



ASX

AUSTRALIAN STOCK EXCHANGE

Report to Shareholders 2000

1999/2000 has been an excellent year for
ASX both financially and in terms of the
development of some key initiatives which
will underpin the company's

longer-term

Contents

Highlights of the year 2 Chairman & Managing Director's report 4 Growing our products and services 12
Building on our infrastructure 18 A global marketplace 22 Integrity, reliability & accountability 26 ASX in the community 30
Key market statistics & indicators 33 Board of Directors 36 Corporate governance statement 38 Boards, committees & tribunals 42

Concise financial report for the year ended 30 June 2000

Directors' report 43 Discussion and analysis of the financial statements 48 Profit and loss statement 50 Balance sheet 51
Statement of cash flows 52 Notes to and forming part of the financial statements 53 Directors' declaration 61 Independent
audit report 62 Shareholder information 63

Australian Stock Exchange Limited ABN 98 008 624 691

The Annual General Meeting will be held at 11.00am on Monday, 23 October 2000, in the Auditorium, 18 Bridge Street, Sydney.
A notice of meeting and proxy form are included with shareholders' copies of this Report to Shareholders.

"Providing a **fair and orderly market** in which investors can have the confidence to invest is fundamental to ASX's success. During the year, as always, considerable human and financial resources were committed to ensure this objective was met."

Karen Hamilton,

General Counsel & Company Secretary



"In a year of **great change** for exchanges around the world, ASX has made considerable progress with its program of developing **international alliances** and strategic partners."

Angus Richards,

Deputy Managing Director

growth



ASX

AUSTRALIAN STOCK EXCHANGE



"Record levels of market activity have resulted in strong revenue and **profit increases** for the company."

John Hayes, Chief Financial Officer

"ASX's strong financial performance, the reliability and integrity of our markets and the initiatives put in place during the year are testament to the dedication of all ASX employees and in particular the **vision and commitment** demonstrated by the senior management team."

Richard Humphry, Managing Director & CEO



Highlights

of the year

Financial

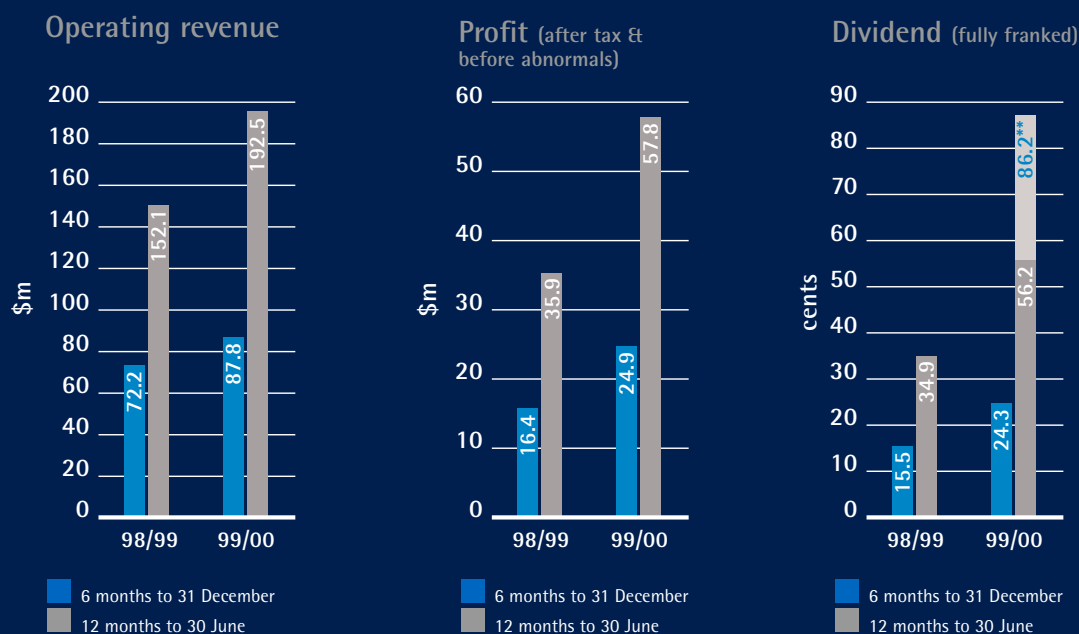
- Operating revenue increase of 27% from \$152.1 million to \$192.5 million.
- Increase in pre-abnormal operating profit after tax of 61% from \$35.9 million to \$57.8 million.
- Total fully franked dividend for the year of 56.2 cents per share, as well as a special dividend of 10 cents per share and a capital return of 20 cents per share.
- Notwithstanding high levels of activity, expenses increased by less than 6%.

Markets

- Increase in daily average equities trades by 68% from 32,656 to a record 54,727. A new daily record set at 101,428 trades (30 June 2000).
- Total number of equities trades for the year was 13.85 million, representing 169 billion shares valued at \$361 billion.
- Increase in daily average options trades by 8% from 35,599 to 38,519.
- Increased number of new listings – 183 compared to 70 for the previous year.

Strategic initiatives

- A \$50.3 million investment in a joint venture with Perpetual Trustees Australia Limited to form ASX Perpetual Registrars Limited (APRL).
- Progress in developing ASX's program of international alliances, including an agreement with the Singapore Exchange to develop an electronic trading link between the Australian and Singapore markets (expected to be operational by mid-2001).



Financial results summary

	Full year to 30 June 2000 \$m	Full year to 30 June 1999 \$m
Operating revenue	192.5	152.1
EBITDA	97.9	61.0
Depreciation & Amortisation	17.9	15.4
EBIT	80.0	45.6
Operating profit after tax and before abnormals	57.8	35.9
Operating profit after tax and abnormals	53.6	37.7
Earnings per share (EPS)		
– pre abnormals	57.2c	35.6c*
– post abnormals	53.1c	37.4c*
Dividend per share interim		
	24.3c	15.5c
Dividend per share final	31.9c	19.4c
Dividend per share total	56.2c**	34.9c

* These rates have not been annualised.

** The company also paid a special fully franked dividend of 10 cents per share and capital return of 20 cents per share to shareholders in March 2000.

Full year dividend information

Ex date	11 September 2000
Record date	15 September 2000
Payment date	10 October 2000

Chairman & Managing Director's report

The 1999/2000 financial year has been a

highly eventful year, not just for ASX, but for exchanges around the world.

Domestically, we have witnessed a continued increase in retail investor participation in the market, a corresponding strong growth in trading volumes, and a substantial rise in the number of companies listing on ASX. Overall, this general increase in market activity has resulted in a year of strong financial growth for ASX.

The impact of technological developments has also been significant. One impact of these developments is that investors and capital are less constrained by international borders. We believe that this phenomenon, coupled with the growing number of more experienced investors and the growth in superannuation funds, will result in heightened investor demand for a broader range of products. We are focused on meeting these demands by expanding our range of products and services and have undertaken some significant initiatives in this area during the year.

The impact of the increased ability of capital to move across international borders has also resulted in the proliferation of alliances between exchanges around the world. We are cognisant of the issues and opportunities presented by globalisation of financial markets, and have made considerable progress in developing our own international alliances to ensure the integration of ASX into the global marketplace.

A year of strong growth

Australia continues to lead the world in terms of shareownership. By November 1999, 7.6 million Australians owned shares either directly or indirectly (through a managed fund or personal superannuation). This represents 53.7% of the Australian adult population and is an increase from 40.3% in October 1998.



Globally,



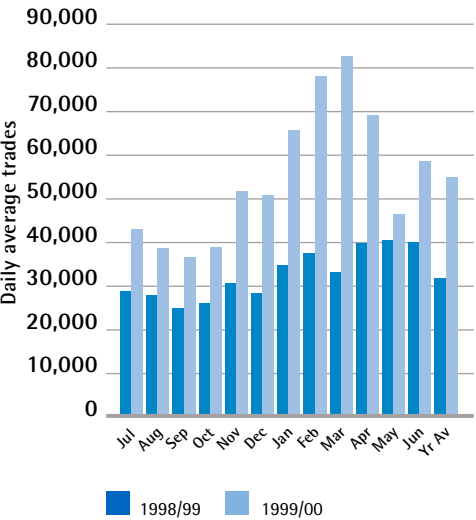
Richard Humphry, Managing Director & CEO; Maurice Newman, Chairman.

the

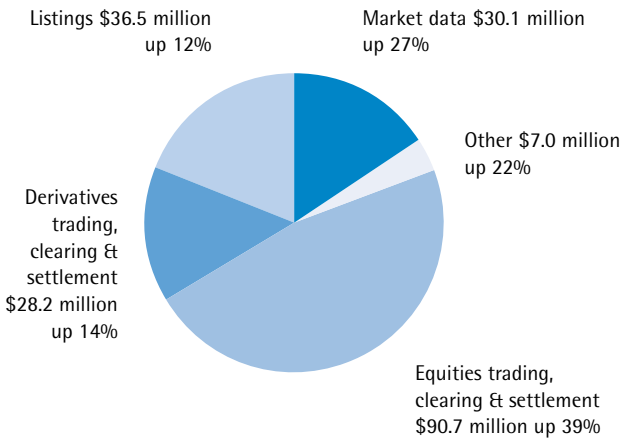
environment for exchanges is changing rapidly. No exchange can afford to view itself in isolation. To continue to prosper, exchanges now need to think beyond their borders to meet the needs of their customers. A strong vision for the future and a flexible and responsive outlook are crucial. We believe that the new initiatives we are currently pursuing will provide an excellent platform for our continued growth and integration into the emerging global marketplace.”

Maurice Newman, Chairman.

Equities trades 1998/99-1999/00



1999/00 total revenue: \$192.5 million



6

This growth in the number of retail investors participating in the market has been partially responsible for the record levels of equities trading volumes experienced during the last year. The daily average number of trades increased by 68% from 32,656 to 54,727 and included a new daily record of 101,428 equities trades.

The number of new listings also grew substantially, from 70 in 1998/99 to 183, taking the total number of companies listed on ASX at 30 June 2000 to 1,381. The new listings during the year further expanded the services sector of the market. This has contributed to the continued diversification and balance of the Australian market, which has well-developed sectors in resources, manufacturing, finance and insurance and other services including telecommunications and media.

Growth in volumes in the derivatives market was also achieved, with daily average options trades increasing by 8% to 38,519, following 11% growth the previous year. In addition, trading in Low Exercise Price Options (LEPO®) continued its strong growth, with a 155% increase in contract trades. While volumes of warrants trades were

lower than for the previous year, the number of new warrants issued increased substantially and a number of new issuers entered the market.

This high level of market activity underpinned strong revenue and profit growth for ASX, with operating revenue increasing by 27% to \$192.5 million and good growth across all areas of the company's operations.

While the average fee per equities trade decreased from \$6.07 to \$5.34 due to reduced prices and discounts and the substantial growth in the number of retail investors participating in the market, the record trading volumes resulted in a 39% increase in revenue from equities trading, clearing and settlement, to \$90.7 million.

Revenue from derivatives trading, clearing and settlement increased by 14% from \$24.8 million to \$28.2 million and revenue from listings increased by 12% from \$32.5 million to \$36.5 million.

In addition, the overall high level of market activity resulted in an increase in revenue from the sale of market data, which grew by 27% from \$23.7 million to \$30.1 million.

Notwithstanding the high levels of market activity and the number of new initiatives being developed, expenses rose by less than 6% to \$112.5 million and costs to revenue decreased from 70% to 58.4%. The net result was a 61% increase in operating profit after tax and before abnormals from \$35.9 million to \$57.8 million.

Abnormal expenses amounted to \$4.1 million (after tax), approximately half of which represented the cost of implementing the goods and services tax (GST). In preparing for the GST, the opportunity was taken to revise some internal systems which will provide ancillary benefits to customers.

As a result the company achieved an operating profit after tax and abnormals of \$53.6 million, 42% higher than the \$37.7 million record for the previous year.

The Board has declared a fully franked final dividend of 31.9 cents per share. This takes the total dividend for the year to 56.2 cents per share, compared to 34.9 cents for the previous year. In addition, a fully franked dividend of 10 cents per share and capital return of 20 cents per share were paid to shareholders in March 2000.

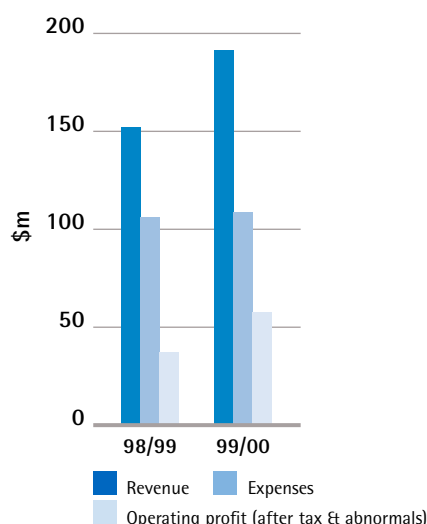
Free cash flow was \$5.4 million, after capital expenditure of \$25.6 million and an investment of \$50.3 million.

Expanding our products & services

During the year, we have made progress in pursuing our strategy of broadening and deepening our products and services. In addition to providing benefits to market users, this program will also meet the company's objectives of further diversifying its revenue streams to reduce their sensitivity to movements in equities trading volumes.

As part of our diversification strategy, in March 2000, we formed a joint venture with Perpetual Trustees Australia Limited (Perpetual), building on

Operating profit 1998/99–1999/00



Perpetual's existing share registry operations, Perpetual Registrars. ASX has invested \$50.3 million for its half interest in the joint venture which commenced operating as ASX Perpetual Registrars (APRL) on 1 May 2000. It is expected that the joint venture will be earnings positive for ASX in 2000/01.

Both companies believe that the combination of Perpetual's expertise in the registry services industry and ASX's financial systems and technology skills, position APRL well to provide improved services to new and existing APRL customers. The development of an innovative, leading-edge registry technology system – an important aspect in providing these customer benefits – is underway and on schedule to be operational in the third quarter of 2001.

Already, since formation, APRL has been appointed to provide registry services to the NRMA Insurance Group, which currently has a share register of over 1.6 million shareholders. APRL also provides registry services to Telstra, CBA and over 170 other leading Australian companies and 7.4 million shareholders.

The APRL joint venture further expands ASX's involvement through the different stages of the investment cycle – from the provision of market information, trading, clearing, settlement and now to the holding stage of sharetrading and shareownership.

Concurrently, we have also been broadening the range of products and services we provide to investors. In November 1999, we launched our new interest rate market, enabling interest rate securities to be electronically traded and settled as easily as shares. Turnover in the market is growing and is expected to continue to improve. While there is also considerable potential for broadening the range of securities traded on this market, some regulatory issues need to be resolved before its full potential is realised.

We believe an important part of our role is to provide investors with education and information to help them make informed investment decisions. Our education program continues to grow in popularity and from August 2000, we began offering our education courses online to improve access to them, in particular for people living outside the capital cities. In addition, from February 2000 we started providing free market information on our website, on a 20 minute delayed basis.

Since the completion of the financial year, we have also launched our new logo and redeveloped website. The new site is designed to provide investors with quicker access to high quality market information at no cost.

