



NSX Limited  
and  
Controlled Entities  
ABN 33 089 447 058

Annual Report for Year Ended 30 June 2004

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## CHAIRMAN'S LETTER

Dear Shareholders,

With pleasure I present, on behalf of the Board of Directors, the Annual Report for the NSX Limited and Controlled Entities.

The highlights for the year are detailed in the attached Directors' Report on Operations and it is pleasing to report that the number of listings has increased significantly during the year, the profile of the NSX in the business community has been raised, as has the support from the financial community.

The challenges during the year were significant, particularly progressing through the Financial Services Reform Act transitional steps and our thanks have to be given to our Solicitors, Bakers & McKenzie for their timely assistance and the tireless effort by our General Manager, Scott Evans. I thank my fellow directors for their active participation and input during a challenging year.

The challenge for the current financial year is to ensure that the NSX has the capital resources and people needed to fully develop its market sector and become a key participant in the Australian equity markets.

It is in my view that the current year will be one of the most exciting years in the long history of the Exchange and the Board thanks you for your ongoing support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ray Whitten', with a long horizontal flourish extending to the right.

Ray Whitten  
**Chairman**

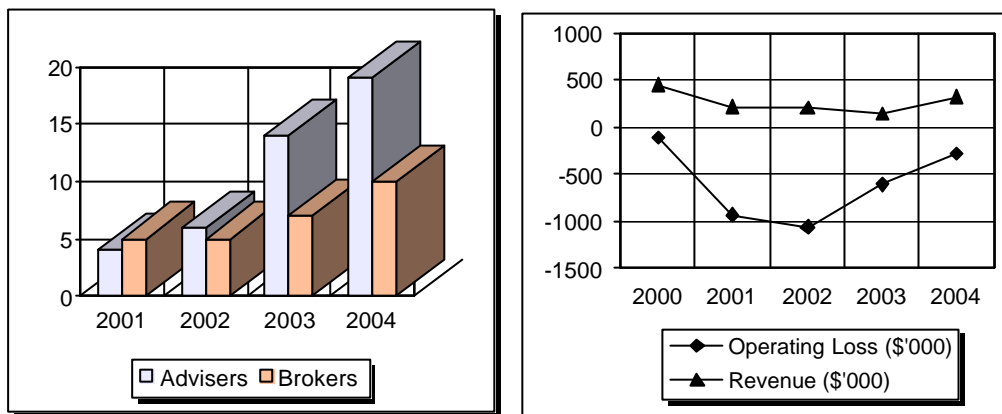
Newcastle

Date 25 August 2004

# CHIEF EXECUTIVE OFFICERS' REPORT

## Review of Operations

The Company incurred a consolidated operating loss after tax of \$270,694 (2003: loss \$606,493) for the financial year. The improvement in terms of the reduction in losses of the group is due to increased numbers of listings and continued efforts in reducing operating expenses. The highlights for the year are an increase in securities listed from 11 in October 2003 to 29 as at the date of this report. Also, the number of brokers who are participants have continued to increase as have the number of Nominated Advisers. These the main groups which sponsor listings onto the NSX.



## New Floats and Listed Entities

The following companies made application and were admitted to the official list of the NSX during the year :

- A-Cap Resources Limited
- Cosmedics Australia Limited
- Diatrema Resources Limited
- Hindmarsh Resources Limited
- Illuminator Investment Limited
- Klondike Source Limited
- Living Cell Technology Limited
- New Millenium Publications Limited
- Octanex Limited
- Pioneer Permanent Building Society Limited
- Quantum Property Trust No. 9
- Quantum Property Trust No 11
- Ratoon Holdings Limited
- Sugar Terminals Limited
- SwepDri Limited

### Listing History of Securities

Listed Securities	June 2001	June 2002	June 2003	June 2004
Fully Paid Ordinary Shares	2	2	7	19
Partly Paid FPO shares	-	-	1	1
Preference Shares	-	8	3	3
Company Issued Options	-	-	1	3
Property Unit Trusts	-	-	1	1
<b>Total Listed Securities</b>	<b>2</b>	<b>10</b>	<b>13</b>	<b>27*</b>
Delisted Securities #	0	0	8	7 #

As at the date of this report there are 29 securities listed. # -Delisted securities includes 15 AWX Wine Class Preference shares.

### Financial Services Reform Act ("FSR")

During the year the company successfully completed the transition of its Australian Market Licence ("AML"). This entailed the NSX reviewing and updating its Listing and Business Rules as well as changing the structure of our Investor Compensation Arrangements. For more information on the new Investor Compensation Arrangements see the detailed section later in this report.

### Participants

The participants (i.e. brokers) offer services such as raising capital, trade execution, underwriting, research, investment advice and corporate advisory services. Their obligation to the exchange for each new listing is primarily as a sponsor where they are required to advise NSX as to whether the listed company has sufficient spread of shareholders as part of the listing.

The sponsor must also ensure that the *issuer* receives fair and impartial guidance and advice as to the application of the Listing Rules, that there is sufficient working capital in the group, that necessary disclosures have been made and that directors of the applicant have had explained to them the nature of their responsibilities and obligations as directors of a listed issuer. The directors must understand what is required of them to enable exiting holders of the issuer's listed securities and the public to appraise the position of the issuer and avoid the creation of a false market in its securities while they are listed.

During the year the following broker firms were admitted as participants:

- ABN AMRO Morgans Limited
- Bell Potter Securities Limited
- WHI Securities Pty Limited

The NSX acknowledges the support of its Participants in growing the capital market.

## Nominated Advisers

The responsibilities of a nominated adviser, which are owed to the Exchange, are to confirm to the Exchange in writing in such form as the Exchange may from time to time prescribe;

- 1) that in relation to any application for admission to the official list of the Exchange by an issuer:
  - a) the directors of the issuer have received advice and guidance (from the nominated adviser or other appropriate professional adviser) as to the nature of their responsibilities and obligations to ensure compliance with the Exchange rules;
  - b) to the best of the knowledge and belief of the nominated adviser, all relevant requirements of the Exchange's rules have been complied with;
- 2) that it will be available at all times to advise and guide the directors of the issuer as to their responsibilities and obligations to ensure compliance by the issuer on an ongoing basis with the Exchange's rules;
- 3) when it ceases to be the issuer's nominated adviser;
- 4) to provide to the Exchange such information in such form and within such time limits as the Exchange may require

During the year the following Nominated Advisers were recognized:

- Allens Arthur Robinson
- Athans Taylor Joondalup
- Clayton Utz
- Gilshenan & Luton Lawyers
- Hall Chadwick Sydney Partnership
- Hopgood Ganim Lawyers
- McCullough Robertson Lawyers
- T7 Capital
- Taylor Collison Limited
- WHI Securities Limited

Advisers may have additional responsibilities to their clients which are in addition to those responsibilities stated above. The NSX acknowledges the support of Nominated Advisers in increasing and improving the disclosure of listed entities.

## Trading & Settlement

Trading volumes continued to increase during the year, reflecting the increased number of securities. However volumes still remain low, due to the fact that NSX listed companies tend to be tightly held with fairly small registers.

The NSX continues to satisfy the needs of its customer base (listed entities, participants, advisers, and investors) by providing a market place for what otherwise would be illiquid securities. The NSX expects to grow the volume of trades by attracting more listings to the market.

The primary revenue driver for the NSX will be growth of listings rather than trading volumes.

**Trading Statistics**

	December 2000	June 2001	June 2002	June 2003	June 2004
Listed Securities (No.)	2	2	10	13	27
Market Capitalisation (\$m)	7.7	7.4	7.9	83.2	232
Volume Traded ('000 shares)	39	22.9	81.9	804.1	13,252
Value Traded (\$'000)	6	21.2	20.9	366.3	3,893
Average Share Price (\$)	0.16	0.93	0.26	0.46	0.29
Number of Trades (No.)	6	9	33	59	396

**Supervision & Compliance**

The NSX is supervised by the Australian Securities & Investments Commission ("ASIC") and is subject to an annual review as required by section 794C of the Corporations Act 2001.

Under the Australian Market Licence, the NSX's primary obligations are that the NSX conducts a fair, orderly and transparent market. It is an obligation placed on the directors of the NSX to ensure that the NSX has sufficient resources to meet its obligations.

