



ANNUAL REPORT



L I M I T E D

ABN 33 089 447 058

FOR THE YEAR ENDED 30TH JUNE 2006



NSX LIMITED
AND
CONTROLLED ENTITIES

ABN 33 089 447 058

ANNUAL REPORT
FOR THE YEAR ENDED
30TH JUNE 2006



CORPORATE DIRECTORY

DIRECTORS

Ian Mansbridge
Michael Cox
Hugh Robertson

COMPANY SECRETARY

Scott Evans

SENIOR EXECUTIVES

Scott Evans
General Manager
Ian Craig
Companies Manager

PRINCIPAL REGISTERED OFFICE

Suite 3, Ground Floor
384 Hunter Street,
Newcastle, NSW 2300.
Telephone: (02) 4929 6377
Facsimile: (02) 4929 1556

WEB ADDRESSES

www.nsx.net.au
www.newsx.com.au
www.bsx.com.au
www.bsxtaximarket.com.au
www.wollongongexchange.com.au

BANKERS

Westpac Banking Corporation
45 Hunter Street
Newcastle NSW 2300
www.westpac.com.au

SOLICITORS

Baker & McKenzie
AMP Centre
50 Bridge Street,
Sydney NSW 1223
www.bakernet.com

AUDITORS

Lawler Partners
763 Hunter Street
Newcastle West NSW 2302
www.lawlerpartners.com.au

SHARE REGISTRY

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Correspondence to:
PO Box R67
Royal Exchange
Sydney NSW 1223
registries@registriesltd.com.au
www.registriesltd.com.au

ANNUAL GENERAL MEETING

We look forward to seeing as many shareholders as possible at the 7th Annual General Meeting on Thursday 26th October 2006 at 11am at Innovation @ 257, Level 1, 257 Collins Street, Melbourne, Victoria, 3000.

A Notice of Meeting and Proxy Form is included with this report. Please forward all proxy voting forms to Registries Limited, PO Box R67, Royal Exchange, Sydney, NSW 1223.

Dear Shareholders,

With pleasure I present, on behalf of the Board of Directors, the 7th Annual Report for NSX Limited and Controlled Entities.

The details are included in the attached Directors' Report on Operations. Highlights include:

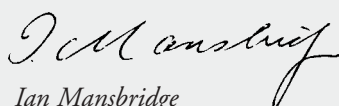
- *Significant expansion of listings from 73 to 104 securities;*
- *Completion and execution of a unique contract establishing the trading in Melbourne CBD Taxi Licences;*
- *Integration of the Bendigo Stock Exchange;*
- *Signing a joint venture with COM-AgEx to establish a derivatives exchange;*
- *Replacement of the NSX SEATS based trading engine with a system provided by OMX.*

The above challenges during the year were significant for a small but ambitious exchange. The basic equation that NSX, with the support of its stakeholders, needs to satisfy is attracting more listings by attracting more advisers and brokers. Attractiveness to a market like NSX is through the value that advisers and brokers can add to their clients, the tradeability that companies can provide their investors and the capital that companies can raise to achieve their goals. NSX is demonstrating these value propositions to the various stakeholders.

The challenge for the current financial year is to ensure that NSX increases the number of listings, brokers and advisers operating in its markets. The appointment of a new Chief Executive, also, will lead the organisation to greater heights. I would like to thank Michael Cox for his tireless effort in leading the organisation to date and handing a good business over to a new CEO. Michael will stay on as a Director of the company.

Lastly, I would like to thank my fellow Directors and the staff for their active participation and input during the year.

Yours sincerely,



*Ian Mansbridge
Chairman*

Date: 1 September 2006



CHIEF EXECUTIVE OFFICERS' REPORT

REVIEW OF OPERATIONS

The Directors are pleased to report the consolidated results of NSX Limited (NSX) and its controlled entities for the financial year ended 30 June 2006. NSX Limited incorporates two Australian Market Licencees (Stock Exchanges) trading as the Stock Exchange of Newcastle Limited (SENL), Bendigo Stock Exchange Limited (BSX) and BSX Taxi Markets.

PROFIT AND LOSS

The Company incurred a loss after tax of \$754,082 (2005: loss of \$2,986,761). The Directors chose not to impair the goodwill of the Cash Generating Units due to the improvements in the Stock Exchange of Newcastle Limited and Bendigo Stock Exchange Limited business units as well as the ongoing project work on the COM-AgEx derivatives exchange. The operating loss comprised the full effect of the integration of the SENL and BSX business units which is substantially complete. Revenue increased by 112% from \$779,722 to \$1,650,740 reflecting the increase in listings, the full year effect of the Taxi Market revenue and general activity of the Cash Generating Units. Earnings per share (EPS) has improved from (10.42) cents per share to (1.53) cents per share.

MISSION STATEMENT

To provide a vehicle to assist issuers to:


- list, trade and settle their securities;
- access capital via the participant (broker) network;
- comply with the Listing, Business Rules and Corporations Act; and
- transition to other capital markets if they so desire,

in an orderly, transparent and high integrity environment.

HIGHLIGHTS

The highlights for the year include:

- Integration of Bendigo Stock Exchange operations.
- Number of listings grow from 73 (June 2005) to 104 (June 2006).
- New brokers joined.
- New advisers joined.
- Contract signed with OMX for the implementation of a new trading system (system went live on 18th August 2006)

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- Wollongong Exchange initiative created the Wollongong Exchange steering committee to direct marketing activities.
 - Signing of a contract with the Victorian Government establishing the trading in Victorian CBD Taxi Licences. The market went live on 28th March 2006 (www.bsxtaximarket.com.au)
 - Increased trading volumes

REVENUE AND COST DRIVERS

There are specific revenue drivers and cost drivers that are generally common to any exchange. NSX's financial model is as follows:

NSX's business model is driven by application and listing fees and not by trading fees. The costs of the business tend to be fixed, with technology, compliance, regulation and retention of skilled staff being the dominant cost drivers. Revenue tends to be variable, dependent on economic conditions influencing consumer sentiment about the share market in general and IPOs in particular.

PRODUCTS AND SERVICES

NSX Limited operates stock exchanges and trading markets in Australia. In particular the NSX operates the Newcastle Stock Exchange or NSX Corporate Exchange, the Bendigo Stock Exchange or NSX Alternative Exchange and the BSX Taxi Market.

NSX Corporate Exchange

NSX Corporate Exchange is a Stock Exchange set up and managed specifically to cater for the listing of small to medium enterprises.

NSX Alternative Exchange

NSX Alternative Exchange, also provides an efficient and effective listing platform. However, it concentrates on developing markets for an alternative range of products, such as community based organisations and other products requiring a low cost trading environment.

BSX Taxi Markets (www.bsxtaximarket.com.au)

BSX Services, a wholly owned subsidiary of NSX Limited has developed a trading platform for the trading of Taxi Licences in Victoria. The Licence Trading Market has been designed and developed in conjunction with the Victorian Government and industry bodies. The Victorian Government has passed legislation and has developed regulations that require that transactions involving metropolitan taxi cab licences must be either processed through, or notified to, a market. The processing or notification will only be effected through an approved broker. The Taxi Market started trading on 28th March 2006.

Wollongong Exchange (www.wollongongexchange.com.au)

NSX signed a Heads of Agreement with Wollongong City Council and the Illawarra Business Chamber to promote Exchange services in the region. The services will be promoted as the Wollongong Exchange and will operate as a sub-board under the same operating rules of the NSX Corporate Exchange. During the year a steering committee was established to promote the initiative.

New Business Initiatives – COM-AgEx

Early in 2006, NSX signed a joint venture agreement with COM-AgEx to establish a derivatives exchange. The entity will utilise BSX Limited and the companies listed on BSX will be transitioned to the markets operated by the Stock Exchange of Newcastle Limited. The first task of the venture is to establish operating rules and submit these to ASIC as Ministerial consent is required before a new Australian Market Licensee can operate.

LISTING HISTORY OF SECURITIES

LISTED SECURITIES	AS AT JUNE 2001	AS AT JUNE 2002	AS AT JUNE 2003	AS AT JUNE 2004	AS AT JUNE 2005 ⁽²⁾	AS AT JUNE 2006
Fully Paid Ordinary Shares	2	2	7	19	55	81
Partly Paid Ordinary Shares	-	-	1	1	1	1
Preference/Debt Securities	-	8	3	3	3	0
Company Issued Options	-	-	1	3	7	15
Property Trusts	-	-	1	1	7	7
TOTAL LISTED SECURITIES	2	10	13	27⁽¹⁾	73⁽²⁾	104
Delisted Securities (1)	0	0	8	7	4	11

Notes: (1) Delisted securities includes Preference Shares, securities that have transitioned to the ASX and securities that have expired e.g. options.

(2) Includes Bendigo Stock Exchange figures for full financial year 2005.

LISTED ENTITIES (ISSUERS ONLY)

COMBINED MARKETS			
COMPANY	INDUSTRY	COMPANY	INDUSTRY
Australian Property Systems Limited	Property Services	Brumby's Bakeries Holdings Limited	Food Retail
Baribunma Holdings Limited	Manufacturing	Capilano Honey Limited	Food Producer
Bidgee Finance Limited	Financial Services	Queensland Paulownia Forests Limited	Forestry
Betta Stores Limited	Retail	State Development Fund Limited	Investment
BBX Property Investment	Investment	Bendigo Telco Limited Fund Limited	Telecommunications
Brewtopia Limited	Brewing	State Development Fund Limited	Investment
Bell IXL Investments Limited	Investment	Victorian Livestock Exchange	Agricultural Services
Concentrated Capital Limited	Explorer	APN Regional Property Fund	Property Trust
Cosmedics Australia Limited	Medical	Blue Tower Trust	Property Trust
Chew Yak Mong – Synerpac Limited	Wholesale	Leyshon Property Fund No.3	Property Trust
Crossland Uranium Limited	Explorer	PFA Diversified Property Trust	Property Trust
Florin Mining Investment Company Limited	Investment	Acacia Ridge Financial Services	Financial Services

COMBINED MARKETS (continued)			
COMPANY	INDUSTRY	COMPANY	INDUSTRY
Growth Platform Limited	Waste	Augusta & Districts Community	Financial Services
Heritage Gold NZ Limited	Explorer	Bellarine Peninsula Community	Financial Services
Illuminator Investment Company Limited	Investment	Berowra & District Financial Services	Financial Services
International Building Industries Limited	Manufacturing	Balmain / Rozelle Financial Services	Financial Services
JAB Technology Limited	Technology	Clifroy Limited	Financial Services
King Equipment Limited	Industrial	Doncaster East Community Finan (DCE)	Financial Services
Mt Rommel Mining Limited	Explorer	Ettalong Beach Financial Services	Financial Services
Octanex NL Services	Explorer	East Gosford & Districts Financial Services	Financial Services
Pritchard Equity Limited	Investment	East Invanhoe Comm Corporation	Financial Services
Pegmont Mines Limited	Explorer	Emu Park & District Fin Services	Financial Services
Pacific Turbine Brisbane Limited	Industrial	Fremantle Comm Financial Services	Financial Services
Quantum Syndicate Management Limited	Property Trust	Goodwood/Highgate Community Financial Services	Financial Services
Rattoon Holdings Limited	Investment	Gympie & District Financial Services	Financial Services
Sugar Terminals Limited	Infrastructure	Heathcote & District Financial	Financial Services
Vet Biotechnology Limited	Biotechnology	Heyfield & District Community	Financial Services
Hobsons Bay Comm Financial Services	Financial Services	Winpar Holdings Ltd	Investment
Logan Community Financial Services	Financial Services	Yang Yang China Limited	Biotech
Inverlock & District Financial Services	Financial Services	Community Financial Services Vic	Financial Services
Mandurah Community Financial Services	Financial Services	Mareeba Comm Financial Services	Financial Services
Meander Valley Financial Services	Financial Services	North Ryde Community Finance Limited	Financial Services
Pinjarra Comm Financial Services	Financial Services	Rockingham Community Financial Services	Financial Services
Redcliffe Peninsula Financial Services	Financial Services	Rosewood & District Financial Services	Financial Services
Redlands Comm Financial Services	Financial Services	Rye & District Community Financial Service	Financial Services
South Burdekin Community Financial Services	Financial Services	Sarina and District Community	Financial Services
Sandringham Comm Financial Services	Financial Services	Sunshine Coast Community Financial Services	Financial Services
Tongala and District Financial	Financial Services	Toodyay & Districts Community	Financial Services
Tuggeranong Valley Financial	Financial Services	Warburton Community Financial Services	Financial Services
Yarraman Financial Services	Financial Services		

PARTICIPANTS AND BROKERS ON NSX CORPORATE AND NSX ALTERNATIVE EXCHANGES

NSX permits licensed organisations, such as stockbrokers, to apply to become Participants of SENL or BSX. Participants offer services such as raising capital, trade execution, underwriting, research, investment advice and corporate advisory services. The obligation of each Participant to NSX for each new listing is primarily as a sponsor, including assisting the listing applicant to obtain sufficient spread of shareholders and cash requirements.

