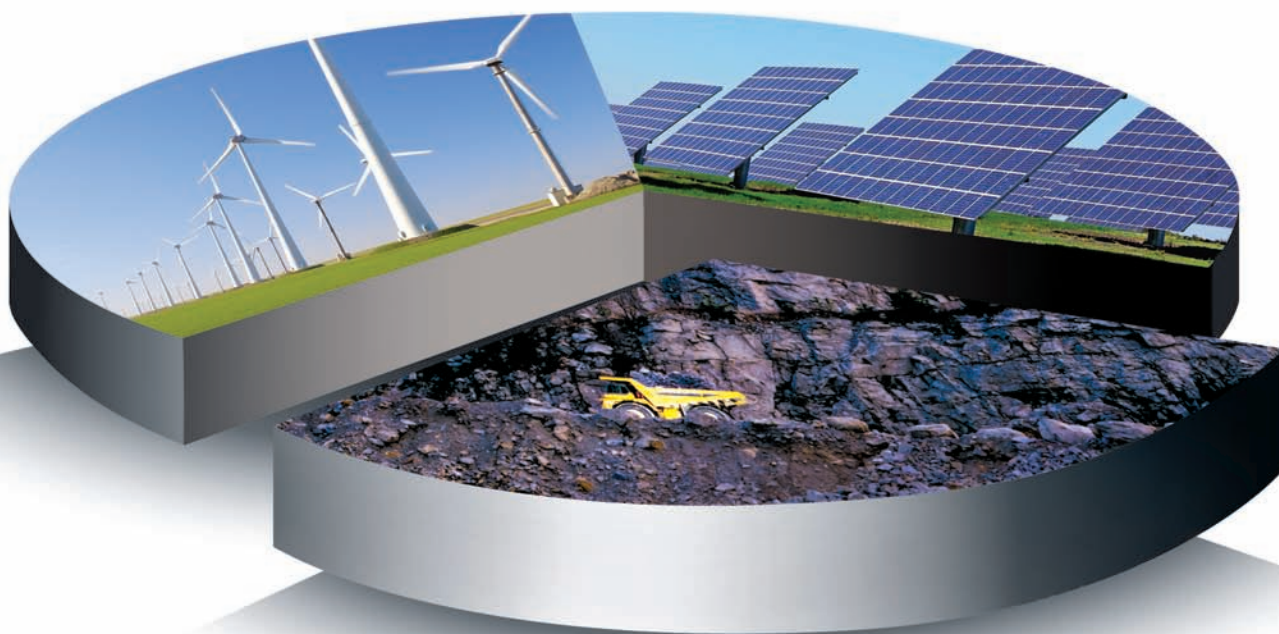


NSX LIMITED AND CONTROLLED ENTITIES



# Annual Report

For the year ended 30th June 2011





NSX LIMITED  
AND  
CONTROLLED ENTITIES

ABN 33 089 447 058

Annual Report  
for the year ended  
30 June 2011



# 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*

Ian Craig  
*Companies Manager*

Scott Evans  
*General Manager*

## **COMPANY SECRETARY**

Scott Evans

## **PRINCIPAL REGISTERED OFFICE**

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

## **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**

Boardroom Pty Ltd  
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@boardroomlimited.com.au](mailto:callcentre@boardroomlimited.com.au)  
[www.boardroomlimited.com.au](http://www.boardroomlimited.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)

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# Chairman's and Chief Executive Officer's Report

## Dear Fellow Shareholder,

The year has been an eventful one so far with the launch of the takeover bid by FEX Equity Markets Pty Ltd (FEX EM), the extreme volatility in international markets and the difficult climate for smaller companies to raise capital.

## Takeover offer by FEX Equity Markets Pty Ltd

On 8 June 2011 FEX EM launched a takeover offer for all of ordinary fully paid shares in NSX Limited. The offer is for 23.5 cents per share.

In terms of the Offer, two directors of NSX may have a material personal interest due to their relationship with Financial and Energy Exchange, the holding company of FEX, and have appointed non-associated alternate directors for the purposes of evaluating the Offer and making a recommendation to Shareholders.

The Independent Directors have recommended acceptance of the Offer in the absence of a superior offer. A full discussion of the reasons for making such recommendation as well as other matters that may be relevant to your decision are set out in the Target's Statement and Supplementary Statements sent to shareholders.

As at the date of this report FEX EM has made their offer unconditional, they have extended the due date for acceptances until 5pm 4 November 2011 and have obtained a relevant interest in shares of 42,899,826 shares.

## Highlights

- Total Revenue Down 20%
- Expenses Down 9%
- Total Loss Up 2.6%
- Earnings per Share Up 4.1%
- Listed companies on the NSXA raised more than \$300m as part of placements and rights issues and initial public offerings.

## Ongoing Funding

The current level of business activity means that the Company is presently still expending more money than it derives from its customers.

Although immediate funding is not required, the NSX Board will continue to monitor the cash burn rate so that NSX is able to satisfy the ongoing requirements of having sufficient financial resources to maintain a fair and orderly market as obligated under its Australian market licenses.

## Stock Exchanges

### National Stock Exchange of Australia – Activities

Market capitalisation of NSXA remains over \$2billion. Total capital raised over the period was in excess of \$300million. NSXA can demonstrate that companies are able to raise large amounts of capital whilst listed on NSXA. The environment for capital raisings for small companies is still decidedly difficult which is impacting on new companies seeking to list.

The Board is pleased with the continuing support from the stock broking community with four broker applications to join. There are two applications for nominated advisers and two listing applications pending.

NSX has been approved by ASX Settlement to have access to the Primary Market Facility which enables companies to use Delivery versus Payment batch settlement to facilitate placements and initial public offerings.

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

One participant application has been received to join the market. SIM VSE staff continue to promote the exchange to prospective companies and advisers. In the forthcoming year NSX are progressing with plans to migrate the Bendigo Community Bank securities and other corporate securities to the NSXA. This will leave SIM VSE as a pure Cleantech securities market which will enhance the marketing message to prospective participants.

The Board is pleased with the continuing support from the stock broking community with one broker application to join.

SIM VSE has been approved by ASX Settlement to have access to the Primary Market Facility which enables companies to use Delivery versus Payment batch settlement to facilitate the placements and initial public offerings.

### **Taxi Markets**

The NSX operated a business for the last 5 years that facilitated trading in Taxi licences and assignments predominately in the Victorian Central Business District. The NSX had sought to contract with the Victorian Government to take up the option an additional two years of operations. However the contract was not renewed and on 28 March 2011 the Taxi Market operated by NSX ceased. With no cornerstone client for the business the NSX Board decided to cease all operations relating to Taxi markets.

### **Water Trading**

During the year, the NSX operated 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) earned fees from the trading in these rights and managed 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 remained difficult for water trading throughout the year and Waterexchange experienced substantial declines in trading volumes. The Board contracted with Envex Water Pty Ltd to purchase the assets of Waterexchange and on 31 March 2011 NSX ceased all operations relating to water trading.

### **Litigation**

During the financial year 2010 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 was paid into trust. NSX did not progress the appeal.

I wish to thank my fellow Directors, the staff of NSX and Shareholders for their support over my time with the NSX.



