they fall due. In deriving free cash flow ASX excludes from its liquid balances (cash and available-for-sale securities) any balance representing margins or clearing guarantee funds, because these are required for financial stability purposes to be available at all times to provide liquidity to meet any shortfalls from a clearing participant default. Also excluded is the cash required to back Austraclear's capital and a specific committed stand-by liquidity facility for \$50 million provided to ASX Clear by ASX Limited as part of its default liquidity requirement.

During FY11 the ASX Group's free cash surplus increased \$75.6 million to \$243.9 million. This free cash balance is after deducting debt and other cash held for regulatory purposes. ASX did not utilise any other debt facilities during the year.

The following table shows the derivation of ASX's free cash balance at 30 June 2011 and 30 June 2010. The total cash and short-term

money market investments balance of ASX Group at 30 June 2011 was \$3,318.6 million. Cash and fixed income securities collateral provided by participants of \$2,433.9 million and participant commitments provided in cash to the ASX Clear guarantee fund of \$82.5 million are then deducted to derive ASX's own cash balance of \$802.2 million. Specific cash allocations totalling \$558.3 million are then deducted to derive period-end free cash flow of \$243.9 million. Free cash flow varies during each period depending upon the timing of payments and receipts. The lowest month-end free cash surplus balance during the period was \$164.2 million in April 2011, and ASX anticipates that its free cash surplus will remain positive throughout FY12.

<b>ASX Group Cash</b>	<b>As at 30 June 2010 \$ Million</b>	<b>As at 30 June 2011 \$ Million</b>
Total cash and short-term investments	3,716.8	3,318.6
Less participants' margins and commitments	(2,990.2)	(2,516.4)
<b>ASX Group own cash reserves</b>	<b>726.6</b>	<b>802.2</b>

#### Less specific own cash allocations:

##### Clearing guarantee fund (CGF) requirements

ASX Clear (Futures) capital and ASX subordinated debt	(100.0)	(100.0)
ASX Clear capital and ASX subordinated debt	(150.0)	(150.0)
External borrowings supporting the CGF	(250.0)	(250.0)
<b>Total cash-backed CGF requirements</b>	<b>(500.0)</b>	<b>(500.0)</b>
Austraclear cash capital requirement	(8.3)	(8.3)
Stand-by liquidity facility	(50.0)	(50.0)
<b>Total specific cash allocations</b>	<b>(558.3)</b>	<b>(558.3)</b>
<b>Available free cash (liquidity)</b>	<b>168.3</b>	<b>243.9</b>

The increase in the ASX Group's underlying cash position or free cash flow during FY11 is summarised overleaf. Please refer to the full statement of cash flows which is contained in the financial statements on page 89 for full details of the movements in cash.

	\$ Million
<b>Free cash flow at 30 June 2010</b>	<b>168.3</b>
<b>Add:</b>	
Cash generated from business activities in FY11	381.1
Cash from the dividend reinvestment plan in FY11	45.8
<b>Less:</b>	
Cash used for payment of dividends in FY11	303.6
Cash used for capital investments	47.1
Cash used for employee share plans	0.6
<b>Free cash flow at 30 June 2011</b>	<b>243.9</b>

Net of borrowings, the ASX Group underlying cash position at 30 June 2011 was \$552.2 million, a \$75.6 million increase on 30 June 2010. The increase in available free cash during FY11 can be attributed to both the 10% profit retention following payment of dividends and cash generated from the reinvestment of a portion of that dividend in ASX equity. It also reflects the timing impact of dividend payments and cash earnings in the period. The increase in cash utilised for capital investments is primarily due to the fit-out development of the new data centre. This increased investment has been accommodated through existing cash resources.

### Summary

The second half of FY11 saw a continuation of trends experienced in 1H11, with strong growth in derivatives activity and more modest activity in equity markets. Whilst dominated by relatively low levels of volatility in the equity markets, FY11 experienced periods of instability, particularly from natural disasters and economic events around the world. The expected future volatility as measured by the S&P/ASX 200 VIX index also rose at the end of June 2011.

Despite this uncertainty, the ASX Group underlying NPAT increased 7.2% to \$356.6 million, the second highest earnings in the company's history. Group revenue growth of 5.0% led to a record \$617.6 million operating revenue. Cash operating expenses increased

by only 1.0% to \$135.6 million, reflecting continued management containment of expenses. Statutory NPAT in FY11 of \$352.3 million was also the second highest ever achieved even after taking into consideration costs incurred on the former proposed merger with SGX.

Throughout the year, ASX Group implemented new contemporary trading platforms for cash and derivatives markets, offering expanded functionality and capacity as well as lower order execution latency. Significant investment and upgrades were also made to technical service offerings, including the new data centre and other hosting and communication services. These technical services will play a larger role under the changing market structure, and ASX is well positioned to offer solutions to its customers to assist in a more complex operating environment.

In addition to improvements made to its existing services, ASX has also spent considerable effort developing new offerings for its customers. These service offerings cover many of ASX's functions including trading solutions for cash and derivative markets, listings and issuer services, clearing and risk management services, as well as other post-trade service offerings. ASX will continue to deliver these new services in FY12 to capitalise on opportunities presented in the changing market structure. ASX's strong and stable financial position enables it to continue to expand to meet the needs of its customers.

Ramy Aziz  
Chief Financial Officer

## KEY FINANCIAL RATIOS

<b>Year Ended 30 June 2011</b>	<b>Notes</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
Basic EPS (including significant items)	1	131.9c	175.6c	214.0c	183.2c	190.4c	201.6c
Diluted EPS (including significant items)	1	131.4c	175.0c	213.6c	183.1c	190.4c	201.6c
Underlying EPS (excluding significant items)	4,5	133.4c	187.7c	214.0c	183.2c	193.0c	204.0c
Dividends per share - interim		56.2c	72.3c	98.5c	90.4c	89.1c	90.2c
Dividends per share - final		63.9c	91.5c	93.9c	74.5c	84.0c	93.0c
Statutory return on equity (including significant items)	2	41.9%	11.1%	13.3%	11.5%	11.6%	12.0%
Underlying return on equity	4,6	41.8%	12.7%	13.3%	11.5%	11.8%	12.1%
EBITDA/Operating revenue	3,4	62.5%	74.9%	77.8%	74.3%	77.2%	78.1%
EBIT/Operating revenue	3,4	59.3%	72.2%	75.2%	71.5%	74.0%	74.3%
Total expenses (including depreciation and amortisation)/Operating revenue	3,4	40.7%	27.8%	24.8%	28.5%	26.0%	25.7%
Capital expenditure (\$'000)	2	\$13,881	\$16,068	\$23,878	\$25,787	\$27,549	\$50,230
Net tangible asset backing per share	2	\$3.22	\$2.60	\$2.54	\$2.66	\$3.49	\$4.01
Net asset backing per share	2	\$3.46	\$16.13	\$16.09	\$16.20	\$16.83	\$17.25
Shareholders' equity as a % of total assets (excluding participants' balances)	2	80.4%	83.5%	87.8%	87.3%	80.5%	82.4%
Shareholders' equity as a % of total assets (including participants' balances)	2	43.8%	29.0%	40.6%	40.9%	44.1%	48.9%
Share price at end of period		\$32.03	\$48.70	\$31.40	\$36.99	\$29.16	\$30.45
Ordinary shares on issue at end of period		102,741,815	170,845,040	171,148,524	171,188,524	173,573,245	175,136,729
Weighted average number of ordinary shares		102,735,112	166,797,862	170,998,984	171,171,757	172,352,087	174,760,520
Market value of ordinary shares on issue (\$m)		\$3,291	\$8,320	\$5,374	\$6,332	\$5,061	\$5,333
Full-time equivalent permanent staff:							
- number at period end	7	656	520	542	553	531	502
- average during the period	7	657	551	534	554	540	505

### 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. Excludes significant items.
5. Underlying earnings per share is basic earnings per share excluding significant items and weighted average number of shares on a pro-forma basis.
6. FY11, FY10, FY09, FY08 and FY07 based on pro-forma underlying profit after tax and average capital. FY06 based on ASX stand-alone underlying profit after tax and average capital.
7. Includes Orient Capital staff until 31 August 2006 and SFE for entire periods.

## TRANSACTION LEVELS AND STATISTICS

<b>Year Ended 30 June 2011</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Listings and Capital Raisings</b>						
Total domestic market capitalisation (\$bn)	\$1,207	\$1,598	\$1,415	\$1,098	\$1,254	\$1,349
Total number of listed entities (includes all stapled entities)	1,930	2,090	2,226	2,198	2,192	2,247
Number of new listings	227	284	236	45	93	160
Average annual listing fee	\$18,194	\$21,395	\$22,561	\$21,153	\$24,254	\$26,086
Average initial listing fee	\$61,756	\$69,817	\$50,233	\$54,234	\$67,661	\$81,865
Average fee per \$m of secondary capital	\$693	\$571	\$687	\$398	\$723	\$759
Initial capital raised (\$m)	\$23,108	\$19,694	\$11,206	\$1,885	\$11,460	\$29,387
Secondary capital raised (\$m)	\$28,327	\$58,211	\$50,642	\$88,079	\$65,087	\$33,745
Total capital raised (\$m)	\$51,435	\$77,905	\$61,848	\$89,964	\$76,547	\$63,132
Other secondary capital raised including scrip-for-scrip (\$m)	\$12,019	\$20,737	\$16,476	\$32,561	\$4,469	\$24,947
Number of new warrant series	4,678	5,873	7,177	3,194	2,303	2,822
Total warrant series	3,104	3,788	4,293	2,516	2,226	2,409
<b>Cash Market</b>						
Trading days	253	252	253	254	253	253
Total cash market trades ('000)	31,634	48,938	91,330	106,680	132,250	144,321
Average daily cash market trades	125,034	194,198	360,988	420,002	522,729	570,440
Total cash market value traded (including crossings) (\$bn)	\$984.170	\$1,323.777	\$1,615.847	\$1,129.460	\$1,359.304	\$1,339.140
Average daily cash market value (including crossings) (\$bn)	\$3.890	\$5.253	\$6.387	\$4.447	\$5.373	\$5.293
Total billable value (\$bn)	\$983.427	\$1,186.111	\$1,559.582	\$1,093.226	\$1,302.769	\$1,300.726
Percentage of turnover crossed	31.6%	31.9%	26.6%	26.0%	29.0%	27.5%
Percentage of turnover (where \$75 cap applies) *	N/A	N/A	3.5%	3.2%	4.2%	2.9%
Average cash market trading, clearing and settlement fee	\$3.25	\$2.60	\$1.75	\$1.30	\$1.14	\$0.93
Average fee per dollar of value traded (bps)	1.04	0.96	0.99	1.23	1.11	1.00
* Cap applies at \$2.679 million value in FY06 to FY10 and \$5.000 million in FY11.						
<b>Derivatives Markets</b>						
Trading days (ASX)	253	252	253	254	253	253
<b>Equity derivatives (excluding ASX SPI 200)</b>						
Total contracts ('000)	23,230	23,260	23,229	19,005	21,654	47,248
Total contracts ('000) - converted to previous contract size						23,148
Average daily derivatives contracts ('000)	92	92	92	75	86	187
Average daily derivatives contracts ('000) - based on previous contract size						91
Average fee per derivatives contract	\$1.44	\$1.48	\$1.47	\$1.34	\$1.46	\$0.65
Average fee per derivatives contract - based on previous contract size						\$1.32

## TRANSACTION LEVELS AND STATISTICS CONTINUED

<b>Year Ended 30 June 2011</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
Trading days futures and options on futures (ASX 24)	256	255	256	256	256	256
<b>Contracts for difference</b>						
Total trades	N/A	N/A	50,772	85,883	124,172	92,905
Notional value traded (\$m)	N/A	N/A	\$1,561.2	\$1,974.0	\$3,615.6	\$3,466.0
Total open interest value (\$m) at end of period	N/A	N/A	\$67.4	\$64.7	\$118.6	\$87.1
Total contracts traded ('000)	N/A	N/A	56,442	90,330	152,948	176,524
<b>Futures and options on futures</b>						
<b>Total contracts - futures ('000)</b>						
ASX SPI 200	5,917	7,345	9,075	10,360	9,738	10,506
90 day bank bills	18,133	21,328	23,168	15,184	16,538	20,729
3 year bonds	28,735	32,178	31,751	22,275	30,196	38,832
10 year bonds	12,777	17,060	17,553	10,813	11,274	15,230
30 day interbank cash rate	1,494	2,942	3,377	2,105	3,691	6,195
Agricultural	17	24	23	17	7	7
Electricity	31	116	110	102	151	210
Other	51	25	7	2	8	1
NZD - 90 day bank bills	1,473	1,800	1,468	1,406	1,627	1,694
<b>Total futures</b>	<b>68,628</b>	<b>82,818</b>	<b>86,532</b>	<b>62,264</b>	<b>73,230</b>	<b>93,404</b>
<b>Total contracts - options on futures ('000)</b>						
ASX SPI 200	703	544	491	398	352	379
90 day bank bills	212	722	323	132	37	52
3 year bonds	784	571	492	203	405	562
Overnight 3 year bonds	1,464	1,374	909	789	1,375	2,039
Intra-day 3 year bonds	498	588	334	252	679	1,504
10 year bonds	49	50	10	9	5	5
Overnight 10 year bonds	77	57	5	2	1	3
Intra-day 10 year bonds	1	1	<1	-	-	-
Electricity	-	3	5	13	12	18
NZ share options	-	4	5	1	-	-
NZD - 90 day bank bills	14	12	4	3	1	2
<b>Total options</b>	<b>3,802</b>	<b>3,926</b>	<b>2,578</b>	<b>1,802</b>	<b>2,867</b>	<b>4,564</b>
<b>Total futures and options contract volume ('000)</b>	<b>72,430</b>	<b>86,744</b>	<b>89,110</b>	<b>64,066</b>	<b>76,097</b>	<b>97,968</b>
Daily average contracts - futures and options ('000)	283	340	348	250	297	383
Average fee per contract - futures and options	\$1.45	\$1.39	\$1.49	\$1.69	\$1.53	\$1.45

## TRANSACTION LEVELS AND STATISTICS CONTINUED

<b>Year Ended 30 June 2011</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>
<b>Austraclear Settlement and Depository</b>						
Trading days	253	252	253	252	253	253
<b>Transactions ('000)</b>						
Cash transfers	618	636	660	667	613	613
Fixed interest securities	376	372	306	329	474	638
Discount securities	342	334	374	326	290	237
Foreign exchange	53	39	33	28	30	31
Interest rate swaps	11	10	9	6	2	<1
Forward rate agreements	5	5	7	7	9	10
Audit certificates	<1	1	1	1	2	2
<b>Total transactions</b>	<b>1,406</b>	<b>1,397</b>	<b>1,390</b>	<b>1,364</b>	<b>1,420</b>	<b>1,531</b>
Average daily settlement volume	5,566	5,550	5,494	5,413	5,611	6,052
Securities holdings (monthly average \$bn)	\$612.0	\$718.4	\$929.5	\$1,042.0	\$1,115.0	\$1,195.4
Securities holdings (period end \$bn)	\$668.5	\$777.1	\$983.9	\$1,071.2	\$1,160.2	\$1,242.7
Average settlement and depository fee (including portfolio holdings) per transaction (excludes registry services revenue)	\$9.53	\$10.13	\$10.37	\$11.23	\$13.48	\$13.15
<b>Technical Services</b>						
No. of ASX workstations - period end	669	754	938	771	760	743
No. of ASX interfaces - period end	1,020	893	1,173	1,339	1,641	1,737
No. of ASX 24 workstations - period end	238	233	206	37	25	17
No. of ASX 24 interfaces - period end	162	219	354	351	405	431
<b>Information Services</b>						
ASX market data terminals - period end	41,922	61,938	77,905	67,715	64,454	63,344
ASX market data terminals - monthly average	39,972	54,152	75,743	69,709	68,666	67,580
ASX 24 market data terminals - period end	18,393	22,141	23,319	17,213	18,003	19,132
ASX 24 market data terminals - monthly average	18,398	20,796	18,829	18,583	17,684	18,616
<b>System Uptime (Period Average)</b>						
ITS / ASX Trade	100.00%	100.00%	100.00%	100.00%	100.00%	99.92%
CHESS	100.00%	100.00%	99.99%	100.00%	100.00%	99.96%
SYCOM® / ASX Trade24	99.81%	99.98%	99.96%	99.89%	99.98%	99.97%
SECUR	100.00%	100.00%	100.00%	100.00%	99.99%	100.00%
EXIGO	99.94%	99.40%	99.94%	99.91%	99.89%	100.00%

**"ASX is mindful of the challenges presented by the impending new and more complex market structure in Australia, and is developing solutions for our customers, their clients and other market users."**

## A COURSE FOR A NEW FUTURE

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Throughout its history, ASX has successfully embraced change and evolved to meet the needs of its diverse stakeholder groups. Through the merger of the state-based stock exchanges; demutualising and becoming a public company; transitioning from floor to screen trading; introducing post-trade operational efficiencies; as well as creating and integrating new cash and derivative markets, the key to ASX's long-term franchise has always been its ability to adapt and innovate during periods of dynamic change in Australia's capital markets.

Over the past five years, as a consequence of public policy decisions and changes to the regulatory framework, the pace of change has become even more rapid. ASX has been working hard to re-position its business to accommodate the increasingly diverse needs of market users who are seeking access to capital, greater liquidity, lower costs and improved efficiency. The diversity of these customer needs is creating an increasingly

complex and fragmented market that has generated new challenges and opportunities for ASX and for our customers. And not just in the traditional areas of sharemarket listing and trading.

ASX is mindful of the challenges presented by the impending new and more complex market structure in Australia, and is developing solutions for our customers, their clients and other market users.

This section of the Annual Report highlights ASX's course for the next stage of its future. It focuses on our endeavours to enhance the services, systems and functionality ASX offers, rather than on the development of specific new listed or quoted products; for example, in growth areas such as derivatives.

The following pages provide a summary of what ASX has achieved so far to re-position its business as well as what we are continuing to do to strengthen the value ASX provides to its customers.

## ASX, IN A DYNAMIC MARKET ENVIRONMENT, IS RE-POSITIONING ITS BUSINESS TO TAKE ADVANTAGE OF NEW OPPORTUNITIES

We are well advanced in implementing a range of **new execution and technical services** that are built upon new business models.

For our customers we are seeking to increase the availability of execution choices, provide liquidity search tools, improve execution efficiency, and minimise costs in a fragmented market. As we deliver these new services, ASX will be able to develop new revenue opportunities and to diversify its exposure beyond traditional revenue streams.

Service improvements have already generated significant customer benefits. Over the past five years, cash market trade execution capacity has been increased tenfold to 5,000,000 trades per day. Over the same period, network latency has been reduced from 70,000 to 300 microseconds, average daily volume has increased from 125,000 to 570,000 trades, and average daily value traded has increased from \$3.9 billion to \$5.3 billion. Transaction costs have also been reduced through the narrowing of average bid-offer spreads and substantial lowering of headline transaction fees.

The implementation of the next range of service enhancements will complete a new, broader-based trade execution and technical service offering (including smart order routing and expanded network and data centre services) that will further reduce costs and operational complexities for our customers and ensure ASX's competitiveness in a multi-market environment.

ASX also sees opportunities beyond equity trade execution, in the area of **listings and issuer services**. For example, the diverse needs of listed entities, based upon geography, size, sector and product type, has led ASX to invest in improvements to its rule books, as well as to develop new issuer services in areas such as investor relations and education. These initiatives are designed to improve the efficiency of the capital formation process and assist ASX-listed entities to broaden their investor base.

FROM

TRADE EXECUTION

- Trading
- Market data
- Connectivity

FROM

LISTINGS

- Annual listings
- Initial capital raisings
- Subsequent capital raisings

A wide variety of execution services and order books targeted at the needs of specific customer groups, supported by a range of technical services to minimise the costs of market fragmentation.

TO

## TRADE EXECUTION AND TECHNICAL SERVICES

### In Place

- ASX TradeMatch
- ASX VolumeMatch
- ASX Trade and ASX Trade24
- ASX Net
- Market data
- Co-location services

### Under Development

- ASX PureMatch
- ASX Best
- Expanded co-location services
- Technical services

A broader range of services that assists companies and product issuers to more effectively manage their capital requirements and investor base.

TO

## LISTINGS AND ISSUER SERVICES

### In Place

- Annual listings
- Initial capital raisings
- Subsequent capital raisings
- Primary market facility
- Sub-registry services
- Investor relations services and education

### Under Development

- Additional investor relations services
- International equity quotations
- Unlisted funds
- Market structure segmentation
- Bookbuild services

**"ASX is improving liquidity, execution efficiency and reducing the costs of market fragmentation, by offering a greater range of services to our customers."**

ASX is also unbundling its clearing and settlement service offerings to provide more **tailored central counterparty (CCP) and post-trade services**, as well as developing new services to help customers improve their operational and capital efficiency.

ASX now has in place CCP services to enable its customers to seamlessly clear and settle transactions from other market operators in an identical fashion to trades executed on ASX's own equity market, and is working to further expand its CCP services to, for example, clear equity and interest rate derivatives traded in over-the-counter (OTC) markets.

FROM

CLEARING

- Futures clearing
- Options clearing
- Cash market clearing

ASX's ability to offer **post-trade services** is critical in an environment where trading is becoming more competitive and fragmented. ASX is set to provide delivery versus payment (DvP) settlement arrangements for securities listed on other venues and is exploring opportunities for centralised collateral management for equity and debt securities, enabling participants to strengthen their risk management profiles across their trading activities.

FROM

SETTLEMENT

- Over-the-counter (OTC) interest rate settlement
- Equity settlement

The resilience and versatility of the ASX Group - providing exchange services beyond traditional sharemarket listing and trading - is vital as Australia's capital market structure continues to evolve.

## ASX, IN A DYNAMIC MARKET ENVIRONMENT, IS RE-POSITIONING ITS BUSINESS TO TAKE ADVANTAGE OF NEW OPPORTUNITIES

An unbundled and extended service offering enabling ASX to provide tailored clearing services to customers with new and diverse CCP requirements, as well as to provide those services to a range of new markets.

TO

### CENTRAL COUNTERPARTY SERVICES

#### In Place

- Trade registration
- Bilateral netting
- Novation
- Central counterparty (CCP) risk management
- Trade acceptance service

#### Under Development

- Securities lending
- Over-the-counter (OTC) market clearing

An unbundled and extended service offering enabling ASX to provide tailored settlement and post-trade services to customers with new and diverse requirements, as well as to provide those services to a range of new markets.

TO

### POST-TRADE SERVICES

#### In Place

- Delivery vs payment (DvP)
- Custody and safekeeping
- Payment facilitation
- Reporting

#### Under Development

- New settlement models
- Improved corporate action entitlements
- Collateral management services
- Market data products

## ASX COMPLIANCE

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### Introduction

ASX Compliance Pty Limited, a wholly owned subsidiary within the ASX Group (ASX or Group), provides compliance and enforcement services to the various ASX entities that hold licences under the Corporations Act to operate markets or clearing and settlement facilities. It was previously called ASX Market Supervision Pty Limited, but changed its name on 1 August 2010 to ASX Compliance Pty Limited to reflect the transfer of responsibility for market supervision to the Australian Securities and Investments Commission (ASIC) on that date.

ASX Compliance has delegated authority to make various compliance and enforcement decisions on behalf of the relevant ASX licensee under its operating rules. It also provides other services as necessary to oversee that:

- in the case of a market licensee, it meets its obligations under section 792A of the Corporations Act to have adequate arrangements for monitoring and enforcing compliance with its operating rules; and
- in the case of a clearing and settlement facility licensee, it meets its obligations under section 821A of the Corporations Act to have adequate arrangements for enforcing compliance with its operating rules.

### Governance

Kevin Lewis was appointed the Group Executive and Chief Compliance Officer to head the ASX Compliance function in July 2010. In that capacity, he reports directly to the ASX Compliance Board.

ASX Compliance maintains a separate Board of directors to other ASX Group entities, with only one out of four ASX Compliance directors also a director of other ASX entities. The ASX Compliance Board is chaired by Mr Alan Cameron AO, a former Chairman of ASIC. The other directors are Dr Thomas Parry AM, Ms Jillian Segal AM (who is also a director of other ASX entities) and Ms Elizabeth Johnstone.

Ms Johnstone was appointed to the ASX Compliance Board in May 2011. Ms Johnstone brings a wealth of experience to the role. She worked as Partner, National Director and Practice Head (Company Law and Governance) of legal firm Blake Dawson for many years, after a successful career as a management consultant and academic. She is a previous Business and Professional Women's Association/Qantas Business Woman of the Year recipient and has served on the boards of a number of organisations, including the Australian Press Council and the American Bar Association's committee for International Developments in Corporate Governance. She is currently a:

- director of Macquarie University Hospital Board;
- director of Auditing and Assurance Standards Board;
- director of the Royal Flying Doctor Service of Australia (South Eastern Section) Board;
- director of Sydney Writers' Festival; and
- consultant for Blake Dawson.

### Compliance Activities

FY11 was one of significant change for ASX Compliance. In addition to the new Group Executive and Board appointments mentioned earlier, on 1 August 2010 the responsibility for supervising real-time trading on the ASX and ASX 24 (formerly SFE) markets for potential insider trading, market manipulation and other market misconduct, and for supervising the conduct of participants on those markets, transferred from ASX to ASIC.

The transfer is widely acknowledged to have been successfully and seamlessly completed, to ASX's and ASIC's joint credit. However, much work has continued behind the scenes to ensure that post-transfer activities continue to be as smooth as the transfer itself.

Senior compliance representatives of ASX and ASIC have formed a Compliance Liaison Committee, which meets every two to three weeks to exchange information and address

any compliance-related issues that may arise from the new supervisory arrangements.

The Committee is developing a revised Memorandum of Understanding between ASX and ASIC relating to cooperation and sharing of information, as well as protocols governing the sharing of market surveillance and price query information, and the coordination of participant compliance activities.

ASX has also been working cooperatively with ASIC on a range of other matters. These included the handover of responsibility from ASX to ASIC for the capital monitoring of non-clearing only participants, which took place on 1 August 2011; and upgrades to ASX's continuous disclosure monitoring software to enable 'whole of market' monitoring when another market operator, Chi-X, is due to commence operation later in 2011.

Activities relating to the transfer of supervision were just one element of ASX Compliance's work program in FY11. Considerable effort was also directed to aligning its internal processes to the post 1 August 2010 regulatory framework, particularly in the areas involving market participants and enforcement. For example, guidance was released on the new enforcement and appeals process for post 1 August 2010 matters, and the penalty guidelines that accompany the ASX Enforcement and Appeals Rulebook Procedures were completely re-written. The revised penalty guidelines now place a greater emphasis on achieving 'good compliance outcomes' rather than just 'deterrence'.

Similarly, ASX Compliance has embarked upon a major project to refresh the guidance notes to the ASX Listing Rules. The guidance note on listing fees has been substantially updated and simplified, and there's been positive feedback on the improved guidance note on trading halts and voluntary suspensions, which seeks to provide entities with greater certainty about the use of these important compliance tools.

In addition, ASX Compliance conducted educational events and presentations for listed companies to promote awareness of the new gender diversity recommendations of the ASX Corporate Governance Council. A diversity resources page has been established on the ASX website that includes access to relevant source materials, a video presentation on the background to the gender diversity measures, high-level legal guidance on obligations, and links to other useful documents, contacts and research: [www.asxgroup.com.au/diversity-resources.htm](http://www.asxgroup.com.au/diversity-resources.htm)

### Enforcement Action

Notwithstanding the supervisory transfer to ASIC on 1 August 2010, ASX continues to be responsible for taking disciplinary action for any breaches of the former ASX Market Rules and SFE Operating Rules that occurred prior to the transfer. Considerable effort was devoted in FY11 to bringing these matters to a conclusion as quickly as possible.

At the beginning of FY11, ASX Compliance had 42 open investigations and 24 open disciplinary actions relating to breaches of these rules that occurred prior to 1 August 2010. During the year a further eight investigations were commenced in relation to breaches before 1 August 2010. As at 30 June 2011, ASX has concluded all but five of these investigations and all but 12 of the disciplinary actions.

Over that period, the ASX Disciplinary Tribunals released 26 circulars, all relating to breaches before 1 August 2010, and imposed in aggregate \$1,667,050 (including GST) in penalties against the offending participants.

In FY11 ASX Compliance made 59 referrals in total to ASIC, comprising 19 for suspected continuous disclosure breaches and 40 for other matters, such as misleading statements, financial report breaches and failure to notify director trades.

# CORPORATE GOVERNANCE STATEMENT

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## Introduction

The principal features of ASX Limited's (ASX) corporate governance framework are set out in this section.

ASX places great importance on its governance framework. The ASX Board annually reviews and, as required, refines its corporate governance codes, policies and charters to ensure systems are in place to encourage the growth of shareholder value while making sure ASX's market activities are properly managed and overseen.

ASX has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition). Throughout the reporting period, ASX's governance arrangements were consistent with these principles.

Further information on ASX's corporate governance practices, including summaries of key policies and copies of Board and Committee charters, are available on the ASX Group's website: [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

## Board of Directors

### Role and Functions of the Board

The Board is accountable to shareholders for the performance of ASX. It has a responsibility to oversee the conduct of the affairs of the Group consistent with licence obligations and public policy objectives directed at financial market and payments system integrity.

