

AUSTRALIAN STOCK EXCHANGE REPORT TO SHAREHOLDERS 2001/02

August 2002
ASX announces record
profit of \$59.1 million
Earnings per share
growth of 15%

October 1998
ASX becomes the first
exchange in the world
to demutualise and list

1987
ASX formed through
merger of six state
exchanges



ADVANCE
DEVELOP
PROGRESS
GROW
PROSPER

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ASX's evolution

EXCHANGES HAVE FORMALLY EXISTED IN AUSTRALIA SINCE 1871. EVEN PRIOR TO THAT, SEVERAL OTHER MORE RUDIMENTARY METHODS OF CONDUCTING EXCHANGE BUSINESS HAD FUNCTIONED. THROUGH CONSTANT CHANGE AND STEADY PROGRESS, ASX EMERGED AND IS NOW OPERATING SOME OF THE WORLD'S FINEST FINANCIAL MARKETS.

THE CONSOLIDATION OF SIX SEPARATE MEMBER-OWNED EXCHANGES INTO AUSTRALIA'S NATIONAL CAPITAL MARKET OCCURRED IN 1987. THIS STEP WAS TAKEN TO **ADVANCE** THE EFFICIENCY AND PERFORMANCE OF FINANCIAL MARKETS IN AUSTRALIA.

PROGRESS WAS INITIALLY MADE THROUGH THE **DEVELOPMENT** OF AN ELECTRONIC TRADING PLATFORM THAT LINKED OUR NATIONAL MARKETS. THIS WAS THE FIRST TIME THAT ALL MARKET PARTICIPANTS HAD EQUAL ACCESS TO INFORMATION AND PRICES FOR ALL OUR LISTED COMPANIES.

IN 1998 WE CHANGED OUR GOVERNANCE FROM A MUTUAL, OWNED BY 606 MEMBERS OF THE BROKING COMMUNITY, TO A LISTED COMPANY. NOW, THE MAJORITY OF OUR 16,000 SHAREHOLDERS ARE DRAWN FROM THE WIDER AUSTRALIAN COMMUNITY.

TODAY, WE CONTINUE TO DEVELOP LEADING MARKET TECHNOLOGY AND INFRASTRUCTURE TO ENSURE THE EFFICIENCY AND STRENGTH OF OUR FINANCIAL MARKETS. AS OUR SKILLS, CAPABILITIES AND ACTIVITIES **GROW**, WE ARE COMMITTED TO ENSURE THAT OUR SHAREHOLDERS **PROSPER** FROM OUR PERFORMANCE.

WE ARE A LISTED COMPANY THAT OPERATES MARKETS OF DEPTH, LIQUIDITY, EFFICIENCY AND INTEGRITY TO MEET THE EVOLVING NEEDS OF OUR CUSTOMERS IN AUSTRALIA AND OVERSEAS.



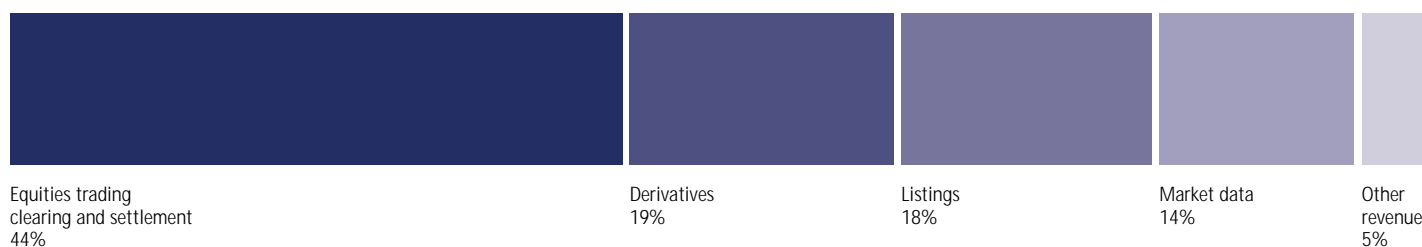
Financial highlights

| | Year to 30 June 2002 \$m | Year to 30 June 2001 \$m | Year to 30 June 2000 \$m | Year to 30 June 1999 \$m |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Financial results summary | | | | |
| Operating revenue* | 205.1 | 192.6 | 192.3 | 152.1 |
| EBITDA | 96.5 | 90.2 | 92.4 | 48.5 |
| Depreciation and amortisation | 18.6 | 18.5 | 17.9 | 15.4 |
| EBIT | 78.0 | 71.7 | 74.6 | 33.1 |
| Operating profit after tax | 59.1 | 51.0 | 53.6 | 37.7 |

* excludes interest and dividend revenue

| | cents | cents | cents | cents |
|-----------------------------------|-------|-------|-------------------|-------|
| Earnings per share | | | | |
| – pre goodwill amortisation | 60.9 | 52.9 | 53.2 | 37.4 |
| – post goodwill amortisation | 58.3 | 50.4 | 53.1 | 37.4 |
| Dividend per share | | | | |
| – interim | 19.5 | 26.8 | 24.3 | 15.5 |
| – final | 21.1 | 16.5 | 31.9 | 19.4 |
| Final dividend information | | | | |
| – record date | | | 19 September 2002 | |
| – payment date | | | 27 September 2002 | |

Revenue by category



Operational highlights

- RECORD LEVEL OF EQUITIES TRADING – AVERAGING 56,144 TRADES DAILY, A 9% INCREASE
- RECORD LEVEL OF OPTIONS TRADING – AVERAGING 58,759 CONTRACTS DAILY, A 27% INCREASE
- RECORD LEVEL OF WARRANTS TRADING – AVERAGING 1,889 TRADES DAILY, A 54% INCREASE
- RECORD NUMBER OF NEW WARRANTS SERIES – 1,978 NEW SERIES ISSUED COMPARED WITH 1,403 LAST YEAR (TOTAL SERIES LISTED AT 30 JUNE 2002 – 1,266)
- RECORD LEVEL AND VALUE OF INTEREST RATE SECURITIES TRADES, A 60% INCREASE IN TRADES AND \$8.7 BILLION TURNOVER, A 90% INCREASE
- TOTAL NUMBER OF LISTED ENTITIES REACHES 1,510, INCLUDING 92 INTEREST RATE PRODUCTS
- 91 NEW LISTINGS, INCLUDING 26 INTEREST RATE PRODUCTS
- TOTAL PRODUCTION SYSTEMS AVAILABILITY ABOVE 99.9% DURING THE YEAR
- TOTAL AVAILABILITY OF WWW.ASX.COM.AU ABOVE 99.3% DURING THE YEAR

Strategic highlights

- LAUNCH OF ASX WORLDLINK CROSS-BORDER TRADING LINK WITH SINGAPORE EXCHANGE
- LAUNCH OF THE ASX FUTURES MARKET WITH EQUITY INDEX FUTURES
- ASX FUNDCONNECT HEADS OF AGREEMENT WITH IWL LIMITED
- EXTENDED CONTRACT FOR DERIVATIVES TRADING SYSTEM WITH OM CLICK™ FOR A FURTHER FIVE YEARS
- DELIVERY OF NEW ASX PERPETUAL REGISTRY SYSTEM

Chairman and Managing Director's Report

AT THIS TIME LAST YEAR WE WERE REPORTING ON THE OUTSTANDING PROGRESS BEING MADE BY THE AUSTRALIAN MARKET IN TERMS OF OUR MSCI GLOBAL INDEX WEIGHT AND RANKING. WE ARE HAPPY TO REPORT THAT THIS TREND HAS CONTINUED WITH MOMENTUM. THIS POSITIVE PERFORMANCE IS PARTICULARLY GRATIFYING DURING A TURBULENT YEAR FOR FINANCIAL MARKETS GLOBALLY. A YEAR AGO WE CERTAINLY COULD NOT HAVE PREDICTED THE TERRIBLE EVENTS OF SEPTEMBER 11TH, NOR THE CONTINUING UNCERTAINTY ABOUT ECONOMIC GROWTH IN THE US.

DESPITE THIS, AUSTRALIA HAS REACHED ITS HIGHEST-EVER RANKING IN THE MSCI GLOBAL INDEX AT THE END OF JUNE 2002. REACHING 9TH, WITH A RELATIVE WEIGHTING OF 1.80% HAS SIGNIFICANT IMPLICATIONS FOR THE FUTURE OF AUSTRALIA'S MARKETS. AT THE END OF JULY OUR WEIGHTING HAD INCREASED AGAIN TO 1.82%, REFLECTING THE FURTHER RELATIVE OUTPERFORMANCE OF OUR MARKET. AUSTRALIA HAS PASSED BOTH SPAIN AND ITALY IN THE MSCI RANKINGS OVER THIS PERIOD.

Maurice L Newman
Chairman



Richard G Humphry
Managing Director



Indeed, as at July, measured by the Morgan Stanley Capital International index, our market had fallen 11% from its all-time high during March this year, compared with the MSCI global index that had fallen 42% from its peak.

We are certainly cognisant of our relative lack of scale compared with the New York Stock Exchange and NASDAQ. However, Australia's progression through the rankings and improved representation does quantify the success of economic policy reform during the past 20 years and our own efforts in growing our domestic markets.

This success represents an important bellwether for Australian listed companies because it will draw more international capital to our markets, thereby improving access to cheaper capital for our listed companies. The retention and accumulation of domestic listings in the Australian market feeds broader economic prosperity through jobs, taxation revenue and the domestic reinvestment of business earnings.

Importantly for our shareholders, ASX achieved an excellent financial result for the period, with earnings per share increasing by 15% on a pre goodwill basis. We achieved a record profit of \$59.1 million, with earnings per share of 60.9 cents on a pre goodwill basis. Given the tumultuous period in financial markets across the globe, this is a very pleasing result.

Significantly, our record revenue of \$205.1 million was driven strongly by transaction volume increases across *all* our products, with options, warrants and interest rate products being the standout performers. In time our more recent diversification initiatives will also begin to build momentum and contribute more meaningfully to our overall performance. The core business performance is very encouraging; ensuring its continued success remains our primary strategic objective.

We delivered on several new initiatives covering each of our strategic objectives, details of which we provide in the pages of this report. Our markets are diversifying, our marketplace services now cover all stages of the investment cycle, and our international reach is gradually being extended.

The joint venture with Perpetual Trustees, ASX Perpetual Registrars, is one such initiative that is beginning to contribute to our bottom line, although work remains to be done to increase our return on investment. ASX Perpetual has won contracts to supply full registry services to more than 20 new clients in less than six months. Much of this success is attributable to the new registry system dubbed 'oscar', designed and built by ASX.

'Oscar' demonstrates the outstanding technology capabilities of this organisation, and ASX continues to provide facilities management services to the joint venture. The joint venture forms an integral part of our strategy to diversify and expand the marketplace services that we offer.

Our cost discipline continues, as it must. The directors and management are committed to contain costs but to balance this with a need to pursue some of the excellent opportunities available to ASX for our future growth. This requires judgement to ensure that only the best and most valuable long-term initiatives are pursued.

This annual report tells you some of the story of ASX's evolution over the four years now completed since demutualisation. Much of the story is told in our own words, but in this report we have also drawn on the different perspectives of our customers, our staff, our shareholders and the community, who represent the continuing partners in our growth. You will hear from Mr Frank Lowy of Westfield, Mr Terry Campbell of JBWere, Professor John Shine from The Garvan Institute, Ms Dianna Higgins of our own Brisbane office, and one of our shareholders, Mr Geoff Travers. Although they represent only a fraction of ASX's many outstandingly strong relationships, we are grateful that they have all willingly contributed their perspective on ASX's evolution, as a representative of these groups. What we have in common with each of these individuals, and indeed the broader groups, is a vested interest in Australia's financial marketplace retaining its strong domestic and global reputation.

Our markets are complex in operation, yet simple in philosophy. We believe that they should be fully informed and transparent at all times. To achieve this, we employ highly skilled staff to monitor our supervisory responsibilities and support this with reliable and robust technology. Investors are attracted to markets, and to the individual companies in those markets, by the confidence this engenders. Confidence for investors, large and small, is fed by broader economic performance (which the MSCI global index partly shows), and the transparency of information within the market.

This is where our system of continuous disclosure serves us so well. Australia's listed companies have increasingly embraced a 'culture of disclosure', rather than targeting only compliance. Disclosure is not designed to place the individual investor inside the walls of the company boardroom. However, it does aim to give all investors current information as a basis for making an informed decision about their investments in the market. It is an important distinction to draw.

ASX believes in a principles-based system in preference to a prescriptive approach. Simply put, we want investors entering our markets with fully informed confidence, rather than a prescriptive form of disclosure that leads to a culture of compliance and a minimum standard of forced disclosure and information. Our record stands proud, with Australian listed companies making a total of 70,473 announcements during the past year – an average of nearly 280 each day and 48 announcements each. This represents a 65% increase during the eight years our company announcements process and continuous disclosure standards have been in place. We have recently foreshadowed enhancements that will further strengthen the disclosure of information to the marketplace.

ASX introduced a requirement to report on corporate governance practices in 1994. More recently, we are pleased that representatives of 21 major investor, corporate and professional groups accepted our invitation to work together in further enhancing Australia's corporate governance standards and practices. Our own policies are discussed on pages 8 to 11 of this report.

Other markets have identified our process and look to us for guidance in this area. For example, the US Securities and Exchange Commission requested a submission from ASX explaining the philosophy, framework and application of our continuous disclosure policy. The current Chairman of the SEC, Mr Harvey Pitt, has indicated his willingness to debate the merits of adopting a system that he describes as 'current' disclosure.

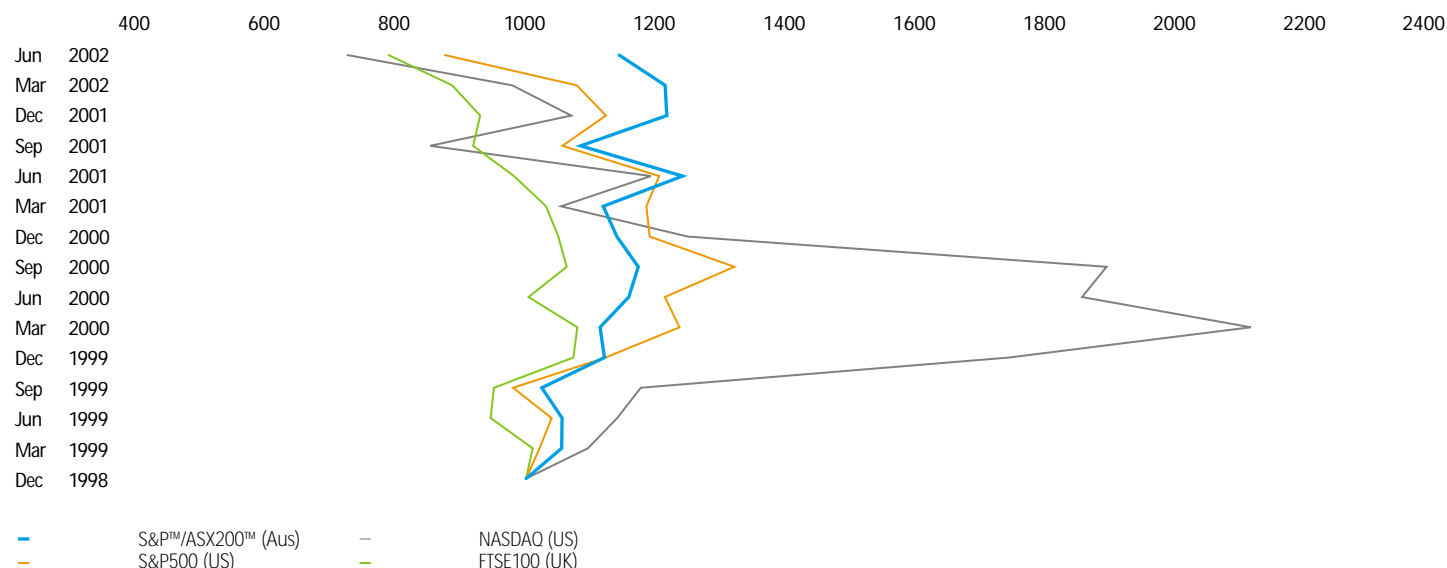
ASX's Managing Director will also address the World Federation of Exchanges annual forum on the topic of continuous and current disclosure of information. There is a strong current of belief that our continuous disclosure mechanism is very sound, and our application of the framework constantly improving. Indeed, the Federal Treasury has signalled its support for this type of principle-based supervision.

Another aspect of Australia's financial markets that requires constant attention is our technology infrastructure. Several of the boldest decisions taken by ASX in our 15-year history as a national organisation relate to technology platforms. This technology is often taken for granted given its reliability. We do need to continue developing the capacity and functionality of our systems.

The decision in 1987 to introduce the world's first fully electronic stockmarket was made simply to connect brokers from around Australia to a central pricing mechanism in real time. Previously, trading floors had operated in each state of Australia, where prices for shares in the same company could diverge significantly. That decision to improve and broaden access became a part of our core philosophy, which we now express through our strategic objectives. We want investors, large and small, local and international to be able to easily access our markets, all on an equal footing.

The same fundamental system exists today, albeit significantly improved and expanded. Other markets around the world have over time also adopted electronic trading systems because of the capacity they offer and the broad access they can extend. This accessibility has presented opportunities to ASX that we have pursued with the Singapore Exchange and Bloomberg. The rapid development of internet trading and straight-through-processing has also been made possible through the accessible design of our trading systems.

Relative performance of US, UK and Australian markets since our listing



Our clearing and settlement technology is no less impressive. A decade ago Australia was at the bottom of the global rankings for efficiency and cost in post-trade processing, perhaps befitting our relative size. Today it is no surprise to us that Global Securities Custodian Services ranks ASX in the top four for both efficiency and value. Our equities clearing and settlement system, CHESS, is rated the best in the world.

Building each of these systems involved some forward thinking together with a belief in our capabilities. These decisions required a significant commitment of financial and intellectual capital. Yet our business now flourishes around this infrastructure. And, more importantly, our customers could not imagine their business without these services, so ubiquitous have they become.

In that context, many of the decisions we are making today are comparable with these milestones of the past. As these decisions mature over time, we are confident their success will become apparent.

So it has been the elements of foresight, technology infrastructure, and our intellectual capabilities that have harmonised into a successful business mix at ASX. We are an organisation where a remarkable commitment to a strong brand of integrity is complemented by our commercial incentive to attract investors from around the world.

There is no doubt that this commitment to integrity, together with our investment in supervision and technology to broaden access, has received greater attention since we became a listed company. It should also be remembered that ASX was never at any stage a government agency, but a mutual association of stockbrokers with responsibility for market and member supervision. Yet we recognise our important role within the broader Australian corporate and economic community.

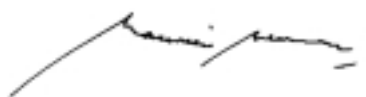
In time we can expect investment, from individuals and global institutions, to be directed predominantly to markets that provide the most efficient trading coupled with depth, liquidity and integrity. Efficiency of trading will not just be about providing a good trading system. Australia must remain competitive in all aspects of our markets to be a preferred destination for domestic and international investment.

Our infrastructure and our transparency make operating in Australia an attractive proposition, and the growing range of products offered through our infrastructure entices investors to continue growing their domestic Australian presence.

We previously mentioned the element of intellectual capabilities. It remains for us to give credit to the quality and quantity of output from our employees, both day-to-day and during the pressured timetables of our project activities. We are doing considerably more today with significantly fewer employees. The past few years have raised new and boundless challenges, which we feel well equipped to meet in the near and long term.

During the period, our vice-chairman Mr Clive Batrouney resigned as a director of ASX. Mr Trevor Rowe was appointed as a non-executive director in his place, commencing in the new financial year. We are grateful for the 12 years of dedicated service afforded by Clive Batrouney, with eight years as vice-chairman. At the same time, we are delighted to be able to replace him with someone of the calibre and experience of Mr Rowe.

We thank you sincerely for your ongoing support of our company, and look forward to another challenging but successful year ahead.



Maurice L. Newman AC
Chairman



Richard G. Humphry AO
Managing Director and CEO

Corporate governance statement

ASX's Board and management are committed to conducting the company's business ethically and in a way that is open and accountable to shareholders and the wider marketplace. We believe our corporate governance practices as a listed company are appropriately rigorous and of a high standard. We also accept that we have a leadership role in setting and articulating corporate governance standards in Australia. We believe that the general level of corporate governance practice in Australia is at the forefront of market economies worldwide. This statement outlines the main elements of the corporate governance practices we adopt to give effect to this commitment.

Recognising that corporate governance practices are evolutionary, we regularly review our own practices in the light of the changing social and regulatory environment. This statement is based on the Guidance Note attached to the ASX listing rules (which specifically relate to listing rule 4.10.3), and incorporates the recommendations issued by the Corporate Governance Council after its inaugural meeting on 15 August 2002.

ASX recognises a dual obligation to observe high standards of ethical behaviour. ASX is both a listed company, responsible to our shareholders, and a market operator responsible, as a condition of our licence issued under the Corporations Act, for ensuring the integrity of the market. We believe our success in one role is inextricably linked to our success in the other – since a failure to provide markets of integrity would not only breach our licence obligations but also damage the interests of our shareholders. In this regard:

- Our efforts to maintain and enhance the integrity of our markets are embodied in our market supervision activities, discussed on pages 26 to 29 of this report.
- As a further layer of accountability and transparency, this supervisory role is itself subject to the scrutiny of ASX Supervisory Review Pty Limited, also discussed on page 28.
- Our activities in investor education – an increasingly important part of market integrity given the high levels of direct and indirect shareownership in Australia – are discussed on page 33.

ASX's central role in the Australian economy brings with it an opportunity to contribute to public policy formulation on issues that will enhance the economy's competitiveness. Our activities in this sphere, including our establishment of the Corporate Governance Council, are discussed on page 20.

ASX also engages in partnerships with a number of community groups, and jointly operates a charitable foundation, as discussed on pages 30 to 33.

Against this background, ASX has adopted the following practices for the proper governance of our company.

The Board

Key responsibilities

The Board oversees ASX's strategy, and monitors the achievement of strategic and business objectives. The Board has responsibility for our corporate governance policies, and ensures ASX complies with all statutory obligations and with risk and crisis management procedures. The Board monitors succession planning for the Managing Director and the executive team.

The Board has given responsibility for the day-to-day operation and administration of ASX to the Managing Director. The roles of Chairman and Managing Director are strictly separated.

The Board provides for time at each meeting for discussion without management present.

The Managing Director and the Chief Financial Officer provide written representation that they are not aware of any material information or circumstance which has not been addressed in the external audit of the company's affairs.

Composition, selection and nomination criteria, appointment and retirement

The Board consists of eight non-executive directors and only one executive director, being the Managing Director. The role of the Chairman is strictly separated from that of the Managing Director.

The majority of the Board are independent in that they have no relationship with management or the corporate entity that would interfere with the exercise of an independent judgement, and that they are free from any interest and any business or other relationship which could materially interfere with a director's ability to act in the best interests of the company.

We detail the age, experience and qualification of our directors on page 34 of this report.

At each annual general meeting (AGM), any director who has held office for three years or three AGMs (whichever is the longer) must retire. Directors are entitled to stand for re-election. Our constitution requires an election of directors each year.

The Board can appoint an additional director at any time, up to a total of 15 directors, and subject also to the new appointee holding office until the next AGM where they must stand for election by shareholders.

As currently constituted, the Board has detailed knowledge of the financial services industry, including international experience in the sector, and experience in business development, risk management, auditing and strategic planning. Recognising our unique role as a market operator, it also has knowledge and understanding of the regulatory, legislative and government framework. The business profile and personal qualities of candidates are also assessed.

During the year, the Board, assisted by a report prepared by external consultants, used these criteria to appoint Mr Trevor Rowe as a director.

Directors, as part of induction, are furnished with detailed guidelines covering policies and conduct including ethical standards. They receive regular updates on all current issues impacting on the conduct of the company's business.

Performance assessment

The Chairman reviews the performance of each director individually on an annual basis. The Board also conducts an annual review of its own performance as a group.

Compensation for non-executive directors

When setting fees for non-executive directors, the Board applies Australian benchmarks and takes independent advice. In the past, the Board has had regard to factors including the level of commitment the role requires, and ASX's unique role in the economy.

The maximum total amount payable to all non-executive directors is \$1,500,000 per annum, including superannuation and fees paid for sitting on Board committees and tribunals, but not including retirement benefits.

In line with previous shareholder approval, retiring non-executive directors with three or more years of service following demutualisation are entitled to receive one year's base fee; those who have served six years or more receive two years' base fee; those who have served nine years or more will receive the maximum of three years' base fee. The retirement benefit is payable pro rata in respect of any period of service that is not a whole year. From 1 July 2002, non-executive directors receive a base fee of \$70,000 per annum, the Vice-Chairman receives a base fee of \$84,000 and the Chairman receives a base fee of \$192,500 per annum.