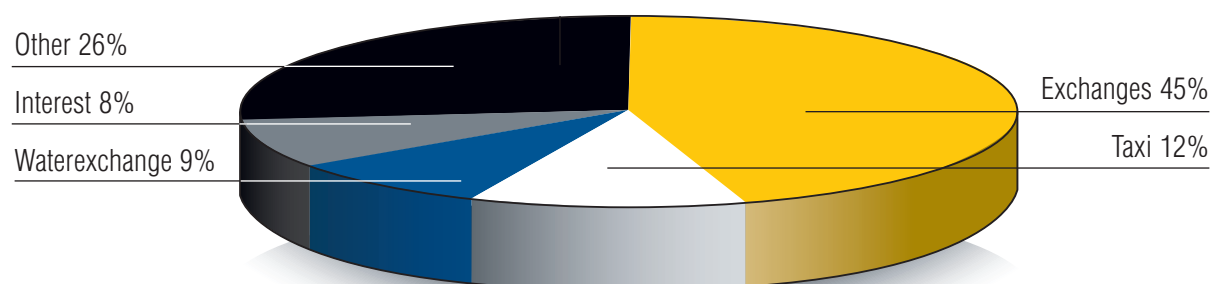
Michael Cox  
**Chairman and Chief Executive Officer**

Sydney, 30 August 2011

# Analysis of Results

## REVENUE

### Revenue by Category (Figure 1).



### Changes in Revenue Categories from 30 June 2011 vs. 30 June 2010 (Table 1)

Revenue has decreased by 19.8% with the majority of the decrease associated with decreased Waterexchange trading revenue (-66%), Taxi market revenue (-25%) and direct Exchange listing revenue (-23%).

Revenue Category	2011 \$'000	2010 \$'000	Change %
<i>Continuing Operations:</i>			
Exchange Revenue (1)	974.9	1,260.8	-22.7
Interest Received	254.5	198.4	28.3
Other Revenue	328.0	280.6	16.9
<b>Total</b>	<b>1,557.4</b>	<b>1,739.8</b>	<b>-10.5</b>
<i>Discontinued Operations:</i>			
Taxi Markets revenue (2)	247.0	330.4	-25.2
Waterexchange revenue (3)	179.0	518.7	-65.5
Interest Received	10.5	100.2	-89.5
Other Revenue	163.5	-	0.0
<b>Total</b>	<b>600.0</b>	<b>949.3</b>	<b>-36.8</b>
<b>Total Revenue</b>	<b>2,157.4</b>	<b>2,689.1</b>	<b>-19.8</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.

(3) Waterexchange revenue includes \$90,909 received for the sale of Waterexchange assets to Envex Water Pty Ltd



## EXPENSES

Operating expenses decreased by 9% from \$4.4million to \$3.9million as a result of the cost reductions under taken by the Company. Employee expense decreased by 16% due to the continued effects of the organisational restructuring in the previous financial year.

Consultants expenses increased by 193% as this expense reflects the remuneration payment to the Chief Executive Office (see notes 19 and 22 of the financial statements for more detail) and also the Manager of the Taxi Market. The Taxi Market has been discontinued so the consultants expense should decrease slightly in the next financial year except for the costs associated with the Financial and Energy Exchange takeover offer.

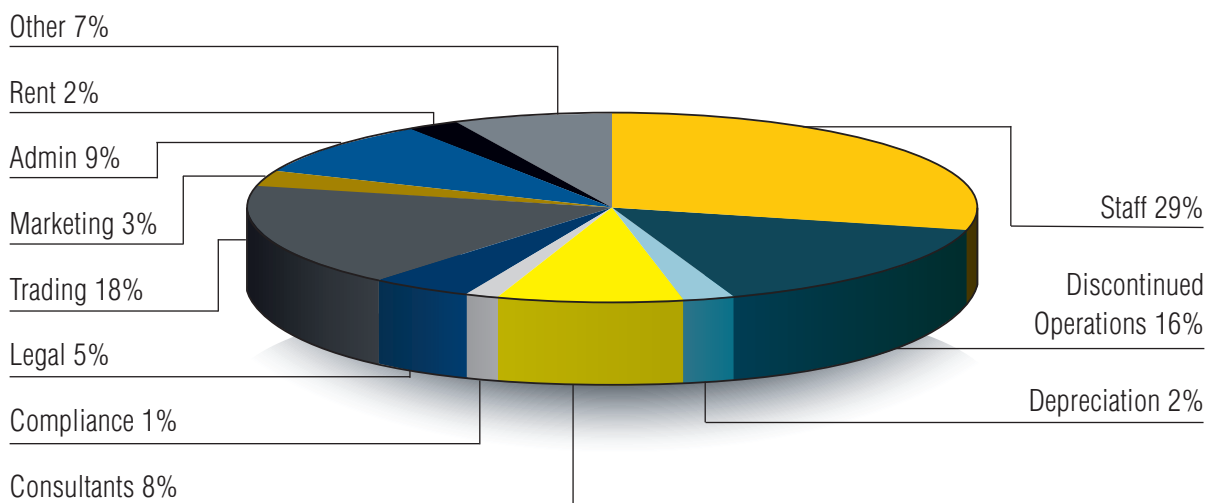
Compliance, legal expenses have declined but are expected to remain at the same level in the next financial year.

Market trading expenses increased by 18% during the year due to investment in exchange technology as well as increased fees from ASX for participation in the ASX Transfer Service and ASIC annual fees for the Stock Exchanges' Market Licences.

Occupancy expense has decreased by 51% due to cheaper space found in Melbourne and NSX no longer being responsible for a Canberra office.

Marketing and promotion has increased by 190% as NSX continues to increase exposure in the mining and Cleantech market segments.

### Expense category as a percentage of Total Expenses (Figure 2)



The table of expenses on the following page summarises the movements in major expense categories relative to the previous period's expenses.

## Changes in Expenses from 30 June 2011 vs. 30 June 2010 (Table 2)

Expense Category	2011 \$'000	2010 \$'000	Change %
<i>Continuing Operations:</i>			
Employee benefits expense	1,153.4	1,380.1	-16.4
Depreciation, amortisation and impairments	88.8	195.3	-54.5
Consultancy expenses	327.9	112.0	192.8
Compliance expenses	56.2	59.2	-5.1
Legal expenses	179.3	244.9	-26.8
Market trading expenses	697.1	591.1	17.9
Marketing and promotion expenses	105.7	36.4	190.4
Occupancy expenses	95.5	195.7	-51.2
Administration expenses	373.9	578.7	-35.4
Finance Costs	-	42.3	-100.0
SIMVSE Joint Venture Costs	-	312.4	-100.0
Court costs - R Bladier	-	357.7	-100.0
Other expenses	282.7	266.6	6.0
<i>Discontinued Operations:</i>			
Expenses	627.5	-	100.0
<b>Total Expenses</b>	<b>3,988.0</b>	<b>4,372.4</b>	<b>-8.8</b>

**CONSOLIDATED SUMMARY**

The Operating loss for the Group was \$1.8million for the period (2.6% increase on the previous period's Operating loss). The Group maintains a cash balance of \$4.9million 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 leaving \$3.2million as working capital for the NSX Group.

Earnings per share (EPS) increased from (1.93) cents per share to (1.85) cents per share or an improvement of 4.1%.

**Changes in Expenses from 30 June 2011 vs. 30 June 2010 (Table 2)**

	<b>2011 \$'000</b>	<b>2010 \$'000</b>	<b>Change %</b>
Revenue	2,158	2,689	-19.8
Expenses excluding impairments	3,988	4,372	-8.8
Operating loss	(1,830)	(1,683)	8.7
Expenses including impairments	3,988	4,372	-8.8
<b>Net loss after tax</b>	<b>(1,830)</b>	<b>(1,683)</b>	<b>2.6</b>

	<b>2011 \$'000</b>	<b>2010 \$'000</b>	<b>Change %</b>
Earnings per share (cents)	(1.85)	(1.93)	-4.1
Net tangible asset backing (cents)	5.0	7.1	-30.2
Share price at end of period (cents)	21.0	17.0	23.5
Shares on Issue at end of period (mil)	99.0	98.7	0.3
Market capitalisation (\$'mil)	20.8	16.8	23.9
Cash at bank (\$'000)	4,948	6,456	-23.4
Cash held for statutory purposes (\$'000)	1,700	1,700	0.0
Waterexchange deposits (\$'000)	-	427	-100.0
<b>Working Capital (\$'000)</b>	<b>3,248</b>	<b>4,329</b>	<b>-25.0</b>