Leveraging off our infrastructure & technology base

Since ASX was formed in 1987, we have invested considerable capital and time in developing the solid infrastructure on which our markets are run, in particular our technology platform. This leading-edge technology allows our markets to run efficiently and permits comprehensive

surveillance of them. It also provides a strong platform for the company's program of increasing the types of markets it provides. The new interest rate market, for example, runs on the ASX equities trading platform, SEATS®.

During the last year, we have also looked at ways of leveraging off this infrastructure, which comprises much of the company's fixed cost base. As part of this strategy, we have entered into separate arrangements with the Australian Derivatives Exchange and Newcastle Stock Exchange to provide a range of support services, including electronic clearing services for both these markets. These agreements are recognition of the strength of ASX's systems and technology and we anticipate that there will be further opportunities for similar arrangements.

This strong technology platform is also an important foundation for our program of developing international alliances.

Focus on developing international alliances

The growing phenomenon of economic concentration brought about by cross-border mergers and acquisitions and made easier by technological change in particular, has seen the rapid globalisation of financial markets. This move is reflected in the number of recent mergers and alliances between exchanges around the world.

In response to the changing conditions, ASX has been developing a program of international strategic alliances. These are intended to capture an increasing share of international capital flows to the benefit of ASX's customers and shareholders. For example, in June 2000 we entered into an agreement with the Singapore Exchange to establish a link which, by mid-2001, will enable investors in each country to buy and sell shares in the other country's market as easily as in their own.

We are also developing a mechanism to provide easier access to the North American markets for Australian investors through services provided by a US electronic communications network, a US broker and a US custodian. Subject to the resolution of outstanding technical and regulatory issues, this facility could make trading by Australian investors in North American stocks possible by early 2001.

In addition, we are participating in multilateral discussions with the New York Stock Exchange and six other international exchanges to explore the feasibility of a Global Equity Market (GEM). While in the early stages of development, GEM is complementary to other links which ASX is developing and is consistent with ASX's strategy of pursuing a multilateral approach to such links.

Another important development during the year was an agreement entered into with Standard & Poor's (S&P™) to develop the significant business of providing Australian market indices. Under this arrangement, S&P assumed operation of ASX's index business and will promote and license the Australian indices on a global scale using the internationally recognised S&P brand, with ASX receiving a percentage of revenue. The arrangement is also expected to benefit our derivatives market and the development of exchange-traded index funds products.

A fair & orderly market is a fundamental objective

The maintenance of the integrity of ASX's markets is fundamental to its success. The past year has seen continuing activity in a wide range of activities aimed at enhancing the integrity, efficiency and transparency of trading on ASX's markets. This has included monitoring compliance with ASX's rules of conduct for admission to, and continued participation in trading activity; surveillance; investigation of market participant and listed company behaviour; and support and guidance to market participants and listed companies to facilitate rule compliance.

Outlook – a strong foundation for future growth

We are witnessing a time of great change in global financial markets and exchanges around the world are having to rethink how they will exist and interact in the future.

In these changing market conditions, a strong sense of customer focus is crucial. From a technological perspective, ASX has a track record of developing new initiatives which deliver benefits to our customers by improving the efficiency of our markets.

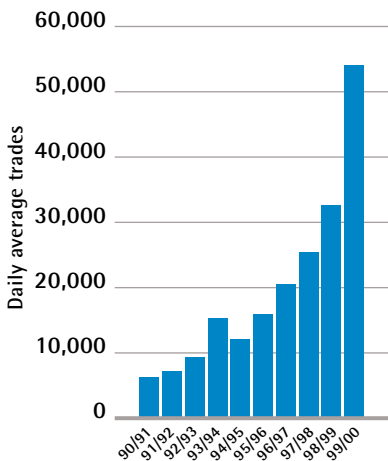
We are also committed to ensuring our fees reflect international best practice, regarding this as a vital contribution to the international competitiveness of Australia's investment marketplace.

With this in mind, from 1 July 2000, we substantially reduced our prices for equities clearing & settlement services, using a sliding scale so that as volumes increase so does the applicable discount. The new charges have been made possible through the efficiencies gained by ASX from full automation and decertification of Australia's equities settlement system. Australia now has one of the most automated and efficient equities settlement systems, and one of the best value systems in the world.

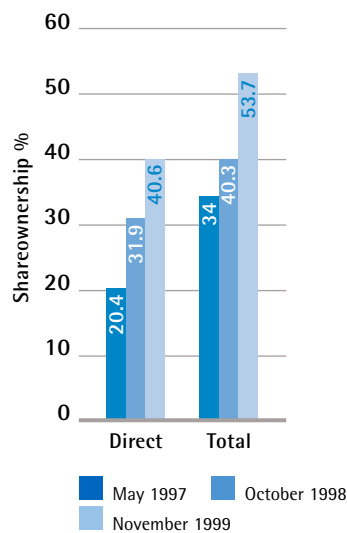
ASX also provides a far broader range of products and services than the majority of its counterparts. However, we believe there are additional opportunities to provide value-added services for our customers and the market, and we will continue to look for these.

This focus is particularly crucial for markets such as ours, which on a world scale are relatively small. While the Australian market and ASX are in very good shape – with good liquidity and depth, many new listings, high levels of retail investor interest in the market, an excellent technology base, a high level of market integrity, and a flexible structure

Equities trades
1990/91–1999/00



Shareownership of
Australian adults 1997–1999



10

which allows us to respond quickly to changing market conditions – our relative size is an issue.

The best way to manage this is by both developing a broader range of products and services which meet customer requirements and by ensuring we are integrated into the global marketplace. To date, we have been successfully pursuing these strategies and will spend much of the next year focusing on their implementation.

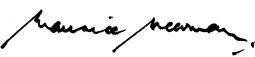
As we implement those new initiatives, we expect operating costs to increase over the coming year, but at a lower rate than recorded for 1999/00.

While our medium to long-term focus is on broadening our revenue streams through the diversification of products and services, in the short-term, levels of market activity will continue to be a key driver of revenue. Although equities trading volumes have been strong in the first two months of the current financial year, and over the

last 10 years have been increasing by an average of 18.8% per annum, they can be unpredictable.

Over the longer-term, we believe that the growth in the number of Australian investors and their increasing level of activity, underpinned by favourable economic reforms such as the abolition of stamp duty in July 2001, and the capital gains tax reforms which took effect in late 1999, will result in the continued growth in volumes.

During 2000/01, we will maintain our focus on providing markets of high efficiency and integrity, and continue to look for new ways to expand and strengthen your company.


Maurice L Newman AM
Chairman


Richard G Humphry AO
Managing Director

Growing

our products & services

ASX's program of developing the depth and

breadth of its products and services continued successfully during 1999/00. This program is part of ASX's strategy of providing value-added products and services to our customers while diversifying revenue streams.

The table on page 17 outlines the vertical and horizontal integration of ASX's products and services – demonstrating ASX's involvement at a range of levels across the investment cycle in a number of different markets.

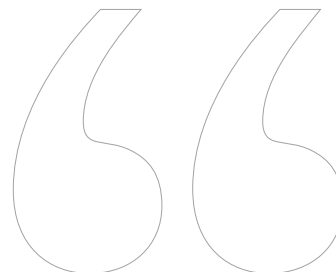
Equities market

1999/00 was a particularly strong year for the equities market.

12

Capitalisation of domestic equities grew by 20% to \$682 billion making Australia the 13th largest national equities market in the world. The increase included \$36.3 billion of capital raisings, 22% higher than for 1998/99. New listings also increased substantially, with 183 new companies listing on ASX compared to 70 for the previous year.

In addition, with the growth in the number of retail investors, a record total of 13.85 million equities trades were recorded for the year, an increase of 67% on the 8.29 million trades recorded for 1998/99.



By



John McMurtrie, Executive General Manager, Companies & Investors; Chris Hamilton, General Manager, Clearing & Settlement; Colin Scully, Executive General Manager, Market Services.

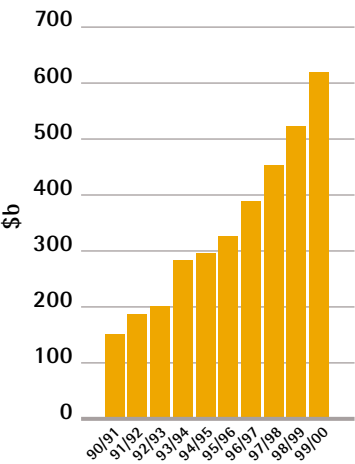
providing

further service improvements and more

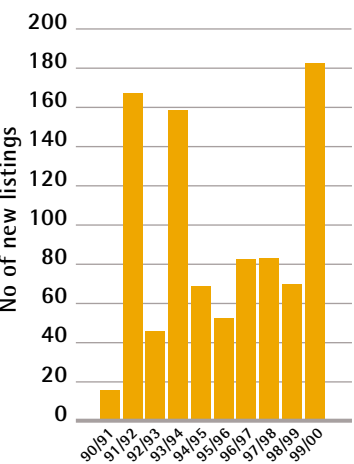
cost-effective services to issuers and shareholders, the registry joint venture will bring increased competition to the registry market and greater choice for customers. The market is in a phase of rapid global development and we see excellent opportunities in this environment for a provider with the next generation processing system which we are currently developing with ASX.”

Graham Bradley, Managing Director of Perpetual Trustees Australia Limited on the formation of ASX Perpetual Registrars Limited.

Average Australian domestic market capitalisation 1990/91–1999/00



New listings 1990/91–1999/00



While the number of trades for the year rose by 67%, the total value of trades increased by 28% to \$361.5 billion. As a result, the average value per trade was lower than for the previous year. This was largely attributable to the higher number of retail investors participating in the market. From a revenue perspective, the lower value per trade contributed to a decrease in the average fee per trade derived by ASX. However, this was more than offset by the growth in volumes, with revenue from equities trading, clearing and settlement increasing by 39%.

Options market

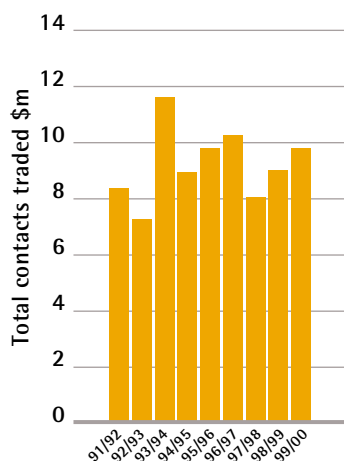
Trading in options continued on from the growth achieved in 1998/99 with daily average trades increasing by 8% to 38,519. In addition, the total premium value of contracts traded was nearly 50% higher than in the previous year at \$9.7 billion.

The introduction, in November 1999, of standard put and call options and Low Exercise Price Options (LEPOs) over the All Ordinaries Index™ contributed to this growth. Three new standard option classes were also listed, as well as nine new classes of “flex” (or tailor-made) options, predominantly representing “new economy” securities. For the second consecutive year, trading volumes of LEPOs increased substantially. In 1997/98, 50,376 contracts were traded. In 1998/99, this increased to 171,506 and for 1999/00, 437,230 contracts were traded.

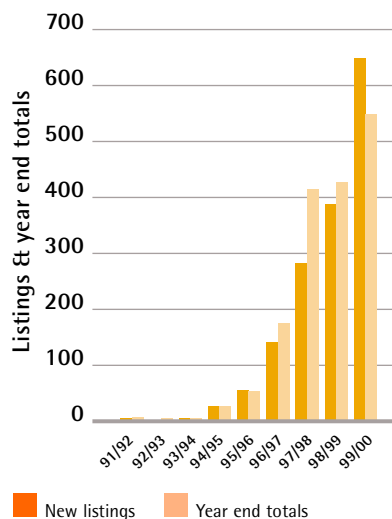
Warrants market

While the volumes of warrants traded declined in 1999/00, from 7.48 billion to 3.70 billion due predominantly to speculative investors moving towards “new economy” stocks from trading warrants, there were a number of positive developments.

Options volumes 1991/92–1999/00



Warrants 1991/92–1999/00



During the year, 642 new warrants were issued (517 expired) compared to 391 for the previous year. As a result, at 30 June 2000, there were a total of 551 warrants on the market from 13 issuers compared to 426 for the previous year. During the year, SG Australia became a new issuer and ANZ and ABN Amro resumed as issuers after an interval of 18 months. In addition, the range of warrants continued to grow with the introduction of five new types of warrants.

Retail debt

ASX's new interest rate market was introduced in November 1999, enabling interest rate securities to be electronically traded and settled as easily as shares. Turnover in the market grew from \$300 million in the previous year to more than \$2 billion – the highest turnover in these

securities since 1991/92 – and should further improve. There is also considerable potential for broadening the range of securities traded on this market, but some regulatory issues need to be resolved before its full potential is realised.

ASX's depth of services

For each of its markets, ASX provides a range of services at nearly all stages of the investment cycle, which starts with the investment decision and ends with settlement and portfolio holding. ASX is continually looking to improve its efficiency and service to customers at all levels. During the year, key initiatives were undertaken at the beginning of the investment cycle with respect to ASX's provision of information and education and at the end of the cycle with respect to registry services.

Information and education

Approximately 16% of ASX's revenue is derived from the sale of market data, primarily to information vendors.

From February 2000, ASX also began supplying information including all company announcements and share prices, free on its website, on a 20 minute delayed basis. The decision to provide the service was taken to ensure that the growing number of Australian retail investors had access to important market information and also to ensure that ASX remained at the forefront of international best practice.

The merit of the decision has been confirmed by the substantial increase in traffic on the ASX website, demonstrating that the information provided is highly valued by investors. In addition, on 14 August 2000 the company launched its restructured website which is designed to improve the quality and quantity of information available to investors. While ASX's website already regularly ranks in the top 10 most popular Australian sites, ASX anticipates that this new site will attract further traffic increases.

ASX's investor education program also continues to attract growing numbers of investors, with over 18,000 people attending courses during the year. Progressively from August 2000, ASX also began offering education programs online to broaden access to them.

ASX Investor Days continued to grow in popularity, with over 16,000 people attending the

events around the country. A further 23,220 people attended Investor Hours and 33,500 participated in ASX's Sharemarket Game. ASX believes that the high levels of interest in its information services and education courses are a reflection of the expanding public interest in financial markets.

Registry services

ASX's joint venture with Perpetual Trustees Australia Limited (Perpetual) to form ASX Perpetual Registrars Limited (APRL) is an important part of ASX's strategy of providing a range of value-added services for our customers at all levels of the investment cycle. The company believes that the combination of Perpetual's expertise in the registry services industry and ASX's financial systems and technology skills, position APRL well to provide improved services to customers.

Outlook

As always, ASX's core objective with respect to its markets will be to maintain them at the highest possible levels of efficiency and integrity.

In addition, as part of its strategy to enhance its services to customers, ASX will continue with its program of expanding its products and services. With this in mind, ASX is currently evaluating the feasibility of providing exchange-traded funds, expanding its derivatives market to include futures and providing electronic facilities for Australia's bond market.

ASX's breadth of markets and depth of services

	Retail debt	Equities	Warrants	Options	LEPOs
Market information & education	●	●	●	●	●
Listing services	●	●	●	●	●
Trading system & supervision	●	●	●	●	●
Clearing & settlement	●	●	●	●	●
Registry	●	●	●		

This table outlines the vertical and horizontal integration of ASX's products and services – with ASX providing a number of markets and a range of services for each of them.

