

1791.97	-6.83	▲	0.27%	488.31	-0.73	▼	0.15%	1725.42	-0.61
295.09	-0.54	▲	9.38%	176.60	-6.89	▲	0.48%	1741.97	-6.83
789	-0.01	▲	0.10%	791.97	-4.83	▲	0.27%		

NSX LIMITED AND CONTROLLED ENTITIES



# Annual Report

For the year ended 30th June 2010



Launch of the South Pacific Stock Exchange announced in Times Square 1st July 2010. Photo Courtesy of NASDAQ OMX



NSX LIMITED  
AND  
CONTROLLED ENTITIES

ABN 33 089 447 058

ANNUAL REPORT FOR  
YEAR ENDED  
30 JUNE 2010



# Corporate Directory

## DIRECTORS

Ann Bowering  
Michael Cox (Chairman)  
Thomas Price

## SENIOR EXECUTIVES

Michael Cox  
*Chief Executive Officer*

Ann Bowering  
*Chief Executive Officer*  
*SIM Venture Securities Exchange*

Scott Evans  
*General Manager*

Ian Craig  
*Companies Manager*

## COMPANY SECRETARY

Scott Evans

## PRINCIPAL REGISTERED OFFICE

Level 2, 117 Scott Street  
Newcastle NSW 2300.  
Telephone: (02) 4929 6377  
Facsimile: (02) 4929 1556

## MELBOURNE OFFICE

Level 3  
45 Exhibition Street  
Melbourne VIC 3000  
Telephone: (03) 9001 0300  
Facsimile: (03) 9001 0311

## CANBERRA OFFICE

Ground Floor  
40 Brisbane Avenue  
Barton ACT 2600  
Telephone: (02) 6112 8123  
Facsimile: (02) 8282 4528

## BANKERS

Westpac Banking Corporation  
45 Hunter Street  
Newcastle NSW 2300  
[www.westpac.com.au](http://www.westpac.com.au)

## SOLICITORS

Baker & McKenzie  
AMP Centre  
50 Bridge Street,  
Sydney NSW 1223  
[www.bakernet.com](http://www.bakernet.com)

## AUDITORS

Lawler Partners  
763 Hunter Street  
Newcastle West NSW 2302  
[www.lawlerpartners.com.au](http://www.lawlerpartners.com.au)

## SHARE REGISTRY

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone: 1300 737 760  
Fax: 1300 653 459

Correspondence to:  
GPO BOX 3993  
Sydney NSW 1223  
[callcentre@registries.com.au](mailto:callcentre@registries.com.au)  
[www.registries.com.au](http://www.registries.com.au)

## WEBSITES

[www.nsga.com.au](http://www.nsga.com.au)  
[www.simvse.com.au](http://www.simvse.com.au)  
[www.bsx.com.au](http://www.bsx.com.au)  
[www.bsxtaximarket.com.au](http://www.bsxtaximarket.com.au)  
[www.waterexchange.com.au](http://www.waterexchange.com.au)  
[www.nlx.com.au](http://www.nlx.com.au)

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# Chairman's and Chief Executive Officer's Report

## Dear Fellow Shareholder,

Firstly, I would like to thank those shareholders that participated in the placement and rights issue which raised \$4.3 million for the Company. Secondly, it is pleasing to see that the 2010 financial performance, although still a consolidated operating loss of \$1,783,592 (2009: 15,247,916) for NSX Limited is improving. This represents an 88% reduction in losses compared to the previous financial year.

The improvement has been a mixture of the effect of cost restructuring that has been undertaken and effort by the Board, Management and the Staff in all businesses to grow revenue.

## Improving the business

The results of the business improvement program have seen;

1. a reduction in ongoing operating expenses by \$2,085,497;
2. a reduction in the consulting expenses by 88%;
3. a reduction in employment expenses by 27%;
4. finalisation of the incorporated joint venture with Financial and Energy Exchange Limited to create a sustainable Cleantech equities market called SIM Venture Securities Exchange; and
5. the refocusing of staff and your Board on revenue generating activities produced a 24% increase in revenue for the year.

## Highlights

- Total Revenue Up 24%
- Expenses Down 75%
- Total Loss Down 88%
- Market capitalisation of listed entities doubled to over \$2billion.
- Total of \$4.3m was raised as part of a placement and rights issue.
- Incorporated Joint Venture for SIM VSE signed with FEX.
- Launch of the South Pacific Stock Exchange hosting service.

## Stock Exchanges

### National Stock Exchange of Australia – Activities

As stated in last year's Report, the Board has started to significantly raise the profile of the exchanges businesses. The National Stock Exchange had two high profile listings in June 2010 (African Petroleum Corporation and International Petroleum Limited) which more than doubled the market capitalisation of listed companies. June also saw the return of a tech stocks to the market with the listing of DocLocker Worldwide Limited. Another high profile listing was Lion Selection Group Limited that listed in December 2009.

The listing for these companies has brought with them more Stockbrokers to the markets including ELC Bailleu Stockbroking, BGF Capital, DJ Carmichael and Patersons Securities.

Of note is that NSXA is attracting high calibre advisers to the market as well. During the year PricewaterhouseCoopers, Steinepreis Paganin and Baron Partners, to name only a few, joined the market.

You may wish to review the picture on the inside front cover of this Report. This was taken on 29 June 2010 in Timesquare New York for the launch of the first electronic trading system to be established by the South Pacific Stock Exchange (SPSE) based in Fiji. The NSXA hosts, with the support of NASDAQ OMX, the trading platform for the SPSE.

### **SIM Venture Securities Exchange – Activities**

During the year the Board signed an incorporated Joint Venture agreement with Financial and Energy Exchange Limited (FEX) to operate an equities exchange for companies with Cleantech credentials to list.

As part of this agreement the following have been completed:

1. Share purchase agreement signed, subject to shareholder approval.
2. NSX Limited shareholders approved the arrangements on 3 June 2010 at a General Meeting of shareholders.
3. BSX Group Holdings Ltd change its name to SIM VSE Group Holdings Ltd.
4. Bendigo Stock Exchange Limited changed its name to SIM Venture Securities Exchange Ltd ("SIM VSE").
5. The Bendigo Stock Exchange Limited Australian Market Licence name was changed effective 6 July 2010 with approval by the Minister, Chris Bowen. The Market rules were approved on 23 July 2010.
6. SIM VSE held an official launch on 30 June where the new rebranded market was opened by Chris Bowen, the Minister for Financial Services, Superannuation and Corporate Law.
7. Indigo Technologies Limited have applied to list and their application has been approved.
8. Brian Price joined the Board of both SIM VSE Group and SIM Ventures Securities Exchange on 14 July 2010.
9. SIM has applied for and received approval to join the ASX Clear Transfer Service for the electronic settlement of securities via CHES.

As part of the joint venture arrangements FEX will provide funding of \$500,000 every six months for 3 years (total value \$3,000,000) in consideration of 50% ownership of SIM VSE Group Holdings Ltd the parent of SIM Venture Securities Exchange Ltd. NSX Services will provide Corporate, Trading, Settlement, Surveillance and Compliance services to the venture on arms length commercial terms. A market board for existing BSX securities has been retained.

All preliminary conditions to the transaction have been completed and the partly paid shares in SIM VSE Group Holdings Limited will be issued on receipt of the first tranche of funding.

### **Taxi Markets**

The NSX has operated a business for the last 4.5 years that facilitates trading in Taxi licences and assignments predominately in the Victorian Central Business District. The Taxi market continues to trade steadily. The NSX has sought to contract with the Victorian Government an additional two years and NSX has notified the Victorian Government concerning the renewal of the contractual arrangements for providing the facility. The Taxi Market is seeking to move the existing trading onto the new NLX platform.

### **Water Trading**

The NSX operates a web based facility, [www.waterexchange.com.au](http://www.waterexchange.com.au), for the trading of water entitlements, both temporary and permanent. The WaterExchange (WEX) earns fees from the trading in these rights and manages the settlement process on behalf of brokers and their clients. Trading is affected by levels of rain fall as well as Government policy with Local, State and Federal Governments all involved.

The business conditions remain difficult for water trading and during the financial year to 30 June 2010 Waterexchange has experienced a substantial decline in trading volumes, from 5,500 in 2009 to 2,800 in 2010 and expects further weakening in trading volumes. As there are fixed costs associated with providing the service the Board of the NSX has resolved to find a buyer for the WEX business. The Board has had discussions with some potential buyers but as at the date of this Report nothing has been finalised with any potential purchaser which could be released to the market.

### **Ongoing Litigation**

During the year the Victorian County Court heard the case Bladier vs NSX Limited relating to contractual entitlements to Mr Bladier as Managing Director. The Court ruled in favour of the plaintiff and pursuant to the judgement \$428,182.41 (\$357,671 in direct entitlements with the balance made up of insurance entitlement and interest) was paid into trust. NSX has appealed the decision.

### **Conclusion**

The operating result was a substantial improvement over previous years. However this result can only continue to improve if companies continue to list and brokers continue to trade on the taxi and WaterExchange markets. Your Board is committed to focusing on revenue growth in developing the Exchange business primarily as we see these businesses as the best use of shareholder funds; the Taxi market will be continued only if revised arrangements can be made with the contract renewal; and the WEX business will be sold if a buyer can be found. I and your Board look forward to receiving your continued support in the coming year.



Michael Cox

**Chairman and**

**Chief Executive Officer**

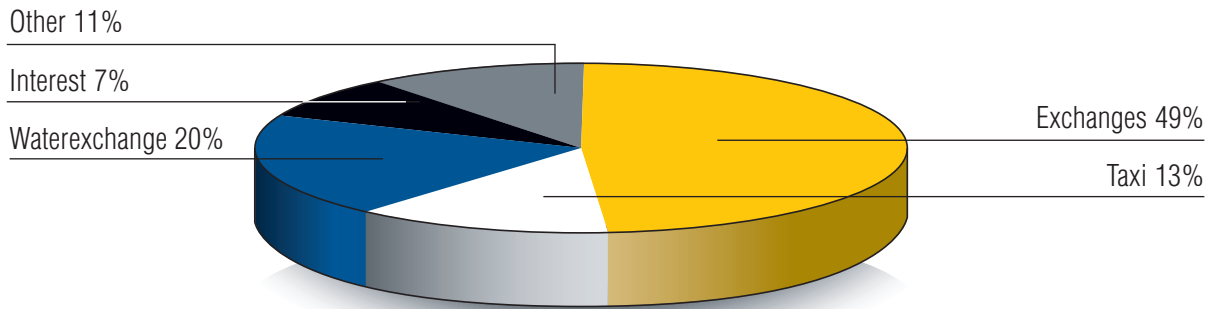
31 August 2010



# Analysis of Results

## REVENUE

Revenue by Category (Figure 1) as a percentage of total expenses.



## Changes in Revenue 30 June 2010 vs. 30 June 2009

Revenue has increased by 24.1% with the majority of the increase associated with increased listing fee revenue.

Revenue Category	2010 \$'000	2009 \$'000	Change %
Stock Exchanges	1,260.8	810.9	55.5
Taxi Markets	330.4	321.2	2.8
Waterexchange	518.7	609.9	-15.0
Interest	198.4	329.0	-39.7
Other	280.6	14.3	1,858.8
<b>Total Revenue</b>	<b>2,588.9</b>	<b>2,085.4</b>	<b>24.1</b>

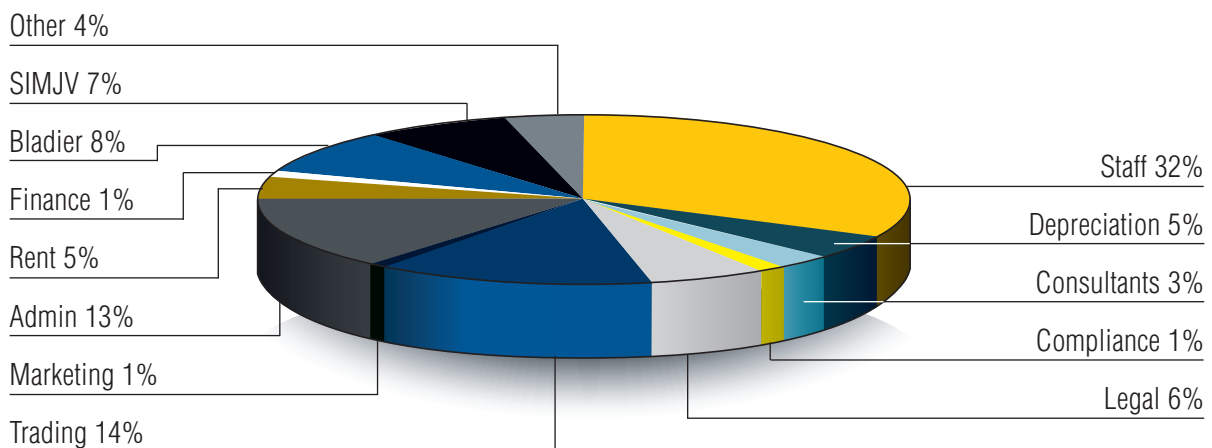
### Notes:

- (1) Stock Exchanges includes activities for the National Stock Exchange and SIM Venture Securities Exchange.
- (2) Taxi Markets includes activities for BSX Taxi Market and National Licence Exchange.

## EXPENSES

Operating expenses (excluding impairment of goodwill) decreased by 32.3% from \$6.4million to \$4.4million as a result of the cost restructuring under taken by the Company. Employee expense decreased by 26.7% due to the full annual effect of the organisational restructuring the previous financial year. Consultants' expense has decreased by 87.8% due less reliance on consultants. Although a General Meeting of shareholders was held and the litigation in the Bladier case, Legal expenses have decreased by 69.5%. Overall Operating Expenses (excluding impairment of goodwill) have decreased by 32.3% which reflects the prudent management of capital while effectively promoting the businesses.

### Expenses by Category excluding impairment (Figure 2) as a percentage of total revenue.



### Changes in Expenses 30 June 2010 vs. 30 June 2009

Expense Category	2010 \$'000	2009 \$'000	Change %
Employee benefits expense	1,380.1	1,883.5	-26.7
Depreciation, amortisation and impairments	195.3	655.6	-70.2
Consultancy expenses	112.0	920.9	-87.8
Compliance expenses	59.2	70.5	-16.0
Legal expenses	244.9	803.4	-69.5
Market trading expenses	591.1	635.6	-7.0
Marketing and promotion expenses	36.4	169.2	-78.5
Occupancy expenses	195.7	364.2	-46.3
Administration expenses	578.7	477.2	21.3
Impairment of goodwill	-	10,875.3	-100.0
Finance Costs	42.3	-	100.0
Joint Venture Costs SIMVSE	312.4	-	100.0
Court Costs R Bladier	357.7	-	100.0
Other expenses	266.6	477.9	-44.2
<b>Total Expenses</b>	<b>4,372.4</b>	<b>17,333.3</b>	<b>-74.8</b>

**GROUP SUMMARY**

The Operating loss for the Group was \$1.78million for the period (59.2% decrease on the previous period's Operating loss). Overall the net of tax loss of the Group was \$1.78million (88.3% decrease on the previous period's net of tax loss). The Group maintains a cash balance of \$6.46million at the end of the period. Of the cash held, \$1.7million is held in trust as part of the Stock Exchange's market compensation arrangements and \$0.4million is owed to trade creditors of the WaterExchange leaving \$4.3million as working capital for the NSX Group.