There is no share qualification for directors. Directors' holdings in ASX shares are outlined on page 44 and director remuneration is outlined on page 43 of this report.

Resources available

Directors may seek independent professional advice, at ASX's expense, after consulting with the Chairman or Vice-Chairman. Directors and former directors have access to the group's documents for the purposes of legal proceedings for up to seven years after retirement. The constitution allows ASX to indemnify and insure directors and former directors to the maximum extent permitted by law.

Remuneration of Managing Director and senior executives

The Board is responsible for reviewing the remuneration packages of the Managing Director and senior executives. The Board evaluates the performance of the Managing Director against targets established annually, and reviewed periodically by the Board. Performance targets cover criteria such as financial performance, achievement of strategic initiatives, and maintenance and enhancement of market integrity.

The Managing Director's base salary package is reviewed annually, with the maximum increase limited to 10% of the package for that year. In addition to the base salary package, there are short-term and long-term incentives. The Managing Director receives a cash payment, based on performance against criteria determined by the Board and limited to a maximum of 50% of the previous year's base package. Details of the Managing Director's remuneration package are provided on page 43 of this report.

ASX executive remuneration comprises a fixed salary benchmarked against a Board-approved market position, and performance-based pay linked to achievement of annual targets. Details of executive remuneration are outlined on page 43 of this report.

Executive share plan

The executive share plan has been approved by shareholders and is further designed to provide a long-term incentive and to align the interests of the executive team with those of shareholders. Shares issued under the plan are made only if shareholder returns over the performance period meet performance hurdles measured against a group of peer companies. Plan participants are entitled to shares at the end of a chosen performance period if the performance criteria are met. They are not entitled to participate in new issues of shares or to receive dividends within the plan. Shares relating to the first performance period under the plan (22 November 1999 to 30 June 2002) were issued to participating executives on 24 July 2002. Further details are contained in the notes to the financial accounts on page 65. There are no option schemes in place at ASX.

Board committees and tribunals

The ASX Board has established a number of committees and tribunals, each of which is required to report to the Board annually.

The Business Rules Committee, the Listing Appeals Committee and the Disciplinary and Appeals Tribunals, which all relate to our operation of the market, are further described on page 29.

Audit committee

Composition, membership and term

The audit committee consists of four non-executive directors appointed by the Board each year. The chairman of the committee is not the Chairman or a Vice-Chairman of the Board. Current membership is detailed on page 36. The audit committee operates under a charter, reviewed annually, which is available on www.asx.com.au. Committee members must have a familiarity with finance and accounting principles and must not have any relationship with ASX or its management that in the Board's opinion would interfere with the proper exercise of his or her audit committee role.

Other Board members and key managers may attend meetings unless an item is being considered in which that person has a personal interest. The external audit engagement partner attends every meeting, and also meets periodically with the full ASX Board. The external audit partner meets separately twice yearly with the Chairman of the Board, and more frequently with the chairman of the audit committee. Each meeting is without the presence of management.

Scope, access, authority and duties

The committee has direct access to ASX's external and internal auditors, and has the authority to seek any information it requires from any officer or employee of ASX. The committee also has the authority to consult independent professional advisers. The committee's duties are as follows:

- Financial and External Reporting. The committee reviews all audited ASX group financial statements intended for publication prior to recommending their approval by the Board.
- Risk Management and Internal Control Structure. The committee monitors the risk management and internal control structure implemented by management and advises on significant changes to that structure.
- Corporate Governance and Integrity. The committee provides assurance that ASX complies with applicable laws and regulations, conducts its affairs ethically, and maintains appropriate controls against employee conflict of interest and fraud.
- Audit Activities, Audit Coverage and Auditor Independence. The committee ensures that the external audit covers all financial statement areas where there is a risk of material misstatement, and that audit activities are carried out in the most effective and comprehensive manner. On an annual basis, the committee recommends to the Board the appointment and remuneration of the external auditors. Audit partners must be rotated at least every seven years and at least two years must pass before the audit partner can again be involved in the audit of the ASX group. Restrictions are placed on non-audit work performed by auditors and expenditure requires the approval of the chairman of the audit committee.

KPMG was last appointed as auditor in June 2002 and has served as auditor since ASX's formation in 1987. Audit partner rotations occurred in 2001.

ASX has appointed PricewaterhouseCoopers to manage ASX's internal corporate review function.

Business risk identification, management and controls

ASX periodically compiles an inventory of business risks and then conducts workshops to consider these risks. The objective is to identify and rank all significant business risks arising from current operations and from new business initiatives and to identify and implement containment measures.

Ethical standards and codes of conduct

The ASX code of ethics requires ASX and its employees to act with the highest standards of honesty, integrity, fairness and equity to all market participants and fellow employees. The code includes standards of care and diligence and of quality of products and services, and requires fair and competitive market behaviour, compliance with laws and regulations, avoidance of conflict of interest, and protection of confidential ASX information. Violation of the code by any employee may result in disciplinary action, which can include termination of employment.

Dealing in ASX shares and other financial products

Employees and directors are permitted to deal in ASX shares throughout the year except during non-trading periods. A non-trading period is a minimum of four weeks before the release of ASX's annual, half yearly and quarterly financial results. No director or employee may deal in ASX shares if at the time he or she is in possession of unpublished information that, if generally available, might affect the price of ASX shares. ASX has also established rules for dealing in financial products for employees with access to unpublished information of listed entities.

Communication with our shareholders

Our website www.asx.com.au is used extensively to ensure our shareholders and potential investors are kept informed about ASX.

All market announcements and other media releases are placed on our website. Shareholders may also elect to receive free email notification of our results announcements, in addition to the periodic direct correspondence from the company.

ASX also communicates with our listed entities and market participants using a secure website. This extranet facilitates daily interaction with our customers in an efficient and cost-effective way.

ASX provides a staff intranet to provide all staff with information to assist their employment with ASX.

Key compliance initiatives

ASX listing rule 3.1 compliance arrangements

Given its market position, ASX has a particular responsibility to lead by example in complying with the continuous disclosure regime.

Comprehensive procedures are in place to ensure ASX staff understand their obligations and to outline appropriate procedures for disclosure by ASX.

Under a Memorandum of Understanding agreed with ASIC, ASX's compliance, as a listed company, with listing rules including continuous disclosure provisions is supervised by ASIC.

Because of the special position ASX occupies as market supervisor, the Managing Director has elected not to trade in shares of any Australian listed security other than ASX. ASX is separately supervised by ASIC and the Managing Director can only deal in ASX shares with the approval of the Board.

Trade Practices compliance policy

ASX is committed to fair trading practices and has a formal trade practices compliance policy. A compliance guide and a computer based training program have been developed to assist all directors, employees and contractors to understand the core elements of the Trade Practices Act 1974 and how they can affect ASX.

Financial Services Reform Act 2001

ASX has established a number of policies to ensure it complies with the Financial Services Reform Act, which amended the Corporations Act for all licensees of financial markets and clearing and settlement facilities.

Privacy Act 1998

ASX's Privacy Policy regulates the handling of any personal information that ASX collects. It contains detailed information on ASX's functions and activities, and privacy issues and its privacy policy provisions. A copy of the policy is available on www.asx.com.au

ADVANCE
DEVELOP
PROGRESS
GROW
PROSPER

Our customers

TOGETHER, ASX AND JBWERE ARE ADVANCING THE PROFILE OF AUSTRALIAN SECURITIES IN THE GLOBAL MARKET.

One of the main challenges for the Australian business community going forward is to ensure our relevance to global investors. During my 40 years with JBWere I have watched the attitude of global investors to Australia change from seeing us as a speculative mining market to a broadly based 'safe haven'. Despite increasing competition from other markets our assessment is that Australia is more than holding its own, particularly as part of Asia ex Japan. With a number nine ranking in global markets the ASX is a national asset that Australians can be proud of.

Our current position reflects efficiency gains made by Australian enterprise along with the foresight displayed by our exchange in terms of its continued efforts to build infrastructure that enables a greater cross-border flow of funds. In terms of technical innovation, the ASX is in fact a world leader. Its co-trading arrangement with the Singapore Exchange, for example, was a world first.

At JBWere we have focused our expertise on Australian equities for over 160 years, providing niche investment advice to both Australian and global investors. It is our experience that while the needs and decision motivators of investors are highly diverse, a greater inflow of funds is usually attracted where relative value is found and ease of transaction is facilitated through liquid, regulated markets.

We recognise the work of the ASX and the wider Australian business community in advancing the profile of Australian securities in the global market as significant, and give support to the exchange's longer-term strategy to increase trading links with international exchanges.

Terry Campbell
Executive Chairman, JBWere

August 2002
ASX announces record
profit of \$59.1 million
Earnings per share
growth of 15%

October 1998
ASX becomes the first
exchange in the world
to demutualise and list

1997
Terry Campbell
appointed Chairman
of JBWere

1987
Incorporation of Were
Stockbroking Limited

1987
ASX formed through
merger of six state
exchanges

1840
JBWere founded
by the entrepreneur
Jonathan Binns Were



Markets and products

In promoting easy and direct access for investors, ASX operates two central technology platforms or 'markets' for trading more than a dozen different investment products.

SEATS is the main trading platform that caters for equities, interest rate products, listed trusts, listed funds and warrants. SEATS is an ASX-developed system first built in 1987, and substantially rebuilt in 1997. The derivatives trading facility (or DTF) trades options, low exercise price options (LEPOs) and futures. The software for DTF is the OM CLICK™ product licensed from the Swedish technology company OM Gruppen AB.

Our product range

We are proud to record that some 1,300 incorporated companies are listed on ASX. These range from global giants and national icons – including virtually every significant private sector employer in Australia – to remote mining companies and technology innovators. Our market profile, once dominated by resource and manufacturing companies, now includes a much more diverse spread of companies, including financial service companies and telecommunications providers. These companies have a total market capitalisation of about \$650 billion.

In addition to these corporate listings, ASX lists:

- 91 interest rate securities capitalised in excess of \$13 billion;
- 46 listed property trusts capitalised in excess of \$40 billion;
- 4 infrastructure funds capitalised in excess of \$6 billion;
- 40 investment companies capitalised in excess of \$8 billion;
- 11 pooled development funds capitalised in excess of \$400 million;
- 12 exchange traded funds capitalised in excess of \$500 million.

In total, there are 1,510 entities listed on ASX. So there is a great deal more than just 'companies' listed and tradable through ASX's market infrastructure. Taken together, these products form ASX's 'equities' revenue.

Why does ASX offer such a range of listed products?

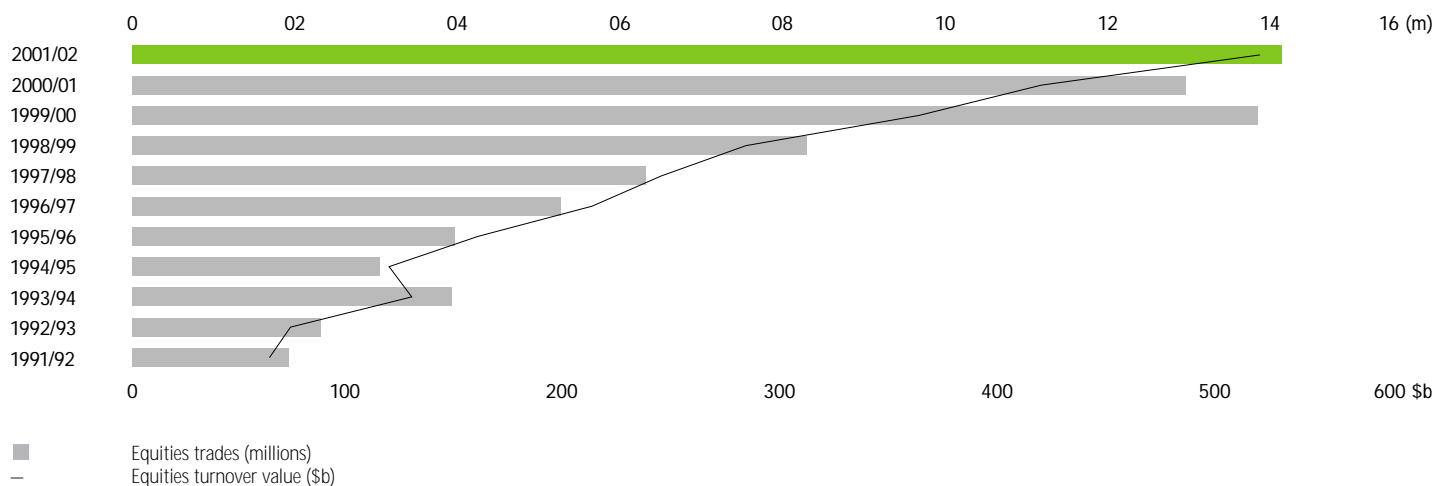
Financial markets bring together entities seeking capital, and investors searching to provide funds with the prospect of financial reward for their chosen risk. A wide range of structured investment products will attract investors with different investment needs and offer them different levels of risk and reward.

Australia has quite a tradition in offering innovative financial products. In 1976 Australia formed the first options market outside North America, which was then only the third in the world. The Australian Options Market became part of ASX's core business ASX options when ASX was formed in 1987.

The interest rate market is a more recent response to the demand for new and specific types of product. Set up by ASX in 1999, the interest rate market lists products that pay strong income yields to investors while offering an additional and effective way for corporate issuers to manage their finances.

As this diversification has evolved, ASX's infrastructure has continued to grow in capacity while offering undiminished reliability and efficiency.

Equities



Equities trading

The equities market is our principal revenue generator. The number of equities transactions is the principal driver of this revenue, although there is some correlation with the total value of shares traded in the market averaging in excess of \$2 billion each day.

During the financial year ended 30 June 2002, daily average equities trades were 56,144 compared with 51,386 for the previous corresponding period. The total number of trades during the period exceeded 14.1 million based on 252 trading days during the year, an increase of 9% from the previous year. During the past 10 years trade numbers have grown at the compound rate of 25% per annum.

The total value of trading during the year reached \$518 billion compared with \$418 billion the previous year, an increase of 24%. This equates to daily turnover in excess of \$2 billion, and places the liquidity of the Australian market at its highest-ever level. The liquidity of the market is an important indicator of the efficiency of trading in a market.

ASX earned average revenue from trading, clearing and settlement, and other charges of \$5.36 for each equities transaction, although the average fee charged to a broker is much lower. For example, a \$10,000 trade incurs an average fee of just \$1.49 on ASX's market, charged to the broker executing the trade.

Options trading

The options market and overall derivatives business has been ASX's best growth story during the past four financial years. Growth within options is driven by an increasingly sophisticated investment population looking to enhance their investment performance.

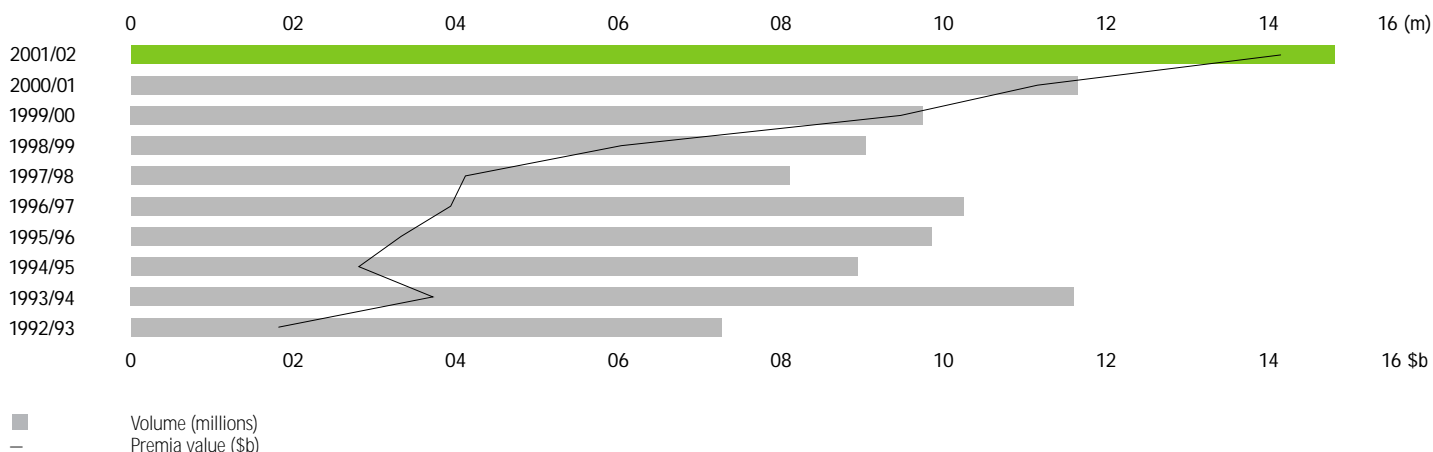
Derivatives offer leverage for increasing the level of investment return, but also provide flexible products targeted at risk minimisation. ASX is busily educating individual investors who are seeking to broaden their investment strategy using derivative products.

The ASX options market achieved a number of records during the year. This included the total numbers of contracts traded, which exceeded 14.8 million. This equates to 58,759 contracts per day, 27% higher than the previous year. Records were also set for the total number of active client accounts, the level of open contract positions held at an expiry and the total value of options exercised at expiry.

The activity in put options also reached record levels, reflecting the generally turbulent equity markets around the world. Options allow investment based on an expected fall in the share price of the underlying product, as well as an expected increase – a two-directional flexibility that may be difficult to replicate in equity-based investments.

Each of the options market records was facilitated by the highest level of systems reliability, including 99.9% availability of the derivatives trading system during the period and 100% availability for the derivatives clearing system. ASX earned average revenue of \$1.62 for each options contract traded during the period.

Options



Interest rate products are designed for high-yield investment returns

These products are a fairly recent addition to the suite of investment products supported by ASX infrastructure. Developed as a stand-alone range of investment products in 1999, the growth in number of new issues, the number of trades and the value of trading have been impressive.

These products are available to be bought and sold through a broker in the same way as ordinary shares. The products are issued by listed corporate entities, and are designed to provide investors with a strong investment yield. There are 91 products currently listed in this category, with 26 new additions during the year. The products total more than \$13 billion in available investment and had turnover of more than \$8.7 billion. This value of turnover was more than 90% higher than the previous year.

Reset preference shares, the most popular type of issue, use a benchmark such as the rate paid on Commonwealth Government Securities, and pay a return which includes a margin above that benchmark rate, reflecting the credit standing and rating assigned to the issuer. Convertible notes are also proving a popular form of interest rate security, both for investors and for corporate issuers.

ASX earned average revenue of \$5.36 for each interest rate product trade during the period, and also receives fees from the corporate issuer based on the dollar amount of the securities on issue.

Warrants products are tailored to meet your risk tolerance

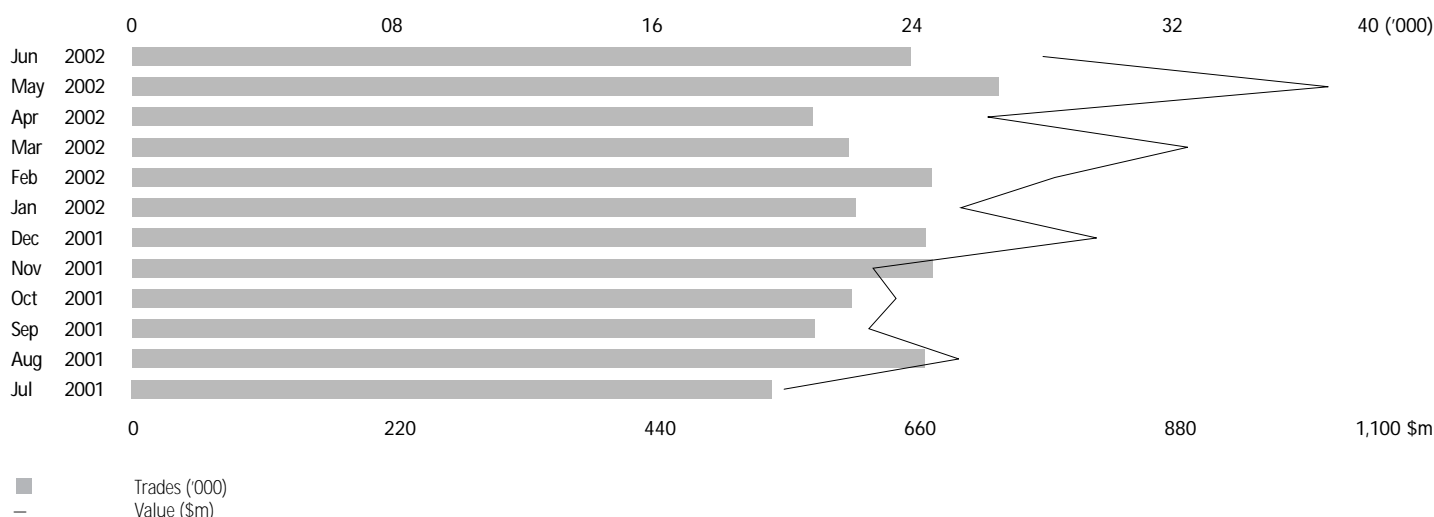
The warrants market has been active for only a decade and is therefore relatively young compared with the equities market. The growth potential of the market is evidenced by the successful combination of short-term 'trading' style warrants and longer-term 'investment' style warrants. Each type of product appeals to a different type of investor creating a flexible, almost tailored, investment option.

Trading warrants are typically listed for short periods of between three and six months. The products typically use 'blue chip' equities as the underlying instrument and allow an investor to test a view on the short-term price outlook for that product. Investment warrants are developed for longer-term investors looking for instalment payments towards underlying equity products, or structured products that provide capital guarantees.

Instead of the underlying instrument being an equity product, warrants can also use an index or a basket of defined securities, thereby offering further choice and flexibility.

ASX earned \$5.36 on average for each warrants trade during the period, and receives revenue from the product provider that issues a warrant series.

ASX interest rate market



Investing in international markets is just as easy

Within the MSCI global index, Australia has just reached its highest relative weight of 1.82% at the end of July 2002. While this attests to the growing stature of the Australian market, it also serves as a reminder that more than 98% of the world's equities are listed in other markets – and this does not include developing markets such as China and India.

For investors seeking greater diversification, one obvious avenue is to invest in overseas markets. ASX has developed the ASX WorldLink service to make what can be a complex and uncertain process almost as simple as investing in Australian securities.

Some of the most difficult aspects of investing overseas include setting up a foreign currency bank account, and managing the foreign share certificates and custody arrangements. Each of these troublesome aspects is removed through ASX WorldLink.

A broker contract note is issued exactly as for an Australian market investment, with settlement of the trade occurring with the same bank details in Australian dollars. Investors even receive a holding statement showing the units of an offshore holding, replicating the CHESS holding statements received for Australian securities.

The ASX WorldLink service, enabling investment in US markets, has been operating for just over a year, and the Singapore cross-border trading service has been operating since December 2001. In that period, more than \$100 million has been invested through this secure technology. In July 2002 alone, more than \$50 million was invested using this service.

ASX WorldLink provides access to 50 of the largest Singapore companies and more than 500 US securities, including all of the S&P 500 index constituents. This list is steadily expanding. ASX receives revenue from brokers for each trade using ASX WorldLink.

Futures

The ASX futures market is very much an extension of our existing derivatives business. ASX has, since formation, provided equity derivative products. Adding equity futures to that range of products is a natural evolution of the business.

Commencing in January 2002, ASX offered index futures over the S&P/ASX50 and S&P/ASX200 indices. At the start of August 2002, a new product was listed over the S&P/ASX200 Property Trust index. Australia has a strong representation in the global property sector, with more than 8% of the world's listed property assets.

The futures products currently listed by ASX are all equity index based, although this does not preclude ASX from offering other types of products in the future. This product range is indicative of ASX's dominant position in Australia with respect to equities and equity derivatives.

