

NSX LIMITED
ABN 33 089 447 058
AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2001.

The names of the directors in office at any time during or since the end of the year are:

Mr Steven S Pritchard
Mr Paul E Seymour
Mr Francis M Menzies
Mr Brendan S Scorer
Mr Gregory H Walls
Mr John M Tonkin (Jnr) (resigned 11/7/00)

Directors have been in office since the start of the financial year to the date of the report unless otherwise stated.

Principal Activity

The principal activity of the economic entity during the financial year was operating a Stock Exchange.

Operating Results

The consolidated operating loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$933,071 (2000: Profit of \$106,809).

Significant Changes in State of Affairs

The following significant change in the state of affairs of the economic entity occurred during the financial

1. On the 6 December 2000, the Company's subsidiary, the Stock Exchange of Newcastle Limited, acquired a new wholly owned subsidiary, NSX Clearing Nominees Pty. Limited for the purpose of providing clearing and settlement services.
2. The Company issued an Offer Information Statement dated 30th January 2001 to raise additional capital via way of the issue of \$2,400,000 fully paid ordinary shares of \$1.00.
3. On the 29 June 2001, the Company issued 1,960,000 ordinary fully paid shares pursuant to the Offer Information Statement.
4. On the 29 June 2001, the Company issued 1,500,000 ordinary shares at \$1.00 paid to 1 cent.

After Balance Date Events

The Company successfully completed its capital raising referred to above in September 2001, except for this no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in financial years subsequent.

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DIRECTORS' REPORT (Continued)

Future Developments

No information is included on the likely developments in the operations of the economic entity and the expected results of those operations.

Options

The Company issued 1,180,000 options since the start of the financial year to the date of this report. All of these options are exercisable at \$1.00 and expire on 30 June 2006.

Additionally the Company entered into an agreement with the Australian Wine Exchange Pty. Limited whereby the Company granted the Australian Wine Exchange Pty. Limited an option over 2.5% of its fully diluted capital at the date of the closing of its capital raising. The options expires on 30 June 2006 and are exercisable at prices ranging between \$1.00 per share and \$2.50 per share depending upon the revenue the Exchange derives from the trading in Wine Class Shares.

Dividends

The directors do not recommend the payment of a dividend. No dividends have been paid since the end of the previous financial year.

Information of Directors

Steven Shane Pritchard B. Com., CPA, ASIA is the Chairman of the Exchange, a member of the Compliance Committee of the Exchange. Steven is the principal of the Newcastle firm of Certified Practising Accountants, Rees Pritchard Pty Limited, a director of the stockbroking firm Pritchard & Partners Pty Limited and is past branch Chairman of CPA Australia.

Wawick Williams Evans B. Com. Ec, is the Chief Executive Officer, of the Exchange. Warwick was formerly Executive Director of Macquarie Bank Limited and Managing Director of the Stockbroking and Financial Services operations for a period of 9 years. Director of the Securities & Derivatives Industry Association of Australia; Director of Murrays Australia Limited; Director of the Brandenburg Orchestra.

Mr Paul E Seymour is also a member of Trading and Settlement and Membership Committees of the Exchange. Paul has held a number of senior positions in the securities industry over the past 30 years including director of Operations at County Natwest Securities Australia Limited and a member of the Australian Stock Exchange Limited's National Adjudicatory Tribunal and was previously a member of its National Settlements Advisory Committee.

Mr Francis M Menzies is also the Secretary of the company and a member of the Trading and Settlement and Fidelity Fund Committees of the Exchange. Mark has been associated with J M Tonkin & Co since 1968 and was admitted as a partner of the firm in 1989.

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DIRECTORS' REPORT (Continued)

Mr Brendan S Scorer is also a member of the Fidelity Fund Committee and is the principal of the stockbroking firm of Scorers.

Mr Gregory H Walls FCA and is a partner of the stockbroking firm of HH Walls & Co.

Meetings of Directors

During the financial period, 10 meetings of directors were held. Attendances were:

Name	No. Available	No. Attended
Mr Steven S Pritchard	10	10
Mr Paul E Seymour	10	10
Mr Francis M Menzies	10	10
Mr Brendan S Scorer	9	9
Mr Gregory H Walls	8	8
Mr Warwick E Evans	0	0

Directors Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, with a director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the company's accounts, or the fixed salary of a full-time employee of the economic entity.

