Fit

ASX
AUSTRALIAN STOCK EXCHANGE

REPORT TO SHAREHOLDERS 2005/06


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...for the future.

In the past year, we've worked on our fitness. This report shows how we're fit to:

– capture greater global capital flows;

– reinvigorate our role as market supervisor;

– integrate and expand our trading systems;

– attract the best people;

– operate smarter and manage our costs; and

– strengthen our corporate responsibility.

Next we formed a strategic fit, in merging with SFE Corporation, operator of the Sydney Futures Exchange. The new group provides core infrastructure at the heart of Australia's financial marketplace: capital raising and price discovery; trade novation and risk management; and clearing, settlement and depository services, for customers in Australia and offshore.

The challenge now is to capitalise on the group's tremendous opportunities – ensuring we stay fit for the future.

Photo credits on inside back page

Contents

Our Scorecard

Our shareholders

	2005/06 Result	Last Year
Normal net profit after tax excluding significant items	$137.1 million	+24.6%
Normalised operating revenue (excluding significant items and interest and dividend revenue)	$305.6 million	+9.3%
Cost to income ratio (ASX target is <50%)	42.8%	49.8%
Normalised earnings per share	133.4 cents	+24.6%
Total dividend per share	120.1 cents	+26.3%

Our customers

	2005/06 Result	Last Year
Number of listed entities	1,930	+8.7%
Initial and subsequent capital raised	$51.4 billion	+38.5%
Average domestic market capitalisation	$1,103 billion	+20.4%
Domestic liquidity (domestic equity turnover value as % of average domestic market capitalisation)	87.7%	83.0%
Broker customer satisfaction	5.1 out of 7	5.2 out of 7

Our people

	2005/06 Result	Last Year
Staff participation rate (2006 ASX Climate Survey conducted by Hewitt Associates)	83%	80%
Staff engagement (2006 ASX Climate Survey conducted by Hewitt Associates)	41%	34%

1 Australian Securities and Investments Commission (ASIC)
2 ASX Settlement and Transfer Corporation Pty Ltd (ASTC) and Australian Clearing House Pty Ltd (ACH)

"Our scorecard provides clear accountability on our key responsibilities and ensures that all our stakeholders – primarily you our shareholders, but also our customers, our regulators, our staff, and our community – can see and measure our progress towards our goals." Tony D'Aloisio, Managing Director and CEO

Our market supervision

	2005/06 Result	Last Year
Company announcements released to market by listed companies	103,384	+10%
Referrals made to ASIC for further investigation	97	–9%
ASX compliance with its obligations as a market licence holder as assessed by ASIC[1]	"ASX's arrangements continue to meet statutory obligations...ASX continues to have adequate arrangements for supervising its market." *ASIC, "Annual Assessment (s794C) Report, Australian Stock Exchange Limited", February 2006*	
ASTC and ACH[2] compliance with their obligations as holders of clearing and settlement facility licences as assessed by ASIC	"ACH and ASTC have adequate arrangements for supervision of their facilities." *ASIC, "Annual Assessment (s823C) Report, ASX Settlement and Transfer Corporation Pty Ltd; Australian Clearing House Pty Ltd", September 2005*	

Our systems

	2005/06 Result	Last Year
Average daily SEATS trades	125,047	+40%
Average daily options contracts (CLICK)	91,314	+2.3%
SEATS up-time (target is 99.8%)	99.9%	100.0%
CLICK up-time (target is 99.8%)	100.0%	100.0%
CHESS up-time (target is 99.8%)	100.0%	100.0%

Our community

	2005/06 Result	Last Year
Number of people accessing ASX online education courses	103,097	+31%
Staff participation rate in Workplace Giving	18%	11%

Important Note – Australian Equivalents of International Financial Reporting Standards

The financials of the consolidated entity (ASX Group) and the Company (ASX Limited) for the year ended 30 June 2006 have been determined based on Australian Equivalents to International Financial Reporting Standards (AIFRS). This is the first annual report to shareholders based on AIFRS and the results for the year ended 30 June 2005 have been restated accordingly.

The financials were previously prepared based on Australian Generally Accepted Accounting Principles (AGAAP). A reconciliation between ASX's 2004/2005 AGAAP and AIFRS accounts is on pages 93 – 99 of this document.

Chairman's Report

For the past two years, the Australian Stock Exchange has cooperated in the writing of a book on its history. The book, by respected author Edna Carew, to be titled *National Market, National Interest*, will detail the events, personalities and vision which, in 1987, led to the formation of one national stock market out of the six state-based exchanges, then to the demutualisation and listing of the exchange in 1998.

The book's launch will coincide with our 20th anniversary and fittingly ends on our merger with SFE Corporation.

The ASX/SFE merger

The ASX/SFE merger starts a brand new chapter in the life of ASX and, like the creation of ASX itself, brings together distinct and successful markets under one corporate structure and management team. It is an enormous stride for the further development of Australian capital markets and is clearly in the national interest.

The merging of underlying cash and futures markets should prove of significant benefit to all users, through scale efficiencies, product innovation and the creation of a critical mass. It will make us more relevant in the global marketplace. For ASX shareholders, it should also mean a more dependable revenue stream and faster growth. This should be reflected over time, in an improved rating for our stock.

The merger with SFE was more than seven years in the making, after the Australian Competition and Consumer Commission (ACCC) rejected our attempt in 1999. Since then, consolidations of stock and futures exchanges have been taking place all over the world. This year, thanks to the ACCC and the Federal Treasurer, both of whom gave the merger their blessing, the stars were aligned and the deal was sealed on 5 July 2006, when SFE shareholders voted overwhelmingly in favour of it.

The result is a company capitalised at around $5.7 billion, an ASX S&P top 50 company and in the world's top 10 largest listed exchanges by capitalisation. We are at once better positioned than at any time over the past seven years to take advantage of attractive opportunities which may present.

However, our first priority is the rapid integration of the two businesses and to ensure a seamless transition in management succession, cultural alignment and service delivery.

Change of Managing Director & Chief Executive Officer

As part of the merger arrangements, ASX initially announced that Tony D'Aloisio would continue as Managing Director and CEO of ASX.

In the period leading up to the SFE shareholders' vote, it became increasingly clear that the likelihood of success would be greatly enhanced if we were to review this decision and appoint Mr Elstone, then Managing Director and CEO of SFE. Indeed, failure to do so would most likely put the scheme of arrangement at risk.

Based on this information, your Board concluded that given the transaction was so important to ASX, and the strong credentials of both executives, the appointment of Mr Elstone would be in the best interests of our shareholders.

We have subsequently agreed terms of separation with Mr D'Aloisio that recognise the unprecedented circumstances of his departure.

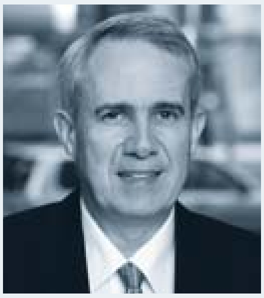
I take this opportunity on behalf of the Board and shareholders, to thank him for his many achievements and for his significant contribution to ASX. His diligent preparation for the SFE merger was important to its success. It is Mr Elstone's intention to implement most of Mr D'Alosio's plans for the integration.

Mr Elstone joins ASX with a strong reputation and track record to match. He is no stranger to exchanges and is highly regarded by his peers in other exchanges. Your Board is fully confident that Mr Elstone will successfully build on the platforms of both entities for the benefit of shareholders, customers and staff, and we enthusiastically welcome him to his new role.

Record results

The significance of the ASX/SFE merger should not overshadow our record result for 2005/06.

Normalised net profit after tax of $137.1 million was 24.6% up on the previous year. The following charts provide further detail. While this result owed much to the buoyant trading conditions prevailing across the year, it also reflects the benefit of improved efficiencies and cost savings arising from the Profit and Loss Drivers Review.



Robert G Elstone

Robert Elstone joins ASX as Managing Director and CEO, having served for more than six years as Managing Director and CEO of SFE Corporation, the holding company for the Sydney Futures Exchange and its related risk management entities.

Mr Elstone's career has spanned investment banking in the 1980s, corporate financial management in the aviation and resource materials industries in the 1990s, and wholesale financial markets and risk management in the current decade. He is a graduate of the Universities of London, Manchester and Western Australia.

One of the major benefits ASX brings to investors and issuers is its depth and liquidity. This lowers risks and provides a cheaper source of capital for listed entities. Domestic market liquidity (defined as domestic equity turnover value as a percentage of average domestic market capitalisation) is a great ASX success story. Liquidity begets liquidity and a conscious effort to remove obstacles and encourage activity has yielded the desired outcomes. For 2005/06 domestic liquidity was 87.7%, up from 83.0% the year before. It compares to just 40.0% in 1995. According to the Morgan Stanley Capital International Index, which rates markets on size and liquidity, Australia is eighth largest in the world.

The success of this strategy is demonstrated in $51.4 billion of primary and subsequent capital raisings during the year. This puts us fourth in the world, behind the United States, China and France. Judged by the number of initial public offerings, ASX was second only to the US, with 169 new listings in calendar year 2005. This raises the total number of listed entities to 1,930. It also reflects great credit on our staff who handled this activity so efficiently.

Integrity of the market

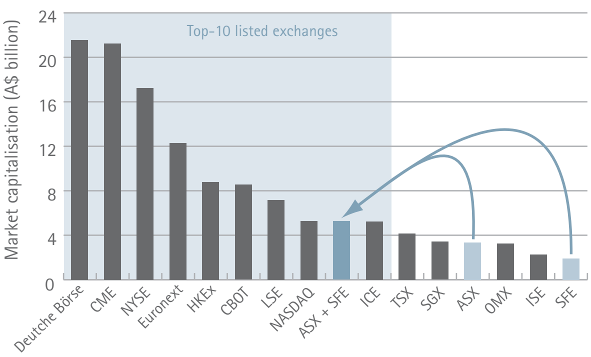
Every year we emphasise to our shareholders how critical our reputation is to our commercial success. Protecting our reputation is a core activity and too important to contract out. No one will care for our good name like we will. Everything we do in the operation of our business, including the performance measurement of management and staff, goes to the integrity of our markets.

I am happy to report that ASIC's annual assessments of our compliance with our licence obligations have again confirmed the adequacy of our supervisory arrangements.

That said, good governance and a high level of operational expertise are always work-in-progress and require constant refinement. There is no last word.

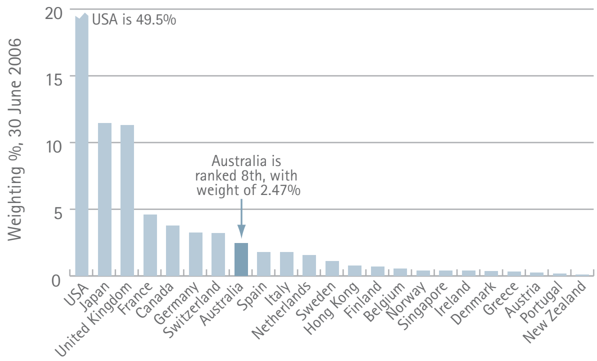
ASX and SFE: a great strategic fit

Market Capitalisation of Listed Exchanges as at 24 March 2006



Australia's equity market: globally relevant

Morgan Stanley Capital International (MSCI) World Index as at 30 June 2006



Chairman's Report (continued)

To improve the management of conflict between our commercial and supervisory activities, real and perceived, ASX established a new supervisory structure through the creation of a subsidiary company, ASX Markets Supervision Pty Ltd. This company has a Board of five, three from the ASX Board (including myself as Chairman), and two external directors. The company will oversee ASX's supervisory and enforcement responsibilities relating to the Operating Rules, and will be managed by the Chief Supervision Officer of ASX, Eric Mayne, who will report to the subsidiary board and not to the CEO of ASX.

This move will reinforce measures we have already taken to ensure confidence in our markets is maintained.

Our employees

In more ways than one, this has been a momentous year for ASX. It was all against a backdrop of extraordinary activity which placed great pressure on our employees. They performed their tasks with distinction and with negligible disruption to service delivery.

Change is always difficult to manage and the events of the past year have generated some uncertainty for staff. We thank them all for their loyalty and their business-as-usual approach.

Shareholders should also be reassured that Mr Elstone's leadership skills are supported by a depth of experience and expertise which will enable the management team to deal with the many challenges that will confront us from time to time.

Your Board

This year will see the departure of three of your directors and the appointment of three new directors from SFE, including the Managing Director. We thank our retiring directors for their diligent focus on the interests of ASX and for their contribution to its success. An external review carried out by Rosemary Grieve and Associates, confirms the good governance and performance of your Board.

Conclusion

With this momentous year behind us, we present this Report to Shareholders to provide a full account of our activities and achievements over 2005/06. Inevitably it is something of a retrospective document, as the task of integrating our two businesses and positioning them to take advantage of new synergies and product opportunities has already begun. By this time next year we should be able to report strong progress.

In the meantime, market activity continued to be robust into the new financial year. As always, predicting revenue is a risky business and we are in the hands of economic developments at home and abroad, and the markets' response to them.

Finally, we thank all our customers and market users for their business and continuing trust and we thank you, our shareholders, for your support and confidence.

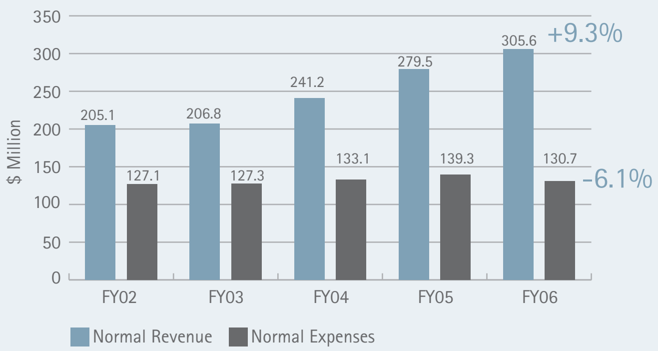
Maurice L Newman AC
Chairman

2005/06 Financial Highlights

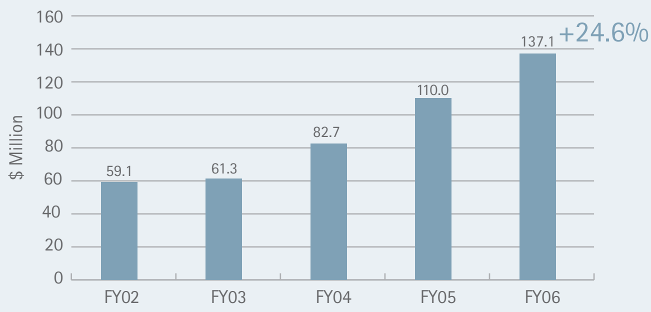
Operating revenue exceeded $300 million for the first time...

...and net profit rose by 25% in 2005/06.

Normal Revenue and Expenses (excluding significant items)



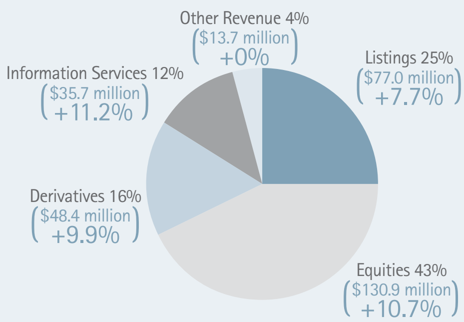
Normal Net Profit After Tax (excluding significant items)



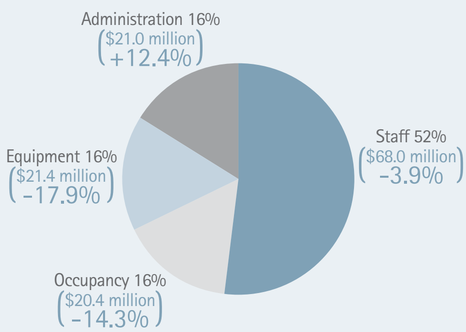
Revenue growth was shared across all ASX's key businesses...

...and reductions in equipment and occupancy costs were the main contributors to the 6% decline in expenses.

Normal Revenue by Category 2005/06



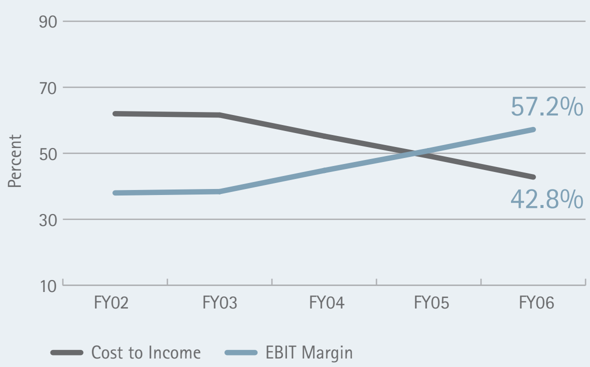
Normal Expenses by Category 2005/06



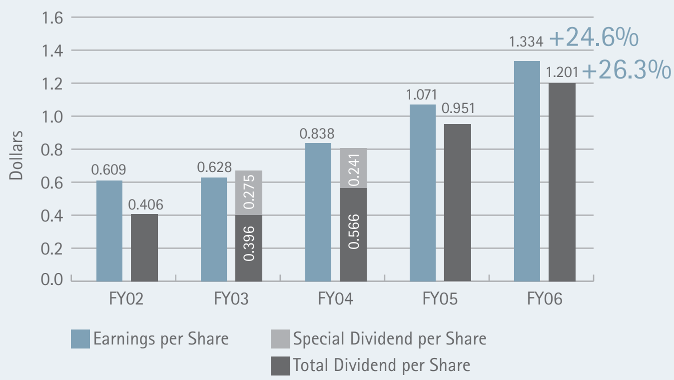
Costs to income continued to decline and ...

... shareholders enjoyed outstanding returns.

Normal Cost to Income Ratio and Normal EBIT Margin



Normal Earnings and Dividend per Share



Managing Director's Report

I am happy to have this opportunity to report to shareholders on what was a very busy and productive financial year in building your company, now one of the world's top-10 listed exchanges. Last October, at the Annual General Meeting in Melbourne, I outlined six priorities for 2005/06. Let me report on progress against each of those priorities.

I said first that we would continue implementing the Profit and Loss Drivers Review. This important review was all about getting a renewed focus on ASX's core business – listing, trading, clearing and settlement of equities and equity derivatives, and data sales. The objective was to grow the core business and to drive greater efficiency and productivity and reduce the expense line.

ASX delivered another record profit of $137 million, on the back of revenues that rose strongly across the board, from $279.5 million to $305.6 million. The steadily increasing revenue contribution by DMA (Direct Market Access) trading brings us in line with global trends and will further increase as the new pricing regime takes effect. On the cost side, we delivered savings including through reduced occupancy costs in our Melbourne, Adelaide and Brisbane offices. The Review also led to the closure of ASX Worldlink and the sale last year of ASX's half-share of the registry business ASX Perpetual Registrars.

The second priority I identified at the AGM – completing our Pricing Review – came to fruition with the announcement, in December 2005, of a refocused and simplified pricing structure for transactions (trading, clearing and settlement) of equities, warrants and interest rate securities.

Aimed at attracting global order flow, a key feature of the new policy – which came into effect on 1 July 2006 – is to shift more of the pricing for these transactions from volume-based to value-based. Our analysis showed that this would be positive for shareholders: based on 2005/06 trading levels and behaviours, the new pricing model would have added nearly $10 million of revenue to ASX. Even had market turnover fallen by 30%, our internal modelling indicated that ASX would have been better off than with the previous pricing model. The new pricing model also provides rebates to those customers who bring the greatest liquidity (trading value) to our markets.

Importantly, the new equities pricing model is also benchmarked against regional and global exchanges, and ensures ASX maintains its competitiveness. More details are provided about pricing on page 14.

The third priority I set for the year was completing our Supervisory Review. Market supervision is a core function of ASX and following the Review there is a structure in place, and sufficient resources at hand, to ensure ASX can continue to perform that function to an unimpeachably high level of satisfaction. At a time of renewed debate in Australia about whether business is over-regulated, this is important – and I firmly believe ASX is not part of the compliance problem but part of the solution.

We provided more resources to strengthen investigation and enforcement, and with the launch on 1 July 2006 of ASX Markets Supervision (ASXMS) we have created a more independent structure for all operational activities, and a structure that takes the perception of conflict of interest between commercial and supervisory functions out of play. The Regulatory Policy Unit – which handles new policy development concerning our Operating Rules and other regulatory issues, as opposed to the operational application of policy by ASXMS – finalised a number of reviews, including on reporting deadlines. At the same time, we embarked on a rewrite of our Operating Rules to reduce duplication and overlap with the Corporations Act.

Importantly, ASIC gave ASX a clean bill of health in its assessments of our performance of our licence obligations.

More details are provided about market supervision on pages 16-19.

I nominated as a fourth priority the further improvement of ASX customer satisfaction and staff engagement. ASX continues to undergo a culture change as it evolves from the non-profit mutual of 1998 to a modern business focused on its shareholders and customers. Our customers, too, are undergoing dramatic change in a globalising economy. For ASX to remain relevant, it must continue to work hard to understand and meet its customers' changing needs.

During the year we again asked our broking customers to tell us how they viewed ASX's services (the results are discussed on page 14). We also expanded our customer surveys to include listed companies and information vendors, and we are still processing the results of these surveys. We also repeated the survey of staff engagement; the increase in staff engagement levels is pleasing. While we made progress in a number of areas, we recognise there is still room to improve.

A further priority was completing the major projects underway – not least the significant systems transition from SEATS to CLICK XT. Progress has been steady, thanks to the hard work of ASX's technology teams and those of our broker customers, and the first phase of the new system was introduced without hiccup in early July. When fully implemented, ASX will offer all our products – equities, interest rate securities, options, warrants and futures – on the one platform.

The sixth priority – developing ASX's longer-term strategic positioning – recognised the need for ASX to better understand the threats and opportunities of the wider exchange environment. All the focus of the foregoing – all the efforts to sustain and improve our core business, meet the domestic demand for investment and capital raising, capture more contestable order flow, maintain Australia as an attractive destination for foreign investment – is designed to enable ASX to take advantage of new opportunities as they arise. In particular, as the process of global exchange consolidation gathers pace, it is important that ASX be able to take a seat at the table.

The merger with SFE Corporation represents a significant step in that direction. The merger – the first between two listed exchanges anywhere in the world – does truly represent a great strategic fit. It creates an organisation with a broad range of product traded on reliable and vertically integrated systems, significant financial scale, and a highly competitive presence in Australian and regional capital markets. This is a formula for success in the exchange industry and the new ASX is well placed to continue its growth.

With that summary I believe we can conclude that we have delivered during the year on what we said we would do.

This is also clear from our scorecard published on pages 2 and 3. We introduced the scorecard reporting approach in last year's report. The scorecard provides clear accountability on our key responsibilities and ensures that all our stakeholders – primarily you our shareholders, but also our customers, our regulators, our staff, and our community – can see and measure our progress towards our goals.

In closing I record my thanks to you the shareholders for your support. I also want to express my sincere thanks and regard for my colleagues at ASX – the whole team and in particular the Group Executive Committee for financial year 2005/06 – Colin Scully, Angus Richards, Eric Mayne, Jeff Olsson, John Hayes, Christine Jones and Geraldine Chin – whose achievements for the year are described in more detail in the following pages. Of course those achievements were possible only with the hard work and dedicated application of many people, and I thank them all.
It was my privilege to lead this organisation for almost two years. In that relatively short time we did some good work together. It was certainly long enough for ASX to get 'under my skin', and I am disappointed that my time here has come to an end. I am confident however that ASX will continue to be well led and that staff will continue to find ASX a stimulating and satisfying place to work.

Tony D'Aloisio
Managing Director and CEO

Net profit after tax

+24% profit increase

Operating revenue

+9% revenue increase

Our Directors

Cathy Walter
(retires 9 October 2006)

Michael Sharpe

Jim Kennedy
(retires 9 October 2006)

Rick Holliday-Smith
(appointed 25 July 2006)

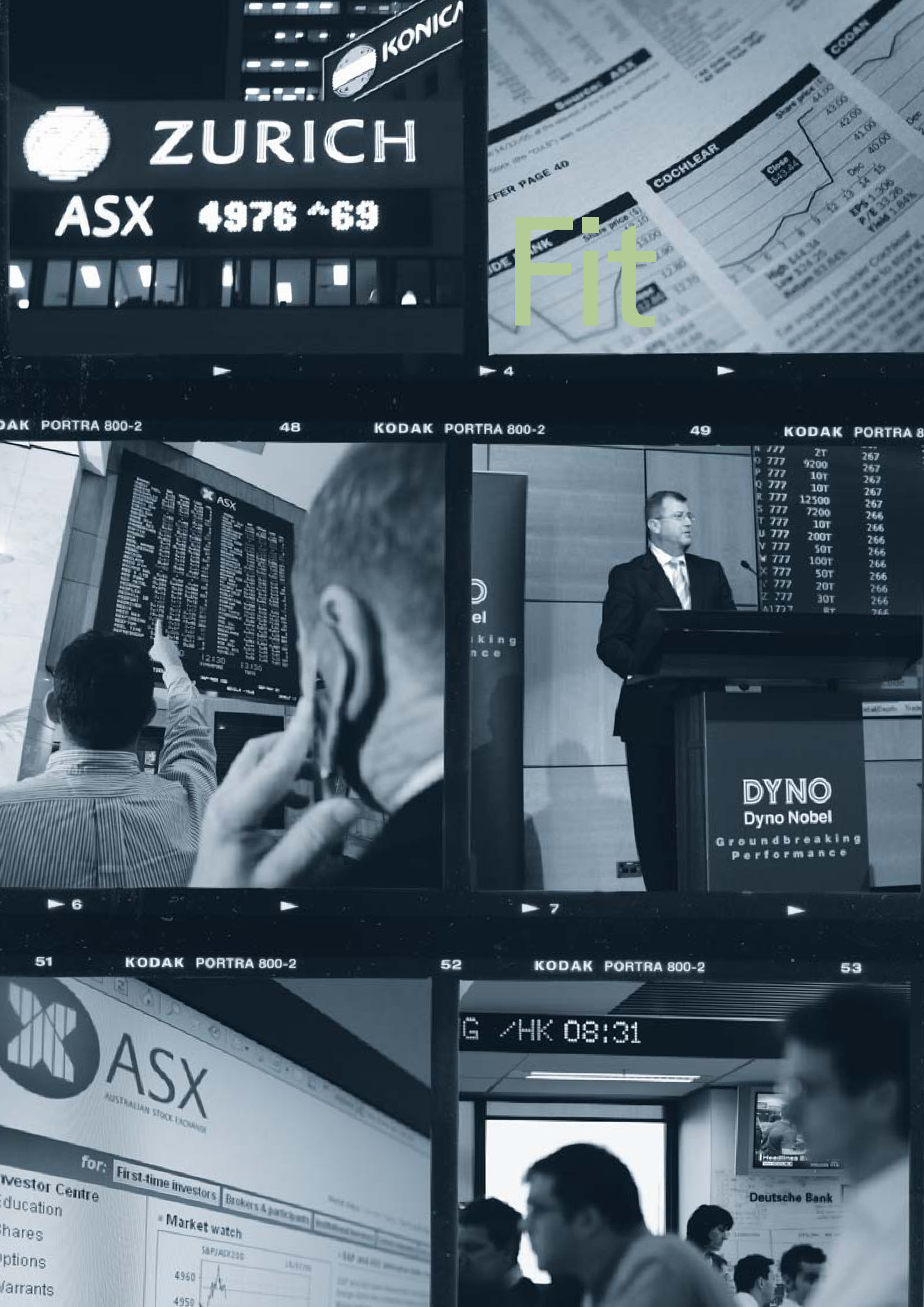
Robert Elstone
Managing Director and CEO
(appointed 25 July 2006)

Peter Warne
(appointed 25 July 2006)

Jillian Segal   Trevor Rowe   Maurice Newman
Chairman   Michael Shepherd   Russell Aboud

Director Biographies
– see pages 46 to 48.

Fit



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for: First-time investors
Brokers & participants
Investor Centre
Education
Shares
Options
Warrants
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Deutsche Bank

...to capture greater global capital flows.

Markets Division is the commercial centre of ASX, charged with operating and growing ASX's markets.

The Division supports ASX's reputation for providing high-quality listing, trading, clearing and settlement, market infrastructure and information services, and for striving to deliver value for our customers.

Markets Division's primary goal – with the support of Strategy Division – is to maximise the attractiveness of ASX to both domestic and global companies and investors. This brings benefits to Australia's capital markets overall.

Photo credits on inside back page

Markets and Strategy

"Markets Division is responsible for ASX's commercial operational services – listing, trading, clearing, settlement, operations, risk management and information services. The Division operates and grows these core services, and introduces new initiatives for the benefit of our customers."
Colin Scully, Deputy CEO and Group Executive Markets

"In today's exchange environment, with hastening consolidations and rapid technological and regulatory change, Markets and Strategy Divisions together are focused on maintaining ASX's competitive edge."
Angus Richards, Group Executive Strategy

As the commercial engine room of ASX, Markets Division interacts extensively with ASX's major customers and end-users. These include more than 1,900 listed entities; 180-plus trading and clearing participants; market data users; thousands of institutional investors internationally; and 8 million Australians who hold shares either directly or through investment trusts and other managed funds.

Strategy Division seeks out and evaluates potential commercial ventures for ASX beyond current core business activities, and keeps a close watch on developments in the major markets around the globe. Strategy's assessment of new opportunities for ASX in derivatives markets and in clearing services for over-the-counter markets, contributed significantly to the decision to pursue a merger with SFE.