NSX Participants, in their sponsor role, must also ensure that the issuer receives fair and impartial guidance and advice as to the application of NSX Listing Rules, that the company or group has sufficient working capital, that necessary disclosures have been made to NSX, and that directors of the applicant have had explained to them (by their Nominated Advisers) the nature of their responsibilities and obligations as directors of a listed issuer. The directors must understand what disclosure is required to provide existing holders of the issuer's listed securities and the public with sufficient information to analyse the position of the issuer and avoid the creation of a false market in the issuers' securities while they are listed.

PARTICIPANTS

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

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

NOMINATED ADVISERS ON NSX CORPORATE EXCHANGE

NSX permits organisations to apply to become Nominated Advisers to NSX. By becoming a Nominated Adviser these organisations facilitate the listing process onto NSX by ensuring and confirming to NSX:

1. that in relation to any application for admission to the official list of the NSX market 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 NSX rules;
 - (b) to the best of the knowledge and belief of the Nominated Adviser, all relevant requirements of NSX rules have been complied with; and
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 NSX's rules.

NOMINATED ADVISERS ON NSX CORPORATE EXCHANGE (CONT.)

NOMINATED ADVISORS

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

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

NSX acknowledges the support of its Nominated Advisers in growing the capital market.

FACILITATORS ON NSX CORPORATE EXCHANGE

In addition to Participants and Nominated Advisers, NSX has a register of Facilitators. Facilitators do not have a legal responsibility to NSX but consult to companies seeking to access our market in order to assist them in preparing to become a listed public company.

FACILITATORS:

Frontier Capital Pty Limited	SIBCO Australia Pty Limited
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NSX acknowledges the support of its Facilitators in growing the capital market.

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.

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. NSX expects to grow the volume of trades by attracting more listings to the market.

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

TRADING STATISTICS

	AS AT JUNE 2002	AS AT JUNE 2003	AS AT JUNE 2004 ⁽¹⁾	AS AT JUNE 2005	AS AT JUNE 2006
Listed Securities (No.)	10	13	27	73	104
Market Capitalisation (\$m)	7.9	83.2	232.0	564.0	812.0

	FY02	FY03	FY04	FY05	FY06
Volume Traded ('000 shares)	81.9	804.1	13,252	47,303	51,143
Value Traded (\$'000)	20.9	366.3	3,893	18,604	15,174
Number of Trades (No.)	33	59	396	1,754	1,514
Average Volume Per Trade ('000 shares)	2.5	13.6	33.5	27.0	33.8
Average Price Per Share (\$)	\$0.25	\$0.45	\$0.29	\$0.39	\$0.30

(1) from 2005 figures include BSX data

SUPERVISION & COMPLIANCE

NSX Exchanges are supervised by the Australian Securities & Investments Commission ("ASIC") and are subject to an annual review as required by section 794C of the Corporations Act 2001. Under the Australian Market Licence, NSX's primary obligations are that NSX conducts a fair, orderly and transparent market. It is an obligation placed on the Directors of NSX to ensure that NSX has sufficient resources to meet its obligations.

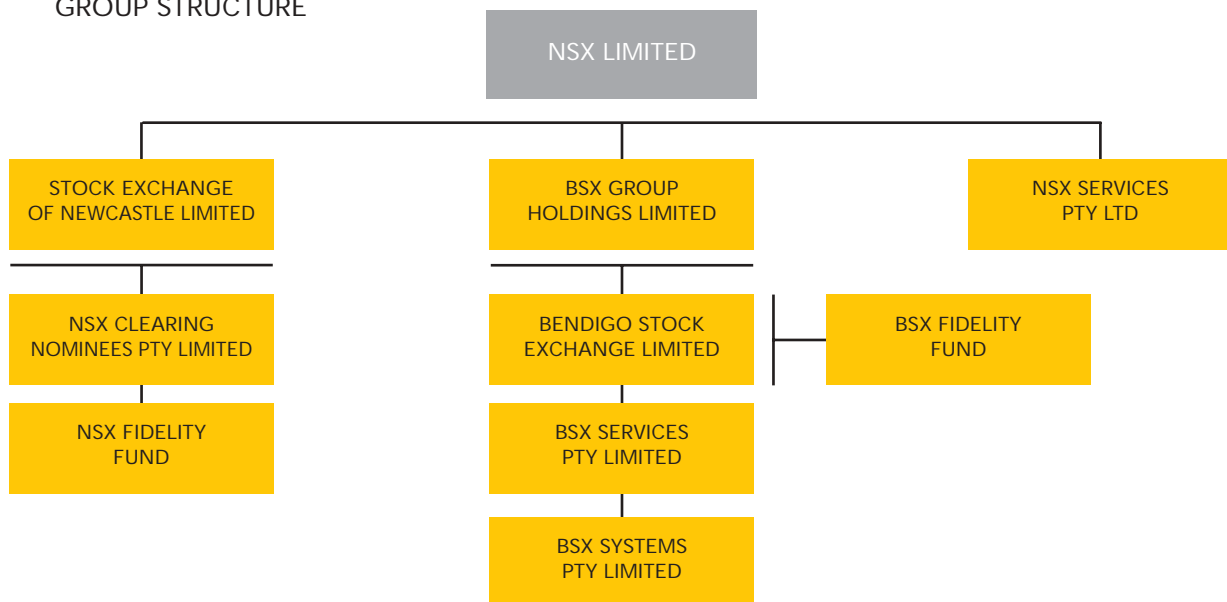
As part of this role, NSX reviews the trading activity and disclosure of its Listed Issuers as well as the operations of its Participants. For listed issuers, this means adherence to the continuous disclosure regime and also periodic disclosure as required by the Listing Rules so as to maintain an informed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

TECHNOLOGY

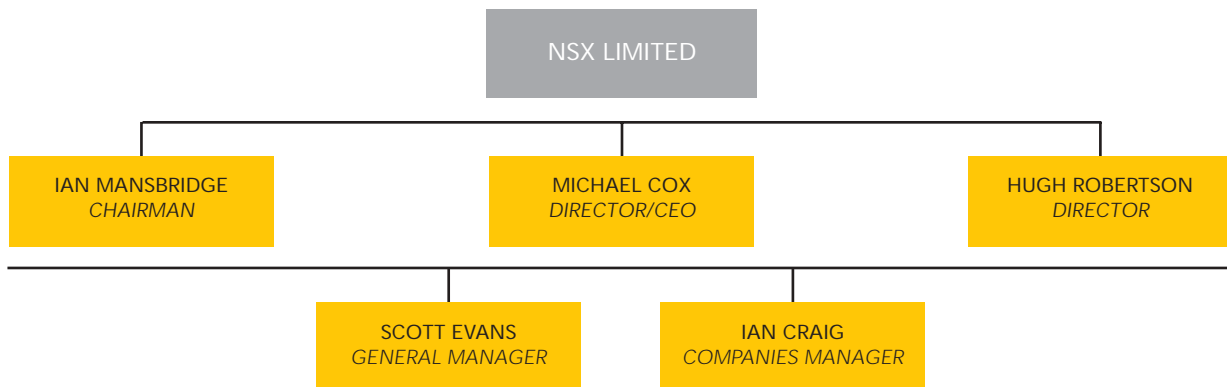
During the year NSX finalised its arrangements with OMX to supply a new trading system. Changing a trading system has been one of the largest projects undertaken by NSX and was completed on time with the system going live on 18th August 2006. Implementing a new system means that the SEATS system will be decommissioned. The system integrates the trading of both the NSX and BSX markets on the one trading platform.

NSX is a recognised Participant in the ASTC CHESS system for the settlement of trades.

GROUP STRUCTURE



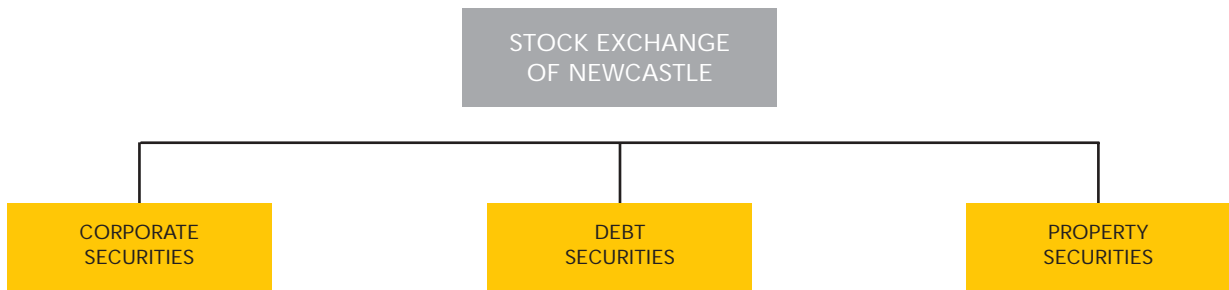
MANAGEMENT STRUCTURE



MARKET STRUCTURES

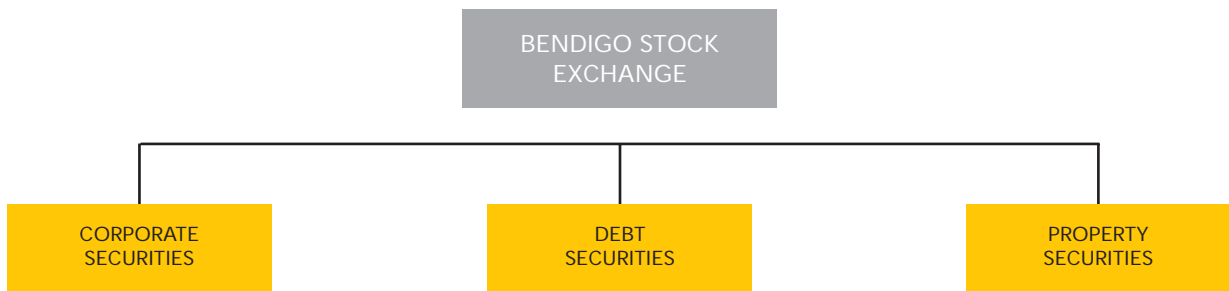
NSX CORPORATE EXCHANGE:

Stock Exchange of Newcastle (www.newsx.com.au)



NSX ALTERNATIVE EXCHANGE:

Bendigo Stock Exchange (www.bsx.com.au)





COMMITTEES

The following outlines some of the committees operating within the NSX Group.

The NSX and BSX markets share the same committees.

LISTING AND ADMISSIONS COMMITTEE

The role of the NSX Listing and Admissions Committee is to review applications for listing by companies, participants, nominated advisers and facilitators. Only if the information provided is accepted as being sufficient to ensure an informed market in the relevant securities will a recommendation for admission to the Official List be made.