Directors and Auditor indemnification

The economic entity has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the economic entity or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

with the exception of the following matter.

During the financial year a premium was paid to indemnify the directors and officers of the economic entity against liability.

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DIRECTORS' REPORT (Continued)

Signed in accordance with resolution of the Board of directors.

Director _____

Director _____

Dated this day of November 2001.

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF NSX LIMITED

Scope

We have audited the financial report of the NSX Limited for the year ended 30 June 2001 as set out on pages 6 to 32.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end.

The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

Audit Opinion

In our opinion the financial report of the NSX Limited is in accordance with:

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

Signed at Newcastle on day of November 2001
First Floor
25 Bolton Street
NEWCASTLE 2300

CUTCHER & NEALE
CHARTERED ACCOUNTANTS

J W McLennan, F.C.A

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 32:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2001 and of its performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director

Director

Dated this day of November 2001.

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Revenues from ordinary activities	2	216,311	451,820	10,341	-
Depreciation and amortisation expenses	3	(483,524)	(40,372)	-	-
Borrowing costs expense	3	(7,079)	-	-	-
Expenses from ordinary activities		(658,779)	(200,850)	(91,087)	(1,611)
Profit/(loss) from ordinary activities before income tax expense relating to ordinary activities		(933,071)	210,508	(80,746)	(1,611)
Income tax benefit/(expense) relating to ordinary activities	4	-	(103,699)	-	-
Loss from ordinary activities after income tax expense attributable to members of the entity		(933,071)	106,809	(80,746)	(1,611)
Total changes in equity of the entity other than those resulting from transactions with owners as owners		(933,071)	106,809	(80,746)	(1,611)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
CURRENT ASSETS					
Cash assets	6	2,122,473	75,390	2,119,281	-
Receivables	7	63,971	20,003	3	3
Other assets	8	1,692	-	-	-
Other financial assets	9	7,000	12,000	-	-
TOTAL CURRENT ASSETS		2,195,136	107,393	2,119,284	3
NON-CURRENT ASSETS					
Other financial assets	9	-	-	950,000	1,000,000
Property, plant and equipment	11	99,865	124,948	-	-
Intangible assets	12	950,000	1,393,345	-	-
TOTAL NON-CURRENT ASSETS		1,049,865	1,518,293	950,000	1,000,000
TOTAL ASSETS		3,245,001	1,625,686	3,069,284	1,000,003
CURRENT LIABILITIES					
Payables	13	1,051,577	405,069	249,291	1,611
Current tax liabilities	14	112,441	113,805	-	-
Provisions	15	4,895	-	-	-
TOTAL CURRENT LIABILITIES		1,168,913	518,874	249,291	1,611
TOTAL LIABILITIES		1,168,913	518,874	249,291	1,611
NET ASSETS / (LIABILITIES)		2,076,088	1,106,812	2,819,993	998,392
EQUITY					
Contributed equity	16	2,902,350	1,000,003	2,902,350	1,000,003
Retained profits/(losses)	17	(826,262)	106,809	(82,357)	(1,611)
TOTAL EQUITY		2,076,088	1,106,812	2,819,993	998,392

The accompanying notes form part of these financial statements

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		25,114	25,000	-	-
Government grants received		175,000	425,000	-	-
Payments to suppliers and employees		(309,136)	(257,990)	(37,754)	-
Interest received		13,297	1,820	10,341	-
Borrowing costs paid		(7,079)	-	-	-
Income tax paid		(1,364)			
Net cash provided by (used in) operating activities	20(c)	(104,168)	193,830	(27,413)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		5,000	-	-	-
Purchase of property, plant and equipment		(15,096)	(74,752)	-	-
Loans to related parties – payments made		-	(20,000)	-	-
Loans to related parties – proceeds from repayments		20,000	-	-	-
Net cash provided by (used in) investing activities		9,904	(94,752)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		2,101,347	-	2,101,347	-
Proceeds from borrowings		40,000	-	45,347	-
Loans to related parties		-	(13,617)	-	-
Net cash provided by (used in) financing activities		2,141,347	(13,617)	2,146,694	-