As part of this role, the NSX reviews the trading activity and disclosure of its Listed Issuers as well as the operations of its Participants. For listed issuers, this means adherence to the continuous disclosure regime and also periodic disclosure as required by the Listing Rules so as to maintain an informed market. For Participants, this means adherence to the NSX Business Rules, adherence to high standards in trading and settlement of transactions, monthly submission of Surplus Liquid Funds reports and annual reviews by the NSX of Participant operations.

In line with the growth of the NSX market and in order to meet its supervisory and compliance activities, the NSX will require additional working capital, human resources and expansion of its technology platform over time.

**Technology**

The NSX is in discussions with the Australian Stock Exchange ("ASX") in regard to our future technology requirements, particularly in light of the ASX decision to proceed with the OM Click XT trading platform in the near future.

**ANNUAL GENERAL MEETING**

We look forward to seeing as many shareholders as possible at the Annual General Meeting on Friday 12 November 2004 at 11.00am at the Exchange's Office, Ground Floor, 384 Hunter Street, Newcastle 2300.

A Notice of Meeting and Proxy Form is included with this report. Please forward all proxy voting forms to NSX Limited, PO BOX 283, Newcastle, 2300.

# COMMITTEES

## Listing Committee

The role of the NSX listing committee is to review applications for listing by companies and only if the information is acceptable as being sufficient to ensure an informed market in the relevant securities will a recommendation be made to the NSX Board for acceptance of admissions to the Official List.

The NSX Board will, following a recommendation for acceptance of admission to the Official List, review the application to determine whether admission will be granted.

## Compliance and Audit Committee

The role of the committee is as follows:

- Review Listing Applications for compliance with the Listing Rules
- Recommend to the NSX Board waivers from Listing Rules and approval of Listing Applications as required
- Review and Monitor Participant obligations in accordance with the NSX Business Rules
- Make recommendations to the NSX Board concerning Participant obligations, breaches of NSX Business Rules and disciplinary action, including suspension and removal of Participant recognition.
- Review and Recommend to the Board activities associated with Financial Audit of the NSX and Controlled Entities.

The NSX Board has final determination of recommendations made by the Compliance and Audit Committee.

# GOVERNANCE

During the year the NSX Board has put in place measures to strengthen its Corporate Governance regime with the overall aim of meeting the ASX Corporate Governance Council Guidelines and best practice recommendations.

## Board Charter

The Board charter sets out the role, composition and responsibilities of the Board of NSX Limited ("NSX") within the governance structure of NSX and its wholly owned entities ("the NSX Group"). The conduct of the Board is also governed by the Constitution of NSX. The charter covers areas such as:

- Board Responsibilities
- Term of membership of the Board
- The role of the Chairman
- Separation of functions between Chairman and Chief Executive Officer
- Restriction on activities of Chief Executive Officer and Chairman
- The role of the Company Secretary
- Scope of activities of the Board
- Reporting by the Board

## Code of Ethics and Conduct

The NSX is committed to conducting its business in a way that is open and accountable to shareholders and the wider marketplace. We believe our corporate governance practices as a public company are of a high standard. The code of Ethics and Conduct applies to both directors and employees of NSX.

The objective of the Code is to ensure that:

- (a) high standards of corporate and individual behaviour are observed by all NSX directors and employees in the context of their employment and activities with NSX;
- (b) directors and employees are aware of their responsibilities to NSX under their contract of employment; and
- (c) all persons dealing with NSX whether it be directors, employees, shareholders, suppliers, customers or competitors can be guided by the stated values and policies of NSX.

The code covers such areas as:

- NSX's responsibilities to shareholders
- Care and Diligence
- Conflicts of Interest
- Confidentiality
- Fair Dealing
- Use of Company Assets
- Dealing Rules
- Privacy
- Monitoring and reporting of the code



## Corporate Governance Statement

In March 2003, the ASX Corporate Governance Council published the 'Principles of Good Corporate Governance and Best Practice Recommendations'. This publication is the basis for the NSX's own corporate governance statement.

During the year the NSX reviewed its existing policies and codified new policies in line with the published corporate governance guidelines. However, the NSX does not believe in a one size fits all approach and consequently has responded to the guidelines appropriately with respect to the size of its markets, the size of the entities listed on its markets and also the size of its business.

The statement document is structured along the same lines as the Council's guidelines, with sections dealing in turn with each of the Council's ten corporate governance principles as follows:

1. Lay solid foundations for management and oversight
2. Structure the board to add value
3. Promote ethical and responsible decision-making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Encourage enhanced performance
9. Remunerate fairly and responsibly
10. Recognise the legitimate interests of stakeholders

The various codes, policies and charters are available on request from the NSX.

## Dealing in Securities by Directors and Employees

The NSX is concerned with minimising conflicts of interest within its business. Conflicts which arise through dealing in securities listed on NSX Markets can potentially affect objective decision making within the group. The Dealing Rules are designed to assist in preventing breaches of the insider trading provisions of the Corporations Act. Ultimately, it is the responsibility of the employee or director to ensure that none of his or her dealings could constitute insider trading.

NSX employees and directors may have in their possession sensitive commercial information which could materially affect the value of financial products traded on NSX markets or on other markets (where such products are related to products traded on NSX markets), including NSX securities.

The suggestion of insider trading by an employee or director would do great harm to the employee/director and also to NSX irrespective of whether insider trading actually occurs or is proven. The Corporations Act 2001 prohibits insider trading in relation to financial products. The provisions are wide ranging and breaches are serious offences.

The procedures cover the following areas:

- Insider Trading Prohibition
- Other relevant Corporations Act provisions
- Dealing in Shares issued by NSX Limited and its controlled entities
- Prohibition on Dealing in Financial Products issued over NSX Shares by Third Parties
- Dealing in listed financial products traded on NSX's markets and other markets unrelated to NSX shares
- Related Parties & Relevant Interests
- Employment and Monitoring of Compliance

## Shareholder Communications Policy

NSX's Code of Conduct requires NSX and its employees to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment with NSX. The NSX commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach widely and communicate promptly. NSX commits to facilitating participation in shareholder meetings and dealing promptly with shareholder enquiries.

Our framework for communicating with shareholders is to concisely and accurately communicate:

- (a) our strategy;
- (b) how we implement that strategy; and
- (c) the financial results consequent upon our strategy and its implementation.

The communications policy covers the following areas:

- The NSX Commitment to our shareholders
- Disclosure Policy
- Insider Trading
- Financial Reporting
- Information about the NSX in the media
- Shareholder Meetings
- Correspondence and reports to Shareholders
- Shareholder Privacy

## Media and Promotions Policy

The NSX Media & Promotions Policy sets out the policy regarding the use of NSX trademarks, logos and corporate identity by others outside of the NSX. The policy demonstrates guidelines when the NSX corporate identity can and cannot be used. Organisations seeking use of NSX material should apply in writing to the NSX for permission.

The NSX Corporate Identity includes the following:

- NSX Logo and derivations
- NSX Website
- NSX Letter head and stationary
- NSX brochure and promotional material
- NSX Listing and Business Rules and associated intellectual property
- NSX Practice Notes

## COMPLAINT HANDLING

The Stock Exchange of Newcastle takes pride in providing the highest degree of market integrity. With this in mind, we welcome all efforts by the public to ensure that we maintain excellence in regulation.

Examples of situations where a complaint may be filed with the NSX are:

- Disclosure practices of NSX listed companies;
- Poor execution of an order by a Participant;
- Possible violations of operating rules by any Participant of NSX;
- NSX Listing or Business rules;
- Possible insider trading or market manipulation.
- Compensation arrangements
- Complaints about NSX Products and Services.

The NSX handles each complaint on its merits. The NSX only accepts complaints in writing outlining the complaint in full. Acknowledgement of the complaint is sent and the complaint is logged into the complaints register and given to the Complaints Officer for immediate attention. Progress updates are given concerning the status of the complaint and what action the NSX is undertaking to address the concerns.

Information about making complaints is available from the NSX website as well as a form for lodging a complaint.

## COMPENSATION ARRANGEMENTS

The NSX maintains investor confidence in the integrity of its markets by regulating the conduct of market participants and monitoring market activity for any irregularities. The Fidelity Fund provides a mechanism whereby retail clients of NSX Participants may claim recompense for losses under certain circumstances.

