



Three years ago, ASX® was preparing to become the first exchange in the world simultaneously to demutualise and list. On listing in October 1998, there were 606 original shareholders in ASX; now, we have over 16,000 shareholders – from individual Australian investors to major international institutions.

Our purpose in listing was to become more responsive to the needs of our customers and more competitive in the global market, while continuing the core task of operating our markets with efficiency and integrity. We wanted to continue to improve the depth and liquidity of the Australian market, to build value for our shareholders.

In 2000/01 – a year notable for the continued high level of activity in our core markets, delivering another strong financial performance – ASX made significant progress towards these longer-term strategic initiatives.

Contents

02	Financial highlights
04	Chairman and Managing Director's report
12	Participation
14	ASX's core role in a changing market
18	Diversification
20	Markets and market services
26	Infrastructure
32	Key market indicators
34	Corporate governance
40	Board of directors
42	Boards, committees and tribunals
43	Directors report
48	Concise financial statements
53	Notes to the financial statements
62	Directors declaration
62	Independent audit report
63	Shareholder information
65	Directory



	Year to 30 June 2001	Year to 30 June 2000	Year to 30 June 1999
Financial results summary	\$m	\$m	\$m
Operating revenue	192.6	192.3	152.1
EBITDA	89.5	92.4	48.5
Depreciation and Amortisation	18.5	17.9	15.4
EBIT	71.7	74.6	45.6
Operating profit after tax	51.0	53.6	37.7
	cents	cents	cents
Earnings per share			
– pre goodwill amortisation	52.9	53.5	37.4
– post goodwill amortisation	50.4	53.1	37.4
Dividend per share			
– interim	26.8	24.3	15.5
– final	16.5 *	31.9	19.4
*reflects February 2001 change in dividend policy to pay 70% of net profit after tax			
Final dividend information			
Record date			15 October 2001
Payment date			24 October 2001

Markets

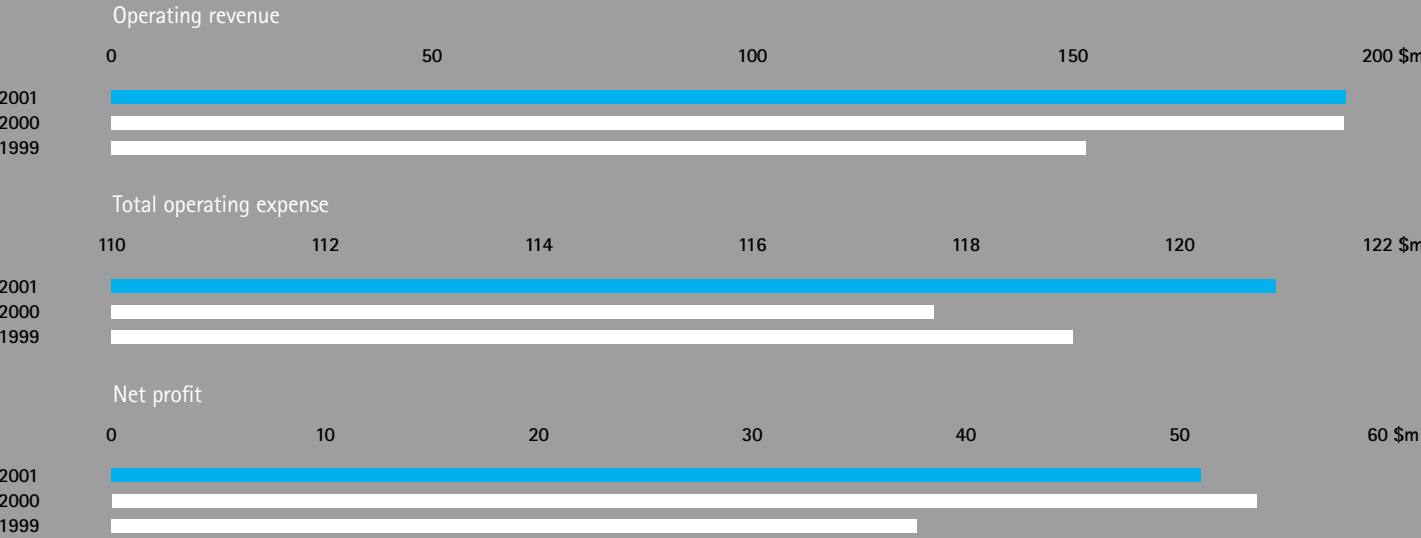
- Daily average equities trades of 51,386, 7% lower than record 1999/00 levels but 57% above 1998/99
- Record levels of options trades – daily average of 46,226, 20% higher than 1999/00
- Record activity in warrants market with over 1,400 new warrants series listed compared to 642 in 1999/00
- 156 new listings, taking total listed companies to 1,499

Financial

- Operating revenue of \$192.6 million in line with 1999/00
- Profit after tax of \$51.0 million compared to \$53.6 million in 1999/00
- Earnings per share (pre-goodwill amortisation) of 52.9 cents compared to 53.5 cents for 1999/00
- Total dividend of 43.3 cents per share (representing 86% of profit after tax)

Strategic initiatives

- Opened first market linkage, into US markets
- Acquired 15% interest in BridgeDFS Limited
- Launched a new trading platform for listed investment funds including Exchange Traded Funds (ETFs)
- Announced intention to develop equity futures business
- Formed ASX Supervisory Review Pty Limited





If there was one development during the year that dramatically captured ASX's attractive position, it was the restructuring of the Morgan Stanley Capital International index (MSCI®). The MSCI plays an important role in determining where international funds are invested and in a globalising marketplace, the importance of a strong index rating cannot be overestimated.

The MSCI restructure ranks ASX as 10th in the world, greater than our market capitalisation would place us, which is a strong endorsement of our liquidity. Within this global ranking, Australia's weighting in the MSCI Asia Pacific ex Japan increased from 25.7% to 35.1% and its weighting in the MSCI EAFE® (Europe, Australasia, Far East) increased from 3% to 3.4%. While the full impacts of these re-weightings are yet to be felt, analysts are forecasting net fund inflows to the Australian market of \$1.2-\$1.5 billion as international investors re-weight their portfolios to reflect the MSCI restructure.

This has clear benefits for the continued depth and liquidity of the Australian market, which has again performed very well over the last year. Our market is turning over up to \$3 billion a day and total capitalisation is about 110 % of GDP. Equities trading volumes are only slightly lower than the record highs achieved last year, and the options and warrants markets both achieved record levels of activity. This high level of market activity has underpinned another strong financial performance for ASX.

ASX as a listed company was itself included in the MSCI indices for the first time, and now comprises 0.26% of MSCI Australia, 0.09% of MSCI Asia Pacific ex Japan and 0.01% of the MSCI EAFE, confirming ASX's growing position as one of Australia's leading listed companies.

However, the MSCI restructure also highlighted the great challenges facing the Australian market: even ranked 10th in the world, we still represent only 1.43% of the MSCI global index. In other words, despite having an efficient and competitive marketplace, from a global perspective Australia lacks scale. By stark contrast, the United States represents more than 50% of global capital; Japan and the UK are each around 10%. Compared to these substantial economies, Australia's challenge is to stay in the race and to remain relevant to global investors. This issue, in the context of market globalisation, was in part responsible for our decision in 1998 to demutualise and list on our own market. As is the case for many industries, if you lack scale, you must respond to changing market conditions more quickly and flexibly. Our mutual structure did not allow this. So in effect, the move to demutualisation and listing recognised that what makes a successful exchange today is not the same as it was 5 or 10 years ago – and our decision has been vindicated by other exchanges which have followed our path. In early 2000, only 2 exchanges (including ASX) were listed entities. Today there are 8.

So, while the MSCI changes are a pleasing endorsement of the Australian market and of ASX, they are also a reminder of the challenges before us. In last year's report, we argued exchanges need a strong vision for the future and a flexible and responsive outlook. With the rapid pace of change in our market, this is becoming even more important. While ASX has a strong track record of anticipating changing market conditions and accordingly has developed a sound platform for growth, now is not the time for any exchange to be reflecting on past achievements at the expense of working to secure its future.

With this in mind, and underpinned by continued strong growth in our core markets, we have made excellent progress on a number of new initiatives designed to further our 4 broad central objectives of:

- enhancing core business, capacity, access and liquidity;
- broadening the number of markets we conduct or support;
- increasing the number of marketplace services we provide; and
- increasing our international reach.

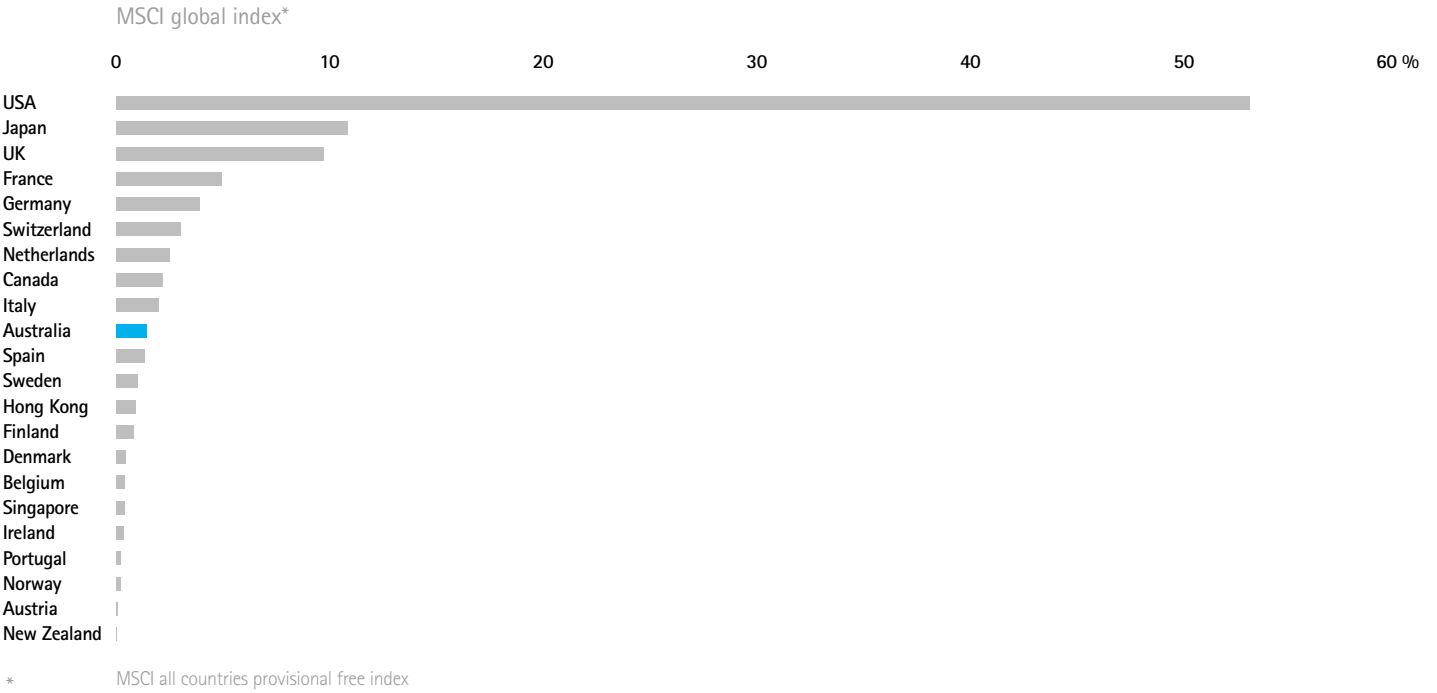
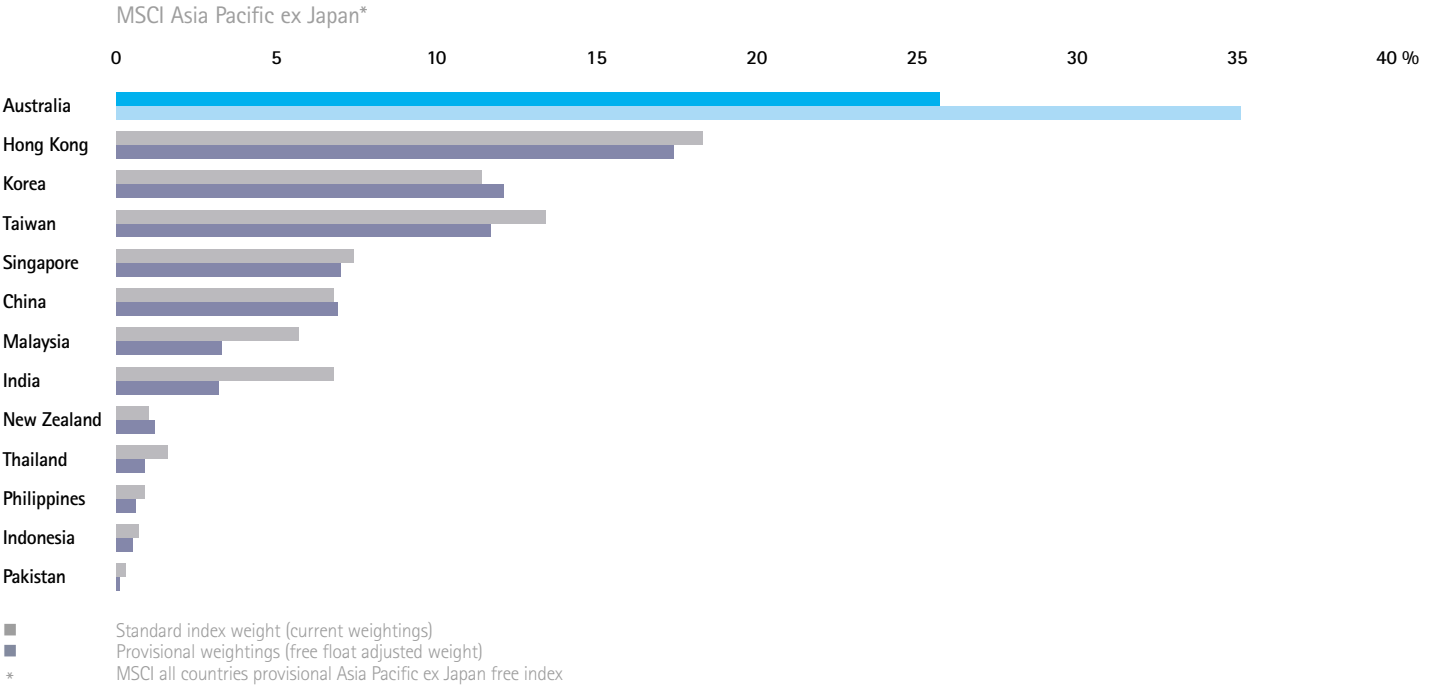
Activity in core markets remains high

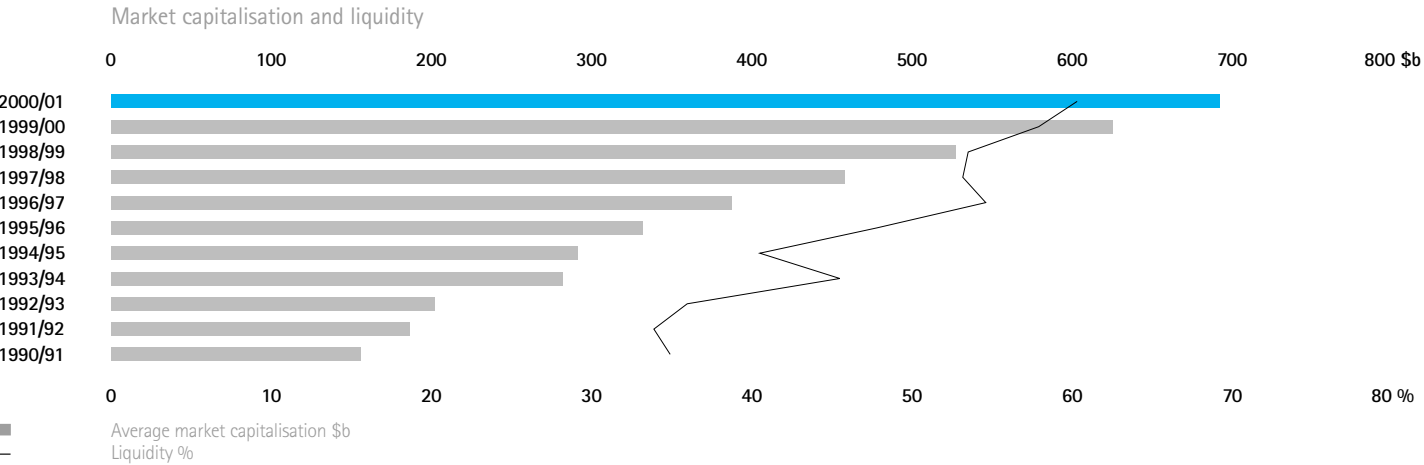
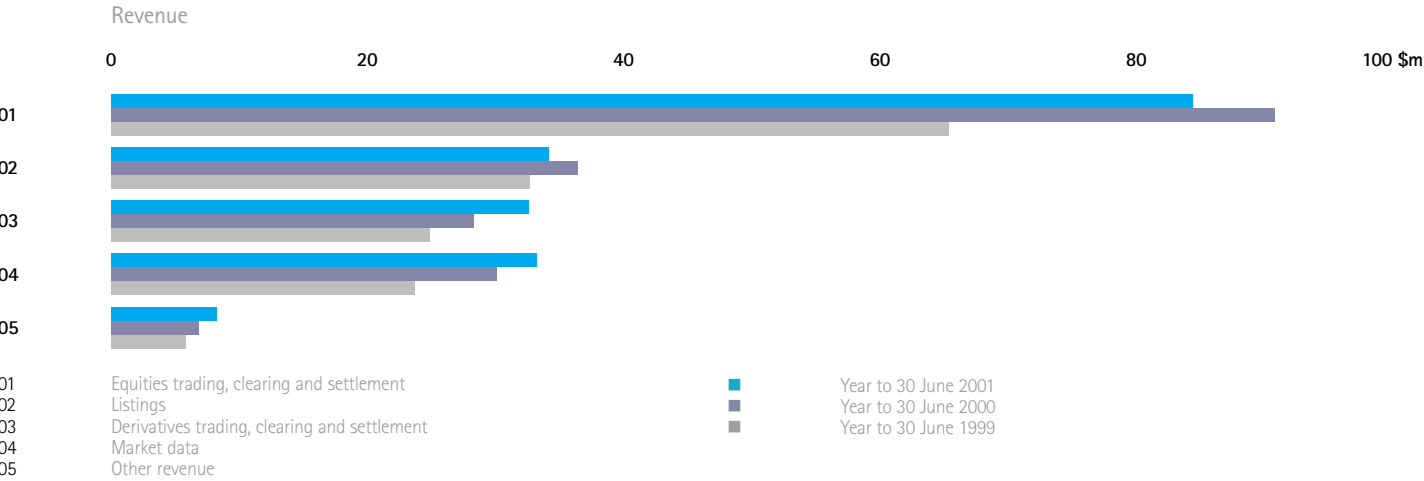
Overall market activity during the year has remained at near-record levels.

Daily average equities trades were 51,386, compared to the record 54,706 achieved in the previous year (which reflected the high level of activity in the technology sector in that year). It is important to keep these volumes in perspective. In 1998/99, trading volumes increased by over 30% to reach a new record of 32,656 trades per day. At that time, an annual average of 50,000 trades per day seemed a long way off. Yet less than two years on, these levels of activity are perceived as normal. So in the longer view, the volumes we achieved in 2000/01 are very strong and indicative of an underlying growth in the level of investor participation in the Australian market.

New listings were also strong, but lower than the exceptional levels of the previous year, with 156 new listings compared to the record of 183 in 1999/00. As a result, at year-end, there were 1,499 listed entities compared to 1,381 the previous year.

While activity in the equities market remained high during the year, the derivatives market achieved excellent growth, driven by an increase in the level of retail participation. Daily average option contracts traded reached a record, with volumes 20% higher than for the previous year; in the warrants market, the number of new series listing more than doubled, while daily average trades increased by over 60%.





