



**NSX Newcastle**

Ground Floor, 384 Hunter Street, Newcastle  
NSW, 2300  
PO BOX 283, Newcastle, NSW, 2300  
P: +61 2 4929 6377  
F: +61 2 4929 1556

**NSX Melbourne**

Level 1, 257 Collins Street, Melbourne, VIC, 3000  
PO BOX 191, Flinders Lane, VIC, 8009  
P: +61 3 9664 0000  
F: +61 3 9664 0011

[www.nsx.net.au](http://www.nsx.net.au)

Incorporating

NSX Limited

ABN 33 089 447 058

Stock Exchange of Newcastle Limited

ABN: 11 000 902 063

Bendigo Stock Exchange Limited

ACN: 084 885 683

# NSX LIMITED

ABN 33 089 447 058

and its controlled entities

incorporating

The Stock Exchange of Newcastle Limited  
and Bendigo Stock Exchange Limited

## Half-Year Financial Report

Including additional  
Appendix 4D disclosures

31 DECEMBER 2005

**RELEASED**  
**7 March 2006**

# CHIEF EXECUTIVE OFFICER'S REPORT

## Review of Operations

The Directors are pleased to report the consolidated results of NSX Limited (NSX) and its controlled entities for the half year ended 31 December 2005. NSX Limited, operating since 1999, incorporates two Australian Market Licencees (Stock Exchanges) trading as the Stock Exchange of Newcastle Limited (SENL) and Bendigo Stock Exchange Limited (BSX). It is through these two entities that NSX operates Australia's premier stock market for small to medium businesses.

The consolidation of NSX and BSX operations during this reporting period has assisted NSX to not only diversify sources of revenue and risk, but also to develop a more sophisticated business structure that facilitates the division of NSX business and regulatory operations, between NSX Melbourne and NSX Newcastle respectively. This division assists the NSX more effectively to carry out its statutory obligations to maintain "fair, orderly and transparent" markets.

## Revenue and Expenses

NSX reported revenue from operating activities at \$870,772 for the period (this compares with a figure of \$289,600 for the half year ended 31 December 2004). The increase in revenue reflects NSX success in attracting not only new securities to list on the exchange (currently 81), but additionally NSX success in attracting brokers (currently 12) and nominated advisors (over 25) to become associated with the NSX. These formal relationships promote national recognition of NSX as a provider of corporate and alternative financial markets.

During the 6 month period to 31 December 2005 NSX listed the following securities: Bell IXL Investments (BXL), Cosmetics Australia Limited Options Series B (CMAOB), Chew Yak Mong – Synerpac Limited (CYM), Heritage Gold NZ Limited (HGDOC), Jab Technologies Limited (JAB), JAB Technologies Limited Opt (JABO), Yang Yang China Holdings Limited (YYC), Yang Yang China Holdings Limited Option (YYCO). Securities listed post reporting period include: Brewtopia Limited (BWL), Revtec Holdings Limited (RVC) and International Building Industries Limited (IBL). At present a further nine securities have issued prospectuses and NSX expects over 15 Community Banks to list in the coming months.

NSX reported expenses of \$1,271,676 (compared with \$311,880 in the half year ended 31 December 2004). This increase was due to NSX acquisition of BSX and the associated costs of business rationalisation including: closure of Bendigo office, staff retraining, systems relocation, and redundancy payments. These costs are reflected in employee benefits expense of \$465,955, (compared with \$88,310 for the half year ended 31 December 2004). The other major expense items of market trading expenses and administration expenses show increases of \$153,022 and \$205,839 respectively. NSX expects that these items will continue to fluctuate as NSX continues to grow as a commercial entity.

Total current assets are calculated at \$11,645,725, including: \$550,539 in cash and cash equivalents, trade receivables of \$238,489, in addition to fixed interest investments of \$10,800,000. With total liabilities amounting to just \$524,113 (which includes \$308,489 of unearned revenue), NSX is well placed to continue to advance shareholder wealth by promoting the growth of its corporate and alternative markets.

## **Profit and Loss**

NSX reported a loss before income tax of \$400,904 (compared with a loss of \$22,280 in the half year ended 31 December 2004). This increase resulted primarily from non-recurring expenses following the integration of NSX and BSX activities.