With the implementation of FSR the compensation arrangements for investors in NSX listed entities have been changed. From 11<sup>th</sup> March 2004 the NSX Fidelity Fund operates under Part 7.5 of the Corporations Act 2001 for the purpose of covering Division 3 losses specified by section 885C, but excluding losses under section 885D.

The *Exchange* shall, as long as it holds an Australian Market Licence, have arrangements in place that comply with the *Corporations Act* to compensate a client who has incurred losses of the following kind:

- (a) the client gave money or other property or authority over property to a person ("the defaulter")
  - (i) who was a *participant* of the *Exchange* at that time; or
  - (ii) who the client reasonably believed to be a *participant* of the *Exchange* at that time and who was a *participant* of the *Exchange* at some earlier time; and
- (b) the money or other property or the authority was given to the defaulter in connection with effecting a transaction or proposed transaction covered by the rules;
- (c) the effecting of the transaction through the market constitutes or would constitute the provision of a *financial service* to the client as a client; and
- (d) the client suffers a loss because:
  - (i) if the client gave the defaulter money or other property – the defalcation or fraudulent misuse of the money or other property by the defaulter; or
  - (ii) if the client gave the defaulter authority over property – the fraudulent misuse of that authority by the defaulter; or
  - (iii) the defalcation or fraudulent misuse of money or other property or authority over property by a settlement agent of the defaulter. Any such defalcation or fraudulent misuse is deemed to be the defalcation or fraudulent misuse of money or other property or authority over property by the defaulter, even though the settlement agent may have acted beyond its, express or implied, authority.

Information about the NSX Compensation Arrangements is available from the NSX website along with Practice Note #5: NSX Fidelity Fund. The Practice Note contains a form used for lodging claims against the fund. The NSX is obliged to maintain this arrangement for six months after the NSX ceases to hold an Australian Markets Licence

## INFORMATION ON DIRECTORS



**Top L-R:** Scott Evans (General Manager), Kel Clarke (Director), Paul Seymour (Director)  
**Bottom L-R:** Michael Cox (Director & CEO), Ray Whitten (Chairman), Mark Menzies (Director/Company Secretary)

**Raymond Laurence Whitten**, (56 years) is Chairman, is the principal of Whittens Solicitors. Mr Whitten has over 30 years experience as a commercial solicitor and has been the chairman of ASX listed companies as well as a director of a number of private companies. Whittens is a Nominated Adviser to the Stock Exchange of Newcastle Limited. Mr Whitten holds the following degrees; Bachelor of Arts (Sydney University 1969), Bachelor of Laws and Letters (Sydney University 1972), Master of Laws (University of Technology, Sydney 1993). Mr Whitten is an Accredited Specialist in Business Law and is a Notary Public.

**Michael Andrew Cox** (42 years) is a Director and Chief Executive Officer of the Company. Mr Cox has a background in stockbroking and has acted as a corporate consultant in mergers and acquisitions. Mr Cox is a Director of Public Companies. Mr Cox holds the following qualifications; Bachelor of Science (Sydney University 1987), Bachelor of Law and Letters (UTS 1991), Certificate of Accounting (TAFE 1987), Diploma of Gemmology (Gemmological Association of Aust 1984), Diploma of Diamond Technology (Gemmological Association of Australia 1987). Mr Cox is a Fellow of the Gemmological Association of Australia (FGAA) and a Member of the National Institute of Accountants.

**Francis Markham Menzies**, (59 years) is the Secretary and a member of the Fidelity Fund Committee of the company. Mark has been associated with J M Tonkin & Co (now called Tonkin Scorer Menzies) since 1968 and was admitted as a partner of the firm in 1989. Mark is Senior Partner of the stockbroking firm, Tonkin Scorer Menzies, a participant of Stock Exchange of Newcastle Limited, and a director of a number of private companies.

**Paul Ernest Seymour** (56 years) has held a number of senior positions in the securities industry over the past 30 years including Director of Operations at Salomon Smith Barney Australia Limited and was formerly a member of the Australian Stock Exchange Limited's National Adjudicatory Tribunal and the National Settlements Advisory Committee.

**Kelvin Arthur Clarke**, (62 years), B.Sc (tech), FAICD, a graduate of the University of Newcastle, Mr Clarke's career was within heavy industry in Australia and overseas attaining positions of CEO/MD of major Australian companies. Mr Clarke founded a company providing consulting services to a wide cross section of business and Government for 15 years. Mr Clarke's board experience s include participation on boards of public and private companies generally in the manufacturing and service sectors. Mr Clarke brings to the board expertise in meeting growth and profitability objectives within increasingly stringent Corporate Governance guidelines. Mr Clarke is also a director of Uniserve Corporation Ltd and on the Trustee Board of NSF Superannuation Fund.

## CORPORATE DIRECTORY

<b>DIRECTORS:</b>	Raymond Whitten (Chairman) Michael Cox (Chief Executive Officer) Paul Seymour F. Mark Menzies (Company Secretary) Kelvin Clarke
<b>COMPANY SECRETARY:</b>	F Mark Menzies
<b>GENERAL MANAGER</b>	Scott Evans
<b>REGISTERED OFFICE ADDRESS:</b>	Suite 3, Ground Floor 384 Hunter Street, Newcastle, NSW 2300.
<b>COMMUNICATIONS:</b>	Telephone: (02) 4929 6377 Facsimile: (02) 4929 1556 Email: <a href="mailto:mail@newsx.com.au">mail@newsx.com.au</a> Web Site: <a href="http://www.newsx.com.au">www.newsx.com.au</a>
<b>BANKERS:</b>	Westpac Bank 45 Hunter Street Newcastle NSW 2300
<b>AUDITORS:</b>	Lawler Partners 763 Hunter Street Newcastle West NSW 2300 Telephone (02) 4962 2688 Facsimile (02) 4962 3245
<b>SOLICITORS:</b>	Baker & McKenzie AMP Centre 50 Bridge Street, Sydney NSW 1223 Telephone (02) 9225 0100 Facsimile (02) 9223 7711
<b>SHARE REGISTRY</b>	Newcastle Capital Markets 10 Murray Street Hamilton NSW 2303 Telephone (02) 4920 2877 Facsimile (02) 4920 2878

## PARTICIPANTS AND NOMINATED ADVISERS

<b>PARTICIPANTS</b>	<ol style="list-style-type: none"> <li>1. ABN Amro Morgans Limited</li> <li>2. Bell Potter Securities Limited</li> <li>3. Cameron Stockbrokers Limited</li> <li>4. Citigroup Global Markets Australia Pty Limited</li> <li>5. Macquarie Equities Limited</li> <li>6. Pritchard &amp; Partners Pty Ltd</li> <li>7. Reynolds &amp; Company Pty Limited</li> <li>8. Tonkin Scorer Menzies</li> <li>9. Westpac Broking</li> <li>10. WHI Securities Pty Ltd</li> </ol>
<b>NOMINATED ADVISERS</b>	<ol style="list-style-type: none"> <li>1. Allens Arthur Robinson</li> <li>2. Athans &amp; Taylor Joondalup</li> <li>3. BKR Walker Wayland Services Pty Limited</li> <li>4. Clayton Utz</li> <li>5. Cameron Stockbrokers Limited</li> <li>6. Gilshenan and Luton Lawyers</li> <li>7. Hall Chadwick - Sydney Partnership</li> <li>8. Hopgood Ganim Lawyers</li> <li>9. Hunt &amp; Hunt Lawyers</li> <li>10. McCullough Robertson Lawyers</li> <li>11. PricewaterhouseCoopers Securities Ltd</li> <li>12. Pritchard &amp; Partners Corporate Finance</li> <li>13. Salmon Giles Pty Ltd</li> <li>14. Sparke Helmore Solicitors</li> <li>15. Taylor Collison Limited</li> <li>16. Venture Axess</li> <li>17. Walker Herceg Lawyers</li> <li>18. Westpac Institutional Bank</li> <li>19. WHI Securities Pty Ltd</li> <li>20. Whittens Lawyers &amp; Consultants</li> </ol>

## TOP 20 SHAREHOLDERS

The following additional information is provided for the benefit of shareholders.