**Changes in Operating Results 30 June 2010 vs. 30 June 2009**

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Revenue	2,588.9	2,085.4	24.1
Expenses excluding impairments	4,372.5 6,	458.0	-32.3
Operating loss	(1,783.6)	(4,372.6)	-59.2
Expenses including impairments	4,372.5	17,333.2	-74.8
<b>Net loss after tax</b>	<b>(1,783.6)</b>	<b>(15,247.8)</b>	<b>88.3</b>

	<b>2010</b>	<b>2009</b>	<b>Change</b>
			<b>%</b>
Earnings per share (cents)	(2.1)	(20.5)	-90.0
Net tangible asset backing (cents)	7.0	4.8	45.1
Share price at end of period (cents)	17.0	21.0	-19.0
Shares on Issue at end of period (mil)	98.7	74.5	32.5
Market capitalisation (\$'mil)	16.8	15.6	7.3
Cash at bank (\$'000)	6,456.0	4,470.7	44.4
Cash held for statutory purposes (\$'000)	1,700.0	1,700.0	0.0
Waterexchange deposits (\$'000)	427.0	800.0	-46.6
<b>Working Capital ('000)</b>	<b>4,329</b>	<b>1,971</b>	<b>119.7</b>

# Markets Information

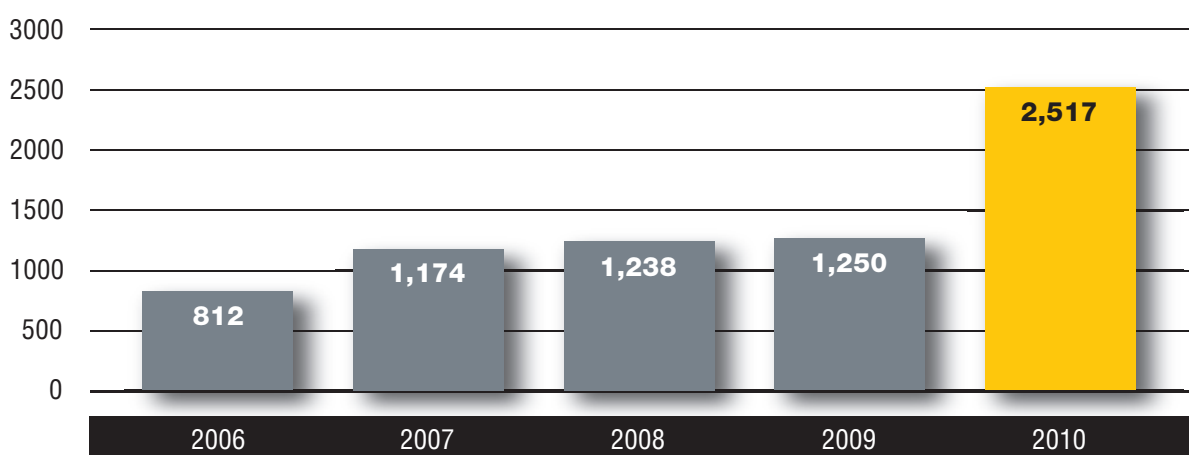
## NSXA and SIM listing history of securities

as at 30 June	2006	2007	2008	2009	2010
Fully Paid Ordinary	81	87	94	91	96
Partly Paid Ordinary	1	1	-	1	1
Debt Securities	-	-	9	29	40
Preference Securities	-	-	-	1	2
Company issued options	15	13	16	13	12
Property Trusts	7	10	4	1	-
<b>Total Listed Securities</b>	<b>104</b>	<b>111</b>	<b>123</b>	<b>136</b>	<b>151</b>
Delisted securities	11	10	9	13	18

## NSXA & SIM trading statistics

as at 30 June	2006	2007	2008	2009	2010
Listed Securities (no.)	104	111	123	136	151
Market Capitalisation (\$'mil)	812	1,174	1,238	1,250	2,517
Volume Traded ('000 shares)	51,143	85,548	53,872	22,635	31,315
Value Traded (\$'000)	15,174	42,369	27,789	8,248	9,943
Trades (no.)	1,514	1,833	1,470	900	1,269
Average Volume per trade ('000 shares)	33.8	46.7	36.6	25.2	24.7
Average value per trade (\$'000)	10.0	23.1	18.9	9.2	7.8
Average Price per Share (\$)	0.30	0.50	0.52	0.36	0.32
Announcements (no.)	936	1,138	1,241	2,136	3,225

## Market Capitalisation (\$million)



## PARTICIPANTS AND BROKERS ON NATIONAL STOCK EXCHANGE (NSXA) AND SIM VENTURE SECURITIES EXCHANGE (SIM)

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

NSXA Participants, in their sponsor role, must also ensure that the issuer receives fair and impartial guidance and advice as to the application of NSXA Listing Rules; that the company or group has sufficient working capital; that necessary disclosures have been made to NSXA; 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.

### Participants: (as at the date of this report)

RBS Morgans Limited (NSXA, SIM)	EL & C Baillieu Stockbrokers Limited (NSXA)
Bell Potter Securities Limited (NSXA)	Macquarie Equities Limited (NSXA)
BGF Capital Limited (NSXA)	Martin Place Securities Pty Limited (NSXA)
Burrell Stockbroking Limited (NSXA)	Patersons Securities Limited (NSXA)
Cameron Stockbrokers Limited (NSXA)	Pritchard & Partners Pty Limited (NSXA)
Centre Capital Securities Limited (NSXA)	Strategem Financial Group (NSXA, SIM)
DJ Carmichael Stockbrokers (NSXA)	Taylor Collison Limited (NSXA)

## NOMINATED ADVISERS ON NSXA

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

1. that in relation to any application for admission to the official list of the NSXA 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 NSXA rules;
  - (b) to the best of the knowledge and belief of the nominated adviser, all relevant requirements of NSXA 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 NSXA's rules.

## LIST OF NOMINATED ADVISERS ON NSXA

### Nominated Advisors: (as at the date of this report)

Addisons Lawyers	Managers & Directors
Allens Arthur Robinson	Martin Place Securities
Baron Partners	Mason Sier Turnbull
BKR Walker Wayland Services Pty Limited	The MBA Partnership
Burrell Stockbroking	McCullough Robertson Lawyers
Business Growth Strategies	Minter Ellison – Gold Coast
Clayton Utz	Non Executive Management Pty Ltd
Cameron Stockbrokers Limited	Norton Rose Lawyers
Collins Street Group Pty Ltd	Oakhill Hamilton Pty Ltd
DLA Phillips Fox Lawyers	Oakley Thompson & Co
Hall Chadwick - Sydney Partnership	Pritchard & Partners Corporate Finance
Hindal Securities Pty Limited	PricewaterhouseCoopers Australia
Holman Webb Lawyers	Steinepreis Paganin
Hopgood Ganim Lawyers	Taylor Collison Limited
Hynes Lawyers	Wellington Capital Limited
Macpherson + Kelley Lawyers	Whittens Lawyers & Consultants
	WHK Horwath Corporate Finance

Advisers may have additional responsibilities to their clients in addition to those responsibilities stated above.

### FACILITATORS ON NSXA

In addition to Participants and Nominated Advisors, NSXA has a register of Facilitators.

Facilitators do not have a legal responsibility to NSXA but consult to companies seeking to access our market in order to assist them in preparing to become a listed public company.

### Facilitators: (as at the date of this report)

Cullen Capital	Guthrie Securities Pty Ltd
----------------	----------------------------

**TRADING ON NSX WATEREXCHANGE – Spot allocations as at 30 June 2010**

The Waterexchange facilitates the trading and settlement of entitlements to water. These entitlements are not considered financial products and therefore are not governed by the Australia Markets Licence regime. The predominate category of water traded is for temporary transfers of water that are allocated by the regionally based water authorities. Trading can not only be influenced by the degree of rain experienced in the areas or zones but also by government policy at regional, state and federal levels. During the year there was a substantial decrease in the number of trades across the waterexchange market 2,800 compared to 5,500 in 2009. The lesser number of trades reduced the operating revenue of the Waterexchange by 15% compared to 2009.

Area	Zone	Last Price \$	Volume m/L (1)	Value \$ (2)	Average Price \$
NSW Regulated	Coleambally Inter-Valley	80	20,678	2,615,880	127
NSW Regulated	Gwydir Valley	330	424	119,020	281
NSW Regulated	Lower Darling	150	50	7,365	147
NSW Regulated	MacIntyre Valley	240	760	183,380	241
NSW Regulated	Macquarie Valley	140	1,642	278,350	170
NSW Regulated	Upper Murray	85	35	3,855	110
NSW Regulated	Murray Valley Lower	75	12,034	1,183,965	98
NSW Regulated	M.I.A. Inter-Valley	80	14,733	1,919,015	130
NSW Regulated	Mid Murray	85	6,688	963,388	144
NSW Regulated	M.I.L.	80	7,144	1,193,379	167
NSW Groundwater	Lower Gwydir - Groundwater	80	3,802	350,380	92
NSW Groundwater	Lower Murrumbidgee - Groundwater	30	9,586	431,224	45
NSW Groundwater	Lower Murray - Groundwater	35	2,548	191,110	75
NSW Groundwater	Lower Lachlan	15	6,426	160,944	25
VIC Regulated	1A Greater Goulburn	85	28,192	4,172,069	148
VIC Regulated	1B Boort	95	3,148	456,567	145
VIC Regulated	3 Lower Goulburn	80	796	144,418	181
VIC Regulated	6 Hume to Barmah	90	4,683	702,780	150
VIC Regulated	7 Barmah to Nyah	70	21,055	3,028,896	144
NSW Regulated	M.I.A. Local	72	87,880	10,128,748	115
NSW Regulated	Western Murray Irrigation	180	524	161,775	309
SA Regulated	River Murray	90	12,736	1,940,581	152
NSW Regulated	Murrumbidgee Inter-Valley	90	11,928	1,505,260	126
NSW Groundwater	Lower Murrumbidgee GW - LMA2	50	1,560	123,000	79
VIC Regulated	6B Lower Broken Creek	90	100	9,000	90
VIC Regulated	Lower Murray Water - Zone 7	90	15,979	2,386,837	149
<b>Totals</b>			<b>275,131</b>	<b>34,361,186</b>	<b>125</b>

**Notes:**

- (1) Volume = total volume in Megalitres from 1 July 2009 until 30 June 2010.  
(2) \$Value = total value of all trades in dollars since 1 July 2009 until 30 June 2010.

## TRADING ON BSX TAXI MARKET

BSX Services, a wholly owned subsidiary of NSX Limited has developed a trading platform for the trading of Taxi Licences and Assignments 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 can only be effected through an approved broker. The Taxi Market started trading on 28 March 2006. The Taxi Market also trades on a national trading platform called the National Licence Exchange ([www.nlx.com.au](http://www.nlx.com.au)) available to taxi brokers outside of the Victorian metropolitan area.

### Trading Statistics

as at 30 June	2007	2008	2009	2010
Licences traded (no.)	121	105	111	133
Licences traded (\$'mil)	47	49	40	62
Assignments traded (no.)	1,270	1,083	1,384	1,281
Assignments traded (\$'mil)	82	69	93	70
Total trades (no.)	1,391	1,188	1,495	1,414
Total trades (\$'mil)	129	118	132	132
Average value per licence (\$'mil)	0.384	0.467	0.356	0.464
Average value per assignment (\$'mil)	0.065	0.064	0.067	0.054
Accredited taxi brokers (no.)	19	19	19	17

### Technology

The trading system for equities markets is supplied by NASDAQ OMX group. The system integrates the trading of both the NSX and SIM markets on the one trading platform. The system has the ability to expand to other trading classes and markets as required.

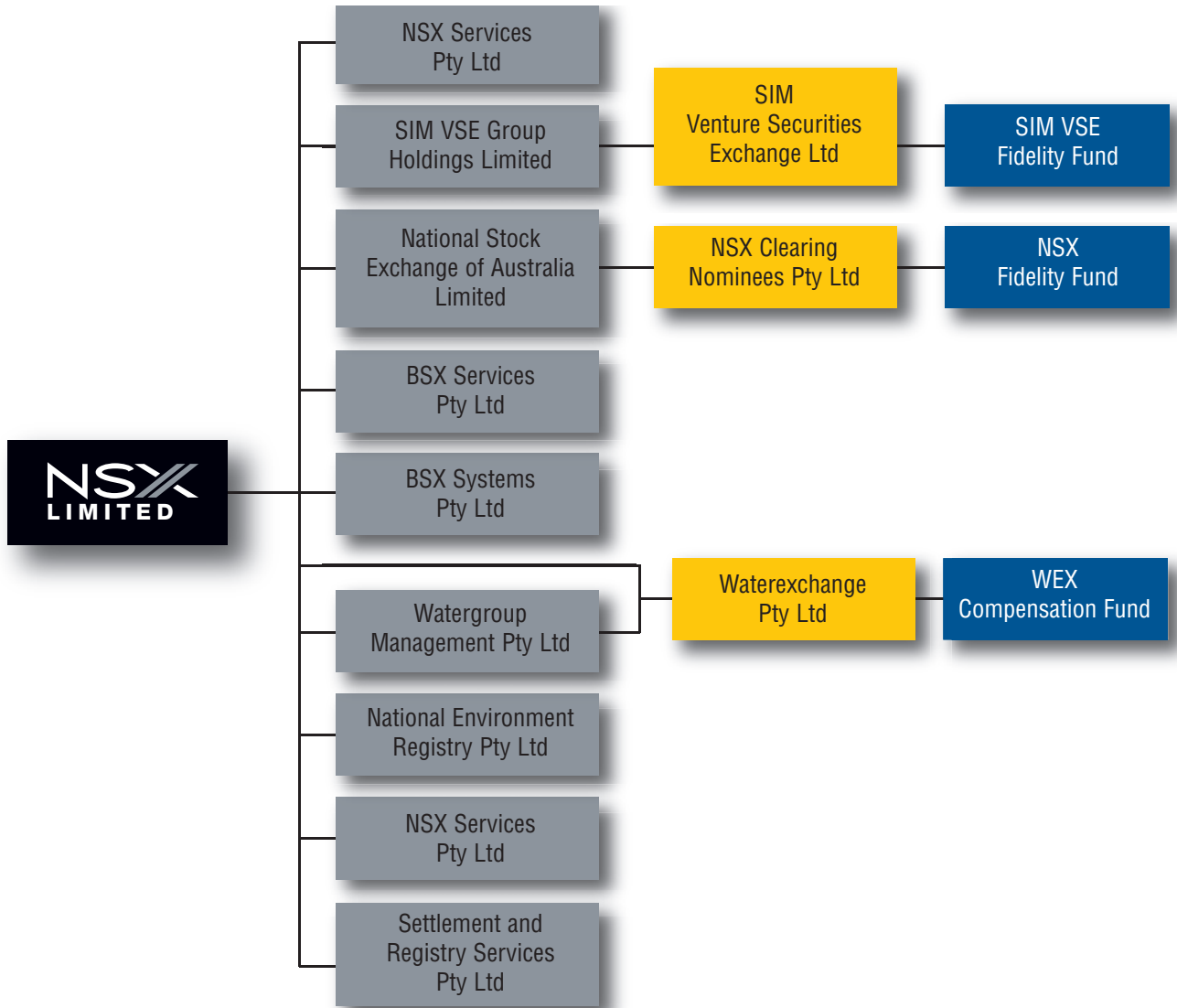
NSXA is a recognised Participant in the ASX ASTC CHESS (ASX Clear) system for the settlement of equity trades. SIM Venture Securities settles on a broker to broker basis for non Cleantech securities and is a member of ASX ASTC CHESS (ASX Clear) system for electronic settlement of Cleantech securities.

The BSX Taxi Market operates exclusively from the BSX Taxi market website ([www.bsxtaximarket.com.au](http://www.bsxtaximarket.com.au)) and the National Licence Market from the [www.nlx.com.au](http://www.nlx.com.au) website.

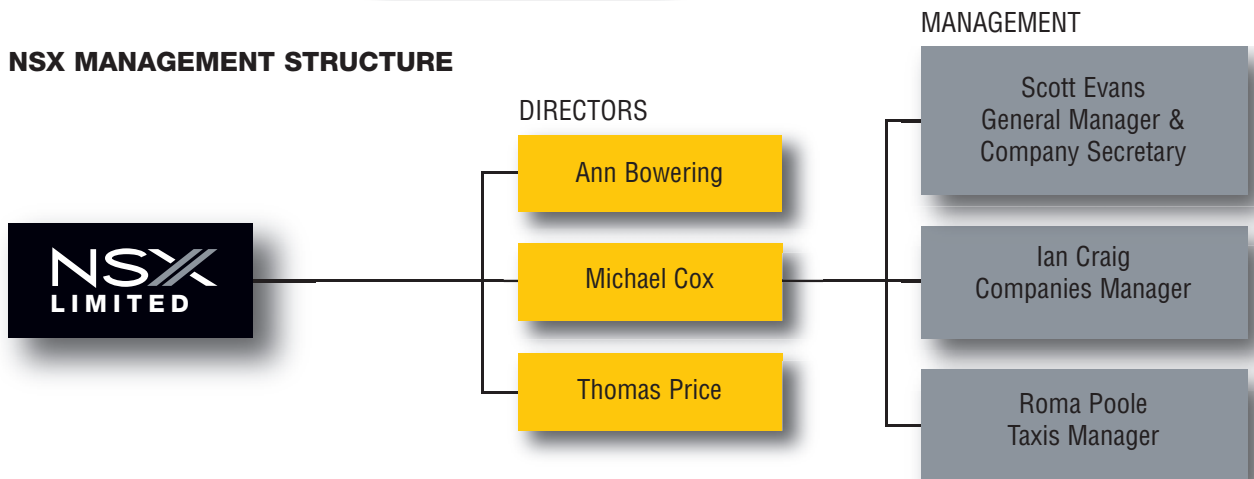
The Waterexchange Market operates exclusively from the Waterexchange website ([www.waterexchange.com.au](http://www.waterexchange.com.au)).