Market activity underpins a strong financial year

As a result of the continued high levels of market activity, revenue for the year to 30 June 2001 was \$192.6 million, in line with the \$192.3 million for the previous year. This comprised:

- \$84.4 million from equities trading, clearing and settlement, 7% lower than for the previous year;
- \$34.1 million from listings, compared to \$36.5 million for 2000/01, reflecting fewer new listings but offset by an overall increase in the number of listed entities;
- \$32.5 million from derivatives trading, clearing and settlement, 15% higher than the \$28.2 million for the previous year; and
- An 11% increase in revenue from market data to \$33.3 million, underpinned by continued growth in sales to the professional market, both in Australia and internationally.

Total expenses from ordinary activities for the year increased by 3%, to \$121.0 million. While in part reflecting the continued high levels of market activity during the year, the increase primarily relates, as foreshadowed this time last year, to a number of new initiatives being pursued for the company's longer-term growth, which have resulted in increases in staff and equipment expenses.

Earnings before interest and taxation (EBIT) for the year were \$71.7 million, a 4% decrease on the previous year.

Interest revenue for the period was \$4.7 million compared to \$8.8 million for the previous year due primarily to a reduction in the company's cash, which was employed for strategic initiatives including the company's investments in ASX Perpetual Registrars Limited (APRL), BridgeDFS Limited and Orient Capital Pty Limited.

In addition, ASX's equity accounted investment in APRL contributed \$0.1 million after tax and before goodwill amortisation. Amortisation of goodwill arising from the investment amounted to \$2.5 million. APRL handled several major transactions and was successful in winning a number of new customers during the year. However, it was adversely affected, in particular during the second half of the year, by lower levels of corporate activity, costs associated with litigation (now settled) and substantial fees paid to Computershare Limited relating to major corporate actions.

As a result of all of the above, ASX recorded a profit after tax of \$51.0 million, 5% lower than the \$53.6 million recorded for the year to 30 June 2000.

Directors have declared a fully franked final dividend of 16.5 cents per share, representing a payout ratio of 70% of second half profit after tax. This payout ratio is in line with the amendment to ASX's payout ratio announced by the Board in February 2001, which was made for reasons of prudent capital management and having regard to future growth opportunities. When added to the interim dividend of 26.8 cents per share (a payout ratio of 100% of interim profit after tax), the total dividend paid to shareholders for the year is 43.3 cents per share, representing a payout ratio of 86% of profit after tax.

Strategic initiatives for longer-term growth have progressed well

In addition to the healthy performance of our core markets and continued strong financial performance of the company, the year was notable for the progress we have made on our core strategic objectives.

Enhancing core business, capacity, access and liquidity

More than 50% of adult Australians currently own shares either directly, or indirectly through managed funds. In addition, with the growth in superannuation funds, the number of Australians involved in our markets is growing significantly. To continue attracting investors, participating organisations, and companies, markets must maintain depth and liquidity, and perform in an efficient, orderly and reliable manner.

Depth and liquidity

Depth and liquidity of markets are important as the deeper and more liquid a market, the lower the risks are, and the more attractive it is to investors. In such markets, entities are generally able to raise capital more cheaply. Over the last 10 years, ASX's market capitalisation and liquidity have grown substantially. This growth was maintained during the last year with liquidity increasing from 57.9% to 60.3% and domestic market capitalisation increasing from \$682 billion at 30 June 2000 to over \$746 billion at 30 June 2001. While our market depth and liquidity have been growing well, our program of integrating ASX into the global marketplace through ASX World Link™ is in part aimed at further enhancing the depth and liquidity of our market.

Market efficiency and reliability

ASX has also paid particular attention to ensuring that its systems are able to manage increasing volumes without any reduction in efficiency and reliability. As in 2000, we worked to further increase the capacity and efficiency of our systems. During 2000/01, market reliability remained very strong, with markets available for approximately 99.8% of the year.

Market information and education

Market information and education services are also central to our markets. ASX now provides information feeds to over 35,000 terminals around the world. In addition, in August 2000, we launched our new website at asx.com.au, which is designed to provide enhanced operating efficiencies and functionality. Since the launch, traffic volumes have grown substantially placing increased pressure on the site; we are currently introducing upgraded hardware and software to manage this increased demand.

The popularity of ASX's education courses has also continued to grow, with over 120,000 people participating in some form of ASX educational activity during the year. To meet this growing level of interest, during the year we expanded our course range, including the addition of a number of online courses.

Market integrity

As a market operator, we have a fundamental responsibility to ensure the integrity of the marketplace, and we commit considerable human and capital resources every year to this task. In addition to our supervisory activities, during the year we established a new company, ASX Supervisory Review Pty Limited (ASX SR) to enhance the transparency and accountability of ASX's supervisory activities. ASX SR became operational in March 2001 under the experienced chairmanship of Mr David Hoare.

Expansion of core markets
In November 2000, following extensive review and industry consultation, fees for the warrants market were restructured. Key aspects of the restructure were a significant reduction in listing fees for issuers (designed to encourage more listings) and the introduction of a research, education and promotion fee for every warrants series listed. The combined effect of these changes, as well as the entry of a number of new issuers into the market, has been extremely positive with a substantial increase in new listings and trades.

Broadening the number of markets we conduct or support
The recent growth in our derivatives and interest rate markets, and the increasing demand for ASX's educational courses, all provide evidence of an investor focus on diversification. As a result, while enhancing our core markets, we are also focused on developing a broader range of markets to help investors diversify their portfolios. During the year, we made good progress on a number of new market initiatives – notably, launching our first international linkage under our ASX World Link program and establishing our platform for listing and trading managed funds, including the internationally popular Exchange Traded Funds (ETFs).

Since the end of the financial year, we have also announced our intention to provide a market for equity futures, which we believe will complement our existing equity derivatives products. Subject to regulatory approval, we expect to begin offering futures products during the course of the current calendar year.

Increasing our international reach
With capital and investors less constrained by international borders, ASX World Link is an important part of the company's growth plans. It will provide an efficient and cost-effective mechanism for Australian investors to trade in internationally-quoted securities as well as increasing the access of international investors to the Australian market. As a result, we believe that over the longer term, linkages being pursued under the ASX World Link program will prove to have significant benefits for Australian investors, ASX's participating organisations and listed entities. Moreover, by meeting their needs, we will deliver benefits for ASX and the Australian economy more broadly.

There are two projects currently being implemented: the link into the US market which is now operational and a co-trading link between the Singapore and Australian markets that is close to finalisation.

The US link, which enables Australian investors to trade, settle and hold approximately 200 securities quoted on NASDAQ, New York Stock Exchange (NYSE) and American Stock Exchange (AMEX – the major Exchange Traded Fund market) commenced operations in March 2001. As with most major market initiatives, it is expected that take-up of the service will gain momentum as market awareness of the service grows, as investor demand for international product increases, and as more favourable market conditions arise.

Work has progressed well on the link between ASX and the Singapore Exchange (SGX) and we anticipate that this service will be introduced by the end of 2001, subject to the resolution of a number of regulatory and technical matters. Importantly, in achieving the dual objectives of linking markets without affecting sovereignty, both exchanges believe this model has the potential to be rolled out to establish linkages with other markets.

Increasing the number of marketplace services we provide
To support ASX's broad range of markets, we need to make substantial investments in sophisticated infrastructure. This expertise, coupled with our objective of diversifying our revenue streams, has underpinned our focus on increasing the number of market services we provide. During the year, ASX:

- made significant progress on developing APRL's new share registry system. APRL expects to complete the migration of customers to the new system by the end of 2001, enabling it to provide a range of new services as well as achieving operational efficiencies; and
- took a 15% interest in BridgeDFS under which BridgeDFS and ASX are pursuing a number of opportunities to enhance the products and services provided to the institutional market. BridgeDFS has also continued its strong financial performance, announcing a profit after tax of \$5.73 million for the six months to 30 June 2001, well above its prospectus forecast for the period.

Outlook – market activity to underpin revenue while the rollout of strategic initiatives continues
For the year ahead, ASX's revenue will continue to be determined principally by the overall level of market activity. While the percentage contribution of equities trading and clearing to 2000/01 revenue was lower than for 1999/00 (due largely to the strong growth recorded by derivatives and market data), equities volumes will continue to underpin revenues for 2001/02. Although these volumes can fluctuate significantly in the short term, over the last 10 years we have experienced average growth of 24% per annum. In addition, we expect the abolition of stamp duty on marketable securities' transactions to have a positive impact on volumes over time, although the immediate magnitude of this impact remains difficult to forecast. We congratulate the Federal and State Governments on this initiative.

ASX will continue to develop key initiatives which, while they will have a short-term impact on costs, are essential for the company's longer-term growth. These include the development of our new markets in listed managed funds and futures; the completion of the system build for APRL and migration of customers to the new system; and the further rollout of our ASX World Link initiatives.

In addition, since the end of the financial year, the Financial Services Reform Bill, which was introduced to Parliament from April 2001, has been passed. The new legislation increases the permitted voting power in ASX from 5% to 15% of issued shares (with the discretion of the appropriate Federal Minister to exceed this limit, subject to Parliamentary disallowance within 15 sitting days). Given the rapid changes taking place in global markets, we believe this is a positive step, which will allow ASX greater flexibility in pursuing commercial relationships. To become effective, the increase in the limitation will require shareholder approval and will be put to the Annual General Meeting in October.

In reviewing the strong performance of the company's core operations as well as the progress being made on new initiatives that will provide for its longer-term growth, one final factor has to be acknowledged. None of this would have been possible without the dedication of the company's employees, and we sincerely thank them for their contribution during the year. Also to our shareholders, as always, we appreciate your continued support of the company and look forward to another strong year in 2001/02.



Maurice L Newman AM
Chairman



Richard G Humphry AO
Managing Director



PARTICIPATION:
OUR MARKETS SERVE COMPANIES, INSTITUTIONS AND INVESTORS.
THEY ARE CENTRAL TO THE NATION'S ECONOMY
AND TO THE WELL-BEING OF ALL AUSTRALIANS.

7 MIL.	AUSTRALIAN SHAREHOLDERS
16,500	ASX SHAREHOLDERS
1,500	LISTED ENTITIES
100	PARTICIPATING ORGANISATIONS

ASX's core role in a changing market

ASX is in an unusual position as a listed entity in that its success, and the success of its markets, have a direct and positive effect not just on its shareholders and customers but on Australian society at large. This position brings with it an unusually high level of economic and social responsibility. At a time of considerable discussion about corporate obligations within the community, ASX believes its success as a business is inextricably tied up with its success at fulfilling its broader economic and social roles.

ASX's economic role

Strong primary and secondary equities markets are central to the longer-term economic well being of Australia. Deep and liquid markets of high reliability and integrity will attract investors. This in turn allows companies to raise more efficiently the capital they need to expand. In turn, companies that are growing will generate taxation revenue for governments – revenue that is needed for building the nation's infrastructure. At the same time, growing companies need skilled employees – and these employees generate savings that, when invested back into the markets (either directly or through superannuation funds) improve the depth and liquidity of the markets, attracting further investment and therefore companies to these markets. This is the virtuous cycle of liquidity. The implications of such a cycle for ASX are clear as its revenue remains largely dependent on market activity whether it be new listings, trading, secondary capital raisings, or sales of market data.

However, these same dynamics can operate in reverse as a vicious cycle. If, over the longer term, investors lack confidence in a market, it can become harder for companies to raise capital, forcing them to look offshore for growth opportunities. If the companies move, job opportunities decrease and the government earns less revenue from taxation, with a corresponding reduction in savings and in government's ability to spend. Ultimately, it leads to lower depth and liquidity of the markets and higher investment risk, and the cycle continues. As with the virtuous cycle, the implications for the Australian community as well as for ASX are very clear.

The phenomenon of the virtuous or vicious cycle is one of the prime reasons behind ASX's strategic objective of enhancing liquidity in, and access to, its core markets. It highlights why reliability, efficiency and integrity of its markets are crucial to its longer-term success.

It is also the reason that ASX is an active participant in market reforms, taking a prominent role in the development of economic policies that will assist Australia's competitive position. ASX has played a leading role in ensuring Australia's continued attractiveness as a location for corporate headquarters. In addition, ASX has been an active participant in the debate on Australian tax reform, including the abolition of stamp duty on quoted securities, which took effect from 1 July 2001. This will provide benefits to investors in our markets as well as to the market as a whole.

ASX is an active member of the Business Council of Australia, the New South Wales State Chamber of Commerce, the International Options Market Association, and the Australia-Israel Chamber of Commerce. It is also a member of the International Federation of Stock Exchanges (FIBV), holds full affiliate membership of the International Organisation of Securities Commissions (IOSCO), and is a member of the East Asian and Oceanian Stock Exchange Federation (EAOSEF). The ASX Chairman chairs the Federal Government's Financial Sector Advisory Council and was also chair of the Federal Government's Y2K Taskforce.

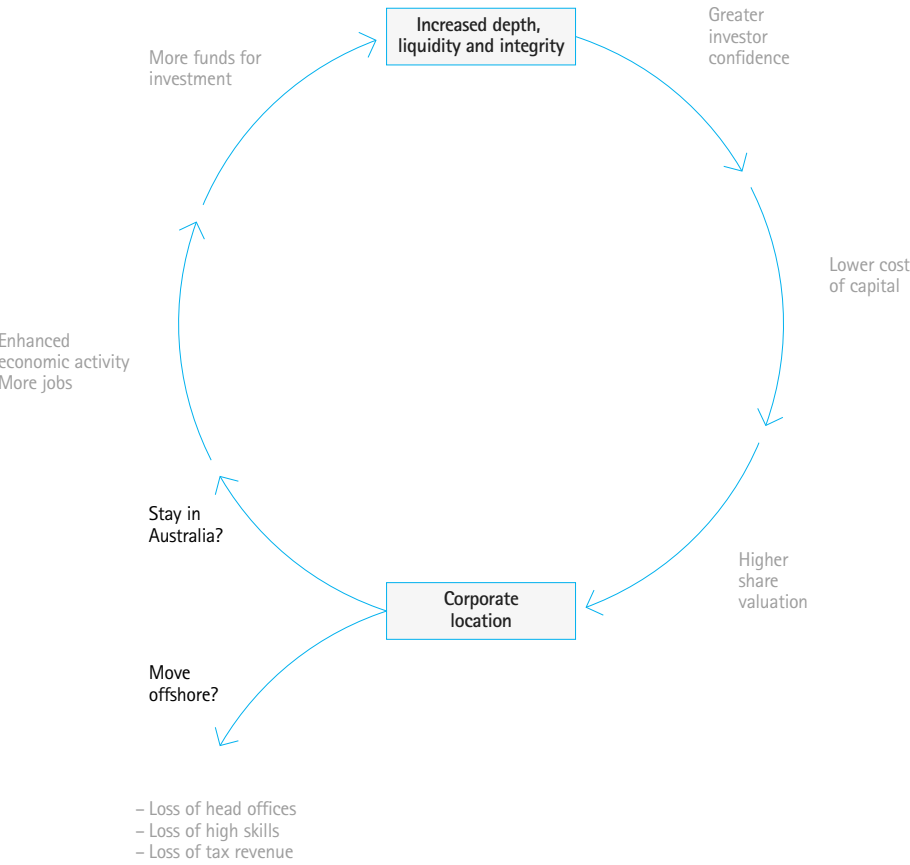
ASX's community role

While ASX's central role in the Australian economy brings with it certain responsibilities, ASX sees its responsibilities extending beyond economic activity. The company advocates closer partnerships with the non-profit sector to deliver significant benefits – not just to the community but to its own employees and shareholders as well. As a result, ASX takes a very active role in education, environmental and medical research, and promotion of entrepreneurship (full details of these activities are contained in the Corporate Governance statement on page 34).

Community partnerships:
Taronga Park Zoo
Garvan Institute of Medical Research
Research Australia
Entrepreneur of the Year
Securities Institute of Australia prizes for students in financial markets courses
Mootcorp (national business plan competition for MBA students)
Work-a-Day-4-Kids – Financial Markets Foundation for Children

In 2002, the ASX Reuters Charity Foundation will contribute to the following organisations:
Financial Markets Foundation for Children
Zoological Parks Board of NSW Taronga Zoo ASX Frog Focus program
The Garvan Research Foundation
The Sunnyfield Association
The Shepherd Centre
Life Education Australia
Asthma NSW
The Children's Cancer Institute
The Australasian Charge Association
Cystic Fibrosis NSW
The Fred Hollows Foundation.

Markets and the Australian economy
a virtuous cycle



International context

While the above discussion highlights the centrality of ASX's markets to the Australian economy as well as the company's broader community responsibilities, some of the external forces that are reshaping capital markets should also be acknowledged.

Most notable of these is the much-discussed issue of globalisation. For financial markets, its implications are similar to those for other industries – most notably the phenomenon that national borders are becoming less of an obstacle to the movement of capital and entities. Returning to the issue of market depth and liquidity, this means that investors and companies are becoming much less attached to a national market. While Australia has a strong and growing equities market and a range of other markets, it still represents less than 2% of the world's capital markets. Furthermore, with the growth in superannuation funds and the increase in investors looking to diversify their portfolios, the other 98% of the world's capital markets offer substantial investment opportunities.

The ASX World Link program opens up these other markets to retail investors, by making trading offshore as easy as trading in the Australian market. It also opens up access to the Australian market to international investors. There has been much public discussion about the potential need for some of Australia's leading listed entities to move offshore – whether to find new growth opportunities, a more favourable business and taxation environment, or a new pool of investors. ASX World Link aims to reduce the need for these entities to contemplate moving offshore to access capital, by allowing international investors to access them here in Australia. By attracting more activity to the Australian market, depth and liquidity will increase and so the virtuous cycle may continue.

Whatever the challenges and opportunities presented by globalisation, fundamental to ASX's strategy is that participation in the global marketplace is not optional. International integration is a necessity. Through ASX World Link, integration will be able to deliver sustainable long-term benefits to Australian investors and listed entities, and in so doing will bring benefits to ASX and the Australian economy more broadly.

Increased customer focus

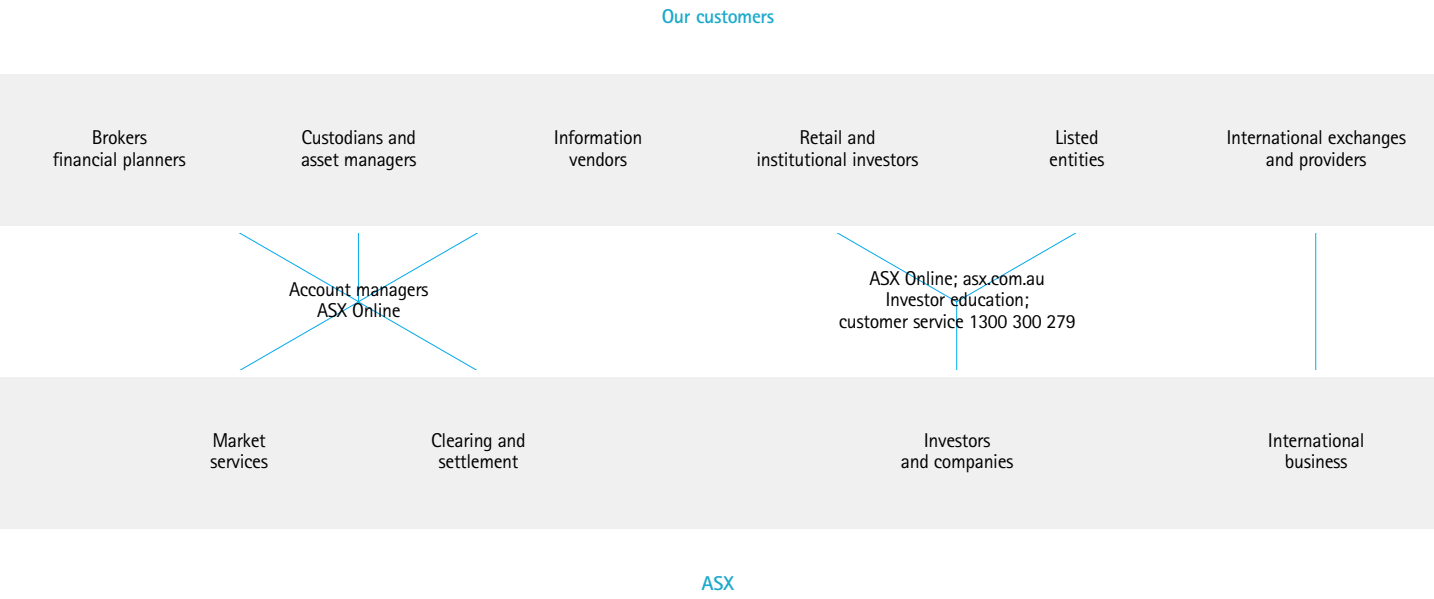
ASX's decision to demutualise and list in 1998 was based on the company's view that being a listed entity rather than a mutual would allow it to more effectively meet the challenges presented by globalisation of markets, more equitably serve its rapidly growing and diversifying customer base, and more broadly pursue growth initiatives that were in the interests of the Australian market as a whole rather than just those of its owners (who were also its largest customer group).

