

ASX Limited  
**Annual Report**

2010





## Who We Are

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The ASX Group (ASX) was created by the merger of the Australian Stock Exchange and the Sydney Futures Exchange in July 2006 and is today one of the world's top-10 listed exchange groups measured by market capitalisation.

ASX is a multi-asset class, vertically integrated exchange group. Its activities span primary and secondary market services, including the raising, allocation and hedging of capital flows, trading and price discovery (Australian Securities Exchange); central counterparty risk transfer (via subsidiaries of ASX Clearing Corporation); and securities settlement for both the equities and fixed income markets (via subsidiaries of ASX Settlement Corporation).

ASX functions as a market operator, clearing house and payments system facilitator. It 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.

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 generates 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 ASX Group is reinforced by the regulation undertaken by the Australian Securities and Investments Commission (ASIC) across all trading venues and clearing and settlement facilities, as well as by the oversight by the Reserve Bank of Australia (RBA) of financial system stability. ASIC also supervises ASX's own compliance as a listed public company.

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

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My fellow shareholders,

It is said that the only two certainties in life are death and taxes. But, surely, there is another one: change. Nothing stays the same for long.

Certainly not in our business – not market conditions, not the regulatory environment, not investor sentiment and not the ASX Group of companies.

Elsewhere in this Annual Report you'll read about ASX's solid performance in financial year 2010. While activity might be returning to pre-global financial crisis levels, the environment now is not as it was then. We face new challenges today.

Much has been written about the prospect of competition for market services. More is contained in this Report. Some of it predicted adverse consequences for ASX. Almost completely overlooked, however, is the positive effect change of this type can have on an incumbent organisation. It depends on how you react.

Throughout this Report you'll find details about our range of new systems and services to meet changing market conditions. There are more to come. It should be remembered that whether moving from open-outcry to electronic trading or to demutualising and self-listing, ASX has been a world leader among exchanges in adapting to new conditions. We do not shirk the tough challenges.

FY10 has been a successful year for ASX, notwithstanding the pressure on our share price due to regulatory uncertainty. I am grateful that we have continued to enjoy the confidence of you, our shareholders, over the past 12 months. Our shareholder numbers have grown to more than 52,200 and participation in our two dividend reinvestment plans completed thus far has risen from 24% to 29% of shareholdings.

Success, of course, has many parents. I applaud and thank the skilful diligence of Robert Elstone, his executive management team, and all ASX staff (a small number of whom have recently transferred to ASIC to continue their careers in supervision) for helping to contribute to the great shape ASX is in. I also commend our partners – in government, regulatory agencies and the broader market – who have worked cooperatively with ASX over the past 12 months. Australia's capital markets have benefited from collegiate effort.

ASX is expected to show leadership on many fronts, an expectation we embrace. Perhaps the most prominent, and probably most important, example of the last 12 months, led by the work of the ASX Corporate Governance Council, is gender diversity. Ensuring attention is drawn to the issue so as to achieve a better representation of women on boards and in senior management roles, is a topic in which I have taken a strong personal interest. I and other members of our Board are, for example, participating in a Chairmen's Mentoring Program aimed at helping to increase the number of women on the boards of ASX 200 companies.

Having the right leadership internally is critical to safely navigating the challenges posed by change. This involves renewal of the Board and senior management to ensure relevant skills, fresh ideas and continuous improvement.

Since my time as Chairman of ASX (from September 2008) and that of my predecessor, Maurice Newman AC, the ASX Board has been remarkably cohesive and strong. It is a credit to all those who have served.

I wish to thank Trevor Rowe AM, who retired from the Board on 2 July 2010, after almost nine years as a director of ASX. Trevor made his mark as a director and his assistance is appreciated. At the time of his stepping down, Trevor was the Board's longest serving member.

In February 2010 we welcomed Jillian Broadbent AO to the ASX Board. Jillian's financial and corporate expertise has already added positively to ASX's governance. She will present herself for election to shareholders at the Annual General Meeting in September.

I would also like to thank and acknowledge the positive contributions of Peter Jollie AM and Michael Shepherd who both recently stepped down from the Board of ASX's subsidiary, ASX Markets Supervision (ASXMS). Under the chairmanship of Alan Cameron AM and coinciding with the change in name from ASXMS to ASX Compliance, that subsidiary board intends to appoint a suitably qualified female director in the coming months.

There have been significant changes in the senior management ranks too. While the Managing Director and CEO will properly address the topic, I want to recognise the sizeable contributions of Colin Scully and Eric Mayne in their executive roles over twenty-five and five years, respectively. ASX is richer for their involvement.

While the Board renewal process is largely complete for now, ASX can recalibrate quickly to suit new circumstances. As we know, change is never far away.

It continues to be a privilege – and a pleasure too – to serve as your Chairman. Whatever the challenges, ASX will continue to work hard for its shareholders and its wider market stakeholders.

**David M Gonski AC**

*Chairman*

The financial year ending 30 June 2010 (FY10) was characterised by the emergence from the global financial crisis. It was a year of recovery for the markets and facilities operated across the ASX Group of companies. FY10 was also a year impacted materially by the workload necessary to transfer supervisory responsibility for real-time trading activity and participant conduct on licensed financial markets to ASIC on 1 August 2010.

ASX Limited (ASX) achieved sound financial, operational and compliance performance for FY10. ASX recorded an underlying net profit after tax of \$332.6 million, up 6.1% over the prior comparable period, which was a product of a 9.2% increase in operating revenues, a 3.0% decrease in cash costs, a 25.5% higher depreciation/amortisation charge and a 37.2% decrease in net interest and dividend income. The latter was primarily attributable to lower net interest income earned on collateral assets held by the Group's clearing subsidiaries, compared to the unusually high interest spreads earned during the peak year of the global financial crisis (FY09). Statutory net profit after tax of \$328.1 million reflects a \$4.5 million charge for significant items related to business restructuring to implement improved trade execution services.

Annual dividends to shareholders rose to 173.1 cents (fully franked) per share, based on the maintenance of a 90% payout ratio. The Group's balance sheet position remains strong in terms of both capital adequacy and the liquidity backing to that capital position, as well as with respect to the level of liquidity available to meet the Group's capital, operational and investment needs.

On the operational front, the availability levels of ASX's trade execution, clearing and settlement infrastructure were again world-class, and its market operations and risk management activities functioned smoothly, notwithstanding a return to more volatile market conditions in May and June of 2010. The company announcements platform and ancillary processes also operated efficiently throughout FY10, particularly during seasonal corporate reporting peaks, as did all elements of ASX's market surveillance and compliance infrastructure.

These levels of performance do not happen by chance. They bear testimony to the professionalism and dedication of ASX staff and senior management over a long period and, in particular, throughout the past year. They also reflect the quality and reliability of ASX's core technology platforms, vendors and support arrangements. Few, if any, other sectors or industries have higher customer expectations of a service provider meeting enormous, real-time growth rates 'on demand', as do exchange-traded markets.

On the organisational front, in March 2010 I announced a restructuring of executive and senior management which was, in part, to prepare for a changing external environment. The restructuring involved the appointment of Peter Hiom to the role of Deputy CEO; a raft of responsibility changes within senior management to harness the existing talent among senior ASX executives during a period of rapid change in market structure; and a search process for a new head of the rebranded ASX Compliance function (formerly ASX Markets Supervision). I was pleased to subsequently announce the appointment of Kevin Lewis to the role of Group Executive and Chief Compliance Officer in June 2010. Kevin succeeds Eric Mayne, who will step down from ASX during September 2010 after more than five years of excellent service to both ASX and the ASX Corporate Governance Council. The restructuring was completed in July 2010 with the appointments of Alan Bardwell to the role of Chief Risk Officer and Ramy Aziz as Chief Financial Officer.

## The FY10 Year in Review

Business activity levels in FY10 recovered strongly from their FY09 downturn levels caused by the global financial crisis. Listings activity was again dominated by robust secondary capital issuance of \$65.1 billion. This was down 26.1% on the previous year's record of \$88.1 billion and was adversely impacted late in FY10 by more volatile market conditions that flowed through to underwriting risks. Initial public offering (IPO) activity rebounded from its prior year level (with 93 new listings for FY10, compared to 45 in the previous year) as business, consumer and investor confidence levels trended more positively, in an Australian economy rapidly returning to a strong growth trajectory, fuelled by demand from the Asian region.

Over the next year or so, ASX will examine opportunities to enhance disclosure by listed companies in extractive industries. This will be to both improve capital market outcomes for these industries and to provide the basis for more informed decision-making by investors. ASX will focus its examination on the requirements for public reporting of exploration results and estimates of resources and reserves in the mining, oil and gas, and geothermal sectors, with reference to evolving international reporting standards.

The same drivers that saw listings activity rebound saw trade execution activity levels in both equities (number of trades) and derivatives (number of contracts traded) markets recover strongly in FY10 by 24.0% and 17.7% respectively, particularly in the last quarter. Clearing and settlement activity levels responded to more normal levels of market volatility, revitalised proprietary trading in derivative markets and a return of retail investors to the equity market (trends that were reversed in May/June 2010).

In my half-year report to shareholders published last February, I went to some lengths to describe the policy challenges for Government and regulators associated with the potential introduction of competition for market services in the Australian equity market. I also outlined some elements of ASX's response to the prospect of such competition. A separate section of this Annual Report deals with ASX's readiness for an evolving equity market structure in Australia (see page 31). The section also highlights the challenge for policy makers to ensure that a more complex structure does not come at the cost of market integrity.

ASIC is expected to release a consultation paper in coming weeks on the evolution of the market integrity rule framework to accommodate a multi-market equity platform environment. ASX has been proactive in alerting ASIC to issues needing to be addressed in new 'market integrity rules'.

It is important for public policy that ASIC's rule framework balances the interests of companies seeking to raise capital and investors who provide that capital on the one hand, with the interests of traders who contribute liquidity to the market on the other. ASX believes that the ASIC rules should preserve the central limit order book's essential function as an effective price discovery mechanism that meets the needs of the trading community in its entirety (not just a subset of high frequency traders), as well as investors and listed entities.

There is evidence from overseas jurisdictions that consideration is being given to the impact of market structure changes (including fragmentation) on the price discovery process. However, in Australia to date, little, if any, consideration has been given to the impact of liquidity fragmentation on the capital formation process – for example, in terms of the availability and cost of underwriting. This will be an important watch-point for the future, given the recent experience during the global financial crisis where equity capital formation, of necessity, became a lifeline to both the financial and real economies in Australia.

With ASIC now the standard-setter in a multi-market environment, ASX has identified and shared with the regulator a number of areas that need addressing to prevent regulatory arbitrage. For example, ASIC will need to coordinate a whole-of-market approach to:

- best execution policies;
- trade error cancellations;
- circuit breakers;
- pre-order filters;
- dollar thresholds at which trading can occur with limited (or no) pre-trade transparency;
- price-increments (tick sizes);
- real-time coordination of trading halts and suspensions; and
- uniform pre-trade and post-trade reporting requirements.



The severe disruption in the US equity market on 6 May 2010 highlighted the need for centrally coordinated controls to manage the risks associated with liquidity fragmentation and high speed trading, as well as those of pricing models (such as maker-taker incentives), all of which can distort the efficiency of price discovery and exacerbate volatility. None of the policy issues brought into sharp focus by the 6 May events is intractable. But neither are they best addressed by partial analysis or an ambitious implementation timetable without appropriate checks and balances. ASX will continue to engage with policy-makers, its own participants and other key stakeholders as it endeavours to protect Australia's hard won reputation for operating efficient and orderly markets.

In early June 2010 ASX announced the lowering of its headline equity market trade execution fees. Later in the same month a range of new order-type trade execution functionality was introduced (including large order matching capabilities) designed to minimise market impact costs for trading participants and end-users in the equity market.

ASX has also committed to build a new state-of-the-art data centre, a short distance from the Sydney central business district, to meet its business continuity and scaleable co-location service requirements for the medium to long-term. That commitment complements the February 2010 announcement of upgraded trade execution platforms for both the equities (ASX Trade) and futures (ASX Trade 24) markets, to be implemented later in 2010.

Subject to finalisation by ASIC of an equity market-wide 'best execution' rule, ASX will proceed with the implementation of a smart order routing tool (ASX Best) for its enhanced equity market platform. That facility will enable customers to manage the fragmentation of liquidity in a multi-market environment and ensure compliance with the 'best execution' rule. ASX anticipates that the same rule will have implications for the delivery of market data to customers and provide new product development opportunities. These may include the delivery of an ultra-low latency data feed, the creation of a market-wide consolidated data feed, and the evolution of a more

varied product offering to traditional real-time market data customers. Delivery of these services will begin once the new ASX Trade platform has been implemented and will extend through until the new data centre comes online, which is anticipated to be in the first half of FY12.

On the clearing and settlement front, ASX plans to alter its clearing and settlement fees to more closely reflect the operational and risk benefits to participants associated with different phases of clearing and settlement activity, and the different duration of open positions to which the Group's central counterparty (CCP) subsidiaries are exposed. This will be considered along with the introduction of cash margining for equities (currently the subject of advanced market consultation with clearing participants) aimed at aligning ASX's risk controls with international clearing practices.

ASX Clearing Corporation (ASXCC), the holding company for the Group's CCP subsidiaries, intends to make its relationship with those clearing house subsidiaries operational by establishing its own 'exchange settlement account' with the RBA. ASXCC will undertake portfolio management activities on behalf of the CCP subsidiaries by investing their cash margins and other cash assets as a single investment portfolio. This will complement ASXCC's role as a centralised borrowing entity for the Group's fixed financial resources dedicated to default and investment counterparty risks.

On 1 August 2010 ASX Settlement Corporation was created as the intermediate holding company for the Group's equity and fixed income settlement subsidiaries – ASX Settlement (formerly ASTC) and Austraclear. This was initiated in parallel with a business planning process for the next generation of investment in the Group's settlement infrastructure. That investment will materialise, in all likelihood, between FY12 and FY14, once the current work on enhanced trade execution services and platforms has been completed in the current financial year (FY11).

The relevant equities clearing and settlement subsidiaries of ASX are finalising the technical arrangements to provide a standardised trade acceptance service to Chi-X's wholly owned Australian subsidiary (as well as other potential market operators). This will facilitate Chi-X's application to become a licenced market operator for ASX-quoted securities. Whilst this 'step-out' offering may well be a precursor to opportunities to extend ASX's clearing and settlement services to over-the-counter (OTC) derivatives, it remains to be seen whether Australian regulators follow their US and European counterparts and formally mandate such activity.

In that context, it is interesting to observe that the latest (June 2010) resolution adopted by EU regulators stresses the virtue of CCP governance neutrality from market users. The same resolution also makes the point that competition for market services ought not to be allowed to translate into risk management competition between CCPs.

### Summary and Outlook

Exchange-traded markets are undergoing a period of profound structural change. The change is being driven by competition for market services, increased regulatory complexity and the speed of alteration to intermediary (broker) business models – be they full service global brokers, middle-tier specialists or traditional, small scale (customised) retail brokers. This is placing enormous demands on:

- regulators to keep pace with market structure evolution and whole-of-market surveillance;
- trading participants to deliver very fast exchange connectivity solutions to their clients;
- clearing participants to continually upgrade their risk management practices at the same time as redefining the microeconomics of clearing services to end-users; and
- exchanges generally, particularly those operating central counterparty clearing facilities, like ASX.

In a recovering but nonetheless challenging operating environment during FY10, ASX has delivered resilient financial, operating and compliance performance. This has been achieved in parallel with heavy demands on the organisation associated with the transfer of real-time trading and participant surveillance activities to ASIC.

Much of FY10 was devoted to preparation for an expanded trade execution and third party trade acceptance service offering, technology platform upgrades, a new data centre, and a transition of executive and senior management well equipped to cope with a more competitive environment and complex regulatory framework.

The last quarter of FY10 (April – June 2010) witnessed a return to higher levels of market volatility and lower levels of investor confidence. This emanated from a cocktail of economic and geopolitical issues which threatened to dampen any rebound in the global economy. These included euro zone currency and fiscal concerns, Korean peninsula tensions, and the possibility of further policy tightening from the central bank of China on domestic interest rates and the yuan exchange rate. The proposal for a resources super profit tax on Australia's mining sector (emerging from the Henry tax review), subsequently altered to a minerals resource rent tax, contributed to the more skittish equity market sentiment since May 2010, fuelled by expansive media coverage in an election year.

In the six-week period since balance date, lower equities market turnover in Australia has mirrored thinner trading patterns in other developed equity markets during the northern hemisphere holiday season. Futures market activity levels have been robust, despite official cash rate stability in recent months and the unwinding of voluminous currency 'carry-trade' activity in May, with its adjacent impact on exchange-traded interest rate derivatives. Whilst the coincidence of a domestic Federal election process and US/European seasonal breaks have not been conducive to stronger trading volumes, the August 2010 corporate reporting season, moderating inflation and stronger economic growth in Australia would seem likely to underpin optimism for FY11.

As the special feature section of this Annual Report on pages 31 to 36 portrays, ASX's objectives are to support a vibrant Australian economy by facilitating the raising, allocation and hedging of capital flows. ASX does this through the operation and oversight of a listings function, and the provision of contemporary trading, clearing and settlement facilities.

We work to achieve these objectives by ensuring our listings function meets standards of:

- governance, with respect to listed entities;
- disclosure and information quality; and
- risk transfer integrity, with respect to listed derivatives.

We also ensure that our trading, clearing and settlement facilities are:

- neutral – that is, they are fair and are not biased towards serving the needs of one stakeholder group over another;
- efficient – as reflected in their up-time, performance (latency) and capacity headroom; and
- global – that is, distributed to a global community to ensure access to the broadest pool of participants and end-users.

Importantly, ASX's ability to achieve its objectives is dependent upon our customers' experience of the value ASX's services deliver – be that to listed companies, market participants or investors. We value their ongoing support. ASX strives to improve its value proposition to each of those stakeholder groups and, thereby, to its shareholders, by growing the value of all of the elements of its franchise as a core capital markets infrastructure provider.

Key to that growth is ASX's competitive positioning and human resources. Both are in good shape. FY11 will, no doubt, bring its own external (market structure and regulatory) as well as internal (execution) challenges. ASX is well-positioned to meet these challenges and grow – next year and beyond – given the scalability of its infrastructure, diversity of its business model and focus of its executive management team.

**Robert G Elstone**

*Managing Director and CEO*

# Chief Financial Officer's Report

## Consolidated Pro-Forma Income Statement for the Year Ended 30 June 2010

	FY06 \$'000	FY07 \$'000	FY08 \$'000	FY09 \$'000	FY10 \$'000
<b>REVENUE</b>					
Listings	84,796	117,553	120,211	104,080	<b>115,464</b>
Cash Market	119,905	155,838	188,800	163,042	<b>181,442</b>
Derivatives	138,464	154,727	166,859	133,774	<b>147,815</b>
Information Services	44,820	61,399	68,003	71,025	<b>68,752</b>
Market Connectivity	21,175	23,496	27,663	28,625	<b>29,852</b>
Austraclear Services	18,132	20,489	21,870	24,678	<b>31,178</b>
Other Revenue	23,095	19,200	21,305	13,201	<b>13,672</b>
<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>EXPENSES</b>					
Staff	92,855	75,205	77,914	81,743	<b>77,653</b>
Occupancy	19,901	16,048	12,682	12,759	<b>13,910</b>
Equipment	26,367	25,546	23,292	22,696	<b>22,229</b>
Administration	25,803	17,387	17,250	16,043	<b>15,198</b>
Variable	3,824	4,585	5,547	5,017	<b>5,172</b>
<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>
EBITDA	281,637	413,931	478,026	400,167	<b>454,013</b>
Depreciation and Amortisation	14,586	14,990	15,913	15,042	<b>18,875</b>
EBIT	267,051	398,941	462,113	385,125	<b>435,138</b>
Net Interest Income	24,760	22,907	27,707	19,707	<b>12,842</b>
Net Interest on Participant Balances	10,716	17,658	24,561	32,839	<b>16,468</b>
Dividend Revenue	2,700	3,150	4,852	7,027	<b>8,075</b>
<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>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>
Income Tax Expense	(90,199)	(129,510)	(153,284)	(131,088)	<b>(139,925)</b>
<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>
Less Significant Items After Tax	(5,200)	(22,846)	–	–	<b>(4,461)</b>
Add SFE Net Loss (1 to 11 July 2006)	–	2,592	–	–	–
Less SFE Net Profit (12 months to 30 June 2006)	(74,325)	–	–	–	–
<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>

The consolidated pro-forma income statement on page 10 sets out the underlying results for the ASX Group for the past five years. The pro-forma income statement is not audited, but is based upon externally audited accounts. The pro-forma income statement has also been prepared based on the principles outlined by the Financial Services Institute of Australasia (FINSIA) and the Australian Institute of Company Directors (AICD). A reconciliation of the underlying profit to the statutory reported profit is included in the pro-forma income statement and a further reconciliation by line item is included in the financial statements segment note (page 107). Each year is presented on a comparable basis. There were no significant changes in the Group's accounting policies during FY10.

The financials, including FY06, referred to throughout this report are based on the pro-forma combined ASX and SFE, noting that the merger was effective from 11 July 2006 (FY07).

The following commentary is based on the pro-forma income statement and, unless otherwise stated, analysis of the year ended 30 June 2010 (FY10) is based on a comparison to the prior comparable period (pcp), being the year ended 30 June 2009 (FY09).

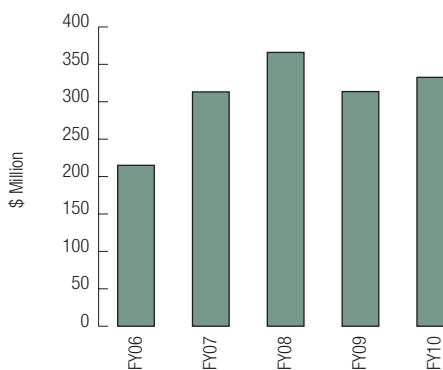
### FY10 Financial Highlights

A summary of the Group's performance in FY10 compared to the pcp follows, while key financial ratios are available on page 27:

- underlying net profit after tax (NPAT) of \$332.6 million, up 6.1% (statutory NPAT of \$328.1 million, up 4.6%);
- underlying earnings per share (EPS) of 193.0 cents per share (cps), up 5.3% (statutory EPS of 190.4 cps, up 3.9%);
- operating revenue excluding interest and dividends of \$588.2 million, up 9.2%;
- earnings before interest, tax, depreciation and amortisation (EBITDA) of \$454.0 million, up 13.5%;
- net interest and dividend revenue of \$37.4 million, down 37.2%;
- cash operating expenses of \$134.2 million, down 3.0%;
- significant items expense before tax of \$6.4 million (\$4.5 million after tax), representing non-recurring costs offset by expected receipts associated with the transfer of certain market supervisory activities to ASIC, and other non-recurring restructuring costs associated with upgraded trade execution services;
- final dividend declared of 84.0 cps, up 12.8%, bringing total FY10 dividends to 173.1 cps, up 5.0%.

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

**Underlying NPAT FY06 to FY10**

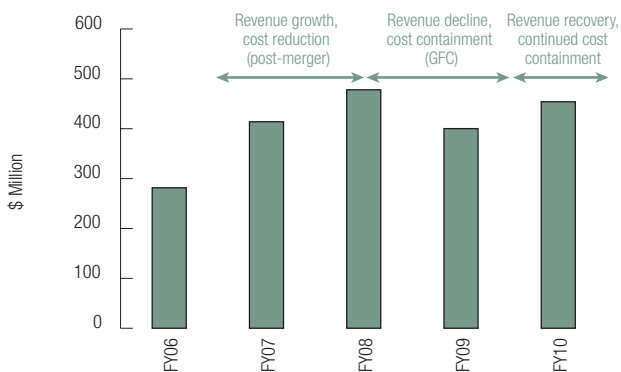


### Underlying Net Profit – Up 6.1%

Underlying NPAT for FY10 was \$332.6 million (\$313.6 million pcp). The 6.1% increase in underlying profitability was due to increased operating revenue and reduced cash operating expenses, partially offset by lower net interest income and higher depreciation and amortisation. Revenue growth was achieved across all activities other than information services revenue, which declined marginally. The reduction in cash operating expenses was attributable to lower staff, equipment and administration costs. Accordingly, EBITDA increased by 13.5%, from \$400.2 million in FY09 to \$454.0 million in FY10.

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

**EBITDA FY06 to FY10**



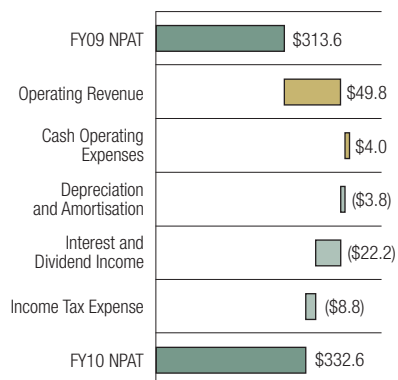
In FY10 activity levels across ASX markets improved, with the All Ordinaries Index closing 9.5% higher at 4,324.8 compared to the index value of 3,947.8 at the end of June 2009. Cash market traded value of \$1.36 trillion was up 20.3%, while total derivatives contracts traded of 97.8 million was up 17.7%, both on pcp.

ASX's financial performance was again underpinned by a strong balance sheet with no impairment charges over intangibles, and a sound capital position and strong liquidity to support the Group's activities.

The underlying NPAT represents an 11.8% annual return on equity (11.5% pcp) based on average capital in FY10.

The following graph shows the movement in underlying NPAT in FY10 by income statement line item.

**Underlying NPAT Highlights FY10 (\$ Million)**



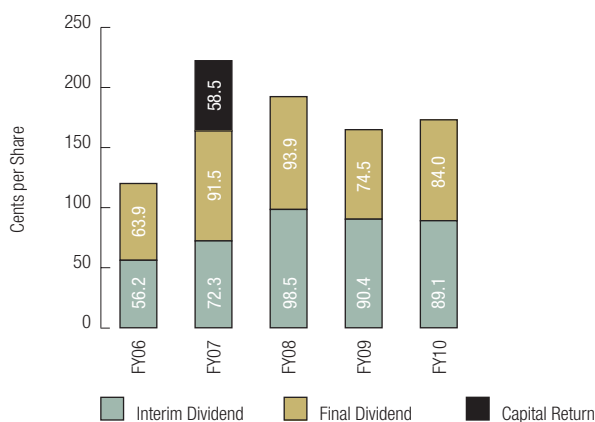
**Underlying Earnings Per Share – Up 5.3%**

Underlying earnings per share of 193.0 cents (183.2 cps pcp) was achieved in FY10 based on a weighted average of 172,352,087 ordinary shares on issue.

**Final Dividend – Up 12.8%**

A fully franked final dividend of 84.0 cps (74.5 cps pcp) has been declared, payable on 27 September 2010. Dividends in FY10 totalled 173.1 cps compared to 164.9 cps in the pcp, based on a consistent payout ratio of 90% of underlying net profit after tax. ASX has determined that the dividend reinvestment plan will operate for the final dividend in FY10, and a discount of 1.5% will apply to the allocation price. The average annual growth rate in dividends over the past five years was 9.6%. Cash returns to shareholders over the same five years are shown in the graph below.

**Cash Returns to Shareholders FY06 to FY10**



### Operating Revenue – Up 9.2%

Total operating revenue (excluding interest and dividend revenue) in FY10 was \$588.2 million, 9.2% up on pcp. All major revenue lines, excluding information services, increased in FY10. Also, in FY10 average daily cash market traded value of \$5.4 billion was up 20.8%, average daily derivatives contract volumes of 382,843 were up 17.8%, while 93 new entities were admitted for listing on ASX compared to 45 in the pcp. Secondary capital raised by listed entities amounted to \$65.1 billion in FY10 down on the record \$88.1 billion in the pcp. The growth in activity drivers in cash and derivatives markets allowed ASX to pay transaction fee rebates to large users who did not receive rebates in FY09 when qualification growth thresholds were not met.

The improvement in activity drivers in both cash and derivatives markets during the first half of FY10 (1H10) continued into the second half of FY10 (2H10).

- The All Ordinaries Index grew 9.5% during FY10, closing at 4,324.8 on 30 June 2010. However 2H10 saw the index reduce 11.4% from its closing level of 4,882.7 at 31 December 2009, driven by a range of predominantly macro events associated with European sovereign debt issues and their consequences for the global banking sector.
- The same factors increased volatility in equity markets during periods in 2H10 compared to the earlier six months and this resulted in higher traded value, particularly in May 2010 when average daily volatility in the All Ordinaries Index increased to 1.5% compared to the average of 0.8% for FY10. Total cash market value traded in 2H10 was \$690.0 billion, up 3.1% on the \$669.3 billion value traded in 1H10.
- Similarly, activity in the derivatives markets also responded to volatility in global markets in 2H10, with total derivatives volume of 53.0 million contracts traded in 2H10, up 18.5% on the 44.8 million contracts traded in 1H10.

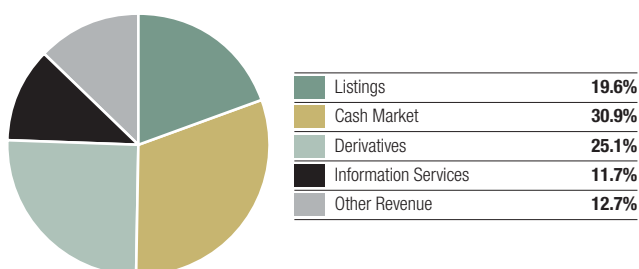
The following graph depicts the change in operating revenue by major category during the year.

### Operating Revenue Highlights FY10 (\$ Million)

FY09 Operating Revenue	\$538.4
Listings	\$11.4
Cash Market	\$18.4
Derivatives	\$14.0
Information Services	(\$2.3)
Market Connectivity	\$1.3
Austraclear Services	\$6.5
Other	\$0.5
FY10 Operating Revenue	\$588.2

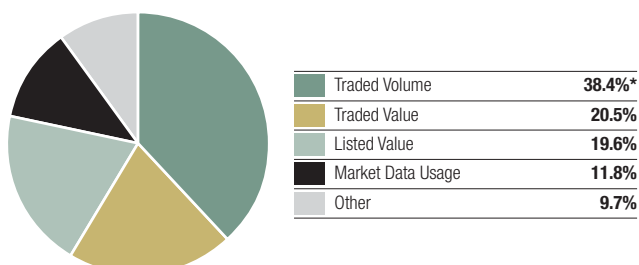
The pie chart below shows operating revenue by main category, which remained largely unchanged from the pcp, with cash markets accounting for 30.9% of total operating revenue (excluding interest).

### Operating Revenue by Category FY10



The total operating revenue split by business driver also remained largely unchanged and is shown in the pie chart below.

### Operating Revenue by Business Driver FY10



\* Traded volume from cash markets accounted for 13.3% and traded volume from derivatives markets accounted for 25.1% of the total.

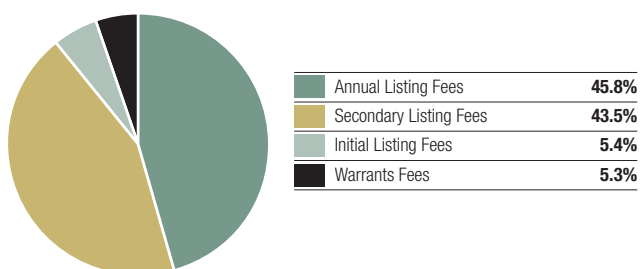
Detailed transaction statistics and key business drivers data are available on pages 28 to 30.

### Listings – Up 10.9%

Total revenue from listing services in FY10 was \$115.5 million (\$104.1 million pcp), with revenue from all listings other than structured products higher than pcp. The primary driver of listings revenue growth was the continued strong, albeit lower than FY09, level of secondary capital raisings throughout the period. While the number of companies raising secondary capital in FY10 increased, the total value of secondary capital raised fell, reflecting fewer large capital raisings but increased small capital raisings. The number of new entities listing on ASX also increased with the improvement in financial market conditions and recovering business confidence.

The following graph depicts the breakdown of listings revenue in FY10 by type.

#### Listings Revenue by Type FY10

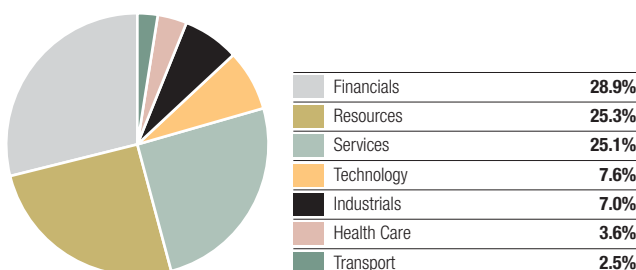


Annual listing fees of \$52.9 million were earned in FY10 (\$47.0 million pcp). The total number of listed entities at 30 June 2010 was 2,192, down slightly on the 2,198 listed a year earlier. There were 99 delistings in FY10 compared to 73 in FY09. During the year, total domestic market capitalisation increased from \$1.1 trillion to \$1.3 trillion at 30 June 2010, a rise of 14.1%, despite retreating somewhat late in the period. The All Ordinaries Index increased 9.5% in the same period and peaked at 5,024.1 during April 2010.