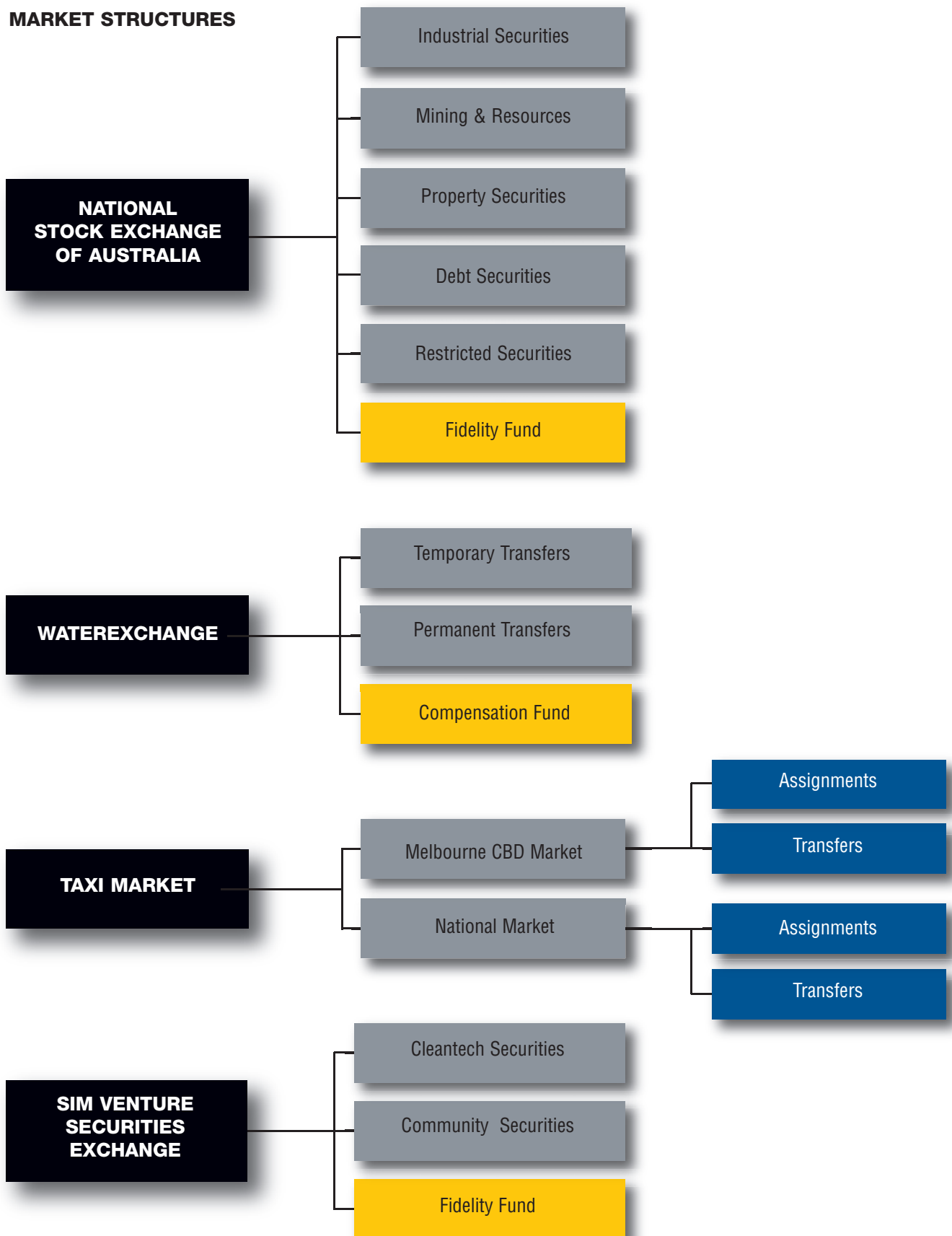
**NSX GROUP CORPORATE STRUCTURE**



**NSX MANAGEMENT STRUCTURE**



**MARKET STRUCTURES**



# Financial Markets supervision

NSX financial exchanges (NSXA and SIMVSE) 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, Market Licence’s primary obligations are to conduct a fair, orderly and transparent market. It is an obligation placed on the directors of each Licencee to ensure that the Licencee has sufficient resources to meet its obligations.

As part of this role, each Licencee reviews the trading activity and disclosure of its Listed Issuers as well as the operations of its Participants. For listed issuers, this means adherence to the continuous disclosure regime and also periodic disclosure as required by the Listing Rules so as to maintain an informed market. For Participants, this means adherence to the 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. From 1st August 2010 this also means adherence to ASIC Market Integrity Rules.

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

## **LISTING & ADMISSIONS COMMITTEE**

The Listing & Admissions Committee operates under a charter from the Board of the National Stock Exchange of Australia Limited and SIM Venture Securities Exchange Limited.

The role of the Listing & Applications Committee is to review applications for listing by companies, participant brokers, nominated advisers and facilitators. Only if the information provided by companies is acceptable as being sufficient to ensure an informed market in the relevant securities will a recommendation for acceptance of admissions to the Official List be made.

## **COMPLIANCE COMMITTEE**

The Compliance Committee operates under a charter from the Board of the National Stock Exchange of Australia Limited and SIM Venture Securities Exchange Limited.

The role of the Committee is as follows:

- Recommend waivers from Listing Rules;
- Review and Monitor Participant obligations in accordance with the NSX Business Rules; and
- Make recommendations to the Board concerning Participant obligations, breaches of the Business Rules and disciplinary action, including suspension and removal of Participant recognition.

Also in operation is an independent Compliance Officer whose responsibilities are to Chair the Compliance Committee, report to the Board on Compliance matters and report to ASIC on Compliance matters as required.

## **EXCHANGE EXAMINING ACCOUNTANT**

The external Exchange Examining Accountant (“EEA”) operates under a service agreement from the National Stock Exchange of Australia Limited and SIM Venture Securities Exchange (SIMVSE) to provide reviews of Participant Surplus Liquid Funds.

Participants are required to submit monthly Surplus Liquid Funds reports to the EEA showing, amongst other things, how they are meeting their capital adequacy requirements. Participants failing to meet business rule requirements are referred to the Compliance Committee.

## COMPENSATION ARRANGEMENTS

The Market Licencees maintain investor confidence in the integrity of the markets by regulating the conduct of market participants and monitoring market activity for any irregularities. The NSXA and SIM Fidelity Funds and Compensation arrangements provide a mechanism whereby retail clients of Participants, on either exchange, may claim recompense for losses under certain circumstances.

From 11th March 2004 the Fidelity Funds operates under Part 7.5 of the Corporations Act 2001 for the purpose of covering Division 3 losses specified by section 885C, but excluding losses under section 885D.

Information about the Compensation Arrangements and Fidelity Funds for NSXA and SIM is available from the appropriate websites. A Market Licencee is obliged to maintain this arrangement for six months after a Market Licencee ceases to hold an Australian Markets Licence.

## COMPLAINT HANDLING

The NSX 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 NSXA and SIM are:

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

Information about making complaints is available from the NSXA and SIMVSE websites as well as a form for lodging a complaint.

# Corporate 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; and
- 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 eight 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. Remunerate fairly and responsibly

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

### CORPORATE GOVERNANCE COMPLIANCE SUMMARY

ASX 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 on an "if not, why not basis". The table has been up dated incorporating the Corporate Governance Council's Principles (Revised Principles) 2nd Edition August 2007 and supplementary notifications on Principle 7 dated 30 June 2008 and proposed expansion to include a Diversity Policy dated 7 December 2009.

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
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>	
<b>Recommendation 1.1</b>	<b>Formalise and disclose the functions reserved to the board and those delegated to senior executives and disclose those functions</b>	
<b>NSX Response</b>	The NSX Board Charter makes it clear that the roles of Chairman and Chief Executive Officer are to be separate and distinct. Currently the Chairperson and Chief Executive Officer is the same person. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.	NSX Board Charter NSX Corporate Governance Statement
<b>Recommendation 1.2</b>	<b>Companies should disclose the process for evaluating the performance of senior executives</b>	
<b>NSX Response</b>	The NSX Board Charter makes it clear that the roles of Chairman and Chief Executive Officer are to be separate and distinct. Currently the Chairperson and Chief Executive Officer is the same person. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.	NSX Board Charter NSX Corporate Governance Statement NSX Remuneration and Nomination Committee Charter

Principle	Compliance	References
<b>Recommendation 1.3</b>	<b>Companies should provide information indicated in the Corporate Governance Guide to reporting on Principle 1</b>	
<b>NSX Response</b>	The Board Charter and Corporate Governance statements are published in the NSX website (www.nsx.com.au).	NSX Board Charter NSX Corporate Governance Statement
<b>Principle 2</b>	<b>Structure the board to add value</b>	
<b>Recommendation 2.1</b>	<b>A majority of the board should be independent directors</b>	
<b>NSX Response</b>	<p>The NSX Board consists of 3 directors, including the Chairman - Michael Cox, Executive Director Ann Bowering and Executive Director Thomas Price.</p> <p>Applying the independence test outlined in the Principles, the NSX considers that there are no independent Directors. Thus, there is not a majority of directors that are independent.</p> <p>The Board is cognisant of the need for independence and so has in place policies to mitigate for the lack of independence. The independence of the Board is supported by adherence by the Board to various policy documents. These documents require that:</p> <ul style="list-style-type: none"> <li>(a) new directors inform the Board of any perceived bias or conflicts of interest,</li> <li>(b) serving directors bring any potential conflicts of interests to the notice of the Board prior to the commencement of each meeting,</li> <li>(c) any conflicted director will absent him or herself from voting on that particular matter; and</li> <li>(d) Non-executive Directors can hold independent meetings before scheduled full board meetings in the absence of management.</li> </ul> <p>The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.</p>	<p>NSX Code of Ethics and Conduct</p> <p>NSX Corporate Governance Statement</p> <p>NSX Conflicts of Interest Policy</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>
<b>Recommendation 2.2</b>	<b>The chairperson should be an independent director</b>	
<b>NSX Response</b>	The Chairperson is not an independent director as he is also the Chief Executive Officer.	Board Charter
<b>Recommendation 2.3</b>	<b>The roles of chairperson and Chief Executive Officer should not be exercised by the same individual</b>	
<b>NSX Response</b>	The NSX Board Charter makes it clear that the roles of Chairman and Chief Executive Officer are to be separate and distinct. Currently the Chairperson and Chief Executive Officer is the same person. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.	Board Charter

Principle	Compliance	References
<b>Recommendation 2.4</b>	<b>The board should establish a nomination committee</b>	
<b>NSX Response</b>	<p>The Board has established a Remuneration and Nomination Committee but it is inactive. The Board oversees this role currently.</p> <p>The Committee does not currently have three members. The Chair of the Committee is able to draw on external professional expertise as required and other independent board members as required.</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 require a formal process to be followed when recruiting new directors which 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>The Charter and related documents are published on the NSX website.</p> <p>The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.</p>	<p>Remuneration and Nomination Committee Charter</p> <p>Procedures for the provision of services by Director's and related parties.</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>Procedures for Board Charter Corporations Act (s792B)</p>
<b>Recommendation 2.5</b>	<b>Provide the information indicated in Guide to reporting on Principle 2</b>	
	<b>(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</b>	
<b>NSX Response</b>	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 in the statutory financial report.	Annual Report
	<b>(ii) The names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds</b>	
<b>NSX Response</b>	<p>There are no independent directors.</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>The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.</p>	NSX Board Charter
	<b>(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</b>	
<b>NSX Response</b>	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.	<p>NSX Constitution</p> <p>NSX Board Minutes</p> <p>NSX Board Charter</p>
	<b>(iv) The term of office held by each director in office at the date of the annual report</b>	
<b>NSX Response</b>	The appointment date of each director is disclosed in the statutory financial report.	Annual Report



Principle	Compliance	References
	<b>(v) The names of members of the nomination committee and their attendance at meetings of the committee</b>	
<b>NSX Response</b>	The composition and attendance of meetings is disclosed in the statutory financial report.	Annual Report – Board Meetings
	<b>(vi) Description of the procedure for the selection and appointment of directors</b>	
<b>NSX Response</b>	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
<b>Principle 2.6</b>	<b>Companies should provide the information indicated in the Guide to reporting on Principle 2</b>	
<b>NSX Response</b>	The skills and experience of each director is reported in the statutory financial Report. The relevant Charters and Procedures mentioned in this table are posted on the NSX website ( <a href="http://www.nsx.com.au">www.nsx.com.au</a> ). There is an agreed procedure for directors to take external advice. The period of office is provided in the Statutory Financial Report.	Annual report Board Charter
<b>Principle 3</b>	<p><b>Companies should actively promote ethical and responsible decision making.</b></p> <p><b>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</b></p> <p><b>3.1.1 The practices necessary to maintain confidence in the company's integrity;</b></p> <p><b>3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</b></p> <p><b>3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</b></p>	
<b>NSX Response</b>	<p>NSX has in place a number of procedures and policy documents to guide the directors and Chief Executive Officer 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 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 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>

Principle	Compliance	References
<b>Recommendation 3.2</b>	<b>Companies should establish a policy concerning trading in company securities by directors, senior executives, officers and employees and disclose the policy or a summary of that policy</b>	
<b>NSX Response</b>	<p>The prohibitions on employees and directors in dealing with NSX shares relate to trading at certain times of the year including in 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 Chairman. Board members must seek the permission of the Chairman. Permission must be gained in advance.</p>	Procedures for dealing in securities by Directors, Officers and Employees of NSX
<b>Recommendation 3.3</b>	<b>Companies should provide the information indicated in Guide to reporting on Principle 3</b>	
<b>NSX Response</b>	NSX publishes 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
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>	
<b>Recommendation 4.1</b>	<b>The board should establish an audit committee</b>	
<b>NSX Response</b>	<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 members 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>The Board has established an Audit &amp; Risk Committee but it is currently inactive. The Board oversees this function.</p> <p>In addition, the Board considers that the Board is of sufficient size 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"> <li>1. That at least one director has significant accounting experience and expertise;</li> <li>2. NSX is not so large as to warrant resources beyond that of the existing board being utilised;</li> <li>3. 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.</li> </ol> <p>The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.</p>	Board Charter Audit & Risk Committee Charter

Principle	Compliance	References
<b>Recommendation 4.2</b>	<b>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</b>	
<b>NSX Response</b>	<p>The Committee does not currently have three members. The Chair of the Committee is able to draw on external professional expertise as required and other independent board members as required.</p> <p>The Board currently oversees this function. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.</p>	Audit & Risk Committee Charter
<b>Recommendation 4.3</b>	<b>The Audit Committee should have a formal charter</b>	
<b>NSX Response</b>	The Audit Committee has a formal charter.	Audit & Risk Committee Charter
<b>Recommendation 4.4</b>	<b>Companies should provide the information indicated in the Guide to reporting on Principle 4</b>	
<b>NSX Response</b>	NSX director details are provided in the Annual Report as are the meeting attendance records except when the Board oversees this function.	Annual report
<b>Principle 5</b>	<b>Companies should promote timely and balanced disclosure</b>	
<b>Recommendation 5.1</b>	<b>Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for compliance with these obligations</b>	
<b>NSX Response</b>	The Compliance Plan 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. The plan provides a 'road map' of NSX compliance with its disclosure obligations.	Compliance Plan
<b>Recommendation 5.2</b>	<b>Provide the information indicated in Guide to reporting on Principle 5</b>	
<b>NSX Response</b>	NSX provides on its web site a summary of the policies and procedures designed by NSX to guide NSX compliance with the above mentioned ASX Listing Rule disclosure requirements.	Website
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>	
<b>Recommendation 6.1</b>	<b>Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy</b>	
<b>NSX Response</b>	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"> <li>1. maintaining and regularly updating its web site;</li> <li>2. making available electronic copies of annual reports to shareholders;</li> <li>3. operating a free email newsletter service where shareholders and members of the public can subscribe by entering in their email address and also RSS feed syndications;</li> <li>4. accepting nominations for the board of NSX that are made to the Company Secretary in accordance with the NSX constitution;</li> <li>5. strictly applying the Procedures for the Dealing in Securities by Directors and Employees; and</li> </ol> <p>NSX sends information to shareholders each year where those shareholders have provided an email address. NSX also publishes information on its website (<a href="http://www.nsx.com.au">www.nsx.com.au</a>) in a dedicated shareholders area.</p>	
<b>Recommendation 6.2</b>	<b>Companies should provide the information indicated in the Guide to reporting on Principle 6</b>	
<b>NSX Response</b>	Application information is provided on the NSX website.	Board Policy
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
<b>Recommendation 7.1</b>	<b>Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies</b>	
<b>NSX Response</b>	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.	NSX Corporate Governance Statement Board Charter Compliance Plan
<b>Recommendation 7.2</b>	<b>The board should require management to design and implement risk management and internal control system to manage the company's material business risks and report to it whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks</b>	
<b>NSX Response</b>	Management reports to the board monthly on its operations. This includes any analysis of risks facing the business.	NSX Corporate Governance Statement Board Charter Compliance Plan
<b>Recommendation 7.3</b>	<b>The board should disclose whether it has received assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks</b>	