As part of this commitment to better meeting its stakeholders' needs, ASX has undergone internal restructuring to provide better service to each of its core groups of customers. In addition to areas where ASX has always had a direct relationship with its customer, such as between listings officers and listed entities, ASX has increased the resources it commits to developing other customer relationships such as with information vendors, participating organisations, retail investors, community groups and more recently financial planners and the funds management industry.

An example of this increased level of customer focus was the formation in July 2000 of a dedicated Client Relations team for ASX's broking customers, under which each participating organisation has a dedicated ASX contact. By adopting a more consultative approach, ASX has improved its communications with brokers and is better able to tailor its product development to meet their needs, thereby enhancing the effectiveness of its product and business development work. The importance of such a relationship has already been borne out with initiatives ASX has developed over the last year including its ASX World Link service, the Exchange Traded Fund market, and services being pursued in conjunction with BridgeDFS.

In addition, as part of ASX's commitment to meeting the needs of listed entities, a separate Business Development unit has been formed in the Companies department, with a focus on increasing the level of communication between ASX, existing listed entities and potential new listings, as well as with the corporate advisory industry. The unit has also been responsible for the development of a market in listed managed funds.

As ASX continues to broaden its range of products and services, the company believes that further development of its customer relationships will be of prime importance.





DIVERSIFICATION:
TO BROADEN OUR MARKETS...
TO MEET OUR CUSTOMERS' NEEDS...
TO BUILD OUR FUTURE

50,000 +	EQUITIES TRADES A DAY
20%	GROWTH IN OPTIONS VOLUMES
156	NEW LISTINGS
1,400	NEW WARRANTS SERIES

One of the focuses of this report to shareholders has been the changing nature of the marketplace in which ASX operates. Three major developments driving this change are underpinning ASX's strategy to further enhance its core markets and develop new markets and market services.

First, the number of retail investors actively participating in the market is growing rapidly. As recently as 1991, the number of adult Australians with direct and/or indirect share ownership was 2.8 million, or 22% of the adult population. That figure is now approximately 7.4 million or over 50%, meaning that Australia has one of the highest levels of share ownership in the world. As these investors become more experienced, portfolio diversification becomes an important objective for them. Individual investors have been the mainstay of the warrants market and have also made a significant contribution to the resurgent options market. Institutional participation in the options market continues to be solid. This base volume has been boosted by individual investors using the options market to enhance the return on their security holdings.

The second major development is that with the growth in compulsory superannuation, it is projected that the pool of funds available for investment will increase from their current levels of around \$500 billion to exceed \$840 billion by 2004. This money needs to be invested and, as is usual with such funds, must be invested across a range of different products. At current growth rates, the funds available for investment will soon outstrip the number and range of investment opportunities available in Australia.

The third development is that technological advances are making capital more mobile. As a result, it is increasingly easy for investors seeking diversification opportunities to look offshore.

ASX already operates a number of highly successful markets. However, with these three developments, if it is to meet the changing needs of investors, it needs to increase the range of markets it operates, supports or accesses. While ASX has a strong track record of building and operating highly successful markets, the company also recognises that establishing new markets takes time.

Currently, the majority of ASX's revenue is derived from its core equities and derivatives markets. However, the company expects that in the longer term, broadening its range of markets and market services will also allow the company to diversify and further build its revenue streams.

ASX's core markets continue to perform well.

Equities

The equities market recorded daily average trades of 51,386. While this was lower than for last year, when a record 54,706 daily average trades were recorded, (as the graph opposite/below indicates) this level of trades is substantially higher than any other year and is largely attributable to the increased participation of retail investors in the Australian market.

The average fee charged to a broker for an equities trade (including clearing and settlement) for the year was \$1.79, maintaining ASX's fees at levels of international best practice. From an investor's perspective it effectively means that for a trade worth \$10,000, the fee charged to a broker by ASX was \$1.55. When all additional CHESS® services to brokers, non broker participants and listed companies are taken into account, the average revenue ASX generated per fee per two-sided trade for 2001 was \$5.37 compared to \$5.34 for the previous year, reflecting the higher average value of trades but offset by the clearing and settlement volume-linked price reductions implemented in July 2000.

While trading volumes were strong, so too were new listings, which is important from the perspective of the depth and diversity, and therefore the attractiveness, of the market. By way of example, at 30 June 1990 the Australian market had a total market capitalisation of \$167.2 billion of which resources and manufacturing comprised 72.6%. While they have both grown considerably in the last ten years, they now comprise 14.1% and 19.9% of the market respectively and the total market capitalisation is in excess of \$746.3 billion. This growth is largely due to the emergence of the financial services, telecommunications and media sectors. In the last year, a further 156 companies have listed, taking the total number of listed companies to 1,499, further adding to both the size and diversity of the Australian market.

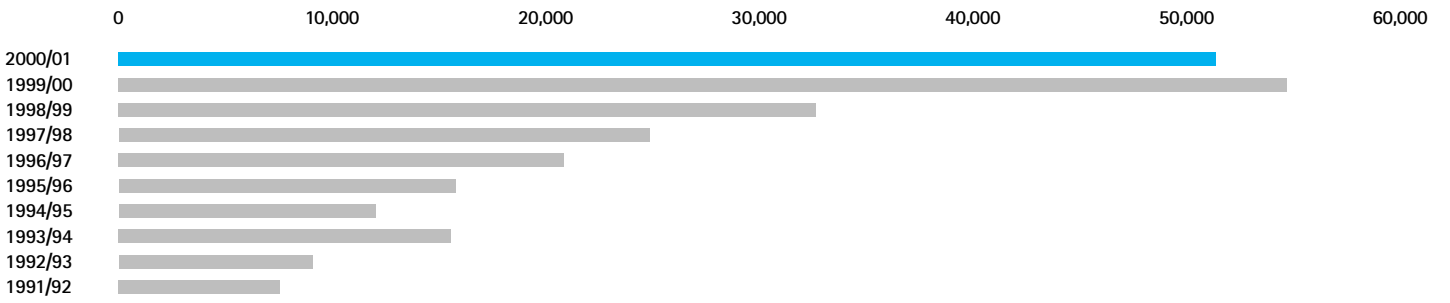
Options

ASX's options market is the third oldest options market in the world and the first to be established outside North America. During the year, it celebrated 25 years of operation, with record volumes.

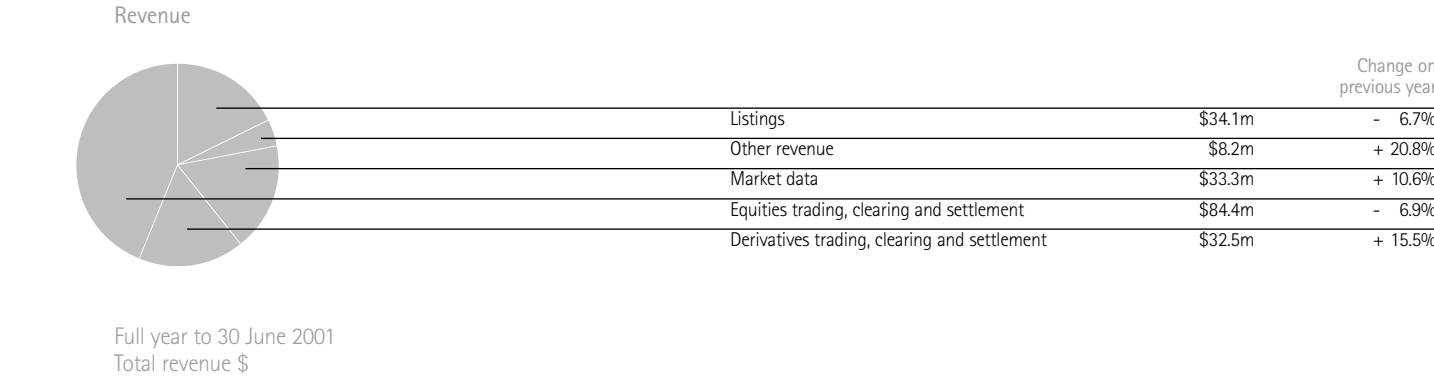
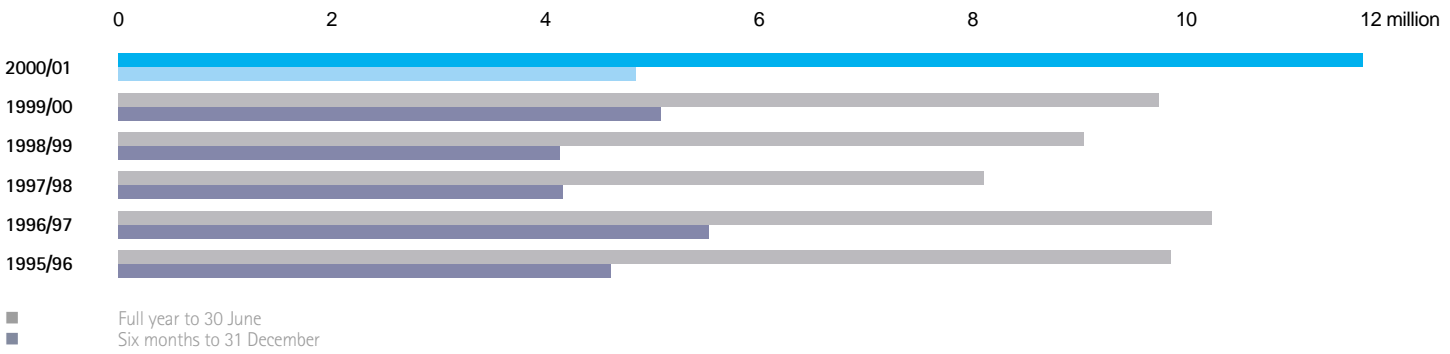
Daily average option contracts traded reached 46,226, 17% higher than the 38,519 recorded for the previous year and surpassing the previous record set in 1993/94. The average fee per contract traded was \$1.69 compared to \$1.77 recorded for the previous year (attributable to an increase in the level of market makers active in the market, where trading attracts a lower fee).

Growth in LEPOs® (Low Exercise Price Options) – options that give futures style exposure either to a stock or to a share price index – was also strong with record volumes achieved, 9% higher than for the previous year.

Equities – average daily trades



Total options contracts traded



Warrants

In November 2000, following an extensive review and industry consultation, fees for the warrants market were restructured to take account of market demand, market structure changes, and other industry developments.

The restructure was aimed at encouraging listings (by lowering initial listing fees), linking ASX's fees to the success of products (by introducing a capped turnover fee), and enabling centralised research, education and promotion of the warrants market.

ASX believes it has a healthy and productive partnership with warrants issuers in developing the warrants market. Focus groups and other market research initiatives have been used to assist in the development of a significantly-expanded program of education and promotion.

ASX believes that this fee restructure will provide a strong platform for the longer-term growth of the Australian warrants market and the growth achieved in the market since the restructure was implemented has provided a strong endorsement of the changes.

During the year 1,403 new series were listed compared to 642 for 1999/00 and total warrant series listed at 30 June 2001 were 1,010 compared to 551 at 30 June 2000. In addition, daily average warrants trades and turnover have increased

substantially with trades increasing from 754 to 1,223 per day and volume for the year increasing from 3.7 billion warrants to 9 billion. Growth was particularly strong during the second half of the year, reflecting the introduction of the new fee structure. Of the 1,403 new series listed in 2000/01, the majority (999) were listed in the second half and while daily trades averaged 1,223 for the year, they averaged 1,036 in the first half compared to 1,593 in the second.

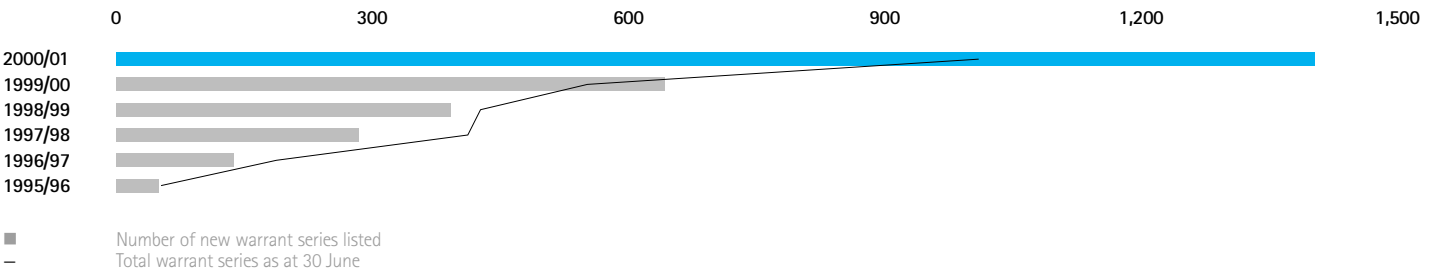
Interest rate market

ASX's interest rate market, which commenced operations in late 1999, is small by comparison to the company's more established markets, but has continued to expand. During the year, an increase in the number of products available has driven increased activity. There are currently 85 securities in the retail market and 29 listings in the wholesale market, which has also shown good growth.

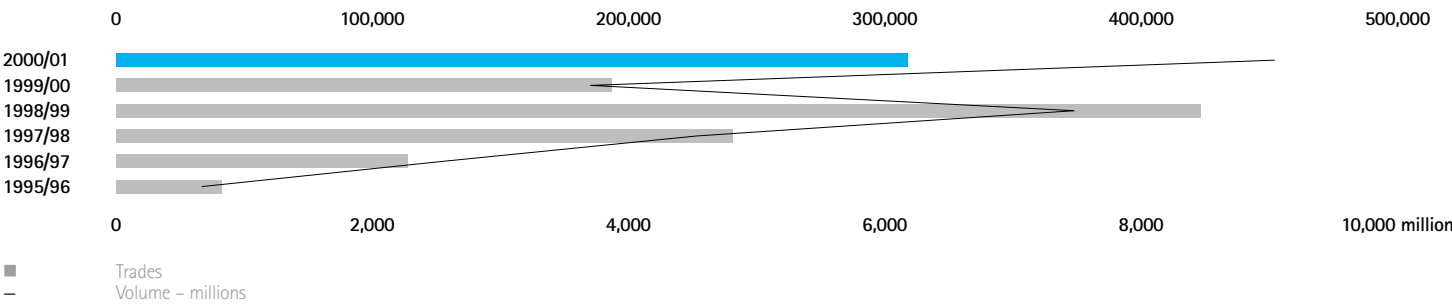
A program has commenced, working with financial planners, to broaden retail investor understanding of the markets and the opportunities it provides for investors looking to diversify their portfolios.

In addition, in August 2001, legislation was introduced into the Australian Federal Parliament, which would allow investors to hold and transfer Commonwealth Government Securities (CGS) electronically, thereby facilitating the buying and selling of these securities on ASX's interest rate market. This initiative is expected to provide an overall boost to the attractiveness of this market.

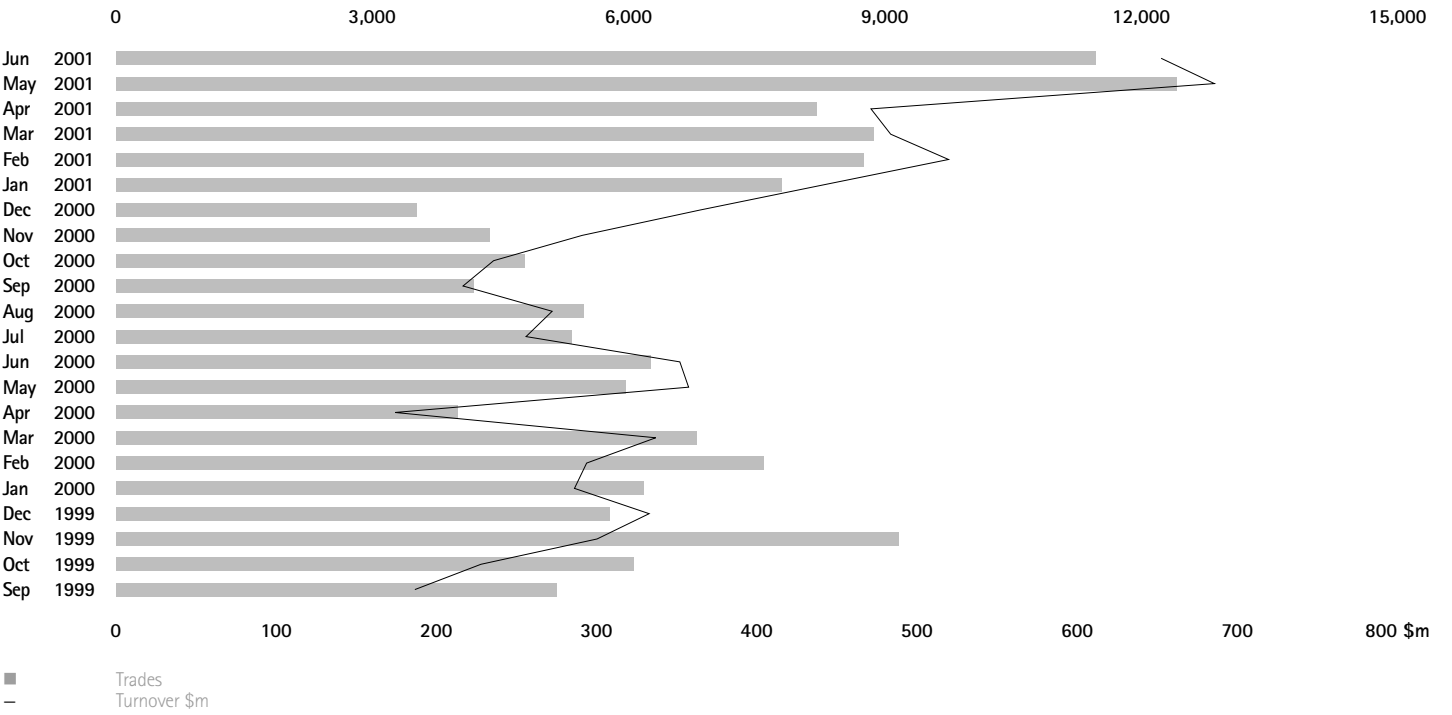
Warrants series listed



Warrants – trades and volume



ASX interest rate market



New markets to meet changing marketplace and investor needs
ASX World link
ASX World Link is aimed at providing Australian investors with a cost-effective and simple mechanism through which they can invest in overseas securities, as well as providing international investors with easy access to the Australian market.

The service effectively allows investors to trade in overseas securities in a manner which gives them the same appearance as securities listed on ASX. Investors:

- trade through their local broker;
- pay for the security in Australian dollars;
- receive a contract note from a broker just as for an ASX quoted security;
- have their holding maintained in CHESS along with their ASX quoted securities;
- receive dividends and other distributions paid in Australian dollars; and
- have the reliability of ASX's infrastructure.

There are currently two initiatives being implemented under the ASX World Link service:

- a trading link to access securities traded on US markets; and
- a reciprocal trading link with the Singapore market.

The US link
In February 2001, trials were completed for ASX's trading link into NASDAQ, NYSE and AMEX. This is a one-way link using Bloomberg Tradebook as current US regulations do not readily allow foreign market services to be offered directly to US investors. The service, which is now available to ASX participating organisations, enables Australian investors to trade, settle and hold approximately 65 securities quoted on Nasdaq, over 100 quoted on NYSE and 4 ETFs quoted on AMEX. As at 30 June 2001, 10 of ASX's 90 active participating organisations had signed up for the service and a small number of trades had been executed.