COMPLIANCE COMMITTEE

The role of the committee is as follows:

- Review Listing Applications for compliance with the Listing Rules;
- Recommend waivers from Listing Rules;
- 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.

NSX operates with an independent Compliance Officer whose responsibilities are to Chair the Compliance Committee, report to the NSX Board on Compliance matters and report to ASIC on Compliance matters as required.



GOVERNANCE

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.

CORPORATE GOVERNANCE COMPLIANCE SUMMARY

Listing Rule 4.10.3 requires companies to include a statement in their annual report that outlines the extent to which it has followed the ASX Corporate Governance Council's ten "Principles of Good Corporate Governance" (Principles) and the twenty-eight "Best Practice Recommendations" (Recommendations) (together referred to as the Guidelines).

For convenience, the measures adopted to ensure compliance with the Guidelines are presented in a tabular format below. In most cases, NSX has adopted the Guidelines per se, however where this has not been possible NSX has highlighted the steps taken to ensure compliance with the intent or 'spirit' of the Guidelines.

The following table summarises NSX compliance with ASX Corporate Governance Council's guidelines. Shaded sections are Guidance Principles, white sections are NSX's response.

PRINCIPLE	COMPLIANCE	REFERENCES
Principle 1	Lay solid foundations for management and oversight	
Recommendation 1.1	Formalise & disclose the functions reserved to the Board & those delegated to management.	
NSX Response	The NSX Board Charter sets out the role, composition and responsibilities of the Board of the NSX within the governance structure of NSX and its wholly owned entities. The Charter also provides for the strict separation of roles as between the Chairman and Chief Executive Officer.	NSX Board Charter NSX Corporate Governance Statement
Principle 2	Structure the Board to add value	
Recommendation 2.1	A majority of the Board should be independent directors	
NSX Response	The NSX Board consists of 3 directors, including Chairman – Ian Mansbridge, Chief Executive Officer – Michael Cox and Hugh Robertson. Applying the independence test outlined in the Principles, the NSX considers that both the Chairman and Hugh Robertson are independent directors. The independence of the board is further supported by adherence by the board to various policy documents. These documents require that: (a) new directors inform the board of any perceived bias or conflicts of interest, (b) serving directors bring any potential conflicts of interests to the notice of the board prior to the commencement of each meeting, and (c) any conflicted director will absent him or her self from voting on that particular matter.	NSX Code of Ethics and Conduct NSX Corporate Governance Statement NSX Conflicts of Interest Policy Procedures for the maintenance of the conflicts of interest register Procedures for appointment of new directors or senior officers to NSX

PRINCIPLE	COMPLIANCE	REFERENCES
Recommendation 2.2	The chairperson should be an independent director	
NSX Response	The chairperson is an independent director.	Board Charter
Recommendation 2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	
NSX Response	The NSX Board Charter makes it clear that the roles of Chairman and Chief Executive Officer are to be separate and distinct.	Board Charter
Recommendation 2.4	The Board should establish a nomination committee	
NSX Response	<p>The board should establish a nomination committee</p> <p>At present a board of three carries out all the obligations of a nomination committee.</p> <p>As noted above, the board already consists of a majority of independent directors and so the board is of the view that it is in a position to provide a transparent procedure for the selection and appointment of new directors.</p> <p>The selection of new board members is guided by the procedures for appointment of new directors and senior officers to NSX. This document requires a formal process to be followed when recruiting new directors this involves among other things, ASIC database checks, police checks and notification of appointment to ASIC as per section 792B of the Corporations Act.</p>	<p>Procedures for the maintenance of the conflicts of interest register</p> <p>Procedures for appointment of new directors or senior officers to NSX</p> <p>Board Charter</p> <p>Corporations Act (s792B)</p>
Recommendation 2.5	Provide the information indicated in Guide to reporting on Principle 2.	
	(i) The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report	
NSX Response	The skills experience and expertise relevant to the position of director held by each director in office at the date of the annual report is outlined elsewhere in this report.	Annual Report

PRINCIPLE	COMPLIANCE	REFERENCES
	ii) The names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds.	
NSX Response	<p>Independent directors are Ian Mansbridge and Hugh Robertson.</p> <p>The Board has adopted AASB standard 1031 to determine levels of materiality. A relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10%, of revenue over a 12 month period in the absence of evidence or convincing argument to the contrary.</p> <p>However, in terms of the NSX Australian Market Licence these directors are not independent as Ian Mansbridge is a related party to a substantial shareholder (more than 5% of shares held) and Hugh Robertson is a director of a market Participant.</p> <p>Nevertheless, for Corporate Governance issues they are considered independent.</p>	NSX Board Charter
	iii) A statement as to whether there is a procedure agreed by the Board of Directors to take independent professional advice at the expense of the company.	
NSX Response	There is procedure for directors to take independent professional advice at the expense of the company, following confirmation by the chairperson and/or the full board.	NSX Constitution NSX Board Minutes NSX Board Charter
	iv) The term of office held by each director in office at the date of the annual report.	
NSX Response	The term of office of each director is disclosed elsewhere in this report.	Annual Report
	(v) The names of members of the nomination committee and their attendance at meetings of the committee.	
NSX Response	The board constitutes the nomination committee; attendance of meetings is disclosed elsewhere in this report.	Annual Report – Board Meetings
	(vi) Description of the procedure for the selection and appointment of directors.	
NSX Response	As outlined in the procedures for appointment of new directors or senior officers to NSX, this involves the board carrying out formal ASIC and police checks in addition to reviewing the skill and experience backgrounds of the applicant to ensure that the board continues to be properly resourced to serve the interests of NSX shareholders.	Procedures for appointment of new directors or senior officers to NSX



PRINCIPLE	COMPLIANCE	REFERENCES
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Principle 3	<p>Promote ethical and responsible decision making</p> <p>Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:</p> <p>3.1.1 The practices necessary to maintain confidence in the company's integrity</p> <p>3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p>	
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NSX Response	<p>NSX has put in place a number of procedures and policy documents to guide the directors and CEO in making ethical and responsible decisions.</p> <p>The NSX Code of Ethics and Conduct requires that all directors and employees uphold high standards honesty, fairness and equity in all aspects of their employment and or association with NSX.</p> <p>Additionally, the procedures for dealing in securities sets out the rules relating to dealings by employees and directors in financial products traded on NSX markets. The procedures restate the Corporations Act prohibition on insider trading, improper use of inside information and the prohibition on making gains by improper use of position.</p> <p>The procedures also place prohibitions on employees and directors in dealing with NSX Limited shares at certain times of the year.</p>	<p>Procedures for appointment of new directors or senior officers to NSX</p> <p>Procedures for dealing in securities by Directors, Officers and Employees of NSX</p> <p>NSX Code of Ethics and Conduct</p> <p>NSX Conflicts of Interest Policy</p> <p>Procedures for dealing in securities by Directors, Officers and Employee of NSX</p>
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Recommendation 3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	
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NSX Response	<p>The prohibitions on employees and directors in dealing with NSX shares relate to trading at certain times of the year including the 5 week period preceding the announcement of (a) the annual results, and (b) the half yearly results.</p> <p>At all times, NSX employees and directors must not deal in NSX shares without first completing and forwarding a Notification Form to Deal in NSX Shares to either management or the board.</p> <p>Only in exceptional circumstances will approval to trade during a non-trading period be given, for example a pressing financial commitment, in such circumstances approval maybe given by: the General Manager, or if absent the CEO. Board members must seek the permission of the Chairman. Permission must be gained in advance.</p>	<p>Procedures for dealing in securities by Directors, Officers and Employees of NSX</p>
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PRINCIPLE	COMPLIANCE	REFERENCES
Recommendation 3.3	Provide the information indicated in Guide to reporting on Principle 3.	
NSX Response	NSX will publish on its web site the NSX Code of Ethics and Conduct in addition to Procedures for dealing in securities by Directors, Officers and Employees of NSX.	NSX Website
Principle 4	Safeguard integrity in financial reporting	
Recommendation 4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	
NSX Response	The CEO states in writing that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition.	Board Charter Board Minutes
Recommendation 4.2	The Board should establish an audit committee.	
NSX Response	<p>NSX accepts the importance of safe guarding the integrity of its financial reporting systems. The Board sees that this obligation requires conduct at two levels.</p> <p>First, it requires the Board to take steps to maintain the integrity of its reporting systems that is with respect to being properly resourced to produce relevant reports. Secondly, this requirement obligates NSX to adopt strategies to verify and safeguard the integrity of those financial reports.</p> <p>At present, the Board is of the view that the Board is itself in a position to carry out the role of audit committee and that it is not necessary to create a separate body to carry out this role.</p> <p>It considers that the Board is of sufficient size, independence and possesses sufficient technical accounting and commercial expertise to ensure NSX carries out its reporting obligations.</p> <p>The integrity of NSX financial reporting is promoted by the following:</p> <ol style="list-style-type: none"> 1. The board consists of 3 directors, a majority of which are independent. 2. The chairperson, who is an independent director, chairs all audit related meetings. 3. The CEO has significant accounting experience and expertise. 	Board Charter



PRINCIPLE	COMPLIANCE	REFERENCES
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4. NSX is not so large as to warrant resources beyond that of the existing board being utilised.
5. As NSX continues to develop the sophistication of its markets and business structure the board will reassess its position in relation to its reporting safe guards.
6. NSX issues quarterly reports (Appendix 4C) which are Audit reviewed.

Recommendation 4.3	Structure the Audit Committee so that it consists of: only non-executive directors, a majority of independent directors, an independent chairperson, who is not chairperson of the board, at least three members	
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NSX Response	See point 4.2. NSX board carries out the role of an audit committee and thus a majority of independent directors are involved in making decisions with respect to audit issues.	Board Charter
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Recommendation 4.4	The Audit Committee should have a formal charter	
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NSX Response	<p>The NSX board in its role as audit committee is guided by both the NSX Corporate Governance Statement and the Board Charter.</p> <p>These documents outline the steps NSX takes to ensure adherence to its reporting obligations. For instance, the NSX undertakes an annual audit of its financial performances according to Corporations Act 2001 requirements. Furthermore, NSX has appointed an independent Compliance Officer and is audited each year by ASIC to ensure satisfactory compliance with its licence obligations to provide a market that is fair, orderly and transparent.</p> <p>The documents also outline NSX approach in using both internal and external auditors to ensure ongoing compliance with its statutory obligations. The external auditor conducts financial audits while at the internal level the NSX General Manager reviews NSX systems and processes based on the Management Review Report provided by the company auditor.</p> <p>Significantly, the Charter provides that minutes are kept of all meetings, including meetings relating to audit functions and that these minutes are signed by the Chairman or the chairman of the meeting.</p> <p>The Charter also provides guidance to the Board with regard to the nature record keeping necessary to support the NSX audit function. The Charter requires that a statement of director's interests is circulated and updated at each meeting.</p>	<p>NSX Corporate Governance Statement</p> <p>Board Charter</p>
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PRINCIPLE	COMPLIANCE	REFERENCES
Recommendation 4.5	Provide the information indicated in Guide to reporting on Principle 4.	
NSX Response	<p>NSX director details are provided in the Annual report as are the directors' board meeting attendance record.</p> <p>The Board Charter and Procedures relating to the selection of directors will be made available on the NSX web site</p>	Annual report
Principle 5	Make timely and balanced disclosure	
Recommendation 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for compliance with these obligations.	
NSX Response	<p>The Compliance Plan 2006 is designed to ensure that company announcements are made in timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.</p> <p>The plan provides a 'road map' of NSX compliance with its disclosure obligations. Including the obligation to:</p> <ol style="list-style-type: none"> 1. provide quarterly cash flow report for each of the next 8 quarters after listing or until profitable. 2. Provide half yearly reports. 3. Notify ASX of release of escrow securities 4. Comply with continuous disclosure regime. 5. Provide a half yearly report to ASX in the statutory format 6. Where applicable, comply with the ASX Corporate Governance Council's guidelines on corporate governance. 	Compliance Plan 2006
Recommendation 5.2	Provide the information indicated in Guide to reporting on Principle 5.	
NSX Response	NSX will provide on its web site a summary of the policies and procedures designed by NSX to guide NSX compliance with the above mentioned Listing Rule disclosure requirements.	Annual report
Principle 6	Respect the rights of shareholders	
Recommendation 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	
NSX Response	The NSX Shareholder Communications Policy states that the NSX is committed to timely and accurate disclosure of information to shareholders.	NSX Shareholder Communications Policy



