

NSX Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	NSX Limited
ABN:	33 089 447 058
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	24.6% to	820,771
Loss from ordinary activities after tax attributable to the owners of NSX Limited	up	43.9% to	(2,223,798)
Loss for the half-year attributable to the owners of NSX Limited	up	43.9% to	(2,223,798)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,223,798 (31 December 2018: \$1,545,293).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.01</u>	<u>1.25</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half - Year Financial Report.

11. Attachments

Details of attachments (if any):

The Half - Year Financial Report of NSX Limited for the half-year ended 31 December 2019 is attached.

12. Signed
By order of the Board

Signed  _____

Thomas Price
Chairman

Date: 28 February 2020

NSX Limited

ABN 33 089 447 058

Half - Year Financial Report - 31 December 2019

NSX Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of NSX Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of NSX Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Cox	Interim Chief Executive Officer (Effective date of resignation 19 February 2020)
Thomas Price	Interim Chief Executive Officer and Chairman (Appointed 15 January 2020 and 20 February 2020 respectively)
Tony Shen (Weiguo)	Non- Executive Director
Ann Bowering	Managing Director (Resigned 5 July 2019)
Tod McGrouther	Executive Director (Appointed 18 February 2020)
Tim Hart	Non- Executive Director (Appointed 26 February 2020)

Company Secretary

Scott Evans has held the position of the company secretary since the beginning of the reporting period, to the date of this report. He was appointed on 7 March 2006.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,223,798 (31 December 2018: \$1,325,471).

Profit & Loss	31 December 2019 \$	31 December 2018 \$	Change \$	Change %
Revenue	820,771	1,088,329	(267,558)	(24.58%)
Expenses including non-recurring costs	(3,423,529)	(2,413,800)	(1,009,729)	(41.83%)
Net loss after tax	(2,223,798)	(1,325,471)	(898,327)	(67.77%)
	-	-	-	-
Shares on issue at end of period	196,109,043	183,454,043	12,655,000	6.90%
Net tangible asset backing (cents)	1.01	0.02	0.99	4950.00%
Share price at end of period (cents)	17.00	14.00	3.00	21.43%
Market capitalisation (\$'m)	30.40	25.70	4.70	18.29%
Earnings per share (Cents)	(1.17)	(0.95)	(0.22)	23.16%

OPERATING REVENUE

Group operating revenues of \$0.8 million were down \$0.3 million on the prior comparable period (pcp) of \$1.1 million. This reflects the impact of refocussing of the National Stock Exchange of Australia in the prior year towards better quality listings through the implementation of new and revised listing suitability standards and less revenue from new listings in the current period.

The operating revenue for each of our business activities is reflected in the table following.

NSX Limited
Directors' report
31 December 2019

Revenue Category	31 December	31 December	%
	2019	2018	
	\$	\$	
Listing fees	226,548	317,900	(29%)
Subsequent quotation fees	59,391	81,000	(27%)
Annual fees	490,904	661,717	(26%)
Interest received	18,370	27,712	(34%)
Other revenue	25,558	-	100%
	<u>820,771</u>	<u>1,088,329</u>	

Discussion on the operating revenue is detailed below.

Listing fees - \$0.2 million, down 29%

The drivers of this revenue line are the number of new listing approved in the period, the market capitalisation of those issuers and the scheduled fee charged. The decrease in Listing Fees from the pcp reflects a lower average market capitalisation of new issuers, less issuers listed as a result of the suitability improvement program and only one new listing to the office list during period.

Subsequent quotation fees - \$0.05 million, down 27%

The drivers of this revenue line are the number of new listings approved in preceding periods, the market capitalisation of those issuers, subsequent capital raised on the exchange, restricted securities that are released from escrow, and the scheduled fees charged. Subsequent quotation fees on the exchange reduced by \$0.06 million reflecting a lower run off of escrowed securities in the current period. A total of \$14.7 million in new capital was raised by companies listed on the exchange (excluding IPO capital raised) in the six-month period to 31 December 2019, compared to \$25.7 million in the pcp.