Initial listing fees of \$6.3 million were earned in FY10 (\$2.4 million pcp). During FY10 there were 93 new listings, of which 48 were in the resources sector, compared to 45 new listings in the pcp. The amount of initial capital raised in FY10 was \$11.5 billion, a 508.0% increase on the \$1.9 billion raised in the pcp. The average initial listing fee earned in FY10 was \$67,661 compared to \$54,234 in the pcp.

The following pie chart shows the proportional value of capital raised by initial listings in FY10 split by industry sector.

#### Initial Listings by Industry Sector FY10



Secondary listing fees (which include fees from subsequent capital raisings and dividend reinvestment plan issues) were \$50.3 million in FY10 (\$48.0 million pcp). Secondary capital raised of \$65.1 billion in FY10, was down 26.1% on the record \$88.1 billion raised in the pcp. The incidence of large raisings in FY10 was less than in the pcp, with 11 raisings over \$1 billion (\$19.0 billion in value) compared to 17 (\$30.7 billion in value) in the pcp. The number of individual small raisings under \$100 million was 5,818 compared to 4,413 in the pcp. In addition to secondary capital raised in FY10, \$4.5 billion of capital was issued by listed entities as consideration for acquisition (\$32.6 billion pcp). Consequently, the average fee per million dollars of secondary capital raised (including capital issued as consideration for scrip-based acquisitions) increased to \$723 (\$398 pcp).

The following table shows the quantum of secondary capital raised by size of transaction in FY10 and FY09.

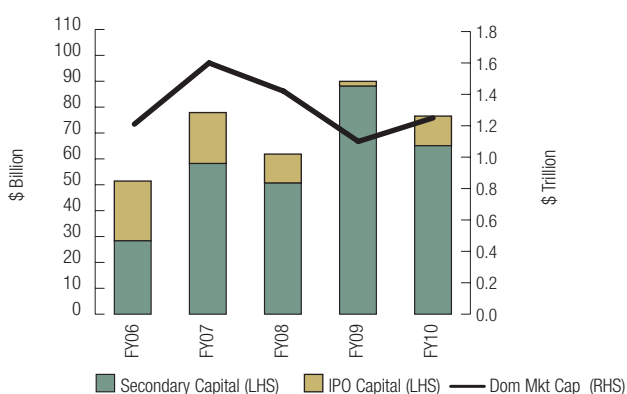
Value of Capital Raised	Secondary Capital Raised FY09 \$M	Secondary Capital Raised FY10 \$M
Less than \$100 million	14,822	19,298
\$100 million to \$500 million	24,253	19,588
\$500 million to \$1 billion	18,277	7,229
Over \$1 billion	30,727	18,972
<b>Total</b>	<b>88,079</b>	<b>65,087</b>



Of the total secondary capital raised, 84.3% was due to subsequent issues (rights, placements, employee issues, etc), while 15.7% was a result of company dividend reinvestment plans (DRPs). This compares to 83.0% for subsequent issues and 17.0% for DRPs in the pcp.

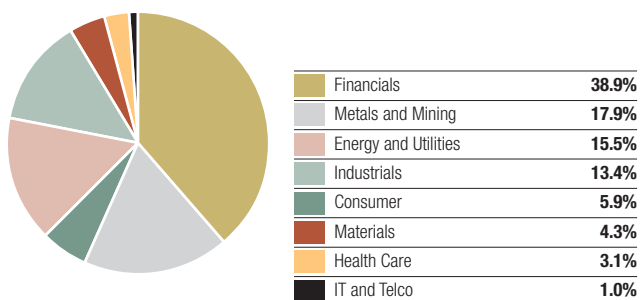
The following chart shows total capital raisings and market capitalisation over the past five years.

### Capital Raisings and Market Capitalisation FY06 to FY10



The chart below shows the proportion of secondary capital raised by industry sector in FY10. Financials continued to dominate the level of secondary raisings with 38.9% of the total raised (55.4% in FY09), while metals and mining accounted for 17.9% (11.6% in the pcp).

### Secondary Capital Raising by Industry Sector FY10

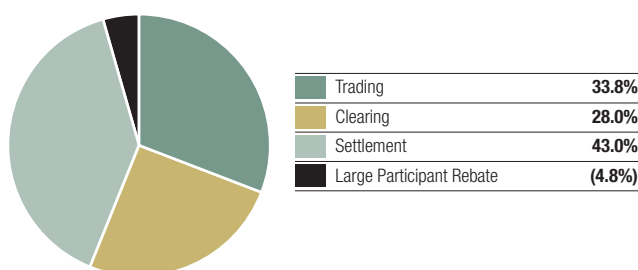


Fees from structured products, such as warrant and debt listings, of \$6.0 million were earned in FY10 (\$6.7 million pcp). During FY10, 2,303 new warrants were listed, down 27.9% on the 3,194 warrants listed in the pcp. Warrants turnover value was \$4.0 billion in FY10, 24.5% down on the \$5.3 billion in the pcp.

### Cash Market – Up 11.3%

Total net cash market revenue (after rebates) for FY10 was \$181.4 million (\$163.0 million pcp). The increase in revenue was primarily due to the 20.8% increase in daily average value traded, and the 24.5% increase in average daily trade volumes. Of the gross cash market revenue of \$190.2 million, trading revenue accounted for 32.2% (32.2% pcp), clearing revenue 26.7% (26.7% pcp) and settlement revenue 41.1% (41.1% pcp). Gross cash market trade execution revenue accounted for 10.4% of total ASX operating revenue.

### Cash Market Net Revenue FY10

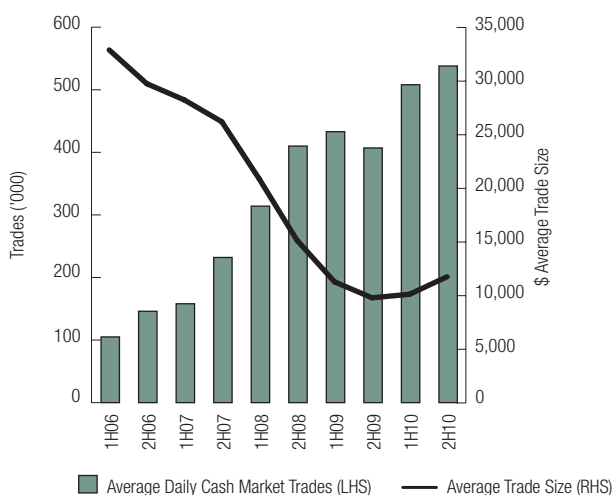


In FY10 the total secondary market value traded was \$1.36 trillion, up 20.3% on the \$1.13 trillion in the pcp, and the daily average traded value was \$5.4 billion, up 20.8% on the \$4.4 billion in the pcp. This represented an average velocity (total traded value as a percentage of the average total market capitalisation) of 102.6% in FY10 (106.5% pcp). The total number of trades in FY10 was 132.2 million, up 24.0% on the 106.7 million trades in the pcp, and the daily average trade volume of 522,726 was up 24.5% on the 420,002 in the pcp.

The average value of each trade in FY10 was \$10,278 compared to \$10,587 in the pcp. The small decrease in the average trade size reflects a continued trend towards algorithmic trade execution, albeit the rate of trade fragmentation slowed compared to recent years, offset by the impact of recovery in market capitalisation during FY10.

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**



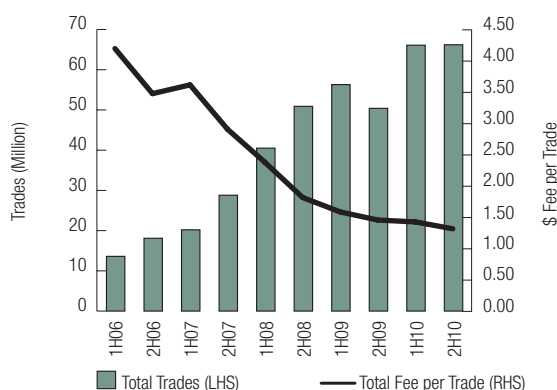
The gross revenue from trading and clearing activities is directly related to the quantum of value traded and value of trades cleared, respectively. In FY10, 71% of traded value (74% pcp) was novated and cleared through ASX's central counterparty clearing subsidiary, ASX Clear (formerly Australian Clearing House). In FY10 gross revenue (pre-rebates) from trading was \$61.4 million (\$52.7 million pcp), while clearing revenue was \$50.8 million (\$43.7 million pcp). The percentage of value traded in FY10 represented by crossings increased to 29.0% from 26.0% in the prior year and contributed \$7.8 million to gross trading revenue (\$6.1 million pcp). In FY10, 9.7% of traded value occurred during the opening and closing auction sessions.

Gross settlement revenue of \$78.1 million (\$67.2 million pcp) comprised 60.7% from trade settlement transactions payable by participants (64.0% pcp), and 39.3% related to holding statements and other activity charges payable by listed entities (36.0% pcp). Despite total traded volume increasing 24.0%, settlement revenue only increased 16.2% in FY10. This was due to the average ratio of settlement messages to trades reducing to 13.4% from 15.2%, and the average ratio of holding statements to trades reducing to 12.0% from 13.0% in the pcp.

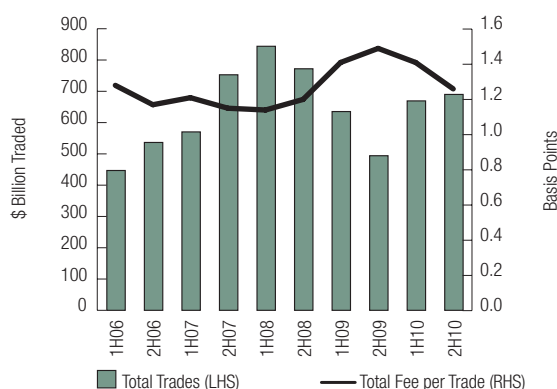
The growth in cash market activity levels resulted in significant growth in participant rebates in FY10, with \$8.8 million of Large Participant Rebates (LPR) paid compared to \$0.6 million in the pcp. The 16.2% growth in gross cash market revenue (pre-rebates) meant that rebates were payable to qualifying participants which met the growth threshold targets. The LPR scheme has been discontinued in FY11 following the announcement in June 2010 of enhanced trade execution service offerings and a reduction in the headline central limit order book trade execution fee.

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

**Cash Market Trades**



**Cash Market Value**



The average cost of trading, clearing and settlement on ASX's market reduced to \$1.37 per trade (\$1.53 pcp) and the average fee per dollar of turnover reduced to 1.33 basis points (bps) (1.44 bps pcp), with trade execution representing 0.45 bps (0.46 bps pcp). This meant that for every \$1,000 of value traded, the fee for each side (trading, clearing and settlement) was 6.7 cents (7.2 cents pcp).

### Derivatives – Up 10.5%

Total derivatives revenue for FY10 was \$147.8 million (\$133.8 million pcp). Derivatives volume increased in FY10 as interest rate expectations altered following six increases in the official cash rate during the financial year, and with the All Ordinaries Index initially rebounding by 23.7% before falling again in the 2H10 by 11.4%. Also, volatility in both equity and interest rate markets, while generally lower than the prior year, had periods of significant volatility that primarily reflected uncertainty in European markets.

Derivatives traded and cleared through ASX Clear (formerly Australian Clearing House, consisting mainly of exchange-traded equity options, excluding the ASX SPI 200) generated revenue of \$31.6 million in FY10 (\$25.5 million pcp). Total contract volume traded was 21.7 million in FY10, an increase of 13.9% on the 19.0 million in the pcp. Average daily volatility of the All Ordinaries Index reduced to 0.8% in FY10 compared to 1.5% in FY09, notwithstanding some increased volatility in May 2010. The average fee per trade in FY10 increased to \$1.46 from \$1.34 in the pcp.

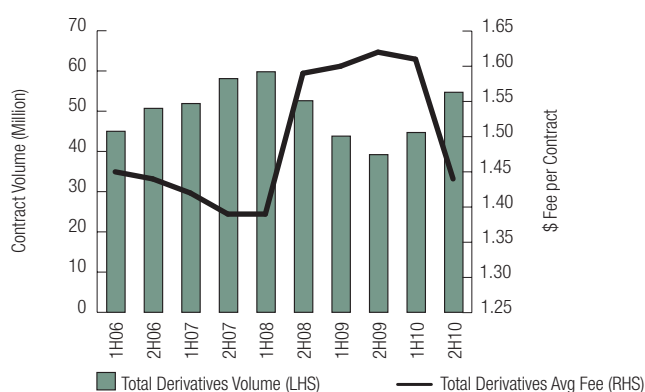
Revenue from futures and options on futures (including ASX SPI 200 contracts) traded and cleared through ASX Clear (Futures) (formerly SFE Clearing Corporation) was \$116.2 million in FY10 (\$108.3 million pcp). Futures and options on futures volume traded in FY10 totalled 76.1 million contracts, up 18.8% on the 64.1 million contracts traded in FY09. Of the major debt contracts, compared to pcp, the 30 day interbank cash rate futures contract volumes increased 75.4%, 3 year bond futures contract volumes increased 35.6%, 90 day bank bill futures contract volumes increased 8.9%, and 10 year bond futures contract volumes increased 4.2%.

Trading in the ASX SPI 200 futures contract decreased 6.0% compared to the pcp, with options over the same contract decreasing 11.6%. Also of note, compared to pcp, total option contracts traded grew strongly by 59.1% to 2.9 million contracts. This resulted from significant growth in the 3 year bond option contract, including overnight and intra-day option contract volumes.

ASX provided \$10.5 million in futures market transaction fee rebates in FY10 (no rebate was payable in FY09) following the 18.8% growth in volume. This provision reflects incremental rebates applied at 75% following growth in volumes above the 15% growth threshold applicable in FY10. The average fee per trade net of all rebates reduced to \$1.53, compared to \$1.69 in the pcp, primarily due to the operation of the Large Volume Rebate (LVR) scheme. In FY11 the LVR will begin to apply when eligible volumes grow 7%, i.e. to 81.4 million contracts, with equivalent rebates of \$10.5 million payable at approximately 17% volume growth.

The following chart shows total volumes and average exchange fees for derivatives contracts traded, including futures and options on futures, over the past five years.

**Derivatives Volume and Average Fee**  
(Derivatives including Futures and Options)



### Information Services – Down 3.2%

Total revenue from information services in FY10 of \$68.8 million was down 3.2% on FY09 (\$71.0 million). Average monthly data terminal subscriptions for FY10 were 86,350 compared to 88,292 in FY09, while total market data terminal subscriptions at 30 June 2010 were 82,457 compared to 84,928 at 30 June 2009. Of the total information services revenue, approximately 84.2% relates to cash market and equity option data, with the remainder due predominantly to data from futures and options traded on the ASX Trade 24 platform (formerly SFE).

### Market Connectivity – Up 4.3%

Market connectivity revenue for FY10 was \$29.9 million (\$28.6 million pcp). Market connectivity fees are levied on workstations, open interfaces and networks used to access both the cash and derivatives markets. Fees are also charged for co-location hosting services currently offered to trading participants in cash markets. The total number of devices (workstations and interfaces) as at 30 June 2010 was 2,831 compared to 2,498 at 30 June 2009. A new ASX data centre, announced in June 2010, will significantly expand the extent of co-location facilities available to both cash and derivatives market participants, following its targeted introduction in the first half of FY12.

### Austraclear Services – Up 26.3%

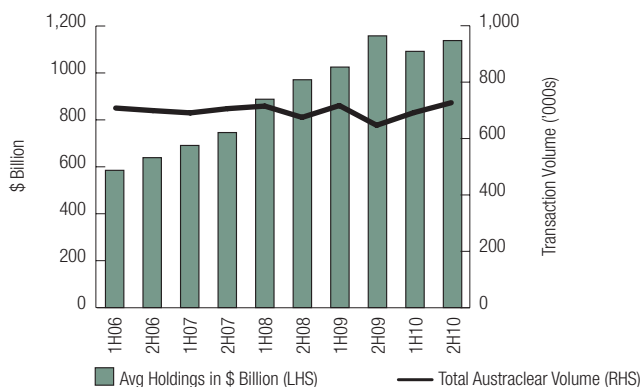
Total Austraclear services revenue for FY10 was \$31.2 million (\$24.7 million pcp), with revenue growth experienced across all of Austraclear's services that span fixed income securities depository, settlement and registry activities.

Depository holdings continued to increase and averaged \$1.12 trillion over FY10 (\$1.04 trillion pcp). At 30 June 2010, \$1.16 trillion of securities were held in Austraclear (\$1.06 trillion at 30 June 2009). Over the year, holdings of short-dated securities (discount securities) reduced by 13.5%, while holdings of long-dated securities (fixed income securities) increased by 17.3% reflecting a shift to longer dated issuance. Of the total holdings within Austraclear, treasury bonds represented 12.6%, electronic certificates of deposit 16.7%, corporate bonds 18.5%, floating rate notes 30.6%, with the balance of 21.6% made up by other miscellaneous holdings.

The volume of Austraclear transactions in FY10 increased 4.1% to 1.42 million (1.36 million pcp), with cash transfers down 8.1%, discount securities transactions down 11.0% and fixed interest securities transactions up 44.0%, reflective of the movement in holdings. The Austraclear depository and settlement average fee (transaction and holding) for FY10 increased to \$13.48 per transaction (\$11.23 pcp).

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

**Austraclear Holdings and Transaction Levels**



### Other Revenue – Up 3.6%

Total other revenue for FY10 was \$13.7 million (\$13.2 million pcp). During FY10 initial securities delivery settlement fails on T+3 cash market equity settlements were below normal levels of 1% with an average of 0.10% (0.16% pcp). Subsequent 'knock-on' settlement fail rates (i.e. total rescheduled settlements caused by the initial delays) averaged 0.46% during FY10 (0.85% pcp). Other revenue also includes ASX and Austraclear participation fees.

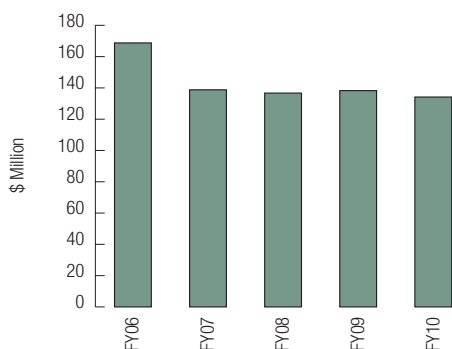
### Cash Operating Expenses – Down 3.0%

Total cash operating expenses for FY10 were \$134.2 million (\$138.3 million pcp). Compared to pcp, staff, equipment and administration costs reduced in FY10, while premises and variable costs increased, the latter directly resulting from the increase in trade execution activity levels. The lower overall cash operating expenses are due to the continued focus on controlling discretionary expenses and improving human resource and technology productivity.

In FY11 ASX expects these cash operating expenses to increase broadly in line with CPI, with the most significant increase being in staff costs based on the full year impact of fixed remuneration increases awarded in April 2010. In addition, ASX will incur a new levy from ASIC of approximately \$3.4 million in FY11 for the trading market supervisory activities ASIC is performing following the transfer of those functions from ASX to ASIC on 1 August 2010. This levy will be slightly higher than the cost savings ASX expects to make in FY11 following the transfer.

The following graph shows the continued trend of lower cash operating expenses over the past five years.

**Cash Operating Expenses FY06 to FY10**



Details of expenses noted as significant non-recurring items are covered later in this report.

### Staff Expenses – Down 5.0%

Total staff expenses for FY10 were \$77.7 million, down \$4.0 million compared to \$81.7 million in the pcp, with lower average staff numbers in FY10 compared to FY09. Long-Term Incentive expenses in FY10 were also lower than FY09 but will increase in FY11. As noted in the half-year report, in response to economic and labour market conditions prevailing at the time, there was no annual remuneration increase awarded to staff at the start of the FY10 year. Effective 1 April 2010 however, a remuneration review awarded staff an average increase of 5%.

Full-time equivalent (FTE) headcount at 30 June 2010 was 531 compared to 553 at 30 June 2009. The average headcount during FY10 was 540 compared to the average of 554 during FY09. Following the transfer of certain supervisory functions to ASIC at the start of August 2010, ASX Compliance (formerly ASX Markets Supervision) staff reduced by 23. ASX expects to operate within a guidance headcount range of 530 to 540 during FY11, as the FTE reductions in ASX Compliance will be partly offset with new hires elsewhere in the Group. Deferred Short-Term and Long-Term Incentive schemes, more fully explained in the Remuneration Report, will also lead to an increase in staff costs in FY11. Non-recurring costs associated with the transition of supervisory activities are discussed in significant items. They are not included in FY10 and will not impact FY11 staff costs.

**Full-Time Equivalent Headcount**

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
ASX (ex-ASX Compliance)	548	436	439	443	427
ASX Compliance	80	84	103	110	104
<b>Total</b>	<b>628</b>	<b>520</b>	<b>542</b>	<b>553</b>	<b>531</b>

### Occupancy Expenses – Up 9.0%

Total occupancy expenses for FY10 were \$13.9 million compared to \$12.8 million pcp, reflecting rising energy costs and higher interstate office rentals. The June 2010 announcement of a commitment to a new data centre will not impact on occupancy costs in FY11 as the completion date is scheduled for the first half of FY12.

### **Equipment Expenses – Down 2.1%**

Total equipment expenses for FY10 were \$22.2 million, down marginally from \$22.7 million in the pcp. ASX has embarked on a series of new initiatives to broaden its trade execution service offering in the equity market, some of which have already commenced. These include a project to implement the Genium trading platform (ASX Trade) to replace the existing ITS trading platform for cash markets and exchange-traded options by the end of calendar year 2010. The ongoing support and maintenance arrangements associated with these initiatives, together with renegotiated and extended support and maintenance agreements for the Austraclear and ASX Clear (Futures) applications, will lead to slightly increased equipment costs in FY11.

### **Administrative Expenses – Down 5.3%**

Total administration expenses for FY10 were \$15.2 million, down from \$16.0 million pcp. The reduction was due to continued containment of discretionary expenditure on items such as travel, entertainment and consulting, as well as savings from the cancellation of default insurance supporting ASX's central counterparty clearing activities. These insurances have been replaced by a non-recourse loan facility with interest expense recognised in net interest income. ASX will continue to actively manage discretionary expenses and expects administrative expenses to modestly increase (within inflationary levels) in FY11.

### **Variable Expenses – Up 3.1%**

Total variable operating expenses for FY10 were \$5.2 million, up 3.1% on the \$5.0 million pcp. Production costs for equity depository holding statements were higher, as the volume of equity trading, and consequently the number of holding statements issued, increased.

### **Significant Items**

FY10 significant items expense totals \$6.4 million pre-tax, \$4.5 million post-tax. These items will not impact on any dividend distribution based upon the existing policy of paying 90% of underlying profit after tax. ASX will not incur transitional costs related to the August 2010 transfer of trading supervision activities to ASIC following changes to transitional arrangements, which included Ministerial-approved use of excess monies in the National Guarantee Fund to cover some of these expenses.

Consequently, in FY10, ASX only incurred pre-tax non-recurring costs of \$6.4 million associated with necessary business restructuring to implement improved trade execution service offerings. These included:

- accelerated amortisation of the ITS cash market trading system to the middle of FY11 when it will be replaced by the next generation cash market trading platform (ASX Trade); and
- costs of associated staff changes.

ASX expects additional pre-tax significant items expense in FY11 of approximately \$3.5 million, related primarily to the continued accelerated depreciation of the ITS cash market trading system.

### **Depreciation and Amortisation – Up 25.5%**

Total depreciation and amortisation for FY10 was \$18.9 million (\$15.0 million pcp). While depreciation and amortisation includes the normal level of amortisation of the existing ITS platform, as noted above, the amount of accelerated amortisation has been reported as a significant item reflecting its revised shorter useful life.

As foreshadowed in the half-year report, depreciation and amortisation expense increased compared to pcp due to the completion of several capital projects, including platform capacity upgrades, risk management enhancements, compliance improvements, and new or improved product and service functionality. Depreciation and amortisation expense is expected to increase further in

FY11 following completion of the new cash market trading platform and a new futures and options trading platform in the first-half of FY11, as well as other technology projects. Depreciation related to ASX's new data centre will not be incurred until FY12 following completion of the new facility.

### Interest and Dividend Income – Down 37.2%

Total interest and dividend income for FY10 was \$37.4 million (\$59.6 million pcp). Total interest and dividend revenue comprises:

- net interest earned on ASX's cash reserves, after interest expense on borrowings – \$12.8 million (\$19.7 million pcp);
- net interest earned on funds deposited by participants with ASX – \$16.5 million (\$32.8 million pcp); and
- dividends from ASX's investment in IRESS Market Technology – \$8.1 million (\$7.0 million pcp).

The breakdown of net interest income earned by the ASX Clearing Corporation (ASXCC) Group (comprising the clearing subsidiaries) and the remainder of the ASX Group for FY10 and FY09 is detailed in the following table:

	FY09	FY10
<b>ASX Group (excluding ASXCC Group)</b>		
Interest earnings on Group cash (excluding CCP capital) \$'000	4,741	<b>5,642</b>
Average cash \$'000	84,015	<b>146,858</b>
Average yield %	5.9%	<b>4.0%</b>
<b>ASXCC Group</b>		
Interest earnings on CCP fixed financial resources (net of cost of debt) \$'000	14,966	<b>7,200</b>
Net interest earned on CCP activities \$'000	32,839	<b>16,468</b>
Average margin balances \$bn	5.1	<b>2.7</b>
Average investment spread bps	30	<b>26</b>
Total net interest earned	52,546	<b>29,310</b>

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

As discussed in the half-year report, net interest income reduced significantly in FY10 compared to FY09 due to:

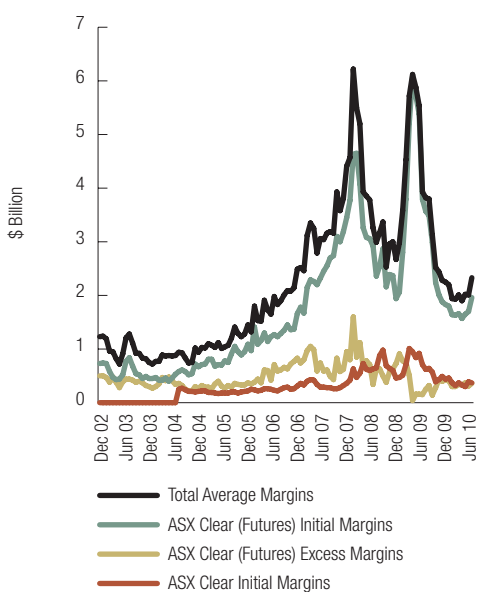
- the lower average official cash rate in FY10 compared to FY09, notwithstanding the six increases in the rate during FY10 to 4.5%;
- interest expense incurred from December 2010 on the externally provided non-recourse loan facility of \$250 million, supporting ASX's central counterparty clearing subsidiaries and, prior to that, from May 2009 the \$100 million externally provided subordinated debt facility to ASX Clear;
- the reduction in the average level of participant margin balances held as collateral on open derivative positions; and
- the contraction of spreads earned on ASX's investment portfolio to more normal levels following the unusually high spreads which characterised the period of the global financial crisis.

During FY10 the Reserve Bank of Australia increased the official cash rate six times to reach 4.5%, from its prior period low of 3.0%. This resulted in an average earnings rate on ASX's own cash reserves portfolio of 4.0% in FY10 compared to 5.9% earned in FY09 during a period of higher official cash rates. ASX's own cash reserves, net of borrowings, averaged \$396.9 million in FY10 compared to \$334.0 million in FY09, with a cash balance, net of borrowings, at 30 June 2010 of \$476.6 million (\$310.8 million at 30 June 2009). The increase mainly reflects net cash generated from operating activities during the year of \$399.2 million (\$309.9 million pcp), and proceeds from the dividend reinvestment plan of \$75.5 million, less dividend payments of \$281.0 million. The liquidity management section later in this report further details the sources and uses of ASX's cash.

Average cash collateral balances held during FY10 of \$2.7 billion were 47.1% lower than the \$5.1 billion in FY09. This was because of a combination of lower average open positions, particularly in the ASX SPI 200 futures contract, and lower risk margin collateral settings, that reflected a return to more normal levels of volatility in both equity and interest rate markets compared to the prior year.

The graph below shows average cash margins held since 2002 by each clearing entity.

**Average Monthly Cash Margin Balances**



The breakdown of margins held at 30 June 2010 and 2009 is listed in the table below.

	Margins Held at 30 June 2009 \$ Million	Margins Held at 30 June 2010 \$ Million
<b>Cash and cash equivalents</b>		
ASX Clear initial margins	379.0	<b>353.6</b>
ASX Clear (Futures) initial margins – house	931.1	<b>615.0</b>
ASX Clear (Futures) initial margins – client	1,526.7	<b>1,551.8</b>
ASX Clear (Futures) additional and excess margins	690.4	<b>387.4</b>
<b>Total margins on balance sheet</b>	<b>3,527.2</b>	<b>2,907.8</b>
<b>Non-cash collateral held off balance sheet</b>		
ASX Clear – guarantees and equity collateral	3,497.3	<b>3,911.9</b>

The average investment spread earned on the participant collateral portfolio in FY10 was 26 bps over the official cash rate compared to 30 bps in FY09, a prior period where spreads were higher than the historical long-term average due to the prevailing market conditions at that time.

The weighted average maturity of the portfolio was 41 days at 30 June 2010 (46 days at 30 June 2009), with 91% (97% 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 \$8.1 million was earned from the investment in IRESS, up from \$7.0 million pcp. ASX currently holds 18.8% of IRESS (19.2% at 30 June 2009) following dilution to ASX's holding from the issuance of employee shares by IRESS.

**Capital Expenditure**

Capital expenditure for FY10 of \$27.5 million was within the guidance range provided at the half-year and compares to \$25.8 million in the pcp. Expenditure in FY10 was incurred on several core technology platform upgrades including a next generation futures trading system, a new low latency cash market trading platform and a major functional upgrade to the Austraclear application (all scheduled for implementation in FY11), as well as a new collateral management system. In addition, expenditure was incurred on a number of new and enhanced product offerings and supervision-related applications, including implementation of a major upgrade to the SMARTS surveillance system and a new capital monitoring application.

ASX has entered into a commitment to build a new data centre to upgrade its primary and backup requirements, and also to provide significantly expanded co-location facilities. A new data centre is targeted to be operational in the first-half of FY12 and ASX will incur capital costs in the range of \$32 million to \$35 million on that facility, mainly in FY11. ASX expects that FY11 capital expenditure will be in the range of \$50 million to \$55 million (including costs of the new data centre facility).



### Issued Capital

At 30 June 2010, ASX had 173,573,245 ordinary shares on issue (171,188,524 as at 30 June 2009). The increase of 2,384,721 was due to the issue of:

- 2,243,951 shares under the dividend reinvestment plan in September 2009 and March 2010; and
- 140,770 shares under the December 2006 grant of the Long-Term Incentive plan (including 30,000 issued to the Managing Director and CEO in August 2009).

ASX does not currently have any outstanding rights to unissued shares but had 221,500 shares (at 30 June 2010) held on trust related to unvested Long-Term Incentive grants issued in December 2007 and December 2008. Vesting of these rights will be dependent on attainment of performance hurdles in 2010 and 2011 as discussed in the Remuneration Report. No grants were made during FY10 under the Long-Term Incentive plan, however 39,000 performance rights were granted on 1 July 2010 as detailed in the Remuneration Report.

### Balance Sheet Summary

A summary of the Group balance sheet at 30 June 2010 and 30 June 2009 is included below.

	As at 30 June 2009 \$ Million	As at 30 June 2010 \$ Million
<b>Assets</b>		
Cash and available-for-sale financial assets	4,019.5	<b>3,716.8</b>
Goodwill	2,262.8	<b>2,262.8</b>
Other assets	504.5	<b>641.2</b>
<b>Total assets</b>	<b>6,786.8</b>	<b>6,620.8</b>
<b>Liabilities</b>		
Amounts owing to participants	3,608.6	<b>2,990.2</b>
Borrowings	100.0	<b>250.0</b>
Other liabilities	304.8	<b>459.3</b>
<b>Total liabilities</b>	<b>4,013.4</b>	<b>3,699.5</b>
<b>Equity</b>		
Capital	2,361.8	<b>2,437.3</b>
Retained earnings	272.6	<b>319.7</b>
Reserves	139.0	<b>164.3</b>
<b>Total equity</b>	<b>2,773.4</b>	<b>2,921.3</b>

During FY10 total assets reduced slightly to \$6,620.8 million, total liabilities reduced to \$3,699.5 million and total equity increased from \$2,773.4 million to \$2,921.3 million. Participant collateral and commitment balances held reduced 17.1% from \$3,608.6 million to \$2,990.2 million, reflecting lower open positions and volatility and hence lower collateral risk margin settings. Consequently, cash and available-for-sale financial assets reduced from \$4,019.5 million to \$3,716.8 million, predominantly reflecting the lower collateral balances invested. Other assets increased by \$136.7 million compared to pcp, predominantly due to collateral margins receivable the next day, with a corresponding increase in other liabilities, reflecting margins payable. Other liabilities also reflect an additional \$23 million of transaction rebates payable for cash and derivatives markets discussed earlier.