The accompanying notes form part of these financial statements

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Net increase/(decrease) in cash held		2,047,083	85,461	2,119,281	-
Cash at beginning of year		82,390	-	-	-
Cash acquired	20(b)	-	(3,071)	-	-
		-----	-----	-----	-----
Cash at end of year	20(a)	2,129,473	82,390	2,119,281	-
		=====	=====	=====	=====

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers NSX Limited as an individual parent entity and NSX Limited, Stock Exchange of Newcastle Limited, NSX Services Pty Limited and NSX Clearing Nominees Pty Limited as an economic entity. NSX Limited is a company limited by shares incorporated and domiciled in Australia.

The financial report has also been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the significant accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

A controlled entity is any entity controlled by NSX Limited. Control exists where NSX Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with NSX Limited to achieve the objectives of NSX Limited. Details of the controlled entity are contained in Note 10.

All inter-company transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Income Tax

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit for ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income Tax (Continued)

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Plant and equipment	20 – 40%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Lease

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(e) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Expected net cash flows are discounted to their present value to determine the investment's recoverable amount.

(f) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits the realisation of which is considered to be no longer probable are written off.

(g) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the nominal amount.

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

(h) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from government grants is recognised at the time of receipt.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(j) Comparative Information

The comparatives for the period ended 30 June 2000 were prepared on the following basis:

- NSX Limited was incorporated on 8 September 1999. The comparatives for the parent entity is for the period from the date of incorporation to 30 June 2000.
- The economic entity came into existence on 11 February 2000 and the comparatives for the economic entity have been consolidated from that date until 30 June 2000.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 2 REVENUE					
Operating activities					
- fees		25,678	-	-	-
- application fees		-	25,000	-	-
- government grants		175,000	425,000	-	-
- interest – other parties		13,297	1,820	10,341	-
- other income		2,336	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total revenue		216,311	451,820	10,341	-
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTE 3 LOSS FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

(a) Expenses:

Borrowing costs – director related entity	7,079	-	-	-
Depreciation of non-current assets - plant and equipment	40,179	13,006	-	-
Amortisation of non-current assets - goodwill	443,345	27,366	-	-
Write down of shares in controlled entity to recoverable amounts	-	-	50,000	-
Remuneration of auditor				
- audit or review – Anderson Vidray	8,800	4,400	2,333	-
- audit or review – Cutcher & Neale	7,723	-	2,333	-
- other services – Cutcher & Neale	2,800	-	1,000	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 3 LOSS FROM ORDINARY ACTIVITIES (Continued)				
Rental expense on operating lease - minimum lease payments	26,533	7,733	-	-
(b) Significant revenues and expenses				
Costs upon the re-establishment of the Stock Exchange of Newcastle Limited	-	(43,218)	-	-
NOTE 4 INCOME TAX EXPENSE				
The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable (benefit) on operating loss before income tax at 34% (2000: 36%)	(317,244)	75,783	(27,454)	(580)
Add:				
Tax effect of:				
- amortisation of goodwill	150,737	9,852	-	-
- write off of future income tax benefit	166,507	-	10,454	-
- write down to recoverable amount	-	-	17,000	-
- other items	-	18,064	-	580
Income tax expense attributable to profit from ordinary activities	-	103,699	-	-
Tax losses not brought to account, the benefits will only be realised if the conditions for deductibility set out in Note 1(b) occur	100,037	313	100,037	313

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 5 DIVIDENDS				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax.	220,916	220,916	220,916	-
	220,916	220,916	220,916	-
NOTE 6 CASH ASSETS				
Cash at bank	2,122,473	75,390	2,119,281	-
	2,122,473	75,390	2,119,281	-
NOTE 7 RECEIVABLES				
CURRENT				
Trade debtors	2,900	-	-	-
Other debtors	61,068	20,000	-	-
Loans to directors	3	3	3	3
	63,971	20,003	3	3
NOTE 8 OTHER ASSETS				
CURRENT				
Prepayments	1,692	-	-	-
	1,692	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
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Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 9 OTHER FINANCIAL ASSETS				
CURRENT				
CBFC debenture stock – at cost	-	5,000	-	-
Deposits at call	7,000	7,000	-	-
	7,000	12,000	-	-
NON-CURRENT				
Shares in controlled entity – at recoverable amount	-	-	950,000	1,000,000
	-	-	950,000	1,000,000