Annual fees - \$0.5 million, down 26%

Annual fees are the product of three key drivers, the number of listed securities, the market capitalisation of the listed entities and the scheduled fee charged. Annual fees were \$0.5m lower than the pcp reflecting the net impact of 66 listed securities in the current period compared to 82 in the pcp, with an average market capitalisation of \$38.9 million, up from \$33.7 million in the prior period. The total market capitalisation of the exchange at 31 December 2019 was \$2.4 billion.

OPERATING EXPENSES

Operating expenses increased by 42% from \$2.4 million to \$3.4 million. This is due to an increase in depreciation, consultancy and legal expenses. As well as other improvements and ongoing maintenance of the Exchange infrastructure.

Employee benefits expense decreased by 37% pcp to \$0.9 million as a result of three employees resigning during the half year.

The application of the AASB 16 'Leases' accounting standard has a significant impact on the current period. The current profit before income tax expense was reduced by \$64,189. This included an increased depreciation and amortisation expense of \$226,782 and increased finance costs of \$80,128 offset by a reduction in other expenses (reclassification of lease expense) of \$242,721.

Legal expenses increased to \$0.3 million as a result of incurred professional fees for the John Bridgeman - court case.

Consultancy expenses increased to \$0.4 million. Three people were hired as a contractors for six months.

NSX Limited
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Balance Sheet	31 December 2019 \$	30 June 2019 \$	Change \$	Change %
Cash	1,819,294	1,994,211	(174,917)	(9%)
Financial assets	1,477,990	1,475,125	2,865	-
Other assets	3,419,959	369,564	3,050,395	825%
Total assets	<u>6,717,243</u>	<u>3,838,900</u>	<u>2,878,343</u>	
Payables	(4,978,581)	(1,368,911)	(3,609,670)	(264%)
Provisions	(104,471)	(142,496)	38,025	27%
Total liabilities	<u>(5,083,052)</u>	<u>(1,511,407)</u>	<u>(3,571,645)</u>	
Equity	<u>1,634,191</u>	<u>2,327,493</u>	<u>(693,302)</u>	

As at 31 December 2019, net current assets were reduced by \$740,577 (attributable to current lease liabilities) and net assets were reduced by \$693,302 (attributable to right-of-use assets and lease liabilities).

Trade and other creditors of \$5 million is represented by \$2.8 million in lease liability plus \$1 million in deferred revenue and \$1.2 million in creditors and other accrued liabilities. Deferred revenue reflects the unamortised balance of annual listing fees that have been billed and collected from issuers and are recognised over 3 years as well as annual fees recognised over the current year. Consequently, as at 31 December, only part of the revenue has been recognised. The balance of \$1 million will be recognised as revenue in the Statement of Profit and Loss in future periods.

WORKING CAPITAL

The Group maintains a cash balance of \$3.3 million (2018: \$3.5 million) at the end of the period. Of the working cash held, \$1.4 million is held as part of the market compensation arrangements, settlement participation arrangements and rental bonds. Interest derived from the cash held on deposit is used for working capital. The following discussion details various arrangements that have an impact on the Company's cash balances held.

Reconciliation of Cash	31 December 2019 \$	31 December 2018 \$
Cash on hand and at bank	1,819,294	3,997,158
Deposits at call	<u>1,477,990</u>	<u>1,472,108</u>
Total cash at end of period	<u>3,297,284</u>	<u>5,469,266</u>

Capital Raise

On 10 October 2019 NSX issued 9,655,000 new ordinary shares at \$0.20 per share, 4,827,500 free attaching options to the placement shares and 4,827,500 Broker options at an issue price of \$0.00001 per option. The net proceeds are being used to further enhance market connectivity to the exchange, in particular, online brokers, creating greater liquidity in the market, and to continue the extensive work on operational enhancements.