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), which remains largely unaltered.

As described fully in the half-year report, borrowings increased by \$150 million due to the repayment of the \$100 million ASX Clear term loan facility (which replaced default insurance in May 2009) and simultaneous drawdown on a three-year \$250 million non-recourse loan facility provided to ASXCC. These funds have in turn been provided by ASXCC to its two licensed central counterparty clearing subsidiaries (ASX Clear \$100 million and ASX Clear (Futures) \$150 million) on the same terms and conditions. Further details of the central counterparty clearing subsidiary financial resources are contained in the capital management section of this report.

## Equity Capital

Total ASX Group equity capital at 30 June 2010 was \$2,921.3 million. Net tangible equity, defined as total equity less goodwill of \$2,262.8 million, was \$658.5 million. Net tangible asset backing per share increased to \$3.49 at 30 June 2010 compared to \$2.66 at 30 June 2009. The components of ASX's equity capital at 30 June 2010 were:

- \$2,437.3 million of issued capital (\$174.5 million excluding goodwill), up \$75.5 million from 30 June 2009 due to the issuance of ordinary shares under the dividend reinvestment plan during FY10;
- \$319.7 million of retained earnings, up \$47.1 million from 30 June 2009 reflecting FY10 statutory profit after income tax earnings offset by the payment of dividends. \$145.8 million (90% of underlying profit after income tax) will be utilised for the final dividend payable on 27 September 2010;
- \$71.5 million of restricted capital reserves, unchanged from 30 June 2009;
- \$85.8 million of asset revaluation reserves, up \$23.9 million from 30 June 2009, primarily due to the appreciation in value of ASX's 18.8% investment in IRESS; and
- \$7.0 million of equity compensation reserve arising from the share-based Long-Term Incentive plan, up \$1.3 million from 30 June 2009.

## Capital Management

ASX continues to manage its capital position by assessing risk-based capital requirements while providing sufficient flexibility to meet potential capital needs.

At 30 June 2010, ASX attributes a risk-based capital requirement of \$371.7 million against available net tangible equity of \$658.5 million to derive non-attributed capital of \$286.8 million. Adjustment for the proposed final dividend and potential dividend reinvestment reduces the non-attributed capital to \$183.3 million. The level of non-attributed capital is deemed adequate and appropriate given current market and operating conditions. It also provides a suitable buffer that can be utilised to meet any potential fluctuations in capital requirements, with particular reference to the ongoing capital needs of the central counterparty clearing subsidiaries.

	As at 30 June 2009 \$ Million	As at 30 June 2010 \$ Million
Shareholders equity	2,773.4	<b>2,921.3</b>
Less goodwill	(2,262.8)	<b>(2,262.8)</b>
<b>Net tangible equity</b>	<b>510.6</b>	<b>658.5</b>
Risk-based capital attribution:		
Clearing participant default risk	250.0	<b>250.0</b>
Investment, operational and fixed asset risk	110.3	<b>121.7</b>
<b>Total risk-based capital attribution</b>	<b>360.3</b>	<b>371.7</b>
<b>Non-attributed capital at 30 June 2010</b>	<b>150.3</b>	<b>286.8</b>
Less dividend payable	(127.5)	<b>(145.8)</b>
Add dividend reinvestment plan*	30.6	<b>42.3</b>
<b>Non-attributed capital after provision for dividend</b>	<b>53.4</b>	<b>183.3</b>

\* Actual reinvestment for final FY09 dividend; forecast for final FY10.

The increase in non-attributed capital position is, therefore, prudent and deemed appropriate providing the Group with flexibility to utilise its capital to support the various activities it undertakes.

ASX has determined that the dividend reinvestment plan will apply to the final FY10 dividend.

As the prior analysis indicates, the primary risk affecting the ASX Group from a capital perspective relates to potential clearing participant default. This capital attribution reflects the level of ASX Group equity and subordinated debt provided to the clearing subsidiaries to form part of their clearing guarantee funds that are available, after using any defaulting participant margins, to absorb any shortfalls from a clearing participant default.

The following table sets out the composition of the clearing guarantee funds for each clearing subsidiary at 30 June 2010 compared to 30 June 2009. No changes were made to the clearing guarantee funds in the second half of FY10, following release of the half-year report.

### ASX Clear Guarantee Fund

	As at 30 June 2009 \$ Million	As at 30 June 2010 \$ Million
Restricted capital reserve	71.5	<b>71.5</b>
Capital contributed by ASX Group	3.5	<b>3.5</b>
Subordinated debt provided by ASX Group	75.0	<b>75.0</b>
<b>Sub-total ASX Group provided resources</b>	<b>150.0</b>	<b>150.0</b>
Subordinated debt (external)	100.0	–
Non-recourse subordinated debt (external)	–	<b>100.0</b>
Clearing participant commitments – uncalled	300.0	<b>300.0</b>
<b>Total ASX Clear clearing guarantee fund</b>	<b>550.0</b>	<b>550.0</b>

### ASX Clear (Futures) Guarantee Fund

	As at 30 June 2009 \$ Million	As at 30 June 2010 \$ Million
Capital contributed by ASX Group	30.0	<b>30.0</b>
Subordinated debt provided by ASX Group	70.0	<b>70.0</b>
<b>Sub-total ASX Group provided resources</b>	<b>100.0</b>	<b>100.0</b>
Clearing participant commitments – lodged	120.0	<b>120.0</b>
Clearing participant commitments – uncalled	30.0	<b>30.0</b>
Third-party provided insurance	150.0	–
Non-recourse subordinated debt (external)	–	<b>150.0</b>
<b>Total ASX Clear (Futures) clearing guarantee fund</b>	<b>400.0</b>	<b>400.0</b>

As discussed in the half-year report, the significant change in the composition of the clearing guarantee funds since last year has been the replacement of the third-party provided default insurance with third-party provided non-recourse debt facilities. There is no recourse to ASX Limited with respect to the debt facility which is provided to ASXCC. In the event that a funding shortfall is suffered by either clearing subsidiaries as a result of a participant default, and the amount of the shortfall exceeds prior ranking funds held within the clearing guarantee funds, as detailed above, the principal amount of the loan is reduced by a corresponding amount without obligation to repay at maturity. No defaults or shortfalls have been experienced in either clearing subsidiary in FY10 or FY09.

### Liquidity Management

ASX seeks to manage liquidity efficiently so that 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 stand-by liquidity facility for \$50 million provided to ASX Clear by ASX Limited as part its default liquidity requirement.

The table overleaf shows the derivation of ASX's free cash balance at 30 June 2010 and 30 June 2009. The total cash and short-term money market investments balance of ASX Group at 30 June 2010 was \$3,716.8 million. Cash and fixed income securities collateral provided by participants of \$2,907.8 million and participant commitments provided in cash to the ASX Clear guarantee fund of \$82.4 million are then deducted to derive ASX's own cash balance of \$726.6 million. Specific cash allocations totalling \$558.3 million are then deducted to derive period-end free cash flow of \$168.3 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 \$88.9 million.

**ASX Group Cash**

	As at 30 June 2009 \$ Million	As at 30 June 2010 \$ Million
Total cash and short-term investments	4,019.5	<b>3,716.8</b>
Less participant margins and commitments	(3,608.6)	<b>(2,990.2)</b>
<b>ASX Group own cash reserves</b>	<b>410.9</b>	<b>726.6</b>
<b>Less specific own cash allocations:</b>		
<b>Clearing guarantee fund (CGF) requirements</b>		
ASX Clear (Futures) capital and ASX subordinated debt	(100.0)	<b>(100.0)</b>
ASX Clear capital and ASX subordinated debt	(150.0)	<b>(150.0)</b>
External borrowings supporting the CGF	(100.0)	<b>(250.0)</b>
<b>Total cash-backed CGF requirements</b>	<b>(350.0)</b>	<b>(500.0)</b>
<b>Austraclear cash capital requirement</b>	<b>(8.3)</b>	<b>(8.3)</b>
<b>Stand-by liquidity facility*</b>	-	<b>(50.0)</b>
<b>Total specific cash allocations</b>	<b>(358.3)</b>	<b>(558.3)</b>
<b>Available free cash (liquidity)</b>	<b>52.6</b>	<b>168.3</b>

\* Previously provided by an external facility now provided by ASX Limited given the level of available liquidity.

The increase in the ASX Group's underlying cash position or free cash flow during FY10 is detailed below:

	\$ Million
<b>Free cash flow at 30 June 2009</b>	<b>52.6</b>
Add:	
Cash generated from profits and working capital in FY10	371.2
Cash from dividend reinvestment plans in FY10	75.5
Cash from increase in borrowings in FY10	150.0
Less:	
Cash used for payment of dividends in FY10	(281.0)
Increase in external borrowings supporting the CGF	(150.0)
Increase in ASX Limited stand-by liquidity facility	(50.0)
<b>Free cash flow at 30 June 2010</b>	<b>168.3</b>

Net of borrowings, the ASX Group underlying cash position at 30 June 2010 was \$476.6 million, an \$165.7 million increase on 30 June 2009. The increase in available free cash during FY10 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.

**Summary**

FY10 saw resumed growth momentum, albeit with a period of increased volatility in the second half of the year. Underlying NPAT of \$332.6 million reflects a strong improvement on the pcp and EBITDA of \$454.0 million, up 13.5% on FY09, is characteristic of ASX's strong operating leverage given its predominantly fixed cost base.

During the year the All Ordinaries Index rose 9.5% to 4,324.8 despite giving up some gains over the last two months of the year. Average daily cash market traded value of \$5.4 billion was up 20.8% on FY09 and average daily derivatives contract volume of 382,843 was up 17.8%. Improved IPO and continued strong secondary activity by listed entities in FY10 emphasise the ongoing importance and efficiency of Australia's equity market. Despite the improved conditions compared to the pcp, European sovereign debt issues indicate further challenges and potential volatility to equity and derivatives markets in the near-term.

The successful transfer of certain supervisory activities to ASIC on 1 August 2010 leaves ASX to focus on the re-defined ASX Compliance function. Careful management of operating expenditure will enable ASX to continue to grow its core business, and to meet the challenges and maximise the opportunities offered in a more competitive environment in FY11 and beyond.

**Ramy Aziz**

*Chief Financial Officer*

# Key Financial Ratios

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

## 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 FY10, FY09, FY08 and FY07 based on pro-forma normal 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

	FY06	FY07	FY08	FY09	FY10
<b>Cash Market</b>					
Trading days	253	252	253	254	<b>253</b>
Total cash market trades ('000)	31,634	48,938	91,330	106,680	<b>132,250</b>
Average daily cash market trades ('000)	125	194	361	420	<b>523</b>
Total cash market value traded (including crossings) (\$bn)	\$984.170	\$1,323.777	\$1,615.847	\$1,129.460	<b>\$1,359.304</b>
Average daily cash market value (including crossings) (\$bn)	\$3.890	\$5.253	\$6.387	\$4.447	<b>\$5.373</b>
Total billable value (\$bn)	\$983.427	\$1,186.111	\$1,559.582	\$1,093.226	<b>\$1,302.769</b>
Percentage of turnover crossed	31.6%	31.9%	26.6%	26.0%	<b>29.0%</b>
Percentage of turnover over \$2.679m (where \$75 cap applies)	N/A	N/A	3.5%	3.2%	<b>4.2%</b>
Average cash market trading, clearing and settlement fee	\$3.79	\$3.18	\$2.07	\$1.53	<b>\$1.37</b>
Average fee per value traded (bps)	1.22	1.18	1.17	1.44	<b>1.33</b>
<b>Listings and Capital Raisings</b>					
Total domestic market capitalisation (\$bn)	\$1,207	\$1,598	\$1,415	\$1,098	<b>\$1,254</b>
Total number of listed entities (includes all stapled entities)	1,930	2,090	2,226	2,198	<b>2,192</b>
Number of new listings	227	284	236	45	<b>93</b>
Average annual listing fee	\$18,194	\$21,395	\$22,561	\$21,153	<b>\$24,254</b>
Average initial listing fee	\$61,756	\$69,817	\$50,233	\$54,234	<b>\$67,661</b>
Average fee per \$m of secondary capital	\$693	\$571	\$687	\$398	<b>\$723</b>
Initial capital raised (\$m)	\$23,108	\$19,694	\$11,206	\$1,885	<b>\$11,460</b>
Secondary capital raised (\$m)	\$28,327	\$58,211	\$50,642	\$88,079	<b>\$65,087</b>
Total capital raised (\$m)	\$51,435	\$77,905	\$61,848	\$89,964	<b>\$76,547</b>
Other secondary capital raised including scrip for scrip (\$m)	\$12,019	\$20,737	\$16,476	\$32,561	<b>\$4,469</b>
Number of new warrant series	4,678	5,873	7,177	3,194	<b>2,303</b>
Total warrant series	3,104	3,788	4,293	2,516	<b>2,226</b>

## Transaction Levels and Statistics *continued*

	FY06	FY07	FY08	FY09	FY10
<b>Derivatives Markets</b>					
Trading days derivatives (ASX)	253	252	253	254	<b>253</b>
<b>Derivatives (excluding ASX SPI 200)</b>					
Total contracts ('000)	23,230	23,260	23,229	19,005	<b>21,654</b>
Average daily derivatives contracts ('000)	92	92	92	75	<b>86</b>
Average fee per derivatives contract	\$1.44	\$1.48	\$1.47	\$1.34	<b>\$1.46</b>
Trading days futures and options on futures (ASX 24)	256	255	256	256	<b>256</b>
<b>Contracts for Difference (commenced 5 November 2007)</b>					
Total trades	N/A	N/A	50,772	85,883	<b>124,172</b>
Notional value traded (\$m)	N/A	N/A	\$1,561.2	\$1,974.0	<b>\$3,615.6</b>
Total open interest value (\$m) at end of period	N/A	N/A	\$67.4	\$64.7	<b>\$118.6</b>
Total contracts traded ('000)	N/A	N/A	56,442	90,330	<b>152,948</b>
<b>Futures and Options on Futures</b>					
Total contracts – futures ('000)					
ASX SPI 200	5,917	7,345	9,075	10,360	<b>9,738</b>
90 day bank bills	18,133	21,328	23,168	15,184	<b>16,538</b>
3 year bonds	28,735	32,178	31,751	22,275	<b>30,196</b>
10 year bonds	12,777	17,060	17,553	10,813	<b>11,274</b>
30 day interbank cash rate	1,494	2,942	3,377	2,105	<b>3,691</b>
Agricultural	17	24	23	17	<b>7</b>
Electricity	31	116	110	102	<b>151</b>
Other	51	25	7	2	<b>8</b>
NZD – 90 day bank bills	1,473	1,800	1,468	1,406	<b>1,627</b>
<b>Total Futures</b>	<b>68,628</b>	<b>82,818</b>	<b>86,532</b>	<b>62,264</b>	<b>73,230</b>
Total contracts – options on futures ('000)					
ASX SPI 200	703	544	491	398	<b>352</b>
90 day bank bills	212	722	323	132	<b>37</b>
3 year bonds	784	571	492	203	<b>405</b>
Overnight 3 year bonds	1,464	1,374	909	789	<b>1,375</b>
Intra-day 3 year bonds	498	588	334	252	<b>679</b>
10 year bonds	49	50	10	9	<b>5</b>
Overnight 10 year bonds	77	57	5	2	<b>1</b>
Intra-day 10 year bonds	1	1	<1	–	<b>–</b>
Electricity	–	3	5	13	<b>12</b>
NZ share options	–	4	5	1	<b>–</b>
NZD – 90 day bank bills	14	12	4	3	<b>1</b>
<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>Total Futures and Options Contracts Volume ('000)</b>	<b>72,430</b>	<b>86,744</b>	<b>89,110</b>	<b>64,066</b>	<b>76,097</b>
Daily average contracts – futures and options ('000)	283	340	348	250	<b>297</b>
Average fee per contract – futures and options	\$1.45	\$1.39	\$1.49	\$1.69	<b>\$1.53</b>

## Transaction Levels and Statistics *continued*

	FY06	FY07	FY08	FY09	FY10
<b>Austraclear Settlement and Depository</b>					
Trading days	253	252	253	252	<b>253</b>
<b>Transactions ('000)</b>					
Cash transfers	618	636	660	667	<b>613</b>
Fixed interest securities	376	372	306	329	<b>474</b>
Discount securities	342	334	374	326	<b>290</b>
Foreign exchange	53	39	33	28	<b>30</b>
Interest rate swaps	11	10	9	6	<b>2</b>
Forward rate agreements	5	5	7	7	<b>9</b>
Audit certificates	<1	1	1	1	<b>2</b>
<b>Total Transactions</b>	<b>1,406</b>	<b>1,397</b>	<b>1,390</b>	<b>1,364</b>	<b>1,420</b>
Average daily settlement volume ('000)	5.57	5.55	5.49	5.41	<b>5.61</b>
Securities holdings (monthly average \$bn)	\$612.0	\$718.4	\$929.5	\$1,042.0	<b>\$1,115.0</b>
Average settlement and depository fee (including portfolio holdings)	\$9.53	\$10.13	\$10.37	\$11.23	<b>\$13.48</b>
<b>Market Connectivity</b>					
No. of ASX workstations – period end	669	754	938	771	<b>760</b>
No. of ASX interfaces – period end	1,020	893	1,173	1,339	<b>1,641</b>
No. of ASX 24 workstations – period end	238	233	206	37	<b>25</b>
No. of ASX 24 interfaces – period end	162	219	354	351	<b>405</b>
<b>Information Services</b>					
ASX market data terminals – period end	41,922	61,938	77,905	67,715	<b>64,454</b>
ASX 24 market data terminals – period end	18,393	22,141	23,319	17,213	<b>18,003</b>
ASX market data terminals – monthly average	39,972	54,152	75,743	69,709	<b>68,666</b>
ASX 24 market data terminals – monthly average	18,398	20,796	18,829	18,583	<b>17,684</b>
<b>System Uptime (Period Average)</b>					
ITS	100.00%	100.00%	100.00%	100.00%	<b>100.00%</b>
CHESS	100.00%	100.00%	99.99%	100.00%	<b>100.00%</b>
SYCOM®	99.81%	99.98%	99.96%	99.89%	<b>99.98%</b>
SECUR	100.00%	100.00%	100.00%	100.00%	<b>99.99%</b>
EXIGO	99.94%	99.40%	99.94%	99.91%	<b>99.89%</b>



# An Evolving Equity Market Structure in Australia

ASX's objectives are to support a vibrant Australian economy by facilitating the raising, allocation and hedging of capital flows. ASX does this through the operation and oversight of a listings function, and the provision of contemporary trading, clearing and settlement facilities.

We work to achieve these objectives by ensuring:

- 1 ASX-listed entities and quoted securities meet standards of
  - governance, with respect to listed entities;
  - disclosure and information quality;
  - risk transfer integrity, with respect to listed derivatives; and
- 2 ASX's trading, clearing and settlement facilities are
  - neutral – they are fair and not biased towards serving the needs of any one stakeholder group;
  - efficient – as reflected in their up-time, capacity and performance (latency); and
  - globally distributed – via trading hubs in Chicago, London, Hong Kong and Singapore.

Importantly, our ability to achieve our goal is dependent upon our customers' experience of the value we deliver. To this end, we tailor our services and value propositions to reflect the needs of specific customer segments.

## ASX is developing its brand to better position the Group within the evolving Australian equity market structure...

### Creation of a Master Brand Supported by Four Sub-brands



ASX Group is the new master brand developed to better reflect the role of ASX Limited as the holding company of a group with a range of activities linked by their common strategy – to provide market infrastructure necessary for a globally competitive capital market and a vibrant Australian economy.



Australian Securities Exchange reflects ASX's primary, secondary, and derivative market services.



ASX Clearing Corporation is a new brand under which ASX's clearing services will be promoted.



ASX Settlement Corporation is a new brand under which ASX's settlement services will be promoted.



ASX Compliance provides services to the ASX Group for the ongoing monitoring and enforcement of compliance with the ASX Group operating rules.

... and to benefit from some significant market structure changes that will occur in 2011 and beyond.

## From

### Trading

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- A single national market for trading in ASX-quoted securities, maximising liquidity and the quality of prices through a single central order book.
- Trading is primarily undertaken for investment purposes. Market makers, arbitrageurs and other short-term traders add to market liquidity.
- Single source of market data.
- Simple trade fee structure where orders are free of charge and single, low cost execution covers all trades.

### Clearing and Settlement

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- ASX Group provides the national clearing and settlement facilities that are seamlessly integrated with the trade execution service.

### Supervision

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- ASX Markets Supervision responsible for ensuring compliance with the ASX operating rules and for supervising trading activity in the equities and futures markets.

## To

### Trading

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- Trading in ASX-quoted securities occurs on multiple trading venues.
- High frequency trading increases rapidly to exploit new 'latency arbitrage' opportunities based upon the differences in speeds across trading venues.
- Order book depth increases reflecting the rise in short-term (intra-day) traders, reducing liquidity search costs, narrowing spreads and reducing the cost of capital.
- Market data services providing customers with a range of product options around performance (speed), coverage (single venue or multiple venues) or detail (all orders for all securities or a subset).
- Smart order routing services evolve to provide traders and investors tools to achieve 'best execution' across trading platforms.
- Headline trade execution fees reduced. Additionally, a broader range of execution services are established, resulting in a more diverse range of value propositions and, therefore, pricing options.

### Clearing and Settlement

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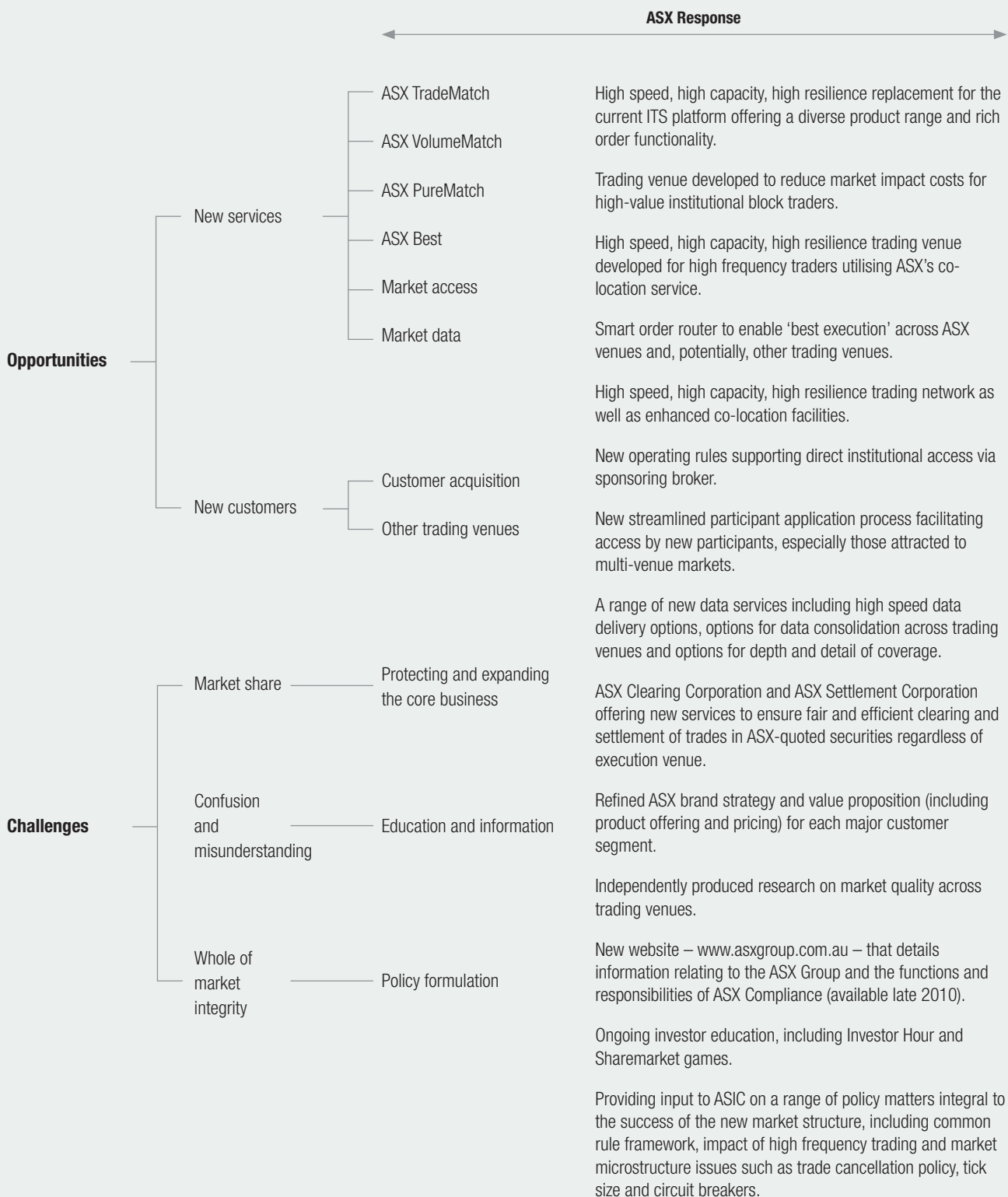
- Equities clearing and settlement services, based upon direct electronic interface between trading venue and ASX clearing and settlement facilities, offered to alternative trading venues.

### Compliance

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- ASIC responsible for the supervision of real-time trading on domestic licensed financial markets and for the conduct of participants (including the relationship between participants and their clients) on those markets, and for the enforcement of ASIC Market Integrity Rules across all financial markets.
- ASX Compliance responsible for monitoring and enforcing compliance with the ASX Group's operating rules.

These changes create a number of opportunities and challenges. ASX is addressing each of these.



ASX's response includes a number of human resource initiatives to help our staff adapt and succeed in a new environment.

#### **Learning, Development and Succession Planning**

ASX's learning and development strategy focuses on three key areas.

**1 Leadership development and succession planning** that works in conjunction with talent management to ensure:

- key people are identified and have structured development plans in place; and
- key positions have established succession plans.

**2 Talent management** to ensure:

- core competencies are closely aligned with business strategy;
- knowledge is appropriately transferred across the organisation; and
- training and development opportunities are provided for both technical and non-technical competencies.

**3 Introduction of a subject matter expert** development program to build this key area of our talent pool and create new career pathways.

#### **Recruiting and Retaining the Best People**

ASX values a diverse workforce with a wide range of skills, backgrounds and experiences. Key initiatives designed to attract and retain high quality employees to create a diverse workforce include:

- **Balance@ASX** which aims to provide a holistic approach in supporting ASX employees' desire to balance work, personal and family life;
- creating an environment where all employees are treated with fairness and respect, and have equal access to development opportunities by implementing relevant **diversity** policies, and metrics to evaluate our progress; and
- providing cross training and development opportunities via **secondments, project work and promotion**.

#### **Performance, Reward and Accountability**

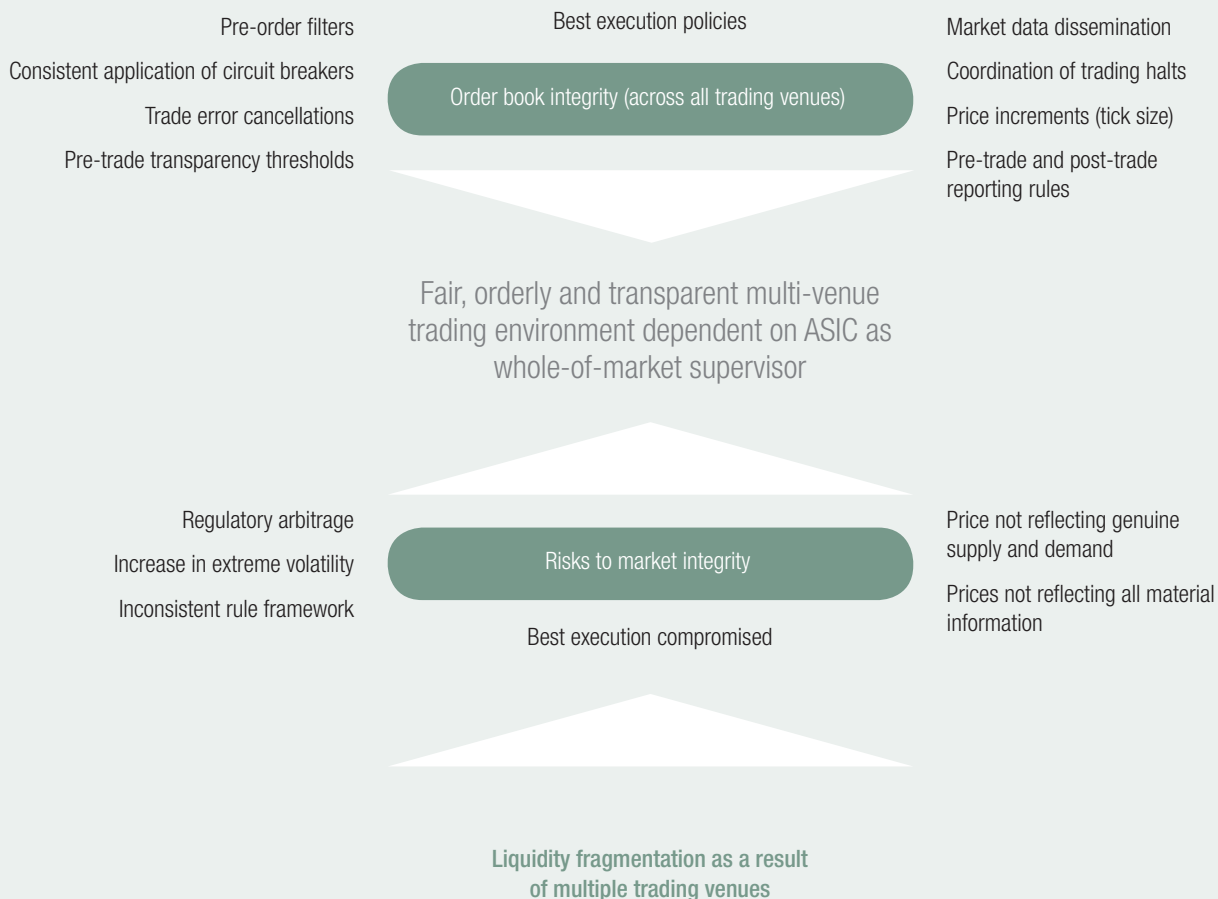
Our **balanced scorecard** and **objective setting and development plan** are being reviewed to reflect the current business environment, and to ensure staff have a clear line of sight as to how their individual objectives contribute to the achievement of broader business objectives.

ASX has an effective **objectives-based performance management system** that ensures staff and management have a clear understanding of their objectives and performance targets.