The Board has adopted a charter that sets out the functions and responsibilities of the Board. These functions and responsibilities include:

- review and approve corporate strategies, the annual budget and financial plans;
- oversee and monitor organisational performance and the achievement of the Group's strategic goals and objectives;

- monitor financial performance and liaise with the Group's external auditor;
- appoint and assess the performance of the Managing Director and CEO, and oversee succession plans for the senior executive team;
- oversee the effectiveness of management processes in place and approve major corporate initiatives;
- enhance and protect the reputation of ASX;
- review and oversee systems of risk management and internal control, and legal compliance;
- oversee the processes for identifying significant risks facing the Group and oversee the control, monitoring and reporting mechanisms in place; and
- report to, and communicate with, shareholders.

The Board charter was reviewed in 2011 to ensure it remains consistent with the Board's objectives and responsibilities, and consistent with the revised ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Changes were made to the Board charter to reflect the emphasis in the revised Principles and Recommendations on board diversity and transparency of board selection processes. ASX's approach to diversity is set out on page 45 of this report. ASX's approach to Board renewal and succession planning is set out on page 41 of this report.

The conduct of the Board is also governed by the constitution of ASX. A copy of the Board charter and ASX's constitution are available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The Board has established the following committees to assist and advise it on specific matters that are set out in the respective charters of each committee:

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

### **Board Size and Composition**

The number of directors on the Board is currently nine.

The Board comprises the following directors (at the date of this report):

Name	Position	Appointed
David Gonski AC	Chairman, independent non-executive director	2007
Robert Elstone	Managing Director and CEO, executive director	2006*
Russell Aboud	Independent non-executive director	2005
Jillian Broadbent AO	Independent non-executive director	2010
Shane Finemore	Independent non-executive director	2007
Roderic (Rick) Holliday-Smith	Independent non-executive director	2006**
Peter Marriott	Independent non-executive director	2009
Jillian Segal AM	Independent non-executive director	2003
Peter Warne	Independent non-executive director	2006***

\* Managing Director and CEO of SFE Corporation Limited from 2000 to 2006.

\*\* Chairman of SFE Corporation Limited from 1998 to 2008.

\*\*\* Director of SFE Corporation Limited from 2000 to 2008.

The Board considers that individually and collectively, the directors bring an appropriate mix and level of skills, experience, expertise and diversity that enables the Board to discharge its responsibilities effectively. All directors have an understanding of financial markets. The extensive financial markets experience among directors spans involvement in a diverse range of trading, asset management, financing, corporate advisory and public policy activities.

Information on the skills, experience and expertise of directors is set out on pages 50 to 52 of this report.

Details on the number of Board meetings and the attendance of directors can be found on page 53 of this report.

### **Independence**

It is the Board's policy that a majority of its directors be independent.

The Board confirms that all current serving non-executive directors are independent. Robert Elstone is not considered independent because of the executive office he holds as Managing Director and CEO.

The Board has adopted a set of guidelines for assessing relationships that may affect a director's independence. The Board conducts an annual formal assessment of each director's interests (in addition to tabling individual director's interests at every ASX Board meeting).

As part of the 2011 annual formal assessment, the Board considered its non-executive directors' previous and current relationships with ASX customers, suppliers, consultants and professional advisers. The Board determined that none of the relationships could reasonably be perceived to materially interfere with or compromise a non-executive director's judgement.

In forming its view, the Board employed accounting standard AASB 1031 – Materiality to assist it in determining levels of materiality. A relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10%, of ASX Group revenue during a 12 month period (in the absence of evidence or convincing argument to the contrary). Additionally, the Board takes into consideration the strategic value and other

non-quantitative aspects of the relationship in question.

The significance of the relationship between a non-executive director and ASX (other than as a director) is considered in the context of the director's activities as a whole.

ASX values the experience and perspective brought to the Board by directors who are involved with stakeholders of ASX, including listed companies and participants on its markets. Such involvement is assessed against the guidelines adopted by the Board to determine whether a director's ability to act as an independent director is diminished.

The Board has not determined a limit on the number of years a director may serve on the Board before the appointment may affect a director's independent judgement.

#### **Role of the Chairman**

The Chairman is responsible for leading the Board in its duties to the ASX Group. The Chairman's principal responsibilities include facilitating effective discussions at Board meetings and overseeing the processes and procedures in place to evaluate the performance of the Board, its committees and individual directors.

The Board charter specifies that the role of Chairman is to be performed by an independent, non-executive director. The role of Chairman and Managing Director are separate. It is the Board's policy that the Managing Director and CEO may not become the Chairman.

#### **Role of the Managing Director and CEO**

The Managing Director and CEO has responsibility for the overall operational, business and reputational management, and profit performance of ASX, while also managing the Group in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals.

The Managing Director and CEO is required to faithfully and diligently exercise the powers and perform the duties that are commensurate with the position.

The Board and each of the ASX Group entities have delegated powers to the Managing Director and CEO to enable him to perform this role.

The Board charter prohibits the Managing Director and CEO from becoming the Chairman. The Managing Director and CEO is also prohibited from sitting on the board of, or having a material commercial association with, a company listed on ASX or a participant in an ASX licensed market, or a participant in an ASX Group clearing and settlement facility.

Restrictions placed on the Managing Director and CEO dealing in securities are contained in the ASX Group Dealing Rules for Employees and Directors, a summary of which is available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

#### **Company Secretaries**

The appointment of a Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretaries is contained in the Directors' Report on page 60 to 61.

#### **Board Performance Review and Remuneration**

The Board reviews its performance annually to ensure that individual directors and the Board work efficiently and effectively in fulfilling their functions set out in the Board charter.

The Chairman meets annually and separately with each non-executive director to discuss individual performance and ideas for improvement.

The maximum aggregate amount of fees that may be paid to all ASX non-executive directors each year is capped at \$2.5 million, which was approved by shareholders at the 2007 Annual

General Meeting (AGM). The Board maintains a fee buffer to give it sufficient flexibility to plan its structure in advance of specific needs arising. The total fees paid to non-executive directors during the reporting period was \$2,068,832 (excluding fees paid to non-executive directors of ASX in their capacity as directors of Securities Exchanges Guarantee Corporation Limited, which is not a controlled entity).

The Board decided on 26 August 2003 to terminate the directors' retirement scheme. The accrued entitlements which were calculated based on years of services as a director were frozen at that date and paid to entitled non-executive directors at the time of their retirement. The last retirement benefits paid to directors under this scheme were paid in 2010. There are no further entitlements to directors under the directors' retirement scheme. Further details on ASX directors' remuneration are disclosed in the remuneration report on pages 78 to 81.

### **Board Renewal and Succession Planning**

Mr Elstone's current term as Managing Director and CEO was due to expire on 11 July 2011.

The Managing Director and CEO's agreement was varied on 29 September 2010 in consultation with the Board to allow ASX to terminate it so that it could end three months before or after 11 July 2011 (at the Board's discretion). This has given the Board additional flexibility up to 11 October 2011 to find a new Managing Director and CEO.

As indicated on page 4 in the Chairman's Letter of this report, the Board is well placed to make a decision about ASX's next Managing Director and CEO, and expects the selection process to close shortly and an announcement made prior to the AGM on 22 September 2011.

Mr Russell Aboud was appointed as a non-executive director of ASX in 2005. He retires by rotation at the upcoming AGM on 22 September

2011 and offers himself for re-election at that meeting.

Board succession planning is an important part of the governance process. The Board regularly reviews and evaluates its succession planning process. An extensive evaluation, review and succession planning process was undertaken by the Board in FY10 with the assistance of an independent professional consultant.

The Board has not set a limit on a director's tenure. It considers that longstanding directors can bring a level of expertise, judgement, dedication and breadth of perspective to the performance of their responsibilities that is of great value to the Board, management and shareholders.

The appointment of directors is governed by ASX's constitution, the Board charter and the Nomination Committee and Remuneration Committee charters. These documents are available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

An election of directors is held each year. Any director (except the Managing Director and CEO) 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.

### **Access to Information, Management and Advice**

Directors are encouraged to (and do) access members of senior management to request relevant information in their role as a non-executive director.

Directors are also entitled, with the approval of the Chairman, to seek independent professional advice at ASX's expense on matters relating to their role as an ASX director.

## Board Meetings

Details of the number of meetings held (and directors' attendance) in the last financial year are set out on page 53 of this report.

## Board Committees

### Introduction

The Board has established the following committees:

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

In November 2010, the directors approved the establishment of two committees (the Nomination Committee and the Remuneration Committee) to replace the Nomination and Remuneration Committee. The two committees were established consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and in recognition of the different functions performed by the committees.

The Nomination Committee and Remuneration Committee have each adopted a separate charter that is consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, including in relation to the division of the roles and responsibilities of each committee and the composition of each committee.

Each committee's charter sets out its role and responsibilities, composition and structure. The charters of each committee are available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The committee members at the date of this report are:

	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Chair	Peter Marriott	David Gonski AC	Jillian Segal AM
Members	Roderic (Rick) Holliday-Smith	Roderic (Rick) Holliday-Smith	David Gonski AC
	Jillian Segal AM	Jillian Segal AM	Roderic (Rick) Holliday-Smith
	Peter Warne	Peter Warne	Peter Warne

Directors appointed to the committees referred to above are independent, non-executive directors. Other directors who are not members of the committees are invited to (and do attend) meetings of the committees. For information on the skills, expertise and experience of the committee members, please refer to pages 50 to 52 of this report. Details of attendance at the committee meetings can be found on page 53 of this report.

The functions of each committee are detailed on pages 42 to 45 of this report.

The Board receives the minutes and an update from the Chair of each committee on an ongoing basis. Each committee reviews its charter annually to keep it up-to-date and consistent with the committee's authority, objectives and responsibilities. Amendments to a charter require the Board's approval.

Other Board committees may be established from time-to-time to deal with certain matters associated with the conduct of ASX's various activities.

### Audit and Risk Committee

#### Members and Meetings

Consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Audit and Risk Committee consists of four independent, non-executive directors and is chaired by an independent director, Peter Marriott, who is not

Chairman of the Board. Other directors who are not members of the Committee, the external auditor and senior executives attend meetings by invitation.

The Audit and Risk Committee meets at least four times per year.

#### **Role and Responsibilities**

The Audit and Risk Committee charter sets out its role and responsibilities. The primary functions of the Audit and Risk Committee are to assist the Board to:

- review and monitor the integrity of the ASX Group's financial reports and statements;
- review and oversee systems of risk management, internal control and legal compliance;
- oversee the process for
  - identifying significant risks facing the Group; and
  - implementing appropriate and adequate control, monitoring and reporting mechanisms; and
- liaise with and monitor the performance and independence of the external auditor.

The Audit and Risk Committee is responsible for considering the risk management processes, internal controls and compliance systems within the ASX Group, with the exception of those matters on which the Board and the Audit and Risk Committee rely on the clearing and settlement subsidiary boards to provide oversight, namely:

- review of the management accounts on a quarterly basis of the clearing and settlement subsidiaries;
- management of certain clearing and settlement risks, being clearing counterparty credit risk, portfolio investment risk, liquidity

risk of the central counterparty clearing subsidiaries and settlement risks within the securities settlement subsidiaries; and

- compliance with the Financial Stability Standards determined by the Reserve Bank of Australia.

Consistent with its charter, the Audit and Risk Committee reviews the external auditor's terms of engagement, audit plan, and the findings of the audit, and assesses the independence of the external auditor. The Audit and Risk Committee also reviews the effectiveness of the external audit and the performance of the external auditor, taking into account the opinions of senior management and internal audit.

The Audit and Risk Committee meets with the external auditor without management present as necessary (and at least once annually). It satisfies itself that the level of any non-audit work carried out by the external auditor is compatible with maintaining auditor independence, taking into account the guidelines it has set.

The current practice is for the rotation of the engagement partner to occur every five years. PricewaterhouseCoopers was appointed as external auditor by shareholders at the 2008 AGM and, in the opinion of the directors, has conducted the audit in an effective and competent manner.

#### **Nomination Committee**

##### **Members and Meetings**

Consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Nomination Committee is currently comprised of four independent non-executive directors and is chaired by an independent non-executive director. Consistent with its charter, the Nomination Committee Chair is currently the Chairman of the ASX Board, David Gonski AC.

The Committee must meet at least twice yearly and more frequently (if required).

#### Role and Responsibilities

The Nomination Committee charter sets out its role and responsibilities. The Nomination Committee is responsible for:

- reviewing the process for the nomination and selection of non-executive directors to the ASX Board\*;
- reviewing succession plans for ASX Group non-executive directors;
- reviewing induction programs for ASX non-executive directors;
- assessing the requirements for non-executive directors and setting a transparent process to review whether they are meeting those requirements;
- establishing and evaluating the necessary and desirable competencies of members of the ASX Board and ASX Board committees; and
- establishing and monitoring strategies on gender diversity for ASX as they relate to the ASX Board, its committees and ASX Group subsidiary boards.

\*Procedures for the nomination and appointment of non-executive directors to the ASX Board are governed by ASX's constitution, ASX Listing Rules and the Corporations Act 2001.

#### Remuneration Committee

##### Members and Meetings

Consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Remuneration Committee is currently comprised of four independent non-executive directors, including being chaired by an independent non-executive director, currently Jillian Segal AM.

The Committee must meet at least twice yearly and more frequently (if required).

#### Role and Responsibilities

The Remuneration Committee charter sets out its role and responsibilities. The Remuneration Committee is responsible for reviewing the following matters:

- remuneration and incentive framework for the Managing Director and CEO;
- remuneration and incentive framework for the Deputy CEO;
- remuneration and incentive framework for senior executives and all staff; and
- remuneration of ASX Group non-executive directors.

The Committee also reviews the following matters and considers whether any significant matters should be brought to the attention of the ASX Board:

- ASX's remuneration structure including Long-Term Incentive arrangements and participation, and superannuation arrangements;
- senior executive succession and key staff succession plans;
- recruitment, retention and termination strategies including staff induction programs, staff resourcing trends and metrics;
- achievement against gender diversity objectives including representation of women at all levels of the organisation;
- remuneration by gender to ensure, consistent with ASX's policy, that differences in remuneration are not based on differences in gender;
- the remuneration report; and

- other relevant matters identified from time to time, or requested by the ASX Board.

The Remuneration Committee has engaged Ernst and Young directly to advise the Remuneration Committee from time to time on ASX remuneration matters. Further details are disclosed in the remuneration report on page 63.

### Approach to Diversity

ASX is committed to providing an environment in which employees have equal access to opportunities available at work, are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to their attributes. This commitment to diversity and inclusiveness enables ASX to attract and retain people with the best skills and abilities. It also allows ASX to develop a workforce whose diversity reflects the diversity of our customers and other stakeholders. A summary of the ASX Diversity Policy is available on the Group's website: [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

Diversity and inclusion continue to be important areas of focus for ASX. ASX was an early adopter of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations on diversity in 2010, aiming for at least 33.3% female participation in management and on the Board by 2015. In the last financial year, ASX appointed Ms Elizabeth Johnstone to the ASX Compliance Board.

ASX has conducted educational events and presentations for listed companies to promote awareness of the new diversity recommendations. A diversity resources page has been established on our website that includes links to relevant source materials, a video presentation on the background to the gender diversity measures, high-level legal guidance on obligations, and links to other useful documents, contacts and research:

[www.asxgroup.com.au/diversity-resources.htm](http://www.asxgroup.com.au/diversity-resources.htm)

The Remuneration Committee is responsible for reviewing achievement against gender diversity objectives, including the representation of women at all levels of the organisation. The Remuneration Committee charter is available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The proportion of female employees to male employees within the ASX Group at 30 June 2011 was 41% female and 59% male. There is strong female representation in all areas including management (Group Executive, General Manager and Manager), with 27% of employees at this level (at 30 June 2011) being female. Of ASX's non-executive directors, 25% are female.

For a fourth consecutive year, ASX has been recognised as an Employer of Choice for Women by the Australian Government's Equal Opportunity for Women in the Workplace Agency (EOWA). This award recognises the programs and policies that concentrate on the development of women at ASX.

Some of the key areas ASX continues to focus on include:

- Increasing female representation in the organisation and in senior positions – ASX aims to actively support women at all levels and to ensure that female talent is represented in the leadership pipeline by including high-potential female participation in leadership development, coaching and mentoring programs. In FY11 ASX sponsored a female executive through the Australian Institute of Company Directors (AICD) Company Directors' Scholarship program. ASX also participates in and supports other programs such as the Sustaining Women in Business annual conference and the Chief Executive Women (CEW) Talent Development program.
- Pay equity – ASX will commence a pay equity

audit to analyse pay differences between males and females, and then implement an approach to address any issues that may arise from the audit.

- Flexible work practices - ASX is committed to providing managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements. ASX continues to support staff with caring responsibilities (for the young and elderly) through programs such as Balance@ASX. ASX will assess and review opportunities to broaden the caring responsibilities criteria and will develop metrics to measure the effectiveness of these programs.
- Parental leave – In FY11 ASX's parental leave policy was reviewed and, effective 1 January 2011, paid parental leave was increased from six to 12 weeks. This is in addition to the Government Paid Parental Leave Scheme. Retention following parental leave has been one area of ASX policy development, resulting in a 75% return to work rate in the last financial year.
- Discrimination and harassment – ASX addresses this through prevention and online training. Training is both regular and specific. Upon commencing employment, all ASX staff complete online equal employment opportunity training. In the last financial year, 100% of staff completed a refresher course in equal employment opportunity training as part of broader compliance training. Specific training for managers is conducted annually.

### Risk Management

ASX views effective risk management as key to achieving and maintaining its operational and strategic objectives.

The Board is responsible for approving and reviewing the ASX Group risk management strategy and policy. The active identification of

risks and implementation of mitigation measures are responsibilities of management.

ASX's enterprise risk management framework is based on the international standard (ISO 31000) for risk management. Management has established an Enterprise Risk Management Committee and other dedicated risk forums to approve risk policies, monitor framework execution and coordinate general risk matters.

Within the framework, and in addition to the daily management of business activities, each business unit is required to formally profile its risk environment every six months. This includes the identification of key risks, an assessment of control design and operation, and an evaluation of key risk indicators. The outcomes of each risk profile are aggregated for reporting to the executive Enterprise Risk Management Committee and the Audit and Risk Committee.

When considering the Audit and Risk Committee's review of financial statements, the ASX Board receives a written statement signed by the Managing Director and CEO and the Chief Financial Officer affirming that ASX's financial statements give a true and fair view, in all material respects, of the consolidated entity's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that ASX's financial statements are founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks.

In a separate written statement, the Managing Director and CEO, Chief Risk Officer and the Chief Financial Officer also confirm to the Board that ASX's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

These internal control systems and procedures are reviewed by an internal auditor. The General Manager Internal Audit reports to the Audit and Risk Committee and the Managing Director and CEO for functional audit purposes, and to the Chief Risk Officer for administrative purposes. 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.

A summary of ASX's risk management policies on risk oversight and management of material business risks is available on the Group's website: [www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

#### **Executive Performance and Remuneration**

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

The Board undertakes an annual assessment of senior executive performance. The assessment is undertaken with the assistance of the Managing Director and CEO, the Remuneration Committee and the Nomination Committee.

Senior executives are assessed against group and individual performance targets. The overall performance of the ASX Group, the senior executive's function and the individual performance of the executive are considered in assessing performance.

The Managing Director and CEO is not present when the Board, Nomination Committee and Remuneration Committee consider his performance and remuneration. Details of the assessment criteria for the Managing Director and CEO are contained in the remuneration report on page 76.

Details of senior executive remuneration (including equity-based share plans) are disclosed in the remuneration report on pages 77 to 78.

The ASX Group Dealing Rules for Employees and Directors place restrictions on dealings in securities by ASX directors, employees and certain others. Under these rules, using derivatives and hedging arrangements for unvested ASX securities (including ASX shares and other securities and derivatives issued or created over ASX shares) or vested ASX securities which are subject to holding locks is prohibited. Derivative or hedging arrangements over vested ASX securities by a director or key management personnel will be publicly disclosed by ASX.

#### **Continuous Disclosure**

ASX has established policies to help ensure compliance with its listing rule and Corporations Act 2001 obligations relating to continuous disclosure. A copy of ASX's Listing Rule 3.1 Compliance Policy and Rules is available on the Group's website:

[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

That policy contains the key obligations of directors and employees of the ASX Group in relation to continuous disclosure.

The policy is reviewed annually by management, and changes are approved by the Board to ensure it remains in line with regulatory developments, ASX business processes and best practice.

The policy contains ASX's key obligations under the ASX Listing Rules and the Corporations Act 2001, and details the type of information that requires disclosure. The policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with disclosure requirements and for monitoring compliance.

The Managing Director and CEO (or his delegate in his absence), after considering legal advice from the Group General Counsel and Company Secretary, determines those matters which must be announced to the market. The Managing Director and CEO (or his delegate in his absence), acting on legal advice, is primarily responsible for ensuring that ASX complies with its continuous disclosure obligations.

In respect of each item considered at Board meetings, the Board considers whether any matters require disclosure.

Individual directors are required to consider ASX's disclosure obligations when they become aware of information in the course of their duties as a director of ASX or of any company in the ASX Group.

### **Shareholder Communications**

ASX aims to communicate clearly and transparently with shareholders and prospective shareholders. ASX will use available channels and technologies to communicate widely and promptly.

ASX will facilitate shareholder participation in shareholder meetings, and respectfully and quickly deal with shareholder enquiries. At the core of the Board's approach to reporting to shareholders is a determination to disclose as much relevant information as possible, particularly on the Group's website, in the Annual Report, in monthly market activity announcements and via daily trading data.

ASX's Shareholder Communications and Shareholder Meetings statement is available on the Group's website:  
[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

The ASX shareholder communication framework includes the following elements designed to provide 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, the Deputy CEO or the Chief Financial Officer, and are to be limited to explanation of previously published material and general discussion of non-price sensitive information;
- where information is likely to be price sensitive, ASX will immediately notify the market. If this information is to be released for the first time on the day that an analyst briefing is scheduled, a market announcement will be made before 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 (at formal presentations to analysts, for example) 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 half-year or full-year results announcements.

Extensive information is set out in the Annual Report, including in the Directors' Report and financial statements, enabling shareholders to understand the costs and benefits of various ASX policies, such as the linkage in remuneration policies between reward and performance.

The ASX Group's website is a valuable source of information for ASX's shareholders and prospective shareholders. ASX provides live audio webcasts of its AGMs and analyst briefings. ASX places all market announcements (including analyst briefing material and media releases) on its website immediately following confirmation of their release to the market (where relevant). ASX also places 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 on its website.

ASX posts monthly activity reports that provide investors with, among other things, a useful guide to current period performance and revenue. ASX also releases monthly ASX Compliance activity reports that detail the range and outcomes of its monitoring and enforcement of compliance by listed entities and participants with the ASX Group operating rules. Exchange-traded activity is also published daily in major Australian newspapers and via electronic information vendors.

### **ASX's Annual General Meeting**

ASX's AGM is scheduled to be held on 22 September 2011 at Exchange Square, 18 Bridge Street, Sydney, New South Wales at 10.00am (Sydney time). Full details will be contained in the Notice of Annual General Meeting that will be distributed to shareholders in late August 2011. Information will also be made available on the Group's website.

The external auditor will be available to answer shareholder questions about the conduct of the audit, the preparation and content of the Independent Audit Report, the accounting policies adopted by ASX in preparing the financial statements and the independence of the auditor in the conduct of the audit.

In addition to asking questions at the meeting, written questions to the Chairman of the meeting about the management of ASX or to ASX's auditor about the content of the Auditor's Report and the conduct of the audit, may be submitted no later than Thursday, 15 September 2011 to:

### **ASX Chairman**

C/- Company Secretary  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000  
Australia

Facsimile: +61 (2) 9227 0480  
Email: [company.secretariat@asx.com.au](mailto:company.secretariat@asx.com.au)

Shareholders are encouraged to attend the AGM. If shareholders are not able to attend they are encouraged to vote directly on resolutions.

### **Direct Voting**

Changes to ASX's constitution (approved by shareholders at the 2010 AGM) permit ASX to enable shareholders to vote directly on resolutions considered at a shareholder meeting without attending the meeting or appointing a proxy.

Shareholders who are unable to attend the AGM are encouraged to:

- vote directly on the resolutions to be considered at the meeting; or alternatively
- appoint a proxy to vote on their behalf.

Shareholders will be able to lodge their direct vote or appoint a proxy:

- online; or
- by completing and returning the voting form enclosed with the Notice of Meeting.

An audio webcast of the AGM will be made available to shareholders on the Group's website: [www.asxgroup.com.au/agm2011webcast](http://www.asxgroup.com.au/agm2011webcast)

### **Code of Conduct**

ASX's Code of Conduct promotes ethical and responsible decision-making by directors and employees. Employees are required to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment.

A summary of ASX's Code of Conduct is available on the Group's website:  
[www.asxgroup.com.au/asx-corporate-governance.htm](http://www.asxgroup.com.au/asx-corporate-governance.htm)

ASX has also established a Whistleblower Protection Policy designed to support and protect employees who report non-compliant or 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.

Both ASX's Code of Conduct and Whistleblower Protection Policy were reviewed and updated in FY11.

### **Political Donations**

ASX makes donations to political parties from time to time. ASX has made no donations since the disclosures in last year's Annual Report of \$50,000 each to the Australian Labor Party and to the Liberal Party of Australia in the lead up to the Federal Election in August 2010.

### **Details of Directors as at 18 August 2011**

**DAVID M GONSKI AC,  
B.Comm LLB (UNSW), FAICD (Life), FCPA  
Chairman, independent non-executive director**

Mr Gonski was appointed a director of ASX in June 2007 and Chairman in September 2008. He is also Chairman of the Nomination Committee and a member of the Remuneration Committee. Mr Gonski is a lawyer by training and has been involved in the financial services industry in Australia for more than 20 years.

Mr Gonski is Chairman of Coca-Cola Amatil Limited, Investec Bank Australia Limited and Swiss Re Life and Health Australia Limited, and is a director of Singapore Airlines Limited. He is Chancellor of the University of New South Wales, Chairman of Sydney Theatre Company and National E-Health Transition Authority, and a Board member of Infrastructure NSW.

**RUSSELL A ABOUD, MBBS (Syd)**

**Independent non-executive director**

Mr Aboud was appointed a director of ASX in July 2005.

Mr Aboud is Chairman of Manikay Partners LLC. He has extensive knowledge and experience in the international financial services and securities industries gained over 20 years. Past roles have included Chairman of Ord Minnett Limited, and Global Head of European Equities and Head of Australasian Equities for the UBS Group.

**JILLIAN R BROADBENT AO, BA, FAICD**

**Independent non-executive director**

Ms Broadbent was appointed a director of ASX in February 2010. She is also a director of the ASX Group's clearing and settlement facility licensees and their intermediate holding companies.

Ms Broadbent is a member of the Board of the Reserve Bank of Australia and a director of Woolworths Limited. She is also the Chancellor

of the University of Wollongong. Her extensive experience in the corporate banking and finance sectors, in Australia and overseas, includes a long executive career with Bankers Trust Australia and past directorships of major companies including Coca-Cola Amatil Limited, Woodside Petroleum, Qantas Airways, Westfield trusts and the Special Broadcasting Service (SBS).

**ROBERT G ELSTONE,  
BA (Hons), MA (Econ), MCom  
Managing Director and CEO, executive director**

Mr Elstone was appointed Managing Director and CEO of ASX in July 2006. He is also a director of the ASX Group's clearing and settlement facility licensees and their intermediate holding companies.

Prior to his role at ASX, Mr Elstone was Managing Director and CEO of SFE Corporation Limited from May 2000 until the merger with ASX in July 2006. He 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. Mr Elstone was also a non-executive director of National Australia Bank Limited and an inaugural member of the Board of Guardians of the Future Fund of Australia until his appointment as Managing Director and CEO of ASX.

Mr Elstone is an Adjunct Professor in the School of Business at the University of Sydney. Between 2007 and 2009 he was Chairman of the Financial Sector Advisory Council to the Treasurer of the Commonwealth of Australia.

**SHANE D FINEMORE, B.Comm (UNSW)  
Independent non-executive director**

Mr Finemore was appointed a director of ASX in June 2007.

Mr Finemore is an internationally recognised authority on securities exchanges, based in New York. He is currently Managing Partner of Manikay Partners LLC, a director of Ron Finemore Transport Pty Limited and a Member of the Australia as a Financial Services Centre Taskforce. He was formerly Managing Director at UBS Investment Bank, Head of the UBS US Fundamental Investment Group, and a member of the UBS Investment Bank Board.

**RODERIC (RICK) HOLLIDAY-SMITH,  
BA (Hons), FAICD  
Independent non-executive director**

Mr Holliday-Smith was appointed a director of ASX in July 2006. Prior to the merger of ASX and SFE in July 2006 he was Chairman of SFE Corporation Limited from 1998. He is a director of the ASX Group's clearing and settlement facility licensees and their intermediate holding companies. He is also a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee.

Mr Holliday-Smith is a specialist in capital markets, derivatives and venture capital activities. He is Chairman of Snowy Hydro Limited and Cochlear Limited, and a director of Servcorp Limited. Prior to 1998 Mr Holliday-Smith spent 11 years in Chicago, first 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.

**PETER R MARRIOTT, FCA, BEc (Hons), MAICD  
Independent non-executive director**

Mr Marriott was appointed a director of ASX in July 2009. He is Chairman of the Audit and Risk Committee and a director of the ASX Group's clearing and settlement facility licensees and their intermediate holding companies.

