

NSX LIMITED
ABN 33 089 447 058
AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2002.

Directors

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

Name of Director	Date of Appointment	Date of Resignation
Steven Shane Pritchard	8 September 1999	
Paul Ernest Seymour	8 September 1999	
Francis Markham Menzies	11 July 2000	
Warwick Williams Evans	29 June 2001	
John RC Gilbert	24 May 2002	9 September 2002
Brendan Selby Scorer	11 July 2000	5 December 2001
Gregory Howard Walls	11 July 2000	24 June 2002

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 period was the operation of a Stock Exchange.

No significant change in the nature of this activity occurred during the year.

Operating Results

The consolidated operating loss of the economic entity for the financial year after providing for income tax amounted to \$1,059,119 (2001 loss of \$933,071).

Significant Changes in State of Affairs

1. From the funds raised via the capital raising completed in September 2001, a loan was extended to the company's subsidiary the Stock Exchange of Newcastle Limited which stands at \$2,308,285 as at 30 June 2002. The Stock Exchange of Newcastle is in a negative net asset position as at 30 June 2002, therefore a provision for this deficit has been created in the NSX Limited accounts.
2. The Directors decided to write down the goodwill asset in the group by \$390,234 during the year in order for it to better reflect the value of the company. As at 30 June 2002, this asset stands at a value of \$559,766.

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DIRECTORS' REPORT (Continued)

After Balance Date Events

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 company in future financial years.

Future Developments

In the opinion of the directors, disclosure of information regarding likely developments in the operation of the economic entity and the expected results of these operations would prejudice the interests of the economic entity. Accordingly information has not been included in this report.

Options

The Company issued 1,205,000 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.

Environmental Issues

The economic entity's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. The directors are not aware of any significant material environmental issues arising from the operations of the economic entity during the year.

Dividends Paid or Recommended

The Directors do not recommend the payment of a dividend. No dividends have been paid during or since the end of the financial year.

Information on Directors

Steven Shane Pritchard (B. Com, CPA, ASIA) holds a Bachelor of Commerce Degree from the University of Newcastle (B.Com), is a Certified Practising Accountant and is an Associate of the Securities Institute of Australia (ASIA). He is also the Chairman of the Company, 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. Steven is also Chairman of Cameron Stockbrokers Limited.

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DIRECTORS' REPORT (Continued)

Paul Ernest Seymour is also a member of the Compliance Committee 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 was formerly a member of the Australian Stock Exchange Limited's National Adjudicatory Tribunal and the National Settlements Advisory Committee. Paul is also a director of Cameron Stockbrokers Limited.

Francis Markham Menzies, is also the Secretary of the Company and a member of the Fidelity Fund Committee 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. Mark is Principal of the stockbroking firm Tonkin Scorer Menzies.

Warwick 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. He is also a Director of the Securities & Derivates Industry Association of Australia, a Director of Murrays Australia Limited, and a Director of the Brandenburg Orchestra.

John RC Gilbert, is an independent Director. John is a Proper Authority (Aus) with ASIC/ASX Level 1 & 2 Derivatives Accreditation; SFA General Rep (UK); Financial Planning Certificates (UK). John is a regular contributor to SHARES magazine.

Director's and Executive Officers Emoluments

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.

Meetings of Directors

During the period, 12 meetings of Directors were held. Attendances were:

Name of Director	Number Eligible to Attend	Number Attended
Steven Shane Pritchard	12	12
Paul Ernest Seymour	12	12
Francis Markham Menzies	12	11
Warwick Williams Evans	12	12
John RC Gilbert	2	2
Greg Walls	12	12

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DIRECTORS' REPORT (Continued)

Indemnifying Officers or Auditor

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.

A premium has been arranged to indemnify the directors and officers of the economic entity against liability.

Court Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors.

Steven Shane Pritchard
Director

Francis Markham Menzies
Director

Dated this day of November 2002.

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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 2002 as set out on pages 6 to 28.

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 and the consolidated entity'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 2002 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements

Dated this day of November 2002
First Floor
25 Bolton Street
NEWCASTLE 2300

CUTCHER & NEALE
CHARTERED ACCOUNTANTS

J W McLennan, F.C.A

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DIRECTORS' DECLARATION

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 28:
 - (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 2002 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:

Francis M Menzies

Steven S Pritchard

Dated day of November 2002.