Building

on our infrastructure

Since its formation in 1987, ASX has invested considerable capital and time to ensuring that its markets run efficiently and reliably, and that they are fair and orderly. The success ASX has had in developing this market infrastructure has meant that it has become one of the company's key assets.

Integral to building this leading infrastructure have been ASX's employees and the company's focus on technological innovation. ASX has a strong track record of developing leading-edge technology to improve efficiency and better service its customers. The development of its primary trading system, SEATS, and clearing and settlement system, CHESS®, as well as the more recently developed derivatives clearing system, DCS, have all been internationally recognised as market-leading developments in trading, clearing and settlement technology.

SEATS, CHESS and a number of other highly efficient electronic trading and clearing systems underpin all of ASX's markets. They enable ASX to provide reliable, efficient markets accessible throughout Australia and potentially, globally. This is the reason why a continuing investment in technology is so important to ASX's success. A significant proportion of ASX's largely fixed cost base is assigned to improving its existing systems or developing new, improved platforms.

Leveraging off ASX's infrastructure base
Given the market recognition of ASX's infrastructure, and in particular its strong technology platform, ASX believes there is an opportunity for the company to leverage off its investment in developing these assets. To this end, the company has implemented a number of new initiatives during the year.

“
efficient



Jeff Olsson, General Manager, Production Services; Anne Dickson, General Manager, Strategic Planning.

& reliable systems are crucial to the success of our business. CHESS has enabled Salomon Smith Barney to better service our customers by significantly improving accuracy, speed and reliability in our handling of all domestic settlements.”

Paul Seymour, Director, Salomon Smith Barney Australia Securities Pty Limited, on the benefits ASX's systems bring to his business.

When the newly revitalised Newcastle Stock Exchange opened in March 2000, it adopted a trading system supplied by ASX and also uses CHES facilities.

ASX has also entered into an arrangement to provide support services to the Australian Derivatives Exchange (ADX), which is aiming to commence operations in the fourth quarter of 2000. ASX will provide a futures clearing house via the ASX subsidiary Options Clearing House Pty Limited and a range of technical services. These include access to the ASX communications network to allow the ADX trading system to link to their traders and to disseminate market data.

The company believes that as other specialised markets develop, there will be similar opportunities to offer them the same reliable platforms.

ASX is also leasing space to ADX in its data centre to house its trading system computers. In addition to ADX, a number of other companies have been able to utilise the excess capacity which was built into ASX's three computer centres, considered to be world class in the provision of technology infrastructure.

Systems expertise and the operational reliability of ASX's systems are also a key part of the company's joint venture with Perpetual Trustees Australia Limited – APRL. As part of the venture, ASX is using its skills and experience in this area

to build a new, leading-edge registry system. The development of this system is integral to APRL's plans to enhance the services available to customers. The development is under-way and scheduled to be operational by the third quarter of 2001.

Systems' capacity

A number of major exchanges throughout the world experienced outages over the past 12 months due to the inability of their systems to cope with increased volumes. It is pleasing that ASX was able to handle the increased load without difficulty. In fact, markets were maintained at levels of approximately 99.8% availability for the year, notwithstanding the record volumes.

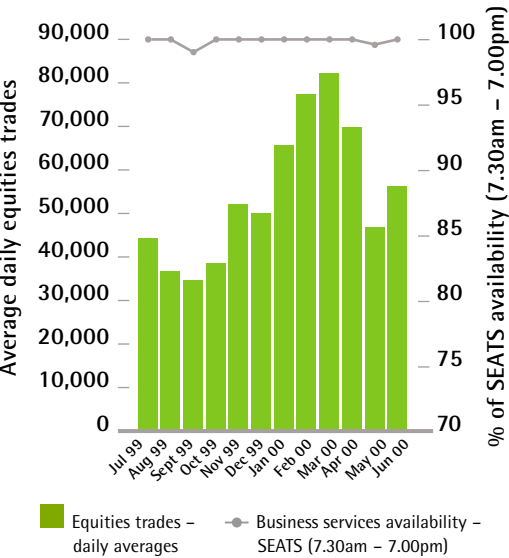
Part of the reason for this is that ASX has an active and ongoing program to build capacity, and over the year, a number of the equities market systems received major capacity enhancements, in particular market data dissemination and CHES. Considerable effort and expenditure was committed to both of these systems. Specifically, CHES settlements capacity has tripled with further improvements continuing to be achieved through the use of advanced technology and data optimisation techniques. ASX now has the settlement capacity to handle 300,000 equities trades per day which is nearly triple the peak, experienced on 30 June 2000. As a result, opportunity exists for ASX to expand its settlement services into new markets.

Further capacity improvements are scheduled for the next 12 months with particular emphasis on expanding network and e-commerce capabilities. With the introduction of 20 minute delayed prices and company announcements, the Internet demand also reached new heights, with a tenfold increase in access to ASX's website. The redeveloped website will further increase this demand and capacity improvements have been built into the systems to accommodate the expected increase in utilisation.

The trading network (NIPPA) over which ASX runs SEATS, derivatives trading (DTF) and derivatives clearing (DCS) will also be enhanced to handle greater volumes.

As well as developing and improving current systems, ASX is also looking at the new possibilities which developments in technology are providing. In cooperation with a telecommunications provider, ASX is establishing a Virtual Private Network (VPN). This VPN will give ASX the ability to provide on demand capacity for specific applications such as CHES and data dissemination, while reducing overall costs to both ASX and the company's customers. This is an innovative approach which will provide a more cost-effective solution for the broker community and an alternative to the current trading network.

Equities trading system availability



Outlook

ASX's focus on infrastructure over the coming year will be in a number of areas. The company will continue to look at enhancements to build capacity and further improve the efficiency of its markets and the services offered to customers. In addition, ASX will pursue its strategy of seeking opportunities to leverage off its technological expertise and market infrastructure. Finally, ASX's infrastructure will be a core component of its program to develop international linkages and work will continue on the establishment of trading links, in particular with Singapore and North America.

A global marketplace

The global context – a proliferation of international alliances

Over the last year, the proliferation of alliances and mergers between exchanges around the world has accelerated. It is now almost universally accepted that as technology develops, capital and companies will become more mobile. The challenge for exchanges is to remain relevant to the users of their markets.

ASX – actively pursuing international alliances

By market capitalisation, ASX is currently the 13th largest national stock exchange. Given its relative size, ASX recognised some time ago that becoming part of global securities markets would be essential for longer-term growth.

ASX has been pursuing a proactive strategy with respect to its international position for some years. In fact, the company's demutualisation and listing in 1998 were in part designed to provide greater flexibility and responsiveness to meet the challenges of globalising securities markets. Many other exchanges are only now starting to consider such proposals. Similarly, ASX has placed great emphasis on technological innovation – an investment which has not only allowed for a highly efficient market, but one which means that ASX has in place the technological infrastructure to more easily facilitate international linkages.

Both ASX's structure and its strong technological platform have been an advantage as the company has pursued its international alliance program.



Our

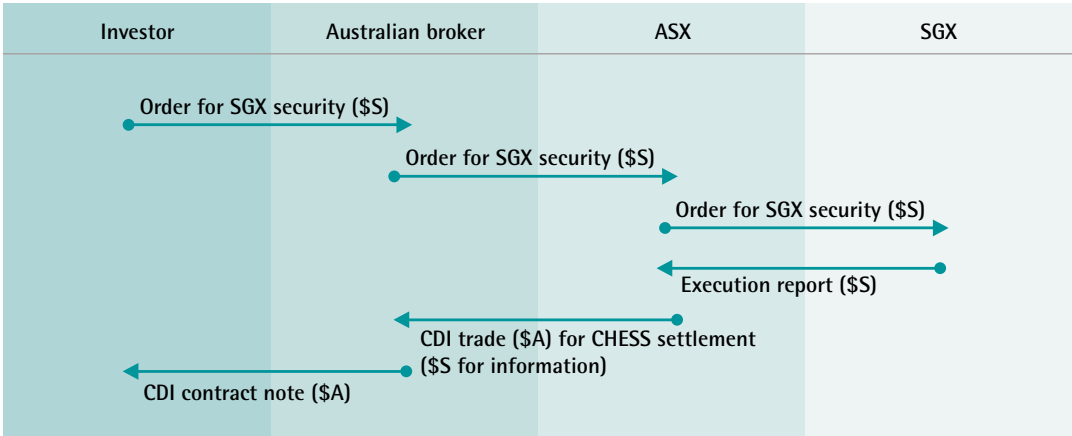


Angus Richards, Deputy Managing Director; Michael Roche, Executive General Manager, Strategic Planning, Marketing & Corporate Relations.

innovative plan to establish a link
between the Singapore and Australian stock exchanges is a reflection of SGX
and ASX's shared vision to meet the challenges of an increasingly sophisticated
global market with growing and changing investor needs and demands."

Thomas Kloet, CEO of Singapore Exchange (SGX), on the agreement between SGX and ASX to establish an electronic trading link.

ASX – Singapore linkage



CDI – CHESS Depository Interest
Under the agreement with the Singapore Exchange, transactions will take place in accordance with the rules and procedures of the securities' "home" exchange. For Australian investors, the service will enable settlement to occur in Australian dollars, and custody will also be in Australia, via a CHESS Depository Interest (CDI) facility. For Singaporean investors, settlement can be in either currency. Custody of ASX-listed shares held by Singaporean investors will remain in CHESS, the beneficial ownership being recorded in SGX's Central Depository (Pte) Limited.

24

ASX-Singapore Exchange link

While ASX is open to different models of alliances, the company's preferred model at this stage is the reciprocal portal market linkage, which was reflected in its agreement signed with the Singapore Exchange in June 2000.

The agreement is to develop a system which allows investors in Australia to cost-effectively invest directly in companies listed on the Singapore Exchange, simply by contacting their local broker in Australia. Similarly, investors in Singapore will be able to invest in Australian companies. ASX anticipates that, subject to the resolution of all technical and regulatory issues, this service will be introduced by mid-2001.

The Singapore link is a pioneering one for the region. ASX sees it as a prototype that should offer a model for additional links in the future, thus helping to position ASX as an infrastructure provider in servicing an increasing volume of investment flows into and out of Australia.

Facility to allow trading in North American securities

ASX has also continued work on its initiative to allow Australian investors to invest in US

securities. While some technical and regulatory issues remain, it is currently anticipated that the facility which utilises a US electronic communications network, a US broker and a US custodian will be available by the beginning of 2001.

Participation in Global Equity Market discussions

While the portal linkage model, which preserves national sovereignty for each participating exchange, is ASX's preferred structure, alternative linkages are also being considered.

Following an initiative from the New York Stock Exchange (NYSE), ASX is participating in multilateral discussions with NYSE, Euronext (Amsterdam, Brussels, Paris), the Hong Kong Exchanges and Clearing, the Bolsa Mexicana de Valores, the Bolsa de Valores de Sao Paulo, the Tokyo Stock Exchange, and the Toronto Stock Exchange, to explore the feasibility of a Global Equity Market (GEM).

Building closer relationships in Asia

Over the past few years, ASX has signed memoranda of understanding (MOUs) with the national exchanges in Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand

ASX in the global marketplace



This map illustrates the alliances and linkages ASX is currently pursuing.

and in August 2000 also signed one with Tokyo. Under the auspices of these MOUs, ASX is building closer relationships with exchanges in the region with a view to extending the network of market linkages.

Other international initiatives

ASX has also entered into two other agreements, which while not in themselves trading linkages, will help attract international capital to Australia. The first is a 15 year agreement which ASX entered into in March 2000 with Standard & Poor's Index Services (S&P). ASX believes that partnering with an internationally renowned company such as S&P will bring longer-term benefits to the company, particularly in terms of building awareness of ASX's markets.

Under the second agreement, following a submission from ASX, the US Securities & Exchange Commission granted a no-action relief for US companies to raise money and list on ASX. This is only the second time that such an exemption has been granted and two companies, Digital Now Inc and Axon Instruments Inc listed on ASX under these arrangements during 1999/00. ASX expects that following the successful listings of these companies, other US companies will utilise this facility.

The global outlook & ASX's priorities

ASX has always viewed market integrity as one of its most fundamental objectives and is cognisant that any international linkages need to ensure that investor confidence is retained. It is the belief of both ASX and the Singapore Exchange that the structure adopted for the Australia-Singapore linkage will ensure the integrity of both markets is maintained.

Over the coming year, ASX's main focus will be to establish the link with Singapore and the link into the North American market. While these two links are priorities for ASX, the strategy is multilateral and on this basis, the company will continue to participate in the development of GEM as well as looking for other new appropriate partners.

Since the end of the financial year, ASX has also entered into preliminary merger discussions with the New Zealand Stock Exchange (NZSE). These discussions will be continued, however any merger would necessarily be subject to final agreement of the ASX Board and NZSE members, and any regulatory approvals required.

Integrity

reliability
& accountability

ASX's key role

ASX provides not only a market for trading financial instruments but services to enhance the integrity, reliability and efficiency of trading activity. ASX provides:

- **rules of conduct** for admission to and continued participation in trading activity on our markets;
- **surveillance** and reporting of market activity;
- **investigation** of market participant and listed company behaviour;
- **enforcement** of market participant behaviour;
- **assistance** to the Australian Securities & Investments Commission (ASIC);
- **support and guidance** to market participants and listed companies designed to encourage and facilitate compliance with our rules;
- **review and appeal** mechanisms for market participants and listed companies;
- **efficient automated trading and clearing platforms**;
- **guarantees** of trade completion and risk management; and
- **information**.

The regulatory framework in which ASX operates

The Australian model for securities market regulation is one of co-regulation (ie a combination of statutory and peer group regulation). Co-regulation is designed to achieve a productive collaboration between the government regulator (ASIC) and the market provider, in this case, ASX with its special expertise and close proximity to market activity.

Efficiency and integrity underlies ASX's success

ASX is not unique in the sense of a need to balance business decisions with ensuring compliance with legislative requirements. ASX's advantage is that it has long experience of successfully doing so. ASX recognises the specific

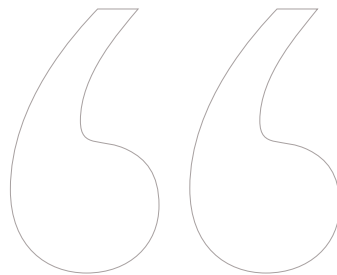
and significant supervisory responsibilities that it has and how integral they are to the efficiency and value of its markets.

Specific legal obligations

The Corporations Law requires ASX to provide fair and orderly markets and to report on and be accountable for our supervisory activities. Both ASIC and the Minister for Financial Services and Regulation have powers to intervene in, audit or direct our market related activities. The Law also requires ASX to assist ASIC in the performance of its functions.

The Law requires that amendments to ASX business rules and listing rules be lodged with ASIC. The Minister then has a power to disallow any amendment. To facilitate ASIC providing advice to the Minister, ASX consults with ASIC about proposed rule amendments.

These formal requirements are complemented by ASX's structural arrangements to quarantine supervisory activity, its formal disciplinary and appeal tribunals and advisory bodies, and its process of public consultation on rule amendment



ASX



Jim Berry, National Manager Surveillance; Karen Hamilton, General Counsel
& Company Secretary; Alan Shaw, National Manager, Supervision.

& ASIC

work closely together to ensure the
integrity of ASX's market."