In 2005/06 we introduced reforms to the equity market including to broker identifiers; implemented growth strategies for our core listings business in the property, mining and the small to medium-size sector areas; improved our suite of indices in partnership with Standard & Poor's; and launched initiatives to attract a greater flow of DMA (Direct Market Access) and algorithmic trading. DMA and algorithmic trading are rapidly emerging as among the leading methods of order management globally, enabling greater amounts of orders to be processed in a given time period.

Trading activity rose strongly over the year with new SEATS volume records set for both daily trades – 206,387 trades on 19 April 2006 – and monthly trades – 3.6 million in May 2006. The average number of daily trades, at 125,000, was 40% higher than last year.

Similarly, the value of daily turnover – $3.9 billion – grew 21%.

Warrant market activity reached an all time high with 4,678 new warrants issued during the year compared to 3,595 last year, a 30% rise. The value of warrants traded increased from $4.9 billion to $8.6 billion, an increase of 76%.

The options market also continued to perform solidly with daily average volumes of 91,300 contracts traded, up 2.3% on the previous year. The market also saw increased capital raising activity with 227 new entities listing in 2005/06, raising $23.11 billion in primary capital. A further $28.33 billion in subsequent capital was raised by existing companies.

According to the latest Ernst and Young international IPO survey, Australia raised the fourth-highest amount of capital globally from IPOs in calendar 2005, behind the US, China and France. An active IPO market is one strong indicator of a low cost of equity capital environment and a pointer to market attractiveness.

Buoyed by strong activity, average domestic market capitalisation rose to $1,103 billion during 2005/06 and domestic market liquidity – one indicator of a market's efficiency and competitiveness – deepened to 87.7%.

With the support of our distribution partners, record numbers of customers around the world accessed our real-time market data, reaching a new high of over 44,000 users in May 2006.

This year, brokers gave ASX an overall rating of 5.1 out of a possible 7 on our customer satisfaction survey. This is the same as the result we achieved in our last survey in 2004.

Case Study
More Competitive Pricing

A new pricing structure for equities trading, clearing and settlement, with an increased focus on value, came into effect on 1 July 2006, offering significant improvements for many customers. Because it is expected to have a positive impact on ASX revenue, it benefits ASX shareholders too.

ASX pricing is now more closely benchmarked with other exchanges in our region. Combined with our other technology and regulatory reforms, it will enable ASX to attract a greater share of globally contestable order flow.

The new arrangements better align with our customers' business models, provide greater execution pricing certainty and are significantly simpler, cutting the number of pricing points from more than 100 to less than 50.

A new Volume Incentive Program (VIP) rewards the contribution to market liquidity provided by participants that achieve high turnover thresholds. These rebates will stimulate further liquidity for the benefit of the whole market.

While precise outcomes are dependent on trading levels and patterns, based on 2005/06 trading levels and behaviours, the new pricing model would have added nearly $10 million of revenue to ASX.

The pricing review also led to changes to Subsequent Listing Fees which from 1 July 2006, are more closely positioned to international benchmarks. The changes will reduce fees for small to medium-sized capital raisings and will increase fees for larger capital raisings. Based on observed capital raising behaviour between March 2003 and February 2005, these changes are expected to generate additional revenue of approximately $2.8 million per annum.

Index reforms to reflect local needs

Standard & Poor's and ASX released a consultation paper on proposals for the index treatment of foreign-domiciled companies.

The proposals and subsequent consultation are aimed at ensuring that the indices meet the needs of the local market, in particular addressing issues that arise with the internationalisation of Australian companies and the acquisition of Australian entities by foreign domiciled companies.

In addition, two new real-time indices covering Metals & Mining and Gold have been launched reflecting the significance of these sectors to the local market and the broader Australian economy.

Building liquidity in the SME sector

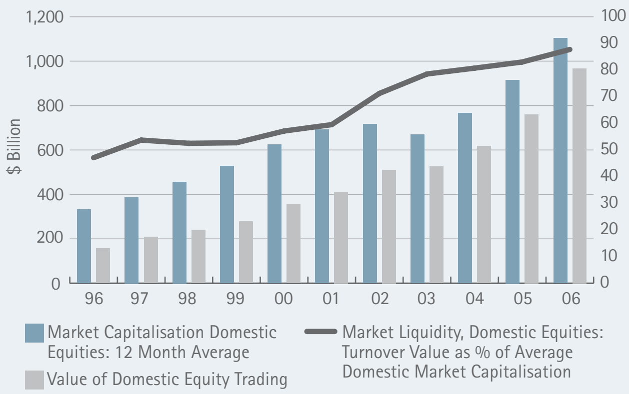
We unveiled plans to stimulate liquidity in the small to medium-sized company sector – listed entities with a market value up to $100 million – which represents two-thirds of all ASX-listed companies.

Progress on the removal of broker IDs

Early studies on the market impact of removing broker identifiers from real-time trading screens (implemented in November 2005) showed positive results for the liquidity of stocks in the S&P/ASX200 index, which covers about 78% of the value of the Australian equity market. These stocks have experienced tighter bid-ask spreads, lower market impact costs and increased average daily turnover. The impact on stocks outside the top-200 is inconclusive and requires further analysis.

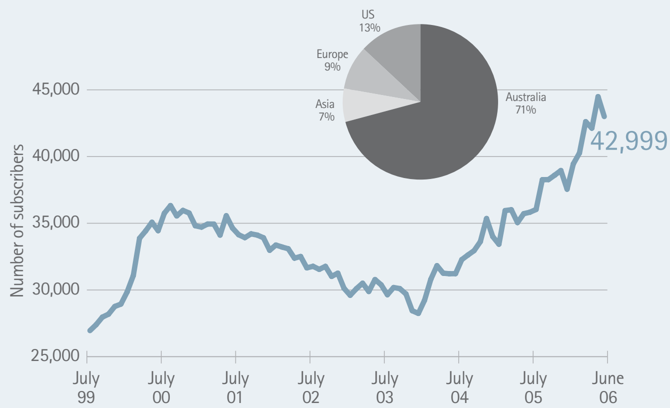
Equities: through the $1 trillion mark

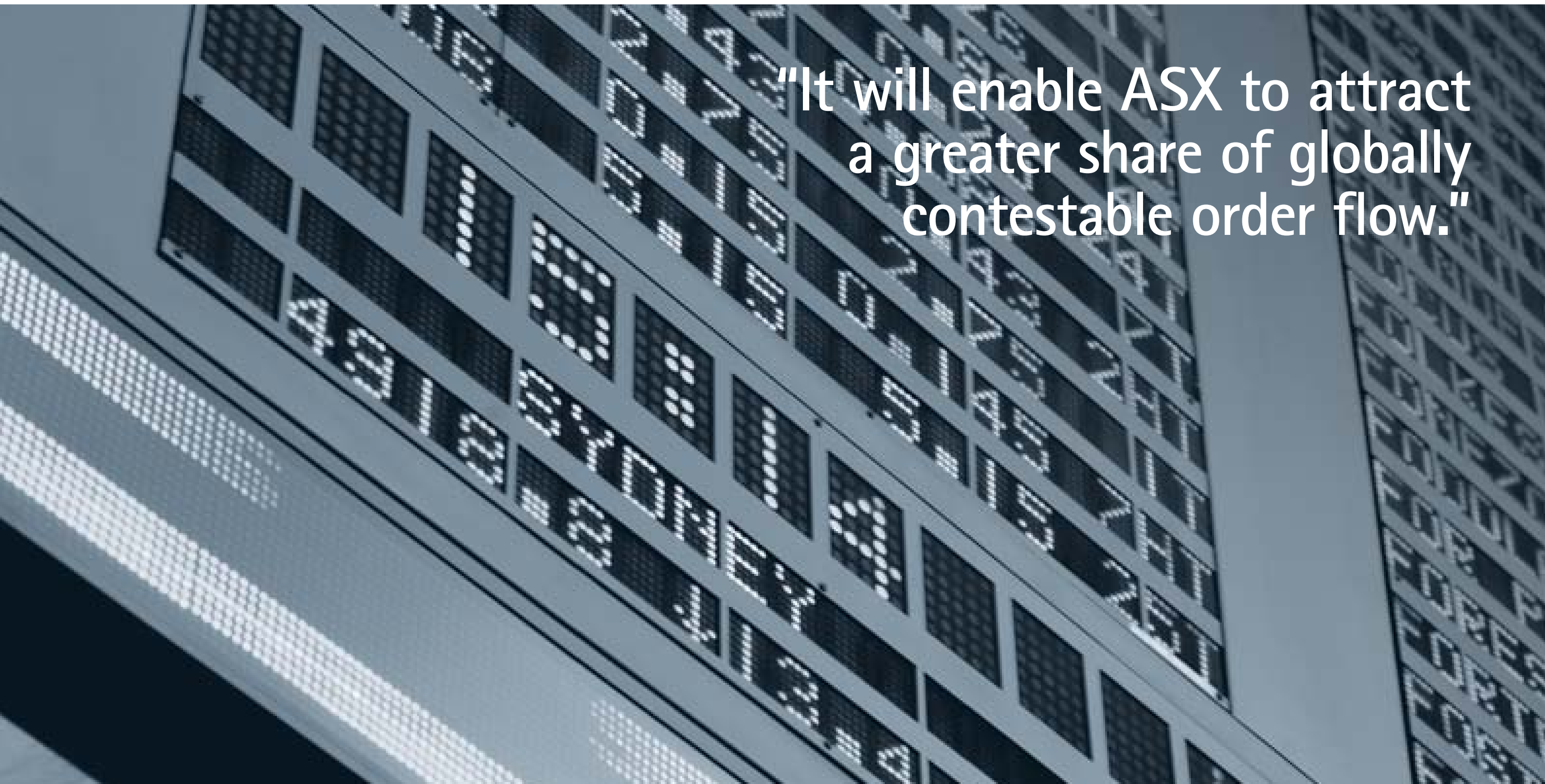
Average domestic market capitalisation, liquidity and equity trading value, $A, 1996–2006



Market information subscribers: in excess of 40,000

Number of subscribers to market information services 1999–2006 and (inset) geographical spread June 2006





"It will enable ASX to attract a greater share of globally contestable order flow."

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and rule: ASX spins off
AUSTRALIA'S BEST BROKERS

...to reinvigorate our role as market supervisor.

Market Supervision occupies the central role in ensuring that all those participating in ASX's markets can do so with confidence.

Without that confidence, our markets would struggle to attract new listings and satisfy the capital raising aspirations of existing ones. And those who invest on our markets might seek opportunities elsewhere.

Fairness, orderliness and transparency are the keystones of confidence, and together they strengthen the reputation of ASX for operating markets of the highest integrity.

Market Supervision

"Market Supervision is responsible for ensuring ASX markets are fair, orderly and transparent. By so doing, the confidence of all our market participants is assured. ASX's licences demand this and our commercial viability depends on it. The creation of a subsidiary company on 1 July 2006 – ASX Markets Supervision – to conduct all of ASX's supervisory operations, allows us to reinvigorate our supervisory role and bolster market confidence even more."

Eric Mayne, Chief Supervision Officer (from 1 July 2006) and formerly Group Executive Market Supervision

ASX has a statutory obligation, assessed annually by ASIC, to ensure that our markets are fair, orderly and transparent. This includes having adequate arrangements for monitoring and enforcing our Operating Rules – the suite of rules under which listed companies, brokers, investors and other market users interact with the market and each other.

Through vigorous supervision primarily aimed at achieving good disclosure, ASX seeks to empower the investor to make an informed judgement.

If disclosure is the lifeblood of our market, then it's in excellent health. In 2005/06 we processed 103,384 company announcements – 10% more than the previous year. Of those, 23% were deemed price-sensitive.

There were 697 trading halts applied, and 258 cases where trading in a company's securities was suspended. To the end of June 2006, 97 matters had been referred to ASIC for further investigation. Each of these figures point to the market's high level of transparency.

Another critical ingredient in achieving supervisory effectiveness is ensuring that our Rules provide certainty for participants and remain relevant and up-to-date.

The Regulatory Policy Unit (RPU), which reports to the ASX CEO, is rewriting and simplifying ASX Operating Rules to reduce the red tape burden on participants and listed entities. The role of the RPU is to develop new policies, taking into account commercial and supervisory objectives, particularly in relation to the content of ASX Rules and its responses to external public policy development.

More principles-based rules will be introduced – without diminishing market integrity – to reduce complexity, unnecessary overlap with the Corporations Act and the costs of compliance. New Guidance Notes are also being developed to clarify the use of ASX's supervisory discretion and identify gaps in the existing Rule framework.

ASX continuously monitors the market to detect inappropriate behaviour and has a range of enforcement sanctions to apply in such cases – but always with a view to getting the regulatory balance right and keeping the compliance burden to a minimum.

In 2005/06, as part of our comprehensive review of ASX supervision, the enforcement of Market Rules (such as market manipulation, poor record-keeping and procedural errors) was refined to provide a clearer and fairer separation of functions. All potential breaches are now investigated by the Participants Unit and then referred to the Enforcement Unit for prosecution before the Disciplinary Tribunal. There is also clearer reporting between ASX Surveillance and ASX investigators. In 2005/06 the Disciplinary Tribunal fined participants a total of $310,750 (inclusive of GST) for Rule breaches.

Case Study
New Supervisory Structure

On 1 July 2006 ASX launched ASX Markets Supervision Pty Ltd (ASXMS) – a subsidiary company with oversight of the application of ASX Operating Rules.

Its creation followed a strategic review of ASX's supervision requirements and a close examination of the evolution of markets overseas.

The new structure minimises the potential for, and perception of, conflict between ASX's regulatory and commercial functions. It operates with its own board, under its own charter and within its own principles-based approach to supervisory operations.

The members of the ASX Markets Supervision Board, appointed on a 12-month rolling basis, are (left to right): Michael Sharpe, an ASX director and chair of its Audit and Risk Committee; Peter Jollie, an independent external director; Tom Parry, an independent external director; Jillian Segal, an ASX director; and Maurice Newman, Chairman, who is also Chairman of ASX.

ASXMS comprises three separate areas of market oversight: Issuers (listed entities), Participants (brokers) and Enforcement (which includes referrals to ASIC and the Disciplinary Tribunal). ASX's specialist Insider Trading Unit, part of the Surveillance team, is included within the Participants area. The administration of the Disciplinary Tribunals has also transferred to the subsidiary company.

ASX Markets Supervision improves the transparency of ASX's supervisory operations and underlines its commitment to ensuring the highest levels of market integrity.

ASIC assessment a clean bill of health

For the last four years, ASIC has assessed ASX's compliance with our obligations as the holder of a market licence – specifically, whether we have adequate arrangements for supervising our market. ASIC's latest assessment report, in February 2006, again confirmed the adequacy of our arrangements. This includes our arrangements for handling conflicts between our commercial interests and the requirements for fair, orderly and transparent markets; monitoring participant conduct; and enforcing our Operating Rules.

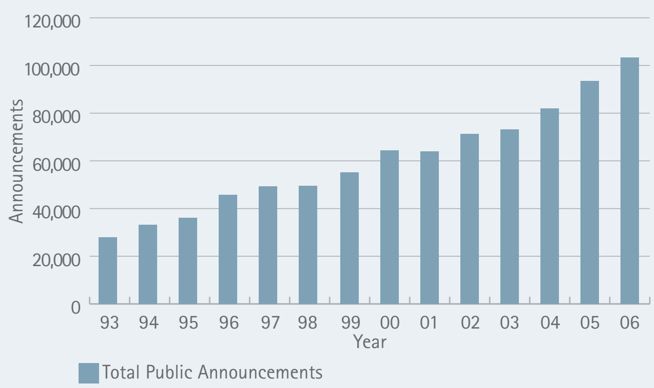
Over the same period, ASIC has also conducted annual assessments of compliance with the clearing and settlement facility licences held by Australian Clearing House and ASX Settlement and Transfer Corporation. In July 2006, ASIC again confirmed the adequacy of the arrangements we have in place.

Corporate Governance reporting

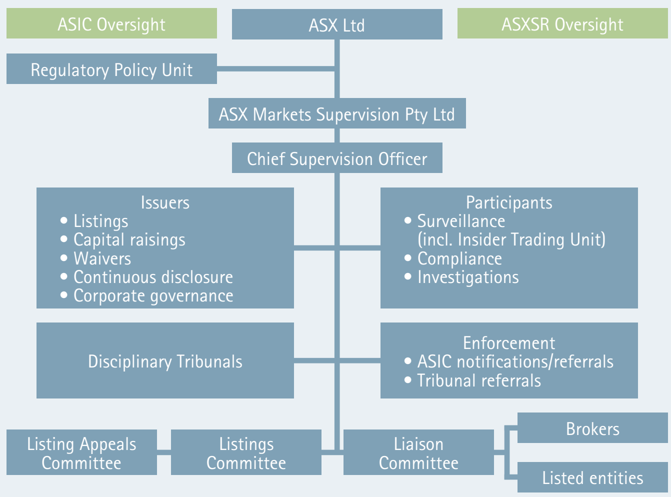
A significant aspect of ASX's supervisory role is monitoring corporate governance disclosure under the aegis of the ASX Corporate Governance Council. We reviewed the annual reports of 1,162 listed entities with a June 2005 balance date and found that overall reporting levels – the aggregate of adoption of recommended practices and of 'if not, why not?' exception reporting – increased to 88%, up from 84% in 2004. Of the 28 Recommendations, 14 had reporting levels over 90% compared to eight out of 28 in 2004, and a further nine had reporting levels over 80%. The overall reporting level increased at a faster rate among companies outside the top-500. The results suggest that listed entities have embraced the concept of governance reporting and are more familiar with the investor-friendly spirit of the regime, rather than treating it as a "box-ticking" compliance exercise.

Disclosure to the market continues to increase

Number of Company Announcements 1993–2006



ASX Markets Supervision Organisational Chart



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ASX

...to integrate and expand our trading systems.

The Technology Division ensures the effective operation of ASX networks and systems that support the capital markets. This enables our customers to obtain prices, match bids and offers, and clear and settle their transactions, with the efficiency and reliability that have become synonymous with the ASX brand.

As financial markets continue to expand and diversify, we are providing an integrated trading system for all ASX products.

Technology

"With the market reaching record highs and a dramatic increase in trading volumes, a core focus of the Technology Division is the continual improvement of our infrastructure and technology solutions, offering our customers a service that is more efficient, scalable and functionally richer. Setting a high standard is not enough. Against the background of increasing challenges from all of our stakeholders, consistent delivery is the benchmark."

Jeff Olsson, Group Executive Technology

In a demanding market environment over the last 12 months, the Division continued to accommodate rising volumes of activity and made sound progress towards the introduction of ASX's new integrated trading system. Final acceptance and testing of the new system, CLICK XT, paved the way for the phased migration onto the one platform of all ASX-traded products – equities, options, warrants, interest rate securities and futures – in the second half of 2006. ASX is thereby poised to become the first top-10 exchange in the world to implement an integrated trading technology strategy.

Once in place, the operating costs of an integrated platform will be lower, and its ability to support trading that straddles the cash and derivatives markets will be a genuine benefit to brokers and their clients.

With customers who measure exchange performance in the fractions of a second, one important benefit of integration will be the reduced latency achievable through having both markets in closer proximity than can ever be possible with segregated systems. Latency measures the average turnaround time for an order message to travel from a broker into ASX's trading system and back to the broker. SEATS provided an average turnaround time of 85 milliseconds; the new trading system will aim to lower this to 20 milliseconds.

With integration of trading platforms, ASX will phase out its proprietary equities trading system SEATS – which has run the market for nearly 20 years – as well as the CLICK platform introduced for derivative products 10 years ago. Our reputation for innovative, high-reliability systems is reinforced by the performance of our clearing and settlement system CHESS, the steady improvement of the company announcements platform, the recent introduction of the SMARTS market surveillance system and the availability of our high-traffic website, www.asx.com.au.

In other words, we are continuing to invest in new technology – a necessary function of rising market activity. Our 2005/06 capital expenditure of $13.9 million, which includes CLICK XT, remains within our annual target of between $10 million and $15 million. We believe this level is sustainable.

SEATS continued to provide reliable, efficient service to our customers through years of rapidly growing trading – averaging 125,000 trades per day in 2005/06 with 99.9 per cent uptime. A single 40-minute outage in May 2006, unrelated to capacity, was the first SEATS incident in three years (nevertheless, the cause was exhaustively traced, retested and resolved.) The increase in contingent trading and the rapid growth of daily trading made the introduction of a new trading system timely and relevant.

Case Study
Improved Connectivity

As part of the adoption of the integrated trading system, ASX is introducing the FIX protocol to provide trading connectivity for all ASX-traded instruments.

FIX (Financial Information Exchange) is an internationally-accepted messaging system that permits trade-related messages to be communicated among investors, intermediaries and exchanges. It effectively opens our markets to the world, allowing easier off-shore access to ASX trading systems.

ASX selected the CameronFIX platform for this initiative. In the same vein, ASX also committed to a FIX-protocol market data feed, selecting the CameronFIX Market Data Server. Market data services have traditionally remained exchange or vendor-specific, and integrating them with trading execution has been difficult and expensive.

ASX will be the first exchange to offer a fully integrated FIX trading and market data platform, designed specifically for organisations with high-volume, low-latency market data distribution or consumption needs. The addition of FIX to the integrated trading system, along with full connectivity for market data, will further deepen the liquidity of ASX's markets – providing a flexible mechanism to deal with higher trading volumes arising from increased algorithmic and Direct Market Access (DMA) activity.

Website traffic

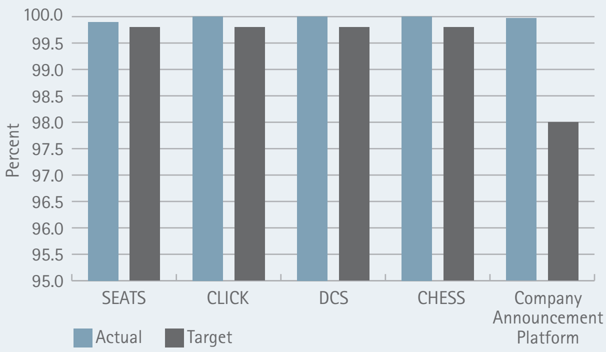
The ASX website, asx.com.au, remains one of Australia's most popular financial websites. Visitors to the website have increased year-on-year, with a record one million unique visitors for the months of March and May, and an average of 23,817,615 page impressions per month. The website provides investors with a wealth of market information including 20-minute delayed prices, company announcements in real-time, and a wide range of education classes and simulations.

Intra-day corporate action messages via SWIFTNet

ASX partnered with leading Australian asset custodians and the SWIFT organisation to work towards improving the automation of the corporate action processing cycle. This culminated in the provision of an innovative new market data service delivered in the ISO 15022 format. The corporate action service will deliver tangible benefits to market data customers including substantial cost and risk reduction, as well as the streamlining of back-office processes.

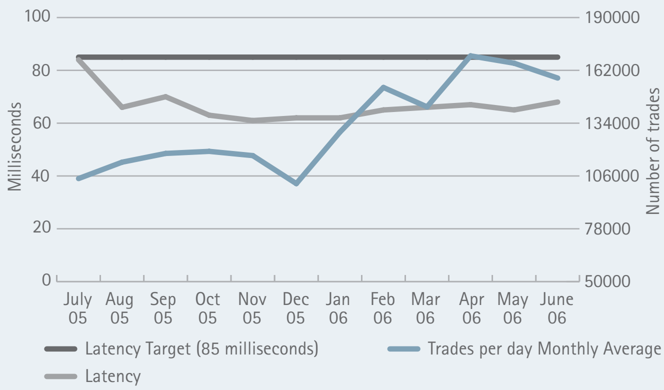
Through rapid rises in market activity, our core systems continue to perform reliably …

ASX Systems Uptime 2005/06



… and with low latency* that exceeds our 85 milliseconds target.

Trading Volumes vs Latency 2005/06



* Latency measures the turnaround time for a broker order message to enter ASX's trading system and be responded to with a message from ASX back to the broker.

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EXC

…to attract the best people.

Building a great business means attracting, developing, engaging and retaining the best people. People and Development Division is striving to create a workplace where our employees feel challenged and supported, trusted and confident, and recognised for their achievements.

Our employees are diverse and talented and derive a strong sense of pride from working at the centre of Australia's capital markets.

To sustain our performance culture we provide opportunities for training and career development, and improve our working environment through flexible work options and parental leave entitlements.

People and Development

"Last year, the Group Executive Committee embarked on a strategy to create a working environment that attracts and retains the best people. Our focus on the key drivers of engagement identified in the 2005 Staff Climate Survey helped lift engagement in the subsequent 2006 Survey."

Geraldine Chin, General Manager People and Development

In 2005, People and Development (P&D) implemented a company-wide Performance and Reward system that allows our people to understand how they contribute to the goals of their Division and of the whole organisation, and that strengthens the link between their performance and reward. To support this system, ASX remuneration was brought into closer alignment with industry benchmarks.

The Performance and Reward system also includes a development plan that encourages people to identify appropriate internal and external training programs, courses and seminars as well as informal development opportunities such as cross-business projects, and on-the-job learning experiences. These opportunities help develop and retain high calibre employees and improve the engagement of our people.

The P&D team implemented a New Leaders Development Program and is also developing a mentoring program. A new Reward and Recognition Policy was also launched allowing managers to recognise individual and team excellence.

ASX aims to provide a safe and healthy work place for all staff by reducing or eliminating work place health and safety risks. In November 2005 ASX engaged Australian Business Limited to conduct an Occupational, Health and Safety (OHS) diagnostic audit. Our national OHS Committee comprises managers and employees from all ASX state offices. In March 2006, all OHS committee members attended accredited refresher OHS training.

ASX believes in providing an equal employment opportunity work place and an environment where all staff can work effectively without fear of discrimination, bullying or harassment. To raise awareness of our diversity policies, ASX conducted "Diversity @ASX Workshops" in March and April 2006 for all staff. The training focused on the link between diversity and business sustainability, promoted awareness of discrimination and harassment in the work place, and highlighted the relevance of our internal policies in facilitating an inclusive and non-discriminatory environment.

This year ASX was selected to be on the ASX200 Blue Ribbon list in the 2006 Australian Census of Women Leadership. The selection by the Equal Opportunity for Women in the Workplace Agency recognised ASX for its level of female board directors and executive managers.

Case Study
Improved Staff Engagement

In May 2006, consulting firm Hewitt Associates administered ASX's second Staff Climate Survey. The survey helps to guide our strategy by identifying the key issues that impact on our employees' motivation and engagement with ASX. Our aim is to improve the work experience offered by ASX so that we can attract and retain the best possible people. In turn, this will deliver higher productivity and stronger business results.

This year's survey, in which more than 80% of ASX staff participated, showed an improvement in our people's understanding of their individual and team objectives, and higher satisfaction with the direction and support provided by their immediate manager. Initiatives such as the Performance and Reward system and the Learning and Development program were recognised as helping make our people more outcomes-focused.

The Climate Survey revealed that we can further lift engagement by providing more opportunities for career development and more closely considering the impact of decision making on staff.

ASX wins at corporate games

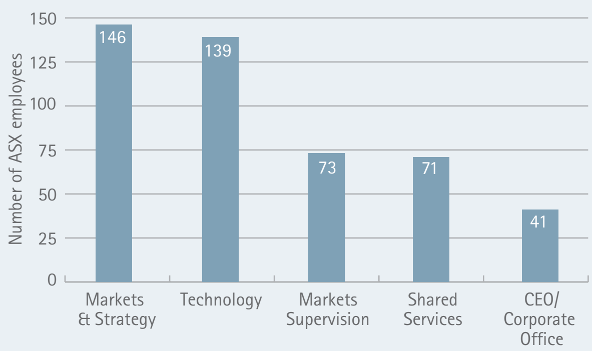
ASX regularly participates in the highly competitive NSW Corporate Games, competing in sports as diverse as sailing, triathlon and touch football. This year, our team won our division taking home four gold, three silver and six bronze medals. This is ASX's best result in five years. Congratulations to all who participated in the Games – and those who provided support in designing uniforms, communicating results through the website and, of course, cheering on our team.

Annual Management Conference

On 12 and 13 May 2006, just over 100 ASX Group Executives, General Managers and Managers participated in our Annual Management Conference in Sydney. The Conference allowed managers a chance to review the year's achievements and discuss the business strategy ahead. It was also an opportunity for managers to strengthen relationships across the organisation.

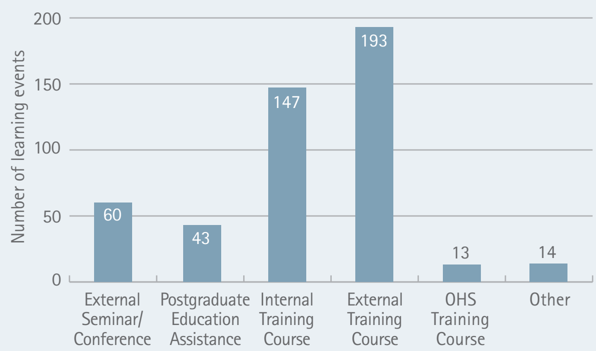
Our skills are diverse and spread across the organisation

Staff Numbers by Division as at 30 June 2006



ASX offers a wide range of learning and development opportunities

Learning and Development Events 2005/06



"Working at the centre of Australia's capital markets."

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...to operate smarter and manage our costs.

Maintaining an efficient cost structure is vital to ASX's corporate strategy. By providing quality financial, strategic, legal and administrative support services to ASX's businesses, Shared Services Division seeks to optimise the management of our resources.

Shared Services

Shared Services

"Being a leading securities exchange means getting the detail right – constantly improving our financial and risk management systems and processes, ensuring our physical security is resilient, providing quality and timely legal advice, and driving rigorous cost and strategic discipline across all of ASX. When our teams are getting it right, our shareholders and customers ultimately benefit."