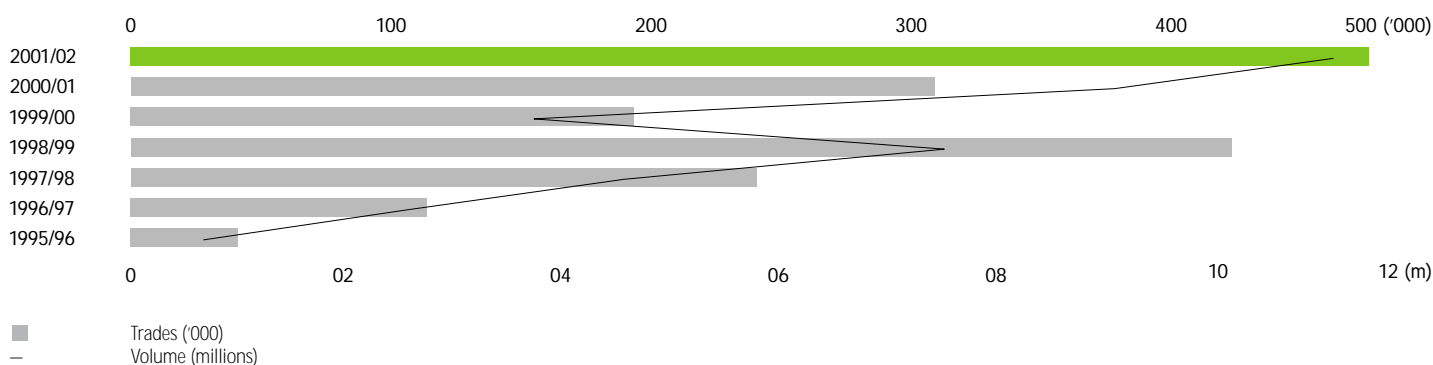
Why is there such urgency to 'create' more products?

Australia's superannuation guarantee policy mandates that 9% of each working Australian's income is allocated to retirement savings. Research suggests that there are approximately \$500 billion of superannuation funds currently invested. Projections indicate that this will grow to approximately \$1 trillion within five years.

Typically, the asset allocation of a superannuation fund manager sees those growing funds invested in Australian shares, interest rate products, property, cash and international shares and bonds. Our markets have absorbed more than \$150 billion of new equity capital during the past five years alone.

By adding different products to our own market, ASX can keep pace with this growing supply of investment funds. This means greater investment in Australia, higher levels of asset allocation, and a deeper and more liquid capital market. Such a market will provide cheaper capital for Australian issuers and a more attractive destination for investment into Australia from offshore.

Warrants



ADVANCE
DEVELOP
PROGRESS
GROW
PROSPER

Our people

WE ARE DEVELOPING OUR SKILLS WITH THE CHANGING ENVIRONMENT...
WE HAVE TO KEEP PROVIDING RELIABLE AND TRANSPARENT MARKETS
AT THE SAME TIME AS WE DEVELOP NEW INITIATIVES.

The success of our business depends to a large extent on the integrity of our market, and appropriately there are a number of divisions in ASX that have a market integrity focus. Our traditional role has been to make and administer rules for the conduct of companies and participants in our market, and supervise market activity. However, we have been able to capitalise on the breadth and diversity of skills of our people in developing new initiatives in response to the changing environment.

Since joining ASX in January 1995, I have worked with the Companies team that is responsible for relationships with our 1,510 listings. The standards that we have set for companies through our listing rules seek balance between their commercial interests, and the need to protect investors and sustain our market's reputation.

We don't hesitate to take immediate action if we think there is a threat to the orderly conduct of the market, but we are equally prepared to be pro-active and engage the co-operation of our companies through education and guidance. A great deal of the work done by our Companies advisers is 'behind the scenes', but we get satisfaction from knowing that we have contributed to the transparency and reputation of our market.

As a national company we have offices in each state capital. I look after the 143 companies that call ASX Brisbane home. I strongly believe that it is important for us to be accessible to our customers in each state. Our proximity to them and our understanding of local issues means we are better able to establish good working relationships and achieve the best possible outcomes.

I think that our long history as Australia's primary market operator may have overshadowed just how much we have achieved during our short life as a public listed company. ASX is a dynamic, energetic organisation, made up of people with an enormous diversity of knowledge, skills, creativity and vision. It is great to be a part of our evolution.

Dianna Higgins

Manager Companies and State Executive
ASX Brisbane

August 2002
ASX announces record
profit of \$59.1 million
Earnings per share
growth of 15%

2000
Dianna Higgins appointed
State Executive and
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October 1998
ASX becomes the first
exchange in the world
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1995
Dianna Higgins joins
ASX as Assistant
Manager, Companies
Brisbane

1987
ASX formed through
merger of six state
exchanges



ASX initiatives

The investment environment

ASX has worked continuously in the broader policy discussion to ensure that investment in Australia is encouraged and as accessible and inexpensive as possible. The abolition of stamp duty on all security transactions from 1 July 2001 is a typical example of a positive outcome from these efforts.

More recently, the Federal Government's Financial Services Reform involved a number of wide-ranging, fundamental reforms designed to increase the efficiency and transparency of Australia's finance and investment industry. ASX worked closely with government and industry participants to ensure the best possible outcome was achieved.

Other positive developments within investment policy include the halving of capital gains tax for investments held for a minimum period of 12 months, capital gains tax rollover relief for scrip-based takeovers, and more recently the introduction of franking credit rebates. ASX has contributed substantially to all of these policy discussions, and encourages further outcomes that are favourable for investment in our financial markets.

Research is an important element in identifying areas of our business environment that may require attention, and ASX frequently provides funding to support the research efforts of educational and business faculties. For example, in March 2002 a major study by the Australian Graduate School of Management and the Graduate School of Business at Stanford University examined pricing of technology stocks within a global capital market environment.

The research sought to determine whether technology companies were priced based on company-specific variables, or country-specific variables – that is the location of their stockmarket listing. Overwhelmingly the results showed that profitability, leverage, growth and size were the drivers of market multiples ascribed to technology companies. These are all company-specific variables unaffected by the geography of their listing.

The implications for ASX are encouraging in that it indicates listed technology companies will not necessarily benefit from transferring their listing from our market to a market in North America or Europe. Shifting location is unlikely in itself to provide a more favourable market multiple, even before the considerable costs involved in such a move are taken into account.

Our most recent area of focus has been corporate governance. In 1994, together with the historic introduction of our continuous disclosure framework, ASX first developed and published detailed guidance on corporate governance practices and disclosure. This area of contribution is not new to our business, and nor is it peripheral in any sense.

As recently as August this year we have convened a Corporate Governance Council with representatives from a large number of industry bodies. The Council membership comprises representatives from every major investment, business and professional body in Australia. Addressing this particular aspect reflects the current focus within global investment markets on the quality and accuracy of reporting, particularly overseas.

The Council will meet regularly to initially develop an agreed set of principles for listed entities, and recommendations for disclosure by listed entities. Defining the fundamentals of corporate governance will also be undertaken, to draw on the expertise and broad ambit of the different Council participants.

Good corporate governance is an essential prerequisite for investing in public companies. Good governance engenders confidence from investors, requires and in turn gives rise to, a high level of transparency and ensures business management remain accountable. All of these qualities are inseparable from a growing and successful market. ASX is therefore committed to developing, maintaining, encouraging and promoting the highest standards of corporate governance by Australian publicly listed companies.

Strategy evolution

An exchange business has traditionally been well defined, and clearly contained within the boundaries of the primary and secondary markets – that is, listing companies and providing a venue for trading their shares. ASX broke that mould when it became the first exchange in the world to provide a fully electronic national trading system in 1987, and re-established the boundaries by demutualising and listing in 1998. Each phase of our evolution brings a new set of challenges.

Strategic imperatives

Our strategy in more recent times has four articulated goals:

- Enhance core business, access and liquidity;
- Increase the markets we conduct or support;
- Increase our marketplace services; and
- Broaden our international reach.

Strategy implementation

Clearly identifiable milestones were reached towards each goal in the past year. Our core markets performed strongly, with 9% and 27% increases in trading for equities and options respectively. Our newer and less established products experienced even stronger growth, albeit from a low base. The level of market liquidity reached its highest ever level in excess of 70%.

Access improvements and capacity upgrades have added to the operating performance of our core businesses, which recorded availability of all major systems above 99.9% for the year. In addition, ASX has continued to provide system support and software to the fledgling Newcastle Stock Exchange.

Our product range has expanded further, most notably through the addition of futures products. The growth of interest rate products, listed funds and warrants also demonstrates the breadth of the markets that we conduct.

Our marketplace services have expanded during the year, following the on-schedule, within-budget delivery of the new registry system 'oscar' to ASX Perpetual Registrars Limited. Our 50% joint venture with Perpetual Trustees is now operating with the newest registry system in the world, one that has generated a lot of interest from prospective listed clients since its implementation.

ASX Perpetual Registrars has won more than 20 new clients since the system was implemented and all records successfully transferred in December 2001. There has also been some degree of interest from offshore registry providers in following the progress of this new system and this too might present an opportunity for ASX to build on its growing success with the joint venture.

We expanded our international reach through the implementation of our trading link with Singapore Exchange. The technology for the link was built by ASX and allows cross-border trading between the two markets, a world first.

Building on our history

The principal driver of ASX's growth has been the rapid increase in transaction volumes, driven by a large number of new listings and the broader distribution of market data and information that accompanies this. This may be attributed to the strong growth in shareholder numbers within Australia, in turn fuelled by the major privatisations and demutualisations of the past decade or more. It has indeed been an exciting, pioneering period for markets in Australia.

During this time ASX's technology has also maximised the degree of investor access, facilitating the development of internet trading and straight-through-processing. The result has been a tremendous need for capacity and efficiency within ASX's systems – a welcome demand fully met by our continuous upgrading of systems and support structures.

The process of investing has itself changed dramatically and improved markedly since ASX was formed. The investment cycle has been completely re-engineered to include secure electronic trading, confirmation, clearing and settlement, registration and holding. Technology has allowed many of these improvements, but this is only part of the equation.

Together with forming a national exchange in 1987, ASX also introduced SEATS, as our major trading platform is known. SEATS allowed all participants access to a central pricing system, and efficient trading during peak periods. This fundamental mechanism is still in place today, although the system was largely rebuilt during 1997 and now allows access internationally, as well as across Australia.

Settlement periods have also been fixed and reduced. Equities trades now settle three days following the trade date, which is in line with the best and most developed markets around the world. We are now even contemplating the arrival of one-day settlement periods – a sure sign of the extent of evolution of this market. Fail-rates on settlement remain below one percent of all equities trades. These measures all quantify the performance of our operating business during the most expansive growth in markets the world has ever seen.

This end-to-end transaction process is shown graphically below. ASX, by strategic design, has sought to provide services throughout the equities investment cycle.

Expanding the business

ASX provides a wealth of free information through our website which can assist investors in the initial stage of an investment decision. From each investment decision comes an order to buy or sell, which in Australia is often electronically captured by a system owned by IRESS Market Technology Limited (ASX code: IRE). At the time of writing, ASX held a 15% stake in IRESS (formerly Bridge DFS). The proposed merger between IRESS and IWL Limited, due for consideration during September 2002, may affect the level of this holding.

Each order is electronically directed to ASX's trading system SEATS, then confirmed electronically by ASX's market information systems. The clearing, settlement and legal registration of ownership can also be handled electronically by ASX technology. Your investments may also be securely recorded and managed by ASX Perpetual Registrars.

For ASX this represents an integrated service offering, where our expertise and infrastructure can seamlessly facilitate many millions of transactions each year through a vast and accessible interface. This infrastructure might not be immediately apparent to the investor who only deals directly with a broker. However, it is important and pleasing to note that the infrastructure and communications technology behind that broker is provided by ASX.

Decision

Order

Trade

Confirmation

Clear

Settle

Holding

ASX opportunities

During the past decade, the equities and more recently the options market have benefited from a great deal of efficiency improvement delivered by transaction automation. In each of these markets, ASX provides central industry infrastructure for all participants to communicate and transact with each other in a more efficient and transparent way. During the same time the unlisted managed funds industry has grown significantly but has not experienced efficiency gains from automation to the same extent as the market for listed products.

ASX is proposing to build on our track record of delivering industry infrastructure that enables a rapid expansion of access and transactions. We intend to offer ASX FundConnect as a central industry infrastructure to all of the participants in the unlisted managed funds market. The service will automate a great deal of the transaction cycle for unlisted products. This is a great challenge for ASX to build functionality that meets the needs of a diverse and fragmented group of participants. Given the size, spread and significance of the funds industry, it is also a great commercial opportunity for ASX.

During the financial year, ASX signed a heads of agreement to consider purchasing software from IWL Limited called FundLink. This technology may form a component of the complete ASX FundConnect service developed during this current period. It is planned that a service will be available to industry participants during 2003.

In order for this initiative to be successful, ASX will need to ensure that participants recognise the value in our offering, and that their software suppliers have been able to connect with the open interface designed for ASX FundConnect.

ASX will build technology infrastructure where there is a demand for automation benefits that match ASX's capabilities. The level of use then measures the return on that infrastructure in the future. For ASX this is measured in the number of transactions. We perceive a strong demand in the unlisted managed funds industry for electronic transaction infrastructure that matches our capabilities.

Similarly, ASX has the technology and regulatory approval to offer trading in futures contracts through our existing infrastructure to new and existing customers. The strategy is to develop new products closely related to our existing core markets. The initial products have been focused on equity index futures, which are very similar to the highly successful equity index options provided in ASX's options market. Extensions of the product range into areas such as commodities have already been foreshadowed. We do not rule out this type of expansion, given the right mix of industry support and investor demand.

All these products are integrated within ASX's existing infrastructure and technology, and receive broad distribution through ASX's existing broker participants.

It adds up to an extension and maximisation of ASX's expertise, position and reach to ensure our core businesses and key attributes develop and take advantage of every opportunity. This is the fruition of our evolution.

Our customers
OUR INVESTORS DEMAND A TRANSPARENT,
LIQUID AND EFFICIENT MARKET... ASX PROVIDES THIS.

Two years ago Westfield Holdings celebrated the 40th anniversary of its listing on ASX, or the Sydney Stock Exchange as it then was. Significantly, we celebrated it with the ASX. It has been a long and successful association by anyone's standards – one in which the company, the wider market and, most importantly, the shareholders, have enjoyed the benefits.

As Westfield has grown to become a global shopping centre company one of the few constants has been its association with ASX. The Westfield Group – Westfield Holdings, Westfield Trust and Westfield America Trust – is now the eighth-largest group listed on the ASX, with all three entities ranked in the top-30 by market capitalisation.

An essential part of Westfield's business is building long-term relationships with investors around the world. They expect and demand a transparent, liquid and efficient market. ASX provides this, as well as a valuable communication link to our shareholders and potential new investors.

Westfield's record highlights the importance of property sector-related securities listed in Australia, which is acknowledged as one of the most efficient, and productive listed property markets in the world. The ASX has played a significant role in this by evolving and integrating new functions – without losing sight of its main task which is to provide a stable platform for companies to grow and for investors to share in the benefits of that growth.

Frank Lowy AC
Chairman, Westfield Holdings Limited



1960 Westfield Development Corporation listed on Sydney Stock Exchange

1987 ASX formed through merger of six state exchanges

1996 Westfield America Trust listed in Australia

October 1998 ASX becomes the first exchange in the world to demutualise and list

August 2002 ASX announces record profit of \$9.1 million Earnings per share growth of 15%

Supervision

Like any commercial organisation, ASX attracts customers and generates revenue by capitalising on our brand. The ASX brand and reputation for innovative, efficient and ethical market services has been built up over years of ASX's activities directed towards enhancing market integrity. ASX's ability to sustain and grow our revenue is therefore inextricably linked to our ability to maintain and enhance this positioning. Safeguarding the efficiency and orderliness of market activity and requiring the transparency of market practices is what we do best. We believe that no other body is better placed to do this in our markets, and it is not merely what we are required to do to retain our licence.

This is why we go to such a great effort to distinguish our supervisory functions from our commercial functions. Our drive to ensure transparency and accountability of our supervisory practices also led to the formation of ASX Supervisory Review in November 2000.

Undoubtedly supervision and compliance comes at a financial cost to ASX and our customers. But a lack of adequate supervision would come with an even greater price – our collective reputation, our ability to attract future investment funds, and may potentially even cost our licences to operate.

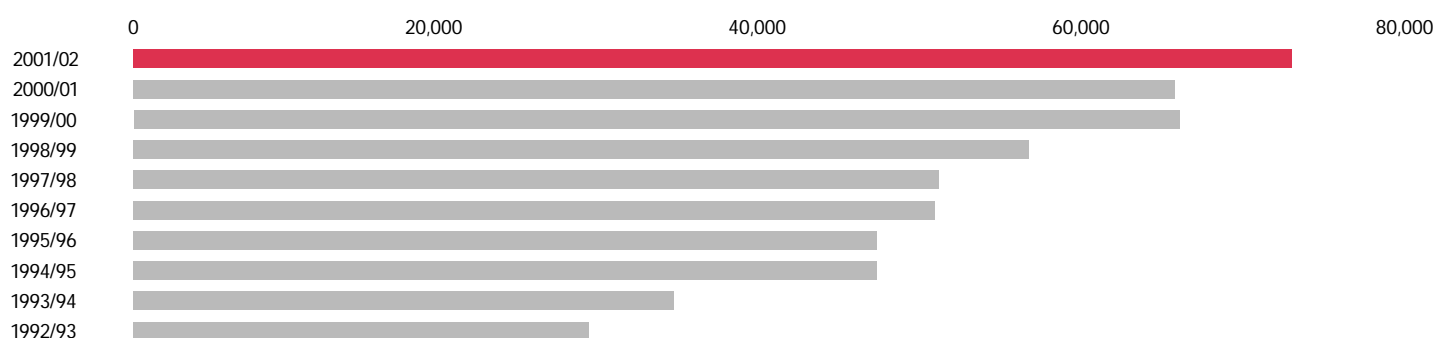
Defining our obligations

ASX is required to operate a fair, orderly and transparent market and must provide fair and effective clearing and settlement facilities. The Corporations Act makes these obligations perfectly clear. Our own judgement becomes critical in determining the best ways to give effect to our legal obligations.

- 'Fair' is best thought of in terms of access to market facilities. 'Fairness' implies a degree of balance between the rewards of capital markets and the implicit risk of investment.
- Ensuring an 'orderly' market is both a byproduct of fairness and availability of information, but also requires ASX taking steps to prevent aberrant trading behaviour. This includes insider trading, manipulation, warehousing and other forms of potentially deceptive market conduct.
- Transparency is founded on timely disclosure, where relevant information is available to and comprehensible by all investors in the market.

These obligations must be seen collectively as well as individually. In simple terms, ASX's aim is to give investors a reasonable basis from which to make informed investment decisions. Supervision is the way that we can achieve this, using both technology and our proximity to the market as instruments for providing markets of integrity. ASX works together with the market regulator, the Australian Securities and Investments Commission (ASIC), to form Australia's co-regulatory framework.

Total public company announcements



Our day-to-day supervisory tasks

Our supervision extends to all of our 1,510 listings and our 98 broker participants, with distinct rules and activities related to each group.

Integral to market efficiency and integrity is our regime of continuous disclosure – designed to provide equal access to all investors of material information relevant to investment decisions that are made in real time.

Each day ASX monitors the media and other information sources for publication of material that may not previously have been available to the broader market. If there is new and ‘material’ information this will trigger immediate discussions with listed entities. Our ability to engage in frank and honest dialogue with both our listed companies and our participants throughout the day make ASX supervision extremely effective within the dynamic environment of an active market.

Patterns of market orders or trading may indicate uninformed markets or market abuse. ASX maintains a specialised computer system that continuously monitors all market activity and draws the attention of our market analysts to anything that might indicate irregular trading behaviour.

The entities that list on ASX are not stagnant and passive, but evolving and flexible organisations. Therefore our supervisory framework must necessarily be equally flexible and time-responsive to reflect the market environment that it oversees.

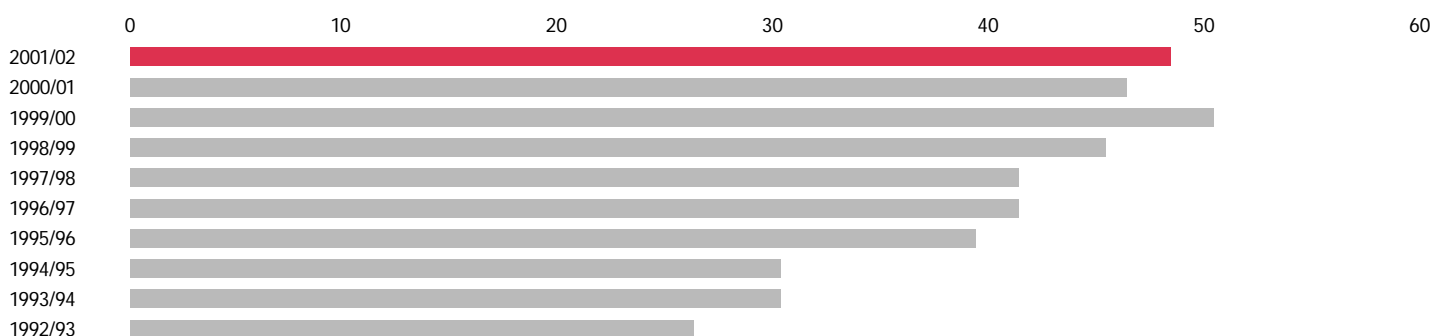
Our framework for supervision

Day-to-day activities may be more visible with the result of market disclosure and efficiency, but our structured framework of rules, guidelines and risk management are no less important. ASX has:

- Listing rules that provide contractual obligations for all of our listed entities. We also have companies advisers across Australia who facilitate compliance with the listing rules and disclosure of material information;
- Business rules that specify requirements for broker participants, together with a compliance team who monitor conduct and advise participants on their compliance;
- A prudential framework to manage financial risk within our markets, and staff to administer the rules and monitor regular capital statements from all broker participants;
- An investigations team to examine referrals related to market participants;
- Disciplinary and appeals tribunals to deal with referred matters, and make determinations; and
- Surveillance systems and staff to monitor and where necessary investigate trading activity.

The Corporations Act gives statutory backing to our own supervision, with powers of sanction and enforcement given to ASIC.

Average number of announcements per company



Financial services reform in Australia

ASX is currently within the two-year transition period for the new licensing arrangements of the Financial Services Reform Act, which came into effect in March 2002. The Act has far-reaching implications for ASX and our market participants.

The new framework removes the distinction that currently exists in the Corporations Act between securities (that includes equities and options) and futures, and introduces a single licensing framework for all financial services providers. This will require minimum standards of conduct for intermediaries, consistent disclosure obligations and, ultimately, far greater flexibility. ASX will take advantage of the flexibility offered under the Act to rationalise and streamline our market licences, and our clearing and settlement facility licences. ASX will need to make application and gain approval for these licences from Federal Treasury and ASIC prior to the end of the transition period in March 2004.

Transparency of our supervision

In November 2000 ASX set up an arms-length body called ASX Supervisory Review (ASX SR). This body provides oversight to our market supervision and will report annually in a report commissioned by the ASX Board. The first report of ASX SR was released during September 2002 and received broad distribution.

The role of ASX SR is to provide an independent review of our supervisory policies and procedures given the potential for conflict that comes with ASX's commercial aspirations and supervisory responsibilities. ASX SR has a board that is independent of the ASX Board and management, where no member of the ASX SR board can be appointed or removed without the prior approval of ASIC and notification to the Federal Minister.

ASX SR's mandate covers:

- An opinion on the adequacy of ASX's supervisory policies and procedures – in effect a report on our overall supervisory framework;
- An opinion on the adequacy of funding and resources that are allocated to supervision by ASX.

One additional aspect of ASX SR's work deals with Review Group Entities. These are a selected group of ASX-listed companies with which ASX might have a commercial alliance or potentially competitive relationship. This aspect involves rigorous oversight to any supervisory contact or correspondence that ASX has with these companies which involves the exercise of discretion. There are currently five listed companies that have accepted status as a Review Group Entity.

Recent developments

During July 2002, ASX released a paper titled 'Enhanced Disclosure'. The paper examines the essential contribution that is made by our continuous disclosure framework to the efficiency and integrity of Australia's capital markets.

The report examines in detail the current framework and interpretation of ASX listing rule 3.1, which forms the basis of continuous disclosure for listed entities. The other important type of market disclosure is periodic, which is most commonly seen in the form of regular financial statements and reports. ASX is looking to utilise technology to expedite the lodgement of these reports, and shorten the timeline between the end of a reporting period and the date when reports are released.

Investors demand these improvements, because the internet and the wealth of information available to investors make it imperative to keep pace. ASX has an important role to facilitate not only the completeness of market information from companies, but also the timely dissemination of that information to the investment market.

Some of our supervisory activities

| Action | Number for the year ended 30 June 2002 |
|--------------------------------------------------|----------------------------------------|
| Total trades (incl. equities, options, warrants) | 15,527,673 |
| Surveillance alerts | 76,071 |
| Percent of alerts to trades | 0.49% |
| Referrals to ASIC under markets MOU | 30 |
| Number of listed entities | 1,510 |
| Company announcements | 70,473 |
| Media report queries to listed entities | 392 |
| Formal price queries to listed entities | 144 |
| Other formal queries to listed entities | 778 |
| Trading halts granted to listed entities | 334 |
| Suspensions | 200 |
| Referrals to ASIC under companies MOU | 21 |

Corporate governance in Australia's markets

Good corporate governance is a core expectation for investors in a market. Good corporate governance engenders confidence from investors, who are willing to reward sound oversight by those empowered to govern.