# Markets Information

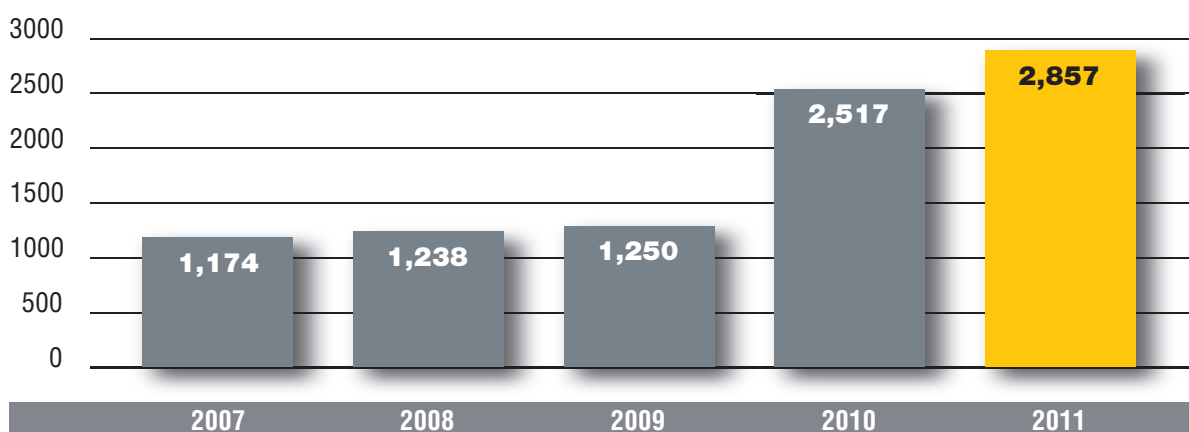
## NSXA AND SIM VSE LISTING HISTORY OF SECURITIES

as at 30 June	2007	2008	2009	2010	2011
Fully Paid Ordinary	87	94	91	96	79
Partly Paid Ordinary	1	-	1	1	1
Debt Securities	-	9	29	40	47
Preference Securities	-	-	1	2	2
Company issued options	13	16	13	12	8
Property Trusts	10	4	1	-	1
<b>Total Listed Securities</b>	<b>111</b>	<b>123</b>	<b>136</b>	<b>151</b>	<b>138</b>
Delisted securities	10	9	13	18	11

## NSXA & SIM VSE TRADING STATISTICS

as at 30 June	2007	2008	2009	2010	2011
Listed Securities (no.)	111	123	136	151	138
Market Capitalisation (\$'mil)	1,174	1,238	1,250	2,517	2,857
Volume Traded ('000 shares)	85,548	53,872	22,635	31,315	247,718
Value Traded (\$'000)	42,369	27,789	8,248	9,943	152,207
Trades (no.)	1,833	1,470	900	1,269	2,578
Average Volume per trade ('000 shares)	46.7	36.6	25.2	24.7	96.1
Average value per trade (\$'000)	23.1	18.9	9.2	7.8	59.0
Average Price per Share (\$)	0.50	0.52	0.36	0.32	0.61
Announcements (no.)	1,137	1,240	2,135	3,225	4,257

## COMBINED MARKET CAPITALISATION



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

NSXA permits licensed organisations, such as stockbrokers, to apply to become Participants of NSXA or SIM VSE. 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)

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

<b>Nominated Advisors: (as at the date of this report)</b>	
Addisons Lawyers	Hopgood Ganim Lawyers
Allens Arthur Robinson	Macpherson + Kelley Lawyers
Australian Securities Company (International) Pty Ltd	Managers & Directors
Baron Partners	The MBA Partnership
BKR Walker Wayland Services Pty Limited	McCullough Robertson Lawyers
Burrell Stockbroking	Minter Ellison – Gold Coast
Business Growth Strategies	Non Executive Management Pty Ltd
Cameron Stockbrokers Limited	Norton Rose Lawyers
Clayton Utz	Oakhill Hamilton Pty Ltd
Collins Street Group Pty Ltd	Pritchard & Partners Corporate Finance
Crowe Horwath Corporate Finance	PricewaterhouseCoopers Australia
Dixon Advisory	Steinepreis Paganin
DLA Piper	Taylor Collison Limited
Hall Chadwick - Sydney Partnership	Wellington Capital Limited
Holman Webb Lawyers	Whittens Lawyers & Consultants

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.

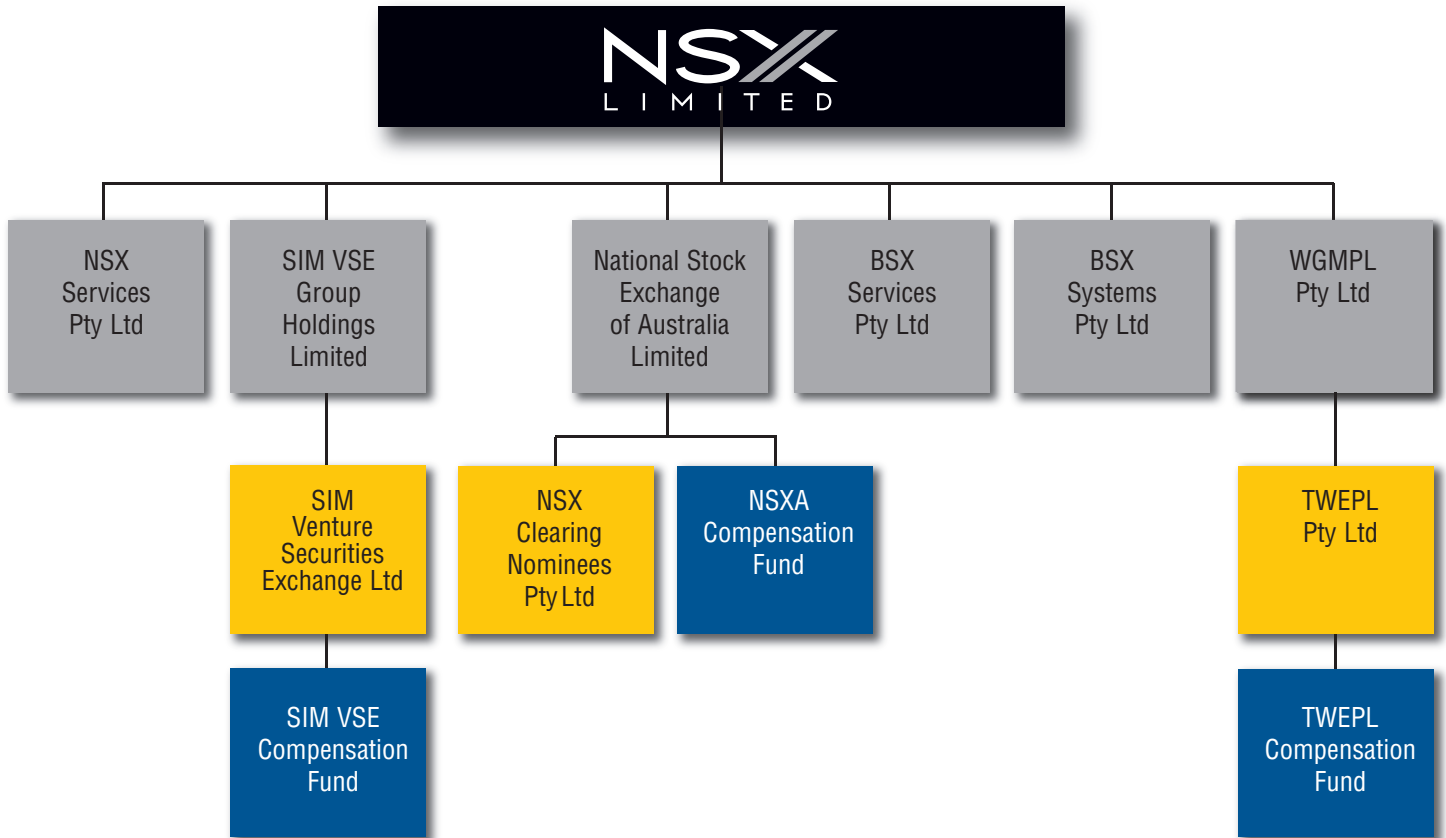
<b>Facilitators: (as at the date of this report)</b>
Cullen Capital

## 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 Market Operator in the ASX Settlement CHES (formerly known as ASTC CHES) system for the settlement of equity trades. SIM Venture Securities settles on a broker to broker basis for non Cleantech securities and is a Recognised Market Operator of ASX Settlement CHES (ASX ASTC CHES) system for electronic settlement of Cleantech securities.