John Hayes, Chief Financial Officer, Group Executive Shared Services

The Shared Services Division brings together ASX's key non-technology support teams. These teams played an integral part in ASX's operations by providing value-effective support across the organisation – financial control, management accounting, risk management, internal audit, legal advice, administration, investor relations and corporate finance services.

In addition to these operational roles, Shared Services also drove or supported ASX's key reform projects during the year. These included the successful sale of APRL, the pricing review, the premises review, the implementation of ASX Markets Supervision Limited and the merger with SFE.

Whether in the form of accurate financial information and advice, timely and tailored legal counsel, effective project management or up-to-date industry research, Shared Services is about improving the quality and effectiveness of ASX management decision making.

The financial and accounting teams prepared financial statements for the ASX Group – including the annual and half-year results announced to the market and the material published later in this annual report. This material also provided the basis for briefings to shareholders and analysts, consistent with ASX's disclosure responsibilities as a listed company. The teams also provided financial advice to ASX managers when allocating their resources and delivering on their business plans through the year.

Internal Audit provides independent, objective assurance advice on risk management and internal control processes and procedures to the ASX Board and management. Over the year the team performed a number of audits including investigating potential areas of fraud, assessing building security procedures and IT systems security.

ASX operates a national market and services its customers through offices nationwide. It is Shared Services' responsibility to maintain a high-quality and safe working environment in all these locations.

ASX's specialist Research and Information team provided records management services, access to external news and business, and industry research to ASX business units.

An often overlooked part of Shared Services are the core operations of paying accounts, collecting invoices, delivering mail, answering phones and managing suppliers. During 2005/06, Shared Services teams paid over 8,000 accounts, received payment on 40,000 invoices, answered 23,000 calls to the switchboard and admitted more than 9,000 visitors to the Sydney office.

Case Study
Reduced Occupancy Costs

A review of ASX occupancy requirements suggested that some of our existing premises no longer met our business needs, creating opportunities to reduce our overall occupancy costs.

In May 2006, ASX signed an agreement with GPT Group to surrender our tenancy at 530 Collins Street, Melbourne. This lease was not due to expire until March 2012. As a result of this agreement, ASX incurred an after-tax (significant) expense of approximately $7.2 million. However, we will benefit with yearly occupancy cost savings. ASX's new Melbourne home is the Rialto building.

Our Brisbane office has consolidated and will relocate into smaller premises while our Adelaide office has already relocated.

These moves reduced our national floor space commitment by almost 9,000 square metres. Further reductions are planned.

Implementation of International Accounting Standards

In line with Australia's adoption of International Accounting Standards, ASX successfully made the transition to the Australian Equivalents of International Financial Reporting Standards (AIFRS) during 2005/06. ASX's half-year accounts in February 2006, among the first presented to the market, were fully AIFRS compliant.

Legal support for business initiatives

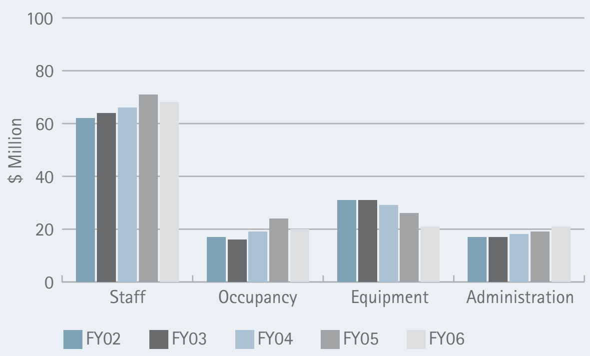
Whether through negotiating complex transactions with global technology suppliers, reviewing commercial lease arrangements around Australia, refining the Listing, Market, and Clearing and Settlement Rules that underpin the Australian securities market place, or supporting ASX divisions in projects, the legal team played a crucial role in ASX's business achievements in the last year.

Capital management

ASX regularly reviews its capital management position and strategies to ensure an optimal capital structure and efficient use of shareholder resources. ASX's overarching principle is that capital that is surplus to operational, risk management and investment needs will be returned to shareholders. In its most recent review, the ASX Board decided to return $50 million of capital to ASX shareholders. Subsequently, with ASX's proposal to merge with the SFE, this amount was increased to $100 million.

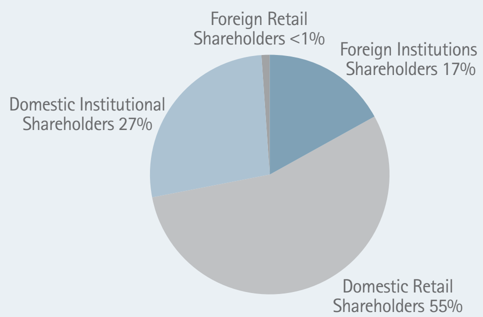
Focused cost management drove reductions in staff, occupancy and equipment expenses

Expenses by Category 2001/02 – 2005/06



ASX: A diverse register of shareholders

Shareholders in Australian Stock Exchange Ltd (ASX) as a Percentage of Shares on Issue*



*Total shares on issue 30 June 2006 = 102,741,815
Total shareholder numbers 30 June 2006 = 19,614

Fit ... to strengthen our corporate responsibility

ASX is committed to maintaining the confidence of our stakeholders in the integrity and efficiency of all our operations – not least in the integrity and efficiency of our markets. We deliver on this commitment through our core business goals and also through our corporate responsibility programs, including building the knowledge and confidence of investors, promoting good corporate governance, contributing to our community and being environmentally responsible.

Aspiration What we hope to achieve	Performance What we did in 2005/06	Assessment
Investor Education		
Promote financial literacy in our community and build the confidence of investors	*Investor Education* More than 100,000 people visited ASX's online classes, from the most popular 'Getting Started in Shares' through to interactive education on warrants and options products.	31% increase in online course visitors.
	More than 6,000 investors from around Australia attended ASX's Investor Hour lunchtime seminars.	
	Introduced a new service on ASX's website for investors wishing to start and operate their own Investor Club, including comprehensive reading materials, links to relevant websites and downloadable documents.	Each month around 3,000 people visited the Investor Club section on asx.com.au
	ASX Sharemarket Games ASX ran two sharemarket games for secondary school students and two games for the general public.	Public games - 40,000 participants.
	The Games provide a safe and informative on-line trading experience for students and members of the general public where they can create and trade a hypothetical portfolio of shares.	Schools games - 80,000 students.
	ASX's Sharemarket Games have been approved for inclusion on the federal government's Financial Literacy Foundation's website.	
Investment Information		
Support investors in making informed investment decisions	800,000 people per month visited ASX's website to access investment information including share prices, dividends, the latest company announcements and market statistics.	Monthly visits to asx.com.au grew 36%.
	Announcements lodged with ASX by listed companies are made available on the website, in full and at no charge, within moments of release by ASX. An archive of historical announcements dating back to 1995 is also available.	

Aspiration What we hope to achieve	Performance What we did in 2005/06	Assessment
Corporate Governance		
Provide leadership in corporate governance to the Australian business and investment community	ASX continued to chair and provide secretariat services for the ASX Corporate Governance Council.	Ongoing
	The Council's major projects included:	
	• Survey of users of corporate governance information;	Completed
	• Review of the Principles of Good Corporate Governance and Best Practice Recommendations; and	In progress
	• Review non-financial risk reporting, including corporate responsibility.	In progress
Community Groups		
Provide opportunities for ASX staff to support community groups	Expanded the number of not-for-profit community groups that ASX staff can support through our national Workplace Giving Program. ASX matches staff contributions on a dollar-for-dollar basis.	Number of community groups supported increased from 7 to 29.
	Top ten recipients were Salvation Army, The Smith Family, Medecins Sans Frontieres, Redkite, Garvan Research Foundation, World Vision, Landcare, Taronga Foundation, Inspire Foundation, and Australia for UNHCR.	The percentage of staff participating in Workplace Giving increased from 11% to 18%.
	In addition, ASX and our people supported the South Asia Earthquake Emergency Appeal and the Cyclone Larry Appeal in Queensland.	Completed
	ASX Reuters Charity Foundation distributed over $1 million to 20 charities through its annual financial markets golf day and dinner.	Completed
	Established staff volunteering policy, which provides one day's paid leave for volunteering for all ASX employees.	Launched program June 2006.
Environment		
Manage and reduce ASX's environmental impact	ASX's Environmental Policy was approved by ASX Group Executive Committee in May 2006. The policy is available on ASX's website asx.com.au	Completed
	2005/06 target for consumption of paper set at 9 million sheets.	Actual consumption was 6.4 million sheets – 30% below our target.
International Exchanges		
Support the development of regional stock exchanges	Renewed Memorandum of Understanding (MOU) with Bursa Malaysia	Completed
	Responded to an average of 2 information requests per month and hosted visitors from a range of regional exchanges including Colombo Stock Exchange, Philippines Stock Exchange, Stock Exchange of Thailand and Jakarta Stock Exchange.	Ongoing

Corporate Responsibility

Left to right in each row

1. Tony D'Aloisio with Jane Turner, Special Representative, United Nations High Commission for Refugees (UNHCR). In February 2006, Jane joined ASX for afternoon tea and gave staff an update on UNHCR's work in South Asia.

2. Launch of ASX Volunteering Program in June 2006.

3. 2005 ASX Schools Sharemarket Games Awards Presentation – Ritchie Han of Cambridge Park High School with Hon. Chris Pearce MP, Parliamentary Secretary to the Treasurer.

4. ASX staff donated blood to the Australian Red Cross in June 2006.

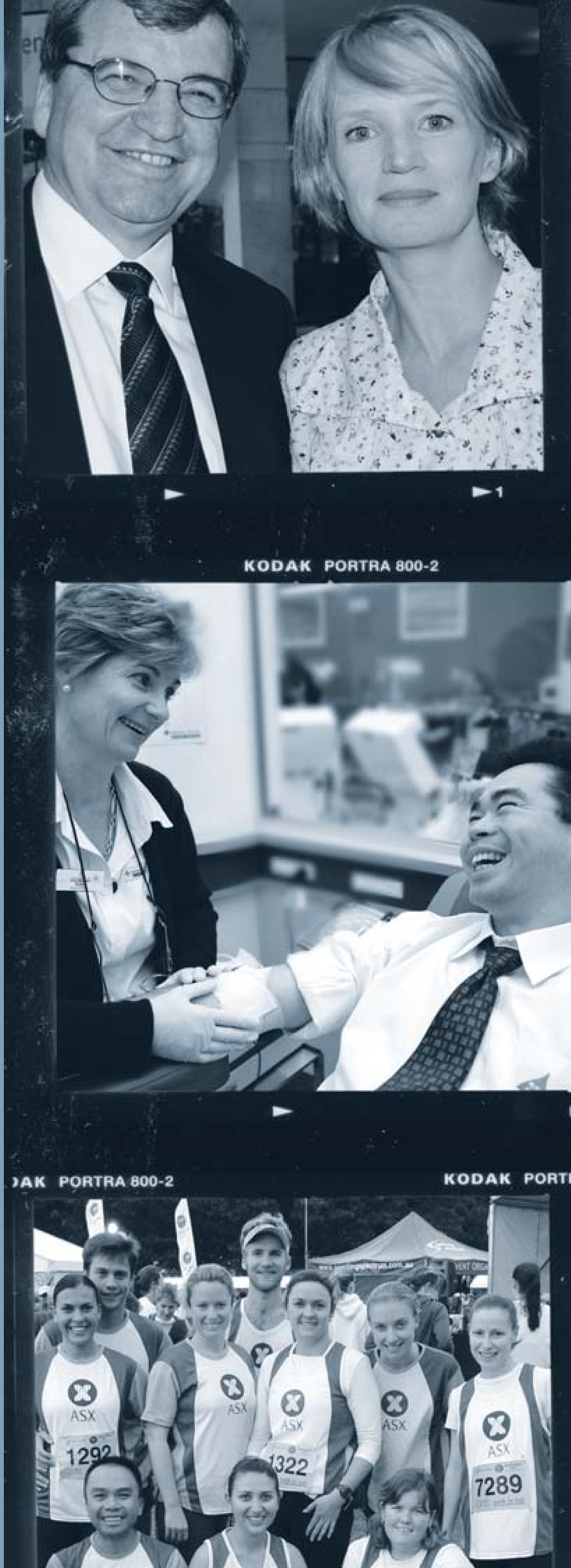
5. 2005 ASX Schools Sharemarket Games Awards Presentation – National and Victorian winners.

6. ASX Basketball team.

7. Mother's Day Classic Fun Run, 2006, ASX Sydney team.

8. 2005 ASX Schools Sharemarket Games Awards Presentation – Josh McCormick and Michelle Schiltz, Victorian winners, Game 2 – Sebastopol College.

9. ASX Corporate Governance Council – Review of Principles Working Group, July 2006.




Brightening
the lives of
Australia's
seriously ill &
hospitalised children
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Group Executive Committee

Colin Scully
Deputy CEO and Group Executive Markets

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

Angus Richards
Group Executive Strategy

Angus's experience in the securities industry spans some 35 years, initially in the role of a consultant on various market infrastructure development initiatives for the Sydney Stock Exchange and ASX, and from the early 1990s in an executive role with ASX. Major project implementation responsibilities have included the Clearing House Electronic Subregister System (CHESS), the SEATS 97 project to upgrade the trading system and introduce open interface capability, and a new registry system development for ASX Perpetual Registrars. Previous executive roles at ASX include Deputy Managing Director – Markets and Settlement, Deputy Managing Director – Market Operations, and Managing Director – ASX Settlement & Transfer Corporation Pty Limited (ASTC).Angus retired from ASX on 21 July 2006.

Eric Mayne
Group Executive Market Supervision

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

Jeff Olsson
Group Executive Technology

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

Geraldine Chin
General Manager People and Development

Geraldine has chief responsibility for staff resourcing, development, engagement and health and safety issues. Geraldine has experience in business and people strategy, gender and generational issues, and career development and mentoring programs. Geraldine has a Bachelor of Laws (University Medal) and a Bachelor of Science and was awarded a Fulbright Scholarship and Frank Knox Fellowship to study a Masters of Law at Harvard Law School.

John Hayes
Chief Financial Officer and Group Executive Shared Services

John is responsible for the overall financial management of ASX and for providing financial and legal advice, risk management, investor relations and administration. He joined ASX in 1998 from his former position as Vice-President banking and financial services research with Bankers Trust. John has 43 years experience in financial services, principally banking and funds management. His positions have included Chief Financial Officer of Advance Bank Australia Limited.

Christine Jones
Group General Counsel and Company Secretary

Christine was appointed Company Secretary on 1 June 2005. Christine is a solicitor, admitted to practice in 1985. Following experience in government and private practice, Christine has been employed by the ASX Group since 1990 and held positions including advising on the legal and regulatory framework for CHESS, Manager and Company Secretary of the Securities Exchanges Guarantee Corporation, Manager of the Market Law and Policy Group and most recently, General Counsel of ASX. Christine retired from ASX on 21 July 2006.

Corporate Governance Statement 2005/06

Shareholders of Australian Stock Exchange Limited will be familiar from previous reports with the company's fundamental and continuing commitment to high standards of corporate governance. Our Corporate Governance Statement 2005/06 once again outlines our policies and practices by reference to the 'Principles of Good Corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council. These Guidelines continue to provide sound guidance for the policies and practices adopted by ASX as well as for our reporting in this Statement. During the year the Board again reviewed its policies and practices against the Guidelines.

In general these policies have not changed from last year, though a number of further refinements have been made, as shown below.

The Statement is provided in tabular format so that the Board's response to each recommendation in the Guidelines is clearly identifiable. The table also lists the relevant codes, policies or charters that underpin corporate governance practices at ASX – all of which are available for inspection on the corporate governance page in the ASX Shareholders section of the website, www.asx.com.au.

Principle 1	Lay solid foundations for management and oversight Recognise and publish the respective roles and responsibilities of the Board and management.	Reference Material
Recommendation 1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	
ASX Board Response	The Board has adopted a charter that sets out the responsibilities reserved by the Board, those delegated to the Managing Director and those specific to the Chairman.	Board Charter
Principle 2	**Structure the Board to add value** Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	
Recommendation 2.1	A majority of the Board should be independent directors.	
ASX Board Response	The Board's policy is that a majority of its directors must be independent. In giving effect to this policy, the Board conducts an annual assessment of the independence of each director using agreed criteria. In its 2005/06 assessment, the Board considered its non-executive directors' previous and current relationships with ASX customers, suppliers, consultants and professional advisers, and determined that none of these relationships compromises their independence. In forming this view, the Board employed AASB standard 1031, under which a relationship is immaterial when it generates less than 5% of group revenue, and presumed material when it generates more than 10% of group revenue during a 12-month period in the absence of evidence or convincing argument, to the contrary. In considering such evidence, the Board took into account the strategic value and other material, but non-quantitative, aspects of the relationship in question. For the purpose of assessing the materiality of relationships between a non-executive director and ASX (other than as a director), the threshold is set according to the significance of that relationship to the director in the context of their activities as a whole. No director has a relationship significant enough to compromise their independence on the Board. On the basis of these assessments, the Board confirms that all the currently serving non-executive directors are independent.	Definition of independence and materiality thresholds are incorporated in the Board Charter
Recommendation 2.2	The chairperson should be an independent director.	
ASX Board Response	The Chairman, Mr Maurice Newman, is an independent director.	Board Charter
Recommendation 2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	
ASX Board Response	In line with the Board Charter, the roles of Chairman and Managing Director are separated. Board policy is that the Managing Director may not become Chairman.	Board Charter
Recommendation 2.4	The Board should establish a nomination committee.	
ASX Board Response	The Board has established a Nomination and Remuneration Committee. The Committee's charter sets out its roles, responsibilities and membership requirements. Mr Michael Sharpe retired from the committee effective 30 June 2006; Mr Trevor Rowe was appointed effective 1 July 2006. Mr Rick Holliday-Smith and Mr Peter Warne were appointed effective 25 July 2006.	Nomination and Remuneration Committee Charter

Recommendation 2.5	Provide the information set out in *Guide to reporting on Principle 2*:	
	• The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.	
ASX Board Response	All directors have an understanding of financial markets. The Board considers the directors' diverse range of skills and experience is appropriate to discharge their responsibilities and duties.	Director Biographies – see pages 46 to 48 of this report to shareholders
	• The names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds.	
	All non-executive directors are independent. Their names are provided elsewhere in this report. The Company's materiality thresholds are discussed above.	Director Biographies – see pages 46 to 48 Board Charter
	• A statement as to whether there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the company.	
ASX Board Response	ASX directors may seek external professional advice at the expense of the company on matters relating to their role as directors of ASX. However, they must first request approval from the Chairman or Vice-Chairman; this must not unreasonably be withheld. If permission is withheld the matter may be referred to the whole Board.	Deed of Indemnity, Access and Insurance of Directors – this document is not publicly available
	• The term of office held by each director in office at the date of the annual report.	
ASX Board Response	This information is provided on pages 46 to 48.	Director Biographies – see pages 46 to 48
	• The names of members of the nomination committee and their attendance at meetings of the committee.	
ASX Board Response	This information is provided on page 45.	Director Biographies – see pages 46 to 48 Attendance Table – see page 45
	• Description of the procedure for the selection and appointment of directors.	
ASX Board Response	Board succession planning is an important part of the governance process. The Board has adopted a succession plan to ensure the progressive and orderly renewal of Board membership. The appointment and removal of directors is governed by the ASX Constitution; the Selection and Appointment of Non-Executive Directors policy sets out the procedures followed when considering the appointment of new directors. Mr Rick Holliday-Smith and Mr Peter Warne were appointed to the Board effective from 25 July 2006. In accordance with the Constitution and the Corporations Act, shareholders will be asked to elect Mr Holliday-Smith and Mr Warne at the 2006 Annual General Meeting. Mr Jim Kennedy and Mrs Cathy Walter will resign from the Board following the conclusion of the 2006 Annual General Meeting.	Appointment and Selection of Non-Executive Directors Notice of Meeting for 2006 AGM
Principle 3	**Promote ethical and responsible decision-making** Actively promote timely, ethical and responsible decision-making.	
Recommendation 3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 The practices necessary to maintain confidence in the company's integrity. 3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
ASX Board Response	The company's Code of Ethics and Conduct promotes ethical and responsible decision-making by directors and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with ASX. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the company.	Code of Ethics and Conduct

Corporate Governance Statement 2005/06 (continued)

Recommendation 3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	
ASX Board Response	The Dealing Rules set the parameters for dealing in the securities of ASX by ASX directors and employees, and prohibit insider trading. The Dealing Rules permit dealing in ASX securities within certain trading 'windows'. The Dealing Rules were revised in April 2006, to: • introduce a pre-approval process for dealing in financial products for all employees; and • prohibit employees who participate in long-term incentive schemes from dealing in financial products which operate to limit the economic risk of participating in these schemes.	Dealing Rules for Directors and Employees
Recommendation 3.3	Provide the information indicated in *Guide to reporting on Principle 3.*	
ASX Board Response	Ethical and responsible decision-making at ASX is further promoted by the following policies. The 'Whistleblowing' Policy is designed to support and protect employees who report non-compliant, suspicious or unethical conduct by other employees. The policy formalises ASX's commitment to protect the confidentiality and position of employees wishing to raise serious matters that affect the integrity of the ASX Group. The Corporations Act requires ASX to have adequate arrangements for handling conflicts between its commercial interests and its obligations as a market licensee and licensee of clearing and settlement facilities. The ASX Group Conflict of Interest Protocol provides guidelines for the conduct expected of ASX Group employees in this regard. There are also specific codes and procedures that apply to employees who work in the Market Supervision division of ASX.	Whistleblowing Policy – this document is not publicly available. ASX Group Conflict of Interest Protocol.
Principle 4	**Safeguard integrity in financial reporting** Have a structure to independently verify and safeguard the integrity of the company's financial reporting.	
Recommendation 4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	
ASX Board Response	The Chief Executive Officer and Chief Financial Officer provide such letters of assurance to the Board for each half-year and full-year result.	Audit and Risk Committee Charter
Recommendation 4.2	The Board should establish an audit committee.	
ASX Board Response	The Board has established an Audit and Risk Committee.	Audit and Risk Committee Charter
Recommendation 4.3	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	
ASX Board Response	All members of the Audit and Risk Committee are independent and the chairman of the Committee is not the chairman of the Board. Mr Rick Holliday-Smith and Mr Peter Warne were appointed effective 25 July 2006. Mrs Walter and Mr Rowe will retire from the committee on 30 September 2006.	Audit and Committee Charter
Recommendation 4.4	The audit committee should have a formal charter.	
ASX Board Response	The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities, and composition requirements. The Audit and Risk Committee Charter was updated during 2005/06 to further clarify the committee's role.	Audit and Risk Committee Charter
Recommendation 4.5	Provide the information indicated in *Guide to reporting on Principle 4.*	
	• Details of the names and qualifications of those appointed to the audit committee.	
	• The number of meetings of the audit committee and names of the attendees.	

ASX Board Response	This information is provided on page 45.	Director Biographies – see pages 46 to 48 Attendance Table – see page 45
	• Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	
ASX Board Response	The external auditor, KPMG, under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. The committee also has specific responsibility for: • recommending the appointment or dismissal of external auditors; • monitoring any non-audit work carried by the external audit firm; and • assessing the independence of the external auditor based on the information received from the external auditors and management. The procedures for appointment of an external auditor are outlined in the Charter. No director has any association, past or present, with ASX's external auditor.	Audit and Risk Committee Charter
Principle 5	**Make timely and balanced disclosure** Promote timely and balanced disclosure of all material matters concerning the company.	
Recommendation 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules' disclosure requirements, and to ensure accountability at a senior management level for that compliance.	
ASX Board Response	Responsibility for supervision of ASX's compliance with continuous disclosure lies with ASIC. The Listing Rule 3.1 Compliance Policy and Rules sets out the authority for disclosure approval, "awareness" and materiality of information or events, and the obligation to report these matters to designated notification officers.	Listing Rule 3.1 Compliance Policy and Rules
Recommendation 5.2	Provide the information indicated in *Guide to reporting on Principle 5.*	
ASX Board Response	There is no further information to be provided.	
Principle 6	**Respect the rights of shareholders** Respect the rights of shareholders and facilitate the effective exercise of those rights.	
Recommendation 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	
ASX Board Response	In line with ASX's Shareholder Communication Policy, ASX aims to communicate clearly and transparently with shareholders and prospective shareholders. ASX's website is a key source of information for ASX's shareholders and prospective shareholders. ASX places all company announcements (including analyst briefing material) on the site immediately following confirmation of their release to the market. Transcripts from analyst briefings are posted on the website. ASX also displays annual reports to shareholders, speeches and presentations given by the Chairman, Managing Director and management and a range of other business indicators.	Shareholder Communications Policy
Recommendation 6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	
ASX Board Response	ASX's external auditor attends all annual general meetings and is available to answer shareholder questions.	Notice of Meeting for 2006 AGM ASX Shareholder Information Centre on website
Principle 7	**Recognise and manage risk** Establish a sound system of risk oversight and management and internal control.	
Recommendation 7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	

Corporate Governance Statement 2005/06 (continued)

ASX Board Response	The Audit and Risk Committee has responsibility for reviewing ASX's framework for identifying, monitoring and managing significant business risks. Each year, the whole Board considers a report on significant risks for ASX. During 2005/06, management reviewed the enterprise risk management framework in consultation with an independent external consultant. The Audit and Risk Committee was responsible for overseeing the review. The review concluded that ASX has a well-established and effective risk management process. The recommendations adopted include increasing formality to the reporting process, improved business engagement and introducing a cross-functional management risk committee.	Audit and Risk Committee Charter Risk Management Policy Internal Audit Charter – not publicly available
Recommendation 7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	
	7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	
	7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	
ASX Board Response	The CEO and CFO provide such assurance.	
Recommendation 7.3	Provide the information indicated in *Guide to reporting on Principle 7.*	
	• Description of the company's risk management policy and internal compliance and control system.	
ASX Board Response	*Internal compliance and control systems* Internal control systems and procedures are reviewed by an internal auditor. 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 to preserve independence, and also has full and free access to ASX employees and ASX records. The internal auditor reports to the Managing Director.	Risk Management Policy Audit and Risk Committee Charter Internal Audit Charter – not publicly available
Principle 8	**Encourage enhanced performance** Fairly review and actively encourage enhanced Board and management effectiveness.	
Recommendation 8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	
ASX Board Response	The Nomination and Remuneration Committee is responsible for assessing the framework and the processes used for conducting performance evaluations for both the Board and the Managing Director and CEO. During 2005/06, the Board used the assistance of an independent consultant to conduct an extensive review and evaluation of the Board. The process included written surveys and one-on-one interviews with directors and senior executives. The Chairman formally discussed the performance of each individual director. The results of the review were presented by the consultant and discussed by the Board as a whole.	Performance and Evaluation Policy Remuneration Report – see pages 61 to 62 of this report to shareholders
Principle 9	**Remunerate fairly and responsibly** Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.	
Recommendation 9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	
ASX Board Response	ASX's remuneration policies are discussed in the Remuneration Report. A summary of the key terms and conditions of the executive services agreement of the Managing Director and CEO, Mr Robert Elstone, were disclosed to the market on 14 July 2006.	Remuneration Report – see page 54 ASX announcement, 14 July 2006

Recommendation 9.2	The Board should establish a remuneration committee.	
ASX Board Response	The Board has established a Nomination and Remuneration Committee. The Committee's charter sets out its roles, responsibilities and membership requirements.	Remuneration Report – see page 54 Nomination and Remuneration Committee Charter
Recommendation 9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	
ASX Board Response	This information is provided in the Remuneration Report elsewhere in this report to shareholders.	Remuneration Report – see page 54
Recommendation 9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	
ASX Board Response	Shareholders have approved all equity-based plans used by ASX. Participation in these plans has been made in accordance with the approvals granted by shareholders. In accordance with the executive services agreement between ASX and Mr Robert Elstone, shareholder approval will be sought at the 2006 AGM for: • Mr Elstone's participation in the Long-term Incentive Plan; and • the issue of 134,000 shares.	Remuneration report – see page 54 Notice of Meeting for the 2006 AGM ASX announcement, 14 July 2006
Recommendation 9.5	Provide the information indicated in *Guide to reporting on Principle 9*. • Disclosure of the company's remuneration policies referred to in the best practice recommendation 9.1 and in Box 9.1.	
ASX Board Response	Details of ASX's remuneration policies for fixed, short-term and long-term incentives are set out in the Remuneration Report.	Remuneration Report – see page 54
	• The names of the members of the remuneration committee and their attendance at meetings of the committee.	
ASX Board Response	Further information is provided on page 45 of this report to shareholders.	Director Biographies – see page 46 to 48 Attendance Table – see page 45
	• The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.	
ASX Board Response	The Board decided on 26 August 2003 to terminate the directors' retirement scheme. The accrued entitlements have been frozen at that date and will be paid to entitled non-executive directors at the time of their retirement.	Remuneration Report – see page 54
Principle 10	**Recognise the legitimate interest of stakeholders** Recognise legal and other obligations to all legitimate stakeholders.	
Recommendation 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	
ASX Board Response	The ASX Code of Ethics and Conduct, discussed earlier, guides compliance with legal requirements and ethical responsibilities, and also sets a standard for employees and directors dealing with ASX's obligations to external stakeholders. ASX's corporate responsibility activities are outlined on pages 32 and 33 of this Report to shareholders.	Code of Ethics and Conduct Privacy Policy

Financial Report

Directors' Report

Directors' Report (continued)

The directors present their report together with the financial report of Australian Stock Exchange Limited (ASXL) and of the consolidated entity (ASX), being ASXL and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon. The financial report has been reviewed and approved by the directors on the recommendation of the Audit & Risk Committee of ASX.