### Classes of Shares

NSX has ordinary shares, partly-paid and options on issue.

### Distribution of Ordinary Shareholdings

Number of shares held	Number of Holders	Number of Shares	% of Issued Capital
1 – 5,000	15	47,003	0.30
5,001 – 10,000	3	30,000	0.19
10,001 – 100,000	53	1,598,000	10.36
100,001 – 1,000,000	13	6,045,000	39.20
Over 1,000,000	7	7,700,000	49.95
<b>Total</b>	<b>91</b>	<b>15,420,003</b>	<b>100.00%</b>

### Largest 20 Ordinary Shareholders

Holder	Number of Shares	% of issued capital
Arthur Ford Reynolds	1,100,000	7.13
The Estate of David Barry Rees	1,100,000	7.13
David John O'Halloran	1,100,000	7.13
Gregory Howard Walls	1,100,000	7.13
John Morcombe Tonkin	1,100,000	7.13
Paul Ernest Seymour	1,100,000	7.13
Steven Shane Pritchard	1,100,000	7.13
Accounting PC Training Pty Ltd	1,000,000	6.49
Barbary Coast Investments Limited	1,000,000	6.49
Francis Markham Menzies	997,000	6.47
Brendan Selby Scorer	970,000	6.29
Harry Howard Walls	940,000	6.10
Houghco Nominees Pty Ltd	203,000	1.32
DASI Investments Pty Limited	200,000	1.30
CAPX Limited	160,000	1.04
Jaronach Pty Limited	150,000	0.97
Rob International Pty Ltd	125,000	0.81
Commonwealth Custodial	100,000	0.65
T I S Pty Limited	100,000	0.65
WWE Investments Pty Limited	100,000	0.65
<b>Total</b>	<b>13,745,000</b>	<b>89.14%</b>



**Distribution of Partly Paid Shares Shareholdings (Paid to 1c)**

Number of shares held	Number of Holders	Number of Shares	% of Shares
1 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 1,000,000	2	1,500,000	100.00
Over 1,000,000	-	-	-
<b>Total</b>	<b>2</b>	<b>1,500,000</b>	<b>100.00%</b>

**Largest 20 Partly Paid Shareholders**

Holder	Number of Shares	% of shares
Steven Pritchard	750,000	50.00
Paul Seymour	750,000	50.00
<b>Total</b>	<b>1,500,000</b>	<b>100.00%</b>

**Distribution of Option Holders**

(exercise price \$1.00, Exercise Date: 30 June 2006, except Rees Pritchard Options exercise price \$0.25, Exercise Date 25 August 2008)

Number of options held	Number of Holders	Number of Options	% of Options
1 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	7	255,000	18.15
100,001 – 1,000,000	4	1,150,000	81.85
Over 1,000,000	-	-	-
<b>Total</b>	<b>11</b>	<b>1,405,000</b>	<b>100.00%</b>

**Largest 20 Option Holders**

(exercise price \$1.00, Exercise Date: 30 June 2006, except Rees Pritchard Options exercise price \$0.25, Exercise Date 25 August 2008)

Holder	Number of Options	% of Options
Robert Thomas	500,000	35.59
WWE Investments Pty Limited	350,000	24.95
Rees Pritchard Pty Limited	200,000	14.19
David O'Halloran	100,000	7.12
Allan Morris	50,000	3.56
Shirleen Morris	50,000	3.56
Presfan Pty Limited	50,000	3.56
Merrilyn Auton	30,000	2.13
John Dimkos	25,000	1.78
Chris Fellas	25,000	1.78
Enzo Pirillo	25,000	1.78
<b>Total</b>	<b>1,405,000</b>	<b>100.00%</b>

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NSX Limited  
and  
Controlled Entities  
ABN 33 089 447 058

Statutory Financial Report for Year Ended 30 June 2004

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**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2004.

**DIRECTORS**

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

<b>Name of Director</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
Warwick Williams Evans	29 June 2001	21 November 2003
Francis Markham Menzies	10 January 1994	
Steven Shane Pritchard	6 February 1997	21 November 2003
Paul Ernest Seymour	25 March 1998	
John Joseph O'Connor	3 February 2003	25 May 2004
Kelvin Arthur Clarke	21 November 2003	
Michael Andrew Cox	13 October 2003	
Raymond Laurence Whitten	13 October 2003	

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

**OPERATING RESULTS**

The consolidated operating loss of the economic entity for the financial year after providing for income tax amounted to \$270,694 (2003: loss of \$606,493).

**REVIEW OF OPERATIONS**

The company continued to increase listings and develop potential listings throughout the year. An increase in revenues and a decrease in operating expenditure for the year resulted in the consolidated loss of the economic entity decreasing to \$270,694 (2003: loss of \$606,493). The number of brokers who are participants have continued to increase as has the number of Nominated Advisors.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

With the implementation of Financial Services Reform Act the compensation arrangements for investors in exchange listed entities changed from March 2004. This resulted in a change to the way the Exchange's Compensation Arrangement was funded. No other significant change in the state of affairs of the company occurred during the financial year.

**PRINCIPAL ACTIVITY**

The principal activity of the economic entity during the financial year was the operation of a stock exchange.

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

**NSX LIMITED**  
**ABN 33 089 447 058**  
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**DIRECTORS' REPORT**

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**AFTER BALANCE DATE EVENTS**

A security deposit of \$250,000 in the form of a bank guarantee was provided by the economic entity to the Australian Stock Exchange Limited in prior years. In July 2004 the entity was notified that this deposit was no longer required. The refund of this deposit will provide the entity with additional working capital in the subsequent financial year.

**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.

**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.

**INFORMATION ON DIRECTORS**

**Warwick Williams Evans, (B.Com Ec)**, was the Chief Executive Officer and Chairman, of the company. 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 Chairman of the Securities & Derivates Industry Association of Australia, a Director of Murrays Australia Limited, and a Director of the Brandenburg Orchestra. Warwick resigned as a director on 21 November 2003.

**Francis Markham Menzies**, (59 years) is the Secretary and a member of the Fidelity Fund Committee of the company. Mark has been associated with J M Tonkin & Co (now called Tonkin Scorer Menzies) since 1968 and was admitted as a partner of the firm in 1989. Mark is Senior Partner of the stockbroking firm, Tonkin Scorer Menzies, a participant of Stock Exchange of Newcastle Limited, and a director of a number of private companies.

**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 a member of the Compliance Committee of the company. 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. Stephen resigned as a director on 21 November 2003.

**Paul Ernest Seymour**, (56 years) has held a number of senior positions in the securities industry over the past 30 years including Director of Operations at Salomon Smith Barney Australia Limited and was formerly a member of the Australian Stock Exchange Limited's National Adjudicatory Tribunal and the National Settlements Advisory Committee.

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**DIRECTORS' REPORT**

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**INFORMATION ON DIRECTORS (continued)**

**John Joseph O'Connor, (B. Com, CA)** member Financial Planners Association and member of the Compliance Committee of the company. John has been a partner of Forsythes since early 2000 and heads the Financial Planning Division. John is a Chartered Accountant and qualified Financial Planner, with 15 years experience in chartered accounting, tax and management consulting and many years of investment advisory experience. John resigned as a director on 25 May 2004.

**Raymond Laurence Whitten**, (56 years) Chairman, is the principal of Whittens Solicitors. Raymond has over 30 years experience as a commercial solicitor and has been the chairman of ASX listed companies as well as a director of a number of private companies. He is a Nominated Adviser to the Stock Exchange of Newcastle Limited. He holds the following degrees; Bachelor of Arts (Sydney University 1969), Bachelor of Laws and Letters (Sydney University 1972), Master of Laws (University of Technology, Sydney 1993). He is also an Accredited Specialist in Business Law and is a Notary Public and was appointed a director on 13 October 2003.

**Michael Andrew Cox**, (42 years) is Chief Executive Officer of the Company. Andrew has a background in stockbroking and has acted as a corporate consultant in mergers and acquisitions. He is a Director of Public Companies and holds the following qualifications, Bachelor of Science (Sydney University 1987), Bachelor of Law and Letters (UTS 1991), Certificate of Accounting (TAFE 1987), Diploma of Gemmology (Gemmological Association of Aust 1984), Diploma of Diamond Technology (Gemmological Association of Australia 1987). He is a Fellow of the Gemmological Association of Australia (FGAA) and a Member of the National Institute of Accountants and was appointed a director on 13 October 2003.