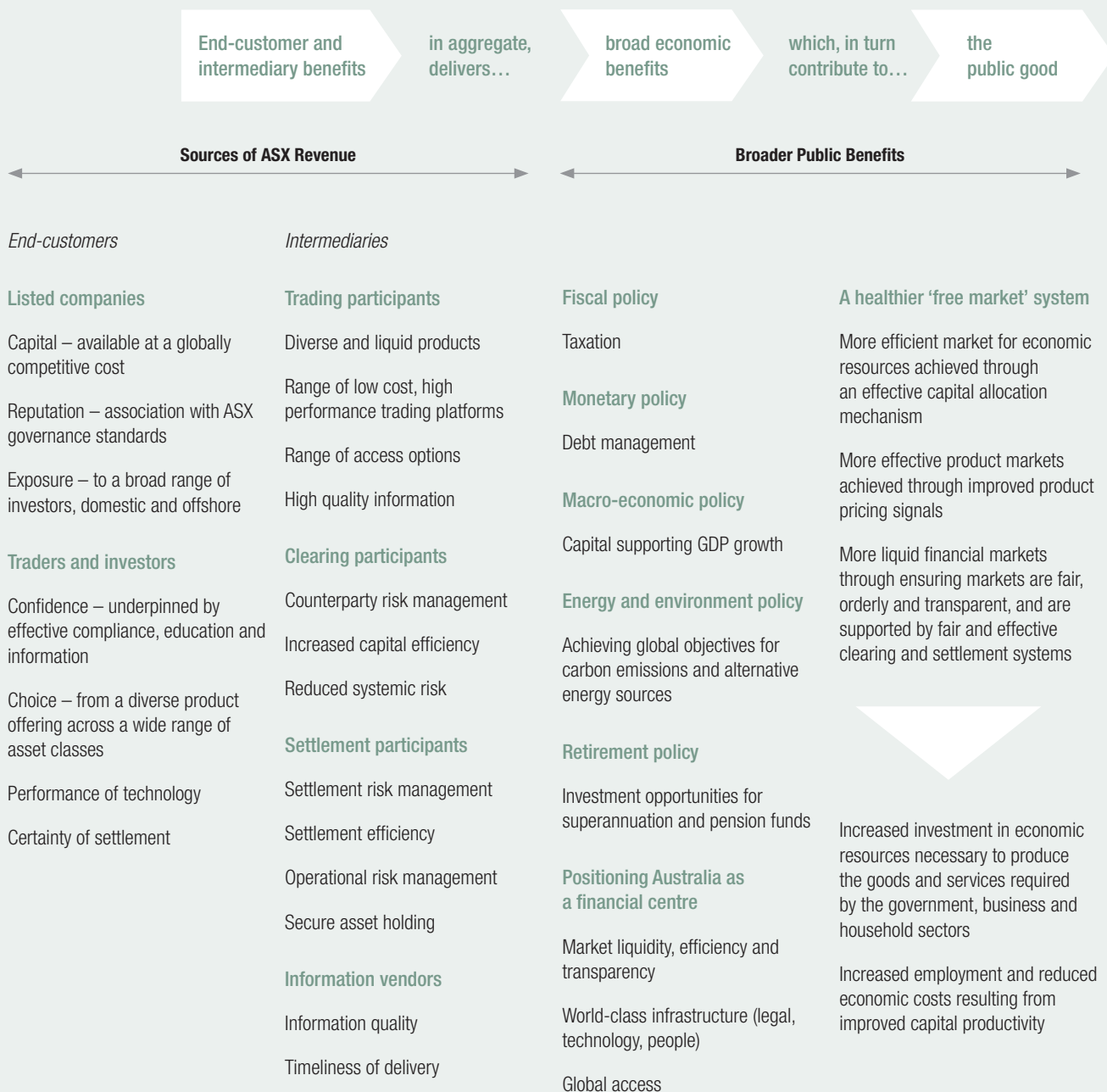
The ASX **performance and reward framework** has been reviewed to ensure that it is consistent with market practice, aligned with Group objectives and is linked to a remuneration system that attractively rewards exceptional performance.

ASX’s response also includes working with ASIC to help ensure the protection of what we enjoy now – deep, transparent markets; informed, confident investors; and consistent, efficient regulation.

Managing market integrity in a fragmented marketplace



Collectively, the responses aim to ensure ASX maintains its role of providing benefits to customers, to the Australian economy and to the broader public good.



Global conditions in FY10 began to return to normal for supervisors and participants of exchange-traded markets, and so too was it largely the case for ASX Compliance (formerly ASX Markets Supervision – ASXMS) and its business-as-usual activities. At a macro level, however, FY10 was anything but ‘normal’ for the ASX Group, and for ASXMS in particular, with the Government announcing in August 2009 that supervision of real-time trading on Australia’s domestic licensed markets and for the conduct of participants (including the relationship between participants and their clients) on those markets, would be transferred to ASIC.

The transfer took effect on 1 August 2010, with ASX now having the re-defined role of market operator – rather than supervisor – with responsibility for monitoring and enforcing compliance with its operating rules, including the listing rules. While ASX devoted considerable resources to ensuring a seamless handover of responsibilities to ASIC, the effort was not at the expense of maintaining high supervisory standards during the year in review.

ASX has retained its subsidiary company to fulfil its ongoing obligations to monitor and enforce compliance with the ASX Group operating rules. Formerly ASXMS, the name of this subsidiary changed on 1 August 2010 to describe its altered role – ASX Compliance.

This report reflects the work of ASXMS before the creation of ASX Compliance.

In line with ASXMS’s objective to maintain and strengthen market integrity, and in addition to its normal day-to-day activities, ASXMS undertook a wide-ranging review of key supervisory methodologies, practices and policies in FY10. This was done to assess their effectiveness and build on lessons learnt from the global financial crisis. It also enabled ASXMS to introduce a number of improvements ranging from incremental changes to procedural check-lists to additional risk-based and/or preventative measures in specific areas.

Some of these new measures, as well as other highlights of ASXMS’s activities in FY10, are outlined in this report.

## Issuers

An extensive review was conducted of how ASXMS monitors listed entity compliance with listing rules. Practices, policies and rules were stress-tested against recent market events. The review concluded that there were no supervisory gaps that could have exacerbated market risk. However, to underline the importance of disclosure obligations under the listing rules, further consideration is being given to improving guidance on various aspects of disclosure. These include in relation to complex corporate structures, the extent of leverage, material changes to an entity’s financial position, and disclosures under the Joint Ore Reserves Committee (JORC) Code.

ASXMS Issuers advisers made 678 continuous disclosure queries (down 21% on FY09) and 693 price queries (up 10% on FY09) of listed entities in FY10. The Issuers unit also monitored compliance with periodic disclosure requirements such as those covering corporate governance and JORC Code reporting.

While corporate governance reporting levels by listed entities remained high, ASXMS continued to find breaches of the JORC Code. Accordingly, there will be a particular focus in FY11 on providing guidance and education to mining companies to improve their understanding of the listing rules and JORC Code.

Results of the reviews by ASXMS of the lodgement of Directors’ Interest Notices and trading by directors during a blackout period are also seen as important indicators of prevailing corporate governance culture. It is encouraging to note the improvement in the timeliness of lodgement of Directors’ Interest Notices and the decline in the percentage of confirmed contraventions by directors of their companies’ trading policies over the course of FY10.

Nevertheless, ASX has introduced listing rules requiring entities to adopt and disclose their company trading policy (or a summary thereof), which must include trading restrictions and clearance procedures for trading by directors and key management personnel. These listing rule requirements will commence operation on 1 January 2011. Trading by directors and prompt disclosure of their change of interests are issues that impact on overall confidence in the integrity of the Australian market.

The complete results for all disclosure-related reviews conducted by ASXMS are available on the ASX website: [www.asx.com.au/media](http://www.asx.com.au/media)

### Participants

Underpinning the strategy of the ASXMS Participant Compliance unit in FY10 was the importance of enhancing the culture of preventative compliance within participant organisations. This approach involved top-down as well as bottom-up reviews, depending on the nature of the issue.

For example, a number of participants identified as not having met the required standards of risk, compliance and supervisory management were asked to undertake a management plan enhancement program. Some participants voluntarily participated in the program too. The results were encouraging, with evidence that there is greater awareness of risk and compliance requirements at senior management and board levels, and improved governance structures and supervisory policies, procedures and controls in place. A number of participants have also augmented their resources dedicated to risk and compliance functions.

There were also targeted reviews of specific areas of operational and supervisory risk. For example, increasing demand for faster access to markets was the catalyst for the review of automated order processing (AOP) and automated client order processing (direct market access) certification. This review, among other things, looked at filters, IT security protocols, and system over-riding capabilities employed by participants' systems. The monitoring of option market makers was another review undertaken to improve compliance with the market-making obligations under the ASX rules.

Another key element of the preventative compliance strategy is education. With funding from the Education and Research Program, ASXMS Participant Compliance worked with the Australasian Compliance Institute to develop a compliance and risk workshop aimed at participants of the ASX Group's trading, clearing and settlement facilities. All up, 13 courses were held nationally in FY10 with 293 attendees from 75 participants taking part. Feedback about the workshop has been extremely positive, demonstrating that courses like these influence and reinforce the culture of compliance within the industry.

### Capital Monitoring

The monitoring of participants' capital levels was a key activity within ASXMS, given its importance in the management of counterparty risk. In addition to the day-to-day review of returns lodged by participants, a new program of participant-specific as well as industry-wide spot checks was implemented in FY10. While no major breaches or issues were found, the checks identified areas where there was scope for improvement and the participants in question were informed.

### Enforcement Activities

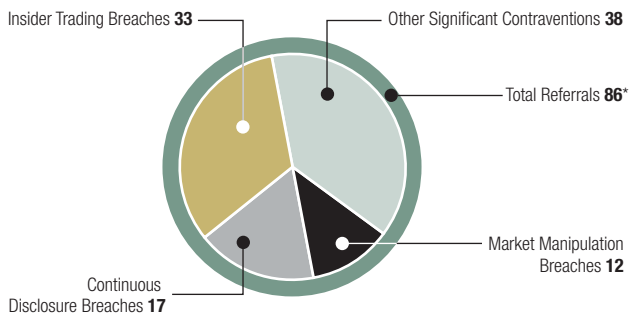
A range of enforcement tools were available to ASXMS under the ASX rules. Depending on the seriousness and nature of the breach, this (non-exhaustive) range of tools included:

- query/conduct/management/warning letters;
- removal of rights, including suspension and termination;
- requirement for remedial action by the participant; and/or
- requirement for an audit.

In addition, certain breaches of the rules were dealt with by the Disciplinary Tribunal, and significant ASX rule or Corporations Act breaches were referred to ASIC for further action.



In FY10 ASXMS referred 86 matters to ASIC, 2% down on FY09. These included 17 suspected continuous disclosure breaches, 12 suspected market manipulation breaches and 33 suspected insider trading breaches.



\* A single referral may contain more than one suspected breach.

Annual numbers of referrals to ASIC and Disciplinary Tribunal outcomes are the headline statistics used as a measure of enforcement activity. However, a large number of matters that ASXMS investigates do not result in a referral to ASIC or a hearing by the Disciplinary Tribunal.

For example, in FY10, the Insider Trading unit commenced 154 insider trading enquiries and 29 market manipulation enquiries that resulted in 33 insider trading and 12 market manipulation potential breaches that were referred to ASIC.

It is also noteworthy that during FY10, ASIC commenced proceedings or obtained outcomes in 19 matters that were referred to it by ASXMS. These matters related to insider trading, market manipulation, providing false or misleading information, and misleading and deceptive conduct. They resulted in a range of penalties including prison terms, fines and banning orders.

### Disciplinary Tribunal

The Disciplinary Tribunal determined and published outcomes in 37 matters in FY10, an increase of 85% compared to FY09. In addition, a record total of \$3.3 million in fines was imposed, an overall increase of 247% on FY09, against 28 participants.

Not evident from these statistics was the increased complexity in the matters heard by the Tribunal in FY10, particularly those that involved market manipulation, which may be attributed to the difficult market conditions during the global financial crisis. One market participant, for example, was found to have contravened 10 provisions of ASX's operating rules over an extended period of time. In this case the Disciplinary Tribunal imposed a record fine of \$1.35 million (plus GST), finding that some of the contraventions were so significant and serious that the highest financial penalty available at the time the contraventions occurred was warranted.

### Technology

A return lodgement and monitoring (RLM) system was made available to participants in April 2010, enabling paper-based compliance submissions made by participants industry-wide to be lodged electronically.

The removal of a paper-based process and the consolidation of several systems and methods of processing into one, have generated efficiency and improved security, system performance and reliability.

### Education and Research Program

Since 1 January 2007, fines imposed by the Disciplinary Tribunal have been directed to the funding of the Education and Research Program (ERP). The ERP aims to raise awareness of current supervisory issues and to promote compliance with ASX's operating rules. Education programs are developed with industry organisations to ensure their relevance and value. The ERP's activities supplement ASXMS's existing schedule of regular presentations, road shows and newsletters to its compliance stakeholders.

In FY10 \$962,552 was spent on 40 ERP events. These included:

- seminars on the JORC Code;
- workshops on corporate governance and market manipulation;
- courses for directors of listed companies and for cash market and futures participants on compliance and risk management; and
- a pilot course on capital monitoring obligations.

Most events were conducted free-of-charge nationwide, and were attended by more than 1,000 people from the listed company and broking sectors.

The ERP also funded an information guide for parties appearing before the Disciplinary Tribunal and the creation of an online facility for searching decisions of the Tribunal on the ASX website. It provided funds for the production of a training guide for the ASX compliance monitor electronic lodgement facility, and for research into understanding capital monitoring practices of exchanges overseas. It also contributed to the Financial Reporting Council for education about financial reporting.

### Corporate Governance

The ASX Corporate Governance Council formed working groups in FY10 to consider revising the Principles and Recommendations in light of the reviews conducted by the Productivity Commission and the Corporations and Markets Advisory Committee (CAMAC) on issues such as executive remuneration and gender diversity. Following public consultation, the Principles and Recommendations were amended in the following areas:

- diversity – there are new Council recommendations that boards set measurable objectives for diversity and an obligation to report against these in the annual report, as well as to report on the proportion of women in their work force, at senior executive level and on the board;
- remuneration – current commentary on the composition of a remuneration committee has been elevated to a recommendation;

- shareholder communication – further guidance has been provided in the commentary about group briefings; and
- trading policies – current recommendation 3.2 has been deleted to avoid duplication with the new ASX listing rules.

### Transfer of Participant Supervision

On 1 August 2010 ASIC assumed responsibility for the supervision of real-time trading on domestic licensed financial markets and for the conduct of participants (including the relationship between participants and their clients) on those markets. ASX retains responsibility for admitting participants to its market, and for monitoring and enforcing compliance with ASX's operating rules.

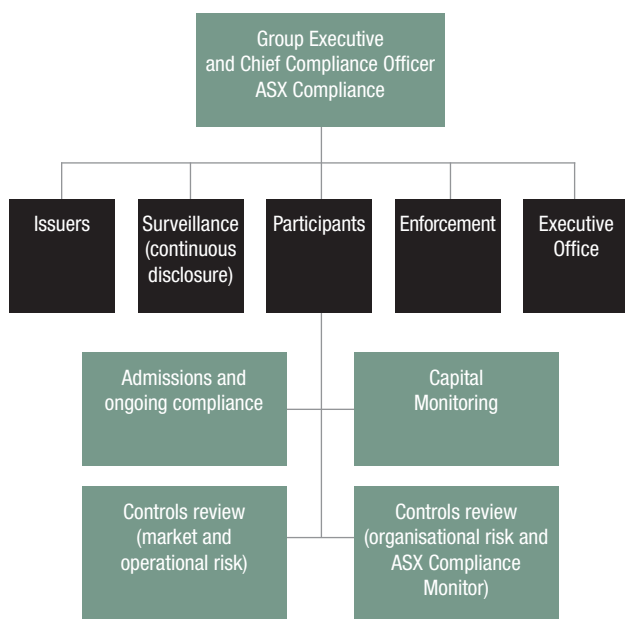
Consequently, rules relating to access-to-facility and to the operation of ASX markets are contained in two new rule books – the ASX rules and the ASX 24 (former SFE) rules. Market integrity and participant conduct (as it applies to trading on licensed financial markets) rules, now to be supervised by ASIC, have been deleted from ASX's rule books and moved to ASIC's market integrity rules. These new arrangements do not change ASX's existing oversight of listed entities or the obligations on ASX's clearing and settlement facility operators.

To reflect ASX's redefined responsibilities, its market supervision units were restructured in June 2010 into five functional areas. The changes include:

- ASXMS has changed its name to ASX Compliance to better reflect its redefined role;
- the former Compliance, Futures Supervision and Capital Monitoring teams have been amalgamated to form the Participants unit with responsibility for monitoring compliance of all ASX Group participants with the revised ASX rules, the ASX 24 rules, and the ASX (and former SFE) clearing and settlement rules;

- the Investigations and Enforcement teams have joined to form the Enforcement unit, which will continue to complete the investigation and enforcement of breaches that occurred prior to the supervisory transfer date in accordance with the rules and disciplinary processes prevailing before the date of transfer; and
- the Surveillance unit will continue its continuous disclosure monitoring activities but cease to monitor for insider trading and market manipulation.

The functions and reporting lines of the Issuers unit have not altered.



Restructured and with a renewed focus, ASX Compliance is well placed to deal with the challenges ahead, which include participant consolidation, new participant business models and listed product innovation.

For the industry, a redrawing of the regulatory landscape that is a precursor to competition for trade execution services poses its own set of challenges. Participant readiness for the transfer of supervision to ASIC is top of mind. But just as important are issues such as best execution, high frequency trading and order fragmentation. Australia's financial markets are held in high regard globally for their innovation and market integrity. The newly named ASX Compliance will strive to preserve that hard won reputation.

This is my last report as the Chief Supervision Officer of ASX. Under the leadership of the ASXMS Board and the executive team, ASXMS has worked to achieve the highest ethical and supervision standards in a manner that is professional, transparent and accountable. I would like to acknowledge the leadership of the ASXMS Board – not only for the development of the solid foundation on which ASXMS has operated, but also for the high level of engagement and commitment to market integrity that has enabled each of its members to provide strategic guidance to management on emerging trends and issues.

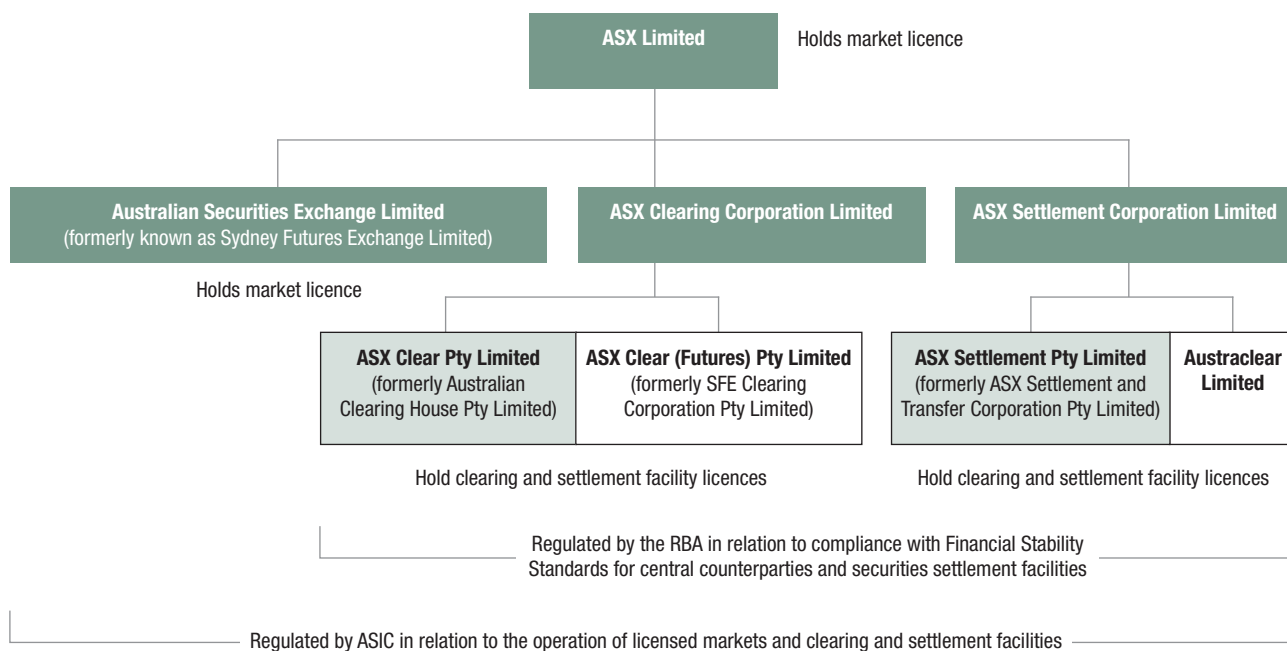
ASXMS would not have met the high standards it sets for itself, and which market stakeholders expect, without the quality of its staff. I and the ASXMS Board thank each and every ASXMS staff member for their hard work, professionalism and dedication in the face of the challenges of the last four years. After managing the intense pressures triggered by the global financial crisis in FY09, ASXMS staff have had to deal with the enormous, and in many cases personal, changes brought about by the transfer of certain supervisory functions in FY10.

It has been my privilege to lead ASXMS since its inception in July 2006. I now handover to Kevin Lewis with best wishes, and with confidence that he is inheriting a culture that strives to strengthen market integrity.

**Eric Mayne**  
*Chief Supervision Officer*

ASX Limited is the publicly listed holding company for the ASX Group.

ASX's trading, clearing and settlement activities are licensed under the Corporations Act and are conducted through the following entities:



## Clearing and Settlement Group Subsidiaries

The directors of the intermediate holding companies and the clearing and settlement facility licensees as at the date of the Report are:

Directors from the ASX Board

- Robert Elstone (Managing Director and CEO)
- Jillian Broadbent AO
- Roderic (Rick) Holliday-Smith
- Peter Marriott (Chairman of the Audit and Risk Committee)
- Peter Warne

External directors

- Phillip Gray
- Ian McGaw.

Directors of the ASX Board that are not members of the clearing and settlement licence boards are entitled to (and do regularly) attend these board meetings.

## ASX Compliance Pty Limited (ASX Compliance)

ASX Markets Supervision Pty Limited changed its name to ASX Compliance Pty Limited on 1 August 2010 to coincide with the transfer of certain supervisory activities from the ASX Group to ASIC. The change of name reflects the change in the role and responsibilities of this subsidiary company.

On 25 March 2010 the Corporations Amendment (Financial Market Supervision) Act 2010 (Cth) (Financial Market Supervision Act) received Royal Assent. The Financial Market Supervision Act provides for the assumption by ASIC of responsibility for supervising real-time trading on financial markets.

Each licensed entity has appointed ASX Compliance as its representative and agent to undertake compliance and enforcement activities on its behalf, and to approve and monitor the ASX Group's conflict handling arrangements. ASX Compliance is delegated with powers to provide compliance and enforcement services to the ASX Group licensed entities, including monitoring and enforcing compliance with the operating rules (including listing rules).

The ASX Compliance constitution provides for ASX Limited to appoint directors to the ASX Compliance Board. The ASX Compliance constitution also imposes certain restrictions on the individual occupying the role of ASX Compliance chair. The constitution states that the chair of ASX Compliance may not sit on the board of, or have a material commercial association with, a participant in the ASX Group's licensed markets or clearing and settlement facilities, or a company listed on ASX, and may not sit on the ASX Limited Board. This structure demonstrates that the ASX Compliance Board exercises its functions at arm's length from the ASX Board.

The directors of ASX Compliance at the date of the Report were:

ASX Compliance directors who are not ASX directors

- Alan Cameron AM (Chairman)
- Dr Thomas Parry AM

ASX Compliance director who is also an ASX director

- Jillian Segal AM.

During 2010 the number of directors on the ASX Compliance Board was reduced from five to three, following the retirement of Peter Jollie and Michael Shepherd on 30 July 2010 as part of a planned process of board renewal. The Board intends to appoint a suitably qualified female director in the coming months. Jillian Segal remains the sole director common to both the ASX and ASX Compliance boards.

### **Approach to Corporate Governance**

ASX works to maintain a high standard of corporate governance. The ASX Board annually reviews its corporate governance codes, policies and charters to ensure practices are in place to encourage the growth of shareholder value, while making certain that ASX's market activities are properly managed and overseen.

The principal features of ASX's corporate governance regime are set out in this section. Further details on corporate governance matters are available on ASX's website and in the notes to the Financial Statements.

ASX has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition). ASX believes that throughout the reporting period its governance arrangements were consistent with these Principles. ASX has also 'early adopted' the revised Corporate Governance Principles and Recommendations (issued on 30 June 2010).

### **Board of Directors**

The Board is accountable to shareholders for the performance of ASX. Board members also have a responsibility to ensure that the affairs of the ASX Group are conducted consistent with licence obligations, as well as with the overarching public policy objective of financial market and payments system integrity.

### **Role and Functions of the Boards and Senior Management**

*(Corporate Governance Principles and Recommendations: 1.1, 2.3)*

The roles of Chairman and of Managing Director and CEO are not exercised by the same individual. Furthermore, the ASX Board charter prohibits the Managing Director and CEO from becoming 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.

The Managing Director and CEO must faithfully and diligently perform the duties and exercise the powers commensurate with the position of Managing Director and CEO. The role has overall responsibility for the operational, business and risk management, and financial performance of the ASX Group, while also managing the organisation in accordance with the strategy, plans and policies approved by the Board to achieve agreed financial and reputational goals.

The ASX Board charter sets out the functions and responsibilities of the Board within the governance structure of ASX and its wholly-owned subsidiaries. The conduct of the Board is also governed by the constitution of ASX Limited.

The primary responsibilities of the Board are to:

- review and approve corporate strategies, the annual budget and financial plans;
- oversee and monitor organisational performance and the achievement of the ASX Group's strategic goals and objectives;
- monitor financial performance and liaise with the ASX 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 the management processes in place, and approve major corporate initiatives;
- enhance and protect the reputation of the ASX Group;
- oversee the processes for identifying the significant risks facing the ASX Group, and that appropriate and adequate control, monitoring and reporting mechanisms are in place; and
- report to, and communicate with, shareholders.

The clearing and settlement subsidiary boards provide a focus on risk management and oversight of the ASX Group clearing and settlement licensees. The clearing and settlement subsidiary boards provide specific oversight in respect of:

- the quarterly review of the management accounts of the clearing and settlement subsidiaries;
- the management of clearing and settlement risk; and
- compliance with the Financial Stability Standards for Central Counterparties and Securities Settlement Facilities annually assessed by the RBA.

The ASX Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee to assist and advise the Board on specific matters set out in the charters of those committees.

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

Relevant corporate governance information, including the ASX Board charter and constitution, are available on ASX's website: [www.asx.com.au/governance](http://www.asx.com.au/governance)

### Board Composition and Size

(Corporate Governance Principles and Recommendations: 2.1, 2.2, 2.6)

The ASX Board comprised 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**

\* Chairman of SFE Corporation Limited from 1998 to 2006.

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

The directors determine the size of the Board with reference to the constitution and ASX Board charter, which provides there will be a minimum of seven directors and maximum of 15 directors. The number of directors on the ASX Board is currently fixed at nine. Jillian Broadbent was appointed to the ASX Board on 1 February 2010 and Trevor Rowe retired on 2 July 2010.

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

For information on the skills, experience and expertise of the directors, please refer to pages 53 and 54 of this Report. Details of the number of Board meetings and the attendance of the directors can be found on page 55.

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

Jillian Broadbent was appointed as a non-executive director of ASX Limited and of the clearing and settlement boards on 1 February 2010. Ms Broadbent offers herself for election as a director of ASX Limited at the upcoming Annual General Meeting (AGM) on 29 September 2010. After almost nine years of service on the ASX Limited Board, Trevor Rowe retired as a director on 2 July 2010.

Board succession planning is an important part of the governance process. The Board regularly evaluates and reviews its succession planning process. The Board engages in succession planning to ensure the progressive and orderly renewal of its Board membership. The Board sets no test on the maximum length of 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 the ASX constitution, and the ASX Board and Nomination and Remuneration Committee charters. An election of directors is held each year. Any director who has been appointed during the year must stand for election at the next AGM. Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

The ASX constitution, ASX Board charter, and the Nomination and Remuneration Committee charter are available on ASX's website.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the company secretaries can be found in the Directors' Report on page 61.

### **Director Independence**

(Corporate Governance Principles and Recommendations: 2.1, 2.6)

On the basis of the Board's assessment, the Board confirms that all current serving non-executive directors are independent. The only director not considered independent is Robert Elstone. Mr Elstone is not considered independent by virtue of his executive office as Managing Director and CEO.

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 not perceived to diminish a director's ability to act as an independent director of ASX.

In giving effect to its policy that the majority of directors must be independent, the Board has set a guideline of relationships that may affect their independent status. Prior to Peter Marriott and Jillian Broadbent's appointments to the ASX Board in FY10, the Board considered their declared personal interests and considered them both to be independent. The Board conducts an annual formal assessment of each director's independence, as well as tabling individual director interests at every ASX Board meeting. As part of the FY10 annual formal assessment, the Board considered its non-executive directors' previous and current relationships with ASX customers, suppliers, consultants and professional advisers. It determined that none of these relationships could reasonably be perceived to materially interfere with or compromise their independent judgement.

In forming their view, the Board employed accounting standard AASB 1031 – *Materiality* to determine levels of materiality. Accordingly, a relationship is presumed immaterial when it generates less than 5% and presumed material when it generates more than 10% of ASX Group revenue during a 12 month period in the absence of evidence or convincing argument to the contrary. In considering such evidence, the Board takes into account the strategic value and other aspects, including non-quantitative aspects, of the relationship in question. For the purpose of assessing the materiality of relationships

between a non-executive director and ASX (other than as a director), the threshold is set according to the significance of that relationship to the director in the context of their activities as a whole.

The Board has not set any tests as to the number of terms or years on the Board that would be regarded as undermining independent judgement.

### Access to Information

(Corporate Governance Principles and Recommendations: 2.6)

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 the company's expense on matters relating to their role as an ASX director.

### Board Remuneration and Performance Review

(Corporate Governance Principles and Recommendations: 2.5, 2.6, 8.2, 8.3)

The Board reviews its performance annually to ensure that individual directors and the Board as a whole work efficiently and effectively in fulfilling their functions set out in the charter. The Chairman meets annually and separately with each non-executive director to discuss individual performance and ideas for improvement. The ASX Board undertook an extensive evaluation, review and succession planning process in 2009 with the assistance of an independent professional consultant.

The Board receives the minutes, and an update from the committee chairman, of each of the Board's committees on an ongoing basis, setting out the committee's achievements based on their duties. The Board reviews and approves the charters of each of the committees.

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 AGM. The ASX Board has always maintained 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 \$2,057,769 (excluding accrued retirement benefits and fees paid to non-executive directors of ASX in their capacity as directors of the Securities Exchange Guarantee Corporation Limited).

The Board decided on 26 August 2003 to terminate the directors' retirement scheme. The accrued entitlements, which were calculated based on years of service as a director, were frozen at that date and paid to entitled non-executive directors at the time of their retirement. Following Michael Sharpe's retirement from the ASX Board on 1 July 2009, 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 77 to 79.

### Executive Remuneration and Performance Review

(Corporate Governance Principles and Recommendations: 1.2, 1.3, 8.3)

The Board undertakes annually to assess the performance of senior executives against group and individual performance targets, with the assistance of the Managing Director and CEO, and the Nomination and Remuneration Committee. The Managing Director and CEO was not present at the Board or Nomination and Remuneration Committee meetings when his own remuneration and performance were being considered.

For FY10 the factors that were considered in assessing overall performance were performance of the Group, performance of the Group Executive's function, and the individual performance of the relevant executive.

Further details on the assessment criteria for the Managing Director and CEO, and senior executive remuneration (including equity-based share plans) are disclosed in the Remuneration Report on pages 64 to 79.



## **ASX's Approach to Diversity**

(Corporate Governance Principles and Recommendations: 3.2, 3.3, 3.4)

The ASX workforce is made up of many individuals with diverse skills, values, backgrounds and experiences. ASX values this diversity and recognises the organisational strength, deeper problem-solving ability and opportunity for innovation that it brings. In order to attract and retain a diverse workforce and, in turn, a broad and varied customer base, ASX is committed to providing an environment in which all employees are treated with fairness, respect and have equal access to opportunities available at work.

Gender diversity has been of enduring importance to ASX and it continues to be an area of review, particularly following the new recommendations of the ASX Corporate Governance Council confirmed on 30 June 2010. ASX's strong commitment to gender diversity is demonstrated by the almost equal representation of male and female employees within the organisation (currently 55% men and 45% women). High female participation is reflected in all areas, including among senior management (Group Executive, General Manager and Manager), with 32% female representation at this level as at 30 June 2010. In FY10 ASX appointed its second female Board member, bringing female representation to 25% of ASX's non-executive directors. ASX is focused on retaining women in all areas and has implemented strategies to assist with the challenges many women face in balancing work and family responsibilities. Retention following parental leave has been one area of ASX policy development, resulting in an 86% return to work rate in FY10.

Gender diversity will continue to be a key strategic focus for ASX in the coming years. ASX is an early adopter of the Council's recommendations on gender diversity and is aiming for at least 33.3% female participation in senior management and on the Board by 2015. ASX has reviewed its Diversity Policy and has published a summary of this policy on its website: [www.asx.com.au/governance](http://www.asx.com.au/governance).

The Nomination and Remuneration Committee is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation. The Nomination and Remuneration Committee charter is also available on the ASX website.

For a third 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 is in recognition of the programs and policies that focus on the development of ASX women, such as sponsorship of and participation in the Serious Women's Business annual conference and the Chief Executive Women (CEW) Talent Development Program, to which ASX provides four scholarships per year. In addition, Balance@ASX introduced in September 2009, is a program designed to bring together all elements of flexible work practices at ASX. Balance@ASX is the mechanism that provides managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements. The program aims to increase employee engagement through promoting career opportunities and flexibility to enable work/life balance. It also seeks to provide support for employees to pursue their interests and meet their career and personal needs.

## **Securities Trading Policy**

ASX's Dealing Rules govern when ASX employees, directors, contractors, consultants and secondees may deal in ASX securities and the securities of other listed entities, and the procedures that must be followed for such dealings.