The consolidated net profit after tax for the year attributable to the members of ASXL was $135,503,000 (2005: $166,982,000). This includes a number of significant items[1], including net gain on sale of APRL of $9,760,000.

1 Refer to note 4 to the financial statements for a breakdown of significant items

1. Directors

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

- Maurice Lionel Newman AC (Chairman);
- Robert George Elstone, appointed 25 July 2006 (Current Managing Director and Chief Executive Officer);
- Anthony Michael D'Aloisio, resigned 25 July 2006 (Former Managing Director and Chief Executive Officer);
- Michael Henry Shepherd (Vice-Chairman);
- Russell Anthony Aboud;
- Rick Holliday-Smith, appointed 25 July 2006;
- James Joseph Kennedy AO, CBE;
- Trevor Cyril Rowe AM;
- Jillian Shirley Segal AM;
- Michael John Sharpe AO;
- Catherine Mary Walter AM;
- Peter Hastings Warne, appointed 25 July 2006.

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

Directors' meetings and their attendance at those meetings for the financial year (including meetings of committees of directors) are detailed in the following table:

	ASX Board Scheduled		*ASX Board Ad Hoc*		*Chairman's Committee*		*Nomination & Remuneration Committee*		*Audit & Risk Committee*		*Market Rules Committee*		*Australian Clearing House Pty Ltd*		*ASX Settlement & Transfer Corporation Pty Ltd*	
ML Newman	10	10	7(2)	7(2)	2	2	5	6	–	–	–	–	–	–	–	–
AM D'Aloisio	10	10	7(2)	7(2)	2	2	–	–	–	–	–	–	6(2)	8(2)	6(1)	8(1)
RA Aboud	10	10	7(2)	7(2)	–	–	–	–	–	–	–	–	–	–	–	–
JJ Kennedy	10	10	5(1)	7(2)	–	–	–	–	–	–	–	–	–	–	–	–
TC Rowe	10	10	6(2)	7(2)	–	–	–	–	4	5	–	–	–	–	–	–
JS Segal	10	10	6(2)	7(2)	–	–	–	–	5	5	–	–	–	–	–	–
MJ Sharpe	10	10	7(2)	7(2)	2	2	6	6	5	5	–	–	–	–	–	–
MH Shepherd	10	10	7(2)	7(2)	2	2	6	6	–	–	3	4	6(2)	8(2)	6(1)	8(1)
CM Walter	10	10	7(2)	7(2)	–	–	–	–	5	5	–	–	–	–	–	–

Shaded column — Meetings attended while a director or member.

Unshaded column — Meetings held while a director or member, and required to attend.

Numbers in brackets are circular resolutions.

Directors' Report (continued)

Details of the directors' qualifications, experience and special responsibilities are set out in the following table:

Director	Term of office	Independence	Qualifications	External directorships	Skills, experience & expertise	ASX Involvement
Maurice L Newman AC	Director since 22 October 1990 Chairman since October 1994	Independent	SFFin, FSDIA	Chancellor of Macquarie University Director of the Queensland Investment Corporation Chairman of Tourism New South Wales, Sydney Convention & Visitors Bureau, the Australian Government's Financial Sector Advisory Council, the Taronga Foundation, Australian Father's Day Council Advisor to the Marsh Group of Companies Member of the Business Council of Australia's Chairmen's Panel Patron of CEDA Civil Patron, Royal Australian Naval Reserve, Professional Studies Program	Mr Newman's 48 year career in the financial services industry culminated in his role as Executive Chairman of Deutsche Bank Group in Australia and New Zealand from 1985 to 1999. He has also served in various capacities with an array of corporate, professional and public sector organisations.	Chairman of Nomination & Remuneration Committee, Chairman's Committee Chairman of ASX Markets Supervision Pty Limited (since 1 July 2006) Director of SFE Corporation Limited since 25 July 2006
Anthony M D'Aloisio	Managing Director & Chief Executive Officer 11 October 2004 – 25 July 2006	Non independent	BA, LLB(Hons)	**Listed Company Directorship** Boral Limited (May 2003 – June 2004) **Other Directorships and Memberships** Director of Australian Charities Fund Pty Limited, Business Council of Australia, ASX representative for World Federation of Exchanges	Before joining ASX, Mr D'Aloisio held the position of Chief Executive Partner at Mallesons Stephen Jaques from January 1993 to August 2004. He practised as a commercial lawyer at Mallesons until taking up his role as Chief Executive. His principal areas of practice were mergers and acquisitions, taxation and restrictive trade practices and international trade and investment.	Director of Australian Clearing House Pty Limited and ASX Operations Pty Limited and ASX Settlement & Transfer Corporation Pty Limited until 25 July 2006
Michael H Shepherd	Director since 18 October 1988 Vice-Chairman since October 1991	Independent	SFFin	Chairman of the Australian Hearing Services (Federal Government Statutory Authority) National President of the Financial Services Institute of Australasia Member of the compliance committee to UBS Global Asset Management (Australia) Limited. Director of The Shepherd Centre	Mr Shepherd brings a detailed understanding of the operation of Australia's financial markets, through his many years in the stockbroking profession and extensive participation on finance industry policy committees.	Chairman of Market Rules Committee Director of Australian Clearing House Pty Limited and ASX Settlement & Transfer Corporation Pty Limited Member of Nomination & Remuneration Committee and Chairman's Committee Director of SFE Corporation Limited since 25 July 2006
Russell A Aboud	Director since 1 July 2005	Independent	MBBS (Syd)	Non-executive Chairman, Ord Minnett Limited	Mr Aboud has extensive knowledge and experience within the international financial services and securities industry gained over 20 years. Past roles have included Global Head of European Equities Business and Head of Australasian Equities for the UBS Group. He a Senior Adviser to JP Morgan Australia.	

Director	Term of office	Independence	Qualifications	External directorships	Skills, experience & expertise	ASX Involvement
James J Kennedy AO, CBE	Director since 26 February 1990	Independent	D.Univ(QUT), FCA	**Listed Company Directorships** Suncorp Metway Limited (since August 1997) and GWA International Limited (since 1992) Former director of Macquarie Goodman Funds Management Limited (October 2000 – February 2004)and Qantas Airways Limited (October 1995 – 30 June 2006)	Mr Kennedy is one of Australia's most experienced public company directors. He has had extensive involvement in both federal and state government boards and enquiries including in his role as chairman of the Australian Postal Commission. He brings an accounting, finance, and business background to the board as well as 13 years experience in funds management as Chairman of the Queensland Investment Corporation, from which he retired in 2001 and as a director of the Macquarie Goodman Funds Management Limited.	
Trevor C Rowe AM	Director since 1 July 2002	Independent	FCIS, FAICD, ACPA	**Listed Company Directorship** United Group Limited (since September 2002) **Other Directorships and Memberships** Chairmanships at Rothschild Australia Limited, Queensland Investment Corporation Limited, Telecorp Limited, Queensland BioCapital Fund and RSPCA Queensland Building Fund Chancellor of Bond University Director Resimac Limited Member of Foreign Affairs Council and Board of Guardians of Future Fund of Australia, Friends of the Royal Flying Doctor Service Former Chairman Investment Banking at Citigroup Global Markets	Mr Rowe brings more than 20 years international experience in investment banking having worked both in Australia and overseas. In April 2003, Mr Rowe was awarded the Commonwealth of Australia Centenary Medal for 'distinguished service to the finance industry'. In the June 2004 Queen's Birthday list, Mr Rowe was awarded a Member of the Order of Australia (AM) for his contribution to the investment banking sector and his contribution to the formulation of public policy, to high education and to the community.	Member of Audit & Risk Committee and Nomination & Remuneration Committee since 1 July 2006
Jillian S Segal AM	Director since 29 July 2003	Independent	BA, LLB(UNSW), LLM (Harv)	**Listed Company Directorship** National Australia Bank Limited (since September 2004) **Other Directorships and Memberships** Member of Business Regulation Advisory Group and Australia Council's Major Performing Arts Board, President of the Administrative Review Council and Member of Council of the University of NSW	Ms Segal has over 25 years experience as a lawyer, regulator and policy advisor. She has been Deputy Chairman of the Australian Securities and Investments Commission and Chairman of the Banking and Financial Services Ombudsman Board. Ms Segal has also served as a director and advisor to a range of corporate, public sector and community organisations.	Member of Audit & Risk Committee Director of ASX Markets Supervision Pty Limited since 1 July 2006
Michael J Sharpe AO	Director since 11 December 1995	Independent	BEc, Hon D.ScEcon (Sydney), FCA	**Listed Company Directorship** Babcock and Brown Limited (since September 2004) **Other Directorships and Memberships** Director of National Australian Trustees Limited, Military Superannuation and Benefits Board of Trustees.	Mr Sharpe's 40-year career in the accounting profession culminated in his retirement as a partner of Coopers and Lybrand in 1998. He served as Chairman of the International Accounting Standards Committee, President of the Institute of Chartered Accountants in Australia, Independent auditor of the Australian National Audit Office, and a member of the Takeovers Panel.	Chairman of Audit & Risk Committee Member of Chairman's Committee and former member of Nomination & Remuneration Committee until 30 June 2006 Director of ASX Markets Supervision Pty Limited since 1 July 2006

Directors' Report (continued)

Director	Term of office	Independence	Qualifications	External directorships	Skills, experience & expertise	ASX Involvement
Catherine M Walter AM	Director since 23 April 1996	Independent	LLB (Hons), LLM MBA (Melb)	**Listed Company Directorships** Director of Australian Foundation Investment Company (since August 1992) and Orica Limited (since October 1998) Former director of National Australia Bank Limited (September 1995 – May 2004) **Other Directorships and Memberships** Chairman of Equipsuper Director of Melbourne Business School Limited Member of the Financial Reporting Council Chairman of Federal Government's Business Regulation Advisory Group Director Melbourne International Arts Festival	Mrs Walter has worked in law firms for 20 years, including as a commercial and corporate lawyer and as a Managing Partner; she has also served a term as a Commissioner of the City of Melbourne. Over the last 15 years, Mrs Walter has been a director of a range of listed companies, government and 'not for profit' enterprises covering many of the industry sectors represented on the ASX.	Member of Audit & Risk Committee
Robert G Elstone	Managing Director and CEO since 25 July 2006	Non-independent	BA (Hons), MA (Econ), MCom	**Listed Company Directorships** Former director of National Australia Bank Limited (September 2004 – July 2006) **Other Directorships and Memberships** Director of SFE Corporation Limited	Mr Elstone's appointment to SFE was made in May 2000 after he had spent 10 years as Chief Financial Officer of two major Australasian companies, Pioneer International Limited and Air New Zealand Limited. During the 1980s he ran the Australian office of Paribas' international capital markets activities.	Appointed director of Australian Clearing House Pty Limited, ASX Settlement & Transfer Corporation Pty Limited and ASX Operations Pty Limited since 25 July 2006
Rick Holliday-Smith	Director since 25 July 2006	Independent	BA (Hons), FAICD	**Listed Company Directorships** Director of Servcorp Limited, DCA Group Limited, Cochlear Limited Former director of MIA Group Limited (before taken over by DCA Group in September 2004), Exco Resources NL (six years to November 2005). **Other Directorships and Memberships** Director of Snowy Hydro Limited, SFE Corporation Limited, Sydney Futures Exchange Limited, SFE Clearing Corporation Pty Limited and Austraclear Limited	Mr Rick Holliday-Smith is a specialist in banking, capital markets and derivatives. Prior to 1998, Mr Holliday-Smith spent 11 years in Chicago, firstly as CEO of Chicago Research and Trading and then as President of NationsBanc-CRT. During the 1980s, he was an executive director with Wardley Australia and Managing Director of Hong Kong Bank Limited, London.	Member of Audit & Risk Committee since 25 July 2006. Member of Nomination & Remuneration Committee since 25 July 2006
Peter H Warne	Director Since 25 July 2006	Independent	BA	**Listed Company Directorships** Chairman of Australian Leisure and Entertainment Property Management Limited Director of Macquarie Capital Alliance Limited and Macquarie Capital Alliance Management Limited **Other Directorships and Memberships** Chairman of Capital Markets CRC Limited, Next Financial Limited Director of SFE Corporation Limited, Sydney Futures Exchange Limited, SFE Clearing Corporation Pty Limited and Austclear Limited Member of the Advisory Board of the Australian Office of Financial Management	Mr Warne is a former Executive Vice President of Bankers Trust Australia Limited and acted as a consultant for Macquarie Bank Limited during 1999	Member of Audit & Risk Committee and Nomination & Remuneration Committee since 25 July 2006

2. Company Secretaries

Anthony D'Arcy, General Counsel and Company Secretary BA (Hons) LLB (Hons) ANU (with effect from 21 July 2006)

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

Christine Jones, Group General Counsel and Company Secretary BA LLB (ceased employment 21 July 2006)

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

Lyn Nikolopoulos, Deputy Secretary BA Bus

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

3. Report on the business

3.1 Principal Activity

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

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

3.2 Review of Operations

Revenue

Normalised revenue for the year ended 30 June 2006 was $305.6 million, a 9.3% increase on the $279.5 million achieved during the previous corresponding period. This figure excludes significant items (2005/06 total $3.6 million) and interest and dividend revenue (2005/06 total $19.2 million).

The increase in revenue is attributable to

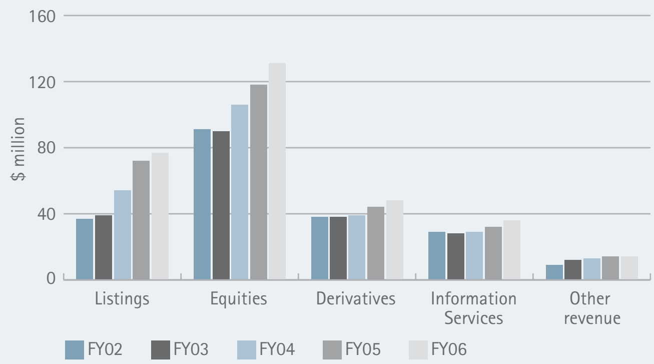
- record equities volumes;
- strong initial and secondary capital raisings and overall market capitalisation growth driving the performance of the Listings Business; and
- overall growth in other ASX business lines.

Normalised revenue by category for the period ended 30 June 2006, compared with the period ended 30 June 2005 shows:

- Listings revenue increased by 7.7% to $77.0 million from $71.5 million;
- Equities trading, clearing and settlement revenue increased by 10.7% to $130.9 million from $118.2 million, after providing rebates of $33.9 million;
- Derivatives revenue increased by 9.9% to $48.4 million from $44.0 million;
- Information Services revenue increased by 11.2% to $35.7 million from $32.1 million;
- Other revenue remained flat at $13.7 million.

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

Normalised Revenue by Category – History



Listings

Revenue from listings contributed $77.0 million, an increase of 7.7% when compared to $71.5 million for the previous corresponding period. The increase in listings revenue can be attributed to growth in the three key listing fee categories of annual, initial and subsequent listing fees. Based on 2005/06 revenues:

- Annual listing fees accounted for approximately 44% of total listings revenue;
- Secondary listing fees accounted for approximately 36% of total listings revenue;
- Initial listing fees accounted for approximately 18% of total listings revenue; and
- Other listing fees accounted for approximately 2% of total listings revenue.

During 2005/06, there were 227 new listings raising $23.1 billion of new capital. This compares to 222 listings and $14.9 billion of new quoted capital for the previous corresponding period. Significant new listings in 2005/06 included SP Ausnet ($2.9 billion), Goodman Fielder ($2.7 billion), Tattersall's ($2.2 billion) and Dyno Nobel ($1.2 billion).

Annual listing fees remain the largest component of total listing fee revenue. From 1 July 2006, annual listing fees were increased so as to recoup ASX's increased investment in Market Supervision. The current listing fee range is from a minimum of $7,450 ($6,710 previously) to a maximum of $147,500 ($133,100 previously).

The total number of listed entities at 30 June 2006 was 1,930 compared with 1,774 at 30 June 2005. Total domestic market capitalisation as at 30 June 2006 was $1,207 billion compared with $960 billion for the previous comparison period. The average annual listing fee was $18,194.

Revenue earned from subsequent capital raisings, which include placements, rights issues, Dividend Reinvestment Plans (DRPs) and Share Purchase Plans (SPPs) was the second largest contributor to aggregate reported listings revenue. Total capital raised from secondary raisings was $28.3 billion in 2005/06 compared to $22.3 billion in 2004/05. Significant subsequent capital raisings during 2005/06 included Babcock & Brown Infrastructure ($0.7 billion), Macquarie Bank ($0.7 billion), Macquarie Infrastructure ($0.7 billion), ABC Learning Centres ($0.6 billion) and Orica ($0.5 billion).

The continued occurrence of primary and secondary capital raisings also supports an increase in annual listings revenue from the higher total number and capitalisation of listed entities.

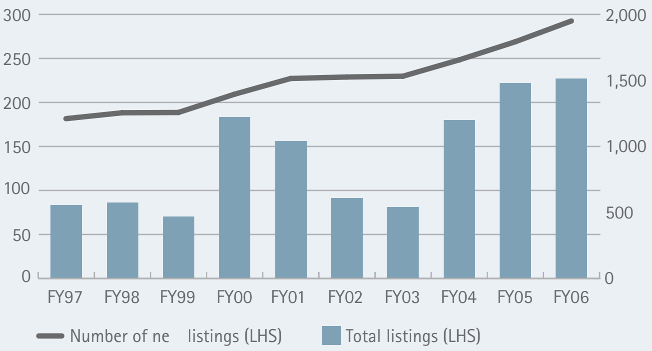
In December 2005, ASX also announced changes to subsequent listing fees to position them closer to international benchmarks. From 1 July 2006, subsequent listing fees were reduced for small to medium sized capital raisings and were increased for larger capital raisings.

Directors' Report (continued)

Based on observed capital raising patterns between March 2003 and March 2005, ASX expects the changes in subsequent listing fees to generate an additional $2.8 million of revenue.

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

New and Total Listings



Equities Trading, Clearing and Settlement

Revenue from equities trading, clearing and settlement contributed $130.9 million during 2005/06, an increase of 10.7% when compared to $118.2 million for the previous corresponding period. This revenue was earned on a record 31.6 million SEATS trades, representing trades in equities, warrants and interest rate securities. This equates to an average of 125,047 trades per day. During 2005/06, a single day SEATS trading record was set (19 April 2006) with 206,387 trades.

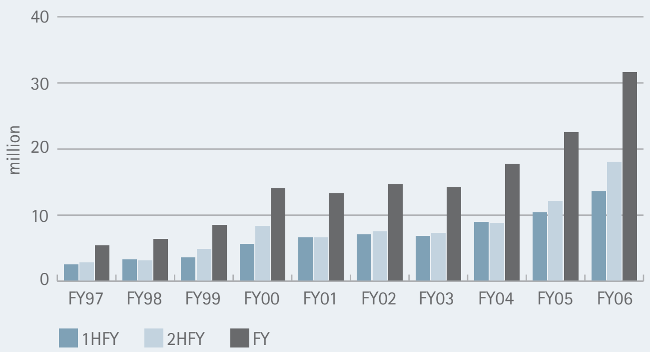
The average revenue per trade was $3.79 compared with $4.69 during the previous corresponding period. The decrease is due to 2 key factors:

- Increased levels of Settlement Volume Rebate (SVR): The SVR discount was applied to all market settlement charges on a sliding scale according to the average number of trades per day in a given month. The higher the trade count, the higher the SVR. The SVR was abolished on 30 June 2006; and
- Changing Settlement Activity Profile: Higher levels of market trades have not translated into corresponding higher levels of other settlement activity, such as additional demand transfers and holding statements. Essentially, settlement fees and listed entity fees are not highly correlated with volume. Thus as volume grows, even as total settlement and listed entity revenue increases, the average fee declines.

Total rebates provided to market participants under the SVR amounted to $33.8 million in 2005/06. This compares to $16.1 million provided during the previous corresponding period, an increase of 110%.

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

Total SEATS Trades



Derivatives Trading, Clearing and Settlement

Revenue from derivatives trading, clearing and settlement contributed $48.4 million in 2005/06, an increase of 9.9% when compared to $44.0 million for the previous corresponding period. The derivatives business comprises ASX's activities in options, warrants and futures products.

Options

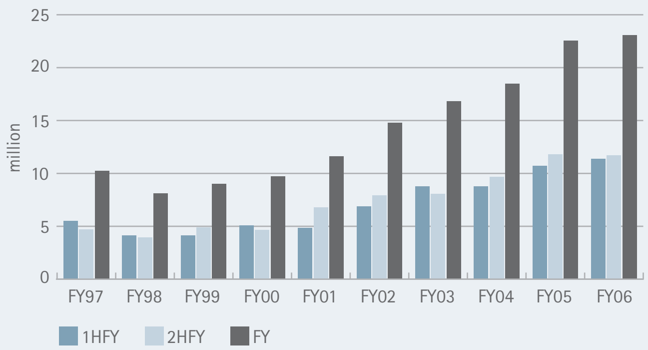
The total number of options contracts traded in 2005/06 was 23.1 million, an increase of 2.2% on the 22.6 million during the previous corresponding period. This equates to a daily average of 91,314 compared with 89,195 for the previous corresponding period. The average revenue per contract generated was $1.43 compared with $1.47 during the previous corresponding period.

The lower average fee is a consequence of a relative increase in market maker activity and index options activity. Relative increases in market maker activity and index options volumes can impact the average options contract fee because market makers are charged a lower fee if they meet certain obligations and index options fees are lower than ordinary options fees.

The number of contracts traded was a record for any financial year and includes a new one month record for trading in options, with 2.4 million contracts traded during September 2005.

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

Total Options Contracts



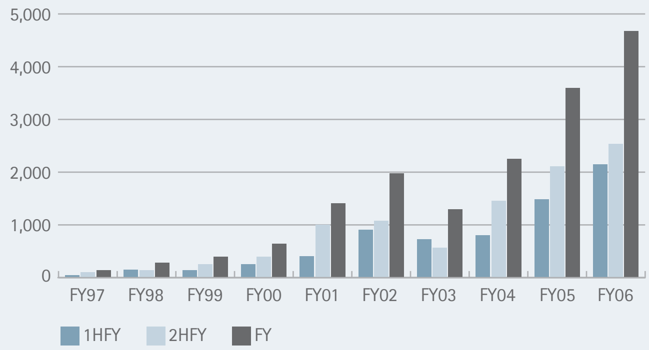
Warrants

The ASX warrants business relies on fees from issuance of new products, annual fees and the value of warrant turnover. As such, the warrants market showed strong growth during 2005/06.

During 2005/06, there were a record 4,678 new warrants listed compared to 3,595 during the previous corresponding period. Of these new warrants, 3,314 series were short-dated trading warrants compared to 2,593 warrant series during the previous corresponding period. This growth in issuance resulted in a record number of warrant series on issue of 3,104 at the end of June 2006. Warrants turnover value reached a record $8.6 billion during 2005/06, an increase of 79% on the previous corresponding period.

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

Total Warrant Listings



Information Services

Revenue from Information Services was $35.7 million for 2005/06, up from $32.1 million for the previous corresponding period, an 11.2% increase. This improved performance is predominantly a consequence of increased sales and distribution of real-time price data and COM News, ASX's real-time company news service.

Growth in revenues has been driven by a number of factors, including:

- Buoyant trading conditions experienced by all sectors of the market; and
- Increased focus on distribution and marketing that has contributed to an increase in the number of vendor "terminals" or end users subscribing to real time price data.

The number of ASX Market Data subscribers reached an end of year record high of 43,000 during 2005/06. This is a 20% increase on the previous corresponding period. The 43,000 terminals included an additional 2,000 terminals in overseas markets.

Expenses

Normalised operating expenses for the year to 30 June 2006 were $130.7 million, a decrease of 6.1% on the $139.3 million incurred during the previous corresponding period.

Expenses for the year ended 30 June 2006 show:

- Staff expenses decreased by 3.9% to $68.0 million from $70.8 million;
- Occupancy expenses decreased by 14.3% to $20.4 million from $23.8 million;
- Equipment expenses decreased by 17.9% to $21.4 million from $26.1 million;
- Administration expenses increased by 12.4% to $21.0 million from $18.6 million.

Expense decreases have primarily come from decisions flowing from ASX's Profit and Loss Drivers review announced on 25 May 2005.

Staff Expenses

ASX staff expenses declined by 3.9% to $68.0 million and are based on full time equivalent (FTE) staff numbers of 493 (492 at 30 June 2005). These figures include 28 for Orient Capital (23 at 30 June 2005). The decrease in staff expenses reflects the full year effect of staff departures following the implementation of the Profit and Loss Drivers Review decisions. With the introduction of AIFRS, staff expenses now also include the cost of share-based payments, which were $2.3 million in 2005/06 compared to $1.3 million in 2004/05.

Occupancy Expenses

Occupancy costs also declined in 2005/06, as a consequence of the one-off $2.2 million expense incurred in 2004/05 for a 'make-good' provision in relation to leases. Additionally, certain fitout assets reached the end of their useful life for depreciation purposes in December 2005.

ASX incurred an after-tax expense of approximately $7.2 million (as a significant item) associated with the lease surrender but will benefit with annual occupancy cost savings. Melbourne, Brisbane, Adelaide and Sydney staff will each occupy smaller premises in the near future.

Equipment Expenses

Equipment expenses declined 17.9% to $21.4 million. The main driver behind this decline is reduced depreciation following a number of write-offs in 2004/05, including ASX World Link. There was also a reduction in software maintenance costs.

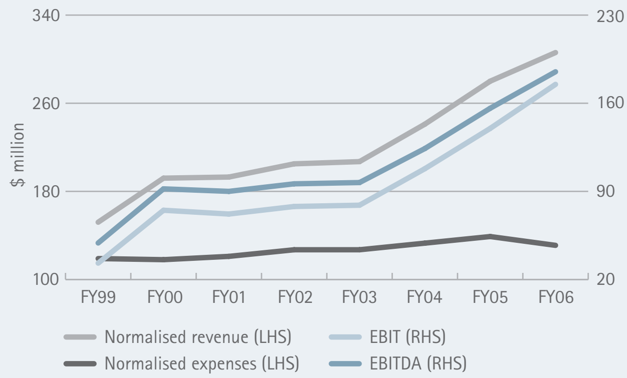
Administration Expenses

Administration expenses increased by 12.4% to $21.0 million reflecting increased variable expenses associated with the production of additional CHESS holding statements and a new cost for clearing default insurance. Default insurance coverage commenced in late calendar year 2005, thus only a part expense was incurred during 2005/06. A full year amount for default insurance is expected to be incurred in 2006/07.

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

ASX's 2005/06 EBITDA (prior to significant items) was $185.4 million, a 18.7% increase on the $156.2 million recorded during the previous corresponding period. EBIT (prior to significant items) was $174.9 million, a 24.7% increase on the previous corresponding period.

Given ASX's high operating leverage, most of ASX's revenue growth flows directly to pre-tax earnings.



Interest and Dividends

Total interest and dividend revenue of $19.2 million comprises:

- net interest earned on ASX's unrestricted ($204.8 million) and restricted ($71.5 million) cash reserves;
- net interest on ASX participant funds; and
- the interim and final dividends earned on ASX's investment in IRESS Market Technology (18.0 cents per share on 15 million shares).

Significant Items including Restructuring Costs

During 2005/06, ASX experienced several significant items which are not regarded as part of the normal operations of ASX. These items have been excluded from the calculation of dividends which are determined as 90% of Normal Net Profit after Tax.

The pre-tax effect of significant items that occurred during 2005/06 were:

• Profit on sale of ASX's interest in ASX-Perpetual Registrars Limited (APRL)		$9.8 m
• Costs associated with ASX's Premises Project	$11.6 m	
• Redundancy expenses	$1.3 m	
• Consultancy and recruitment expenses	$0.5 m	
• Pre-tax subtotal of significant expense items		$13.4 m

The total pre-tax impact of the significant items was $3.6 million.

Directors' Report (continued)

Capital expenditure

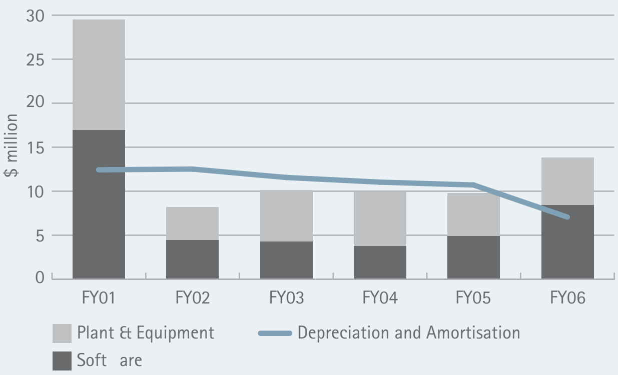
Capital expenditure for 2005/06 was $13.9 million compared with $10.2 million for the previous corresponding period. This is consistent with ASX's commitment to maintain annual capital expenditure within $10 million to $15 million per annum.

During 2005/06, ASX's main capital project was the Integrated Trading System (ITS) project. The ITS project involves the replacement of ASX's proprietary SEATS equities trading system with the OMX developed CLICK XT system. This project will permit ASX to consolidate its current 2 trading systems (equities and derivatives) into a single system. The resulting system is expected to deliver structural cost savings not only to ASX, but also to market participants.