Principle	Compliance	References
<b>NSX Response</b>	<p>NSX has adopted a policy of requiring the Chief Executive Officer and General Manager 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>The Board is also cognisant that material changes are required to be disclosed to the market with respect to Listing Rule 3.1.</p>	NSX Corporate Governance Statement
<b>Recommendation 7.4</b>	<b>Provide the information indicated in Guide to reporting on Principle 7</b>	
<b>NSX Response</b>	<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. The Board assesses compliance and risk associated with the NSX.</p> <p>Risk is broadly considered as 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 and General Manager 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
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>	
<b>Recommendation 8.1</b>	<b>The Board should establish a Remuneration &amp; Nomination Committee</b>	
<b>NSX Response</b>	The Board has established a Remuneration and Nomination Committee.	Remuneration and Nomination Committee Charter
<b>Recommendation 8.2</b>	<b>Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives</b>	
<b>NSX Response</b>	<p>Non-executive director's remuneration is determined by the Board. This is a fixed retainer with no performance criteria. Non-executive directors do not participate in the Employee Incentive Scheme. Non-executive directors do not receive bonuses or options. Other than superannuation non-executive directors are not provided with retirement benefits. The Chief Executive Officer is paid a director's fee on a fortnightly basis at a fixed rate. There is no performance based remuneration or equity based remuneration contained within the director's fee. Details of remuneration for the Chief Executive Officer are provided in the Remuneration Report contained within this document.</p> <p>Based on recommendations of the committee the executive remuneration is reviewed and approved by the Board.</p>	Board Policy
<b>Recommendation 8.3</b>	<b>Companies should provide the information indicated in the Guide to reporting on Principle 8</b>	
<b>NSX Response</b>	See Note 21 and remuneration report contained within this document.	Annual report

## 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; and
- Related Parties & Relevant Interests.

These documents are published on the NSX shareholder website ([www.nsx.com.au](http://www.nsx.com.au))

## AUDIT & RISK COMMITTEE

NSX Limited Board has established an Audit and Risk Committee as part of its Corporate Governance Policy. The Committee structure is currently inactive as the NSX Board oversees this function. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.

The primary function of the Committee is to assist the Board of Directors of the NSX Limited to carry out the following:

- monitor the integrity of the NSX Group's statutory financial reports and statements;
- monitor management's framework to identify and manage enterprise risk and internal control for the NSX Group;
- monitor compliance, in conjunction with the NSX Compliance Committee, with laws and regulations and code of conduct for the NSX Group; and
- monitor the performance and independence of the external auditor.

When considering the financial reports and statements of the NSX Group, the Committee relies on the Board of each NSX Group controlled entity to review and consider their respective financial statements, risk management processes, internal controls and compliance systems. The Committee receives confirmation of these matters through the annual reports of the respective entity boards to the Board.

## REMUNERATION AND NOMINATION COMMITTEE

NSX Limited Board of Directors has established a Remuneration and Nomination Committee as part of its Corporate Governance Policy. The Committee structure is currently inactive as the NSX Board oversees this function. The Board is of the view that this is the best arrangement to grow the business of the NSX in the current development cycle of the Company.

The Committee's primary functions are to:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on, executive remuneration and incentive policies, the remuneration packages of senior management, recruitment, retention and termination policies for senior management, incentive schemes, and remuneration for directors.









NSX LIMITED

ABN 33 089 447 058

# FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2010

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

### DIRECTORS

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

<b>Ann Bowering</b>	Appointed 25 May 2009
<b>Thomas Price</b>	Appointed 17 November 2009
<b>Michael Cox</b>	Appointed 23 November 2009
<b>Steven Pritchard</b>	Resigned 17 November 2009
<b>Paul Seymour</b>	Resigned 23 November 2009

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

### COMPANY SECRETARY

Scott Evans, General Manager (appointed 24 September 2001) & Company Secretary B.Ec (hons), appointed 7 March 2006. He previously worked for the ASX as National Manager, Information Products and for Reuters PLC. Mr Evans has extensive experience in the finance industry, in managing companies and reviewing NSX listed entities compliance with the listing rules, as well as the technology associated with trading and settlement systems.

### PRINCIPAL ACTIVITIES

The principal activities of the Economic Entity during the financial year were the operation of two stock exchanges (National Stock Exchange of Australia Limited and SIM Venture Securities Exchange), a market for Taxi Licences in Melbourne CBD (BSX Taxi Market), and a market for the trading of water entitlements (The WaterExchange). No significant change in the nature of these activities occurred during the year.

### OPERATING RESULTS

The net loss of the Economic Entity for the financial year after providing for income tax amounted to \$1,783,592 (2009 – loss of \$15,247,916).

### DIVIDENDS PAID OR RECOMMENDED

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

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**REVIEW OF OPERATIONS**

During the year the Economic Entity incurred a loss after tax of \$1,783,592 (2009 - loss of \$15,247,916) or 88.3% decrease compared to 2009.

Revenue increased by 24.1% from \$2,085,360 to \$2,588,909 which was due to an increase in revenue from listings.

Operating expenses decreased by 32.3% from \$6,457,998 to \$4,372,501. Consultancy expenses decreased by 87.8%, legal expenses decreased by 69.5%, occupancy costs decreased by 46.3% and depreciation, amortisation and impairment expenses decreased by 70.2%.

Employee benefits expense decreased by 7.7% which includes payments of \$421,182 to R Bladier. Earnings per share (EPS) declined from a loss of (20.48) cents per share to a loss of (2.05) cents per share.

**INFORMATION ON CURRENT DIRECTORS**

<b>Michael Cox</b>	<b>Director, Chairman</b>
Qualifications	BSc (USyd), LLB(UTS), Cert Acc, Dip Gem, Dip DT, PNA, MAICD, FGAA
Appointed	23 November 2009
Directorships held in other listed entities	NIL
Interest in Shares and Options:	2,609 Fully paid ordinary shares 700,000 Partly paid shares paid to 1 cent

**EXPERIENCE**

Mr Cox has 10 years experience in the securities industry prior to acting as corporate consultant and professional director. Mr Cox was formerly a director of other public companies including Benitec Ltd, Queensland Opals NL, Australian Environmental Resources NL and is a director of a number of private and public unlisted companies.

Mr Cox was CEO of the NSX at the time it listed on the ASX and merged with the Bendigo Stock Exchange.

Mr Cox is a partner in Solidus Financial Services – public accountants.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**INFORMATION ON CURRENT DIRECTORS (CONT'D)**

<b>Thomas Price</b>	<b>Executive Director</b>
Qualifications	B.Arts (Macquarie)
Appointed	17 November 2009
Directorships held in other listed entities	NIL
Interest in Shares and Options	8,334,236 Fully paid ordinary shares (Director of financial and Energy Exchange Limited)

**EXPERIENCE**

Tom Price is an Executive Director of the Financial & Energy Exchange Limited (FEX), a Director of the Australian Market licensed interest rate and currency swap market operator, Mercari Pty Ltd, and a Strategy Advisor on the environmental product development joint venture between FEX, Macquarie Capital Group and Climate Exchange plc (Envex).

In his role at FEX, Tom is responsible for the overall implementation of operational technology and regulatory infrastructure for business development including the proposed energy, commodity and environmental derivative markets. He works closely with NASDAQ OMX on technology issues and is also responsible for overall market connectivity infrastructure for the group.

Previously, Tom was an Australian based Derivative Asset Manager and Consultant with over 15 years experience in derivative transactions, derivatives trading and option pricing.

As at 30 June 2010 Tom had been appointed an Executive Director of NSX for the purpose of assisting with client liaison. This appointment was for a six week period. Tom is no longer acting in the capacity of executive Director.

<b>Ann Bowering</b>	<b>Executive Director, Chief Executive Officer of SIM Venture Securities Exchange Ltd</b>
Qualifications	B.Comm Acc & Fin, CA
Appointed	25 May 2009
Directorships held in other listed entities	NIL
Interest in Shares and Options	NIL

**EXPERIENCE**

Ann Bowering has considerable experience in the Australian capital markets and a strong management background. Her career has consistently focused on the opportunities and economic activities of the Energy and Resources sector and, in more recent times, the emerging Cleantech and Sustainability sector. A Chartered Accountant, having worked with KPMG Melbourne, Sydney and Houston, Ann has a suite of professional and personal competencies that are highly complementary to the role of director of NSX Limited. At KPMG Ann worked on more than 30 unique transactions totalling over \$12 billion of capital raisings, and merger and acquisition transactions for clients such as AGL, Bluescope Steel, Tabcorp and Lend Lease. She was a leader of the firm's Risk Management practice.

Ann oversaw a period of significant business development at Lucsan Capital, a consultancy and advisory business focused on providing services to the Australian financial markets in her role as Head of Operations and Business Development. Her major accomplishments during this time were the expansion of the business nationally and internationally: the Melbourne office successfully opened in June 2007 and the London office successfully opened in May 2008.

As a member of the executive team of the Financial and Energy Exchange, Ann is responsible for finance, regulatory and compliance and equity markets, all of which have allowed her to create influential relationships in the financial exchange market globally. Ann is a director of Australian Cleantech Marketplace Pty. Limited.



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**MEETINGS OF DIRECTORS**

During the financial year, 16 (2009: 26) Meetings of Directors were held. Attendances by each director during the year were as follows:

	<b>Directors' Meetings</b>		<b>Special Meetings</b>	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Michael Cox	8	8	1	1
Thomas Price	9	9	1	1
Ann Bowering	14	14	2	2
Steven Pritchard	5	5	1	1
Paul Seymour	7	7	1	1

Special meetings include Annual General Meetings and General Meetings of shareholders.

**MEETINGS OF AUDIT & RISK COMMITTEE**

The NSX has in place an Audit Committee. Due to the size of the organisation the functions of the Audit committee are performed by the entire Board. The Board has two accounting qualified Board members.

**MEETINGS OF REMUNERATION AND NOMINATION COMMITTEE**

The NSX has in place a Remuneration and Nomination Committee. Due to the size of the organisation the functions of this committee are performed by the entire Board.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

### DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

#### REMUNERATION REPORT (AUDITED)

The remuneration for each director and each of the top five key executive officers of the Economic Entity receiving the highest remuneration, and the remuneration policy during the year is disclosed in Note 21 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 a table has been included (page 39), which identifies each obligation and NSX's response to each of these requirements.

#### DIRECTOR REMUNERATION

Approved by shareholders at the AGM of 20 December 2004, the remuneration pool for non-executive directors is \$200,000 per annum. All fees are inclusive of 9% superannuation guarantee contribution. Non-executive Chairman and Director fees are comprised of a fixed component only being \$80,000 and \$40,000 respectively. Executive director fee for service are by mutual agreement with the Board. Disclosures for director fees and allowances actually paid during the financial year are provided in Note 21.

#### CHAIRMAN & CHIEF EXECUTIVE OFFICER – MICHAEL COX

There is a service agreement agreed to by the Board for Mr Cox and paid to Solidus Financial Services. On an annual basis Mr Cox is paid a stipend of \$80,000 plus superannuation for services as Chairman, \$150,000 for services as Chief Executive Officer, \$30,000 as an accommodation allowance for offices in Sydney and \$49,092 as a general expense allowance including domestic travel. Total package for all services is \$316,292.

The employment contract with Mr Cox can be terminated by either party by providing one month's written notice. There are no termination benefits payable on termination of Mr Cox's services.

Total remuneration paid to Mr Cox during the period is provided in Note 21.

#### Short Term Incentive Plan

No short term incentive scheme had been approved by the Board or shareholders.

#### Long Term Incentive Plan

No long term incentive scheme had been approved by the Board or shareholders.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**REMUNERATION REPORT (CONT'D)****EXECUTIVE DIRECTOR – THOMAS PRICE**

There is no employment or service agreement agreed to by the Board for Mr Price. As at 30 June 2010 Mr Price was paid \$15,000 for services as an executive director and \$40,000 exclusive of superannuation for services as a non-executive director. Total remuneration paid to Mr Price for the year ended 30 June 2010 is provided in Note 21.

**Short Term Incentive Plan**

No short term incentive scheme had been approved by the Board or shareholders.

**Long Term Incentive Plan**

No long term incentive scheme had been approved by the Board or shareholders.

**EXECUTIVE DIRECTOR – ANN BOWERING**

There is no employment or service agreement agreed to by the Board for Ms Bowering. As at 30 June 2010 Ms Bowering was paid \$40,000 exclusive of superannuation for services as a non-executive director. Total remuneration paid to Ms Bowering for the year ended 30 June 2010 is provided in Note 21.

It is expected that as part of the arrangements for the SIMVSE Joint Venture that Ms Bowering will enter into an employment agreement with SIMVSE with respect to taking up the position of Chief Executive Officer of SIMVSE.

**Short Term Incentive Plan**

No short term incentive scheme had been approved by the Board or shareholders.

**Long Term Incentive Plan**

No long term incentive scheme had been approved by the Board or shareholders.

**OUTGOING MANAGING DIRECTOR – PAUL SEYMOUR**

There was no employment or service agreement agreed to by the Board for Mr Seymour. Mr Seymour was managing Director from 25 May 2009 until 23 November 2009. Total remuneration for Mr Seymour for the year ended 30 June 2010 is provided in Note 21.

**Short Term Incentive Plan**

No short term incentive scheme had been approved by the Board or shareholders.

**Long Term Incentive Plan**

No long term incentive scheme had been approved by the Board or shareholders.



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**REMUNERATION REPORT (CONT'D)****COMPLIANCE WITH SECTION 300A CORPORATIONS ACT 2001 (CTH) – ANNUAL DIRECTORS**

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;	The annual report outlines Board policy with respect to the nature and amount of director, secretaries and senior manager remuneration. 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, the policy is that remuneration is reviewed annually to ensure continued support of the commercial and regulatory interests of the exchange and its shareholders. A remuneration committee exists to make recommendations to the Board on remuneration policy.
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;	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;	This policy ensures that Directors and management are paid without prejudice to the interests of a particular business of the company. This is because Directors and senior management are expected to be able to contribute to each cash generating unit in a positive manner.
300A(1)(c)	The prescribed details in relation to the remuneration of: (i) each director of the company; and (ii) each of the 5 names company executives who received the highest remuneration for that year; and if consolidated financial statements are required – each of the 5 named relevant group executives who received the highest remuneration for that year;	The annual report contains details of the remuneration of each directors' and each of the top 5 highest grossing key management executives for this reporting period. Refer Note 21 for detailed information.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**REMUNERATION REPORT (CONT'D)****COMPLIANCE WITH SECTION 300A CORPORATIONS ACT 2001 (CTH) – ANNUAL DIRECTORS**

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 a performance condition;	Securities were not a component for remunerating directors during this reporting period. Two executives participate in the executive share scheme. In participation of the scheme the executives base salaries were reduced from 1 July 2009. The executives must be employed (unless made redundant) at 5pm on 1 July each year in order for the shares to vest. Refer Note 21 for detailed information on the share scheme.
300A(1)(e)	For each person referred to in paragraph (c).	During the period no securities were issued to the outgoing Managing Director. Refer to Note 21.
300A(1)(f)	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 accompanying financial and remuneration reports provide details of these issues.
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.	(a) No dividends have been paid by the company to date. (b) The company has been a listed entity since 13 January 2005 over which time the share price of the company has fluctuated between a high of \$1.10 and a low of \$0.095. As at 24 August 2010 the share price was \$0.18. There have been no bonus payments made based on share price movements. (c)(i) Not applicable (c)(ii) Not applicable (d) 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 to discussion above and also to Note 21.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

### FINANCIAL POSITION

The net assets of the Economic Entity have increased by \$2,487,645 from 30 June 2009 to \$6,070,930 as at 30 June 2010.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes occurred during the period:

#### Placement of Shares

There was a placement of shares to New Equity World Pty Ltd of 10% of the issued capital or 7,446,000 shares at a price of 20 cents to raise \$1,489,200.