ASX's own corporate governance practices are set out on pages 8 to 11 of this report. However, as the market supervisor ASX also has a role in promoting disclosure of all listed entities' corporate governance practices.

During August 2002, ASX convened an industry-based Corporate Governance Council to define corporate governance standards and establish the appropriate best practice guidelines. The council will recommend disclosure by all listed companies of their adherence to these endorsed standards of corporate governance.

Through disclosure of these corporate governance standards, ASX hopes to increase awareness among shareholders about the frameworks and behaviour of listed companies. By promoting awareness, and giving shareholders the scope to exercise their democratic rights, ASX can positively influence the standard of corporate behaviour by ASX-listed companies.

Many proposals will be considered in the work of the council, including the role of committees such as an audit committee, and the importance of independence within governance structures.

Committees to facilitate the operation of our markets

ASX draws on the experience and skills of the industry to assist in developing and operating our markets. These committees enhance the supervisory framework of our markets. The membership of each of these committees is given on page 36 of this report.

The business rules committee is formed to approve amendments to the ASX business rules. The committee is formed with a combination of ASX and industry representation to balance the process of rule-making. The committee is chaired by a member of the ASX Board with stockbroking experience and seeks industry expertise in both the equities and derivatives areas.

The listing appeals committee is responsible for reviewing appeals by listed entities and warrant issuers. The committee also deals with the decisions of ASX management in respect of applications for listing and removal of listed entities. The committee also has an advisory capacity for setting the policies of ASX management.

A member of the ASX Board chairs the committee, and membership is founded on the expectation of appropriate knowledge and experience.

ASX also has a national adjudicatory tribunal that is responsible for disciplinary issues for participating organisations (brokers) and their staff. The ASX Settlement and Transfer Corporation disciplinary tribunal deals with disciplinary issues relating to the SCH business rules.

These tribunals are chaired by members who are considered independent of ASX. Tribunal decisions can be appealed to an appeals tribunal, whose members are drawn from a panel of external experts. The appeals tribunal is chaired by a Queen's Counsel.

Our community
GARVAN INSTITUTE WILL CONTINUE TO GROW
WITH CORPORATE PARTNERS LIKE ASX.

I joined Garvan in 1987, coincidentally the same year as ASX was formed as Australia's national exchange. Since then, Garvan has experienced an evolution within our organisation, and I am not referring to our research preoccupation with the evolution of the human genome. But rather, the evolution of a commercial partnership into a cornerstone of our future.

ASX was one of Garvan's earliest corporate partners, at a time when medical research and corporate philanthropy sat uneasily together. There was a certain respect, an assumed mutual need, and perhaps the thought of something more down the track.

From such glimmers do bright lights grow.

The partnership, along with many others, has helped bring Garvan out from the rarefied world of pure research and into the medical world of tangible, at times groundbreaking, outcomes. At Garvan, we research common diseases such as breast cancer, osteoporosis, diabetes, arthritis, asthma and mental illness. Our challenge is searching for signs of personalised genetic coding, and then compiling the knowledge that will benefit the whole community.

By definition, all science deals with knowledge. In corporate partnerships, education is all. Just as for ASX, it is important that we teach people what we do – and why. Garvan now sponsors more than 50 PhD students from our partner University of New South Wales, and regularly conducts public education seminars.

Technology has been another critical contributor to the more recent and rapid evolution in our field of genetic coding. In 1975, as part of my own PhD studies, I took three years to discover a new single-gene sequence and at the time my work was considered somewhat revolutionary.

Not so nowadays, where many thousands of new genetic sequences are not only recorded, but also analysed daily with this technology. Garvan has been able to grow and make giant leaps in its research efforts with the help of corporate partners like ASX.

Professor John Shine
Executive Director
Garvan Institute of Medical Research

1957
Garvan Institute
of Medical Research
established

1984
Garvan Institute
incorporated by an
Act of NSW State
Parliament

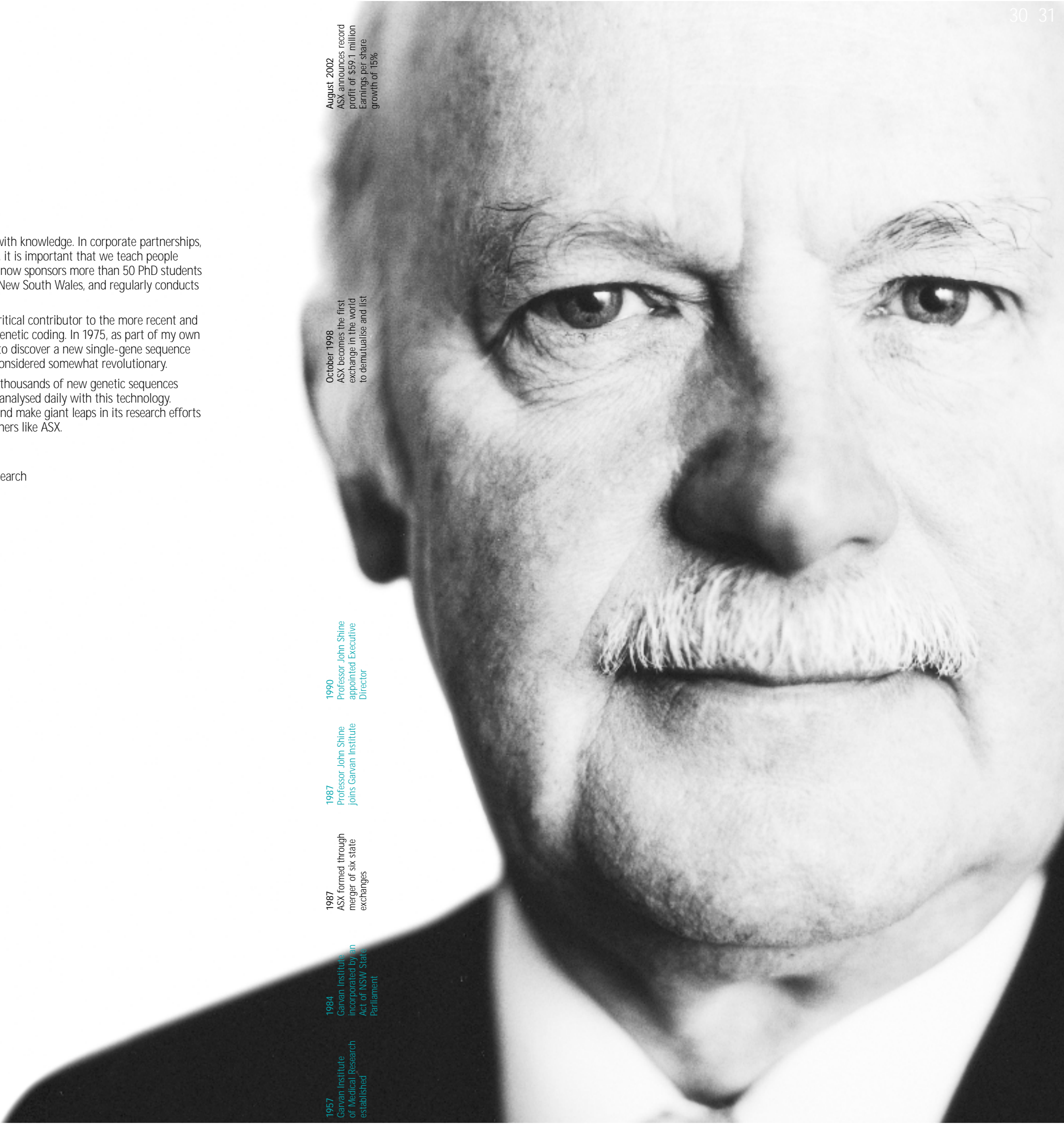
1987
ASX formed through
merger of six state
exchanges

1987
Professor John Shine
joins Garvan Institute

1990
Professor John Shine
appointed Executive
Director

October 1998
ASX becomes the first
exchange in the world
to demutualise and list

August 2002
ASX announces record
profit of \$99.1 million
Earnings per share
growth of 15%



Partnership with the community

Growing with the broader Australian community is a constant commitment for ASX. This interaction is achieved through the ASX-Reuters Charity Foundation and a number of carefully chosen not-for-profit organisations whose values complement those of ASX. The leading community based partnerships for ASX are the Garvan Research Foundation and the Zoological Parks Board of NSW (Taronga Park Zoo).

A key criterion in selecting a community partnership for ASX is that the benefiting organisation allows a degree of participation by ASX employees. By partnering with ASX staff, the organisations achieve a broad and interactive promotion of their work, and gain access to willing volunteers and diverse business skills. The key partnerships with Taronga and Garvan provide a broad range of social and educational activities that involve and engage ASX employees within the wider community.

ASX-Reuters Charity Foundation

Formed in February 2000, the ASX-Reuters Charity Foundation continues to support the work of numerous charities through its fundraising activities. The primary fundraising activity is the annual golf tournament and dinner auction that has become an anticipated annual event within the financial markets community. This year the event raised \$625,000 during just one day of activities. It is the most successful event of its kind within the Asia-Pacific region and has raised more than \$1.8 million in total.

In 2003, charities benefiting from ASX-Reuters Charity Foundation fundraising activities are:

- Alzheimer's Association NSW
- Children's Cancer Institute Australia
- Cystic Fibrosis New South Wales
- Financial Markets Foundation for Children
- Fred Hollows Foundation
- Garvan Research Foundation
- Hope for the Children Foundation
- MS Society of New South Wales
- Sunnyfield Association
- Technical Aid to the Disabled NSW
- The Charge Association
- The Shepherd Centre
- Youth Insearch Foundation
- Zoological Parks Board of NSW

Environmental conservation

Zoological Parks Board of NSW

ASX continues its keen support for two specific projects based at Sydney's Taronga Zoo. ASX Frog Focus and the Australian Marine Mammals Research Centre (AMMRC) both have a long association with ASX. The specially developed ASX Frog Focus CD-ROM has set an international benchmark for interactive education and is distributed to every primary school in Australia. The CD-ROM is promoting environmental conservation to schoolchildren across Australia. AMMRC conducts research of the leopard seal population in Antarctica.

These programs are supported by direct financial contributions from ASX, and funds that are raised through the popular internet-based ASX charity sharemarket game. ASX Frog Focus and AMMRC programs receive additional financial support from the fundraising activities of the ASX-Reuters Charity Foundation. During the past year, ASX has donated a share portfolio of international securities to fundraising evenings conducted by Taronga Zoo. The portfolio was purchased using the ASX WorldLink service.

Medical Research

Garvan Research Foundation

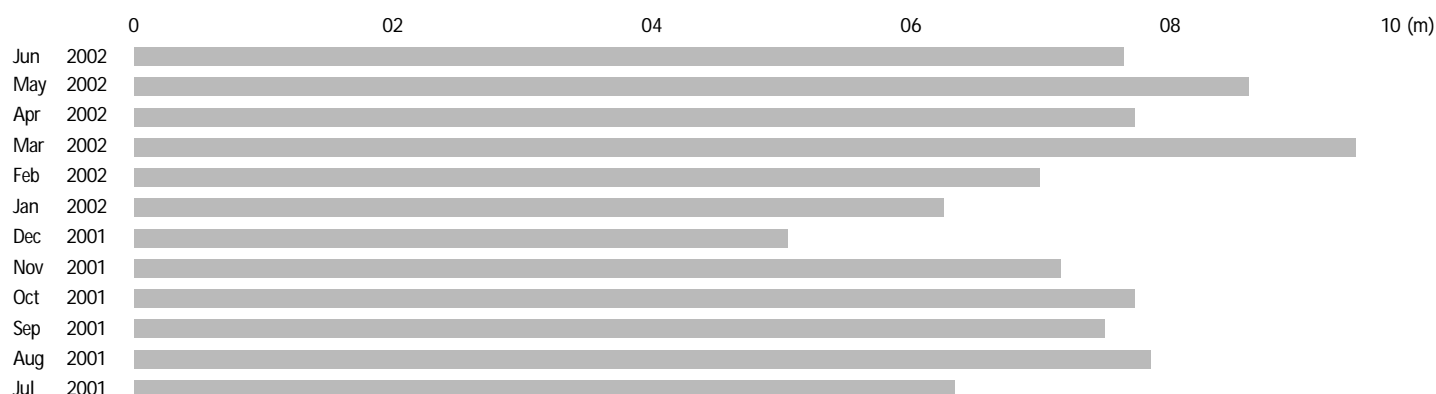
ASX provides funding to the Garvan Institute's breast cancer, prostate cancer and neurobiology research programs. The proceeds combine ASX's direct contributions with funds raised through the ASX charity sharemarket game, and by ASX-Reuters Charity Foundation.

During our long-standing partnership, Garvan has forged a reputation as one of the world's leading research institutes. Garvan is focused on researching diseases that have a debilitating impact within the broad community, including cancer and mental illness. Garvan regularly holds community education forums to provide updates on its latest research findings.

Research Australia

With the start-up support of ASX, Research Australia was established in December 2000. The organisation aims to increase awareness within the community about the potential for medical and scientific advances to treat life-threatening illnesses and also improve our general quality of life.

Monthly website page impressions



Research Australia provides information across a spectrum of research, including public health and lifestyle programs, basic scientific understanding of cell functioning, vaccines to prevent illness, advanced surgical techniques and new medicines and devices that treat or cure diseases. Through the year ASX has continued with in-kind support of Research Australia. Research Australia staff are based in the Sydney ASX offices and have access to the full technical and support services that these offices provide. ASX will continue our support during the coming year.

Education and business

Securities Institute of Australia

ASX has for many years sponsored the dux awards within each of the national financial markets programs run by the Securities Institute. By sponsoring these awards, ASX helps to build the knowledge within Australia's financial markets and encourage continuing professional development of our staff.

Moot Corp

ASX is a sponsor of this year's Moot Corp Australia Venture Capital Competition. The initiative provides MBA university teams with a platform to exercise their entrepreneurial skills and vision. Each team is required to prepare a formal business plan and then pitch their business idea before a judging panel of venture capitalists and business leaders. The panel includes a representative of ASX. The competition is designed to enhance the education of entrepreneurship in Australian business schools and aims to increase the rate of success for new ventures.

Entrepreneur of the Year

ASX currently has a three-year involvement with the Australian Entrepreneur of the Year Awards. These international awards recognise the vital role that entrepreneurs play in the growth of the Australian business community. Through the Ernst & Young Entrepreneur of the Year Program ASX is able to encourage and create a more positive climate for Australian entrepreneurs while linking them into the global marketplace. ASX nominated a number of our own listed companies which went on to become category winners last year.

ASX investor education

ASX continues to run educational courses and activities nationally, and provides a range of courses covering equities, options and warrants. More courses are planned for interest rate securities and international investing in the near future.

During the period many thousands of Australians participated in lecture style education courses, online courses, investor days, and the ASX charity sharemarket game. Education is ASX's principal contact with the general community. By providing a wealth of information directly through our website and through face-to-face education, ASX can build investor awareness and confidence.

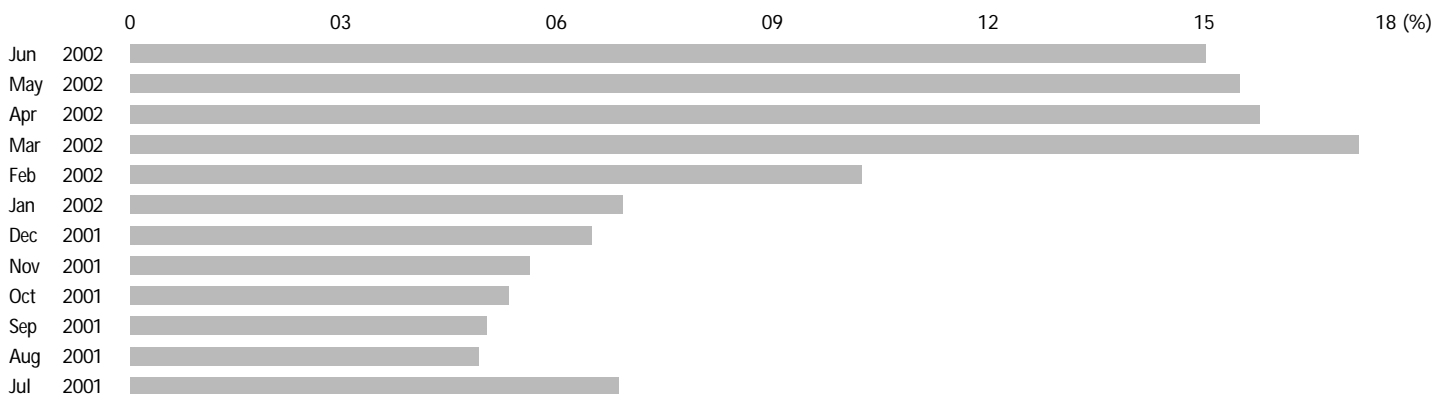
Although this represents an investment in the future growth and sustainability of our business, it also builds financial market awareness in the broader community. ASX has willingly donated investor education courses as prizes and auction items at charity events including the Juvenile Diabetes charity ball in June 2002.

Our website, www.asx.com.au, is recognised as Australia's foremost provider of timely financial market information for investors. Moreover, this content is continually updated and is provided free of charge.

During the year, there has been an array of new additions to the site. Most recently we have supplied dividend information for all listed entities and live company announcements. The company announcements section provides a minimum of three years of historical information as well as releasing new announcements live throughout the day. We believe that this is the best delivery of listed company information by an exchange website anywhere in the world.

The site experienced a record 9.4 million users during March 2002, and regularly has more than 20 million page impressions each month. Our website is accessed from around the world, with 15% of all website visitors viewing pages from overseas.

Monthly overseas visitors to www.asx.com.au



Board of Directors

Chairman

Maurice L Newman AC, FSIA, FSDIA, Age 64
Member/Affiliate since 1978. Elected to the Board 1990. Chairman since November 1994. Chancellor: Macquarie University. Chairman: Acrux Limited, Tourism New South Wales, Sydney Convention and Visitors Bureau, Australian Government's Financial Sector Advisory Council, The Taronga Foundation, Sydney Legacy Citizens Committee. President: Australian Fathers Day Council. Co-Chairman: Singapore-Australia Business Alliance Forum. Director: Australian Broadcasting Corporation, Securities Exchanges Guarantee Corporation Limited. Advisor to Marsh Group of Companies. Member: Advisory Council of the Asia Society AustralAsia Centre. Honorary Life Member and Fellow of SDIA. Former Executive Chairman of Deutsche Bank Australia 1985-1999. Chairman: Deutsche Bank Asia Pacific Advisory Board and Director Deutsche Bank Asia Pacific 1999-July 2001. Chairman: Deutsche Bank Asset Management (Australia) Limited 1997-2000. Former Commissioner of National Commission of Audit 1996.

Managing Director

Richard G Humphry AO, FCA, AAIB, MACS, Age 63
Managing Director and Chief Executive Officer since May 1994. Director: ASX Perpetual Registrars Limited, Garvan Medical Research Foundation. President: Commonwealth Remuneration Tribunal. Member: Foreign Affairs Advisory Council, Business Council of Australia. Deputy Chairman: Zoological Parks Board of NSW. Former Director-General of NSW Premier's Department and Auditor-General of Victoria, with 20 years experience in the Commonwealth Public Service and 13 years in the banking industry. Fellow: CPA Australia, Australian Institute of Management, Australian Institute of Company Directors.

Vice-Chairman

Clive M Batrouney ASIA, FAIM, Age 61
ASX Member/Affiliate since 1976. Board member from 1990 to 31 July 2002. Chairman: Securities Exchanges Guarantee Corporation Limited. Director: Victorian Funds Management Corporation, Hansen Yuncken Pty Ltd, Australian Wine Exchange Limited. Member: Victorian Finance Industry Consultative Committee. Former Chairman: ANZ McCaughan Securities Limited. Former Director: Committee for Melbourne.

Vice-Chairman

Michael H Shepherd FSIA, Age 52
ASX Member/Affiliate since 1974. Elected to the Board 1988. National Councillor and Regional Chairman (NSW) Securities Institute of Australia. Chairman: Challenger First Pacific Ltd, Australian Hearing Services (Federal Government Statutory Authority). Director: The Shepherd Centre, Neuroscience Institute of Schizophrenia and Allied Disorders. Governor: The Sir David Martin Foundation.

Max Fowles BCom, Age 49

ASX Member/Affiliate since 1985. Elected to the Board 1993. Former Chairman: DJ Carmichael Pty Limited. Former Director: Perth Commodities and Futures Brokers Pty Ltd, Australian Heritage Group Limited.

John A Fraser BEcon (Hons), Age 51

Elected to the Board 1997. Global Chairman and Chief Executive Officer: UBS Global Asset Management. Director: Australian Unity Funds Management Limited. Former Director: Neuroscience Institute of Schizophrenia and Allied Disorders (Sydney). Former Deputy Secretary (Economic), Australian Treasury.

James J Kennedy AO, CBE, DUniv (QUT), FCA, FCPA, FSIA, FAICD, FAMI, FAIM, Age 68

Elected to the Board 1990. Deputy Chairman: GWA International Limited. Director: Qantas Airways Limited, Macquarie Goodman Management Limited, Macquarie Goodman Funds Management Limited, Suncorp-Metway Limited, GIO Limited. Member: Blake Dawson Waldron National Advisory Board, Prime Minister's Community Business Partnership. Trustee: Viertel Foundation.

Trevor C Rowe, Age 59

Appointed to the Board 1 July 2002. Chairman: Investment Banking, Salomon Smith Barney Australia, Queensland Investment Corporation, Queensland Biotech Fund, Telecorp Limited. Director: Resimac Limited. Member: Federal Government's Foreign Affairs Council, Council for the Macquarie Graduate School of Management. Trustee: Committee for Economic Development of Australia (CEDA). Visiting Professor and Advisor to the Chancellor/Vice Chancellor Bond University. Former Group Vice President: Investment Banking Private Investment Company of Asia (PICA). Former General Manager: Arab Malaysian Development Bank.

Michael J Sharpe AO, BEc, Hon DScEcon (SYD), FCA, Age 64

Elected to the Board 1995. Director: Securities Exchanges Guarantee Corporation Limited, Military Superannuation Benefits Scheme, Strategic Capital Management Limited, National Australia Trustees Limited. Canon: St Andrews Cathedral. Past President: The Institute of Chartered Accountants in Australia. Former Chairman: International Accounting Standards Committee, The Sir David Martin Foundation. Former Partner: Coopers & Lybrand (1968-1999).

Catherine M Walter LLB (Hons), LLM, MBA, Age 50

Elected to the Board 1996. Director: National Australia Bank Limited, Orica Limited, Queensland Investment Corporation, Melbourne Business School Limited.