Depreciation and amortisation expense for the period was $10.5 million compared with $15.9 million during the previous corresponding period. The decline in depreciation is a direct consequence of a number of write-offs undertaken in 2004/05, including ASX WorldLink.

ASX expects depreciation to increase from 2006/07 due to the completion of the ITS project. The total cost of the ITS project is approximately $15.1 million (some of which has been expensed). ITS will commence amortisation from October 2006.

The following chart shows ASX's capital expenditure and depreciation over the past 6 years.



Cash flow

ASX's clearing house capital requirements are overseen by the Reserve Bank of Australia (RBA). The RBA systemic stability standard requires ASX to hold $110 million in cash to operate its clearing facilities. However, in the interest of prudency, ASX increased this by $15 million and is currently holding $125 million. This $125 million comprises $71.5 million received from the NGF and is held as restricted cash, and $53.5 million held as unrestricted cash.

Due to strong trading conditions and a low level of capitalised expenditure, ASX's unrestricted cash balance reached $204.8 million (included in this is the above noted $53.5 million) at 30 June 2006.

Upon adoption of AIFRS, cash margins required to cover derivatives' positions have been brought onto balance sheet, and as such cash and cash equivalents have increased by $370.6 million to reflect this. This amount is not available to ASX shareholders.

Equity Investments

ASX disposed of its 50% interest in ASX-Perpetual Registrars Limited (APRL) in August 2005 achieving a $7.8 million after-tax profit on sale (see 17 August 2005 Market Announcement).

Capital Management

In February 2006, ASX announced a plan to return $50 million of capital to ASX shareholders. The mechanism for the return would have been by way of capital reduction or on-market share buy-back, and would be subject to Australian Taxation Office (ATO) review. Following the completion of ASX's merger with SFE, ASX plans to undertake a capital management initiative returning $100 million to all ASX shareholders, subject to tax advice and shareholder approvals.

Profit and Loss Drivers (P&L Drivers) Review Update

On 25 May 2005, ASX announced the results of its P&L Drivers Review. A key outcome of the review was a commitment to have disciplined management of costs delivering savings approximately $15 to $20 million by end 2007/08 before allowing for inflationary growth and new initiatives.

Net savings **after** inflationary growth and new initiatives of $8.6 million were achieved in 2005/06 through:

- reduction in employment expenses;
- reduction in premises costs;
- write-off of ASX World Link and other assets; and
- reduced software maintenance costs.

Gross savings were offset by normal inflationary cost increases and new initiatives, including increased costs associated with the expensing of share-based payments (AIFRS implementation), clearing default insurance and printing of CHESS holding statements.

In December 2005, ASX announced that additional expenses in Market Supervision will be incurred from 2006/07. However, these expenses will be recovered through annual listing fees increases resulting in an EBIT neutral outcome.

In May 2006, ASX provided an update on its Premises Review noting the relocation of ASX's Melbourne, Brisbane and Adelaide offices. The ongoing occupancy expense benefits of the Premises Review will commence from 2006/07. However, other prospective P&L Drivers Review savings will largely be subsumed given the materiality of the merger with SFE.

3.3 Dividends

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

Type	*Cents per share*	*Total amount $000*	*Date of payment*	*Tax rate for franking credit*
In respect of the prior financial year				
Interim	44.2	45,395	11 March 2005	30%
Final	50.9	52,289	26 August 2005	30%
	95.1	97,684		
In respect of the current financial year:				
Interim	56.2	57,740	17 March 2006	30%
Final	63.9	65,652	9 August 2006	30%
	120.1	123,392		

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

3.4 Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

3.5. Events subsequent to balance date

Dividend announced after year-end

On 7 July 2006, ASXL announced a final dividend of 63.9 cents per share.

Merger with SFE

On 7 July 2006, ASX Limited announced that the proposed merger with SFE Corporation Limited (the holding company for the Sydney Futures Exchange) would proceed, after the SFE shareholders approved the merger on 5 July 2006 and the Federal Court of Australia granted its approval on 7 July 2006. The Court Order was lodged with ASIC on 11 July 2006. SFE became a wholly-owned subsidiary of ASXL on 11 July 2006, being the date when ASX obtained the power to control the financial and operating policies of SFE – see note 30(a) for further information.

Change in Chief Executive Officer and Managing Director

With effect from 25 July 2006, Tony D'Aloisio resigned from his position as Managing Director and CEO of ASX. From this date, Robert Elstone assumed this position.

3.6. Likely developments

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

4. Environmental regulation

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

5. Indemnification and insurance of officers and auditors

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

The officers of ASXL covered by the insurance include the current directors as listed on page 45, executives, the company secretaries and former directors.

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

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

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

Conditional entitlements to unissued shares

At the date of this report, ASXL has on issue 534,000 conditional entitlements and performance rights to ordinary shares. For further details on the conditional entitlements and performance rights, refer to the Remuneration Report.

Shares issued as a result of the exercise of conditional entitlements

During the year, 38,800 conditional entitlements were converted to 9,961 ordinary shares.

7. Proceedings on behalf of the Company

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

8. Corporate governance

ASXL's corporate governance matters are discussed on pages 38 to 43.

9. Non-audit services

During the year KPMG, the company's auditor, has performed certain 'non-audit services' in addition to their statutory duties. Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year are set out in note 27.

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 & 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 & Risk Committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under *Section 307C of the Corporations Act 2001* is included on page 64.

Directors' Report (continued)

Remuneration Report

11 Remuneration Report

11.1 Introduction

This Remuneration Report outlines ASX's overall reward strategy for the year ending 30 June 2006 and provides detailed information on the remuneration arrangements in this period for the directors of ASX including the Managing Director & CEO, Key Management Personnel and other employees of ASX. Key Management Personnel have the authority and responsibility for planning, directing and controlling the activities of ASX, and are also the five executives of ASX receiving the highest remuneration for the year ending 30 June 2006. Changes are proposed to be made to ASX's reward strategy during the year ending 30 June 2007 particularly in relation to the variable or "at risk" component of employees' remuneration.

The report has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by Accounting Standard AASB 124 *Related Party Disclosures* which are permitted to be transferred to the Remuneration Report by Regulation 2M.6.04 and are therefore subject to audit. The sections which are subject to audit are sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.4, 11.10.6 and 11.10.7.

ASX's remuneration policy may be amended from time to time and is reviewed at least once a year. This may result in changes being made to the policy for the year ending 30 June 2007.

11.2 ASX's Reward Policy

In July 2005 the Board approved a new performance and reward strategy for all staff. The objectives of the new strategy were to create a:

- stronger link between performance and pay
- stronger link between business objectives and individual objectives
- more transparent and consistent process for fixed and incentive based pay.

As part of the overall reward strategy ASX adopted a balanced scorecard approach to measure our performance. The scorecard approach enabled the strategy to be cascaded to all levels of staff within the organisation and provided a link to staff in understanding how they contribute to each of the areas of the scorecard, and therefore ASX strategy and goals.

As part of the objective setting process at the commencement of the performance review period all staff set objectives in each of the six areas of the corporate scorecard:

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

The scorecard formed an integral part of the reward strategy through its utilisation when considering fixed remuneration increases, determining short-term incentive payments and through the performance measures of the long-term incentive plans. Changes are proposed to be made to the scorecard for next financial year to reflect merger integration objectives following the merger of ASX and SFE.

This Remuneration Report provides detail on how we applied the reward strategy for the Managing Director & CEO and other employees during the period.

11.3 Governance of the ASX Reward Policy

Role of the Nomination and Remuneration Committee

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

- draws up for the Board's consideration frameworks for remuneration
- sets competence and performance standards for the Managing Director & CEO
- oversees incentive plans and termination policies.

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

Membership and meetings

The Committee consisted of 3 independent non-executive directors:

* Maurice Lionel Newman (Chair)

* Michael Henry Shepherd

* Michael John Sharpe.

The number of meetings held by the Committee and the members' attendance at them are set out on page 45.

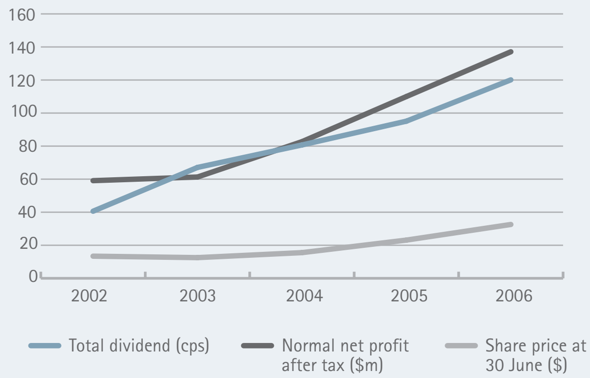
11.4 Delivering our business strategy through performance and reward

The ASX performance and reward framework used the corporate scorecard to directly link the ASX overall strategy and the ASX vision to reward.

Both fixed remuneration and the short-term incentive are linked to the achievement of objectives set by ASX.

Additionally, the reward framework linked the remuneration of the Managing Director & CEO and Group Executives and General Managers (other than in Market Supervision) to ASX's long-term performance through the award of performance rights. A total of 50% of the performance rights have TSR as a performance measure. This measure ensures that the performance rights only become exercisable on achievement of at least median growth in total shareholder return relative to the peer group. The remaining 50% have EPS as a performance measure. This measure ensures that those Group Executives and General Managers also focus on long-term earnings growth.

Linking total shareholder return to performance



Normal net profit excludes significant items - see Note 4 in the financial statements for further details.

11.5 Determining total reward at ASX – Managing Director & CEO and other employees

Remuneration Mix

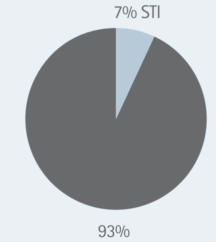
During the financial year ASX applied a total reward approach to remuneration for all staff. There were 2 key elements of total reward:

1. Fixed remuneration component
2. Variable or "at risk" component that was subject to performance and contained a cash based short-term incentive and a long-term incentive plan. The long-term incentive was for eligible Group Executives and General Managers and consisted of awards of performance rights. For the Group Executive and General Managers in Market Supervision the long-term incentive was a cash based plan.

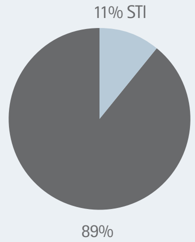
The total reward approach produced a mix of fixed remuneration with variable remuneration (short and long-term incentive opportunities). The relative weighting of fixed and variable remuneration for target performance varied with role level, complexity of the role and typical market practice. Consistent with market practice, Group Executives and General Managers had a greater proportion of their total reward "at risk" ie their variable component was a larger portion of the overall reward compared to all other employees.

The relative weighting between fixed and variable components for all staff for the financial year 2006 was broadly: (Please note that these charts are not audited).

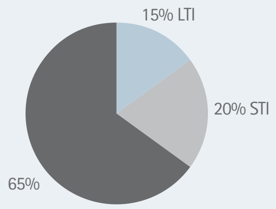
Staff (fixed pay less than $84,000)



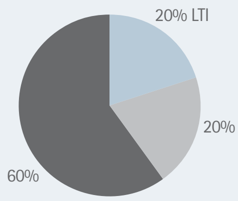
Staff (fixed pay more than $84,000)



General Managers



Group Executives



Total remuneration was targeted towards the 75th percentile for exceptional performance.

Fixed Remuneration

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

A key part of the ASX reward strategy was to ensure alignment to the market. For all employees within ASX the markets against which total remuneration comparisons were made varied by position but were typically drawn from the finance, legal, technology and other sectors relevant to ASX's functions or the broader general market (defined as companies with a similar market capitalisation to ASX).

The Managing Director & CEO's fixed remuneration was reviewed by the Board in line with the terms of his contract.

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

Short-term Incentive Arrangements

Managing Director

The short-term incentive arrangements for the Managing Director & CEO are detailed separately in Section 11.6.

Employees

All employees participated in the short-term incentive plan. The performance of each Group Executive was assessed against a group and individually tailored scorecard as disclosed in Section 11.2. The measures generally related to the performance of ASX, the performance of the Group Executive's division or group and the individual performance of the Group Executive. The potential maximum short-term incentive for other employees was determined by the employee's level in the organisation.

For Group Executives the policy was that incentive payments could range from 0% of fixed remuneration when performance expectations were not met to 33% of fixed remuneration for exceptional performance. For General Managers the policy ranged from 0% to 31%. For all other employees the policy range was from 0% to 12%.

Employees could elect to receive their payment in the form of a cash contribution to their superannuation fund within their age based limits.

Long-term Incentive Arrangements

There were three offers in operation for eligible employees:

- December 2003 grants under the legacy Executive Share Plan;
- December 2005 grants under the ASX Long-term Incentive Plan; and
- December 2005 grants under the Market Supervision Long-term Incentive Plan

December 2003 Offer

The offer made to eligible employees in December 2003 was made under the Executive Share Plan. Under this offer each conditional entitlement entitles the holder to 1 ordinary ASX share subject to performance hurdles being attained and the employee remaining in employment with ASX for a specified period. The performance hurdles are established by the Committee and approved by the Board for each offer.

The conditional entitlements were issued on 15 December 2003.

Performance Criteria

The performance period for this offer was 4 years, which commenced on 1 December 2003 and ends on 30 November 2007.

The awards vest based on a Total Shareholder Return (TSR) performance condition relative to a comparator group. The comparator group comprises the constituents of the S&P/ASX 100 and has been adjusted to exclude foreign companies, mineral companies and property trusts at 1 December 2003. Appendix A (at the end of Directors' Report) lists the companies included in the comparator group for the December 2003 offer.

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

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

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

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

Valuation of grant

The base market price for the offer was calculated as the volume weighted average price during the period from 24 November 2003 to 28 November 2003 and is $15.50 per share. The fair value of conditional entitlements was calculated at grant date by an independent valuer at $9.82. This valuation has been conducted in accordance with AASB 2 *Share-based Payment* criteria. The Monte Carlo simulation technique has been used based on the following assumptions:

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

Directors' Report (continued)

Remuneration Report (continued)

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

December 2005 Offer

The December 2005 offer was made under the ASX Long-term Incentive Plan. The rules which govern this plan were approved by shareholders at the 2005 annual general meeting. A copy of the plan rules is available on www.asx.com.au. Under this offer eligible participants received an award of performance rights, which are conditional entitlements to receive ASX shares for no consideration, subject to satisfaction of performance criteria. These awards are structured the same as the 2003 offer and the reference to "Performance Rights" is a cosmetic change to reflect more common terminology in the market place.

The performance rights were issued on 1 December 2005.

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

Performance Criteria

The performance period for this offer was 3 years, which commenced on 1 December 2005 and ends on 30 November 2008.

For the 2005 grant the award of 50% of the performance rights will be subject to an earnings per share ("EPS") performance condition and the award of the other 50% will be subject to a performance condition related to ASX's TSR.

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

EPS award

For the purposes of the plan, EPS is calculated by dividing the net profit attributable to members of ASX for the relevant reporting period (adjusted for the after-tax effect of any significant items) by the weighted average number of ordinary shares of the company. EPS performance will be measured over a three-year period using the most recent financial year-end prior to award as the base year and the final financial year in the three-year performance period as the end year.

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

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

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

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

TSR award

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

Appendix A (at the end of Directors' Report) lists the companies included in the comparator group for the December 2005 offer.

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

TSR rank	Proportion of TSR award vesting
Less than 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above 50th percentile.
At or above 75th percentile	100%

TSR measurement for the purposes of calculating vesting is performed by a third party (in 2005 this was Standard & Poor's). These results are confirmed by the Board.

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

Valuation of grant

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

The fair value of performance rights for the TSR award was calculated at grant date by an independent valuer at $18.14. This valuation has been conducted in accordance with AASB 2 *Share-based Payment* criteria. The Monte Carlo simulation technique has been used based on the following assumptions:

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

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

Long-term Incentive Arrangements - Market Supervision

As part of the overall review of the performance and reward strategy the Board considered that eligible employees in Market Supervision should not have their long-term incentive linked to ASX's share price and earnings per share. ASX has implemented a separate long-term incentive plan for the Market Supervision area. The Market Supervision long-term incentive plan delivers awards in cash only. Performance is assessed against criteria linked to the integrity of ASX markets, including international benchmarks against comparable exchanges, assessment reports conducted by ASIC and ASX Supervisory Review Pty Limited (ASXSR) and customer satisfaction surveys.

In line with eligible employees being made an offer under the ASX Long-term Incentive Plan an offer was made to eligible employees under the Market Supervision Long-term Incentive Plan in December 2005. The only Key Management Personnel in the Market Supervision Long-term Incentive Plan is Eric Mayne. Eric Mayne's 2005 offer has a maximum cash opportunity of $222,720.

Performance Criteria - December 2005 Offer

The Performance Period for the Offer commences 1 December 2005 and ends on 30 November 2008.

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

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

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

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

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

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

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

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

Performance criteria for further offers will be assessed by the Board in consultation with the Managing Director having regard to ASX's supervisory arrangements which now include ASX Markets Supervision Pty Limited. Performance targets will be set with eligible employees in Market Supervision at the beginning of each plan.

Remuneration Details for Key Management Personnel

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

11.6 Executive Director – Managing Director and CEO (period 1 July 2005 – 25 July 2006)

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

Fixed Remuneration

Based on the recommendations of the Committee, the Managing Director's fixed remuneration was reviewed and set by the Board at their discretion each year. Remuneration was benchmarked against the Managing Director and CEOs of companies with a similar market capitalisation to ASX.

The fixed remuneration included the 9% Superannuation Guarantee Contribution (capped at $12,139 for the 2005/06 financial year).

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

Short-term incentive

The Managing Director was entitled to annual short-term incentive payments of up to 50% of fixed remuneration. Any short-term incentive entitlements actually awarded were determined at the discretion of the Committee after assessing the performance of ASX, the performance of the Managing Director and relevant market information against agreed performance objectives and priorities.

As the Managing Director is the key driver of ASX's strategy and performance, the Committee applied all six scorecard areas to determine set objectives in relation to ASX group performance and the Managing Director's contribution to that performance.

In line with its charter, the Committee assessed the Managing Director against those scorecard objectives and his overall performance and recommended his incentive payment for approval by the Board.

Long-term incentive

The service agreement between the Managing Director and ASX entitled the Managing Director to participate in a long-term incentive in 2 stages subject to shareholder approval. Both these 2 stages were approved by shareholders in 2004.

The Managing Director participated in both the ASX Executive Share Plan and ASX Long-term Incentive Plan. Participation was in accordance with the rules of the plan and as approved by shareholders. Copies of these plans are available on www.asx.com.au. Under the rules of the plans, any unvested conditional entitlements or performance rights immediately lapse on cessation of employment except in the limited circumstances set out in the plan rules.

Stage 1 - November 2004 offer

The Managing Director was awarded 97,900 conditional entitlements to ASX shares under the Executive Share Plan in accordance with the approval granted by shareholders at the 2004 annual general meeting. The performance period for this offer is three years from 1 November 2004 to 30 November 2007. The number of conditional entitlements granted was calculated as 160% of his annual fixed remuneration divided by the market price of ASX's shares. Market price was the volume weighted average price in the five trading days to the commencement of the performance period. The volume weighted average price was $17.99.

The performance conditions for the November 2004 offer made to the Managing Director are the same as those for the December 2003 offer to other employees (disclosed in Section 11.5 under 2003 offer). However, the performance period for the Managing Director was three years (1 November 2004 to 30 November 2007) and the comparator group is based on the S&P ASX 100 constituents (less foreign companies, mineral companies and property trusts) as at 1 November 2004. Appendix A (at the end of Directors' Report) lists the companies included in the comparator group for the November 2004 offer.

The fair value of performance rights for the TSR award was calculated at grant date by an independent valuer at $10.33. This valuation has been conducted in accordance with AASB 2 *Share-based Payment* criteria. The Monte Carlo simulation technique has been used based on the following assumptions:

Share price at grant date	$18.90
Exercise price	Nil
Volatility	18.5% p.a
Discount rate (risk free rate)	5.1% p.a
Dividend yield	3% p.a

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

Directors' Report (continued)

Remuneration Report (continued)

Stage 2 - December 2005 offer

The second stage was approved by shareholders at the 2005 annual general meeting (for the purposes of listing rule 10.14), and provides for the award of performance rights under the ASX Long-term Incentive Plan. Under Stage 2, the Managing Director was due to receive two grants of performance rights to ASX shares. There is no consideration for the issue of the shares. The issue of shares is subject to the satisfaction of performance criteria and the terms of the plan.

Performance period

The performance period for each grant was:

Grant A: 1 December 2005 to 30 November 2008

Grant B: 1 December 2006 to 30 November 2009

Performance Criteria

For both Grant A and Grant B, the award of the performance rights was subject to an earnings per share ("EPS") performance condition and the award of the other 50% was subject to a performance condition related to the ASX's total shareholder return ("TSR").

The performance conditions for the December 2005 offer made to the Managing Director were the same as those for the December 2005 offer to eligible employees (disclosed in Section 11.5 under the December 2005 offer). The performance period for the offer was three years. Refer to Appendix A (at end of Directors' Report) for the list of companies included in the comparator group for the December 2005 offer.

Valuation of grant

The number of performance rights granted under Grant A was 34,300 performance rights.

The detail for the valuation methodology is the same as that disclosed in Section 11.5 under Valuation of grant.

Number of performance rights issued

The number of performance rights granted was calculated as 80% of the Managing Director's annual fixed remuneration divided by a valuation of the performance right on the date of award. The valuation was based on the methodology prescribed by accounting standard AASB 2 for valuing share-based payments without any performance conditions.

Service contract term and retirement benefits

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

The former Managing Director did not receive any retirement benefits other than the Superannuation Guarantee Contribution discussed previously.

SERVICE CONTRACT TERMINATION BENEFITS AND NOTICE PERIOD

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

Commentary regarding termination of employment of Managing Director and CEO

During the scheme of arrangement process for the merger of ASX and SFE, the ASX Board judged that in the interests of achieving the merger it should appoint Mr Robert Elstone as Managing Director and Chief Executive Officer of the merged group and to separate from Mr D'Aloisio. The terms of this separation were:

- Mr D'Aloisio to resign from his position as Managing Director and Chief Executive Officer of ASX on 25 July 2006.
- From 26 July 2006 until 25 October 2006, Mr D'Aloisio will remain an employee of ASX and will be available to provide assistance to the new Managing Director and Chief Executive Officer of ASX, Mr Elstone, as required. During this period, Mr D'Aloisio will continue to receive his normal remuneration package and the short-term incentive attributable to the year ending 30 June 2006 which will be paid in the ordinary course. Subject to Mr D'Aloisio satisfying certain criteria to the satisfaction of the Board during this period, Mr D'Aloisio has the opportunity to receive a pro-rata payment of his normal short-term incentive in the amount of $180,844.23.
- Mr D'Aloisio's employment with ASX will cease on 25 October 2006. On this date ASX will pay Mr D'Aloisio, in addition to his accrued statutory leave entitlements, a termination payment of $7,779,159.48 (less applicable taxation) in return for Mr D'Aloisio releasing all claims he may have in respect of his employment, his employment contract or the termination of his employment against ASX and other parties.

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

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

Fixed Remuneration

The fixed remuneration component has been determined to be $1.2m per annum. This amount is reviewable at the Board's discretion each year.

Short-term Incentive payments

The current Managing Director is entitled to annual short-term incentive payments of up to 50% of fixed remuneration. The actual short-term incentive payment awarded (if any) will be determined at the discretion of the Board after assessing the performance of the ASX Group, the performance of Mr Elstone and relevant market information against agreed performance targets and priorities.

Long-term Incentive

The current Managing Director will be entitled to participate in ASX's Long-term Incentive Plan, subject to shareholder approval, at the 2006 annual general meeting. The Board will seek approval for participation in the LTI plan. Further details are set out in the Notice of Meeting.

Participation in the LTI plan will be in accordance with the principles of the LTI Plan.

Mr Elstone will participate in the LTI Plan over two stages:

Stage 1 - December 2006 offer

Stage 2 - December 2007 offer

The performance period for both Stage 1 and Stage 2 will be 3 years.

Performance Criteria

For both Stage 1 and Stage 2, the award of 50% of the performance rights will be subject to an earnings per share ("EPS") performance condition and the award of the other 50% will be subject to a performance condition related to the ASX's total shareholder return ("TSR").

The performance hurdles for both the EPS award and the TSR award are consistent with those outlined for the former Managing Director and disclosed in Section 11.6.

Service contract term

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

(a) if termination takes place before 30 June 2009:

- 12 months; or
- if termination takes place in the final 12 months of the term, the balance of the period until expiry of the term; or

(b) if termination takes place after 30 June 2009:

- six months; or
- if termination takes place in the final six months of the term, the balance of the period until expiry of the term.

11.8 Executive service contracts

A controlled entity, ASX Operations Pty Limited, has service contracts with each of the Key Management Personnel. The agreements are effective 1 October 2005. 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 CEO/MD	Released to the Executive	Board has discretion to determine whether awards should vest
Termination for poor performance	6 months	Not referred to in Employment Agreement	Released to the Executive	Board has discretion to determine whether awards should vest
Termination for cause	N/A (Immediately)	No payment	Shares subject to any restrictions forfeited	Awards will lapse
Termination for illness	N/A (Not referred to)	Discretion of the CEO/MD	Released to the Executive	Awards vest pro-rated for the amount of the performance period served
Termination upon death	N/A	Discretion of the CEO/MD	Released to the Executive	Awards vest pro-rated for the amount of the performance period served
Expiry of contract	N/A			
Termination by the Executive	6 months	Discretion of the CEO/MD	Released to the Executive	Awards will lapse
Termination by redundancy	12 months	Not referred to in Employment Agreement	Released to the Executive	Awards vest pro-rated for the amount of the performance period served

Angus Richards' contract differed in the following aspects to the other Key Management Personnel:

- In the case of termination for poor performance three months notice was required
- In the case of termination by notice by ASX six months notice was required
- In the case of termination by resignation by Mr Richards three months notice was required

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

- In the case of termination for poor performance three months notice is required
- In the case of termination for cause consideration will be given to what, if any, short-term incentive should be paid
- In the case of expiry of contract the contract is for two years until 1 May 2007 and thereafter year to year
- In the case of termination by the executive three months notice is required
- In the case of redundancy this is not referred to in the contract

Directors' Report (continued)

Remuneration Report (continued)

11.9 Remuneration tables – Executives

11.9.1 Breakdown of remuneration

Details of the remuneration of the Executives of ASX Limited are set out in the table below:

		Short-term				Post-employment		Share-based payment			
DOLLARS		Salary & fees[1]	Bonus[2]	Non-monetary[3]	Other	Superannuation	Other long-term	Equity settled[4]	Total	% performance related*	% CE's/PR's related*[8]
JM Hayes	2006	640,686	205,000	14,738	2,687	12,139	9,047	105,207	989,504	31.3%	10.6%
CFO & Group Executive - Shared Services	2005	477,339	175,000	14,559	3,512	11,585	7,056	72,330	761,381	32.5%	9.5%
ES Mayne[5]	2006	669,776	–	1,006	319	12,139	–	–	683,240	0.0%	0.0%
Group Executive - Market Supervision / Chief Supervision Officer	2005	85,073	–	–	410	1,460	–	–	86,943	0.0%	0.0%
JJ Olsson[6]	2006	382,795	125,000	11,775	2,445	12,139	5,662	69,565	609,381	31.9%	11.4%
Group Executive - Technology	2005	306,837	115,000	2,292	2,554	11,585	4,454	48,798	491,520	33.4%	9.9%
AG Richards[7]	2006	446,049	130,000	17,994	–	12,139	7,934	111,750	725,866	33.3%	15.4%
Group Executive – Strategy	2005	408,261	136,700	18,138	–	11,585	7,725	72,825	655,234	32.0%	11.1%
CR Scully	2006	636,036	260,000	30,632	2,554	12,139	10,058	154,510	1,105,929	37.5%	14.0%
Deputy CEO & Group Executive – Markets	2005	638,449	260,000	32,345	2,554	11,585	10,651	101,312	1,056,896	34.2%	9.6%
Total	2006	2,775,342	720,000	76,145	8,005	60,695	32,701	441,032	4,113,920	28.2%	10.7%
Total	2005	1,915,959	686,700	67,334	9,030	47,800	29,886	295,265	3,051,974	32.2%	9.7%

* These figures are not audited

Notes to the Executives' remuneration table:

1 Salary & fees include salary and annual leave on an accruals basis.

2 Cash bonuses relate to performance bonuses paid for the preceding financial year.

3 Non-monetary benefits relate to the provision of car parking and notional interest on employee share purchase plan loans. Refer to Note 22(e) for further details of the share purchase plan.

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

5 Mr Mayne commenced office on 16 May 2005.

6 Mr Olsson was appointed Group Executive on 10 February 2005. Before his appointment he was Executive General Manager Production Services. However, we have opted to show his remuneration for the entire comparative year.

7 Mr Richards ceased employment on 21 July 2006.

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

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

11.9.2 Holdings of Conditional Entitlements

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

	Granted in year[1]	Exercised in year[2]	Lapsed in year[2]	Total value in year
	$	$	$	$
AM D'Aloisio	765,233	–	–	765,233
JM Hayes	169,556	–	–	169,556
ES Mayne[3]	–	–	–	–
JJ Olsson	107,088	–	–	107,088
AG Richards	200,790	–	–	200,790
CR Scully	274,413	–	–	274,413

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

2 No options were exercised or lapsed during the year.

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

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

Grant date	15 December 2003		2 November 2004		1 December 2005	
Vesting date	30 November 2007		30 November 2007		30 November 2008	
	Min $	Max $	Min $	Max $	Min $	Max $
AM D'Aloisio	–	–	–	1,011,307	–	765,233
JM Hayes	–	286,744	–	–	–	169,556
ES Mayne	–	–	–	–	–	–
JJ Olsson	–	193,454	–	–	–	107,088
AG Richards	–	288,708	–	–	–	200,790
CR Scully	–	401,638	–	–	–	274,413

Since the conditional entitlements and performance rights are issued at zero exercise price, their minimum value is Nil.