It is expected that the integration process will result in long term benefits to the NSX, including: assisting the NSX promote an appropriate separation between its commercial and regulatory functions (as required by its market license), diversifying NSX revenue and risk sources, in addition to enhancing NSX ability to respond to the increasing national and international demand for innovative and flexible market structures. As well as the establishment of a derivatives exchange focusing on trading commodity futures (for more information see below).

Notwithstanding the benefits of these developments, the Directors have taken steps to ensure that expenditure is kept to a minimum including: revision of the role of consultants to ensure, where possible, functions are carried out in house, the closure of the Bendigo office and reduction in the duplication of functions.

## **Recent Developments**

In the pursuit of developing new and innovative markets NSX has recently entered into a Joint Venture (JV) agreement with COM-AGEX Asia Pty Ltd (announced 22 February 2006), the purpose of which is to establish an international derivatives exchange to service the needs of the region. The JV is tasked with pursuing a business model which establishes an Asian Commodities and Agriculture Electronic Derivatives Exchange under the umbrella of an Australian Market License environment.

It is expected that the new Derivatives Exchange will create and trade a range of specially designed benchmark instruments and financial products on an integrated futures and options trading platform. New operating rules will be lodged with the Australian Securities and Investment Commission with the purpose of varying licence conditions to the existing BSX Australian Market licence to facilitate the JV.

The growth strategy is driven by the view of the renewed significance of commodities as a formal 'true alternative' asset class. NSX considers that the Derivatives Exchange will be sufficiently differentiated from other Exchanges by way of product and user market focus.

**Michael Cox**  
**Chief Executive Officer**  
**7 March 2006**

## Market Statistics

### Listed Entities (issuers only)

#### NSX Corporate Exchange ([www.newsx.com.au](http://www.newsx.com.au))

<u>Company</u>	<u>Industry</u>
Australian Property Systems Limited	Property Services
A-Cap Resources Limited	Explorer
Bidgee Finance Limited	Financial Services
Betta Stores Limited	Retail
Brewtopia Limited	Food and Beverages
Bell IXL Investments Limited	Investment
Concentrated Capital Limited	Explorer
Cosmedics Australia Limited	Medical
Chew Yak Mong - Synerpac Limited	Wholesale
Florin Mining Investment Company Limited	Investment
Growth Platform Limited	Waste
Heritage Gold NZ Limited	Explorer
Illuminator Investment Company Limited	Investment
JAB Technologies Limited	Technology
King Equipment Limited	Industrial
Klondike Source Limited	Explorer
LabTech Systems Limited	Biotech
New Millenium Publications Limited	Media
Octanex NL	Explorer
Pioneer Permanent Building Society Limited	Financial Services
Pegmont Mines NL	Explorer
Pacific Turbine Brisbane Limited	Industrial
Quantum Syndicate Management Limited	Property Trust
Rattoon Holdings Limited	Investment
Sugar Terminals Limited	Infrastructure
SwepDri Limited	Retail
Vet Biotechnology Limited	Biotechnology
Winpar Holdings Ltd	Investment
Yang Yang China Limited	Biotech

#### NSX Alternative Exchange ([www.bsx.com.au](http://www.bsx.com.au))

<u>Company</u>	<u>Industry</u>
APN Regional Property Fund	Property Trust
Augusta & Districts Community Financial Services Ltd	Community Banks
Brumby's Bakeries Holdings Limited	Food Retail
Bendigo Community Telco Ltd	Telecommunications
Bellarine Peninsula Community Bank Ltd	Community Bank
Balmain / Rozelle Financial Services Limited	Financial Services
Capilano Honey Limited	Food Producer
Community F.S Victoria	Financial Services
Clifroy Limited	Financial Services
Doncaster East Community Community F.S	Financial Services