Clockwise
from bottom left

01

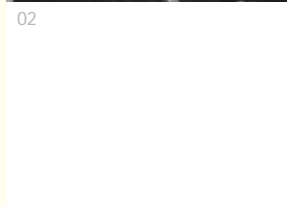
Michael H Shepherd
Vice-Chairman



01

02

John A Fraser



03

Michael J Sharpe



02

04

Clive M Batrouney
Vice-Chairman



05

Richard G Humphry
Managing Director



03

06

Maurice L Newman
Chairman



04

07

Catherine M Walter



08

James J Kennedy



09

Trevor C Rowe



10

Max Fowles



05



06



07



08



09



10



Boards, committees and tribunals

As at 30 June 2002

ASX Board

ML Newman AC (Chairman)
RG Humphry AO
(Managing Director)
CM Batrouney (Vice-Chairman)
MH Shepherd (Vice-Chairman)
M Fowles
JA Fraser
JJ Kennedy AO CBE
MJ Sharpe AO
CM Walter

Company Secretary

G Tenneti

Audit Committee

MJ Sharpe AO (Chairman)
CM Batrouney
JA Fraser
CM Walter

Listings Appeals Committee

M Fowles (Chairman)
A Beasley
F Bush
B Johnson
SA Mays
RR Rorrison
A Sisson
P Stone

Business Rules Committee

MH Shepherd (Chairman)
RE Barker
BCM Egan
P Masi
C Jones
S Bray

ASX Settlement & Transfer Corporation Pty Limited

RM Coppel (Chairman)
LA Balzer
JC Lawson
JC Rennie
MJ Sharpe AO
MH Shepherd
RJ Webster
AG Richards
CJ Hamilton

Options Clearing House Pty Limited

I McGaw (Chairman)
MH Shepherd
JM Hayes
CJ Hamilton
AG Richards
CR Scully

National Adjudicatory Tribunal (ASX Business Rules)

CP Chisholm (Chairman)
CM Batrouney (Vice-Chairman)
Members are chosen from a panel

Appeal Tribunal (ASX Business Rules)

A Black (Chairman)
A Cornell (Vice-Chairman)
Members are chosen from a panel

Disciplinary Tribunal (SCH Business Rules)

CP Chisholm (President)
CM Batrouney (Vice-President)
Members are chosen from a panel

Appeal Tribunal (SCH Business Rules)

A Black (President)
A Cornell (Vice-President)
Members are chosen from a panel

Payment Provider Appeal Tribunal (SCH Business Rules)

The Hon Ken Marks QC

Board & committee meetings attended by ASX directors 1 July 2001 – 30 June 2002

| Director | ASX Board | | ASX Board Sub-Committee | | Audit Committee | | Listing Appeals Committee | | Business Rules Committee | | National Adjudicatory Tribunal* | | ASX Settlement & Transfer Corporation | | Options Clearing House Pty Limited | |
|--------------|-----------|---|-------------------------|---|-----------------|---|---------------------------|---|--------------------------|-------|---------------------------------|---|---------------------------------------|-------|------------------------------------|-------|
| ML Newman | 9 | 9 | 6 | 6 | | | | | | | | | | | | |
| RG Humphry | 9 | 9 | 6 | 6 | | | | | | | | | | | | |
| CM Batrouney | 9 | 9 | 6 | 6 | 4 | 4 | | | | | | | | | | |
| MH Shepherd | 9 | 9 | 5 | 5 | | | | | 8 (6) | 8 (6) | 9 | 9 | 6 (4) | 6 (4) | 9 (4) | 9 (5) |
| M Fowles | 9 | 9 | 1 | 1 | | | 3 | 3 | | | | | | | | |
| JA Fraser | 8 | 9 | | | 4 | 4 | | | | | | | | | | |
| JJ Kennedy | 9 | 9 | | | | | | | | | | | | | | |
| MJ Sharpe | 9 | 9 | 3 | 3 | 4 | 4 | | | | | | | 5 (4) | 6 (4) | | |
| CM Walter | 8 | 9 | | | 3 | 4 | | | | | | | | | | |

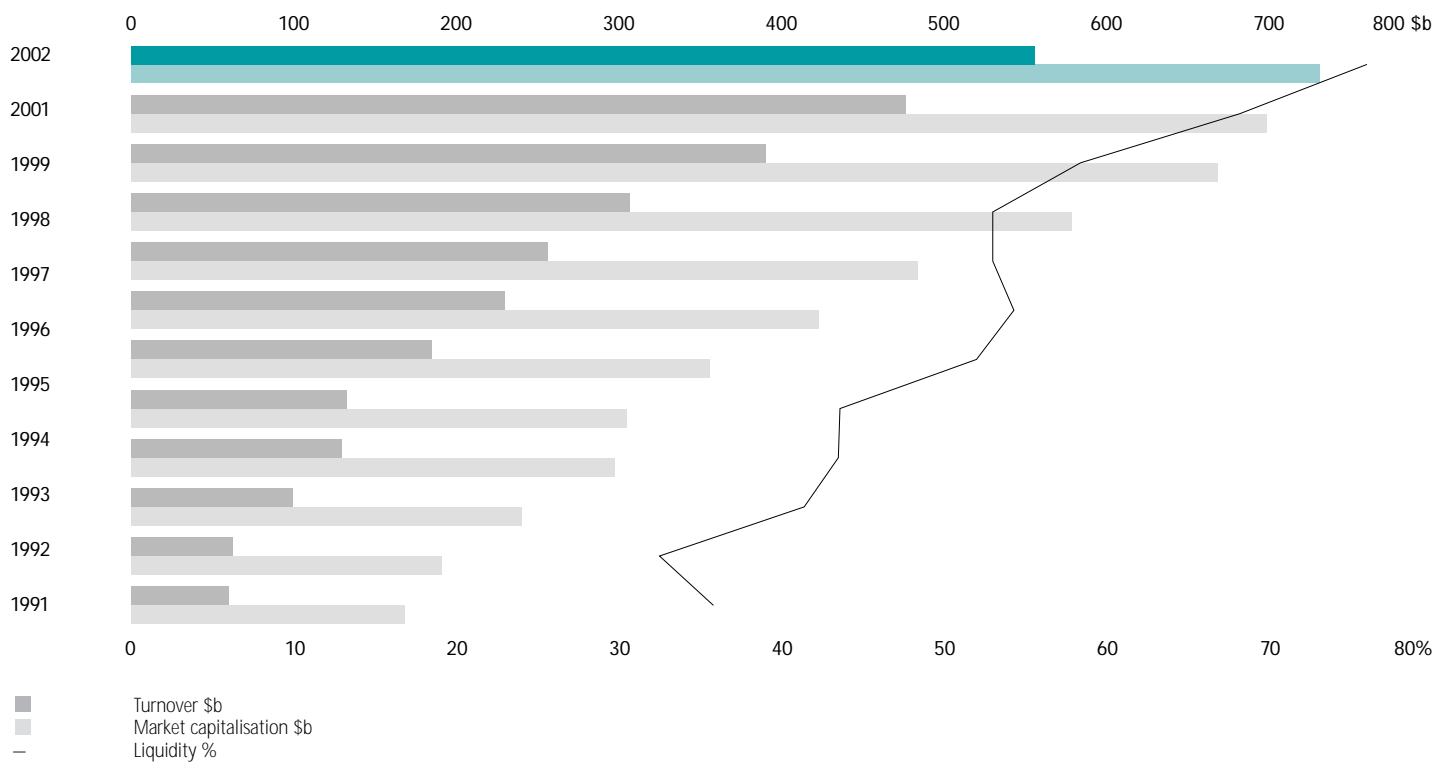
- Meetings attended while a director or member.
- Meetings held while a director or member.

Numbers in parentheses are circular resolutions in addition to scheduled meetings.

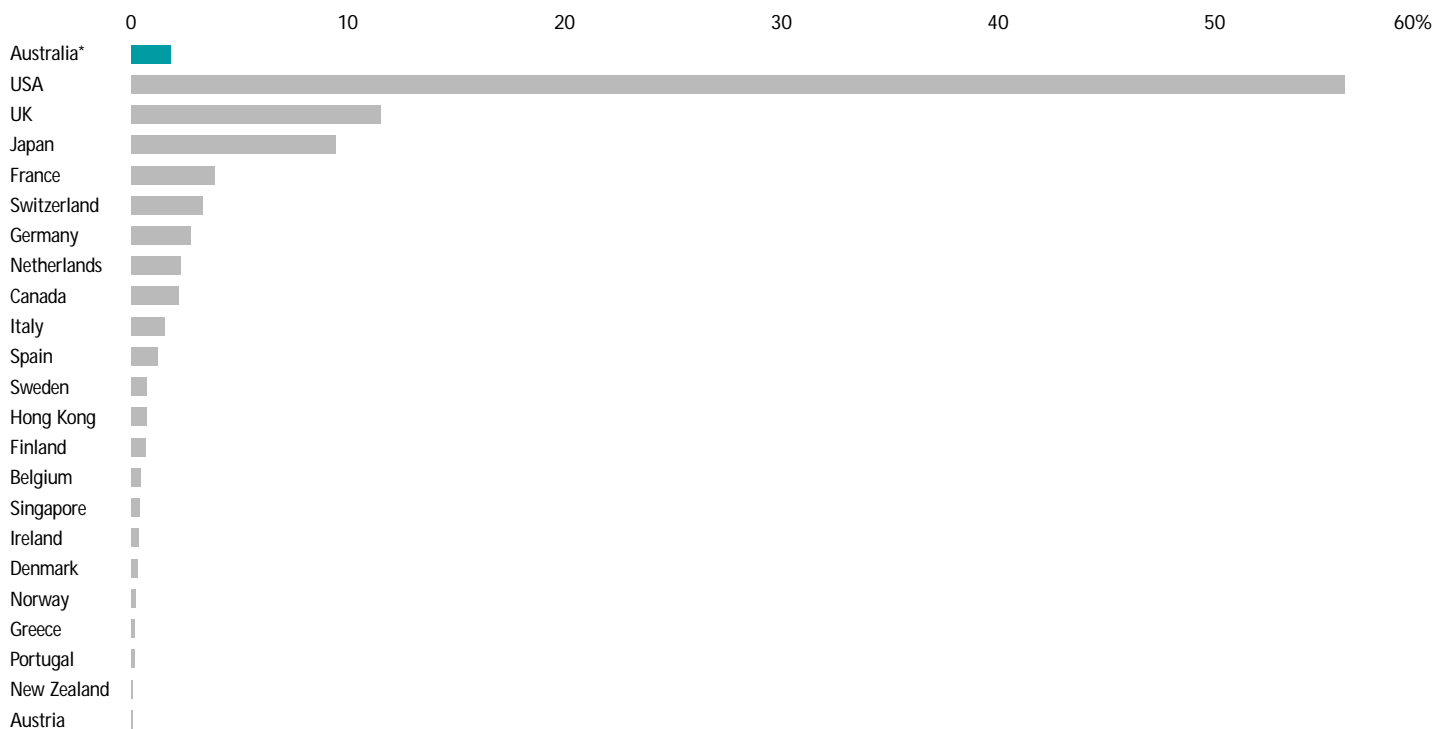
*Meetings are chaired by the Chairman or Vice-Chairman of Tribunal, with other members drawn from a panel

Key market indicators

Capitalisation and liquidity of our market



MSCI global index



* Australia ranks 9th, representing 1.82% at July 2002

ADVANCE
DEVELOP
PROGRESS
GROW
PROSPER

Our shareholders

ASX SHAREHOLDERS HAVE PROSPERED FROM STRONG CAPITAL GROWTH AND FULLY FRANKED DIVIDENDS.

The right businesses to invest in are the ones that we encounter in our daily lives. Banks, retailers, phone companies, power suppliers, TV stations and newspapers all have extremely powerful consumer franchises. ASX is such a business.

About 7.4 million Australians now own shares. Every time one of these shareholders or a new investor buys or sells on the Australian market, ASX earns a fee. What a great business to own!

Moreover, the business is only going to grow, as 9% of each working Australian's salary now goes towards super. The ASX will take a royalty on those amounts invested into Australian listed companies. In addition, the ASX is a reasonably simple business to understand and follow, with some high natural barriers to entry.

My first experience with the ASX was when I started as a broker on the old Sydney trading floor in January 1987. Coincidentally this was also when ASX was formed, but it is a very different place today. For example, the technology that trades and settles your shares belongs to ASX and is probably the best in the world. To put that technology into perspective, ten years ago there were about 6,000 equities trades each day and settlement happened some random day off in the distant future. Today ASX's systems could handle that many trades in about seven minutes, and trades settle three days later. You might also hold your shares in CHESS or with ASX Perpetual Registrars, but not realise that both systems were built by ASX. They have a great track record in building, operating and maintaining their technology.

For me, as an investor, I look at ASX's tremendous cash flow as a sign of reassurance. They have been very shareholder friendly, always paying fully franked dividends, as well as a capital return and special dividend. At the end of the day, it's a great business.

Geoff Travers
Partner, Statton Securities

1987
ASX formed through
merger of six state
exchanges

1987
Geoff Travers
employed by
Statton Securities

October 1998
ASX becomes the first
exchange in the world
to demutualise and list

1998
Geoff Travers
becomes an
ASX shareholder

August 2002
ASX announces record
profit of \$9.1 million
Earnings per share
growth of 15%



Financial statements

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of the financial statements
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Directors' Report

The directors present their report together with the financial report of Australian Stock Exchange Limited (ASX) and the consolidated financial report of the consolidated entity, being ASX and its controlled entities, for the year ended 30 June 2002 and the independent audit report thereon.

Directors

The directors of ASX at any time during or since the end of the financial year are:

Maurice Lionel Newman AC (Chairman);
 Richard George Humphry AO (Managing Director and Chief Executive Officer);
 Clive Michael Batrouney (Vice-Chairman), retired 31 July 2002;
 Michael Henry Shepherd (Vice-Chairman);
 Max Fowles;
 John Arthur Fraser;
 James Joseph Kennedy AO, CBE;
 Trevor Cyril Rowe, appointed 1 July 2002;
 Michael John Sharpe AO; and
 Catherine Mary Walter.

For details of the directors' qualifications and experience refer to pages 34 to 35, which are to be read as part of this report.

Directors' meetings and their attendance at those meetings (including meetings of committees of directors) are detailed on page 36, which is to be read as part of this report.

Principal activity

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

There were no significant changes in the nature of the activities of the company during the year.

Consolidated results

The consolidated net profit after tax for the year attributable to the members of ASX Limited was \$59,132,000 (2001: \$51,020,000).

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

Dividends

Dividends paid or declared by the company since the end of the previous financial year were:

| Type | Cents per share | Total amount \$000 | Date of payment | Tax rate for franking credit |
|-----------------------------------------------------|-----------------|--------------------|-----------------|------------------------------|
| As proposed and provided for in last year's report: | | | | |
| Final | 16.5 | 16,739 | 24 Oct 2001 | 30% Class C |
| | 16.5 | 16,739 | | |
| In respect of the current financial year: | | | | |
| Interim | 19.5 | 19,796 | 26 Mar 2002 | 30% Class C |
| Final | 21.1 | 21,504 | 27 Sept 2002 | 30% Class C |
| Total | 40.6 | 41,300 | | |

All dividends paid or declared by the company since the end of the previous financial year were 100% franked.

Directors' Report (continued)

Review of operations

The review of operations during the year is on pages 12 to 33, which is to be read as part of this report.

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.

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 in this report because disclosures of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of ASX, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

Directors' and senior executives' emoluments

The Board is responsible for reviewing the remuneration policies and packages applicable to the directors and senior executives of the company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Each non-executive director receives a base fee, as well as additional fees for service on controlled entity boards and committees. Non-executive directors do not receive any performance-related remuneration.

The managing director and senior executives may receive annual cash bonuses based on the achievement of specific performance targets established for each year. The managing director's performance targets are established by the Board annually, and are reviewed periodically throughout the year to ensure they remain consistent with the company's priorities, recognising the dynamic nature of ASX's business. The targets are based on qualitative and quantitative criteria. These performance targets then form the basis on which senior executives' performance is assessed.

Shareholders have previously approved an executive share plan for the managing director and senior executives. This share plan is designed to provide a long-term incentive and to better align the interests of the executive team with those of the shareholders. Conditional entitlements to shares have been awarded to senior executives. Shares relating to the first performance period under the plan were issued to participating executives on 24 July 2002. Conditional entitlements are subject to performance criteria set by the Board. The conditional entitlements do not entitle participants to participate in new issues of securities or to receive dividends. Further details are contained in note 21 to the financial statements. Senior executives were eligible to participate in the employee share plans made available to ASX employees. Details of these plans are also contained in note 21.

ASX does not have any share option schemes as part of its remuneration policy.

Details of the nature and amount of each major element of the emolument of each director of ASX and each of the five executive officers of ASX and the consolidated entity receiving the highest emoluments for the financial year are as follows:

| | Annual fixed remuneration \$ | Annual bonuses ⁴ \$ | Annual total remuneration \$ | Accrued retention allowance ⁵ (1999-2002) \$ | Long-term performance share plan ^{6,8} (1999-2002) No. of shares | Annual increment in retirement benefit ⁷ (2002) \$ |
|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Directors¹ | | | | | | |
| Mr ML Newman ⁹ | 183,485 | – | 183,485 | – | – | 64,167 |
| Mr RG Humphry ² | 843,603 | 392,000 | 1,235,603 | – | 191,637 | – |
| Mr CM Batrouney | 108,400 | – | 108,400 | – | – | 28,000 |
| Mr MH Shepherd | 137,683 | – | 137,683 | – | – | 28,000 |
| Mr M Fowles | 66,056 | – | 66,056 | – | – | 23,333 |
| Mr JA Fraser | 70,194 | – | 70,194 | – | – | 23,333 |
| Mr JJ Kennedy | 63,370 | – | 63,370 | – | – | 23,333 |
| Mr MJ Sharpe | 102,900 | – | 102,900 | – | – | 23,333 |
| Mrs CM Walter | 71,426 | – | 71,426 | – | – | 23,333 |
| Executive officers³ | | | | | | |
| Mr CJ Hamilton | 376,507 | 200,000 | 576,507 | 380,000 | 27,334 | – |
| Mrs KL Hamilton | 333,356 | 100,000 | 433,356 | 350,000 | 27,995 | – |
| Mr JM Hayes | 401,502 | 110,000 | 511,502 | 406,000 | 30,666 | – |
| Mr AG Richards | 427,269 | 200,000 | 627,269 | 432,000 | 41,968 | – |
| Mr CR Scully | 428,789 | 150,000 | 578,789 | 450,000 | 35,714 | – |

1 Directors' fees paid for SEGC directorships are not included in the above figures, since SEGC is not a controlled entity. During the financial year, \$70,000 was paid to the directors of ASX who are also directors of SEGC.

2 The shareholders at the annual general meeting held on 25 October 1999 approved the issue of 165,999 shares to Mr Humphry in three tranches over three years, in relation to past performance. On 1 March 2002, the third and final tranche of 55,333 fully paid ASX ordinary shares was issued. The ASX share price at the close of business on 1 March 2002 was \$13.05. There are restrictive covenants in place relating to the disposal of these shares during the term of Mr Humphry's employment. Mr Humphry also received 136,304 shares under the executive share plan on 24 July 2002. Details of these share issues are provided in note 21 to the financial statements.

3 All executive officers are employed by a controlled entity. All executive officers are participating in the employee share schemes (refer note 21(c)).

4 Relates to performance for the year ended 30 June 2001.

5 A retention plan was implemented to retain key executives during 1999 to cover a three year period. The liability has been accrued in the financial statements over the last three years. No new retention plans have been entered into since 1999.

6 These shares, excluding 55,333 shares issued to Mr Humphry, were issued under the executive share plan, on 24 July 2002. The ASX share price at the close of business on 24 July 2002 was \$12.79. Information regarding the 55,333 shares allocated to Mr Humphry can be found in note 2 above.

7 This amount represents the annual amount accrued for retirement benefits as approved at the annual general meeting held on 19 October 1998. Refer to note 23(h).

8 Mr Humphry and other senior executives were issued conditional entitlements under the executive share plan. Refer to page 44 for details.

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

Directors' Report (continued)

Executive Share Plan: conditional entitlements

ASX has issued conditional entitlements to 569,000 shares under the Executive Share Plan subject to the company meeting specified performance criteria. The number of shares that a participant ultimately receives depends on the extent to which the performance criteria are met by the company, and the individual performance of the participant. The Board may increase or decrease the amount of shares awarded to participants by 20% at the end of the performance period.

The performance criteria are a relative measure of the company's performance measured against the performance of a comparative group of companies selected from the ASX/S&P100 on the basis of total shareholder returns (TSR) over the performance period. Broadly, TSR is the percentage difference between the market price of the relevant shares at the beginning and end of the performance period plus

dividends earned over the same period and further adjusted for any other capital movements. The market price is averaged over the three months preceding the start and end dates of the performance period. Unless TSR reaches at least the 50th percentile against the comparative group, the participant is not entitled to any shares. At the 50th percentile, participants will be entitled to 60% of the shares but the maximum entitlement is not reached until the TSR ranks at or above the 75th percentile. Any issue then is still subject to personal performance.

The shares are issued subject to certain vesting and dealing restrictions.

The conditional entitlements will be ascribed a value when an International Accounting Standard comes into force following the expected release of an exposure draft in October 2002 which will address the question of valuation of share and option schemes.

The conditional entitlements to shares currently outstanding are:

| Date of offer | Performance period | Conditional entitlements issued | Price at offer date \$ |
|---------------|----------------------------|---------------------------------|------------------------|
| 22 Nov 2000 | 22 Nov 2001 – 30 June 2003 | 36,400 | 12.93 |
| 22 Nov 2001 | 22 Nov 2001 – 30 June 2004 | 532,600 | 11.97 |

On 24 July 2002, 396,983 shares were issued as a result of a conditional entitlement offer to senior executives in November 1999. The closing market price of ASX shares on that date was \$12.79. An offer of 157,200 conditional entitlements to senior management on 20 April 2000 lapsed during the year as the performance criteria were not met by the expiration of the performance period.

Directors' interests

The relevant interest of each director in the share capital of the companies within the consolidated entity, as notified to the Australian Securities and Investments Commission (ASIC) in accordance with section 205G(1) of the Corporations Act 2001 and listing rule 3.19A, at the date of this report is as follows:

| ASX ordinary shares | Opening balance | Purchases | Allocations | Disposals | Closing balance |
|------------------------------|-----------------|-----------|----------------------|-----------|-----------------|
| Mr ML Newman | 83,000 | – | – | – | 83,000 |
| Mr RG Humphry | 110,666 | – | 191,637 ² | – | 302,303 |
| Mr CM Batrouney ¹ | 80,000 | – | – | – | 80,000 |
| Mr MH Shepherd | 60,000 | – | – | 10,000 | 50,000 |
| Mr M Fowles | 16,500 | – | – | – | 16,500 |
| Mr JA Fraser | 2,000 | – | – | – | 2,000 |
| Mr JJ Kennedy | 1,000 | – | – | – | 1,000 |
| Mr MJ Sharpe | 2,000 | – | – | – | 2,000 |
| Mr TC Rowe | – | – | – | – | – |
| Mrs CM Walter | 3,000 | – | – | – | 3,000 |
| | 358,166 | – | 191,637 | 10,000 | 539,803 |

¹ As at 31 July 2002.

² Refer Directors' and Senior Executives' emoluments above for details.

Indemnification and insurance of officers and auditors

Since the end of the previous financial year, the consolidated entity has paid insurance premiums in respect of directors' and officers' liability for current and former directors and officers of ASX, its controlled entities and a related body corporate.

The officers of ASX covered by the insurance include the current directors as listed on pages 34 to 35, executives, the company secretary 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 ASX provides that the officers of ASX, as detailed above, and the auditors of ASX, KPMG, are indemnified out of the property of ASX against any liability incurred in that capacity in defending any proceedings, whether civil or criminal, in which 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 ASX against any liability incurred in that capacity after 15 April 1994 (other than to ASX, a related entity or a related body corporate) provided that liability does not arise out of conduct involving a lack of good faith.

Corporate governance

ASX's corporate governance matters are discussed on pages 8 to 11.

Rounding of amounts to nearest thousand dollars

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

Dated at Sydney this 27th day of August 2002.

Signed in accordance with a resolution of the directors:



Maurice L Newman AC
Chairman



Richard G Humphry AO
Managing Director

Statements of financial performance

for the year ended 30 June 2002

| | | Consolidated | | The Company | |
|-----------------------------------------------------------------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Revenues from ordinary activities | | | | | |
| Listings | | 37,039 | 34,052 | – | – |
| Equities trading, clearing & settlement | | 91,488 | 84,407 | – | – |
| Derivatives trading, clearing & settlement | | 38,346 | 32,514 | – | – |
| Market data | | 28,775 | 33,273 | – | – |
| Dividend revenue | | 1,017 | 530 | 34,801 | 113,530 |
| Interest revenue | 2 | 4,315 | 4,652 | 1,168 | 1,944 |
| Other revenue | | 9,407 | 8,356 | – | 120 |
| Total revenues from ordinary activities ⁽ⁱ⁾ | 2 | 210,387 | 197,784 | 35,969 | 115,594 |
| Expenses from ordinary activities | | | | | |
| Staff expenses | | 61,858 | 56,674 | – | – |
| Occupancy expenses | | 17,467 | 13,380 | – | – |
| Equipment expenses | | 30,707 | 30,172 | – | – |
| Other expenses | | 17,199 | 20,778 | 557 | 379 |
| Total expenses from ordinary activities ⁽ⁱ⁾ | 3 | 127,231 | 121,004 | 557 | 379 |
| Share of net profits/(losses) of associate accounted for using the equity method | 12 | (476) | (2,324) | – | – |
| Profit from ordinary activities before income tax expense | | 82,680 | 74,456 | 35,412 | 115,215 |
| Income tax (expense) relating to ordinary activities | 5(a) | (23,448) | (23,438) | (182) | (574) |
| Profit from ordinary activities after income tax expense | | 59,232 | 51,018 | 35,230 | 114,641 |
| Net (profit)/loss attributable to outside equity interest | | (100) | 2 | – | – |
| Net profit attributable to members of the parent entity | 19 | 59,132 | 51,020 | 35,230 | 114,641 |
| Net (decrease) in equity on initial adoption of revised accounting standard AASB 1041: | | | | | |
| Net (decrease) in asset revaluation reserve | | – | – | – | (76,225) |
| (Decrease) in retained profits | 19 | – | – | – | (69,263) |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity | | – | – | – | (145,488) |
| Total changes in equity other than those resulting from transactions with owners as owners | | 59,132 | 51,020 | 35,230 | (30,847) |
| Basic earnings per share (cents per share) | 7 | 58.3 | 50.4 | | |
| Diluted earnings per share (cents per share) | 7 | 57.7 | 50.0 | | |

(i) Includes revenues and expenses on consolidation of Orient Capital Pty Limited for the full year (2001: 5 months).