Mr Marriott is the Chief Financial Officer of Australia and New Zealand Banking Group

Limited (ANZ), a position he has held since 1997. He has been involved in the finance industry for 30 years. He joined ANZ in 1993 as General Manager, Group Accounting and was then appointed Group General Manager, Credit/Risk Management in 1995. Prior to his career at ANZ, Mr Marriott was a Partner in the Melbourne office of the then KPMG Peat Marwick. He is a fellow of the Institute of Chartered Accountants in Australia, and a member of the Australian Institute of Company Directors and the Accounting and Finance Course Advisory Committee at Victoria University.

**JILLIAN S SEGAL AM,  
BA LLB (UNSW), LLM (Harv), FAICD**  
*Independent non-executive director*

Ms Segal was appointed a director of ASX in July 2003. She is a director of ASX Compliance Pty Limited, Chair of the Remuneration Committee and a member of the Audit and Risk Committee and the Nomination Committee.

Ms Segal is a director of National Australia Bank Limited and the Garvan Institute of Medical Research. She is Chair of the General Sir John Monash Foundation and Deputy Chancellor of the University of New South Wales. She is also a member of the Remuneration Tribunal, the independent statutory body that considers the remuneration of key Commonwealth officers, and a member of the Sydney Advisory Council of the Centre for Social Impact. Previously, she was a Commissioner and Deputy Chair of the Australian Securities and Investments Commission (ASIC) and Chair of the Banking and Financial Services Ombudsman. Prior to joining ASIC, Ms Segal was a corporate lawyer specialising in corporate and environmental law, having been a partner at Allen Allen and Hemsley (now Allens Arthur Robinson).

**PETER H WARNE, BA, MAICD**

*Independent non-executive director*

Mr Warne was appointed a director of ASX in July 2006. Prior to the merger of ASX and SFE in July 2006, he was a director of SFE Corporation Limited from 2000. He is a director of the ASX Group's clearing and settlement facility licensees and their intermediate holding companies. He is a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee.

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

Previously, Mr Warne was a director of Macquarie Capital Alliance group and a former Executive Vice-President of Bankers Trust Australia Limited.

**Board and Committee Meetings Attended by ASX Limited Directors up to 30 June 2011**

	ASX Limited				Audit and Risk Committee				Nomination Committee and Remuneration Committee				ASX Clear Pty Limited (Formerly Australian Clearing House Pty Ltd)				ASX Clear (Futures) Pty Limited (Formerly SFE Clearing Corporation Pty Ltd)				ASX Settlement Pty Ltd (Formerly ASX Settlement and Transfer Corporation Pty Ltd)				Austraclear Ltd				ASX Compliance Pty Limited (Formerly ASX Markets Supervision Pty Ltd)			
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended						
David Gonski AC (Chairman)	7	7					2	2																								
Robert Elstone	7	7							6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6							
Russell Aboud	7	7																														
Jillian Broadbent AO	7	7							6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6							
Shane Finemore	7	7																														
Roderic (Rick) Holliday-Smith	7	7	4	4	2	2	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6								
Peter Marriott	7	7	4	4			6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6								
Jillian Segal AM*	7	7	4	4	2	2																		7	7							
Peter Warne	7	7	4	4	2	2	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6								

All directors are invited to, and do regularly, attend meetings of subsidiary boards and committees, other than ASX Compliance Pty Limited. Attendance in the above table is only recorded where a director is a member.

Notes

\*Ms Jillian Segal AM became chair of the Remuneration Committee on 1 January 2011.

Mr Trevor Rowe AM retired 2 July 2010.

## CORPORATE RESPONSIBILITY

The ASX Group (ASX or Group) strives to maintain its reputation as an ethical and responsible corporate leader by participating in a range of community and charitable activities for the benefit of a broad constituency of stakeholders.

### Investor Education

ASX continues to be a strong supporter of financial literacy, providing a range of free tools and resources about the risks and rewards of investing. In a multi-market environment, ASX's investor education activities will benefit all market operators, not just ASX.

The 2010 Australian Share Ownership Study, released by ASX in May 2011, found that Australia continues to rank among the leading share-owning nations in the world on a per capita basis, with 43% of adults owning shares. It also showed that the majority of retail investors are now taking a more active role in building their knowledge and making decisions about their investments. They are more mindful of the risks of investing and feel they need to learn more.

ASX's Investor Education initiatives cater to this need. Much of the education content is web-delivered via [www.asx.com.au](http://www.asx.com.au) - a site consistently rated as one of Australia's most popular financial news and information websites, according to Nielsen/Net Ratings Market Intelligence. It provides an array of information for investors in plain language, including share prices, dividends, the latest company announcements and market statistics.

In addition, ASX hosts free monthly, lunchtime public investor education seminars in the central business districts of the mainland state capitals. These seminars are conducted jointly with the Australian Shareholders' Association and feature a range of authoritative and insightful speakers. The Melbourne and Sydney events are filmed and the webcasts made available online. These webcasts are regularly ranked first in popularity in iTunes Australia's business section.

	FY08	FY09	FY10	FY11
<b>Investor Hour Attendances</b>				
Total number of attendees	12,777	11,488	10,690	8,529
<b>Webcasts</b>				
Total number of viewers	N/A	68,261	91,156	80,269

Over the past two years ASX has developed new online courses, which are free and can be accessed without registration any time. Comprehensive investor education courses are available on shares, interest rate securities, instalment warrants, exchange-traded funds and exchange-traded options. These courses can be accessed via: [www.asx.com.au/classes](http://www.asx.com.au/classes)

	FY08	FY09	FY10	FY11
<b>Online Course Downloads</b>				
Equities courses	108,747	181,088	194,681	177,736
Options courses (from September 2009)	N/A	N/A	26,012	30,420
Warrants courses (from July 2009)	N/A	N/A	9,277	9,936

ASX also provides a free online newsletter for retail investors, the design of which was refreshed in FY11 to maintain its relevance and overall appeal to readers. Investment industry experts contribute articles on a range of education topics targeted at both the novice and sophisticated investor. The newsletter has over 150,000 subscribers.

In FY11, as has been the case for more than 25 years, ASX provided dedicated sharemarket games for both the general public and for secondary school students across Australia. The games provide a practical and realistic experience of the market. Players are given a hypothetical amount of money and have access to educational tools such as company announcements, charting and watch-lists to assist them in making informed decisions about stock selection. The games are played using real prices and allow participants to become familiar with the mechanics of share trading. All the

market's rises and falls are experienced in the game, giving participants a better awareness of the risks and benefits of investing.

In FY11, 29,311 people participated in the public games, and 66,330 students from 2,167 schools took part in the schools games.

For more information about ASX's Sharemarket Games: [www.asx.com.au/sharegame](http://www.asx.com.au/sharegame)

### **ASX Corporate Governance Council**

ASX has chaired the ASX Corporate Governance Council (Council) since its inception in August 2002. The Council brings together 21 business, investment and shareholder groups to oversee the principles-based and industry-wide framework it developed for corporate governance - the Corporate Governance Principles and Recommendations (Principles and Recommendations). The overriding objective of the Council is to ensure that the Principles and Recommendations remain relevant and continue to provide a practical guide for listed companies, their investors and the wider Australian community.

The Council released the most recent revisions to the Principles and Recommendations with amendments relating to diversity, remuneration committees, trading policies and analyst briefings on 30 June 2010. The Corporate Governance Principles and Recommendations with 2010 Amendments became effective on 1 January 2011 and, as such, the change in the reporting requirements for each of the amendments applied to an entity's first financial year commencing on or after 1 January 2011.

ASX requires listed entities to disclose in their annual report the extent to which they have followed the recommendations set by the Council during the relevant reporting period. Where companies have not followed all of the recommendations, they must identify the recommendations that have not been followed

and provide an explanation for not following them ('if not, why not' reporting).

Importantly, the reporting requirements under the ASX Listing Rules provide for transparency of the corporate governance practices of listed companies, which better positions investors to make informed investment decisions. Ultimately, it is for the market to pass judgement on the corporate governance practices of Australian companies, not the Council or ASX.

ASX recognises that corporate governance is evolving and it will endeavour to ensure that the Principles and Recommendations remain relevant to Australia's business and investment communities.

With that in mind, a review of the Principles and Recommendations was conducted in FY11 to ascertain whether any systemic corporate governance problems had emerged warranting revisions to the Principles and Recommendations.

The Council heard consistently from stakeholders during the review process that there were no systemic problems warranting revision and that the existing Principles and Recommendations remain relevant to large and small companies alike. As such, the Council is not proposing further revisions or the publication of a third edition of the Principles and Recommendations, at this stage. There was strong support for the way the Principles and Recommendations were structured to enable differently sized businesses to adopt approaches that are simultaneously consistent with the Principles and Recommendation and also tailored to the circumstances and level of complexity of their particular business.

There was also continuing strong support for 'if not, why not' reporting, with both institutional investors and organisations representing retail investors highlighting how this mechanism

provides a useful trigger for constructive engagement with company representatives about governance practices.

The flexibility of the Principles and Recommendations is seen to be allowing companies to respond to the changing business environment and refine their corporate governance arrangements as appropriate. The feedback from stakeholders is that the ASX listing rule requiring disclosure of governance practices is providing investors with useful insights into how companies are managed.

More detail about the Council and the Principles and Recommendations is available on ASX's website: [www.asx.com.au/corporate\\_governance](http://www.asx.com.au/corporate_governance)

#### National Museum of Australia

ASX has contributed objects to the National Museum of Australia's new Landmarks exhibition, which explores a broad history of Australia through stories of places and their people across 10 themes. ASX is part of the 'Expanding the Economy' theme.

The former Brisbane Stock Exchange, which amalgamated with the other five state-based exchanges to form ASX in 1987, features as one of the places representing the economy theme. ASX has lent a full set of trading boards and other heritage items from Brisbane to the Landmarks exhibition.

The boards still depict the chalk marks from the final day's trading before they were replaced by a computerised system. To ensure the preservation of this powdery moment in time, museum conservators have used a vaporiser to spray a fine adhesive mist over the chalk marks. This treatment has improved the chalk's adhesion to the boards and enables easier maintenance and cleaning of the display.

The trading boards rank as 'key collection objects' in the exhibition alongside such iconic pieces of Australiana as a Holden prototype

car and Phar Lap's heart. To accompany the exchange items, ASX has also donated a ticker tape feed of selected live share price data.

The Landmarks exhibition, which is expected to be in place for at least 10 years, offers an imaginative tour of Australia and the creation of Australian history – a history of which ASX is proud to be a part.

For more information about Landmarks:

<http://nma.gov.au/exhibitions/landmarks/>



#### ASX in the Community

ASX encourages and assists its employees to become active supporters of worthwhile causes and to participate in programs outside the workplace. This not only benefits the causes directly but is also good for ASX, with community involvement and charitable-giving having a positive impact on employee satisfaction and retention.

ASX's community programs allow employees to support causes and charities of their choice from a broad list of charity partners. In FY11, ASX and its employees donated \$382,994 to various charities, community partners and appeals, including charities associated with the Group's Workplace Giving program, such as Gawura Indigenous Foundation, the Red Cross Good Start Breakfast Club and Taronga Zoo.

### Workplace Giving

ASX employees support 35 charities through ASX's Workplace Giving program. ASX matches employee donations via the program on a dollar-for-dollar basis. In FY11, total Workplace Giving amounted to \$196,382 with 15% of ASX's workforce participating.

### Volunteering

ASX's volunteering policy provides one day's paid leave per year for all employees to volunteer their services and skills to charities. In FY11, 67 employees, or around 12% of ASX staff, volunteered.

ASX employees were regular blood donors to the Australian Red Cross Blood Bank and volunteered at the Red Cross Good Start Breakfast Club at an inner city Sydney public school with a 50% indigenous student population; they supported the Gawura Indigenous Foundation reading program; and invited senior citizens to talk about their life experiences for an online interview series called 'A Conversation for Life', which sought to raise awareness of the richness and diversity of human experience among senior citizens.

### Fundraising

Throughout FY11 ASX staff organised and participated in a wide range of charitable fundraising activities. These included the Cancer Council Biggest Morning Tea; Shepherd Centre Loud Shirt Day; Movember to raise awareness for men's health; Shave for a Cure to raise funds for the Leukaemia Foundation; Centre for Autism Australia, which provides therapy for children suffering from autism; Genes for Jeans Day; and Pink Ribbon Day for breast cancer.

### Emergency Donations

ASX makes emergency donations to aid the victims of major natural disasters. In FY11 financial support was provided to the Queensland floods, Pakistan flood emergency, Christchurch earthquake, and Japan earthquake and Pacific disaster appeals.

### ASX Thomson Reuters Charity Foundation

ASX and Thomson Reuters Group PLC formed a charity foundation in 1999 to support Australian-based children's and medical research charities by organising fundraising events with participants from financial markets and other industries. Key fundraising events include an annual Golf Tournament, Sailing Regatta, Gala Dinner and Charity Auction. In total, the events held in FY11 raised \$1,308,295, net of all expenses, which was distributed to 24 charities. The Foundation's seven-person board includes two ASX executives. ASX also fulfils the company secretariat and finance functions for the Foundation, and each year many ASX employees volunteer to assist with the fundraising activities.

For more information: [www.asxreuterscharity.com.au](http://www.asxreuterscharity.com.au)

**ASX THOMSON REUTERS  
FOUNDA TION**  
CORPORATE AUSTRALIA HELPING THOSE IN NEED

### ShareGift Australia

ASX has been a supporter of ShareGift Australia since ShareGift began operations in 2007. ShareGift Australia is a not-for-profit organisation that allows shareholders to sell parcels of shares free of brokerage costs and donate the proceeds to charity. ASX reimburses to brokers all exchange fees on ShareGift Australia transactions and prints details about ShareGift on every CHESS statement.

ASX gives its own shareholders the chance to support ShareGift Australia by enclosing a ShareGift Share Sale Donation Form with the final dividend letter from the Managing Director and CEO to ASX shareholders.

At the end of FY11, ShareGift Australia had donated in excess of \$180,000 to over 100 Australian charities thanks to the generosity of shareholders.

For more information: [www.sharegifaustralia.org.au](http://www.sharegifaustralia.org.au)



### FTSE4Good Index Series

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.

For more information: [www.ftse.com/ftse4good](http://www.ftse.com/ftse4good)



### FTSE4Good

### Dow Jones Sustainability Asia Pacific Index

The Dow Jones Sustainability Index (DJSI) tracks the financial performance of the world's leading companies according to corporate sustainability performance. The DJSI assessment aims to create value for companies by providing a benchmarking tool to measure progress against sustainability best practice. The securities of DJSI members are potential investment targets for sustainability-driven portfolios. The DJSI family currently comprises a set of global benchmarks that include the 'best-in-class' companies internationally.

In FY11 ASX continued to be included in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific). The DJSI Asia Pacific tracks sustainability leaders on a global basis as well as a regional scale. It includes the top 20% of the largest 600 companies from among the developed Asia Pacific markets. ASX was first admitted in 2009 and is also included in the Sustainability Leaders Group of the Financial Markets sector.

For more information: [www.sustainability-indexes.com](http://www.sustainability-indexes.com)





## DIRECTORS' REPORT

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The directors present their report together with the financial statements of ASX Limited (ASX or the Company) and of the Group (the Group), being the Company and its subsidiaries, for the year ended 30 June 2011 (FY11), and the auditor's report thereon. The financial statements have been reviewed and approved by the directors on the recommendation of the ASX Audit and Risk Committee.

The consolidated net profit after tax for the year attributable to the members of ASX was \$352,297,879 (2010: \$328,137,610).

### 1. Directors

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

Mr DM Gonski AC (Chairman)  
[Director since 2007](#)

Mr RG Elstone (Managing Director and CEO)  
[Director since 2006\\*](#)

Mr RA Aboud  
[Director since 2005](#)

Ms JR Broadbent AO  
[Director since 2010](#)

Mr SD Finemore  
[Director since 2007](#)

Mr R Holliday-Smith  
[Director since 2006\\*\\*](#)

Mr PR Marriott  
[Director since 2009](#)

Ms JS Segal AM  
[Director since 2003](#)

Mr PH Warne  
[Director since 2006\\*\\*\\*](#)

\* Managing Director and CEO of SFE Corporation Limited from 2000 to 2006.

\*\* Chairman of SFE Corporation Limited from 1998 to 2008.

\*\*\* Director of SFE Corporation Limited from 2000 to 2008.

Mr TC Rowe AM was a director up until his retirement on 2 July 2010. He had been a director since 2002.

Directors' meetings and their attendance at those meetings for FY11 (including meetings of committees of directors) are disclosed in the Corporate Governance Statement on page 53 of the Annual Report.

### 2. Company Secretaries

Amanda J Harkness,

**Group General Counsel and Company Secretary,  
BEc LLB (Hons)(ANU), MA (Macquarie), FCIS,  
FAIM, GAICD**

Ms Harkness is responsible for the provision of legal counsel to the ASX Board, subsidiary company boards and senior management, and for oversight of the legal services across the Group. In addition, Ms Harkness is responsible for company secretarial, corporate governance support and regulatory assurance services across the Group. She is a Group Executive member of ASX's executive management committee. Ms Harkness has held senior adviser roles as a partner in the Australian law firm Freehills and at the consulting firm McKinsey & Co. Ms Harkness has held executive management roles in Telstra and a start-up joint venture funded by British Telecom. She has worked in businesses in Australia, New Zealand, Malaysia, Korea, Hong Kong and Japan. In 2009, Ms Harkness was appointed by Vodafone International Holdings as a non-executive director of its Australian joint venture with Hutchison Whampoa Limited – Vodafone Hutchison Australia Pty Limited. Previously she has served on a range of Federal Government advisory boards focused on innovation and technology development. Ms Harkness has a first-class honours degree in Law, is a Fellow of the Chartered Secretaries Australia and Fellow of the Australian Institute of Management.

**Daniel Csillag,  
Legal Counsel and Company Secretary,  
BA LLB (UNSW)**

Mr Csillag joined the Group's Legal Division in June 2007 and was appointed as a Company Secretary in October 2010. Mr Csillag is responsible for providing legal counsel to various business units across the Group. He is also responsible for providing assistant company secretarial and corporate governance support to ASX and other entities within the Group.

Ms Kristy Huxtable was Deputy Company Secretary until October 2010 and was on parental leave for the remainder of the financial year.

### **3. Report on the Business**

#### **3.1 Principal Activities**

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

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

#### **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 5) and the Chief Financial Officer's Report (page 8).

#### **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
<b>In respect of the current financial year</b>				
Interim	90.2	157,973	24 March 2011	30%
Final	93.0	162,877	22 September 2011	30%
<b>Total</b>	<b>183.2</b>	<b>320,850</b>		
<b>In respect of the prior financial year</b>				
Interim	89.1	153,524	29 March 2010	30%
Final	84.0	145,804	27 September 2010	30%
<b>Total</b>	<b>173.1</b>	<b>299,328</b>		

All dividends in respect of the current and prior financial year, 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**

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

#### **3.5 Events Subsequent to Balance Date**

Since the end of the reporting period, the Board resolved to pay a final dividend of 93 cents per share fully franked.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect, the:

- a. Group's operations in future financial years; or
- b. results of those operations in future financial years; or
- c. Group's state of affairs in future financial years.

#### **3.6 Likely Developments**

Further information about likely developments in the operations of the Group are referenced in pages 31 to 35 of the Annual Report. However the expected results from those operations in future financial years have not been included because disclosures of the 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**

The Group has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of the Company, its subsidiaries and a related body corporate.

The officers of ASX covered by the insurance include the current directors, executives, the company secretaries, former directors and other officers. The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

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

The officers are also indemnified out of the property of ASX against any liability incurred in that capacity provided that liability does not arise out of conduct involving a lack of good faith.

#### **6. Share Information**

##### **Performance Rights to Ordinary Shares**

At the date of this report, ASX had 126,000 performance rights over issued shares outstanding with the ordinary shares held in trust. For further details on the performance rights including performance hurdles for vesting, refer to the remuneration report (page 63).

#### **Exercise of Performance Rights to Ordinary Shares**

During the year, 31,460 performance rights vested as a result of partial attainment of performance hurdles, under the 2007 Long-Term Incentive Plan.

#### **7. Proceedings on Behalf of the Group**

Under section 237 of the Corporations Act 2001 no application has been made in respect of the Group and no proceedings have been brought or intervened in on behalf of the Group under that section.

#### **8. Corporate Governance**

Group corporate governance matters are discussed on pages 38 to 53.

#### **9. Non-Audit Services**

During the year PricewaterhouseCoopers (PwC), the Company's auditor, performed certain 'non-audit services' in addition to its statutory duties. Details of the amounts paid to PwC and its related practices for audit and non-audit services provided during the year are set out in the table below.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services:</b>		
Audit and review of the financial reports and other audit work under Corporations Act 2001	458,000	440,000
Audit of Information Technology platforms	140,000	135,000
<b>Non-audit services:</b>		
Tax compliance services	56,182	113,223
Tax consulting for the proposed merger with Singapore Exchange Limited	101,280	-
Other non-audit related services	17,750	12,659
<b>Total auditor's remuneration</b>	<b>773,212</b>	<b>700,882</b>

In addition to the above, total audit fees of \$21,000 (2010: \$20,000) and tax compliance fees of \$17,750 (2010: \$17,700) were received by the auditor in relation to Securities Exchanges Guarantee Corporation (SEGC), National Guarantee Fund (NGF), ASX Division 3 Compensation Fund and the Sydney Futures Exchange Limited Fidelity Fund, which are not consolidated as part of the Group.

#### **10. Directors' Declaration of Satisfaction with Independence of Auditor**

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

- non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee; and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 84.

#### **11. Remuneration Report – Audited**

##### **11.1 Executive Summary**

The remuneration report provides details on ASX's remuneration structure, decisions and outcomes in FY11 for all employees including directors of ASX, the Managing Director and CEO, and other key management personnel. The report has been prepared in accordance with the requirements of section 300A of the Corporations Act 2001.

##### **11.1.1 Key Aspects of the Reward Approach**

The Group remuneration structure applies to all employees and is designed so that there is an appropriate mix of fixed and variable reward commensurate with the level of accountability for each role in the Group. Executives who have a greater ability to influence Group outcomes have a greater proportion of overall reward at risk. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role. The overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile relative to finance industry standards, or in comparison with performance or market capitalisation peers.

The following remuneration structure applied for the year ended 30 June 2011 (FY11):

##### **Fixed Remuneration**

Fixed remuneration reviews were effective from 1 July 2011 (the previous review was effective from 1 April 2010).

ASX aims for fixed remuneration to be between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the relevant market comparative data depending on individual employee performance.

##### **Short-Term Incentive (STI)**

As the size of STI payments are modest relative to fixed remuneration for the vast majority of recipients, annual STI allocations take the form of a cash payment.

**Deferred Short-Term Incentive (DSTI)**

Eligibility is restricted to staff nominated by the Managing Director and CEO and Group Executive members.

Payments for eligible staff are deferred and paid in cash after a two-year holding lock. Payment is subject to continued employment with ASX over the holding lock period.

Eligible staff must achieve satisfactory performance during the two years based on their mid-year and end-of-year performance reviews.

In the event of resignation, misconduct or unsatisfactory performance the DSTI is forfeited.

A second DSTI offer was made to eligible employees on 1 July 2011 (the first issue was 1 July 2010).

**Long-Term Incentive (LTI)**

LTI participants are offered a share-based plan with performance criteria determined by the Board. The performance criteria determined to date have been based on Earning Per Share (EPS) and Total Shareholder Return (TSR) for ASX. TSR is measured against a comparator group of companies selected by the Board (further detail on Comparator Groups for respective offers is included in Appendix A on page 82).

For ASX Compliance participants LTIs are offered as a cash-based plan with pre-defined performance criteria.

LTI awards vest at the end of a three-year period if performance hurdles are met, otherwise they lapse.

Eligible employees are nominated by the Managing Director and CEO and Group Executive members and approved by the Board.

**11.1.2 Remuneration Outcomes for FY11**

Fixed remuneration was reviewed in FY11 and increases took effect from 1 July 2011, based on extensive sectoral benchmarking.

STI aggregate payments for FY11 were 14% higher than FY10. The higher overall expenditure for FY11 compared to FY10 reflects improved company performance and delivery of a number of very significant technology upgrade projects.

The terms and conditions of the LTI plan for FY11 remained unchanged following a review during FY10. The plan is a three-year plan with the performance criteria determined as a 50% TSR performance criterion and a 50% EPS performance criterion. A grant was made to seven employees in FY11 with a grant date of 1 July 2010. No share-based LTI plan offers were made to employees in ASX Compliance. A cash-based LTI plan offer was made to one employee in ASX Compliance in FY11. During FY11 the 2007 LTI plan partially vested in December 2010 - the 50% EPS performance criterion of the plan lapsed and the 50% TSR performance criterion was determined to be at the 51<sup>st</sup> percentile. Those eligible employees that were participants in the plan were awarded 26% of their total 2007 award grant.

**11.1.3 Changes to the Remuneration Approach**

Following an extensive review of the ASX remuneration framework undertaken in FY10, in consultation with the ASX Board a new component of remuneration - the Deferred Short-Term Incentive (DSTI) was implemented effective 1 July 2010. The initial offer was made to 80 eligible employees on 1 July 2010. A second offer under a DSTI plan was made to 75 eligible employees on 1 July 2011. The DSTI is paid in cash after a two-year holding lock subject to continued employment with ASX and satisfactory mid-year and end-of-year performance assessments.

During FY11 ASX completed a re-alignment of its strategy following the transfer to ASIC of certain supervisory activities and to reflect the prospect of an increasingly competitive environment. The ASX scorecard framework, which aligns ASX strategy and corporate values to individual employee objectives and underpins the ASX remuneration framework, was subsequently reviewed. The six scorecard areas were rationalised to five key areas which better reflect the current ASX operating environment. Further information on the scorecard framework is detailed in section 11.4.2.

During FY11 there were no termination payments made to senior executives reported as key management personnel other than entitlements as required by relevant legislation. There were no fee increases introduced during the reporting period for non-executive directors. The last increase in fees to non-executive directors was effective from 1 July 2008.

ASX remuneration policy was reviewed internally against industry benchmarks during FY11.

There were no material changes to ASX remuneration policy during FY11.

### **11.2 Remuneration Governance**

During FY11, separate Nomination and Remuneration Committees were established effective from 1 January 2011.

The Nomination Committee and the Remuneration Committee are each made up only of non-executive directors of the ASX Board. The Remuneration Committee endeavours to ensure that Group remuneration outcomes strike an appropriate balance between the interests of ASX shareholders and rewarding, retaining and motivating employees. The Nomination Committee endeavours to ensure that ASX processes for nomination, selection and succession are appropriate. The Nomination Committee also establishes and monitors strategies on gender diversity for the Group.

Each committee's charter sets out its role, responsibilities and membership requirements. A copy of each committee's charter is available on ASX's website.

The Remuneration Committee operates independently of ASX senior management in making its recommendations to the Board and has the ability to engage remuneration advisers independently of ASX management. The Remuneration Committee obtains advice as required and where independent remuneration advisers are engaged, the arrangements are entered into directly with the Remuneration Committee Chair and advice is provided directly to the Remuneration Committee. During FY11 Ernst and Young was engaged to provide independent advice in relation to remuneration benchmarking information for the incoming Managing Director and CEO, the ASX executive remuneration framework and the structure of ASX's 2011 remuneration report. Ernst and Young provided the advice directly to the Remuneration Committee for its consideration.

During FY11 the Remuneration Committee consisted of four ASX independent non-executive directors:

**David Gonski AC**  
Chair from 1 July 2010 to 31 December 2010

**Roderic (Rick) Holliday-Smith**

**Jillian Segal AM**  
Chair from 1 January 2011

**Peter Warne**

During FY11 the Nomination Committee consisted of four ASX independent non-executive directors:

**David Gonski AC**  
Chair

**Roderic (Rick) Holliday-Smith**

**Jillian Segal AM**

**Peter Warne**

The number of meetings held by the committees and the members' attendance at them are set out on page 53. All directors are invited to attend committee meetings and they regularly do so.

ASX participates in salary surveys, conducted by the Financial Institution Remuneration Group (FIRG) and Mercer and Hewitt, in order to benchmark fixed remuneration. As FIRG and Mercer and Hewitt provide market data to ASX, this information is not considered to be remuneration consulting advice.

**11.3 Annual General Meeting (AGM) Voting**  
 Following the introduction of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, a 25% or higher 'no' vote on the remuneration report at an AGM triggers a reporting obligation on a listed company to explain in its next Annual Report how concerns are being addressed. A 25% or higher 'no' vote on the remuneration report at the subsequent AGM will result in shareholders being required to vote on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the company's directors (other than the Managing Director and CEO) must go up for re-election.

At its last AGM held in 2010, ASX recorded a 'no' vote of 2.4% on its remuneration report, down from 3.2% in 2009.

#### 11.4 Key Objectives and Structure of Executive Remuneration

##### 11.4.1 Key Objectives

The objective of the Group's performance and reward framework for all employees is to ensure that it:

- is in alignment with the Group's financial, operational, risk management and compliance objectives and overall Group performance;

- recognises and rewards the nature, scale, complexity and criticality of the Group to the financial and real economies in Australia;
- is competitive in the labour market context;
- recognises the value (and hence contestability) of ASX specialist skills and experience to the wider ASX listed entity and participant community;
- recognises and rewards the specialised skills and experience required to provide adequate resources to meet ASX's licence obligations, which is an area of rigorous annual compliance assessment of the Group by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA); and
- is reasonable and acceptable to staff and shareholders.