Ettalong Beach Financial Services Ltd	Financial Services
East Gosford & Districts Financial Services Limited	Financial Services
Emu Park & District Financial Services Ltd	Financial Services
Fremantle Community Financial Services Ltd	Financial Services
Goodwood/Highgate Community Financial Services Ltd	Financial Services
Gympie & District Financial Services Ltd	Financial Services
Heathcote & District Financial Services Ltd	Financial Services
Heyfield & District Community Financial Services Ltd	Financial Services
Hobsons Bay Community Financial Services Ltd	Financial Services
Logan Community Financial Services	Financial Services
Leyshon Property Fund No.3	Property Trust
Mandurah Community Financial Services	Financial Services
Meander Valley Financial Services	Financial Services
North Ryde Community Finance Limited	Financial Services
PFA Diversified Property Trust	Property Trust
Queensland Paulownia Forests Limited	Forestry
Rockingham Community Financial Services	Financial Services
Rosewood & District Financial Services Limited	Financial Services
Redcliffe Peninsula Financial Services	Financial Services
Rye & District Community Financial Service	Financial Services
South Burdekin Community Financial Services	Financial Services
Sarina and District Community State Development Fund	Financial Services
Sandringham Community Financial Services Ltd	Financial Services
San Remo District Financial Services Ltd	Financial Services
Sunshine Coast Community Financial Services	Financial Services
Tongala and District Financial	Financial Services
Toodyay & Districts Community	Financial Services
Tuggeranong Valley Financial	Financial Services
Victorian Livestock Exchange	Agriculture
Warburton Community Financial Services	Financial Services
Yarraman Financial Services Limited	Financial Services

### Participants:

AAA Shares Pty Limited (BSX)	Martin Place Securities Pty Limited (NSX)
ABN Amro Morgans Limited (NSX/BSX)	Pritchard & Partners Pty Limited (NSX)
Bell Potter Securities Limited (NSX)	Reynolds & Company Pty Limited (NSX)
Cameron Stockbrokers Limited (NSX)	Strategem Financial Group (BSX)
Findlay & Co Stockbrokers Limited (NSX)	Tonkin Scorer Menzies (NSX)
Macquarie Equities Limited (NSX)	Freeman Fox Limited (NSX)

### Nominated Advisors:

Access Business Lawyers	Hopgood Ganim Lawyers
Allens Arthur Robinson	Ledger Lawyers
Alpha West Financial Services Pty Ltd	Martin Place Securities
Athans & Taylor Joondalup	McCullough Robertson Lawyers
Bilbie Dan Lawyers	Platinum Consulting Solutions
BKR Walker Wayland Services Pty Limited	PricewaterhouseCoopers Securities Limited
Clayton Utz	Pritchard & Partners Corporate Finance
Cameron Stockbrokers Limited	Salmon Giles Pty Limited
Corporate Capital Securities	Sparke Helmore Solicitors
Deacons Lawyers	T7 Capital Pty Limited
Gilshenan and Luton Lawyers	Taylor Collison Limited
Hall Chadwick - Sydney Partnership	Venture Axess
Hindal Securities Pty Limited	Walker Herceg Lawyers
	Whittens Lawyers & Consultants

### Facilitators:

Frontier Capital Pty Limited
SIBCO Australia Pty Limited

Trading Statistics	As at June 2002	As at June 2003	As at June 2004	<sup>(1)</sup> As at June 2005	<sup>(1)</sup> As at December 2005
Listed Securities (No.)	10	13	27	73	87
Market Capitalisation (\$m)	7.9	83.2	232.0	564.0	747
	FY02	FY03	FY04	FY05	up to Dec 2005
Volume Traded ('000 shares)	81.9	804.1	13,252	47,303	16,027
Value Traded (\$'000)	20.9	366.3	3,893	18,604	4,634
Number of Trades (No.)	33	59	396	1,754	421
Average Volume Per Trade ( '000)	2.5	13.6	33.5	27.0	38.0
Average Price Per Share (\$)	\$0.25	\$0.45	\$0.29	\$0.39	\$0.32

**Notes:** (1) from 2005 all figures include BSX data

**NSX LIMITED**  
**ABN: 33 089 447 058**  
**HALF YEAR ENDED 31 DECEMBER 2005**

**APENDIX 4D**  
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
(Comparative figures being the half year ended 31 December 2004)

\$A				
Revenues	Up	200%	to	869,972
Explanation Revenue was up 200% due to increased listings and the purchase of the BSX Group during the second half of June 2005				
Loss after tax attributable to members	Up	1800%	to	400,904
Explanation Due to increased costs associated with the BSX Group, the loss for the period increased by 1800%.				
Loss attributable to members for the period	Up	1800%	to	400,904

<b>Dividends/distributions</b>	Amount per security	Franked Amount per security
Final dividend (prior year - paid)	Nil	Nil
Interim Dividend (declared)	Nil	Nil
<b>Record date</b> for determining entitlements to dividends.	No dividends are proposed by the Directors' for the period ended 31 December 2005.	