The Singapore (SGX) Link
The Singapore link is a direct co-trading facility between the Australian and Singapore markets. ASX anticipates that this service will be introduced by the end of 2001, subject to the resolution of a number of outstanding technical and regulatory issues.

While ASX is not limiting itself to one particular model of linkage, at this stage its preferred model is the reciprocal portal model being developed for the SGX linkage. The key characteristic of this model is that orders are routed to the natural home market – the most liquid market – for any security. In addition, the model has the advantage of maintaining the sovereignty of each market while facilitating order flows between the markets. In achieving the dual objectives of linking markets

without affecting sovereignty, both ASX and SGX believe this model has the potential to be replicated to establish linkages with other markets.

Listed Investment Fund Exchange (LIFE)
Since the end of the year, ASX has launched its platform for listing and trading of managed funds. The first managed funds were listed by BNP Paribas Asset Management in July 2001. In August 2001, State Street Global Advisors (SSgA) listed the platform's first Exchange Traded Funds (ETFs) over the S&P™/ASX 200™ and S&P™/ASX 50™. ASX will generate revenue from this market in a similar manner to its other markets – from a combination of listing fees and from trading, clearing and settlement charges.

ASX's development of LIFE responds to the industry's requirements for a more tailored offering for managed funds, providing additional choice and flexibility for issuers, advisers and investors. For issuers, LIFE addresses the key barriers previously experienced to listing investment funds, including the ability to: effectively offer open-ended structures; maintain on-market and net asset value price parity; combine broker and financial planner distribution; and offer the same remuneration and compensation structures as unlisted funds. For investors, LIFE allows them to buy and sell managed funds just like securities.

Within this broader initiative is the launch of ASX's ETF platform. ETFs are essentially open-ended listed unit trusts, which track a market index or other defined basket of securities. They are typically highly liquid securities, offering low investment management fees and very close tracking between the on-market price and net asset value. In addition to providing a further opportunity for investors to diversify their portfolios, ASX believes ETFs will complement its ASX World Link program and benefit ASX listed entities by providing an easy mechanism for overseas investors to gain exposure to ASX's market.

International experience provides an encouraging context for this platform launch: while they took some time to become established, ETFs are now highly popular products in many international markets. The world's first ETF was introduced on the Toronto Stock Exchange more than a decade ago. Since then, the product category around the globe has grown to about US\$80 billion in assets and over 100 products listed on exchanges in the United States, Canada, United Kingdom, Europe, Hong Kong, New Zealand and South Africa. The recent growth of AMEX's ETF market in the United States is testament to this growing popularity, with assets under management doubling between December 1999 and December 2000. Over the same period, consolidated average daily volumes increased to 45.8 million units, an increase of 136% and the number of ETF products listed grew from 32 to 92.

Futures
ASX has also been broadening the range of products and markets it provides for equity derivatives. ASX's options market has performed strongly, and its warrants market has been growing well since its inception in 1990. In 1995, ASX introduced its successful Low Exercise Price Options (LEPOs) market. Due to the success of these markets, and to meet market demand, since the end of the 2000/01 financial year, the company has announced its intention to develop a market for equity futures.

ASX believes that providing equity futures, and in particular index futures, will complement its existing equity derivatives products and ETFs, and provide efficient cross-margining benefits to customers. Minimal additional infrastructure investment is required as the products would trade on the CLICK system, used for the options market. Necessary changes to clearing and settlement operations were made when ASX's Options Clearing House provided clearing facilities for Australian Derivatives Exchange (ADX). Subject to regulatory approval, ASX expects to introduce its first futures products before the end of the 2001/02 financial year.

Increasing the range of market services
While ASX has been broadening the range of markets it operates or supports, the year has also been significant for the development of its market services operations.

APRL
In March 2000, ASX formed a joint venture registry business with Perpetual Registrars Limited, ASX Perpetual Registrars Limited (APRL). Central to the longer-term plans for the business is the development of a new share registry system that will allow APRL to provide a range of new services to both corporate customers and investors as well as achieve operational efficiencies.

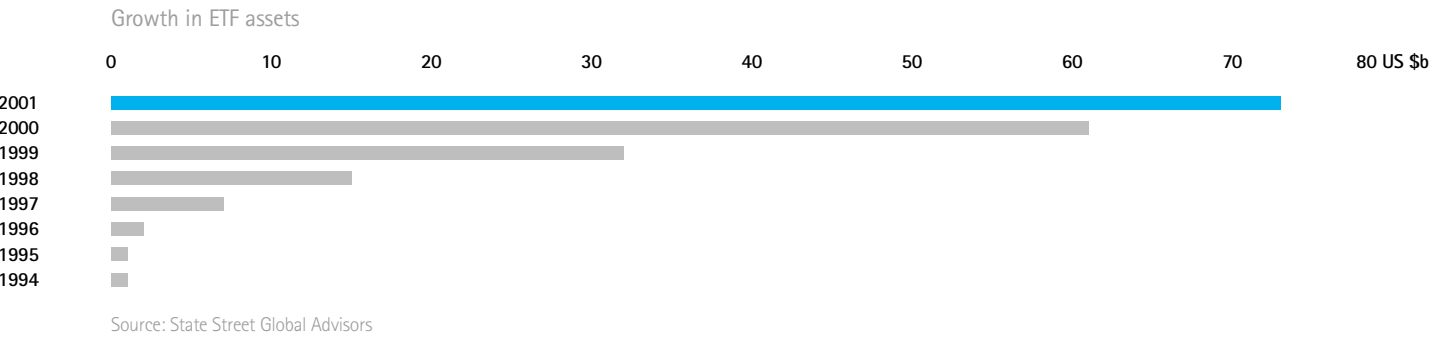
Significant progress was made on the development of this system, which is currently undergoing intensive testing prior to conversion of customers (scheduled to begin in September 2001).

In addition, in February 2001, APRL entered into a strategic alliance agreement with Lloyds TSB Registrars, the largest share registrar in the United Kingdom. Under this agreement, APRL and Lloyds will share technologies and service innovations, and work together to provide cross-border services to corporate clients with global registers and employee share plans.

BridgeDFS
In September 2000, ASX also announced an alliance with BridgeDFS Limited, Australia's leading provider of order management services to professional financial market participants under which the two companies would work together to develop improved services to the professional market and under which ASX has taken a 15% stake in BridgeDFS.

ASX and BridgeDFS remain committed to pursuing a number of opportunities to enhance the products and services provided to the institutional market.

Technology services
ASX has invested considerable capital and time in ensuring the efficient operation of its markets. Given the strength of its technological platforms, the company has developed some opportunities to provide a range of market services to other companies. For example, ASX employed some of its data centre space in both Sydney and Melbourne to provide facilities for a number of companies to house their own data systems or back-up facilities. Another example was ASX's provision of technology services to ADX.





INFRASTRUCTURE:	99.8%	MARKET RELIABILITY
OUR MARKET HAS DOUBLED IN SIZE OVER THE LAST 5 YEARS.	180,000	SEATS SCREEN UPDATES PER DAY
EQUITIES VOLUMES GREW BY OVER 200%. OUR EFFICIENCY,	120,000	PEOPLE INVOLVED IN ASX EDUCATIONAL ACTIVITIES
RELIABILITY AND INTEGRITY WERE CRUCIAL TO THIS GROWTH.	85,377	SURVEILLANCE ALERTS

Exchanges are typically assessed by numerical indicators of size and activity, such as new listings, market capitalisation and the numbers of trades that are conducted. These are certainly key indicators of the success of a market and are drivers of market sentiment. However, in focusing on these quantitative market indicators, what is often overlooked is the commitment of both capital and time by an exchange to ensure that it operates markets of quality: markets that run efficiently, reliably and competitively and with high levels of market integrity. ASX works hard at building and maintaining the market infrastructure that achieves these qualitative goals.

Key among our efforts is the operation of fully electronic markets. These sophisticated technology platforms for trading, clearing and settlement are also used in ASX's supervisory activities, which are crucial to maintaining market integrity and therefore market confidence. As a result, technology costs along with staff costs, make up the bulk of the company's expenses.

Equally important for running a successful market is an exchange's ability to provide timely market data to its customers. Similar to its trading, clearing and settlement platforms, it is ASX's advanced systems that enable it to meet this requirement, transmitting market data at a rate of 10 updates a second to over 35,000 terminals around the world.

ASX also believes it has an important role to play in market education. Through compulsory superannuation as well as direct share ownership, more and more Australians are becoming involved with financial markets. ASX provides a range of face-to-face and online courses to help educate existing and potential investors. Demand for these courses continues to grow rapidly with over 120,000 people participating in some form of ASX educational activity during the last year.

Technology systems

To operate its existing markets, ASX currently has two trading platforms and runs two clearing houses. Reliability of these systems is crucial to market participants and investors. In the 2000/01 financial year, market reliability remained strong, with markets maintained at levels of 99.8% availability for the year, a level ASX has consistently maintained notwithstanding the dramatic increases in the levels of market activity in recent years.

In the previous year, ASX increased the capacity of its equities trading platform (SEATS®) so it is now able to process up to 300,000 transactions per day. During 2000/01, upgrades were made to the company's options trading platform (CLICK), which have increased the transaction capacity from 60 to 110 transactions a second.

To further improve the efficiency and cost effectiveness of information dissemination for participating organisations, information vendors and ASX, ASX has also started to roll out its Virtual Private Network (VPN). The VPN is

essentially a network that runs over shared or 'public' infrastructure, while maintaining the key security and performance benefits of a private network. Both CHES and market data connections are now available over the VPN, and further data feeds are expected to be added to the network over the coming year.

In November 2000, ASX also launched ASX Online, which allows listed entities to electronically lodge documents with ASX, substantially improving the efficiency of the process in lodging announcements. Currently, 515 listed entities are using the service; however, it is anticipated that eventually all of ASX's listed entities will be migrated to ASX Online.

The systems management and security management platforms were also enhanced over the past 12 months. This investment – along with the development of new systems for ASX Worldlink and APRL – complements the growing sophistication and capability of ASX's technology teams. This capability is proving to be one of the core strengths of ASX and differentiates us from our competitors nationally and internationally.

Market data and information

In addition to efficient trading platforms, running the market requires timely and efficient dissemination of market data and information. Over recent years, demand for ASX's market data and information has grown strongly, driven primarily by interest from the professional market in North America and Europe.

However, as well as its sales of market data to the professional market both domestically and internationally, ASX distributes substantial quantities of this information over its website. In August 2000, the company launched its new website, designed to provide enhanced operating efficiencies and functionality. Additions to the site included watch lists, new online educational courses, more detailed information on listed entities and upcoming floats, extensive dividend and distribution information and new derivatives calculators. The site is currently handling traffic volumes that are over 20% higher than 12 months ago. This growing traffic flow caused some performance issues during the year, however these have since been addressed and it is expected that extensive hardware and software upgrades currently underway will further improve the site.

Market supervision

The success of ASX markets depends in part on the investment community's continued confidence in the integrity of those markets. Accordingly, ASX provides not only markets for trading financial instruments, but also a range of services designed to enhance the integrity, reliability and efficiency of trading, clearing and settlement activity. ASX conducts supervision in relation to markets (primarily the equities and derivatives markets), listed entities, market participants and systems – trading, settlement and clearing platforms.

The supervisory activities conducted in these areas include the following:

Area of supervision	Market integrity activities
Markets	Surveillance of market activity Identifying unusual trading Preliminary investigation of unusual trading and, where necessary, referral to ASIC or relevant ASX areas
Listed entities	Setting standards for listed entities through the listing rules Supervising compliance with the listing rules
Market participants	Setting standards for participants including prudential and systemic risk management through the business rules Supervising compliance with the business rules Investigation of breaches and presentation of appropriate cases for disciplinary action
Trading representatives	Establishing standards for the testing and authorisation of designated trading representatives Maintaining trading parameter settings and access passwords Gauging compliance with trading rules and procedures Reporting of incidents to relevant ASX areas

Promoting disclosure by listed entities

In addition to the legal obligations imposed upon entities and their officers under the Corporations Act 2001, companies seeking admission and quotation of their securities on ASX must also comply with the ASX listing rules, which set out standards of behaviour designed to promote the fairness and efficiency of the market on which those companies are listed. In particular, a listed entity is required to make full and timely disclosure of information to the market which may have a material effect on the price of its securities. ASX listing rules support continuous disclosure of material events as they occur, and a periodic disclosure regime, to promote an informed market and ensure a fair playing field for all market participants.

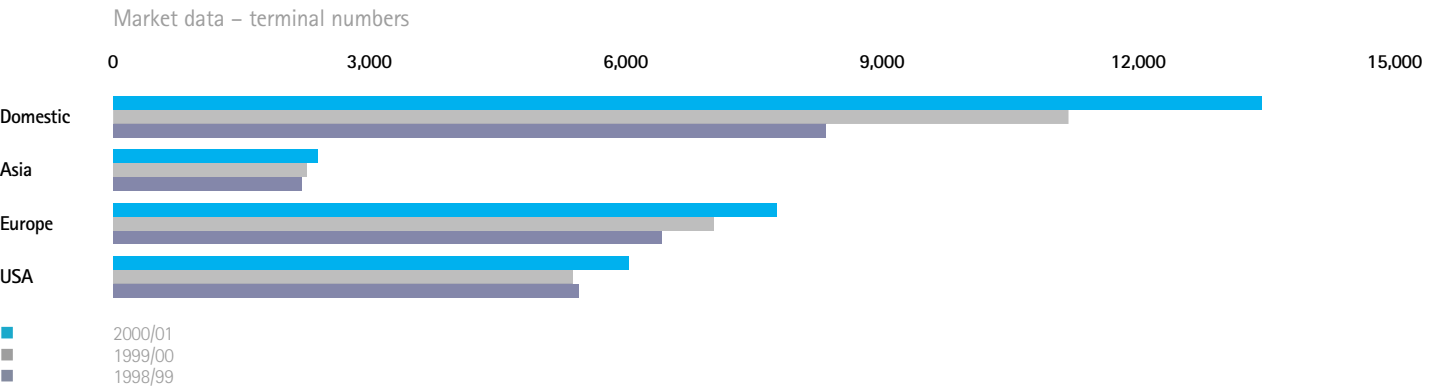
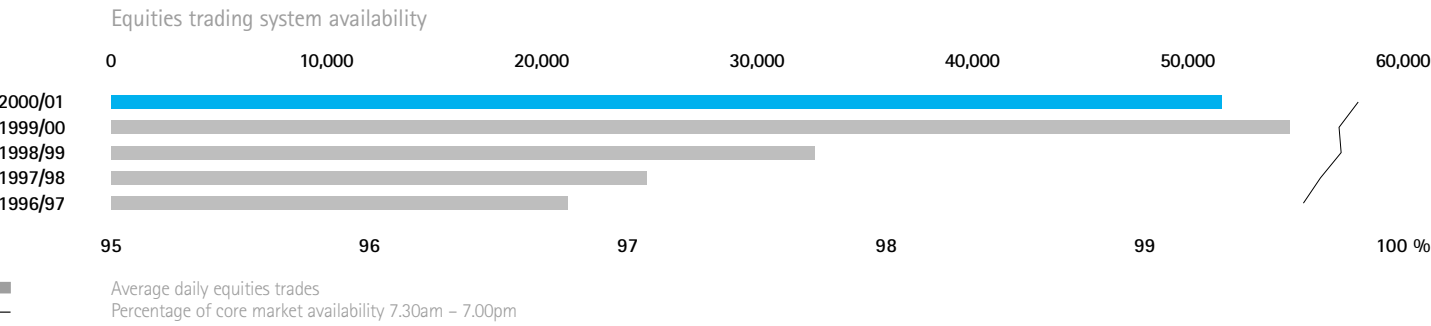
Broadly, the thrust of ASX activity to promote a fully informed market includes:

- maintaining close contact with listed entities and promoting a culture of compliance with disclosure obligations;
- continually monitoring price movements, print and electronic media;
- regularly initiating discussions with, and querying listed entities about price movements and reports; and
- working with the Australian Securities and Investments Commission (ASIC) on initiatives to promote better disclosure practices and the maintenance of high standards generally.

Where an ill-informed market is believed to exist, securities are suspended from trading by ASX. Trading halts are imposed by ASX or requested by listed entities where material information is anticipated for release to the market. Although ASX has no further disciplinary powers in respect of listed entities or their officers, it can refer a matter to ASIC for further investigation and possible referral to the Department of Public Prosecutions.

In addition to its ongoing role, a number of particular initiatives were undertaken during the year:

- as at 30 June 2001, there were over 200 listed entities required to submit quarterly cash flow reports in addition to their periodic reports and continuous disclosure obligations under listing rule 3.1. ASX followed up with listed entities where it believed that the market required additional information, most commonly on the basis of cash-burn. These follow-ups are intended to encourage entities in the future to anticipate questions from the broader investment community and accordingly to provide management discussion of the entity's future prospects;
- in August 2000, ASIC and ASX joined forces to provide listed entities with ten guidance principles, (released as Better Disclosure for Investors) and designed to improve disclosure of material information. The ASX Guidance Note on Continuous Disclosure is being amended to strongly endorse the guidance principles and give practical guidance in relation to how continuous disclosure operates; and
- during the first half of 2001, ASX exposed and sought comments on the proposed listing rule amendments, due to be introduced on 30 September 2001, subject to disallowance by the Minister. The more substantive amendments include the requirement, from 1 January 2002, for an entity to disclose information in relation to directors' holdings and interests in its securities to ASX within five business days of the director acquiring a security holding or changing an existing holding.



Providing fair and efficient markets

Under the Corporations Act 2001, 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 their customers. Under the forthcoming Federal Financial Services Reform legislation, ASX's market participants will be subject to the new harmonised licensing regime applicable to all financial services providers. The legislation will prescribe levels of conduct, organisational and structural rigour and disclosure for these entities, which in turn will promote confidence in those markets in which they operate.

ASX business rules and Securities Clearing House (SCH) business rules complement the existing and forthcoming legislative regime. These rules are primarily designed to prescribe market participation conduct, risk management, prudential supervision and settlement obligations which apply to ASX markets. ASX has arrangements for the surveillance, investigation and disciplining of market participants who fail to meet required standards, and which operate in addition to the powers of ASIC to bring both civil and criminal actions against market participants for breach of market misconduct or insider trading legislation.

Broadly, ASX promotes compliance with legislative obligations and its business and SCH rules through a combination of investigative and disciplinary measures, and education and softer compliance initiatives. These 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.

Specifically, during the year ASX was involved in the following activities to promote fair and efficient markets:

– in November 2000, ASIC and ASX jointly launched a major education and compliance campaign in the areas of acceptable trading behaviour, proper order record keeping, and compliance controls. The program is known as the Trading Behaviour Education and Surveillance Task, or Trading BEST. In March 2001, 94 Self Assessment programs were dispatched to participating organisations for completion as part of this campaign. Questions were structured to illustrate

expectations of ASX, thereby providing ASX participants with guidelines as to how to revise their existing compliance regime. Many of the participants observed that they had benefited from the process by using it as an opportunity to improve their controls and protect their corporate reputation and brand;

– in order to promote prudential compliance, a new capital framework regulation was adopted in November 2000, requiring ASX participants to calculate their risk exposure. This framework is supported by a sophisticated analytics tool used by ASX to review and analyse capital adequacy of participants. This system supports a proactive supervisory regime, enabling ASX to build a risk profile on participants, allowing early measures to be taken to address any potential capital adequacy issues; and

– increasingly, ASX's participants are offering to undertake education and compliance program as part of the settlement of disciplinary proceedings. This is a more positive and proactive approach by both ASX and those participants involved, in seeking to address breaches of business rules.

Market monitoring

Much of the supervisory and investigatory activity undertaken by ASX is supported by a specialised, highly sophisticated computer system, which continuously monitors all market activity and alerts ASX analysts to indications of irregular behaviour. ASX analysts then have access to a wide range of research and information material enabling them to identify where the irregular trading patterns have resulted from misconduct and ensuring timely referral to either ASX's internal investigation division or to ASIC. The efficiency of this system has been enhanced by allowing ASIC access to the surveillance division's website, which contains the various resources and analysis tools used by ASX analysts.