Compensation Arrangements

As part of the National Stock Exchange of Australia Limited's Australian Financial Markets Licence, the Group operates investor Compensation Arrangements in accordance with Part 7.5 Division 3 of the Corporations Act 2001. National Stock Exchange of Australia Limited has provided a cash deposit of \$0.7 million as part of its Compensation Arrangements. This is over and above the money that is included in the Fidelity Fund operated by NSXA. Interest generated by the Fidelity Fund is re-invested into the fund.

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31 December 2019

ASX Settlement Performance Bond

National Stock Exchange of Australia (NSXA) acts as a settlement agent on behalf of several NSXA broker participants. Consequently NSXA is registered with ASX Settlement as a General Settlement Participant for the purposes of ASX Settlement Pty Ltd Operating Rules (ASXOR 4.3.13) to effect CHESSE Settlements. ASX Settlement Operating Rule 4.9.1 requires General Participants to post a Settlement Performance Bond to the value of \$0.5 million. ASX Settlement can make a demand under Operating Rule 4.9.5 if ASX Settlement is satisfied that a Participant has contravened a provision of the rules and as a result of that contravention, ASX settlement has suffered or incurred any losses, damages, costs or expenses.

NSX Limited has established a bank guarantee backed by a term deposit of \$0.5 million to satisfy the requirements of the Settlement Performance Bond.

Interest generated from the cash held in the NSX deposit is available for working capital.

Rental Bonds and Other Bank Guarantees

NSX Limited has in place a bank guarantee for the rental of premises in Sydney of \$277,990 (2018: \$272,108). These amounts are not available cash for use by the NSX Group as working capital. Interest generated from the cash held in the NSX deposit is re-invested into the Bond to allow for growth in the Bond requirements over time.

Net Working Capital

The following table details the impact of the bank guarantee arrangements on NSX Limited's current cash balances available for use.

	31 December 2019	31 December 2018
	\$	\$
Net Working Capital		
Total cash at end of the period	3,297,284	5,469,266
Deposits held for equity markets compensation arrangements	(700,000)	(700,000)
Deposits held while National Stock Exchange of Australia is a general participant of CHESSE	(500,000)	(500,000)
Other bank guarantees	(277,990)	(272,108)
Total: cash available for use by the group at the end of the period	<u>1,819,294</u>	<u>3,997,158</u>

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 20 February 2020 NSX announced to the ASX that it will receive \$4.2 million via a placement from iSignthis Limited (ASX:ISX). ISX has taken a 12.96% strategic investment in NSX via a \$4.2m placement at \$0.145 per share, based on the NSX three month VWAP.

NSX will seek shareholder approval to raise an additional \$3.8-5.8 million of which ISX has the option to subscribe for an additional allocation, up to a 19.9% final stake in NSX.

On 20 February 2020 NSX and ISX announced that they have entered into a Shareholders Agreement to form a joint venture vehicle, ClearPay Pty Ltd ("ClearPay JV") to develop a multi-currency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPAY and Paydenity.

The system will initially be utilised alongside with the National Stock Exchange of Australia's ("NSXA") current post-trade arrangements where appropriate. However, the NSXA, NSX's wholly owned subsidiary market operator, intends to ultimately process all transactions via the new platform.

Under the terms of the ClearPay Shareholders Agreement, the first cash call for ClearPay JV post the first NSX placement will be a sum of \$3.2 million for a 41% interest by the NSX. ISX will be contributing intellectual property and its subsidiary, Probanx Solutions Ltd, will design and develop the DvP platform for a fee, including the integration into ISXPAY® and Paydenity™ platforms.

NSX Limited
Directors' report
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The second cash call will be a sum of \$1.3 million contributed by NSX for a further 9% interest in ClearPay, should NSX raise at least that minimum amount under terms of a proposed further placement, being \$3.8 million. NSX and ISX would at that stage equally own 50% of ClearPay JV.