Trading in ASX securities is permitted only during trading windows, which are normally open for a period of five weeks commencing the day after the half-year and full-year financial results, and the AGM, unless advised to the contrary by the Chairman or Managing Director and CEO. The rules also specifically prohibit certain employees from trading in non-ASX securities who may be aware of price sensitive information that is not publicly available. Employees in ASX Compliance (formerly ASX Markets Supervision) are prohibited from dealing in ASX securities, except in limited circumstances.

ASX prohibits employees and directors from using derivatives or entering into transactions that operate, or are intended to operate, to limit the economic risk of security holdings over unvested ASX securities. ASX publicly discloses all derivatives and hedging positions over vested ASX securities taken out by directors and key management personnel of ASX.

All staff are required to seek approval before trading in ASX securities during the trading windows. ASX Compliance staff are required to seek approval before trading in non-ASX securities.

The Managing Director and CEO may, in accordance with the ASX Dealing Rules and subject to ASX trading windows, hold, deal in or have an interest in ASX securities. The Managing Director and CEO, except as otherwise permitted by the ASX Dealing Rules or with the written consent of the ASX Board, must not hold, deal or have any interest in the securities of any listed entity, other than ASX Limited securities, except where they arise by reason of the securities being a component of an investment in a listed investment company, managed fund or index product. The Chief Compliance Officer (CCO) must not hold, deal or have any interest in the securities of any listed entity, including ASX securities, except where they arise by reason of the securities being a component of an investment in a listed investment company, managed fund or index product.

A summary of ASX's Dealing Rules is available on ASX's website.

## Board Committees

The Board is supported by a Nomination and Remuneration Committee and an Audit and Risk Committee. The members of these Committees at the date of this Report were:

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

## Nomination and Remuneration Committee

(Corporate Governance Principles and Recommendations: 2.4, 2.6, 8.1, 8.2)

The Nomination and Remuneration Committee consists of four members, all of whom are independent non-executive directors, and is chaired by the Chairman of the ASX Board. Other directors who are not members of the committee are invited to attend meetings.

The Nomination and Remuneration Committee's charter sets out its role and responsibilities, and the composition and structure of the committee. The committee has the delegated responsibility from the ASX Board to conduct detailed examination of certain matters.

The Nomination and Remuneration Committee is responsible for reviewing the following nomination matters:

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

The committee is responsible for reviewing the following remuneration matters:

- remuneration and incentive framework for all staff, including the Managing Director and CEO; and
- remuneration for ASX Group non-executive directors.

The committee will also review other relevant matters which may be identified from time to time, or which are requested by the ASX Board.

The Nomination and Remuneration Committee charter is available on ASX's website.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, please refer to pages 53 and 54 of this Report. Details of the number of meetings and the attendance of members at the Nomination and Remuneration Committee meetings can be found on page 55 of this Report.

### **Audit and Risk Committee**

(Corporate Governance Principles and Recommendations: 4.1, 4.2, 4.3, 4.4)

The Audit and Risk Committee consists of four members, all of whom are independent non-executive directors, and is chaired by an independent non-executive director. Other directors that are not members of the committee, the external auditor and senior executives attend meetings by invitation.

The Audit and Risk Committee's charter sets out its role and responsibilities, composition and structure.

The primary functions of the Audit and Risk Committee are to assist the ASX Board to carry out the following:

- financial reporting – to review and monitor the financial integrity of the ASX Group's financial reports and statements;
- corporate control – to review the adequacy and integrity of the ASX Group's enterprise risk management framework and system of internal control, and the monitoring of the control process through internal auditing;

- internal compliance – to review the ASX Group's internal compliance framework (as distinct from the role of the ASX Compliance Board to oversee the compliance of listed entities and participants with ASX's operating rules) and the ASX Group's compliance with its significant statutory requirements; and
- review and approve the internal and external audit work plans.

The committee is responsible for considering the risk management processes, internal controls and internal compliance systems within the ASX Group. The exception are those matters where the ASX Board and the committee rely on the clearing and settlement subsidiary boards to provide a focus on risk management and oversight, namely:

- the quarterly review of the management accounts of the clearing and settlement subsidiaries;
- the management of clearing and settlement risk; and
- compliance with the Financial Stability Standards for Central Counterparties and Securities Settlement Facilities annually assessed by the RBA.

Consistent with its charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The Audit and Risk Committee meets with the external auditor without management in attendance as necessary and at least annually. It satisfies itself that the level of any non-audit work carried out by the external auditor is compatible with maintaining audit independence, taking into account the guidelines which it has set. The current practice is for the rotation of the engagement partner to occur every five years. PricewaterhouseCoopers (PwC) was appointed as external auditor by shareholders at the 2008 AGM and has conducted the audit in an effective and competent manner.

The Audit and Risk Committee charter is available on ASX's website.

For information on the skills, experience and expertise of the Audit and Risk Committee members, please refer to pages 53 and 54 of this Report. Details of the number of meetings and the attendance of members at the Audit and Risk Committee meetings can be found on page 55 of this Report.

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

### **Recognise and Manage Risk**

(Corporate Governance Principles and Recommendations: 7.1, 7.2, 7.3, 7.4)

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

The ASX 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 the 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 reports, the ASX Board receives a written statement signed by the Managing Director and CEO, and the Chief Financial Officer, affirming that ASX's financial reports give a true and fair view, in all material respects,

of the company's financial position and comply in all material respects with relevant accounting standards.

This statement also confirms that ASX's financial reports 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 ASX's website.

### **Continuous Disclosure**

(Corporate Governance Principles and Recommendations: 5.1, 5.2)

ASX's Listing Rule 3.1 Compliance Policy and Rules deals with the key obligations for all staff in relation to continuous disclosure. The policy is reviewed annually by management, and changes are approved by the ASX Board to ensure it is refreshed in line with any regulatory developments, amendments to ASX business processes and best practice.

The policy sets out ASX's obligations under the listing rules and the Corporations Act, and 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 the disclosure requirements and for monitoring compliance. The Managing Director and CEO (or his delegate), after considering the legal advice from the Group General Counsel and Company Secretary, will determine the matters that must be announced to the market. The Managing Director and CEO (or his delegate), acting on legal advice, is primarily responsible for ensuring that ASX complies with its continuous disclosure obligations.

In addition, the Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers at its meetings. Individual directors are required to make such a consideration 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.

A copy of ASX Listing Rule 3.1 Compliance Policy and Rules is available on ASX's website.

### **Communication with Shareholders**

*(Corporate Governance Principles and Recommendations: 6.1, 6.2)*

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 commits to facilitating shareholder participation in appropriate shareholder meetings, and to 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 ASX website, in the Annual Report, in monthly market activity announcements and via daily trading volume data.

ASX's Shareholder Communications and Shareholder Meetings statement is available on ASX's website.

The ASX shareholder communication framework includes the following elements designed to ensure provision of equal access to material information:

- all discussions with analysts are to be conducted by (or with the prior sanction of) the Managing Director and CEO, or the Chief Financial Officer, and 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 company policies, such as the linkage in remuneration policies between reward and performance.

ASX'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 company announcements (including analyst briefing material and media releases) on the website immediately following confirmation of their release to the market (where relevant). ASX also discloses Annual Reports to shareholders, speeches and presentations given by the Chairman, Managing Director and CEO, and senior management, and a range of other information considered to be of interest to investors. Of particular note is the posting of monthly activity reports that provide investors with, among other things, a useful guide to

current period performance and revenue. ASX also releases regular 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**

Shareholders are encouraged to attend the AGM at which the external auditor will be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the Independent Audit Report. The meeting is available via an audio webcast or shareholders can attend in person or send a proxy as their representative. Unless indisposed, all ASX directors and key executives attend the meeting, along with the external auditor.

Shareholders at the upcoming AGM will be asked to consider amendments to the ASX Limited constitution that will allow direct voting at ASX's 2011 AGM. Direct voting is intended to improve shareholder participation by providing an additional method for votes to be cast; and one that does not require a shareholder to attend the meeting or appoint another person to vote on their behalf as proxy.

The ASX Corporate Governance Council has encouraged listed companies to adopt direct voting, including by electronic communications, to improve access for and participation by shareholders not able to attend meetings in person. Similarly, the Productivity Commission has noted that direct voting facilitates shareholder engagement and if implemented electronically, addresses identified weaknesses in the proxy voting system. As direct voting does not involve a third party casting a vote, such as a shareholder's proxy or the chairman of a meeting, it is similar in its operation to postal voting in political elections.

ASX's 2010 AGM is scheduled to be held on 29 September 2010 at Exchange Square, 18 Bridge Street, Sydney, New South Wales at 10.00am (AEST). Full details are in the Notice of Annual General Meeting, which will be available in late August 2010. Information will also be available on the shareholder section of ASX's website.

### **Code of Conduct**

(Corporate Governance Principles and Recommendations: 3.1, 3.5)

ASX's Code of Conduct promotes ethical and responsible decision-making by directors and employees. The code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with ASX.

Ethical and responsible decision-making at ASX is also promoted by a Whistleblowing Policy, which is designed to support and protect employees who report non-compliant, suspicious or unethical conduct by other employees. The policy formalises ASX's commitment to protect the confidentiality and position of employees wishing to raise serious matters that affect the integrity of ASX. A summary of ASX's Code of Conduct is available on the governance section of ASX's website.

### **Political Donations**

ASX makes donations to political parties from time-to-time. During FY10 and up to the time of publication of this Report, ASX had donated \$50,000 to the Australian Labor Party and \$50,000 to the Liberal Party of Australia.

### Details of Directors as at 19 August 2010\*

#### **DAVID M GONSKI AC, B.Comm LLB (UNSW), FAICD, 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 and Remuneration Committee. Mr Gonski is a lawyer by training but has been involved in the financial services industry in Australia for more than 20 years.

Mr Gonski is Chairman of Coca-Cola Amatil Limited and Investec Bank Australia Limited, and is a director of the Westfield Group and Singapore Airlines Limited. He is also Chancellor of the University of New South Wales, and Chairman of Sydney Theatre Company and National E-Health Transition Authority (NEHTA).

#### **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 on 1 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 Coca-Cola Amatil Limited and the Special Broadcasting Service (SBS). 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 Woodside Petroleum, Qantas Airways and Westfield trusts.

#### **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. Mr Elstone was appointed for an initial three-year term from 2006 to 2009. During FY09 his term was extended for a further two years to July 2011.

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 the 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 Faculty of Economics and 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 Australian Financial Centre Taskforce. He was formerly Managing Director at UBS Investment Bank and 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 currently Chairman of ASX Clearing Corporation Limited, Austraclear Limited and ASX Clear (Futures) Pty Limited, and a director of the ASX Group's other clearing and settlement facility licensees. He is also a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Mr Holliday-Smith is a specialist in capital markets, derivatives and venture capital activities. He is 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 on 1 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.

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

*Independent non-executive director*

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

Ms Segal is a director of the National Australia Bank Limited and the Garvan Institute of Medical Research. She is Chair of the 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. 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 and the Nomination and Remuneration Committee.

Mr Warne is Chairman of Australian Leisure and Entertainment Property Management Limited, Deputy Chairman of Capital Markets CRC Limited and director of Next Financial Limited, Securities Exchanges Guarantee Corporation Limited, WHK Group Limited, Securities Industry Research Centre of Asia Pacific (SIRCA), 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 a member of the compliance committee of Wilson HTM.

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

\* Additional information on ASX directors is available on the shareholder section of ASX's website.



BOARD AND COMMITTEE MEETINGS ATTENDED BY ASX LIMITED DIRECTORS UP TO 30 JUNE 2010\*

	ASX Limited		ASX Compliance Pty Ltd (formerly ASX Markets Supervision Pty Ltd)		ASX Clear Pty Ltd (formerly Australian Clearing House Pty Ltd)		ASX Clear (Futures) Pty Ltd (formerly SFE Clearing Corporation Pty Ltd)		ASX Settlement Pty Ltd (formerly ASX Settlement and Transfer Corporation Pty Ltd)		Austraclear Ltd		Nomination and Remuneration Committee		Audit and Risk Committee		
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	
DM Gonski AC	6	6												4	4		
RG Elstone	6	6			6	6	6	6	6	6	6	6					
RA Aboud	6	6															
JR Broadbent AO (joined 1 Feb 2010)	3	3			2	2	2	2	2	2	2	2					
SD Finemore	6	6															
R Holliday-Smith	6	6			6	6	6	6	6	6	6	6	4	4	4	4	
PR Marriott (joined the Clearing and Settlement Boards 9 Feb 2010)	6	6			2	2	2	2	2	2	2	2				4	4
TC Rowe AM	6	6											4	4			
JS Segal AM	6	6	10	10									4	4	4	4	
PH Warne	6	5			6	6	6	6	6	6	6	6	4	4	4	4	

\* Meetings attended while a director or committee member.

ASX strives to operate as an ethical and responsible corporate leader. As a financial market operator, ASX believes it is ideally placed to help build the knowledge and confidence of retail investors, and to promote the practice of good corporate governance among Australia's listed companies.

ASX invests its name, expertise and funds in community, charitable and other non-commercial activities for the benefit of a broad range of stakeholders. It encourages and assists its employees to become active supporters of worthwhile causes and to participate in programs outside the workplace. This has benefits for ASX too.

ASX is also mindful of the wider impact its activities might have on the environment and seeks to consider the interests of the communities in which it operates.

All of ASX's community activities are measured against its Corporate Responsibility Policy.

## Investor Education

ASX is a strong supporter of financial literacy in the community. It provides this support through a range of information and education services. The volatility in the market over recent years has reinforced the need for investors to continue to improve their financial education. Much of ASX's education content is delivered via its website: [www.asx.com.au](http://www.asx.com.au). The site is one of Australia's most popular financial news and information websites according to Nielsen/NetRatings Market Intelligence. The site provides a vast array of information for investors including share prices, dividends, the latest company announcements and market statistics.

ASX also conducts free monthly public investor education seminars in the mainland state capitals. These seminars feature a range of authoritative and insightful speakers who volunteer their services at no cost. In FY10, 55 lunchtime Investor Hour seminars were held with an average attendance of 1,000 people per month. For those unable to attend or who want to review the presentation, the Sydney and Melbourne Investor Hour seminars are made available via webcast (audio and slides). These webcasts are regularly ranked first in popularity in iTunes Australia's finance section.

Investor Hour Attendances	FY08	FY09	FY10
Total number of attendees	12,777	11,488	10,690

### Webcasts (Audio plus Slides)

Total number of viewers	N/A	68,261	91,156
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The popularity of ASX's online courses continues to grow. By better utilising new technology, ASX is able to update its free online education courses to ensure they are user friendly and engaging. Text heavy screens have been replaced with user-directed courses in a less wordy format, and more practical exercises have been included to help reinforce key learning points. Courses on shares, options and instalment warrants are currently available in the new format. Courses on interest rate securities and exchange traded funds are being developed. These courses can be accessed via: [www.asx.com.au/classes](http://www.asx.com.au/classes)

Online Course Downloads	FY08	FY09	FY10
All equities courses	108,747	181,088	194,681
All options courses (from September 2009)	–	–	26,012
All warrants courses	–	–	9,277

ASX also provides a free online newsletter for retail investors. The newsletter keeps readers up-to-date with the latest educational offerings as well as information about new products and initial public offerings. Industry experts contribute articles on a range of investment education topics. The newsletter has over 150,000 subscribers.

ASX Sharemarket Games have been a cornerstone of ASX investor education for more than 25 years. ASX offers two sharemarket games each year for the general public and two for secondary school students across Australia. They allow participants to become familiar with the mechanics of share trading and to develop an appreciation of the risks and benefits associated with investing in the sharemarket.

Players are given a hypothetical amount of money and have access to educational tools such as company announcements, charting and watch-lists to assist them in making informed decisions about stock selection.

In FY10, 35,508 people participated in the public games, and 65,281 students from 2,108 schools took part in the schools games.

Further information about ASX's Sharemarket Games is available at: [www.asx.com.au/education](http://www.asx.com.au/education)

### **Corporate Governance**

ASX has chaired the ASX Corporate Governance Council since its inception in August 2002. The Council brings together 21 business, investment and shareholder groups. It has developed a principles-based framework for corporate governance that provides a practical guide for listed companies, their investors and the wider Australian community. The revised Corporate Governance Principles and Recommendations took effect in January 2008, replacing an earlier set of Principles devised in March 2003. Further revisions were made on 30 June 2010, when the Council released amendments to the Principles and Recommendations concerning gender diversity, remuneration, trading policies and briefings. These changes take effect for the first financial year of listed entities beginning on or after 1 January 2011. However, an early adoption of the changes is encouraged.

ASX requires listed entities to disclose in their annual report the extent to which they have followed the recommendations during the relevant reporting period or explain why they have not done so ('If not, why not' reporting).

Overall corporate governance reporting levels – the aggregate of adoption of recommended practices and of 'if not, why not' reporting – continues to be high six years after ASX began annually reviewing disclosure. The latest review found an overall reporting level of 93% for all 27 recommendations. This is good news for investors. The more transparent listed companies are about their corporate governance practices, the better placed investors will be to make informed investment decisions.

ASX recognises that corporate governance is evolving and it will endeavour to ensure that the Principles and Recommendations remain relevant to Australia's business and investment communities. More detail about the ASX Corporate Governance Council is available on ASX's website: [www.asx.com.au/corporate\\_governance](http://www.asx.com.au/corporate_governance)

### **ASX in the Community**

ASX's community programs allow employees to support causes and charities of their choice from a broad list selected by the Staff Community Committee. The Committee has 13 members representing the major functions within ASX and each of ASX's state offices.

In FY10 ASX and its employees donated \$256,563 to various charities and community partners, including charities associated with ASX's Workplace Giving program, such as Taronga Zoo, the Life Changing Experiences Foundation and the Red Cross Good Start Breakfast Club. ASX also made an emergency donation to the victims of the Haiti earthquake in January 2010.

#### **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 FY10 total Workplace Giving amounted to \$151,648 with 13% of ASX's eligible workforce participating.

#### **Haiti Earthquake Disaster Appeal**

The devastating earthquake in Haiti in January 2010 left 50,000 people dead and 300,000 people homeless. ASX staff responded quickly to this emergency with internal fund raising, coupled with corporate matching, resulting in a donation of \$5,000 to the United Nations High Commissioner for Refugees.

### **Volunteering and Fundraising**

ASX's volunteering policy provides one day's paid leave per year for all employees to volunteer their services and skills to charities. In FY10, 100 employees, or around 20% of staff, volunteered.

ASX employees continued to be regular blood donors to the Australian Red Cross Blood Bank. ASX also sponsored and volunteered for the Good Start Breakfast Club at an inner-city Sydney public school with a 50% indigenous student population.

ASX's People and Development team participated in a mentoring workshop for the Life Changing Experiences Foundation in May, providing life skills tuition to assist young women making their first entry into the workforce.

Throughout FY10 ASX staff organised and participated in a wide range of charitable fundraising activities, such as Australia's Biggest Morning Tea, Loud Shirt Day, OzHarvest's 'Share Lunch Fight Hunger', Genes for Jeans Day, and Pink Ribbon Day. ASX staff also participated in the RSPCA Cupcake Day, raising funds for animal welfare, and Movember, which focuses on Men's health issues.

In addition, ASX hosted the first corporate clothing drive for Fitted for Work's new Sydney office. Fitted for Work provides long-term unemployed women with appropriate clothing and interview preparation skills, to ease their transition back into the workforce.

### **ASX Thomson Reuters Charity Foundation**

ASX and Reuters Australia (now Thomson Reuters) joined forces in 1999 to form a charity foundation to support Australian-based children's and medical research charities by organising fundraising events within the financial markets industry. The key fundraising events are an annual Charity Golf Tournament and Gala Dinner. More recently the Foundation has also organised an annual Charity Sailing Regatta. The Charity Golf Tournament in February 2010 raised \$900,000 which was distributed to 20 charities. The Foundation's six-person board includes two ASX executives. In addition, ASX provides the company secretariat and finance functions for the Foundation, and each year many ASX employees volunteer to assist with the fund raising activities.

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



### **ShareGift Australia**

ASX has been a supporter of ShareGift Australia since it 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.

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 FY10, ShareGift Australia had donated \$102,000 to Australian charities thanks to the generosity of shareholders. For more information:

[www.sharegiftaustralia.org.au](http://www.sharegiftaustralia.org.au)



## Environment

In FY10 ASX's Environment Committee continued to monitor the environmental impact of the Group's activities against ASX's Environmental Risk Policy and Framework. This established principles and parameters to ensure that ASX is able to appropriately manage its environmental risks.

ASX has a small carbon footprint as a provider of trading, clearing and settlement services for the financial markets. Nevertheless, it recognises the importance of minimising its environmental impact and communicating its environmental policy to stakeholders.

Aligned with this, in FY10 ASX participated for the third time in the Carbon Disclosure Project. ASX also continues to feature in two leading sustainability indices: the FTSE4Good Index and the Dow Jones Sustainability Investment Index.

### 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)



### Dow Jones Sustainability Indexes

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. ASX was first admitted to the DJSI in 2007.

In FY10 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 FY09.

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





The directors present their Report together with the Financial Statements of the Group (ASX or the Group), being ASX Limited (ASXL or the Company) and its controlled entities, for the year ended 30 June 2010 (FY10), and the auditor's report thereon. The Financial Statements have been reviewed and approved by the directors on the recommendation of the ASX Board Audit and Risk Committee.

The consolidated net profit after tax for the year attributable to the members of ASXL was \$328,137,610 (2009: \$313,610,139).

## 1 Directors

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

Mr DM Gonski AC (Chairman since 24 September 2008)  
Director since 2007

Mr RG Elstone (Managing Director and CEO)  
Director since 2006

Mr RA Aboud  
Director since 2005

Mr SD Finemore  
Director since 2007

Mr R Holliday-Smith  
Director since 2006\*

Mr PR Marriott  
Appointed 1 July 2009

Ms JS Segal AM  
Director since 2003

Mr PH Warne  
Director since 2006\*\*

\* Chairman of SFE Corporation Limited from 1998 to 2006

\*\* Director of SFE Corporation Limited from 2000 to 2006

Ms JR Broadbent AO was appointed a director on 1 February 2010 and remains in office at the date of this report.

Mr MJ Sharpe AO was a director up until his retirement on 1 July 2009. He had been a director since 1995.

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 FY10 (including meetings of committees of directors) are disclosed in the Corporate Governance statement on page 55 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 ASXL 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 ASX Group. She is a Group Executive member of the ASX Group's executive management committee. Ms Harkness has held senior adviser roles as a corporate partner in the Sydney office of 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.

Kristy Huxtable, Deputy Company Secretary, ACIS, MBA, GradDip Corp Gov, GradDip HRM

Ms Huxtable joined ASX as Deputy Company Secretary in 2006. She is an Associate of the Chartered Secretaries Australia and holds a Master of Business Administration, Graduate Diploma in Applied Corporate Governance and Graduate Diploma in Human Resources Management. Ms Huxtable provides governance support to not-for-profit

associations in her roles as secretary to the ASX Thomson Reuters Charity Foundation, member of the Scouts NSW Audit and Governance Committee, and director of Shine for Kids Co-operative Limited.

### 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 10).

#### 3.3 Dividends

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

Type	Cents Per Share	Total Amount (\$'000)	Date of Payment	Tax Rate for Franking Credit
In respect of the current financial year				
Interim	89.1	153,524	29 March 2010	30%
Final	84.0	145,815	27 September 2010	30%
Total	173.1	299,339		
In respect of the prior financial year				
Interim	90.4	154,754	27 March 2009	30%
Final	74.5	127,558	24 September 2009	30%
Total	164.9	282,312		

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 84.0 cents per share fully franked.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the:

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

#### 3.6 Likely Developments

Further information about likely developments in the operations of the Group and the expected results from those operations in future financial years 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 controlled entities and a related body corporate.

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



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

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

## 6 Share Information

### Performance rights to ordinary shares

At the date of this Report, ASXL had 253,000 performance rights over issued shares outstanding with the ordinary shares held in trust. For further details on the performance rights, refer to the Remuneration Report (page 64).

### Shares issued as a result of the exercise of performance rights

During the year, 140,770 ordinary shares were issued from the conversion of performance rights, under the 2006 Long-Term Incentive grant, including 30,000 issued to the Managing Director and CEO in August 2009.

## 7 Proceedings on Behalf of the Group

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

## 8 Corporate Governance

The ASX Group corporate governance matters are discussed on pages 42 to 55.

## 9 Non-Audit Services

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

	Consolidated	
	2010	2009
	\$	\$
<b>Audit services</b>		
Audit and review of the financial statements and other audit work under Corporations Act 2001	440,000	440,000
Audit of information technology platforms	135,000	135,000
<b>Non-audit services</b>		
Tax compliance services	113,223	110,882
Other non-audit related services	12,659	176,130
<b>Total auditor's remuneration</b>	<b>700,882</b>	<b>862,012</b>

In addition to the above, total audit fees of \$20,000 (2009: \$20,000) and tax compliance fees of \$17,750 (2009: \$71,097) 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

- the 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 82.

## **11 Remuneration Report – Audited**

### **11.1 Executive Summary**

The Report provides details on ASX's remuneration structure, decisions and outcomes in FY10 for all employees including directors of ASXL, the Managing Director and CEO, and key management personnel.

References in the Report to ASX Compliance refer to the part of the Group formerly known as ASX Markets Supervision. Due to the re-focus of the supervisory function following the Government decision to transfer part of the supervisory function to ASIC, the ongoing function has been re-named ASX Compliance.

ASX did not engage any remuneration consultants in reviewing its remuneration structure for FY10. Effective from 1 July 2010, following a review of ASX's remuneration structure and how remuneration is applied at ASX, there are four components of remuneration.

The four components of remuneration effective 1 July are (further details of each component is outlined below):

- Fixed Remuneration;
- Short-Term Incentive (STI);
- Deferred Short-Term Incentive (DSTI); and
- Long-Term Incentive (LTI).

Review of fixed remuneration is usually undertaken annually in July. In FY10 the review was brought forward to April 2010, since no fixed remuneration increase was effected at the start of FY10. ASX participates in salary surveys which include Financial Institution Remuneration Group (FIRG), Mercer and Hewitt when reviewing fixed remuneration.

STI aggregate payments for FY10 were 11.7% higher than FY09, which were 18% lower than those for FY08. The slightly higher overall expenditure for FY10 compared to FY09 reflects improved company performance and tighter labour market conditions.

The terms and conditions of the LTI plan were reviewed during FY10 with no changes apart from the eligibility criteria. No grant under the LTI plan was made in FY10. A grant was made at the start of July 2010 to seven employees. The LTI plan that vested during FY10 was the 2006 plan, which vested in December 2009. This plan did not vest at the maximum due to the 50% Total Shareholder Return (TSR) performance criteria which was not fully met. The 2007 LTI plan, which is due to vest in December 2010, has not met the 50% Earnings Per Share (EPS) performance criteria, and as at 30 June 2010 the 50% TSR performance criteria was below median performance (being the minimum level for partial vesting).

An additional component of remuneration will be in place from 1 July 2010. An offer under a DSTI plan was made to eligible employees in June 2010. The payment is subject to continued employment with ASX and satisfactory mid and end of year performance assessments.

During FY09 and FY10 there have been no termination payments made to senior executives reported as key management personnel. There were no fee increases made during the reporting period for non-executive directors.

The Report has been prepared in accordance with the requirements of s300A of the Corporations Act 2001.

## 11.2 Key Changes from FY10

Due to the economic environment and the aftermath of the global financial crisis, no fixed remuneration increases were awarded at the start of FY10 (July 2009). For FY11, in recognition of the labour market impact of the recovery in the financial economy during the second half of calendar 2009 and the timing of offers put to ASX Compliance staff by ASIC at the end of February 2010, the fixed remuneration review for all ASX staff and applicable increases were effective 1 April 2010.

The Productivity Commission's Inquiry Report into Executive Remuneration in Australia was released in December 2009 followed by the Government's response, released in April 2010. In the current environment of forthcoming changes to ASX listing rules and legislation, ASX has continued to review and refine its own remuneration framework. The aim of the review has been to ensure that ASX's remuneration structure is consistent with governance principles and reflects evolving market practice, at the same time as giving due recognition to key differences between ASX and other financial sector entities.

As a multilateral market and facility operator, ASX's licence obligations (and commercial imperative) are to ensure consistently high service levels across all of its functions. Accordingly, it must ensure not only the adequacy of its human resource levels in terms of numbers, but also in terms of retention of subject matter expertise. Both are vital, not only to ASX itself, but to a broad universe of ASX stakeholders who are dependent upon the efficient functioning of ASX.

Whilst ASX is, like any organisation, exposed to enterprise-wide risks, it does not engage in risk taking activity in the mainstream sense of institutions prudentially regulated by the Australian Prudential Regulation Authority (APRA). The full suite of ASX activities, including its own risk management activities, are annually compliance assessed by ASIC and the Reserve Bank of Australia.

A number of recommendations were considered by the Board to closely align ASX's remuneration arrangements with the expectations of its shareholders, the ASX Corporate Governance Council and other corporate governance advisers. They were also considered in the context of the realities of ASX's unique positioning in terms of stakeholder dependencies (described earlier). The following remuneration structure applied for FY10 and will apply for FY11:

### Fixed Remuneration

Fixed remuneration was reviewed on 1 April 2010 (the previous review occurred on 1 July 2008). Fixed remuneration will be reviewed annually and changes will be effective on 1 July of each year from 2011 onwards.

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

### Short-Term Incentive (STI)

STI payments to qualifying staff were effective 1 July 2010 and will continue to apply on an annual basis.

STI participation rates for FY10 were approximately 85% of headcount.

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

### Long-Term Incentive (LTI)

LTIs are offered as a share-based plan with performance criteria based on EPS and TSR for ASX Limited participants; and as a cash-based plan with pre-defined performance criteria for ASX Compliance participants. The current Managing Director and CEO will not participate in any further LTI awards, given the tenure of his current service agreement.

LTI awards will continue to vest at the end of a three-year period.

A grant was made to seven employees on 1 July 2010 with the performance period beginning 1 July 2010 and ending 30 June 2013 (no grant was made to eligible employees in FY10). This excludes any offers made to eligible employees in ASX Compliance.

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

A new component of the incentive scheme applies to the remuneration policy for FY11:

#### **Deferred STI**

Eligibility will be restricted to staff nominated by the Managing Director and CEO and Group Executive members (either staff receiving STI payments above a certain level or identified subject matter experts).

Payments for eligible staff to be 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 have achieved consistently 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 deferred STI will be forfeited.

The first issue was made on 1 July 2010 and thereafter (at the discretion of the Managing Director and CEO) is expected to be made annually on 1 July.

The Managing Director and CEO did not participate in this issue.

### **11.3 Governance**

The Nomination and Remuneration Committee (the Committee) is a committee made up only of non-executive directors of the ASXL Board. The Committee endeavours to ensure that ASX remuneration outcomes strike an appropriate balance between the interests of ASXL shareholders and rewarding, retaining and motivating employees.

The Committee's charter sets out its role, responsibilities and membership requirements. A copy of the Committee's charter is available on ASX's website. The charter has been reviewed and amendments made as a consequence of ASX's early adoption of the revised ASX Corporate Governance Principles (released 30 June 2010), and the Productivity Commission's recommendations supported by the Government.

On remuneration matters the Committee operates independently of ASX senior management in its recommendations to the Board and engages remuneration advisers independently of ASX management.

During FY10, the Committee consisted of five ASXL independent non-executive directors:

David Gonski AC (Chairman)

Roderic (Rick) Holliday-Smith

Trevor Rowe AM (retired 2 July 2010)

Jillian Segal AM

Peter Warne.

For information on the skills, experience and expertise of the Committee members, please refer to the Corporate Governance statement pages 53 to 54.

The number of meetings held by the Committee and the members' attendance at them are set out on page 55. On a number of occasions in FY10 Committee meetings were attended by the entire Board of directors of ASXL.

#### **11.3.1 Annual General Meeting (AGM) Voting**

In April 2010 the Government announced that it supported the Productivity Commission's 'two strikes' proposal for voting on the remuneration report. Under the proposal, a 25% or higher 'no' vote on the remuneration report at an AGM will trigger a reporting obligation as to how concerns are being addressed; and a 25% or higher 'no' vote on the subsequent remuneration report at an AGM will activate a resolution for elected directors to submit for re-election within 90 days.

The Government said that it will consult further on the implementation details relating to this proposal, and that it intends to introduce legislation in 2010 with the reforms to take effect from 1 July 2011. At the 2009 AGM, ASX recorded a 'no' vote of 3.2% on its remuneration report.

## 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 ASX to the financial and real economies in Australia;
- is competitive in the labour market context;
- recognises the value 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 ensure adequate resources to meet ASX's licence obligations, which is an area of rigorous annual compliance assessment of ASX by ASIC; 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 to ensure it remains consistent with market practice and evolving 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 11.11.

#### 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 against comparable external market data. The market against which fixed remuneration comparisons are made varies 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 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 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 FY10 was approximately 85% of headcount.