##### 11.4.2 Executive Remuneration Structure

The details of ASX's remuneration structure for executives and all employees is outlined below. ASX's remuneration policy permits amendments to be made from time to time. The policy is reviewed at least once a year so that it remains consistent with market practice and evolving investment and wider community expectations, and that it is aligned with the Group strategy and objectives.

Details of the Managing Director and CEO's remuneration framework are outlined in section 11.9.

##### Fixed Annual Remuneration

**What is included in fixed remuneration?**  
 Fixed remuneration for all employees comprises cash salary and compulsory superannuation. Employees can also include 'salary sacrifice' benefits such as motor vehicles and superannuation as part of their remuneration package.

**When is fixed remuneration reviewed?**

Remuneration is reviewed on an annual basis, however increases are not automatic. The overall Group remuneration spend is at the discretion of the Board.

**What market benchmark is applied?**

All roles within ASX are benchmarked by management against comparable external market data. Market data for ASX roles is obtained from sources external to ASX. The information provided is factual and does not constitute a remuneration recommendation. The markets against which fixed remuneration comparisons are made vary by position but are typically the finance, legal, technology and other sectors relevant to ASX's functions or the broader general market.

**How is fixed remuneration reviewed?**

Fixed remuneration decisions are based on the market positioning of the individual employee, acceptable performance against objectives using a balanced scorecard approach, and overall Group performance. Employees are expected to exhibit the appropriate behaviours consistent with ASX's cultural values and required leadership competencies.

**Short-Term Incentive (STI)****What is the STI plan?**

The STI is a discretionary variable or 'at risk' component of reward at ASX.

**Who participates in the STI plan?**

All employees are eligible to participate in the STI. From year to year the actual number of employees receiving an STI varies. The STI participation rate for FY11 was approximately 89% of headcount (85% for FY10).

**What is the value of the STI opportunity?**

For all ASX employees the STI policy outlines both maximum and minimum incentive payments at various levels of performance. Actual STI

payments determined for individual employees vary within those policy guidelines (refer to the table in section 11.6).

**What are the performance conditions?**

The ASX scorecard provides the framework for how the ASX Group strategy, ASX business priorities and ASX values link through to individual employee objectives. It is used to cascade the ASX strategic objectives through to the individual performance assessment process. The ASX scorecard was reviewed for the FY11 performance review period to reflect ASX in the changing business context (post ASIC transfer of supervisory activities and increasing competition).

There are five scorecard areas that ASX has identified as key to measuring the performance of the Group. The areas cover both financial and non-financial metrics and are - customer focus; continuous quality improvement; people and culture; financial and risk discipline; and regulatory focus. As part of the review, the ASX scorecard area of financial discipline has been expanded to include risk discipline. Although the focus on risk has always been a high priority for ASX, this expansion highlights the importance that ASX places on the Group's enterprise-wide risk process by making it an integral part of the performance scorecard.

**Why were these conditions chosen?**

The five scorecard areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to ASX's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Group.

The individual objective setting process which flows down from the ASX scorecard forms a key part of the ASX reward strategy. Performance

across all areas of the scorecard is evaluated when considering fixed remuneration levels and determining other incentive arrangements (ie STI awards, DSTI offers and participation in the LTI plans).

The scorecard areas are seen as equally important with no weighting applied across the areas of the ASX scorecard. However, at the individual objective setting level weightings can be applied. This will be dependant on the key priorities identified within individual teams.

**How is performance assessed?**

All staff set objectives at the beginning of the performance period in a minimum of three areas of the scorecard. An assessment is made at the end of the performance period to evaluate the extent that all objectives have been met (both financial and non-financial measures are assessed). However, the outcomes of the assessment process are one factor in the decision-making process for determining fixed remuneration movements and STI allocations.

Executives are assessed against Group and individual performance. For FY11, factors considered in assessing overall performance were performance of the Group, performance of the Executive's division or function, and the individual performance of the relevant executive across all areas of the scorecard and alignment with the Group's cultural values.

As decisions are based on a range of factors including the assessment process. Fixed remuneration movements and STI payments may still be made even when the Group performance may be down compared to prior years.

**Who assesses performance?**

The Managing Director and CEO assesses the performance of key management personnel in consultation with the Remuneration Committee and the Board.

The Chairman, in consultation with the Remuneration Committee and the Board, assesses the performance of the Managing Director and CEO against the objectives set at the beginning of the performance period.

**Deferred Short-Term Incentive (DSTI)**

**What is the purpose of the DSTI plan?**

The purpose of the DSTI plan is retention of key staff and to provide them with a cash payment that rewards performance, skills and behaviours.

**Who participates in the DSTI plan?**

Eligibility is restricted to staff nominated by the Managing Director and CEO and Group Executive members.

**What form does the DSTI take?**

Payments for eligible staff are deferred and paid in cash after a two-year holding lock. Payment is subject to continued employment with ASX over the holding lock period.

**What is the value of the DSTI opportunity?**

For the 2010 and the 2011 DSTI offers the awards varied between \$40,000 and \$175,000.

**What are the performance conditions?**

Eligible staff must have achieved satisfactory performance during the two years based on their mid-year and end-of-year performance reviews.

**Why were the DSTI conditions chosen?**

The ASX assessment performance framework was chosen as the criterion as it supports the achievement of ASX strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard. This is designed to achieve consistency in approach and understanding across the Group.

**What happens when an executive leaves the company?**

In the event of staff leaving ASX due to resignation, misconduct or unsatisfactory performance, the DSTI will be forfeited.

**Long-Term Incentive (LTI)  
– Excluding ASX Compliance**

**What is the purpose of the LTI plan?**

The purpose of LTI plans is to recognise performance, skills and behaviours that deliver sustainable long-term shareholder value.

**Who participates in the LTI plan?**

Participation in the LTI is on the basis of: level of seniority; criticality to the Group; individual performance; and potential to develop into a successor for a key role in the Group. It is limited to key individuals.

**What form does the LTI take?**

The LTI is a grant which consists of awards of performance rights over ASX ordinary shares.

The performance period for these offers is three years each. Further details about the LTI plans in place are available in section 11.7.

**Are there restrictions on dealing with shares allocated under the LTI plan?**

The ASX Dealing Rules for Employees and Directors (ASX Dealing Rules) prohibit employees from entering into transactions (eg a derivative) that operate or are intended to operate to limit the economic risk of holding unvested ASX shares.

This policy is enforced by requiring all staff to acknowledge their understanding of the ASX Dealing Rules and through regular awareness training sessions. Annual audits are also performed for adherence to the ASX Dealing Rules.

Employees can only deal in vested ASX shares in accordance with the ASX Dealing Rules.

**What rights are attached to LTI entitlements?**

Offers made to eligible employees are made under plan rules approved by shareholders at the 2005 ASX AGM. The performance criteria which apply to an award of performance rights is determined by the Board. The holders of performance rights are entitled to dividends. Shares relating to the December 2008 and July 2010 grants were purchased on-market and are held in a special purpose trust until the relevant vesting date and Board approval of the release of shares to the employee.

Shares allocated under the LTI plan rank equally with other shares on issue at the time those shares are allocated and carry the same rights and entitlements as those conferred by other shares.

**What happens when an executive leaves the company?**

Generally, unvested rights will lapse unless the Board determines there is a qualifying reason such as illness, death or redundancy (refer to the table in section 11.8.1 for further detail).

**What are the performance hurdles and why were they chosen?**

For the December 2007, December 2008 and July 2010 awards, the vesting of 50% of the performance rights is subject to an absolute EPS performance condition hurdle and the vesting of the other 50% is subject to a relative TSR performance condition hurdle.

The EPS condition focuses on improved earnings and the TSR performance condition is recognised as an indicator of shareholder value performance.

**How is TSR measured?**

TSR is calculated as the movement in share price and dividends received assuming re-investment of dividends. TSR is measured against a comparator group of companies. The comparator group is determined by the Board at the time of the offer.

For the 2007, 2008 and 2010 grants the comparator group was the S&P/ASX100, excluding mineral companies and property trusts, and including selected international exchanges. Under all offers the international exchanges have been defined as Hong Kong Exchanges and Clearing Limited, Singapore Exchange Limited and Deutsche Borse.

Refer to Appendix A (page 82) for companies included in the comparator group for the December 2007, December 2008 and July 2010 LTI awards.

#### How is the TSR portion of the rights calculated?

The proportion of the TSR award that vests is 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%

#### How is EPS measured?

For the purposes of the LTI plans, EPS is calculated by dividing the underlying net profit after tax attributable to members of ASX for the relevant reporting period (net profit after tax adjusted for the after-tax effect of any significant items) by the weighted average number of ordinary shares of the Company. Significant items are revenues and expenses associated with specific events considered appropriate by the directors to be excluded in order to arrive at underlying earnings.

EPS performance is 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.

#### How is the EPS portion of the rights calculated?

For the 2007, 2008 and 2010 grants ASX's EPS growth is measured relative to a target of 8% per annum compound growth.

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

ASX's Compound EPS Growth	Proportion of EPS Award Vesting
8% or less per annum	0%
Between 8.1% and 9.9% per annum	5% of the EPS award for each 0.1% of compound EPS growth above 8% per annum
At or above 10% per annum	100%

#### How are the portion of rights that vest calculated?

At the end of the performance period the Remuneration Committee is provided with the EPS growth data and the TSR result. TSR measurement for the purposes of calculating vesting is performed by a third-party (Standard & Poor's).

The Remuneration Committee reviews and recommends to the ASX Board the extent to which the performance criteria for each award have been achieved. The final determination is made by the Board.

#### Long-Term Incentive (LTI) – ASX Compliance

##### Who participates in the LTI plan?

The selection criteria for participation in the LTI are on the basis of: level of seniority; criticality to the enterprise; individual performance; and potential to develop into a successor for a key role in the Group.

##### What form does the LTI take?

For staff in ASX Compliance the LTI is a cash-based plan. Eligible employees in ASX Compliance do not have their LTI linked to ASX's share price or EPS. For eligible employees the performance period for these offers is three years.

**What is the value of the LTI opportunity?**

The ASX Compliance LTI plan delivers awards in cash only and the performance period for these offers is three years.

**What happens when an executive leaves the company?**

Generally, the unvested award will lapse unless the ASX Compliance Board and the ASX Board determine there is a qualifying reason such as illness, death or redundancy (refer to section 11.8.1).

**What are the performance criteria?**

For all offers the performance of the eligible participant is assessed on two main criteria:

<b>Criterion 1</b>	ASIC Assessment	50%
<b>Criterion 2</b>	ASX Compliance Board and ASX Managing Director and CEO review of ASX Compliance scorecard	50%

The ASX Compliance Board may review other appropriate reports provided by ASX's Regulatory Assurance and Internal Audit to make an assessment.

**How are the performance criteria measured?**

The amount of cash payment for each area of the performance criteria is assessed at the end of the performance period as follows:

<b>Cumulative threshold to be achieved</b>	<b>Proportion of Award Vesting</b>	
	55%	If cumulative threshold is achieved participants will be entitled to 55% of the maximum cash opportunity
<b>Year 1</b>	15%	For every year that the yearly targets are met, the participant will be entitled to an additional 15% of the maximum cash opportunity
<b>Year 2</b>	15%	
<b>Year 3</b>	15%	

If performance is above the threshold but below target, a participant will be entitled to receive a percentage of the maximum cash opportunity.

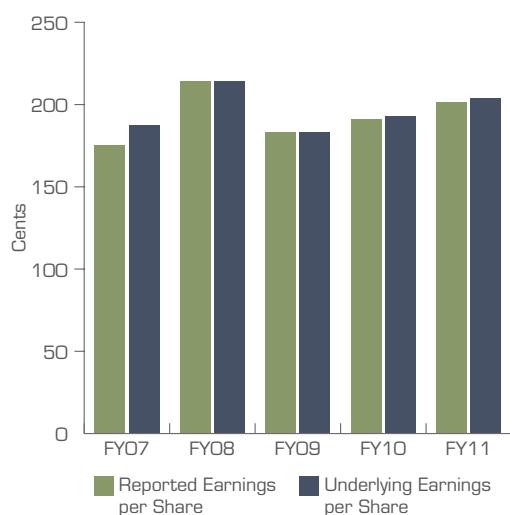
If performance is below the threshold, a participant is not entitled to receive any cash payment.

**How is the portion of cash that vests calculated?**

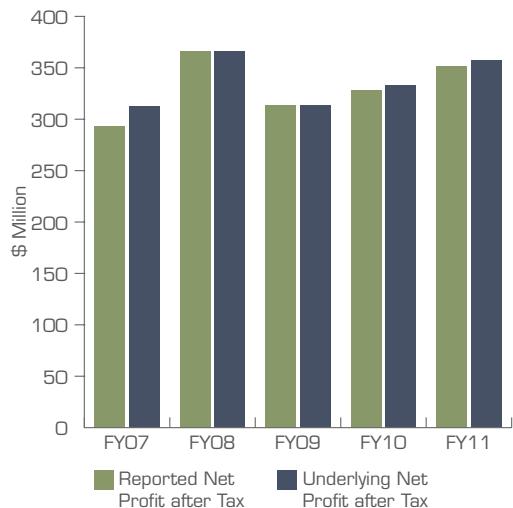
At the end of each performance period for each award under the LTI plan, the ASX Compliance Board and the Managing Director and CEO will recommend to the ASX Board for approval whether and, if so, the extent to which the performance criteria applicable to that performance period have been met and the amount of cash payment, if any, to be paid to a participant.

**11.5 Group Performance for the Year Ended 30 June 2011**

The overall level of remuneration takes into account the financial, operational and compliance performance of the Group over a number of years, as well as broader company values such as compliance culture, ethics, etc. The following graphs (EPS, NPAT and Dividends Paid) show the reported (statutory) and underlying financial performance of the Group for the past five years.

**Reported and Underlying Earnings per Share**

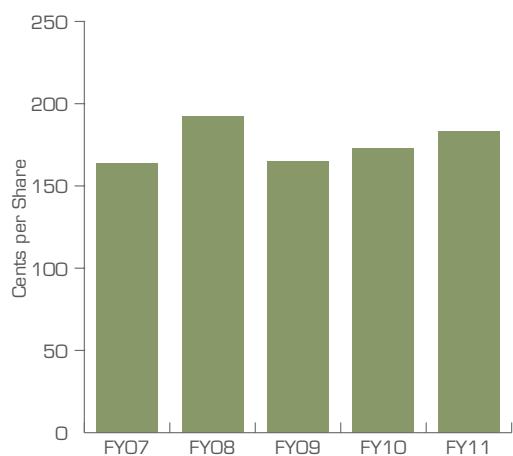
### Reported and Underlying Net Profit After Tax



### Underlying EBITDA



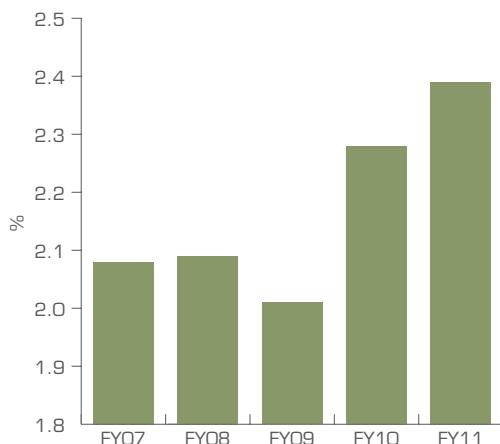
### Dividends Paid



Net profit after tax is considered one of the financial performance targets in setting the reward pools (ie STI, DSTI and LTI).

In addition, the underlying EBITDA (earnings before interest, taxes, depreciation and amortisation) of the Group on a pro-forma basis is reflected in the following graph:

### Total STI Spend as a % of Underlying NPAT



Refer to the Chief Financial Officer's (CFO) Report (page 8) for details and reconciliation of the pro-forma income statement to reported NPAT. The CFO Report also includes a discussion on the performance of the Group. ASX establishes an STI pool as part of the overall budgeting process and, consequently, has the flexibility to revise this pool in line with overall performance and any change in earnings. The total STI spend as a percentage of NPAT remained relatively consistent at approximately 2% per annum over the past five years, as the above graph depicts.

### 11.6 Summary of STI Payments Paid in FY11

The aggregate STI payment for FY11 was 14% higher than for FY10. STI participation rates for FY11 were approximately 89% of headcount. The table below outlines the maximum STI incentive for all employees at the maximum level of performance award and the actual average percentage paid for FY11. The average STI payment across the Group for FY11 was \$15,096 compared to \$12,777 for FY10.

	Participation Number	Policy Performance Range (as a Percentage of Fixed Remuneration)		Actual Average Percentage Paid FY11
		Minimum	Maximum	
Group Executive Committee	9	0	50%	34%
General Managers	29	0	40%	22%
Other ASX Staff	410	0	25%	8%

STI allocations are determined by a number of factors, including the extent to which a staff member meets performance expectations against their objectives, team performance and the overall performance of the Group.

### 11.7 Summary of LTI Plans

The following table provides a summary of the details of the LTI grants that were in operation during the year ended 30 June 2011. The following table applies to ASX LTI arrangements (excluding LTI arrangements for the Managing Director and CEO which are disclosed in section 11.9.1).

Grant (Year)	Performance Period	Retesting of Hurdles (Yes/No)	Expiry Date if Unvested	Status as at 30 June 2011	Participation (No. of Employees Offered)	Details of Award (No. of Performance Rights)	Average Performance Rights
<b>LTI awards not expired</b>							
2008	1 December 2008 to 30 November 2011	No	30 November 2011	Unvested	76	Two levels of awards: 1,000 and 2,000	1,329
2010	1 July 2010 to 30 June 2013	No	30 June 2013	Unvested	7	Three levels of awards: 3,000, 5,000 and 7,000	5,571
<b>LTI awards expired</b>							
2007	1 December 2007 to 30 November 2010	No	30 November 2010	Partially vested and partially lapsed	93	Three levels of awards: 1,000, 1,200 and 1,500	1,197

#### Notes

- 2007 offer - the EPS portion of the 2007 plan was forfeited and the TSR portion vested at the 51<sup>st</sup> percentile.
- 2008 offer - key management personnel and other executives reporting directly to the Managing Director and CEO at that time did not participate in the 2008 offer.

### 11.7.1 LTI Valuations

For accounting purposes, the fair value of the performance rights for the EPS awards was calculated using the share price at market close on the grant date, less the present value of the expected dividends over the three-year performance period.

The fair value of performance rights for the TSR awards for the 2007, 2008 and 2010 plans was calculated at grant date by an independent valuer using a Black-Scholes option valuation model and Monte Carlo simulation. Grant dates are, respectively, 30 November 2007 (as 1 December was not a trading day), 1 December 2008 and 1 July 2010. The inputs to the valuation model are summarised in the following table:

	2007 Grant	2008 Grant	2010 Grant
Share price at grant date	\$56.40	\$30.39	\$28.80
Exercise price	Nil	Nil	Nil
Volatility (pa)	25%	36%	37%
Discount rate (risk free rate) (pa)	6.46%	3.49%	4.44%
Dividend yield (pa)	4.0%	4.4%	4.8%

Accordingly, for each plan the fair value of the performance rights for the EPS awards and the fair value of performance rights for the TSR awards were calculated as follows:

	2007 Grant	2008 Grant	2010 Grant
Fair value of performance rights (EPS awards)	\$56.40	\$30.39	\$28.80
Fair value of performance rights (TSR awards)	\$41.13	\$23.61	\$19.61
Weighted average AASB 2 Share-Based Payment fair value	\$48.77	\$27.00	\$24.21

### 11.8 Key Management Personnel

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. The key management personnel also include the five executives who received the highest remuneration, other than the Managing Director and CEO. The key management personnel in FY11 were:

Mr Robert G Elstone	Managing Director and CEO
Mr Ramy Aziz	Chief Financial Officer
Mr Alan J Bardwell	Chief Risk Officer
Ms Amanda J Harkness	Group General Counsel and Company Secretary
Mr Peter D Hiom	Deputy CEO
Mr Kevin A Lewis	Chief Compliance Officer
Mr Jeff J Olsson	Group Executive Technology

### 11.8.1 Key Management Personnel Employment Contracts

A controlled entity, ASX Operations Pty Limited, has ongoing service contracts with each of the key management personnel (except Mr Elstone who is contracted with ASX Limited).

Mr Olsson's contract is effective 1 October 2006. Ms Harkness' contract is effective 10 September 2007. The contracts for Mr Aziz, Mr Bardwell and Mr Lewis are effective 19 July 2010. The contract for Mr Hiom is effective 1 July 2011. The details of benefits and notice periods covered by these contracts are indicated in the following table:

Termination	Notice Period	Treatment of Short-Term Incentives	Treatment of Long-Term Incentives	
			Vested (unexercised) Awards	Unvested Awards
By ASX on notice	12 months <sup>1</sup>	Discretion of the MD and CEO	Released to the executive	Discretion of the Board <sup>2</sup>
For poor performance	6 months <sup>3</sup>	Not specified in Employment Agreement	Released to the executive	Discretion of the Board
For cause	Immediately	Not specified in Employment Agreement	Shares subject to any restrictions forfeited	Awards will lapse
For illness	Not specified in Employment Agreement	Discretion of the MD and CEO	Released to the executive	Awards vest pro-rated for the amount of the performance period served based on performance criteria being met
Upon death	Not specified in Employment Agreement	Not specified in Employment Agreement	Released to the executive's estate	Awards vest pro-rated for the amount of the performance period served based on performance criteria being met
By the executive	6 months <sup>4</sup>	Discretion of the MD and CEO	Released to the executive	Awards will lapse
By redundancy	Redundancy benefit calculated in accordance with ASX policy or notice period provided by ASX on termination by notice, whichever is greater	Not specified 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 contract for Mr Aziz differs in that the notice period for termination by ASX is six months.
- Where a participant ceases employment and has unvested awards they lapse immediately unless the Board determines in its discretion that the participant has ceased as a result of a qualifying reason. The Board will determine in its discretion the proportion of shares to be provided. Qualifying reasons are defined as pursuit of other company initiatives, hardship, redundancy or any other circumstances which the Board consider as extraordinary.
- The service contracts for Mr Aziz, Mr Bardwell and Mr Hiom differ in regard to the notice period for termination for poor performance. For Mr Aziz and Mr Bardwell the notice period for poor performance is one month with an initial written notice of one month. For Mr Hiom the notice period for termination for poor performance is three months with an initial notice of one month.
- The service contract for Mr Aziz differs in that the notice period for termination by the executive is three months.

### 11.9 Managing Director and CEO

The appointment of the Managing Director and CEO, Robert Elstone, was for an initial term of three years and was extended for a further two years by mutual agreement between Mr Elstone and the Board. The initial term of three years commenced on 25 July 2006. Mr Elstone's current term was due to expire on 11 July 2011.

Mr Elstone announced at the last AGM in September 2010 that he did not intend to seek a further extension to the term of his contract. The Managing Director and CEO's agreement was varied on 29 September 2010 in consultation with the Board which allowed ASX to end it three months before or after 11 July 2011 at the Board's discretion (the agreed terms and outcomes are detailed in section 11.9.2). This has given the Board additional flexibility up to 11 October 2011 to find and appoint the next Managing Director and CEO.

### 11.9.1 Remuneration Mix

There are three components to the Managing Director and CEO's remuneration:

#### Fixed Remuneration

The Managing Director and CEO's fixed remuneration is reviewed annually by the Board, in accordance with his contract.

The fixed remuneration component applicable for FY11 was \$1,500,000 per annum. This amount is inclusive of superannuation contributions. The Managing Director and CEO's fixed remuneration level has not been varied since FY08 (at Mr Elstone's request).

#### Short-Term Incentive Payments

The Managing Director and CEO was awarded an STI payment of \$1,125,000 (75% of fixed remuneration) for FY11. The actual STI awarded was 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 for FY11, which were consistent with the company's long-term goals.

#### Long-Term Incentive

There are no current LTI plans in place for the Managing Director and CEO. The following table provides a summary of the 2007 LTI plan that partially vested for the year ended 30 June 2011:

Year of Grant	Performance Period	Retesting of Hurdles	Vesting Date	Status as at 30 June 2011	Performance Rights Awarded	Performance Rights Vested
2007	1 Dec 2007 to 30 Nov 2010	No	30 Nov 2010	Partially vested and partially lapsed	26,600	6,916

Note: Consistent with other LTI plans the award of 50% of the performance rights was subject to an EPS performance condition and the award of the other 50% was subject to a TSR performance condition. These performance conditions are consistent with those applicable to KMPs as disclosed in section 11.4.2 of this report.

The hurdle for the EPS portion of the 2007 plan, measuring EPS over a three-year period with the base year being the financial year ending 30 June 2007 and the end-year being the financial year ending 30 June 2010, was not met. TSR vested at the 51<sup>st</sup> percentile.

### 11.9.2 Contract Flexibility

Mr Elstone's service agreement was amended on 29 September 2010. The amended terms of the agreement were designed to provide the ASX Board with additional flexibility to facilitate Managing Director and CEO succession planning and were as follows:

- ASX agreed to pay Mr Elstone \$750,000 in consideration of his agreement to vary the terms of his service agreement.
- ASX had the right on 11 April 2011, on three months notice and payment in lieu of the remuneration package to 11 July 2011, to terminate the service agreement. This scenario did not eventuate.
- ASX had the right and did, on or before 11 July 2011, extend the term of the Managing Director and CEO's employment to 11 October 2011.

**Managing Director and CEO Employment Contract**

Termination	Notice Period	Treatment of Short-Term Incentives	Treatment of Long-Term Incentives		
			Vested (unexercised) Awards	Awards will lapse	Unvested Awards
By ASX on notice	6 months	Discretion of the Board	Released to the executive		Discretion of the Board
For poor performance	6 months	Discretion of the Board	Released to the executive		Discretion of the Board
For cause	Immediately	No payment made	Shares subject to any restrictions forfeited		Awards will lapse
For illness	6 months	Discretion of the Board	Released to the executive		Awards vest pro-rated for the amount of the performance period served based on performance criteria being met
Upon death	Not specified in Employment Agreement	Discretion of the Board	Released to the executive's estate		Awards vest pro-rated to the estate for the amount of the performance period served based on criteria being met
By the executive	3 months	Discretion of the Board	Released to the executive		Awards will lapse

### 11.10 Remuneration of Key Management Personnel

Details of the remuneration are set out in the table below for key management personnel (other than for the Managing Director and CEO).

\$	SHORT-TERM Salary	SHORT-TERM Incentive	SHORT-TERM Non-Monetary	SHORT-TERM Other	POST-EMPLOYMENT Superannuation	LONG-TERM Incentive	LONG-TERM Other	SHARE-BASED PAYMENT Equity-Settled <sup>1</sup>	Total	% Performance Based <sup>2</sup>	% Performance Rights Related <sup>3</sup>
R Aziz Chief Financial Officer (effective 19 July 2010)	2011 355,441	200,000	-	- 15,199	30,000	5,983	(3,885)	602,738	37.5 (0.6)		
AJ Bardwell Chief Risk Officer (effective 19 July 2010)	2011 595,386	100,000	-	- 15,199	-	-	4,284	714,869	14.6 0.6		
AJ Harkness Group General Counsel and Company Secretary	2011 460,386	250,000	-	- 15,199	37,500	-	60,763	823,848	42.3 7.4		
PD Hiom Deputy CEO	2011 598,479 2010 542,312	300,000 200,000	11,907 11,771	- 15,199 - 14,461	37,500 - 10,140	60,763 3,159	1,033,988 781,832	38.5 26.0	5.9 0.4		
KA Lewis Chief Compliance Officer (effective 19 July 2010)	2011 635,109	125,000	-	15,199	104,167	-	-	879,475	26.1 -		
JJ Olsson Group Executive Technology	2011 433,479 2010 426,240	150,000 135,000	11,907 11,771	- 15,199 - 14,461	-	7,396 7,392	4,284 3,159	622,265 598,023	24.8 23.1	0.7 0.5	
<b>Total</b>	<b>2011 3,078,280</b>	<b>1,125,000</b>	<b>23,814</b>	<b>- 91,194</b>	<b>209,167</b>	<b>23,519</b>	<b>126,209</b>	<b>4,677,183</b>	<b>31.2</b>	<b>2.7</b>	
ES Mayne Retired 30 September 2010	2010 752,343	250,000	-	8,196	14,461	111,360	-	- 1,136,360	31.8 -		
CR Scully Retired 2 July 2010	2010 598,768	100,000	11,771	-	14,461	- 10,129	13,975	749,104	15.2 1.9		
<b>Total</b>	<b>2010 2,896,383</b>	<b>785,000</b>	<b>35,313</b>	<b>8,196</b>	<b>72,305</b>	<b>111,360</b>	<b>27,650</b>	<b>23,452</b>	<b>3,959,659</b>	<b>23.2</b>	<b>0.6</b>

1. Reflects annual amortisation of AASB2 Share-Based Payments expense/credit (based on fair value of performance rights at grant date), less any write-back on performance rights lapsed as a result of non-market hurdles not attained (December 2007 plan and December 2008 plan).

2. Reflects percentage of total remuneration that is performance related.

3. Reflects percentage of total remuneration that is performance rights related.

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. The Group has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of the company, its controlled entities and a related body corporate. The officers of ASX covered by the insurance include the current directors, executives, the company secretaries, former directors and officers.