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Statements of financial position

at 30 June 2002

| | | Consolidated | | The Company | |
|---------------------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Current assets | | | | | |
| Cash assets | 25 | 68,407 | 43,861 | 21,399 | 4,908 |
| Receivables | 8 | 23,545 | 21,835 | – | – |
| Other assets | 9 | 5,260 | 6,279 | – | – |
| Total current assets | | 97,212 | 71,975 | 21,399 | 4,908 |
| Non-current assets | | | | | |
| Investments accounted for using the equity method | 12 | 49,454 | 48,928 | – | – |
| Investments – other | 10 | 22,950 | 22,950 | 132,877 | 130,874 |
| Deferred tax assets | 5(c) | 9,092 | 10,834 | – | – |
| Property, plant and equipment | 13 | 63,782 | 73,957 | – | – |
| Receivables | 8 | 19,938 | 13,183 | 19,939 | 13,183 |
| Intangible assets | 11 | 2,405 | 2,534 | – | – |
| Total non-current assets | | 167,621 | 172,386 | 152,816 | 144,057 |
| Total assets | | 264,833 | 244,361 | 174,215 | 148,965 |
| Current liabilities | | | | | |
| Payables | 14 | 14,010 | 16,255 | 1,050 | 1,050 |
| Interest bearing liabilities | 15 | 32 | 169 | – | – |
| Current tax liabilities | 5(b) | 7,968 | 9,076 | 178 | 651 |
| Provision for dividend | 16 | – | 16,739 | – | 16,739 |
| Provisions – other | 16 | 22,655 | 12,647 | – | – |
| Other liabilities | 17 | 5,787 | 7,240 | – | – |
| Total current liabilities | | 50,452 | 62,126 | 1,228 | 18,440 |
| Non-current liabilities | | | | | |
| Interest bearing liabilities | 15 | 23 | 113 | – | – |
| Deferred tax liabilities | 5(d) | 5,694 | 4,801 | 29 | – |
| Provisions – other | 16 | 10,583 | 18,676 | – | – |
| Other liabilities | 17 | – | – | 47,553 | 20,554 |
| Total non-current liabilities | | 16,300 | 23,590 | 47,582 | 20,554 |
| Total liabilities | | 66,752 | 85,716 | 48,810 | 38,994 |
| Net assets | | 198,081 | 158,645 | 125,405 | 109,971 |
| Equity | | | | | |
| Parent entity interest | | | | | |
| – Contributed equity | 18 | 106,282 | 106,282 | 106,282 | 106,282 |
| – Retained profits | 19 | 91,594 | 52,258 | 19,123 | 3,689 |
| Total parent entity interest in equity | | 197,876 | 158,540 | 125,405 | 109,971 |
| Total outside equity interest | 20 | 205 | 105 | – | – |
| Total equity | | 198,081 | 158,645 | 125,405 | 109,971 |

The statements of financial position are to be read in conjunction with the notes to the financial statements.

Statements of cash flows

for the year ended 30 June 2002

| | | Consolidated | | The Company | |
|------------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
| | Note | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers | | 225,744 | 209,978 | – | – |
| Payments to suppliers and employees | | (136,357) | (130,512) | (557) | (379) |
| Dividends received | | 1,017 | 530 | 34,801 | 113,530 |
| Interest received | | 3,872 | 4,810 | 1,168 | 1,945 |
| Income taxes paid | 5(b) | (21,921) | (32,768) | (626) | (198) |
| Cash received from Securities Industry Development Account | | 3,992 | 7,275 | – | – |
| Net cash provided by operating activities | 25(a) | 76,347 | 59,313 | 34,786 | 114,898 |
| Cash flows from investing activities | | | | | |
| Expenditure on internally developed assets | | (4,475) | (16,960) | – | – |
| Purchase of plant and equipment | | (3,698) | (12,529) | – | – |
| Proceeds on sale of plant and equipment | 2 | 665 | 276 | – | – |
| Payments for non-current investments | | (1,002) | (25,712) | (2,003) | (25,768) |
| Proceeds from disposal of non-current investments | 2 | – | 5,413 | – | 5,413 |
| Cash received on sale of investment securities | | – | 38,659 | – | 15,866 |
| Loans from/(to) subsidiary entities | | – | – | 26,999 | (48,196) |
| Loans (to) associate | | (7,460) | (7,650) | (7,460) | (7,650) |
| Net cash (used in) / provided by investing activities | | (15,970) | (18,503) | 17,536 | (60,335) |
| Cash flows from financing activities | | | | | |
| Dividends paid | 6 | (36,535) | (59,416) | (36,535) | (59,416) |
| Proceeds from employee share plans | 21(c) | 704 | 754 | 704 | 754 |
| Net cash (used in) financing activities | | (35,831) | (58,662) | (35,831) | (58,662) |
| Net increase / (decrease) in cash held | | 24,546 | (17,852) | 16,491 | (4,099) |
| Cash at the beginning of the financial year | | 43,861 | 61,713 | 4,908 | 9,007 |
| Cash at the end of the financial year | | 68,407 | 43,861 | 21,399 | 4,908 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

1 Statement of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. In addition, disclosures required by International Accounting Standards (IASs) and Australian Exposure Drafts are included to the extent that they do not conflict with Australian Accounting Standards and where such disclosures enhance the usefulness and relevance of the financial report.

The financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets, and is presented in Australian dollars.

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

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

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the accounting policies with respect to Provisions, contingent liabilities and contingent assets. The consolidated entity has made an election under section 334(5) of the Corporations Act 2001 to early adopt Accounting Standard AASB 1044 *Provisions, contingent liabilities and contingent assets*. The effect of early adopting AASB 1044 is that the final dividend has not been provided for in the statement of financial position.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of ASX and its controlled entities. All inter-entity balances and transactions have been eliminated in the consolidated financial statements.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Outside interests in the equity and results of the entities that are controlled by the company are shown as a separate item in the consolidated financial statements.

ASX owns 100% of Securities Exchanges Guarantee Corporation Limited (SEGC). The financial statements of SEGC have not been included in the consolidated financial statements because the ASX is not entitled to the entity's assets, nor is it able to control the entity so as to pursue ASX objectives.

(d) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity. Goodwill is amortised on a straight line basis over the period during which benefits are expected to arise. This period of amortisation is 20 years.

The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

(e) Revenue recognition

Operating revenue

Operating revenue comprises amounts earned (net of returns, rebates and allowances) from the provision of products or services to entities outside the consolidated entity. Revenue is recognised when the goods are provided or, in relation to the provision of services, when services have been performed.

Interest and dividend revenue

Interest revenue is recognised as it accrues. Dividend revenue is recognised when it is received.

Asset sales

The profit and loss on disposal of assets is brought to account at the date when ownership passes to a party external to the consolidated entity.

The gain/(loss) on disposal is calculated as the difference between the carrying amount of the assets at the time of disposal, net of proceeds on disposal.

(f) Taxation

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

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

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

(g) Cash and cash equivalents

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in securities with a term to maturity of less than three months.

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

1 Statement of significant accounting policies (continued)

(h) Receivables

Trade debtors to be settled within thirty days are carried at amounts due. The collectability of debts is assessed at balance date and a specific provision is made.

(i) Property, plant and equipment

Assessment of recoverable amount

The carrying amounts of all significant property, plant and equipment are reviewed at least annually to determine whether their carrying value is in excess of their recoverable amount.

The recoverable amount means, in relation to an asset, the net amount that is expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. If the carrying amount of an item of property, plant and equipment exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amount, the relevant cash flows have not been discounted to their present value.

Property, plant and equipment acquired by the consolidated entity

Items of property, plant and equipment are capitalised at historical cost and depreciated as outlined below.

Depreciation and amortisation

Items of property, plant and equipment, including leasehold property but excluding buildings and freehold land, are depreciated/amortised over their estimated useful lives using the straight-line method. The depreciation periods used for each class of asset, for the current and previous years, are as follows:

| | Years |
|---------------------------------------------|-------|
| – Plant and equipment | 3-7 |
| – Computer equipment & software development | 3-7 |
| – Motor vehicles | 4-6 |
| – Leased motor vehicles capitalised | 3-4 |
| – Leasehold improvements | 3-14 |

Leased plant and equipment

Leases of plant and equipment under which the consolidated entity assumes substantially all of the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and liability equal to the present value of the minimum lease payments, excluding executory costs, are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight-line basis against the revenue of the accounting periods, which are expected to benefit from their use. Lease liabilities are reduced by repayment of principal. The interest components of the lease payments are expensed. Payments made under operating leases are charged against profits in equal instalments over the lease term.

Leased premises

Lease incentives are included in several of the operating leases negotiated by the consolidated entity. These vary with individual leases. Lease incentives include rent-free periods and free fit-out of leased areas. The estimated value of the lease incentives has been apportioned over future accounting periods. The net lease costs are charged against the results for those periods to permit a proper matching of expenditure and revenue.

Other operating lease payments are expensed in equal instalments over the accounting periods covered by the lease term.

Surplus lease space

Provision is made for surplus 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;
- currently occupies the premises, but the premises have been assessed to be of no substantive benefit beyond a known future date.

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

Capitalisation and amortisation of software expenditure

Expenditure for major upgrades or enhancements to existing major systems is capitalised and written off over seven years, or if minor enhancement 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.

(j) Software development for third parties

Work in progress for the development of software for parties external to the company is carried at cost less progress billings, less any provision for foreseeable losses. Profit is not recognised until it is assessed by the company as being earned beyond any reasonable doubt.

(k) Employee entitlements

Wages, salaries and annual leave

The provision for employee entitlements to wages, salaries and annual leave represents the amount the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs. Details of aggregate employee entitlements are contained in note 21.

Long service leave

The provision for employee entitlements 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 up to the balance date.

Provisions for employee entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to high quality five year corporate bonds at balance date.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Employee and executive share plans

The company grants shares to employees under employee and executive share plans. The company incurs costs in administering the employee share plans which are expensed as incurred, and underwrites any losses incurred by the Employee Share Plan Trust which holds the employee shares on behalf of the employees. The company has also issued entitlements to shares to senior executives. These entitlements are conditional and are based on performance. Further share plan information is set out in notes 21 and 23(g).

(l) Investments and dividend revenue

Controlled entities

Investments in controlled entities are valued in the company's financial statements at cost. Dividends and distributions are brought to account in the statements of financial performance when they are declared by the controlled entities.

Associates

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

In the consolidated financial statements investments in associates are equity accounted by using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the associates' net profit or loss after tax is recognised in the consolidated statements of financial performance after amortisation of goodwill arising from notional adjustments made as at the date of acquisition.

Other companies

Other investments are carried at the lower of cost or recoverable amount. Dividends are brought to account upon receipt.

(m) Superannuation fund

ASX employees are members of the ASX Superannuation Plan (the plan), which is part of an externally managed multi-employer trust. The plan exists to provide benefits for employees and their dependants on retirement, disability or death. The consolidated entity contributes to the plan in addition to contributions made by employees. A provision exists that was created by continuing company contributions when the former internally managed fund was in surplus. The provision is being amortised against future company committed contributions. Details of the utilisation of the provision are contained in note 16.

(n) Moneys held in trust for participating organisations

Prior to 11 March 2002, participating organisations were required to lodge deposits with the company in accordance with section 889 of the old Corporations Act 2001. These deposits were held in trust for participating organisations until repaid. As the funds were held in trust, they were not recorded as assets and liabilities of the consolidated entity. The requirement to lodge these deposits was removed on 11 March 2002 with the commencement of the Financial Services Reform Act 2001. As a result, the company returned the funds held by it to participating organisations.

At 30 June 2002, trust funds held in accordance with section 889 of the old Corporations Act 2001 were \$nil (2001: \$85,906,000).

(o) Securities Industry Development Account (SIDA) and Financial Industry Development Account (FIDA)

SEGC holds the assets of the National Guarantee Fund (the Fund) in trust for the purposes set out in the provisions of Part 7.5 Division 4 of the Corporations Act 2001 and administers the Fund in accordance with those provisions. SEGC is able to determine that, without limiting its guarantee capacity, funds in excess of the Fund's 'minimum amount' may be transferred to ASX to be paid into a separate account designated as FIDA (previously SIDA). Money held by ASX in the SIDA/FIDA account may only be used for a purpose that has been approved by the Federal Treasurer. In relation to FIDA funding, the Federal Treasurer may approve purposes relating to programs for the development of the financial industry that are conducted primarily for a public benefit. Previously, in relation to SIDA funding, the Federal Treasurer could approve purposes relating to programs for the development of the securities industry. SIDA and FIDA receipts are recognised on an accruals basis.

(p) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange prevailing at the dates of the transactions. At 30 June 2002 there were no significant outstanding balances in foreign currency (2001: \$nil).

(q) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity. Trade accounts payable are settled on normal commercial terms.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

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

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | | Consolidated | | The Company | |
|------------------------------------------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| 2 Revenues from ordinary activities | | | | | |
| Revenues from operating activities | | | | | |
| Operating revenue | | 205,055 | 192,602 | – | 120 |
| Interest revenue | | | | | |
| – associated companies | 26 | 765 | 150 | 765 | 150 |
| – other parties | | 3,550 | 4,502 | 403 | 1,794 |
| Dividend revenue | | | | | |
| – controlled entities | | – | – | 33,784 | 113,000 |
| – other corporations | | 1,017 | 530 | 1,017 | 530 |
| Revenues from ordinary activities | | 210,387 | 197,784 | 35,969 | 115,594 |
| Proceeds from sale of non-current investments | | – | 5,413 | – | 5,413 |
| Proceeds on sale of plant and equipment | | 665 | 276 | – | – |
| 3 Expenses/(gains) from ordinary activities | | | | | |
| Included in expenses from ordinary activities are the following items: | | | | | |
| Depreciation of non-current assets: | | | | | |
| Plant and equipment | | 4,558 | 4,947 | – | – |
| Computer equipment and software | | 7,525 | 9,040 | – | – |
| Total depreciation of non-current assets | | 12,083 | 13,987 | – | – |
| Amortisation of non-current assets: | | | | | |
| Computer software | | 6,409 | 4,326 | – | – |
| Leased motor vehicles | | 80 | 138 | – | – |
| Total amortisation of non-current assets | | 6,489 | 4,464 | – | – |
| Total depreciation and amortisation expenses | | 18,572 | 18,451 | – | – |
| Amortisation of goodwill | | 129 | 54 | – | – |
| Net (gain)/loss on sale of plant and equipment | | (98) | 401 | – | – |
| Net (gain) on sale of investments | | – | (120) | – | (120) |
| Rental charges – operating leases | | 15,145 | 12,491 | – | – |
| Bad debts written off/(recovered) against provision | | 659 | 1,161 | – | – |
| Net expense/(gain) from movements in provision for | | | | | |
| – Employee entitlements | | 1,067 | 3,902 | – | – |
| – Superannuation | | (639) | (357) | – | – |
| – Doubtful debts | | 559 | 914 | – | – |
| – Leased premises | | (2,368) | (4,524) | – | – |

| | Consolidated | | The Company | |
|---------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 4 Individually significant items included in profit from ordinary activities before income tax expense | | | | |
| GST project costs | – | 180 | – | – |
| Merger costs | – | 286 | – | – |
| Uninsured losses | – | 1,455 | – | – |
| Total | – | 1,921 | – | – |
| 5 Taxation | | | | |
| (a) Income tax (expense) | | | | |
| Prima facie income tax (expense) calculated at 30% (2001: 34%) on the operating profit before tax | (24,804) | (25,315) | (10,624) | (39,173) |
| Movement in income tax (expense) due to | | | | |
| – Non-tax deductible items | (517) | (429) | – | – |
| – Rebatable dividend income | 305 | 180 | 10,442 | 38,600 |
| – SIDA non-assessable income | 997 | 1,666 | – | – |
| – Research and development concession | 585 | 867 | – | – |
| – Equity accounted associate result | (143) | (791) | – | – |
| – Building allowance | 48 | 54 | – | – |
| – Amortisation of goodwill | (39) | (18) | – | – |
| | (23,568) | (23,786) | (182) | (573) |
| Restatement of deferred tax balances due to change in income tax rate | – | 28 | – | 7 |
| Over/(under) provision in prior year | 120 | 320 | – | (8) |
| Total income tax (expense) | (23,448) | (23,438) | (182) | (574) |
| Total income tax (expense) is made up of: | | | | |
| Current income tax provision | (20,933) | (21,255) | (153) | (613) |
| Deferred income tax provision | (893) | (1,598) | (29) | 47 |
| Future income tax benefit | (1,742) | (796) | – | – |
| FITB acquired through acquisition of a controlled entity | – | (109) | – | – |
| Over/(under) provision in prior year | 120 | 320 | – | (8) |
| Total income tax (expense) | (23,448) | (23,438) | (182) | (574) |
| (b) Provision for current income tax | | | | |
| Balance at beginning of year | 9,076 | 20,666 | 651 | 228 |
| Income tax paid | (21,921) | (32,768) | (626) | (198) |
| Current year's income tax expense on operating profit | 20,933 | 21,255 | 153 | 613 |
| (Over)/under provision in prior year | (120) | (320) | – | 8 |
| Addition through acquisition of a controlled entity | – | 243 | – | – |
| Provision for current income tax | 7,968 | 9,076 | 178 | 651 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | Consolidated | | The Company | |
|------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 5 Taxation (continued) | | | | |
| (c) Deferred tax asset | | | | |
| Future income tax benefit reflects the future benefit at an income tax rate of 30% (2001: 30%) of the following items: | | | | |
| Provisions for: | | | | |
| – Doubtful debts | 323 | 442 | – | – |
| – Employee entitlements | 5,073 | 5,463 | – | – |
| – Leased premises | 2,882 | 3,777 | – | – |
| – Superannuation | 269 | 461 | – | – |
| Accrued expenses | 306 | 390 | – | – |
| Revenue received in advance | 239 | 301 | – | – |
| Deferred tax asset | 9,092 | 10,834 | – | – |

(d) Deferred tax liability

Provision for deferred income tax comprises the estimated expense at an income tax rate of 30% (2001: 30%) of the following items:

| | | | | |
|---------------------------------|-------|-------|----|---|
| Deferred income | 190 | 56 | 29 | – |
| Prepayments | 124 | 254 | – | – |
| Capitalised project costs | 4,672 | 3,129 | – | – |
| Depreciation timing differences | 708 | 1,362 | – | – |
| Deferred tax liability | 5,694 | 4,801 | 29 | – |

6 Dividends

Dividends proposed or paid by the company are as follows:

| | Cents per share | Total amount \$000 | Date of payment | Franked tax rate | Percentage franked |
|-------------|--------------------|--------------------------|--------------------|---------------------|-----------------------|
| 2002 | | | | | |
| Interim | 19.5 | 19,796 | 26 March 2002 | 30% Class C | 100% |
| | 19.5 | 19,796 | | | |
| 2001 | | | | | |
| Interim | 26.8 | 27,135 | 26 March 2001 | 34% Class C | 100% |
| Final | 16.5 | 16,739 | 24 October 2001 | 30% Class C | 100% |
| | 43.3 | 43,874 | | | |

| | 2002 \$000 | Consolidated 2001 \$000 |
|--|---------------|-------------------------------|
|--|---------------|-------------------------------|

6 Dividends (continued)

Franking credit balance

Class C (30% (2001: 30%)) franking credits available to shareholders of ASX for subsequent financial years

| | |
|--------|-------|
| 33,856 | 5,589 |
|--------|-------|

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 income tax payable as at the end of the financial year;
- franking debits that will arise from the payment of dividends recognised as a liability as at the end of the financial year;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- franking credits that the entity may be prevented from distributing in subsequent financial years.

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

The above franking credit balance has not been adjusted for the final dividend for the 2002 financial year since this dividend has not been recognised in the statement of financial position due to the adoption of AASB 1044 *Provisions, contingent liabilities and contingent assets*.

| | 2002 | Consolidated 2001 |
|------------------------------------|------|----------------------|
| 7 Earnings per share | | |
| Basic earnings per share (cents) | 58.3 | 50.4 |
| Diluted earnings per share (cents) | 57.7 | 50.0 |

| | 2002 \$000 | 2001 \$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 | 59,132 | 51,020 |
|-------------------------------------------------------------------|--------|--------|

| | Number of shares | Number of shares |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 101,476,027 | 101,252,339 |
| Effect of dilutive securities: | | |
| Contingently issuable shares | 1,040,445 | 769,770 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 102,516,472 | 102,022,109 |
| Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share | 11,749 | 47,056 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | | Consolidated | | The Company | |
|------------------------------------------|-------|---------------|---------------|---------------|---------------|
| | Note | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 8 Receivables | | | | | |
| Current | | | | | |
| Trade debtors | | 20,796 | 21,510 | – | – |
| Provision for doubtful debts | | (1,069) | (1,223) | – | – |
| | | 19,727 | 20,287 | – | – |
| Other debtors | | 3,818 | 1,548 | – | – |
| | | 23,545 | 21,835 | – | – |
| Non-current | | | | | |
| Loan to associate – unsecured | | 15,110 | 7,650 | 15,110 | 7,650 |
| Employee share plan trust loans | 21(c) | 4,828 | 5,533 | 4,829 | 5,533 |
| | | 19,938 | 13,183 | 19,939 | 13,183 |
| 9 Other assets | | | | | |
| Current | | | | | |
| Prepayments | | 1,845 | 2,155 | – | – |
| Accrued revenue | | 3,415 | 4,124 | – | – |
| | | 5,260 | 6,279 | – | – |
| 10 Investments – other | | | | | |
| Non-current | | | | | |
| <i>Controlled entities</i> | | | | | |
| Unlisted shares at cost | | – | – | 7,796 | 7,695 |
| Subordinated loan – controlled entities | | – | – | 49,676 | 48,776 |
| <i>Investment in associate – at cost</i> | 12 | – | – | 52,455 | 51,453 |
| <i>Other corporations</i> | | | | | |
| Listed shares at cost* | | 22,950 | 22,950 | 22,950 | 22,950 |
| | | 22,950 | 22,950 | 132,877 | 130,874 |

*ASX Limited 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: | 15% |
| Carrying amount of investment: | \$22,950,000 |

The market value of shares held in IRESS Market Technology Limited at 30 June 2002 was \$39,000,000 (2001: \$32,250,000).

| | Consolidated | | The Company | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 11 Intangible assets | | | | |
| Goodwill | 2,588 | 2,588 | – | – |
| Accumulated amortisation | (183) | (54) | – | – |
| | 2,405 | 2,534 | – | – |

12 Investments accounted for using the equity method

| | | | | |
|-------------------------|--------|--------|---|---|
| Non-current | | | | |
| Investment in associate | 49,454 | 48,928 | – | – |

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

Principal activity: Share registry services

Balance date: 30 June 2002

Ownership interest: 50%

Reconciliation of associate's reported result to equity accounted result

| | | |
|-----------------------------------------------------------------------------|---------|---------|
| ASX's 50% share of APRL profit/(loss) | 554 | (1,970) |
| Purchased share of subsequent pre-acquisition adjustments | – | 644 |
| Goodwill | 1,476 | 1,474 |
| Income tax (benefit) | (43) | (791) |
| Share of associate's operating (loss)/profit before income tax and goodwill | 1,987 | (643) |
| Share of associate's income tax benefit attributable to operating profit | 43 | 791 |
| Net profit after tax pre goodwill | 2,030 | 148 |
| Adjustments: | | |
| Amortisation of goodwill arising from investment | (2,506) | (2,472) |
| Share of associate's net loss – equity accounted | (476) | (2,324) |

The consolidated entity's share of aggregate assets, liabilities and profits/(losses) of associate is as follows:

| | | |
|---------------------------------------------|--------|--------|
| Current assets | 5,551 | 8,322 |
| Non-current assets | 44,239 | 36,463 |
| Total assets | 49,790 | 44,785 |
| Current liabilities | 4,946 | 7,909 |
| Non-current liabilities* | 15,146 | 7,732 |
| Total liabilities | 20,092 | 15,641 |
| Net assets – as reported by associate | 29,698 | 29,144 |
| Adjustments arising from equity accounting: | | |
| Goodwill (net of amortisation) | 19,756 | 19,784 |
| Net assets – equity adjusted | 49,454 | 48,928 |

* Part of a shareholder loan facility to fund the development of a new registry system. ASX share of funding facility is \$15 million. Refer note 26(c) for further details.