Alan Cameron, Chairman, Australian Securities & Investments Commission (ASIC)
on Australia's co-regulatory framework.

proposals, public registers of its supervisory decisions and a number of memoranda of understanding ASX has entered into with ASIC and other market operators.

However, not only is ASX legally required to undertake supervisory activities, it views the preservation of the integrity of its markets as of primary commercial importance.

Promoting disclosure by listed entities

Requirements are imposed on companies and their officers by the Corporations Law. These requirements are complemented, in the case of companies seeking listing and quotation of their securities on the ASX market, by ASX listing rules which set out standards of behaviour designed to promote integrity, accountability and responsibility – themes central to the markets we conduct. ASX rules set out the requirements for admission to the official list and for quotation of securities and govern the suspension of securities from quotation and removal of companies from the official list.

One of the most important requirements imposed on a listed company relates to its obligations to keep the market informed of activities which may have a material effect on its share price. The thrust of ASX activity in this area is to maintain close contact with listed companies and to promote a culture of compliance with disclosure obligations. The ASX listing rules support continuous disclosure to the market of material events as they occur and a periodic disclosure regime, to promote an informed market.

ASX continually monitors price movements, print and electronic media. ASX regularly initiates discussion with and queries of listed companies about price movements and reports of their activities. Where an ill-informed market is believed to exist, securities are suspended from quotation by ASX. Trading halts are imposed by ASX where material information is anticipated for release to the market. Other than suspending a

listed company's securities, ASX has no disciplinary powers in respect of companies or their officers. ASX can refer a matter to ASIC for further investigation and possible referral to the Department of Public Prosecutions.

During the first half of 2000, ASX and ASIC launched a joint campaign, initially focused on companies in Perth and Brisbane, and later expanded to include technology companies generally, to ensure continuous disclosure obligations were being met. The campaign's success was measurable by the decrease in the number of letters sent by ASX to listed companies querying unexplained movements in a company's share price or volume of shares traded.

Providing fair & efficient markets

Under the Corporations Law, ASX's market participants are governed by a licensing regime and are subjected to specific obligations concerning the conduct of their business and in particular, their obligations to clients. The Law also prohibits various market activities.

These requirements are complemented by ASX business rules and Securities Clearing House (SCH) business rules which are primarily designed to address prudential requirements for market participants, risk management, market conduct and settlement obligations which apply to ASX markets. The rules include arrangements for expulsion, suspension or disciplining of market participants for inappropriate conduct.

ASX's supervisory activities also include discussions with market participants to encourage and facilitate compliance with their obligations, the issue of guidance notes, constant surveillance of trading behaviour, referrals to investigatory divisions within ASX for examination or to ASIC, inspections and investigations of market participants and of complaints received by ASX from their clients and formal hearing of charges against market participants.

Trade levels and supervision activities 1995/96–1999/00

	1995/96	1996/97	1997/98	1998/99	1999/00
Trades (millions)	4.0	5.3	6.5	9.1	14.6
Announcements by listed companies	41,907	49,278	49,533	55,089	64,329
Alerts	42,000	60,000	74,407	68,025	114,036
Price queries	213	373	299	442	642
Referrals to ASIC	23	29	22	31	17

Alerts Unusual price or volume movements generating surveillance alert.
 Price queries Price/volume query to listed company by ASX.
 Referrals to ASIC Investigation resulting in referral to ASIC.

Constant vigilance

The primary tool of ASX market surveillance is a specialised computer system that continuously monitors all market activity and alerts ASX's analysts to indications of irregular behaviour. ASX price queries increased dramatically in the March quarter due to the boom of activity in the telecommunications, media and technology sectors. ASX concentrated its efforts at this time on ensuring that the markets received timely disclosure of material information.

Internet trading and the use of chat sites for day traders' comments grew during the year. In response, ASX surveillance now includes the monitoring of popular chat sites and a review of whether information posted on these sites has been released to the market.

Committees & tribunals

There are a number of established committees and tribunals which assist ASX in the performance of its supervisory responsibilities. These committees and tribunals include people external to ASX with relevant industry expertise.

- The Business Rules Committee approves proposed amendments to business rules.
- The Listings Appeals Committee hears appeals from decisions of management on admissions to and removals from the official list and the application of and waivers from, the listing rules. It also hears appeals from management decisions on warrants issues and provides advice to management on policy questions as requested.
- The Listings Advisory Panel gives advice to management in relation to both general policy

matters and decisions affecting particular entities including proposed listing rule amendments.

- The National Adjudicatory Tribunal adjudicates disciplinary matters concerning affiliates and participating organisations and such other matters as are delegated to it from time to time.
- The decisions of the Tribunal may be appealed to an appeal tribunal. The Appeal Tribunal is also responsible for hearing any appeals concerning admissions, authorisations and other management decisions in the equities, settlement and derivatives areas.
- The ASX Settlement & Transfer Corporation Pty Ltd (ASTC) Board has established a disciplinary tribunal which considers disciplinary matters related to the SCH business rules concerning non-broker participants, participating organisations and issuers.
- The decisions of this tribunal may be appealed to an appeal tribunal which is currently chaired by a law firm partner.

Public records

All ASX disciplinary determinations are publicly available. ASX also maintains a public register of any waivers granted from listing rule requirements.

Particulars of disciplinary action and of any belief ASX has formed that a serious contravention of its rules or the Law may have been committed are provided to ASIC.

Each year, ASX provides ASIC with a report of its supervisory activities for consideration by the Minister. The Minister may require an audit of that report.

ASX in the community

ASX's broader economic role

A recent OECD report entitled *Is There a New Economy?* highlights the importance of a country's efficient capital markets: "They mobilise and pool individual savings to finance investments. They allocate finance to the activities generating the highest return. They diversify and allocate risk among individual investors."

Given the central role of ASX in the Australian economy, the company takes an active part in the development of economic reforms which will assist Australia's competitive position. Over the last year, ASX has been actively involved in the Australian Government's tax reform program, in particular the abolition of stamp duty on share transactions (to take effect from 1 July 2001), business tax reforms and the changes to capital gains tax.

ASX has also been working with Axiss Australia (formerly the Australian Centre for Global Finance) in promoting Australia as a centre for global financial services. In addition, ASX's Chairman is also the Chairman of the Financial Sector Advisory Council, which reports to the Federal Treasurer.

Educating investors

ASX believes it has an important role to play in providing investors with access to market information and community education services. Services offered include share courses, Investor Days, Investor Hours, ASX Schools' Game, ASX Charity Game, a Broker Referral Service, and market information available at no charge on ASX's website on a range of topics and at a range of levels.



ASX's



Tracey Rogers, Research Biologist, Australian Marine Mammal Research Centre, Taronga Zoo.

support

is invaluable in assisting the Australian Marine Mammal Research Centre to conduct vital research to help protect the marine environment. This includes spending five months of the year in the Antarctic studying Leopard seals – an indicator species for that region.”

Tracey Rogers, Research Biologist on ASX's role in marine mammal research.

Charity involvement & sponsorships

ASX also takes an active role in broader community activities and is involved with a number of charity organisations including Taronga Zoo, the Garvan Institute of Medical Research and ASX/Reuters Charity Foundation.

Taronga Zoo

ASX sponsors two programs at Taronga Zoo, both focused on environmental conservation - the Australian Marine Mammal Research Centre (AMMRC) and ASX Frog Focus.

One of AMMRC's research projects studies Leopard seals in the Antarctic. The Leopard seal is one of the few predators which can be studied directly in the Antarctic, and therefore it plays a significant role in helping us understand other components within the Antarctic ecosystem. As 'top order' predators, Leopard seals are generally one of the first species to respond when there are changes in the environment. This allows researchers to examine the many effects of environmental modification on this species and on the surrounding environment and is consequently vital in developing a better understanding of the fragile Antarctic environment.

ASX has also partnered Taronga Zoo in creating a support group for frog conservation, which involves the design and implementation of a national educational conservation program. Frogs are also an important "indicator" species of the state of the environment. Unfortunately, Australian frog numbers are declining to the extent that 70 of an estimated 200 species are in varying stages of decline. ASX Frog Focus will inform young Australians on how to become responsible environmental citizens and engage in local environmental conservation. It will be delivered through a multi-layered education resource that engages school students and community groups across Australia.

Garvan Institute of Medical Research

The Garvan Institute of Medical Research is a world leader in medical research. Garvan research is focused on understanding the role of genes in health and disease. Garvan has made some ground-breaking discoveries into the understanding and treatment of osteoporosis, breast and prostate cancers, diabetes, mental illness, Alzheimer's disease, and arthritis.

ASX supports two programs at Garvan - the Neurobiology Research Program and Cancer Research Program. The Neurobiology Research Program has made significant progress in furthering our understanding of disorders of brain function such as neurological, degenerative disorders and mental illness. The focus of Garvan's Cancer Research Program is primarily to discover new methods of early detection as well as targets for treatment and prevention for breast cancer and prostate cancer. Breast cancer remains the biggest single killer of women aged 30 to 60, with 9,500 new cases of breast cancer in Australia every year and seven deaths a day. Prostate cancer is similarly one of the main causes of death for men, with nearly 10,000 Australian men diagnosed with prostate cancer every year. The widespread impact of these cancers on the community, makes the research carried out by Garvan of enormous significance and benefit to the community at large.

ASX/Reuters Charity Foundation

In February 2000, ASX and Reuters established the ASX/Reuters Charity Foundation with the aim of supporting the extremely important work of numerous Australian charity organisations. Each year, a number of charities are chosen and funds are raised through a golf day, art union and dinner.

This year, the Foundation raised over \$600,000 which was distributed to The Children's Cancer Institute, The Sunnyfield Association, The Shepherd Centre, Taronga Zoo, Financial Markets Foundation for Children, and the Garvan Institute of Medical Research.

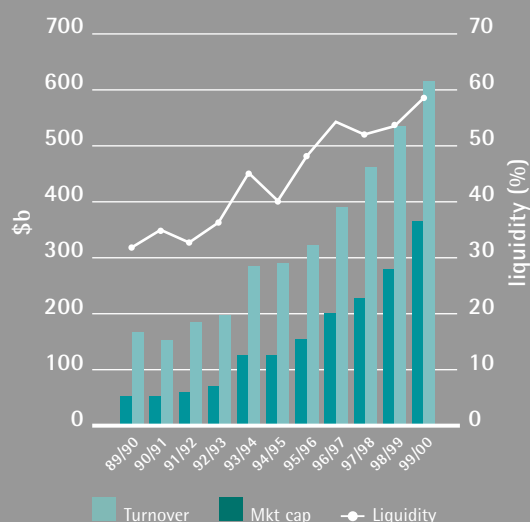
Key market statistics & indicators

Why are market capitalisation and liquidity important?

The size of a market is important because it denotes scale and depth. The liquidity of a capital market indicates risk. Usually, large, deep and liquid markets present lower risks for investors and as a consequence, companies which raise capital through them can access funds more cheaply than through smaller, less liquid markets.

Consequently, coupled with market integrity, depth and liquidity are two key factors in making the Australian market attractive to investors and companies and as a result are both crucial for ASX's continued growth. As demonstrated by the graph opposite, ASX's market capitalisation is growing strongly and its liquidity at around 57% remains high.

Equities turnover & average market capitalisation 1989/90–1999/00



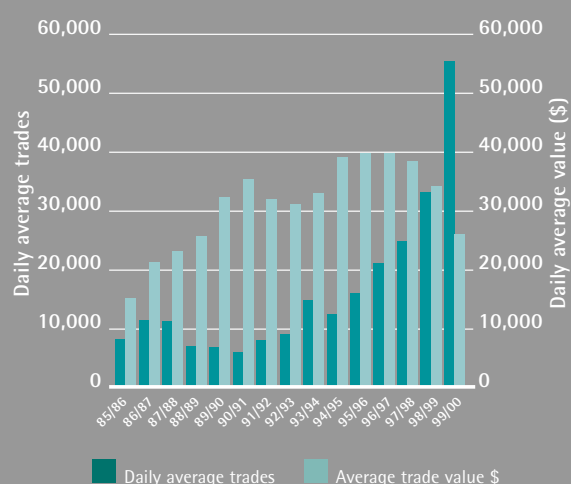
How important are equities trading volumes to ASX?

While ASX is pursuing a strategy of diversifying its revenue streams, revenue from equities trading, clearing and settlement currently comprises approximately 47% of the company's revenue.

Although unpredictable in the short-term, volumes have been growing at over 18% per annum for the past 10 years. Moreover, ASX believes that the growing level of investor interest in the market coupled with abolition of stamp duty on marketable securities in July 2001, changes to capital gains tax and the growth of superannuation funds, will all contribute to the continued longer-term growth in trading volumes.

Although volumes have grown rapidly over the last year, the average value per trade has decreased. This is due to the fact that volume increases are largely attributable to retail investors whose trades tend to be lower in value than institutional investors, thereby bringing down the average value per trade. As part of ASX's fees are generated according to value, this has been partially responsible for a decline in the average fee per trade from \$6.07 to \$5.34. However, this has been more than offset by the increase in volumes, with revenue from equities trading, clearing and settlement increasing by 39% to \$90.7 million in the last year.

Equities trades & trade values 1985/86–1999/00



Key market statistics & indicators

How important are derivatives to ASX?

ASX operates both an options market and a warrants market. Both these derivative markets offer investors alternative ways of gaining exposure to underlying shares or the sharemarket as a whole. More importantly it is the opportunity for leveraged returns via derivatives. Both markets have a mix of retail and institutional investors, with the options market having liquidity providers in the form of market makers as well. Retail investors in particular trade in both the options and the warrants market. Derivatives trading clearing, and settlement contributed 14.6% of ASX's revenue in 1999/00.

The options market in Australia was formed in 1976, by the Sydney Stock Exchange, the first such market outside of the US. Options volumes grew by 8% in 1999/00, following on from 11% growth the previous year.

Trading in Low Exercise Price Options (LEPOs) – an important share futures equivalent product, which complements the range of derivative product offerings traded on ASX – also continued its strong growth.

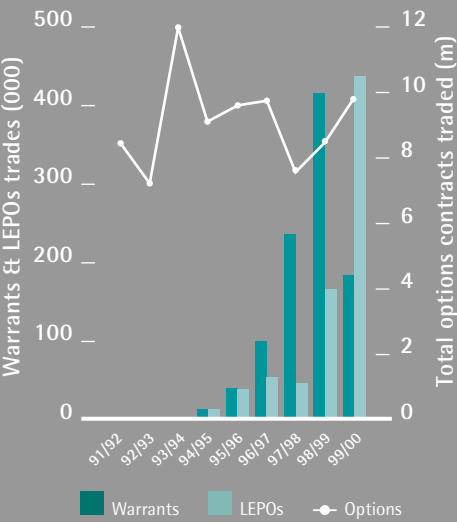
The warrants market has recorded enormous growth in recent years although some of the strong retail interest in this market was diverted away from warrants to Internet sector stocks during the last financial year. Even so, new listing activity of warrants continued to increase, with more warrant issuers supplying to the market. Warrants contribute substantially to derivatives revenue not only through secondary trading activity but also from fees associated with their issuance and annual compliance.

Why are new capital raisings important?