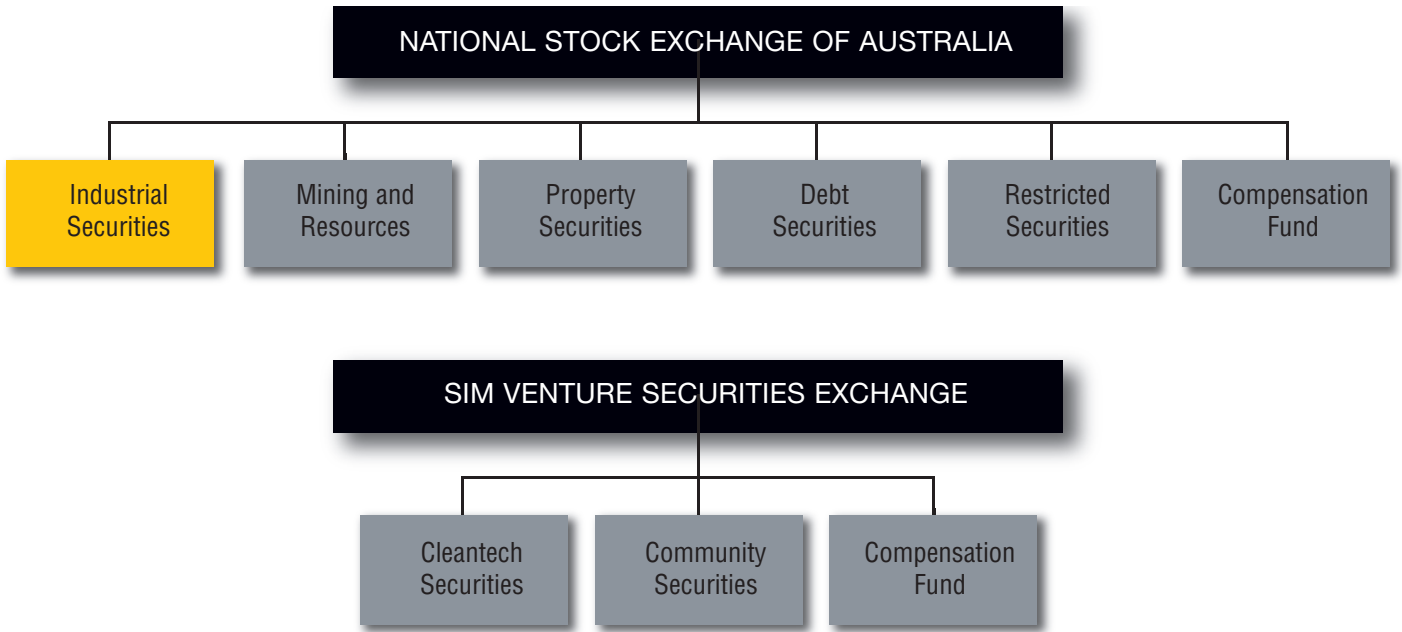
**NSX GROUP CORPORATE STRUCTURE**



**NSX MANAGEMENT STRUCTURE**



**MARKET STRUCTURE**



# Financial Markets Supervision

NSX financial exchanges (NSXA and SIM VSE) 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 Licencee’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 (SIM VSE) 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 SIM VSE listed companies;
- Poor execution of an order by a Participant of NSXA and SIM VSE;
- Possible violations of operating rules by any Participant of NSXA and SIM VSE;
- Listing or Business rules of NSXA and SIM VSE;
- Possible insider trading or market manipulation;
- Compensation arrangements; and
- Complaints about NSX and SIM VSE Products and Services.

Information about making complaints is available from the NSXA and SIM VSE 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.

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
<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 ( <a href="http://www.nsx.com.au">www.nsx.com.au</a> ).	NSX Board Charter NSX Corporate Governance Statement
<b>Principle 2</b>	<b>Structure the board to have an effective composition, size and commitment to adequately discharge its responsibilities and duties.</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 off 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> </ul>	NSX Code of Ethics and Conduct NSX Corporate Governance Statement NSX Conflicts of Interest Policy Procedures for the maintenance of the conflicts of interest register Procedures for appointment of new directors or senior officers to NSX

Principle	Compliance	References
	<p>(c) any conflicted director will absent him or herself from voting on that particular matter; and</p> <p>(d) Non-executive Directors can hold independent meetings before scheduled full board meetings in the absence of management.</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>	
<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. 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
<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
<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

Principle	Compliance	References
	<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; or</p> <p>The Director is related to a substantial (5% or more) shareholder of the Company. The Board may decide other relevant factors as appropriate from time to time.</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>	<p>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 NSX Board Minutes NSX Board Charter
	<b>(iv) The term of office held by each director in office at the date of the annual report.</b>	
<b>NSX Response</b>	<p>The appointment date of each director is disclosed in the statutory financial report.</p>	Annual Report
	<b>(v) The names of members of the nomination committee and their attendance at meetings of the committee.</b>	
<b>NSX Response</b>	<p>The composition and attendance of meetings is disclosed in the statutory financial report.</p>	Annual Report – Board Meetings
	<b>(vi) Description of the procedure for the selection and appointment of directors.</b>	
<b>NSX Response</b>	<p>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.</p>	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>	<p>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.</p>	Annual report Board Charter

Principle	Compliance	References
<b>Principle 3</b>	<p><b>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>
<b>Recommendation 3.2</b>	<p><b>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.</b></p>	
<b>NSX Response</b>	<p>Currently NSX does not have a diversity policy.</p> <p>The Board considers that the Company is well diversified.</p>	NSX Board Charter
<b>Recommendation 3.3</b>	<p><b>Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.</b></p>	
<b>NSX Response</b>	<p>On establishment of a gender diversity policy the Board will publish progress toward achieving that policy.</p>	NSX Annual report
<b>Recommendation 3.4</b>	<p><b>Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</b></p>	
<b>NSX Response</b>	<p>33% of Directors are women.</p> <p>25% of senior executives are women.</p> <p>60% of all employees are women.</p>	NSX Annual report

Principle	Compliance	References
<b>Recommendation 3.5</b>	<b>Companies should provide the information indicated in the Guide to reporting on Principle 3.</b>	
<b>NSX Response</b>	Refer to 3.4 above.	NSX Annual report
<b>Principle 4</b>	<b>Independently verify and safeguard the 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>	<p>Board Charter</p> <p>Audit &amp; Risk Committee Charter</p>
<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>	<p>Audit &amp; Risk Committee Charter</p>
<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.	<p>Audit &amp; Risk Committee Charter</p>



Principle	Compliance	References
<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>	<p>The NSX Shareholder Communications Policy states that the NSX is committed to timely and accurate disclosure of information to shareholders.</p> <p>As outlined in the Policy NSX carries out its obligations to inform its shareholders by doing to 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>	NSX Shareholder Communications Policy

Principle	Compliance	References
<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>	
<b>NSX Response</b>	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. The Board is also cognisant that material changes are required to be disclosed to the market with respect to Listing Rule 3.1.	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>	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. 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. 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.	Corporate Governance Statement

Principle	Compliance	References
<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>The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.</b>	
<b>NSX Response</b>	The committee consists of the current Board members. 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.	Remuneration and Nomination Committee Charter
<b>Recommendation 8.3</b>	<b>Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.</b>	
<b>NSX Response</b>	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. Based on recommendations of the committee the executive remuneration is reviewed and approved by the Board.	Board Policy
<b>Recommendation 8.4</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 2011

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## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

### 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>Peter Koller (alternate to Thomas Price)</b>	Appointed 1 June 2011
<b>Bruce McNab (alternate to Ann Bowering)</b>	Appointed 1 June 2011

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, settlement and clearing 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). The Taxi market and Waterexchange operations were discontinued during the period.