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | 2002 \$000 | 2001 \$000 |
|-----------------------------------------------------------------------------------|---------------|---------------|
| 12 Investments accounted for using the equity method (continued) | | |
| Share of post-acquisition retained profits/(losses) attributable to associate | | |
| Share of associate's retained (losses) at the beginning of the year | (2,525) | (201) |
| Share of associate's net (losses) accounted for using the equity method | (476) | (2,324) |
| Share of associate's retained (losses) at the end of the year | (3,001) | (2,525) |
| Movement in carrying amount of investment | | |
| Carrying amount of investment in associate at the beginning of the financial year | 48,928 | 50,052 |
| Additional purchase consideration paid | 1,002 | 1,200 |
| Share of associate's net loss | (476) | (2,324) |
| Carrying amount of investment in associate at the end of the financial year | 49,454 | 48,928 |
| Commitments | | |
| Share of associate's operating lease commitments payable: | 4,650 | 3,719 |
| Share of associate's capital commitments: | 1,241 | 3,533 |

| | Consolidated | | The Company | |
|-------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 13 Property, plant and equipment | | | | |
| Non-current | | | | |
| Property, plant and equipment – at cost | | | | |
| Opening value | 61,665 | 58,412 | – | – |
| Additions | 1,046 | 2,433 | – | – |
| Transfers from capital works in progress | – | 653 | – | – |
| Transfers to computer equipment and software | (950) | – | – | – |
| Assets acquired with subsidiaries | – | 515 | – | – |
| Disposals | (2,084) | (348) | – | – |
| Closing value | 59,677 | 61,665 | – | – |
| Accumulated depreciation | | | | |
| Opening value | 32,663 | 28,170 | – | – |
| Depreciation expense | 4,393 | 4,695 | – | – |
| Assets acquired with subsidiaries | – | 146 | – | – |
| Depreciation written back on disposals | (1,886) | (348) | – | – |
| Closing value | 35,170 | 32,663 | – | – |
| Property, plant and equipment at net book value | 24,507 | 29,002 | – | – |
| Computer equipment and software – at cost | | | | |
| Opening value | 88,739 | 76,562 | – | – |
| Additions | 2,652 | 10,148 | – | – |
| Transfers from capital works in progress | 10,093 | 2,974 | – | – |
| Transfers from property, plant and equipment | 950 | – | – | – |
| Disposals | (25,662) | (945) | – | – |
| Closing value | 76,772 | 88,739 | – | – |
| Accumulated depreciation | | | | |
| Opening value | 61,988 | 49,567 | – | – |
| Depreciation expense | 13,934 | 13,366 | – | – |
| Depreciation written back on disposals | (25,472) | (945) | – | – |
| SIDA write-back | (791) | – | – | – |
| Closing value | 49,659 | 61,988 | – | – |
| Computer equipment and purchased software at net book value | 27,113 | 26,751 | – | – |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | Consolidated | | The Company | |
|-------------------------------------------------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| 13 Property, plant and equipment (continued) | | | | |
| Motor vehicles – at cost | | | | |
| Opening value | 1,319 | 1,647 | – | – |
| Disposals | (248) | (328) | – | – |
| Closing value | 1,071 | 1,319 | – | – |
| Accumulated depreciation | | | | |
| Opening value | 576 | 578 | – | – |
| Depreciation expense | 165 | 252 | – | – |
| Depreciation written back on disposals | (171) | (254) | – | – |
| Closing value | 570 | 576 | – | – |
| Motor vehicles at net book value | 501 | 743 | – | – |
| Leased motor vehicles – at cost | | | | |
| Opening value | 572 | 706 | – | – |
| Additions | – | 31 | – | – |
| Disposals | (330) | (165) | – | – |
| Closing value | 242 | 572 | – | – |
| Accumulated amortisation | | | | |
| Opening value | 351 | 321 | – | – |
| Amortisation expense | 80 | 138 | – | – |
| Amortisation written back on disposals | (228) | (108) | – | – |
| Closing value | 203 | 351 | – | – |
| Leased motor vehicles at net book value | 39 | 221 | – | – |
| Capital works in progress – at cost | | | | |
| Opening value | 17,240 | 4,522 | – | – |
| Additions | 4,475 | 16,877 | – | – |
| Transfers to plant and equipment | (10,093) | (3,627) | – | – |
| Write-off | – | (532) | – | – |
| Closing value | 11,622 | 17,240 | – | – |
| Total property, plant and equipment at net book value | 63,782 | 73,957 | – | – |
| Total property, plant and equipment | | | | |
| – At cost | 149,384 | 169,535 | – | – |
| – Accumulated depreciation and amortisation | (85,602) | (95,578) | – | – |
| Total property, plant and equipment at net book value | 63,782 | 73,957 | – | – |

| | | Consolidated | | The Company | |
|----------------------------------------|-------|---------------|---------------|---------------|---------------|
| | Note | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 14 Payables | | | | | |
| Current | | | | | |
| Trade creditors | | 5,737 | 5,374 | – | – |
| Other creditors and accruals | | 8,273 | 10,881 | 1,050 | 1,050 |
| | | 14,010 | 16,255 | 1,050 | 1,050 |
| 15 Interest bearing liabilities | | | | | |
| Current | | | | | |
| Lease liabilities | 22(c) | 32 | 169 | – | – |
| Non-current | | | | | |
| Lease liabilities | 22(c) | 23 | 113 | – | – |
| 16 Provisions | | | | | |
| Current | | | | | |
| Employee entitlements | 21(a) | 20,167 | 10,120 | – | – |
| Leased premises | | 2,488 | 2,527 | – | – |
| Provisions (excluding dividends) | | 22,655 | 12,647 | – | – |
| Dividend | 6 | – | 16,739 | – | 16,739 |
| | | 22,655 | 29,386 | – | 16,739 |
| Non-current | | | | | |
| Employee entitlements | 21(a) | 1,999 | 7,124 | – | – |
| Leased premises | | 7,687 | 10,016 | – | – |
| Superannuation | | 897 | 1,536 | – | – |
| | | 10,583 | 18,676 | – | – |

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

| | Employee entitlements \$000 | Leased premises \$000 | Superannuation \$000 | Dividend \$000 | Total \$000 |
|-------------------------|-----------------------------------|-----------------------------|-------------------------|-------------------|----------------|
| Balance at 1 July 2001 | 17,244 | 12,543 | 1,536 | 16,739 | 48,062 |
| – made during the year | 8,496 | – | – | 19,796 | 28,292 |
| – used during the year | (3,574) | (2,368) | (639) | (36,535) | (43,116) |
| Balance at 30 June 2002 | 22,166 | 10,175 | 897 | – | 33,238 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | | Consolidated | | The Company | |
|-----------------------------------|-------|---------------|---------------|---------------|---------------|
| | Note | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 17 Other liabilities | | | | | |
| Current | | | | | |
| Listing fees received in advance | | 968 | 1,410 | – | – |
| Other revenue received in advance | | 4,654 | 5,670 | – | – |
| Other | | 165 | 160 | – | – |
| | | 5,787 | 7,240 | – | – |
| Non-current | | | | | |
| Loans from controlled entities | 26(b) | – | – | 47,553 | 20,554 |

18 Contributed equity

Issued and paid-up capital

| | | | | |
|------------------------------------------------------------|---------|---------|---------|---------|
| 101,518,760 fully paid ordinary shares (2001: 101,450,227) | 106,282 | 106,282 | 106,282 | 106,282 |
|------------------------------------------------------------|---------|---------|---------|---------|

Movements in ordinary share capital during the financial year were as follows:

| | | | | |
|------------------------------------------------|---------|---------|---------|---------|
| Balance at the beginning of the financial year | 106,282 | 103,784 | 106,282 | 103,784 |
| Shares issued through employee share plans | – | 2,498 | – | 2,498 |
| Balance at the end of the financial year | 106,282 | 106,282 | 106,282 | 106,282 |

| | Number of shares | |
|------------------------------------------------|------------------|-------------|
| | 2002 | 2001 |
| Balance at the beginning of the financial year | 101,450,227 | 101,195,139 |
| Shares issued to managing director | 55,333 | 55,333 |
| Shares issued under employee share plans | – | 199,755 |
| Shares issued under executive share plans | 13,200 | – |
| Balance at the end of the financial year | 101,518,760 | 101,450,227 |

Share capital comprises 101,518,760 ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of ASX. A further 396,983 shares were issued on 24 July 2002 under the executive share plan. The closing market price of ASX shares on 24 July 2002 was \$12.79.

| | | Consolidated | | The Company | |
|--------------------------------------------------------------------------------------------------------------------------|------|---------------|---------------|---------------|---------------|
| | Note | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 19 Retained profits | | | | | |
| Balance at the beginning of the financial year | | 52,258 | 45,081 | 3,689 | 2,154 |
| Net profit attributable to members of the parent entity | | 59,132 | 51,020 | 35,230 | 114,641 |
| Dividends provided for or paid | | (19,796) | (43,843) | (19,796) | (43,843) |
| Reversal of revaluation on initial application of Accounting Standard AASB1041: <i>Revaluation of Non-Current Assets</i> | | – | – | – | (69,263) |
| Balance at the end of the financial year | | 91,594 | 52,258 | 19,123 | 3,689 |

20 Outside equity interest

Reconciliation of outside equity interest in controlled entities comprise:

| | | | | |
|---------------------------------------------------------------|-----|-----|---|---|
| Balance at the beginning of the financial year | 105 | – | – | – |
| Outside equity interests in entities acquired during the year | – | 107 | – | – |
| Add share of operating profits/(losses) | 100 | (2) | – | – |
| Total outside equity interest | 205 | 105 | – | – |
| Interest in share capital | 107 | 107 | – | – |
| Interest in retained profits/(losses) at the end of the year | 98 | (2) | – | – |
| Total outside equity interest | 205 | 105 | – | – |

21 Employee entitlements

(a) Aggregate employee entitlements, including on-costs

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

| | | | | | |
|-------------|----|--------|--------|---|---|
| Current | 16 | 20,167 | 10,120 | – | – |
| Non-current | 16 | 1,999 | 7,124 | – | – |
| | | 22,166 | 17,244 | – | – |

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

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

The total number of full-time equivalent employees including Orient Capital Pty Limited as at 30 June 2002 was 576 (2001: 626).

| | | Consolidated | | The Company | |
|---------------------------------------------------------------------------------------------------|--|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| (b) Employee remuneration | | | | | |
| Employee expenses contained within the statement of financial performance comprise the following: | | | | | |
| Salary and wages | | 54,216 | 47,067 | – | – |
| Staff bonuses | | 3,773 | 3,286 | – | – |
| Termination benefits | | 832 | 689 | – | – |
| | | 58,821 | 51,042 | – | – |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

21 Employee entitlements (continued)

(c) Employee share plans

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

– ASX employee share acquisition plan (plan 1)

One parcel of ordinary shares, having a market value of \$1,000 each, was offered to all eligible employees at no cost in December 1998. Dealing in these shares is not permitted for a period of three years from date of issue. This restriction finishes where employment ceases.

– ASX employee share purchase plan (plan 2)

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

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

| Plan | Number of eligible employees | Date of issue | Issue price \$ | Number of shares issued | Market value on issue \$ |
|-----------|------------------------------|---------------|----------------|-------------------------|--------------------------|
| Plan 1 | 536 | 5 Dec 1998 | 8.34 | 64,320 | 536,429 |
| Plan 2: | | | | | |
| – offer 1 | 470 | 5 Dec 1998 | 8.34 | 300,112 | 2,502,934 |
| – offer 2 | 449 | 31 Mar 2000 | 13.85 | 179,374 | 2,484,330 |
| – offer 3 | 592 | 20 Apr 2001 | 12.51 | 199,755 | 2,498,935 |
| Total | | | | 743,561 | 8,022,628 |

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

| | Plan 1 | Plan 2 offer 1 | Plan 2 offer 2 | Plan 2 offer 3 | Number of shares |
|----------------------------------------------|--------|----------------|----------------|----------------|------------------|
| Shares remaining at 30 June 2001 | 38,520 | 154,945 | 149,843 | 198,717 | 542,025 |
| Shares disposed of during the financial year | 1,680 | 15,564 | 13,606 | 20,419 | 51,269 |
| Shares remaining at 30 June 2002 | 36,840 | 139,381 | 136,237 | 178,298 | 490,756 |

| | \$ | \$ | \$ | \$ | \$ |
|----------------------------------------------|---------|-----------|-----------|-----------|-----------|
| Loan balance at 30 June 2001 | – | 1,059,323 | 1,987,662 | 2,485,953 | 5,532,938 |
| Dividends paid (offset against loan balance) | – | 52,389 | 50,921 | 65,918 | 169,228 |
| Loan repayments | – | 104,373 | 178,961 | 251,623 | 534,957 |
| Loan balance at 30 June 2002 | – | 902,561 | 1,757,780 | 2,168,412 | 4,828,753 |
| Market value of shares at 30 June 2002 | 493,656 | 1,867,705 | 1,825,576 | 2,389,193 | 6,576,130 |

(refer note 23(g) for further details).

ASX share price at 30 June 2002 \$13.40

21 Employee entitlements (continued)

(d) Executive share plan

Shareholders have previously approved an executive share plan for senior executives and the managing director at the company's annual general meetings in October 1999 and October 2000. Under this plan, conditional entitlements to ordinary shares are awarded to senior executives and the managing director based on approved performance criteria. The number of ordinary shares ultimately issued at the end of the relevant performance period will depend on the extent to which stated performance criteria have been met. There have been three offers of conditional entitlements under this plan. On 24 July 2002, 396,983 shares were issued under the plan. The conditional entitlements are awarded for no consideration, and any ordinary shares subsequently issued will be for no consideration. A conditional entitlement to ordinary shares does not entitle a participant in the plan to participate in new issues of securities or to receive dividends. At the date of this report, conditional entitlements to 569,000 ordinary shares are outstanding (2001: 538,800). Under the plan, the number of ordinary shares to be provided may be increased or decreased by 20% at the discretion of the Board.

The shareholders also approved the issue of 165,999 shares to the managing director in three tranches over three years, in relation to past performance. On 1 March 2002, the third and final tranche of 55,333 fully paid ASX ordinary shares was issued. There are restrictive covenants in place relating to the disposal of these shares during the term of the managing director's employment.

(e) Superannuation plans

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

| | 2002 \$000 | 2001 \$000 |
|--------------------------------------------------------------------------------------|---------------|---------------|
| At 30 June 2002, the latest available unaudited information relating to the fund is: | | |
| Net market value of assets | 26,920 | 26,000 |
| Accrued benefits | 26,862 | 25,868 |
| Excess of net assets over accrued benefits | 58 | 132 |
| Vested benefits | 26,824 | 25,792 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |

22 Commitments

(a) Capital and operating commitments

Capital expenditure commitments contracted for but not yet incurred as at balance date are as follows:

Due:

| | | | | |
|--------------------------------------------------|--------|-------|---|---|
| Not later than one year | 8,921 | 9,782 | – | – |
| Later than one year but not later than two years | 2,947 | – | – | – |
| Later than two years | 9,433 | – | – | – |
| | 21,301 | 9,782 | – | – |

(b) Operating lease rental commitments

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

Due:

| | | | | |
|---------------------------------------------------|---------|---------|---|---|
| Not later than one year | 16,650 | 16,693 | – | – |
| Later than one year but not later than five years | 70,292 | 72,117 | – | – |
| Later than five years | 81,336 | 99,510 | – | – |
| | 168,278 | 188,320 | – | – |

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 two to 10 years with options to extend for further periods. Future rentals are subject to indexation and periodical rental reviews.

(c) Finance lease commitments

Lease commitments in respect of capitalised finance leases are payable as follows:

| | 2002 | | | 2001 | | |
|------------------------------------------------------|---------------------------------|-------------------|---------------------------|---------------------------------|-------------------|---------------------------|
| | Gross lease payment \$000 | Interest \$000 | Present value \$000 | Gross lease payment \$000 | Interest \$000 | Present value \$000 |
| Due: | | | | | | |
| Not later than one year | 36 | (4) | 32 | 188 | (19) | 169 |
| Later than one year but not later than five years | 24 | (1) | 23 | 122 | (9) | 113 |
| | 60 | (5) | 55 | 310 | (28) | 282 |

The consolidated entity enters into finance leases over motor vehicles expiring after three to four years for salary packaging purposes. Ownership passes to the consolidated entity when the lease is terminated or at the end of the lease. The vehicles are then sold either to employees or third parties at fair market value.

23 Contingent liabilities

(a) Support for National Guarantee Fund

If the amount of the National Guarantee Fund falls below the minimum amount determined in accordance with the Corporations Act 2001, SEGC may determine that the company must pay a levy to SEGC. Where a levy becomes payable, the company may determine that participants in the market must pay a levy, provided that the total amounts payable under this levy do not exceed the amount payable by the company to SEGC. Failure by either the company or a participant in the market to pay a levy does not constitute an offence under the Corporations Act 2001.

(b) Related entities

Pursuant to Class Order 98/1418 (as amended) dated 13 August 1998 relief has been granted to certain controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

It is a condition of the Class Order that the company and each participating controlled entity enters into a Deed of Cross Guarantee (Deed). 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 controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Law, the company will only be liable in the event that after six months any creditor has not been paid in full.

The subsidiaries subject to the Deed are:

- ASX Operations Pty Limited
- Australian Clearing House Pty Limited
(formerly named Australian Options Market Pty Limited)
- SECH Nominees Pty Limited

A consolidated statement of financial performance and consolidated statement of financial position, comprising the company and the subsidiaries which are party to the Deed after eliminating all transactions between parties to the Deed at 30 June 2002, is shown below.

Statements of financial performance for parties to the Deed of Cross Guarantee

| | 2002 \$000 | Consolidated 2001 \$000 |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------|
| Profit from ordinary activities | 50,784 | 86,185 |
| Income tax (expense) relating to ordinary activities | (12,055) | (10,592) |
| Net profit after income tax expense | 38,729 | 75,593 |
| Retained profits at beginning of the year | 48,547 | 86,060 |
| Net profit for the year | 38,729 | 75,593 |
| Dividends provided for or paid | (19,796) | (43,843) |
| Reversal of revaluation on initial application of Accounting Standard AASB1041: <i>Revaluation of Non-Current Assets</i> | – | (69,263) |
| Retained profits at end of the year | 67,480 | 48,547 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

23 Contingent liabilities (continued)

(b) Related entities (continued)

Statements of financial position

for parties to the Deed of Cross Guarantee

| | 2002 \$000 | Consolidated 2001 \$000 |
|--------------------------------------|----------------|-------------------------------|
| Current assets | | |
| Cash assets | 67,050 | 43,693 |
| Receivables | 21,823 | 21,080 |
| Other financial assets | 5,255 | 6,279 |
| Total current assets | 94,128 | 71,052 |
| Non-current assets | | |
| Investments – other | 137,877 | 135,874 |
| Deferred tax assets | 8,773 | 10,319 |
| Property, plant and equipment | 80,068 | 71,511 |
| Receivables | 19,939 | 13,183 |
| Total non-current assets | 246,657 | 230,887 |
| Total assets | 340,785 | 301,939 |
| Current liabilities | | |
| Payables | 13,238 | 13,511 |
| Interest bearing liabilities | 32 | 169 |
| Current tax liabilities | 6,196 | 5,283 |
| Provisions | 22,544 | 36,666 |
| Other | 5,267 | 6,720 |
| Total current liabilities | 47,277 | 62,349 |
| Non-current liabilities | | |
| Interest bearing liabilities | 23 | 113 |
| Deferred tax liabilities | 5,550 | 4,199 |
| Provisions | 10,543 | 13,297 |
| Loans – related parties | 103,630 | 67,152 |
| Total non-current liabilities | 119,746 | 84,761 |
| Total liabilities | 167,023 | 147,110 |
| Net assets | 173,762 | 154,829 |
| Equity | | |
| Contributed equity | 106,282 | 106,282 |
| Retained profits | 67,480 | 48,547 |
| Total equity | 173,762 | 154,829 |

23 Contingent liabilities (continued)

(c) Transaction netting service

A controlled entity, TNS Clearing Pty Limited (TNSC), operates a facility (transaction netting service) for the purpose of enhancing the efficiency of the settlement of transactions in marketable securities. Under this facility, transactions between participating organisations through SEATS trades are replaced by novation of a contract between the selling participating organisation and TNSC and a contract between TNSC and the buying participating organisation.

The selling participating organisation's obligation to deliver the securities is an obligation owed to TNSC, which has a corresponding obligation to deliver the same quantity of securities to the buying participating organisation, while the buying participating organisation's right to delivery from the selling participating organisation is assumed by TNSC.

Similarly, the buying participating organisation's obligation to pay for the securities is an obligation owed to TNSC, which has a corresponding obligation to pay the selling participating organisation for the securities, while the selling participating organisation's right to payment is assumed by TNSC.

Pursuant to this facility, TNSC has a liability due to selling participating organisations as at 30 June 2002 totalling \$247,941,000 (2001: \$210,339,000), which is matched by a right to receive funds due by buying participating organisations of \$247,941,000.

Where a participating organisation fails to meet its net delivery obligation or net payment obligation, TNSC has the right to claim on the National Guarantee Fund to the extent of the failed obligation pursuant to section 954N and section 954P of the Corporations Act 2001 up to 10 March 2002, and thereafter pursuant to section 888E and the regulation made pursuant to that section.

(d) Options Clearing House (OCH)

As the clearing house for exchange traded options traded on ASX and futures traded on ASX Futures Exchange Pty Limited (ASXF), OCH becomes the novated central counterparty for these derivative instruments.

Under the ASX business rules and the ASXF business rules, clearing participants must provide cover (collateral or cash) for margin, mark to market, and other obligations in respect of the accounts, which they are required to maintain with OCH. The total margins required by OCH at 30 June 2002 were \$513,700,069 (2001: \$505,159,917). As at that date, clearing participants had lodged collateral with OCH in the form of securities with a market value of \$1,815,470,745 (2001: \$2,222,111,656), bank guarantees for the amount of \$45,324,500 (2001: \$43,410,000), and cash of \$174,126,563 (2001: \$103,254,354).

Where a clearing participant fails to meet a net payment obligation for exchange traded options, OCH has a right to claim on the National Guarantee Fund to the extent of the failed obligation pursuant to Division 4 of Part 7.5 of the Corporations Act 2001 (in particular, see section 888A and regulation 7.5.40). As at 30 June 2002 there were no clearing participants who breached their margin settlement obligation (2001: \$nil).

No part of these amounts have been recorded as assets and corresponding liabilities in the statement of financial position of OCH or the consolidated entity as at 30 June 2002 (2001: \$nil).

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

23 Contingent liabilities (continued)

(e) Employee benefits

| | Consolidated | | The Company | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------|-------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 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: | 2,902,156 | 4,348,751 | 2,902,156 | 4,348,751 |

(f) 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.

(g) Employee share plans

Employees have been provided with non-recourse loans to acquire ordinary shares under ASX employee share purchase plans. These loan shares are held by the ASX employee share purchase plan trust. 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. For shares held under this plan, any dividends paid are applied against the 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 the plan, implemented to date are outlined below:

ASX employee share purchase plan (plan 2, offer 1)

Employees were provided with a non-recourse loan at \$8.34 per share acquired under the ASX employee share purchase plan. A contingent liability will arise if the ASX share price falls below \$6.70. This threshold amount incorporates prior dividends paid, which have been offset against the loan balance.

ASX employee share purchase plan (plan 2, offer 2)

Employees were provided with a non-recourse loan at \$13.85 per share acquired under the ASX employee share purchase plan. A contingent liability will arise if the ASX share price falls below \$13.16. This threshold amount incorporates prior dividends paid, which have been offset against the loan balance.

ASX employee share purchase plan (plan 2, offer 3)

Employees were provided with a non-recourse loan at \$12.51 per share acquired under the ASX employee share purchase plan. A contingent liability will arise if the ASX share price falls below \$12.15. This threshold amount incorporates prior dividends paid, which have been offset against the loan balance.

The ASX share price at 30 June 2002 was \$13.40. At 30 June 2002, there was no contingent liability relating to any of the above plan 2 offers (2001: \$ nil).

Summary

| Plan | Date of issue | Market value of shares \$ | Loan balance outstanding \$ | Contingent liability \$ |
|-----------|---------------|------------------------------|--------------------------------|----------------------------|
| Plan 1 | 5 Dec 1998 | 493,656 | N/A | – |
| Plan 2: | | | | |
| – offer 1 | 5 Dec 1998 | 1,867,705 | 902,561 | – |
| – offer 2 | 31 Mar 2000 | 1,825,576 | 1,757,780 | – |
| – offer 3 | 20 Apr 2001 | 2,389,193 | 2,168,412 | – |

Executive share plan (plan 3)

Conditional entitlements to shares have been awarded to senior executives. The number of shares to be issued will depend on performance criteria set by the Board. No shares were issued prior to 30 June 2002.

(h) Directors' retirement benefit

All directors, with the exception of the managing director, are eligible to participate in a deed of indemnity, access, insurance and retirement benefits of directors, approved at the ASX annual general meetings of 19 October 1998 and 29 October 2001. Accrued liability for service of the remaining directors to date has been provided for in the accounts, and is based on the following scale:

- after three years service, the basic fee for a director in the year of retirement;
- after six years service, twice that basic fee; and
- after nine years service, three times that basic fee.