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
Revenues from ordinary activities	2	204,932	216,311	1,707	10,341
Depreciation & amortisation expenses	3	(418,184)	(483,524)	-	-
Provision for doubtful debts expense	3	-	-	(1,411,603)	-
Borrowing costs expense	3	(451)	(7,079)	-	-
Expenses from ordinary activities	3	(892,237)	(658,779)	(393,128)	(91,087)
<hr/>					
Profit/(loss) from ordinary activities before income tax expense relating to ordinary activities		(1,105,940)	(933,071)	(1,803,024)	(80,746)
Income tax benefit/(expense) relating to ordinary activities	4	46,821	-	-	-
<hr/>					
Profit/(loss) from ordinary activities after income tax expense attributable to members of the entity		(1,059,119)	(933,071)	(1,803,024)	(80,746)
<hr/>					
Total changes in equity of the entity other than those resulting from transactions with owners as owners		(1,059,119)	(933,071)	(1,803,024)	(80,746)
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The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
CURRENT ASSETS					
Cash assets	6	336,558	2,122,473	-	2,119,281
Receivables	7	50,703	63,971	896,685	3
Other assets	8	8,158	1,692	-	-
Other financial assets	9	604,465	7,000	-	-
TOTAL CURRENT ASSETS		999,884	2,195,136	896,685	2,119,284
NON-CURRENT ASSETS					
Other financial assets	9	-	-	559,766	950,000
Property, plant and equipment	11	74,518	99,865	-	-
Intangible assets	12	559,766	950,000	-	-
TOTAL NON-CURRENT ASSETS		634,284	1,049,865	559,766	950,000
TOTAL ASSETS		1,634,168	3,245,001	1,456,451	3,069,284
CURRENT LIABILITIES					
Payables	13	175,006	1,051,577	3,500	249,291
Current tax liabilities	14	(3,531)	112,441	-	-
Provisions	15	9,742	4,895	-	-
TOTAL CURRENT LIABILITIES		181,217	1,168,913	3,500	249,291
TOTAL LIABILITIES		181,217	1,168,913	3,500	249,291
NET ASSETS		1,452,951	2,076,088	1,452,951	2,819,993
EQUITY					
Contributed equity	16	3,338,332	2,902,350	3,338,332	2,902,350
Retained profits/(losses)	17	(1,885,381)	(826,262)	(1,885,381)	(82,357)
TOTAL EQUITY		1,452,951	2,076,088	1,452,951	2,819,993

The accompanying notes form part of these financial statements

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		187,726	25,114	-	-
Government grants received		-	175,000	-	-
Payments to suppliers and employees		(1,513,383)	(309,136)	(2,727)	(37,754)
Interest received		59,251	13,297	1,707	10,341
Borrowing costs paid		(451)	(7,079)	-	-
Income tax paid		(115,972)	(1,364)	-	-
Net cash provided by (used in) operating activities	20(b)	(1,382,829)	(104,168)	(1,020)	(27,413)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		-	5,000	-	-
Purchase of property, plant and equipment		(2,603)	(15,096)	-	-
Loans to related parties – payments made		-	-	(2,308,285)	-
Loans to related parties – proceeds from repayments		-	20,000	-	-
Net cash provided by (used in) investing activities		(2,603)	9,904	(2,308,285)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		435,982	2,101,347	435,982	2,101,347
Proceeds from borrowings		-	40,000	-	45,347
Payments in relation to share issue		(199,000)	-	(199,000)	-
Repayment to related parties		(40,000)	-	(46,958)	-
Net cash provided by (used in) financing activities		196,982	2,141,347	190,024	2,146,694
Net increase/(decrease) in cash held		(1,188,450)	2,047,083	(2,119,281)	2,119,281
Cash at beginning of year		2,129,473	82,390	2,119,281	-
Cash at end of year	20(a)	941,023	2,129,473	-	2,119,281

The accompanying notes form part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

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%

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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).