On 30 December 2019 the Board accepted Michael Cox's resignation effective from 19 February 2020. The Board would like to thank Michael for his long and tireless service over many years to the Company.

Subsequent to year end two new directors were appointed to the Board. Tod McGrouther was appointed as a Director on 18 February 2020 and Tim Hart was appointed as a Non-Executive Director on 26 February 2020. Tim Harts appointment was a result of the strategic investment by ISX.

On 15 January Thomas Price was appointed interim CEO and on 20 February he was elected Chairman.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Thomas Price
Chairman

28 February 2020

NSX Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



PKF



PAUL PEARMAN
PARTNER

28 FEBRUARY 2020
SYDNEY, NSW

NSX Limited
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General information

The financial statements cover NSX Limited as a consolidated entity consisting of NSX Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is NSX Limited's functional and presentation currency.

NSX Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3 Suite 3-04
1 Bligh Street, Sydney

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020.

NSX Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Revenue	4	802,401	1,060,617
Interest revenue calculated using the effective interest method		18,370	27,712
Expenses			
Employee benefits expense		(863,648)	(1,369,567)
Market trading expense		(583,274)	(655,890)
Administration		(294,525)	(107,950)
Occupancy expense		(35,242)	(101,688)
Depreciation and amortisation expense		(277,506)	(71,227)
IT costs		(41,369)	(63,569)
Legal expenses		(269,669)	(145)
Travel costs		(32,376)	(9,411)
Consultancy expenses		(474,456)	-
Compliance expenses		(23,580)	(18,033)
Finance costs		(82,660)	-
Marketing		(15,923)	-
Other expenses		(50,341)	(16,320)
Loss before income tax expense		(2,223,798)	(1,325,471)
Income tax expense		-	-
Loss after income tax expense for the half-year		(2,223,798)	(1,325,471)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>(2,223,798)</u>	<u>(1,325,471)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		-	219,822
Owners of NSX Limited		(2,223,798)	(1,545,293)
		<u>(2,223,798)</u>	<u>(1,325,471)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	-
Owners of NSX Limited		(2,223,798)	(1,325,471)
		<u>(2,223,798)</u>	<u>(1,325,471)</u>
		Cents	Cents
Basic earnings per share	17	(1.17)	(0.95)
Diluted earnings per share	17	(1.17)	(0.95)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

NSX Limited
Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 December	30 June 2019
		2019	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,819,294	1,994,211
Trade and other receivables		188,024	63,471
Financial assets		1,477,990	1,475,125
Other current assets		457,827	68,551
Total current assets		<u>3,943,135</u>	<u>3,601,358</u>
Non-current assets			
Property, plant and equipment		291,798	237,542
Right-of-use assets	5	<u>2,482,310</u>	-
Total non-current assets		<u>2,774,108</u>	<u>237,542</u>
Total assets		<u>6,717,243</u>	<u>3,838,900</u>
Liabilities			
Current liabilities			
Trade and other payables		1,130,794	1,140,692
Lease liabilities	6	494,233	-
Short-term provisions		76,775	141,946
Deferred income	7	<u>835,358</u>	<u>172,166</u>
Total current liabilities		<u>2,537,160</u>	<u>1,454,804</u>
Non-current liabilities			
Lease liabilities	8	2,331,996	-
Provisions		27,696	550
Deferred income	9	<u>186,200</u>	<u>56,053</u>
Total non-current liabilities		<u>2,545,892</u>	<u>56,603</u>
Total liabilities		<u>5,083,052</u>	<u>1,511,407</u>
Net assets		<u>1,634,191</u>	<u>2,327,493</u>
Equity			
Issued capital	10	50,772,073	49,378,875
Reserves	11	378,959	-
Accumulated losses		<u>(49,516,841)</u>	<u>(47,051,382)</u>
Total equity		<u>1,634,191</u>	<u>2,327,493</u>