##### 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?**

For the FY10 year staff at ASX are assessed against six main focus areas which include both financial and non-financial criteria. The assessment criteria for individual employees are derived from corporate objectives. There are six areas in which staff set objectives: supervision and reputation focus (integrity of markets and services provided by ASX); business focus (shareholder return and value within ASX Group's risk appetite); customer focus (internal and external); people and teamwork focus; systems and process focus (improved systems, processes and control environment); and corporate responsibility focus (corporate and broader investor community).

#### **Why were these conditions chosen?**

This approach provides a link for staff in understanding how they contribute to each of the areas of the assessment, and therefore to ASX's overall strategy and goals. This enables a consistent approach across all levels within the Group.

ASX has a corporate scorecard which flows down to individuals and forms a key part of the reward strategy when considering fixed remuneration levels, determining STI awards and performance measures adopted for LTI plans. Conformance with the Group's enterprise-wide risk assessment and attestation process is an integral part of the assessment of the scorecard.

#### **How is performance assessed?**

All staff are set objectives at the beginning of the performance period in each area of the scorecard. An assessment is made at the end of the performance period as to the extent that objectives are met.

The performance of each Group Executive and member of the Group Executive Committee is assessed against Group and individual performance targets. For FY10, factors that were considered in assessing overall performance were performance of the Group, the performance of the Group Executive's division or function, and the individual performance of the relevant executive, including compliance with risk management practices and alignment with the Group's cultural values.

#### **Who assesses performance?**

The Managing Director and CEO assesses the performance of key management personnel and confers with the Nomination and Remuneration Committee and the Board regarding his recommendations.

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

#### **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.

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

The LTI is a grant which consists of awards of performance rights over ASXL 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.

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

The number of performance rights granted is determined on the fair market value of the right as calculated by an independent valuer using an options pricing model and Monte Carlo simulation analysis at the date of grant.

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

ASX has a policy that prohibits employees from entering into transactions (e.g. a derivative) that operates or is 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 dealing rules and through regular awareness training sessions. Annual audits are also performed for adherence to the ASX Dealing Rules Policy.

For vested shares, participants can only deal in securities in accordance with the ASX Dealing Rules Policy.

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

Offers made to eligible employees are made under plan rules approved by shareholders at the 2005 AGM. An offer made under these rules entitles the holders to dividends during their term. The shares relating to the December 2007, December 2008 and July 2010 grant were purchased on-market at the time of grant and are held in a special purpose trust until the relevant vesting date.

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 11.10 for further detail).

**What are the performance hurdles?**

For all grants the award of 50% of the performance rights is subject to an absolute EPS performance condition hurdle and the award of the other 50% is subject to a relative TSR performance condition hurdle.

**Why were EPS and TSR chosen as measures?**

The TSR performance condition is recognised as an indicator of shareholder value performance and is complemented by the EPS condition that ensures a focus on improved earnings.

**How is TSR measured?**

TSR is calculated as the movement in share price and dividends received assuming re-investment. 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 minerals 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. The international exchanges were chosen as they have similar business models to ASX.

Refer to Appendix A (page 80) for companies included in the comparator group for each LTI offer.

**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 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 non-recurring events such as those associated with business restructure. Details of significant items in the current year are included in the Chief Financial Officer's Report on page 10.

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?**

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
Less than 8% pa	0%
Between 8.1% and 9.9% pa	5% of the EPS award for each 0.1% of compound EPS growth above 8% pa
At or above 10% pa	100%

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

In line with the Nomination and Remuneration Committee's charter, at the end of the performance period the 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 Committee will review and recommend to the ASXL Board to what extent the EPS performance condition has been met and the extent to which the TSR result has been achieved. These results are confirmed by the Board.

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

**Who participates in the LTI plan?**

The selection criteria for participation in the LTI is 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 Board determines there is a qualifying reason such as illness, death, or redundancy (refer to section 11.10).

**What are the performance criteria?**

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

Criteria 1	ASIC assessment	50%
Criteria 2*	ASX Compliance Board and ASX Managing Director and CEO review of ASX Compliance scorecard	50%

\* During FY09 the Board broadened the performance criteria to enable the use of other appropriate reports for the performance assessment criteria, which may include (but not be limited to) reports provided by the Regulatory Assurance and Internal Audit functions.

**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:

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

- If performance is above threshold but below target, a participant will be entitled to receive a percentage of the maximum cash opportunity.
- If performance is below threshold, a participant is not entitled to receive any cash payment.

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

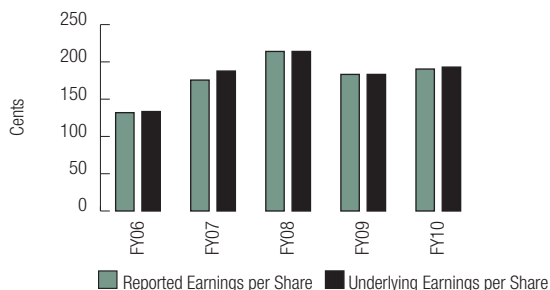
At the end of each performance period for each LTI plan, the ASX Compliance Board and the Managing Director and CEO will recommend to the ASX Board for approval whether, and if so, the extent to which the performance criteria applicable to that performance period have been met and the amount of cash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

**11.5 Group Performance for the Year Ended 30 June 2010**

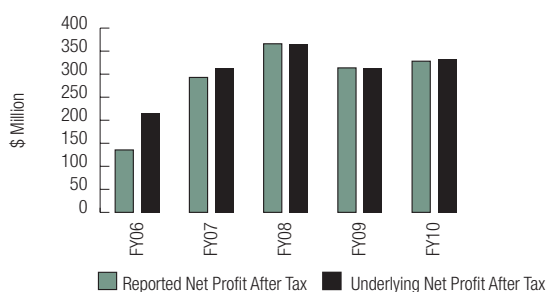
The overall level of remuneration takes into account the financial, operational and supervisory performance of the Group over a number of years, as well as broader company values such as compliance culture, ethics, etc. The graphs overleaf (EPS, NPAT and Dividends Paid) show the reported (statutory) and underlying financial performance of the Group for the past five years, noting that the merger between the former Australian Stock Exchange and SFE Corporation to form the ASX Group was effected on 11 July 2006 (during FY07).



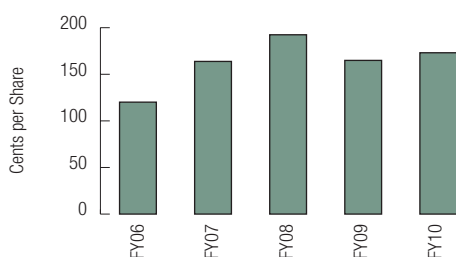
**Reported and Underlying Earnings per Share**



**Reported and Underlying Net Profit After Tax**

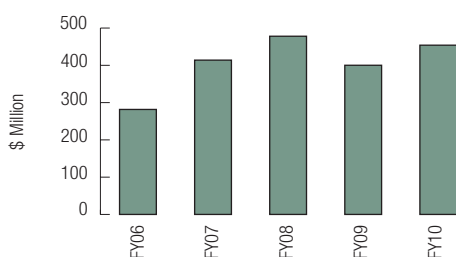


**Dividends Paid**



Net profit after tax is considered one of the financial performance targets in setting the STI and LTI. The LTI performance hurdles include earnings per share growth, as well as total shareholder return versus a comparator group. 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:

**Underlying EBITDA**



Refer to the Chief Financial Officer's Report (page 10) for details and reconciliation of the pro-forma income statement to reported NPAT.

ASX establishes an STI pool as part of the overall budgeting process and has the flexibility to revise this pool in line with overall performance levels. Further information on the Group performance is provided in the Chief Financial Officer's Report (page 10).

**11.6 Summary of STI Payments Paid in FY10**

The aggregate STI payment for FY10 was 11.7% higher than for FY09. 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 FY10. The average STI payment across the Group for FY10 was \$12,777 compared to \$13,087 for FY09.

	Participation Number	Policy Performance Range (as a Percentage of Fixed Remuneration)		Actual % Paid FY10
		Minimum	Maximum	
Group Executive Committee	10	0	50%	26%
General Managers	30	0	40%	18%
Other ASX Staff	440	0	25%	6%

**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 2010. The following table below applies to ASX LTIs (excluding LTI arrangements for the Managing Director and CEO).

Details of LTI arrangements for the Managing Director and CEO are disclosed in Section 11.11.1. In accordance with the specific notice arrangements, the 2007 plan in place for the Chief Supervision Officer will vest at the end of September 2010.

## LONG-TERM INCENTIVE PLANS

Year of Grant	Performance Period	Retesting of Hurdles	Expiry Date if Unvested	Status as at 30 June 2010	Participation (No. of Employees at Offer)	Details of Award (No. of Performance Rights)	Average Performance Rights
Current LTI							
2007	1 December 2007 to 30 November 2010	No	30 November 2010	Unvested	93	Three levels of awards: 1,000, 1,200 to 1,500	1,197
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	N/A	7	Three levels of awards: 3,000, 5,000 and 7,000	5,571
Prior LTI							
2006	1 December 2006 to 30 November 2009	No	N/A	Vested	78	Six levels of awards: ranging from 1,000 to 3,900	1,855

- 2006 offer – the EPS portion of the 2006 plan vested at 100% and the TSR portion vested at 90%.
- 2007 offer – 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 has not been met. TSR will be measured on 30 November 2010 in accordance with the plan rules.
- 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.

**11.8 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 2006, 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 1 December 2006, 30 November 2007 (as 1 December was not a trading day), 1 December 2008 and 1 July 2010.

	2006 Grant	2007 Grant	2008 Grant	2010 Grant
Share price at grant date	\$36.16	\$56.40	\$30.39	\$28.80
Exercise price	Nil	Nil	Nil	Nil
Volatility (pa)	21%	25%	36%	37%
Discount rate (risk free rate) (pa)	5.80%	6.46%	3.49%	4.44%
Dividend yield (pa)	4.0%	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:

	2006 Grant	2007 Grant	2008 Grant	2010 Grant
Fair value of performance rights (EPS awards)	\$32.04	\$56.40	\$30.39	\$28.80
Fair value of performance rights (TSR awards)	\$19.25	\$41.13	\$23.61	\$19.61
Weighted average AASB 2 Share-based Payment fair value	\$25.65	\$48.77	\$27.00	\$24.21

**11.9 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. They are also the five officers receiving the highest remuneration, other than the Managing Director and CEO. The key management personnel in FY10 were:

Mr Robert G Elstone	Managing Director and CEO
Mr Alan J Bardwell	Chief Risk Officer (new role effective 19 July 2010), previously Chief Financial Officer
Mr Peter D Hiom	Deputy CEO (new role effective 1 April 2010), previously Group Executive Business Development
Mr Eric S Mayne	Chief Supervision Officer
Mr Jeff J Olsson	Group Executive Technology
Mr Colin R Scully	Group Executive Operations

### 11.10 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), identified for the purposes of satisfying the Corporations Act 2001.

The agreements are effective 1 October 2006, except for Mr Bardwell and Mr Hiom, whose contracts are effective 19 July 2010 and 1 April 2010 respectively, and Mr Mayne whose contract is effective 1 July 2007. The details of benefits and notice periods covered by these contracts are indicated in the following table:

Type of Termination	Notice Period	Treatment of Short-Term Incentives	Treatment of Long-Term Incentives	
			Vested (Unexercised Awards)	Unvested Awards
Termination by notice	12 months	Discretion of the MD and CEO	Released to the Executive	Board discretion
Termination for poor performance	6 months*	Not specified in Employment Agreement	Released to the Executive	Board discretion
Termination for cause	Immediately	Not specified in Employment Agreement	Shares subject to any restrictions forfeited	Awards will lapse
Termination 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
Termination 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
Termination by the Executive	6 months	Discretion of the MD and CEO	Released to the Executive	Awards will lapse
Termination by redundancy	12 months or redundancy benefit calculated in accordance with ASX policy, whichever is greater	Not 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 contracts for Mr Bardwell and Mr Hiom differ in that the notice period in case of termination for poor performance is three months notice with an initial written notice of one month.

Mr Mayne's revised service contract commenced on 1 July 2007 and differs in the following aspects:

- termination by ASX may only take place with the prior approval of the ASX Compliance Board; and
- in the case of termination, consideration is given to what, if any, STI should be paid.

Any LTI payable is determined in accordance with the terms of the LTI rules applicable to ASX Compliance staff. The same conditions apply to Mr Mayne's successor, Mr Kevin Lewis, appointed on 19 July 2010.

### 11.11 Managing Director and CEO

The appointment of the Managing Director and CEO, Mr 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 expires on 11 July 2011.

### 11.11.1 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 to FY10 was \$1,500,000 per annum (the same level of fixed remuneration as for FY09 and FY08). This amount is inclusive of superannuation contributions. The Board has determined that the fixed remuneration component to apply to FY11 will remain at \$1,500,000 per annum despite a high level of satisfaction with Mr Elstone's performance.

#### Short-Term Incentive Payments

The Managing Director and CEO was entitled to an annual STI payment of up to 75% of fixed remuneration for FY10. 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 FY10, which were entirely consistent with the Company's long-term goals.

#### Long-Term Incentive

The Managing Director and CEO participates in ASX's LTI plan, following shareholder approval obtained at the 2006 AGM held on 9 October 2006 and, as revised, at the 2007 AGM held on 30 October 2007. Participation in the LTI plan is in accordance with the principles of the LTI plan.

The following table provides a summary of the LTI plans in place for the Managing Director and CEO for the year ended 30 June 2010:

Year of Grant	Performance Period	Retesting of Hurdles	Expiry Date if Unvested	Status as at 30 Jun 2010	Performance Rights Awarded/Vested
<b>Current LTI (Stage 2)</b>					
2007	1 Dec 2007 to 30 Nov 2010	No	30 Nov 2010	Unvested	26,000
<b>Prior LTI (Stage 1)</b>					
2006	1 Dec 2006 to 30 Jun 2009	No		Vested	30,000

Note: 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 has not been met. TSR will be measured on 30 November 2010 in accordance with the plan rules.

For both Stage 1 and Stage 2, 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 performance condition related to ASX's TSR. These performance conditions are consistent with those applicable to other LTI plan participants as disclosed in section 11.4.2 of this Report.

### 11.11.2 Separation Arrangements

For termination taking place after 30 June 2009, notice is six months. If termination takes place in the final six months of the term, notice is for the balance of the period until expiry of the term. Under the termination provisions of the contract ASX may terminate Mr Elstone's contract by giving written notice in accordance with the service contract. The following table summarises the treatment of both STIs and LTIs on termination for the Managing Director and CEO:

**MANAGING DIRECTOR AND CEO EMPLOYMENT CONTRACT**

Type of Termination	Notice Period	Treatment of Short-Term Incentives	Treatment of Long-Term Incentives	
			Vested (Unexercised Awards)	Unvested Awards
Termination by notice	6 months	Discretion of the Board	Released to the Executive	Discretion of the Board
Termination for poor performance	6 months	Discretion of the Board	Released to the Executive	Discretion of the Board
Termination for cause	Immediately	No payment made	Shares subject to any restrictions forfeited	Awards will lapse
Termination 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
Termination 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
Termination by the Executive	3 months	Discretion of the Board	Released to the Executive	Awards will lapse

**11.12 Remuneration of Key Management Personnel**

Details of the remuneration are set out in the table below for key management personnel.

\$			SHORT-TERM	SHORT-TERM	SHORT-TERM	SHORT-TERM	POST-EMPLOYMENT	LONG-TERM	OTHER LONG-TERM	SHARE-BASED PAYMENT	Total	% Performance-Based <sup>1</sup>	% Performance Rights Related <sup>2</sup>
			Salary	Short-Term Incentive	Non-Monetary	Other	Superannuation	Long-Term Incentive	Equity-Settled <sup>3</sup>				
	AJ Bardwell	2010	576,720	100,000	–	–	14,461	–	–	3,159	694,340	14.9	0.5
	Chief Risk Officer (effective 19 July 2010)	2009	571,255	75,000	–	–	13,745	–	–	57,724	717,724	18.5	8.0
	PD Hiom	2010	542,312	200,000	11,771	–	14,461	–	10,129	3,159	781,832	26.0	0.4
	Deputy CEO (effective 1 April 2010)	2009	533,619	125,000	2,636	–	13,745	–	–	57,724	732,724	24.9	7.9
	ES Mayne	2010	752,343	250,000	–	8,196	14,461	111,360	–	–	1,136,360	31.8	–
	Chief Supervision Officer	2009	746,512	200,000	–	14,743	13,745	194,261	–	–	1,169,261	33.7	–
	JJ Olsson	2010	426,240	135,000	11,771	–	14,461	–	7,392	3,159	598,023	23.1	0.5
	Group Executive Technology	2009	424,692	125,000	12,239	–	13,745	–	7,237	72,686	655,599	30.2	11.1
	CR Scully	2010	598,768	100,000	11,771	–	14,461	–	10,129	13,975	749,104	15.2	1.9
	Group Executive Operations	2009	599,692	100,000	12,812	–	13,745	–	10,141	71,681	808,071	21.2	8.9
	Total	2010	2,896,383	785,000	35,313	8,196	72,305	111,360	27,650	23,452	3,959,659	23.2	0.6
		2009	2,875,770	625,000	27,687	14,743	68,725	194,261	17,378	259,815	4,083,379	26.4	6.4

1 Reflects percentage of total remuneration that is performance related.

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

3 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).

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 ASXL covered by the insurance include the current directors, executives, the company secretaries and former directors.

### 11.13 LTI Allocations to Executives for the Year Ended 30 June 2010

The following table shows the movement during the reporting period in the fair value of performance-related rights over ordinary shares in ASXL 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	–	–	769,350	–	769,350
AJ Bardwell	–	–	96,262	3,754	100,016
PD Hiom	–	–	96,262	3,754	100,016
ES Mayne	–	–	–	–	–
JJ Olsson	–	–	96,262	3,754	100,016
CR Scully	–	–	96,262	3,754	100,016

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

Grant Date Vesting Date	1 Dec 2006		1 Dec 2007	
	30 Nov 2009		30 Nov 2010	
	Min \$	Max \$	Min \$	Max \$
RG Elstone	–	769,350	–	1,297,149
AJ Bardwell	–	100,016	–	73,148
PD Hiom	–	100,016	–	73,148
ES Mayne	–	–	–	–
JJ Olsson	–	100,016	–	73,148
CR Scully	–	100,016	–	–

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

## 11.14 Non-Executive Directors Remuneration

### 11.14.1 Remuneration Policy and Strategy

Non-executive directors' individual fees are determined by the ASXL 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 FY10, the total amount paid to non-executive directors was \$2,057,769 excluding retirement benefits paid. This amount includes superannuation and fees paid to non-executive directors of ASXL in their capacity as members of the ASXL Board, its committees, and as directors of subsidiary company boards. It does not include the fees paid to Mr Peter Warne and Mr Michael Sharpe in their capacity as a directors of the Securities Exchanges Guarantee Corporation Limited (SEGC), which is not a controlled entity of ASXL.

The Board reviews its fees to ensure ASXL 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 ASXL 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.

### 11.14.2 Remuneration Structure

ASXL 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. ASXL non-executive directors are not subject to a minimum shareholding requirement. However, they may hold shares in ASXL subject to the ASXL dealing rules for employees and directors.

### 11.14.3 Retirement Benefits

No retirement benefits are in place for existing non-executive directors of ASXL. Retirement benefits for Mr Michael Sharpe were paid in early FY10 under a retirement benefits scheme which was terminated on 26 August 2003.

## 11.15 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 ASXL held directly, indirectly or beneficially, by each ASXL non-executive director and their personally-related entities.

Non-Executive Director	Holding at 1 Jul 2009	Holding at 30 Jun 2010	Holding at 19 Aug 2010
DM Gonski	15,806	15,806	15,806
RA Aboud	100,000	25,000	25,000
JR Broadbent (appointed 1 Feb 2010)	N/A	2,000	2,000
SD Finmore	–	4,000	4,000
R Holliday-Smith	3,825	3,825	3,825
PR Marriott	–	3,000	3,000
TC Rowe (retired 2 Jul 2010)	4,300	4,300	N/A
JS Segal	2,000	2,000	2,000
MJ Sharpe (retired 1 Jul 2009)	2,000	N/A	N/A
PH Warne	5,610	5,610	5,610

**11.16 Remuneration of Directors (including the Managing Director and CEO)**

Details of the remuneration of the directors of ASXL are set out in the following table. Remuneration includes all fees received as directors of ASXL as well as subsidiary Boards and Committees as relevant. Refer to the Corporate Governance Report for details of directorships and memberships of subsidiary Boards and Committees (page 55).

		SHORT-TERM Salary and Fees	SHORT-TERM Short-term Incentives	SHORT-TERM Non-Monetary	POST-EMPLOYMENT Superannuation	POST-EMPLOYMENT Other	OTHER LONG-TERM	SHARE-BASED PAYMENT Equity-Settled*	Total
<b>\$</b>									
<b>EXECUTIVE</b>									
RG Elstone	2010	1,485,539	1,000,000	11,771	14,461	–	26,822	(191,795)	2,346,798
MD and CEO	2009	1,486,255	800,000	11,563	13,745	–	20,456	688,877	3,020,896
<b>NON-EXECUTIVE</b>									
DM Gonski	2010	375,000	–	–	14,461	–	–	–	389,461
	2009	325,575	–	–	13,745	–	–	–	339,320
RA Aboud	2010	150,000	–	–	13,500	–	–	–	163,500
	2009	161,900	–	–	13,561	–	–	–	175,461
JR Broadbent Commenced 1 Feb 10	2010	91,056	–	–	6,860	–	–	–	97,916
	2009	–	–	–	–	–	–	–	–
SD Finemore	2010	150,000	–	–	13,500	–	–	–	163,500
	2009	150,000	–	–	13,500	–	–	–	163,500
R Holliday-Smith	2010	270,000	–	–	14,461	–	–	–	284,461
	2009	270,000	–	–	13,745	–	–	–	283,745
PR Marriott	2010	227,417	–	–	14,461	–	–	–	241,878
	2009	–	–	–	–	–	–	–	–
TC Rowe Retired 2 July 10	2010	160,000	–	–	14,400	–	–	–	174,400
	2009	160,000	–	–	13,745	–	–	–	173,745
JS Segal	2010	255,000	–	–	14,461	–	–	–	269,461
	2009	251,304	–	–	6,872	–	–	–	258,176
MJ Sharpe Retired 1 July 09	2010	–	–	–	–	113,662	–	–	113,662
	2009	205,525	–	–	12,321	–	–	–	217,846
PH Warne	2010	260,000	–	–	13,192	–	–	–	273,192
	2009	262,000	–	–	12,321	–	–	–	274,321
<b>Total</b>	2010	3,424,012	1,000,000	11,771	133,757	113,662	26,822	(191,795)	4,518,229
ML Newman Retired 24 Sep 08	2009	93,342	–	5,782	–	312,571	–	–	411,695
<b>Total</b>	2009	3,365,901	800,000	17,345	113,555	312,571	20,456	688,877	5,318,705

\* 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 (8.2%) in FY10 and 22.8% in FY09. The negative amount of share-based payments indicate expenses reversed during the year due to the vesting condition not being met. The percentage of remuneration that was performance-based for Mr Elstone was 34.4% in FY10 and 49.3% in FY09.

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, \$27,250 was paid to Mr Warne and Mr Sharpe, as directors of ASXL and SEGC.

## **12 Rounding of Amounts to Nearest Thousand Dollars**

ASXL is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006. In accordance with those Class Orders, amounts in the Financial 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, 19 August 2010

Appendix A – Long-Term Incentive Plan Comparator Groups

**December 2006 – Comparator Group**

ABC Learning Centres Limited; Adelaide Brighton Limited; Allco Finance Group Limited; Ansell Limited; APN News & Media Limited; Australian Infrastructure Fund; Australian Stock Exchange Limited; AWB Limited; Babcock & Brown Infrastructure Group; Babcock & Brown Limited; Bank of Queensland Limited; Bendigo Bank Limited; Billabong International Limited; Boral Limited; Challenger Financial Services Group Limited; Coca-Cola Amatil Limited; Cochlear Limited; Computershare Limited; ConnectEast Group; Crane Group Limited; CSR Limited; David Jones Limited; Deutsche Borse; Diversified Utility and Energy Trusts; Downer EDI Limited; Eircom Holdings Limited; Elders Limited; Flight Centre Limited; Goodman Fielder Limited; Gunns Limited; Harvey Norman Holdings Limited; Healthscope Limited; Henderson Group PLC; HK Exchanges & Clearing; Incitec Pivot Limited; James Hardie Industries N.V.; Leighton Holdings Limited; Metcash Limited; Nufarm Limited; Pacific Brands Limited; PaperlinX Limited; Perpetual Limited; Ramsay Health Care Limited; ResMed Inc.; Seek Limited; Seven Network Limited; Sigma Pharmaceuticals Limited; Singapore Exchange; Sonic Healthcare Limited; SP Ausnet; Spark Infrastructure Group; Telecom Corporation of New Zealand Limited; Ten Network Holdings Limited; Transfield Services Limited; Transpacific Industries; United Group Limited; West Australian Newspapers Holdings Limited.

**December 2007 – Comparator Group**

ABC Learning Centres Limited; AGL Energy Limited; Allco Finance Group Limited; Amcor Limited; AMP Limited; Aristocrat Leisure Limited; Asciano Group; ASX Limited; 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; Intoll Group; 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; Prime Infrastructure Group; 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; 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; ASX Limited; Australia and New Zealand Banking Group Limited; AXA Asia Pacific Holdings 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; Intoll Group; 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 Inc (Voting CDI); Nufarm Limited; Orica Limited; Perpetual Limited; Primary Health Care Limited; Prime Infrastructure Group; Qantas Airways Limited;

QBE Insurance Group 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; West Australian Newspapers Holdings Limited; Westpac Banking Corporation; Woolworths Limited.

### **July 2010 – Comparator Group**

AGL Energy Ltd; Amcor Ltd; AMP Ltd; Ansell Ltd; ANZ Banking Group; APA Group; Aristocrat Leisure Limited; Asciano Group; ASX Limited; AXA Asia Pacific Holdings Limited; Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Billabong International Ltd; Boart Longyear Limited; Boral Ltd; Brambles Industries Limited; CFS Retail Property Trust; Challenger Financial Services; Charter Hall Office REIT; Coca-Cola Amatil Limited; Cochlear Limited; Commonwealth Bank of Australia; Commonwealth Property Office; Computershare Limited; ConnectEast Group; Crown Limited; CSL Limited; CSR Limited; David Jones Limited; Deutsche Borse; Dexus Property Group; Downer EDI Limited; Duet Group; Fairfax Media Limited; Foster's Group Limited; Goodman Fielder; Goodman Group; GPT Group; Harvey Norman Holdings Limited; HK Exchanges & Clearing; Incitec Pivot; ING Office Fund; Insurance Australia Group Limited; Intoll Group; James Hardie Industries SE; JB Hi-Fi; Leighton Holdings Limited; Lend Lease Group; Macquarie Group Limited; MAP Airports International Limited; Metcash Limited; Mirvac Group; Myer Holdings Limited; National Australia Bank Limited; News Corporation Limited; Nufarm Limited; Orica Limited; Perpetual Limited; Primary Health Care Limited; Qantas Airways Limited; QBE Insurance Group Limited; Seek Limited; Singapore Exchange; Sonic Healthcare Limited; Spark Infrastructure Trust; Stockland; 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 Limited; UGL Limited; Wesfarmers Limited; West Australian Newspapers Limited; Westfield Group; 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%); and
- 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.

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## Auditor's Independence Declaration

As lead auditor for the audit of ASX Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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.



**MJ Codling**  
*Partner*  
PricewaterhouseCoopers

Sydney, 19 August 2010

Liability limited by a scheme approved under Professional Standards Legislation.

# Consolidated Income Statement

ASX Limited and its Controlled Entities

For the year ended 30 June 2010	Note	2010 \$'000	2009 \$'000
<b>Revenues</b>			
Listings		<b>115,464</b>	104,080
Cash market		<b>181,442</b>	163,042
Derivatives		<b>155,473</b>	138,090
Information services		<b>68,752</b>	71,025
Market connectivity		<b>29,852</b>	28,625
Austraclear services		<b>31,178</b>	24,678
Dividends		<b>8,075</b>	7,027
Interest income		<b>128,159</b>	284,594
Other		<b>16,504</b>	14,220
	5	<b>734,899</b>	835,381
<b>Expenses</b>			
Staff		<b>81,424</b>	81,743
Occupancy		<b>13,334</b>	12,759
Equipment		<b>23,987</b>	24,191
Administration		<b>27,481</b>	24,900
Depreciation and amortisation		<b>23,674</b>	15,042
Finance costs		<b>98,849</b>	232,048
	6	<b>268,749</b>	390,683
<b>Profit Before Income Tax Expense</b>		<b>466,150</b>	444,698
Income tax expense	7	<b>(138,013)</b>	(131,088)
Net Profit for the Period Attributable to Owners of the Company		<b>328,137</b>	313,610
Basic earnings per share (cents per share)	9	<b>190.4</b>	183.2
Diluted earnings per share (cents per share)	9	<b>190.4</b>	183.1

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

# Consolidated Statement of Comprehensive Income

ASX Limited and its Controlled Entities

For the year ended 30 June 2010	2010 \$'000	2009 \$'000
<b>Profit for the year</b>	<b>328,137</b>	313,610
<b>Other comprehensive income</b>		
Change in fair value of investments (net of tax)	<b>23,940</b>	19,722
Change in fair value of available-for-sale financial assets (net of tax)	<b>(326)</b>	302
Change in fair value of cash flow hedges (net of tax)	<b>310</b>	(568)
<b>Other comprehensive income for the year, net of tax</b>	<b>23,924</b>	19,456
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>352,061</b>	333,066

Refer to note 24 for discussion on the nature and purpose of the reserves where the comprehensive income items are recognised.

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

# Consolidated Balance Sheet

ASX Limited and its Controlled Entities

As at 30 June 2010	Note	2010 \$'000	2009 \$'000
<b>Current Assets</b>			
Cash	10(a)	1,242,620	1,433,424
Available-for-sale financial assets	10(b)	2,474,226	2,586,036
Receivables	11	340,269	239,898
Other assets	12	6,696	7,721
<b>Total Current Assets</b>		<b>4,063,811</b>	4,267,079
<b>Non-Current Assets</b>			
Investments	13	206,389	172,189
Receivables	11	–	184
Property, plant and equipment	14	34,303	28,544
Intangible assets – software	15	53,534	56,092
Intangible assets – goodwill	16	2,262,759	2,262,759
<b>Total Non-Current Assets</b>		<b>2,556,985</b>	2,519,768
<b>Total Assets</b>		<b>6,620,796</b>	6,786,847
<b>Current Liabilities</b>			
Payables	17	330,083	205,434
Amounts owing to participants	18	2,907,768	3,527,246
Current tax liabilities		56,539	40,106
Provisions	20	14,317	13,264
Other current liabilities	21	11,776	8,521
<b>Total Current Liabilities</b>		<b>3,320,483</b>	3,794,571
<b>Non-Current Liabilities</b>			
Amounts owing to participants	18	82,440	81,400
Borrowings	19	250,000	100,000
Net deferred tax liabilities	7	32,173	20,333
Provisions	20	10,405	12,605
Other non-current liabilities	21	4,000	4,500
<b>Total Non-Current Liabilities</b>		<b>379,018</b>	218,838
<b>Total Liabilities</b>		<b>3,699,501</b>	4,013,409
<b>Net Assets</b>		<b>2,921,295</b>	2,773,438
<b>Equity</b>			
Issued capital	23	2,437,333	2,361,820
Retained earnings		319,670	272,554
Restricted capital reserve	24	71,489	71,489
Asset revaluation reserve	24	85,836	61,912
Equity compensation reserve	24	6,967	5,663
<b>Total Equity</b>		<b>2,921,295</b>	2,773,438

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

# Consolidated Statement of Changes in Equity

ASX Limited and its Controlled Entities

For the year ended 30 June 2010	Issued Capital \$'000	Retained Earnings \$'000	Restricted Capital Reserve \$'000	Asset Revaluation Reserve \$'000	Equity Compensation Reserve \$'000	Total Equity \$'000
<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>
Total comprehensive income for the year	–	<b>328,137</b>	–	<b>23,924</b>	–	<b>352,061</b>
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payment	–	–	–	–	<b>1,304</b>	<b>1,304</b>
Dividends provided for or paid	–	<b>(281,021)</b>	–	–	–	<b>(281,021)</b>
Shares issued under Dividend Reinvestment Plan	<b>75,513</b>	–	–	–	–	<b>75,513</b>
<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>
<i>For the year ended 30 June 2009</i>						
<b>Opening balance at 1 July 2008</b>	2,361,820	274,394	71,489	42,456	4,087	2,754,246
Total comprehensive income for the year	–	313,610	–	19,456	–	333,066
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payment	–	–	–	–	4,167	4,167
Purchase of treasury shares (net of tax)	–	–	–	–	(2,591)	(2,591)
Dividends provided for or paid	–	(315,450)	–	–	–	(315,450)
<b>Closing balance at 30 June 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>

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



# Consolidated Statement of Cash Flows

ASX Limited and its Controlled Entities

For the year ended 30 June 2010	Note	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from the course of operations		<b>653,563</b>	599,365
Cash payments in the course of operations		<b>(172,393)</b>	(215,837)
Cash generated from operations		<b>481,170</b>	383,528
Interest received		<b>127,473</b>	283,624
Interest paid		<b>(98,591)</b>	(244,044)
Dividends received		<b>8,075</b>	7,027
Income taxes paid		<b>(118,968)</b>	(120,267)
<b>Net cash inflow from operating activities</b>	27	<b>399,159</b>	309,868
<b>Cash flows from investing activities</b>			
Decrease in participants' margins and commitments		<b>(618,438)</b>	(44,709)
Purchase of investments		–	(12,866)
Payments for other non-current assets		<b>(27,919)</b>	(22,887)
<b>Net cash (outflow) from investing activities</b>		<b>(646,357)</b>	(80,462)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>250,000</b>	100,000
Repayment of borrowings		<b>(100,000)</b>	–
Dividends paid		<b>(281,021)</b>	(315,450)
Proceeds from the issue of shares under the Dividend Reinvestment Plan		<b>75,513</b>	–
Purchase of treasury shares		–	(2,753)
Receipts in respect of Employee Share Plan		<b>143</b>	130
<b>Net cash (outflow) from financing activities</b>		<b>(55,365)</b>	(218,073)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(302,563)</b>	11,333
Fair value (decrease)/increase of cash and cash equivalents		<b>(51)</b>	302
Cash and cash equivalents at the beginning of the financial period		<b>4,019,460</b>	4,007,825
<b>Cash and cash equivalents at the end of the financial period</b>	10(c)	<b>3,716,846</b>	4,019,460
<b>Cash and cash equivalents consist of:</b>			
ASX own funds	10(c)	<b>726,638</b>	410,814
Participants' margins and commitments	18	<b>2,990,208</b>	3,608,646
<b>Total cash and cash equivalents*</b>		<b>3,716,846</b>	4,019,460

\* 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.