**Kelvin Arthur Clarke**, (62 years), B.Sc (tech), FAICD, after graduation After graduation from the University of Newcastle, Kel's career was within heavy industry gaining significant experience both with Australian and Overseas Companies achieving the position of CEO/MD of major Australian companies. He later established his own company and provided consulting services to a wide cross section of the business and Government areas for 15 years. During these years his Board experience widened, participating on several Boards of major and smaller companies generally in the manufacturing and service sectors. This provided involvement in working with public and private companies to meet growth and profitability objectives within increasingly stringent Corporate Governance guidelines. Currently his involvement is as a Director of Uniserve Corporation Ltd and on the Trustee Board of NSF Superannuation Fund in addition to his role with NSX Ltd. He was appointed a director on 21 November 2003.

**DIRECTORS' 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.

**NSX LIMITED**  
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**DIRECTORS' REPORT**

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**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.

**OPTIONS**

On 25 August 2003, the company granted 200,000 options to Rees Pritchard Pty Limited in partial settlement of an invoice for services rendered to the economic entity. The strike has been determined to be \$0.35 and exercise date 28 August 2008.

No other options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year. All previously issued options outstanding are exercisable at \$1.00 and expire on 30 June 2006.

**COURT PROCEEDINGS**

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

**MEETINGS OF DIRECTORS**

During the year, Directors Meetings, Special Meetings and Committee Meetings were held. Attendances were:

Name of Director	Directors Meeting		Special Meetings		Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Warwick Williams Evans	6	4	-	-	-	-
Francis Markham Menzies	13	13	1	1	-	-
Steven Shane Pritchard	6	6	-	-	3	3
Paul Ernest Seymour	13	11	1	1	-	-
John Joseph O'Connor	11	9	1	1	3	3
Kelvin Arthur Clarke	8	8	1	-	-	-
Michael Andrew Cox	10	10	1	1	-	-
Raymond Laurence Whitten	10	10	1	1	-	-



**NSX LIMITED  
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**DIRECTORS' REPORT**

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**INDEMNIFYING OFFICERS OR AUDITORS**

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditors of the company or any controlled 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:

The company has paid a premium to indemnify the directors and officers of the company and its controlled entities against liability incurred in their capacity of directors and officers. The amount of the premium paid was \$15,825.

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



**Michael Andrew Cox**  
Director



**Francis Markham Menzies**  
Director

Newcastle

Date 25 August 2004

**NSX LIMITED**  
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**AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**AS AT 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from ordinary activities	2	332,546	138,894	-	-
Depreciation and amortisation expenses	3	(42,673)	(75,349)	-	-
Borrowing costs expense	3	(7,357)	(1,329)	-	-
Doubtful debts expense	3	-	(4,620)	-	1,411,603
Diminution of investments expense	3	-	-	(1,622,899)	(1,464,606)
Consultancy fees		(3,857)	(79,184)	-	-
Compliance expenses		(50,876)	(50,619)	-	-
Legal expenses		(59,906)	(17,308)	-	-
Market trading expense		(135,050)	(126,005)	-	-
Employee benefits expense	3	(154,498)	(152,958)	-	-
Marketing and promotion expenses		(17,905)	(87,399)	-	-
Rental expenses	3	(33,701)	(30,550)	-	-
Other expenses from ordinary activities		<u>(97,417)</u>	<u>(120,066)</u>	<u>(8,000)</u>	<u>(10,253)</u>
Profit/(loss) from ordinary activities before income tax expense relating to ordinary activities		(270,694)	(606,493)	(1,630,899)	(63,256)
Income tax benefit/(expense) relating to ordinary activities	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit/(loss) from ordinary activities after income tax expense attributable to members of the parent entity		<u>(270,694)</u>	<u>(606,493)</u>	<u>(1,630,899)</u>	<u>(63,256)</u>
Total changes in equity of the entity other than those resulting from transactions with owners as owners		<u>(270,694)</u>	<u>(606,493)</u>	<u>(1,630,899)</u>	<u>(63,256)</u>

The accompanying notes form part of these financial statements

**NSX LIMITED**  
**ABN 33 089 447 058**  
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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	6	296,259	271,133	-	-
Receivables	7	15,634	2,206	-	-
Other assets	8	9,214	7,312	-	-
Other financial assets	9	700,000	116,568	-	-
<b>TOTAL CURRENT ASSETS</b>		<u>1,021,107</u>	<u>397,219</u>	<u>-</u>	<u>-</u>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	9	-	-	480,546	1,403,445
Property, plant and equipment	11	54,617	62,651	-	-
Intangible assets	12	480,546	506,763	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>535,163</u>	<u>569,414</u>	<u>480,546</u>	<u>1,403,445</u>
<b>TOTAL ASSETS</b>		<u>1,556,270</u>	<u>966,633</u>	<u>480,546</u>	<u>1,403,445</u>
<b>CURRENT LIABILITIES</b>					
Payables	13	48,826	107,470	21,750	13,750
Interest bearing liabilities	14	220,000	-	-	-
Tax liabilities	15	-	-	-	-
Provisions	16	11,680	12,705	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>280,506</u>	<u>120,175</u>	<u>21,750</u>	<u>13,750</u>
<b>TOTAL LIABILITIES</b>		<u>280,506</u>	<u>120,175</u>	<u>21,750</u>	<u>13,750</u>
<b>NET ASSETS</b>		<u>1,275,764</u>	<u>846,458</u>	<u>458,796</u>	<u>1,389,695</u>
<b>EQUITY</b>					
Contributed equity	17	4,038,332	3,338,332	4,038,332	3,338,332
Retained losses	18	(2,762,568)	(2,491,874)	(3,579,536)	(1,948,637)
<b>TOTAL EQUITY</b>		<u>1,275,764</u>	<u>846,458</u>	<u>458,796</u>	<u>1,389,695</u>

The accompanying notes form part of these financial statements

**NSX LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		308,348	166,259	-	-
Payments to suppliers and employees		(642,927)	(738,374)	-	-
Interest received		38,916	27,129	-	-
Borrowing costs paid		(7,357)	(1,329)	-	-
Income tax (paid) refunded		-	3,531	-	-
Net cash provided by (used in) operating activities	21(b)	<u>(303,020)</u>	<u>(542,784)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		-	250	-	-
Payment for property, plant and equipment		(8,422)	(10,788)	-	-
Net cash provided by (used in) investing activities		<u>(8,422)</u>	<u>(10,538)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from share issue		700,000	-	-	-
Proceeds from borrowings		220,000	-	-	-
Net cash provided by (used in) financing activities		<u>920,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held		608,558	(553,322)	-	-
Cash at beginning of year		387,701	941,023	-	-
Cash at end of year	21(a)	<u><u>996,259</u></u>	<u><u>387,701</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements

**NSX LIMITED**  
**ABN 33 089 447 058**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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**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 and the Corporations Act 2001.

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) Going Concern**

The ability of the company to continue on a going concern basis is dependant upon it generating future operating profits and cash surpluses, and its ability to obtain finance from banks and others as required to meet its future cash flow needs. The directors are confident that the company can obtain sufficient cash to meet its future needs. Accordingly the financial statements have been prepared on a going concern basis.

**(b) 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.

**(c) 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 2004**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) 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.

NSX Limited and its subsidiary companies have been consolidated for tax purposes under the Tax Consolidation System. NSX Limited is responsible for recognising the current and deferred tax assets and liabilities for the consolidated group. The group has notified the ATO on 26 September 2003 that it had formed an income tax consolidated group to apply from 1 July 2002. Currently no tax sharing agreement exists between the group companies.

**(d) 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 amounts 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%

**(e) Leases**

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) 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 investments' recoverable amount.

**(g) 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 the 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. This has occurred and accordingly, the carrying value at year end represents cost less accumulated amortisation in excess of 20 year basis.

**(h) 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.

**(i) 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.

**(j) Revenue**

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

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).