The above statement of financial position should be read in conjunction with the accompanying notes

NSX Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$	Accumulated losses \$	Non-Controlling Interest \$	Total equity \$
Balance at 1 July 2018	44,251,385	(43,575,650)	(408,990)	266,745
Profit/(loss) after income tax expense for the half-year	-	(1,545,293)	219,822	(1,325,471)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(1,545,293)	219,822	(1,325,471)
Shares issued	4,904,602	-	-	4,904,602
Disposal of subsidiary	-	-	189,168	189,168
Balance at 31 December 2018	<u>49,155,987</u>	<u>(45,120,943)</u>	<u>-</u>	<u>4,035,044</u>
Consolidated	Issued capital \$	Accumulated losses \$	Share option Reserve \$	Total equity \$
Balance at 1 July 2019	49,378,875	(47,051,382)	-	2,327,493
Loss after income tax expense for the half-year	-	(2,223,798)	-	(2,223,798)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(2,223,798)	-	(2,223,798)
Adjustment for change in accounting policy	-	(241,661)	-	(241,661)
Shares issued	1,931,484	-	-	1,931,484
Transaction cost on share issue	(538,286)	-	-	(538,286)
Options issued as part of capital raise	-	-	378,959	378,959
Balance at 31 December 2019	<u>50,772,073</u>	<u>(49,516,841)</u>	<u>378,959</u>	<u>1,634,191</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

NSX Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 December	31 December
Note	2019	2018
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,471,187	1,745,952
Payments to suppliers (inclusive of GST)	(3,200,210)	(3,312,590)
Interest received	18,370	29,046
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(1,710,653)</u>	<u>(1,537,592)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(82,015)	-
Costs related to exit from disposal of subsidiary	-	(194,666)
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(82,015)</u>	<u>(194,666)</u>
Cash flows from financing activities		
Proceeds from issue of shares	10 1,931,484	4,894,928
Share issue transaction costs	(159,327)	-
Interest and other finance costs paid	(87,475)	-
Repayment of borrowings	(64,066)	-
	<u> </u>	<u> </u>
Net cash from financing activities	<u>1,620,616</u>	<u>4,894,928</u>
Net increase/(decrease) in cash and cash equivalents	(172,052)	3,162,670
Cash and cash equivalents at the beginning of the financial half-year	<u>3,469,336</u>	<u>2,306,596</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>3,297,284</u></u>	<u><u>5,469,266</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going Concern

As at 31 December 2019, NSX Limited was in a net asset position of \$1,634,191 (30 June 2018: \$2,327,493). During the period the Company incurred a loss of \$2,223,798 (31 December 2018: \$1,325,471) and incurred cash outflows from operating activities of \$1,710,653 (31 December 2018: \$1,537,592).

These conditions give rise to a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Notwithstanding the above, the Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- As at the date of the report the Company has received \$4.2 million in funds which is 12.96% of the issued capital of the Company at an issue price of 14.5 cents to iSignthis Limited (ISX) a company listed on the Australian Securities Exchange (ASX). \$3.2m will be utilised by NSX Limited as a cash injection into the newly formed Joint Venture company, ClearPay Pty Ltd (in accordance with the Shareholders Deed dated 20th February 2020) with the balance of \$1.0m to be utilised as working capital in NSX Limited.
- Management's cashflow forecasts for the next 12 months assume a 2nd placement of share capital resulting in cash inflows of between \$3.5m - \$5.8m prior to 1st May 2020 (subject to shareholder approval at the reporting date). Of this balance, \$1.3m will be a further cash injection into ClearPay Pty Ltd (in accordance with the Shareholders Deed dated 20th February 2020) with the balance to be employed as working capital in NSX Limited.
- The Group's aim is to increase the number of securities listings over future periods which will reduce its reliance on capital raises. Also, as announced on 20 February the group believes that the ClearPay Pty Ltd joint venture, once implemented and operational, will also provide improved returns to the Group.