NOTE 10 CONTROLLED ENTITIES

Subsidiary: Stock Exchange of Newcastle Limited
Country of Incorporation: Australia
Percentage owned: 100%

Subsidiary: NSX Services Pty Limited
Country of Incorporation: Australia
Percentage owned: 100%

Subsidiary: NSX Clearing Nominees Pty Limited
Country of Incorporation: Australia
Percentage owned: 100%

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 11 PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment – at cost		159,633	144,537	-	-
Less accumulated depreciation		(59,768)	(19,589)	-	-
		99,865	124,948	-	-
(a) Movements in carrying amounts					
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year:					
Plant and Equipment					
Balance at the beginning of the year		124,948	-	-	-
Additions		15,096	144,537	-	-
Disposals		-	-	-	-
Depreciation expense		(40,179)	(19,589)	-	-
		99,865	124,948	-	-
Carrying amount at the end of the year		124,948	-	-	-
		99,865	124,948	-	-
NOTE 12 INTANGIBLES					
Goodwill – at cost		1,420,711	1,420,711	-	-
Less accumulated amortisation		(470,711)	(27,366)	-	-
		950,000	1,393,345	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Note				
NOTE 13 PAYABLES				
CURRENT				
Trade creditors	389,014	21,063	-	-
Sundry creditors	258,557	-	202,333	-
Amount payable to wholly owned subsidiary	-	-	46,958	1,611
Amount payable to director related entities	404,006	384,006	-	-
	<u>1,051,577</u>	<u>405,069</u>	<u>249,291</u>	<u>1,611</u>
	<u><u>1,051,577</u></u>	<u><u>405,069</u></u>	<u><u>249,291</u></u>	<u><u>1,611</u></u>
NOTE 14 TAX LIABILITIES				
CURRENT				
Income tax	112,441	113,805	-	-
	<u>112,441</u>	<u>113,805</u>	<u>-</u>	<u>-</u>
	<u><u>112,441</u></u>	<u><u>113,805</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
NOTE 15 PROVISIONS				
CURRENT				
Employee entitlements	4,895	-	-	-
	<u>4,895</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>4,895</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Number of employees at year end	1	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 16 CONTRIBUTED EQUITY					
12,980,003 (2000: 11,020,003) fully paid ordinary shares	16(a)	2,887,350	1,000,003	2,887,350	1,000,003
1,500,000 (2000: 0) ordinary shares paid to 1 cent	16(b)	15,000	-	15,000	-
		<u>2,902,350</u>	<u>1,000,003</u>	<u>2,902,350</u>	<u>1,000,003</u>
 (a) Fully paid ordinary shares					
At the beginning of the reporting period		1,000,003	-	1,000,003	-
Shares issues during the year					
- 3 on 8 September 1999		-	3	-	3
- 11,020,000 on 11 February 2000 (allocated under demutualisation)		-	1,000,000	-	1,000,000
- 1,960,000 on 29 June 2001		1,960,000	-	1,960,000	-
Transactions costs relating to share issues		(72,653)	-	(72,653)	-
At reporting date		<u>2,887,350</u>	<u>1,000,003</u>	<u>2,887,350</u>	<u>1,000,003</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Note				
NOTE 16 CONTRIBUTED EQUITY (Continued)				
	No.	No.	No.	No.
At the beginning of the reporting period	1,000,003	-	1,000,003	-
Shares issues during the year				
- 8 September 1999	-	3	-	3
- 11 February 2000	-	1,000,000	-	1,000,000
- 29 June 2001	1,960,000	-	1,960,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At reporting date	2,960,003	1,000,003	2,960,003	1,000,003
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The former members of the Stock Exchange of Newcastle Limited exchanged their membership rights for shares in NSX Limited on demutualisation. On 11 February 2000, 11,020,000 fully paid ordinary shares were issued to former members.