	Economic Entity 2002	Economic Entity 2001	Parent Entity 2002	Parent Entity 2001
Note	\$	\$	\$	\$

NOTE 2 REVENUE

Operating activities				
- fees	106,330	25,678	-	-
- NSX conference income	17,351	-	-	-
- government grants	-	175,000	-	-
- interest – other parties	59,251	13,297	1,707	10,341
- other income	22,000	2,336	-	-
	204,932	216,311	1,707	10,341
Total revenue	204,932	216,311	1,707	10,341

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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	451	7,079	-	-
Doubtful debts expense				
- Loan - Stock Exchange of Newcastle	-	-	1,411,603	-
Depreciation of non-current assets				
- plant and equipment	27,950	40,179	-	-
Amortisation of non-current assets				
- goodwill	390,234	443,345	-	-
	418,184	483,524	-	-
Write down of shares in controlled entity to recoverable amounts	-	-	390,234	50,000
Remuneration of auditor				
- audit or review – Anderson Vidray	-	8,800	-	2,333
- audit or review – Cutcher & Neale	6,879	7,723	1,847	2,333
- other services – Cutcher & Neale	2,293	2,800	616	1,000
Rental expense on operating lease				
- minimum lease payments	29,467	26,533	-	-
Wage expense	154,388	25,543	-	-
Service charges	50,000	50,000	-	-
Consultancy fees	182,379	55,384	-	-
Compliance committee	78,144	61,413	-	-
Legal costs	42,011	175,633	-	-
Administration expenses	346,676	244,950	431	35,421
	892,237	658,779	393,128	91,087

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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 30% (2001: 34%)	(317,736)	(317,244)	(570,907)	(27,454)
Add:				
Tax effect of:				
- amortisation of goodwill	117,070	150,737	-	-
- timing differences not recognised in the accounts	200,666	166,507	30,356	10,454
- write down to recoverable amount	-	-	117,070	17,000
- other items	-	-	423,481	-
- over provision for income tax in prior years	(46,821)	-	-	-
	(46,821)	-	-	-
Income tax expense / (benefit) attributable to profit from ordinary activities	(46,821)	-	-	-
Tax losses not brought to account, the benefits will only be realised if the conditions for deductibility set out in Note 1(b) occur	107,682	100,037	107,682	100,037
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
NOTE 6 CASH ASSETS				
Cash at bank	336,558	2,122,473	-	2,119,281

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
NOTE 7 RECEIVABLES				
CURRENT				
Loans to related party				
- Stock Exchange of Newcastle	-	-	2,308,285	-
Provision for doubtful debts	-	-	(1,411,603)	-
	-	-	896,682	-
Trade debtors	7,676	2,900	-	-
Other debtors	43,024	61,068	-	-
Loans to directors	3	3	3	3
	50,703	63,971	896,685	3
NOTE 8 OTHER ASSETS				
CURRENT				
Prepayments	8,158	1,692	-	-
NOTE 9 OTHER FINANCIAL ASSETS				
CURRENT				
Commercial bill	597,465	-	-	-
Deposits at call	7,000	7,000	-	-
	604,465	7,000	-	-
NON-CURRENT				
Shares in controlled entity – at recoverable amount	-	-	559,766	950,000

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NOTES TO THE FINANCIAL STATEMENTS
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Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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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%

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	162,236	159,633	-	-
Less accumulated depreciation	(87,718)	(59,768)	-	-
	74,518	99,865	-	-

(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	99,865	124,948	-	-
Additions	2,603	15,096	-	-
Disposals	-	-	-	-
Depreciation expense	(27,950)	(40,179)	-	-
	74,518			

Carrying amount at the end of the year
74,518

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NOTES TO THE FINANCIAL STATEMENTS
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Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
99,865				
-				
-				
NOTE 12 INTANGIBLES				
Goodwill – at cost	1,420,711	1,420,711	-	-
Less accumulated amortisation	(860,945)	(470,711)	-	-
	559,766	950,000	-	-
NOTE 13 PAYABLES				
CURRENT				
Trade creditors	124,428	389,014	-	-
Sundry creditors	50,578	258,557	3,500	202,333
Amount payable to wholly owned subsidiary	-	-	-	46,958
Amount payable to director related entities	-	404,006	-	-
	175,006	1,051,577	3,500	249,291
NOTE 14 TAX LIABILITIES				
CURRENT				
Income tax	(3,531)	112,441	-	-
NOTE 15 PROVISIONS				
CURRENT				
Employee entitlements	9,742	4,895	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
Number of employees at year end		2	1	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTE 16 CONTRIBUTED EQUITY