The ability of the Group to continue as a going concern and pay its debts as and when they fall due is contingent on the successful realisation of the above. Management's forecast (which assumes achievement of the above factors) indicates that the Group can continue as a going concern for at least the next 12 months.

Should the assumptions above, in particular the 2nd placement, not eventuate or take longer than forecast, the Group may be unable to pay its debts as and when they fall due. The Group has a history of being able to raise capital and restructure operations when required and the directors are therefore confident that should the need arise they will be able to raise sufficient funds from alternative sources to meet their liabilities as they fall due.

Should the Group be unable to implement the above strategies or source alternative funding, it may be necessary to realise some or all assets and discharge liabilities at amounts different to those stated in the financial statements. No adjustments have been made to the recoverability and classification of assets nor to the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Note 1. Significant accounting policies (continued)

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Going Concern

As detailed in the Going Concern note the Group is currently in the middle of a capital raise which is expected to be finalised subsequent to the signing date.

Note 3. Impact on the adoption of AASB16

The consolidated entity has adopted AASB 16 using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 July 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policies which are included in note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

Impact of adoption

On the date of initial application, the consolidated entity recognised lease liabilities previously classified as 'operating leases' under AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of between 5% and 8%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if AASB 16 Leases had always been applied.

NSX Limited
Notes to the financial statements
31 December 2019

Note 3. Impact on the adoption of AASB16 (continued)

	1 July 2019 \$
Reconciliation of lease liabilities	
Non-cancellable operating leases at 30 June 2019	3,608,866
Discount using the lessee's incremental borrowing rate of at the rate of initial application	<u>(539,916)</u>
Lease liabilities recognised on 1 July 2019	<u><u>3,068,950</u></u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets - increase by \$2,709,092
- Lease liabilities increase by \$2,950,753

The net impact on accumulated losses on 1 July 2019 was an increase of \$241,661.

Note 4. Revenue

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Listing fees	226,584	317,944
Secondary capital raising	59,355	81,028
Annual fees	490,904	661,645
Other revenue	<u>25,558</u>	<u>-</u>
Revenue	<u><u>802,401</u></u>	<u><u>1,060,617</u></u>

Operating Segments

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates in one operating segment, being:

- Stock Exchanges

There is no aggregation of operating segments into reportable segments, given that each segment represents a distinct business.

Note 5. Non-current assets - right-of-use assets

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Right-of-use	4,053,719	-
Less: Accumulated depreciation	<u>(1,571,409)</u>	<u>-</u>
	<u><u>2,482,310</u></u>	<u><u>-</u></u>

Office Leases

NSX Limited
Notes to the financial statements
31 December 2019

Note 5. Non-current assets - right-of-use assets (continued)

Sydney

The NSX moved into its premises at Level 3, 1 Bligh Street Sydney in October 2016, with a 5 year term expiring August 2021.

Technology Leases

NSX Limited has an agreement with NASDAQ to provide technology related services to enable the Economic Entity to operate a market for trading securities. The lease commenced on 31 July 2016 for a period of 10 years.

Note 6. Current liabilities - lease liabilities

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Lease liability	494,233	-

Note 7. Current liabilities - Deferred income

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Deferred revenue	835,358	172,166

Note 8. Non-current liabilities - lease liabilities

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Lease liability	2,331,996	-

Note 9. Non-current liabilities - Deferred income

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Deferred revenue	186,200	56,053

Note 10. Equity - issued capital

	Consolidated			
	31 December	30 June 2019	31 December	30 June 2019
	2019	2019	2019	2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	196,109,043	186,454,043	50,772,073	49,378,875

NSX Limited
Notes to the financial statements
31 December 2019

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Ordinary Shares	Issue price	\$
Balance	1 July 2019	186,454,043		49,378,875
Issue of shares - placement	10 October 2019	9,655,000	\$0.20	1,931,484
Transaction costs		-	\$0.00	(538,286)
Balance	31 December 2019	<u>196,109,043</u>		<u>50,772,073</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 11. Equity - reserves

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Options reserves	<u>378,959</u>	<u>-</u>

Options reserve

The reserve is used to recognise the value of equity benefits provided to CPS Capital Group Pty Ltd who acted as lead broker to coordinate and manage the Placement of 4,827,500 unlisted share options.