**NSX LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(l) Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The entity's management are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key difference in the economic entity's accounting policies which will arise from the adoption of IFRS is:

- *Impairment of Assets*

The entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of the pending AASB 136 Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

- *Goodwill on Consolidation*

Under the pending AASB 3 Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over a period of 20 years plus additional write downs where considered appropriate having regard to recoverable value.

- *Income Tax*

Currently, NSX Limited adopts the liability method of tax-effect accounting whereby the income tax expenses is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>NOTE 2: REVENUE</b>					
Operating activities					
- fees		279,462	106,512	-	-
- interest – other parties		42,625	27,129	-	-
- other income		10,459	5,003	-	-
Total		<u>332,546</u>	<u>138,644</u>	<u>-</u>	<u>-</u>
Non operating activities					
- proceeds on disposal of property, plant and equipment		-	250	-	-
Total revenue		<u>332,546</u>	<u>138,894</u>	<u>-</u>	<u>-</u>
<b>NOTE 3: LOSS FROM ORDINARY ACTIVITIES</b>					
Loss from ordinary activities before income tax expense has been determined after:					
(a) Expenses:					
Depreciation of non-current assets					
- plant and equipment		16,456	22,346	-	-
Amortisation of non-current assets					
- goodwill		26,217	53,003	-	-
Total depreciation and amortisation		<u>42,673</u>	<u>75,349</u>	<u>-</u>	<u>-</u>
Borrowing costs					
- director related entity		6,400	-	-	-
- other persons		957	1,329	-	-
Total borrowing costs		<u>7,357</u>	<u>1,329</u>	<u>-</u>	<u>-</u>
Bad and doubtful debts					
- trade debtors		-	4,620	-	-
- Loan – Stock Exchange of Newcastle		-	-	-	(1,411,603)
Total bad and doubtful debts		<u>-</u>	<u>4,620</u>	<u>-</u>	<u>(1,411,603)</u>
Employee benefits					
- Superannuation		12,658	11,431	-	-
- Wage expense		141,840	141,527	-	-
		<u>154,498</u>	<u>152,958</u>	<u>-</u>	<u>-</u>

**NSX LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>NOTE 3: LOSS FROM ORDINARY ACTIVITIES (continued)</b>					
Rental expense on operating lease					
- minimum lease payments		<u>33,701</u>	<u>30,550</u>	<u>-</u>	<u>-</u>
Write down of shares to recoverable amounts		<u>-</u>	<u>-</u>	<u>1,622,899</u>	<u>1,464,606</u>
Remuneration of auditors:					
- auditors' review – prior auditors		-	10,049	-	-
- auditors' review – current auditors		13,280	11,000	5,000	4,750
- other services – current auditors		<u>8,600</u>	<u>13,500</u>	<u>3,000</u>	<u>5,500</u>
Total remuneration of auditors		<u>21,880</u>	<u>34,549</u>	<u>8,000</u>	<u>10,250</u>
 (b) Revenue and net gains:					
Net gain (loss) on disposal of plant and equipment		-	(59)	-	-

**NSX LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

Notes	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 4: INCOME TAX EXPENSE</b>				
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% (2003 – 30%)	(81,209)	(181,948)	(489,270)	(18,977)
Add:				
Tax effect of:				
- amortisation of goodwill	7,865	-	-	-
- timing differences not recognised in the accounts	92,823	143,863	4,125	1
- diminution of investments	-	439,382	486,870	439,382
- non deductible amounts	-	22,184	-	3,075
- fines	420	-	-	-
Less:				
Tax effect of:				
- deductible items	(17,444)	-	(1,725)	-
- doubtful debts expense	-	(423,481)	-	(423,481)
- non assessable refunds	(2,455)	-	-	-
Income tax expense (benefit) attributable to profit from ordinary activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax losses not brought to account, the benefits will only be realised if the conditions for deductibility set out in Note 1(c) occur	<u>533,471</u>	<u>440,749</u>	<u>12,932</u>	<u>8,807</u>
<b>NOTE 5: DIVIDENDS</b>				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax	<u>86,495</u>	<u>94,678</u>	<u>86,495</u>	<u>94,678</u>
<b>NOTE 6: CASH ASSETS</b>				
Cash at bank	<u>296,259</u>	<u>271,133</u>	<u>-</u>	<u>-</u>

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>NOTE 7: RECEIVABLES</b>					
CURRENT					
Trade debtors		3,213	5,945	-	-
Other debtors		12,421	881	-	-
Provision for doubtful debts		-	(4,620)	-	-
		<u>15,634</u>	<u>2,206</u>	<u>-</u>	<u>-</u>

**NOTE 8: OTHER ASSETS**

CURRENT					
Prepayments		<u>9,214</u>	<u>7,312</u>	<u>-</u>	<u>-</u>

**NOTE 9: OTHER FINANCIAL ASSETS**

CURRENT					
Commercial bills		700,000	109,568	-	-
Deposits at call		-	7,000	-	-
		<u>700,000</u>	<u>116,568</u>	<u>-</u>	<u>-</u>

NON-CURRENT

Shares in controlled entities					
- at cost		-	-	2,411,603	1,711,603
- less provision		-	-	(1,931,057)	(308,158)
		<u>-</u>	<u>-</u>	<u>480,546</u>	<u>1,403,445</u>
At recoverable amount		<u>-</u>	<u>-</u>	<u>480,546</u>	<u>1,403,445</u>

**NOTE 10: CONTROLLED ENTITIES**

Subsidiary: Stock Exchange of Newcastle Limited  
Country of Incorporation: Australia  
Percentage owned: 100% (2003: 100%)

Subsidiary: NSX Services Pty Limited  
Country of Incorporation: Australia  
Percentage owned: 100% (2003: 100%)

Subsidiary: NSX Clearing Nominees Pty Limited  
Country of Incorporation: Australia  
Percentage owned: 100% (2003: 100%)

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	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>					
Plant and equipment – at cost		179,396	170,974	-	-
Less accumulated depreciation		(124,779)	(108,323)	-	-
Total plant and equipment		<u>54,617</u>	<u>62,651</u>	<u>-</u>	<u>-</u>

(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		62,651	74,518	-	-
Additions		8,422	10,788	-	-
Disposals		-	(309)	-	-
Depreciation expense		(16,456)	(22,346)	-	-
Carrying amount at the end of the year		<u>54,617</u>	<u>62,651</u>	<u>-</u>	<u>-</u>

**NOTE 12: INTANGIBLES**

Goodwill – at cost		1,420,711	1,420,711	-	-
Less accumulated amortisation		(940,165)	(913,948)	-	-
		<u>480,546</u>	<u>506,763</u>	<u>-</u>	<u>-</u>

**NOTE 13: PAYABLES**

CURRENT

Trade creditors		31,891	52,005	8,800	10,250
Sundry creditors		16,935	55,465	(800)	3,500
Payable from related party - Stock Exchange of Newcastle Limited		-	-	13,750	-
		<u>48,826</u>	<u>107,470</u>	<u>21,750</u>	<u>13,750</u>

**NOTE 14: INTEREST BEARING LIABILITIES**

CURRENT

Loan unsecured	20	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
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**NSX LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>NOTE 15: TAX LIABILITIES</b>					
CURRENT					
Income tax		-	-	-	-
<b>NOTE 16: PROVISIONS</b>					
CURRENT					
Employee benefits		11,680	12,705	-	-
(a) Aggregate employee benefits		11,680	12,705	-	-
(b) Number of employees at year end		3	2	-	-
<b>NOTE 17: CONTRIBUTED EQUITY</b>					
15,420,003 (2003 - 13,420,003) fully paid ordinary shares		4,023,313	3,323,332	4,023,332	3,323,332
1,500,000 (2003 - 1,500,000) ordinary shares paid to 1 cent		15,000	15,000	15,000	15,000
		<u>4,038,313</u>	<u>3,338,332</u>	<u>4,038,332</u>	<u>3,338,332</u>
(a) Fully paid ordinary shares					
At the beginning of the reporting period		3,323,332	3,323,332	3,323,332	3,323,332
- issue of 2,000,000 shares at 35cents each		700,000	-	700,000	-
At reporting date		<u>4,023,332</u>	<u>3,323,332</u>	<u>4,023,332</u>	<u>3,323,332</u>
		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At the beginning of the reporting period		13,420,003	13,420,003	13,420,003	13,420,003
- issue of 2,000,000 shares at 35 cents each		2,000,000	-	2,000,000	-
At reporting date		<u>15,420,003</u>	<u>13,420,003</u>	<u>15,420,003</u>	<u>13,420,003</u>

**NSX LIMITED**  
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**NOTE 17: CONTRIBUTED EQUITY (continued)**

On 25 August 2003 the Company issued 2,000,000 fully paid shares at 35 cents each.