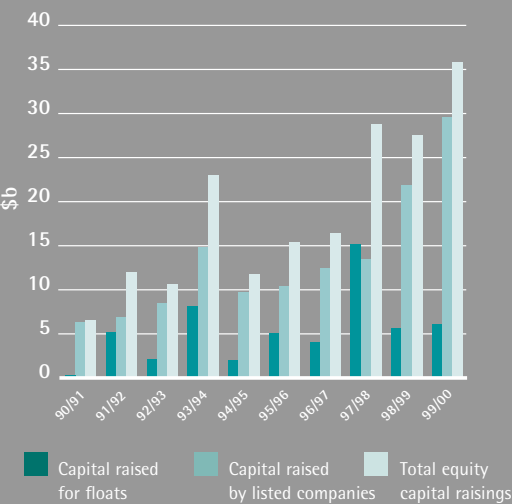
Equity capital raisings are important to ASX and the Australian market for a number of reasons. They add to the size and depth of the market. They may also bring new investors to the market, which over the longer-term increases volumes.

Capital raisings include capital and premiums on new listings, rights issues, calls, placements, exercise of options, issues through employee and dividend election, or reinvestment schemes and; excludes capital raised in foreign currencies by ASX-listed foreign companies and fixed-interest capital (debentures, notes, deposits).

Warrants LEPOs & Options
1991/92–1999/00



Equity capital raisings
1990/91–1999/00



How does the level of shareownership impact ASX?

As ASX's revenue is to a significant degree driven by equities trading volumes, more active investors will result in increased volumes. Total shareownership in Australia has increased from 40.3% of the adult population in October 1998 to 53.7% in November 1999. Less than three years ago those aged 55-or-over were the predominant category of direct shareowners. There are now 1.5 million Australians aged 18-34 who directly own shares, approximately the same number as those aged 55 or over, indicating that people are starting to invest younger and providing a positive indicator for the future growth of the Australian market.

To assist this growing number of investors, ASX operates a number of courses and also provides free information on companies via its website (asx.com.au). In addition, ASX is broadening the range of products it offers, to allow investors the opportunity to easily diversify their portfolios.

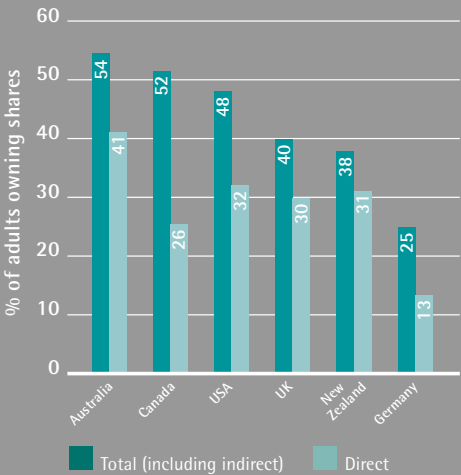
What does the change in the market composition mean for ASX?

Internationally, the Australian market has been viewed as a "resources and manufacturing market". This view was substantiated by the fact that in 1989, resources and manufacturing companies had a capitalisation of \$130 billion and made up 73% of the total capitalisation of the Australian market. They are still an important and growing part of the Australian market, with a market capitalisation of \$225 billion. However, they now comprise only 34% of the total market. The balance of the market now largely comprises finance and insurance, telecommunications and media companies. This is important as it reflects the composition of the Australian economy overall and offers investors greater opportunity to diversify their portfolios across different sectors.

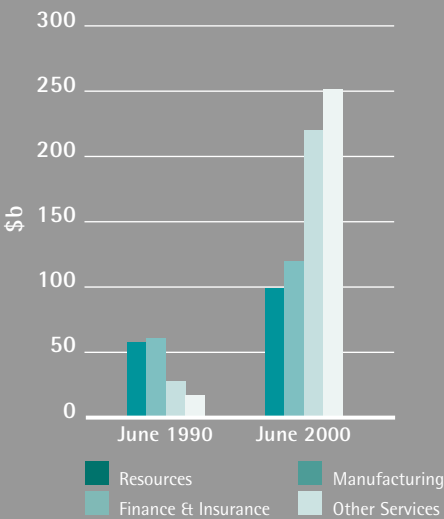
Investment Returns

This graph demonstrates the findings of an investment sector performance report prepared for ASX by Towers Perrin. After allowing for taxation (capital gains and income tax) and expenses, the graph shows that in the past 10 years ordinary shares have outperformed all other investment sectors. In addition, the real return has been particularly strong for shares and fixed interest investments over this period.

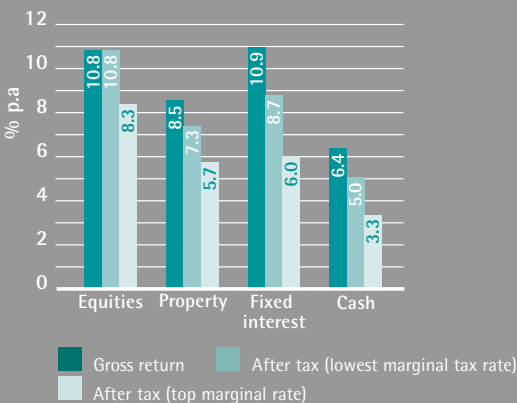
International shareownership 1999



Market composition 1990-2000



Investment returns for 10 years to 31 December 1999



Board of Directors



From left to Right: Maurice Newman, Richard Humphry, Clive Batrouney and Michael Shepherd.

36

Chairman. Maurice L Newman AM, FSIA, Age 62. ASX Member/Affiliate since 1978. Elected to the Board 1990. Chairman since November 1994. Director of Securities Exchanges Guarantee Corporation. Chairman of the Nomination & Remuneration Committee. Chairman: Deutsche Asset Management (Australia) Limited, Deutsche Bank Asia Pacific Advisory Board, Sydney Legacy Citizens Committee, Acrux Limited, Australian Government Financial Sector Advisory Council, Management Company of Commercial Investment Trust and Industry Investment Trust, Co-Chairman Singapore Australia Business Alliance Forum. Executive Chairman of Deutsche Bank group in Australia 1985-1999, Commissioner of National Commission of Audit 1996.

Managing Director. Richard G Humphry AO, FCA, AAIB, MACS, Age 61.

Managing Director and Chief Executive Officer since May 1994. Member of the Nomination & Remuneration Committee. President: Commonwealth Remuneration Tribunal. Director: ASX Perpetual Registrars Limited; Zoological Parks Board of NSW, State Super Financial Services Ltd, Garvan Research Foundation. Member: Financial Services Advisory Council Task Force, Foreign Affairs Council. 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: Australian Society of CPAs, Australian Institute of Management, Australian Institute of Company Directors.

Vice-Chairman. Clive M Batrouney ASIA, FAIM, Age 59.

ASX Member/Affiliate since 1976. Elected to the Board 1990. Chairman of Securities Exchanges Guarantee Corporation. Member of the Audit Committee, Nomination & Remuneration Committee and Vice-Chairman of the National Adjudicatory Tribunal. Director: Victorian Funds Management Corporation, Hansen Yuncken Pty Ltd, Horizon Private Equity Pty Ltd, Committee for Melbourne. Member: Victorian Financial Industry Consultative Committee. Former Chairman of ANZ McCaughan Securities Limited.

Vice-Chairman. Michael H Shepherd ASIA, Age 50 ASX Member/Affiliate since 1974. Elected to the Board 1988. Director: ASX Settlement and Transfer Corporation Pty Limited, Options Clearing House Pty Limited. Member: Nomination & Remuneration Committee. Chairman: Business Rules Committee. Member: Securities Institute of Australia. Chairman: Australian Hearing Services Authority. Vice Chairman: Asia Pacific Capital Markets Limited. Director: The Shepherd Centre and the Shepherd Foundation. Governor: The Sir David Martin Foundation.



From left to Right: John Fraser, Michael Sharpe, Max Fowles, Catherine Walter and James Kennedy.

Max Fowles BCom, Age 47

ASX Member/Affiliate since 1985. Elected to the Board 1993. Chairman of the Listings Appeals Committee. Member of the Nomination & Remuneration Committee. Chairman: DJ Carmichael Pty Limited. Director: Perth Commodities and Futures Brokers Pty Ltd, Australian Heritage Group Limited.

John A Fraser BEcon (Hons), Age 49

Appointed to the Board 1997. Member of the Audit Committee and Nomination and Remuneration Committee. Chairman: UBS Asset Management (Australia) Ltd, UBS Asset Management Singapore Ltd. Director: Australian Unity Funds Management Limited, Phillips & Drew (Australia) Ltd, UBS (Trust & Banking) Limited (Japan). Member: UBS AG Group Managing Board. Commissioner: National Commission of Audit 1996. Former Deputy Secretary (Economic), Australian Treasury.

James J Kennedy AO CBE, DUniv (QUT), FCA, FSIA, FAIM, FCPA, Age 66

Appointed to the Board 1990. Member of the Nomination and Remuneration Committee. Chairman: Queensland Investment Corporation Ltd. Deputy Chairman: GWA International Limited. Director: Qantas Airways Limited, Macquarie Industrial Trust, Suncorp-Metway Limited. Member: Blake Dawson Waldron National Advisory Board, Prime Minister's Community Business Partnership,

University of Queensland Development Council, Queensland University of Technology "Australian Centre for Strategy Management".

Michael J Sharpe AO, BEc, Hon. DScEcon (Syd), FCA, Age 62

Appointed to the Board 1995. Chairman of the Audit Committee. Member of the Nomination and Remuneration Committee. Director: ASX Settlement & Transfer Corporation Pty Limited, Securities Exchanges Guarantee Corporation. Chairman: State Super Financial Services Limited, e.COM Global Limited, Cards etc Pty Limited. Director: National Australia Trustees Limited, Military Superannuation Benefits Scheme. Chairman: Sir David Martin Foundation. Canon: St Andrews Cathedral. Past President: Institute of Chartered Accountants in Australia. Former Chairman: International Accounting Standards Committee. Former Partner: Coopers & Lybrand (1968-98)

Catherine M Walter LLB (Hons), LLM, MBA Age 48

Appointed to the Board 1996. Member of the Audit Committee and the Nomination and Remuneration Committee. Director: National Australia Bank Limited, Orica Limited, Vodafone Pacific Limited, Melbourne Business School Limited. Chairman: Business Regulation Advisory Group. Member: The University of Melbourne Council.

Corporate governance statement

Shareholders

ASX is a listed public company incorporated in the Australian Capital Territory. Only one class of equity securities – ordinary shares – is on issue.

At a general meeting, every shareholder present in person or by proxy, attorney or representative (or in more than one of those capacities) 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".

There is a maximum shareholding entitlement in ASX by one party and its associates of 5% of voting shares. This maximum was set by the Australian Parliament. The constitution classifies as default shares any shares held above the 5% limit and removes voting rights on a poll attaching to these shares. The constitution also provides a mechanism for requiring the disposal of any shares held above that limit at the discretion of directors.

At the time of listing in October 1998, ASX's shareholder base comprised 606 former members who had each been issued 166,000 ordinary shares as part of ASX's demutualisation. ASX's shareholder profile has changed considerably since listing. There are now approximately 16,000 shareholders. Approximately 385 of these are original member shareholders who in total hold around 40% of the issued capital. Further information regarding ASX's shareholders is contained in Shareholder information on page 63.

Board composition & role

ASX is currently governed by a board of nine directors. The Board reduced its size to this number in September 1999. The reduction in size was consistent with the statements made in ASX's listing information memorandum that in the medium-term following demutualisation, the size of the Board would be reduced. Following the reduction in the Board, and as a result of significant restructuring of the Board prior to demutualisation, Board members whose background is predominantly stockbroking no longer constitute a majority. Currently, the Board comprises persons with complementary and diverse skills including information systems, accounting and auditing, legal, funds management, stockbroking and

business administration. Members of the Board bring both a global and regional perspective to the Board's deliberations as well as an understanding of the external political and public policy environment. There is also a depth of experience in company directorships. The Managing Director & CEO is the sole executive director.

The Board is accountable to shareholders for the business operations and affairs of ASX. Key responsibilities of the Board include overseeing the strategic direction of ASX and monitoring management's performance within that framework, monitoring succession planning for the managing director and senior management, monitoring the achievement of business functions and ensuring that adequate risk management and crisis management procedures exist and are being used. Responsibility for the operation and administration of ASX has been delegated by the Board to the Managing Director.

The Managing Director's key consultative and decision making forum is Executive Council. This group of senior executives comprises the Managing Director and Angus Richards – Deputy Managing Director; John Hayes – Chief Financial Officer; Karen Hamilton – General Counsel & Company Secretary; Colin Scully – Executive General Manager, Market Services; John McMurtrie – Executive General Manager, Investors & Companies; Michael Roche – Executive General Manager, Strategic Planning, Marketing & Corporate Relations; Chris Hamilton – General Manager, Clearing & Settlement; Jeff Olsson – General Manager, Production Services; Anne Dickson – General Manager, Strategic Planning; David Habler – General Manager, Human Resources and Sasha Titchkosky – National Manager, Corporate Relations.

In recognition of the differing responsibilities of the Board and management, the roles of chairman and managing director are, as a matter of policy, separate.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee is responsible for devising criteria for Board membership and for assessing the performance of the Board, committees and the managing director.

The committee reviews candidates for directorships, where appropriate using the services of an executive search firm. It also considers appointments to subsidiary boards and committees. The committee comprises all Board members. The chairman of the committee is the chairman of the Board.

The committee reviews remuneration packages and policies applicable to senior executives and directors, including the managing director.

The committee also reviews the company's succession planning with a view to ensuring that adequate arrangements are in place and that recruitment and training are providing adequate candidates for promotion to senior positions.

Board performance review

The Board reviews its performance annually, with the chairman reviewing each individual director's performance during the year.

As part of the annual performance assessment exercise, each director has the opportunity to express their views regarding the Board's performance in relation to all matters which the Board has agreed are its key responsibilities.

Policies relating to appointment & retirement of non-executive directors

Under the constitution, one-third of the directors (excluding the managing director) retire from office by rotation at each annual general meeting. The directors retiring at the 2000 Annual General Meeting are those who have been longest in office since their last election. Where directors have served for equal periods, those to retire are determined by lot unless otherwise agreed.

ASX's retirement policy allows for retiring non-executive directors with three years or more of service following demutualisation (on 13 October 1998) to receive one year's fees, and for those directors who have served six post-demutualisation years or more to receive two years' fees. Those who have served nine post-demutualisation years or more

will receive the maximum of three years' fees. The retirement benefit is payable pro rata in respect of any period of service that is not a whole year. There is currently no maximum term and no retirement age for directors. There is no share qualification for directors.

On appointment, directors are provided with a letter of appointment setting out the terms and conditions relating to their appointment and a directors' information kit providing them with information about their powers, rights and responsibilities as a director of ASX.

Resources available to directors

All new directors receive induction training to familiarise them with matters such as the nature of ASX's businesses, its corporate strategy and current issues facing the Board. Periodic development programs are provided to the directors using both internal and external resources on specific issues such as directors' duties, continuous disclosure and various aspects of ASX's businesses. Each month, directors receive information concerning statistical and analysts reports on ASX shares, international developments in financial markets, major legal developments and briefings on other domestic and international events that may directly or indirectly impact on the operations of ASX.

ASX has adopted procedures to make available to any director, or member of a subsidiary board or committee established by the Board, external independent professional advice, at the expense of ASX, where the Board considers it necessary.