PRINCIPLE	COMPLIANCE	REFERENCES
	<p>As outlined in the Policy NSX carries out its obligations to inform its shareholders by doing the following:</p> <ol style="list-style-type: none"> 1. maintaining and regularly updating its web site, 2. making available both electronic and hard copy versions of annual reports to shareholders, 3. operating a free email newsletter service where shareholders and members of the public can subscribe by entering in their email address, 4. accepting nominations for the board of NSX that are made to the Company Secretary in accordance with the NSX constitution, 5. strictly applying the Procedures for the Dealing in Securities by Directors and Employees, 6. corresponding periodically with all shareholders to update them on the company's activities and progress. 	
<p>Recommendation 6.2</p>	<p>Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.</p>	
<p>NSX Response</p>	<p>The external auditor attends the annual general meeting and is available to answer shareholder questions.</p>	<p>Notice of Meeting Board Policy</p>
<p>Principle 7</p>	<p>Recognise and manage risk</p>	
<p>Recommendation 7.1</p>	<p>The board or appropriate board committee should establish policies on risk oversight and management.</p>	
<p>NSX Response</p>	<p>As stated in the NSX Corporate Governance Statement, NSX Compliance Officer, has responsibility for reviewing the compliance and risk management framework and policies within NSX, while the Board assesses compliance and risk associated with the NSX.</p>	<p>NSX Corporate Governance Statement Board Charter Compliance Plan</p>
<p>Recommendation 7.2</p>	<p>7.2 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the board in writing that:</p> <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements policies adopted by the board</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>	
<p>NSX Response</p>	<p>NSX has adopted a policy of requiring the Chief Executive Officer to state to the Board in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.</p>	<p>NSX Corporate Governance Statement</p>

PRINCIPLE	COMPLIANCE	REFERENCES
Recommendation 7.3	Provide the information indicated in Guide to reporting on Principle 7.	
NSX Response	<p>NSX risk management policy.</p> <p>NSX takes its risk obligations responsibility seriously and has put in place appropriate means of risk and compliance management applicable to the size of its markets and business.</p> <p>The Board assesses compliance and risk associated with the NSX.</p> <p>Risk is broadly considered anything that may impede the achievement of effective market operation and NSX's strategic goals. NSX also considers the security of its people, buildings and technology systems as part of organisational risk management.</p> <p>NSX has adopted a policy requiring the Chief Executive Officer to state to the Board in writing to the best of his/her knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.</p>	Corporate Governance Statement
Principle 8	Encourage enhanced performance	
Recommendation 8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	
NSX Response	<p>As stated in the Corporate Governance Statement, prior to the end of each financial year, the Board agrees to its key result areas (KRAs) and performance targets against each KRA. After each financial year, an analysis is presented to the Board for their discussion setting out performance against the KRAs.</p> <p>The Board has access to the resources of the Company Secretariat and also approves the appointment or removal of the Company Secretary on the advice of management. The Secretariat is responsible for providing reference files and monthly Board papers to each director, ensuring that management provides content in adequate detail. The Company Secretary is also responsible and accountable to the Board on all NSX governance matters.</p>	Corporate Governance Statement
Principle 9	Remunerate fairly and responsibly	
Recommendation 9.1	<p>Provide disclosure in relation to the company's remuneration policies to enable investors to understand</p> <p>(i) the costs and benefits of those policies and</p> <p>(ii) the link between remuneration paid to directors and key executives and corporate performance.</p>	



PRINCIPLE	COMPLIANCE	REFERENCES
NSX Response	NSX Board has responsibility for the remuneration of directors and employees. A separate remuneration committee does not exist at present. A remuneration policy is being formulated by the Board. Fees paid are outlined in Annual Report.	Annual Report
Recommendation 9.2	The board should establish a remuneration committee.	
NSX Response	The external auditor attends the annual general meeting and is available to answer shareholder questions.	
Recommendation 9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	
NSX Response	<p>Non-executive director's remuneration is determined by the Board. Normally this is a fixed retainer. However the board has waived non-executive director fees.</p> <p>The CEO has in place an employment agreement, agreed to by the board.</p> <p>Executive remuneration is reviewed and determined by the Board.</p>	Board Policy
Recommendation 9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	
NSX Response	Currently there is no equity based remuneration.	Board Policy
Recommendation 9.5	Provide the information indicated in Guide to reporting on Principle 9.	
NSX Response	See note 23	Annual report
Principle 10	Recognise the legitimate interests of stakeholders	
Recommendation 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	
NSX Response	<p>NSX has a diverse range of stakeholders and has a number of measures in place that recognize their interests.</p> <p>The NSX Code of Ethics and Conduct guides compliance with legal requirements and ethical responsibilities. The Code also sets a standard for employees dealing with NSX's obligations to other external stakeholders. The Code applies equally to employees, executives and directors.</p> <p>NSX's Code formally addresses the privacy of information given to NSX, conflict escalation, occupational health and safety, and Trade Practices Act compliance training for relevant staff.</p>	NSX Code of Ethics and Conduct



DEALING IN SECURITIES BY DIRECTORS AND EMPLOYEES

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
- NSX Listed Badge



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 websites as well as a form for lodging a complaint.







NSX LIMITED
AND
CONTROLLED ENTITIES

ABN 33 089 447 058

STATUTORY
FINANCIAL REPORT FOR YEAR
ENDED 30 JUNE 2006





Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2006.

DIRECTORS

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

NAME OF DIRECTOR		
Ian Mansbridge	Chairman	Appointed 11/5/2005
Michael Cox	Chief Executive Officer	Appointed 13/10/2003
Hugh Robertson	Non-Executive Director	Appointed 23/2/2006
Raymond Whitten		Resigned 7/3/2006
Mark Menzies		Resigned 7/3/2006
Paul Seymour		Resigned 7/3/2006
Kelvin Clarke		Resigned 7/3/2006
Dudley Chamberlain		Resigned 20/1/2006

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

COMPANY SECRETARY

Mr Scott Francis Evans was appointed company secretary on 7 March 2006. Mr Evans has been General Manager of NSX since September 2001. Mr Evans was appointed company secretary on 7 March 2006 on the retirement of Francis Markham Menzies. Mr Evans has a B.Ec (hons) degree from Adelaide university and has previously worked for the Australian Stock Exchange as National Manager, Information Products and for Reuters PLC as Historical Database Manager, Asia. Mr Evans has extensive experience in the finance industry, in managing companies and reviewing NSX listed entities compliance with the listing rules. Mr Evans' responsibilities with the NSX also encompass, finance, market surveillance, compliance, trading, settlement, technology and business operations.

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.

OPERATING RESULTS

The consolidated operating loss of the economic entity for the financial year after providing for income tax amounted to \$754,082 (2005: loss of \$2,986,761).

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.

REVIEW OF OPERATIONS

The Company incurred a loss after tax of to \$754,082 (2005: loss of \$2,986,761). The Directors chose not to impair the goodwill of the Cash Generating Units (CGU) due to the improvements in the Stock Exchange of Newcastle Limited and Bendigo Stock Exchange Limited business units as well as the ongoing project work on the COM-AgEx derivatives exchange. The operating loss comprised the full effect of the integration of the SENL and BSX business units which is substantially complete. Revenue increased by 112% from \$779,722 to \$1,650,740 reflecting the increase in listings, the full year effect of the Taxi Market revenue and general activity of the CGU's. Earnings per share (EPS) has improved from (10.42) cents per share to (1.53) cents per share.

FINANCIAL POSITION

The net assets of the economic entity have decreased by \$740,082 from 30 June 2005 to \$13,752,185 at 30 June 2006. The decrease in net assets is primarily due to the loss for the year of \$754,082, and the proceeds from shares issued of \$14,000.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors there have been no significant changes in the state of affairs of the company during the financial year other than any matters referred to in this report or in the accompanying financial report.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments, future prospects and business strategies of the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe on reasonable grounds that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

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

MICHAEL COX Chief Executive Officer

Michael has a background in stockbroking and has acted as a corporate consultant in mergers and acquisitions. Mr. Cox was formerly a director of other public companies including Benitec Limited and Queensland Opals Limited. Mr. Cox is a Fellow of the Gemmological Association of Australia (FGAA) and a Member of the National Institute of Accountants.

Interest in Shares and Options	375,000 options
	1,000,000 ordinary shares
Directorships in other listed entities	NIL

IAN MANSBRIDGE Chairman/Non Executive Director

(FCIM, CPA, FCIS, DCM) – Mr Mansbridge has 28 years experience as a senior executive in corporate, trustee and finance positions requiring a strong compliance culture. Currently as an alternative director of BSX Group Holdings Limited, was instrumental in the merger arrangements with NSX Limited. Mr Mansbridge was Chief Executive of Sandhurst Trustees Limited for 16 years, and is current Chairman of the Board. Sandhurst Trustees is a statutory trustee company and has in excess of \$2.5 billion funds under management. This includes share funds comprising \$624 million. Sandhurst Trustees also acts as corporate trustees for many ASX listed companies. The funds under management for these groups are in excess of \$5.5 billion. As Managing Director of Elders Rural Bank, the bank obtained its full banking license. The bank is a joint venture of two listed public companies. As General Manager – Financial Services of Bendigo Building Society/Bendigo Bank, Mr Mansbridge was responsible for the initial application and ongoing listing requirements of the ASX.

Interest in Shares and Options	NIL
Directorships in other listed entities	Tasmanian Perpetual Trustees Limited

HUGH ROBERTSON Non Executive Director

Mr Robertson has had 23 years experience in the Securities industry and his positions have included acting as Director of Falkiners Stockbroking Limited, Bell Potter Securities Limited and OAMPS Limited. In addition to his role as Director of NSX Limited, Mr Robertson is also currently acting as Director of Catalyst Recruitment Limited, Rattoon Limited and Wentworth Mutual Limited. Mr Robertson is a Member of the Securities and Derivatives Industry Association (SDIA).

Interest in Shares and Options	500,000 ordinary shares
Directorships in other listed entities	Catalyst Recruitment Limited
	Wentworth Mutual Limited
	Rattoon Holdings Limited

REMUNERATION REPORT

The remuneration for each director and each of the five executive officer of the economic entity receiving the highest remuneration, and the remuneration policy during the year is disclosed in Note 23 of the financial statements. Additional section 300A disclosures are tabled below.

As a listed company, NSX is obligated to disclose specific information in relation to the remuneration of its directors and staff. For convenience we have included a table, which identifies each obligation and NSX's response to each of these requirements.

Compliance with section 300A Corporations Act 2001 (Cth) – Annual Directors Report

SECTION	OBLIGATION	DISCUSSION
300A(1)(a)(i)	A discussion of board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the company; and	<p>The annual report outlines board policy with respect to the nature and amount of director, secretaries and senior manager remuneration.</p> <p>Under the Board Charter, the NSX board retains ultimate responsibility for the remuneration of directors, executives, senior management, and employees. It is the policy of the board that remuneration be intended to create and enhance shareholder wealth. This involves ensuring that individual remuneration is set by reference to a calculus of factors including: market remuneration levels, the nature of the role and duties performed, the skill set of the individual and the significance of their role within the NSX corporate group. Currently, remuneration is reviewed annually to ensure continued support of the commercial and regulatory interests of the exchange and its shareholders."</p>
300A(1)(a)(ii)	If consolidated financial statements are required – board policy in relation to the nature and amount (or value, as appropriate) of remuneration of other group executives for the consolidated entity; and	The board policy with respect to NSX entity directors, secretaries and senior managers also applies to subsidiary entities.
300A(1)(b)	A discussion of the relationship between such policy and the company's performance; and	Currently, director, secretary and senior manager remuneration is fixed and does not contain performance components.
300A(1)(ba)	If an element of the remuneration of a director, secretary or senior manager is dependent on the satisfaction of a performance condition:	No performance components.
300A(1)(c)	<p>The prescribed details in relation to the remuneration of:</p> <p>(i) each director of the company; and</p> <p>(ii) each of the 5 names company executives who received the highest remuneration for that year; and</p> <p>if consolidated financial statements are required – each of the 5 named relevant group executives who received the highest remuneration for that year; and</p>	The annual report contains details of the remuneration of each director and each of the top 5 highest grossing executives for this reporting period. Refer Note 23.