On 29 June 2001 the company issued 1,960,000 ordinary shares at \$1 each on applications received from the offer information statement lodged with the Australian Securities and Investments Commission on 30 January 2001.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 16 CONTRIBUTED EQUITY (Continued)				
(b) Partly paid ordinary shares				
At the beginning of the reporting period	-	-	-	-
Shares issues during the year				
- Issue of 1,500,000 shares at \$1 each paid to 1 cent	15,000	-	15,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At reporting date	15,000	-	15,000	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	No.	No.	No.	No.
At the beginning of the reporting period	-	-	-	-
Shares issues during the year				
- Issue of 1,500,000 shares at \$1 each paid to 1 cent	1,500,000	-	1,500,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At reporting date	1,500,000	-	1,500,000	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The partly paid shares have one outstanding call of 99 cents each. The date of the final call is at the shareholder's discretion.

On the winding up of the parent entity the balance of partly paid shares, if any, may be called up. The proceeds on winding up are paid proportional to the amounts paid on partly paid shares.

(c) Options

At balance date, share options existed which if exercised would result in the issue of 130,000 (2000: 0) fully paid ordinary shares. The exercise price is \$1. The options expire on 30 June 2006 and are exercisable at anytime until the expiry date at the discretion of the option holder.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Note				

NOTE 19 RELATED PARTY TRANSACTIONS

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

Controlled Entities

Acquisition of the ordinary share capital of Stock Exchange of Newcastle Limited	-	-	-	1,000,000
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Loans advanced from Stock Exchange of Newcastle Limited. There is no fixed term for the repayment of the principal on these loans, nor is interest charged	-	-	46,958	1,611
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Director Related Entities

During the financial year the following loans previously advanced to the Stock Exchange of Newcastle Limited by director related entities were repaid. The loans were unsecured and non-interest bearing

Steve Shane Pritchard	4,000	-	-	-
Paul Ernest Seymour	4,000	-	-	-
Francis Markham Menzies	4,000	-	-	-
Brendan Selby Scorer	4,000	-	-	-
Gregory Howard Walls	4,000	-	-	-
J. M. Tonkin & Co	-	3,670	-	-
Pritchard & Partners Pty Limited	-	3,534	-	-
Scorers	-	3,670	-	-
H. H. Walls & Co	-	2,743	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
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NOTE 19 RELATED PARTY TRANSACTIONS (Continued)

Affiliate fees received by Stock Exchange of Newcastle Limited on normal commercial terms and conditions

Steve Shane Pritchard	500	-	-	-
Paul Ernest Seymour	500	-	-	-
Francis Markham Menzies	500	-	-	-
Brendan Selby Scorer	500	-	-	-
Gregory Howard Walls	500	-	-	-

Some labour hire used by the Stock Exchange of Newcastle Limited has been supplied by Rees Pritchard Services Pty Limited as trustee for the Rees Pritchard Services Trust upon a cost recovery Basis. Steven Shane Pritchard is a director of Rees Pritchard Services Pty Limited

	-	15,932	-	-
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Rees Pritchard Pty Limited an accounting firm Associated with Steven Pritchard which has provided services to the Stock Exchange of Newcastle Limited over a number of years on the basis that payment for its services was contingent upon the ability of the Exchange to pay for them. Part of the proceeds from the share issue will be made available for the purpose of paying the amount owing to Rees Pritchard Pty Limited

	-	384,006	-	-
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Note				
NOTE 19 RELATED PARTY TRANSACTIONS (Continued)				
Amount owing to Rees Pritchard Pty Limited at balance date	439,746	384,006	-	-
Rees Pritchard Pty Limited an accounting firm associated with Steven Pritchard provided accounting services to the Stock Exchange of Newcastle Limited on normal commercial terms and conditions	51,198	-	-	-
WWE Investments Pty Limited a company related to Warwick Willams Evans a director of the company provided business development advise to the Stock Exchange of Newcastle Limited on normal commercial terms and conditions	25,000	-	-	-
A.H. Hough Pty Limited a company related to Francis Markham Menzies guaranteed a \$250,000 security deposit with the ASX. For this service the company was paid interest during the year	7,079	-	-	-
750,000 shares partly paid to 1 cent issued as directed by Steven Pritchard and the balance owing of 99 cents per share to be called up only at Steven Pritchard's discretion or in liquidation	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
NOTE 19 RELATED PARTY TRANSACTIONS (Continued)					