### 11.11 LTI Allocations to Executives for the Year Ended 30 June 2011

The following table shows the movement during the reporting period in the fair value of performance-related rights over issued ordinary shares in ASX held directly, indirectly or beneficially, by the Managing Director and CEO, and key management personnel, including their personally-related entities:

	Granted in Year No. of Shares	Granted in Year \$	Exercised in Year \$	Lapsed in Year \$	Total Value in Year \$
RG Elstone	-	-	337,259	959,890	1,297,149
R Aziz	-	-	19,019	54,129	73,148
AJ Bardwell	-	-	19,019	54,129	73,148
AJ Harkness	7,000	169,435	19,019	54,129	73,148
PD Hiom	7,000	169,435	19,019	54,129	73,148
KA Lewis	-	-	-	-	-
JJ Olsson	-	-	19,019	54,129	73,148

The following table shows the minimum and maximum values of performance rights:

Grant Date  Vesting Date	1 December 2007		1 December 2008		1 July 2010	
	30 November 2010		30 November 2011		30 June 2013	
	Min \$	Max \$	Min \$	Max \$	Min \$	Max \$
RG Elstone	-	1,297,149	-	-	-	-
R Aziz	-	73,148	-	54,000	-	-
AJ Bardwell	-	73,148	-	-	-	-
AJ Harkness	-	73,148	-	-	-	169,435
PD Hiom	-	73,148	-	-	-	169,435
KA Lewis	-	-	-	-	-	-
JJ Olsson	-	73,148	-	-	-	-

Since the performance rights are issued at zero exercise price, their minimum value is nil, on the basis they may not vest.

### 11.12 Non-Executive Directors Remuneration

#### 11.12.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the ASX Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid to all non-executive directors is \$2,500,000 per annum as approved by shareholders at the AGM on 30 October 2007. In FY11, the total amount paid to non-executive directors was \$2,068,832. This amount includes superannuation and fees paid to non-executive directors of ASX in their capacity as members of the ASX Board, its committees, and as directors of subsidiary company boards. It does not include the fees paid to Mr Peter Warne in his capacity as a director of the Securities Exchanges Guarantee Corporation Limited (SEGC), which is not a controlled entity of ASX.

The Board reviews its fees to ensure ASX non-executive directors are remunerated fairly for their services, recognising the level of skill and experience required to conduct the role. It also reviews its fees to ensure it has 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 in 2007 and gave rise to increases in directors' fees which took effect from 1 July 2007 and 1 July 2008. The fee review was conducted by Egan Associates.

#### **11.12.2 Remuneration Structure**

ASX 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 Group's activities and execute the Company's strategy. ASX non-executive directors are not subject to a minimum shareholding requirement. However, they may hold shares in ASX subject to the ASX Dealing Rules.

#### **11.12.3 Retirement Benefits**

No retirement benefits are in place for existing non-executive directors of ASX.

#### **11.12.4 Equity Holdings of Non-Executive Directors**

No performance rights have been granted to ASX non-executive directors.

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

Non-Executive Director	Holding at 1 July 2010	Holding at 30 June 2011	Holding at 18 August 2011
DM Gonski	15,806	15,806	15,806
RA Aboud	25,000	25,000	25,000
JR Broadbent	2,000	2,000	2,000
SD Finemore	4,000	4,000	4,000
R Holliday-Smith	3,825	3,825	3,825
PR Marriott	3,000	3,000	3,000
TC Rowe (retired 2 July 2010)	4,300	N/A	N/A
JS Segal	2,000	2,000	2,000
PH Warne	6,000	6,000	6,000

### 11.12.5 Remuneration of Directors (including the Managing Director and CEO)

Details of the remuneration of the directors of ASX are set out in the following table. Remuneration includes all fees received as directors of ASX as well as subsidiary Boards and committees as relevant. Refer to the Corporate Governance Statement for details of directorships and memberships of subsidiary Boards and committees (page 53).

\$		SHORT-TERM Salary & Fees	SHORT-TERM Incentives	SHORT-TERM Non-Monetary	SHORT-TERM Other <sup>1</sup>	POST-EMPLOYMENT Superannuation	POST-EMPLOYMENT Other	LONG-TERM Other	SHARE-BASED PAYMENT Equity-Settled <sup>2</sup>	Total
<b>EXECUTIVE</b>										
RG Elstone	2011	1,485,386	1,125,000	11,907	817,046	15,199	-	26,809	75,976	3,557,323
Managing Director & CEO	2010	1,485,539	1,000,000	11,771	-	14,461	-	26,822	(191,795)	2,346,798
<b>NON-EXECUTIVE</b>										
DM Gonski	2011	375,000	-	-	-	15,199	-	-	-	390,199
	2010	375,000	-	-	-	14,461	-	-	-	389,461
RA Aboud	2011	150,000	-	-	-	13,500	-	-	-	163,500
	2010	150,000	-	-	-	13,500	-	-	-	163,500
JR Broadbent	2011	220,000	-	-	-	15,199	-	-	-	235,199
Commenced 1 Feb 10	2010	91,056	-	-	-	6,860	-	-	-	97,916
SD Finemore	2011	150,000	-	-	-	13,500	-	-	-	163,500
	2010	150,000	-	-	-	13,500	-	-	-	163,500
R Holliday-Smith	2011	270,000	-	-	-	15,199	-	-	-	285,199
	2010	270,000	-	-	-	14,461	-	-	-	284,461
PR Marriott	2011	270,000	-	-	-	15,199	-	-	-	285,199
	2010	227,417	-	-	-	14,461	-	-	-	241,878
JS Segal	2011	257,210	-	-	-	15,199	-	-	-	272,409
	2010	255,000	-	-	-	14,461	-	-	-	269,461
PH Warne	2011	260,000	-	-	-	13,627	-	-	-	273,627
	2010	260,000	-	-	-	13,192	-	-	-	273,192
<b>Total</b>	<b>2011</b>	<b>3,437,596</b>	<b>1,125,000</b>	<b>11,907</b>	<b>817,046</b>	<b>131,821</b>	<b>-</b>	<b>26,809</b>	<b>75,976</b>	<b>5,626,155</b>
TC Rowe Retired 2 July 2010	2010	160,000	-	-	-	14,400	-	-	-	174,400
MJ Sharpe Retired 1 July 2009	2010	-	-	-	-	-	-	113,662	-	113,662
<b>Total</b>	<b>2010</b>	<b>3,424,012</b>	<b>1,000,000</b>	<b>11,771</b>	<b>-</b>	<b>133,757</b>	<b>113,662</b>	<b>26,822</b>	<b>(191,795)</b>	<b>4,518,229</b>

1. The Managing Director and CEO was paid a lump sum of \$750,000 in return for his service agreement flexibility regarding his terms of employment and in recognition of the fact that he has not received any new grant of performance rights under the Group's long-term incentive plan since December 2007. The remaining balance reflects annual leave entitlements paid as cash in lieu of annual leave.

2. Reflects annual amortisation of AASB2 Share-Based Payment expense/credit (based on fair value of performance rights at grant date), less any write-back on performance rights lapsed as a result of non-market hurdles not attained (December 2007 plan).

The percentage of remuneration that was share-based for Mr Elstone was 2.1% in FY11 and (8.2%) in FY10. The negative amount of share-based payments in the prior year indicates expenses reversed during that year due to the vesting condition not being met. The percentage of remuneration that was performance-based for Mr Elstone was 33.8% in FY11 and 34.4% in FY10.

The directors were in office for the entire period, unless otherwise stated. Mr Rowe retired on 2 July 2010.

Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During the financial year, \$30,000 was paid to Mr Warne in his capacity as a director of SEGC.

#### 11.13 Rounding of Amounts to Nearest Thousand Dollars

ASX 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 Statements 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:



David M Gonski AC  
Chairman



Robert G Elstone  
Managing Director and CEO

Sydney, 18 August 2011

### **Appendix A – Long-Term Incentive Plan Comparator Groups**

December 2007 – Comparator Group  
ABC Learning Centres Limited; AGL Energy Limited; Allco Finance Group Limited; Amcor Limited; AMP Limited; Aristocrat Leisure Limited; Asciano Group; Australia and New Zealand Banking Group Limited; AXA Asia Pacific Holdings Limited; Babcock & Brown Limited; Bendigo Bank Limited; Billabong International Limited; Boart Longyear Limited; Boral Limited; Brambles Limited; Challenger Financial Services Group Limited; Coca-Cola Amatil Limited; Cochlear Limited; Commonwealth Bank of Australia; Computershare Limited; ConnectEast Group; Consolidated Media Holdings Limited; Crown Limited; CSL Limited; CSR Limited; David Jones Limited; Deutsche Borse; Downer EDI Limited; Elders Limited; Fairfax Media Limited; Foster's Group Limited; Goodman Fielder Limited; Harvey Norman Holdings Limited; HK Exchanges & Clearing; Incitec Pivot Limited; Insurance Australia Group Limited; James Hardie Industries N.V.; Leighton Holdings Limited; Lend Lease Corporation Limited; Macquarie Airports; Macquarie Group Limited; Metcash Limited; National Australia Bank Limited; News Corporation; Orica Limited; PaperlinX Limited; Perpetual Limited; Qantas Airways Limited; QBE Insurance Group Limited; Sigma Pharmaceuticals Limited; Singapore Exchange; Sonic Healthcare Limited; Suncorp-Metway Limited; Tabcorp Holdings Limited; Tatts Group Limited; Telecom Corporation of New Zealand Limited; Telstra Corporation Limited; Toll Holdings Limited; Transfield Services Limited; Transurban Group; United Group Limited; Wesfarmers Limited; Wesfarmers Limited (PPS); West Australian Newspapers Holdings Limited; Westpac Banking Corporation; Woolworths Limited.

December 2008 – Comparator Group  
AGL Energy Limited; Amcor Limited; AMP Limited; Aristocrat Leisure Limited; Asciano Group; Australia and New Zealand Banking Group Limited; Babcock & Brown Limited; Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Billabong International Limited; Boart Longyear Limited; Boral Limited; Brambles Limited; Coca-Cola Amatil Limited; Cochlear Limited; Commonwealth Bank of Australia; Computershare Limited; ConnectEast Group; Consolidated Media Holdings Limited; Crown Limited; CSL Limited; CSR Limited; David Jones Limited; Deutsche Borse; Downer EDI Limited; Elders Limited; Fairfax Media Limited; Foster's Group Limited; Goodman Fielder Limited; Harvey Norman Holdings Limited; HK Exchanges & Clearing; Incitec Pivot Limited; Insurance Australia Group Limited; James Hardie Industries N.V.; Leighton Holdings Limited; Lend Lease Corporation Limited; Macquarie Airports; Macquarie Group Limited; Metcash Limited; National Australia Bank Limited; News Corporation; Nufarm Limited; Orica Limited; Perpetual Limited; Primary Health Care Limited; Qantas Airways Limited; QBE Insurance Group Limited; Seven West Media Limited; Singapore Exchange; Sonic Healthcare Limited; Suncorp-Metway Limited; Tabcorp Holdings Limited; Tatts Group Limited; Telecom Corporation of New Zealand Limited; Telstra Corporation Limited; Toll Holdings Limited; Transfield Services Limited; Transurban Group; United Group Limited; Wesfarmers Limited; Westpac Banking Corporation; Woolworths Limited.

**July 2010 – Comparator Group**

AGL Energy Limited; Amcor Limited; AMP Limited; Ansell Limited; Australia and New Zealand Banking Group Limited; APA Group; Aristocrat Leisure Limited; Asciano Group; Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Billabong International Limited; Boart Longyear Limited; Boral Limited; Brambles Industries Limited; Challenger Financial Services Group Limited; Coca-Cola Amatil Limited; Cochlear Limited; Commonwealth Bank of Australia; Computershare Limited; ConnectEast Group; Crown Limited; CSL Limited; CSR Limited; David Jones Limited; Deutsche Borse; Downer EDI Limited; Duet Group; Fairfax Media Limited; Foster's Group Limited; Goodman Fielder; Harvey Norman Holdings Limited; HK Exchanges & Clearing; Incitec Pivot; Insurance Australia Group Limited; James Hardie Industries SE; JB Hi-Fi; Leighton Holdings Limited; Lend Lease Group; Macquarie Group Limited; MAP Airports International Limited; Metcash Limited; Myer Holdings Limited; National Australia Bank Limited; News Corporation; Nufarm Limited; Orica Limited; Perpetual Limited; Primary Health Care Limited; Qantas Airways Limited; QBE Insurance Group Limited; Seek Limited; Seven West Media Limited; Singapore Exchange; Sonic Healthcare Limited; Spark Infrastructure Trust; Suncorp-Metway Limited; Tabcorp Holdings Limited; Tatts Group Limited; Telecom Corporation of New Zealand Limited; Telstra Corporation Limited; Toll Holdings Limited; Transfield Services Limited; Transurban Group; UGL Limited; Wesfarmers Limited; Westpac Banking Corporation; Woolworths Limited.

The LTI offer document provides for the following in relation to changes in the comparator group:

1. Companies in the comparator group that have been delisted at the end of the performance period for reasons other than for financial failure, such as mergers and acquisitions, will be removed from the comparator group.
2. Where a company in the comparator group becomes suspended or delisted because of financial failure, the company will remain included in the comparator group with a TSR of (100%).
3. Where a company in the comparator group merges with another company within the comparator group, the resultant company remains in the comparator group and the acquired company is removed.



## Auditor's Independence Declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that appears to read "M J Codling".

**M J Codling**  
Partner  
**PricewaterhouseCoopers**

Sydney  
18 August 2011

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Revenue</b>			
Listings and issuer services		150,351	146,129
Cash market		133,909	150,777
Derivatives		182,395	155,473
Information services		70,886	68,752
Technical services		40,357	29,852
Austraclear services		33,759	31,178
Dividends		9,856	8,075
Interest income		160,666	128,159
Other		15,632	16,504
	<b>5</b>	<b>797,811</b>	<b>734,899</b>
<b>Expenses</b>			
Staff		79,019	81,424
Occupancy		12,560	13,334
Equipment		22,802	23,987
Administration		34,668	27,481
Depreciation and amortisation		25,572	23,674
Finance costs		123,068	98,849
	<b>6</b>	<b>297,689</b>	<b>268,749</b>
<b>Profit before income tax expense</b>		<b>500,122</b>	<b>466,150</b>
Income tax expense	7	(147,824)	(138,013)
<b>Net profit for the period attributable to owners of the Company</b>		<b>352,298</b>	<b>328,137</b>
<b>Basic earnings per share (cents per share)</b>	<b>9</b>	<b>201.6</b>	<b>190.4</b>
<b>Diluted earnings per share (cents per share)</b>	<b>9</b>	<b>201.6</b>	<b>190.4</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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<b>For the year ended 30 June 2011</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Profit for the year	352,298	328,137
<b>Other comprehensive income (net of tax)</b>		
Change in fair value of investments	5,320	23,940
Change in fair value of available-for-sale financial assets	(121)	(326)
Change in fair value of cash flow hedges	217	310
<b>Other comprehensive income for the year (net of tax)</b>	<b>5,416</b>	<b>23,924</b>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>357,714</b>	<b>352,061</b>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the Financial Statements.

## CONSOLIDATED BALANCE SHEET

**As at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash	10(a)	1,951,599	1,242,620
Available-for-sale financial assets	10(b)	1,366,985	2,474,226
Receivables	11	266,888	340,269
Other assets	12	7,696	6,696
<b>Total Current Assets</b>		<b>3,593,168</b>	<b>4,063,811</b>
<b>Non-Current Assets</b>			
Investments	13	213,988	206,389
Receivables	11	50	-
Property, plant and equipment	14	57,064	34,303
Intangible assets - software	15	55,415	53,534
Intangible assets - goodwill	16	2,262,759	2,262,759
<b>Total Non-Current Assets</b>		<b>2,589,276</b>	<b>2,556,985</b>
<b>Total Assets</b>		<b>6,182,444</b>	<b>6,620,796</b>
<b>Current Liabilities</b>			
Payables	17	258,210	330,083
Amounts owing to participants	18	2,433,912	2,907,768
Current tax liabilities		65,310	56,539
Provisions	20	12,238	14,317
Other current liabilities	21	12,373	11,776
<b>Total Current Liabilities</b>		<b>2,782,043</b>	<b>3,320,483</b>
<b>Non-Current Liabilities</b>			
Amounts owing to participants	18	82,500	82,440
Borrowings	19	250,000	250,000
Net deferred tax liabilities	7	31,380	32,173
Provisions	20	12,028	10,405
Other non-current liabilities	21	3,437	4,000
<b>Total Non-Current Liabilities</b>		<b>379,345</b>	<b>379,018</b>
<b>Total Liabilities</b>		<b>3,161,388</b>	<b>3,699,501</b>
<b>Net Assets</b>		<b>3,021,056</b>	<b>2,921,295</b>
<b>Equity</b>			
Issued capital	23	2,483,229	2,437,333
Retained earnings		368,337	319,670
Restricted capital reserve	24	71,489	71,489
Asset revaluation reserve	24	91,252	85,836
Equity compensation reserve	24	6,749	6,967
<b>Total Equity</b>		<b>3,021,056</b>	<b>2,921,295</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2011

	<b>Issued Capital \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Restricted Capital Reserve \$'000</b>	<b>Asset Revaluation Reserve \$'000</b>	<b>Equity Compensation Reserve \$'000</b>	<b>Total Equity \$'000</b>
<b>Opening balance at 1 July 2010</b>	<b>2,437,333</b>	<b>319,670</b>	<b>71,489</b>	<b>85,836</b>	<b>6,967</b>	<b>2,921,295</b>
Profit for the year	-	352,298	-	-	-	352,298
Other comprehensive income for the year	-	-	-	5,416	-	5,416
<b>Total comprehensive income for the year (net of tax)</b>	<b>-</b>	<b>352,298</b>	<b>-</b>	<b>5,416</b>	<b>-</b>	<b>357,714</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share-based payment	-	-	-	-	683	683
Dividends provided for or paid	-	(303,631)	-	-	-	(303,631)
Shares issued under the Dividend Reinvestment Plan	45,814	-	-	-	-	45,814
Share issued under the Employee Share Acquisition Plan	82	-	-	-	-	82
Purchase of treasury shares (net of tax)	-	-	-	-	(901)	(901)
<b>Closing balance at 30 June 2011</b>	<b>2,483,229</b>	<b>368,337</b>	<b>71,489</b>	<b>91,252</b>	<b>6,749</b>	<b>3,021,056</b>

### For the year ended 30 June 2010

<b>Opening balance at 1 July 2009</b>	<b>2,361,820</b>	<b>272,554</b>	<b>71,489</b>	<b>61,912</b>	<b>5,663</b>	<b>2,773,438</b>
Profit for the year	-	328,137	-	-	-	328,137
Other comprehensive income for the year	-	-	-	23,924	-	23,924
<b>Total comprehensive income for the year (net of tax)</b>	<b>-</b>	<b>328,137</b>	<b>-</b>	<b>23,924</b>	<b>-</b>	<b>352,061</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share-based payment	-	-	-	-	1,304	1,304
Dividends provided for or paid	-	(281,021)	-	-	-	(281,021)
Shares issued under the Dividend Reinvestment Plan	75,513	-	-	-	-	75,513
<b>Closing balance at 30 June 2010</b>	<b>2,437,333</b>	<b>319,670</b>	<b>71,489</b>	<b>85,836</b>	<b>6,967</b>	<b>2,921,295</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

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**For the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from the course of operations		672,954	653,563
Cash payments in the course of operations		(196,062)	(172,393)
<b>Cash generated from operations</b>		<b>476,892</b>	<b>481,170</b>
Interest received		159,605	127,473
Interest paid		(123,446)	(98,591)
Dividends received		9,856	8,075
Income taxes paid		(141,805)	(118,968)
<b>Net cash inflow from operating activities</b>	<b>27</b>	<b>381,102</b>	<b>399,159</b>
<b>Cash flows from investing activities</b>			
Decrease in participants' margins and commitments		(473,796)	(618,438)
Payments for other non-current assets		(47,130)	(27,919)
<b>Net cash (outflow) from investing activities</b>		<b>(520,926)</b>	<b>(646,357)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	250,000
Repayment of borrowings		-	(100,000)
Dividends paid		(303,631)	(281,021)
Proceeds from the issue of shares under the Dividend Reinvestment Plan		45,814	75,513
Purchase of treasury shares		(882)	-
Receipts in respect of employee share plans		123	143
<b>Net cash (outflow) from financing activities</b>		<b>(258,576)</b>	<b>(55,365)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(398,400)</b>	<b>(302,563)</b>
<b>Increase/(decrease) in fair value of cash and cash equivalents</b>			
		<b>138</b>	<b>(51)</b>
Cash and cash equivalents at the beginning of the financial period		3,716,846	4,019,460
<b>Cash and cash equivalents at the end of the financial period</b>	<b>10(c)</b>	<b>3,318,584</b>	<b>3,716,846</b>

**Cash and cash equivalents consist of:**

ASX own funds	10(c)	802,172	726,638
Participants' margins and commitments	18	2,516,412	2,990,208
<b>Total cash and cash equivalents*</b>		<b>3,318,584</b>	<b>3,716,846</b>

\*Total cash and cash equivalents includes cash and available-for-sale financial assets.

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. Summary of Significant Accounting Policies

ASX Limited (the Company or ASX) is a company domiciled in Australia. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of ASX and its subsidiaries (together referred to as the Group).

The consolidated financial statements were authorised for issuance by the Board of Directors on 18 August 2011.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act 2001. The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis except for available-for-sale financial assets and investments which have been recognised at fair value.

The following new standards and amendments to standards are mandatory for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes a number of minor amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement*

*of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*;

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* confirms that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues* addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer;
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* clarify the accounting requirements when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes a number of minor amendments to AASB 3 *Business Combinations*, AASB 7 *Financial Instruments: Disclosures*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 128 *Investments in Associates*, AASB 131 *Interests in Joint Ventures*, AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of these standards did not have any impact in the current year or any prior year

and is not likely to have a material impact on future periods.

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

- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013) address the classification and measurement requirements for financial assets and financial liabilities.

When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets and equity investments. AASB 9 requires that all financial assets held to pay contractual cash flows be measured at amortised cost. As the Group's investment in short-term debt instruments, which are classified as available-for-sale, have contractual cash flow characteristics, they will no longer be recognised at fair value through other comprehensive income at period end but will be recognised at amortised cost.

The Group's equity investment will continue to be recognised at fair value through other comprehensive income. Under AASB 9, any gain or loss on disposal of equity investments will not be recognised through profit and loss and will remain in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities.

The standard and amendment will be mandatory for the Group's 30 June 2014 financial statements, however, the Group has not yet decided when to adopt AASB 9.

- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective from 1 July 2011) introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments would not have affected the Group had they been applied in the current financial year and will be mandatory for the Group's 30 June 2012 financial statements.

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101,134 and Interpretation 13]* (effective from 1 January 2011) introduces a number of amendments to the above accounting standards and interpretations. The amendments would not have materially affected the Group if they had been adopted in the current financial year and will be mandatory for the Group's 30 June 2012 financial statements.

- IFRS 10 *Consolidated Financial Statements* (effective from 1 January 2013) introduces a new definition of control to be applied to all entities in regards to consolidation. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the Group. The standard will be mandatory for the Group's 30 June 2014 financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities* (effective from 1 January 2013) addresses the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The impact of the new standard is yet to be fully assessed however it is not expected to have

a material impact on the Group. The standard will be mandatory for the Group's 30 June 2014 financial statements.

- IFRS 13 *Fair Value Measurement* (effective from 1 January 2013) consolidates the measurement and disclosure requirements in respect of fair values into one standard. The impact of the new standard is yet to be fully assessed however it is not expected to have a material impact on the Group. The standard will be mandatory for the Group's 30 June 2014 financial statements.

#### (b) Basis of consolidation

The consolidated financial statements include the assets and liabilities of all subsidiaries of the Company as at 30 June 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Control exists when the Company 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 subsidiaries are eliminated in full on consolidation.

The Group has an established trust that administers the Group's Long-Term Incentive Plan. The Group also has a trust that manages the cash and available-for-sale financial assets of the two central counterparty clearing subsidiaries. The trusts are consolidated as the substance of the relationship is that both trusts are controlled by the Group.

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief

Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and CEO.

#### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates wherever applicable.

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

In the current reporting period, the Group has reclassified certain registry services revenue from 'cash market' to 'listings and issuer services'. The reclassification aligns the revenue reported to that reviewed by the Chief Operating Decision Maker who considers all services to listed entities in aggregate. Further information is provided in note 5.

##### Listings and issuer services

Listings and issuer services include listing fees and other registry services revenue.

Listings revenue includes revenue from annual listing fees, initial listing fees and subsequent capital raisings. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the period that the service is provided.

Registry services revenue includes revenue for the provision of holding statements and is recognised in the period that the service is provided.

**Cash market**

Cash market revenue includes revenue from trading, clearing and settlement of equities, warrants and interest rate markets. The Group has elected under AASB 139 *Financial Instruments: Recognition and Measurement* to account for revenue from cash market trading, clearing and settlement at settlement date. The normal market convention is that settlement occurs three days after the initial trade date. Accordingly, revenue for trades transacted in the last three days prior to period end are recognised in the subsequent reporting period (settlement date).

**Derivatives**

Derivatives revenue includes revenue from trading, clearing and settlement of futures, options and contracts for difference. Derivatives transaction revenue is recognised at trade date.

**Information services**

Revenue from the provision of market data is recognised over the period the service is provided.

**Technical services**

Revenue from technical services, which includes technology connectivity and technology hosting services, is recognised over the period the service is provided.

**Austraclear services**

Revenue from Austraclear depository and settlement fees is recognised in the period the service is provided. Revenue from Austraclear registry fees is recognised in the period earned which may involve recognising revenue in future reporting periods.

**Dividends**

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

**Interest income**

Interest income comprises interest earned on the Group's own funds and restricted capital reserve as well as interest earned from the investment of participant funds lodged as collateral. Interest income is recognised as revenue in the income statement using the effective interest method.

**(e) Leases****Operating leases**

Lease payments made under operating leases are recognised in the income statement on a straight-line basis over the minimum term of the lease. Where operating leases have fixed increases the payments are recognised over the minimum term of the lease on a straight-line basis.

Lease income from operating leases where the Group is a sub-lessor is recognised in the income statement on a straight-line basis over the lease term.

**Lease incentive**

Lease incentives received or receivable such as rent-free periods and premises fit-out allowances may be included in operating leases entered into by the Group. The estimated value of lease incentives is apportioned over the minimum term of the lease. The net lease costs are recognised in the income statement over the lease term. Where the original lease term has been extended, these incentives will continue to be recognised over the original lease term.

**(f) Foreign currency translation**

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

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 except where they are deferred in equity as qualifying cash flow hedges (refer note 1(s)).

#### (g) Interest payable

Interest payable includes interest owed to participants on cash collateral lodged and interest owed on borrowings. Interest is recognised as an expense in the income statement using the effective interest rate method.

#### (h) Dividends payable

A liability is recognised 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 interim and final dividends in respect of a financial period are declared after period end, and are therefore not provided for until declared.

#### (i) Income tax

Income tax expense recognised in the income statement for the period comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax 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 such as 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

#### (j) Earnings per share

##### Basic earnings per share

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

##### Diluted earnings per share

Diluted earnings per share is determined by adjusting the consolidated profit attributable to owners of the Company and the weighted

average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which may comprise share rights granted to employees.

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

#### (l) Business combinations

The acquisition method of accounting is used to account for all business combinations involving the purchase of external entities regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at 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.

The predecessor method of accounting is used when business combinations occur within the ASX wholly owned group. The identifiable assets and liabilities acquired are measured at the carrying amount recognised in the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. Accordingly, no goodwill arises on acquisition. Any difference between the consideration given and the aggregate book values of assets and liabilities acquired is included in equity on consolidation.

#### (m) Impairment of assets

Intangible assets that have an indefinite life, such as goodwill, that are not subject to amortisation are tested semi-annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)) and goodwill is allocated to each of the Group's CGUs. An impairment loss for goodwill is recognised if the recoverable amount of the CGU is less than the carrying amount of the CGU.

Non-financial assets that are subject to amortisation (including other intangibles) are tested for impairment when events or changes in circumstances have arisen that indicate that the carrying value 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. After initial recognition, available-for-sale financial assets are measured at their fair values. When the asset is considered to be impaired, any gain or loss that had been recognised directly in equity is removed from equity and recognised in the income statement.

#### **(n) Cash and cash equivalents**

Cash and cash equivalents as presented on the Statement of Cash Flows comprise cash balances and available-for-sale investments which include short-term money market instruments that are readily convertible to cash.

#### **(o) Receivables**

##### **Trade receivables**

Trade receivables, which generally have terms of 30 days, are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. The collectability of 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 will not be collected.

##### **Margins receivable**

Margins receivable from participants, which are due for settlement on the next business day (refer note 11), include the fair value of

derivative positions and are recognised on trade-date, the date on which the fair value of the derivative contracts are registered.

#### **Receivables from related parties**

Receivables to and payables from related parties are initially recognised at fair value and subsequently measured 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 less the costs of acquiring the investment.

#### **Available-for-sale financial assets**

Available-for-sale financial assets comprise money market investments readily convertible to cash.

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

#### **Investments**

Investments classified as available-for-sale include shares held in listed entities. For investments that are actively traded in organised financial markets, fair value is determined by reference to securities exchange quoted market bid prices at the close of business on the balance sheet date.

#### **(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 the proceeds on disposal with the carrying amount and 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:

Leasehold improvements	The minimum 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 is reviewed for impairment semi-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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

##### **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. Computer software is reviewed for indicators of impairment when events or changes in circumstances have arisen that indicate that the carrying value may be impaired. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the income statement.