13,420,003 (2001: 12,980,003)					
fully paid ordinary shares	16(a)	3,323,332	2,887,350	3,323,332	2,887,350
1,500,000 (2001: 1,500,000)					
ordinary shares paid to 1 cent	16(b)	15,000	15,000	15,000	15,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		3,338,332	2,902,350	3,338,332	2,902,350
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Fully paid ordinary shares

At the beginning of the reporting period		2,887,350	1,000,003	2,887,350	1,000,003
Shares issues during the year					
- 1,960,000 on 29 June 2001		-	1,960,000	-	1,960,000
- 342,000 on 20 July 2001		342,000	-	342,000	-
- 98,000 on 1 October 2001		98,000	-	98,000	-
Transactions costs relating to share issues		(4,018)	(72,653)	(4,018)	(72,653)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
At reporting date		3,323,332	2,887,350	3,323,332	2,887,350
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

		No.	No.	No.	No.
At the beginning of the reporting period		12,980,003	11,020,003	12,980,003	11,020,003
- 29 June 2001		-	1,960,000	-	1,960,000
- 20 July 2001		280,000	-	280,000	-
- 10 August 2001		62,000	-	62,000	-

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NOTES TO THE FINANCIAL STATEMENTS
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Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
- 1 October 2001	98,000	-	98,000	-
At reporting date	13,420,003	12,980,003	13,420,003	12,980,003

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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NOTE 16 CONTRIBUTED EQUITY (Continued)

- On 29 June 2001 the company issued 1,960,000 ordinary shares at \$1 each
- On 20 July 2001 the company issued 280,000 ordinary shares at \$1 each
- On 10 August 2001 the company issued 62,000 ordinary shares at \$1 each
- On 1 October 2001 the company issued 98,000 ordinary shares at \$1 each

The above issues were based 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.

(b) Partly paid ordinary shares

At the beginning of the reporting period	15,000	-	15,000	-
Shares issues during the year				
- Issue of 1,500,000 shares at \$1 each paid to 1 cent	-	15,000	-	15,000
	15,000	15,000	15,000	15,000
At reporting date				
	No.	No.	No.	No.
At the beginning of the reporting period	1,500,000	-	1,500,000	-
Shares issues during the year				
- Issue of 1,500,000 shares at \$1 each paid to 1 cent	-	1,500,000	-	1,500,000
	1,500,000	1,500,000	1,500,000	1,500,000
At reporting date				
	1,500,000	1,500,000	1,500,000	1,500,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
------	----------------------------------	----------------------------------	--------------------------------	--------------------------------

NOTE 16 CONTRIBUTED EQUITY (Continued)

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 (2001: 130,000) 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.

NOTE 17 RETAINED PROFITS

Retained profits/(losses) at the beginning of the financial year	(826,262)	106,809	(82,357)	(1,611)
Net profit/(loss) attributable to members of the company	(1,059,119)	(933,071)	(1,803,024)	(80,746)
Retained profits/(losses) at the end of the financial year	(1,885,381)	(826,262)	(1,885,381)	(82,357)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
NOTE 18 CAPITAL & LEASING COMMITMENTS				
(a) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
- not later than one year	12,907	61,147	-	-
- later than one year but not longer than five years	-	12,907	-	-
	12,907	74,054	-	-
	12,907	74,054	-	-

The property lease is non-cancellable with a three-year term, rent payable monthly in advance. An option exists to renew the lease at the end of the three-year term for an additional three years.

The Stock Exchange of Newcastle Limited has an agreement with ASX Operations Pty Limited to provide technology related services to enable the Stock Exchange of Newcastle Limited to operate a market for trading securities. The term of the contract is for three years with termination options available to the Stock Exchange of Newcastle Limited after one and two years.