There is no entitlement to this benefit until three full years of service have been completed.

The amount accrued at 30 June 2002 is \$870,725 (2001: \$633,892).

(i) SGX Link

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

ASX has given a guarantee of SGD4.8 million to SGX in respect of its operating subsidiary, ASX International Services Pty Limited. SGX has given a guarantee of AUD4.8 million in respect of its operating subsidiary, SGXLink.

24 Segment reporting

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

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | Consolidated | | The Company | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 25 Notes to and forming part of the statements of cash flows | | | | |
| (a) Reconciliation of the operating profit from ordinary activities after income tax to the net cash flows from operating activities | | | | |
| Profit from ordinary activities after tax | 59,232 | 51,018 | 35,230 | 114,641 |
| <i>Add/(subtract) non-cash items:</i> | | | | |
| Depreciation and amortisation | 18,572 | 18,451 | – | – |
| Share of associates losses | 476 | 2,324 | – | – |
| Net (gain)/loss on sale of non-current assets | (98) | 281 | – | (120) |
| SIDA write-back | (791) | – | – | – |
| Amortisation of goodwill | 129 | 54 | – | – |
| <i>Changes in assets and liabilities during the financial year (comparatives: adjusted for the effects of purchase of controlled entities):</i> | | | | |
| Increase/(decrease) in tax items | 1,527 | (9,330) | (444) | 377 |
| (Increase) in current receivables | (1,710) | (5,119) | – | – |
| Decrease/(increase) in other current assets | 1,019 | (2,211) | – | – |
| (Decrease)/increase in trade creditors | (2,245) | 123 | – | – |
| (Decrease)/increase in other current liabilities | (1,453) | 5,048 | – | – |
| Increase in employee entitlements provisions | 4,922 | 3,751 | – | – |
| (Decrease) in other provisions | (3,007) | (4,881) | – | – |
| (Decrease) in other non-current liabilities | (226) | (196) | – | – |
| Net cash provided by operating activities | 76,347 | 59,313 | 34,786 | 114,898 |

(b) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

| | | | | |
|-----------------------------------------------|--------|--------|--------|--------|
| Total facilities: | | | | |
| Revolving bills discount facility (unsecured) | 50,000 | 50,000 | 50,000 | 50,000 |
| Used at balance date: | | | | |
| Revolving bills discount facility (unsecured) | – | – | – | – |
| Unused at balance date: | | | | |
| Revolving bills discount facility (unsecured) | 50,000 | 50,000 | 50,000 | 50,000 |

(c) Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

| | | | | |
|-------------------|--------|--------|--------|-------|
| Total cash assets | 68,407 | 43,861 | 21,399 | 4,908 |
|-------------------|--------|--------|--------|-------|

26 Related party disclosures

Transactions between related parties are on normal terms and conditions unless otherwise stated.

(a) Directors

The directors of ASX Limited during the financial year were:

Maurice Lionel Newman
Richard George Humphry
Clive Michael Batrouney
Michael Henry Shepherd
Max Fowles
John Arthur Fraser
James Joseph Kennedy
Michael John Sharpe
Catherine Mary Walter

Messrs ML Newman, M Fowles, JJ Kennedy, MJ Sharpe, MH Shepherd and Mrs CM Walter are or were directors of either participating organisations and/or listed companies during the year. Products purchased by, and fees levied on, both participating organisations and listed companies are on the standard terms and conditions available to all participating organisations and listed companies.

Mr JA Fraser is Global Chairman and Chief Executive of UBS Global Asset Management, whose Australian company provides funds management services to SEGC in the ordinary course of business.

Mrs CM Walter is a director of National Australia Bank Limited, which renders banking and financial services to ASX in the ordinary course of business.

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

Mr RG Humphry is a director of The Garvan Medical Research Foundation and Deputy Chairman of the Zoological Parks Board of NSW. During the year, the consolidated entity made a contribution to those bodies. Mr Humphry is also President of the Commonwealth Remuneration Tribunal.

Mr ML Newman is the Chairman of The Taronga Foundation. During the year, the consolidated entity made a contribution to this body.

Mr MJ Sharpe was a Governor of the Sir David Martin Foundation and resigned in May 2002.

Mr MH Shepherd is currently a Governor of the Sir David Martin Foundation. During the year, the consolidated entity made a contribution to this body.

Mr MH Shepherd, along with Mr RL Coppel, a director of ASX Settlement and Transfer Corporation Pty Limited, were directors of the Securities Industry Research Centre of Australia Limited (SIRCA) which received funding from the Securities Industry Development Account (SIDA) for research into securities market matters. SIRCA also has access to ASX data to assist in its research.

Details of directors' remuneration, superannuation and retirement payments are disclosed in note 27.

Directors' holdings of shares

The interests of directors of the reporting entity in shares within the consolidated entity are set out below:

| Australian Stock Exchange Limited | Ordinary shares |
|----------------------------------------------|-----------------|
| ASX shares held by directors at 1 July 2001 | 358,166 |
| Purchase/allocation of shares | 55,333 |
| Disposal of shares | (10,000) |
| ASX shares held by directors at 30 June 2002 | 403,499 |

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

26 Related party disclosures (continued)

(b) Wholly-owned group transactions

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

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

ASXO received a management fee of \$480,402 exclusive of GST (2001: \$424,731) in respect of administration, accounting and legal services provided by ASXO on behalf of SEGC. Included in other debtors is an amount receivable from SEGC of \$407,412 (2001: \$112,896).

ASX received \$3,992,182 (2001: \$7,275,000) from SIDA during the year. An amount of \$2,039,029 is receivable from SIDA at 30 June 2002 (2001: \$nil).

In a prior year, ASX entered into a subordinated loan agreement with OCH for \$20,000,000. Repayment obligations are subordinated, in the event of default, to all other creditors of OCH under an associated trust deed. No interest is charged on the loan.

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

| | | The Company | |
|--|------|---------------|---------------|
| | Note | 2002 \$000 | 2001 \$000 |

26 Related party disclosures (continued)

Balances with entities within the wholly-owned group

The aggregate amount payable to wholly-owned controlled entities by the company at balance date is as follows:

| | | | |
|--------------------------------|----|--------|--------|
| Non-current | | | |
| Loans from controlled entities | 17 | 47,553 | 20,554 |

Interest is not paid on any inter-company loans.

Dividends

Dividends received or due and receivable by the company from wholly-owned controlled entities

| | |
|--------|---------|
| 33,784 | 113,000 |
|--------|---------|

(c) Other related parties

Balances with other related parties

The aggregate amounts receivable from associates of the company at balance date are as follows:

| | | | |
|-------------------|---|--------|-------|
| Non-current | | | |
| Loan to associate | 8 | 15,110 | 7,650 |

ASX Limited agreed to provide ASX Perpetual Registrars Limited the above loan facility of \$15 million plus accrued interest. Accumulated interest receivable on the loan of \$0.91 million remains outstanding at 30 June 2002.

Interest on the loan is based on normal commercial terms. During the year, interest revenue on the above loan amounted to \$0.765 million (2001: \$0.15 million).

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | 2002 | Consolidated | 2001 | 2002 | The Company | 2001 |
|--|------|--------------|------|------|-------------|------|
| | \$ | | \$ | \$ | | \$ |

27 Directors' and executives' remuneration

(a) Directors' remuneration

Total income paid or payable, or otherwise made available,
to all directors of the company and controlled entities
from the company or any related party:

| | | | |
|-----------|-----------|-----------|-----------|
| 2,801,495 | 2,551,211 | 2,039,117 | 1,897,755 |
|-----------|-----------|-----------|-----------|

These amounts are disclosed in aggregate, as the directors believe that the provision of full particulars would be unreasonable, having regard to the number of persons involved.

| | 2002 | The Company | 2001 |
|--|------|-------------|------|
| | No. | | No. |

The number of directors of the company whose income from the company
or any related party falls within the following bands is:

| | | |
|-----------------------------|---|---|
| \$ 60,000 – \$ 69,999 | 2 | 2 |
| \$ 70,000 – \$ 79,999 | 2 | 2 |
| \$ 90,000 – \$ 99,999 | – | 1 |
| \$ 100,000 – \$ 109,999 | 2 | 1 |
| \$ 130,000 – \$ 139,999 | 1 | 1 |
| \$ 170,000 – \$ 179,999 | – | 1 |
| \$ 180,000 – \$ 189,999 | 1 | – |
| \$ 1,110,000 – \$ 1,119,999 | – | 1 |
| \$ 1,230,000 – \$ 1,239,999 | 1 | – |

| | Consolidated | | The Company | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------|-------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 27 Directors' and executives' remuneration (continued) | | | | |
| (b) Executives' remuneration | | | | |
| Total income paid or payable, or otherwise made available, from the company and controlled entities to executive officers, including the executive director, whose income exceeds \$100,000: | 12,267,098 | 6,634,392 | 1,235,603 | 1,116,728 |

The number of executive officers, including the executive director, whose income from the company and controlled entities falls within the following bands is:

| | No. | No. | No. | No. |
|-----------------------------|-----|-----|-----|-----|
| \$ 140,000 – \$ 149,999 | – | 1 | – | – |
| \$ 190,000 – \$ 199,999 | 1 | 1 | – | – |
| \$ 200,000 – \$ 209,999 | – | 2 | – | – |
| \$ 210,000 – \$ 219,999 | 1 | 2 | – | – |
| \$ 220,000 – \$ 229,999 | – | 1 | – | – |
| \$ 230,000 – \$ 239,999 | 1 | 1 | – | – |
| \$ 250,000 – \$ 259,999 | – | 2 | – | – |
| \$ 280,000 – \$ 289,999 | 1 | 1 | – | – |
| \$ 300,000 – \$ 309,999 | 1 | – | – | – |
| \$ 340,000 – \$ 349,999 | – | 1 | – | – |
| \$ 360,000 – \$ 369,999 | – | 1 | – | – |
| \$ 370,000 – \$ 379,999 | – | 1 | – | – |
| \$ 380,000 – \$ 389,999 | 3 | – | – | – |
| \$ 480,000 – \$ 489,999 | 2 | 2 | – | – |
| \$ 490,000 – \$ 499,999 | 1 | – | – | – |
| \$ 500,000 – \$ 509,999 | 1 | – | – | – |
| \$ 510,000 – \$ 519,999 | – | 1 | – | – |
| \$ 530,000 – \$ 539,999 | 1 | 1 | – | – |
| \$ 600,000 – \$ 609,999 | 1 | – | – | – |
| \$ 780,000 – \$ 789,999 | 2 | – | – | – |
| \$ 910,000 – \$ 919,999 | 1 | – | – | – |
| \$ 950,000 – \$ 959,999 | 1 | – | – | – |
| \$ 1,110,000 – \$ 1,119,999 | – | 1 | – | 1 |
| \$ 1,020,000 – \$ 1,029,999 | 1 | – | – | – |
| \$ 1,050,000 – \$ 1,059,999 | 1 | – | – | – |
| \$ 1,230,000 – \$ 1,239,999 | 1 | – | 1 | – |

The retention payments made to senior executives in July 2002 have been included in the above figures.

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

| | 2002 \$ | Consolidated 2001 \$ | The Company 2002 \$ | 2001 \$ |
|---------------------------------------------|------------|----------------------------|---------------------------|------------|
| 28 Auditors' remuneration | | | | |
| Audit services: | | | | |
| <i>Auditors of the company – KPMG</i> | | | | |
| Audit and review of the financial reports | 314,300 | 269,000 | 30,000 | 30,000 |
| Regulatory audit services | | | | |
| – ASX WorldLink | 44,200 | – | – | – |
| – Other | 10,225 | 16,730 | – | – |
| | 368,725 | 285,730 | 30,000 | 30,000 |
| Other services: | | | | |
| <i>Auditors of the company – KPMG</i> | | | | |
| Industry audit services | 170,552 | 160,000 | – | – |
| Other information technology services | 5,880 | 105,100 | – | – |
| Taxation services | 314,089 | 245,706 | – | – |
| ASX WorldLink international taxation advice | 87,300 | – | – | – |
| Corporate review services (internal audit) | – | 113,657 | – | – |
| Accounting and advisory services | – | 61,400 | – | – |
| Due diligence | – | 38,490 | – | – |
| Consultancy services | – | – | – | – |
| Other services | 40,000 | 47,711 | – | – |
| | 617,821 | 772,064 | – | – |
| | 986,546 | 1,057,794 | 30,000 | 30,000 |

For further details, refer to the Corporate Governance statement in the Report to Shareholders.

29 Particulars in relation to controlled entities

| Name of entity | Note | Parent entity's investment ^(a) | |
|------------------------------------------------------------|---------|-------------------------------------------|-----------|
| | | 2002 % | 2001 % |
| Parent entity: Australian Stock Exchange Limited | | | |
| Controlled entities: | | | |
| ASX Operations Pty Limited (ASXO)* | (b) | 100 | 100 |
| Options Clearing House Pty Limited | | 100 | 100 |
| ASX Supervisory Review Pty Limited * | (e) | 100 | 100 |
| ASX Futures Exchange Pty Limited* | | 100 | 100 |
| ASX International Services Pty Limited | | 100 | 100 |
| Orient Capital Pty Limited | | 50 | 50 |
| Controlled entities of ASXO: | | | |
| ASX Superannuation Pty Limited* | (c) | – | 100 |
| Australian Clearing House Pty Limited * | (b) (d) | 100 | 100 |
| SECH Nominees Pty Limited* | (b) | 100 | 100 |
| ASX Settlement and Transfer Corporation Pty Limited (ASTC) | | 100 | 100 |
| Australian Securities Exchange Pty Limited* | | 100 | 100 |
| Australasian Securities Exchange Pty Limited* | | 100 | 100 |
| CHESS Depositary Nominees Pty Limited* | | 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.
- (c) ASX Superannuation Pty Limited was deregistered voluntarily on 11 September 2001.
- (d) On 30 January 2002 Australian Options Market Pty Limited changed its name to Australian Clearing House Pty Limited.
- (e) Comprised entirely of independent directors.
- All entities in the consolidated entity were incorporated in Australia.

* Denotes those controlled entities for which an audit is not required.

Notes to and forming part of the financial statements

Australian Stock Exchange Limited and controlled entities

30 Financial instruments

(a) Credit risk

The credit risk on financial assets of the consolidated entity, which has been recognised in the statements of financial position, other than investments in shares, is generally the carrying amount net of any provisions for doubtful debts.

Credit risk relating to short-term and investment securities is managed by placing certain funds with a minimum of two professional fund managers who invest the portfolio in accordance with investment agreements approved by the Board. The investment agreements provide guidelines limiting the exposure of the portfolio to an optimum level of liquidity in investments with a number of counterparties. These guidelines include restricting the maximum value of the portfolios held by each counterparty dependent upon each of those counterparties' published credit ratings except that Commonwealth Government issued or guaranteed investments attract no maximum limit.

(b) Interest-rate risk

The consolidated entity has minimal exposure to interest-rate risk. Interest-rate risk arises in relation to short-term and investment securities comprising short-term deposits, bank bills and fixed interest securities. The consolidated entity's exposure to interest-rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

| | | Weighted average interest rate | | Floating interest rate | | Fixed interest rate* | | Non-interest bearing | | Total | |
|-------------------------------|------|--------------------------------|--------|------------------------|------------|----------------------|------------|----------------------|------------|------------|------------|
| | Note | 2002 % | 2001 % | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Financial assets | | | | | | | | | | | |
| Cash assets | 25 | 4.47 | 5.81 | 67,338 | 40,742 | – | – | 1,069 | 3,119 | 68,407 | 43,861 |
| Trade and other receivables | 8 | 6.32 | 7.22 | 15,110 | 7,650 | – | – | 28,373 | 27,368 | 43,483 | 35,018 |
| Other financial assets | 9 | 4.47 | 5.81 | 3,415 | 4,124 | – | – | 1,845 | 2,155 | 5,260 | 6,279 |
| Investments in listed shares | 10 | – | – | – | – | – | – | 22,950 | 22,950 | 22,950 | 22,950 |
| | | | | 85,863 | 52,516 | – | – | 54,237 | 55,592 | 140,100 | 108,108 |
| Financial liabilities | | | | | | | | | | | |
| Trade and other payables | 14 | – | – | – | – | – | – | 14,010 | 16,255 | 14,010 | 16,255 |
| Interest bearing liabilities | 15 | 9.50 | 11.80 | – | – | 55 | 282 | – | – | 55 | 282 |
| Dividends payable | 16 | – | – | – | – | – | – | – | 16,739 | – | 16,739 |
| Employee entitlements payable | 16 | 5.70 | 5.70 | – | – | 1,999 | 1,800 | 20,167 | 15,444 | 22,166 | 17,244 |
| Other liabilities | 17 | – | – | – | – | – | – | 5,787 | 7,240 | 5,787 | 7,240 |
| | | | | – | – | 2,054 | 2,082 | 39,964 | 55,678 | 42,018 | 57,760 |
| Net financial assets | | | | 85,863 | 52,516 | (2,054) | (2,082) | 14,273 | (86) | 98,082 | 50,348 |

* All fixed interest securities have a term to maturity of less than 12 months, other than the non-current long service leave portion of the employee entitlements balance. The term to maturity for this financial liability is as follows:

Fixed interest rate maturing in:

Greater than 1 year less than 5 years

Greater than 5 years

1,079 966

920 834

1,999 1,800

(c) Financial futures contracts

There were no futures contracts entered into at 30 June 2002 (2001: \$nil).

(d) Net fair values of financial assets and liabilities

Valuation approach

Short-term and investment securities are valued at market value. Other non-current investments are carried at cost, which approximates net fair values. The consolidated entity does not hold any financial assets or liabilities which are not recognised in the financial statements.

There were no unrecognised financial instruments for the year ended 30 June 2002 (2001: \$nil).

31 Subsequent events

No matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

Directors' declaration

1. In the opinion of the directors of Australian Stock Exchange Limited:
 - (a) the financial statements and notes, set out on pages 46 to 80, 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 2002 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the company and the subsidiaries identified in notes 23(b) and 29 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 subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Sydney this 27th day of August 2002.

Signed in accordance with a resolution of the directors:



Maurice L Newman AC
Chairman

Richard G Humphry AO
Managing Director

Independent audit report to the members of the Australian Stock Exchange Limited

Scope

We have audited the financial report of Australian Stock Exchange Limited ('the company') for the financial year ended 30 June 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 46 to 81. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at the end of the year or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

Mark S Epper

Partner

Sydney, 27 August 2002

Shareholder information

as at 21 August 2002

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

Voting power

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

Distribution of shareholdings

| Number of shares held | Number of holders | Number of shares | % of issued capital |
|-----------------------|-------------------|------------------|---------------------|
| 1 – 1,000 | 10,447 | 6,059,515 | 5.95 |
| 1,001 – 5,000 | 4,666 | 11,039,466 | 10.83 |
| 5,001 – 10,000 | 438 | 3,430,283 | 3.37 |
| 10,001 – 100,000 | 531 | 23,176,377 | 22.74 |
| 100,001 – and over | 185 | 58,210,102 | 57.11 |
| Total | 16,267 | 101,915,743 | 100.00 |

The number of shareholders holding less than a marketable parcel is 86.

Substantial shareholders

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

| Name | Number of shares | % of voting power advised |
|--------------------------------------------------|------------------|---------------------------|
| Perpetual Trustees Australia Limited | 7,392,329 | 7.25 |
| Schroder Investment Management Australia Limited | 6,223,904 | 6.13 |
| Commonwealth Bank Group | 6,110,134 | 6.04 |

Largest 20 shareholders

| The largest 20 shareholders in the company are: | Number of shares | % of issued capital |
|----------------------------------------------------|------------------|---------------------|
| JP Morgan Nominees Australia Limited | 7,385,728 | 7.25 |
| Westpac Custodian Nominees Limited | 4,986,880 | 4.89 |
| National Nominees Limited | 4,476,775 | 4.39 |
| RBC Global Services Australia Nominees Pty Limited | 4,220,858 | 4.14 |
| Citicorp Nominees Pty Limited | 2,327,198 | 2.28 |
| Commonwealth Custodial Services Limited | 1,263,083 | 1.24 |
| Citicorp Nominees Pty Limited | 1,225,023 | 1.20 |
| RBC Global Services Australia Nominees Pty Limited | 1,109,471 | 1.09 |
| Citicorp Nominees Pty Limited | 1,055,517 | 1.04 |
| Cogent Nominees Pty Limited | 1,022,812 | 1.00 |
| Citicorp Nominees Pty Limited | 723,220 | 0.71 |
| ANZ Nominees Limited | 669,481 | 0.66 |
| RBC Global Services Australia Nominees Pty Limited | 655,227 | 0.64 |
| AMP Life Limited | 513,035 | 0.50 |
| NRMA Nominees Pty Limited | 462,031 | 0.45 |
| ASX Operations Pty Limited | 438,192 | 0.43 |
| Citicorp Nominees Pty Limited | 358,991 | 0.35 |
| CSS Board | 313,596 | 0.31 |
| Citicorp Nominees Pty Limited | 308,510 | 0.30 |
| Richard George Humphry | 302,303 | 0.30 |
| Total | 33,817,931 | 33.18 |

On-market buy-back

There is no current on-market buy-back.

Shareholder information

as at 21 August 2002

ASX announcements

Date Announcement

2002

| | |
|------------|----------------------------------------------------------------------------------------------------------------------------------|
| 15 August | Statement from Corporate Governance Council participants |
| 12 August | ASX rules encourage venture capitalists |
| 01 August | Corporate Governance Council to broaden disclosure Final notice of director's interests |
| 31 July | ASX launches property trust futures |
| 29 July | ASX and InfoComp sign heads of agreement |
| 24 July | Executive share plan Notice of change of director's interest |
| 17 July | Statement by ASX Managing Director and CEO |
| 28 June | ASX year-end statistics, financial year ended 30 June 2002 |
| 25 June | Resignation and appointment of directors Resignation and appointment of company secretary |
| 29 May | OM extends system support agreement with ASX |
| 27 May | ASX and IWL sign heads of agreement |
| 23 May | ASX futures expands to commodities |
| 20 May | Response to media article |
| 23 April | ASX quarterly update (nine months to 31 March 2002) |
| 08 April | ASX listing rule amendments for foreign companies |
| 18 March | Charities benefiting from AMP-sponsored ASX charity sharemarket game |
| 12 March | ASX half-year report to shareholders (six months to 31 December 2001) |
| 04 March | Notice of change in director's interest |
| 01 March | Open briefing – CEO on profit and outlook |
| 01 March | Notice of new share issue |
| 27 March | ASX results for the half-year ended 31 December 2001 Consolidated financial results Managing Director's slide presentation |
| 29 January | Open briefing – ASX Futures & ASX FundConnect |

2001

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18 December | ASX to launches futures contracts |
| 13 December | ASX-SGX Link to go live |
| 19 November | Senior management appointments |
| 29 October | Annual General Meeting – Chairman's Address Annual General Meeting – Managing Director's slide presentation Annual General Meeting – Results Response to media speculation – SFE |
| 27 September | ASX quarterly update (three months to 30 September 2001) Report to Shareholders 2000/01 (including concise financial reports) Notice of Annual General Meeting 2001 ASX Constitution marked up with proposed amendments Annual Report incorporating full financial statements 2000/01 |
| 26 September | Managed funds transaction processing service |
| 12 September | Market availability 12 September 2001 |
| 05 September | Open Briefing – CEO on profit |
| 29 August | Election of Directors ASX results for the full year to 30 June 2001 Consolidated Financial Results Slide presentation |
| 23 August | ASX welcomes increased voting power limit |

Visit www.asx.com.au under 'Shareholder Information' to view these announcements.

Directory

ASX around Australia

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Facsimile (61 2) 9227 0885

Melbourne

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Melbourne VIC 3000
Telephone (61 3) 9617 8611
Facsimile (61 3) 9614 0575

Brisbane

Riverside Centre
Level 5, 123 Eagle Street
Brisbane QLD 4000
Telephone (61 7) 3835 4000
Facsimile (61 7) 3835 1004

Adelaide

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Adelaide SA 5000
Telephone (61 8) 8216 5000
Facsimile (61 8) 8216 5098

Perth

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Perth WA 6000
Telephone (61 8) 9224 0000
Facsimile (61 8) 9221 2020

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Telephone (61 2) 9227 0000

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Sydney NSW 2000
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Facsimile (61 2) 9261 8489
Internet: www.asxperpetual.com.au
Email: registrars@asxperpetual.com.au

Auditors

KPMG

ASX on the internet

www.asx.com.au
Email: info@asx.com.au

ASX by phone

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for the cost of a local call from
anywhere in Australia

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