Directors and former directors can have access to the company's and its subsidiaries' documents at no cost for a minimum of seven years on certain conditions. In addition, the constitution allows ASX to indemnify and insure directors and former directors to the maximum extent permitted by law. The company has entered into a deed with each director to reflect the procedures for access to advice and documents and the policies concerning indemnification, insurance and retirement benefits.

Compensation arrangements

Non-executive directors

The total remuneration of non-executive directors is fixed by ordinary resolution of a general meeting. At present, the maximum total amount payable is \$900,000 per annum. This maximum was set at the 1995 annual general meeting.

When setting fees for directors, the Board applies Australian benchmarks and may take independent advice. The Board has also had regard to other factors, including the level of commitment required to be made to their role. Non-executive directors currently receive \$55,000 per annum. The vice-chairmen currently receive \$65,000 per annum and the chairman currently receives \$165,000 per annum. The superannuation guarantee charge is paid in addition to these fees. Directors also receive fees when serving on subsidiary company boards and Board committees.

Executive remuneration

The Managing Director receives a base salary package which is reviewed annually having regard to the performance of the company for the preceding financial year, market rates of remuneration for chief executive officers of comparable companies and any external advice. In addition to the base salary package, the Managing Director receives a payment, based on performance against objectives set for the year and other criteria determined by the Board. There is an upper limit to this payment of 50% of the package applicable to the year.

For 1999/00, the performance objectives of the Managing Director related to the ongoing core operations of the company as well as new initiatives aimed at creating long term shareholder wealth.

During the year, shareholders approved the making of an offer to the Managing Director in accordance with the rules of the executive share plan.

ASX executive remuneration comprises fixed salary which is benchmarked against a Board-approved market position and variable (performance-based) pay linked to achievement of annual targets.

The Board believes that employee shareownership is an important part of motivating and retaining employees, which in turn enhances ASX's ability to achieve its objectives. In 1998, ASX established two employee share plans, both of which were designed to align employee interests with ASX interests and to promote employee loyalty. The first of these involved a grant of shares having a value of \$1,000 per employee. The second allowed shares to be acquired using an interest free non-recourse loan.

In 1999, ASX introduced an executive share plan. This is a long-term incentive plan based on overall corporate performance. The plan is intended to both increase alignment between senior executive financial returns and shareholder returns and retain senior staff. The performance measure for the plan is relative total shareholder return over the award period measured against a panel of agreed companies drawn from the mid cap companies, excluding foreign companies and resource companies. Under the plan, participants are given, subject to the terms and conditions of the particular offer made to them, conditional entitlements to shares (which may be issued to them or acquired by the company on their behalf) at the end of a chosen performance period if the performance criteria are met.

Audit arrangements

The Audit Committee's primary function is to assist the Board to discharge its responsibility to exercise due care, diligence and skill in the areas of application of accounting policy and reporting of financial information, business risk management and internal control systems, and corporate conduct and business ethics.

The committee includes independent, non-executive directors. Members are appointed by the Board on the recommendation of the Nomination & Remuneration Committee.

The committee chairman cannot be the chairman of the Board.

Other Board members (executive and non-executive) have a right to attend Audit Committee meetings

unless an item is being considered in which that director has a personal interest. The external audit engagement partner may attend any meeting of the Audit Committee.

The committee has direct access to ASX auditors, both external and internal, and has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of ASX. The committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

Financial reporting

A key responsibility of the committee is to conduct a detailed review of the company's financial statements and announcements of results before consideration by the Board. This review includes considering accounting and other matters that may materially affect the financial statements and determining that management and both the external and internal auditors are satisfied with the content, adequacy and appropriateness of all disclosures made in the financial statements.

Risk management & internal control structure

The committee monitors the risk management and control structure implemented by management and advises on significant changes to that structure in order to obtain reasonable assurance that ASX assets are safeguarded and that reliable financial records are maintained.

Audit activities & audit coverage

The committee ensures that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout ASX in the most effective, efficient and comprehensive manner with due regard to the differing roles of external and internal audit.

On an annual basis, the committee recommends the appointment and remuneration of the external auditors and reviews their terms of engagement.

Corporate governance & integrity

The committee provides assurance that ASX adequately complies with applicable laws and

regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud.

Reporting to Board

The committee reports to the Board throughout the year on its activities and minutes of all its meetings are tabled at the Board.

Risk identification

ASX regards "business risk" as threats to the achievement of ASX's objectives and goals and to the successful execution of its strategies.

ASX compiles an inventory of business risks and then conducts workshops to consider these risks. The objective is to identify all significant business risks arising from current operations, new business initiatives and projects.

The risks identified are then combined with risk data from previous years that remains relevant. Risks are grouped and ranked, and containment measures regarding them identified. The results are considered by the Audit Committee and the Board.

Ethical standards

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, requires fair and competitive market behaviour, compliance with laws and regulations, avoidance of conflict of interest, and protection of confidential and ASX information. There are specific policies relative to computer usage and use of the email system. There are also limitations on securities trading activities by staff.

Strict adherence to the code of ethics is required. Violation by any employee is liable to disciplinary action which can include termination of employment.

Boards, committees & tribunals

as at 21 August 2000

ASX Board

ML Newman AM (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
KL Hamilton

Audit Committee

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

Nomination and

Remuneration Committee

ML Newman AM (Chairman)
CM Batrouney
RG Humphry AO
M Fowles
JA Fraser
JJ Kennedy AO CBE
MJ Sharpe AO
MH Shepherd
CM Walter

Listings Appeals Committee

M Fowles (Chairman)
A Beasley
F Bush
B Johnston
SA Mays
RR Rorrison
A Sisson

Business Rules Committee

MH Shepherd (Chairman)
RE Barker
BCM Egan
P Masi
RW Nottle
CR Scully (management)
KL Hamilton (management)

ASX Settlement & Transfer

Corporation Pty Limited
RL Coppel AM (Chairman)
LA Balzer
JC Lawson
JC Rennie
MJ Sharpe AO
MH Shepherd
R Webster
AG Richards (management)

Options Clearing House Pty Limited

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

National Adjudicatory Tribunal

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

Appeal Tribunal

RJ Barrett (Chairman)
AK Cornell (Deputy Chairman)
Members are chosen from a panel.

ASTC Disciplinary Tribunal

PA Chisholm (President)
CM Batrouney (Deputy President)
Members are chosen from a panel.

ASTC Appeal Tribunal

RJ Barrett (President)
AK Cornell (Deputy President)
Members are chosen from a panel.

ASTC Payment Provider

Appeal Tribunal
The Hon Ken Marks QC

42

Board & committee meetings attended by ASX Directors 1 July 1999 – 30 June 2000

Director	ASXB Scheduled		ASXB Unscheduled		N&R Scheduled		N&R Unscheduled		Audit	Listing Appeals Committee	Business Rules Committee	NAT*	ASX Settlement & Transfer Corporation	Options Clearing House Pty Ltd
ML Newman	11	11	1	1	4	4	4	4						
RG Humphry	11	11	1	1	4	4	4	4						
CM Batrouney	11	11	1	1	4	4	4	4	3	4		1	1	
MH Shepherd	11	11	1	1	4	4	4	4			8(4)	9(4)	6(2)	7(4)
BCM Egan**	3	3	na	na	na	na					3	3		
M Fowles	11	11	1	1	2	2	2	2	7	8				
JA Fraser	10	11	1	1	2	2	2	2	3	4				
JJ Kennedy	8	11	0	1	2	4	4	4						
JB Parncutt**	3	3	na	na	na	na			1	1				
MJ Sharpe	11	11	1	1	2	2	0	2	4	4			6(4)	7(4)
CM Walter	11	11	1	1	4	4	3	4	4	4				

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

Numbers in parenthesis are circular resolutions.

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

** Retired 28 September 1999.

Directors' report

The directors present their report together with the concise financial report of the consolidated entity, being Australian Stock Exchange Limited (ASX) and its controlled entities, for the year ended 30 June 2000 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 AM (*Chairman*);
Richard George Humphry AO (*Managing Director & CEO*);
Clive Michael Batrouney (*Vice-Chairman*);
Michael Henry Shepherd (*Vice-Chairman*);
Brendan Charles Macquarie Egan (*retired 28 September 1999*);
Max Fowles;
John Arthur Fraser;
James Joseph Kennedy AO, CBE;
Jeffrey Bruce Parncutt (*retired 28 September 1999*);
Michael John Sharpe AO; and
Catherine Mary Walter.

For details of the directors' qualifications and experience, refer to pages 36 to 37 of the Report to Shareholders, 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 42 of the Report to Shareholders, which is to be read as part of this report.

Principal activity

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

Result

The profit after income tax for the year was \$53,618,000 (1999: \$37,727,000). The results for both years were affected by abnormal items which are set out in note 3 to the financial statements.

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.

Review of operations

The review of operations during the year is on pages 12 to 32 of the Report to Shareholders, which are to be read as part of this report.

Likely developments

Detailed work on foreign market linkages is continuing and is likely to result in the establishment of a link from Australia to North America in the first half of the financial year, followed by a link with the Singapore Exchange in the second half of the financial year.

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.

Derivatives & other financial instruments

The consolidated entity's activities expose it to credit, liquidity and interest rate risks.

It is the consolidated entity's policy to use derivative financial instruments to hedge cash flows subject to interest rate risk when appropriate. Derivative financial instruments are not held for speculative purposes.

The consolidated entity has a strict credit policy for all customers trading on credit terms, and only deals with financial market intermediaries with an acceptable credit rating determined by a recognised rating agency.

Financing facilities and operating cash flows are managed to ensure that the consolidated entity is not exposed to any adverse liquidity risks. Facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

Directors' report

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	19.4	19,575	20 Sep 1999	36% Class C
		19,575		
In respect of the current financial year:				
Interim	24.3	24,533	31 Mar 2000	36% Class C
Special	10.0	10,096	31 Mar 2000	36% Class C
Final	31.9	32,312	10 Oct 2000	34% Class C
		66,941		

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

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- an amount of \$118.9 million was transferred from retained profits to the share capital account following the enactment of the Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999.
- a special dividend payment of 10 cents per share on 31 March 2000.
- a capital return of 20 cents per share on 31 March 2000.
- acquisition of fifty per cent of ASX Perpetual Registrars Limited (APRL) on 1 May 2000.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. 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' & senior executives' emoluments

The Nomination and Remuneration Committee is responsible for reviewing the remuneration policies and packages applicable to the Board members 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 executive director and senior executives may receive bonuses based on the achievement of specific goals related to the performance of operational business units and the consolidated entity. During the year, shareholders approved the establishment of an executive share plan for the executive director and senior executives. Conditional entitlements to shares have been awarded

to senior executives. Shares will not be issued to participating executives until at least 30 June 2002 and 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 8. 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 8.

Details of the nature and amount of each major element of the emoluments of each director and each of the five named officers of ASX and controlled entities receiving the highest emoluments are:

	Base emolument \$	Bonuses ⁵ \$	Non-cash benefits \$	Superannuation contributions \$	Total \$
Directors					
Mr M L Newman	131,000	–	–	7,068	138,068
Mr R G Humphry ¹	624,353	325,000	2,184	75,276	1,026,813
Mr C M Batrouney	69,083	–	–	6,153	75,236
Mr M H Shepherd	121,144	–	–	6,308	127,452
Mr B C M Egan ²	17,500	–	1,194	41,145	59,839
Mr M Fowles	51,333	–	–	3,358	54,691
Mr J A Fraser	54,833	–	–	3,587	58,420
Mr J J Kennedy	49,000	–	–	3,206	52,206
Mr J B Parncutt ²	51,875	–	–	777	52,652
Mr M J Sharpe	81,136	–	–	6,212	87,348
Mrs C M Walter	56,500	–	–	3,696	60,196

Executive officers ³

Company and Consolidated ⁴

Mr C Hamilton	231,515	63,500	–	11,293	306,308
Mr J Hayes	237,681	50,000	2,097	61,732	351,510
Mr J McMurtrie	277,804	–	–	6,523	284,327
Mr A Richards	291,515	100,000	–	74,624	466,139
Mr C Scully	297,514	50,000	–	14,170	361,684

¹ The shareholders at the Annual General Meeting held on 25 October 1999 approved the issue of 166,000 shares to Mr Humphry in three tranches over three years, in relation to past performance. On 1 March 2000, the first 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 Mr Humphry's employment and therefore there is no value ascribed to these shares.

² Resigned during the year. Total remuneration includes \$40,000 ex gratia payments each.

³ All executive officers participated in the employee share schemes (refer note 8).

⁴ All executive officers are employed by a controlled entity.

⁵ Relates to performance for the year ended 30 June 1999.

Directors' report

Directors' interests & benefits

Since the end of the previous financial year, other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown above, no director of ASX has received or become entitled to receive a benefit by reason of a contract made by ASX, its controlled entities or a related body corporate with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial financial interest, with the exception of any benefits which Messrs Egan, Fowles, Newman and Parncutt may have received by virtue of their interest in participating organisations of ASX which transact business in securities quoted on ASX and to whom ASX or a controlled entity or a related body corporate of ASX may supply market information products. Mr JA Fraser is chairman

of UBS Asset Management (Australia) Ltd, which renders services to Securities Exchanges Guarantee Corporation Limited (SEGC) (a non-controlled entity) 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 established a commercial relationship with ASX in the ordinary course of business. Mr MH Shepherd is a director of the Asia-Pacific Capital Markets Foundation (ACMF) whose research arm, Securities Industry Research Centre of Asia-Pacific (SIRCA), 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.

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 s205G(1) of the Corporations Law, at the date of this report is as follows:

ASX Ordinary Shares	Opening balance	Purchases	Allocations	Disposals	Closing balance
Mr M L Newman	125,000	–	–	42,000	83,000
Mr R G Humphry	–	–	55,333*	–	55,333
Mr C M Batrouney	166,000	–	–	46,000	120,000
Mr M H Shepherd	130,000	–	–	70,000	60,000
Mr M Fowles	16,500	–	–	–	16,500
Mr J A Fraser	–	2,000	–	–	2,000
Mr J J Kennedy	1,000	–	–	–	1,000
Mr M J Sharpe	–	2,000	–	–	2,000
Mrs C M Walter	–	1,000	–	–	1,000

* Refer directors' and senior executives' emoluments for details.

Indemnification & insurance of officers & 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 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 36 to 37, general counsel and company secretary K L Hamilton, former directors and other executives.

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

The constitution of ASX provide 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 judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Law.

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 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 38 to 41 of the Report to Shareholders.

Rounding off of amounts

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 22nd day of August 2000.

Signed in accordance with a resolution of the directors:



Maurice L Newman AM
Chairman



Richard G Humphry AO
Managing Director

Discussion & analysis of the financial statements

ASX provides concise financial statements in its report to shareholders, accompanied by this discussion and analysis. The complete financial statements, from which the concise financial report is derived, will be sent to any shareholder on request (telephone 1300 300 279), or they are available on ASX's Internet site (www.asx.com.au).

The following concise financial report comprises the consolidated financial statements for Australian Stock Exchange Limited (ASX) and its controlled entities. There are several of these controlled entities that perform specific functions, but only three have significance financially: ASX Operations Pty Limited, which is the chief operating entity; ASX Settlement and Transfer Corporation Pty Limited, which is responsible for the CHESS clearing and settlement system for the equities market; and Options Clearing House Pty Limited, which provides clearing services for the options market. Securities Exchanges Guarantee Corporation, which operates as trustee of the National Guarantee Fund, is wholly owned but not controlled by ASX, and its financial report is not consolidated but published separately.