<b><u>NTA backing</u></b>	<b>Half-year ended 31 Dec 2005</b>	<b>Half-year ended 31 Dec 2004</b>
Net tangible asset backing per ordinary share	<u>22.68 cents</u>	<u>4.72 cents</u>

**Controlled entities acquired or disposed off**

There were no entities acquired or disposed off during the half-year ended 31 December 2005.

**Details of shares and results in associates and joint venture entities**

There are no associates and joint venture entities at the reporting date other than those consolidated in these financial statements.



**NSX LIMITED**  
**ABN: 33 089 447 058**  
**HALF YEAR ENDED 31 DECEMBER 2005**

**Contents**

	<b>Page</b>
<b>Directors' Report</b>	<b>3</b>
<b>Auditor's Independence Declaration</b>	<b>4</b>
<b>Consolidated Income Statement</b>	<b>5</b>
<b>Consolidated Balance Sheet</b>	<b>6</b>
<b>Consolidated Statement of Recognised Income and Expense</b>	<b>7</b>
<b>Consolidated Statement of Cash Flows</b>	<b>8</b>
<b>Notes to the Financial Statements</b>	<b>9</b>
<b>Directors' Declaration</b>	<b>16</b>
<b>Independent Review Report to the Members</b>	<b>17</b>

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by NSX Limited ("the Company") during the half year reporting period in accordance with the continuous disclosure requirements of the Listing Rules of the Corporations Act 2001.

**NSX LIMITED**  
**ABN: 33 089 447 058**  
**HALF YEAR ENDED 31 DECEMBER 2005**

**DIRECTORS' REPORT**

Your directors submit the consolidated financial report consisting of NSX Limited and its controlled entities for the half-year ended 31 December 2005.

**DIRECTORS**

The names of Directors who held office during or since the end of the half-year and up to the date of this report unless otherwise stated are:

**Name of Director**

Ian George Mansbridge	
Michael Andrew Cox	
Hugh Walter Robertson	Appointed 23 February 2006
Raymond Laurence Whitten	Resigned 7 March 2006
Francis Markham Menzies	Resigned 7 March 2006
Paul Ernest Seymour	Resigned 7 March 2006
Kelvin Arthur Clarke	Resigned 7 March 2006
Dudley Chamberlain	Resigned 20 January 2006

**DIVIDENDS**

The Directors do not recommend payment of any dividends at this time and no dividend was paid during the year.

**REVIEW OF OPERATIONS**

NSX Limited reported a loss for the half year of \$400,904 an increase of \$378,624 on the loss reported in the corresponding period last year.

Listing and application fees income for the period was \$345,621, an increase of \$100,631 on the corresponding period last year. Income also included taxi licence market income of \$150,000 for the six months.

The Consolidated Statement of Cash Flows for the half year ending 31<sup>st</sup> December 2005 shows a negative cash flow for the period of \$338,574 and a cash balance at that date of \$11,350,539.

**EVENTS OCCURRING AFTER BALANCE DATE**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years except for those mentioned below.

NSX Limited has entered into a Joint Venture agreement with COM-AGEX ASIA. The purpose of the joint venture is to establish an international derivatives exchange to service the needs of the region.

The Joint Venture is tasked with pursuing a business model which establishes an Asian Commodities and Agricultural Electronic Derivatives Exchange ('COM-AGEX ASIA') under the umbrella of an Australian Market License environment.

It is expected that the new Derivatives Exchange will create and trade a range of specially designed Asian Benchmark instruments and financial products on an integrated futures and options trading platform.

New operating rules will be lodged with the Australian Securities & Investments Commission with the purpose of varying licence conditions to the existing Bendigo Stock Exchange Limited Australian Market Licence.

**NSX LIMITED**  
**ABN: 33 089 447 058**  
**HALF YEAR ENDED 31 DECEMBER 2005**

The strategy is driven by the view of the renewed significance of commodities as a formal 'true alternate' asset class. The Exchange will be sufficiently differentiated from other Exchanges by way of product and user market focus.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is below.

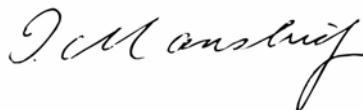
**COMPANY SECRETARY**

Mark Menzies held the position of company secretary at the end of the financial year. He was appointed company secretary on 12 May 2000. On 7 March 2005, Mark Menzies resigned as Company Secretary and Scott Evans, General Manager, was appointed Company Secretary.