## 1 Summary of Significant Accounting Policies

ASX Limited (the 'Company' or 'ASXL') 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 ASXL and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements were authorised for issuance by the Board of Directors on 19 August 2010.

### (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 Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. As a consequence, the Group has changed the presentation of its financial statements. Comparative information has been re-presented to conform with the revised standard.

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. The Group has yet to assess their full impact, however, initial indications are that they may affect the Group's accounting for its available-for-sale financial assets as AASB 9 requires that all financial assets held to pay contractual cash flows should be measured on an amortised cost basis. Debt instruments with contractual cash flow characteristics will therefore no longer be fair valued at period end. The standard and amendment will be applicable to the Group's 30 June 2014 financial statements, however, the Group has not yet decided when to adopt AASB 9.
- Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective 1 July 2010) 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. The interpretation and amendment would not have affected the Group if they had been adopted in the current financial year and will be applicable to the Group's 30 June 2011 financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132)* (effective from 1 February 2010) addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues will be classified as equity regardless of the currency in which the exercise price is denominated. The amendment must be applied retrospectively, however, it would not have affected the Group if it was adopted in the current financial year. The amendments will apply to the Group's 30 June 2011 financial statements.

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions (AASB 2)* (effective from 1 January 2010) 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. The amendments would not have affected the Group if they had been adopted in the current financial year. They will be applicable to the Group's 30 June 2011 financial statements.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]* (effective from 1 January 2010). In May 2009, the AASB issued a number of improvements 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*. The amendments would not have materially affected the Group if they had been adopted in the current financial year. They will be applicable to the Group's 30 June 2011 financial statements.

**(b) Basis of consolidation**

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

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

The Group has an established trust that administers the Group's Long-Term Incentive Plan. This trust is consolidated as the substance of the relationship is that the trust is 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.

*Change in accounting policy*

The Group has adopted AASB 8 *Operating Segments* (AASB 8) from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a reduction of operating segments from two to one. In addition, information for the single segment being the consolidated entity, is presented in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The change in reportable segments has not altered the number of cash-generating units to which goodwill is allocated, which remains at two (Exchange-traded and Non-exchange-traded). There has been no resultant impairment in goodwill. There have been no other changes as a result of this change in accounting policy. Comparatives for the year ended 30 June 2009 have been restated.

**(d) Revenue recognition**

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

*Listings revenue*

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.

*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.

*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 information services is recognised over the period the service is provided.

*Market connectivity*

Revenue from market connectivity 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 include spreading the revenue over the different reporting periods.

*Dividends*

Dividend income is recognised when it is declared.

*Interest income*

Interest income comprises interest earned on the Group's own funds and restricted capital reserves in addition to interest earned on participant funds. Interest income is recognised using the effective interest method.

**(e) Leases**

*Operating leases*

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 term of the lease on a straight-line basis.

*Lease incentive*

Lease incentives may be included in operating leases entered into by the Group, including rent-free periods and premises fit-out allowances. 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 subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars.

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

#### *Group companies*

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

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each of the items in the Income Statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

#### **(g) Interest payable**

Interest payable includes interest owed to participants 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 final dividend in respect of a financial year is declared after year-end, and is therefore not provided for until declared.

#### **(i) Income tax**

Income tax 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 profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(j) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the 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.

#### *Diluted earnings per share*

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance 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 ASXL 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 or more frequently for impairment. 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 reviewed for indicators of impairment to determine if events or changes in circumstances have arisen that indicate that the carrying value may be impaired. 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 profit and loss.

**(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. Cash includes cash and funds on deposit with licenced deposit taking institutions.

**(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. 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 – Receivables), include the fair value of derivative positions and are recognised on trade-date, the date on which the derivative contracts are registered.

*Receivables from related parties*

Inter-company receivables and payables balances 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 an 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 stock 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 proceeds with 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 to 7 years
Computer equipment	3 to 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.

##### *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 to determine if 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 computer software, for the current and previous years, are shown below.

	2010	2009
Cash market trading system	4 years*	7 years
Derivative trading system	Minimum term of vendor support	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

\* The estimated useful life of the ASX market trading system was revised in the current year. See note 2 for further details.

#### **(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 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.

*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. A provision is recognised when an obligation to make-good exists and can be estimated reliably.

**(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.

*Retirement benefit obligations*

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

#### *Share-based payment transactions*

The Group provides 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 is determined by an external valuer using a Black Scholes valuation and a Monte-Carlo simulation method, taking into account the terms and conditions upon which the performance rights were granted. 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 (e.g. '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.

#### *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:

- ASX Clear Pty Limited ('ASX Clear', formerly Australian Clearing House Pty Limited), which provides novation of cash market securities and derivatives; and
- ASX Clear (Futures) Pty Limited ('ASX Clear (Futures)', formerly SFE Clearing Corporation 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 ASX Clear Pty Limited or ASX Clear (Futures) Pty Limited, and a contract between ASX Clear Pty Limited or ASX Clear (Futures) Pty Limited and the buying participant organisation. Through the novation process, positions held by ASX Clear Pty Limited and ASX Clear (Futures) Pty Limited are matched.

#### *Cash market securities (comprises equities and managed investments)*

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

*Derivatives (comprises options, futures, warrants and contracts for difference)*

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

Initial margins which are settled by cash and debt securities 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 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 contained within the Directors' 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, ASXL, 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 ASXL.

*Tax consolidation legislation*

ASXL elected to form a tax consolidated group for income tax purposes. ASXL has remained as the head entity for the purposes of the tax consolidation legislation and is therefore liable for the income tax liabilities of the ASXL tax consolidated Group.

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

*Tax funding agreement*

ASXL has entered into a tax funding agreement with 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 the deferred tax asset relating to tax losses only, and current tax liability of the main operating subsidiaries to ASXL. The subsidiaries will reimburse ASXL for their portion of the Group's current tax liability and will recognise this payment as an inter-entity payable/receivable in their financial statements for that financial year. ASXL will reimburse the subsidiaries for the deferred tax asset from any unused tax losses/credits and ASXL will compensate the subsidiaries by making a payment equal to the carrying value of the deferred tax asset (that arose from the unused tax losses/credits).

## 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.

### *Changes to accounting estimates*

During the year ended 30 June 2010, the estimated useful life of the trading system that supports cash markets and derivatives trading was revised as a result of the decision to implement a new trading platform and discontinue the existing system. The net effect of the changes in the current financial year was an increase in amortisation expense to the Group of \$4,546,000 following a decrease in the estimated useful life from seven to four years.

Assuming the asset is held to the end of its revised useful life (midway in FY11), amortisation of the Group in future years in relation to this asset will be increased by \$2,273,000 compared to the amortisation expense charged to the asset under its original useful life.

## 3 Financial Risk Management

### Overview

The Group's activities expose it to a variety of financial risks: market 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 exposed to any price movements on the contracts (refer to note 1(y)).

*(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 monies and own funds) are subject to the risk of realised losses arising from an adverse movement in interest rates. The interest rate risk of realised losses 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 no significant exposure to foreign currency risk apart from 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 only has one external equity instrument that has a market value of \$206,388,518 as at 30 June 2010 (2009: \$172,188,507). 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 exposed to direct price movements in the underlying equities or

derivatives. However, equity or derivative price movements (in conjunction with other solvency factors) 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;
- daily counterparty credit risk control, including capital based position limits, 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) capital resources available in the event of default to ensure their adequacy. The Group's ongoing monitoring of participants' market positions and exposures, coupled with daily margining and collateral management, 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 permit dealings only with high quality counterparties, and that limit the amount of credit exposure to any one financial institution.

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 by various periods outstanding for credit monitoring purposes.

Intercompany receivables consist of balances owing to the parent entity from wholly-owned subsidiaries. The parent 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.

**(d) Capital management**

The Board's policy is to maintain an appropriate level of capital with the objectives of:

- maintaining the Group's 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 Reserve Bank of Australia (RBA) Financial Stability Standards as required by the various licences held; 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 adopted an appropriate risk appetite statement in order to manage the Group's risks.

The Board's objective is to maintain a prudent surplus of net tangible equity at a 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, debt is also used to support the capital 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 2010 the return was 11.6% (2009: 11.5%).

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 the Directors' Report (page 69). This policy is unchanged from the prior comparable period. As part of its broader capital management activities, the Group also maintains a Dividend Reinvestment Plan as an alternative to source capital funds.

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**

Financial risks in the form of market risk (primarily interest rate risk) are quantified using the 'value at risk' (VaR) concept. VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given confidence interval of 99%. The VaR is calculated daily. At the end of the reporting period the one week VaR was \$290,849 (2009: \$92,951) on the major investment portfolio of cash and available-for-sale financial assets.

**(i) Interest Rate Risk**

At the end of the reporting period, the interest rate profile, fair values and carrying amounts of the Group's financial assets and liabilities are set out in the following tables:

	Note	Carrying Amount				Fair Value
		Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Total
		2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
<b>2010</b>						
<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*		4.68%	4.83%			
* Excludes yield on government securities lodged as collateral						
<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>–</b>	<b>334,393</b>	<b>3,574,601</b>	<b>3,574,601</b>
Weighted average interest rate		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>
<b>2009</b>						
<b>Financial assets</b>						
Cash	10(a)	1,119,120	314,304	–	1,433,424	1,433,424
Available-for-sale financial assets	10(b)	611,869	1,974,167	–	2,586,036	2,586,036
Receivables	11	–	–	240,082	240,082	240,082
Investments in listed shares	13	–	–	172,189	172,189	172,189
<b>Total financial assets</b>		<b>1,730,989</b>	<b>2,288,471</b>	<b>412,271</b>	<b>4,431,731</b>	<b>4,431,731</b>
Weighted average interest rate*		3.11%	3.22%			
* Excludes yield on government securities lodged as collateral						
<b>Financial liabilities</b>						
Payables	17	–	–	205,434	205,434	205,434
Amounts owing to participants	18	3,608,646	–	–	3,608,646	3,608,646
Borrowings	19	100,000	–	–	100,000	100,000
Other liabilities	21	–	–	4,662	4,662	4,662
<b>Total financial liabilities</b>		<b>3,708,646</b>	<b>–</b>	<b>210,096</b>	<b>3,918,742</b>	<b>3,918,742</b>
Weighted average interest rate		2.71%				
<b>Net financial assets/(liabilities)</b>		<b>(1,977,657)</b>	<b>2,288,471</b>	<b>202,175</b>	<b>512,989</b>	<b>512,989</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 and floating rate notes; and
- fixed interest rate refers to financial instruments where the interest rate is fixed up to maturity, predominantly term deposits, bank accepted bills and negotiable certificates of deposit.

The Group does not account for any fixed or floating rate financial assets and liabilities at fair value through profit or loss. A change in interest rate at the end of the reporting period would only affect profit or loss 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 interest rate would have decreased/increased the Group's equity by \$110,616 (2009: \$135,365). The analysis is performed on the same basis for 2009.

**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 \$36,678 (2009: \$131,394). The analysis is performed on the same basis for 2009.

**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 cashflow and annual profit or loss by \$973,004 (2009: \$638,210). The analysis is performed on the same basis for 2009.

(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 AUD '000s:

	30 June 2010				30 June 2009				
	NZD	USD	EUR	JPY	NZD	USD	EUR	GBP	JPY
<b>Financial assets:</b>									
Cash	82,321	21,642	99	331	77,621	11,209	429	130	109,768
Available-for-sale financial assets	–	153,132	–	–	–	124,171	–	–	–
Trade receivables	252	–	–	–	449	–	–	–	–
<b>Financial liabilities:</b>									
Trade creditors	173	–	–	–	183	–	–	–	–
Amounts owing to participants	81,982	165,894	99	96	76,395	130,815	429	130	109,675
<b>Net exposure</b>	<b>418</b>	<b>8,880</b>	<b>–</b>	<b>235</b>	<b>1,492</b>	<b>4,565</b>	<b>–</b>	<b>–</b>	<b>93</b>
Exchange rate for conversion	1.2305	0.8553	0.6988	75.83	1.2426	0.8133	0.5752	0.4864	77.87

At 30 June 2010, USD \$7,125,000 was designated by the Group as the hedging instrument in a qualifying cash flow hedge for software development costs to be paid in US dollars (2009: USD \$3,500,000). The amount is 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 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 2009.

	Profit or Loss	
	2010	2009
	\$'000	\$'000
NZD	(27)	(95)
USD	(35)	(16)
JPY	(15)	(6)

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 \$530,000 (net of tax) (2009: \$274,000) 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 \$14,447,126 (net of tax) (2009: \$12,053,000).

**(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	
		2010	2009
		\$'000	\$'000
Cash	10(a)	1,242,620	1,433,424
Available-for-sale financial assets	10(b)	2,474,226	2,586,036
Trade receivables	11	50,915	53,701
Margin receivable from clearing participants	11	271,096	171,458
Accrued revenue	11	11,976	11,270
Accrued interest receivables	11	3,447	2,763
Other debtors	11	2,835	890
Investments	13	206,389	172,189

With respect to cash and available-for-sale financial assets, the Group's single most significant exposure at the end of the reporting period was \$950,089,716 (2009: \$871,304,195) to an Australian licensed bank with a Standard & Poor's (S&P) short-term credit rating 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 on the following page.

2010	Counterparty Risk Rating			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
Government bonds and treasury bills	471,383	–	–	471,383
<b>Total available-for-sale financial assets</b>	<b>471,383</b>	<b>1,818,039</b>	<b>184,804</b>	<b>2,474,226</b>

Counterparty risk ratings are S&P short-term credit ratings.

2009	Counterparty Risk Rating			Total \$'000
	AAA \$'000	A1+ \$'000	A1 \$'000	
<b>Cash</b>	<b>510</b>	<b>1,432,914</b>	<b>–</b>	<b>1,433,424</b>
Bank bills	–	491,808	–	491,808
Negotiable certificates of deposit	–	574,216	89,873	664,089
Floating rate notes	–	611,869	–	611,869
Government bonds and treasury bills	818,270	–	–	818,270
<b>Total available-for-sale financial assets</b>	<b>818,270</b>	<b>1,677,893</b>	<b>89,873</b>	<b>2,586,036</b>

The Group's activities result in relationships with a large part of the financial sector as well as all listed companies, and a variety of institutional entities and trusts. As such there is no concentration of receivables to any one customer.

#### Financial assets that were past due but not impaired:

As at 30 June, the age analysis of the trade receivables of the Group that were past due but not determined to be impaired was as follows:

	2010 \$'000	2009 \$'000
Not past due	<b>35,316</b>	41,418
Past due 0-30 days	<b>11,649</b>	7,782
Past due 31-60 days	<b>2,526</b>	1,806
Past due 61-90 days	<b>1,313</b>	568
Past due 91 days and over	<b>111</b>	1,943
Total trade receivables not impaired	<b>50,915</b>	53,517
Trade receivables impaired	<b>1,001</b>	1,072
<b>Total trade receivables</b>	<b>51,916</b>	54,589

For clearing and settlement related risks, refer to note 25(a) Novation.

**(v) Liquidity Risk**

The following are the expected contractual cash flows by maturity of financial assets and liabilities held by the Group at 30 June:

	30 June 2010					Total \$'000
	Up to 1 Mth \$'000	>1 Mth to 3 Mths \$'000	>3 Mths 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</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</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>

During the year, the Group entered into a contract for the building and lease of a new data centre. The building construction and fit-out is expected to be completed in FY12. The minimum lease payments of \$32.541 million have been included in the above commitments as having a maturity of greater than one year.

	30 June 2009					Total \$'000
	Up to 1 Mth \$'000	>1 Mth to 3 Mths \$'000	>3 Mths to 1 Year \$'000	>1 Year \$'000	No Specific Maturity \$'000	
<b>Current assets:</b>						
Cash	1,373,424	60,000	–	–	–	1,433,424
Available-for-sale financial assets	1,282,000	79,000	443,720	970,353	–	2,775,073
Receivables	235,531	2,374	1,943	–	50	239,898
<b>Non-current assets:</b>						
Investment in listed shares	–	–	–	–	172,189	172,189
Receivables	–	–	–	184	–	184
<b>Total</b>	<b>2,890,955</b>	<b>141,374</b>	<b>445,663</b>	<b>970,537</b>	<b>172,239</b>	<b>4,620,768</b>
<b>Current liabilities:</b>						
Payables	201,467	6,220	3,380	–	–	211,067
Amounts owing to participants	3,527,246	–	–	–	–	3,527,246
Other current liabilities	–	–	162	–	–	162
<b>Non-current liabilities:</b>						
Payables	–	–	–	3,380	–	3,380
Amounts owing to participants	–	–	–	81,400	–	81,400
Borrowings	–	–	–	100,000	–	100,000
Other non-current liabilities	–	–	–	4,500	–	4,500
<b>Total</b>	<b>3,728,713</b>	<b>6,220</b>	<b>3,542</b>	<b>189,280</b>	<b>–</b>	<b>3,927,755</b>
<b>Commitments:</b>						
Capital and operating commitments	729	1,485	7,037	37,654	–	46,905
Lease rental commitments	993	2,010	9,160	65,501	–	77,664
<b>Total commitments</b>	<b>1,722</b>	<b>3,495</b>	<b>16,197</b>	<b>103,155</b>	<b>–</b>	<b>124,569</b>

With respect to amounts owing to participants, with a maturity period determined as up to one month, the actual maturity will depend on a number of factors including new contracts opened and contracts closed by participants.

(vi) **Fair Value Measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Group adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by 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 assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

At 30 June 2010	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
– Government bonds and treasury bills	–	471,383	–	471,383
<b>Total</b>	<b>206,389</b>	<b>2,474,226</b>	<b>–</b>	<b>2,680,615</b>
<b>Liabilities</b>				
	–	–	–	–

The fair value of the Group's only external listed equity investment is determined by reference to the ASX quoted market bid price at the close of business on the Balance Sheet date. Therefore, 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 discount 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 assesses performance of the Group as a single segment, being a vertically integrated organisation (e.g. primary, secondary and risk transfer) providing multi-asset class product offerings. Vertical integration includes the exchange listing activities offered to public companies, the trading venue or exchange activities for trading and associated 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.

In addition to reviewing performance based on net profit after tax, the Managing Director and CEO assesses the performance of the Group based on underlying net profit after tax. This measure excludes significant non-recurring revenue and expenses such as those that may be associated with a significant business restructuring. 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 Managing Director and CEO. In assessing performance, operating revenue adjustments include derivative revenues 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 Managing Director and CEO, along with a reconciliation to net profit for the period attributable to owners of the Company, is provided on the following page:

Year ended 30 June 2010	Segment Information \$'000	Adjustments \$'000	Consolidated Income Statement \$'000
<b>Revenue</b>			
Listings	115,464	–	115,464
Cash market	181,442	–	181,442
Derivatives cleared by ASX Clear	31,575	–	31,575
Derivatives cleared by ASX Clear (Futures)	116,240	7,658	123,898
Information services	68,752	–	68,752
Market connectivity	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)	–
Net interest and dividend income	37,385	(37,385)	–
<b>Underlying profit before tax</b>	<b>472,523</b>	<b>(6,373)</b>	<b>466,150</b>
<b>Income tax (expense)/credit</b>	<b>(139,925)</b>	<b>1,912</b>	<b>(138,013)</b>
<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>–</b>	<b>328,137</b>
Total assets	6,620,796		
Less: liabilities	(3,699,501)		
Less: goodwill	(2,262,759)		
<b>Net tangible equity</b>	<b>658,536</b>		

Year ended 30 June 2009	Segment Information \$'000	Adjustments \$'000	Consolidated Income Statement \$'000
<b>Revenue</b>			
Listings	104,080	–	104,080
Cash market	163,042	–	163,042
Derivatives cleared by ASX Clear	25,528	–	25,528
Derivatives cleared by ASX Clear (Futures)	108,246	4,316	112,562
Information services	71,025	–	71,025
Market connectivity	28,625	–	28,625
Austraclear services	24,678	–	24,678
Other	13,201	1,019	14,220
<b>Operating revenue</b>	<b>538,425</b>		
Interest income		284,594	284,594
Dividends		7,027	7,027
<b>Total revenue</b>		<b>296,956</b>	<b>835,381</b>
<b>Expenses</b>			
Staff	81,743	–	81,743
Occupancy	12,759	–	12,759
Equipment	22,696	1,495	24,191
Administration	16,043	8,857	24,900
Variable	5,017	(5,017)	–
<b>Cash operating expenses</b>	<b>138,258</b>		
<b>EBITDA</b>	<b>400,167</b>		
Finance costs		232,048	232,048
Depreciation and amortisation	15,042	–	15,042
<b>Total expenses</b>		<b>237,383</b>	<b>390,683</b>
<b>EBIT</b>	<b>385,125</b>		
Interest income	19,707	(19,707)	–
Net interest on participant balances	32,839	(32,839)	–
Dividend income	7,027	(7,027)	–
Net interest and dividend income	59,573	(59,573)	–
<b>Underlying profit before tax</b>	<b>444,698</b>	–	<b>444,698</b>
<b>Income tax expense</b>	<b>(131,088)</b>	–	<b>(131,088)</b>
<b>Underlying net profit after tax</b>	<b>313,610</b>	–	<b>313,610</b>
Significant items	–	–	–
<b>Net profit after tax</b>	<b>313,610</b>	–	<b>313,610</b>
Total assets	6,786,847		
Less: liabilities	(4,013,409)		
Less: goodwill	(2,262,759)		
<b>Net tangible equity</b>	<b>510,679</b>		

## 6 Expenses

### Included in expenses are the following items:

	2010 \$'000	2009 \$'000
Net doubtful debts	53	925
Non-recurring costs related to business restructure	9,016	–
Operating lease rental expense	12,474	11,101
Employer contributions to superannuation plans	5,955	6,349
Expense relating to share-based payments	627	4,395
Occupancy expense provisions reversed	(645)	(534)

**7 Taxation**

	2010 \$'000	2009 \$'000
<b>(a) Income tax (expense)</b>		
Profit before income tax expense	466,150	444,698
Prima facie income tax (expense) calculated at 30% (2009: 30%) on the profit before tax	(139,845)	(133,409)
Movement in income tax (expense) due to:		
– Non-deductible employee equity schemes	(118)	(440)
– Other non-tax deductible items	(88)	(89)
– Net franking credit offset	2,423	2,108
– Non-assessable income	–	690
(Under)/over provision in prior year	(385)	52
<b>Total income tax (expense)</b>	<b>(138,013)</b>	<b>(131,088)</b>
<b>(b) Major components of income tax expense</b>		
Current tax expense	(135,177)	(131,886)
Movement in deferred tax liability	1,258	2,685
Movement in deferred tax asset	(2,692)	(1,939)
Long-Term Incentive Plan	(1,017)	–
(Under)/over provision in prior year	(385)	52
<b>Total income tax (expense)</b>	<b>(138,013)</b>	<b>(131,088)</b>
<b>(c) Amounts recognised directly in equity</b>		
Relating to purchase of treasury shares	–	162
Long-Term Incentive Plan	1,017	–
<b>Total</b>	<b>1,017</b>	<b>162</b>
<b>(d) Tax expense (income) relating to items of other comprehensive income</b>		
Relating to revaluation of available-for-sale financial assets	148	(129)
Relating to revaluation of investments	(10,393)	(8,452)
<b>Total</b>	<b>(10,245)</b>	<b>(8,581)</b>
<b>(e) Deferred tax asset/(liability)</b>		
Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2009: 30%) of the following items:		
Provisions for:		
– Doubtful debts	300	321
– Employee entitlements	4,593	5,805
– Leased premises	4,617	5,807
Accrued expenses	3,510	3,155
Revenue received in advance	431	412
<b>Deferred tax asset</b>	<b>13,451</b>	<b>15,500</b>
Deferred tax liability comprises the estimated expense at an income tax rate of 30% (2009: 30%) of the following items:		
Accrued interest	(1,836)	(1,842)
Fixed assets	(5,949)	(5,851)
Prepayments	(88)	(77)
Revaluation of investments and available-for-sale financial assets*	(36,897)	(26,542)
Long-Term Incentive Plan	(854)	(1,521)
<b>Deferred tax liability</b>	<b>(45,624)</b>	<b>(35,833)</b>
<b>Net deferred tax liability</b>	<b>(32,173)</b>	<b>(20,333)</b>

\* This amount was charged directly to 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 – 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>			

Dividends paid by the Company in the current year include amounts on certain LTI shares held on trust. The amount of these dividends has been recognised in the Income Statement.

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 – 2008	93.9	160,696	17 September 2008	30%	100%
Interim – 2009	90.4	154,754	27 March 2009	30%	100%
<b>Total amount</b>	<b>184.3</b>	<b>315,450</b>			

*Dividends not recognised at the end of the reporting period*

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 – 2010	84.0	145,815	27 September 2010	30%	100%
<b>Total amount</b>	<b>84.0</b>	<b>145,815</b>			

The final dividend has not been recognised in the financial statements for the year ended 30 June 2010, but will be recognised in subsequent financial statements.

*Dividend franking account*

	Company	
	2010 \$'000	2009 \$'000
30% franking credits available to shareholders of ASXL for subsequent financial years	<b>102,192</b>	83,879

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 2010 dividend declared, the franking balance would be \$39,701,467 (2009: \$29,220,806)

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 \$238,451,273 could potentially be paid to shareholders.

**9 Earnings per Share**

	2010	2009
Basic earnings per share (cents)	<b>190.4</b>	183.2
Diluted earnings per share (cents)	<b>190.4</b>	183.1

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	<b>172,352,087</b>	171,171,757
Number of contingently issuable shares	–	150,157
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>172,352,087</b>	171,321,914

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

The basic and diluted earnings per share amounts have been calculated on the basis of net profit after tax of \$328,137,610 (2009: \$313,610,139).

**10 Cash and Available-for-Sale Financial Assets****(a) Cash**

	2010 \$'000	2009 \$'000
Cash and funds on deposit	<b>1,242,260</b>	1,433,424

**(b) Available-for-sale financial assets**

Money market instruments – at amortised cost	<b>2,473,613</b>	2,584,929
Revaluation recognised directly in equity	<b>613</b>	1,107
<b>Money market instruments – at fair value</b>	<b>2,474,226</b>	2,586,036

**Unlisted securities**

Unlisted securities, including bank bills, negotiable certificates of deposit, government bonds, and 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**

Cash and funds on deposit	<b>1,242,620</b>	1,433,424
Money market instruments held at fair value	<b>2,474,226</b>	2,586,036
<b>Total cash and available-for-sale financial assets</b>	<b>3,716,846</b>	4,019,460
Less: Participant balances (refer note 18)	<b>(2,990,208)</b>	(3,608,646)
<b>ASX own funds as per Statement of Cash Flows</b>	<b>726,638</b>	410,814

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.

**11 Receivables**

	2010 \$'000	2009 \$'000
<b>Current</b>		
Trade debtors	51,916	54,589
Less provision for impairment	(1,001)	(1,072)
	<b>50,915</b>	53,517
Margins receivable	271,096	171,458
Accrued revenue	11,976	11,270
Accrued interest receivables	3,447	2,763
Other debtors	2,835	890
<b>Total</b>	<b>340,269</b>	239,898
<b>Non-current</b>		
Receivables	-	184
<b>Total</b>	-	184

**12 Other Assets**

Prepayments	6,696	7,721
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**13 Investments**

<b>Non-current</b>		
Listed shares at fair value	206,389	172,189
<b>Total</b>	<b>206,389</b>	172,189

**Listed shares at fair value**

ASXL owns 18.8% (2009: 19.2%) of the share capital in IRESS Market Technology Limited (IRESS), whose principal activity is the provision of equity and related market services to professional market participants. 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:

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Computer Equipment \$'000	Total \$'000
<b>2010</b>				
<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>
<b>2009</b>				
<b>Cost</b>				
Balance at 1 July 2008	16,888	21,887	49,856	88,631
Additions	2,334	1,954	11,421	15,709
Disposals and write-downs	–	–	(292)	(292)
<b>Balance at 30 June 2009</b>	<b>19,222</b>	<b>23,841</b>	<b>60,985</b>	<b>104,048</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2008	12,739	19,710	38,385	70,834
Depreciation expense	1,031	518	3,410	4,959
Disposals and write-downs	–	–	(289)	(289)
<b>Balance at 30 June 2009</b>	<b>13,770</b>	<b>20,228</b>	<b>41,506</b>	<b>75,504</b>
<b>Net Book Value at 30 June 2009</b>	<b>5,452</b>	<b>3,613</b>	<b>19,479</b>	<b>28,544</b>

**15 Intangible Assets – Software**

The movements in the intangible asset balances are as follows:

	Computer Software \$'000
<b>2010</b>	
<b>Cost</b>	
Balance at 1 July 2009	134,368
Additions	14,275
Disposals and write-downs	(658)
<b>Balance at 30 June 2010</b>	<b>147,985</b>
<b>Accumulated amortisation</b>	
Balance at 1 July 2009	78,276
Amortisation expense	16,175
Disposals and write-downs	–
<b>Balance at 30 June 2010</b>	<b>94,451</b>
<b>Net Book Value at 30 June 2010</b>	<b>53,534</b>
<b>2009</b>	
<b>Cost</b>	
Balance at 1 July 2008	124,312
Additions	10,078
Disposals and write-downs	(22)
<b>Balance at 30 June 2009</b>	<b>134,368</b>
<b>Accumulated amortisation</b>	
Balance at 1 July 2008	68,215
Amortisation expense	10,083
Disposals and write-downs	(22)
<b>Balance at 30 June 2009</b>	<b>78,276</b>
<b>Net Book Value at 30 June 2009</b>	<b>56,092</b>

**16 Intangible Assets – Goodwill**

	2010 \$000	2009 \$000
Opening balance at 1 July 2009	2,262,759	2,262,759
Movements during the year	–	–
Closing balance at 30 June 2010	2,262,759	2,262,759

**(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 is as follows:

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

No impairment charge arose in the current year (2009: nil).

**(b) Key assumptions used for value-in-use calculations**

Management determined budgeted gross margin based on past performance, current projections for FY11 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 11.2% (2009: 11.8%) for Exchange-traded and 11.6% (2009: 11.8%) for Non-exchange traded and reflects risk estimates in addition to levels of debt and equity for each CGU. The growth rate used to extrapolate cash flow projections beyond five years is 4.7% (2009: 5.8%) per annum for the Exchange-traded CGU and 3.0% (2009: 2.0%) per annum for the Non-Exchange traded CGU.