### OPERATING RESULTS

The net loss of the Economic Entity for the financial year after providing for income tax amounted to \$1,830,352 (2010: loss of \$1,683,363).

### 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 2011

### REVIEW OF OPERATIONS

During the year the Economic Entity incurred a loss after tax of \$1,830,352 (2010: loss of \$1,683,363) or 8.7% increase compared to 2010.

Revenue decreased by 19.8% from \$2,689,138 to \$2,157,919 which was due to a decrease in revenue from listings, Taxi market and the Waterexchange.

Operating expenses decreased by 8.8% from \$4.4million to \$3.9million as a result of the continuing cost control by the Company. Employee expense decreased by 26.5%. Consultants expenses increased by 279% as this expense reflects the remuneration payment to the Chief Executive Office (see note 22 of the financial statements for more detail) and also the Manager of Taxi Market. The Taxi Market has been discontinued so the consultants expense should decrease slightly in the next financial year except for the costs associated with the Financial and Energy Exchange takeover offer.

Compliance, legal expenses have declined but are expected to remain at the same level in the next financial year. Market trading expenses increased by 27% during the year due to investment in exchange technology as well as increased fees from ASX for participation in the ASX Transfer Service and ASIC annual fees for the Stock Exchanges' Market Licences. Some offsetting decline in trading expenses will occur category in 2011/2012 financial year with the Waterexchange and taxi market trading expenses disappearing from this expense.

Occupancy expense has decreased due to cheaper space found in Melbourne and NSX no longer being responsible for a Canberra office. Marketing and promotion has increased by 198% as NSX continues to increase exposure in the mining and Cleantech market segments.

Earnings per share (EPS) declined from a loss of (1.93) cents per share to a loss of (1.85) cents per share.

### INFORMATION ON CURRENT DIRECTORS

<b>Michael Cox</b>	<b>Executive Director, Chairman, Chief Executive Officer</b>
Qualifications	BSc (USyd), LLB(UTS), Cert Acc, Dip Gem, Dip DT, FIPA, 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 2011

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

<b>Thomas Price</b>	<b>Non-Executive Director</b>
Qualifications	B.Arts (Macquarie)
Appointed	17 November 2009
Directorships held in other listed entities	NIL
Interest in Shares and Options	42,899,826 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.

<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 2011

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

<b>Peter Koller</b>	<b>Alternate Director to Thomas Price</b>
Qualifications	B.Bus (Finance/Accounting) – UTSG.Dip Applied Finance and Investment - SIA
Appointed	1 June 2011
Directorships held in other listed entities	NIL
Interest in Shares and Options	NIL

**EXPERIENCE**

Peter Koller has been employed in the financial markets since 1984, starting at the ASX as an Undergraduate Research Analyst. Peter has worked with Bankers Trust Australia Limited, Macquarie Bank Australia Limited, ABN AMRO Bank and SBC Warburg Australia Limited (formerly SBC Australia Limited).

Peter has a Bachelor of Business (Accounting/Finance) University of Technology, Sydney and holds a Graduate Diploma in Applied Finance & Investment Securities Institute of Australia (Sydney). Peter has comprehensive knowledge of both the equity and derivative capital markets in Australia and Asia.

<b>Bruce McNab</b>	<b>Alternate Director to Ann Bowering</b>
Qualifications	Council of Legal Education Diploma – RMIT Admitted as a Barrister and Solicitor of the Supreme Court of Victoria Australian Legal Practitioner)
Appointed	1 June 2011
Directorships held in other listed entities	NIL
Interest in Shares and Options	NIL

**EXPERIENCE**

Bruce McNab is an Australian Legal Practitioner with 30 years experience practising in commercial, property and finance law, primarily as a partner with Garland Hawthorn Brahe Solicitors. In addition he has had a five year career in management as Commercial Manager for Cleanevent International with responsibilities in the USA, UK, Europe and the Middle East and with Bellwater Thailand in Asia. Bruce is currently practising with Aldgate Lawyers in Melbourne.

Bruce's commercial legal practice has involved a range of Corporations Law matters involving shareholders rights and entitlements and corporate governance issues. This, combined with the perspective that his relevant business management experience provides, gives him valuable insight into the current issues and challenges facing NSX.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

**MEETINGS OF DIRECTORS**

During the financial year, 5 (2010: 16) 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	4	4	1	1
Thomas Price	1	1	1	1
Ann Bowering	1	1	1	1
Peter Koller (alternate)	3	3	-	-
Bruce McNab (alternate)	3	3	-	-

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' 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 22 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 38), which identifies each obligation and NSX's response to each of these requirements.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

**REMUNERATION REPORT (AUDITED) (CONT'D)****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 exclusive of 9% superannuation guarantee contribution. Non-executive Chairman and Director fees are comprised of a fixed component being \$80,000 and \$40,000 respectively. Executive director fees 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 22.

**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 but excluding international travel. Mr Cox provides NSX with tax invoices through his company Solidus Financial Services (see related parties Note 19). Total package for all services is \$316,292 excluding GST.

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 as Chief Executive.

Total remuneration paid to Mr Cox during the period is provided in Note 19 and Note 22.

**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 - THOMAS PRICE**

There is no employment or service agreement agreed to by the Board for Mr Price. As at 30 June 2011 Mr Price was paid \$40,000 exclusive of superannuation for services as a non-executive director. Total remuneration paid to Mr Price for the year ended 30 June 2011 is provided in Note 22.

**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 2011

**REMUNERATION REPORT (AUDITED) (CONT'D)****EXECUTIVE DIRECTOR – ANN BOWERING**

There is no employment or service agreement agreed to by the Board for Ms Bowering. As at 30 June 2011 Ms Bowering was paid \$40,000 exclusive of superannuation for services as a non-executive director.

During the year Ann Bowering was an employee of Financial and Energy Exchange Ltd (FEX). In return for the services provided by Ann Bowering as Chief Executive of SIM Venture Securities Exchange Ltd up to 30 June 2011 the SIMVSE JV paid to FEX \$219,196 inclusive of GST.

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.

Total remuneration paid to Ms Bowering for the year ended 30 June 2011 is provided in Note 22.

**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.

**ALTERNATE DIRECTOR – PETER KOLLER**

In line with the NSX Limited constitution no remuneration was paid by the Company to Alternate Directors. Alternate Directors are allowed reimbursement for expenses in relation to performing their duties.

Total remuneration paid to Mr Koller for the year ended 30 June 2011 is provided in Note 22.

**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 2011

**REMUNERATION REPORT (AUDITED) (CONT'D)****ALTERNATE DIRECTOR - BRUCE MCNAB**

In line with the NSX Limited constitution no remuneration was paid by the Company to Alternate Directors. Alternate Directors are allowed reimbursement for expenses in relation to performing their duties.

Total remuneration paid to Mr McNab for the year ended 30 June 2011 is provided in Note 19 and Note 22.