11.10 REMUNERATION FOR NON-EXECUTIVE DIRECTORS

11.10.1 Remuneration policy

Non-executive directors' individual fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid to all non-executive directors is $2,000,000 per annum as approved by shareholders at the annual general meeting on 28 September 2004. In the year ended 30 June 2006, the total amount paid to non-executive directors was $1,521,166. This amount includes superannuation and fees paid to non-executive directors of ASX in their capacity as members of ASX Board and committees, directors of subsidiary company boards. It does not include the fees paid to non-executive directors of ASX in their capacity as members of the Securities Exchange Guarantee Corporation.

The Board reviews its fees to ensure ASX non-executive directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role, and to have in place a fee scale which enables ASX to attract and retain talented non-executive directors. In conducting a review the Board takes advice from an external independent remuneration consultant. The process involves benchmarking against a group of peer companies. Non-executive directors' fees are broadly aligned to the top quartile of the marketplace. The last fee review was conducted at the end of 2005.

11.10.2 Remuneration structure

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

Mr Newman is provided with office and secretarial support to assist him in carrying out his ASX Board duties. There is no cost included as part of Mr Newman's remuneration.

11.10.3 Retirement benefits

The Board decided on 26 August 2003 to terminate the retirement benefits scheme which had been approved by shareholders in 1998. The accrued entitlements have been frozen at that date and will be paid to entitled non-executive directors at the time of retirement. Non-executive directors who joined the Board in the three years before 26 August 2003 have no accrued entitlement to a retirement benefit as the minimum service period under the scheme to qualify for a benefit was three years. The remuneration table in Section 11.10.7 records the accrued retirement benefits to date.

11.10.4 Non-executive directors' fees

Including current fee scales for key committees and subsidiary boards on which non-executive directors serve. These fees are subject to periodic review.

Position	*Fee per annum $*
Chairman of the Board	375,000
Vice Chairman of the Board	150,000
Non-executive director	125,000
Audit and Risk Committee Chair	50,000
Audit and Risk Committee member	20,000
Nomination and Remuneration Committee member[1]	15,000
Market Rules Committee Chair	20,000
ASX Settlement & Transfer Corporation Pty Ltd director	30,000
Australian Clearing House Pty Ltd director	30,000
Chairman of the Market Supervision Board	80,000
Non-executive director of the Market Supervision Board	65,000

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

11.10.5 Holdings of Ordinary Shares

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

	Holding at 1 July 2005	*Holding at 30 June 2006*	*Holding at date of this report*
Non-executive director			
ML Newman	83,000	60,000	60,000
MH Shepherd	30,000	20,000	20,000
RA Aboud	–	10,000	322,382
R Holliday-Smith	–	–	3,825
JJ Kennedy	1,000	1,000	1,000
TC Rowe	4,300	4,300	4,300
JS Segal	2,000	2,000	2,000
MJ Sharpe	2,000	2,000	2,000
CM Walter	8,000	8,000	8,000
PH Warne	–	–	5,610

11.10.6 Conditional Entitlements and Performance Rights granted

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

Directors' Report (continued)

Remuneration Report (continued)

11.10.7 Remuneration Tables for Directors (including Executive Director)

Details of the remuneration of the Directors of ASX Limited are set out in the table below:

DOLLARS		*Short-term* *Salary & fees*[1]	*Bonus*[2]	*Non-monetary*[3]	*Other*	*Post-employment* *Superannuation*	*Other long-term*	*Share-based payment* *Equity settled*[4]	*Total*	*% performance related**	*% CE's/PR's related**[10]	*Accrued retirement benefits**[5]
EXECUTIVE												
AM D'Aloisio[6]	2006	1,146,993	412,500	–	522	12,139	–	476,560	2,048,714	43.4%	23.3%	–
Managing Director & CEO	2005	842,439	–	–	909	8,348	38,545	216,837	1,107,078	19.6%	19.6%	–
NON-EXECUTIVE												
ML Newman[7]	2006	342,514	–	14,736	–	12,139	–	–	369,389	0.0%	0.0%	312,571
Chairman	2005	285,440	–	14,560	–	11,585	–	–	311,585	0.0%	0.0%	312,571
MH Shepherd	2006	237,500	–	4,701	–	12,139	–	–	254,340	0.0%	0.0%	136,395
Vice-Chairman	2005	215,000	–	4,579	–	11,585	–	–	231,164	0.0%	0.0%	136,395
RA Aboud[8]	2006	118,750	–	–	–	10,688	–	–	129,438	0.0%	0.0%	–
	2005	–	–	–	–	–	–	–	–	0.0%	0.0%	–
JJ Kennedy	2006	129,438	–	4,045	–	–	–	–	133,483	0.0%	0.0%	113,662
	2005	109,000	–	3,849	–	–	–	–	112,849	0.0%	0.0%	113,662
TC Rowe	2006	138,750	–	–	–	11,804	–	–	150,554	0.0%	0.0%	–
	2005	120,000	–	–	–	10,800	–	–	130,800	0.0%	0.0%	–
JS Segal[9]	2006	138,750	–	–	–	–	–	–	138,750	0.0%	0.0%	–
	2005	120,000	–	–	–	–	–	–	120,000	0.0%	0.0%	–
MJ Sharpe[9]	2006	180,000	–	2,519	–	12,139	–	–	194,658	0.0%	0.0%	113,662
	2005	150,000	–	2,627	–	11,585	–	–	164,212	0.0%	0.0%	113,662
CM Walter[9]	2006	138,750	–	–	–	11,804	–	–	150,554	0.0%	0.0%	113,662
	2005	120,000	–	–	–	10,800	–	–	130,800	0.0%	0.0%	113,662
Total	2006	2,571,445	412,500	26,001	522	82,852	–	476,560	3,569,880	24.9%	13.3%	789,952
	2005	1,961,879	–	25,615	909	64,703	38,545	216,837	2,304,488	9.4%	9.4%	789,952

* These figures are not audited

Notes to the directors' remuneration table:

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

2 Cash bonuses relate to performance bonuses paid for the preceding financial year. 100% of the bonus was paid in cash.

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

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

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

6 Mr D'Aloisio commenced office on 11 October 2004 and ceased employment 25 July 2006.

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

8 Mr Aboud was appointed with effect from 1 July 2005.

9 Salary and fees disclosed include fees paid for carrying out Audit & Risk Committee duties.

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

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

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

Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During the financial year, $52,294 was paid to the directors of ASXL who were also directors of SEGC.

12. Rounding of amounts to nearest thousand dollars

ASXL is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006, in accordance with those Class Orders, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Dated at Sydney this 16th day of August 2006.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC
Chairman

Appendix A*

December 2003 Offer – Comparator Group

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

November 2004 Offer – Comparator Group

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

December 2005 Offer – Comparator Group

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

* This information is not audited

Auditor's Independence declaration

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

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

KPMG

NT Davis

Partner

Sydney, 16th day of August 2006

Income Statements
for the year ended 30 June 2006

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
Revenues					
Listings		76,982	71,507	–	–
Equities trading, clearing & settlement		130,877	118,249	–	–
Derivatives trading, clearing & settlement		48,372	44,009	–	–
Information services		35,725	32,087	–	–
Dividends		2,700	2,325	52,700	90,325
Receipt from National Guarantee Fund*	2, 4	–	71,489	–	–
Other		13,675	13,688	–	–
	2	308,331	353,354	52,700	90,325
Expenses					
Staff expenses		69,301	78,514	–	–
Occupancy expenses		31,958	23,756	–	–
Equipment expenses		21,411	35,418	–	–
Administration expenses		21,434	22,340	149	77
	3, 4	144,104	160,028	149	77
Interest earned on own funds and restricted cash		14,934	8,042	4,165	2,202
Interest earned on participants' funds		17,576	12,594	–	–
Interest paid to participants		(16,018)	(11,422)	–	–
Net interest income		16,492	9,214	4,165	2,202
Net gain on sale of investment in APRL	10	9,760	–	6,472	–
Share of net gain of associate accounted for using the equity method	10	–	2,767	–	–
Profit before income tax expense		190,479	205,307	63,188	92,450
Income tax (expense)	5(a)	(54,976)	(38,325)	(3,146)	(638)
Net profit attributable to members of the parent entity		135,503	166,982	60,042	91,812
Basic earnings per share (cents per share)	7	131.9	162.6	–	–
Diluted earnings per share (cents per share)	7	131.4	162.1	–	–

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt, are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

The Income Statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets
as at 30 June 2006

	Note	Consolidated 2006 $000	Consolidated 2005 $000	The Company 2006 $000	The Company 2005 $000
Current assets					
Cash and cash equivalents-unrestricted	24	204,823	129,088	72,776	37,561
Cash and cash equivalents-restricted*	19(a), 24	71,489	71,489	–	–
Cash margins from participants	15, 24	370,610	218,377	–	–
Trade and other receivables	8	22,445	26,371	–	–
Other assets	9	6,996	4,638	327	–
Total current assets		676,363	449,963	73,103	37,561
Non-current assets					
Investments accounted for using the equity method	10	–	49,167	–	–
Investments – other	11	93,295	64,500	101,438	125,098
Net deferred tax assets	5(e)	–	1,133	–	–
Property, plant and equipment	12	17,246	21,177	–	–
Receivables	8	1,124	7,912	52,024	57,588
Intangible assets	13	25,218	18,861	–	–
Total non-current assets		136,883	162,750	153,462	182,686
Total assets		813,246	612,713	226,565	220,247
Current liabilities					
Trade and other payables	14	18,554	14,067	–	–
Amounts owing to participants	15	374,311	222,012	–	–
Current tax liabilities	5(d)	24,248	16,805	24,248	16,789
Provisions	16	18,230	21,417	–	–
Other current liabilities	17	3,979	8,126	–	–
Total current liabilities		439,322	282,427	24,248	16,789
Non-current liabilities					
Net deferred tax liabilities	5(e)	3,950	–	19,362	12,495
Provisions	16	6,757	9,726	–	–
Other non-current liabilities	17	7,310	7,593	28,020	3,507
Total non-current liabilities		18,017	17,319	47,382	16,002
Total liabilities		457,339	299,746	71,630	32,791
Net assets		355,907	312,967	154,935	187,456
Equity					
Issued capital	18	106,282	106,282	106,282	106,282
Retained earnings		129,617	104,143	134	50,121
Restricted capital reserve*	19(a)	71,489	71,489	–	–
Asset revaluation reserve	19(b)	44,835	29,085	44,835	29,085
Equity compensation reserve	19(c)	3,684	1,968	3,684	1,968
Total equity		355,907	312,967	154,935	187,456

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

The Balance Sheets are to be read in conjunction with the notes to the financial statements.

Statements of Changes in Equity (Consolidated)

for the year ended 30 June 2005	*Issued capital $000*	*Retained earnings $000*	*Restricted capital reserve* $000*	*Asset revaluation reserve $000*	*Equity compensation reserve $000*	*Total equity $000*
Opening balance at 1 July 2004	106,282	106,936	–	17,535	636	231,389
Change in fair value of financial assets available for sale (net of tax)	–	–	–	11,550	–	11,550
Share-based payments	–	–	–	–	1,332	1,332
Total non-profit items recognised directly in equity	–	–	–	11,550	1,332	12,882
Net profit for the period	–	166,982	–	–	–	166,982
Transfer to Restricted Capital Reserve	–	(71,489)	71,489	–	–	–
Dividends paid	–	(98,286)	–	–	–	(98,286)
Closing balance at 30 June 2005	106,282	104,143	71,489	29,085	1,968	312,967

for the year ended 30 June 2006	*Issued capital $000*	*Retained earnings $000*	*Restricted capital reserve $000*	*Asset revaluation reserve $000*	*Equity compensation reserve $000*	*Total equity $000*
Opening balance at 1 July 2005	106,282	104,143	71,489	29,085	1,968	312,967
Change in fair value of financial assets available for sale (net of tax)	–	–	–	15,750	–	15,750
Share-based payments	–	–	–	–	1,716	1,716
Total non-profit items recognised directly in equity	–	–	–	15,750	1,716	17,466
Net profit for the period	–	135,503	–	–	–	135,503
Dividends paid	–	(110,029)	–	–	–	(110,029)
Closing balance at 30 June 2006	106,282	129,617	71,489	44,835	3,684	355,907

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

Statements of Changes in Equity (Company)

for the year ended 30 June 2005	*Issued capital $000*	*Retained earnings $000*	*Asset revaluation reserve $000*	*Equity compensation reserve $000*	*Total equity $000*
Opening balance at 1 July 2004	106,282	56,595	17,535	636	181,048
Change in fair value of financial assets available for sale (net of tax)	–	–	11,550	–	11,550
Share-based payments	–	–	–	1,332	1,332
Total non-profit items recognised directly in equity	–	–	11,550	1,332	12,882
Net profit for the period	–	91,812	–	–	91,812
Dividends paid	–	(98,286)	–	–	(98,286)
Closing balance at 30 June 2005	106,282	50,121	29,085	1,968	187,456

for the year ended 30 June 2006	*Issued capital $000*	*Retained earnings $000*	*Asset revaluation reserve $000*	*Equity compensation reserve $000*	*Total equity $000*
Opening balance at 1 July 2005	106,282	50,121	29,085	1,968	187,456
Change in fair value of financial assets available for sale (net of tax)	–	–	15,750	–	15,750
Share-based payments	–	–	–	1,716	1,716
Total non-profit items recognised directly in equity	–	–	15,750	1,716	17,466
Net profit for the period	–	60,042	–	–	60,042
Dividends paid	–	(110,029)	–	–	(110,029)
Closing balance at 30 June 2006	106,282	134	44,835	3,684	154,935

The Statements of Changes in Equity should be read in conjunction with the notes to the financial statements.

Cash Flow Statements
for the year ended 30 June 2006

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
Cash flows from operating activities					
Receipts from customers		335,527	307,640	–	–
Payments to suppliers and employees		(166,004)	(160,712)	(149)	(77)
Cash generated from operations		169,523	146,928	(149)	(77)
Net increase in derivative margins received from participants	15	152,233	50,231	–	–
Dividends received		2,700	2,325	52,700	90,325
Net interest received		16,492	9,214	4,165	2,202
Income taxes paid	5(d)	(49,200)	(44,423)	(49,184)	(44,119)
Cash received from Financial Industry Development Account		944	6,621	–	–
Receipt from National Guarantee Fund*	24(c)	–	71,489	–	–
Net cash provided by operating activities	24(a)	292,692	242,385	7,532	48,331
Cash flows from investing activities					
Expenditure on intangible assets		(9,185)	(6,670)	–	–
Purchase of plant and equipment		(4,696)	(3,503)	–	–
Proceeds on sale of plant and equipment		92	358	–	–
Proceeds on sale of equity accounted investment		60,678	–	60,678	–
Incidental costs on sale of equity accounted investment		(1,751)	–	(1,751)	–
Deferred acquisition costs		(6,295)	–	(6,295)	–
Loans from subsidiary entities		–	–	78,618	63,194
Repayments from associate		6,036	5,539	6,036	5,539
Net cash provided by / (used in) investing activities		44,879	(4,276)	137,286	68,733
Cash flows from financing activities					
Dividends paid	6	(110,029)	(98,286)	(110,029)	(98,286)
Costs of financing activity		(327)	–	(327)	–
Repayment of loans to employees		753	937	753	937
Net cash (used in) financing activities		(109,603)	(97,349)	(109,603)	(97,349)
Net increase in cash and cash equivalents		227,968	140,760	35,215	19,715
Cash and cash equivalents at beginning of year		418,954	278,194	37,561	17,846
Cash and cash equivalents at end of year	24(c)	646,922	418,954	72,776	37,561

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt, are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

The Cash Flow Statements are to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements
Australian Stock Exchange Limited and Controlled Entities

1. Statement of significant accounting policies

Australian Stock Exchange Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates.

The consolidated financial report was authorised for issue by the directors on 16 August 2006.

(a) Statement of compliance

The financial report is a general purpose financial report and complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The report also has been prepared in accordance with the *Corporations Act 2001*.

This is the first annual financial report prepared based on AIFRS. The comparatives for the year ended 30 June 2005 have been restated accordingly.

An explanation of how the transition to AIFRS has affected the reported Income Statements, Balance Sheets and Cash Flow Statements of the consolidated entity is provided in note 31. This note includes reconciliations of the Income Statement and Balance Sheet reported under Australian GAAP (AGAAP) to those reported under AIFRS for the comparative period and the date of transition to AIFRS.

(b) Basis of preparation

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

- UIG 4 *Determining whether an Arrangement contains a Lease*;
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement*. This standard is a consequence of UIG 4, and allows transitional relief to first time adopters should any arrangement existing at the time of relief contain a lease. An 'arrangement' includes a transaction which does not take the legal form of a lease but in substance could be considered a lease.
- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007;
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the Balance Sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006;
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First- time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the Balance Sheet of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts (excluding novated balances) that have been provided by the Company and the consolidated entity. The anticipated impact on the Income Statement is not expected to be material. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The initial application of UIG 4 and AASB 2005-5 are not expected to have an impact on the financial results of the consolidated entity, but nevertheless, further analysis is required to verify this expectation.

The consolidated entity has made its elections in relation to the transitional exemptions allowed by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

AASB 3 *Business Combinations*	Not retrospectively applied to business combinations prior to 1 July 2004. Goodwill amortisation recognised up to 1 July 2004 has not been reversed.
AASB 2 *Share-based Payment*	Has been applied to equity instruments granted after 7 November 2002 that had not vested by 1 January 2005.
AASB 132 *Financial Instruments: Disclosure and Presentation*; AASB 139 *Financial Instruments: Recognition and Measurement*	AASB 1 provides an exemption from the requirement to restate comparative information for AASB 132 and AASB 139. To facilitate year-on-year comparisons, the consolidated entity has elected not to apply this exemption and has applied AIFRS to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The financial report is prepared on the historical cost basis except for an available-for-sale financial asset which has been recognised at fair value.

The consolidated entity is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998, as varied by Class Order 05/641 dated 28 July 2005 and Class Order 06/51 dated 31 January 2006, in accordance with those Class Orders, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial report from the date control commences until the date 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.

Associates are entities for which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis. See note 10 for further details on how the investment in associate was accounted for in this period.

(d) Revenue recognition

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

Listings revenue

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

Equities trading, clearing & settlement

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

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

Derivatives trading, clearing & settlement

Derivatives' registration fee is recognised at time of registration.

Information Services

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

(e) Operating leases

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease where the lease payments have fixed increases. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

Lease incentive

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

(f) Net interest income and dividends

Net interest income comprises interest earned on ASX funds and restricted cash, plus net interest earned on participant funds. Interest income is recognised in the Income Statement as it accrues.

Dividend income is recognised in the Income Statement when the shareholder's right to receive the payment is established.

(g) Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Tax consolidation

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

In accordance with UIG 1052 *Tax Consolidation Accounting*, the consolidated current and deferred tax amounts for a tax consolidated group are required to be allocated among the entities in the group, including the parent entity.

Tax funding agreement

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

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

The agreement has the objective of achieving an appropriate allocation of the group's income tax expense to the main operating subsidiaries within the ASX Group. The 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).

(h) Earnings per share

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

Diluted EPS is calculated by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

(i) Goods and Services Tax (GST)

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

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

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

(j) Cash and cash equivalents

Cash assets in the Balance Sheet comprise cash balances and money market investments readily convertible to cash within one working day, with a term to maturity of three months or less and which are subject to an insignificant risk of changes in value.

Restricted cash assets

Restricted cash assets were created when funds were transferred from the National Guarantee Fund to the Australian Clearing House (ACH), a controlled entity of ASX. Under the terms of the transfer, ACH must not, without first obtaining the consent in writing of the Minister, take action to use these funds for a purpose other than clearing and settlement support. These funds are disclosed on the Balance Sheet as 'Restricted cash assets'. Refer to note 19(a) for further details.

(k) Novation of trades

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

Refer to note 15 for details of equity and derivative trade balances at 30 June 2006.

Previously under AGAAP no part of these novated contracts were recorded as assets and corresponding liabilities in the Balance Sheet or Income Statement. Under AIFRS unsettled cash market securities are not recognised until settlement date which means that trades occurring in the last three trading days before balance date are not recognised as a financial asset or liability. As a consequence, revenue on cash market securities traded in the last three trading days before balance date is not recognised in the period the trade occurs.

Derivatives are recognised at fair value at trade date, which is zero. Movements in the fair value of derivatives after trade date are margined on a daily basis via cash settlement and the fair value of the derivatives is again zero. Margin monies receivable are recognised on the Balance Sheet and a corresponding liability to the participant is also recognised. Bank guarantees and non cash collateral continue to be recorded off Balance Sheet under AIFRS.

(l) Trade and other receivables

Trade receivables

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

Loans to related parties

Loans to related parties are recognised at fair value. Loans to associates are based on normal commercial terms. Intercompany loans are at call and interest is determined by agreement between related parties.

(m) Investments

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

Available-for-sale investments

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

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity, such as negotiable certificates of deposit and bank bills, are held-to-maturity investments and are measured at amortised cost using the effective interest method.

Unlisted shares in associates and subsidiaries

Unlisted shares in associates and subsidiaries are held at cost.

(n) Property, plant and equipment

All classes of property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value.

Depreciation and amortisation

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation is provided on a straight-line basis on all plant and equipment, over their estimated useful lives. The depreciation periods used for each class of asset, for the current and previous years, are as follows:

	June 2006	*June 2005*
Property, plant and equipment		
- Plant and equipment	3-7 years	3-7 years
- Leasehold improvements	the lease term	the lease term
Computer equipment and software	3-7 years	3-7 years
Motor vehicles	4-6 years	4-6 years

Leasehold improvements

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.

Impairment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where this is the case, the asset is written down to its recoverable amount and the write down is recognised as an expense.

(o) 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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For goodwill balances recognised prior to 1 July 2004, their carrying value is net of goodwill amortisation up to 30 June 2004.

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

Computer software

Expenditure for major upgrades or enhancements to existing major software systems is capitalised and amortised over the useful life, or if minor enhancements to existing systems, the lesser of five years or the remaining useful life of the system being enhanced. Expenditure on new software projects less than $500,000 is expensed. Internal costs are also included in capitalised expenditure, where appropriate. Computer software is subject to the same impairment testing as described in property, plant and equipment above. The policy for amortisation of computer software is disclosed above at note 1(n).

Capital works in progress

This represents costs-to-date of internally constructed assets. The costs include the costs of materials, direct labour, and an appropriate allocation of direct overheads. This category of intangible asset has been assessed as having a finite useful life. Amortisation will only begin when the asset is ready for use and is transferred to its respective category in the fixed asset register.

(p) Trade and other payables

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

(q) Provisions

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

Surplus lease space

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

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

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

Make good provision

The consolidated entity has operating leases for office space that require the premises to be returned to the lessor in their original condition. The operating lease payments do not include the 'make good' payment at the end of the lease term.

A provision is recognised when an obligation to make good exists, which can be reliably estimated. When the provision relates to 'wear and tear' the corresponding debit is to the Income Statement.

Dividends

A provision for dividends payable is only recognised in the reporting period when the dividends are declared.

(r) Employee benefits

Wages, salaries, annual leave and non-monetary benefits

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

Long service leave

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

Share-based payment transactions

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

The consolidated entity also has share plans where staff are granted shares worth $1,000 as part of their remuneration. These shares are expensed on the date they are issued to staff based on the ASX share price on the date of issue, with a corresponding increase in equity.

Defined contribution plans

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

2. Revenues

	Note	*Consolidated*		*The Company*	
		2006 $000	*2005 $000*	*2006 $000*	*2005 $000*
Included in revenues are the following items:					
Operating revenue		305,631	279,540	–	–
Dividend revenue					
- controlled entities		–	–	50,000	88,000
- other corporations		2,700	2,325	2,700	2,325
Receipt from National Guarantee Fund*	4, 19(a)	–	71,489	–	–
		308,331	353,354	52,700	90,325

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt, are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

3. Expenses

Included in expenses are the following items:				
Depreciation of:				
Plant and equipment	4,342	4,825	–	–
Motor vehicles	19	55	–	–
Computer equipment	3,294	4,363	–	–
Total depreciation	7,655	9,243	–	–
Amortisation of software intangibles *	2,828	6,647	–	–
Total amortisation	2,828	6,647	–	–
Total depreciation and amortisation	10,483	15,890	–	–
Net doubtful debts (recoveries)/expense	(102)	213	–	–
Net loss on sale and write-downs of plant and equipment	882	9,547	–	–
Operating lease rental expense	16,505	15,593	–	–
Employer contribution to superannuation plan	3,407	3,784	–	–
Expense relating to share-based payments	2,257	1,332	–	–

*Amortisation of software intangibles is included in Equipment expenses in the Income Statement.

4. Individually significant income / (expenses) included in profit before income tax expense

	Note	*Consolidated*		*The Company*	
		2006 $000	*2005 $000*	*2006 $000*	*2005 $000*
Receipt from National Guarantee Fund*	19(a)	–	71,489	–	–
Net gain on sale of APRL		9,760	–	6,472	–
Restructuring expenses**					
- Premises review		(11,606)	–	–	–
- Redundancy expenses		(1,301)	(7,436)	–	–
- Consultancy & recruitment expenses		(483)	(3,999)	–	–
- Software & other fixed assets write-off		–	(2,032)	–	–
- ASX WorldLink software & equipment write-off		–	(7,295)	–	–
Total		(3,630)	50,727	6,472	–

* On 31 March 2005, $71.5 million was received from NGF as part of the restructuring of its clearing support arrangements. These funds are tax exempt, are held as restricted cash assets for clearing and settlement support and are not distributable to ASX shareholders.

** In the Income Statement for the year ended 30 June 2006, $11.6 million of restructuring expenses have been included within Occupancy expenses and $1.8 million within Staff expenses.

In the Income Statement for the year ended 30 June 2005, $7.7 million of restructuring expenses have been included within Staff expenses, $3.7 million within Administration expenses and $9.3 million within Equipment expenses.

5. Taxation

(a) Income tax (expense)				
Profit before income tax expense	190,479	205,307	63,188	92,450
Prima facie income tax (expense) calculated at 30% (2005: 30%) on the profit before tax	(57,144)	(61,592)	(18,956)	(27,736)
Movement in income tax (expense) due to:				
Non-tax deductible items	(324)	343	–	–
Adjustment arising from sale of associate	987	–	–	–
Dividends from wholly owned subsidiaries	–	–	15,000	26,400
Imputation credit gross up	(347)	(299)	(347)	(299)
Franking credit offset	1,157	997	1,157	997
Receipt from National Guarantee Fund	–	21,447	–	–
FIDA non-assessable income	651	771	–	–
Research and development concession	43	101	–	–
Equity accounted associate result	–	(32)	–	–
	(54,977)	(38,264)	(3,146)	(638)
Over / (under) provision in prior year	1	(61)	–	–
Total income tax (expense)	(54,976)	(38,325)	(3,146)	(638)
(b) Major components of income tax expense				
Current tax expense	(56,644)	(43,178)	(3,029)	(621)
Movement in deferred tax liability	(269)	3,653	(117)	(17)
Movement in deferred tax asset	1,936	1,261	–	–
Over / (under) provision in prior period	1	(61)	–	–
Total income tax (expense)	(54,976)	(38,325)	(3,146)	(638)
(c) Deferred tax recognised directly in equity				
Relating to revaluation of available-for-sale asset	(6,750)	(4,950)	(6,750)	(4,950)
Total	(6,750)	(4,950)	(6,750)	(4,950)
(d) Provision for current income tax				
Balance at beginning of year	16,805	17,989	16,789	17,673
Income Tax paid	(49,200)	(44,423)	(49,184)	(44,119)
Group current year income tax expense	56,644	43,178	56,644	43,178
(Over) / under provision in prior year	(1)	61	(1)	57
Current tax liabilities	24,248	16,805	24,248	16,789

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

5. Taxation (continued)

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
(e) Deferred tax asset / (liability)					
Deferred tax assets comprises the estimated future benefit at an income tax rate of 30% (2005: 30%) of the following items:					
Provisions for:					
- Doubtful debts		320	350	–	–
- Employee benefits		6,314	6,349	–	–
- Leased premises		1,039	1,828	–	–
- Superannuation		(1)	5	–	–
Accrued expenses		2,821	2,982	–	–
Straight-lining of leases		2,313	2,318	–	–
Settlement date accounting revenue adjustment		365	–	–	–
Deferred income		322	233	–	–
Lease surrender		2,508	–	–	–
Deferred tax asset		16,001	14,065	–	–
Deferred tax liability comprises the estimated expense at an income tax rate of 30% (2005: 30%) of the following items:					
Accrued interest		828	297	147	30
Fixed Assets		(92)	170	–	–
Revaluation of available-for-sale asset		19,215	12,465	19,215	12,465
Deferred tax liability		19,951	12,932	19,362	12,495
Net deferred tax		(3,950)	1,133	(19,362)	(12,495)

6. Dividends

Dividends recognised in the current year by the Company are:

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

Subsequent events

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

Final - 2006	63.9	65,652	9 August 2006	30%	100%
Total amount	63.9	65,652			

The final dividend has not been recognised in the financial statements for the year ended 30 June 2006 but will be recognised in subsequent financial reports.