Profit & loss statement

Pre-abnormal operating profit after tax was \$57.8 million, compared with \$35.9 million in the previous financial year. It represents earnings of 57.2 cents per share, based on a weighted average of 101,023,324 fully paid ordinary shares on issue during the year. The comparable earnings per share on pre-abnormal operating profit after tax in 1998/99 was 35.6 cents per share based on a weighted average of 100,802,678 fully paid ordinary shares on issue during the year.

The operating profit after tax and abnormal items was \$53.6 million (\$37.7 million in 1998/99), which represents earnings of 53.1 cents per share (37.4 cents per share in 1998/99).

The profit after tax and abnormal items represents a 29.9% return on average equity, compared with 19.4% in the previous financial year. Earnings before abnormal items, interest and tax increased from 30% of income in the previous financial year to 41.6% of income.

Directors have declared a final dividend of 31.9 cents per share to be paid on 10 October 2000, which together with the interim dividend of 24.3 cents paid in March 2000 is 64% of the profit before tax and abnormal items for the year. This is consistent with the previous financial year and has been applied since the

listing of ASX in October 1998. In addition, a special dividend of 10 cents per share was paid in March 2000. The final dividend is fully franked at 34% in accordance with current tax legislation (36% in the previous financial year).

The higher profit before abnormal items is largely a reflection of the increase in operating income of 26.6 per cent to \$192.5 million compared with \$152.1 million in the previous financial year. A record level of trading in the equities market, increased trading in the derivatives market, 183 new listings, and continued growth in the information business were the principal causes of the increase in operating income. ASX operating expenses increased by 5.6% to \$112.5 million, from \$106.5 million in the previous financial year. The results include two months of equity accounted profit for ASX Perpetual Registrars Limited (APRL). APRL's results for May and June 2000 were affected by additional expenses incurred in preparing for the NRMA Insurance Group float, plus other one off professional fees.

Revenue from equities trading, clearing and settlement increased by 39% to \$90.7 million as the volume of trades increased from 8.3 million to 13.8 million. The volume of options contracts traded increased by 7.8% to 9.7 million, resulting in an increased trading revenue of \$3.4 million, or 13.5%. Warrant issues traded increased by 29.3% to 551, while the volume of warrants traded decreased. Market data revenue rose an impressive 26.8% to \$30.1 million despite the introduction of free data after 20 minutes. Listing revenue increased by 12.3% to \$36.5 million in line with the increase in listed entities of 11% to 1,381. Interest income decreased by \$0.6 million as a result of utilisation of available funds late in the second half of the financial year, and this decrease was offset by the overall higher cash rates in the current financial year.

Total operating expenses increased by \$6.0 million, but this increase largely reflected one-off items. Staff costs increased by 7.6%, largely due to the delay in commencing some major capital expenditure projects where staff costs are capitalised rather than expensed. The increase in occupancy costs of \$1.0 million is a

reflection of the move to ASX's new premises in Bridge Street. The increase in equipment costs of \$1.9 million is due to higher amortisation and depreciation of computer software and hardware than in the previous financial year. There were additional mailing costs of CHESS holding statements due to increased trading activity. The reduction in other costs of \$0.6 million is a result of reduced legal and consulting charges, as well as reduced advertising and marketing expenditure.

The cost to income ratio reduced from 70% in 1998/99 to 58.4% in the year under review resulting from increased trading activity.

Abnormal items include \$2.8 million expenditure before tax on preparation for the goods and services tax (GST), and \$1.0 million before tax on completing the Year 2000 (Y2k) project. There were some further unplanned costs associated with relocating ASX's Sydney office to Bridge Street, offset by a favourable reduction in the cost of surplus leased space in Melbourne through income earned from sub-leasing the data centre to external parties.

Balance sheet

Net assets decreased by \$31.1 million to \$148.9 million, after providing \$32.3 million for the final dividend. The amount of share capital has moved from \$2.6 million at 30 June 1999 to \$103.8 million at 30 June 2000 for a number of reasons. An amount of \$118.9 million was transferred from retained profits to the share capital account in accordance with the Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999. Capital of \$20.2 million was returned to shareholders in March 2000, and a further \$2.5 million was raised by the issue of shares to employees via the employee share plan trust.

Current assets were \$64.2 million lower than at the end of the previous financial year. The acquisition of 50% of APRL for \$50.3 million, the capital reduction of \$20.2 million, tax payments of \$19.9 million and capital expenditure of \$25.6 million all utilised available cash, which decreased by \$68.3 million during the year to \$100.4 million at 30 June 2000.

Receivables increased by \$3.7 million compared with the previous year, a reflection of the increased trading activity in the current year.

The purchase of 50% of APRL contributed \$50.3 million to the increase in non-current assets of \$54 million. Property, plant and equipment rose by \$4.7 million, while future income tax benefits reduced by \$2.5 million.

Total assets decreased by \$10.2 million to \$254.7 million.

Current liabilities rose by \$22.7 million to \$82.7 million, mainly as a result of a net increase in the provision for current income tax of \$9.2 million, and the final dividend has increased by \$12.7 million from that in the previous financial year.

Non current liabilities decreased by \$1.8 million over the year, with a reduction in the surplus leased space provision of \$2 million and a reduction in deferred tax liabilities of \$1.8 million.

Total liabilities increased by \$20.9 million.

Statement of cash flows

ASX's operating activities generated net cash of \$78.8 million during the financial year, of which \$90.2 million came from trading activities and \$8.3 million from interest income. This cash inflow from operating activities was reduced by \$19.9 million in income tax paid, approximately \$5 million paid out in abnormal items (such as the GST and Y2K projects), and a reduction in working capital of \$3.4 million.

The company spent \$18.7 million on property, plant and equipment and \$6.9 million developing internal software. As mentioned previously, \$50.3 million was spent acquiring a half share in APRL. SIDA funding for capital expenditure was significantly reduced in the year to \$1.7 million.

Dividends paid in the year totalled \$54.2 million (\$15.6 million in the previous financial year). Capital of \$20.2 million was returned to shareholders in March 2000.

Profit and loss statement for the year ended 30 June 2000

		Consolidated	
	Note	2000 \$'000	1999 \$'000
Operating income			
Listings		36,502	32,508
Equities trading, clearing and settlement		90,722	65,281
Derivatives trading, clearing and settlement		28,159	24,800
Market data		30,080	23,721
Dividends received		188	–
Other revenue		6,819	5,760
Total operating income	2	192,470	152,070
Expenses			
Staff costs		52,372	48,657
Occupancy costs		15,055	14,035
Equipment costs		26,712	24,844
Other costs		18,334	18,964
Total operating expenses		112,473	106,500
Earnings before interest & tax (EBIT)		79,997	45,570
Interest income	2	8,823	9,468
Equity accounted associate	9	(201)	–
Operating profit before abnormal items & income tax *		88,619	55,038
Abnormal items	3	(5,255)	(12,480)
Operating profit before income tax		83,364	42,558
Income tax (expense) attributable to operating profit **		(29,746)	(4,831)
Operating profit after income tax		53,618	37,727
Retained profits at beginning of financial year		142,322	139,819
Aggregate of amounts transferred from reserves	7	35,000	–
Aggregate of amounts transferred to share capital	6	(118,918)	–
Total available for appropriation		112,022	177,546
Dividend provided for or paid	4	(66,941)	(35,224)
Retained profits at end of financial year		45,081	142,322
* Pre-abnormal operating profit after tax is obtained as follows:			
Operating profit before abnormal items and income tax		88,619	55,038
Income tax (expense) on pre-abnormal operating profit		(30,855)	(19,145)
Pre-abnormal operating profit after tax		57,764	35,893
**Income tax (expense) attributable to operating profit comprises:			
Income tax (expense) on pre-abnormal operating profit		(30,855)	(19,145)
Income tax benefit attributable to abnormal items	3	1,109	14,314
Total income tax (expense) attributable to operating profit		(29,746)	(4,831)

The profit & loss statement is to be read in conjunction with the notes to the financial statements set out on pages 53 to 60.

Balance sheet as at 30 June 2000

	Note	2000 \$'000	Consolidated 1999 \$'000
CURRENT ASSETS			
Cash and short-term securities		61,713	101,251
Other investment securities		38,659	67,400
Trade and other receivables		16,284	12,594
Other financial assets		4,048	3,637
Total current assets		120,704	184,882
NON-CURRENT ASSETS			
Investments		55,345	5,293
Deferred tax assets		11,630	14,112
Property, plant and equipment		63,213	58,473
Other financial assets		3,788	2,101
Total non-current assets		133,976	79,979
TOTAL ASSETS		254,680	264,861
CURRENT LIABILITIES			
Trade and other payables		14,450	9,762
Interest bearing liabilities		172	153
Current tax liabilities		20,666	11,464
Provisions		12,664	14,604
Provision for dividend		32,312	19,575
Other		2,401	4,432
Total current liabilities		82,665	59,990
NON-CURRENT LIABILITIES			
Interest bearing liabilities		309	425
Deferred tax liabilities		3,203	5,001
Provisions		19,638	19,519
Total non-current liabilities		23,150	24,945
TOTAL LIABILITIES		105,815	84,935
NET ASSETS		148,865	179,926
SHAREHOLDERS' EQUITY			
Share capital	6	103,784	2,604
Reserves	7	–	35,000
Retained profits		45,081	142,322
TOTAL SHAREHOLDERS' EQUITY		148,865	179,926

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 53 to 60.

Statement of cash flows for the year ended 30 June 2000

52

		Consolidated	
		2000	1999
		\$'000	\$'000
	Note	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from participating organisations, listed companies and customers		190,182	151,031
Payments to suppliers and employees		(99,997)	(106,331)
Dividend received		188	–
Interest received		8,297	8,868
Income tax paid		(19,860)	(8,515)
NET CASH PROVIDED BY OPERATING ACTIVITIES		78,810	45,053
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on internally developed software		(6,897)	(4,479)
Purchase of property, plant and equipment		(18,737)	(28,558)
Cash received on sale of property, plant and equipment		737	454
Payments for non-current investments		(50,253)	(5,293)
Cash received from Securities Industry Development Account – capital		1,702	7,426
Cash received on sale of investment securities		28,741	41,054
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(44,707)	10,604
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	4	(54,215)	(15,649)
Capital return		(20,223)	–
Receipts from employee share plans		797	359
NET CASH (USED IN) FINANCING ACTIVITIES		(73,641)	(15,290)
NET (DECREASE)/INCREASE IN CASH HELD		(39,538)	40,367
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		101,251	60,884
CASH AT THE END OF THE FINANCIAL YEAR		61,713	101,251
RECONCILIATION OF CASH			
For the purposes of the statement 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.			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash at bank and on hand		4,206	908
Short-term securities – at market value		57,507	100,343
TOTAL CASH AND SHORT-TERM SECURITIES		61,713	101,251

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 53 to 60.

Notes to and forming part of the financial statements

1. Basis of preparation of concise financial report

The concise financial report of Australian Stock Exchange Limited (ASX) has been prepared in accordance with the requirements of the Corporations Law and Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the ASX consolidated full financial report for the financial year. Other information included in the concise financial report is consistent with the ASX consolidated full financial report. The concise financial report does not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of ASX as the consolidated full financial report.

The concise report has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

Accounting policies have been consistently applied by each entity in the consolidated entity and 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.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

2. Revenue

	2000 \$000	Consolidated 1999 \$000
Revenue from operating activities		
Operating income	192,470	152,070
Interest income	8,823	9,468
	201,293	161,538
Revenue from non-operating activities		
Proceeds on sale of property, plant and equipment	737	454
Total revenue	202,030	161,992

3. Abnormal items

Items (charged)/credited as abnormal items, incorporating income tax effects, are shown below:

Employee related costs		
Write-back of superannuation provision	–	3,227
Reorganisation costs	–	(151)
	–	3,076
Income tax effect	–	(1,107)
	–	1,969

Notes to and forming part of the financial statements

3. Abnormal items continued

	Consolidated	
	2000	1999
	\$'000	\$'000
Demutualisation costs	–	(835)
Income tax effect	–	–
	–	(835)
Premises costs		
Surplus lease space	574	(7,304)
Premises relocation	(1,250)	(2,973)
	(676)	(10,277)
Income tax effect	243	3,655
	(433)	(6,622)
Y2k computer systems project costs	(1,022)	(3,107)
Income tax effect	368	1,119
	(654)	(1,988)
GST project costs	(2,828)	–
Income tax effect	1,018	–
	(1,810)	–
Derivatives Trading Facility		
Write-off computer development	–	(1,469)
Write-off computer equipment	–	(1,181)
SIDA receipts	–	2,933
	–	283
Income tax effect	–	954
	–	1,237
Merger costs	(169)	(1,620)
Income tax effect	–	–
	(169)	(1,620)
Conference of International Stock Exchanges	(560)	–
Income tax effect	202	–
	(358)	–
Abnormal items before income tax	(5,255)	(12,480)
Income tax effect	1,831	4,621
Abnormal items after income tax	(3,424)	(7,859)
Abnormal tax items		
Recognition of FITB	–	8,075
SEATS assets write-off from SIDA receipt	613	1,618
Restatement of deferred tax balances	(1,335)	–
Total income tax effect on abnormal tax items	(722)	9,693
Aggregate abnormal items before income tax	(5,255)	(12,480)
Aggregate abnormal income tax effect	1,109	14,314
Aggregate abnormal items after income tax	(4,146)	1,834

4. 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
2000					
Interim	24.3	24,533	31 Mar 2000	36% Class C	100%
Special	10.0	10,096	31 Mar 2000	36% Class C	100%
Final (proposed)	31.9	32,312	10 Oct 2000	34% Class C	100%
	66.2	66,941			
1999					
Interim	15.5	15,649	26 Mar 1999	36% Class C	100%
Final	19.4	19,575	20 Sept 1999	36% Class C	100%
	34.9	35,224			
				Consolidated	
				2000	1999
				\$000	\$000

Dividend franking account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, after deducting franking credits to be used in payment of the above dividends:

Class C 34% (1999: 36%) franking credits	6,353	16,189
---	--------------	---------------

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

5. Earnings per share

	Consolidated 2000	1999
Basic earnings per share (cents)	53.1	37.4
Pre-abnormal earnings per share (cents)	57.2	35.6
Weighted average number of ordinary shares used in the calculation of basic earnings per share	101,023,324	100,802,678

There is no material difference between basic and diluted earnings per share.

Notes to and forming part of the financial statements

6. Share capital

	2000	Consolidated 1999
	\$000	\$000
Issued and paid up capital		
101,195,139 fully paid ordinary shares (1999: 100,960,432)	103,784	2,604
Movements in ordinary share capital during the financial year were as follows:		
Balance at the beginning of the financial year	2,604	–
Transfers from retained profits	118,918	–
Return of capital to shareholders	(20,223)	–
Member organisations upon demutualisation	–	101
Shares issued through employee share plans	2,485	2,503
Balance at the end of the financial year	103,784	2,604
	Number of shares	Number of shares
Balance at the beginning of the financial year	100,960,432	–
Shares issued on demutualisation, 13 October 1998	–	100,596,000
Shares issued to Managing Director	55,333	–
Shares issued under employee share plans	179,374	364,432
Balance at the end of the financial year	101,195,139	100,960,432

Share capital comprises 101,195,139 ordinary shares with no par value. 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.