The ASX surveillance division has responded quickly to changes in market conditions by continually reassessing the parameters of their alerts and analysis systems. During the 2000/01 year, ASX closely monitored, through enhancement of its surveillance systems, the volatility attributable to the downturn in the technology sector and the sharp increase in index arbitrage activity. ASX surveillance division also conducted 110 demonstrations during the year, predominantly to brokers as part of ASX's ongoing education and compliance initiatives.

Trade levels and supervision activities – 2000/01

Market activity	
Trades (including equities, warrants, options)	13,977,044
Alerts (unusual price/volume movement triggering surveillance alert)	85,377
Percentage alerts to trades	0.61%
Referrals to ASIC	28
Tribunal breach determinations (breach determined by either National Adjudicatory or CHESS Disciplinary Tribunal)	80
Listed entity activity	
Announcements by listed entities	64,287
Price queries	252
Other queries	182
Referrals to ASIC	23

ASX Supervisory Review Pty Limited

During the year, ASX created a new entity, ASX Supervisory Review Pty Limited (ASXSR), to monitor and oversee its supervisory activity. ASXSR both complements and responds to the forthcoming legislative requirements under the Federal Financial Services Reform Bill, legislation which enshrines a long-recognised obligation on the part of ASX to safeguard and protect the efficiency and fairness of its markets through well-resourced supervision and appropriate conflict management.

Under the arrangements, ASX will still operate within the same co-regulatory framework as before and will still be accountable under the Corporations Act 2001 to ASIC and the Federal Minister for Financial Services and Regulation in the performance of its supervisory functions. However, an additional layer of transparency and accountability is added to the process by the oversight role undertaken by ASXSR. This is a body constituted of mainly independent, highly experienced directors with complementary industry and financial services experience, who are mandated to review the supervisory activities of ASX and to report to ASX and ASIC upon the adequacy of these activities in promoting a fair, orderly, efficient market. Additionally, ASXSR is tasked to oversee specific supervisory decision-making in respect of entities with which ASX has a conflict of interest- essentially commercial partners or competitors.

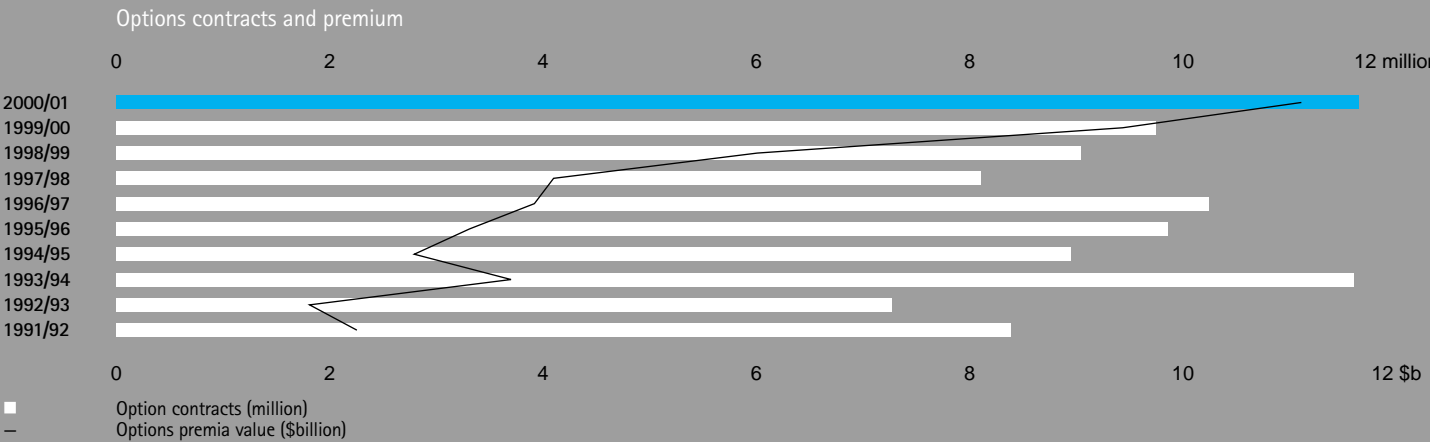
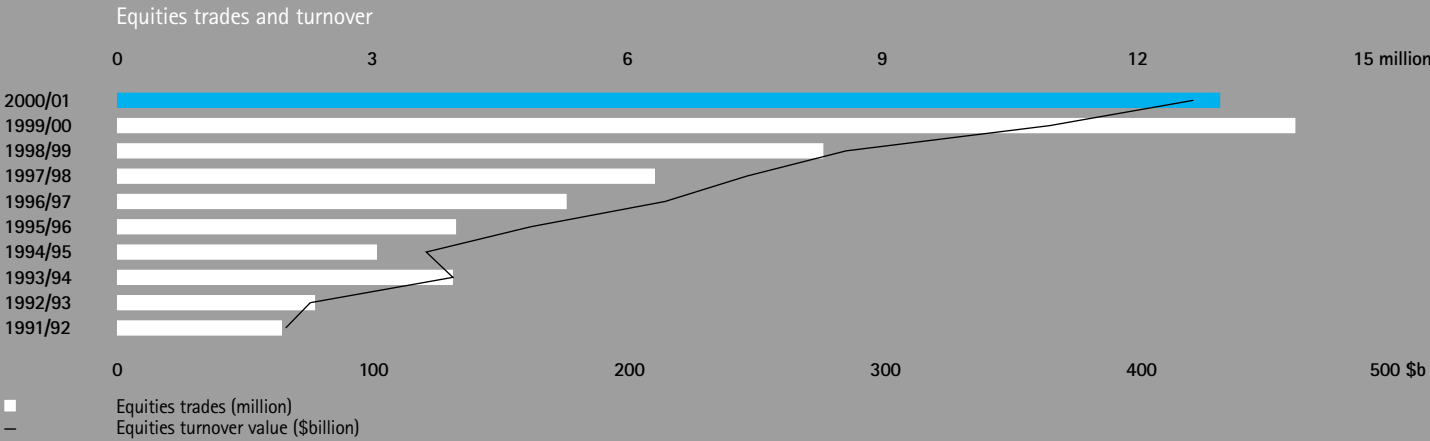
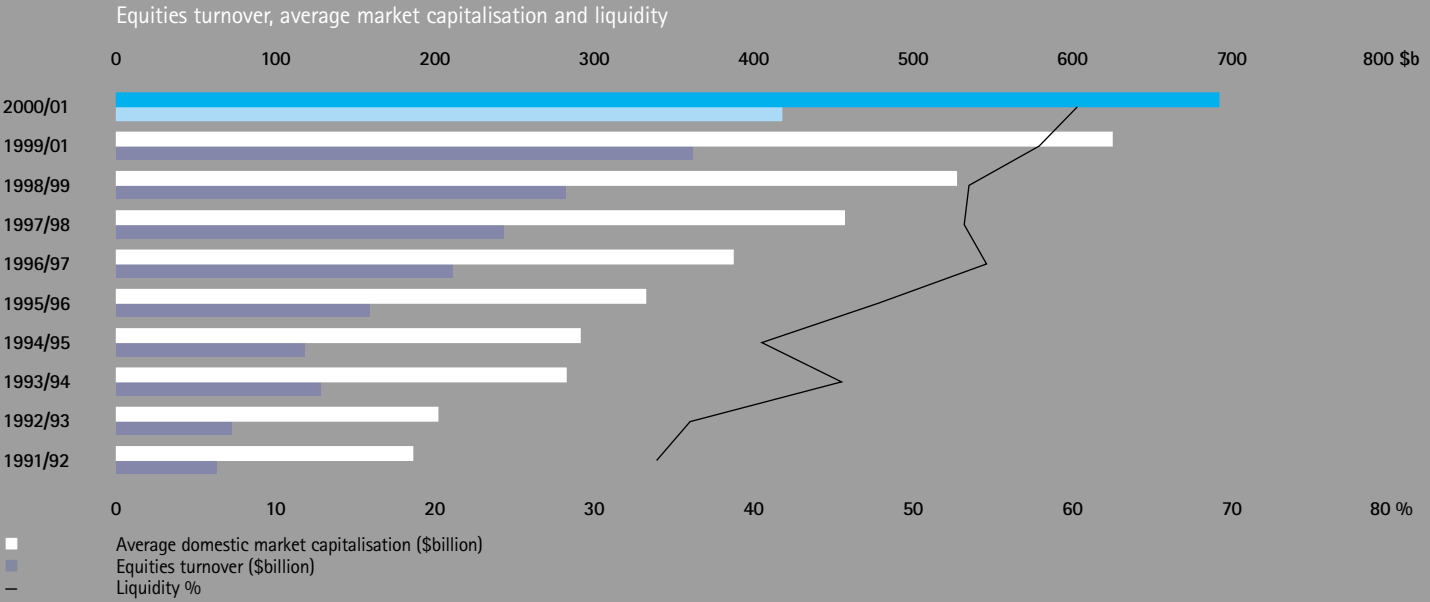
ASXSR Board appointees are chosen from a panel nominated by ASX, although ASIC has the power to veto any proposed appointment, and the Federal Minister for Financial Services and Regulation must also be given advance notification of any appointment. All current directors have been appointed for terms of three years and their removal from office prior to the expiration of term requires ASIC to indicate that it does not object to such a removal.

ASXSR became operational in March 2001 under the chairmanship of Mr David Hoare, and has commenced its enquiry into the supervisory activities undertaken by ASX and the measures adopted by ASX to quarantine its supervisory activities from its commercial interests.

Market education

ASX's courses have continued to gain in popularity over the year. Of the over 120,000 people who participated in ASX's educational activities during 2000/01, approximately 20,000 people attended investor hours, over 10,000 attended investor days and 65,000 students participated in the school's sharemarket game.

To meet this growing demand as well as to provide education on a broader range of ASX's markets, a number of new courses were introduced during the year. In particular, courses on shares, derivatives and the interest rate market were added to the online syllabus and the options courses were extended to regional centres.



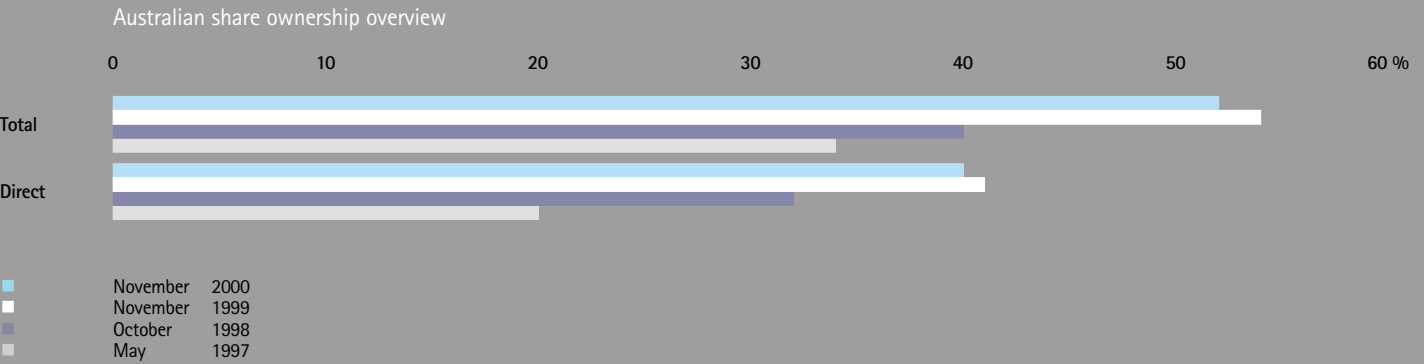
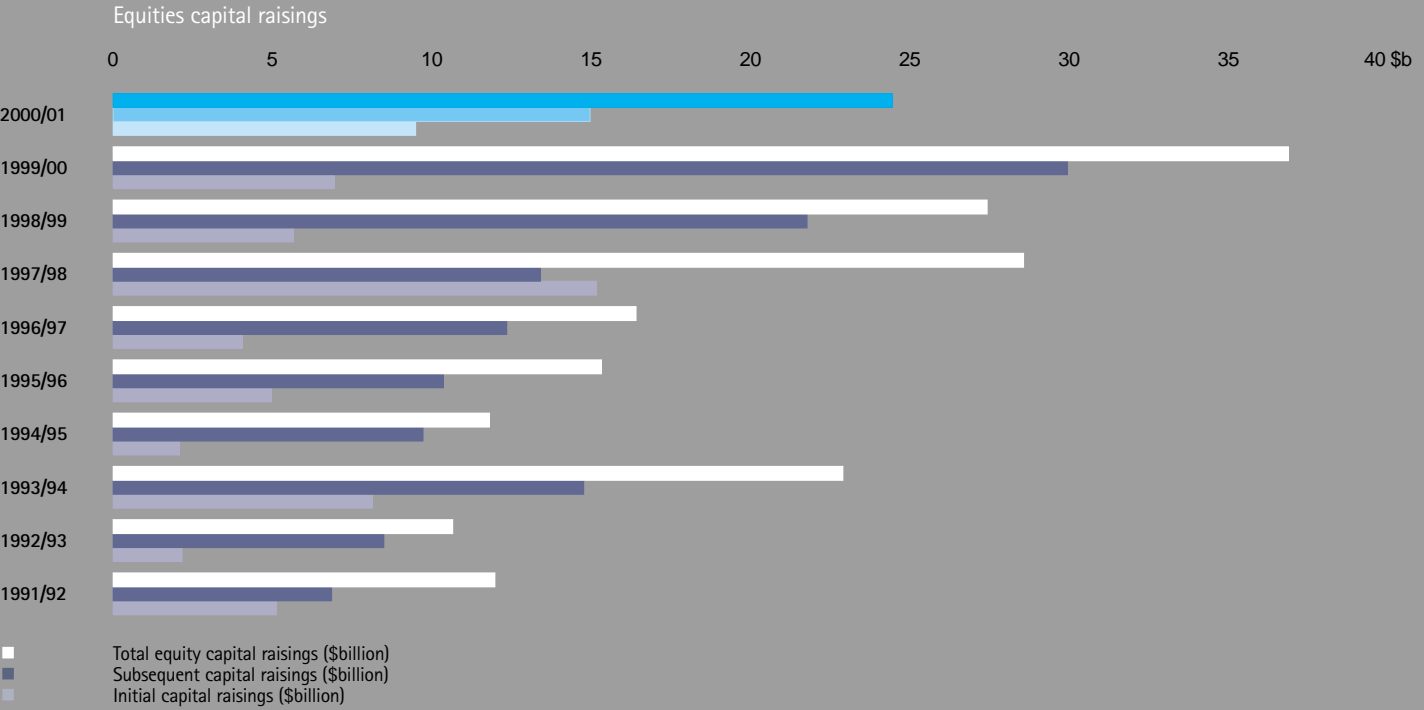
Equities turnover, average market capitalisation and liquidity
The broad measures of market capitalisation, value of turnover, and the resulting liquidity indicator are a broad reflection on the attractiveness of a market. All 3 measures have continued to grow at a healthy rate over the last 10 years.

Liquidity is an important comparative indicator of the efficiency of a market, and reflects the confidence with which both investors and companies can participate in that market.

Equities trades and turnover
The year ended 30 June 2001 produced almost 13 million equities trades on ASX's market with total turnover of \$417.6 billion. This equated to 51,386 trades per day, slightly lower than the record 54,706 per day during the previous year.

The average annual growth rate in trades over the last 10 years has been 23.8%.

Options contracts and premium
The ASX options market traded over 11.6 million contracts during the year, reaching the record levels of 46,226 per day. This was a 20% increase over the previous corresponding period. The options market also recorded substantial increases in the number of options accounts, the levels of open positions held, and had over 4000 series tradable during the year.



Equity capital raisings
The year ended 30 June 2001 was another strong year for equity capital raisings. A further 156 companies were listed on ASX bringing the total number of listed companies to 1499. This was in addition to the almost \$15 billion in capital raised by companies already listed on ASX.

Australian share ownership overview
The level of share ownership in Australia remains at one of the highest comparative levels in the world. The most recent ASX survey undertaken in November 2000 shows around 52% of the Australian adult population owning shares either directly or through pooled investment vehicles such as managed funds. This equates to around 7 million Australians investing in ASX markets.

ASX's corporate governance policies are designed to articulate to shareholders and other stakeholders in ASX, the principles underlying the way ASX runs its business and discharges its responsibilities as a market supervisor. ASX believes that the existence of corporate governance policies and guidelines provides not only a minimum standard for the behaviour of ASX employees and officers but encourages a culture in which these issues are considered integral to the effective operation of the company. As such, the stated policies are continually reviewed for relevance in light of new developments in ASX's own activities or in the social and regulatory environment in which it operates.

Shareholders

ASX is a listed entity 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'.

Currently, there is a limit on voting power in ASX by one party and its associates of 5% of voting shares. This limit was set by the Federal 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.

On 5 April 2001, the Federal Minister for Financial Services and Regulation announced the introduction of the Financial Services Reform Bill 2001. The Bill was passed by Parliament on 28 August 2001. The Bill contains a provision to increase the 5% voting power limit to 15% and apply it to financial markets and clearing and settlement facilities that are prescribed as being of national significance, with a discretion for the Minister to approve a larger voting power. ASX is seeking shareholder approval to amend the constitution at the annual general meeting to be held on 29 October 2001 to reflect the proposed amendment. Further details on the proposed amendments to the constitution are outlined in the notice of annual general meeting dated 27 September 2001.

At the time of listing of ASX 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 over 16,000 shareholders. Approximately 359 of these are original member shareholders who in total hold around 33.7% of the issued capital. Further information regarding ASX's shareholders is contained in Shareholder Information on page 63.

Board composition and role

ASX is currently governed by a Board of nine directors, with eight non-executive directors and one executive director (the Managing Director and Chief Executive Officer). The Chairman is a non-executive director.

The Board comprises persons with complementary and diverse skills in areas including information systems, accounting and auditing, law, funds management, stockbroking and business management. Members of the Board bring both a global and regional perspective to the Board's deliberations and, also bring an understanding of the external political and public policy environment. There is also a depth of experience in external company directorships.

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, ensuring that adequate risk-management and crisis-management procedures exist and are being used, and ensuring that the company has appropriate corporate governance structures in place to protect shareholders and other stakeholders of the company.

Responsibility for the operation and administration of the company has been delegated by the Board to the Managing Director. 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.

Appointment and retirement of non-executive directors

Currently, the constitution requires one-third of the directors (excluding the managing director) retire from office by rotation at each annual general meeting. The directors retiring at the 2001 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.

At the annual general meeting to be held on 29 October 2001, ASX is seeking shareholder approval to amend the constitution to remove the requirement to retire directors by rotation and instead introduce the requirement that directors must retire in accordance with the ASX listing rules (currently, the ASX listing rules require that each director who has held office for three annual general meetings or for 3 years, whichever is the longer, must retire). The constitution will also require that there must be an election of a director each year for as long as the ASX listing rules require. Further details on the proposed amendments to the constitution are outlined in the notice of annual general meeting dated 27 September 2001.

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 base fee, and for those directors who have served six post-demutualisation years or more to receive two years' base fee. Those who have served nine post-demutualisation years or more will receive the maximum of three years' base fee. The retirement benefit is payable pro rata in respect of any period of service that is not a whole year. There is currently no maximum term and no retirement age for directors, nor is there a share qualification for directors.

Resources available to directors

On appointment, all new directors receive a directors' information kit providing them with information about their powers, rights and responsibilities. New directors also receive induction training to familiarise them with matters such as the nature of ASX's business, its corporate strategy and current issues facing the Board.

ASX directors regularly participate in the Board Briefing Program. This ongoing program is used to develop the Board's understanding on various aspects of the ASX business, directors' duties and continuous disclosure. The program is also used to provide the Board with additional detailed information and knowledge on a particular aspect of the business with respect to issues of relevance to upcoming discussion by the Board. The ASX directors also receive information concerning statistical and analyst reports on ASX securities, reports on 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 also 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.

In accordance with the Corporations Act 2001, directors and former directors have access to the group's documents at all reasonable times for the purposes of legal proceedings. In the case of former directors, this right continues for 7 years after the person ceased to be a director of the company. 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 and includes superannuation and fees paid to non-executive directors of ASX in their capacity as members of Board committees and tribunals and as directors of subsidiary company boards. However, it does not include retirement benefits, which were separately approved by shareholders at the October 1998 annual general meeting.