	The Company	
	2006 $000	2005 $000
Dividend franking account		
30% franking credits available to shareholders of ASXL for subsequent financial years	36,200	25,573

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. Fully franked dividends to the amount of $84,467,000 could potentially be paid to shareholders.

7. Earnings per share

	Consolidated 2006	Consolidated 2005
Basic earnings per share (cents)	131.9	162.6
Diluted earnings per share (cents)	131.4	162.1

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

Diluted EPS is calculated by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding including dilutive potential ordinary shares.

	2006 $000	2005 $000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Earnings used in calculating basic and diluted earnings per share	135,503	166,982

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	102,735,112	102,689,776
Effect of dilutive securities:		
Contingently issuable shares	376,570	307,302
Weighted average number of ordinary shares used in calculating diluted earnings per share	103,111,682	102,997,078
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share	13,924	17,297

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
8. Receivables					
Current					
Trade debtors		19,209	24,132	–	–
Less: impairment loss		(1,066)	(1,168)	–	–
		18,143	22,964	–	–
Other debtors		4,302	3,407	–	–
		22,445	26,371	–	–
Non-current					
Loan to associate - unsecured	26(b)	–	6,036	–	6,036
Loans to employees	22(e)	1,124	1,876	1,124	1,876
Subordinated loan - controlled entities	26(a)	–	–	50,900	49,676
		1,124	7,912	52,024	57,588
9. Other assets					
Current					
Prepayments		3,671	2,501	327	–
Accrued revenue		3,325	2,137	–	–
		6,996	4,638	327	–

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

10. Investment in Associate

Name	*Principal Activities*	*Country*	*Reporting Date*	*Ownership 2006*	*Ownership 2005*
ASX-Perpetual Registrars Limited (now Link Market Services Limited)	Provider of share registry services	Australia	30 June	–	50%

$000	*Revenues (100%)*	*Profit after tax (100%)*	*Share of associate's net gain recognised*	*Total Assets (100%)*	*Total Liabilities (100%)*	*Net assets as reported by associate (100%)*	*Share of associate's net assets equity accounted*
2006	8,378	330	–	–	–	–	–
2005	54,792	5,539	2,767	86,575	(23,603)	62,972	49,167

On 17 August 2005, the consolidated entity announced the sale of its 50% interest in ASX-Perpetual Registrars Limited (APRL). Due to materiality, the July and August 2005 results of APRL have not been equity accounted and instead have been taken into account in the gain on sale calculation.

Details of the sale in the consolidated entity are as follows:	*Consolidated $000*	*Company $000*
Consideration received	60,678	60,678
Costs of disposal	(1,751)	(1,751)
Carrying amount of asset sold	(49,167)	(52,455)
Gain on sale before income tax	9,760	6,472
Tax effect	(1,939)	(1,939)
Gain on sale after income tax	7,821	4,533

	Note	*Consolidated*		*The Company*	
		2006	*2005*	*2006*	*2005*
		$000	*$000*	*$000*	*$000*
11. Investments – other					
Non-current					
Controlled entities					
Deferred acquisition costs		6,295	–	6,295	–
Unlisted shares at cost		–	–	8,143	8,143
Investment in associate - at cost		–	–	–	52,455
Other corporations					
Listed shares at fair value*		87,000	64,500	87,000	64,500
		93,295	64,500	101,438	125,098

* ASXL owns shares in the following listed company:

Name of the entity:	IRESS Market Technology Limited
Principal activity:	The provision of equity and related market services to professional market participants.
Percentage ownership interest held:	13.7%
Original cost of investment:	$22,950,000

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.

12. Property, plant and equipment

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

	Property, plant and equipment	*Computer equipment*	*Motor vehicles*	*Total*
	$000	*$000*	*$000*	*$000*
Cost				
Balance at 1 July 2005	60,892	30,566	330	91,788
Additions	731	3,965	–	4,696
Disposals and write-downs	(19,018)	(1,406)	(207)	(20,631)
Balance at 30 June 2006	42,605	33,125	123	75,853
Accumulated depreciation				
Balance at 1 July 2005	46,716	23,654	241	70,611
Depreciation/amortisation expense	4,342	3,294	19	7,655
Write back of disposals	(18,149)	(1,371)	(139)	(19,659)
Balance at 30 June 2006	32,909	25,577	121	58,607
Net book value at 30 June 2006	9,696	7,548	2	17,246

	Property, plant and equipment	*Computer equipment*	*Motor vehicles*	*Total*
	$000	*$000*	*$000*	*$000*
Cost				
Balance at 1 July 2004	60,279	29,911	286	90,476
Additions	1,199	2,161	143	3,503
Disposals and write-downs	(586)	(1,506)	(99)	(2,191)
Balance at 30 June 2005	60,892	30,566	330	91,788
Accumulated depreciation				
Balance at 1 July 2004	41,995	20,407	217	62,619
Depreciation/amortisation expense	4,825	4,363	55	9,243
Write back of disposals	(104)	(1,116)	(31)	(1,251)
Balance at 30 June 2005	46,716	23,654	241	70,611
Net book value at 30 June 2005	14,176	6,912	89	21,177

The Company, ASXL, had $Nil property, plant and equipment at 30 June 2006 (2005: $Nil) and $Nil movements occurred during the year (2005: $Nil).

The gross carrying amount of fully depreciated property plant and equipment which is still in use as at 30 June 2006 is $41,796,000 (2005: $47,965,000).

Refer to note 31(a)(i) for transfer of software from property, plant and equipment to Intangible Assets.

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

13. Intangible assets and goodwill

	Goodwill	Software Intangibles	Capital works in progress	Total
	$000	$000	$000	$000
Cost				
Balance at 1 July 2005	5,034	45,833	6,168	57,035
Additions	–	1,047	8,138	9,185
Disposals	–	(38)	–	(38)
Balance at 30 June 2006	5,034	46,842	14,306	66,182
Accumulated amortisation				
Balance at 1 July 2005	–	38,174	–	38,174
Amortisation expense	–	2,828	–	2,828
Write back on disposals	–	(38)	–	(38)
Balance at 30 June 2006	–	40,964	–	40,964
Net book value at 30 June 2006	5,034	5,878	14,306	25,218

	Goodwill	Software Intangibles	Capital works in progress	Total
	$000	$000	$000	$000
Cost				
Balance at 1 July 2004	5,034	65,836	2,292	73,162
Additions	–	1,768	4,902	6,670
Disposals	–	*(22,797)	–	(22,797)
Transfers	–	1,026	(1,026)	-
Balance at 30 June 2005	5,034	45,833	6,168	57,035
Accumulated amortisation				
Balance at 1 July 2004	–	44,996	–	44,996
Amortisation expense	–	6,647	–	6,647
Write back on disposals	–	*(13,469)	–	(13,469)
Balance at 30 June 2005	–	38,174	–	38,174
Net book value at 30 June 2005	5,034	7,659	6,168	18,861

The aggregate amount of research and development expenditure recognised as an expense during the period which was not capitalised as Capital Works in Progress was $618,000 (2005:$77,000).

At 30 June 2006, Software Intangibles includes assets that are fully amortised but still in use. These assets include the Clearing House Electronic Sub-register System (CHESS) which is used to clear equity, fixed interest and other underlying financial product transactions, the Derivatives Clearing System (DCS) which is used to clear derivatives transactions and Stock Exchange Automated Trading System (SEATS) which is the electronic system provided for the trading of securities on ASX.

*In May 2005, ASX decided to scale down ASX WorldLink. The investment of $7.3m was written off during the 2005 year (cost $14.3m, written down value $7.3m)

Impairment test for goodwill

Goodwill relates to the Orient Capital Pty Ltd cash generating unit (CGU). The recoverable amount of this CGU is determined based on the value-in-use calculation. This calculation uses a discounted cash flow projection for five years based on financial budgets approved by management covering a five year period using a growth rate of 5% and a discount rate of 6%. The recoverable amount calculated exceeds the carrying value of goodwill.

14. Payables

	Note	Consolidated 2006 $000	Consolidated 2005 $000	The Company 2006 $000	The Company 2005 $000
Current					
Trade creditors		6,888	6,046	–	–
Other creditors and accruals		11,666	8,021	–	–
		18,554	14,067	–	–

15. Novation

Australian Clearing House (ACH), a controlled entity of ASX, provides contract guarantee support for clearing across all ASX markets which includes derivatives; comprising exchange traded options, futures, and warrants; and cash market securities comprising equities and managed investments. Transactions between two participating organisations are replaced by novation. The novation replaces the original contract between the two participating organisations with a contract between the selling participating organisation and ACH, and a contract between ACH and the buying participating organisation. Through the novation process, all positions are matched.

As at 30 June 2006 ACH had a right to receive from participants payments of $742.5 million (2005: $628.8m) and a corresponding obligation to make payments of $742.5 million (2005: $628.8m) relating to cash market securities. Furthermore, total collateral required by ACH to cover participants derivatives exposures was $1,080.9 million (2005: $694.2m). This was made up of cash of $370.6 million (2005: $218.4m), bank guarantees of $116.0m (2005: $84.8) and the remainder in equity and debt securities. As at that date, participants had lodged collateral with ACH in the form of equity and debt securities of $2,605.4 million (2005: $2,026.8m).

Reconciliation to Balance Sheet

	2006 $000	2005 $000
Cash margins from participants	370,610	218,377
Daily variation margin – receivable	3,701	3,635
Amounts owing to participants	374,311	222,012
Net increase in derivative margins received from participants	152,233	

At the date of this financial report, all net delivery and net payment obligations relating to cash market securities owing to or by participants at 30 June 2006 were settled. Previously under AGAAP no part of these amounts were recorded as assets and corresponding liabilities in the Balance Sheet or Income Statement.

Under AIFRS unsettled cash market securities are not recognised until settlement date which means that trades occurring in the last three trading days before balance date are not recognised as a financial asset or liability. Legally there is no contractual change. As a consequence, revenue on cash market securities traded in the last three trading days before balance date is not recognised.

The fair value of derivative trades at trade date is zero. Movements in the fair value of derivatives after trade date are margined and the fair value of the derivatives is again zero. Margin monies received are recognised on the Balance Sheet and a corresponding liability to the participant is also recognised. Bank guarantees and non cash collateral continue to be recorded off Balance Sheet under AIFRS.

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

16. Provisions

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
Current					
Employee benefits	20(a)	17,503	19,468	–	–
Leased premises		727	1,949	–	–
		18,230	21,417	–	–
Non-current					
Employee benefits	20(a)	4,022	3,337	–	–
Leased premises		2,735	6,389	–	–
		6,757	9,726	–	–

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

	Employee benefits $000	Leased premises $000	Total $000
Balance at 1 July 2005	22,805	8,338	31,143
- made during the year	14,265	143	14,408
- used during the year	(15,424)	(700)	(16,124)
- released during the year	(121)	(4,319)	(4,440)
Balance at 30 June 2006	21,525	3,462	24,987

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

The leased premises provision comprises make good provisions, surplus lease space provisions and lease incentive.

17. Other liabilities

Current					
Straight-lining of leases		394	135	–	–
Revenue received in advance		3,541	7,908	–	–
Other		44	83	–	–
		3,979	8,126	–	–
Non-current					
Straight-lining of leases		7,310	7,593	–	–
Loans from controlled entities	26(a)	–	–	28,020	3,507
		7,310	7,593	28,020	3,507

18. Contributed equity

Share capital				
Ordinary shares - fully paid	106,282	106,282	106,282	106,282

Effective 1 July 1998, the *Company Law Review Act* abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

(a) Ordinary shares

Movements in ordinary shares during the year	*Number of shares*	
Balance at beginning of year	102,702,190	102,019,933
Shares issued under executive share plans	39,625	649,757
Shares issued to employees ($1,000 to each employee)	–	*32,500
Balance at end of year	102,741,815	102,702,190

* Issued $1,000 free shares to staff in August 2004

Terms and conditions of ordinary shares

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

	2006 No.	2005 No.
(b) Conditional entitlements and performance rights		
Movements during the year		
Balance at beginning of year	545,200	1,027,900
Number issued during the year	117,000	111,800
Number cancelled, lapsed or vested during the year	(121,500)	(594,500)
Balance at end of year	540,700	545,200

Conditional entitlements and performance rights are options issued with a zero exercise price. The expected future volatility is based on the historic volatility. This analysis is adjusted, as appropriate, for anomalies in the historic data due to non-recurring significant events or changes in the underlying business. Judgement is then applied to the historic analysis, for example, applying more weight to recent experience or incorporating likely future changes in volatility, based on publicly available information, to arrive at a future volatility estimate. One conditional entitlement equals one ordinary share, subject to the achievement of performance hurdles. The Board of Directors has discretion to increase or decrease the amount by up to 20 percent taking into account the participant's performance. At the end of the year, no conditional entitlements or performance rights were exercisable.

Terms and conditions of conditional entitlements

For details of the terms and conditions refer to the Remuneration Report.

19. Reserves

(a) Restricted Capital Reserve

Nature and purpose of the reserve

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

Movements during the year

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
Balance at beginning of year		71,489	–	–	–
Transfer from Retained Earnings		–	71,489	–	–
Balance at end of year		71,489	71,489	–	–

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

(b) Asset Revaluation Reserve

Nature and purpose of the reserve

The asset revaluation reserve was created as a result of revaluing the investment in IRESS to market value. Under AIFRS, ASXL's investment in IRESS must be restated to fair value and the difference in fair value is to be recognised in the asset revaluation reserve under equity.

Movements during the year

Balance at beginning of year	29,085	17,535	29,085	17,535
Revaluation of IRESS for the year (net of tax)	15,750	11,550	15,750	11,550
Balance at end of year	44,835	29,085	44,835	29,085

(c) Equity compensation reserve

Nature and purpose of the reserve

The equity compensation reserve was created as a result of ASXL being required to recognise expenses in relation to shares and conditional entitlements provided to staff. A corresponding entry to the equity compensation reserve is made each time an expense is recognised.

Movements during the year

Balance at beginning of year	1,968	636	1,968	636
Share-based payment expense for the year	1,716	1,332	1,716	1,332
Balance at end of year	3,684	1,968	3,684	1,968

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

20. Employee benefits

(a) Aggregate employee benefits, including on-costs

The aggregate employee benefits recognised in the Balance Sheet are as follows:

	Note	Consolidated		The Company	
		2006 $000	2005 $000	2006 $000	2005 $000
Current	16	17,503	19,468	–	–
Non-current	16	4,022	3,337	–	–
		21,525	22,805	–	–

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

Assumed rate of increase in salary and wages rates	4.0%	3.0%	–	–
Discount rate applied to non-current portion	6.3%	5.7%	–	–
Settlement term (years)	6	6	–	–

The total number of full-time equivalent employees at 30 June 2006 was 493 (2005: 492).

(b) Executive share plan

Refer to note 22(e) for details.

21. Commitments

(a) Capital and operating commitments

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

Due:				
Not later than one year	15,443	13,204	–	–
Later than one year but not later than five years	17,355	16,907	–	–
Later than five years	19,536	23,016	–	–
	52,334	53,127	–	–

(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	15,330	18,571	–	–
Later than one year but not later than five years	62,304	69,904	–	–
Later than five years	7,802	30,775	–	–
	85,436	119,250	–	–

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

22. Contingent liabilities

(a) Support for ACH due to participant default

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

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

1. Collateral or other margin or contributions lodged by the defaulting participant with ACH under the ACH Clearing Rules.
2. The funds obtained from the NGF. ACH received approximately $71.5 million from the NGF which is "ring-fenced" and held by it in a Restricted Capital Reserve. In accordance with the terms of ACH's Australian CS Facility Licence, unless the Treasurer agrees otherwise, these funds can only be used by ACH for clearing and settlement support.
3. ASX has funded the initial difference between the amount that ACH received from the NGF and the capital amount held by ACH to meet the RBA Stability Standard for Central Counterparties (the "Reserve Requirement"). Currently the Reserve Requirement is $110 million. As a result, ASX has contributed capital of $38.5 million to ACH. However, in the interests of prudency, ASX increased this by $15 million to $53.5 million and is currently holding $125 million in cash. The Reserve Requirement may vary from time to time and ASX has an ongoing obligation to provide any shortfall between the Reserve Requirement and the Restricted Capital Reserve. Alternatively, ACH may decide to replace some of the capital contributed by ASX with contributions from participants, thereby reducing the amount of capital which ASX is obliged to provide to ACH. To date ACH has not sought contributions from participants.

   However, ASX is not obliged to contribute additional capital to recapitalise ACH following a Clearing Loss. ASX will continue to support the day to day operations of ACH (e.g. by the provision of staff, facilities and funds to meet expenses (other than a Clearing Loss)). Other than as set out above, ASX has no obligations to fund ACH. For example, it is not obliged to provide additional capital to ACH beyond the RBA capital requirements.
4. External insurance cover up to $100 million, in addition to the cash support of $110m, with an insurer rated AA by Standard and Poor's.
5. Contributions obtained from participants under the ACH Clearing Rules.
6. Emergency Assessments levied on participants under the ACH Clearing Rules.

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

(b) Fidelity risk levy to SEGC

If the amount of the National Guarantee Fund ('NGF') falls below the minimum amount determined in accordance with *Corporations Act 2001*, SEGC may determine that ASX must pay a levy to SEGC. Where a levy becomes payable, ASX may determine that market participants must pay a levy, provided that the total amounts payable under this levy do not exceed that amount payable by ASX to SEGC. However, the amount in the NGF has not fallen below the applicable minimum amount since the NGF was formed and SEGC has not imposed any levies. Failure by either ASX or a participant in the market to pay a levy may give rise to a civil action, but does not constitute an offence under the Act.

(c) Deed of Cross Guarantee

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

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

The subsidiaries subject to the Deed are:

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

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

22. Contingent liabilities (continued)

(c) Deed of Cross Guarantee (continued)

Consolidated Income Statement and Balance Sheet, comprising the company and the subsidiaries that are party to the Deed, after eliminating all transactions between parties to the Deed, at 30 June 2006, are shown below.

Summarised Income Statement, Balance Sheet and Retained Earnings

For parties to the Deed of Cross Guarantee

	Consolidated	
	2006 $000	2005 $000
Income Statement		
Profit before related income tax expense	228,476	97,827
Income tax (expense)	(51,863)	(27,251)
Profit after related income tax expense	176,613	70,576
Retained earnings at beginning of the year	61,424	89,135
Net profit for the year	176,613	70,576
Dividends recognised during the year	(110,029)	(98,285)
Retained earnings at end of the year	128,008	61,426
Balance Sheet		
Current assets		
Cash and cash equivalents	148,486	80,660
Trade & other receivables	20,293	23,747
Other assets	3,614	2,427
Total current assets	172,393	106,834
Non-current assets		
Investments - other	111,439	135,098
Deferred tax assets	–	1,550
Property, plant and equipment	16,989	20,928
Intangible assets	18,306	11,160
Receivables	52,024	57,588
Total non-current assets	198,758	226,324
Total assets	371,151	333,158
Current liabilities		
Trade and other payables	18,357	13,546
Current tax liabilities	24,248	16,489
Provisions	18,150	20,576
Other current liabilities	2,513	7,264
Total current liabilities	63,268	57,875
Non-current liabilities		
Deferred tax liabilities	3,330	–
Provisions	6,654	10,392
Other non-current liabilities	7,315	7,675
Loans - related parties	7,775	58,455
Total non-current liabilities	25,074	76,522
Total liabilities	88,342	134,397
Net assets	282,809	198,761
Equity		
Contributed equity	106,282	106,282
Asset revaluation reserve	44,835	29,085
Equity compensation reserve	3,684	1,968
Retained earnings	128,008	61,426
Total equity	282,809	198,761

(d) Litigation

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

(e) Employee share plans

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

	Plan 2 – offer 1	*Plan 2 – offer 2*	*Plan 2 – offer 3*	*Total*
Issue price of shares	$8.34	$13.85	$12.51	
Contingent liability will arise if ASXL share price falls to	$3.50	$9.60	$8.95	

	$000	*$000*	*$000*	*$000*
Market value of shares	1,586	1,517	1,892	4,995
Loan balance outstanding	157	450	517	1,124
Contingent liability	–	–	–	–

The ASXL share price at 30 June 2006 was $32.58 (2005: $23.13). At 30 June 2006, there was no contingent liability relating to any of the above Plan 2 offers (2005: $Nil).

(f) SGX Link

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

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

(g) Employee benefits

	Consolidated		*The Company*	
	2006	*2005*	*2006*	*2005*
	$000	*$000*	*$000*	*$000*
Employee benefits under service agreements with directors and officers who take part in the management of the consolidated entity, which have not been provided in the accounts:	659	3,395	–	2,755

23. Segment reporting

ASX provides stock exchange and ancillary services in Australia. The revenue streams derived from those services are shown in the Income Statement.

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

24. Notes to the Cash Flow Statement

	Consolidated		The Company	
	2006 $000	2005 $000	2006 $000	2005 $000
(a) Reconciliation of the operating profit after income tax to the net cash flows from operating activities				
Net profit for the period after tax	135,503	166,982	60,042	91,812
Add non-cash items:				
Depreciation and amortisation	10,483	15,890	–	–
Share of associate's profits	–	(2,767)	–	–
Gain on sale of APRL	(9,760)	–	(6,472)	–
Net loss on sale and write-downs of non-current assets	882	9,547	–	–
Share-based payment expense	1,819	1,332	–	–
Changes in assets and liabilities during the financial year:				
Increase in derivative margins	152,233	50,231	–	–
Increase/(decrease) in tax balances	5,776	(6,098)	(46,038)	(43,481)
Decrease in current receivables	4,887	526	–	–
(Increase)/decrease in other current assets	(2,032)	416	–	–
Increase in payables	4,384	2,136	–	–
(Decrease)/increase in other current liabilities	(4,149)	1,516	–	–
(Decrease)/increase in current provisions	(3,187)	2,213	–	–
(Decrease)/increase in non-current provisions	(3,864)	157	–	–
(Decrease)/increase in other non-current liabilities	(283)	304	–	–
Net cash provided by operating activities	292,692	242,385	7,532	48,331
(b) Financing facilities available				
At balance date, the following financing facilities had been negotiated and were available:				
Total facilities:				
Bank overdraft	50,000	–	50,000	–
Bridging finance	150,000	–	150,000	–
Term debt facility	425,000	–	425,000	–
Standby Letter of Credit	100,000	–	100,000	–
Facilities utilised at balance date:				
Bank overdraft	–	–	–	–
Bridging finance	–	–	–	–
Term debt facility	–	–	–	–
Standby Letter of Credit	–	–	–	–
Facilities not utilised at balance date:				
Bank overdraft	50,000	–	50,000	–
Bridging finance	150,000	–	150,000	–
Term debt facility	425,000	–	425,000	–
Standby Letter of Credit	100,000	–	100,000	–
(c) Reconciliation of cash				
Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:				
Cash and cash equivalents - unrestricted	204,823	129,088	72,776	37,561
Cash and cash equivalents - restricted	71,489	71,489	–	–
Cash margins from participants	370,610	218,377	–	–
Cash at end of year	646,922	418,954	72,776	37,561

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

25. AASB 124 remuneration disclosures

Corporations Act Regulations 2M.3.03 and 2M.6.04 have been amended to reduce duplication in the annual report of listed entities and as such, certain disclosures required by AASB 124 Related Party Disclosures have been transferred to the Remuneration Report and are subject to audit.

(a) Identity of Key Management Personnel

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

Non-executive directors	*Executives*	
Mr ML Newman (Chairman)	Mr JM Hayes	Group Executive Shared Services and Chief Financial Officer
Mr MH Shepherd (Vice-Chairman)	Mr ES Mayne	Group Executive Market Supervision and Chief Supervision Officer
Mr RA Aboud	Mr JJ Olsson	Group Executive Technology
Mr JJ Kennedy	Mr AG Richards	Group Executive Strategy
Mr TC Rowe	Mr CR Scully	Deputy CEO and Group Executive Markets
Ms JS Segal		
Mr MJ Sharpe	*Executive director*	
Ms CM Walter	Mr AM D'Aloisio	Former Managing Director and Chief Executive Officer

(b) Key Management Personnel compensation

The Key Management Personnel compensation included in Staff expenses in the Income Statement are as follows:

	Consolidated	
	2006 *$*	*2005* *$*
Short-term employee benefits	6,589,960	4,667,426
Post-employment benefits	143,547	112,503
Other long-term benefits	32,701	68,431
Share-based payments	917,592	512,102
Total	7,683,800	5,360,462

Compensation for all Key Management Personnel is expensed through ASX Operations Pty Limited, therefore Company disclosures are Nil balances.

(c) Individual directors and executives compensation disclosures

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

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

(d) Loans to Key Management Personnel

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

Interest free loans have been offered to all ASX staff, excluding the Chief Executive Officer, as part of employee share purchase plans (refer Note 22(e)). This plan is no longer in use by ASXL and the balances relate to issues made in prior years. Executives were eligible to participate in these share purchase plans, and consequently took out interest free loans. ASX Directors including the Managing Director and Chief Executive Officer, were not eligible to participate in the share acquisition plans and therefore have no loan balances.

Details regarding the aggregate of loans made by any entity in the economic entity to Key Management Personnel, and the number of individuals who held a loan during the year are as follows:

	Opening balance[2]	*Repayments*	*Interest charged*	*Closing balance*	*Interest not charged*[1]	*Number in the group*
	$	*$*	*$*	*$*	*$*	
2006	144,099	(8,557)	0	135,542	10,714	4
2005	160,187	(16,088)	0	144,099	12,007	4

1. Interest not charged represents a notional interest amount which would be payable if interest was charged on an arms length's basis. The assumed arms length interest rate used was 7.95%.
2. The 2005 comparatives have been restated to reflect only those Key Management Personnel included in 2006 analysis.

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

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

25. AASB 124 remuneration disclosures (continued)

(e) Conditional entitlements and performance rights granted as compensation

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

	Held at 1 July 2005	*Granted as compensation*	*Held at 30 June 2006*
Directors			
AM D'Aloisio	97,900	34,300	132,200
Executives			
JM Hayes	29,200	7,600	36,800
ES Mayne*	–	–	–
JJ Olsson	19,700	4,800	24,500
AG Richards	29,400	9,000	38,400
CR Scully	40,900	12,300	53,200

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

The only movement during the year in the number of conditional entitlements and performance rights related to the issue of performance rights as part of the December 2005 plan – see Remuneration Report for further details.

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

(f) Holdings of ordinary shares

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

	Holding at 1 July 2005	*Net change -other **	*Holding at 30 June 2006*
Directors			
AM D'Aloisio	3,000	–	3,000
ML Newman	83,000	(23,000)	60,000
MH Shepherd	30,000	(10,000)	20,000
RA Aboud	–	10,000	10,000
JJ Kennedy	1,000	–	1,000
TC Rowe	4,300	–	4,300
JS Segal	2,000	–	2,000
MJ Sharpe	2,000	–	2,000
CM Walter	8,000	–	8,000
Executives			
JM Hayes	201	–	201
ES Mayne	–	–	–
JJ Olsson	46,652	–	46,652
AG Richards	33,855	(10,000)	23,855
CR Scully	10,276	–	10,276

* 'Net change - other' includes purchases and sales of shares.

(g) Changes in Key Management Personnel in the period and after the reporting date and prior to the date when the financial report was authorised for issue:

Change in Managing Director and Chief Executive Officer

With effect from 25 July 2006, Mr AM D'Aloisio resigned as Managing Director and Chief Executive Officer of ASX and Mr RG Elstone commenced his duties in this position.

Change in Directors of the consolidated entity

With effect from 25 July 2006, Mr R Holliday-Smith and Mr PH Warne joined the ASX Board of Directors.

Retirement of Key Management Personnel

Mr AG Richards ceased employment with effect from 21 July 2006.

26. Related party disclosures

The consolidated entity has a related party relationship with its:

- Subsidiaries (see note 28);
- Associates (see note 10);
- Key Management Personnel (see note 25);
- SEGC and others (see note 26(d)).

Other related party transactions

(a) Subsidiaries

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

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

ASXL has a subordinated loan agreement with ACH for $50,000,000 (2005: $20,000,000). Repayment obligations are subordinated, in the event of default, to all other creditors of ACH under an associated trust deed. No interest is charged on the loan. This loan has no fixed repayment date and is not repayable in the foreseeable future. This loan is held in cash and liquid securities by ACH to provide capital backing for ASX's clearing business and to meet the Reserve Bank of Australia's Financial Stability Standard for Central Counterparties.

ASXL previously held a subordinated loan agreement with ASX Settlement and Transfer Corporation Pty Limited (ASTC) for $28,776,000. This loan was fully repaid during the year as it was no longer required.

26. Related party disclosures (continued)

	Note	The Company	
		2006 $000	*2005 $000*
Balances with entities within the wholly-owned group			
The aggregate amount payable/receivable to wholly-owned controlled entities by the company at balance date is as follows:			
Non – current			
Subordinated loan to controlled entities	8	50,900	49,676
Loans from controlled entities	17	28,020	3,507
Interest is not paid on any inter-company loans.			
Dividends			
Dividends received or due and receivable by the company from wholly-owned controlled entities		50,000	88,000

(b) Associates

	Note	2006 $000	2005 $000
The aggregate amounts receivable from associates of the company at balance date are as follows:			
Non – current			
Loan to associate	8	–	6,036

ASXL previously agreed to provide ASX-Perpetual Registrars Limited (now Link Market Services Limited) a shareholder loan facility of $15 million to fund the development of a new registry system. When ASXL sold its share in APRL in August 2005, this loan was fully repaid.

(c) Key Management Personnel

Mr ML Newman is an Advisor to the Marsh Group of Companies, a subsidiary of which rendered services to ASX in the ordinary course of business.