**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 2011

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

Section	Obligation	Discussion
300A(1)(a)(i)	A discussion of Board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the company;	<p>he annual report outlines Board policy with respect to the nature and amount of director, secretaries and senior manager remuneration.</p> <p>Under the Board Charter, the NSX Board retains ultimate responsibility for the remuneration of directors, executives, senior management, and employees. It is the policy of the Board that remuneration be intended to create and enhance shareholder wealth. This involves ensuring that individual remuneration is set by reference to a calculus of factors including: market remuneration levels, the nature of the role and duties performed, the skill set of the individual and the significance of their role within the NSX corporate group. Currently, 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.</p>
300A(1)(a)(ii)	If consolidated financial statements are required – Board policy in relation to the nature and amount (or value, as appropriate) of remuneration of other group executives for the consolidated entity;	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)(ba)	<p>if an element of the remuneration of a member of the key management personnel for the company, or if consolidated financial statements are required, for the consolidated entity is dependent on the satisfaction of a performance condition:</p> <p>(i) a detailed summary of the performance condition; and</p>	Not Applicable



**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

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

Section	Obligation	Discussion
	(ii) an explanation of why the performance condition was chosen; and	Not Applicable
	(iii) a summary of the methods used in assessing whether the performance condition is satisfied and an explanation of why those methods were chosen; and	Not Applicable
	(iv) if the performance condition involves a comparison with factors external to the company:	Not Applicable
	(A) a summary of the factors to be used in making the comparison; and	Not Applicable
	(B) if any of the factors relates to the performance of another company, of 2 or more other companies or of an index in which the securities of a company or companies are included--the identity of that company, of each of those companies or of the index; and	Not Applicable
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 22 for detailed information.
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. The executives must be employed (unless made redundant) at 5pm on 1 July each year in order for the shares to vest. Refer Note 22 for detailed information on the share scheme.
300A(1)(e)	For each person referred to in paragraph (c).	Refer to Note 22.
300A(1)(f)	such other matters related to the policy or policies referred to in paragraph (a) as are prescribed by the regulations; and	Not Applicable

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

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

Section	Obligation	Discussion
300A(1)(g)	<p>if:</p> <p>(i) at the company's most recent AGM, comments were made on the remuneration report that was considered at that AGM; and</p> <p>(ii) when a resolution that the remuneration report for the last financial year be adopted was put to the vote at the company's most recent AGM, at least 25% of the votes cast were against adoption of that report;</p> <p>an explanation of the board's proposed action in response or, if the board does not propose any action, the board's reasons for inaction; and</p>	Not applicable
300A(1)(h)	<p>if a remuneration consultant made a remuneration recommendation in relation to any of the key management personnel for the company or, if consolidated financial statements are required, for the consolidated entity, for the financial year:</p> <p>(i) the name of the consultant; and</p> <p>(ii) a statement that the consultant made such a recommendation; and</p> <p>(iii) if the consultant provided any other kind of advice to the company or entity for the financial year - a statement that the consultant provided that other kind or those other kinds of advice; and</p> <p>(iv) the amount and nature of the consideration payable for the remuneration recommendation; and</p> <p>(v) the amount and nature of the consideration payable for any other kind of advice referred to in subparagraph (iii); and</p> <p>(vi) information about the arrangements the company made to ensure that the making of the remuneration recommendation would be free from undue influence by the member or members of the key management personnel to whom the recommendation relates; and</p> <p>(vii) a statement about whether the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates; and</p> <p>(viii) if the board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates - the board's reasons for being satisfied of this.</p>	Not applicable

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

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

Section	Obligation	Discussion
300A(1AA)	Without limiting paragraph (1)(b), the discussion under that paragraph of the company's performance must specifically deal with: (a) the company's earnings; and (b) the consequences of the company's performance on shareholder wealth; in the financial year to which the report relates and in the previous 4 financial years.	The Directors' Report and 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 29 August 2011 the share price was \$0.23. There have been no bonus payments made based on share price movements.  (c)(i) 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 22.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

### FINANCIAL POSITION

The net assets of the Economic Entity have decreased from \$6,171,159 as at 30 June 2010 to \$4,805,581 as at 30 June 2011.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes occurred during the period:

#### Takeover Offer by FEX Equity Markets Pty Ltd (FEX EM)

On 8 June 2011 FEX EM launched a takeover offer for all of the shares in NSX Limited, excluding the partly paid shares and options. The offer is for 23.5 cents per share. As at the date of this report FEX EM holds a relevant interest in NSX Limited of 42,899,826 shares.

#### Closure of the Taxi Market Business

On 28 March 2011 the Taxi Market operated by NSX ceased. With no cornerstone client for the business the NSX Board decided to cease all operations relating to Taxi markets.

#### Sale of Waterexchange Assets to Envex Water Pty Ltd

NSX completed the sale of Waterexchange Pty Ltd assets to Envex at the end of 31 March 2011. The sale price was \$90,909 plus a call option with an exercise price of \$1500.00 per share to purchase 250 shares equaling 25% of the issued capital of Envex Water Pty Ltd (ACN 147 076 686) to expire at midnight 31 December 2015. NSX no longer operates a waterexchange business. Envex Water Pty Ltd is a Joint Venture operated by Macquarie Group Limited, Financial and Energy Exchange Limited and Climate Exchange Plc.

#### Change of Company Names

As part of the asset purchase agreement with Envex Water Pty Ltd The Waterexchange Pty Ltd changed its name to TWEPL Pty Ltd and Watergroup Management Pty Ltd changed its name to WGMPL Pty Ltd.

#### Change of Organisational Structure

NSX Limited deregistered the subsidiaries National Environment Registries Pty Ltd and Settlement and Registry Services Pty Ltd.

#### Legal Matters

NSX Limited did not progress the appeal against Robert Bladier.

### POST BALANCE DATE EVENTS

On 28 July NSX Limited shareholders approved the removal of the voting restrictions present in the Company's constitution. FEX EM extended its takeover offer to 5pm, 4 November 2011.

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.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

### 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.

### ENVIRONMENTAL ISSUES AND CARBON TAX

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. The Company has not performed a detailed impact study of the effect of the proposed Carbon Tax on its business. However the Company expects that suppliers of services would seek to pass on cost increases related to the Carbon Tax onto their customers in the normal course of business. NSX is a price taker for the services it receives from suppliers.

### 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 2011:

	2011 \$	2010 \$
Tax advice – General	1,793	11,450
Tax Services - Employee Share Plan Advice	-	14,300
Tax Services - Income Tax	-	8,500
	<b>1,793</b>	<b>24,250</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 46.

### 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.

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2011

**OPTIONS**

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

<b>Grant Date</b>	<b>NUMBER UNDER DATE OF EXPIRY</b>	<b>EXERCISE PRICE</b>	<b>OPTION</b>
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 2011, no ordinary shares of NSX Limited were issued on the exercise of options and no options lapsed.

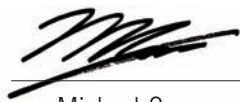
**PROCEEDINGS ON BEHALF OF COMPANY**

The Company did not progress its appeal against Mr Bladier.

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 30 August 2011

Newcastle

## NSX Limited

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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*

**LAWLER PARTNERS**  
Chartered Accountants

Newcastle

Dated: 31 August 2011

*Clayton Hickey*

**CLAYTON HICKEY**  
Partner



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2011

		<b>CONSOLIDATED</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
	<b>NOTE</b>		
Revenue	2	<b>1,557,378</b>	2,689,138
Employee benefits expense		<b>(1,153,412)</b>	(1,380,085)
Depreciation, amortisation and impairments	3	<b>(88,823)</b>	(195,265)
Consultancy fees		<b>(327,913)</b>	(112,010)
Compliance expenses		<b>(56,233)</b>	(59,233)
Legal expenses		<b>(179,314)</b>	(244,938)
Market trading expenses		<b>(697,112)</b>	(591,055)
Marketing and promotion		<b>(105,743)</b>	(36,380)
Occupancy expenses		<b>(95,490)</b>	(195,728)
Administration expenses		<b>(373,934)</b>	(578,684)
Finance Costs		-	(42,342)
SIMVSE Joint Venture Costs		-	(312,483)
Court Costs - R Bladier		-	(357,671)
Other Expenses		<b>(282,744)</b>	(266,627)
<b>Loss before income tax</b>		<b>(1,803,340)</b>	(1,683,363)
Income tax expense	5	-	-
<b>Loss after tax attributable to members from continuing operations</b>		<b>(1,803,340)</b>	(1,683,363)
<b>Discontinued Operations</b>			
Profit/(loss) after tax from discontinued operations	6	(27,012)	-
<b>Loss for the Year</b>		<b>(1,830,352)</b>	(1,683,363)
<b>Loss Attributable to:</b>	29	(45,488)	-
Non controlling equity interest		(1,784,864)	(1,683,363)
Members of the parent entity		<b>(1,830,352)</b>	(1,683,363)
<b>Total comprehensive income attributable to:</b>	29	(45,488)	-
Non controlling equity interest		(1,784,864)	(1,683,363)
Members of the parent entity		<b>(1,830,352)</b>	(1,683,363)

The accompanying notes form part of these financial statements.



**STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

FOR THE YEAR ENDED 30 JUNE 2011

		<b>CONSOLIDATED</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>NOTE</b>			
<b>Earnings per share</b>			
<i>Basic earnings per share</i>			
	earnings from continuing operations	(1.82)	(1.93)
	loss from discontinued operations	(0.03)	-
<b>Total</b>	32	<b>(1.85)</b>	<b>(1.93)</b>
<i>Diluted earnings per share</i>			
	earnings from continuing operations	(1.82)	(1.93)
	loss from discontinued operations	(0.03)	-
<b>Total</b>	32	<b>(1.85)</b>	<b>(1.93)</b>

The accompanying notes form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2011

		<b>CONSOLIDATED</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
	<b>NOTE</b>		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	<b>2,248,479</b>	3,956,045
Trade and other receivables	9	<b>230,841</b>	244,445
Financial assets	10	<b>2,700,000</b>	2,500,000
Other current assets	11	<b>159,736</b>	108,519
<b>Total current assets</b>		<b>5,339,056</b>	6,809,009
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>75,596</b>	144,190
Intangible assets	13	-	-
<b>Total non current assets</b>		<b>75,596</b>	144,190
<b>TOTAL ASSETS</b>		<b>5,414,652</b>	6,953,199
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	<b>393,542</b>	660,131
Short-term provisions	16	<b>41,602</b>	63,483
<b>Total current liabilities</b>		<b>435,144</b>	723,614
<b>Non-current liabilities</b>			
Other long-term provisions	16	<b>73,698</b>	58,426
<b>Total non-current liabilities</b>		<b>73,698</b>	58,426
<b>TOTAL LIABILITIES</b>		<b>508,842</b>	782,040
<b>NET ASSETS</b>		<b>4,905,810</b>	6,171,159
<b>EQUITY</b>			
Issued capital	17	<b>35,797,332</b>	35,276,833
Retained earnings		<b>(30,890,536)</b>	(29,105,674)
Non-controlling interest		<b>(986)</b>	-
<b>TOTAL EQUITY</b>		<b>4,905,810</b>	6,171,159
Net Tangible Assets per share:			
NTA			
(Cents per share)			
		<b>4.95</b>	7.09

The accompanying notes form part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2011

	<b>CONSOLIDATED</b>			
	<b>Issued Capital \$</b>	<b>Non- Controlling Interests \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2010</b>	<b>35,276,833</b>	-	<b>(29,105,674)</b>	<b>6,171,159</b>
Loss for the year	-	-	<b>(1,757,850)</b>	<b>(1,757,850)</b>
Share issues by subsidiaries	<b>455,499</b>	-	-	<b>455,499</b>
Non-cash share based payments	<b>65,000</b>	-	-	<b>65,000</b>
Loss attributable to non-controlling interest	-	<b>(45,488)</b>	-	<b>(45,488)</b>
Establishment of non-controlling interest	-	<b>44,502</b>	-	<b>44,502</b>
Outside Equity Interest	-	-	-	-
Loss attributable to discontinued operations	-	-	<b>(27,012)</b>	<b>(27,012)</b>
<b>Balance at 30 June 2011</b>	<b>35,797,332</b>	<b>(986)</b>	<b>(30,890,536)</b>	<b>4,905,810</b>
<b>Balance at 1 July 2009</b>	31,005,596	-	(27,422,311)	3,583,285
Loss for the year	-	-	(1,683,363)	(1,683,363)
Share issued during the year	4,285,054	-	-	4,285,054
Non-cash share based payments	65,000	-	-	65,000
Transaction costs on share issue	(78,817)	-	-	(78,817)
<b>Balance at 30 June 2010</b>	<b>35,276,833</b>	-	<b>(29,105,674)</b>	<b>6,171,159</b>

The accompanying notes form part of these financial statements.



**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$	2010 \$
<b>Cash from operating activities:</b>			
Receipts from customers		2,591,821	2,788,059
Payments to suppliers and employees		(4,913,570)	(5,112,061)
Interest received		264,951	198,431
Finance Costs		-	(42,342)
<b>Net cash provided by (used in) operating activities</b>	20(a)	<b>(2,056,798)</b>	<b>(2,167,913)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment		90,909	-
Acquisition of property, plant and equipment		(41,678)	(52,976)
Acquisition of intangibles		-	-
Net loans from/(to) related parties		-	-
<b>Net cash provided by (used in) investing activities</b>		<b>49,231</b>	<b>(52,976)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares by parent		-	4,285,054
Costs of issue of shares by parent		-	(78,817)
Proceeds from issue of shares by subsidiary		500,001	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash provided by (used in) financing activities</b>		<b>500,001</b>	<b>4,206,237</b>
<b>Net increase (decreases) in cash held</b>		<b>(1,507,566)</b>	<b>1,985,348</b>
Cash at beginning of financial year		6,456,045	4,470,697
<b>Cash at end of financial year</b>	20(c)	<b>4,948,479</b>	<b>6,456,045</b>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

This financial report includes the consolidated financial statements and notes of NSX Limited and controlled entities ('Economic Entity'). The separate financial statements of the parent entity, NSX Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

### 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) Principals 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 14 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.

#### (b) Principals 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 14 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(d)) 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.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

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

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.

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 statement of financial position 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Income Tax (Cont'd)****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.

**(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. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 1(g) for details of impairment). 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 statement of financial performance 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) 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.

**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.

**(f) 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

#### (f) Financial Instruments (Cont'd)

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.

#### FINANCIAL ASSETS AT FAIR VALUE

Financial assets are classified at "fair value through profit or loss" when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### LOANS AND RECEIVABLES

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

#### HELD-TO-MATURITY INVESTMENTS

These investments have fixed maturities, and it is the 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 recognised in other comprehensive income.

#### 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 statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Financial Instruments (Cont'd)****DERECOGNITION**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(g) 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 statement of comprehensive income.

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.

**(h) 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

**(i) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(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 2011

### 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 13 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 2011

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

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key 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;
  - requiring financial assets to be reclassified 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; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- 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 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

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

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- 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 IFRSs 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. The amendments are 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.

This Standard is not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

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

- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

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

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

**Adoption of improvements to IFRSs 2010 – AASB 2010-3**

The IASB has issued Improvements to IFRS 2010 (2010 Improvements) which was issued in Australia as AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvement Project. Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of AASB 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The 2010 Improvements did not have a material impact on the Group's financial statements.

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 2011

**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) 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.

**(q) Removal of Parent Entity Financial Statements**

The Group has applied amendments to the Corporations Act 2001 that removes the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by specific parent entity disclosures in Note 31.

**(r) Discontinued Operations**

A discontinued operation is a component of the Economic Entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

The disclosures for discontinued operations in prior years relate to all operations that have been discontinued by the reporting date for the last period presented. Where operations previously presented as discontinued are now regarded as continuing operations, prior period disclosures are correspondingly re-presented.