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

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
Loans advanced to Stock Exchange of Newcastle Limited. There is no fixed term for the repayment of the principal on these loans, nor is interest charged	2,308,285	-	2,308,285	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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NOTE 19 RELATED PARTY TRANSACTIONS (Continued)

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

Steven Shane Pritchard	4,000	4,000	-	-
Paul Ernest Seymour	4,000	4,000	-	-
Francis Markham Menzies	-	4,000	-	-
Brendan Selby Scorer	4,000	4,000	-	-
Gregory Howard Walls	4,000	4,000	-	-
J. M. Tonkin & Co	8,000	-	-	-
Pritchard & Partners Pty Limited	4,000	-	-	-
H. H. Walls & Co	4,000	-	-	-

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

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

Conference income:

- Pritchard & Partners	900	-	900	-
- Tonkin Scorer Menzies	900	-	900	-

Other Income – Pritchard & Partners P/L	1,000	-	1,000	-
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
NOTE 19 RELATED PARTY TRANSACTIONS (Continued)					
Share registry fees – Steven Pritchard & Paul Seymour		2,789	-	2,789	-
Amount owing to Rees Pritchard Pty Limited at balance date		-	439,746	-	439,746
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		13,285	51,198	13,285	51,198
WWE Investments Pty Limited a company related to Warwick Willams Evans, a director of the holding company, provided business development advice to the Exchange on normal commercial terms and conditions		75,000	25,000	75,000	25,000
Consulting work paid to an associate of WWE Investments – Robyn Fitzroy		107,379	-	107,379	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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NOTE 19 RELATED PARTY TRANSACTIONS (Continued)

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

	451	7,079	451	7,079
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Broker commission was paid to the following related parties during the year:

- Pritchard & Partners Pty Limited	12,432	-	12,432	-
- Newcastle Capital Markets Limited	4,750	-	4,750	-

Options were allocated to the following director related parties during the year:

- WWE Investments Pty Limited (a company related to Warwick Evans)	350,000	-	350,000	-
- Enzo Pirillo (an employee of Rees Pritchard - a director related entity)	25,000	-	25,000	-
- John Dimkos (an associate of Brendan Scorer - a director)	25,000	-	25,000	-

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 2002 were:

Shares: 5,603,505 fully paid ordinary \$1 shares (2001: 5,603,005), 1,400,000 partly paid shares (2001: 1,400,000), 750,000 share options (2001: 350,000).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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	336,558	2,122,473	-	2,119,281
At call deposits	9	7,000	7,000	-	-
Commercial Bills	9	597,465	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		941,023	2,129,473	-	2,119,281
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax					
Profit/(loss) from ordinary activities after income tax		(1,059,119)	(933,071)	(1,803,024)	(80,746)
Non-cash flows in profit from ordinary activities:					
Depreciation		27,950	40,179	-	-
Amortisation		390,234	443,345	390,234	50,000
Provision for doubtful debts		-	-	1,411,603	-
Changes to assets and liabilities					
(Increase)/decrease in receivables		13,268	(63,968)	-	-
(Increase)/decrease in other assets		(6,466)	(1,692)	-	-
Increase/(decrease) in payables		(637,571)	407,508	167	3,333
Increase/(decrease) in provisions		4,847	4,895	-	-
Increase)/(decrease) in income tax payable		(115,972)	(1,364)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Cash flows from operations		(1,382,829)	(104,168)	(1,020)	(27,413)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Note	Economic Entity 2002 \$	Economic Entity 2001 \$	Parent Entity 2002 \$	Parent Entity 2001 \$
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NOTE 21 REMUNERATION AND RETIREMENT BENEFITS

Directors' Remuneration

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors and any related parties

	112,561	25,000	-	-
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Number of directors whose income was within the following bands:

\$0 - \$9,999	5	6	7	7
\$20,000 - \$29,999	-	1	-	-
\$30,000 - \$39,999	1	-	-	-
\$70,000 - \$79,999	1	-	-	-

NOTE 22 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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

Bank Accounts

The economic entity's general bank account was subject to interest at the market variable rate being 3.60% as at 30 June 2002.

The 11am term deposit was subject to an interest rate of 3.75% as at 30 June 2002.

The commercial bill facility was subject to an interest rate of 4.84% as at 30 June 2002.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 23 SEGMENT REPORTING

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

NOTE 24 COMPANY DETAILS

The registered office and principal place of business is:

384 Hunter Street
Newcastle NSW 2300

NOTE 25 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 26 STOCK EXCHANGE OF NEWCASTLE LIMITED FIDELITY FUND

As at 30 June 2002 the Stock Exchange of Newcastle Limited Fidelity Fund had a balance of \$227,234. 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.

**NOTE 27 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.