The estimated useful lives for the Group's significant computer software, for the current and previous years, are shown below.

	2011	2010
Cash market trading system	5 years*	4 years
Derivative trading system	6 years**	Minimum term of vendor support
Cash market clearing system	7 years	7 years
Derivative clearing system	10 years	10 years
Debt settlement and depository system	10 years	10 years

\*A new cash market trading system (ASX Trade) was introduced during the year.

\*\* A new derivatives trading system ( ASX Trade24) was also introduced during the year and is being supported internally.

### (s) Hedging activities

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and also on an ongoing basis, of whether the instruments that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in cash flows of hedged items.

For cash flow hedges, the effective portion of changes in the fair value of the instruments that are designated and qualify as cash flow hedges is recognised in the asset revaluation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

### (t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities and related legal costs are recognised as transaction costs of the loan and are capitalised as a prepayment for liquidity services and

amortised over the period of the facility to which it relates.

### (u) 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 current payables are usually paid within 30 days of recognition.

### (v) 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. The increase in the provision due to the passage of time is recognised as a finance cost.

### Surplus lease space

A provision for onerous contracts 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;
- sub-lets 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 and there is a committed plan to vacate.

**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. Provisions for make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**(w) Employee benefits****Wages, salaries, annual leave and non-monetary benefits**

Liabilities for wages and salaries, annual leave and non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period. Amounts expected to be settled within 12 months after the end of the period in which the employees render the related service are classified as 'current' and are measured at the amounts expected to be paid when the liabilities are settled. Amounts not expected to be settled within 12 months after the end of the period in which the employees render the related service are classified as 'non-current' and are measured as the present value of expected future payments.

**Long service leave**

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the Group resulting from employees' cumulative services provided to the end of each reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates which are based on turnover history. The provision is discounted using the rates attaching to national government bonds at the end of each reporting period which

most closely match the terms to maturity of the related liabilities.

**Share-based payment transactions**

The Group provides 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 performance rights granted is recognised over the vesting period as an expense with a corresponding increase in equity compensation reserve. The fair value of the market based component is determined by an external valuer using Black Scholes valuation and a Monte-Carlo simulation method, taking into account the terms and conditions upon which the performance rights were granted. The fair value of the non-market based component is the ASX quoted market bid price on the day of issue. The amount recognised as an expense is adjusted to reflect the actual number of performance rights expected to vest, with a corresponding adjustment to the equity compensation reserve. However where the performance rights did not subsequently vest due to a market condition (eg Total Shareholder Return) not being attained, the expense is not reversed.

**Short-term incentive plans**

The Group recognises a liability and an expense for short-term cash incentives taking into consideration the performance of the Group 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.

**Deferred short-term incentive plans**

The Group provides deferred cash incentives for certain staff as part of the Deferred Short-Term Incentive Plan. The value of the incentives is recognised as a liability and expensed over the term of the plan. Amounts expected to be settled within 12 months after the end of the reporting date are recognised as 'current' whilst

the amounts not expected to be settled within 12 months of the reporting date are recognised as 'non-current'.

#### **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.

#### **(x) 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.

##### **Dividend Reinvestment Plan**

Shares allotted to ASX shareholders as part of the Dividend Reinvestment Plan (DRP) at the DRP allocation price are classified as fully paid ordinary shares.

#### **(y) Novation of trades**

The Group fully owns two subsidiaries providing central counterparty clearing services (CCPs):

- ASX Clear Pty Limited, which provides novation of cash market securities and derivatives; and
- ASX Clear (Futures) Pty Limited, 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 the CCP, and a contract between the CCP and the buying participant organisation. Through the novation process, positions held by the CCPs are matched.

Under the novation process the respective CCP assumes the credit risk of the underlying clearing participant in the event that a participant does not honour its obligations under the trades. The CCPs hold financial resources, detailed in note 25, which are available to support their activities in the event of a default by a clearing participant.

#### **Cash market securities (comprises equity, debt securities and managed investments)**

Cash market securities are recognised at settlement date which is three days after trade date. 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 but is recognised in subsequent periods.

#### **Derivatives (comprises options, futures, warrants and contracts for difference)**

Derivatives which are traded on exchange 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 margin balances (which are impacted by changes in the fair value of derivatives) are paid or received on a daily basis via cash settlement (variation margins).

Initial margins which are settled by cash and debt securities held by ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited are recognised on balance sheet at fair value.

Initial margins which are settled by bank guarantees and equity securities in ASX Clear Pty Limited are not recognised on balance sheet in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, as ASX Clear Pty Limited is not party to the contractual provisions of the instruments.

Initial margins recognised on balance sheet are classified as 'amounts owing to participants'.

Variation margins on open derivative contracts 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*.

#### (z) Treasury shares

Shares are held by the Group's Long-Term Incentive Plan trust, up until a maximum vesting period of 10 years, for the benefit of employees under the ASX Long-Term Incentive Plan as described in the Remuneration Report. Treasury shares, net of any tax effect, are deducted from the equity compensation reserve in equity (refer to the Remuneration Report in section 11 of the Directors' report).

#### (aa) Parent entity financial information

The financial information for the parent entity, ASX, disclosed in note 33, has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### Unlisted shares in subsidiaries

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

#### Tax consolidation legislation

ASX elected to form a tax consolidated group for income tax purposes. ASX is the head entity for the purposes of the tax consolidation legislation and is therefore liable for the income tax liabilities of the ASX tax consolidated group.

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

#### Tax funding agreement

ASX has entered into a tax funding agreement with all Australian owned subsidiaries. The agreement has the objective of achieving an appropriate allocation of the Group's income tax expense to the main operating subsidiaries within the Group. The tax funding agreement also has the objective of allocating deferred tax assets relating to tax losses only, and current tax liabilities of the main operating subsidiaries to ASX. The subsidiaries will reimburse ASX for their portion of the Group's current tax liability and will recognise this payment as an inter-entity payable or receivable in their financial statements for that financial year. ASX will reimburse the subsidiaries for the deferred tax asset from any unused tax losses or credits and ASX 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 or credits).

#### **2. 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 relevant and 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 discussed below:

##### Estimated recoverable amount of goodwill

The Group tests at least semi-annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(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.

#### **Estimated useful life of intangibles (excluding goodwill)**

Computer software is reviewed for indicators of impairment to determine if events or changes in circumstances have arisen that indicate that the carrying value may be impaired. Determining whether the intangibles are impaired requires an estimation of their useful lives, residual values and depreciation method. The effect of any changes will be recognised on a prospective basis.

### **3. Financial Risk Management**

#### **Overview**

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity 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 portfolio risk management function under policies approved by the Board of Directors. The central risk department manages clearing default credit risk with counterparties and the portfolio risk management function manages investment credit, foreign currency, market liquidity and cash flow interest rate risks within limits approved by the Board of Directors and monitored by the central risk department.

#### **(a) Market risk**

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

For the Group, market risk on contracts novated to the central counterparty clearing subsidiaries is negligible as the novation process ensures that the Group is not normally directly exposed

to any price movements on the contracts (refer to note 1(y)). Market risk, however, may impact on the likelihood of a counterparty defaulting and one of the CCPs assuming the position under novation that would impact on the Group following an event of participant default. The Group manages market risk by having formal default procedures to limit the loss in the event of a default or likely default.

##### **(i) 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 market risk on investments of its cash resources (participant collateral lodged and Group funds) are subject to the risk of losses arising from an adverse movement in interest rates. The interest rate risk is minimised as the Group's objective is to hold investments until maturity noting that they are available for sale for liquidity purposes, and they are invested with maturities no longer than 12 months. The Board has set limits with respect to weighted average maturity in order to limit this risk.

##### **(ii) Foreign currency risk**

Foreign currency risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in a foreign currency will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk in cash, net interest and exchange fees receivable that are denominated in non-AUD currencies. Such exposure is not considered significant. Where the Group enters into commitments in non-AUD currencies, its policy is to hedge the foreign currency risk wherever possible.

**(iii) Equity price risk**

The Group has one investment by way of an external equity instrument that has a market value of \$213,988,519 as at 30 June 2011 (2010: \$206,388,518). Management of this risk is by ongoing monitoring of the value with respect to any impairment and appropriate risk based capital allocation.

**(b) Credit risk**

The Group is exposed to credit risk, which represents the potential loss that may arise from the failure of a counterparty to meet its obligation or commitment to the Group. Due to the novation process, all trades on ASX markets are matched so the Group is not directly exposed to direct price movements in the underlying equities or derivatives. However, equity or derivative price movements may have an impact on the counterparties' ability to meet their obligations to the Group. Failure to meet these obligations exposes the Group to potential losses on settlement. These are managed by four layers of risk control:

- clearing participant membership requirements and admission standards;
- participant surveillance including capital monitoring;
- daily counterparty credit risk control, including margining and collateral management; and
- financial resource adequacy, including fixed capital and stress testing.

Both of the Group's central clearing counterparty entities continually stress-test clearing participant exposures against the amount and liquidity of variable and fixed (clearing guarantee fund) financial resources available in the event of default. The Group's ongoing monitoring of participants' market positions and exposures, coupled with daily margining and collateral management including

possible intraday and additional margin calls, enables it to efficiently manage its central counterparty credit risk and meet its regulatory obligations.

The credit risk is further managed as described in notes 4 and 25. With respect to the financial assets of the Group, the Board has implemented policies that limit the amount of credit exposure to any one financial institution as well as minimum credit ratings for counterparty Approved Deposit Taking Institutions.

Trade and other receivables mainly consist of various fees outstanding from market participants, listed corporations, users of market data and other customers. These receivable amounts are aged, with the aging reviewed on a regular basis to minimise credit risk. Active collection procedures are also implemented on trade receivables.

Intercompany receivables consist of balances owing to the parent entity from wholly owned subsidiaries. The parent entity considers the credit risk on these balances to be low.

**(c) Liquidity risk**

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due and results from amounts and maturity mismatches of assets and liabilities. 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 portfolio risk management function and monitored by the central risk department. Specific liquidity limits are also approved by the Board based on whether assets can be liquidated and converted to cash on the same day.

**(d) Capital management**

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

- maintaining the Group's and subsidiaries' financial viability in order to continue to facilitate growth of its exchange traded markets and provide appropriate risk-adjusted returns to shareholders;
- supporting the Group's prudential stability and meeting its compliance obligations with respect to the Financial Stability Standards as required by the various licences held by the parent and subsidiary entities; and
- providing capital for the purpose of strengthening the Group's wider business, legal and operational risk management practices ensuring compliance with its overall licence obligations.

The Board has endorsed a risk appetite statement in order to manage the Group's risks including enterprise wide risk and quantified risk appetite.

The Board's objective is to maintain a prudent surplus of net tangible equity at the Group level, cognisant of the fact that a significant allocation of capital supports the activities of the central counterparty clearing subsidiaries as discussed in note 25(a). Where appropriate, subordinated debt is also used to support the financial resource requirements of the clearing subsidiaries.

The Group's target is to achieve a return on average shareholder's equity of between 10% and 15%. During the year ended 30 June 2011 the return was 12.0% (2010: 11.6%).

In accordance with the Group's objectives and policies, its capital is invested at an appropriate liquidity profile, taking into consideration the

risk-based claims on that equity that may arise from the Group's activities, predominantly the central counterparty clearing. The amount of the Group's capital that is committed to the Group's central counterparty clearing activities is disclosed in note 25.

The Board's current policy is to pay a dividend based on 90% of underlying net profit after tax (as defined in note 5). This policy is unchanged from the prior comparable period. As part of its broader capital management activities, the Group has also implemented a dividend reinvestment plan to support its capital requirements. The Board determines at each dividend resolution to what extent, if any, the dividend reinvestment plan will apply based on the capital requirements of the Group.

The licenced clearing and settlement facility subsidiaries are required to maintain sufficient resources to meet their licence obligations. In managing the capital base of these subsidiaries the Board, in accordance with the Group's objectives and policies, ensures that each entity meets its obligations by ensuring the subsidiaries have sufficient capital reserves based on a risk-based capital adequacy calculation.

There were no other changes to the Group's approach to capital management during the year.

#### **4. Financial Instruments**

**(i) Interest rate risk**

The interest rate profile, fair values and carrying amounts of the Group's financial assets and liabilities at the end of the reporting period are set out in the following tables:

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

2011		Carrying amount				Fair value
	Note	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000	Total \$'000
<b>Financial assets</b>						
Cash	10(a)	1,216,599	735,000	-	1,951,599	1,951,599
Available-for-sale financial assets	10(b)	150,604	1,216,381	-	1,366,985	1,366,985
Receivables	11	-	-	266,938	266,938	266,938
Investments in listed shares	13	-	-	213,988	213,988	213,988
<b>Total financial assets</b>		<b>1,367,203</b>	<b>1,951,381</b>	<b>480,926</b>	<b>3,799,510</b>	<b>3,799,510</b>
Weighted average interest rate at period end		4.78%	5.14%			
<b>Financial liabilities</b>						
Payables	17	-	-	258,210	258,210	258,210
Amounts owing to participants	18	2,516,412	-	-	2,516,412	2,516,412
Borrowings	19	250,000	-	-	250,000	250,000
Other liabilities	21	-	-	3,953	3,953	3,953
<b>Total financial liabilities</b>		<b>2,766,412</b>	-	<b>262,163</b>	<b>3,028,575</b>	<b>3,028,575</b>
Weighted average interest rate at period end		4.39%				
<b>Net financial assets / (liabilities)</b>		<b>(1,399,209)</b>	<b>1,951,381</b>	<b>218,763</b>	<b>770,935</b>	<b>770,935</b>
2010		Carrying amount				Fair value
	Note	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000	Total \$'000
<b>Financial assets</b>						
Cash	10(a)	639,793	602,827	-	1,242,620	1,242,620
Available-for-sale financial assets	10(b)	150,766	2,323,460	-	2,474,226	2,474,226
Receivables	11	-	-	340,269	340,269	340,269
Investments in listed shares	13	-	-	206,389	206,389	206,389
<b>Total financial assets</b>		<b>790,559</b>	<b>2,926,287</b>	<b>546,658</b>	<b>4,263,504</b>	<b>4,263,504</b>
Weighted average interest rate at period end		4.68%	4.83%			
<b>Financial liabilities</b>						
Payables	17	-	-	330,083	330,083	330,083
Amounts owing to participants	18	2,990,208	-	-	2,990,208	2,990,208
Borrowings	19	250,000	-	-	250,000	250,000
Other liabilities	21	-	-	4,310	4,310	4,310
<b>Total financial liabilities</b>		<b>3,240,208</b>	-	<b>334,393</b>	<b>3,574,601</b>	<b>3,574,601</b>
Weighted average interest rate at period end		4.17%				
<b>Net financial assets / (liabilities)</b>		<b>(2,449,649)</b>	<b>2,926,287</b>	<b>212,265</b>	<b>688,903</b>	<b>688,903</b>

With respect to the prior tables:

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

The Group does not account for any fixed or floating rate financial assets and liabilities at fair value through the income statement. A change in interest rate at the end of the reporting period would only affect the income statement if a subsequent disposal is made prior to maturity.

**Fair value sensitivity analysis for fixed rate instruments (net of tax):**

An increase/decrease of 25 basis points in the interest rate would have decreased/increased the Group's equity by \$75,666 (2010: \$110,616) at reporting date due to a change in fair value of available-for-sale financial assets. The analysis is performed on the same basis for 2010.

**Fair value sensitivity analysis for floating rate instruments (net of tax):**

An increase/decrease of 25 basis points in the interest rate would have decreased/increased the Group's equity by \$38,836 (2010: \$36,678) at reporting date due to a change in fair value of available-for-sale financial assets. The analysis is performed on the same basis for 2010.

**Cash flow sensitivity analysis for floating rate instruments (net of tax):**

An increase/decrease of 25 basis points in the interest rate at the end of the reporting period would increase/decrease annual profit or loss by \$1,062,567 (2010: \$973,004) due a change in net interest income and expense. The analysis is performed on the same basis for 2010.

**(ii) Foreign currency risk**

Details of the financial assets and financial liabilities denominated in foreign currencies and the net open position of the foreign currency risks in A\$'000s:

	30 June 2011				30 June 2010			
	NZD	USD	EUR	JPY	NZD	USD	EUR	JPY
<b>Financial assets:</b>								
Cash	108,553	16,537	2	206	82,321	21,642	99	331
Available-for-sale financial assets	-	1,865	-	-	-	153,132	-	-
Trade receivables	449	-	-	-	252	-	-	-
<b>Financial liabilities:</b>								
Trade creditors	212	-	-	-	173	-	-	-
Amounts owing to participants	108,264	17,324	-	-	81,982	165,894	99	96
<b>Net Exposure</b>	<b>526</b>	<b>1,078</b>	<b>2</b>	<b>206</b>	<b>418</b>	<b>8,880</b>	<b>-</b>	<b>235</b>
Exchange rate for conversion AUD 1:	1.2941	1.0721	0.7401	86.23	1.2305	0.8553	0.6988	75.83

At 30 June 2011, USD \$725,000 was designated by the Group as the hedging instrument in a qualifying cash flow hedge for committed expenditure to be paid in US dollars (2010: USD \$7,125,000). These amounts are included in the above table.

**Foreign exchange sensitivity analysis:**

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) profit or loss (net of tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	2011 \$'000	2010 \$'000
NZD	(34)	(27)
USD	(26)	(35)
EUR	-	-
JPY	(13)	(15)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In addition, a 10 percent strengthening of the Australian dollar against the US dollar would have decreased equity by \$43,034 (net of tax) (2010: \$530,000) as a result of cash flow hedges.

**(iii) Equity price risk**

**Equity price risk sensitivity analysis:**

A 10 percent change in the price of the single external equity investment (refer note 13) held by the Group at balance date would have increased/(decreased) equity by \$14,979,126 (net of tax) (2010: \$14,447,126).

**(iv) Credit risk**

**Exposure to credit risk:**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk as at 30 June was:

	Note	Carrying amount	
		2011 \$'000	2010 \$'000
Cash	10(a)	1,951,599	1,242,620
Available-for-sale financial assets	10(b)	1,366,985	2,474,226
Trade receivables	11	58,072	50,915
Margin receivable from clearing participants	11	190,788	271,096
Accrued revenue	11	12,336	11,976
Interest receivable	11	4,508	3,447
Other receivables	11	1,234	2,835

With respect to cash and available-for-sale financial assets, the Group's two significant exposures at the end of the reporting period were \$917,043,737 (2010: \$950,089,716) and \$868,522,458 (2010: \$755,460,638) both to Australian licensed banks with Standard & Poor's (S&P) short-term credit ratings of A1+. The Group has policies limiting exposure and concentration of these investments with different counterparties. The risk ratings of the counterparties to which the Group has exposure are shown below.

2011	Counterparty credit ratings			Total \$'000
	AAA \$'000	A1+ \$'000	A1 \$'000	
<b>Cash</b>	<b>3,452</b>	<b>1,806,147</b>	<b>142,000</b>	<b>1,951,599</b>
Bank bills	-	303,204	-	303,204
Negotiable certificates of deposit	-	646,838	101,851	748,689
Floating rate notes	-	150,605	-	150,605
Commonwealth Government bonds and US Treasury bills	162,622	1,865	-	164,487
<b>Total available-for-sale financial assets</b>	<b>162,622</b>	<b>1,102,512</b>	<b>101,851</b>	<b>1,366,985</b>
2010	Counterparty credit ratings			Total \$'000
	AAA \$'000	A1+ \$'000	A1 \$'000	
<b>Cash</b>	<b>1,490</b>	<b>1,117,290</b>	<b>123,840</b>	<b>1,242,620</b>
Bank bills	-	1,190,037	-	1,190,037
Negotiable certificates of deposit	-	477,235	184,804	662,039
Floating rate notes	-	150,767	-	150,767
Commonwealth Government bonds and US Treasury bills	318,251	153,132	-	471,383
<b>Total available-for-sale financial assets</b>	<b>318,251</b>	<b>1,971,171</b>	<b>184,804</b>	<b>2,474,226</b>

#### Cash and available-for-sale financial assets

S&P credit ratings are used in determining the credit quality of the counterparty with whom cash and available-for-sale financial assets are held. The portfolio risk management function ensures that cash and available-for-sale investments comply with board mandates which specifically address the exposure limits to counterparties with certain credit ratings.

#### Other financial assets

The Group's activities result in relationships with a large part of the financial sector as well as all companies listed on the Australian Securities Exchange and a variety of institutional entities and trusts. As such there is no concentration of receivables to any one debtor and the Group does not utilise credit ratings to determine the credit quality of other financial assets. The credit quality of other financial assets including trade receivables, margins receivable from participants, accrued revenue and interest receivable is managed by a number of factors available to the entity to reduce the risk of credit losses including debt collection procedures and other means including suspension of participation rights or delisting of securities.

Margins receivable from participants were settled on 1 July 2011. Further details on the aging of trade debtor balances are provided below.

**Financial assets that were past due but not impaired:**

As at 30 June, the aged analysis of the trade receivables of the Group that were past due but not determined to be impaired as well as trade receivables determined to be impaired was as follows:

	2011 \$'000	2010 \$'000
Not past due	50,001	35,316
Past due 0-30 days	7,029	11,649
Past due 31-60 days	713	2,526
Past due 61-90 days	135	1,313
Past due 91 days and over	194	111
<b>Total trade receivables not impaired</b>	<b>58,072</b>	<b>50,915</b>
Trade receivables impaired	1,138	1,001
<b>Total trade receivables</b>	<b>59,210</b>	<b>51,916</b>

For clearing and settlement related risks, refer to note 25(a).

**(v) Liquidity risk**

The following are the expected contractual cash flows by maturity of financial assets and liabilities held at 30 June:

	30 June 2011					<b>Total \$'000</b>
	<b>Up to 1 month \$'000</b>	<b>&gt;1 month to 3 months \$'000</b>	<b>&gt;3 months to 1 year \$'000</b>	<b>&gt;1 year \$'000</b>	<b>No specific maturity \$'000</b>	
<b>Current assets:</b>						
Cash	1,216,599	735,000	-	-	-	1,951,599
Available-for-sale financial assets	1,054,644	3,154	154,939	244,700	-	1,457,437
Receivables	261,697	4,967	224	-	-	266,888
<b>Non-current assets:</b>						
Investment in listed shares	-	-	-	-	213,988	213,988
Receivables	-	-	-	-	50	50
<b>Total assets</b>	<b>2,532,940</b>	<b>743,121</b>	<b>155,163</b>	<b>244,700</b>	<b>214,038</b>	<b>3,889,962</b>
<b>Current liabilities:</b>						
Payables	229,899	26,811	19,656	-	-	276,366
Amounts owing to participants	2,433,912	-	-	-	-	2,433,912
Other current liabilities	-	-	516	-	-	516
<b>Non-current liabilities:</b>						
Payables	-	-	-	28,566	-	28,566
Amounts owing to participants	-	-	-	82,500	-	82,500
Borrowings	-	-	-	250,000	-	250,000
Other non-current liabilities	-	-	-	3,437	-	3,437
<b>Total liabilities</b>	<b>2,663,811</b>	<b>26,811</b>	<b>20,172</b>	<b>364,503</b>	<b>-</b>	<b>3,075,297</b>
<b>Commitments:</b>						
Capital and operating commitments	5,253	4,696	7,107	32,662	-	49,718
Lease rental commitments	845	1,673	9,106	110,990	-	122,614
<b>Total commitments</b>	<b>6,098</b>	<b>6,369</b>	<b>16,213</b>	<b>143,652</b>	<b>-</b>	<b>172,332</b>

The Group is party to a contract for the lease of a new data centre. The building construction and fit-out completion and lease commencement is expected to occur in the financial year ending 30 June 2012. The minimum lease payments of \$62.4 million have been included in the above commitments.

	30 June 2010					Total \$'000
	Up to 1 month \$'000	>1 month to 3 months \$'000	>3 months to 1 year \$'000	>1 year \$'000	No specific maturity \$'000	
<b>Current assets:</b>						
Cash	653,940	588,680	-	-	-	1,242,620
Available-for-sale financial assets	1,862,555	153,266	167,377	400,750	-	2,583,948
Receivables	329,348	7,782	3,089	-	50	340,269
<b>Non-current assets:</b>						
Investment in listed shares	-	-	-	-	206,389	206,389
<b>Total assets</b>	<b>2,845,843</b>	<b>749,728</b>	<b>170,466</b>	<b>400,750</b>	<b>206,439</b>	<b>4,373,226</b>
<b>Current liabilities:</b>						
Payables	303,926	27,223	17,282	-	-	348,431
Amounts owing to participants	2,907,768	-	-	-	-	2,907,768
Other current liabilities	-	-	310	-	-	310
<b>Non-current liabilities:</b>						
Payables	-	-	-	32,825	-	32,825
Amounts owing to participants	-	-	-	82,440	-	82,440
Borrowings	-	-	-	250,000	-	250,000
Other non-current liabilities	-	-	-	4,000	-	4,000
<b>Total liabilities</b>	<b>3,211,694</b>	<b>27,223</b>	<b>17,592</b>	<b>369,265</b>	<b>-</b>	<b>3,625,774</b>
<b>Commitments:</b>						
Capital and operating commitments	808	1,617	7,546	49,897	-	59,868
Lease rental commitments	996	2,000	8,269	88,536	-	99,801
<b>Total commitments</b>	<b>1,804</b>	<b>3,617</b>	<b>15,815</b>	<b>138,433</b>	<b>-</b>	<b>159,669</b>

The values on the Balance Sheet may differ to the assets and liabilities in the above tables due to the difference in fair value at balance date compared to the contractual cash flows at maturity. Whilst the available-for-sale financial assets include securities with contractual cash flows beyond one year, they are classified as current assets on balance sheet as they are expected to be realised within 12 months.

With respect to amounts owing to participants, the actual maturity cannot be determined as maturity will depend on a number of factors including new contracts opened and contracts closed by participants. These have been classified as having maturities up to one month on the basis of the shortest possible legal obligation for repayments.

#### (vi) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by each level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 30 June.

<b>30 June 2011</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investments	213,988	-	-	213,988
Available-for-sale financial assets:				
- Bank bills	-	303,204	-	303,204
- Negotiable certificates of deposit	-	748,689	-	748,689
- Floating rate notes	-	150,605	-	150,605
Commonwealth Government bonds and US Treasury bills	-	164,487	-	164,487
<b>Total assets</b>	<b>213,988</b>	<b>1,366,985</b>	-	<b>1,580,973</b>
<b>Total liabilities</b>				
<b>30 June 2010</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investments	206,389	-	-	206,389
Available-for-sale financial assets:				
- Bank bills	-	1,190,037	-	1,190,037
- Negotiable certificates of deposit	-	662,039	-	662,039
- Floating rate notes	-	150,767	-	150,767
Commonwealth Government bonds and US Treasury bills	-	471,383	-	471,383
<b>Total assets</b>	<b>206,389</b>	<b>2,474,226</b>	-	<b>2,680,615</b>
<b>Total liabilities</b>				

The fair value of the Group's external listed equity investment is determined by reference to the ASX quoted market bid price at the close of business at reporting date. As the fair value of the investment is based on quoted market prices in active markets this instrument falls within level 1 of the fair value hierarchy.

Discounted cash flow analysis is used as the primary valuation technique for fair value measurement of available-for-sale financial assets. The fair value of bank bills, negotiable certificates of deposit and floating rate notes are determined by reference to money market bid rates whilst the fair value of government bonds and treasury bills is determined by reference to either the government bond or treasury bill yields.

As the fair value of these instruments is determined using valuation techniques rather than quoted market prices they do not qualify for recognition in level 1 of the hierarchy. However, as the inputs (rates) used in the discounted cash flow analysis are derived from quoted market prices, and are readily observable in the market, these instruments will qualify for recognition within level 2 of the fair value hierarchy.

There are no financial instruments designated within level 3 of the fair value hierarchy.

## 5. Segment Reporting

The Managing Director and CEO, as the Chief Operating Decision Maker (CODM), assesses performance of the Group as a single segment, being a vertically integrated organisation (eg primary, secondary and risk transfer) providing multi-asset class product offerings.

Vertical integration includes the:

- exchange issuer services offered to public companies and other organisations;
- trading venue or exchange activities for trading;
- clearing and settlement activities offered to participants; and
- exchange and over-the-counter products provided to other customers.

Multi-asset class service offerings include equities, interest rate, commodity and energy products across cash and derivatives markets.

Whilst the Group is assessed as a single entity, the CODM reviews revenue contributed by different functions within the Group. These functions comprise revised revenue categories as described in note 1(d). During the year, the CODM amended the categories by consolidating services offered to listed entities within 'listings and issuer services' revenue. The services were previously grouped within 'cash market' which is reflective of their underlying asset class. The total reclassification from 'cash market' to 'listings and issuer services' at 30 June 2011 was \$28,280,443 (2010: \$30,665,183). Comparative information has been consistently reclassified.

Also, in addition to reviewing performance based on net profit after tax, the CODM assesses the performance of the Group based on underlying net profit after tax. This measure excludes amounts regarded as significant items of revenue and expenses such as those that may be associated with a significant business restructuring or individual transaction.

Group performance as measured by earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) are also reviewed by the CODM. In assessing performance, operating revenue is reclassified for arrangements where revenue is shared with external parties, doubtful debt provisions recognised against revenue and gross interest income. Operating expense adjustments relate to the classification of certain expenses including variable expenses and gross interest expense. Net tangible equity, defined as net equity less goodwill, is used in strategic decision-making regarding the Group's capital management.