When setting fees for non-executive directors, the Board applies Australian benchmarks and takes independent advice. In the past, the Board has had regard to factors including the level of commitment required to be made to their role and the fact that ASX has a unique and important role in the economy. Non-executive directors currently receive a base fee of \$55,000 per annum. The vice-chairmen currently receive a base fee of \$65,000 per annum and the chairman currently receives a base fee of \$165,000 per annum. Superannuation and fees paid to directors of ASX who serve on, Board committees and tribunals and subsidiary company boards are paid in addition to these fees.

Executive director

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. The maximum increase to the base salary package is limited to 10% of the package applicable to the year. In addition to the base salary package, there are both short-term and long-term incentives. The Managing Director receives a cash payment, based on

performance against objectives set for the year and other criteria determined by the Board. There is an upper limit of 50% of the package applicable to the year. For 2000/01, 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.

As part of its succession planning activities, the Board agreed to extend the Managing Director's service agreement for a further two years, to 31 July 2004. The Board considered it desirable to replace the terms on which the Managing Director participated under the executive share plan, with a new offer. The replacement offer under the plan was approved by shareholders at the October 2000 annual general meeting. An outline of the plan is provided below.

ASX executives

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.

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 comparator companies drawn from mid-capitalisation 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.

ASX employees

The Board recognises that the complexity of ASX's business has increased substantially since demutualisation. For ASX to consistently achieve its business objectives, motivate staff and optimise productivity, the company recognises it must attract and retain the necessary business and technological skills in order to meet its objectives. The Board believes that employee share ownership 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.

The Board will also introduce a short-term incentive plan which is designed to drive performance at all levels of the organisation by creating a direct link between actual contribution to the success of the organisation and individual remuneration levels. Under this plan, ASX employees will receive half their cash bonus (which will be determined by a performance-based short-term variable incentive) in shares. To assist with retention, half the share allocation is issued immediately and half one year later, with voluntary departures ineligible for unissued shares. Terminations for retirement, redundancy, ill health or death will receive either unallocated shares on termination, or the cash equivalent at the discretion of the Board.

Committees and tribunals of the board

The Board has established a number of committees and tribunals to assist it in fulfilling its duties and to assist ASX in the performance of its supervisory responsibilities. Each committee and tribunal has a formal operating charter that has been approved by the Board.

Nomination and Remuneration Committee

The Nomination and 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, committees and tribunals. 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.

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.

Audit Committee

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 to shareholders, regulators and the general public, business risk management and internal control systems, and corporate conduct and business ethics.

The committee comprises four non-executive directors. Members are appointed by the Board on the recommendation of the Nomination and Remuneration Committee. A member may not have any relationship with ASX management or the corporate entity that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the committee. The chairman of the committee is not the chairman or a vice-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 the 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 and internal control structure

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

Audit activities and audit coverage

The committee ensures that the audit approach adopted by the company's external auditors KPMG, 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 corporate review. During the year, following an expression of interest process, ASX appointed PricewaterhouseCoopers as the co-ordinator and manager of ASX's corporate review function. The appointment is initially for a two-year term with a one-year option. On an annual basis, the committee recommends the appointment and remuneration of the external auditors and reviews their terms of engagement.

Corporate governance and 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 the board

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

Business Rules Committee

The Business Rules Committee has responsibility for approving proposed amendments to the ASX business rules. It is chaired by a member of the Board with stockbroking experience and comprises members, including management and industry representatives, with experience in the equities and derivatives areas.

Listing Appeals Committee

The Listings Appeals Committee hears decisions of management on admissions to, and removals from, the Official List and application of, and waivers from, the ASX listing rules. It also hears appeals from management decisions on warrants issues and provides advice to management on policy questions as requested. Membership of the committee is based on appropriate industry expertise and knowledge and the committee is chaired by a member of the Board. The Listings Advisory Panel gives advice to management in relation to both general policy matters and decisions affecting particular entities. Joint meetings of the committee and the panel are also held to consider the annual exposure draft of proposed ASX listing rule amendments. Membership of the panel is based on appropriate industry expertise and knowledge.

National Adjudicatory Tribunal

The National Adjudicatory Tribunal adjudicates disciplinary matters concerning affiliates and participating organisations and such other matters as are delegated to it by the Board from time to time. The chairman of the tribunal is independent and the deputy chairman is a member of the Board. Tribunal members are drawn for hearings from a panel of external experts.

The decisions of the tribunal may be appealed to an Appeal Tribunal, of which the chair and vice-chair are leading law firm partners. Other members are drawn from a panel of external experts. The Appeal Tribunal is also responsible for hearing any appeals concerning admissions, authorisations and other management decisions in the equities, clearing and settlement, and derivatives areas.

CHESS Disciplinary Bodies

The board of ASX Settlement and Transfer Corporation Pty Limited (ASTC), a subsidiary of ASX, has established a separate Disciplinary Tribunal which considers disciplinary matters relating to the SCH business rules concerning non-broker participants, participating organisations and issuers. The president of the tribunal is an independent president and the deputy president is a member of the Board. Tribunal members are drawn for hearings from a panel of external experts. Members of the tribunal must be persons of good reputation and high business integrity. The panel includes senior representatives from non-broker participants and participating organisations. The decisions of the tribunal may be appealed to an Appeal Tribunal, of which the chair and the vice-chair are the same as per the Appeal Tribunal described above.

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 periodically 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, 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, and 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 relating to computer usage and use of the email system. There are also limitations on securities trading activities by staff. Strict adherence to the code is required. Violation by any employee is liable to disciplinary action which can include termination of employment.

Sale and purchase of securities

The Board has approved rules for transactions in ASX shares by directors, executive officers and employees. Under the ASX dealing rules, directors, executive officers and employees may only deal in ASX securities during the period of 4 weeks following the expiration of 2 business days immediately after the day of:

- the issue of the listing information memorandum or comparable document;
- the announcement of ASX's half-yearly results;
- the announcement of ASX's annual results; and
- the holding of the annual general meeting.

Even during that 4-week period, no director, executive officer or employee may deal in ASX securities at any time he or she is in possession of unpublished information, which, if generally available, might affect the price or value of those securities, or for a period of time following the making of a public announcement in relation to that matter. The 4-week period may be closed at any time by directive of the managing director or the chairman. There is a prohibition on trading in ASX warrants and options issued by third parties at all times.

In the case of directors, the rules require quarterly reporting of dealings in ASX securities, in addition to their reporting requirements under the Corporations Act 2001. In the case of executive officers and staff, the rules require notification to a designated notification officer prior to dealing. This is consistent with the policy that applies to staff for non-ASX securities. That policy was formulated having regard to the supervisory responsibilities discharged by certain ASX executive officers and staff.

Key compliance initiatives

ASX listing rule 3.1 compliance arrangements

Given its market position, ASX considers that it has a responsibility to lead by example in complying with the continuous disclosure regime. Accordingly, ASX has established procedures which must be observed by its directors and staff in relation to information management and disclosure. The listing rule 3.1 compliance procedures explain the company's disclosure obligations and why they are important, how the company becomes aware of information and the type of information that needs to be disclosed. The procedures also set out the respective obligations of the appointed Continuous Disclosure Officer, Designated Compliance Officers, Directors and other senior executives. The procedures include requirements in relation to media interviews and other public statements and specify training and compliance auditing requirements. The Audit Committee annually audits the ASX's adherence to the compliance procedures set out in the memorandum. A copy of the procedures are available to all ASX employees through the intranet site and form part of the terms of employment.

Trade Practices compliance policy

ASX is committed to fair trading practices and has a formal trade practices compliance policy. This requires all directors, employees and contractors to comply with the Trade Practices Act 1974 at all times and to undertake training as directed from time to time. A compliance guide has been developed to assist all directors, employees and contractors to understand how the Trades Practices Act 1974 an can affect the company. In conjunction with a leading law firm, ASX has also developed a computer based training program to provide an interactive instruction combined with questions to assist directors, employees and contractors to understand the core elements of the Trade Practices Act 1974 and how they can affect the ASX. This program recently won an Australian Industry of Training and Development Award for Outstanding Educational Achievement. Both the guide and the computer based program are available to all ASX employees and contractors through ASX's intranet site.

Appropriate workplace behaviour

ASX is committed to promoting appropriate workplace behaviour. The company conducts regular seminars to explain ASX policy and procedures in this area and to provide information about unacceptable practices including discrimination and harassment.

Upcoming changes to legislation

Financial Services Reform Bill

To prepare for introduction of the Federal Financial Services Reform Bill, ASX has embarked on a comprehensive audit of its markets, products and operations with a view to ensuring that the company will have obtained all appropriate licences and be in compliance with the new requirements by the commencement date of the Bill.

Privacy Act 1998 – new privacy laws

ASX has undertaken an audit of all ASX divisions holding information which identifies individuals and is currently drafting guidelines and procedures to comply with the new privacy laws which are effective from 21 December 2001. ASX is also drafting an ASX Privacy Code, which will set out the procedures and guidelines for all employees to ensure compliance with the new laws.

Managing actual and perceived conflicts of interest

ASX is committed to ethical and fair corporate behaviour and to the effective discharge of its obligations under the Corporations Act 2001. Both the Act and the ASX constitution contain requirements as to the fiduciary obligations of directors to avoid conflicts of interest.

The conflict debate

ASX is both a market operator, centrally responsible for ensuring the integrity of the market; and a listed entity, responsible to shareholders, employees and other stakeholders, to maintain and enhance the integrity, reliability, reputation and efficiency of the company. ASX believes that its success as a listed entity is inextricably linked to its success as a market operator. Therefore, as a listed entity, ASX has additional, commercial incentives to ensure market integrity. A failure to provide markets of integrity would not only cut across the basic responsibilities that ASX has as a market operator, it would also damage the company's interests, and those of its shareholders.

As ASX seeks to diversify its activities to increase its shareholder value, there is increasing debate about the ability of ASX to reconcile its supervisory responsibilities with its commercial aspirations. Organisationally, ASX performs a significant number of supervisory functions across a number of divisions, some of which undertake commercial activities and some of which are dedicated to supervisory activity. Because of the two hats worn by ASX, conflicts cannot always be eliminated, but they can be managed by separation of supervisory and commercial functions and by transparency in the supervisory process.

Legislative obligations

The Corporations Act 2001 imposes obligations designed to promote ASX accountability for effective and responsible market supervision and the transparency of ASX supervisory activities and processes. Both ASIC and the Federal Minister for Financial Services and Regulation have powers to intervene, audit or direct ASX market-related activities. The Act also requires ASX to assist ASIC in the performance of its functions. The ASX listings rules, ASX business rules and SCH business rules are subject to public scrutiny and comment, informal ASIC approval processes and formal Ministerial disallowance procedures. The Act also empowers a Court to order compliance with or enforcement of ASX rules.

The Trade Practices Act 1974 prohibits anti-competitive behaviour and misuse of market power.

Arrangements to handle conflicts of interest

ASX has put arrangements in place to complement these legislative requirements and to promote its accountability for effective and responsible market supervision and the transparency of its supervisory activities and processes.

The specific incidence of direct conflict – ASX supervising its own compliance with the ASX listing rules was effectively addressed by removal of that obligation from the company's supervisory province. ASIC is the primary supervisor of ASX's compliance with the ASX listing rules and SCH business rules.

- In relation to its supervisory responsibilities concerning other entities, ASX arrangements to manage conflicts include:
- clear corporate commitment to compliance with legislative obligations;
 - policies and procedures designed to ensure transparency and accountability for supervisory decision-making. These include:
 - the role of consultative bodies, committees and tribunals;
 - public registers of disciplinary determinations and listing rule waiver decisions; and
 - publication of guidance notes about supervisory policies and procedures;

- policies and procedures designed to ensure supervisory decision-making is undertaken impartially, ethically and in the best interests of market integrity. These include:
 - corporate commitment to ethical behaviour;
 - specific codes of conduct adopted by supervisory areas;
 - separation of specific supervisory functions from business functions;
 - the oversight role performed by ASX SR; and
 - a letter agreement with ASIC to address possible conflicts of interest arising from quotation of derivatives over ASX shares on ASX markets; and
- policies and procedures designed to ensure the appropriate quarantining and protection of supervisory information. These include:
 - separate supervisory units;
 - ASX delegations which specify appropriate management persons to make decisions;
 - information sharing restrictions;
 - a policy on protection of confidential information;
 - 'chinese walls' to prevent information obtained as a result of supervisory activity being used in a commercial context.

These arrangements and processes are continually reviewed to ensure that they remain current and adequate.

During the year, a key initiative was the establishment of ASX Supervisory Review Pty Limited. ASXSR is mandated to oversee ASX's supervisory policies and procedures generally and also to oversee specific decision making where a discretion can be exercised concerning certain listed entities with which ASX may have a conflict of interest – such as commercial partners or competitors of ASX. The board of ASXSR is comprised of a majority of external independent directors.

ASX and the Australian community

ASX community partnerships

ASX has endorsed the recent statement by the Prime Minister's Community Business Partnership, which summarises the key arguments in favour of corporate community involvement. In that statement, the company said:

“Corporations and institutions which participate in Australia's financial marketplace are coming to appreciate that closer partnerships with the non-profit sector can deliver significant benefits – not just to the community but to their own employees and shareholders as well.”

ASX provided this endorsement because it believes that based on its experience of building community partnerships (outlined below), the reputation of the company in the marketplace is enhanced, while also providing good opportunities for staff engagement.

Taronga Park Zoo

ASX sponsors two projects at Taronga: the Australian Marine Mammals Research Centre (AMMRC) and the ASX Frog Focus program, a national schools-based environmental frog conservation program that aims to teach children the core concepts of an environmental conservation program. ASX provides \$50,000 per annum for AMMRC and supports the ASX Frog Focus program through the ASX Reuters Charity Foundation and the ASX Charity Sharemarket Game.

Garvan Institute of Medical Research

ASX provides funding support for two of Garvan Institute's medical research programs: Breast Cancer and Prostate Cancer Research, which is funded through ASX's Internet based Charity Sharemarket Game, and the Garvan Institute's Neurobiology Research program to which ASX contributes \$50,000 per annum. ASX also supports the Garvan Institute through the ASX Reuters Charity Foundation.

Research Australia

Research Australia is a newly-established non-profit entity with the mission of making health and medical research, a higher national priority by working to encourage involvement of people from all segments of the community and to achieve greater investment and philanthropy in the sector. ASX has provided direct financial support for establishment operations of \$150,000, as well as indirect support which includes provision of office space, infrastructure, and services and access to internal legal, accounting, information and marketing advice until Research Australia negotiates these services with external suppliers.

Other

ASX is also a financial supporter of Entrepreneur of the Year, Mootcorp, The Sir David Martin Foundation, the Securities Institute of Australia prizes for students in financial markets courses, and Work-a-Day-4-Kids – Financial Markets Foundation for Children.

ASX Reuters Charity Foundation

In February 2000, ASX and Reuters formed the ASX Reuters Charity Foundation with the aim of supporting the work of numerous Australian charity organisations. Since establishment, the foundation has raised \$1.2 million principally through conducting an annual charity golf day. In addition to the charities that the Foundation currently supports, in 2002 the Foundation will also contribute to the following charities:

The Sunnyfield Association
The Shepherd Centre
Life Education Australia
Asthma NSW
The Children's Cancer Institute
The Australasian Charge Association
Cystic Fibrosis NSW
The Fred Hollows Foundation.

ASX staff volunteer their time to support the foundation's major events. The company also provides the office space and infrastructure for the foundation staff, including financial and technical services.

ASX environmental practices

ASX's efforts as a good corporate citizen are also reflected in the environmental record of the company. In addition to ASX's support for specific environmental projects through Taronga Zoo, the company has adopted a number of practices to improve its own operational environmental practices. In each of the ASX offices located in prime CBD buildings in Sydney, Melbourne, Brisbane, Adelaide, Perth and Hobart, ASX has ensured that the building owner, their managing agent and ASX staff have adopted effective recycling systems for all office waste. Recycling bins for paper, non-paper and plastics are available in each building and throughout ASX tenancies. In each of its tenancies, ASX has also implemented automatic shut-off systems so that lighting, power, air-conditioning and water usage is minimised outside of business hours. It is estimated that these systems reduce annual usage and cost in these areas by 10%.

In addition, all replaceable batteries, safety gas systems and technology equipment (eg toners, power supplies) utilise recycled products for replacement parts so that landfill is kept to a minimum.

ASX investor education

ASX believes it has a responsibility to play an active role in educating people about the sharemarket. To fulfil this role, the company runs a number of courses and seminars dealing with a wide range of investment topics. Over the last financial year, the Investor Education Division of ASX has had over 120,000 people participate in its educational activities. During the year, ASX introduced online and self-learning courses, which provide people the flexibility to learn about the sharemarket in their own home and at a time and pace that suits them. Also online are the sharemarket games for secondary students and the public. This is an opportunity for people to gain some hands-on experience in trading before 'diving' into the world of investing.

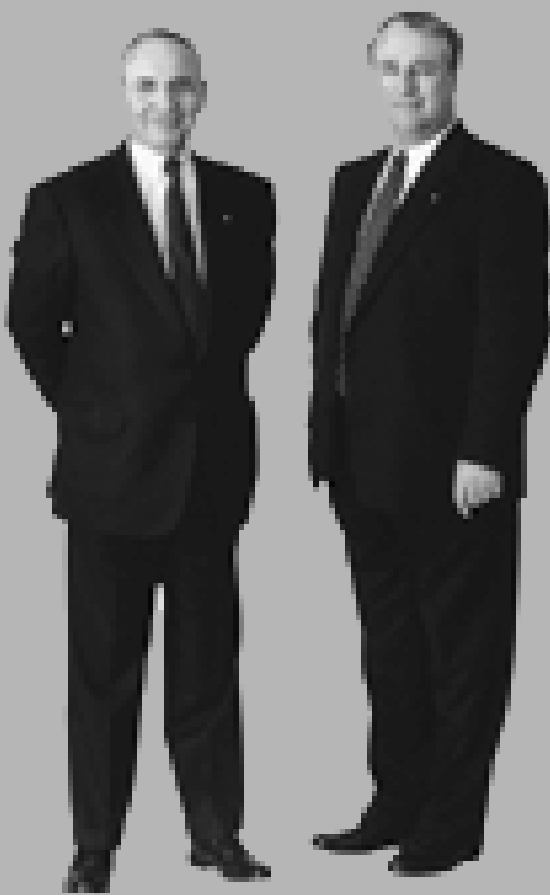
ASX and policy development

Given the central role of ASX in Australian economy, the company takes an active part in the development of economic policies that will assist Australia's competitive position. ASX is an active member of the Business Council of Australia, the NSW State Chamber of Commerce, the International Options Market Association, The Sydney Institute, and The Australia-Israel Chamber of Commerce. The company is also a member of the International Federation of Stock Exchanges (FIBV), and holds a full affiliate membership of the International Organisation of Securities Commissions (IOSCO) and is a member of the East Asian and Oceanian Stock Exchange Federation (EAOSEF).

ASX has also been active in the debate on Australian tax reform, including the abolition of stamp duty on quoted securities, which was removed from 1 July 2001. ASX is currently leading the debate on ensuring Australia's continued attractiveness as a location for corporate headquarters. The company has also been actively involved in the international debate concerning the appropriate regulatory framework for the supervision of stock exchanges and has been extensively engaged in the consultative process concerning the changes to be introduced by the Financial Services Reform Bill. ASX is represented on the FSRB Implementation Consultative Committee.

Securities industry research

ASX receives Federal Government approval to use funds from the Securities Industry Development Account for commissioning research into the securities industry. Research commissions have covered a wide range of issues that have led to a number of improvements in market operations and efficiency. Current research commissions include: the warrants market; analysis of retail investors' knowledge about portfolio diversification, with particular reference to interest rate products; a case study of the mining industry; corporate performance through advanced leadership and management systems; analysis of the origins of companies listed over the last 10 years; and PhD sponsorship. ASX also has close ties with external research bodies including SIRCA Limited.