SECTION	OBLIGATION	DISCUSSION
300A(1)(d)	If an element of the remuneration of a persons referred to in paragraph (c) consists of securities of a body and that element is not dependent on the satisfaction of a performance condition – an explanation of why that element of the remuneration is not dependent on the satisfaction of an performance condition; and	Securities were not a component for remunerating directors and or executives for this reporting period.
300A(1)(e)	For each person referred to in paragraph (c).	Total remuneration did not contain a performance component for this reporting period. No options were granted as part of directors, secretaries and senior managers remuneration. Refer Note 23.
300A(1)(f)	Such other matters related to the policy or policies referred to in paragraph (a) as are prescribed by the regulations.	Refer Note 23.
300A(1AA)	Without limiting paragraph (1)(b), the discussion under that paragraph of the company's performance must specifically deal with: (a) the company's earnings; and (b) the consequences of the company's performance on shareholder wealth; in the financial year to which the report relates and in the previous 4 financial years.	The Directors' Report and Accompany report provides details of these issues. (a) No dividends have been paid by the company to date. (b) Refer to Chief Executive Officers report
300A(1AB)	In determining, for the purposes of subsection (1AA), the consequences of the company's performance on shareholder wealth in a financial year, have regard to: (a) dividends paid by the company to its shareholders during that year; and (b) changes in the price at which shares in the company are traded between the beginning and the end of that year; and (c) any return of capital by the company to its shareholders during that year that involves: (i) the cancellation of shares in the company; and (ii) a payment to the holders of those shares that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled; and (d) any other relevant matter.	(b) The company has been a listed entity since 13th January 2005 over which time the share price of the company has fluctuated between a high of \$1.10 and a low of \$0.40. As at 23 August 2006 the share price was \$0.62. There has been no bonus payments based on share price movements as there are no remuneration packages based on price movements. (c)(i) Not applicable (c)(ii) Not applicable
300A(1A)	The material referred to in subsection (1) must be included in the directors' report under the heading "Remuneration report".	A remuneration report segment is included in the Directors Report. Refer Note 23.

During the year 7 Directors Meetings were held. Attendances were:

DIRECTORS MEETINGS		
NAME OF DIRECTOR	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Raymond Laurence Whitten	5	5
Michael Andrew Cox	7	7
Francis Markham Menzies	5	5
Paul Ernest Seymour	5	5
Kelvin Arthur Clarke	5	5
Dudley Chamberlain	4	4
Ian Mansbridge	7	6
Hugh Robertson	2	2

There is no audit committee as the function is carried by the Board of Directors.

INDEMNIFYING OFFICERS OR AUDITORS

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.

OPTIONS

At the date of this report, the unissued ordinary shares of NSX Limited under options to directors and executives are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NO. UNDER OPTION
25.08.2004	25.08.2008	\$0.35	20,000
12.11.2004	20.12.2009	\$0.50	60,000
20.12.2004	20.12.2009	\$0.50	1,395,000
			<u>1,475,000</u>

During the year ended 30 June 2006, the following ordinary shares of NSX Limited were issued on the exercise of options. No amounts are unpaid on any of the shares.

GRANT DATE	EXERCISE PRICE	NO. OF SHARES ISSUED
25.08.2004	\$0.35	40,000

PROCEEDINGS ON BEHALF OF COMPANY

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.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2006:

	\$
Tax advice – BSX tax losses	8,000
Tax advice – employee termination payments	1,300
Taxation Services – 2005 Income Tax Return	6,000
Taxation Services – 2006 FBT Return	1,708
TOTAL	<u>17,008</u>

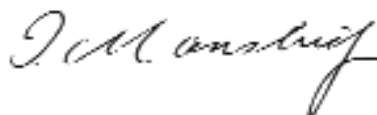
AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found below.

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



MICHAEL COX
Director



IAN MANSBRIDGE
Director

Sydney

Date: 1 September 2006

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



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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

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

A handwritten signature in black ink that reads 'Lawler Partners'.

LAWLER PARTNERS
Chartered Accountants

Newcastle

Date: 1st September 2006

A handwritten signature in black ink that reads 'Lawler'.

TERENCE H LAWLER
Partner

Assurance & Risk Management ABN 54 545 293 987

www.lawlerpartners.com.au

Sydney

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Best Small Accounting Firm 2006
New South Professional Services Firm 2006
(Lawyer 1000 2006-2007)

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
REVENUE	3	1,650,740	779,722	615,670	371,762
Depreciation	4	(58,310)	(20,586)	-	-
Impairment losses	4	-	(2,687,562)	-	-
Finance costs	4	(65)	(13,354)	-	-
Diminution of investments	4	-	-	-	(2,178,554)
Consultancy fees		(265,327)	(168,076)	(118,996)	(104,074)
Compliance expenses		(43,502)	(21,153)	-	-
Legal expenses		(51,161)	(21,885)	(8,432)	(21,735)
Market trading expense		(509,595)	(214,841)	-	(2,632)
Employee benefits expense		(1,017,007)	(336,670)	(229,190)	(541)
Marketing and promotion		(14,557)	(43,522)	(8,167)	(26,703)
Service fees		-	-	-	(291,223)
Rental expenses	4	(43,280)	(38,603)	-	-
Other administration		(191,992)	(132,082)	(110,280)	(25,075)
Other expenses		(210,026)	(68,149)	(103,854)	(24,134)
LOSS BEFORE INCOME TAX		<u>(754,082)</u>	<u>(2,986,761)</u>	<u>36,751</u>	<u>(2,302,909)</u>
INCOME TAX EXPENSE	5	-	-	-	-
LOSS FOR THE YEAR		<u>(754,082)</u>	<u>(2,986,761)</u>	<u>36,751</u>	<u>(2,302,909)</u>
Basic earnings per share (cents per share)	30	(1.53)	(10.42)		
Diluted earnings per share (cents per share)	30	(1.53)	(10.42)		

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	8	779,694	389,032	514,332	184,868
Trade and other receivables	9	76,577	115,095	941,086	208,620
Financial assets	10	10,315,000	11,300,081	9,615,000	10,500,000
Other current assets	11	25,935	19,695	19,525	-
TOTAL CURRENT ASSETS		<u>11,197,206</u>	<u>11,823,903</u>	<u>11,089,943</u>	<u>10,893,488</u>
NON-CURRENT ASSETS					
Financial assets	10	-	-	3,541,735	3,541,735
Property, plant and equipment	13	160,704	102,458	-	-
Intangible assets	14	2,885,280	2,885,280	-	-
TOTAL NON-CURRENT ASSETS		<u>3,045,984</u>	<u>2,987,738</u>	<u>3,541,735</u>	<u>3,541,735</u>
TOTAL ASSETS		<u>14,243,190</u>	<u>14,811,641</u>	<u>14,631,678</u>	<u>14,435,223</u>
CURRENT LIABILITIES					
Trade and other payables	15	432,536	182,183	221,776	76,072
Short-term borrowings	16	3,815	10,892	-	-
Short-term provisions	17	54,654	45,984	-	-
Other current liabilities	18	-	76,500	-	-
TOTAL CURRENT LIABILITIES		<u>491,005</u>	<u>315,559</u>	<u>221,776</u>	<u>76,072</u>
NON-CURRENT LIABILITIES					
Long-term borrowings	16	-	3,815	-	-
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>3,815</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>491,005</u>	<u>319,374</u>	<u>221,776</u>	<u>76,072</u>
NET ASSETS		<u>13,752,185</u>	<u>14,492,267</u>	<u>14,409,902</u>	<u>14,359,151</u>
EQUITY					
Issued capital	19	20,255,596	20,241,596	20,255,596	20,241,596
Accumulated losses		(6,503,411)	(5,749,329)	(5,845,694)	(5,882,445)
TOTAL EQUITY		<u>13,752,185</u>	<u>14,492,267</u>	<u>14,409,902</u>	<u>14,359,151</u>

ECONOMIC ENTITY

	SHARE CAPITAL \$	RETAINED EARNINGS \$	TOTAL \$
BALANCE AT 1 JULY 2004	4,038,332	(2,762,568)	1,275,764
Shares issued during the year	17,000,000	-	17,000,000
Transaction costs relating to share issue	(796,736)	-	(796,736)
Profit for the year	-	(2,986,761)	(2,986,761)
BALANCE AT 30 JUNE 2005	20,241,596	(5,749,329)	14,492,267
Shares issued during the year	14,000	-	14,000
Profit for the year	-	(754,082)	(754,082)
BALANCE AT 30 JUNE 2006	20,255,596	(6,503,411)	13,752,185

PARENT ENTITY

	SHARE CAPITAL \$	RETAINED EARNINGS \$	TOTAL \$
BALANCE AT 1 JULY 2004	4,038,332	(3,579,536)	458,796
Shares issued during the year	17,000,000	-	17,000,000
Transaction costs relating to share issue	(796,736)	-	(796,736)
Profit for the year	-	(2,302,909)	(2,302,909)
BALANCE AT 30 JUNE 2005	20,241,596	(5,882,445)	14,359,151
Shares issued during the year	14,000	-	14,000
Profit for the year	-	36,751	36,751
BALANCE AT 30 JUNE 2006	20,255,596	(5,845,694)	14,409,902

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,213,181	474,767	28,322	600
Payments to suppliers and employees		(2,258,883)	(1,154,514)	(348,170)	(503,196)
Interest received		564,651	398,158	511,100	354,829
Finance costs paid		(65)	-	-	-
Net cash provided by (used in) operating activities	22(a)	<u>(481,116)</u>	<u>(281,589)</u>	<u>191,252</u>	<u>(147,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments		-	(11,300,081)	-	(10,500,000)
Proceeds from investments		985,081	-	885,000	-
Payment for subsidiary, net of cash acquired		-	54,990	-	-
Payments to related entities		-	-	(760,788)	(432,030)
Receipts from related entities		-	-	-	61,401
Proceeds from sale of plant and equipment		414	-	-	-
Payment for plant and equipment		(116,825)	(42,331)	-	-
Net cash provided by (used in) investing activities		<u>868,670</u>	<u>(11,287,422)</u>	<u>124,212</u>	<u>(10,870,629)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		14,000	11,203,264	14,000	11,203,264
Payment for borrowings		(10,892)	(241,480)	-	-
Net cash provided by (used in) financing activities		<u>3,108</u>	<u>10,961,784</u>	<u>14,000</u>	<u>11,203,264</u>
Net increase/(decrease) in cash held		390,662	(607,227)	329,464	184,868
Cash at beginning of year		389,032	996,259	184,868	-
CASH AT END OF YEAR	8	<u><u>779,694</u></u>	<u><u>389,032</u></u>	<u><u>514,332</u></u>	<u><u>184,868</u></u>

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 Interpretations, 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 the economic entity of NSX Limited and controlled entities. NSX Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of NSX Limited and controlled entities, and NSX Limited as an individual parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

BASIS OF PREPARATION

First-time Adoption of Australian equivalents to International Financial Reporting Standards

NSX Limited and controlled entities, and NSX Limited as an individual parent entity have prepared financial statements in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time adoption of Australian equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of NSX Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. The adoption of AASB 132 and AASB 139 has not resulted in material differences in the recognition and measurement of the company's financial instruments.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ACCOUNTING POLICIES

(a) Principles of Consolidation

A controlled entity is any entity NSX Limited has the power to control the financial and operating policies of, so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end.