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

<b>Year ended 30 June 2011</b>	<b>Segment Information \$'000</b>	<b>Adjustments \$'000</b>	<b>Consolidated Income Statement \$'000</b>
<b>Revenue</b>			
Listings and issuer services	150,351	-	150,351
Cash market	133,909	-	133,909
Derivatives	172,247	10,148	182,395
Information services	70,886	-	70,886
Technical services	40,357	-	40,357
Austraclear services	33,759	-	33,759
Other	16,119	(487)	15,632
<b>Operating revenue</b>	<b>617,628</b>		
Interest income		160,666	160,666
Dividends		9,856	9,856
<b>Total revenue</b>	<b>180,183</b>		<b>797,811</b>
<b>Expenses</b>			
Staff	78,776	243	79,019
Occupancy	13,597	(1,037)	12,560
Equipment	21,366	1,436	22,802
Administration	13,932	20,736	34,668
Variable	4,491	(4,491)	-
ASIC supervision levy	3,388	(3,388)	-
<b>Cash operating expenses</b>	<b>135,550</b>		
<b>EBITDA</b>	<b>482,078</b>		
Finance costs		123,068	123,068
Depreciation and amortisation	23,299	2,273	25,572
<b>Total expenses</b>	<b>138,840</b>		<b>297,689</b>
<b>EBIT</b>	<b>458,779</b>		
Interest income	20,818	(20,818)	-
Net interest on participant balances	16,780	(16,780)	-
Dividend income	9,856	(9,856)	-
<b>Net interest and dividend income</b>	<b>47,454</b>	<b>(47,454)</b>	
<b>Underlying profit before tax</b>	<b>506,233</b>	<b>(6,111)</b>	<b>500,122</b>
Income tax (expense)/credit	(149,657)	1,833	(147,824)
<b>Underlying net profit after tax</b>	<b>356,576</b>	<b>(4,278)</b>	<b>352,298</b>
Significant items	(6,111)	6,111	-
Tax on significant items	1,833	(1,833)	-
<b>Net profit after tax</b>	<b>352,298</b>	-	<b>352,298</b>
	<b>Segment Information \$'000</b>	<b>Adjustments \$'000</b>	<b>Consolidated Balance Sheet \$'000</b>
Total assets	6,182,444	-	6,182,444
Less: total liabilities	(3,161,388)	-	(3,161,388)
Less: intangible assets - goodwill	(2,262,759)	-	(2,262,759)
Less: intangible assets - software	-	(55,415)	(55,415)
<b>Net tangible equity</b>	<b>758,297</b>	<b>(55,415)</b>	<b>702,882</b>

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

<b>Year ended 30 June 2010</b>	<b>Segment Information \$'000</b>	<b>Adjustments \$'000</b>	<b>Consolidated Income Statement \$'000</b>
<b>Revenue</b>			
Listings and issuer services	146,129	-	146,129
Cash market	150,777	-	150,777
Derivatives	147,815	7,658	155,473
Information services	68,752	-	68,752
Technical services	29,852	-	29,852
Austraclear services	31,178	-	31,178
Other	13,672	2,832	16,504
<b>Operating revenue</b>	<b>588,175</b>		
Interest income		128,159	128,159
Dividends		8,075	8,075
<b>Total revenue</b>	<b>146,724</b>		<b>734,899</b>
<b>Expenses</b>			
Staff	77,653	3,771	81,424
Occupancy	13,910	(576)	13,334
Equipment	22,229	1,758	23,987
Administration	15,198	12,283	27,481
Variable	5,172	(5,172)	-
<b>Cash operating expenses</b>	<b>134,162</b>		
<b>EBITDA</b>	<b>454,013</b>		
Finance costs		98,849	98,849
Depreciation and amortisation	18,875	4,799	23,674
<b>Total expenses</b>	<b>115,712</b>		<b>268,749</b>
<b>EBIT</b>	<b>435,138</b>		
Interest income	12,842	(12,842)	-
Net interest on participant balances	16,468	(16,468)	-
Dividend income	8,075	(8,075)	-
<b>Net interest and dividend income</b>	<b>37,385</b>	<b>(37,385)</b>	
<b>Underlying profit before tax</b>	<b>472,523</b>	<b>(6,373)</b>	<b>466,150</b>
Income tax (expense)/credit	(139,925)	1,912	(138,013)
<b>Underlying net profit after tax</b>	<b>332,598</b>	<b>(4,461)</b>	<b>328,137</b>
Significant items	(6,373)	6,373	-
Tax on significant items	1,912	(1,912)	-
<b>Net profit after tax</b>	<b>328,137</b>	-	<b>328,137</b>
	<b>Segment Information \$'000</b>	<b>Adjustments \$'000</b>	<b>Consolidated Balance Sheet \$'000</b>
Total assets	6,620,796	-	6,620,796
Less: total liabilities	(3,699,501)	-	(3,699,501)
Less: intangible assets - goodwill	(2,262,759)	-	(2,262,759)
Less: intangible assets - software	-	(53,534)	(53,534)
<b>Net tangible equity</b>	<b>658,536</b>	<b>(53,534)</b>	<b>605,002</b>

## 6. Expenses

	2011 \$'000	2010 \$'000
<b>Included in expenses are the following items:</b>		
Net doubtful debts	256	53
Expenses related to business restructure	2,138	9,016
Operating lease rental expense	11,812	12,474
Employer contributions to superannuation plans	5,798	5,955
Expense relating to share-based payments	500	627
Occupancy surplus lease provisions reversed	(1,037)	(645)
Costs associated with the proposed merger with Singapore Exchange Limited	4,418	-

## 7. Taxation

	2011 \$'000	2010 \$'000
<b>(a) Income tax (expense)</b>		
Profit before income tax expense	500,122	466,150
Prima facie income tax (expense) calculated at 30% (2010: 30%) on the profit before tax	(150,037)	(139,845)
Movement in income tax (expense) due to:		
- Non-deductible Long-term Incentive Plan	-	(118)
- Other non deductible items	(137)	(88)
- Net franking credit offset	2,106	2,423
- Non-assessable lease incentive	119	-
Over/(under) provision in prior year	125	(385)
<b>Total income tax (expense)</b>	<b>(147,824)</b>	<b>(138,013)</b>
<b>(b) Major components of income tax (expense)</b>		
Current tax expense	(150,625)	(135,177)
Movement in deferred tax liability	3,850	1,258
Movement in deferred tax asset	(812)	(2,692)
Long-Term Incentive Plan	(362)	(1,017)
Over/(under) provision in prior year	125	(385)
<b>Total income tax (expense)</b>	<b>(147,824)</b>	<b>(138,013)</b>
<b>(c) Income tax on items recognised directly in equity</b>		
Long-Term Incentive Plan	362	1,017
<b>Total</b>	<b>362</b>	<b>1,017</b>
<b>(d) Income tax on items recognised directly in other comprehensive income</b>		
Revaluation of available-for-sale financial assets	52	148
Revaluation of investments	(2,280)	(10,260)
Revaluation of cash flow hedges	(93)	(133)
<b>Total</b>	<b>(2,321)</b>	<b>(10,245)</b>

		2011 \$'000	2010 \$'000
<b>(e) Deferred tax asset/(liability)*</b>			
Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2010: 30%) of the following items:			
Provisions for:			
- Doubtful debts		342	300
- Employee entitlements		4,322	4,593
- Leased premises		3,744	4,617
Accrued expenses		2,407	1,572
Revaluation of cash flow hedges		17	110
Revenue received in advance		2,411	2,259
<b>Deferred tax asset</b>		<b>13,243</b>	<b>13,451</b>
Deferred tax liability comprises the estimated expense at an income tax rate of 30% (2010: 30%) of the following items:			
Accrued interest		-	(1,836)
Fixed assets		(5,105)	(5,949)
Prepayments		(20)	(88)
Revaluation of investments		(38,993)	(36,713)
Revaluation of available-for-sale financial assets		(132)	(184)
Long-Term Incentive Plan		(373)	(854)
<b>Deferred tax liability</b>		<b>(44,623)</b>	<b>(45,624)</b>
<b>Net deferred tax liability</b>		<b>(31,380)</b>	<b>(32,173)</b>

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

## 8. Dividends

Dividends recognised and paid in the current year by the Company are:

	Cents per share	Total amount \$'000	Date of payment	Franked tax rate	Percentage franked
Final – 2010	84.0	145,804	27 September 2010	30%	100%
Interim – 2011	90.2	157,973	24 March 2011	30%	100%
<b>Total amount</b>	<b>174.2</b>	<b>303,777</b>			

Dividends paid by the Company in the current period include amounts paid on certain Long-Term Incentive (LTI) shares held by the Group's Long-Term Incentive Plan trust (LTIP). The amount of the dividends on these shares has been eliminated on consolidation.

Dividends recognised and paid in the prior year by the Company are:

	Cents per share	Total amount \$'000	Date of payment	Franked tax rate	Percentage franked
Final – 2009	74.5	127,558	24 September 2009	30%	100%
Interim – 2010	89.1	153,524	29 March 2010	30%	100%
<b>Total amount</b>	<b>163.6</b>	<b>281,082</b>			

### 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 – 2011	93.0	162,877	22 September 2011	30%	100%
<b>Total amount</b>	<b>93.0</b>	<b>162,877</b>			

The final dividend has not been recognised in the financial statements for the year ended 30 June 2011, but will be recognised in subsequent financial statements.

### Dividend franking account

	Company	
	2011 \$'000	2010 \$'000
30% franking credits available to shareholders of ASX for subsequent financial years	125,855	102,192

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.

Following the payment of the final 2011 dividend declared, the franking balance will be \$55,780,178 (2010: \$39,701,467).

The ability to utilise the franking credits is dependent upon there being sufficient available net assets to declare dividends. Fully franked dividends to the amount of \$293,030,903 could potentially be paid to shareholders.

### 9. Earnings per Share

	2011	2010
Basic earnings per share (cents)	201.6	190.4
Diluted earnings per share (cents)	201.6	190.4

#### **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	174,760,520	172,352,087
Weighted average number of ordinary shares used in calculating diluted earnings per share	174,760,520	172,352,087

The basic and diluted earnings per share amounts have been calculated on the basis of net profit after tax of \$352,297,879 (2010: \$328,137,610).

### 10. Cash and Available-for-Sale Financial Assets

#### (a) Cash

	2011 \$'000	2010 \$'000
Cash and funds on deposit	1,951,599	1,242,620

#### (b) Available-for-sale financial assets

Money market instruments – at cost	1,366,544	2,473,613
Revaluation recognised directly in equity	441	613
<b>Money market instruments – at fair value</b>	<b>1,366,985</b>	<b>2,474,226</b>

**Unlisted money market securities**

Unlisted securities, including bank bills, certificates of deposit, government bonds, fixed and floating rate notes are traded in active markets. Refer to note 1(p) for the accounting policy on available-for-sale financial assets.

**(c) Cash and cash equivalents**

	2011 \$'000	2010 \$'000
Cash and funds on deposit	1,951,599	1,242,620
Money market instruments - at fair value	1,366,985	2,474,226
<b>Total cash and available-for-sale financial assets</b>	<b>3,318,584</b>	<b>3,716,846</b>
Less: participant balances (refer note 18)	(2,516,412)	(2,990,208)
<b>ASX own funds as per Statement of Cash Flows</b>	<b>802,172</b>	<b>726,638</b>

**Participant balances**

Clearing participants are required to deposit cash or eligible securities to satisfy margin requirements on outstanding positions traded on ASX markets. Margins deposited are adjusted daily, ensuring the minimum requirements are maintained. In the event of default by a clearing participant on its obligations under contracts, ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited have the authority to retain collateral deposited by the defaulting clearing participant to satisfy its obligations.

**Restricted cash**

The Group holds \$71.5 million of restricted cash within a reserve account in equity. The restricted capital reserve is described further in note 24(b).

**11. Receivables****Current**

Trade receivables	59,210	51,916
Less: provision for impairment	(1,138)	(1,001)
	<b>58,072</b>	<b>50,915</b>
Margins receivable	190,788	271,096
Accrued revenue	12,336	11,976
Interest receivable	4,508	3,447
Other debtors	1,184	2,835
<b>Total</b>	<b>266,888</b>	<b>340,269</b>

**Non-current**

Receivables	50	-
<b>Total</b>	<b>50</b>	<b>-</b>

**Impaired trade receivables**

As at 30 June 2011 \$1,138,491 (2010: \$1,001,380) of trade receivables were identified as being impaired and were provided for.

The movement in the provision for impairment of trade receivables is as follows:

	2011 \$'000	2010 \$'000
<b>At 1 July</b>	<b>(1,001)</b>	<b>(1,072)</b>
Provision for impairment recognised during the year	(456)	(422)
Receivables written off during the year as uncollectable	119	110
Provisions subsequently reversed	200	383
<b>At 30 June</b>	<b>(1,138)</b>	<b>(1,001)</b>

The creation and release of provision for impairment of trade receivables has been included in 'other expenses' in the income statement. Amounts provided for are generally written off when there is no expectation of recovering the balance.

**Past due but not impaired**

Refer to note 4(iv) for the aging of trade receivable balances that are past due but not impaired.

**12. Other Assets**

Prepayments	7,696	6,696
<b>Total</b>	<b>7,696</b>	<b>6,696</b>

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

**13. Investments****Non-current**

Listed shares at fair value	213,988	206,389
<b>Total</b>	<b>213,988</b>	<b>206,389</b>

**Listed shares at fair value**

ASX owns 18.7% (2010: 18.8%) of the share capital in IRESS Market Technology Limited (IRESS), whose principal activities consist of the provision of information, trading, order management and financial planning systems and related services to equity market participants and wealth management professionals. The original cost of the investment was \$84,010,818.

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 (refer to note 4 (vi)). The Group does not have significant influence on the operations of IRESS as the Group has no representation on IRESS's board of directors and does not direct financial or operational decisions.

## 14. Property, Plant and Equipment

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

<b>2011</b>	Leasehold improvements \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 July 2010	23,824	24,848	68,496	117,168
Additions	15,869	4,635	11,646	32,150
Disposals and write-downs	(80)	-	(267)	(347)
<b>Balance at 30 June 2011</b>	<b>39,613</b>	<b>29,483</b>	<b>79,875</b>	<b>148,971</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2010	14,960	20,841	47,064	82,865
Depreciation expense	1,813	778	6,782	9,373
Disposals and write-downs	(80)	-	(251)	(331)
<b>Balance at 30 June 2011</b>	<b>16,693</b>	<b>21,619</b>	<b>53,595</b>	<b>91,907</b>
<b>Net book value at 30 June 2011</b>	<b>22,920</b>	<b>7,864</b>	<b>26,280</b>	<b>57,064</b>
<b>2010</b>	Leasehold improvements \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 July 2009	19,222	23,841	60,985	104,048
Additions	4,602	1,059	7,613	13,274
Disposals and write-downs	-	(52)	(102)	(154)
<b>Balance at 30 June 2010</b>	<b>23,824</b>	<b>24,848</b>	<b>68,496</b>	<b>117,168</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2009	13,770	20,228	41,506	75,504
Depreciation expense	1,190	653	5,656	7,499
Disposals and write-downs	-	(40)	(98)	(138)
<b>Balance at 30 June 2010</b>	<b>14,960</b>	<b>20,841</b>	<b>47,064</b>	<b>82,865</b>
<b>Net book value at 30 June 2010</b>	<b>8,864</b>	<b>4,007</b>	<b>21,432</b>	<b>34,303</b>

### Assets in the course of development

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of development:

	2011 \$'000	2010 \$'000
Leasehold improvements	13,459	1,197
Plant and equipment	4,340	85
Computer equipment	9,381	3,412
<b>Total</b>	<b>27,180</b>	<b>4,694</b>

## 15. Intangible Assets – Software

The movements in the intangible asset balances are as follows:

	2011 \$'000	2010 \$'000
<b>Cost</b>		
Balance at 1 July	147,985	134,368
Additions	18,080	14,275
Disposals and write-downs	-	(658)
<b>Balance at 30 June</b>	<b>166,065</b>	<b>147,985</b>
<b>Accumulated amortisation</b>		
Balance at 1 July	94,451	78,276
Amortisation expense	16,199	16,175
<b>Balance at 30 June</b>	<b>110,650</b>	<b>94,451</b>
<b>Net Book Value at 30 June</b>	<b>55,415</b>	<b>53,534</b>

### Assets in the course of development

The carrying amounts of the assets disclosed above include \$10,133,041 (2010: \$18,702,635) of intangible assets – software which is in the course of development.

## 16. Intangible Assets – Goodwill

<b>Opening balance at 1 July</b>	<b>2,262,759</b>	<b>2,262,759</b>
Movements during the year	-	-
<b>Closing balance at 30 June</b>	<b>2,262,759</b>	<b>2,262,759</b>

### (a) Impairment test for goodwill and intangibles

Goodwill is allocated to the Group's cash generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. Management determined the 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 at the time of acquisition is as follows:

- exchange-traded: \$2,187,379,000; and
- non-exchange traded: \$75,380,000.

No impairment charge arose in the current year (2010: nil).

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

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

The pre-tax discount rates used are 12.0% (2010: 11.2%) for exchange-traded and 12.4% (2010: 11.6%) for non-exchange traded and reflects risk adjusted estimates for each CGU. The growth rate used to extrapolate cash flow projections beyond five years is 4.5% (2010: 4.7%) per annum for the exchange-traded CGU and 3.0% (2010: 3.0%) per annum for the non-exchange traded CGU.

**17. Payables**

	2011 \$'000	2010 \$'000
Trade creditors	13,018	5,365
Margins payable	190,788	271,096
Interest payable	8,741	9,127
Rebates payable	27,415	26,043
Transaction taxes payable	5,017	4,149
Employee related payables	2,020	3,920
Expense accruals	6,760	6,138
Other payables	4,451	4,245
<b>Total</b>	<b>258,210</b>	<b>330,083</b>

**18. Amounts Owing to Participants**

Current	2,433,912	2,907,768
Non-current	82,500	82,440
<b>Total</b>	<b>2,516,412</b>	<b>2,990,208</b>

The current amounts owing to participants represent balances deposited by participants to cover margins on derivative contracts, and are repayable to clearing participants on settlement or closure of contracts [refer note 25(a)]. Balances lodged in cash are interest bearing and are carried at the amounts deposited which represent fair value. Collateral provided by clearing participants in the form of equity securities and guarantees is not recognised on balance sheet [refer note 25(a)]. Amounts lodged in the form of debt securities are carried at fair value. Non-current amounts owing to participants represent cash balances deposited by participants as commitments to clearing guarantee funds which at reporting date had no determined repayment date. Letters of credit provided by clearing participants in respect of commitments are not recognised on balance sheet [refer note 25(a)].

## 19. Borrowings

	2011 \$'000	2010 \$'000
Non-current	250,000	250,000
<b>Total</b>	<b>250,000</b>	<b>250,000</b>

Non-current borrowing of \$250 million at 30 June 2011 represents an unsecured bank loan supporting the financial resources of the Group's two central counterparty licensed clearing subsidiaries, ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited. The borrowing entity is ASX Clearing Corporation Limited (ASXCC), a wholly owned subsidiary of ASX Limited. The original term of the loan was three years with an expiry in December 2012 and a variable rate of interest payable. Subsequent to year end, the \$250 million borrowing was renewed for a four year term maturing in August 2015.

The activities of two central counterparty licensed clearing subsidiaries exposes the Group to potential shortfalls in cash from a clearing participant default. In the event that a shortfall is suffered by ASX Clear Pty Limited or ASX Clear (Futures) Pty Limited and the amount of the shortfall exceeds prior ranking financial resources held by ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited as part of their respective financial resources, the principal amount of the loan is reduced by a corresponding amount without obligation to repay at maturity. Prior ranking financial resources held by ASX Clear Pty Limited are any collateral lodged by the defaulting participant, \$71.5 million of restricted capital reserve and \$78.5 million of equity and subordinated debt provided by ASXCC. Prior ranking financial resources held by ASX Clear (Futures) Pty Limited are any collateral and participant financial backing lodged by the defaulting participant, \$100 million of equity and subordinated debt provided by ASXCC, \$120 million of participant financial backing (less the defaulting participant's financial backing already applied) and \$30 million of secondary commitments that may be levied on participants. Subsequent to period end the \$30 million of secondary commitments ranked behind the borrowing therefore no longer form part of prior ranking financial resources. Details of the order of application of financial resources for ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited are contained in note 25(a).

The debt facility contains other obligations for ASXCC which are in keeping with expected banking covenants for facilities of this nature. ASXCC has complied with its obligations under the facility.

## 20. Provisions

### Current

Employee entitlements	10,098	10,618
Premises provisions	2,140	3,699
<b>Total</b>	<b>12,238</b>	<b>14,317</b>

### Non-current

Employee entitlements	2,287	2,483
Premises provisions	9,741	7,922
<b>Total</b>	<b>12,028</b>	<b>10,405</b>

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

	2011 \$'000	2010 \$'000
<b>Opening balance at 1 July</b>	<b>11,621</b>	<b>12,780</b>
Provisions used during the period	(2,202)	(583)
Provisions reversed during the period	(1,037)	(645)
Additions during the period	3,499	69
<b>Closing balance at 30 June</b>	<b>11,881</b>	<b>11,621</b>

Premises provision comprises lease rental amortised on a straight-line basis over the minimum term of the lease, make good provisions, surplus lease space provisions and lease incentives. At 30 June 2011, there was no provision for surplus lease space (2010: \$2,035,662).

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

## 21. Other Liabilities

### Current

Revenue received in advance	11,857	11,466
Other current liabilities	516	310
<b>Total</b>	<b>12,373</b>	<b>11,776</b>

### Non-current

Other non-current liabilities	3,437	4,000
<b>Total</b>	<b>3,437</b>	<b>4,000</b>
<b>Total other liabilities</b>	<b>15,810</b>	<b>15,776</b>

## 22. Commitments

### (a) Capital and operating commitments

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

#### Due:

Not later than one year	17,055	9,971
Later than one year but not later than five years	28,154	38,902
Later than five years	4,507	10,995
<b>Total</b>	<b>49,716</b>	<b>59,868</b>

**(b) Non-cancellable operating lease rental commitments**

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

<b>Due:</b>	2011 \$'000	2010 \$'000
Not later than one year	11,625	11,265
Later than one year but not later than five years	57,259	45,705
Later than five years	53,730	42,831
<b>Total</b>	<b>122,614</b>	<b>99,801</b>

The Group's major leases are in respect of the premises from which it operates. These leases are all generally long-term with unexpired periods up to 12 years with options to extend for further periods included in certain leases. Future rentals are subject to indexation and periodical rent reviews.

The Group has entered into an agreement to lease a new data centre which is under construction. As part of the agreement, the Group will lease the facility for an initial non-cancellable term of 12 years, commencing in the next financial year. Total minimum payments over the term of the lease are \$62.4 million and are included in the above commitments. The increase in the commitments from 30 June 2010 to 30 June 2011 reflects additional premises space secured by ASX in the current year related to the new data centre.

**23. Issued Capital**

<b>Opening balance</b>	<b>2,437,333</b>	<b>2,361,820</b>
Movements during the year	45,896	75,513
<b>Closing balance</b>	<b>2,483,229</b>	<b>2,437,333</b>

The movement in issued capital reflects shares issued under the Dividend Reinvestment Plan and the Employee Share Acquisition Plan.

<b>Movements in ordinary shares during the year:</b>	2011 No. of shares	2010 No. of shares
<b>Opening balance</b>	<b>173,573,245</b>	<b>171,188,524</b>
Shares issued under Long-Term Incentive Plan	-	140,770
Shares issued under the Employee Share Acquisition Plan	3,071	-
Shares issued under Dividend Reinvestment Plan	1,560,413	2,243,951
<b>Closing balance</b>	<b>175,136,729</b>	<b>173,573,245</b>

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 2011, 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.

## **24. Reserves**

### **(a) Movements in reserves**

Refer to the Statement of Comprehensive Income and Statement of Changes in Equity for the movements in reserve balances.

### **(b) Nature and purpose of reserves**

#### **Restricted capital reserve**

The restricted capital reserve was created when funds were transferred from the National Guarantee Fund to ASX Clear Pty Limited in 2005. Under the terms of the transfer, ASX Clear Pty Limited must not, without first obtaining the consent in writing of the Minister for Financial Services and Superannuation (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, available-for-sale assets and assets designated as part of cash flow hedging relationships are taken to the asset revaluation reserve as described in note 1(p) and 1(s). Amounts are recognised in the income statement when the associated investments and available-for-sale assets are sold or impaired or to the extent that there is ineffectiveness in cash flow hedging relationships.

#### **Equity compensation reserve**

The equity compensation reserve is used to recognise the fair value of performance rights issued under the ASX Long-Term Incentive Plan. Treasury shares held on trust under the Long-Term Incentive Plan are included in the equity compensation reserve, net of tax.

## **25. Contingencies**

### **(a) Novation**

The Group, through the operation of its licensed clearing subsidiaries, has contingent liabilities as detailed below. The Group has two wholly

owned subsidiaries, ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited, which provide central counterparty clearing by way of novation of certain financial assets and liabilities. The effect of novation is to make these subsidiaries contractually responsible for the obligations entered into by participants on ASX markets.

#### **ASX Clear Pty Limited**

ASX Clear Pty Limited, a subsidiary of ASX Clearing Corporation Limited (ASXCC), which is a subsidiary of ASX, is the counterparty to all on-market transactions conducted on the ASX 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 which simultaneously offsets the contract between ASX Clear Pty Limited and the buying party with the contract between ASX Clear Pty Limited and the selling party. From ASX Clear Pty Limited's perspective, all positions are matched.

As at 30 June 2011, ASX Clear Pty Limited had a right to receive from participants payments of \$952.0 million (2010: \$330.3 million) and a corresponding obligation to make payments of \$952.0 million (2010: \$330.3 million) relating to cash market securities. Furthermore, total collateral required by ASX Clear Pty Limited to cover participants' derivatives exposures was \$796.5 million (2010: \$914.9 million). This was made up of cash and receivables of \$290.6 million (2010: \$353.6 million), bank guarantees of \$180.1 million (2010: \$237.5 million) and the remainder of \$325.8 million (2010: \$323.8 million) in equity securities. The bank guarantees and equity securities are not recognised on balance sheet (refer note 1(y)). As at the end of the reporting period, in addition to the cash lodged, participants had also lodged non-cash collateral with ASX Clear Pty Limited in the form of equity securities and bank

guarantees with a market value of \$4,210.8 million (2010: \$3,911.9 million) inclusive of the \$325.8 million (2010: \$323.8 million) in equity securities above.

All net delivery and net payment obligations relating to cash market securities owing to or by participants at 30 June 2011 were subsequently settled.

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

	30 June 2011 \$'000	30 June 2010 \$'000
Restricted capital reserve	71,489	71,489
Equity and subordinated debt provided by the Group	78,511	78,511
Group external borrowing*	100,000	100,000
Emergency assessments	300,000	300,000
	<b>550,000</b>	<b>550,000</b>

\* The external borrowing is provided via ASXCC (refer note 19).

In the event of a clearing default, the financial resources at 30 June 2011 available to ASX Clear Pty Limited would be applied in the following order as set out in the ASX Clear Pty Limited clearing rule 8.3.1 Application of Clearing Assets:

1. Collateral or other margin or contributions lodged by the defaulting participant with ASX Clear Pty Limited;
2. Restricted capital reserve of \$71.5 million. In accordance with the terms of ASX Clear Pty Limited's Australian Clearing and Settlement Facility Licence, unless the Minister agrees otherwise, these funds can only be used by ASX Clear Pty Limited for clearing and settlement support;
3. ASXCC provided equity capital of \$3.5 million and subordinated debt of \$75 million.

Under its licence obligations, ASX Clear Pty Limited is required to comply with the Reserve Bank of Australia's (RBA) Financial Stability Standards. In accordance with the Standards, ASX Clear Pty Limited has determined the reserve requirement to be \$150 million. As the Reserve Requirement may vary from time to time, ASX Clear Pty Limited has the obligation to provide financial resources to cover any shortfall in the Reserve Requirement. ASX Clear Pty Limited may utilise a number of alternatives to provide these financial resources including equity, debt, participant commitments and insurance. While ASXCC does not have a legal obligation to contribute capital to recapitalise ASX Clear Pty Limited in the event of a clearing loss, it may choose, however, to provide capital. ASX Clear Pty Limited may also consider other sources of financial resources if required;

4. Non-recourse subordinated debt of \$100 million received from ASXCC which borrowed the funds externally (see note 19 for further details);
5. Contributions lodged by non-defaulting participants under the ASX Clear Pty Limited clearing rules. No contributions were lodged in the current or prior period; and
6. Emergency Assessments of \$300 million levied on participants (nil has been levied for periods ending 30 June 2011 and 2010).

#### ASX Clear (Futures) Pty Limited

ASX Clear (Futures) Pty Limited, a subsidiary of ASXCC, is the counterparty to derivative contracts comprising futures, options and contracts for differences. Transactions between two participating organisations are replaced by novation which simultaneously offsets the contract between ASX Clear (Futures) Pty Limited and the buying organisation with the

contract between ASX Clear (Futures) Pty Limited and the selling organisation. From ASX Clear (Futures) Pty Limited's perspective, all positions are matched.

ASX Clear (Futures) Pty Limited is liable for the settlement of these derivative contracts traded between its clearing participants, and is supported by margins received from clearing participants as well as by specific financial resources totalling \$400 million referred to as the Clearing Guarantee Fund.