This report is signed in accordance with a resolution of the Board of Directors.



**MICHAEL ANDREW COX**  
Director



**IAN GEORGE MANSBRIDGE**  
Director

Newcastle  
Date: 7 March 2006

**NSX LIMITED  
ABN: 33 089 447 058  
HALF YEAR ENDED 31 DECEMBER 2005**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001  
TO THE DIRECTORS OF NSX LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2005 there have been:

- i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*Lawler Partners*

**LAWLER PARTNERS**  
Chartered Accountants

Newcastle  
Date: 7 March 2006



**JEFFREY JOSEPH ABELA**  
Partner

**Sydney**

Level 7, 1 Margaret Street  
GPO Box 5446  
Sydney NSW 2000 Australia  
Tel 02 8346 6000 Fax 02 8346 6099  
Email: [info@lawlerpartners.com](mailto:info@lawlerpartners.com)

**Newcastle**

763 Hunter Street  
PO BOX 5003  
Newcastle West NSW 2302 Australia  
Tel 02 4962 2688 Fax 02 4962 3245 DX 4303  
Email: [mail@lawlerpartners.com.au](mailto:mail@lawlerpartners.com.au)



**NSX LIMITED**  
**ABN: 33 089 447 058**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	Notes	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
<b>Revenue</b>			
Revenue	2	495,621	244,990
Other income	2	375,151	44,610
		870,772	289,600
<b>Expenses</b>			
Depreciation and amortisation expenses		(24,750)	(33,074)
Finance expense		(79)	(13,525)
Consultancy expenses		(192,197)	-
Compliance expenses		(28,965)	(9,318)
Legal expenses		(11,262)	(150)
Market trading expenses		(236,272)	(83,250)
Employee benefits expense		(465,955)	(88,310)
Marketing and promotion expenses		(3,498)	(13,206)
Rental expenses		(21,840)	(16,464)
Administration expenses		(239,963)	(34,124)
Other expenses		(46,895)	(20,459)
		(1,271,676)	(311,880)
<b>Loss before income tax</b>		<b>(400,904)</b>	<b>(22,280)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(400,904)</b>	<b>(22,280)</b>
 <b>Earnings per security (EPS)</b>			
Basic earnings per share (cents per share)		(0.81)	(0.13)
Diluted earnings per share (cents per share)		(0.81)	(0.13)

The accompanying notes form part of these financial statements.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	<b>31 Dec 2005</b>	<b>30 Jun 2005</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	550,539	389,032
Trade receivables	238,489	115,095
Other financial assets	10,800,000	11,300,081
Other current assets	56,697	19,695
<b>Total Current Assets</b>	<b>11,645,725</b>	<b>11,823,903</b>
<b>Non-current Assets</b>		
Property, plant and equipment	84,471	102,458
Intangibles (net)	2,885,280	2,885,280
<b>Total Non-current Assets</b>	<b>2,969,751</b>	<b>2,987,738</b>
<b>TOTAL ASSETS</b>	<b>14,615,476</b>	<b>14,811,641</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	152,700	182,183
Short-term borrowings	9,363	10,892
Leave provisions	53,561	45,984
Other current liabilities	308,489	76,500
<b>Total current Liabilities</b>	<b>524,113</b>	<b>315,559</b>
<b>Non-current Liabilities</b>		
Long-term borrowings	-	3,815
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>3,815</b>
<b>TOTAL LIABILITIES</b>	<b>524,113</b>	<b>319,374</b>
<b>NET ASSETS</b>	<b>14,091,363</b>	<b>14,492,267</b>
<b>EQUITY</b>		
Contributed equity	20,241,596	20,241,596
Accumulated losses	(6,150,233)	(5,749,329)
<b>TOTAL EQUITY</b>	<b>14,091,363</b>	<b>14,492,267</b>

The accompanying notes form part of these financial statements.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>Note</b>	<b>Half-year ended 31 Dec 2005 \$</b>	<b>Half-year ended 31 Dec 2004 \$</b>
Total equity at the beginning of the period		14,492,267	1,275,764
Profit for the period		(400,904)	(22,280)
Total equity at the end of the period		<u>14,091,363</u>	<u>1,253,484</u>