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

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

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

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

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

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

(d) Balances with other related parties

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

ASXO received a management fee of $301,000 exclusive of GST (2005: $369,000) in respect of administration, accounting and legal services provided to SEGC. Included in other debtors is an amount receivable from SEGC of $106,000 (2005: $100,000). Settlement of the account with SEGC occurs regularly.

ASXO received $944,000 (2005: $6,621,000) from FIDA during the year. An amount of $892,000 is receivable from FIDA at 30 June 2006 (2005: $18,000).

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

27. Auditor's remuneration

	Consolidated		The Company	
	2006 $	*2005 $*	*2006 $*	*2005 $*
Auditors of the company - KPMG				
Audit services required by *Corporations Act 2001***:**				
Audit and review of the financial reports	534,450	486,085	–	–
Non-audit services:				
CHESS and DCS industry audits	200,000	190,000	–	–
Other audit services	89,419	3,825	–	–
Taxation services				
Tax compliance services:				
- Review of income tax returns	25,000	23,000	–	–
- Goods and Services Tax	15,900	14,250	–	–
- FBT assistance	2,550	–	–	–
- Research and development tax concessions	–	9,390	–	–
- Consolidated income tax regime	–	5,150	–	–
Corporate tax advisory services:				
- General corporate tax	52,521	34,710	–	–
- Employee benefits	2,500	12,900	–	–
- ASX WorldLink	–	6,000	–	–
Accounting advisory services:				
- International Financial Reporting Standards	53,700	38,500	–	–
- National Guarantee Fund	–	44,500	–	–
Total non-audit services	441,590	382,225	–	–
Total auditor's remuneration	976,040	868,310	–	–

All amounts shown above are exclusive of GST.

The parent entity's audit fees were paid by ASX Operations Pty Limited, a wholly-owned subsidiary.

Non-audit services are any services provided, excluding audits required by the *Corporations Act 2001*.

Refer to the directors' report for details on compliance with the auditor independence requirements of the *Corporations Act 2001*.

28. Controlled entities

Particulars in relation to controlled entities

Name of entity	Note	Parent entity's investment (a) 2006 %	2005 %
Parent entity: Australian Stock Exchange Limited			
Controlled entities:			
ASX Operations Pty Limited (ASXO)*	(b)	100	100
ASX Futures Exchange Pty Limited*		100	100
ASX International Services Pty Limited		100	100
ASX Markets Supervision Pty Limited (formerly ASX FundConnect Pty Limited)*		100	100
ASX Supervisory Review Pty Limited *		100	100
CHESS Depositary Nominees Pty Limited		100	100
Orient Capital Pty Limited*		100	100
Controlled entities of ASXO:			
ASX Settlement and Transfer Corporation Pty Limited (ASTC)*		100	100
ASX Pty Limited*		100	100
Australian Clearing House Pty Limited		100	100
Australian Securities Exchange Pty Limited*		100	100
Options Clearing House Pty Limited *	(b)	100	100
SECH Nominees Pty Limited*	(b)	100	100
Controlled entities of ASTC:			
TNS Clearing Pty Limited*		100	100

Notes:

(a) Parent entity refers to the immediate controlling entity of the entity in which the investment is shown.

(b) A controlled entity that has entered into a Deed of Cross Guarantee with Australian Stock Exchange Limited in respect of relief granted from specified accounting and financial reporting requirements in accordance with ASIC Class Order 98/1418. Refer note 22(c) for details of the Deed of Cross Guarantee.

Although ASXL owns 100% of Securities Exchanges Guarantee Corporation Limited (SEGC), SEGC has not been consolidated into the ASX Group financial statements. SEGC is governed by the *Corporations Act 2001* and ASXL is not able to control the entity so as to pursue ASX objectives nor is it entitled to the entity's assets.

All controlled entities were incorporated in Australia.

* Denotes those controlled entities for which an audit of their financial statements is not required.

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

29. Financial instruments

(a) Credit risk

The credit risk on financial assets of the consolidated entity, which has been recognised in the balance sheet, other than investments in shares, is generally the carrying amount net of any impairment losses.

Credit risk relating to short-term and investment securities is managed by placing certain funds with a minimum of two professional fund managers who invest the portfolio in accordance with investment agreements approved by the Board. The investment agreements provide guidelines limiting the exposure of the portfolio to an optimum level of liquidity in investments with a number of counterparties. These guidelines include restricting the maximum value of the portfolios held by each counterparty dependent upon each of those counterparties' published credit ratings.

(b) Interest-rate risk

The consolidated entity's value of securities are not exposed to interest-rate risk. Interest-rate risk arises in relation to short-term and investment securities comprising short-term deposits, bank bills and fixed interest securities. The consolidated entity's exposure to interest-rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below:

		Weighted average interest rate		*Floating interest rate*		*Fixed interest rate**		*Non-interest bearing*		*Total*	
	Note	*2006 %*	*2005 %*	*2006 $000*	*2005 $000*	*2006 $000*	*2005 $000*	*2006 $000*	*2005 $000*	*2006 $000*	*2005 $000*
Restricted cash assets	24	5.68	5.52	–	–	71,489	71,489	–	–	71,489	71,489
Unrestricted cash assets	24	5.66	5.50	26,248	14,691	178,574	114,253	–	144	204,822	129,088
Cash margins from participants	15	5.62	5.46	88,728	66,422	281,882	151,955	–	–	370,610	218,377
Trade and other receivables	8	–	7.13	–	6,036	–	–	23,569	28,247	23,569	34,283
Deferred acquisition costs	11	–	–	–	–	–	–	6,295	–	6,295	-
Other financial assets	9	–	–	–	–	–	–	3,325	2,137	3,325	2,137
Investments in listed shares	11	–	–	–	–	–	–	87,000	64,500	87,000	64,500
				114,976	87,149	531,945	337,697	120,189	95,028	767,110	519,874
Financial liabilities											
Trade and other payables	14	–	–	–	–	–	–	18,554	14,067	18,554	14,067
Amounts owing to participants	15	5.62	5.46	88,728	66,422	281,882	151,955	3,701	3,635	374,311	222,012
Other liabilities	17	–	–	–	–	–	–	3,979	8,126	3,979	8,126
				88,728	66,422	281,882	151,955	26,234	25,828	396,844	244,205
Net financial assets				26,248	20,727	250,063	185,742	93,955	69,200	370,266	275,669

* All fixed interest securities have a term to maturity of less than 12 months.

(c) Financial futures contracts

There were no futures contracts entered into at 30 June 2006 (2005: $Nil).

(d) Foreign currency risk

The consolidated entity has no significant exposure to foreign currency risk for the year ended 30 June 2006 (2005: $Nil)

(e) Net fair values of financial assets and financial liabilities

Valuation approach

All financial assets and financial liabilities are carried at amortised cost or fair value. Carrying amount approximates net fair value in all cases except for investments in subsidiaries and associates which are held at cost.

There were no unrecognised financial instruments for the year ended 30 June 2006 (2005: $Nil).

30. Subsequent events

Dividend

For dividends declared after 30 June 2006, refer to note 6.

Acquisition of SFE Corporation Limited

(a) Summary of acquisition

On 7 July 2006, ASX Limited announced that the proposed merger with SFE Corporation Limited (the holding company for the Sydney Futures Exchange) would proceed, after the SFE shareholders approved the merger on 5 July 2006 and the Federal Court of Australia granted its approval on 7 July 2006. The court order was lodged with ASIC on 11 July 2006 and SFE shares ceased trading on the same day. SFE became a wholly-owned subsidiary of ASXL on 11 July 2006, being the date when ASX obtained the power to control the financial and operating policies of SFE.

(b) Purchase consideration (estimated)

Under the terms of the merger, SFE shareholders were able to receive either:

- 0.51 fully paid ASX shares per SFE share; or
- $2.58 cash per SFE share plus a variable ratio of fully paid ASX shares for the parcel of SFE shares held by an SFE shareholder at 7pm on 18 July 2006, such that the alternatives deliver equivalent value based on the VWAP of $32.319 for ASX shares over the five business days ending on 3 July 2006.

Actual number of ordinary shares issued were: 68,004,817.

	$000
Amounts already capitalised at 30 June 2006	
Costs incidental to the acquisition to 30 June 2006	6,295
Amounts to be capitalised after 30 June 2006	
Underlying purchase consideration:	
Shares consideration 68,004,817 shares @ $32.319	2,197,848
Cash consideration	33,308
Related purchase consideration:	
Estimated acquisition costs to complete – advisory, legal etc	10,000
Former CEO termination payment	7,779
Consideration for transfer of vested SFE options of former SFE CEO and other senior executives	6,430
Deferred consideration for transfer of vested SFE options of former SFE CEO	4,450
Total consideration	2,266,110

(c) Assets and liabilities acquired

The carrying amounts of the assets and liabilities of SFE Corporation Limited immediately prior to the acquisition are as follows:

	Acquiree's carrying amount
	$000
Cash	82,886
Available-for-sale financial assets	3,169,763
Receivables	145,364
Other	4,966
Investments	1
Plant and equipment	9,218
Intangibles	22,400
Goodwill	24,391
Payables	(172,037)
Financial liabilities	(3,048,437)
Provisions	(49,443)
Current tax liabilities	(10,362)
Deferred income	(4,901)
Deferred tax liabilities	(4,448)
Net assets acquired	169,361

The fair values of the assets and liabilities of the acquiree are yet to be determined. Under AASB 3 *Business Combinations*, adjustments to the fair values assigned to the identifiable assets, liabilities or contingent liabilities must be recognised within twelve months of the acquisition date.

*VWAP (volume weighted average price) means the ratio of the total value of shares traded to the total volume of shares traded over the period.

31. Impact of adoption of AIFRS

As stated in note 1, this is the first financial report prepared based on AIFRS. The accounting policies in note 1 have been applied in preparing:

- the consolidated and the Company's financial statements for the year ended 30 June 2006;
- the restated financial statements for the year ended 30 June 2005; and
- the preparation of an opening AIFRS balance sheet at 1 July 2004 (date of transition to AIFRS).

In preparing the information outlined above, the consolidated entity and the Company has adjusted amounts reported previously in financial statements prepared in accordance with AGAAP.

The following tables and the notes that accompany the tables explain how the transition from AGAAP to AIFRS has affected the consolidated entity's and the Company's Income Statement and Balance Sheet. Since there are no material differences between the Cash Flow Statement under AIFRS and the Cash Flow Statement presented under AGAAP (apart from the recognition of novated cash balances by the consolidated entity – refer note (a) in explanatory table at end of note 31), no reconciliation for the Cash Flow Statement is presented for either the consolidated entity or the Company.

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

31. Impact of adoption of AIFRS (continued)

(a) Consolidated Balance Sheet

(i) As at 30 June 2005

	Per AGAAP	Adjustment for novation	Adjustment for IRESS	Lease adjustments	Share-based payment	Revenue adjustment	APRL adjustment	Reclass of software	Reversal of goodwill amortisation	Income Taxes	Per AIFRS
See note below		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Current assets											
Unrestricted cash assets	129,088	–	–	–	–	–	–	–	–	–	129,088
Restricted cash assets	71,489	–	–	–	–	–	–	–	–	–	71,489
Cash margins from participants	–	218,377	–	–	–	–	–	–	–	–	218,377
Receivables	23,696	3,635	–	–	–	(960)	–	–	–	–	26,371
Other assets	4,638	–	–	–	–	–	–	–	–	–	4,638
Total current assets	228,911	222,012	–	–	–	(960)	–	–	–	–	449,963
Non-current assets											
Investments accounted for using the equity method	47,202	–	–	–	–	–	1,965	–	–	–	49,167
Investments – other	22,950	–	41,550	–	–	–	–	–	–	–	64,500
Deferred tax assets	9,352	–	(12,465)	–	–	–	–	–	–	4,246	1,133
Property, plant and equipment	35,004	–	–	–	–	–	–	(13,827)	–	–	21,177
Receivables	7,912	–	–	–	–	–	–	–	–	–	7,912
Intangible assets	4,756	–	–	–	–	–	–	13,827	278	–	18,861
Total non-current assets	127,176	–	29,085	–	–	–	1,965	–	278	4,246	162,750
Total assets	356,087	222,012	29,085	–	–	(960)	1,965	–	278	4,246	612,713
Current liabilities											
Payables	14,067	–	–	–	–	–	–	–	–	–	14,067
Amounts owing to participants	–	222,012	–	–	–	–	–	–	–	–	222,012
Current tax liabilities	16,805	–	–	–	–	–	–	–	–	–	16,805
Provisions	21,417	–	–	–	–	–	–	–	–	–	21,417
Other liabilities	7,991	–	–	135	–	–	–	–	–	–	8,126
Total current liabilities	60,280	222,012	–	135	–	–	–	–	–	–	282,427
Non-current liabilities											
Provisions	8,828	–	–	898	–	–	–	–	–	–	9,726
Other liabilities	–	–	–	7,593	–	–	–	–	–	–	7,593
Total non-current liabilities	8,828	–	–	8,491	–	–	–	–	–	–	17,319
Total liabilities	69,108	222,012	–	8,626	–	–	–	–	–	–	299,746
Net assets	286,979	–	29,085	(8,626)	–	(960)	1,965	–	278	4,246	312,967
Equity											
Contributed equity	106,282	–	–	–	–	–	–	–	–	–	106,282
Retained profits	109,208	–	–	(8,626)	(1,968)	(960)	1,965	–	278	4,246	104,143
Restricted capital reserve	71,489	–	–	–	–	–	–	–	–	–	71,489
Asset revaluation reserve	–	–	29,085	–	–	–	–	–	–	–	29,085
Equity compensation reserve	–	–	–	–	1,968	–	–	–	–	–	1,968
Total equity	286,979	–	29,085	(8,626)	–	(960)	1,965	–	278	4,246	312,967

(a) Consolidated Balance Sheet (continued)

(ii) As at 1 July 2004 – date of transition to AIFRS

	Per AGAAP	Adjustment for novation	Adjustment for IRESS	Lease adjustments	Share-based payment	Revenue adjustment	APRL adjustment	Reclass of software	Reversal of goodwill amortisation	Income Taxes	Per AIFRS
See note below		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Current assets											
Unrestricted cash assets	110,048	–	–	–	–	–	–	–	–	–	110,048
Restricted cash assets	–	–	–	–	–	–	–	–	–	–	–
Cash margins from participants	–	168,146	–	–	–	–	–	–	–	–	168,146
Receivables	23,741	1,160	–	–	–	(841)	–	–	–	–	24,060
Other assets	5,054	–	–	–	–	–	–	–	–	–	5,054
Total current assets	138,843	169,306	–	–	–	(841)	–	–	–	–	307,308
Non-current assets											
Investments accounted for using the equity method	47,307	–	–	–	–	–	(907)	–	–	–	46,400
Investments – other	22,950	–	25,050	–	–	–	–	–	–	–	48,000
Deferred tax assets	4,691	–	(7,515)	–	–	–	–	–	–	3,995	1,171
Property, plant and equipment	50,988	–	–	–	–	–	–	(23,131)	–	–	27,857
Receivables	14,388	–	–	–	–	–	–	–	–	–	14,388
Intangible assets	5,034	–	–	–	–	–	–	23,131	–	–	28,165
Total non-current assets	145,358	–	17,535	–	–	–	(907)	–	–	3,995	165,981
Total assets	284,201	169,306	17,535	–	–	(841)	(907)	–	–	3,995	473,289
Current liabilities											
Payables	11,931	–	–	–	–	–	–	–	–	–	11,931
Amounts owing to participants	–	169,306	–	–	–	–	–	–	–	–	169,306
Current tax liabilities	17,989	–	–	–	–	–	–	–	–	–	17,989
Provisions	19,204	–	–	–	–	–	–	–	–	–	19,204
Other liabilities	6,610	–	–	–	–	–	–	–	–	–	6,610
Total current liabilities	55,734	169,306	–	–	–	–	–	–	–	–	225,040
Non-current liabilities											
Provisions	8,671	–	–	900	–	–	–	–	–	–	9,571
Other liabilities	–	–	–	7,289	–	–	–	–	–	–	7,289
Total non-current liabilities	8,671	–	–	8,189	–	–	–	–	–	–	16,860
Total liabilities	64,405	169,306	–	8,189	–	–	–	–	–	–	241,900
Net assets	219,796	–	17,535	(8,189)	–	(841)	(907)	–	–	3,995	231,389
Equity											
Contributed equity	106,282	–	–	–	–	–	–	–	–	–	106,282
Retained profits	113,514	–	–	(8,189)	(636)	(841)	(907)	–	–	3,995	106,936
Restricted capital reserve	–	–	–	–	–	–	–	–	–	–	–
Asset revaluation reserve	–	–	17,535	–	–	–	–	–	–	–	17,535
Equity compensation reserve	–	–	–	–	636	–	–	–	–	–	636
Total equity	219,796	–	17,535	(8,189)	–	(841)	(907)	–	–	3,995	231,389

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

31. Impact of adoption of AIFRS (continued)

(b) Consolidated Income Statement

Year ended 30 June 2005

	Per AGAAP	Lease adjustments	Share-based payment	Revenue adjustment	APRL adjustment	Reversal of goodwill amortisation	Income Taxes	Per AIFRS
See note below		*(c)*	*(d)*	*(e)*	*(f)*	*(h)*	*(i)*	
	$000	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*
Revenues								
Listings	71,507	–	–	–	–	–	–	71,507
Equities trading, clearing & settlement	118,368	–	–	(119)	–	–	–	118,249
Derivatives trading, clearing & settlement	44,009	–	–	–	–	–	–	44,009
Information services	32,087	–	–	–	–	–	–	32,087
Interest revenue	9,214	–	–	–	–	–	–	9,214
Dividend revenue	2,325	–	–	–	–	–	–	2,325
Revenue from NGF	71,489	–	–	–	–	–	–	71,489
Other revenue	13,688	–	–	–	–	–	–	13,688
	362,687	–	–	(119)	–	–	–	362,568
Expenses								
Staff expenses	77,182	–	1,332	–	–	–	–	78,514
Occupancy expenses	23,317	439	–	–	–	–	–	23,756
Equipment expenses	35,418	–	–	–	–	–	–	35,418
Administration expenses	22,618	–	–	–	–	(278)	–	22,340
	158,535	439	1,332	–	–	(278)	–	160,028
Share of net profit / (losses) of associated accounting for using the equity method	(105)	–	–	–	2,872	–	–	2,767
Profit before income tax expense	**204,047**	**(439)**	**(1,332)**	**(119)**	**2,872**	**278**	**–**	**205,307**
Income tax expense relating to ordinary activities	(38,578)	–	–	–	–	–	253	(38,325)
Net profit attributable to members of the parent entity	**165,469**	**(439)**	**(1,332)**	**(119)**	**2,872**	**278**	**253**	**166,982**

(c) Company Balance Sheet

(i) As at 30 June 2005

	Per AGAAP	Adjustment for IRESS	Share-based payment	Income taxes	Per AIFRS
See note below		*(b)* *$000*	*(d)* *$000*	*(i)* *$000*	*$000*
Current assets					
Unrestricted cash assets	37,561	–	–	–	37,561
Total current assets	37,561	–	–	–	37,561
Non-current assets					
Investments – other	83,548	41,550	–	–	125,098
Receivables	57,588	–	–	–	57,588
Total non-current assets	141,136	41,550	–	–	182,686
Total assets	178,697	41,550	–	–	220,247
Current liabilities					
Current tax liabilities	16,789	–	–	–	16,789
Total current liabilities	16,789	–	–	–	16,789
Non-current liabilities					
Deferred tax liabilities	(9,352)	12,465	–	9,382	12,495
Other liabilities	14,857	–	(1,968)	(9,382)	3,507
Total non-current liabilities	5,505	12,465	(1,968)	–	16,002
Total liabilities	22,294	12,465	(1,968)	–	32,791
Net assets	156,403	29,085	1,968	–	187,456
Equity					
Contributed equity	106,282	–	–	–	106,282
Retained profits	50,121	–	–	–	50,121
Asset revaluation reserve	–	29,085	–	–	29,085
Equity compensation reserve	–	–	1,968	–	1,968
Total equity	156,403	29,085	1,968	–	187,456

Notes to the Financial Statements (continued)

Australian Stock Exchange Limited and Controlled Entities

31. Impact of adoption of AIFRS (continued)

(c) Company Balance Sheet (continued)

(ii) As at 1 July 2004

	Per AGAAP	*Adjustment for IRESS*	*Share-based payment*	*Income taxes*	*Per AIFRS*
See note below		*(b)*	*(d)*	*(i)*	
		$000	*$000*	*$000*	*$000*
Current assets					
Unrestricted cash assets	17,846	–	–	–	17,846
Total current assets	17,846	–	–	–	17,846
Non-current assets					
Investments – other	83,548	25,050	–	–	108,598
Receivables	74,471	–	636	–	75,107
Total non-current assets	158,019	25,050	636	–	183,705
Total assets	175,865	25,050	636	–	201,551
Current liabilities					
Current tax liabilities	17,673	–	–	–	17,673
Other liabilities	6	–	–	–	6
Total current liabilities	17,679	–	–	–	17,679
Non-current liabilities					
Deferred tax liabilities	(4,691)	7,515	–	–	2,824
Total non-current liabilities	(4,691)	7,515	–	–	2,824
Total liabilities	12,988	7,515	–	–	20,503
Net assets	162,877	17,535	636	–	181,048
Equity					
Contributed equity	106,282	–	–	–	106,282
Retained profits	56,595	–	–	–	56,595
Asset revaluation reserve	–	17,535	–	–	17,535
Equity compensation reserve	–	–	636	–	636
Total equity	162,877	17,535	636	–	181,048

(d) There was no impact of AIFRS on the Company Income Statement for year ended 30 June 2005.

Note		*Explanation*
(a)	Adjustment for novation (refer note 15 for further details)	This comprises two adjustments: 1. Cash margins required to cover open derivatives' positions being brought onto Balance Sheet. 2. Daily variation margins relating to the cash settlement which is yet to be received. Previously such amounts were disclosed as contingent assets and liabilities. However, these now fall within the definition of financial assets and liabilities in AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* and must be recognised on Balance Sheet, which is consistent with industry practice.
(b)	Adjustment for IRESS	Under previous AGAAP, ASX accounted for its investment in IRESS on a cost basis. On adoption of AASB 139 *Financial Instruments: Recognition and Measurement*, ASX has opted to account for the IRESS investment as an available-for-sale financial asset. Under this option, the carrying value of IRESS is adjusted to fair value and the movement in value is recognised in the asset revaluation reserve account in equity. However, if the asset becomes impaired, any fall in value below cost will be recognised as an expense. The adjustment to Asset Revaluation Reserve is net of tax.
(c)	Lease adjustments	This comprises two adjustments: 1. Under AASB 117 *Leases*, where lease agreements contain fixed and determinable rate increases, the total payments to be made under the lease agreement must be expensed on a straight-line basis over the term of the lease. This impacts the accounting of operating leases for office space by smoothing the total rent expense evenly over each year of the lease term even though the rental payments are increasing over time. 2. Another adjustment arises where a rent-free period at lease inception is no longer discounted under AIFRS.
(d)	Share-based payment	Previously under AGAAP, no expense was recognised in relation to employee share-based payments. AASB 2 *Share-based Payment* requires an expense to be recognised for these type of transactions.
(e)	Revenue adjustment	ASX has elected under AASB 139 *Financial Instruments: Recognition and Measurement* to account for equity trades on a settlement date basis. Thus an adjustment is necessary to de-recognise the revenue from equity trading for the last three days of the reporting period and recognise the revenue in the subsequent reporting period.
(f)	APRL adjustment	These adjustments reflect revised equity accounting of the financial results of APRL after they were restated to comply with AIFRS. Since APRL was sold in August 2005, there will be no impact going forward.
(g)	Reclassification of software	Under AASB 138 *Intangible Assets*, software which is separately identifiable from hardware is now classified as an intangible asset on the Balance Sheet. Previously it was disclosed as Plant and Equipment. This change has no impact on the Income Statement.
(h)	Reversal of goodwill amortisation	Under AGAAP, goodwill was amortised. However, under AASB 3 *Business Combinations*, it is not amortised and instead is subject to impairment testing. As ASX opted not to retrospectively apply AASB 3 prior to 1 July 2004, only goodwill amortisation expensed since this date has been reversed.
(i)	Income taxes	Previously under AGAAP, ASX used the income statement liability method of tax-effect accounting. Under AIFRS, income tax is calculated based on the balance sheet approach. In general, ASX has recognised additional deferred tax balances than those recognised under AGAAP. In accordance with UIG 1052 *Tax Consolidation Accounting*, the consolidated current and deferred tax amounts for a tax consolidated group are required to be allocated among the entities in the group, including the parent entity.

Directors' declaration

Australian Stock Exchange Limited and Controlled Entities

1. In the opinion of the directors of Australian Stock Exchange Limited (the company):
   (a) the financial statements and notes (including the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.4, 11.10.6 and 11.10.7 of the Remuneration Report in the Directors' Report), are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.4, 11.10.6 and 11.10.7 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and
   (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the company and the controlled entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Dated at Sydney this 16th day of August 2006.

Signed in accordance with a resolution of the directors:

Maurice L Newman AC
Chairman

Independent Audit Report

to the members of Australian Stock Exchange Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statement of cash flows, accompanying notes 1 to 31 to the financial statements and the directors' declaration for both Australian Stock Exchange Limited (the "Company") and the Australian Stock Exchange and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.4, 11.10.6 and 11.10.7 of the directors' report and not in the financial report.

The Remuneration report also contains information in sections 11.1, 11.9.2 and 11.10.5 not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

(1) In our opinion the financial report of Australian Stock Exchange Limited is in accordance with:

a) the Corporations Act 2001, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in sections 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9.1, 11.10.1, 11.10.2, 11.10.3, 11.10.4, 11.10.6 and 11.10.7 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

N T Davis
Partner
Sydney, 16 August 2006

Shareholder information
as at 31 July 2006

The following additional information is provided in accordance with the listing rules.

Ordinary Shares

Voting power

ASX has ordinary shares on issue. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share held unless that share is a 'default share'. The constitution classifies default shares as any shares held above the 15% voting power limit by one party and its associates as set by Parliament.

Distribution of shareholdings

Number of shares held	*Number of holders*	*Number of shares*	*% of issued capital*
1 – 1,000	17,371	8,731,387	5.11
1001 – 5,000	7,665	16,506,709	9.67
5,001 – 10,000	782	5,607,470	3.28
10,001 – 100,000	761	28,064,160	16.44
100,001 and Over	188	111,836,906	65.50
Total	26,767	170,746,632	100.00

The number of security investors holding less than a marketable parcel of 16 securities ($32.720 on 31/07/2006) is 92 and they hold 569 securities.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to ASX.

Name	*Number of shares*	*% of voting power advised*
Barclays Global Investors Australia Limited	8,841,120	8.79
Commonwealth Bank of Australia	6,268,888	6.10

Largest 20 shareholders

The largest 20 shareholders in the company are:	*Number of shares*	*% of issued capital*
National Nominees Limited	17,400,127	10.19%
J P Morgan Nominees Australia Limited	16,543,184	9.69%
Citicorp Nominees Pty Limited	15,454,589	9.05%
Westpac Custodian Nominees Ltd	10,756,848	6.30%
ANZ Nominees Limited	9,080,724	5.32%
Cogent Nominees Pty Limited	4,445,435	2.60%
UBS Nominees Pty Ltd	3,842,328	2.25%
MLEQ Nominees Pty Ltd	2,497,257	1.46%
AMP Life Limited	1,616,426	0.95%
Bond Street Custodians Limited	1,497,631	0.88%
UBS Wealth Management Australia	1,478,115	0.87%
Quinambo Nominees Pty Limited	1,107,546	0.65%
RBC Global Services Australia	991,007	0.58%
Invia Custodian Pty Limited	866,476	0.51%
HSBC Custody Nominees (Australia) Limited	838,868	0.49%
Australian Reward Investment	801,575	0.47%
Queensland Investment Corporation	774,852	0.45%
ABN AMRO Bank NV	626,876	0.37%
Brispot Nominees Pty Ltd	549,958	0.32%
Victorian Workcover Authority	546,376	0.32%
Total	91,716,198	53.72%

On-market buy-back

There is no current on-market buy-back

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Directory

ASX around Australia

Sydney

Exchange Centre
20 Bridge Street
Sydney NSW 2000
Telephone (61 2) 9227 0000
Facsimile (61 2) 9227 0885

Adelaide

Level 1, 89 King William Street
Adelaide SA 5000
Telephone (61 8) 8216 5000
Facsimile (61 8) 8216 5098

Brisbane

Riverside Centre
Level 5, 123 Eagle Street
Brisbane QLD 4000
Telephone (61 7) 3835 4000
Facsimile (61 7) 3832 4114

Hobart

AMP Building
Level 12, 86 Collins Street
Hobart TAS 7000
Telephone (61 3) 6234 7333
Facsimile (61 3) 6234 3922

Melbourne

Level 45, Rialto Towers
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: (61 2) 8280 7111
Facsimile: (61 2) 9261 8489
registrars@linkmarketservices.com.au

Auditor

KPMG

ASX on the internet

www.asx.com.au
info@asx.com.au

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Inside front cover:

Thanks to Deutsche Bank for allowing us to photograph their Sydney trading room.

Thanks to Steven Munchenberg of the Business Council of Australia and Rob Elliott of the Australian Institute of Company Directors. (Meeting of ASX Corporate Governance Council Review of Principles Working Group, 25 July 2006.)

Page 12

Thanks to Peter Richards, CEO, Dyno Nobel. Listed on ASX, 7 April 2006.

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