Total collateral lodged by clearing participants and recognised on balance sheet at 30 June 2011 was \$2,143.3 million (30 June 2010: \$2,554.2 million). This was made up of cash \$1,978.8 million (30 June 2010: \$2,082.8 million) and debt securities \$164.5 million (30 June 2010: \$471.4 million).

All net payment obligations relating to derivatives market transactions owing to or by clearing participants of ASX Clear (Futures) Pty Limited as at 30 June 2011 were subsequently settled.

The Clearing Guarantee Fund available to ASX Clear (Futures) Pty Limited to support its central counterparty clearing activities (over and above collateral deposited by participants) is as follows:

	30 June 2011 \$'000	30 June 2010 \$'000
Equity and subordinated debt provided by ASX Group	100,000	100,000
Participant financial backing	120,000	120,000
Group external borrowing*	150,000	150,000
Secondary commitments	30,000	30,000
	<b>400,000</b>	<b>400,000</b>

\* The external borrowing is provided via ASXCC (refer note 19).

Effective 15 July 2011, the ASX Clear (Futures) Pty Limited Operating Rules were amended to adjust the order in which ASX Clear (Futures) Pty Limited would apply the above assets in the event of a participant default. During the

year and up until 14 July 2011, secondary commitments ranked prior to the Group external borrowing in order of application. This order has now been reversed as a result of the amendment.

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

1. Collateral and participant financial backing lodged by the defaulting participant with ASX Clear (Futures) Pty Limited;
2. ASX Clearing Corporation Limited, a subsidiary of ASX, provided equity capital of \$30 million and subordinated debt of \$70 million;
3. Participant financial backing lodged by participants, totalling \$120 million. Any defaulting participant's financial backing in this total will be included in amounts previously applied as part of amounts in (1) above. Participant financial backing comprises cash \$82.5 million (30 June 2010: \$82.4 million) and non-cash commitments (letters of credit drawn on major Australian licensed banks of \$37.5 million (30 June 2010: \$37.6 million));
4. Non-recourse subordinated debt of \$150 million received from ASXCC which borrowed the funds externally (see note 19 for further details); and
5. Secondary commitments of \$30 million levied on participants (nil has been levied for periods ending 30 June 2011 and 30 June 2010).

**(b) Securities Exchanges Guarantee Corporation (SEGC) – Levy**

The National Guarantee Fund (NGF), which is administered by SEGC, is maintained to provide compensation for prescribed claims arising from dealings with market participants as set out in the Corporations Act 2001. The net assets of the NGF at 30 June 2011 were \$106.1 million (2010: \$111.0 million). If the net assets of the NGF fall below the minimum amount determined by the Minister in accordance with the Corporations Act 2001 (currently \$76 million), SEGC may determine that ASX must pay a levy to SEGC. Where a levy becomes payable, ASX may determine that market participants must pay a levy, provided that the total amounts payable under this levy do not exceed the amount payable by ASX to SEGC. The amount in the NGF has not fallen below the applicable minimum amount since the NGF was formed and SEGC has not imposed any levies. Failure by either ASX or a market participant to pay a levy may give rise to a civil action, but does not constitute an offence under the Act. In accordance with applicable accounting standards neither SEGC or NGF is consolidated by ASX.

ASX is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASX has a contingent liability to provide a maximum of \$1,000 of capital in the event it is called on by SEGC.

**26. Deed of Cross Guarantee**

Pursuant to ASIC Class Order 98/1418 (as amended) the wholly-owned subsidiaries listed below are relieved from the requirement to prepare a financial report and directors' report.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee under which each company guarantees the debts of the others.

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

Subsidiary name	ABN/ACN
ASX Operations Pty Limited	42 004 523 782
SFE Corporation Limited	74 000 299 392
Australian Securities Exchange Limited	83 000 943 377
Australian Clearing Corporation Limited	068 624 813
ASX Settlement Corporation Limited (formerly TNS Clearing Pty Limited)*	48 008 617 187

\*ASX Settlement Corporation Limited became a party to the Deed of Cross Guarantee on 1 September 2010.

**(a) Consolidated Income Statement, Statement of Comprehensive Income and summary of movements in retained earnings**

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

Set out below is a consolidated Income Statement, consolidated Statement of Comprehensive Income and summary of movements in consolidated retained earnings for the year ended 30 June 2011 for the Closed Group consisting of ASX Limited, ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited.

	2011 \$'000	2010 \$'000
<b>Income Statement</b>		
Total revenue	656,776	638,461
Total expenses	173,241	167,501
<b>Profit before income tax expense</b>	<b>483,535</b>	<b>470,960</b>
Income tax expense	(140,217)	(131,500)
<b>Net profit after tax</b>	<b>343,318</b>	<b>339,460</b>
<b>Statement of Comprehensive Income</b>		
Net profit after tax	343,318	339,460
<b>Other comprehensive income, net of tax</b>		
Change in fair value of investments	5,320	23,940
Change in fair value of available-for-sale financial assets	(2)	2
Change in fair value of cash flow hedges	217	310
<b>Other comprehensive income for the year, net of tax</b>	<b>5,535</b>	<b>24,252</b>
<b>Total comprehensive income for the year</b>	<b>348,853</b>	<b>363,712</b>
<b>Summary of movements in consolidated retained earnings</b>		
<b>Retained earnings at beginning of year</b>	<b>324,670</b>	<b>266,234</b>
Dividends paid	(303,726)	(281,024)
Profit for the year	343,318	339,460
<b>Retained earnings at end of year</b>	<b>364,262</b>	<b>324,670</b>

**(b) Balance Sheet**

Set out below is a consolidated Balance Sheet as at 30 June 2011 for the Closed Group consisting of ASX Limited, ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited.

	2011 \$'000	2010 \$'000
<b>Current assets</b>		
Cash	66,526	70,652
Available-for-sale financial assets	151,664	104,847
Receivables	40,226	45,307
Other assets	7,464	6,298
<b>Total current assets</b>	<b>265,880</b>	<b>227,104</b>
<b>Non-current assets</b>		
Investments	285,830	278,230
Receivables	211,669	175,591
Property, plant and equipment	57,064	34,303
Intangible assets - software	53,693	50,710
Intangible assets - goodwill	2,262,759	2,262,759
<b>Total non-current assets</b>	<b>2,871,015</b>	<b>2,801,593</b>
<b>Total assets</b>	<b>3,136,895</b>	<b>3,028,697</b>
<b>Current liabilities</b>		
Payables	55,597	47,721
Current tax liabilities	65,290	56,523
Provisions	12,238	14,317
Other current liabilities	12,373	11,775
<b>Total current liabilities</b>	<b>145,498</b>	<b>130,336</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	30,748	29,578
Provisions	12,028	10,405
Other non-current liabilities	3,437	4,000
<b>Total non-current liabilities</b>	<b>46,213</b>	<b>43,983</b>
<b>Total liabilities</b>	<b>191,711</b>	<b>174,319</b>
<b>Net assets</b>	<b>2,945,184</b>	<b>2,854,378</b>
<b>Equity</b>		
Issued capital	2,483,229	2,437,333
Retained earnings	364,262	324,670
Asset revaluation reserve	90,944	85,408
Equity compensation reserve	6,749	6,967
<b>Total equity</b>	<b>2,945,184</b>	<b>2,854,378</b>

## 27. Notes to the Statement of Cash Flows

	2011 \$'000	2010 \$'000
Reconciliation of the operating profit after income tax to the net cash flows from operating activities		
<b>Net profit after tax</b>	<b>352,298</b>	<b>328,137</b>
<b>Add non-cash items:</b>		
Depreciation and amortisation	25,572	23,674
Share-based payment	302	287
Net loss on disposal of non-current assets	15	674
<b>Changes in assets and liabilities:</b>		
Increase in tax balances	6,018	19,046
(Increase) in current receivables	(7,018)	(691)
(Increase)/decrease in other current assets	(1,000)	1,025
Increase in payables	6,019	25,966
Increase in other current liabilities	597	3,253
(Decrease) in other non-current liabilities	(563)	(500)
(Decrease)/increase in current provisions	(2,079)	488
Increase/(decrease) in non-current provisions	941	(2,200)
<b>Net cash provided by operating activities</b>	<b>381,102</b>	<b>399,159</b>

## 28. Share-Based Payments

The Group has long-term incentive plans in place entitling Key Management Personnel and other employees to performance rights over ASX Limited shares. Grants were made in December 2007, December 2008 and July 2010. All performance rights are to be settled by physical delivery of ordinary shares in ASX Limited subject to performance hurdles being attained. The terms and conditions of these grants are as follows:

Grants outstanding at the end of the reporting period:

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of the award
Performance rights granted to Key Management Personnel in December 2008	2,000	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
Performance rights granted to other employees in December 2008	89,000	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
Performance rights granted to Key Management Personnel in July 2010	14,000	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
Performance rights granted to other employees in July 2010	25,000	3 years' service, 50% of performance rights require relative total shareholder return and 50% of performance rights require growth in earnings per share	3 years
<b>Total</b>	<b>130,000</b>		

Grants vested during the current reporting period as a result of performance hurdles being met:

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of the award
Performance rights granted to Key Management Personnel in December 2007	8,866	3 years' service, 50% of performance rights required relative total shareholder return which partially vested and 50% of performance rights required growth in earnings per share which was not met	3 years
Performance rights granted to other employees in December 2007	22,594	3 years' service, 50% of performance rights required relative total shareholder return which partially vested and 50% of performance rights required growth in earnings per share which was not met	3 years
<b>Total</b>	<b>31,460</b>		

### Employee expenses

Amounts recognised in the income statement based on the amortisation of the grant date fair value of performance rights are shown below.

	2011 \$	2010 \$
Performance rights granted in December 2006	-	445,407
Performance rights granted in December 2007	369,405	(674,652)
Performance rights granted in December 2008	(205,082)	856,509
Performance rights granted in July 2010	335,250	-
<b>Total expense recognised as employee costs</b>	<b>499,573</b>	<b>627,264</b>

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

### 29. Key Management Personnel Disclosures

The following disclosures should be read in conjunction with the Remuneration Report contained in the Directors' Report. Details of Key Management Personnel remuneration are disclosed in the Remuneration Report.

#### (a) Key Management Personnel compensation

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

	2011 \$	2010 \$
Short-term employee benefits	9,618,643	8,160,675
Post-employment benefits	223,015	319,724
Long-term benefits	259,495	165,832
Share-based payments	202,185	(168,343)
<b>Total</b>	<b>10,303,338</b>	<b>8,477,888</b>

#### (b) Loans to Key Management Personnel

Key Management Personnel have not entered into loans with any company of the Group except to participate in ASX employee share purchase plans.

In prior years, participants in the employee share purchase plan were provided with interest-free loans which were used to acquire shares in ASX. Recipients of these loans included Key Management Personnel other than the Managing Director and CEO. These plans are no longer in use by the Group and all outstanding balances were repaid during the year.

Details regarding the aggregate of loans made by any entity of the Group to Key Management Personnel, and the number of individuals who held a loan during the year are as follows:

	Opening balance \$	Repayments \$	Interest charged \$	Closing balance \$	Interest not charged* \$	Number in the group at 30 June
2011	5,073	(5,073)	-	-	227	-
2010	20,540	(15,467)	-	5,073	1,146	2

\* 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 8.95% (2010: 8.95%).

### (c) Performance rights granted as compensation

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

	Held at 1 July 2010	Granted as compensation during the year	Vested and exercised during the year	Lapsed during the year	Held at 30 June 2011
<b>Directors</b>					
RG Elstone Managing Director and CEO	26,600	-	6,916	19,684	-
<b>Executives</b>					
R Aziz <sup>1</sup> Chief Financial Officer	3,500	-	390	1,110	2,000
AJ Bardwell <sup>2</sup> Chief Risk Officer	1,500	-	390	1,110	-
AJ Harkness Group General Counsel and Company Secretary	1,500	7,000	390	1,110	7,000
PD Hiom Deputy CEO	1,500	7,000	390	1,110	7,000
KA Lewis <sup>3</sup> Chief Compliance Officer	-	-	-	-	-
JJ Olsson Group Executive, Technology	1,500	-	390	1,110	-

1. Mr R Aziz was appointed Chief Financial Officer on 19 July 2010.

2. Mr AJ Bardwell was appointed Chief Risk Officer on 19 July 2010. Prior to this appointment he was the Group's Chief Financial Officer.

3. Mr KA Lewis was appointed Chief Compliance Officer on 19 July 2010.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Held at 1 July 2009	Granted as compensation during the year	Vested and exercised during the year	Lapsed during the year	Held at 30 June 2010
<b>Directors</b>					
RG Elstone Managing Director and CEO	56,600	-	30,000	-	26,600
<b>Executives</b>					
AJ Bardwell Chief Risk Officer	5,400	-	3,705	195	1,500
PD Hiom Deputy CEO	5,400	-	3,705	195	1,500
ES Mayne <sup>4</sup> Chief Supervision Officer	-	-	-	-	-
JJ Olsson Group Executive, Technology	5,400	-	3,705	195	1,500
CR Scully <sup>5</sup> Group Executive, Operations	3,900	-	3,705	195	-

4. Mr ES Mayne ceased employment with the Group on 30 September 2010.

5. Mr CR Scully ceased employment with the Group on 2 July 2010.

### (d) Holdings of ordinary shares

The following table shows the movement during the reporting period in the number of ordinary shares in ASX held directly, indirectly or beneficially, by each Key Management Personnel, including their related parties:

	Held at 1 July 2010	Received during the year as remuneration	Other changes	Held at 30 June 2011
<b>Directors</b>				
RG Elstone	30,000	6,916	(34,916)	2,000
RA Aboud	25,000	-	-	25,000
JR Broadbent	2,000	-	-	2,000
SD Finemore	4,000	-	-	4,000
DM Gonski	15,806			15,806
R Holliday-Smith	3,825	-	-	3,825
PR Marriott	3,000	-	-	3,000
TC Rowe*	4,300	Not required	Not required	Not required
JS Segal	2,000	-	-	2,000
PH Warne	6,000	-	-	6,000
<b>Executives</b>				
R Aziz	26,567	390	-	26,957
AJ Bardwell	3,894	390	154	4,438
AJ Harkness	1,792	390	295	2,477
PD Hiom	52,805	390	(25,000)	28,195
KA Lewis	-	-	-	-
JJ Olsson	55,063	390	(52,798)	2,655

\*Mr TC Rowe was a director until his retirement on 2 July 2010.

	Held at 1 July 2009	Received during the year as remuneration	Other changes	Held at 30 June 2010
<b>Directors</b>				
RG Elstone	134,000	30,000	(134,000)	30,000
RA Aboud	100,000	-	(75,000)	25,000
JR Broadbent	Not required	-	-	2,000
SD Finemore	-	-	4,000	4,000
DM Gonski	15,806	-	-	15,806
R Holliday-Smith	3,825	-	-	3,825
PR Marriott	-	-	3,000	3,000
TC Rowe	4,300	-	-	4,300
JS Segal	2,000	-	-	2,000
MJ Sharpe*	2,000	-	Not required	Not required
PH Warne	6,000	-	-	6,000
<b>Executives</b>				
AJ Bardwell	21	3,705	168	3,894
PD Hiom	84,100	3,705	(35,000)	52,805
ES Mayne	-	-	-	-
JJ Olsson	71,173	3,705	(19,815)	55,063
CR Scully	63,497	3,705	(53,200)	14,002

\*Mr MJ Sharpe was a director until his retirement on 1 July 2009.

### 30. Related Parties

#### (a) Parent entity

The ultimate parent entity within the Group is ASX Limited.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 31.

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

<b>Balances with entities within the wholly-owned group</b>	Company	
	2011 \$'000	2010 \$'000

Net amounts receivable by the company from wholly-owned subsidiaries at balance date is as follows:

<b>Current</b>		
Amounts due from subsidiaries*	99,532	238,300

\*Interest is not paid on any inter-company loans.

<b>Dividends</b>		
Dividends received or due and receivable by the Company from wholly-owned subsidiaries	168,700	260,700

#### (c) Transactions with directors and director related entities

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

#### (d) Transactions with related entities

In accordance with the Corporations Act 2001, the Group maintains two fidelity funds for claims relating to the defalcation of monies in relation to cash market and derivative trading. ASX Limited acts as trustee for ASX Division 3 Compensation Fund and Australian Securities Exchange Limited acts as trustee to the Sydney Futures Exchange Limited Fidelity Fund. ASX Division 3 Compensation Fund, Sydney Futures Exchange Limited Fidelity Fund and Securities Exchanges Guarantee Corporation are not consolidated by ASX.

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

### 31. Subsidiaries

<b>Name of entity</b>	<b>Parent entity's investment<sup>1</sup></b>	
	<b>2011 %</b>	<b>2010 %</b>
Parent entity: ASX Limited		
<b>Subsidiaries of ASX Limited:</b>		
ASX Operations Pty Limited <sup>2</sup>	100	100
ASX Compliance Pty Limited	100	100
SFE Corporation Limited <sup>2</sup>	100	100
Australian Stock Exchange Pty Limited	100	100
ASX Futures Exchange Pty Limited	100	100
ASX Clearing Corporation Limited	100	100
ASX Long-Term Incentive Plan Trust	100	100
Australian Securities Exchange Limited <sup>2</sup>	100	100
ASX Settlement Corporation Limited <sup>2</sup>	100	100
<b>Subsidiaries of ASX Settlement Corporation Limited:</b>		
ASX Settlement Pty Limited	100	100
Austraclear Limited	100	100
<b>Subsidiaries of ASX Operations Pty Limited:</b>		
Sydney Futures Exchange Pty Limited	100	100
Options Clearing House Pty Limited	100	100
Australian Clearing House Pty Limited (formerly SECH Nominees Pty Limited)	100	100
Equityclear Pty Limited	100	100
Australian Clearing Corporation Limited <sup>2</sup>	100	100
New Zealand Futures and Options Exchange Limited	100	100
<b>Subsidiaries of ASX Settlement Pty Limited:</b>		
CHESS Depositary Nominees Pty Limited	100	100
<b>Subsidiaries of Australian Securities Exchange Limited:</b>		
Australian Securities Exchange (US) Inc	100	100
<b>Subsidiaries of Austraclear Limited:</b>		
Austraclear Services Limited	100	100
<b>Subsidiaries of ASX Clearing Corporation Limited:</b>		
ASX Clear Pty Limited	100	100
ASX Clear (Futures) Pty Limited	100	100

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

2. These subsidiaries have been granted relief from the necessity to prepare financial statements in accordance with ASIC Class Order 98/1418. Refer note 26 for details of the Deed of Cross Guarantee.

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

Although ASX is the sole member of Securities Exchanges Guarantee Corporation Limited (SEGC), SEGC has not been consolidated into the Group financial statements. SEGC is governed by the Corporations Act 2001 and ASX is not able to control the entity so as to pursue ASX Group objectives nor is it entitled to the entity's assets.

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

### 32. Auditor's Remuneration

Audit fees incurred by the Group for and on behalf of all Group entities were:

	2011 \$	2010 \$
<b>Audit services:</b>		
Audit and review of the financial statements and other audit work under Corporations Act 2001	458,000	440,000
Audit of information technology platforms	140,000	135,000
<b>Non-audit services:</b>		
Tax compliance services	56,182	113,223
Tax consulting for the proposed merger with Singapore Exchange Limited	101,280	-
Other consulting	17,750	12,659
<b>Total auditor's remuneration</b>	<b>773,212</b>	<b>700,882</b>

In addition to the above, total audit fees of \$21,000 and tax compliance fees of \$17,750 (2010: \$20,000 for audit fees and \$17,750 for tax compliance fees) were received by the auditor in relation to SEGC, NGF, ASX Division 3 Compensation Fund and the Sydney Futures Exchange Limited Fidelity Fund, which are not consolidated as part of the Group.

### 33. Parent Entity Financial Information

#### (a) Summary financial information

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

	2011 \$'000	2010 \$'000
<b>Income statement</b>		
Total revenue	178,739	268,914
Total expenses	3	4
<b>Profit before income tax expense</b>	<b>178,736</b>	<b>268,910</b>
Income tax expense	(885)	(40)
<b>Net profit for the period</b>	<b>177,851</b>	<b>268,870</b>
Other comprehensive income (net of tax)	5,320	23,940
<b>Total comprehensive income</b>	<b>183,171</b>	<b>292,810</b>
<b>Balance sheet</b>		
Current assets	100,046	238,609
Non-current assets	2,737,814	2,663,488
<b>Total assets</b>	<b>2,837,860</b>	<b>2,902,097</b>
Current liabilities	65,428	56,706
Non-current liabilities	38,993	36,713
<b>Total liabilities</b>	<b>104,421</b>	<b>93,419</b>
<b>Net assets</b>	<b>2,733,439</b>	<b>2,808,678</b>
Issued capital	2,483,229	2,437,333
Retained earnings	154,305	280,179
Asset revaluation reserve	90,984	85,664
Equity compensation reserve	4,921	5,502
<b>Total equity</b>	<b>2,733,439</b>	<b>2,808,678</b>

#### (b) Guarantees entered into by the parent entity

The parent entity, ASX, is party to a Deed of Cross Guarantee together with ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited, Australian Clearing Corporation Limited and ASX Settlement Corporation Limited as described in note 26. Under the deed, the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. No deficiencies of assets exist in any of these entities.

ASX is also party to an agreement whereby it guarantees any shortfall of share capital in ASX Clearing Corporation Limited below a minimum amount of \$33.5 million. In addition, ASX also guarantees to make, or procures ASX Clearing Corporation Limited to make, such loan advances that may be required to ensure that the combined outstanding principal amount of the subordinated loans provided by ASX Clearing Corporation Limited to ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited do not fall below the original combined principal amount of \$145 million. There was no shortfall in either share capital or subordinated loan balances as at 30 June 2011 or 30 June 2010. Further details in regards to the subordinated loans are provided in note 25.

**(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010 except as mentioned below. For information about guarantees given by the parent entity, please see above.

ASX is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASX has a contingent liability to provide a maximum of \$1,000 of capital in the event it is called on by SEGC.

**(d) Contractual commitments**

The parent entity did not have any contractual commitments as at 30 June 2011 or 30 June 2010.

**34. Subsequent Events**

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

## DIRECTORS' DECLARATION

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

- (a) the financial statements and notes that are contained in pages 85 to 141 and the remuneration report, set out on pages 63 to 83 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 26; and
- (d) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors:



David M Gonski AC

Chairman



Robert G Elstone  
Managing Director and CEO

Sydney, 18 August 2011

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASX LIMITED

### Report on the financial report

We have audited the accompanying financial report of ASX Limited (the Company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the ASX Group (the Consolidated Entity). The Consolidated Entity comprises the Company and the entities it controlled at year end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation 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 controls 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, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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DX 77 Sydney, Australia  
T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation

### **Independent auditor's report to the members of ASX Limited (continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### **Independence**

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

#### **Auditor's opinion**

In our opinion:

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

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

#### **Report on the remuneration report**

We have audited the remuneration report included in pages 63 to 83 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

#### **Auditor's opinion**

In our opinion, the remuneration report of ASX Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



PricewaterhouseCoopers

PricewaterhouseCoopers



M J Codling

Partner

Sydney  
18 August 2011

## SHAREHOLDER INFORMATION

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The following additional information is provided in accordance with the ASX 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 at 1 August 2011

Number of Shares Held	No of Holders	Number of Shares	% of Issued Capital
1 to 1,000	33,728	13,849,373	7.91
1,001 to 5,000	8,992	18,696,183	10.68
5,001 to 10,000	709	5,128,634	2.93
10,001 to 100,000	643	20,970,128	11.97
100,001 and Over	137	116,492,411	66.51
<b>Total</b>	<b>44,209</b>	<b>175,136,729</b>	<b>100.00</b>

The number of investors holding less than a marketable parcel of 17 securities (\$30.41 on 1 August 2011) was 566 and they hold 4,718 securities.

### Substantial Shareholders

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

Name	Number of Shares	% of Voting Power Advised
Perpetual Limited and subsidiaries	12,807,449	7.31%

### Largest 20 Shareholders at 1 August 2011

		Number of Shares	% Issued Capital
1	JP Morgan Nominees Australia Limited	25,738,375	14.70
2	HSBC Custody Nominees (Australia) Limited	23,501,937	13.42
3	National Nominees Limited	22,490,445	12.84
4	Citicorp Nominees Pty Limited	12,259,023	7.00
5	RBC Dexia Investor Services Australia Nominees Pty Limited	7,269,266	4.15
6	Cogent Nominees Pty Limited	3,640,685	2.08
7	UBS Nominees Pty Ltd	2,662,197	1.52
8	Bond Street Custodians Limited	847,497	0.48
9	AMP Life Limited	833,796	0.48
10	Australian Reward Investment	778,648	0.44
11	Queensland Investment Corporation	668,457	0.38
12	BT Portfolio Services Limited	533,253	0.30
13	Milton Corporation Limited	367,092	0.21
14	Invia Custodian Pty Limited	294,688	0.17
15	Law Venture Pty Ltd	279,570	0.16
16	MF Custodians Ltd	256,009	0.15
17	Argo Investments Limited	244,015	0.14
18	Share Direct Nominees Pty Ltd	236,935	0.14
19	Gwynill Trading Pty Limited	224,053	0.13
20	Brickworks Limited	215,500	0.12
	<b>Total</b>	<b>103,341,441</b>	<b>59.01</b>

**On-Market Buy-Back**

There is no current on-market buy-back.

**Shareholders' Calendar****FY11**

Full-year financial results announcement	18 August 2011
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**Full-year final dividend**

Ex-dividend date	29 August 2011
Record date for dividend entitlements	2 September 2011
Payment date	22 September 2011

**Annual General Meeting 2011****22 September 2011****FY12\***

Half-year financial results announcement	16 February 2012
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**Half-year interim dividend**

Ex-dividend date	27 February 2012
Record date for dividend entitlements	2 March 2012
Payment date	21 March 2012

Full-year financial results announcement	16 August 2012
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**Full-year final dividend**

Ex-dividend date	27 August 2012
Record date for dividend entitlements	31 August 2012
Payment date	19 September 2012

**Annual General Meeting 2012****5 October 2012**

\* Dates are subject to final ASX Limited Board approval and Listing Rule 3.1 disclosure.

**Annual General Meeting 2011**

The ASX Limited Annual General Meeting (AGM) will be held at the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street, Sydney, New South Wales at 10.00am (Sydney time) on Thursday 22 September 2011.

The AGM will be audio webcast live on the internet at: [www.asxgroup.com.au/agm2011webcast](http://www.asxgroup.com.au/agm2011webcast). An archive version of the webcast will be placed on the website to enable the AGM proceedings to be viewed at a later time.

**Sources of Information for Shareholders**

ASX encourages shareholders to help the environment and reduce ASX costs by providing their email address and receiving all available shareholder communications electronically. ASX will send shareholders a hard copy of the Annual Report (free of charge) only if a shareholder elects to receive it. ASX will also provide details on how to access the Annual Report via its website in the AGM documentation sent to shareholders.

ASX directly reports to shareholders via the Annual Report and twice a year in a letter from the Managing Director and CEO that accompanies the dividend statements.

Shareholders can elect to receive the following communications electronically:

- Annual Report;
- dividend statements when paid by direct credit;
- notice of meetings and proxy forms; and
- major company announcements.

Shareholders who wish to register their email address for electronic communication can do so by contacting ASX's share registrar Link Market Services and completing the Shareholder Communication Election Form (contact details on page 147).

**Australian Securities Exchange Listing**

ASX Limited ordinary shares are listed on the Australian Securities Exchange under ASX code: ASX. Details of trading activity are published daily in most major Australian newspapers and by electronic information vendors, and broadcast on television and radio.

**Shareholder Enquires**

Enquires and correspondence regarding shareholdings in ASX Limited should be directed to ASX's share registry:

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

Telephone: 1300 724 911 (toll free) or  
(+61 2) 8280 7470

Facsimile: (61 2) 9287 0303

Email: [asx@linkmarketservices.com.au](mailto:asx@linkmarketservices.com.au)  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Questions from ASX shareholders to the Chairman, Managing Director and CEO, or auditor may be sent via email to [company.secretariat@asx.com.au](mailto:company.secretariat@asx.com.au) or lodged with the registered office.

**Registered Office**

20 Bridge Street  
Sydney NSW 2000

Telephone: (+61 2) 9227 0000  
Facsimile: (+61 2) 9227 0961

**Investor Relations and Media Enquiries**

Investor Relations  
Telephone: (+61 2) 9227 0260  
Email: [investor.relations@asx.com.au](mailto:investor.relations@asx.com.au)

Media and Communications  
Telephone: (+61 2) 9227 0410  
Email: [media@asx.com.au](mailto:media@asx.com.au)

## DIRECTORY

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### ASX Around Australia

Sydney  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Telephone: (61 2) 9227 0000  
Facsimile: (61 2) 9227 0961

Adelaide  
Level 30, 91 King William Street  
Adelaide SA 5000

Telephone: (61 8) 8113 5305

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

### ASX Limited on the Internet

Email: [info@asx.com.au](mailto:info@asx.com.au)  
[www.asx.com.au](http://www.asx.com.au)  
[www.asxgroup.com.au](http://www.asxgroup.com.au)

### ASX Customer Service

Telephone: 131 279 (for the cost of a local call  
from anywhere in Australia)  
Telephone: (61 2) 9338 0000 (from overseas)

### Share Registry

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

Telephone: 1300 724 911 or  
(61 2) 8280 7470

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditor

PricewaterhouseCoopers

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