The accompanying notes form part of these financial statements.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year ended</b>	<b>Half-year ended</b>
	<b>31 Dec 2005</b>	<b>31 Dec 2004</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows related to operating activities</b>		
Receipts from customers	821,463	287,569
Payments to suppliers and employees	(1,519,710)	(376,181)
Interest received	371,713	23,522
Interest paid	(79)	(13,525)
<b>Net cash used in operating activities</b>	<b>(326,613)</b>	<b>(78,615)</b>
<b>Cash flows related to investing activities</b>		
Proceeds from sale of plant & equipment	415	-
Payment for plant & equipment	(7,032)	-
<b>Net cash used in investing activities</b>	<b>(6,617)</b>	<b>-</b>
<b>Cash flows related to financing activities</b>		
Repayment of lease liability	(5,344)	-
<b>Net cash used in financing activities</b>	<b>(5,344)</b>	<b>-</b>
<b>Net increase(decrease) in cash held</b>	<b>(338,574)</b>	<b>(78,615)</b>
Cash at the beginning of the period	11,689,113	996,259
<b>Cash at the end of the period</b>	<b>11,350,539</b>	<b>917,644</b>

The accompanying notes form part of these financial statements.



**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**1. Basis of Preparation**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 8.

This half-year report does not include all the notes of the type normally included within the annual financial report. This report is to be read in conjunction with the 30 June 2005 annual financial report and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements of the Corporations Act 2001.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening AIFRS balance sheet at 1 July 2004 (as disclosed in note 8), the consolidated entity's date of transition.

**Summary of Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Financial assets

Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**Summary of Accounting Policies (continued)**

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(d) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognized immediately in profit or loss and is not subsequently reversed. Refer also note 1(e).

(e) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**Summary of Accounting Policies (continued)**

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. NSX Limited is the head entity in the tax-consolidated group. At the time of signing these accounts there is no formal tax sharing agreements in place.

Tax losses of \$636,291 have not been brought to account.

(g) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**Summary of Accounting Policies (continued)**

(h) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

(i) Property, plant and equipment

Plant and equipment, and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment 2.5 – 5 years.

(j) Revenue recognition

Rendering of services

Revenue from the rendering of the services is recognised by reference to the stage of delivery of the service.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(k) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**2. Loss**

The following revenue and expense items are relevant in explaining the financial performance for the period:

	<b>Half-year ended 31 Dec 2005</b>	<b>Half-year ended 31 Dec 2004</b>
<b>Revenue</b>		
Listing and application fees	345,621	244,990
Taxi licence market income	150,000	-
Other	114,396	6,924
Interest – other persons	259,955	37,686
	<u>869,972</u>	<u>289,600</u>
<b>Expenses</b>		
Impairment of goodwill	-	26,217
Depreciation expense	24,760	6,857
Finance costs	79	13,525

**3. Accumulated losses**

Accumulated losses at the beginning of the reporting period	(5,749,329)	(2,762,568)
Loss for the period	(400,904)	(22,280)
<b>Accumulated losses at end of the reporting period</b>	<u><b>(6,150,233)</b></u>	<u><b>(2,784,848)</b></u>

**4. Reliance on Australian Stock Exchange Limited and Computershare Limited Technology (OMX Group)**

The ability of the Stock Exchange of Newcastle Limited to conduct its operations is heavily reliant upon the capability and reliability of the trading and settlement systems, which are licensed to the Company by the Australian Stock Exchange Limited.

The ability of the Bendigo Stock Exchange Limited, a subsidiary of the Company, to conduct its operations is heavily reliant upon the capability and reliability of the trading and settlement systems, which are licensed to the Company by Computershare Limited. The trading system operations have since been acquired by OMX Group.

A significant and sustained failure of those systems would have a materially detrimental effect on the economic entity's short-term results, which in turn could undermine the longer term confidence in the economic entity.

**5. Segment information**

The economic entity operates in the services industry wholly within Australia.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**6. Contingent liabilities**

As part of the Stock Exchange of Newcastle Limited's Australian Financial Markets Licence, NSX operates Investor Compensation Arrangements in accordance with Part 7.5 Division 3 of the Corporations Act 2001. The NSX is required to have in place minimum cover of \$800,000 to compensate investors. Of this amount a minimum of \$100,000 is sourced from the NSX Fidelity Fund and the remaining \$700,000 is in the form of a cash deposit provided by NSX Limited held as a letter of credit with Westpac Bank.