In connection with demutualisation of ASX and following Royal Assent being granted to the Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999, an amount of \$118,918,000 was transferred from retained profits to the share capital account.

On 31 March 2000, employees were issued with 179,374 ordinary shares under employee share purchase plans resulting in share capital of \$2,485,000. Refer note 8.

7. Reserves

	2000	Consolidated 1999
	\$000	\$000
Movements in reserves during the financial year were as follows:		
Development reserve		
Balance at the beginning of the financial year	35,000	35,000
Transfer to retained profits	(35,000)	–
Balance at the end of the financial year	–	35,000

The balance of the development reserve was transferred to retained profits during the year to facilitate the transferring of retained earnings to the share capital account in accordance with the Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999. Refer note 6 for further details.

8. Employee entitlements

(a) Employee share plans

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

- ASX employee share acquisition plan (plan 1)

Parcels of ordinary shares having a market value of \$1,000 were offered to all eligible employees at no cost. Dealing in these shares is not permitted for a period of 3 years from date of issue. This restriction ceases 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 two 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 on 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 resulting loss is underwritten by the trustee, ASX Operations Pty Limited, a controlled entity.

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
Total				543,806	5,523,693

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

	Plan 1	Plan 2	Number of shares
		Offer 1	Offer 2
Shares remaining at 30 June 1999	57,840	258,736	–
Shares issued on 31 March 2000	–	–	179,374
Shares disposed of during the financial year	(10,680)	(72,458)	(5,845)
Shares remaining at 30 June 2000	47,160	186,278	173,529

Notes to and forming part of the financial statements

8. Employee entitlements continued

(a) Employee share plans continued

	Plan 1	Offer 1	Plan 2	Offer 2	Total
	\$	\$		\$	\$
Loan balance at 30 June 1999		2,100,824		–	2,100,824
New loans (offer 2)		–		2,484,330	2,484,330
Dividends paid (offset against loan balance)		(156,682)		–	(156,682)
Loan repayments		(559,519)		(80,953)	(640,472)
Loan balance at 30 June 2000	n/a	1,384,623		2,403,377	3,788,000
Market value of shares at 30 June 2000	539,982	2,132,883		1,986,907	4,659,772
(refer note 10 (e) for further details)					
ASX share price at 30 June 2000	\$11.45				

(b) Executive share plan

Shareholders approved an executive share plan at the annual general meeting in October 1999. Under this plan, conditional entitlements to ordinary shares are awarded to senior executives based on performance criteria approved at the annual general meeting. 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, and no performance period ends before 30 June 2002. 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 506,600 ordinary shares have been awarded under the plan. Under the plan, the number of ordinary shares to be provided may be increased or decreased by 20% at the discretion of the Board.

9. Investment in associate

Details of the investment in associate, APRL, is as follows:

Principal activity	Share registry services
Balance date	30 June 2000
Ownership interest	50%, purchased 1 May 2000

Summary performance and financial position of associate

	2000 \$000	1999 \$000
Share of associate's operating profit before income tax and goodwill	327	–
Share of associate's income tax expense attributable to operating profit	(117)	–
Adjustments:		
– amortisation of goodwill arising from investment	(411)	–
Share of associate's net loss – equity accounted	(201)	–

The consolidated entity's share of aggregate assets, liabilities and profits of the associate is as follows:

	2000 \$000	1999 \$000
Current assets	6,194	-
Non-current assets	29,650	-
Total assets	35,844	-
Current liabilities	5,268	-
Non-current liabilities	76	-
Total liabilities	5,344	-
Net assets – as reported by associate	30,500	-
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	19,588	-
Net assets – equity adjusted	50,088	-
Share of post acquisition retained profits/(losses) attributable to associate	(37)	-
Share of associate's operating profit before tax	80	-

Movement in carrying amount of investment:

Carrying amount of investment in associate at the beginning of the financial year	-	-
Investment in associate acquired during the year	50,253	-
Share of associate net loss	(201)	-
Carrying amount of investment in associate at the end of the financial year	50,052	-

Share of associate's operating lease commitments payable:

Not later than one year	1,281	-
Later than one year but not later than five years	3,011	-
Later than five years	691	-
Total	4,983	-

10. 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 Law, SEGC is entitled to levy the company or to impose a levy on sales or purchases of securities by participating organisations of the company which are reportable transactions under its business rules or on certain guaranteed securities loans. Where a levy becomes payable the company can determine that participating organisations must pay a levy for payment towards the levy it has to pay to SEGC. Failure by either the company or a participating organisation to pay a levy constitutes an offence under the Corporations Law.

(b) Employee benefits

	Consolidated 2000 \$	1999 \$
Employee benefits under service agreements with directors and officers who take part in the management of the consolidated entity	6,486,333	10,503,986

Notes to and forming part of the financial statements

10. Contingent liabilities *continued*

(c) Year 2000 computer systems

The project to ensure ASX's operations would not be affected by the inability of computer systems to deal properly with a year 2000 (Y2k) date was a success. There have been no significant Y2K related computer problems.

(d) Litigation

The consolidated entity is 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 are likely to have a material effect on its operations or financial position.

(e) Employee share plans

Employees have been provided with non-recourse loans to acquire ordinary shares under the ASX employee share purchase plan. 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 in 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 \$7.44. This threshold amount incorporates prior dividends paid, which have been offset against the loan balance and employee personal contributions. It does not take into account any reductions in loan balances that will eventuate from the proposed final dividend.

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. No dividends have yet been paid to reduce the loan balance outstanding. At 30 June 2000, there is a contingent liability of \$416,470 relating to this plan (1999: \$nil).

Summary

Plan	Market value of shares \$	Loan balance outstanding \$	Contingent liability \$
Plan 1	539,982	–	–
Plan 2, offer 1	2,132,883	1,384,623	–
Plan 2, offer 2	1,986,907	2,403,377	416,470

Executive share plan (plan 3)

Conditional entitlements to ordinary 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 will be issued prior to 30 June 2002.

11. Segment reporting

ASX provides stock exchange and ancillary services in Australia. The revenue streams derived from those services are shown in the profit and loss statement.

Directors' declaration

In the opinion of the directors of Australian Stock Exchange Limited, the accompanying concise financial report of the consolidated entity, comprising Australian Stock Exchange Limited and its controlled entities for the year ended 30 June 2000, set out on pages 43 to 60:

- (a) has been derived from, or is consistent with, the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Dated at Sydney this 22nd day of August 2000.

Signed in accordance with a resolution of the directors:



Maurice L Newman AM
Chairman



Richard G Humphry AO
Managing Director

Independent audit report on concise financial report

to the members of Australian Stock Exchange Limited

Scope

We have audited the concise financial report of Australian Stock Exchange Limited and its controlled entities for the financial year ended 30 June 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes (1 to 11), and the accompanying discussion and analysis on the profit and loss statement, balance sheet and statement of cash flows, in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Australian Stock Exchange Limited and its controlled entities for the year ended 30 June 2000. Our audit report on the full financial report was signed on 22 August 2000, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" issued in Australia.

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

Audit Opinion

In our opinion, the concise financial report of Australian Stock Exchange Limited and its controlled entities for the year ended 30 June 2000 complies with AASB 1039 "Concise Financial Reports".



KPMG



Mark S Epper
Partner

Sydney 22 August 2000

Shareholder information (as at 21 August 2000)

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

Distribution of shareholdings

Number of shares held	Number of holders	% of issued capital
1 - 1,000	10,689	6.14
1,001 - 5,000	4,469	10.70
5,001 - 10,000	470	3.70
10,001 - 100,000	541	22.93
100,001 - and over	265	56.53
Total	16,434	100.00

The number of shareholders holding less than a marketable parcel is 42.

Substantial shareholders

The constitution limits shareholdings to a maximum of 5%. On 20 June Commonwealth Bank of Australia and Colonial Limited and certain of their subsidiaries gave notice that they were entitled to 6,110,134 ordinary shares representing 6.04% of the company's issued capital. In accordance with the company's constitution, shares held in excess of 5% are default shares which carry no voting rights on a poll.

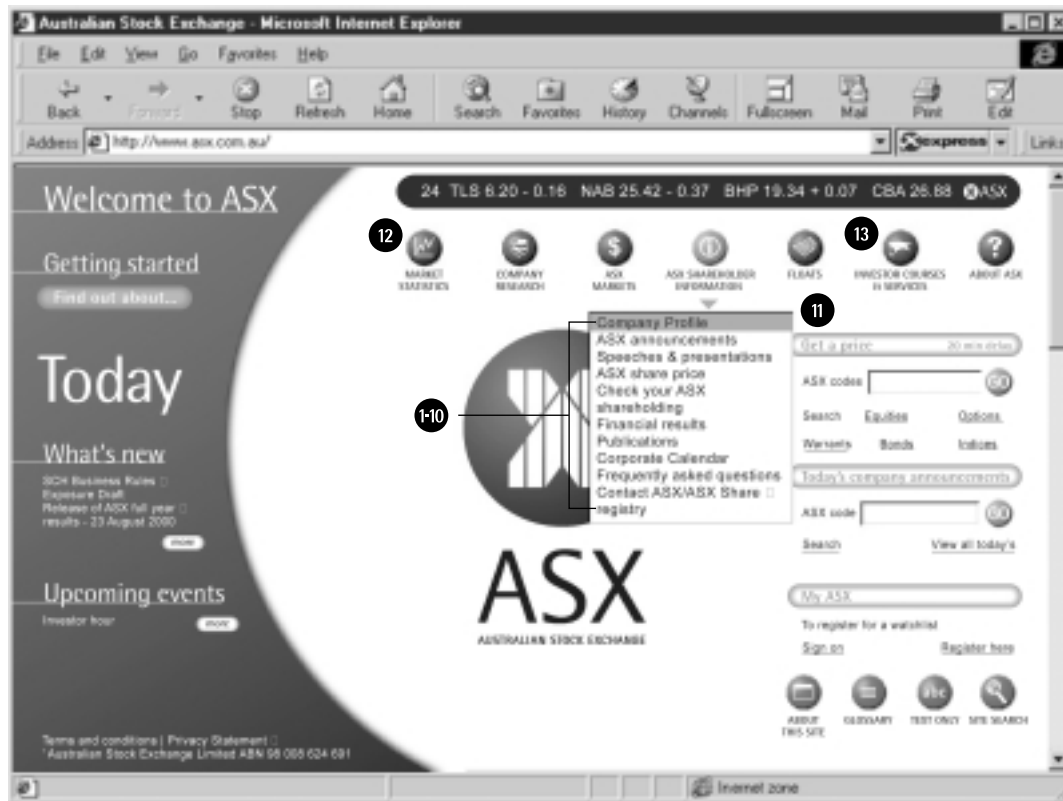
Largest 20 shareholders

The largest 20 shareholders in the company are:	Number of shares	% of issued capital
1. Permanent Trustee Australia Ltd	4,195,903	4.15
2. Chase Manhattan Nominees	3,566,890	3.52
3. Perpetual Nominees Limited	2,543,951	2.51
4. National Nominees Limited	2,436,445	2.41
5. AMP Life Limited	2,364,683	2.34
6. Westpac Custodian Nominees	1,328,453	1.31
7. AMP Nominees Pty Ltd	1,242,995	1.23
8. Commonwealth Custodial Services Limited	1,212,903	1.20
9. Citicorp Nominees Pty Limited	635,320	0.63
10. Bainpro Nominees Pty Limited	604,727	0.60
11. CSS Board	415,247	0.41
12. ASX Operations Pty Limited	352,722	0.35
13. Perpetual Trustees Australia Limited	309,497	0.31
14. BT Custodial Services Pty Limited	309,208	0.31
15. Calex Nominees Pty Limited	305,118	0.30
16. Permanent Trustee Company Limited	301,015	0.30
17. PSS Board	293,020	0.29
18. Bond Street Custodians Limited	280,934	0.28
19. ANZ Nominees Limited	245,293	0.24
20. Transport Accident Commission	240,409	0.24
Total	23,184,733	22.93

On-market buy-back

There is no current on-market buy-back.

www.asx.com.au – your primary source of shareholder information



Information for ASX shareholders

- 1 **Company profile:** includes ASX overview and structure; market overview; financial summary; products and services; international alliances; supervision; ASX technology and community relations.
- 2 **ASX announcements:** all company announcements and media releases issued by ASX will appear in this section as soon as they are made.
- 3 **Speeches & presentations:** provides access to speeches & presentations made by ASX's Chairman and Managing Director, including briefings to analysts and addresses at shareholder meetings.
- 4 **ASX share price:** keep track of the ASX share price details including percentage change, bid, offer, open, high, low and volume as well as an up to date price history chart.
- 5 **Check your ASX shareholding** securely via a direct link to the share registry. Update your details – change of address, let the registry know your tax file number, provide banking instructions for your dividends or advise them if you don't want to receive a Report to Shareholders.
- 6 **Financial results** contains a summary of ASX's results since listing and provides links to full-year and half-year results announcements.
- 7 **ASX financial publications:** annual reports, interim reports, fact books and more – view online or print.
- 8 **Corporate calendar** provides important dates for your diary – AGM, dividend payments, results announcements.
- 9 **Frequently asked questions (FAQs)** on topics such as the company's financial performance, dividends and strategies.
- 10 **Contact ASX/ASX share registry** easily with phone and fax details and email links.
- 11 **Get a price:** this column provides fast access to features such as getting a price, announcements and personal watchlists.
- 12 **Market statistics:** outlines today's market announcements, the top performers in the market, trading volumes, index information, prices and market commentary.
- 13 **Investor courses and services:** contains the complete ASX courses on shares, options, warrants and interest rate market online. Information on Investor Days and Investor Hours.

Other features of the site

ASX around Australia

Sydney

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

Melbourne

Stock Exchange Centre
530 Collins Street
Melbourne VIC 3000
Telephone (61 3) 9617 8611
Facsimile (61 3) 9614 0575

Brisbane

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

Adelaide

91 King William Street
Adelaide SA 5000
Telephone (61 8) 8216 5000
Facsimile (61 8) 8216 5098

Perth

Exchange Plaza
2 The Esplanade
Perth WA 6000
Telephone (61 8) 9224 0000
Facsimile (61 8) 9221 2020

Hobart

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

Registered office

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

Share registry

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Telephone (61 2) 8280 7111
Internet www.registrars.perpetual.com.au

Auditors

KPMG

ASX on the Internet

<http://www.asx.com.au>
Email: info@asx.com.au

ASX by phone

Customer Service: 1300 300 279
for the cost of a local phone call.



ASX

AUSTRALIAN STOCK EXCHANGE is a trade mark of ASX Operations Pty Ltd, ACN 004 523 782.

All Ordinaries®, ASX®, LEPO®, and SEATS® are registered trademarks of ASX Operations Pty Ltd, ACN 004 523 782.

CHESS® is a registered trade mark of ASX Settlement and Transfer Corporation Pty Ltd, ACN 008 504 532.

S&P™ is a trade mark of Standard & Poor's, a division of The McGraw-Hill Companies, Inc.



ASX

AUSTRALIAN STOCK EXCHANGE

Exchange Centre 20 Bridge Street Sydney NSW 2000