#### Non-renounceable Rights Issue

The Board authorised and completed a non-renounceable rights issue to shareholders for the issue of 1 new share for every 5 shares or 16,446,200 shares held at an issue price of 17 cents which raised \$2,795,854.

#### Change of Company Names

In March 2010 the Board authorised the signing of agreements to establish an incorporated joint venture subject to shareholder approval. As part of these agreements, the name of BSX Group Holdings Limited would change to SIM VSE Group Holdings Limited and Bendigo Stock Exchange Limited to SIM venture Securities Exchange Limited.

#### Change of Organisational Structure

Also as part of the incorporated joint venture arrangement, BSX Services Pty Ltd and BSX Systems Pty Ltd became wholly owned subsidiaries of NSX Limited instead of BSX Group Holdings Limited.

### POST BALANCE DATE EVENTS

On 1 September 2009 the Company announced a unincorporated Joint Venture arrangement with Sustainable Investment Market Pty Limited (SIM-X) to create a SIM-X Cleantech Market for the listing of equity securities by Companies in the Cleantech space. The arrangement is estimated to be worth \$1million over a 5 year period. This arrangement was subsequently converted to an incorporated joint venture with Financial and Energy Exchange Ltd. On 3 June 2010 NSX Limited shareholders voted in favour of the incorporated joint venture. The share purchase agreement signed in March 2010 stipulated that the first of six equal installments of \$500,000 was due 30 days after signing of the agreement or the approval by NSX Limited shareholders whichever was the later. The \$3 million to be provided by FEX is to fund the joint venture. As at the date of this report SIM VSE Group has not received the first installment of \$500,000. The Joint Venture started on 1 July 2010.

There are no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in future financial years.

### FUTURE DEVELOPMENTS

Likely developments in the operations of the Economic Entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Economic Entity.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

### ENVIRONMENTAL ISSUES

The Economic Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State. The directors are not aware of any significant material environmental issues arising from the operations of the economic entity during the year.

### 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 APES 110: Code of Ethics for Professional Accountants.

The following fees for non audit services were paid/payable to the external auditors during the year ended 30 June 2010:

	2010 \$	2009 \$
Tax advice – General	11,450	2,500
Goodwill Impairment Advice	-	10,000
Tax Services – Employee Share Plan Advice	4,300	-
Tax services – Income Tax	8,500	16,213
	<b>24,250</b>	<b>28,713</b>

### AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 44.

### INDEMNIFYING OFFICERS OR AUDITORS

The Economic Entity has paid a premium to indemnify the directors and officers of the economic entity against liability incurred in their capacity as directors and officers.

### OPTIONS

At the date of this report, the unissued ordinary shares of NSX Limited under option are as follows:

Grant Date	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
15-Oct-2006	15-Oct-2016	0.50	413,971
15-Oct-2007	15-Oct-2017	0.50	323,412
			737,383

During the year ended 30 June 2010, no ordinary shares of NSX Limited were issued on the exercise of options. On 20 December 2009, 1,500,000 options at an exercise price of 50 cents lapsed.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2010

**PROCEEDINGS ON BEHALF OF COMPANY**

During the year Mr Bladier, a previous Managing Director, commenced legal proceedings against the Company for non-payment of contractual obligations. The Court awarded in favour of Mr Bladier the amount of \$421,182. The Company is currently appealing the court determination.

No other person has applied for leave of Court in accordance with section 237 of the Corporations Act 2001 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.

The Company was not a party to any such proceedings during the year.

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



Michael Cox  
Director



Ann Bowering  
Director

Dated this 31 day of August 2010

Newcastle

**Auditors Independence Declaration  
under Section 307C of the Corporations Act 2001**

**NSX Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

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



**LAWLER PARTNERS**  
Chartered Accountants

763 Hunter Street  
Newcastle West

Date: 31 August 2010



**CLAYTON HICKEY**  
Partner

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED		PARENT	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue	2	<b>2,588,909</b>	2,085,360	<b>144,731</b>	276,644
Employee benefits expense		<b>(1,380,085)</b>	(1,883,488)	<b>(300,448)</b>	(570,313)
Depreciation, amortisation and impairments	3	<b>(195,265)</b>	(655,646)	<b>(1,494)</b>	(2,037)
Consultancy fees		<b>(112,010)</b>	(920,907)	<b>(3,922)</b>	(537,668)
Compliance expenses		<b>(59,233)</b>	(70,481)	–	–
Legal expenses		<b>(244,938)</b>	(803,412)	<b>(107,984)</b>	(601,653)
Market trading expenses		<b>(591,055)</b>	(635,573)	<b>(42,729)</b>	(27,060)
Marketing and promotion		<b>(36,380)</b>	(169,203)	<b>(3,003)</b>	(78,901)
Occupancy expenses		<b>(195,728)</b>	(364,163)	–	(120,540)
Administration expenses		<b>(578,684)</b>	(477,193)	<b>(83,997)</b>	(329,197)
Impairment losses	3	–	(10,875,278)	<b>(2,222,806)</b>	(10,875,278)
Finance Costs		<b>(42,342)</b>	–	–	–
Joint Venture Costs - SIMVSE		<b>(312,483)</b>	–	–	–
Court Costs - R Bladier		<b>(357,671)</b>	–	–	–
Other Expenses		<b>(266,627)</b>	(477,932)	<b>(179,181)</b>	(633,746)
<b>Loss before income tax</b>		<b>(1,783,592)</b>	(15,247,916)	<b>(2,800,833)</b>	(13,499,749)
Income tax expense	5	–	–	–	–
<b>Loss attributable to members</b>		<b>(1,783,592)</b>	(15,247,916)	<b>(2,800,833)</b>	(13,499,749)
Other comprehensive income		–	–	–	–
<b>Total comprehensive income</b>		<b>(1,783,592)</b>	(15,247,916)	<b>(2,800,833)</b>	(13,499,749)
<b>EARNINGS PER SHARE</b>					
Basic earnings per share (cents per share)	29	<b>(2.05)</b>	(20.48)		
Diluted earning sper share (cents per share)	29	<b>(2.05)</b>	(20.48)		

The accompanying notes form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2010

	NOTE	CONSOLIDATED		PARENT	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	<b>3,956,045</b>	1,970,697	<b>3,030,930</b>	408,664
Trade and other receivables	8	<b>144,216</b>	270,770	<b>3,586,780</b>	4,848,766
Financial assets	9	<b>2,500,000</b>	2,500,000	<b>1,800,000</b>	1,800,000
Other current assets	10	<b>108,519</b>	171,302	–	–
<b>Total current assets</b>		<b>6,708,780</b>	4,912,769	<b>8,417,710</b>	7,057,430
<b>Non current assets</b>					
Financial assets	9	–	–	<b>3,591,520</b>	3,591,320
Property, plant and equipment	11	<b>144,190</b>	286,479	<b>747</b>	2,241
Intangible assets	12	–	–	–	–
<b>Total non current assets</b>		<b>144,190</b>	286,479	<b>3,592,267</b>	3,593,561
<b>TOTAL ASSETS</b>		<b>6,852,970</b>	5,199,248	<b>12,009,977</b>	10,650,991
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	14	<b>660,131</b>	1,417,732	<b>186,040</b>	297,458
Short-term provisions	15	<b>63,483</b>	144,657	–	–
<b>Total current liabilities</b>		<b>723,614</b>	1,562,389	<b>186,040</b>	297,458
<b>Non-current liabilities</b>					
Other long-term provisions	15	<b>58,426</b>	53,574	–	–
<b>Total non-current liabilities</b>		<b>58,426</b>	53,574	–	–
<b>TOTAL LIABILITIES</b>		<b>782,040</b>	1,615,963	<b>186,040</b>	297,458
<b>NET ASSETS</b>		<b>6,070,930</b>	3,583,285	<b>11,823,937</b>	10,353,533
<b>EQUITY</b>					
Issued capital	16	<b>35,276,833</b>	31,005,596	<b>35,276,833</b>	31,005,596
Retained earnings		<b>(29,205,903)</b>	(27,422,311)	<b>(23,452,896)</b>	(20,652,063)
<b>TOTAL EQUITY</b>		<b>6,070,930</b>	3,583,285	<b>11,823,937</b>	10,353,533
Net Tangible Assets per share: TA (Cents per share)		<b>6.98</b>	4.81		

The accompanying notes form part of these financial statements.





**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2010

	<b>CONSOLIDATED</b>		
	<b>ISSUED CAPITAL</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2009	<b>31,005,596</b>	<b>(27,422,311)</b>	<b>3,583,285</b>
Loss for the year	–	<b>(1,783,592)</b>	<b>(1,783,592)</b>
Other comprehensive income for the period	–	–	–
Shares issued during the year	<b>4,285,054</b>	–	<b>4,285,054</b>
Non cash share based payments	<b>65,000</b>	–	–
Transaction costs on share issue	<b>(78,817)</b>	–	<b>(78,817)</b>
<b>Balance at 30 June 2010</b>	<b>35,276,833</b>	<b>(29,205,903)</b>	<b>6,005,930</b>
Balance at 1 July 2008	31,005,596	(12,174,395)	18,831,201
Loss for the year	–	(15,247,916)	(15,247,916)
Other comprehensive income for the period	–	–	–
Share issued during the year	–	–	–
Non cash share based payments	–	–	–
Transaction costs on share issue	–	–	–
<b>Balance at 30 June 2009</b>	<b>31,005,596</b>	<b>(27,422,311)</b>	<b>3,583,285</b>

	<b>PARENT</b>		
	<b>ISSUED CAPITAL</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2009	<b>31,005,596</b>	<b>(20,652,063)</b>	<b>10,353,533</b>
Loss for the year	–	<b>(2,800,833)</b>	<b>(2,800,833)</b>
Shares issued during the year	<b>4,271,237</b>	–	<b>4,271,237</b>
<b>Balance at 30 June 2010</b>	<b>35,276,833</b>	<b>(23,452,896)</b>	<b>11,823,937</b>
Balance at 1 July 2008	31,005,596	(7,152,314)	23,853,282
Loss for the year	–	(13,499,749)	(13,499,749)
shares issued during the year	–	–	–
<b>Balance at 30 June 2009</b>	<b>31,005,596</b>	<b>(20,652,063)</b>	<b>10,353,533</b>

The accompanying notes form part of these financial statements.



**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED		PARENT	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Cash from operating activities:</b>					
Receipts from customers		2,788,059	2,006,658	–	–
Payments to suppliers and employees		(5,112,061)	(5,403,770)	(549,439)	(3,064,398)
Interest received		198,431	329,013	144,731	276,644
Finance Costs		(42,342)	–	–	–
<b>Net cash provided by (used in) operating activities</b>	19(a)	<b>(2,167,913)</b>	(3,068,099)	<b>(404,708)</b>	(2,787,754)
<b>Cash flows from investing activities:</b>					
Payment of subsidiary, net of cash acquired		–	–	–	–
Acquisition of property, plant and equipment		(52,976)	(251,745)	–	(3,184)
Acquisition of intangibles		–	(10,729)	–	–
Net loans from/(to) related parties		–	–	(1,179,263)	(1,539,162)
<b>Net cash provided by (used in) investing activities</b>		<b>(52,976)</b>	(262,474)	<b>(1,179,263)</b>	(1,542,346)
<b>Cash flows from financing activities:</b>					
Proceeds from issue of shares		4,285,054	–	4,285,054	–
Costs of issue of shares		(78,817)	–	(78,817)	–
Proceeds from borrowings		–	–	–	–
Repayment of borrowings		–	(31)	–	–
<b>Net cash provided by (used in) financing activities</b>		<b>4,206,237</b>	(31)	<b>4,206,237</b>	–
<b>Net increase (decreases) in cash held</b>		<b>1,985,348</b>	(3,330,604)	<b>2,622,266</b>	(4,330,100)
Cash at beginning of financial year		4,470,697	7,801,301	2,208,664	6,538,764
<b>Cash at end of financial year</b>	19(c)	<b>6,456,045</b>	4,470,697	<b>4,830,930</b>	2,208,664

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

This financial report includes the consolidated financial statements and notes of NSX Limited and controlled entities ('Economic Entity'), and the separate financial statements and notes of NSX Limited an individual parent entity ('Parent Entity').

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (a) Basis of Preparation

##### 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.

#### (b) Principles of Consolidation

A controlled entity is an entity where NSX Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year end. All inter company balances and 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 consistency with those policies applied by the parent entity.

##### Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(e)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Principals of Consolidation (Cont'd)**

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Comprehensive Income.

**(c) Income Tax****CURRENT INCOME TAX EXPENSE**

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 the tax rates that have been enacted or are substantially enacted by the Statement of Financial Position date.

**DEFERRED INCOME TAX ASSETS**

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.

**ACCOUNTING FOR DEFERRED TAX**

Deferred tax is accounted for using the Statement of Financial Position 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 CALCULATION**

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.

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

**TAX CONSOLIDATION**

NSX Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Property, Plant and Equipment**

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

**PLANT AND EQUIPMENT**

Plant and equipment are measured on the cost basis less depreciation and impairment losses. 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Economic Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**DEPRECIATION**

The depreciable amounts of all fixed assets are depreciated on a diminishing value basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use.

**DEPRECIATION RATES**

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

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and Equipment	20 – 40%

**(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 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(f) Leases****FINANCE LEASES**

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Leases (Cont'd)****OPERATING LEASES**

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

**LEASE INCENTIVES**

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

**(g) Financial Instruments****RECOGNITION AND INITIAL MEASUREMENTS**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**CLASSIFICATION AND SUBSEQUENT MEASUREMENT**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- a) the amount at which the financial asset or financial liability is measured at initial recognition;
- b) less principal repayments;
- c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Economic Entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### HELD TO MATURITY INVESTMENTS

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

#### AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include any financial assets not included in the above categories or designated as such by management. Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

#### FINANCIAL LIABILITIES

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### FAIR VALUE

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

#### IMPAIRMENT

At each reporting date, the Economic Entity assess 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 impairment has arisen. Impairment losses are recognised in the income statement.

#### (h) Impairment of Assets

At each reporting date, the Economic Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Economic Entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

#### (i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

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

#### (j) 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 Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(k) Revenue and other income**

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

Listings revenue includes revenue from annual listing fees, initial listing fees and secondary capital raisings. Initial and secondary listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised evenly over the year.

Taxi licence market revenue is recognised evenly over the year as the service is performed.

Water trading fees are recognised on the completion of each trade.

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

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

**(l) 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 Taxation 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Comparative Figures**

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

**(n) Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Economic Entity.

**Key Estimates – Impairment**

The Economic Entity assesses impairment at each reporting date by evaluating conditions and events specific to the Economic Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. Refer to Note 12 for details of these assumptions.

**Key Estimates – Equity Settled Compensation**

In determining the amount of the share-based payments under the Group's equity-settled share-based payment employee share scheme, the Directors have determined that the probability of employees under the Employee Share Scheme meeting the vesting conditions is 100%. This estimate is based on discussions with the employees involved and analysis of historical employment records.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) New accounting standards for application in future periods**

Certain new and amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. NSX Limited's assessment of the impact of these new and amended standards and interpretations is set out below:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a. the objective of the entity's business model for managing the financial assets; and
  - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) New accounting standards for application in future periods (Cont'd)**

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010). This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Adoption of New and Revised Accounting Standards**

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of NSX Limited.

**AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

*Disclosure impact*

**Terminology changes** — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements. **Reporting changes in equity** — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

**(q) Equity Settled Compensation**

The Group operates equity-settled share-based payment employee schemes. The fair value of the equity to which employees become entitled is measured at the grant date and recognised as an expense over the vesting period, with corresponding increase to an equity account. The fair value of the shares is ascertained as either the last traded price if available or the market bid price on the grant date. The number of shares expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as a consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 2 REVENUE**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Operating Activities				
listing fees	<b>1,260,756</b>	810,852	–	–
interest received other persons	<b>198,431</b>	329,013	<b>144,731</b>	276,644
taxi licence market income	<b>330,376</b>	321,246	–	–
water market fees	<b>518,741</b>	609,924	–	–
other revenue	<b>280,605</b>	14,325	–	–
Total revenue	<b>2,588,909</b>	2,085,360	<b>144,731</b>	276,644

**NOTE 3 PROFIT FROM ORDINARY ACTIVITIES****(a) Expenses**

Write down of goodwill to recoverable amount	–	10,875,278	–	10,875,278
Write down of intercompany loans in the SIMVSE Group as part of the share purchase agreement with Financial and Energy Exchange Pty Ltd	–	–	<b>2,222,806</b>	–
	–	10,875,278	<b>2,222,806</b>	10,875,278
Depreciation of non current assets				
plant and equipment	<b>195,265</b>	234,250	<b>1,494</b>	2,037
impairment	–	421,396	–	–
	<b>195,265</b>	655,646	<b>1,494</b>	2,037

**NOTE 4 AUDITORS' REMUNERATION**

Auditing and reviewing the financial report	<b>71,000</b>	76,000	–	–
taxation service	<b>24,250</b>	28,713	–	–
	<b>95,250</b>	104,713	–	–

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 5 INCOME TAX EXPENSE**

(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	<b>(535,078)</b>	(4,574,375)	<b>(840,250)</b>	(4,049,925)
Add:				
Tax Effect Of:				
tax losses not recognised in the accounts	<b>535,078</b>	4,574,375	<b>840,250</b>	4,049,925
Income tax attributable to entity	–	–	–	–
Tax losses not brought to account, the benefits will only be realised if the conditions for deductibility set out in Note 1(c) occur	<b>7,661,982</b>	7,126,904	<b>5,322,875</b>	4,482,625

**NOTE 6 DIVIDENDS**

Balance of franking account at period end adjusted for franking credits arising from payment for provision of income tax	<b>86,495</b>	86,495	–	–
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**NOTE 7 CASH AND CASH EQUIVALENTS**

Cash on hand	<b>894</b>	694	<b>200</b>	200
Cash at bank	<b>3,955,151</b>	1,970,003	<b>3,030,730</b>	408,464
	<b>3,956,045</b>	1,970,697	<b>3,030,930</b>	408,664

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 8 TRADE AND OTHER RECEIVABLES**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
CURRENT				
Trade receivables	115,070	33,169	–	–
Deposits	22,244	37,244	–	–
Sundry Debtors	6,902	200,357	–	109,439
Receivable from controlled entities	–	–	3,586,780	4,739,327
other receivables	–	–	–	–
	<b>144,216</b>	270,770	<b>3,586,780</b>	4,848,766

**NOTE 9 FINANCIAL ASSETS**

CURRENT				
Commercial bills at amortised cost	2,500,000	2,500,000	1,800,000	1,800,000
Term deposits	–	–	–	–
	<b>2,500,000</b>	2,500,000	<b>1,800,000</b>	1,800,000
NON CURRENT				
shares in controlled entity at cost	–	–	18,576,409	18,576,209
Less: provision for diminuation	–	–	(14,984,889)	(14,984,889)
	–	–	<b>3,591,520</b>	3,591,320

**NOTE 10 OTHER ASSETS**

CURRENT				
Prepayments	108,519	171,302	–	–
	<b>108,519</b>	171,302	–	–

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 11 PROPERTY PLANT AND EQUIPMENT**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
PLANT AND EQUIPMENT				
Plant and equipment - at cost	<b>1,211,314</b>	1,158,337	<b>4,728</b>	4,728
Less accumulated depreciation	<b>(1,067,124)</b>	(871,858)	<b>(3,981)</b>	(2,487)
Total plant and equipment	<b>144,190</b>	286,479	<b>747</b>	2,241

**(a) Movements on carrying amounts**

	CONSOLIDATED		PARENT	
	PLANT & EQUIPMENT \$	TOTAL \$	PLANT & EQUIPMENT \$	TOTAL \$
Balance at the beginning of year	286,479	286,479	2,241	2,241
Additions	52,976	52,976	–	–
Depreciation and amortisation	(195,265)	(195,265)	(1,494)	(1,494)
Carrying amount at end of year	<b>144,190</b>	<b>144,190</b>	<b>747</b>	<b>747</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 12 INTANGIBLE ASSETS**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Development costs				
Website	<b>74,330</b>	74,330	–	–
Accumulated amortisation and impairment	<b>(74,330)</b>	(74,330)	–	–
	–	–	–	–
Formation Costs				
at cost	<b>929</b>	929	–	–
Accumulated amortisation and impairment	<b>(929)</b>	(929)	–	–
	–	–	–	–
Goodwill				
at cost	<b>16,036,798</b>	16,036,798	–	–
Accumulated amortisation and impairment	<b>(16,036,798)</b>	(16,036,798)	–	–
	–	–	–	–
Total intangible assests	–	–	–	–

**(a) Reconciliation of movements**

	CONSOLIDATED			
	GOODWILL \$	DEVELOPMENT COSTS \$	WEBSITE COSTS \$	TOTAL \$
<b>Year ended 30 June 2009</b>				
Opening balance	10,875,278	929	63,601	10,939,808
additions	–	–	10,729	10,729
Amortisation	–	(929)	(2,845)	(3,774)
Impairment	(10,875,278)	–	(71,485)	(10,946,763)
Balance at 30 June 2009	–	–	–	–
<b>Year ended 30 June 2010</b>				
Opening balance	–	–	–	–
additions	–	–	–	–
Impairment	–	–	–	–
Balance at 30 June 2010	–	–	–	–



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 12 INTANGIBLE ASSETS (CONT'D)****(b) Impairment Disclosures**

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life and current impairments are included as a separate line item per the income statement.

Goodwill is 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 of the net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but is tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

At each reporting date, the Economic Entity reviews the carrying values of its intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more often if required. Where it is not possible to estimate the recoverable amount of an individual asset, the Economic Entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

**Carrying Value**

Goodwill is allocated to cash generating units (business operations) which are based on the Economic Entity's reporting segments.

	30 JUNE	30 JUNE
	2010	2009
	\$	\$
<b>Cash Generating Unit</b>		
Stock Exchanges	—	—
Water Exchange	—	—
Environmental Services	—	—
	—	—

The recoverable amount of each cash generating unit above is determined as the higher of fair value less costs to sell and value in use calculations. Value in use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using the weighted average cost of capital applicable to each cash generating unit. The fair value less costs to sell method was considered but because fair value cannot be reliably determined at this time the value-in-use method has been employed for determining the carrying value.

**Key Assumptions**

The key areas that management rely on in the budgets are:

- the sensitivity to changes in listings of securities on the stock exchanges;
- potential water entitlement trading levels in the Water Exchange market; and
- The Environmental Services business has been discontinued.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 12(B) IMPAIRMENT DISCLOSURES (CONT'D)**

The following numerical assumptions were used in the value in use calculations for each cash generating unit:

<b>Cash Generating Unit</b>	<b>REVENUE GROWTH RATE %</b>	<b>EXPENDITURE GROWTH RATE %</b>	<b>DISCOUNT RATE % 30 JUNE 2010</b>	<b>DISCOUNT RATE % 31 DEC 2008</b>
Stock Exchanges	10.00	3.00	<b>10.00</b>	12.09
Water Exchange	0.00	3.00	<b>15.00</b>	14.22
Environmental Services	0.00	3.00	<b>20.00</b>	20.00

For comparisons of revenue, expenses and operating results for the above cash generating units please refer to Note 24 Segment Reporting.

Management has based the value in use calculations on budgets produced for each reporting segment over a 5 year period. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre tax and are adjusted to incorporate risks associated with a particular segment.

**Events or circumstances leading to the recognition of impairment.**

Stock Exchanges – since 30 June 2009 there has been reduced capital for companies seeking to list. Many smaller companies that are looking for capital have, potentially, scaled back plans for listing. The Stock Exchange's budget has factored the potential for reduced demand for listing based on capital raising. However expectation for future business will come from compliance listings where companies have sufficient capital to operate. For example in June 2010 two large companies listed with the NSX as compliance listings

Environmental Services – this business has been discontinued.

Water Exchange – water trading varies in line with seasonal conditions (such as drought, flood, fire, location of areas with or without rain in catchments), but can also be affected by government allocations of water to irrigators, government policy with respect to water generally, the ability of irrigators to utilise the water in their allocations among other factors. Since 30 June 2009 Australia has received high levels of rain in many areas. Also government policy concerning water allocation affects trading.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 13 CONTROLLED ENTITIES**

NAME	COUNTRY OF INCORPORATION	% OWNED 2010	% OWNED 2009
<b>Parent Entity:</b>			
NSX Limited	Australia		
<b>Subsidiaries of NSX Limited:</b>			
BSX Services Pty Limited	Australia	100%	0%
BSX Systems Pty Limited	Australia	100%	0%
National Environment Registry Pty Ltd	Australia	100%	100%
National Stock Exchange of Australia Limited	Australia	100%	100%
NSX Services Pty Limited	Australia	100%	100%
Settlement & Registry Services Pty Ltd	Australia	100%	100%
SIM VSE Group Holdings Limited	Australia	100%	100%
The Waterexchange Pty Ltd	Australia	31%	31%
Waterexchange Holdings Limited	Australia	100%	0%
Watergroup Management Pty Ltd	Australia	100%	100%
<b>Subsidiaries of National Stock Exchange of Australia Limited:</b>			
NSX Clearing Nominees Pty Limited	Australia	100%	100%
<b>Subsidiaries of SIM VSE Group Holdings Limited:</b>			
SIM Venture Securities Exchange Limited	Australia	100%	100%
BSX Services Pty Limited	Australia	0%	100%
BSX Systems Pty Limited	Australia	0%	100%
<b>Subsidiaries of Watergroup Management Pty Ltd:</b>			
The Waterexchange Pty Ltd	Australia	69%	69%

**Change of Company Names**

In March 2010 the Board authorised the signing of agreements to establish an incorporated joint venture subject to shareholder approval. As part of these agreements, the name of BSX Group Holdings Limited would change to SIM VSE Group Holdings Limited and Bendigo Stock Exchange Limited to SIM Venture Securities Exchange Limited.

**Change of Organisational Structure.**

As part of the incorporated joint venture arrangement entered into in March 2010, BSX Services Pty Limited and BSX Systems Pty Limited ceased to be wholly owned subsidiaries of BSX Group Holdings Limited (now SIM VSE Group Holdings Limited) as at 30 June 2010. The carrying value of the net assets of these entities was transferred to NSX Limited effective from 30 June 2010. BSX Services Pty Limited and BSX Systems are now wholly owned subsidiaries of NSX Limited. Adjustments arising between entities as a result of this transaction have been eliminated on consolidation.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 14 TRADE AND OTHER PAYABLES**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
CURRENT				
Unsecured liabilities				
Trade payables	446,019	341,143	154,953	255,979
Sundry Payables	196,530	1,071,143	9,904	28,384
Amounts payable to wholly owned subsidiaries	–	–	3,601	7,649
Interest received in advance	17,582	5,446	17,582	5,446
	<b>660,131</b>	<b>1,417,732</b>	<b>186,040</b>	<b>297,458</b>

**NOTE 15 PROVISIONS****(a) Movements in carrying amounts**

	CONSOLIDATED	
	EMPLOYEE ENTITLEMENTS \$	TOTAL \$
Opening balance at 1 July 2008	105,609	105,609
additional provisions	153,087	153,087
amounts used	(60,465)	(60,465)
Balance at 30 June 2009	198,231	198,231
Opening balance at 1 July 2009	198,231	198,231
additional provisions	20,420	20,420
amounts used	(96,742)	(96,742)
Balance at 30 June 2010	121,909	121,909

**(b) Analysis of total provisions**

	CONSOLIDATED	
	2010 \$	2009 \$
Current	63,483	144,657
Non-current	58,426	53,574
	<b>121,909</b>	<b>198,231</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 16 ISSUED CAPITAL**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
98,677,203 (2009: 74,460,003) fully paid ordinary shares	<b>35,261,833</b>	30,990,596	<b>35,261,833</b>	30,990,596
1,500,000 (2009: 1,500,00) ordinary shares paid to 1 cent	<b>15,000</b>	15,000	<b>15,000</b>	15,000
	<b>35,276,833</b>	31,005,596	<b>35,276,833</b>	31,005,596

Ordinary shares participate in dividends and the proceeds on winding up of the Economic Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The partly paid shares are only callable at the option of the holder or on liquidation. They can be voted in proportion to the amount that is paid up.

**(a) Reconciliation of movements of fully paid ordinary shares**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
At beginning of period	<b>30,990,596</b>	30,990,596	<b>30,990,596</b>	30,990,596
Shares Issued during the Year				
12 September 2007	—	—	—	—
19 October 2007	—	—	—	—
30 November 2009	<b>1,489,200</b>	—	<b>1,489,200</b>	—
31 december 2009	<b>1,977,780</b>	—	<b>1,977,780</b>	—
3 December 2009	<b>65,000</b>	—	<b>65,000</b>	—
13 January 2010	<b>818,074</b>	—	<b>818,074</b>	—
Transaction costs of share issue	<b>(78,817)</b>	—	<b>(78,817)</b>	—
<b>At Reporting Date</b>	<b>35,261,833</b>	30,990,596	<b>35,261,833</b>	30,990,596

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 16 ISSUED CAPITAL (CONT'D)****(a) Reconciliation of movements of fully paid ordinary shares (Cont'd)**

	CONSOLIDATED		PARENT	
	2010 NO.	2009 NO.	2010 NO.	2009 NO.
At beginning of period	<b>74,460,003</b>	74,460,003	<b>74,460,003</b>	74,460,003
Shares Issued during the Year				
12 September 2007	–	–	–	–
19 October 2007	–	–	–	–
30 November 2009	<b>7,446,000</b>	–	<b>7,446,000</b>	–
3 December 2009	<b>325,000</b>	–	<b>325,000</b>	–
31 December 2009	<b>11,634,000</b>	–	<b>11,634,000</b>	–
13 January 2010	<b>4,812,200</b>	–	<b>4,812,200</b>	–
<b>At Reporting Date</b>	<b>98,677,203</b>	74,460,003	<b>98,677,203</b>	74,460,003

**(b) Capital Management**

The Economic Entity's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the group can fund its operations and continue as a going concern.

The Economic Entity's capital consists of shareholders equity plus net debt. The movement in equity is shown in the Statement of Changes in Equity. At 30 June 2010 net debt was \$Nil (2009: \$Nil).

There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Economic Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 17 CAPITAL AND LEASING COMMITMENTS****(a) Operating Lease Commitments**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Payable - minimum lease payments				
not later than 12 months	90,564	124,074	-	-
between 12 months and 5 years	3,475	281,243	-	-
	<b>94,039</b>	<b>405,317</b>	<b>-</b>	<b>-</b>

**Office Leases**

During the year offices were maintained by the Company at Newcastle (117 Scott Street), Melbourne (45 Exhibition Street) and Canberra (40 Brisbane Avenue).

*Newcastle*

The property lease for the Newcastle premises is a non cancellable lease with a three year term with options for 2 additional three year terms, with rent payable monthly in advance. The lease commenced in August 2008.

*Melbourne*

The 45 Exhibition Street lease is a non-cancellable sub-lease from Mirvac ICPS and commenced in 1 January 2009 for a term of 2 years 2 months and 29 days to expire on 29 March 2011 with no option to renew. An operating lease exists for a multi-function printer/scanner/fax in the Melbourne office with a monthly rental of \$995 per month plus a variable charge for consumables. The copier lease expires in May 2011.

*Canberra*

The lease for the Canberra office is on a month to month basis.

**Technology Leases**

NSX Limited has an agreement with NASDAQ OMX to provide technology related services to enable the Economic Entity to operate a market for trading securities. The lease commenced on 31 July 2006 for a period of 10 years, with rental paid quarterly in advance. The amount of the lease agreement is subject to confidentiality clauses and cannot be disclosed.