Movements in reserves

Movements in options reserves during the current financial half-year are set out below:

Consolidated	Options Reserve	Total
	\$	\$
Balance at 1 July 2019	-	-
Issue of options as part of capital raising	<u>378,959</u>	<u>378,959</u>
Balance at 31 December 2019	<u>378,959</u>	<u>378,959</u>

Options

Details	Date	Share Options
Balance	1 July 2019	-
Issue of unlisted broker options to CPS Capital Group Pty Ltd	10 October 2019	4,827,500
Issue of unlisted placement options	10 October 2019	<u>4,827,500</u>
Balance		<u>9,655,000</u>

NSX Limited
Notes to the financial statements
31 December 2019

Note 11. Equity - reserves (continued)

On 10 October 2019 NSX issued 4,827,500 unlisted share options issued at \$0.0001 per option to CPS Capital Group Pty Ltd. CPS acted as the manager to coordinate and manage the Placement. The Broker Options have an exercise price of \$0.30 and an expiration date of 29 August 2022. Vesting occurred on date of issue. The unlisted share options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.079 per Unlisted Option which is \$378,959 recognised during the half-year ended 31 December 2019 as part of Capital raising costs.

On the same date NSX issued 4,827,500 unlisted free attaching options to the placement shares. Those options have an exercise price of \$0.30 and an expiration date of 29 August 2022.

Note 12. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Contingent liabilities

Compensation Arrangements

Part 7.5 of the *Corporations Act 2001* requires licensed markets through which participants provide services for retail clients to have compensation arrangements. The compensation arrangements are limited to the coverage of losses arising from defalcation of client assets held by participants registered with the Exchanges as the holders of Australian Market Licenses (AML) as detailed in the *Corporations Act 2001*.

National Stock Exchange of Australia Limited Compensation Arrangements

The minimum cover that NSX is required to have as part of the compensation arrangements is \$0.8 million. The arrangements to meet the minimum cover are in two parts: (a) the NSX Fidelity Fund and (b) a Letter of Credit for the amount of \$0.7 million. The combined sources have over \$1.2 million in funds which exceeds the minimum cover by over \$0.4 million.

ASX Settlement Performance Bond

National Stock Exchange of Australia acts a settlement agent on behalf of several NSX and IR Plus broker participants. Consequently NSX is registered with ASX Settlement as a General Participant for the purpose of ASX Settlement Operation Rules to effect CHESS settlements. ASX Settlement Operating Rule 4.9.1 requires General participants to post a Settlement Performance Bond to the value of \$500,000. ASX Settlement can make a demand under Operating Rule 4.9.5 if ASX Settlement is satisfied that a Participant has contravened a provision of the rules and as a rule of that contravention, ASX settlement has suffered or incurred any losses, damages, costs or expenses.

NSX has established a bank guarantee backed by a term deposit of \$0.5 million to satisfy the requirements of the Settlement Performance Bond. During the period these were no claims arising from ASX Settlement Operating Rule 4.9.5.

Note 14. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions with related parties.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Sale of goods and services:		
Sale of services to SHKL which is a shareholder of NSX	38,737	-

NSX Limited
Notes to the financial statements
31 December 2019

Note 14. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 15. Sale of Joint Venture

On 14 December 2018 the Group sold its 50% stake in IR Plus Group Holdings Limited to its joint venture partner Asian Exchange Infrastructure Pty Limited.