**17 Payables**

	2010 \$'000	2009 \$'000
Trade creditors	5,365	2,609
Margins payable	271,096	171,458
Interest payable	9,127	8,865
Rebates payable	24,319	1,358
Transaction taxes payable	4,149	4,701
Employee related payables	3,920	8,120
Expense accruals	7,862	5,626
Other payables	4,245	2,697
<b>Total</b>	<b>330,083</b>	<b>205,434</b>

**18 Amounts Owing to Participants**

	2010 \$'000	2009 \$'000
Current	<b>2,907,768</b>	3,527,246
Non-current	<b>82,440</b>	81,400
<b>Total</b>	<b>2,990,208</b>	3,608,646

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. 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 and have no repayment date.

**19 Borrowings**

Non-current	<b>250,000</b>	100,000
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Non-current borrowing of \$250 million at 30 June 2010 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 term of the loan is three years with a variable rate of interest payable.

The activities of the two central counterparty licensed clearing subsidiaries expose 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. 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 Contingencies.

The non-current borrowing in the prior year was an unsecured bank loan supporting the financial resources of ASX Clear Pty Limited. The loan was repaid during the year ended 30 June 2010 at the time of the inception of the \$250 million non-recourse term loan taken by ASXCC.

**20 Provisions**

	2010 \$'000	2009 \$'000
<b>Current</b>		
Employee entitlements	10,618	10,572
Premises provisions	3,699	2,692
<b>Total</b>	<b>14,317</b>	<b>13,264</b>
<b>Non-current</b>		
Employee entitlements	2,483	2,517
Premises provisions	7,922	10,088
<b>Total</b>	<b>10,405</b>	<b>12,605</b>

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

	Premises \$'000
<b>2010</b>	
Opening balance at 1 July 2009	12,780
Provisions used during the period	(583)
Provisions reversed during the period	(645)
Additions during the period	69
<b>Closing balance at 30 June 2010</b>	<b>11,621</b>
Current	3,699
Non-current	7,922
<b>2009</b>	
Opening balance at 1 July 2008	14,383
Provisions used during the period	(1,069)
Provisions reversed during the period	(534)
<b>Closing balance at 30 June 2009</b>	<b>12,780</b>
Current	2,692
Non-current	10,088

Premises provision comprises lease straight-lining adjustments, make good provisions, surplus lease space provisions and lease incentives. The provision for employee benefits relates mainly to annual and long service leaves.

**21 Other Liabilities**

	2010 \$'000	2009 \$'000
<b>Current</b>		
Revenue received in advance	11,466	8,359
Other current liabilities	310	162
<b>Total</b>	<b>11,776</b>	<b>8,521</b>
<b>Non current</b>		
Other non current liabilities	4,000	4,500
<b>Total</b>	<b>4,000</b>	<b>4,500</b>
<b>Total other liabilities</b>	<b>15,776</b>	<b>13,021</b>



**22 Commitments****(a) Capital and operating commitments**

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

	2010 \$'000	2009 \$'000
Due:		
Not later than one year	9,971	9,251
Later than one year but not later than five years	38,902	29,203
Later than five years	10,995	8,451
<b>Total</b>	<b>59,868</b>	<b>46,905</b>

**(b) Non-cancellable operating lease rental commitments**

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

Due:		
Not later than one year	11,265	12,163
Later than one year but not later than five years	45,705	36,872
Later than five years	42,831	28,629
<b>Total</b>	<b>99,801</b>	<b>77,664</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 ranging from one to 11 years with options to extend for further periods. Future rentals are subject to indexation and periodical rent reviews. The above amounts represent committed gross payments and the Group has contracted to receive sub-lease income of \$1,433,368 (2009: \$3,584,083).

The increase in operating lease rental commitments reflects the Group entering into a contract for the construction and lease of a new data centre. As part of the contract, the Group will lease the facility for an initial non-cancellable term of 11 years, commencing FY12. Total minimum payments over the term of the lease are \$32.541 million.

**23 Issued Capital**

Opening balance	2,361,820	2,361,820
Movements during the year	75,513	–
Closing balance	2,437,333	2,361,820

The movement in issued capital reflects shares issued under the Dividend Reinvestment Plan.

	2010 No. of shares	2009 No. of shares
Movements in ordinary shares during the year:		
Opening balance	171,188,524	171,148,524
Shares issued under Long-Term Incentive Plan	140,770	40,000
Shares issued under Dividend Reinvestment Plan	2,243,951	–
<b>Closing balance</b>	<b>173,573,245</b>	<b>171,188,524</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 2010, 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 Changes in Equity and the Statement of Comprehensive Income for 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. 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, Superannuation and Corporate Law (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 cash held for cash flow hedges are taken to the asset revaluation reserve as described in notes 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 the cash flow hedges become ineffective.

#### 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 novation of certain financial assets and liabilities, referred to as central counterparty clearing. 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 (formerly Australian Clearing House Pty Limited)

ASX Clear Pty Limited, a controlled entity of ASX Clearing Corporation Limited (ASXCC), which is a controlled entity of ASXL, is the counterparty to all on-market transactions conducted on 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 2010, ASX Clear Pty Limited had a right to receive from participants payments of \$330.3 million (2009: \$990.0 million) and a corresponding obligation to make payments of \$330.3 million (2009: \$990.0 million) relating to cash market securities. Furthermore, total collateral required by ASX Clear Pty Limited to cover participants' derivatives exposures was \$914.9 million (2009: \$1,160.3 million). This was made up of cash and receivables of \$353.6 million recognised on balance sheet, (2009: \$379.0 million), bank guarantees of \$237.5 million (2009: \$151.3 million) and the remainder of \$323.8 million (2009: \$630.0 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 \$3,911.9 million (2009: \$3,497.3 million).

All net delivery and net payment obligations relating to cash market securities owing to or by participants at 30 June 2010 were 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 Jun 2010 \$'000	30 Jun 2009 \$'000
Restricted capital reserve	<b>71,489</b>	71,489
Equity and subordinated debt provided by the Group	<b>78,511</b>	78,511
External borrowing*	<b>100,000</b>	100,000
Emergency assessments	<b>300,000</b>	300,000
	<b>550,000</b>	550,000

\* External borrowing by ASX Clear Pty Limited at 30 June 2009 and via ASXCC at 30 June 2010 (see note 19).

In the event of a clearing default, the financial resources at 30 June 2010 available to ASX Clear Pty Limited would be applied in the following order as set out in the ASX Clear Pty Limited clearing rule 5.8.3 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. Currently, ASX Clear Pty Limited has determined the Reserve Requirement (Reserve Bank of Australia (RBA) Stability Standard for Central Counterparties) to be \$150 million.

Accordingly, ASX Clear Pty Limited has met the Reserve Requirement through the combination of restricted capital, equity and subordinated debt. 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). At 30 June 2009, the debt had been directly lent to ASX Clear Pty Limited;
- 5 contributions lodged by non-defaulting participants under the ASX Clear Pty Limited clearing rules. Total contributions lodged at 30 June 2010 totalled \$nil (2009: \$nil); and
- 6 emergency assessments of \$300 million levied on participants (nil has been levied for periods ending 30 June 2010 and 2009).

#### ASX Clear (Futures) Pty Limited (formerly SFE Clearing Corporation Pty Limited)

ASX Clear (Futures) Pty Limited, a controlled entity of ASXCC, is the counterparty to derivative contracts comprising futures, options and contracts for difference. 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 2010 was \$2,554.2 million (30 June 2009: \$3,148.2 million). This was made up of cash \$2,082.8 million (30 June 2009: \$2,329.9 million) and debt securities \$471.4 million (30 June 2009: \$818.3 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 2010 were 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 Jun 2010 \$'000	30 Jun 2009 \$'000
Equity and subordinated debt provided by ASX Group	<b>100,000</b>	100,000
Participant financial backing	<b>120,000</b>	120,000
Secondary commitments	<b>30,000</b>	30,000
External insurance	–	150,000
External borrowing*	<b>150,000</b>	–
	<b>400,000</b>	400,000

\* External borrowing by ASX Clear (Futures) Pty Limited via ASXCC (see note 19).

In the event of a clearing default, the financial resources at 30 June 2010 available to ASX Clear (Futures) Pty Limited would be applied in the following order in accordance with the ASX Clear (Futures) Pty Limited clearing rules:

- 1 margins and participant financial backing lodged by the defaulting participant with ASX Clear (Futures) Pty Limited;
- 2 ASXCC, a controlled entity of ASXL, provided equity capital of \$30 million and subordinated debt of \$70 million;

- 3 participant financial backing lodged by participants, totalling \$120 million (less the financial backing of defaulting participant already used in 1 above). 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 \$82.4 million (30 June 2009: \$81.4 million) and non-cash commitments (letters of credit drawn on major Australian licensed banks of \$37.6 million (30 June 2009: \$38.6 million));
- 4 secondary commitments of \$30 million levied on participants (nil has been levied for periods ending 30 June 2010 and 2009); and
- 5 non-recourse subordinated debt of \$150 million received from ASXCC which borrowed the funds externally (see note 19 for further details).

#### (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 2010 were \$111.0 million (2009: \$105.0 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 ASXL must pay a levy to SEGC. Where a levy becomes payable, ASXL 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 ASXL 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 ASXL 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 ASXL.

ASXL is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASXL has a contingent liability to provide a maximum of \$1,000 of capital in the event it is called on by SEGC.

**(c) Employee share plans**

In prior years employees were provided with non-recourse loans to acquire ordinary shares under an ASX employee share purchase plan. Under this plan, employees may elect not to repay the loan thereby forgoing ownership in the shares. Where this occurs, the shares are sold on-market with the net proceeds utilised to offset the outstanding loan balance. A contingent liability arises where the proceeds from sale are insufficient to meet any outstanding loan balance net of dividends.

The outstanding loan balance as at 30 June 2010 is \$41,122 (2009: \$184,374).

At 30 June 2010, there was no liability relating to the employee share schemes as the value of the shares was significantly greater than the loan balance (2009: \$nil).

**(d) ASX Long-Term Incentive plans**

There are no contingently issuable shares under the Long-Term Incentive plans as at 30 June 2010 (2009: 149,200).

**(e) Transfer of supervision to Australian Securities and Investments Commission (ASIC)**

On 1 August 2010, the responsibility for certain supervisory functions over trading on ASX markets transferred from the Group to ASIC. The transfer involved the assignment and grant of rights in relation to certain intangible assets from the Group to ASIC. ASX and the Commonwealth Government are in discussion regarding the value of those assets and the form that any fair value compensation arrangements will take.

**26 Deed of Cross Guarantee**

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

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed, dated 1 June 1992 and amended 6 June 2008, is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed at the end of the reporting period and at the end of the previous 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 (formerly Sydney Futures Exchange Limited)	83 000 943 377
Australian Clearing Corporation Limited	068 624 813

**(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, Statement of Comprehensive Income and summary of movements in retained earnings for the year ended 30 June 2010 for the Closed Group consisting of ASX Limited, Australian Securities Exchange Limited, ASX Operations Pty Limited, SFE Corporation Limited and Australian Clearing Corporation Limited.

	2010 \$'000	2009 \$'000
<b>Income Statement</b>		
<b>Profit before related income tax expense</b>	<b>470,960</b>	432,570
Income tax (expense)	<b>(131,500)</b>	(117,521)
<b>Profit after related income tax expense</b>	<b>339,460</b>	315,049
<b>Statement of Comprehensive Income</b>		
Profit for the year	<b>339,460</b>	315,049
<b>Other comprehensive income</b>		
Change in fair value of investments, net of tax	<b>23,940</b>	19,722
Change in fair value of available-for-sale financial assets, net of tax	<b>2</b>	–
Change in fair value of cash flow hedges, net of tax	<b>310</b>	(570)
<b>Other comprehensive income for the year, net of tax</b>	<b>24,252</b>	19,152
<b>Total comprehensive income for the year</b>	<b>363,712</b>	334,201
<b>Summary of movements in consolidated retained earnings</b>		
<b>Retained earnings at beginning of year</b>	<b>266,234</b>	266,648
Dividends paid	<b>(281,024)</b>	(315,463)
Profit for the year	<b>339,460</b>	315,049
<b>Retained earnings at end of year</b>	<b>324,670</b>	266,234

**(b) Balance Sheet**

Set out below is a consolidated Balance Sheet as at 30 June 2010 for the Closed Group consisting of ASX Limited, Australian Securities Exchange Limited, ASX Operations Pty Limited, SFE Corporation Limited and Australian Clearing Corporation Limited.

	2010 \$'000	2009 \$'000
<b>Current assets</b>		
Cash	70,652	32,435
Available-for-sale financial assets	104,847	–
Receivables	45,307	45,274
Other assets	6,298	7,086
<b>Total current assets</b>	<b>227,104</b>	84,795
<b>Non-current assets</b>		
Investments	278,230	245,523
Receivables	175,591	142,274
Property, plant and equipment	34,303	28,617
Intangible assets – software	50,710	52,178
Intangible assets – goodwill	2,262,759	2,262,759
<b>Total non-current assets</b>	<b>2,801,593</b>	2,731,351
<b>Total assets</b>	<b>3,028,697</b>	2,816,146
<b>Current liabilities</b>		
Payables	47,721	23,100
Current tax liabilities	56,523	40,532
Provisions	14,317	13,264
Other current liabilities	11,775	8,521
<b>Total current liabilities</b>	<b>130,336</b>	85,417
<b>Non-current liabilities</b>		
Deferred tax liabilities	29,578	17,410
Provisions	10,405	12,605
Other non-current liabilities	4,000	4,500
<b>Total non-current liabilities</b>	<b>43,983</b>	34,515
<b>Total liabilities</b>	<b>174,319</b>	119,932
<b>Net assets</b>	<b>2,854,378</b>	2,696,214
<b>Equity</b>		
Issued capital	2,437,333	2,361,820
Retained earnings	324,670	266,234
Asset revaluation reserve	85,408	61,156
Equity compensation reserve	6,967	7,004
<b>Total equity</b>	<b>2,854,378</b>	2,696,214

**27 Notes to the Statement of Cash Flows**

	2010 \$'000	2009 \$'000
Reconciliation of the operating profit after income tax to the net cash flows from operating activities		
Net profit after tax	<b>328,137</b>	313,610
Add non-cash items:		
Depreciation and amortisation	<b>23,674</b>	15,042
Share-based payment	<b>287</b>	4,167
Net loss on disposal of non-current assets	<b>674</b>	–
Changes in assets and liabilities:		
Increase in tax balances	<b>19,046</b>	10,820
(Increase)/decrease in current receivables	<b>(691)</b>	8,113
Decrease/(increase) in other current assets	<b>1,025</b>	(358)
Increase/(decrease) in payables	<b>25,966</b>	(38,303)
Increase/(decrease) in other liabilities	<b>2,753</b>	(2,629)
Increase in current provisions	<b>488</b>	1,390
(Decrease) in non-current provisions	<b>(2,200)</b>	(1,984)
<b>Net Cash Provided by Operating Activities</b>	<b>399,159</b>	309,868

**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 have been made in December 2006, December 2007, December 2008 and on 1 July 2010. All performance rights are to be settled by physical delivery of ordinary shares in ASX Limited subject to vesting 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 on 1 December 2007	31,100	3 years' service, 50% relative shareholder return and 50% growth in earning per share	3 years
Performance rights granted to other employees on 1 December 2007	95,400	3 years' service, 50% relative shareholder return and 50% growth in earning per share	3 years
Performance rights granted to other employees on 1 December 2008	95,000	3 years' service, 50% relative shareholder return and 50% growth in earning per share	3 years
<b>Total</b>	<b>221,500</b>		

In addition, 7,000 performance rights were issued to key management personnel and 32,000 to other employees on 1 July 2010.

There were no performance rights granted to key management personnel or other employees during the year ended 30 June 2010 (101,000 granted to other employees in the year ended 30 June 2009).



Grants fully vested during the current reporting period:

Grant Date/Employees Entitled	Number of Instruments	Vesting Conditions	Contractual Life of the Award
Performance rights granted to key management personnel on 1 December 2006	44,820	3 years' service, 50% relative shareholder return and 50% growth in earning per share	3 years
Performance rights granted to other employees on 1 December 2006	98,420	3 years' service, 50% relative shareholder return and 50% growth in earning per share	3 years
<b>Total</b>	<b>143,240</b>		

Employee expenses	2010 \$	2009 \$
Performance rights granted in 2005	–	40,557
Performance rights granted in 2006	<b>445,407</b>	1,495,440
Performance rights granted in 2007	<b>(674,652)</b>	2,292,670
Performance rights granted in 2008	<b>856,509</b>	566,130
<b>Total expense recognised as employee costs</b>	<b>627,264</b>	4,394,797

## 29 Key Management Personnel Disclosures

The following should be read in conjunction with the Remuneration Report contained in the Directors' Report.

### (a) Key management personnel compensation

Key management personnel compensation (including non-executive directors) is as follows:

Short-term employee benefits	<b>8,160,675</b>	7,726,446
Post-employment benefits	<b>319,724</b>	494,851
Long-term benefits	<b>165,832</b>	232,095
Share-based payments	<b>(168,343)</b>	948,692
<b>Total</b>	<b>8,477,888</b>	9,402,084

**(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, interest-free loans were offered to all staff within the Group as part of employee share purchase plans. This included key management personnel with the exception of the Managing Director and CEO. These plans are no longer in use by the Group and the balances relate to issues made in prior years.

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
<b>2010</b>	<b>20,540</b>	<b>(15,467)</b>	<b>–</b>	<b>5,073</b>	<b>1,146</b>	<b>2</b>
2009	31,062	(10,522)	–	20,540	1,926	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% (2009: 7.49%).

**(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 ASXL held directly, indirectly or beneficially, by each key management personnel, including their related parties:

	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	56,600	–	30,000	–	26,600
<b>Executives</b>					
AJ Bardwell	5,400	–	3,705	195	1,500
PD Hiom	5,400	–	3,705	195	1,500
ES Mayne	–	–	–	–	–
JJ Olsson	5,400	–	3,705	195	1,500
CR Scully	3,900	–	3,705	195	–

	Held at 1 July 2008	Granted as Compensation During the Year	Vested and Exercised During the Year	Lapsed During the Year	Held at 30 June 2009
<b>Directors</b>					
RG Elstone	56,600	–	–	–	56,600
<b>Executives</b>					
AJ Bardwell	5,400	–	–	–	5,400
PD Hiom	5,400	–	–	–	5,400
ES Mayne	–	–	–	–	–
JJ Olsson	10,200	–	4,800	–	5,400
CR Scully	16,200	–	12,300	–	3,900

**(d) Holdings of ordinary shares**

The following table shows the movement during the reporting period in the number of ordinary shares in ASXL held directly, indirectly or beneficially, by each key management personnel, including their related parties:

	Held at 1 July 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
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	5,610	–	–	5,610
JR Broadbent	Not required	–	–	2,000

**Executives**

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

	Held at 1 July 2008	Received During the Year as Remuneration	Other Changes	Held at 30 June 2009
<b>Directors</b>				
RG Elstone	134,000	–	–	134,000
ML Newman	50,000	–	Not required	Not required
RA Aboud	225,000	–	(125,000)	100,000
SD Finemore	–	–	–	–
DM Gonski	15,806	–	–	15,806
R Holliday-Smith	3,825	–	–	3,825
TC Rowe	4,300	–	–	4,300
JS Segal	2,000	–	–	2,000
MJ Sharpe	2,000	–	–	2,000
PH Warne	5,610	–	–	5,610

**Executives**

AJ Bardwell	21	–	–	21
PD Hiom	126,600	–	(42,500)	84,100
ES Mayne	–	–	–	–
JJ Olsson	66,373	4,800	–	71,173
CR Scully	51,197	12,300	–	63,497

**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 (ASXO) 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.

Balances with entities within the wholly-owned group	Company	
	2010 \$'000	2009 \$'000
The aggregate amount payable/receivable to wholly-owned controlled entities by the Company at balance date is as follows:		
<b>Current</b>		
Amounts owing from controlled entities	<b>238,300</b>	158,572

Interest is not paid on any inter-company balances.

**Dividends**

Dividends received or due and receivable by the Company from wholly-owned controlled entities	<b>260,700</b>	303,000
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**(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. Neither ASX Division 3 Compensation Fund or Sydney Futures Exchange Limited Fidelity Fund are consolidated by ASXL.

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 ASXL and, in limited circumstances, participants of ASX Clear Pty Limited.

**31 Controlled Entities**

Name of entity	Parent Entity's Investment <sup>1</sup>	
	2010 %	2009 %
Parent entity: ASX Limited		
<b>Controlled entities of ASX Limited:</b>		
ASX Operations Pty Limited <sup>2</sup>	100	100
ASX Compliance Pty Limited (formerly ASX Markets Supervision Pty Limited)	100	100
CHESS Depository Nominees Pty Limited	–	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 (formerly Sydney Futures Exchange Limited) <sup>2,4</sup>	100	–
ASX Settlement Corporation Limited (formerly TNS Clearing Pty Limited) <sup>3</sup>	100	–
<b>Controlled entities of ASX Settlement Corporation Limited (formerly TNS Clearing Pty Limited)<sup>3</sup>:</b>		
ASX Settlement Pty Limited (formerly ASX Settlement and Transfer Corporation Pty Limited) <sup>3</sup>	100	–
Austraclear Limited <sup>5</sup>	100	–
<b>Controlled entities of ASX Operations Pty Limited:</b>		
ASX Settlement Pty Limited (formerly ASX Settlement and Transfer Corporation Pty Limited) <sup>3</sup>	–	100
Sydney Futures Exchange Pty Limited (formerly ASX 345 Pty Limited)	100	100
Options Clearing House Pty Limited	100	100
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 <sup>6</sup>	100	–
<b>Controlled entities of ASX Settlement Pty Limited (formerly ASX Settlement and Transfer Corporation Pty Limited)<sup>3</sup>:</b>		
ASX Settlement Corporation Limited (formerly TNS Clearing Pty Limited) <sup>3</sup>	–	100
CHESS Depository Nominees Pty Limited	100	–
<b>Controlled entities of SFE Corporation Limited:</b>		
Australian Securities Exchange Limited (formerly Sydney Futures Exchange Limited) <sup>2,4</sup>	–	100
Austraclear Limited <sup>5</sup>	–	100
CN 429251 Limited (previously New Zealand Futures and Options Exchange Limited)	–	100
<b>Controlled entities of Australian Securities Exchange Limited (formerly Sydney Futures Exchange Limited):</b>		
Australian Securities Exchange (US) Inc	100	100
<b>Controlled entities of Austraclear Limited<sup>5</sup>:</b>		
Austraclear Services Limited	100	100
<b>Controlled entities of ASX Clearing Corporation Limited:</b>		
ASX Clear Pty Limited (formerly Australian Clearing House Pty Limited)	100	100
ASX Clear (Futures) Pty Limited (formerly SFE Clearing Corporation Pty Limited)	100	100

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.

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.

3 During the year ended 30 June 2010 ASX Settlement Corporation Limited was changed from being a proprietary limited entity to a limited entity. On 1 August 2010 it was transferred from ASX Settlement Pty Limited to ASX Limited. On 1 August 2010 ASX Settlement Pty Limited was transferred from ASX Operations Pty Limited to ASX Settlement Corporation Limited.

4 On 1 August 2010 Australian Securities Exchange Limited was transferred from SFE Corporation Limited to ASX Limited.

5 On 1 August 2010 Austraclear Limited was transferred from SFE Corporation Limited to ASX Settlement Corporation Limited.

6 New Zealand Futures and Options Exchange Limited was incorporated on 12 April 2010.

Although ASXL 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 ASXL is not able to control the entity so as to pursue ASX Group objectives nor is it entitled to the entity's assets.

All controlled entities were incorporated in Australia except for Australian Securities Exchange US Inc (incorporated in the US), CN 429251 Limited (currently being deregistered) and New Zealand Futures and Options Exchange Limited (both incorporated in New Zealand).

### 32 Auditor's Remuneration

Audit fees incurred by the Group for and on behalf of all Group entities were:

	2010 \$	2009 \$
<b>Audit services:</b>		
Audit and review of the financial statements and other audit work under Corporations Act 2001	<b>440,000</b>	440,000
Audit of Information Technology platforms	<b>135,000</b>	135,000
<b>Non-audit services:</b>		
Tax compliance services	<b>113,223</b>	110,882
Other consulting	<b>12,659</b>	176,130
<b>Total auditor's remuneration</b>	<b>700,882</b>	862,012

In addition to the above, total audit fees of \$20,000 and tax compliance fees of \$17,750 (2009: \$20,000 for audit fees and \$71,097 for tax compliance fees) were received by the auditor in relation to SEGC, National Guarantee Fund, 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:

	2010 \$'000	2009 \$'000
<b>Balance sheet</b>		
Current assets	<b>238,609</b>	158,601
<b>Total assets</b>	<b>2,902,097</b>	2,788,074
Current liabilities	<b>56,706</b>	40,527
<b>Total liabilities</b>	<b>93,419</b>	66,498
<b>Shareholders' equity</b>		
Issued capital	<b>2,437,333</b>	2,361,820
Retained earnings	<b>280,179</b>	292,335
Asset revaluation reserve	<b>85,664</b>	61,724
Equity compensation reserve	<b>5,502</b>	5,697
<b>Profit for the year</b>	<b>268,870</b>	310,195
<b>Total comprehensive income</b>	<b>292,810</b>	329,917

#### (b) Guarantees entered into by the parent entity

The parent entity, ASXL, is party to a Deed of Cross Guarantee together with ASX Operations Pty Limited, SFE Corporation Limited, Australian Securities Exchange Limited and Australian Clearing 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.

#### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009 except as mentioned below. For information about guarantees given by the parent entity, please see above.

ASXL is the only member of SEGC, which is a company limited by guarantee. Accordingly, ASXL 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 2010 or 30 June 2009.

### 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

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

(a) the financial statements and notes that are contained in pages 83 to 132 and the Remuneration Report, set out on pages 64 to 81 in the Directors' Report, are in accordance with the Corporations Act 2001; including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their 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 2010.

Signed in accordance with a resolution of the directors:



**David M Gonski AC**

*Chairman*



**Robert G Elstone**

*Managing Director and CEO*

Sydney, 19 August 2010

## Independent Auditor's Report to the Members of ASX Limited

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### 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 2010, 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 the year's 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.

Liability limited by a scheme approved under Professional Standards Legislation



Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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 2010 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 and notes also comply with International Financial Reporting Standards as disclosed in note 1.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 64 to 79 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Auditor's opinion**

In our opinion, the remuneration report of ASX Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



**PricewaterhouseCoopers**



**MJ Codling**

*Partner*

Sydney, 19 August 2010

# Shareholder Information as at 31 July 2010

The following additional information is provided in accordance with the listing rules.

## Ordinary Shares

### Voting Power

ASX has ordinary shares on issue. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held unless that share is a 'default share'. The constitution classifies default shares as any shares held above the 15% voting power limit by one party and its associates as set by Parliament.

### Distribution of Shareholdings at 31 July 2010

Number of Shares Held	Number of Holders	Number of Shares	% of Issued Capital
1 to 1,000	39,559	16,595,098	9.56
1,001 to 5,000	10,993	22,516,515	12.97
5,001 to 10,000	867	6,236,786	3.59
10,001 to 100,000	694	22,317,452	12.86
100,001 and over	154	105,910,465	61.02
<b>Total</b>	<b>52,267</b>	<b>173,576,316</b>	<b>100.00</b>

The number of security investors holding less than a marketable parcel of 18 securities (\$28.900 on 30 July 2010) was 591 and they hold 5,707 securities.

### Substantial Shareholders

There were no substantial shareholder notices disclosed to ASX at 31 July 2010.

### Largest 20 Shareholders

The largest 20 shareholders in the company at 31 July 2010 were:

	Number of Shares	% of Issued Capital
1 National Nominees Limited	22,478,692	12.95
2 HSBC Custody Nominees (Australia) Limited	19,839,591	11.43
3 JP Morgan Nominees Australia Limited	17,758,017	10.23
4 Citicorp Nominees Pty Limited	8,083,955	4.66
5 RBC Dexia Investor Services Australia Nominees Pty Limited	6,019,655	3.47
6 Cogent Nominees Pty Limited	4,233,173	2.44
7 ANZ Nominees Limited	2,527,011	1.46
8 AMP Life Limited	2,171,271	1.25
9 UBS Wealth Management Australia	1,509,113	0.87
10 Bond Street Custodians Limited	1,362,934	0.79
11 Australia Reward Investment	1,135,116	0.65
12 UBS Nominees Pty Ltd	1,057,161	0.61
13 CSFB Fourth Nominees Pty Ltd	555,259	0.32
14 INVIA Custodian Pty Limited	468,579	0.27
15 Queensland Investment Corporation	433,453	0.25
16 Speedy Target Ltd	338,052	0.19
17 Law Venture Pty Ltd	279,570	0.16
18 BT Portfolio Services Limited	273,064	0.16
19 MF Custodians Ltd	261,080	0.15
20 Perpetual Trustee Co Ltd	252,656	0.15
<b>Total</b>	<b>91,037,402</b>	<b>52.45</b>

### On-Market Buy-Back

There is no current on-market buy-back.

### Shareholders' Calendar

#### FY10

Full-year financial results announcement	19 August 2010
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#### Full-year final dividend

Ex-dividend date	30 August 2010
Record date for dividend entitlements	3 September 2010
Payment date	27 September 2010

<b>Annual General Meeting 2010</b>	<b>29 September 2010</b>
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#### FY11\*

Half-year financial results announcement	17 February 2011
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#### Half-year interim dividend

Ex-dividend date	28 February 2011
Record date for dividend entitlements	4 March 2011
Payment date	24 March 2011

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

<b>Annual General Meeting 2011</b>	<b>22 September 2011</b>
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\* Dates are subject to final ASX Limited Board approval and Listing Rule 3.1 disclosure.

### Annual General Meeting 2010

The ASX Limited Annual General Meeting will be held at the ASX Auditorium, lower ground floor, Exchange Square, 18 Bridge Street, Sydney, New South Wales at 10.30am (AEST) on Wednesday 29 September 2010.

The AGM will be audio webcast live on the internet at: [www.asx.com.au/shareholder](http://www.asx.com.au/shareholder). 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 in order to receive 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 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 addresses 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 139).

### **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 2008

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**

Exchange Centre

20 Bridge Street

Sydney NSW 2000

Telephone: (+61 2) 9227 0000

Facsimile: (+61 2) 9227 0885

### **Investor Relations and Media Enquiries**

Investor Relations

ASX Limited

20 Bridge Street

Sydney NSW 2000

Telephone: (+61 2) 9227 0835

Email: [investor.relations@asx.com.au](mailto:investor.relations@asx.com.au)

Corporate Relations (media enquiries)

ASX Limited

20 Bridge Street

Sydney NSW 2000

Telephone: (+61 2) 9227 0410

Email: [media@asx.com.au](mailto:media@asx.com.au)

## ASX Around Australia

### Sydney

Exchange Centre  
20 Bridge Street  
Sydney NSW 2000  
Telephone: (+61 2) 9227 0000  
Facsimile: (+61 2) 9227 0885

### 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

## Share Registry

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000  
Telephone: 1300 724 911 or (+61 2) 8280 7470  
Facsimile: (+61 2) 9287 0303  
Email: [asx@linkmarketservices.com.au](mailto:asx@linkmarketservices.com.au)  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Auditor

PricewaterhouseCoopers

## ASX on the Internet

[www.asx.com.au](http://www.asx.com.au)  
Email: [info@asx.com.au](mailto:info@asx.com.au)

## ASX by Telephone

Customer Service  
131 279 (for the cost of a local call from anywhere in  
Australia)  
(+61 2) 9338 0000 (from overseas)

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 30 June 2009)

	\$'000	Up/Down	Movement
Revenues from ordinary activities	734,899	down	12.0%
Revenues from ordinary activities excluding interest income	606,740	up	10.2%
Net profit after tax from ordinary activities including significant items	328,137	up	4.6%
Underlying net profit after income tax excluding significant items	332,598	up	6.1%

Dividend Information	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking
Interim dividend per share (paid 29 March 2010)	89.1	89.1	30%
Final dividend per share (to be paid 27 September 2010)	84.0	84.0	30%
Total dividends per share for the year	173.1	173.1	

### Final Dividend Dates

Ex-dividend date	30 August 2010
Record date	3 September 2010
Payment date	27 September 2010

- The Company's Dividend Reinvestment Plan (DRP) will operate with respect to the final dividend.
- A discount of 1.5% will be applied in calculating the allocation price.
- The last election date for the DRP is 3 September 2010.
- The DRP pricing period will be the five trading days from 8 to 14 September 2010 inclusive.
- Ordinary shares issued under the DRP will rank equally with all other ordinary shares.

	30 June 10	30 June 09
Net tangible assets per security	\$3.49	\$2.66

Additional Appendix 4E disclosure requirements can be found in the notes to the 2010 ASX Limited Consolidated Financial Statements and in the Chief Financial Officer's Report attached thereto.

This report is based on the consolidated financial statements which have been audited by PricewaterhouseCoopers, with the Independent Auditor's Report included in the financial statements.