**New leases**

No new leases have been entered into during the period.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 18 RELATED PARTY TRANSACTIONS**

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

**(a) Director Related Entities**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Rattoon Holdings Limited – a company listed on the NSXA market (Mr Robertson director) paid listing fees to NSX.	–	10,683	–	–
Director related company - Blatan Pty Limited – Remuneration payments to the Managing Director are made to this company. These payments include payments made during the year as consultant, director and then Managing Director (Mr Bladier).	–	(261,000)	–	–
M Cox as a director of Solidus Financial Services - services rendered as CEO to NSX Limited	<b>(89,848)</b>	(15,175)	–	–
Fees Mr Pritchard received as a director of NSX Limited paid to Rees Pritchard	<b>(37,885)</b>	–	–	–
Mr Pritchard is a director of the following NSX participants which paid fees to NSX:				
Illuminator Investment Company Limited	<b>8,167</b>	7,750	–	–
Florin Mining Investment Company Limited	<b>7,005</b>	6,200	–	–
Pritchard Equity Limited	<b>6,981</b>	6,843	–	–
Winpar Holdings Limited	<b>7,369</b>	7,432	–	–
Pritchard & Partners Pty Ltd (broker)	<b>655</b>	1,715	–	–
Pritchard & Partners Corporate Finance Pty Ltd (Nominated Adviser)	<b>1,000</b>	1,000	–	–
Cameron Stockbrokers Limited (broker)	<b>2,536</b>	1,454	–	–
Cameron Stockbrokers Limited (nominated advisers)	<b>1,000</b>	1,000	–	–
Rees Pritchard – Awarded costs associated with Federal Court case on holding a meeting.	–	(11,914)	–	–
Mr Paul Seymour	–	–	–	–
Ms Ann Bowering	–	–	–	–
Mr Tom Price as Director of Financial and Energy Exchange Limited - value of shares issued to FEX as entitlement in rights issue.	<b>305,857</b>	–	–	–

**(b) Beneficial Holdings**

The direct, indirect and beneficial holdings of directors and their director related entities in the share and share options of the Economic Entity as at 30 June 2010 were:

Ordinary Shares:	8,336,845	(2009: 1,429,002) fully paid ordinary shares
Partly Paid Shares:	700,000	(2009: 700,000) partly paid shares to 1 cent
Share Options	Nil	(2009: 195,000)



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 19 CASH FLOW INFORMATION****(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Net income/(loss) for the period	<b>(1,783,592)</b>	(15,247,916)	<b>(2,800,833)</b>	(13,499,749)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation and amortisation	<b>195,265</b>	655,646	<b>1,494</b>	2,037
Shares in controlled entity	–	–	<b>(200)</b>	–
Write-downs of goodwill to recoverable amount	–	10,875,278	–	–
Non-cash Share Based Payment	<b>65,000</b>	–	<b>65,000</b>	–
Impairment of Investment	–	–	<b>2,222,806</b>	10,875,278
Changes in assets and liabilities, net of effects of purchase of subsidiaries				
(Increase)/decrease in trade and term receivables	<b>126,554</b>	(37,727)	<b>87,520</b>	(55,580)
Increase/(decrease) in other assets	<b>62,783</b>	(35,322)	<b>19,505</b>	–
Increase/(decrease) in trade payables and accruals	<b>(757,601)</b>	629,320	–	(109,740)
Increase/(decrease) in provisions	<b>(76,322)</b>	92,622	–	–
Cashflow from Operations	<b>(2,167,913)</b>	(3,068,099)	<b>(404,708)</b>	(2,787,754)

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 19 CASH FLOW INFORMATION (CONT'D)****(b) Credit Standby Arrangement and Loan Facilities**

The company has commercial credit card facilities with a limit of \$11,000 in any one calendar month. At 30 June 2010, \$6,148 of this facility was used (2009: \$13,303). Interest rates are variable.

**(c) Reconciliation of cash**

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash at end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	<b>3,956,045</b>	1,970,697	<b>3,030,930</b>	408,664
Held to maturity (amortised cost)	<b>2,500,000</b>	2,500,000	<b>1,800,000</b>	1,800,000
	<b>6,456,045</b>	4,470,697	<b>4,830,930</b>	2,208,664

**(d) Non cash Financing and Investing Activities**

No subsidiaries were acquired during the year by issuance of equity.

During the year NSX Limited issued 325,000 shares with a value of \$65,000 as part of the employee based share scheme. The grant date was 4 December 2009 and the vesting date for the shares is 1 July 2010. Further information can be found in Note 21.

**NOTE 20 ACQUISITIONS OF SUBSIDIARIES**

During the year the Board created a subsidiary called Waterexchange Holdings Ltd. The purpose of this company was to consolidate the assets of the Waterexchange Group ready for a potential sale.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 21 DIRECTOR & KEY MANAGEMENT PERSONNEL****(a) Director & Key Management Personnel**

Names and positions held of directors &amp; key management personnel in office at any time during the financial year are:

DIRECTOR & KEY MANAGEMENT	POSITION
Michael Cox	Director, Chairman and Chief Executive Officer, appointed 23 November 2009
Thomas Price	Executive-Director, appointed 17 November 2009
Ann Bowering	Non-executive Director, Appointed 25 May 2009
Steven Pritchard	Chairman, resigned 17 November 2009
Paul Seymour	Managing Director, resigned 23 November 2009
Scott Evans	General Manager and Company Secretary
Ian Craig	Companies Manager

**(b) Director & Key Management Personnel Compensation**

2010		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		EQUITY SETTLED SHARE-BASED PAYMENTS		TOTAL
	NOTES	CASH & SALARY \$'000	COMMISSIONS & ALLOWANCES \$'000	NON CASH BENEFITS \$'000	SUPER-ANNUATION \$'000	OTHER \$'000	SHARES/ UNITS \$'000	OPTIONS/ RIGHTS \$'000	\$'000
Michael Cox	1,2	46	–	–	4	–	–	–	50
Ann Bowering	2	40	–	–	4	–	–	–	44
Tom Price	2	38	–	–	3	–	–	–	41
Brian Peadon	3	40	–	–	8	–	–	–	48
Steven Pritchard	4	–	–	–	–	–	–	–	–
Paul Seymour	2	3	–	–	34	–	–	37	–
Scott Evans	5,7	140	–	–	14	22	35	22	233
Ian Craig	5,6,7	121	70	–	14	30	30	30	295
		428	70	–	81	52	65	52	748

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

Notes:

- (1) Payments to M Cox for services as Chief Executive Officer are included in Note 18 Related parties as amounts paid to Solidus Financial Services.
- (2) Amounts for M Cox, A Bowering and T Price and P Seymour are for director fees paid during the year.
- (3) B Peadon resigned from the Company as an executive effective 7 November 2009.
- (4) Director fees paid to Rees Pritchard in favour of S Pritchard are included in Director related parties, refer to Note 18.
- (5) Other includes cashed in leave entitlements for S Evans and I Craig.
- (6) Includes accrued commission for June 2010 paid in July 2010 to I Craig. I Craig received payments as part of a commission scheme with a minimum amount payable of \$28,000 for the financial year. The minimum amount was chosen to transition staff into the new scheme because of the pay cut accepted on 1 July 2009. The commission scheme is based on new applications for Companies, Nominated Advisers, Facilitators and Participant Brokers. The commission pool is calculated by reference to 20% of application money paid (and not refundable) for new applications. The pool excludes annual fees paid by all Participants. The condition to be met to earn the commission payment is that that applications are received and the applicants are either approved and have paid the full fee or if applicants are not approved then only the non-refundable part of the application fee goes into the commission pool. This method of commission was chosen to focus staff key performance on revenue generation activities. For 2010/2011 financial year there is no minimum amount payable and commission payable is only applicable to the amount in the commission pool. Not other staff member is entitled to this scheme.
- (7) Share based payments have been accrued in the accounts totaling \$65,000. I Craig and S Evans are entitled to share based payments equivalent to \$35,000 (175,000 shares) and \$30,000 (150,000 shares) respectively in a financial year. This expense has been recognised in employee benefits expense for the Group.

The share based payments are in compensation for equivalent salary cuts that both I Craig and S Evans accepted effective 1 July 2009. The fair value of the shares is recorded in the accounts as 20 cents per share or a dollar value of \$65,000.

The grant date for the first tranche of shares was 4 December 2009. The vesting date is 1 July 2010. In order to receive the shares at vesting date I Craig or S Evans would need to be still employed by the Company as at 5pm 1 July 2010. If made redundant by the Company I Craig and S Evans would receive the remaining tranche of shares that had not vested.

The market price of 20 cents was used with reference to the value as at 4 December 2009. It is expected that 100% of shares issued in any financial year under these arrangements will ultimately vest.

The Company expects that by converting cash based salary payments into equivalent share based payments that this will provide a key incentive for staff to provide value to the Company by the staff be able to share in the uplift of the Company's share price and at the same time enable the Company to prudently manage its cash reserves and enhance its profitability.

**Share based payments**

	GRANT DATE	SHARE PRICE AT GRANT DATE	VESTING DATE	PROBABILITY OF VESTING	NUMBER
Scott Evans	4 Dec 2009	20 cents	1 Jul 2010	100%	<b>175,000</b>
Ian Craig	4 Dec 2009	20 cents	1 Jul 2010	100%	<b>150,000</b>

The weighted average fair value of those equity instruments, determined by reference to the market price, was \$0.20.

These shares were issued as compensation to key management of the Group with 100% of the shares granted quarantined until the person remains in employment until 1 July 2010.

Included under employee benefits expense in the income statement is \$65,000 which relates to the equity-settled share-based payment transactions (2009: \$10,000).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 21 KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)**

2009		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		EQUITY SETTLED SHARE-BASED PAYMENTS		TOTAL
	NOTES	CASH & SALARY \$'000	COMMISSIONS & ALLOWANCES \$'000	NON CASH BENEFITS \$'000	SUPER-ANNUATION \$'000	OTHER \$'000	SHARES/ UNITS \$'000	OPTIONS/ RIGHTS \$'000	\$'000
Ian Mansbridge		38	—	—	3	—	—	—	41
Robert Bladier	1	332	—	—	5	—	—	—	337
Brian Peadon		230	—	—	21	—	—	—	251
Michael Costello		31	—	—	3	—	—	—	34
Michael Cox	2	32	—	—	3	17	—	—	52
Hugh Robertson		—	—	—	35	—	—	—	35
Steven Pritchard		—	—	—	—	—	—	—	—
Paul Seymour		—	—	—	—	—	—	—	—
Ann Bowering		—	—	—	—	—	—	—	—
Scott Evans	3	150	—	—	13	—	5	—	168
Ian Craig	3	159	—	—	14	—	5	—	178
		972	—	—	97	17	10	—	1,096

Notes:

- (1) See note 18 for director related party disclosures – Blatan Pty Ltd.
- (2) During 2007/2009 M Cox was engaged by the Waterexchange as a consultant for a period of 19 days. An invoice was tendered by Solidus Financial Services - M Cox for \$16,693 and paid by the Company and is included as other in the table.
- (3) Non-cash benefits includes an issue of 11,628 shares in NSX Limited at a price of \$0.43 to S Evans and I Craig as part of the employee share scheme.

**(c) Compensation Options**

Options with a strike price of 50 cents that had been granted to Scott Evans and Ian Craig vested during the year please refer to Note 21(e).

**(d) Shares Issued on Exercise of Remuneration Options**

There were no shares issued on the exercise of remuneration options during the financial year please refer to Note 21(b).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 21 KEY MANAGEMENT PERSONNEL (CONT'D)****(e) Options and Rights Holdings**

Number of Options Held by Director &amp; Key Management Personnel.

	NOTES	BALANCE 1/07/2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2010
Michael Cox	1	375,000	–	–	(375,000)	–
Tom Price		–	–	–	–	–
Ann Bowering		–	–	–	–	–
Steven Pritchard		–	–	–	–	–
Paul Seymour		–	–	–	–	–
Ann Bowering		–	–	–	–	–
Scott Evans	2,3	60,000	161,706	–	(60,000)	161,706
Ian Craig	3	–	161,706	–	–	161,706
		<b>435,000</b>	<b>323,412</b>	<b>–</b>	<b>(435,000)</b>	<b>323,412</b>

Notes:

- Options for M Cox expired on 20 December 2009.
- Options for S Evans lapsed on 28 August 2009.
- Options for I Craig and S Evans still outstanding have an exercise price of 50 cents and expiry date of 15 October 2017. The options can be exercised at any time at the discretion of the holder. The fair value at grant date (15 October 2007) is based on 40.4 cents per share or \$130,658.

**(f) Shareholdings**

Number of Ordinary Fully Paid Shares held by Director &amp; Key Management Personnel.

	NOTES	BALANCE 1/07/2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2010
Tom Price	1,2	4,484,291	–	–	3,849,945	8,334,236
Michael Cox	1	2,174	–	–	435	2,609
Ann Bowering		–	–	–	–	–
Scott Evans		16,628	–	–	–	16,628
Ian Craig		11,628	–	–	–	11,628
		<b>4,514,721</b>	<b>–</b>	<b>–</b>	<b>3,850,380</b>	<b>8,365,101</b>

Notes:

- Net change other refers to shares purchased or sold on market during the financial year.
- As a director of Financial and Energy Exchange Limited.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 21 KEY MANAGEMENT PERSONNEL (CONT'D)**

Number of Partly Paid Shares paid to 1 cent each held by Director and &amp; Key Management Personnel.

	BALANCE 1/07/2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2010
Tom Price	–	–	–	–	–
Michael Cox	700,000	–	–	–	700,000
Ann Bowering	–	–	–	–	–
Scott Evans	–	–	–	–	–
Ian Craig	–	–	–	–	–
	700,000	–	–	–	700,000

Notes:

(1) Net change other refers to shares purchased or sold on market during the financial year.

**(g) Remuneration Practices**

The Board's policy for determining the nature and amount of compensation of key directors and key management for the Economic Entity 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 Audit & Risk Committee, Remuneration & Nomination Committee, Compliance Committee or Listing & Admissions Committee. Approved by shareholders at the AGM of 20 December 2004, the remuneration pool for non executive directors is \$200,000 per annum inclusive of Superannuation. All fees are inclusive of 9% superannuation. Director's fees are comprised of a fixed component only.

Disclosures for director fees paid during the financial year are provided in Note 21(b).

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER – MICHAEL COX****Short Term Incentive Plan**

No short term incentive scheme had been approved by the Board or shareholders.

**Long Term Incentive Plan**

No long term incentive scheme had been approved by the Board or shareholders.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 21 KEY MANAGEMENT PERSONNEL (CONT'D)****PREVIOUS MANAGING DIRECTOR – PAUL SEYMOUR****Short Term Incentive Plan**

No short term incentive scheme had been approved by the Board or shareholders.

**Long Term Incentive Plan**

No long term incentive scheme had been approved by the Board or shareholders.

**NOTE 22 CONTINGENT LIABILITIES**

Estimates of the maximum amounts of contingent liabilities that may become payable:

	2009 \$	2008 \$
Bank Guarantees	<b>1,800,000</b>	1,800,000

As part of the National Stock Exchange of Australia 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 and Westpac Bank has issued a letter of credit for this amount.

As part of the SIM Venture Securities Exchange Limited's (SIM) Australian Financial Markets Licence, SIM operates Investor Compensation Arrangements in accordance with Part 7.5 Division 3 of the Corporations Act 2001. SIM is required to have in place minimum cover of \$1,000,000 to compensate investors. NSX Limited has cash as a term deposit of \$1,000,000 with Westpac Banking Corporation Limited.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 23 FINANCIAL INSTRUMENTS****(a) Financial Risk Management**

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

The main purpose for non derivative financial instruments is to raise finance for group operations.

The Economic Entity does not have any derivative financial instruments at the end of the financial year.

**(b) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	WEIGHTED AVERAGE		FLOATING INTEREST RATE		MATURING WITHIN 1 YEAR		NON-INTEREST BEARING		TOTAL	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial Assets										
Cash and cash equivalents	4.46	4.62	3,955,151	1,970,003	700,000	1,000,000	894	694	4,656,045	2,970,697
Commercial bills	4.81	5.45	–	–	1,800,000	1,500,000	–	–	1,800,000	1,500,000
Receivables	–	–	–	–	–	–	144,216	270,770	144,216	270,770
<b>Total Financial Assets</b>	–	–	<b>3,955,151</b>	<b>1,970,003</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>145,110</b>	<b>271,464</b>	<b>6,600,261</b>	<b>4,741,467</b>
Financial Liabilities										
Payables	–	–	–	–	–	–	660,131	341,143	660,131	341,143
Finance lease liability	–	–	–	–	–	–	–	–	–	–
<b>Total Financial Liabilities</b>	–	–	–	–	–	–	<b>660,131</b>	<b>341,143</b>	<b>660,131</b>	<b>341,143</b>

**(c) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**(d) Net Fair Value**

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the Statement of Financial Position and notes to the financial statements.