All inter-company transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

The economic entity is a tax consolidation group. At the time of signing these accounts there are no formal tax sharing agreements in place.

(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 and impairment losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) *Property, Plant and Equipment (cont'd)*

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 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%
---------------------	----------

(d) *Leases*

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the term of the 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) *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 assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial Instruments

RECOGNITION

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

HELD-TO-MATURITY INVESTMENTS

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

All investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless the fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

FAIR VALUE

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

IMPAIRMENT

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Employee Benefits (cont'd)

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Due to the significance of their amount in addition to the expected working capital requirements of the economic entity, commercial bills are regarded as investing activities and not included in the cash balance for the purpose of the statement of cash flows.

(i) 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).

(j) Goods and Services Tax (GST)

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.

(k) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS**

	NOTES	PREVIOUS GAAP AT 1 JULY 2004 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 1 JULY 2004 \$
ECONOMIC ENTITY				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		296,259	-	296,259
Trade and other receivables		15,634	-	15,634
Financial assets		700,000	-	700,000
Other current assets		9,214	-	9,214
TOTAL CURRENT ASSETS		1,021,107	-	1,021,107
NON-CURRENT ASSETS				
Property, plant and equipment		54,617	-	54,617
Intangible assets		480,546	-	480,546
TOTAL NON-CURRENT ASSETS		535,163	-	535,163
TOTAL ASSETS		1,556,270	-	1,556,270
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		48,826	-	48,826
Short-term borrowings		220,000	-	220,000
Short-term provisions		11,680	-	11,680
TOTAL CURRENT LIABILITIES		280,506	-	280,506
TOTAL LIABILITIES		280,506	-	280,506
NET ASSETS		1,275,764	-	1,275,764
EQUITY				
Issued capital		4,038,332	-	4,038,332
Accumulated losses		(2,762,568)	-	(2,762,568)
TOTAL EQUITY		1,275,764	-	1,275,764

**NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS (cont'd)**

	NOTES	PREVIOUS GAAP AT 30 JUNE 2005 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 30 JUNE 2005 \$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		389,032	-	389,032
Trade and other receivables		115,095	-	115,095
Financial assets		11,300,081	-	11,300,081
Other current assets		19,695	-	19,695
TOTAL CURRENT ASSETS		11,823,903	-	11,823,903
NON-CURRENT ASSETS				
Property, plant and equipment		102,458	-	102,458
Intangible assets	2(a), 2(b)	2,885,280	-	2,885,280
TOTAL NON-CURRENT ASSETS		2,987,738	-	2,987,738
TOTAL ASSETS		14,811,641	-	14,811,641
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		182,183	-	182,183
Short-term borrowings		10,892	-	10,892
Short-term provisions		45,984	-	45,984
Other current liabilities		76,500	-	76,500
TOTAL CURRENT LIABILITIES		315,559	-	315,559
NON-CURRENT LIABILITIES				
Long-term borrowings		3,815	-	3,815
TOTAL NON-CURRENT LIABILITIES		3,815	-	3,815
TOTAL LIABILITIES		319,374	-	319,374
NET ASSETS		14,492,267	-	14,492,267
EQUITY				
Issued capital		20,241,596	-	20,241,596
Accumulated losses		(5,749,329)	-	(5,749,329)
TOTAL EQUITY		14,492,267	-	14,492,267

NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS (cont'd)

	NOTES	PREVIOUS GAAP AT 1 JULY 2004 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 1 JULY 2004 \$
PARENT ENTITY				
Reconciliation of Equity at 1 July 2004				
ASSETS				
NON-CURRENT ASSETS				
Financial assets		480,546	-	480,546
TOTAL NON-CURRENT ASSETS		480,546	-	480,546
TOTAL ASSETS		480,546	-	480,546
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		21,750	-	21,750
TOTAL CURRENT LIABILITIES		21,750	-	21,750
TOTAL LIABILITIES		21,750	-	21,750
NET ASSETS		458,796	-	458,796
EQUITY				
Issued capital		4,038,332	-	4,038,332
Accumulated losses		(3,579,536)	-	(3,579,536)
TOTAL EQUITY		458,796	-	458,796

NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS (cont'd)

	NOTES	PREVIOUS GAAP AT 30 JUNE 2005 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 30 JUNE 2005 \$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		184,868	-	184,868
Trade and other receivables		208,620	-	208,620
Financial assets		10,500,000	-	10,500,000
TOTAL CURRENT ASSETS		10,893,488	-	10,893,488
NON-CURRENT ASSETS				
Financial assets		3,541,735	-	3,541,735
TOTAL NON-CURRENT ASSETS		3,541,735	-	3,541,735
TOTAL ASSETS		14,435,223	-	14,435,223
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		76,072	-	76,072
TOTAL CURRENT LIABILITIES		76,072	-	76,072
TOTAL LIABILITIES		76,072	-	76,072
NET ASSETS		14,359,151	-	14,359,151
EQUITY				
Issued capital		20,241,596	-	20,241,596
Accumulated losses		(5,882,445)	-	(5,882,445)
TOTAL EQUITY		14,359,151	-	14,359,151

NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS (cont'd)

	NOTES	PREVIOUS GAAP AT 2005 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 2005 \$
ECONOMIC ENTITY				
Reconciliation of Profit or Loss for 2005				
Revenue		779,722	-	779,722
Depreciation and amortisation	2(a), 2(b)	(2,708,148)	-	(2,708,148)
Finance costs		(13,354)	-	(13,354)
Consultancy fees		(168,076)	-	(168,076)
Compliance expenses		(21,153)	-	(21,153)
Legal expenses		(21,885)	-	(21,885)
Market trading expenses		(214,841)	-	(214,841)
Employee benefits expense		(336,670)	-	(336,670)
Marketing and promotion		(43,522)	-	(43,522)
Rental expenses		(38,603)	-	(38,603)
Other administration		(132,082)	-	(132,082)
Other expenses		(68,149)	-	(68,149)
LOSS BEFORE INCOME TAX		(2,986,761)	-	(2,986,761)
INCOME TAX EXPENSE		-	-	-
LOSS FOR THE YEAR		(2,986,761)	-	(2,986,761)

NOTE 2: FIRST-TIME ADOPTION OF
 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL
 FINANCIAL REPORTING STANDARDS (cont'd)

	NOTES	PREVIOUS GAAP AT 2005 \$	EFFECT OF TRANSITION TO AIRFS \$	AIFRS AT 2005 \$
PARENT ENTITY				
Reconciliation of Profit or Loss for 2005				
Revenue		371,762	-	371,762
Diminution of investments		(2,178,554)		(2,178,554)
Consultancy fees		(104,074)	-	(104,074)
Legal expenses		(21,735)	-	(21,735)
Market trading expenses		(2,632)	-	(2,632)
Employee benefits expense		(541)	-	(541)
Marketing and promotion		(26,703)	-	(26,703)
Service fees		(291,223)		(291,223)
Other administration		(25,075)	-	(25,075)
Other expenses		(24,134)		(24,134)
PROFIT BEFORE INCOME TAX		(2,302,909)	-	(2,302,909)
INCOME TAX EXPENSE		-	-	-
PROFIT FOR THE YEAR		(2,302,909)	-	(2,302,909)

	30 JUNE 2005 \$	1 JULY 2004 \$
Notes to the Reconciliations of Equity and Profit and Loss at 1 July 2004 and 30 June 2005		
<i>(a) Amortisation of Goodwill</i>		
During the 2005 financial year, goodwill was amortised in accordance with A-GAAP. As the amortisation of goodwill is now prohibited under AASB3: Business Combinations, the amortisation recorded in the 2005 income statement was reversed	(97,124)	-
<i>(b) Impairment of Goodwill</i>		
Impairment testing performed as at 30 June 2005 indicated that the recoverable amount of goodwill on consolidation was \$2,885,280. Thus, an impairment write-down was recorded to write the value of goodwill down to its recoverable amount.	97,124	-

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 3: REVENUE				
Operating activities				
- listing fees	681,110	292,125	-	-
- taxi licence market income	300,000	64,167	-	-
- interest – other persons	564,651	418,830	511,100	371,162
- other	104,979	4,600	104,570	600
	<u>1,650,740</u>	<u>779,722</u>	<u>615,670</u>	<u>371,762</u>

NOTE 4: LOSS FROM ORDINARY ACTIVITIES

(a) Expenses:

Depreciation of non-current assets

- plant and equipment	58,310	20,586	-	-
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Impairment losses

- goodwill on consolidation	-	97,124	-	-
-----------------------------	---	--------	---	---

- goodwill write off as future benefits
 not considered recoverable

	-	2,590,438	-	-
	<u>-</u>	<u>2,687,562</u>	<u>-</u>	<u>-</u>

Finance costs

- director related entity	65	13,342	-	-
- other persons	-	12	-	-

Total borrowing costs

	<u>65</u>	<u>13,354</u>	<u>-</u>	<u>-</u>
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Rental expense on operating lease

- minimum lease payments	43,280	38,603	-	-
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Write down of investments to
 recoverable amounts

	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,178,554</u>
--	----------	----------	----------	------------------

(b) Significant Revenue and Expenses:

Net gain (loss) on disposal of plant
 and equipment

	145	(127)	-	-
--	-----	-------	---	---

Write down of goodwill to
 recoverable amount

	<u>-</u>	<u>2,590,438</u>	<u>-</u>	<u>-</u>
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NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 5: 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% (2005 – 30%)	(226,225)	(1,682,628)	11,025	(1,477,473)
---	-----------	-------------	--------	-------------

Add:

Tax effect of:

- amortisation of goodwill	-	1,592,590	-	-
- tax losses not recognised the accounts	226,225	90,038	-	37,307
- diminution of investments	-	-	-	1,440,166

Less:

Tax effect of

- recoupment of tax losses	-	-	(11,025)	-
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Income tax expense (benefit) attributable to profit from ordinary activities

-	-	-	-	-
---	---	---	---	---

Tax losses not brought to account, the benefits will only be realised if the conditions for deductibility set out in Note 1(b) occur

849,734	623,509	39,214	50,239
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NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing and reviewing the financial report	70,000	31,800		
- taxation services	17,008	8,650		
	87,008	40,450		

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 7: DIVIDENDS				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax	86,495	86,495	86,495	86,495
NOTE 8: CASH AND CASH EQUIVALENTS				
Cash at bank	779,694	389,032	514,332	184,868
NOTE 9: TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade debtors	12,876	99,146	-	-
Other debtors	63,701	15,949	20,011	48,333
Amounts receivable from:				
- wholly owned subsidiaries	-	-	921,075	160,287
	76,577	115,095	941,086	208,620
NOTE 10: FINANCIAL ASSETS				
CURRENT				
Commercial bills – at amortised cost	10,315,000	11,300,081	9,615,000	10,500,000
NON-CURRENT				
Shares in unlisted controlled entities				
- at cost	-	-	7,651,346	7,651,346
- less provision for diminution	-	-	(4,109,611)	(4,109,611)
	-	-	3,541,735	3,541,735
NOTE 11: OTHER ASSETS				
CURRENT				
Prepayments	25,935	19,695	19,525	-