Chairman
Maurice L Newman AM, FSIA, Age 63
ASX Member/Affiliate since 1978. Elected to the Board 1990. Chairman since November 1994. Chairman: Nomination and Remuneration Committee. Director: Securities Exchanges Guarantee Corporation Limited. Chairman: Acrux Limited, Australian Government Financial Sector Advisory Council, The Taronga Foundation, Sydney Legacy Citizens Committee. Co-Chairman: Singapore Australia Business Alliance Forum. Director: Australian Broadcasting Corporation. President: Australia Father's Day Council. Former Executive Chairman of Deutsche Bank Group in Australia 1985–99. Former Chairman of Deutsche Bank Asia Pacific Advisory Board 1999–July 2001. Former Commissioner of National Commission of Audit 1996.

Managing Director
Richard G Humphry AO, FCA, AAIB, MACS, Age 62
Managing Director and Chief Executive Officer since May 1994. Member: Nomination and Remuneration Committee. President: Commonwealth Remuneration Tribunal. Deputy Chairman: Zoological Parks Board of NSW. Director: ASX Perpetual Registrars Limited, Garvan Medical Research Foundation. Member: Foreign Affairs Council, Business Council of Australia. Former Director-General of NSW Premier's Department and Auditor-General of Victoria, with 20 years experience in the Commonwealth Public Service and 13 years in the banking industry. Fellow: CPA Australia, Australian Institute of Management, Australian Institute of Company Directors.



Vice-Chairman
Clive M Batrouney ASIA, FAIM, Age 60
ASX Member/Affiliate since 1976. Elected to the Board 1990. Chairman: Securities Exchanges Guarantee Corporation Limited. Vice-Chairman: National Adjudicatory Tribunal. Member: Audit Committee, Nomination and Remuneration Committee. Director: Victorian Funds Management Corporation, Hansen Yuncken Pty Ltd, Committee for Melbourne. Member: Victorian Finance Industry Consultative Committee. Former Chairman, ANZ McCaughan Securities Limited.

Vice-Chairman
Michael H Shepherd FSIA, Age 51
ASX Member/Affiliate since 1974. Elected to the Board 1988. Chairman: Business Rules Committee. Director: ASX Settlement and Transfer Corporation Pty Limited, Options Clearing House Pty Limited. Member: Nomination and Remuneration Committee. Regional Chairman (NSW) Securities Institute of Australia. Chairman: Australian Hearing Services Authority. Vice-Chairman: Securities Industry Research Centre of Australia Limited. Director: The Shepherd Centre, Neuroscience Institute of Schizophrenia and Allied Disorders. Governor: The Sir David Martin Foundation.



Max Fowles BCom, Age 48
ASX Member/Affiliate since 1985. Elected to the Board 1993. Chairman: Listings Appeal Committee. Member: Nomination and Remuneration Committee. Chairman: DJ Carmichael Pty Limited. Director: Perth Commodities and Futures Brokers Pty Ltd.

John A Fraser BEcon (Hons), Age 50
Elected to the Board 1997. Member: Audit Committee, Nomination and Remuneration Committee. President and COO, UBS Asset Management and Member, UBS AG Group Managing Board. Head of Asia Pacific of UBS Asset Management. Various Chairman and Director appointments for UBS Management in Asia Pacific including Chairman of UBS Asset Management (Australia) Limited. Director: Australian Unity Funds Management Limited, Neuroscience Institute of Schizophrenia and Allied Disorders. Former Deputy Secretary (Economic), Australian Treasury.

James J Kennedy AO, CBE, DUniv (QUT), FCA, FSIA, FAICD, FAIMI, FAIM, FCPA, Age 67
Elected to the Board 1990. Member: Nomination and Remuneration Committee. Chairman: Queensland Investment Corporation Ltd. Deputy Chairman: GWA International Limited. Director: Qantas Airways Limited, Macquarie Goodman Management Limited, Macquarie Goodman Funds Management Limited, 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", Prime Minister's "Community Business Partnership".

Michael J Sharpe AO, BEc (Hons), DScEcon (Syd), FCA, Age 63
Elected to the Board 1995. Chairman: Audit Committee. Member: Nomination and Remuneration Committee. Director: ASX Settlement and Transfer Corporation Pty Limited, Securities Exchanges Guarantee Corporation Limited. Chairman: e.COM Global Limited, Cards etc Pty Limited, The Sir David Martin Foundation Director, National Australia Trustees Limited, Military Superannuation Benefits Scheme, Strategic Capital Management Limited. Past President: The Institute of Chartered Accountants in Australia. Canon: St Andrews Cathedral. Former Chairman: International Accounting Standards Committee. Former Partner: Coopers and Lybrand, (1968-99).

Catherine M Walter LLB (Hons), LLM, MBA, Age 49
Elected to the Board 1996. Member: Audit Committee, Nomination and Remuneration Committee. Director: National Australia Bank Limited, Orica Limited, Vodafone Pacific Limited, Melbourne Business School Limited. Council Member: The University of Melbourne Council.

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

Nomination and Remuneration Committee

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

Audit Committee

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

Listings Appeals Committee

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

Business Rules Committee

MH Shepherd (Chairman)
RE Barker
BCM Egan
P Masi
KL Hamilton (Management)
CR Scully (Management)

National Adjudicatory Tribunal (ASX Business Rules)

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

ASX Settlement and Transfer Corporation Pty Limited

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

Options Clearing House Pty Limited

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

Appeal Tribunal (ASX Business Rules)

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

Disciplinary Tribunal (SCH Business Rules)

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

Appeal Tribunal (SCH Business Rules)

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

Payment Provider Appeal Tribunal (SCH Business Rules)

The Hon Ken Marks QC

Directors' Report

The directors present their report together with the financial report of Australian Stock Exchange Limited (ASX) and the consolidated financial report of the consolidated entity, being ASX and its controlled entities, for the year ended 30 June 2001 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 and Chief Executive Officer); Clive Michael Batrouney (Vice-Chairman); Michael Henry Shepherd (Vice-Chairman); Max Fowles; John Arthur Fraser; James Joseph Kennedy AO, CBE; Michael John Sharpe AO; and Catherine Mary Walter.

For details of the directors' qualifications and experience refer to pages 40 to 41 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 \$51,020,000 (2000: \$53,618,000).

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

Review of operations
The review of operations during the year is on pages 14 to 31 of the Report to Shareholders, which are to be read as part of this report.

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

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

The consolidated entity has a 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.

Board and committee meetings attended by ASX directors
01 July 2000 – 30 June 2001

Director	ASX Board		ASX Board Nomination and Sub-Renumeration Committee				Audit Committee		Listing Appeals Committee		Business Rules Committee		National Adjudicatory Tribunal*		ASX Settlement and Transfer Corporation Pty Limited		Options Clearing House Pty Limited	
ML Newman	10	10	5	5	5	5												
RG Humphry	10	10	5	5	5	5												
CM Batrouney	10	10	5	5	5	5	4	4					4	4				
MH Shepherd	10	10	5	5	5	5			4	5	8 (5)	9 (5)	4	4	7 (9)	7 (9)	7 (4)	8 (4)
M Fowles	10	10			5	5												
JA Fraser	10	10			5	5	4	4										
JJ Kennedy	10	10			5	5												
MJ Sharpe	10	10			5	5	4	4										
CM Walter	10	10			5	5	4	4										

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

Numbers in parentheses are circular resolutions in addition to scheduled meetings.
* Meetings are chaired by the Chairman or Deputy Chairman of Tribunal, with other members drawn from a panel.

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	31.9	32,281	10 Oct 2000	34% Class C
		32,281		
In respect of the current financial year:				
Interim	26.8	27,135	26 Mar 2001	34% Class C
Final	16.5	16,739	24 Oct 2001	30% Class C
		43,874		

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

Significant changes in the state of affairs

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

Environmental regulation

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

Events subsequent to balance date

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

Directors' and senior executives' emoluments

The 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 managing director and senior executives may receive annual cash bonuses based on the achievement of specific performance targets established for each year. The managing director's performance targets are established by the Nomination and Remuneration Committee, following the Board's strategy retreat, and are reviewed periodically throughout the year to ensure they remain consistent with the company's priorities, recognising the dynamic nature of ASX's business. This year, they covered such things as financial performance, implementing cultural change initiatives, building international relationships and the development of particular new strategic initiatives. These performance targets then form the basis on which senior executives' performance is assessed.

Shareholders have previously approved an executive share plan for the managing director and senior executives. This share plan is designed to provide a long-term incentive and to better align the interests of the executive team with those of the shareholders. Conditional entitlements to shares have been awarded to senior executives. Shares 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 to the financial report. 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 to the financial report. The company has also set aside employee provisions for retention of key executives.

Directors' and senior executives' emoluments (continued)

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

	Fixed remuneration \$	Bonuses ⁴ \$	Total \$
Directors ⁵			
Mr ML Newman	178,535	-	178,535
Mr RG Humphry ¹	766,728	350,000	1,116,728
Mr CM Batrouney	100,641	-	100,641
Mr MH Shepherd	134,447	-	134,447
Mr M Fowles	66,056	-	66,056
Mr JA Fraser	71,426	-	71,426
Mr JJ Kennedy	63,370	-	63,370
Mr MJ Sharpe	95,126	-	95,126
Mrs CM Walter	71,426	-	71,426
Executive officers ²			
Company and Consolidated ³			
Mr JM Hayes	387,201	100,000	487,201
Mr J McMurtrie	386,684	100,000	486,684
Mr AG Richards	411,684	120,000	531,684
Mr M Roche	300,000	75,000	375,000
Mr CR Scully	386,684	100,000	486,684

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 2001, the second 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 has been no value ascribed to these shares.

2 All executive officers are participating in the employee share schemes (refer note 8 to the financial report).

3 All executive officers are employed by a controlled entity.

4 Relates to performance for the year ended 30 June 2000.

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

Directors' interests and benefits

All directors, with the exception of the managing director, are eligible to participate in a Directors' Retiring Allowance approved at the ASX annual general meeting of 19 October 1998. No amounts have been paid to date but the accrued liability for service to date has been provided for in the accounts. Since the end of the previous financial year, other than the Directors' Retirement Allowance and 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 Fowles and Newman 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) Limited, 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 an established commercial relationship with ASX in the ordinary course of business. Mr MH Shepherd is a director of Securities Industry Research Centre of Australia Limited (SIRCA) which received funding from the Securities Industry Development Account (SIDA) for research into securities market matters. SIRCA also has access to ASX data to assist in its research.

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

ASX ordinary shares	Opening balance	Purchases	Allocations	Disposals	Closing balance
Mr ML Newman	83,000	-	-	-	83,000
Mr RG Humphry	55,333	-	55,333*	-	110,666
Mr CM Batrouney	120,000	-	-	40,000	80,000
Mr MH Shepherd	60,000	-	-	-	60,000
Mr M Fowles	16,500	-	-	-	16,500
Mr JA Fraser	2,000	-	-	-	2,000
Mr JJ Kennedy	1,000	-	-	-	1,000
Mr MJ Sharpe	2,000	-	-	-	2,000
Mrs CM Walter	1,000	2,000	-	-	3,000
	340,833	2,000	55,333	40,000	358,166

Indemnification and insurance of officers and auditors

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

The officers of ASX covered by the insurance include the current directors as listed on pages 40 to 41, general counsel and company secretary KL 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 Act 2001.

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

Corporate governance

ASX's corporate governance matters are discussed on pages 34 to 39 of the Report to Shareholders.

Rounding of amounts to nearest thousand dollars

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

Dated at Sydney this 28th day of August 2001.

Signed in accordance with a resolution of the directors:

Maurice L Newman AM
Chairman

Richard G Humphry AO
Managing Director

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

Discussion and analysis of the financial statements
for the year ended 30 June 2001

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 Limited, 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.

Statements of financial performance

Operating profit after tax was \$51.0 million, compared to the \$53.6 million recorded for the year to 30 June 2000. Based on a weighted-average of 101,252,339 ordinary shares on issue during the year, the result represents earnings of 52.9 cents per share before goodwill compared to 53.5 cents per share for 1999/00. Earnings per share after goodwill were 50.4 cents compared to 53.1 cents for the previous year.

The profit after tax represents a 33.5% return on average equity pre-goodwill amortisation, compared with 30.2% in the previous financial year. Earnings before interest, tax, depreciation and amortisation were 46.8% of operating revenue compared to 48.1% for 1999/00.

Directors have declared a fully franked final dividend of 16.5 cents per share to be paid on 24 October 2001, representing a payout ratio of 70% of second half net profit after tax. This payout ratio is in line with the amendment to ASX's payout ratio announced by the Board in February 2001. When added to the interim dividend of 26.8 cents per share (a payout ratio of 100% of interim profit after tax), the total dividends paid to shareholders for the year are 43.3 cents per share, representing a payout ratio of 86% of net profit after tax.

The result was based on operating revenue for the year of \$192.6 million, in line with the \$192.3 million recorded for the previous corresponding period. While revenue from equities trading, clearing and settlement and listings were both lower than for the previous year, this was offset by the continued strong growth in revenue from derivatives and market data.

Total revenue from listings was \$34.1 million compared to \$36.5 million recorded for 1999/00, with revenue from both annual listing fees and new listing fees marginally lower than for the previous year.

Revenue from equities trading, clearing and settlement decreased by 7% to \$84.4 million, due to lower levels of equities trading volumes and the introduction of volume-related discounts for CHESS. Daily average trades per day were 51,386, compared to the record 54,706 achieved in the previous year, during which trading volumes benefited from the high level of activity in the technology sector.

Revenue from ASX's derivatives operations was \$32.5 million, 15% higher than the \$28.2 million recorded for the previous year due to strong growth in both the options and warrants markets. Daily average options contracts traded reached a record high of 46,226, 20% higher than the 38,519 recorded for the previous year. Following ASX's restructuring of the pricing of the warrants market in November 2000, as well as some structural changes to the industry, the warrants market achieved very strong growth. During the year, 1,403 new series were listed compared to 642 for 1999/00. Total warrant series at the end of the financial year were 1,010 compared to 551 at 30 June 2000. Daily average warrant trades and turnover also increased substantially, with trades averaging 1,223 per day compared to 754 for the previous year.

Revenue from market data for the year grew by 11% to \$33.3 million, from \$30.1 million, underpinned by continued growth in sales to the professional market both in Australia and internationally, with the total number of active terminals now in excess of 35,000.

Total operating expenses for the period increased by 3% from \$117.7 million to \$121.0 million. In accordance with new Accounting Standards, items previously shown as abnormals have been included in operating expenses for both years. The operating expenses for the year to 30 June 2001 also includes \$1.1 million relating to the company's interest in Orient Capital Pty Limited.

While in part reflecting the continued high levels of market activity during the year, as foreshadowed, the increase in expenses primarily relates to a number of new initiatives being pursued for the company's longer-term growth, and which have resulted in increases in staff and equipment expenses. Staff expenses increased by 6% as total staff numbers increased from 577 to 606 and equipment expenses increased by 12%, in part due to an increase in amortisation and depreciation of computer software and hardware compared to the previous year.

The total expenses to operating revenue ratio for the year was 62.8% compared to 61.2% for 1999/00.

Interest revenue for the period was \$4.7 million compared to \$8.8 million for the previous year due primarily to a reduction in the company's cash which were employed for strategic initiatives including the company's investments in APRL, BridgeDFS and Orient Capital.

In addition, ASX's equity accounted investment in APRL contributed \$0.1 million after tax and before goodwill amortisation. Amortisation of goodwill arising from the investment amounted to \$2.5 million. APRL handled several major transactions and was successful in winning several new clients during the year. However, it was adversely affected, in particular during the second half of the year, by lower levels of corporate activity, costs associated with litigation (now settled) and extra fees paid to Computershare Limited relating to major corporate actions.

Statements of financial position

Net assets increased by \$9.8 million to \$158.6 million, after providing \$16.7 million for the final dividend. The amount of share capital increased by \$2.5 million through the issue of shares to employees under the company's employee share plans.

Current assets were \$48.7 million lower than at the end of the previous financial year mainly due to a \$56.5 million reduction in cash and short-term securities. The acquisition of the company's 15% interest in BridgeDFS for \$23.0 million and its 50% interest in Orient Capital for \$2.7 million, as well as tax payments of \$32.8 million, shareholder loan to APRL of \$7.7 million and capital expenditure of \$29.5 million, all utilised available cash. Receivables increased by \$5.6 million compared with the previous year mainly as a result of annual fees being billed in June 2001, whereas they were billed in July 2000 due to the introduction of GST.

Non-current assets increased by \$38.4 million due primarily to the purchase of the company's interest in BridgeDFS, its shareholder loan to APRL, and a \$10.7 million increase in property, plant and equipment, but offset by the sale of its \$5.3 million investment in Austraclear.

Total assets decreased by \$10.3 million to \$244.4 million. Current liabilities decreased by \$20.5 million to \$62.1 million, mainly as a result of a decrease in the provision for current income tax of \$11.6 million, a reduction in the final dividend of \$15.6 million compared to the previous financial year but offset by a \$5.1 million increase in revenue received in advance.

With a \$0.4 million increase in non-current liabilities, total liabilities decreased by \$20.1 million over the year.

Statements of cash flows

ASX's operating activities generated cash of \$59.3 million during the financial year, of which \$86.7 million came from trading activities and \$4.8 million from interest revenue. This cash inflow from operating activities was reduced by \$32.8 million mainly due to earlier payment of income tax required under the new PAYG instalment system, as well as a \$3.6 million increase in working capital.

The company generated \$38.7 million cash through the sale of investment securities and a further \$5.4 million from the sale of its investment in Austraclear. These funds were utilised by spending \$12.5 million on property, plant and equipment and \$17.0 million developing internal software. As discussed above, \$25.7 million was employed for the company's acquisitions of its shareholdings in BridgeDFS and Orient Capital. A further \$7.7 million was loaned to APRL for the development of its new registry system.

Dividends paid in the year totalled \$59.4 million, \$5.2 million more than the previous financial year.

Statements of financial performance
for the year ended 30 June 2001

	Note	Consolidated	
		2001 \$000	2000 \$000
Revenues from ordinary activities			
Listings		34,052	36,502
Equities trading, clearing and settlement		84,407	90,722
Derivatives trading, clearing and settlement		32,514	28,159
Market data		33,273	30,080
Dividends received		530	188
Interest revenue		4,652	8,823
Other revenue		8,356	6,819
Revenues from ordinary activities [ⓐ]	2	197,784	201,293
Expenses from ordinary activities			
Staff expenses		56,674	53,707
Occupancy expenses		13,380	15,737
Equipment expenses		30,172	26,829
Other expenses		20,778	21,455
Total expenses from ordinary activities [ⓐ]		121,004	117,728
Share of net profits/(losses) of associate accounted for using the equity method	11	(2,324)	(201)
Profit from ordinary activities before income tax expense		74,456	83,364
Income tax (expense) relating to ordinary activities		(23,438)	(29,746)
Profit from ordinary activities after income tax expense		51,018	53,618
Net loss attributable to outside equity interest		2	-
Net profit attributable to members of the parent entity	7	51,020	53,618
Basic earnings per share (cents per share)	5	50.4	53.1
Diluted earnings per share (cents per share)	5	50.0	52.9
Franked dividends per share (cents per share)	4	43.3	66.2

[ⓐ] Includes revenues and expenses on consolidation of Orient Capital Pty Limited from 1 February 2001.