In transferring its share of ownership in respect to the joint venture the NSX paid a cash consideration of \$194,666. As at this date the Statement of Financial Position of the entity was as follows:

	\$
Asset	
Cash at Bank	<u>29,572</u>
Liabilities	
Loans payable	53,980
Tax Payable	127,218
Payroll related costs	176,710
Accruals	<u>50,000</u>
Total liabilities	<u>407,908</u>
Net Assets	<u>(378,336)</u>

Note 16. Events after the reporting period

iSignthis Limited (ISX)

On 20 February 2020 NSX announced to the ASX that it will receive \$4.2 million via a placement from iSignthis Limited (ASX:ISX). ISX has taken a 12.96% strategic investment in NSX via a \$4.2m placement at \$0.145 per share, based on the NSX three month VWAP.

NSX will seek shareholder approval to raise an additional \$3.8-5.8 million of which ISX has the option to subscribe for an additional allocation, up to a 19.9% final stake in NSX.

Joint Venture

On 20 February 2020 NSX and ISX announced that they have entered into a Shareholders Agreement to form a joint venture vehicle, ClearPay Pty Ltd ("ClearPay JV") to develop a multi-currency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPay and Paydenity.

The system will initially be utilised alongside with the National Stock Exchange of Australia's ("NSXA") current post-trade arrangements where appropriate. However, the NSXA, NSX's wholly owned subsidiary market operator, intends to ultimately process all transactions via the new platform.

Under the terms of the ClearPay Shareholders Agreement, the first cash call for ClearPay JV post the first NSX placement will be a sum of \$3.2 million for a 41% interest by the NSX. ISX will be contributing intellectual property and its subsidiary, Probanx Solutions Ltd, will design and develop the DvP platform for a fee, including the integration into ISXPay® and Paydenity™ platforms.

NSX Limited
Notes to the financial statements
31 December 2019

Note 16. Events after the reporting period (continued)

The second cash call will be a sum of \$1.3 million contributed by NSX for a further 9% interest in ClearPay, should NSX raise at least that minimum amount under terms of a proposed further placement, being \$3.8 million. NSX and ISX would at that stage equally own 50% of ClearPay JV.

Changes in management

On 30 December 2019 the Board accepted Michael Cox's resignation effective from 19 February 2020. The Board would like to thank Michael for his long and tireless service over many years to the Company.

Subsequent to year end two new directors were appointed to the Board. Tod McGrouther was appointed as a Director on 18 February 2020 and Tim Hart was appointed as a Non-Executive Director on 26 February 2020. Tim Harts appointment was a result of the strategic investment by ISX.

On 15 January Thomas Price was appointed interim CEO and on 20 February he was elected Chairman.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 17. Earnings per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Loss after income tax	(2,223,798)	(1,325,471)
Non-controlling interest	-	(219,822)
Loss after income tax attributable to the owners of NSX Limited	<u>(2,223,798)</u>	<u>(1,545,293)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>190,809,288</u>	<u>163,381,746</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>190,809,288</u>	<u>163,381,746</u>
	Cents	Cents
Basic earnings per share	(1.17)	(0.95)
Diluted earnings per share	(1.17)	(0.95)

NSX Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Thomas Price
Chairman

28 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To THE MEMBERS OF NSX LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of NSX Limited (the consolidated entity), which comprises the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of NSX Limited is not in accordance with the Corporations Act 2001 including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Material Uncertainty Regarding Going Concern

We draw attention to Note 1 of the half-year financial report, which describes management's assessment of the consolidated entity's ability to continue as a going concern. The consolidated entity incurred a net loss after tax from continuing operations of \$2,223,798 for the half year ended 31 December 2019 and had net assets of \$1,634,191 at that date. These conditions along with the matters described in Note 1, indicate a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Ignite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF



PAUL PEARMAN
PARTNER

28 FEBRUARY 2020
SYDNEY, NSW