As part of the Bendigo Stock Exchange Limited's (BSX) Australian Financial Markets Licence, BSX operates Investor Compensation Arrangements in accordance with Part 7.5 Division 3 of the Corporations Act 2001. The BSX is required to have in place minimum cover of \$1,000,000 to compensate investors. This amount is supported by a bank guarantee provided by Bendigo Bank Limited. The bank guarantee is supported by a deposit with Bendigo Bank of \$1million in cash.

**7. Events subsequent to reporting date**

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years except for those mentioned below.

NSX Limited has entered into a Joint Venture agreement with COM-AGEX ASIA. The purpose of the joint venture is to establish an international derivatives exchange to service the needs of the region.

The Joint Venture is tasked with pursuing a business model which establishes an Asian Commodities and Agricultural Electronic Derivatives Exchange ('COM-AGEX ASIA') under the umbrella of an Australian Market License environment.

It is expected that the new Derivatives Exchange will create and trade a range of specially designed Asian Benchmark instruments and financial products on an integrated futures and options trading platform.

New operating rules will be lodged with the Australian Securities & Investments Commission with the purpose of varying licence conditions to the existing Bendigo Stock Exchange Limited Australian Market Licence.

The strategy is driven by the view of the renewed significance of commodities as a formal 'true alternate' asset class. The Exchange will be sufficiently differentiated from other Exchanges by way of product and user market focus.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**8. Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)**

The consolidated entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ('AIFRS'). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows are as follows:

Goodwill

Under superseded accounting policies, goodwill was amortised over the period future benefits were expected to arise; this period could not exceed 20 years. Under AIFRS accounting policies goodwill is not amortised but rather is subjected to impairment testing and if found appropriate is written down accordingly. However there is no effect on the carrying amount of goodwill on adoption of AIFRS as the value of goodwill at 30 June 2005 reflects its recoverable amount. There is no tax effect a deferred tax asset are not recognised for temporary differences arising from goodwill write downs.

**NSX LIMITED**  
**ABN: 33 089 447 058**

**DIRECTORS' DECLARATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

The directors declare that:

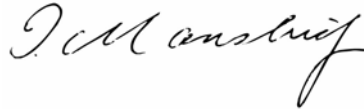
- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



**MICHAEL ANDREW COX**  
Director



**IAN GEORGE MANSBRIDGE**  
Director

Newcastle  
Date: 7 March 2006



**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF  
NSX LIMITED**

**Statement**

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

- (a) does not give a true and fair view, as required by the Corporations Act 2001 in Australia, of the financials of NSX Limited at 31 December 2005 and of its performance for the half-year ended on that date; and
- (b) is not presented in accordance with the Corporations Act 2001, Accounting Standard AASB 134; Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporation Regulations 2001.

**Scope**

**The financial report and directors' responsibility**

The financial report comprises the income statement, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the NSX Limited for the half-year ended 31 December 2005. The consolidated entity comprises both NSX Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial report.

**Review approach**

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described, anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Accounting Standard AASB 134; Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- (a) inquiries of company personnel
- (b) analytical procedures applied to data

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

**NSX LIMITED**  
**ABN: 33 089 447 058**

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

Our review did not involve an analysis of the prudence of decisions made by directors or management.

**Independence**

In conducting our review, we followed applicable independence requirements of Australian Professional ethical pronouncements and the Corporations Act 2001.

*Lawler Partners*

**LAWLER PARTNERS**  
Chartered Accountants

Newcastle  
Date: 7 March 2006

*J. Abela*

**JEFFREY JOSEPH ABELA**  
Partner

**Sydney**

Level 7, 1 Margaret Street  
GPO Box 5446  
Sydney NSW 2000 Australia  
Tel 02 8346 6000 Fax 02 8346 6099  
Email: [info@lawlerpartners.com](mailto:info@lawlerpartners.com)

**Newcastle**

763 Hunter Street  
PO BOX 5003  
Newcastle West NSW 2302 Australia  
Tel 02 4962 2688 Fax 02 4962 3245 DX 4303  
Email: [mail@lawlerpartners.com.au](mailto:mail@lawlerpartners.com.au)