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

Statements of financial position
at 30 June 2001

	Note	Consolidated	
		2001 \$000	2000 \$000
Current assets			
Cash assets		43,861	61,713
Other investment securities		-	38,659
Receivables		21,835	16,284
Other assets		6,279	4,048
Total current assets		71,975	120,704
Non-current assets			
Investments accounted for using the equity method	11	48,928	50,052
Investments – other		22,950	5,293
Deferred tax assets		10,834	11,630
Property, plant and equipment		73,957	63,213
Receivables		13,183	3,788
Intangible assets		2,534	-
Total non-current assets		172,386	133,976
Total assets		244,361	254,680
Current liabilities			
Payables		16,255	14,450
Interest bearing liabilities		169	172
Current tax liabilities		9,076	20,666
Provision for dividend	4	16,739	32,312
Provisions – other		12,647	12,664
Other liabilities		7,240	2,401
Total current liabilities		62,126	82,665
Non-current liabilities			
Interest bearing liabilities		113	309
Deferred tax liabilities		4,801	3,203
Provisions – other		18,676	19,638
Total non-current liabilities		23,590	23,150
Total liabilities		85,716	105,815
Net assets		158,645	148,865
Equity			
Parent entity interest			
Contributed equity	6	106,282	103,784
Retained profits	7	52,258	45,081
Total parent entity interest in equity		158,540	148,865
Total outside equity interest		105	-
Total equity		158,645	148,865

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

Statements of cash flows
for the year ended 30 June 2001

	Note	Consolidated	
		2001 \$'000	2000 \$'000
Cash flows from operating activities			
Receipts from participating organisations, listed entities and customers		209,978	190,182
Payments to suppliers and employees		(130,512)	(101,044)
Dividends received		530	188
Interest received		4,810	8,297
Income taxes paid		(32,768)	(19,860)
Cash received from Securities Industry Development Account		7,275	1,047
Net cash provided by operating activities		59,313	78,810
Cash flows from investing activities			
Expenditure on internally developed software		(16,960)	(6,897)
Purchase of property, plant and equipment		(12,529)	(18,737)
Proceeds on sale of property, plant and equipment	2	276	737
Payments for non-current investments		(25,712)	(50,253)
Proceeds from disposal of non-current investments	2	5,413	-
Cash received from Securities Industry Development Account – capital		-	1,702
Cash received on sale of investment securities		38,659	28,741
Loan to associate		(7,650)	-
Net cash (used in) investing activities		(18,503)	(44,707)
Cash flows from financing activities			
Dividends paid		(59,416)	(54,215)
Capital return		-	(20,223)
Proceeds from employee share plans		754	797
Net cash (used in) financing activities		(58,662)	(73,641)
Net (decrease) in cash held		(17,852)	(39,538)
Cash at the beginning of the financial year		61,713	101,251
Cash at the end of the financial year		43,861	61,713
Reconciliation of cash			
For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in securities with a term to maturity of less than three months. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:			
Cash at bank and on hand		3,119	4,206
Short-term securities – at market value		40,742	57,507
Total cash and short-term securities		43,861	61,713

Notes to and forming part of the financial statements
Australian Stock Exchange and controlled entities

1 Basis of preparation of the concise financial report

The concise financial report has been prepared in accordance with the Corporations Act 2001, 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 consolidated entity's full financial report for the financial year. Other information included in 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 investing activities of the consolidated entity as the full financial report.

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

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

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

Changes in accounting policies
The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to revaluation of non-current assets and earnings per share.

The consolidated entity has adopted the revised Accounting Standards AASB 1041 'Revaluation of Non-Current Assets' and the revised AASB 1010 'Recoverable Amount of Non-Current Assets' for the first time from 1 July 2000. Under the transitional provisions of these standards:

- unlisted shares in subsidiaries, which have previously been revalued, have been adjusted to reflect their original cost of acquisition. Previous revaluation increments have been debited to the asset revaluation reserve and/or retained profits as appropriate; and
- for all other classes of non-current assets, the cost basis will continue to be used as the measurement basis.

There has been no impact on the consolidated entity's results.

The consolidated entity has elected to early adopt revised Accounting Standard AASB 1027 'Earnings per Share' for the current financial year, under section 334(5) of the Corporations Act 2001.

	Consolidated	
	2001 \$'000	2000 \$'000

2 Revenues from ordinary activities

Revenues from operating activities:		
Operating revenue	192,602	192,282
Interest revenue	4,652	8,823
Dividend revenue	530	188
Revenues from ordinary activities	197,784	201,293

Proceeds from sale of non-current investments	5,413	-
Proceeds on sale of property, plant and equipment	276	737

3 Individually significant items included in profit from ordinary activities before income tax expense

Premises costs	-	676
Year 2000 computer systems project costs	-	1,022
GST project costs	180	2,828
Merger costs	286	169
FIBV	-	560
Uninsured losses	1,455	-
Total	1,921	5,255

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

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
2001					
Interim	26.8	27,135	26 March 2001	34% Class C	100%
Final (proposed)	16.5	16,739	24 October 2001	30% Class C	100%
	43.3	43,874			
2000					
Interim	24.3	24,533	31 March 2000	36% Class C	100%
Special	10.0	10,096	31 March 2000	36% Class C	100%
Final	31.9	32,281	10 October 2000	34% Class C	100%
	66.2	66,910			
				Consolidated	
				2001 \$000	2000 \$000
Franking credit balance					
Class C 30% (2000: 34%) franking credits available to shareholders of ASX for subsequent financial years				5,589	6,353

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

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

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

	Consolidated	
	2001	2000

5 Earnings per share

Basic earnings per share (cents)	50.4	53.1
Diluted earnings per share (cents)	50.0	52.9

	Consolidated	
	2001 \$000	2000 \$000

5 Earnings per share (continued)

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

Earnings used in calculating basic and diluted earnings per share	51,020	53,618
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	101,252,339	101,023,324
Effect of dilutive securities:		
Contingently issuable shares	714,437	254,399
Allocation of shares to managing director	55,333	75,192
Weighted average number of ordinary shares used in calculating diluted earnings per share	102,022,109	101,352,915
Weighted average number of converted, lapsed, or cancelled potential ordinary shares included in the calculation of diluted earnings per share	47,056	41,468

	Consolidated	
	2001 \$000	2000 \$000

6 Contributed equity

Issued and paid up capital		
101,450,227 fully paid ordinary shares (2000: 101,195,139)	106,282	103,784
Movements in ordinary share capital during the financial year were as follows:		
Balance at the beginning of the financial year	103,784	2,604
Transfers from retained profits	-	118,918
Return of capital to shareholders	-	(20,223)
Shares issued through employee share plans	2,498	2,485
Balance at the end of the financial year	106,282	103,784

	Number of shares	
Balance at the beginning of the financial year	101,195,139	100,960,432
Shares issued to managing director	55,333	55,333
Shares issued under employee share plans	199,755	179,374
Balance at the end of the financial year	101,450,227	101,195,139

Share capital comprises 101,450,227 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. On 20 April 2001, employees were issued with 199,755 ordinary shares under the ASX employee share purchase plan resulting in share capital of \$2,498,935. Refer note 8(a).

	Consolidated	
	2001 \$000	2000 \$000
7 Retained profits		
Balance at the beginning of the financial year	45,081	142,322
Net profit attributable to members of the parent entity	51,020	53,618
Dividends provided for or paid	(43,843)	(66,941)
Transfers from development reserve	-	35,000
Transfers to contributed equity	-	(118,918)
Balance at the end of the financial year	52,258	45,081

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)
One parcel of ordinary shares having a market value of \$1,000 each 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 three offers made so far under this plan. Employees were offered a 10-year interest free, non-recourse loan to facilitate the share purchase. Ordinary shares issued under this facility are held in trust on the employees' behalf, with any dividends paid on those shares being applied against any outstanding loan balance. No term restrictions apply 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
- offer 3	592	20 Apr 2001	12.51	199,755	2,498,935
Total				743,561	8,022,628

8 Employee entitlements (continued)

(a) Employee share plans (continued)
The details of plan 1 and plan 2 (offers 1, 2 and 3) are as follows:

	Plan 1	Plan 2 offer 1	Plan 2 offer 2	Plan 2 offer 3	Number of shares
Shares remaining at 30 June 2000	47,160	186,278	173,529	-	406,967
Shares issued on 20 April 2001	-	-	-	199,755	199,755
Shares disposed of during the financial year	8,640	31,333	23,686	1,038	64,697
Shares remaining at 30 June 2001	38,520	154,945	149,843	198,717	542,025
	\$	\$	\$	\$	\$
Loan balance at 30 June 2000	-	1,384,623	2,403,377	-	3,788,000
New loans (offer 3)	-	-	-	2,498,935	2,498,935
Dividends paid (offset against loan balance)	-	102,048	94,572	-	196,620
Loan repayments	-	223,252	321,143	12,982	557,377
Loan balance at 30 June 2001	-	1,059,323	1,987,662	2,485,953	5,532,938
Market value of shares at 30 June 2001	548,910	2,207,966	2,135,263	2,831,717	7,723,856
(refer note 9(f) for further details)					
ASX share price at 30 June 2001	\$14.25				

(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 538,800 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.

The shareholders also approved the issue of 166,000 shares to the managing director in three tranches over three years, in relation to past performance. On 1 March 2001, the second tranche of 55,333 fully paid ASX ordinary shares was issued. There are restrictive covenants in place relating to the disposal of these shares during the term of the managing director's employment and therefore there has been no value ascribed to these shares.

9 Contingent liabilities

(a) Support for National Guarantee Fund
If the amount of the National Guarantee Fund falls below the minimum amount determined in accordance with the Corporations Act 2001, SEGCG 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 SEGCG. Failure by either the company or a participating organisation to pay a levy does not constitute an offence under the Corporations Act 2001.

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

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

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

Pursuant to this facility, TNSC has a liability due to selling participating organisations as at 30 June 2001 totalling \$210,339,000 (2000: \$152,481,000), which is matched by a right to receive funds due by buying participating organisations.

Where a participating organisation fails to meet its net delivery obligation or net payment obligation, TNSC has the right to claim on the National Guarantee Fund to the extent of the failed obligation pursuant to section 954N and section 954P of the Corporations Act 2001. As at 30 June 2001, \$nil (2000: \$nil) was owing by a participating organisation arising from failed settlements.

(c) Options Clearing House (OCH)
As the clearing house for exchange traded options traded on ASX, OCH registers market contracts between participating organisations and those contracts are replaced by novation with a contract between selling clearing participants and OCH, and a contract between buying clearing participants and OCH.

Under the ASX business rules, clearing participants must provide cover (collateral or cash) for margin, mark to market, and other obligations in respect of the accounts which they are required to maintain with OCH. The total margins required by OCH at 30 June 2001 were \$505,159,917 (2000: \$382,440,000). As at that date, clearing participants had lodged collateral with OCH in the form of securities with a market value of \$2,222,111,656 (2000: \$1,234,590,000), bank guarantees for the amount of \$43,410,000 (2000: \$42,403,000), and cash of \$103,254,354 (2000: \$78,110,000).

No part of these amounts has been recorded as assets and corresponding liabilities in the statement of financial position of OCH or the consolidated entity as at 30 June 2001 (2000: \$nil).

	Consolidated	
	2001 \$	2000 \$
Employee benefits under service agreements with directors and officers who take part in the management of the consolidated entity	4,348,751	2,858,333

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

(f) Employee share plans
Employees have been provided with non-recourse loans to acquire ordinary shares under ASX employee share purchase plans. These loan shares are held by the ASX employee share purchase plan trust. Under this plan, employees may elect not to repay the loan thereby forgoing ownership in the shares. Where this occurs, the shares are sold 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 \$6.86. 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. At 30 June 2001, there was no contingent liability relating to this plan.

ASX employee share purchase plan (plan 2, offer 2)
Employees were provided with a non-recourse loan at \$13.85 per share acquired under the ASX employee share purchase plan. A contingent liability will arise if the ASX share price falls below \$13.27. 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. At 30 June 2001 there was no contingent liability relating to this plan (2000: \$416,470).

ASX employee share purchase plan (plan 2, offer 3)
Employees were provided with a non-recourse loan at \$12.51 per share acquired under the ASX employee share purchase plan. No dividends have yet been paid to reduce the loan balance outstanding. At 30 June 2001, there was no contingent liability relating to this plan.

9 Contingent liabilities (continued)

(f) Employee share plans (continued)

Summary Plan	Date of issue	Market value of shares \$	Loan balance outstanding \$	Contingent liability \$
Plan 1	5 Dec 1998	548,910	-	-
Plan 2, offer 1	5 Dec 1998	2,207,966	1,059,323	-
Plan 2, offer 2	31 Mar 2000	2,135,263	1,987,662	-
Plan 2, offer 3	20 Apr 2001	2,831,717	2,485,953	-

Executive share plan (plan 3)
Conditional entitlements to shares have been awarded to senior executives. The number of shares to be issued will depend on performance criteria set by the Board. No shares will be issued prior to 30 June 2002.

(g) Directors' retirement allowance
All directors, with the exception of the managing director, are eligible to participate in a Directors' Retiring Allowance approved at the ASX annual general meeting of 19 October 1998. No amounts have been paid to date but the accrued liability for service to date has been provided for in the accounts.

10 Segment reporting

ASX provides stock exchange and ancillary services in Australia. The revenue streams derived from those services are shown in the statements of financial performance.	2001 \$000	2000 \$000
--	---------------	---------------

11 Investment in associate

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

Principal activity	Share registry services		
Balance date	30 June 2001		
Ownership interest	50%, purchased 1 May 2000.		
Summary performance and financial position of associate			
Revenue from ordinary activities		48,892	48,566
Expenses:			
Employee expenses		25,570	23,550
Occupancy expenses		2,716	1,443
IT expenses		16,771	6,815
Administration and other expenses		4,154	2,950
		49,211	34,758
Interest expense		421	3,076
Depreciation expense		1,834	1,659
Goodwill amortisation		2,948	2,947
(Loss)/profit from ordinary activities before income tax expense		(5,522)	6,126
Income tax benefit/(expense)		1,582	(3,033)
Operating (loss)/profit after tax		(3,940)	3,093

	2001 \$000	2000 \$000
11 Investment in associate (continued)		
Reconciliation of associate's reported result to equity accounted result:	12 months	2 months ⁽ⁱ⁾
ASX's 50% share of APRL result	(1,970)	(35)
Purchased share of subsequent pre-acquisition adjustments	644	-
Goodwill	1,474	245
Income tax (benefit)/expense	(791)	117
Share of associate's operating (loss)/profit before income tax and goodwill	(643)	327
Share of associate's income tax benefit/(expense) attributable to operating profit	791	(117)
Net profit after tax	148	210
Adjustments:		
Amortisation of goodwill arising from investment	(2,472)	(411)
Share of associate's net loss – equity accounted	(2,324)	(201)
	2001 \$000	2000 \$000
The consolidated entity's share of aggregate assets, liabilities and profits/(losses) of associate is as follows:		
Current assets	8,322	6,194
Non-current assets	36,463	29,650
Total assets	44,785	35,844
Current liabilities	7,909	5,268
Non-current liabilities*	7,732	76
Total liabilities	15,641	5,344
Net assets – as reported by associate	29,144	30,500
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	19,784	19,588
Net assets – equity adjusted	48,928	50,088
*Part of a shareholder loan facility to fund the development of a new registry system. ASX's share of funding facility is \$13 million.		
Share of post-acquisition retained profits/(losses) attributable to associate:		
Share of associate's retained profits/(losses) at the beginning of the year	(201)	-
Share of associate's net profits/(losses) accounted for using the equity method	(2,324)	(201)
Share of associate's retained profits/(losses) at the end of the year	(2,525)	(201)

(i) Actual earnings for May and June 2000.

	2001 \$000	2000 \$000
11 Investment in associate (continued)		
Movement in carrying amount of investment:		
Carrying amount of investment in associate at the beginning of the financial year	50,052	-
Investment in associate acquired during the year	1,200	50,253
Share of associate net loss	(2,324)	(201)
Carrying amount of investment in associate at the end of the financial year	48,928	50,052
Share of associate's operating lease commitments payable:		
Not later than one year	1,393	1,281
Later than one year but not later than five years	2,155	3,011
Later than five years	171	691
Total	3,719	4,983
Commitments		
Share of associate's plant and equipment expenditure		
Commitments contracted but not provided for and payable:		
Within one year	3,533	-

12 Subsequent events

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

Directors' Declaration

Australian Stock Exchange and controlled entities

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 2001, set out on pages 43 to 61:

(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 28th day of August 2001.

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 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes, and the accompanying discussion and analysis on the statements of financial performance, statements of financial position, statements 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 2001. Our audit report on the full financial report was signed on 28 August 2001, 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 2001 complies with AASB 1039 'Concise Financial Reports'.



KPMG



Mark S Epper
Partner
Sydney, 28 August 2001.

Shareholder information

as at 31 August 2001

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	10,550	6.04
1,001 – 5,000	4,548	10.68
5,001 – 10,000	456	3.51
10,001 – 100,000	543	23.94
100,001 – and over	216	55.83
Total	16,313	100.00

The number of shareholders holding less than a marketable parcel is 39.

Largest 20 shareholders

The largest 20 shareholders in the company are:

	Number of shares	% of issued capital
Chase Manhattan Nominees Limited	6,956,584	6.86
National Nominees Limited	3,591,646	3.54
AMP Life Limited	2,582,440	2.55
Westpac Custodian Nominees Pty Limited	2,138,083	2.11
Citicorp Nominees Pty Limited	2,096,681	2.07
RBC Global Services Australia Nominees Pty Limited	1,845,497	1.82
Citicorp Nominees Pty Limited	1,300,023	1.28
Citicorp Nominees Pty Limited	1,256,973	1.24
Cogent Nominees Pty Limited	978,717	0.97
ANZ Nominees Limited	843,774	0.83
Commonwealth Custodial Services Limited	749,023	0.74
Cogent Nominees Pty Limited	659,729	0.65
ASX Operations Pty Limited	492,220	0.49
Commonwealth Custodial Services Limited	434,963	0.43
Citicorp Nominees Pty Limited	407,517	0.40
MLC Limited	285,957	0.28
CSS Board	281,747	0.28
Commonwealth Custodial Services Limited	277,531	0.27
RBC Global Services Australia Nominees Pty Limited	276,520	0.27
Citicorp Nominees Pty Limited	250,510	0.25
Total	27,706,135	27.33

On-market buy-back

There is no current on-market buy-back.

Market statistics	ASX shareholder information
– Market indices	– Company profile
– Share prices	– ASX company announcements and media releases
– Today's market announcements	– Speeches and presentations – webcasts of analysts briefings
– Search for past announcements	– ASX share price
– Dividends	– ASX dividends
– Trading volumes	– Check your ASX shareholding
– Historical data	– Register with ASX's email notification service – to receive the company's interim and full-year results announcements as well as its quarterly updates and copies of the half year and annual report
Company research	– Financial results
– Company information – contact details, website links, dividend information	– Publications
– Listed companies	– Corporate calendar
– Charting	– FAQs – shareholder
– Delisted companies	– Contact us / ASX share registry
– Name and code changes	– Trading volumes
– Today's market announcements	Investor courses and services
ASX markets	– Learn about shares
– Equities (shares)	– Learn about options
– Options	– Learn about warrants
– Warrants	– Learn about interest rate securities
– Interest rate market	– Learn about ETFs
– ETFs	– Choosing a broker
– Investing in overseas markets	– ASX Investor Day
– How the sharemarket works	– ASX Investor Hour
– How the options market works	– ASX games
– ASX settlement and the role of CHES	– Information source guide – list of sharemarket information providers
– Choosing a broker	– Tax and stamp duty
Floats	
– Upcoming floats	
– Recent floats	

About ASX
– Company profile
– Information for companies – ASX listing rules
– Information for participants – ASX business rules
– Supervision
– National Guarantee Fund
– Publications
– FAQs – about ASX
– FAQs – about the site
– History of the market
– Trading calendar
– Contact us
My ASX
– Investor education
– Watchlist
– ASX charity sharemarket game
– ASX schools sharemarket game

Awards
ASX's website www.asx.com.au has been ranked No.4 by Hitwise Australia in the Business and Finance – Stocks and Shares category for April to June 2001.

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 Level 19, Santos House 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 call from anywhere in Australia.

©Australian Stock Exchange Limited.
ABN 98 008 624 691 ("ASX") 2001. All rights reserved.
No part of this publication may be republished without permission. The information herein provides general information only. It is not intended as investment advice and must not be relied upon as such. No responsibility is accepted for any inaccuracies in the matter published. ASX, its related companies, their officers and employees shall not be liable in any way for any loss or damage, howsoever arising (whether in negligence or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a liability is made non-excludable by legislation.
The information in this publication provides general information only. It is not intended as investment, financial, or legal advice and must not be relied upon as such. You should obtain professional advice tailored to your specific circumstances and needs prior to making decisions. The information in this document does not, and must not be construed as an offer or recommendation of securities or other financial products.
All Ordinaries®, ASX®, ASX100®, LEPO® and SEATS® are registered trademarks of ASX Operations Pty Limited ABN 42 004 523 782.
CHES® is a registered trademark of ASX Settlement and Transfer Corporation Pty Limited, ABN 49 008 504 532.