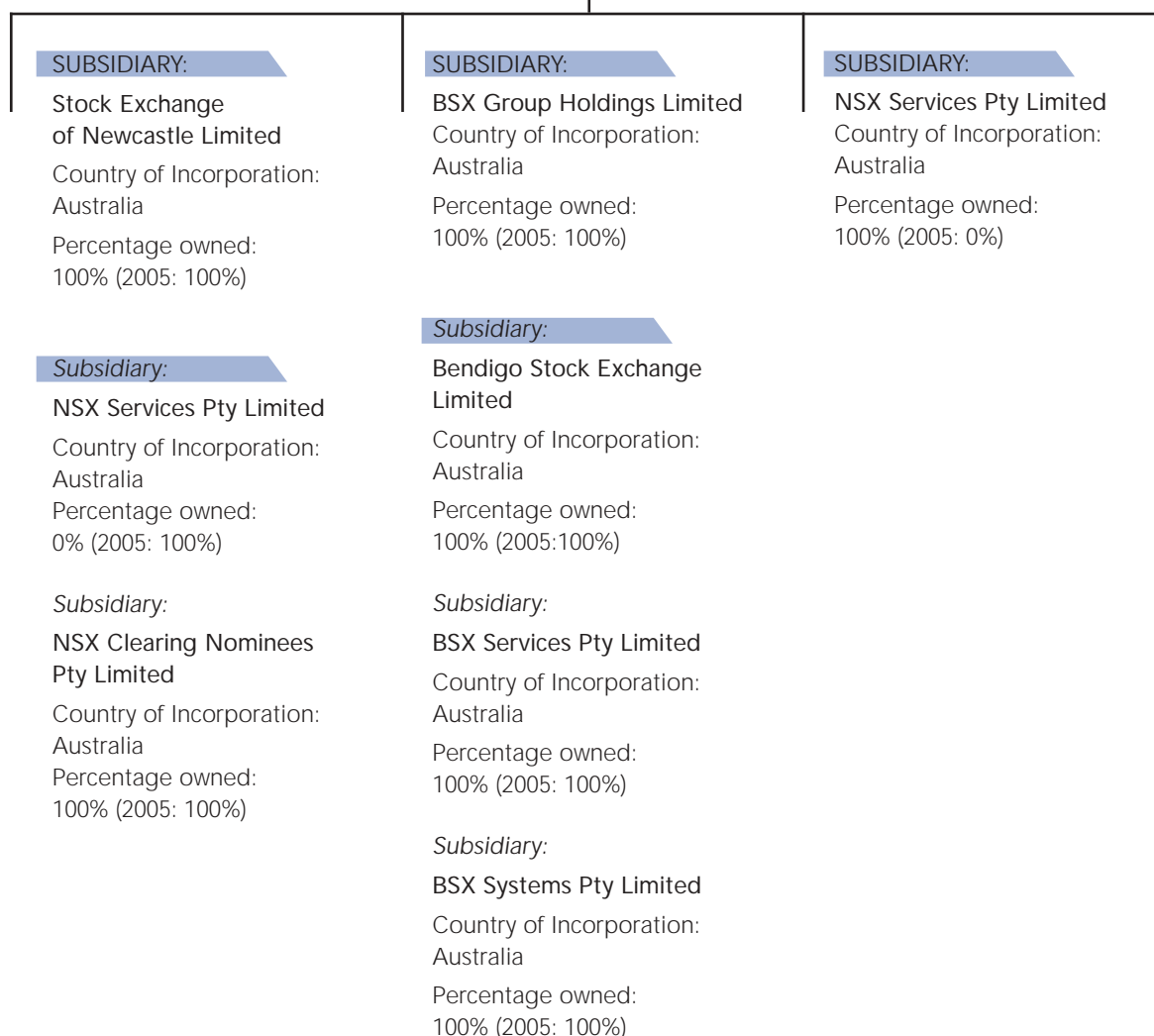
NOTE 12: CONTROLLED ENTITIES

PARENT ENTITY:

NSX Limited

Country of Incorporation: Australia

Subsidiaries of NSX Limited:



On 1 July 2005, a restructure of the NSX Limited group occurred. NSX Services Pty Limited which was previously 100% owned by Stock Exchange of Newcastle Limited, was transferred to be 100% owned by NSX Limited (the ultimate parent company of Stock Exchange of Newcastle Limited).

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment – at cost	451,254	247,553	-	-
Less accumulated depreciation	(290,550)	(145,095)	-	-
	<u>160,704</u>	<u>102,458</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:

Balance at beginning of the year	102,458	54,617	-	-
Additions	116,825	42,331	-	-
Additions through acquisition of entity	-	26,223	-	-
Disposals	(269)	(127)	-	-
Depreciation expense	(58,310)	(20,586)	-	-
Carrying amount at the end of the year	<u>160,704</u>	<u>102,458</u>	<u>-</u>	<u>-</u>

NOTE 14: INTANGIBLES

Goodwill – at cost	5,572,842	5,572,842	-	-
Less: accumulated impairment losses	(2,687,562)	(2,687,562)	-	-
	<u>2,885,280</u>	<u>2,885,280</u>	<u>-</u>	<u>-</u>

(a) Reconciliation of movements

Balance at beginning of the year	2,885,280	5,572,842	-	-
Impairment losses	-	(2,687,562)	-	-
BALANCE AT END OF THE YEAR	<u>2,885,280</u>	<u>2,885,280</u>	<u>-</u>	<u>-</u>

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2006	2005	2006	2005
		\$	\$	\$	\$
NOTE 15: TRADE AND OTHER PAYABLES					
CURRENT					
Trade creditors		151,742	114,075	300	14,671
Interest received in advance		121,252	-	121,252	-
Sundry creditors		159,542	68,108	45,000	-
Amounts payable to wholly owned subsidiaries:					
- Stock Exchange of Newcastle Ltd		-	-	-	-
- NSX Services Pty Limited		-	-	55,224	59,729
- BSX Services Pty Limited		-	-	-	1,672
		<u>432,536</u>	<u>182,183</u>	<u>221,776</u>	<u>76,072</u>

NOTE 16: BORROWINGS					
CURRENT					
Lease liability unsecured	20(b)	<u>3,815</u>	<u>10,892</u>	<u>-</u>	<u>-</u>
NON CURRENT					
Lease liability unsecured	20(b)	<u>-</u>	<u>3,815</u>	<u>-</u>	<u>-</u>

NOTE 17: PROVISIONS					
Opening balance at 1 July 2005		45,984			
Additional provisions		61,377			
Amounts used		(52,707)			
Balance at 30 June 2006		<u>54,654</u>			
Analysis of total provisions					
Current		54,654			
Non-current		-			
		<u>54,654</u>			

NOTE 18: OTHER LIABILITIES					
CURRENT					
Unearned revenue		<u>-</u>	<u>76,500</u>	<u>-</u>	<u>-</u>

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2006 \$	2005 \$	2006 \$	2005 \$
NOTE 19: ISSUED CAPITAL					
49,460,003 (2005 – 49,420,003) fully paid ordinary shares	19(a)	20,240,596	20,226,596	20,240,596	20,226,596
1,500,000 (2005 - 1,500,000) ordinary shares paid to 1 cent	19(b)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
		<u>20,255,596</u>	<u>20,241,596</u>	<u>20,255,596</u>	<u>20,241,596</u>

(a) Fully paid ordinary shares

At the beginning of the year	20,226,596	20,226,596	20,226,596	20,226,596
Shares issued during the year:				
- 23 May 2006 Exercise of options	5,250	-	5,250	-
- 26 May 2006 Exercise of options	8,750	-	8,750	-
Transaction costs relating to share issue				
At reporting date	<u>20,240,596</u>	<u>20,226,596</u>	<u>20,240,596</u>	<u>20,226,596</u>

	ECONOMIC ENTITY		PARENT ENTITY	
	2006 No	2005 No	2006 No	2005 No
At the beginning of the year	49,420,003	49,420,00	49,420,003	49,420,003
Shares issued during year				
- 23 May 2006 Exercise of options	15,000	-	15,000	-
- 26 May 2006 Exercise of options	25,000	-	25,000	-
At reporting date	<u>49,460,003</u>	<u>49,420,003</u>	<u>49,460,003</u>	<u>49,420,003</u>

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.

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 19: ISSUED CAPITAL (cont'd)

(b) Partly paid ordinary shares

At the beginning of year	15,000	15,000	15,000	15,000
At reporting date	15,000	15,000	15,000	15,000

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	No	No	No	No
At the beginning of year	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

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

For information relating to share options issued to key management personnel, refer to Note 23.

	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	No	No	No	No
At the beginning of the year	2,925,000	2,925,000	2,925,000	2,925,000
Options expired 30 June 2006	(1,205,000)	-	(1,205,000)	-
Option exercised 23 May 2006	(15,000)	-	(15,000)	-
Option exercised 26 May 2006	(25,000)	-	(25,000)	-
At reporting date	1,680,000	2,925,000	1,680,000	2,925,000

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 20: CAPITAL AND 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	35,000	5,932	-	-
- later than 1 year but not later than 5 years	40,833	-	-	-
	<u>75,833</u>	<u>5,932</u>	<u>-</u>	<u>-</u>

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. The lease commenced in September 2005. 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 current contract is to 21st October 2006 as the ASX is replacing its SEATS trading engine with OM/Click. NSX has negotiated with OMX for provision of a new trading system. This system went live on 18th August 2006.

(b) Finance lease commitments

Payable				
- not later than one year	3,907	11,722	-	-
- later than 1 year but not later than 5 years	-	3,908	-	-
Minimum lease payments	3,907	15,630	-	-
Less: future finance charges	(92)	(923)	-	-
Total finance lease liability	<u>(i) 3,815</u>	<u>14,707</u>	<u>-</u>	<u>-</u>
Represented by:				
Current liability	3,815	10,892	-	-
Non-current liability	-	3,815	-	-
	<u>3,815</u>	<u>14,707</u>	<u>-</u>	<u>-</u>

(i) Computer lease with Bendigo Bank Ltd

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$

NOTE 21: 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.

Other Related Parties

Trading fees paid by director-related companies:

Tonkin Scorer Menzies	665	2,668	-	-
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Nominated Advisor fees paid
by director-related companies:

- Whittens Solicitors	1,000	1,000	-	-
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Loan repaid 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.

	-	(239,743)	-	-
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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 2006 were:

1,500,000 (2005 – 11,999,246) fully paid ordinary shares

NIL (2005 – 1,500,000) partly paid shares

375,000 (2005 – 1,395,000) share options

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 22: CASH FLOW INFORMATION				
<i>(a) Reconciliation of Cash</i>				
Loss after income tax	(754,082)	(2,986,761)	36,751	(2,302,909)
Cash flows excluded from profit attributable to operating activities:				
Impairment write-downs	-	2,687,562	-	-
Depreciation	58,310	20,586	-	-
Write down of investments to recoverable amount	-	-	-	2,178,554
Net (gain)/loss on disposal of plant and equipment	(145)	127	-	-
Changes to assets and liabilities net of the effects of purchase of subsidiaries:				
(Increase)/decrease in receivables	38,518	88,769	28,322	-
(Increase)/decrease in other assets	(6,240)	11,444	(19,525)	(16,333)
Increase/(decrease) in payables	173,853	(141,690)	145,704	(7,079)
Increase/(decrease) in provisions	8,670	18,631	-	-
Increase/(decrease) in other liabilities	-	19,743	-	-
CASH FLOWS FROM OPERATIONS	(481,116)	(281,589)	191,252	(147,767)

(b) Credit Stand-by Arrangements and Loan Facilities

The BSX Services Pty Limited a subsidiary, currently as an overdraft facility of \$10,000 with Bendigo Bank Limited. \$10,000 of this facility has not been utilised.