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.

**(e) Sensitivity analysis**

The Economic Entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. As the Economic Entity does not trade in commodities, is not involved in foreign exchange transactions and has minimal trade receivables. It has determined it is not exposed to any other market rate fluctuations.

**(f) Liquidity risk**

Liquidity risk is the risk that the economic entity is unable to meet its financial obligations as they fall due.

The economic entity has a zero level of gearing and manages liquidity risk by closely monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

**(g) Interest rate sensitivity analysis**

	CARRYING AMOUNT \$	INTEREST RATE RISK			
		- 0.25%		0.5%	
		PROFIT \$	EQUITY \$	PROFIT \$	EQUITY \$
<b>ASSETS</b>					
Cash	4,656,045	(11,640)	(11,640)	23,280	23,280
Commercial Bills	1,800,000	(4,500)	(4,500)	9,000	9,000
Increase / Decrease	6,456,045	(16,140)	(16,140)	32,280	32,280

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 24 SEGMENT REPORTING****Primary reporting - Business segments****MAJOR CUSTOMERS**

The Group has a number of customers to which it provides both products and services. The Group has one major customer who contributes 12.8% (2009: 15.7%) of total revenue. The next largest customer generated 5.4% (2009: 13.0%) of total revenue. All other customers generate less than 10% of total revenue.

**(a) Segment Performance**

	STOCK EXCHANGES \$'000	TAXI MARKETS \$'000	WATER EXCHANGE \$'000	ENVIRON- MENTAL SERVICES \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>12 MONTHS ENDED 30 JUNE 2010</b>						
<b>Revenue</b>						
External sales – services	1,260.8	330.4	518.7	–	–	<b>2,109.9</b>
Interest revenue	–	–	–	–	198.4	<b>198.4</b>
Other	–	–	–	–	280.6	<b>280.6</b>
<b>Total segment revenue</b>	<b>1,260.8</b>	<b>330.4</b>	<b>518.7</b>	<b>–</b>	<b>479.0</b>	<b>2,588.9</b>
<b>Total group revenue</b>						<b>2,588.9</b>
<b>Results</b>						
Segment net profit before tax	(821.0)	13.0	(30.0)	–	(946.0)	<b>(1,784.0)</b>
<b>Other Items</b>						
Depreciation and amortisation	183.0	3.0	7.0	–	2.0	<b>195.0</b>
<b>12 MONTHS ENDED 30 JUNE 2009</b>						
<b>Revenue</b>						
External sales – services	810.9	321.2	609.9	–	–	<b>1,742.0</b>
Interest revenue	–	–	–	–	329.0	<b>329.0</b>
Other	–	–	–	–	14.3	<b>14.3</b>
<b>Total segment revenue</b>	<b>810.9</b>	<b>321.2</b>	<b>609.9</b>	<b>–</b>	<b>343.3</b>	<b>2,085.3</b>
<b>Total group revenue</b>						<b>2,085.3</b>
<b>Results</b>						
Segment net profit before tax	(1,036.1)	(165.4)	(745.1)	(387.9)	(12,913.0)	<b>(15,247.5)</b>
<b>Other Items</b>						
Impairment expense	142.3	3.1	12.5	–	2.0	<b>159.9</b>
Depreciation and amortisation	0.9	74.3	420.5	–	10,875.3	<b>11,371.0</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 24 SEGMENT REPORTING (CONT'D)****(b) Segment Assets**

	STOCK EXCHANGES \$'000	TAXI MARKETS \$'000	WATER EXCHANGE \$'000	ENVIRON- MENTAL SERVICES \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>AS AT 30 JUNE 2010</b>						
<b>Segment Assets</b>	1,058.6	78.0	431.3	-	5,284.9	<b>6,852.8</b>
<b>Segment asset increases for the period:</b>						
Acquisitions	50.5	-	2.4	-	-	<b>52.9</b>
<b>AS AT 30 JUNE 2009</b>						
<b>Segment Assets</b>	1,041.0	40.0	880.0	1.0	3,237.0	<b>5,199.0</b>
<b>Segment asset increases for the period:</b>						
Acquisitions	139	-	-	-	-	<b>139</b>

**(c) Segment Liabilities**

	STOCK EXCHANGES \$'000	TAXI MARKETS \$'000	WATER EXCHANGE \$'000	ENVIRON- MENTAL SERVICES \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>AS AT 30 JUNE 2010</b>						
<b>Segment Liabilities</b>	37.2	38.6	222.9	-	483.3	<b>782.0</b>
<b>AS AT 30 JUNE 2009</b>						
<b>Segment Liabilities</b>	28.3	83.8	859.9	8.1	635.9	<b>1,616.0</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 24 SEGMENT REPORTING (CONT'D)****(d) Accounting Policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles, property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**(e) Intersegment Transfers**

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Economic Entity at an arm's length. These transfers are eliminated on consolidation.

**(f) Business and Geographic Segments****BUSINESS SEGMENTS**

The Economic Entity has the following 3 business segments:

- The Stock Exchanges segment primarily includes the activities of the National Stock Exchange of Australia as well as SIM Venture Securities Exchange both of which provide a facility for enterprises to raise capital, list and trade securities.
- The Taxi Markets segment provides a facility for the trading of Melbourne metropolitan taxi licence transfers and assignments.
- The Waterexchange segment primarily includes The Water Exchange Pty Ltd activities which provide a facility for the trading of water entitlements.

**GEOGRAPHIC SEGMENTS**

The Economic Entity's business segments are located in Australia.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 25 FINANCIAL MARKET FIDELITY FUNDS AND COMPENSATION ARRANGEMENTS**

As at 30 June 2010 the National Stock Exchange of Australia Limited Fidelity Fund had a balance of \$392,968 (2009 \$346,348). The National Stock Exchange of Australia 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 2010 the SIM Venture Securities Exchange Limited Fidelity Fund had a balance of \$38,684 (2009 \$37,638). The SIM Venture Securities 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 26 RELIANCE ON TECHNOLOGY AND SYSTEMS**

The ability of the National Stock Exchange of Australia Limited to conduct its operations is heavily reliant upon the capacity and reliability of the trading systems which are licensed to the economic entity by NASDAQ OMX Group and the ASTC CHESS settlement systems, which are licensed to the Economic Entity by the Australian Securities Exchange Limited.

The ability of the SIM Venture Securities Exchange Limited to conduct its operations is heavily reliant upon the capability and reliability of the trading systems, which are licensed to the Economic Entity by NASDAQ OMX Group.

The ability of the BSX Taxi Market trading platform to operate is dependent on the software and website facilities provided by DT Design.

The ability of the Waterexchange trading platform to operate is dependent on Macquarie Telecom.

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 27 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

On 1 September 2009 the Company announced a unincorporated Joint Venture arrangement with Sustainable Investment Market Pty Limited (SIM-X) to create a SIM-X Cleantech Market for the listing of equity securities by Companies in the Cleantech space. The arrangement is estimated to be worth \$1million over a 5 year period. This arrangement was subsequently converted to an incorporated joint venture with Financial and Energy Exchange Ltd. On 3 June 2010 NSX Limited shareholders voted in favour of the incorporated joint venture. The share purchase agreement signed in March 2010 stipulated that the first of six equal installments of \$500,000 was due 30 days after signing of the agreement or the approval by NSX Limited shareholders whichever was the later. The \$3 million to be provided by FEX is to fund the joint venture. As at the date of this report SIM VSE Group has not received the first installment of \$500,000. The SIMVSE joint venture will commence on 1 July 2010.

There are no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in future financial years.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 28 COMPANY DETAILS**

The registered office and principal place of business is:

NSX Limited  
 Level 2,  
 117 Scott Street  
 Newcastle NSW 2300

**NOTE 29 EARNINGS PER SHARE****(a) Reconciliation of Earnings to Loss**

	CONSOLIDATED	
	2009 \$	2008 \$
Loss for the year	<b>(1,783,592)</b>	(15,247,916)
Earnings used to calculate basic and diluted EPS	<b>(1,783,592)</b>	(15,247,916)

**(b) Weighted average number of ordinary shares (diluted and basic)**

Weighted average number of ordinary shares used in calculating basic earnings per share and net tangible assets	<b>87,021,316</b>	74,460,003
Weighted average number of ordinary used in calculating dilutive EPS	<b>87,021,316</b>	74,460,003

**(c) Basic and diluted earnings per share (cents)**

Basic and diluted earnings per share (cents)	<b>(2.05)</b>	(20.48)
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**DIRECTORS' DECLARATION**

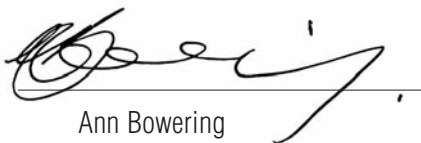
The directors of the company declare that:

1. The financial statements and notes, as set in the Statement of Comprehensive Income, Statement of Financial Position, Statement of changes in equity, Statement of Cash Flows and notes to the financial statements, are in accordance with the Corporations Act 2001 and:
  - (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 2010 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 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.



Michael Cox  
Director



Ann Bowering  
Director

Dated this 31 day of August 2010

Newcastle



## Independent Audit Report

### To the shareholders of NSX Limited

#### Report on the Financial Report

We have audited the accompanying financial report, being a general purpose financial report of NSX Limited which comprises the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by the directors.

#### The Responsibility of the Directors

The directors of the NSX Limited are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements of the Company and are appropriate to meet the needs of the shareholders. The directors responsibility also includes designing, implementing and maintaining internal control relevant to the preparation of fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the shareholders. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The financial report has been prepared for distribution to shareholders for the purpose of fulfilling the director's financial reporting responsibilities. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the shareholders, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Independent Audit Report**

### **To the shareholders of NSX Limited**

#### **Independence**

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

In accordance with ASIC Class order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

#### **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 financial position as at 30 June 2010 and its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.



**LAWLER PARTNERS**  
Chartered Accountants

763 Hunter Street  
Newcastle West

Date: 31 August 2010



**CLAYTON HICKEY**  
Partner





NSX LIMITED

ABN 33 089 447 058

ADDITIONAL INFORMATION  
FOR LISTED PUBLIC COMPANIES



**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

FOR THE YEAR ENDED 30 JUNE 2010

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

**1. SHAREHOLDING****(a) Distribution of Shareholders as at 24 August 2010**

CATEGORY (SIZE OF HOLDING)	NUMBER	
	ORDINARY	PARTLY PAID
1 – 1,000	45	-
1,001 – 5,000	216	-
5,001 – 10,000	120	-
10,001 – 100,000	222	-
100,001 – and over	43	3
	<b>646</b>	<b>3</b>

**(b) Marketable Parcels as at 24 August 2010**

The number of shareholdings held in less than marketable parcels (UMP) is 159 (at market price of 18.0 cents). UMP Number of securities is 256,718. UMP as a percentage of shares on issue is 0.26%.

**(c) Substantial Shareholders as at 24 August 2010**

The names of the substantial shareholders listed in the holding company's register as at 24 August 2010 are:

SHAREHOLDER	NUMBER	
	ORDINARY	PERCENTAGE
VITRON WERKBUND SUD AUSTRALASIA PTY LTD	11,700,000	11.857
NEW EQUITY WORLD PTY LTD	11,270,520	11.422
IRRICO AUSTRALIA PTY LTD	10,500,000	10.641
GPG NOMINEES PTY LTD	8,675,924	8.792
FINANCIAL & ENERGY EXCHANGE LTD	8,411,760	8.525
ASTERIA T & I PTY LTD	7,500,000	7.601
CITICORP NOMINEES PTY LTD	5,313,261	5.384
TARANAKI INVESTMENTS PTY LTD	5,028,277	5.096

**(d) Voting Rights**

**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 unless that share is a "default share". The Constitution defines default shares as any shares held above 15% voting power limit by any one party and its associates.

**Partly Paid shares** - Each partly paid share is entitled to one vote on a prorata basis dependent on the amount that is already paid when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands unless that share is a "default share". The Constitution defines default shares as any partly paid shares that are not subject to a call and have not been paid. The call on the partly paid shares is at the discretion of the holder.

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

FOR THE YEAR ENDED 30 JUNE 2010

**(e) 20 Largest Shareholders — Ordinary Shares – as at 24 August 2010**

		% HELD OF NUMBER OF ORDINARY FULLY PAID SHARES HELD	ISSUED ORDINARY CAPITAL
1	VITRON WERKBUND SUD AUSTRALASIA PTY LTD	11,700,000	11.857
2	NEW EQUITY WORLD PTY LTD	11,270,520	11.422
3	IRRICO AUSTRALIA PTY LTD	10,500,000	10.641
4	GPG NOMINEES PTY LTD	8,675,924	8.792
5	FINANCIAL & ENERGY EXCHANGE LTD	8,411,760	8.525
6	ASTERIA T & I PTY LTD	7,500,000	7.601
7	CITICORP NOMINEES PTY LIMITED	5,313,261	5.384
8	TARANAKI INVESTMENTS PTY LTD	5,028,277	5.096
9	REENERGY PTY LTD	4,192,765	4.249
10	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	3,492,974	3.540
11	LIN LANG INTERNATIONAL TRADING PTY LTD	2,220,000	2.250
12	IRON MOUNTAIN PTY LIMITED	1,930,372	1.956
13	MS LIJUN LI	1,120,948	1.136
14	ONTARIO NO 88 PTY LTD	1,000,000	1.013
15	REAM INVESTMENTS PTY LIMITED <THE RMD A/C>	900,000	0.912
16	RUBI HOLDINGS PTY LTD <JOHN RUBINO SUPER FUND A/C>	691,940	0.701
17	MR DAVID ANTHONY <INVESTMENT A/C>	638,000	0.647
18	MISS EVELIN ZHANG	492,000	0.499
19	J P MORGAN NOMINEES AUSTRALIA LIMITED	335,400	0.340
20	JEMAYA PTY LTD <JH FEATHERBY SUPER FUND A/C>	300,000	0.304
	<b>Total</b>	<b>85,714,141</b>	<b>86.863</b>

**2. COMPANY SECRETARY**

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

**3. REGISTERED OFFICE**

The address of the principal registered office in Australia is:

Level 2,  
117 Scott Street  
Newcastle NSW 2300

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

FOR THE YEAR ENDED 30 JUNE 2010

**4. REGISTERS OF SECURITIES ARE HELD AT THE FOLLOWING ADDRESSES**

New South Wales: Registries Ltd  
Level 7,  
207 Kent Street  
Sydney NSW 2000  
www.registries.com.au

**5. 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 security holder's discretion. One director and related entities currently holds 700,000 partly paid shares.

**Options over Unissued Shares**

A total of 737,383 options are on issue.

Option Expiring 15 Oct 2016 exercise price \$0.50	413,971
Option Expiring 15 Oct 2017 exercise price \$0.50	323,412

**6. 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.

**7. ON-MARKET BUY BACK**

There is no current on market buy back.

**8. ANNUAL GENERAL MEETING**

The NSX Limited Annual General Meeting will be held at 11.00am (AEST) on Thursday, 7 October 2010.

**9. SOURCES OF INFORMATION FOR SHAREHOLDERS**

Recent amendments to the Corporations Act have allowed changes to the way NSX delivers the Annual Report to shareholders each year. NSX sends to shareholders a letter asking shareholders to nominate how they wish to receive the Annual Report. NSX will send you a hardcopy Annual Report, free of charge, only if you elect to receive it. Alternatively NSX will provide details to shareholders on how to access the Annual Report in electronic form from the NSX website when NSX sends you the Notice of Meeting for the Annual General Meeting. This report is located at: [http://www.nsx.com.au/shareholder\\_financials.asp](http://www.nsx.com.au/shareholder_financials.asp). Shareholders can access NSX documents and corporate information from the NSX website ([www.nsx.com.au](http://www.nsx.com.au)) from the Shareholders link.

FOR YOUR NOTES





FOR YOUR NOTES



FOR YOUR NOTES







NSX Limited and Controlled Entities. ABN 33 089 447 058

**NEWCASTLE**

Level 2, 117 Scott Street  
Newcastle NSW 2300  
P: +61 2 4929 6377  
F: +61 2 4929 1556

**MELBOURNE**

Level 3, 45 Exhibition Street  
Melbourne VIC 3000  
P: +61 3 9001 0300  
F: +61 3 9001 0311

**CANBERRA**

40 Brisbane Avenue  
Barton ACT 2600  
P: +61 2 6112 8123  
F: +61 2 8282 4528