Ordinary shares participate in dividends and the proceeds on winding up of the company 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.

	2004 \$	2003 \$	2004 \$	2003 \$
<b>(b) Partly paid ordinary shares</b>				
At the beginning of the reporting period	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
At reporting date	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At the beginning of the reporting period	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
At reporting date	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>

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 company 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 1,405,000 (2003 – 1,205,000) fully paid ordinary shares. Of these options 1,205,000 have an exercise price of \$1 and expire on 30 June 2006. These are exercisable at anytime until the expiry date at the discretion of the option holder. A further 200,000 options with an exercise price of 35 cents each were granted on 25 August 2003. These options will expire on 28 August 2008.

**NOTE 18: RETAINED PROFITS**

Retained profits (losses) at the beginning of the financial year	(2,491,874)	(1,885,381)	(1,948,637)	(1,885,381)
Net profit (loss) attributable to the members	<u>(270,694)</u>	<u>(606,493)</u>	<u>(1,630,899)</u>	<u>(63,256)</u>
Retained profits (losses) at the end of the financial year	<u>(2,762,568)</u>	<u>(2,491,874)</u>	<u>(3,579,536)</u>	<u>(1,948,637)</u>

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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	Notes	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>NOTE 19: CAPITAL AND LEASING COMMITMENTS</b>					
(a) Operating lease commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Payable					
- not later than one year		36,484	35,422	-	-
- later than 1 year but not later than 5 years		5,932	42,416	-	-
		<u>42,416</u>	<u>77,838</u>	<u>-</u>	<u>-</u>

The property lease is a non-cancellable lease with a three-year term, with 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 extend for two years to the Stock Exchange of Newcastle Limited and termination notice of 12 months.

**NOTE 20: 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

	13	-	-	13,750	-
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Share registry fees:

- Steven Pritchard as a director of Newcastle Capital Markets Pty Limited.

	2,400	2,400	-	-
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**NOTES TO THE FINANCIAL STATEMENTS**  
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	Notes	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>NOTE 20: RELATED PARTY TRANSACTIONS (continued)</b>					
Rees Pritchard Pty Limited, an accounting firm associated with Steven Pritchard provided accounting services and compliance committee services to the Stock Exchange of Newcastle Limited on normal commercial terms and conditions		1,200	53,612	-	-
Consulting work paid to an associate of WWE Investments – IXION Pty Ltd		-	25,250	-	-
Forsythes Accountants, an accounting firm in which John Joseph O'Connor is a partner was paid an amount for the services provided by John Joseph O'Connor to the NSX Compliance Committee		8,079	9,370	-	-
Cameron Stockbroking Limited, a firm in which Steven Shane Pritchard is a director reimbursed Stock Exchange of Newcastle an amount for a share of trade exhibition expense incurred jointly with the Stock Exchange of Newcastle Limited		-	1,845	-	-
Trading fees paid by directors-related companies:					
- Cameron Stockbroking Limited		176	420	-	-
- Pritchard & Partners Pty Limited		33	80	-	-
- Tonkin Scorer Menzies		1,127	50	-	-

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	Notes	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>NOTE 20: RELATED PARTY TRANSACTIONS (continued)</b>					
Nominated Advisor fees paid by director-related companies:					
- Cameron Stockbroking Limited		1,100	1,100	1,100	1,100
- Pritchard & Partners Pty Limited		1,100	1,100	1,100	1,100
Loan advanced to Stock Exchange of Newcastle Limited by Accounting P.C. Training Pty Limited, a company in which Michael Andrew Cox is a director and shareholder. This loan is for a fixed term and interest is charged at 10% per annum on the outstanding balance.	14	220,000	-	-	-
Remuneration paid to director's relative in their capacity as a part-time employee of the economic entity, rates of pay is in accordance with appropriate award		6,310	3,801	-	-
Options were allocated to the following director-related parties during the year:					
		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
- Rees Pritchard Pty Limited (a company related to Stephen Pritchard). The exercise price is 35 cents. These options are exercisable before 28 August 2008.		200,000	-	200,000	-
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 2004 were:					
Shares: (2004 – 5,400,002) fully paid ordinary shares					
(2004 – 1,500,000) partly paid shares					
(2004 – 550,000) share options					

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

		Economic Entity		Parent Entity	
Notes	2004	2003	2004	2003	
	\$	\$	\$	\$	

**NOTE 21: CASH FLOW INFORMATION**

(a) Reconciliation of Cash

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

Cash	6	296,259	271,133	-	-
Commercial bill	9	700,000	109,568	-	-
Deposits at call	9	-	7,000	-	-
		996,259	387,701	-	-

(b) Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax:

Profit/(loss) from ordinary activities after income tax		(270,694)	(606,493)	(1,630,899)	(63,256)
<i>Non-cash flows in profit from ordinary activities:</i>					
Amortisation		26,217	53,003	-	-
Depreciation		16,456	22,346	-	-
Write down to recoverable amount		-	-	1,622,899	1,464,606
Net (gain)/loss on disposal of plant and equipment		-	59	-	-
Provision for doubtful debts		-	4,620	-	(1,411,603)
<i>Changes to assets and liabilities:</i>					
(Increase)/decrease in receivables		(13,428)	43,877	-	-
(Increase)/decrease in other assets		(1,902)	846	-	-
Increase/(decrease) in payables		(58,644)	(67,536)	8,000	10,253
Increase/(decrease) in provisions		(1,025)	2,963	-	-
Increase/(decrease) in income tax payable		-	3,531	-	-
Cash flows from operations		(303,020)	(542,784)	-	-

**NSX LIMITED  
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AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

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**NOTE 21: CASH FLOW INFORMATION (continued)**

(c) Credit Stand-by Arrangements and Loan Facilities

The company has a loan facility of up to \$250,000 from Barbary Coast Investments Pty Limited a director related entity. The interest rate on this facility is 12% p.a. payable on a daily basis. The maturity date on this facility is 31 December 2004. None of this facility has been drawn down as at 30 June 2004.

The company has a loan facility of up to \$350,000 from Accounting P.C. Training Pty Limited a director related entity. The interest rate on this facility is 10% p.a. payable on a daily basis. The maturity date on this facility is 30 June 2005. \$220,000 of this facility has been drawn down as at 30 June 2004.

**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS**

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

**Parent Entity Directors**

Raymond Whitten	Chairman — Non-Executive (Appointed 8 October 2003)
Michael Cox	CEO — Director — Executive (Appointed 8 October 2003)
F Mark Menzies	Company Secretary — Director — Non Executive
Paul Seymour	Director — Non Executive
Kelvin Clarke	Director — Non Executive (Appointed 21 November 2003)
Steven Pritchard	Director — Non Executive (Resigned 21 November 2003)
John O'Connor	Director — Non Executive (Resigned 25 May 2004)
Warwick Evans	Chairman and CEO — Director — Executive (Resigned 21 November 2003)

**Specified Executives**

Scott Evans	General Manager
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**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(b) Parent Entity Directors' Remuneration

2004

	Primary				Post Employ- ment	Equity	Other *	Total
	Salary, Fees & Commission s	Super- annuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Raymond Whitten</i>	-	-	-	-	-	-	-	#
<i>Michael Cox</i>	-	-	-	-	-	-	4	4
<i>Mark Menzies</i>	-	-	-	-	-	-	-	-
<i>Kelvin Clarke</i>	-	-	-	-	-	-	-	-
<i>Paul Seymour</i>	-	-	-	-	-	-	1	1
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	2	2
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	-	-
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-	-	-	-	8	8
<b>Total</b>	-	-	-	-	-	-	15	15

\* Other includes remuneration as part of the Compliance Committee and director related payments including reimbursement of expenses. '#' indicates amounts less than \$500. Amounts are rounded to nearest \$1,000. The service and performance criteria set to determine remuneration are included per Note (h).