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key Management Person	Position
Raymond Whitten	Chairman - Non-Executive, Resigned 7/3/2006
Michael Cox	CEO – Director - Executive
F Mark Menzies	Company Secretary - Director - Non Executive, Resigned 7/3/2006
Paul Seymour	Director - Non Executive, Resigned 7/3/2006
Kelvin Clarke	Director - Non Executive, Resigned 7/3/2006
Ian Mansbridge	Director - Non Executive
Dudley Chamberlain	Director - Non Executive, Resigned 20/1/2006
Hugh Robertson	Director – Non Executive, Appointed 23/2/2006
Scott Evans	General Manager
Ian Craig	Companies Manager

(b) Key Management Personnel Compensation

	SHORT-TERM BENEFITS			POST EMPLOYMENT	SHARE BASED PAYMENT**	OTHER *	TOTAL
	SALARY, FEES & COMMISSIONS	SUPER-ANNUATION CONTRIBUTION	NON-CASH BENEFITS	SUPER-ANNUATION	OPTIONS		
2006							
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Raymond Whitten	74	-	-	-	-	22	96
Michael Cox	132	-	-	6	-	8	146
Mark Menzies	23	-	-	2	-	2	27
Paul Seymour	23	-	-	2	-	1	26
Kelvin Clarke	20	-	-	5	-	-	25
Ian Mansbridge	8	-	-	1	-	-	9
Dudley Chamberlain	8	-	-	1	-	-	9
Hugh Robertson	-	-	-	-	-	-	-
Scott Evans	138	-	-	12	-	-	150
Ian Craig	141	-	-	12	-	-	153
TOTAL	567	-	-	41	-	33	641

* 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).

** The fair value of the options at the time of issued equals the exercise price.

(b) Key Management Personnel Compensation (cont'd)

	SHORT-TERM BENEFITS			POST EMPLOYMENT	SHARE BASED PAYMENT**	OTHER *	TOTAL
	SALARY, FEES & COMM- ISSIONS	SUPER- ANNUATION CON- TRIBUTION	NON-CASH BENEFITS	SUPER- ANNUATION	OPTIONS		
2005	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Raymond Whitten	57	-	-	-	-	3	60
Michael Cox	57	-	-	-	-	10	67
Mark Menzies	7	1	-	-	-	-	8
Paul Seymour	7	1	-	-	-	-	8
Kelvin Clarke	7	1	-	-	-	-	8
Ian Mansbridge	2	-	-	-	-	-	2
Dudley Chamberlain	2	-	-	-	-	-	2
Scott Evans	102	9	-	-	-	-	111
Ian Craig ***	30	3	-	-	-	-	33
TOTAL	241	12	-	-	-	13	266

* 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).

** The fair value of the options at the time of issued equals the exercise price. *** Take over by NSX (13th April 2005 to 30th June 2006)

(c) Compensation Options

Options Granted As Compensation

There were no options granted as compensation during the financial year. For details of Option Holdings for Key Management Personnel, refer Note 23(e)

(d) Shares Issued on Exercise of Remuneration Options

There were no shares issued on the exercise of remuneration options during the financial year.

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

(b) Options and Rights Holdings

Number of options held by Key Management Personnel

KEY MANAGEMENT PERSONNEL	BALANCE 1.7.05	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30.6.06
Michael Cox	375,000	-	-	-	375,000
Ian Mansbridge	-	-	-	-	-
Hugh Robertson	-	-	-	-	-
Scott Evans	80,000	-	-	-	80,000
Ian Craig	-	-	-	-	-
TOTAL	455,000	-	-	-	455,000

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

(c) Shareholdings

Number of Shares held by Key Management Personnel

PARENT ENTITY DIRECTORS	BALANCE 1.7.05	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30.6.06
Michael Cox	1,000,000	-	-	-	1,000,000
Ian Mansbridge	-	-	-	-	-
Hugh Robertson	500,000	-	-	-	500,000
Scott Evans	5,000	-	-	-	5,000
Ian Craig	-	-	-	-	-
TOTAL	1,505,000	-	-	-	1,505,000

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

(d) 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' 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 Directors as a member of the NSX Compliance Committee or Listing Committee. A service agreements has been established with the Chief Executive Officer whose remuneration is approved by the Board. Non-Executive directors are paid a retainer of \$15,000 per year, however this retainer has been waived by the Board.

NOTE 24: FINANCIAL INSTRUMENTS

(a) *Financial Risk Management*

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The group does not have any derivative financial instruments at 30 June 2006.

The main risks that the group is exposed to through its financial instruments are interest rate risk and credit risk. For details of interest rate risk, refer to Note 24(b). For details of credit risk, refer to Note 24(c).

(b) *Interest Rate Risk*

The consolidated entity's exposure to interest-rate risk and the effective average interest rate for each class of financial asset and financial liability is set out below:

	WEIGHTED						FIXED INTEREST RATE MATURING					
	AVERAGE EFFECTIVE INTEREST RATE		FLOATING INTEREST RATE		WITHIN 1 YEAR		1 TO 5 YEARS		NON-INTEREST BEARING		TOTAL	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$

FINANCIAL ASSETS

Cash assets	5.63	3.75	779,694	389,032	1,000,000	-	-	-	-	-	1,779,694	389,032
Commercial bills	5.99	5.50	-	-	9,315,000	11,300,081	-	-	-	-	9,315,000	11,300,081
Receivables	-	-	-	-	-	-	-	-	76,577	115,095	76,577	115,095
TOTAL FINANCIAL ASSETS			779,694	389,032	10,315,000	11,300,081	-	-	76,577	115,095	11,171,271	11,804,208

FINANCIAL LIABILITIES

Lease liabilities	7.50	7.50	-	-	3,815	10,892	-	3,815	-	-	3,815	14,707
Payables	-	-	-	-	-	-	-	-	311,284	182,183	311,284	182,183
TOTAL FINANCIAL LIABILITIES			-	-	3,815	10,892	-	3,815	311,284	48,826	315,099	268,286

(c) *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.

NOTE 24: FINANCIAL INSTRUMENTS (cont'd)

(d) 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 financial services industry wholly within Australia.

NOTE 25: CONTINGENT LIABILITY

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

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

NOTE 26: FIDELITY FUNDS

As at 30 June 2006 the Stock Exchange of Newcastle Limited Fidelity Fund had a balance of \$241,782 (2005 - \$214,100). The Stock Exchange of Newcastle Limited is the trustee of the fund and the assets of the fund can only be used for the purposes prescribed in the Corporations Act 2001.

As at 30 June 20065 Bendigo Stock Exchange Limited Fidelity Fund had a balance of \$31,998 (2005 - \$30,407). The Bendigo Stock Exchange 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
 AND OMX GROUP 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.

The ability of the Bendigo Stock Exchange 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 OMX Group Limited.

During the year NSX signed an agreement with OMX Group for the supply of a new integrated trading system for BSX and SENL. This system was implemented and went live on 18th August 2006.

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

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

NOTE 29: COMPANY DETAILS

The registered office and principal place of business is:

Ground Floor, Suite 3
 384 Hunter Street
 Newcastle NSW 2300

ECONOMIC ENTITY	
2006	2005
\$	\$

NOTE 30: EARNINGS PER SHARE

Basic earnings per share (cents)	(1.53)	(10.42)
Diluted earnings per share (cents)*	(1.53)	(10.42)
<i>(a) Reconciliation of earnings to loss</i>		
LOSS FOR THE YEAR	(754,082)	(2,968,761)
Earnings used in calculating basic and diluted earnings per share	(754,082)	(2,968,761)
<i>(b) Weighted average number of ordinary shares used in calculating basic earnings per share*</i>		
	49,424,071	28,669,318
<i>(c) Weighted average number of ordinary shares used in calculating diluted earnings per share</i>		
	49,424,071	28,669,318

The directors of the company declare that:

1) the statement of income statement, balance sheet, statement of changes in equity, cash flow statement 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 2006 and of the performance for the year ended on that date of the company and economic entity;

2) the Chief Executive Officer and General Manager have each declared that:

- (a) the financial records of the company for the financial year have been prepared properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
- c) the financial statements and notes for the financial year give a true and fair view.

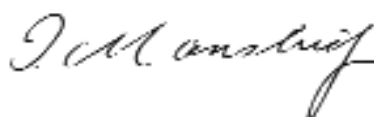
3) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed for and on behalf of the directors:



MICHAEL COX
Director



IAN MANSBRIDGE
Director

Sydney

Date: 31 August 2006



NSX LIMITED
ABN 11 000 902 063
AND CONTROLLED ENTITIES

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

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 2006 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.

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for NSX Limited (the company) and NSX Limited (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

We conducted an independent audit in order to express an opinion 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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

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

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

Audit Approach (cont'd)

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- (a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- (b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

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

Handwritten signature of Terence H Lawler in blue ink.

LAWLER PARTNERS
Chartered Accountants

Newcastle

Date: 1st September 2006

Handwritten signature of Terence H Lawler in blue ink.

TERENCE H LAWLER
Partner

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Trading under the name
Account Centre (Sydney)
Securities Register



The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. *Distribution of Shareholders*

CATEGORY (SIZE OF HOLDING)	NUMBER	
	ORDINARY	REDEEMABLE
1 – 1,000	75	
1,001 – 5,000	336	
5,001 – 10,000	222	
10,001 – 100,000	278	
100,001 – and over	45	3
	<u>956</u>	<u>3</u>

b. *The number of shareholdings held in less than marketable parcels is 29.*

c. *The names of the substantial shareholders, based on substantial shareholder notices released to the ASX as at 1 September 2006 are:*

SHAREHOLDER	NUMBER	
	ORDINARY	PERCENTAGE
Guinness Peat Group Plc	7,404,936	14.98
Bendigo Bank Limited	5,585,640	11.293
Thorney Pty Ltd	5,142,451	10.40
Ironmountain Pty Ltd	3,507,627	7.10

d. *Voting Rights*

The voting rights attached to each class of equity security are as follows:

ORDINARY SHARES

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

NAME	NUMBER OF ORDINARY FULLY PAID SHARES HELD	% HELD OF ISSUED ORDINARY CAPITAL
1 Bell Potter Nominees Ltd <Bb Nominees A/C>	5,667,138	11.458
2 Bendigo Bank Limited	5,585,640	11.293
3 Invia Custodian Pty Limited <Black A/C>	5,039,951	10.190
4 Anz Nominees Limited <Cash Income A/C>	3,828,301	7.740
5 Cogent Nominees Pty Limited	1,275,363	2.579
6 Mr Paul Ernest Seymour	1,100,001	2.224
7 Invia Custodian Pty Limited <Wilson Invmt Fund Ltd A/C>	1,085,000	2.194
8 Mr John Steven Lundgren	1,050,000	2.123
9 Accounting Pc Training Pty Ltd	1,000,000	2.022
10 Mr Francis Markham Menzies	997,000	2.016
11 Rattoon Holdings Ltd	800,000	1.617
12 GPG Nominees Pty Limited	771,770	1.560
13 Fadmoor Pty Ltd <John Rubino Super Fund A/C>	700,000	1.415
14 Invia Custodian Pty Limited <Wam Capital Limited A/C>	658,500	1.331
15 Mr Arthur Ford Reynolds	544,000	1.100
16 Technology Development Investment Limited	516,882	1.045
17 Bungeeltap Pty Ltd	500,000	1.011
18 Pegasus Enterprises Limited	500,000	1.011
19 Computershare Clearing Pty Limited	458,200	0.926
20 Alternative Equity Markets Pty Ltd	444,992	0.900
	32,526,738	65.764

2. The name of the company secretary is Mr Scott Francis Evans.

3. The address of the principal registered office in Australia is ;

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

4. Registers of securities are held at the following addresses

New South Wales: Registries Ltd
Level 2, 28 Margaret Street
Sydney NSW 2000
www.registriesltd.com.au

6. Unquoted Securities

PARTLY PAID SHARES

A total of 1,500,000 partly paid shares are on issue paid to 1 cent. They have one outstanding call of 99 cents each. The date of the final call is at the shareholder's discretion.

OPTIONS OVER UNISSUED SHARES

A total of 1,680,000 options are on issue. 375,000 options are on issue to 1 director and director related entities, 125,000 options are on issue to 2 employees and 1,270,000 options are issued to other parties.

7. Voting Rights – Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meetings or by proxy has one vote on a show of hands.

FOR YOUR NOTES





NSX Limited and Controlled entities. ABN 33 089 447 058

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www.bsx.com.au

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