750,000 shares partly paid to 1 cent issued as directed by Paul Seymour and the balance owing of 99 cents per share to be called up only at Paul Seymour's discretion or in liquidation

- - - -

Directors did not receive any remuneration for acting as directors

- - - -

The direct, indirect and beneficial holdings of directors and their director-related entities in the share and share options of the parent company as at 30 June 2001 were:

Shares: 5,603,005 fully paid ordinary \$1 shares (2000: 5,603,006), 1,400,000 partly paid shares (2000: 0), share options: 350,000 (2000: 0).

NOTE 20 CASH FLOW INFORMATION

(a) Reconciliation of Cash

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

Cash	6	2,122,473	75,390	2,119,281	-
At call deposits	9	7,000	7,000	-	-
		-----	-----	-----	-----
		2,129,473	82,390	2,119,281	-
		=====	=====	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
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NOTE 20 CASH FLOW INFORMATION (Continued)

(b) Acquisition of Entity

On 11 February 2000, NSX Limited acquired all of the ordinary shares of Stock Exchange of Newcastle Limited. Details of the acquisition are as follows:

Consideration

11,020,000 fully paid ordinary shares	-	1,000,000	-	-
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Fair value of net assets of entity acquired

Property, plant & equipment	-	63,293	-	-
Investments	-	5,001	-	-
Receivables	-	1,549	-	-
Bank overdraft	-	(3,071)	-	-
Provision for income tax	-	(10,106)	-	-
Unsecured loans	-	(13,617)	-	-
Trade creditors – other	-	(98,954)	-	-
Accrued charges	-	(364,806)	-	-

	-	(420,711)	-	-
Goodwill on acquisition	-	1,420,711	-	-
	-	1,000,000	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

	Economic Entity 2001 \$	Economic Entity 2000 \$	Parent Entity 2001 \$	Parent Entity 2000 \$
Note				
NOTE 20 CASH FLOW INFORMATION (Continued)				
(c) Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit/(loss) from ordinary activities after income tax	(933,071)	106,809	(30,746)	-
Non-cash flows in profit from ordinary activities:				
Depreciation	40,179	13,096	-	-
Amortisation	443,345	27,366	-	-
Changes to assets and liabilities				
(Increase)/decrease in receivables	(63,968)	1,550	-	-
(Increase)/decrease in other assets	(1,692)	-	-	-
Increase/(decrease) in payables	407,508	(58,690)	3,333	-
Increase/(decrease) in provisions	4,895	-	-	-
Increase/(decrease) in income tax payable	(1,364)	103,699	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash flows from operations	(104,168)	193,830	(27,413)	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

NOTE 21 FINANCIAL INSTRUMENTS

(a) *Interest Rate Risk*

The financial assets and liabilities subject to interest rate risk are:

Bank Accounts

The economic entity's bank accounts earn interest at the market variable rate.

All other financial assets and financial liabilities are not subject to interest rate risk as they are non-interest bearing.

(b) *Credit Risk*

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, is the carrying amount net of any provision for doubtful debts.

(c) *Net Fair Value of Financial Assets and Liabilities*

The economic entity's financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value.

NOTE 22 SEGMENT REPORTING

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

NOTE 23 COMPANY DETAILS

The registered office and principal place of business is:

384 Hunter Street
Newcastle NSW 2300

NOTE 24 CONTINGENT LIABILITY

A security deposit of \$250,000 has been provided by Stock Exchange of Newcastle Limited to the Australian Stock Exchange Limited. This security deposit is in the form of a bank guarantee.

NOTE 25 STOCK EXCHANGE OF NEWCASTLE LIMITED FIDELITY FUND

As at 30 June 2001 the Stock Exchange of Newcastle Limited Fidelity Fund had a balance of \$299,100. The Stock Exchange of Newcastle Limited is the trustee of the fund and the assets of the fund can only be used for the purposes prescribed in the Corporations Act 2001.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001**

**NOTE 26 RELIANCE ON AUSTRALIAN STOCK EXCHANGE LIMITED
TECHNOLOGY**

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 Exchange by the Australian Stock Exchange Limited.

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