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**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(b) Parent Entity Directors' Remuneration

2003	Primary				Post Employ- ment	Equity	Other *	Total
	Salary, Fees & Commission s	Super- annuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Raymond Whitten</i>	-	-	-	-	-	-	-	-
<i>Michael Cox</i>	-	-	-	-	-	-	-	-
<i>Mark Menzies</i>	-	-	-	-	-	-	-	-
<i>Kelvin Clarke</i>	-	-	-	-	-	-	-	-
<i>Paul Seymour</i>	-	-	-	-	-	-	2	2
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	54	54
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	-	-
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-	-	-	-	9	9
<b>Total</b>	-	-	-	-	-	-	65	65

\* Other includes remuneration as part of the Compliance Committee and director related payments including reimbursement of expenses. '#' indicates amounts less than \$500. Amounts are rounded to nearest \$1,000. The service and performance criteria set to determine remuneration are included per Note (h).

(c) Specified Executives' Remuneration

2004	Primary				Post Employ- ment	Equity	Other	Total
	Salary & Fees	Super- annuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Scott Evans</i>	85	8	-	-	-	-	-	93

The service and performance criteria set to determine remuneration are included per Note (h).

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**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(c) Specified Executives' Remuneration (continued)

2003	Primary			Post Employ-	Equity	Other	Total
	Super- annuation Salary & Fees	Cash Contribution Bonus	Non-Cash Benefits	ment Superannuation	Options		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Scott Evans</i>	85	8	-	-	-	-	93

The service and performance criteria set to determine remuneration are included per Note (h).

(d) Remuneration Options

**Options Granted As Remuneration**

	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date	Terms & Conditions for each Grant		
					First Exercise Price	Exercise Date	Last Exercise Date
<b>Parent Entity Directors</b>							
<i>Raymond Whitten</i>	-	-	-	-	-	-	-
<i>Michael Cox</i>	-	-	-	-	-	-	-
<i>Mark Menzies</i>	-	-	-	-	-	-	-
<i>Kelvin Clarke</i>	-	-	-	-	-	-	-
<i>Paul Seymour</i>	-	-	-	-	-	-	-
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	-
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	-	-	-	-	-	-	-
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-	-	-	-	-
<b>Specified Executives</b>							
<i>Scott Evans</i>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

All grants of options vest after one year uninterrupted service in respect of executive directors and five years full service with respect to employees. The service and performance criteria set to determine remuneration are included per Note (h).

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**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(e) Shares Issued on Exercise of Remuneration Options

**Options Granted As Remuneration**

	No. of ordinary shares issued	Amount paid per share	Amount unpaid per share
<b>Parent Entity Directors</b>			
<i>Raymond Whitten</i>	-	-	-
<i>Michael Cox</i>	-	-	-
<i>Mark Menzies</i>	-	-	-
<i>Kelvin Clarke</i>	-	-	-
<i>Paul Seymour</i>	-	-	-
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	-	-	-
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	-	-	-
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-
<b>Specified Executives</b>			
<i>Scott Evans</i>	-	-	-
<b>Total</b>	-	-	-



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**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(f) Options and Rights Holdings

Number of options held by Specified Directors & Executives

	Balance 1.7.03	Granted as Remun- eration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable	Total Unexercis- able
<b>Parent Entity Directors</b>								
<i>Raymond Whitten</i>	-	-	-	-	-	-	-	-
<i>Michael Cox</i>	-	-	-	-	-	-	-	-
<i>Mark Menzies</i>	-	-	-	-	-	-	-	-
<i>Kelvin Clarke</i>	-	-	-	-	-	-	-	-
<i>Paul Seymour</i>	-	-	-	-	-	-	-	-
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	-	-	-	200,000	200,000	-	-	-
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	350,000	-	-	-	350,000	-	-	-
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-	-	-	-	-	-
<b>Specified Executives</b>								
<i>Scott Evans</i>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

The net change other reflected above includes those options that have been forfeited by holders as well as options issued during the year.

Scott Evans has had approved by the Board the issue of 20,000 options. The options have not yet been issued and the exercise price and date are still to be determined.

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 22: REMUNERATION AND RETIREMENT BENEFITS (continued)**

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.04
<b>Parent Entity Directors</b>					
<i>Raymond Whitten</i>	-	-	-	1,000,000	1,000,000
<i>Michael Cox</i>	-	-	-	1,000,000	1,000,000
<i>Mark Menzies</i>	1,100,000	-	-	-	1,100,000
<i>Kelvin Clarke</i>	-	-	-	-	-
<i>Paul Seymour</i>	1,100,001	-	-	-	1,100,001
<i>Steven Pritchard</i> <i>(resigned 21 November 2003)</i>	1,100,001	-	-	-	1,100,001
<i>Warwick Evans</i> <i>(resigned 21 November 2003)</i>	100,000	-	-	-	100,000
<i>John O'Connor</i> <i>(resigned 25 May 2004)</i>	-	-	-	-	-
<b>Specified Executives</b>					
<i>Scott Evans</i>	5,000	-	-	-	5,000
<b>Total</b>	<b>3,405,002</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>5,405,002</b>

\* Net Change other refers to shares purchased or sold during the financial year.

**(h) Remuneration Practices**

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The directors have resolved not to be paid while the NSX is in its formative stages. The Directors' are allowed to claim reimbursement for expenses incurred when acting on behalf of the NSX. Directors' are allowed to claim remuneration approved by the Board of Director as a member of the NSX Compliance Committee.

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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**NOTE 23: FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates.

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

*Bank Accounts and Investments*

The economic entity's general bank account was subject to interest at the market variable rate being 1.50% (2003 - 1.00%) as at 30 June 2004.

The 11am term deposit was subject to an interest rate of 4.75% (2003 - 4.00%) as at 30 June 2004.

The commercial bill facility was subject to an interest rate of 4.75% (2003 - 5.04%) as at 30 June 2004.

*Borrowings*

The director's loan was subject to a fixed interest rate of 10% p.a. on the balance outstanding as at 30 June 2004. This rate will apply for the remaining period of the loan agreement.

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 statement of financial position and the notes to the financial statements, is the carrying amount of those assets net of any provision for doubtful debts.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

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

The net fair value approximates the carrying value of financial assets and liabilities of the economic entity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements

**NOTE 24: SEGMENT REPORTING**

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

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2004**

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**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.

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.

**NOTE 26: STOCK EXCHANGE OF NEWCASTLE LIMITED FIDELITY FUND**

As at 30 June 2004 the Stock Exchange of Newcastle Limited Fidelity Fund had a balance of \$163,415 (2003 - \$193,415). 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 company by the Australian Stock Exchange Limited.

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.

**NOTE 28: SUBSEQUENT EVENTS**

A security deposit of \$250,000 in the form of a bank guarantee was provided by the economic entity to the Australian Stock Exchange Limited in prior years. Since the end of the financial year the entity was notified that this deposit was no longer required. The refund of this deposit will provide the entity with additional working capital in the new financial year.

**NOTE 29: COMPANY DETAILS**

The registered office and principal place of business is:

Ground Floor, Suite 3,  
384 Hunter Street  
Newcastle NSW 2300

**NSX LIMITED**  
**ABN 33 089 447 058**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

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The directors of the company declare that:

1. the statement of financial performance, statement of financial position, statement of cash flows and notes are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and economic entity;
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.

Signed for and on behalf of the directors:



**Michael Andrew Cox**  
Director



**Francis Markham Menzies**  
Director

Newcastle

Date 25 August 2004



**NSX LIMITED  
ABN 11 000 902 063  
AND CONTROLLED ENTITIES**

**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 2004 comprising the statement of financial performance, statement of financial position, statement of cash flows, notes to the financial statements and directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or during the financial year. 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 in Australia 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 NSX Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

*Lawler Partners*

**LAWLER PARTNERS**  
Chartered Accountants

Newcastle

Date *25 August 2004*

*J. J. Abela*

**JEFFREY JOSEPH ABELA**  
Partner

**Assurance & Risk Management** ABN 94 643 293 067

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Liability Limited by the Accountant  
Scheme, approved under the profess  
Standards Act 1994 (NSW).

an independent member of  
**BAKER TILLY**  
INTERNATIONAL