**(s) Prior year error**

Interest received as part of the operations of the Waterexchange and loaned to the Waterexchange Compensation Fund had not been recorded in the consolidated accounts. The amount loaned is to be returned to NSX Limited on winding up of the fund. If the amount had been incorporated into the consolidated accounts the following adjustments apply for the financial year 2010.

Consolidated Group	2010		
	Previously stated	Adjustment	Restated
<i>Statement of comprehensive income</i>			
Revenue (\$)	2,588,909	100,229	2,689,138
Loss before income tax (\$)	(1,783,592)	100,229	(1,683,363)
Income tax (\$)	-	-	-
Basic loss per share (cents)	(2.05)	0.12	(1.93)
Diluted loss per share (cents)	(2.05)	0.12	(1.93)
<i>Statement of financial position</i>			
Trade and other receivables (\$)	144,216	100,229	244,445
Retained Losses (\$)	(29,205,903)	100,229	(29,105,674)

The 2010 figures have been restated elsewhere in this report in line with the above adjustment.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 2 REVENUE****Operating Activities***Continuing Operations*

Trading & listing fees (exchanges)	
Interest received - other persons	
Other revenue	

**Total***Discontinued Operations*

Taxi licence market income	
Water market fees	
Interest received - other persons	
Other revenue	

**Total****Total revenue**

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>974,865</b>	1,260,756
<b>254,459</b>	284,427
<b>328,054</b>	710
<b>1,557,378</b>	1,545,893
<b>247,062</b>	330,376
<b>179,472</b>	518,741
<b>10,492</b>	14,233
<b>163,515</b>	279,895
<b>600,541</b>	1,143,245
<b>2,157,919</b>	2,689,138

**(a) Reconciliation of Revenue**

Revenue from continuing operations	
Revenue from discontinued operations (note 6)	
Other income	

**Total Revenue**

<b>1,557,378</b>	1,545,893
<b>509,632</b>	1,143,245
<b>90,909</b>	-
<b>2,157,919</b>	2,689,138

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

Depreciation of non-current assets plant and equipment	
discontinued plant and equipment	

<b>84,168</b>	195,265
<b>4,655</b>	-
<b>88,823</b>	195,265

**NOTE 4 AUDITORS' REMUNERATION**

Auditing and reviewing the financial report	
Taxation services	

<b>76,060</b>	71,000
<b>1,793</b>	24,250
<b>77,853</b>	95,250

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**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:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)

Add:

Tax Effect Of:

tax losses not recognised in the accounts

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(b) occur

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>(549,106)</b>	(535,078)
<b>549,106</b>	535,078
-	-
<b>9,492,334</b>	7,661,982

**NOTE 6 DISCONTINUED OPERATIONS****Closure of the Taxi Market Business**

On 28 March 2011 the Taxi Market operated by NSX ceased. With no cornerstone client for the business the NSX Board decided to cease all operations relating to Taxi markets.

**Sale of Waterexchange Assets to Envex Water Pty Ltd**

NSX completed the sale of Waterexchange Pty Ltd assets to Envex at the end of 31 March 2011. The sale price was \$90,909, plus a call option with an exercise price of \$1500.00 per share to purchase 250 shares equaling 25% of the issued capital of Envex Water Pty Ltd (ACN 147 076 686) to expire at midnight 31 December 2015. NSX no longer operates a waterexchange business. Envex Water Pty Ltd is a Joint Venture operated by Macquarie Group Limited, Financial and Energy Exchange Limited and Climate Exchange Plc.

**Change of Organisational Structure**

NSX Limited deregistered the subsidiaries National Environment Registries Pty Ltd and Settlement and Registry Services Pty Ltd.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 6 DISCONTINUED OPERATIONS (CONT'D)****(a) Operating trading result**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Revenue	<b>509,631</b>	1,143,245
Expenses	<b>(627,552)</b>	(1,125,516)
Profit/(loss) before income tax	<b>(117,921)</b>	17,729
Income tax benefit/(expense)	-	-
<b>Profit attributable to members of the parent entity</b>	<b>(117,921)</b>	17,729
<b>Profit on sale and derecognition of discontinued operations</b>		
Profit/(loss) on sale before income tax	<b>90,909</b>	-
Income tax benefit/(expense)	-	-
Profit/(loss) on sale after income tax	<b>90,909</b>	-
Total profit/(loss) after tax attributable to the discontinued operations	<b>(27,012)</b>	17,729
<b>The net cash flows of the discontinued operations which have been incorporated into the statement of cash flows are as follows:</b>		
Net cash inflow/(outflow) from operating activities	<b>(443,507)</b>	(720,438)
Net cash inflow/(outflow) from financing activities	<b>(23,568)</b>	329,971
Net cash inflow/(outflow) from investing activities	-	-
Net cash increase/(decrease) in cash generated by discontinued operations	<b>(467,075)</b>	(390,467)

**NOTE 7 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
---------------	--------

**NOTE 8 CASH AND CASH EQUIVALENTS**

Cash on hand	<b>200</b>	894
Cash at bank	<b>2,248,279</b>	3,955,151
	<b>2,248,479</b>	3,956,045

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 9 TRADE AND OTHER RECEIVABLES**

## CURRENT

Trade receivables

Deposits

Sundry Debtors

Receivable from controlled entities

other receivables

**CONSOLIDATED****2011**  
**\$****2010**  
**\$****60,656**

115,070

**11,383**

22,244

**58,573**

6,902

-

-

**100,229**

-

**230,841**

144,216

**NOTE 10 FINANCIAL ASSETS**

## CURRENT

Commercial bills - at amortised cost

Term deposits

**1,000,000**

1,800,000

**1,700,000**

700,000

**2,700,000**

2,500,000

**NOTE 11 OTHER ASSETS**

## CURRENT

Prepayments

**159,736**

108,519

**159,736**

108,519

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 12 PROPERTY PLANT AND EQUIPMENT****PLANT AND EQUIPMENT**

Plant and equipment - at cost  
 Less accumulated depreciation  
 Less asset write off  
 Disposal of subsidiaries  
 Total plant and equipment

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>1,252,994</b>	1,211,314
<b>(1,160,602)</b>	(1,067,124)
<b>(11,358)</b>	-
<b>(5,438)</b>	-
<b>75,596</b>	144,190

**(a) Movements On Carrying Amounts****Consolidated**

Balance at the beginning of year  
 Additions  
 Depreciation and amortisation  
 Asset write off  
 Disposal of subsidiaries  
 Carrying amount at end of year

<b>PLANT AND EQUIPMENT</b>	<b>TOTAL</b>
<b>\$</b>	<b>\$</b>
<b>144,190</b>	144,190
<b>41,680</b>	41,680
<b>(93,478)</b>	(93,478)
<b>(11,358)</b>	(11,358)
<b>(5,438)</b>	(5,438)
<b>75,596</b>	75,596

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 13 INTANGIBLE ASSETS***Development costs*

Website	-	74,330
Accumulated amortisation and impairment	-	(74,330)
	-	-

*Formation Costs*

at cost	-	929
Accumulated amortisation and impairment	-	(929)
	-	-

*Goodwill*

at cost	-	16,036,798
Accumulated amortisation and impairment	-	(16,036,798)
	-	-
<b>Total intangible assets</b>	-	-

**CONSOLIDATED****2011**  
\$**2010**  
\$**(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 statement of comprehensive income. Goodwill has an infinite life and current impairments are included as a separate line item per the statement of comprehensive income.

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 statement of comprehensive income. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 13(b) Impairment Disclosures (Cont'd)****Carrying Value**

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

Cash Generating Unit

Stock Exchanges

	<b>30 June 2011 \$</b>	<b>30 June 2010 \$</b>
	-	-
	-	-

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.

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

	<b>Revenue Growth Rate %</b>	<b>Expenditure Growth Rate %</b>	<b>Discount Rate % 30 June 2011</b>	<b>Discount Rate % 30 June 2010</b>
<b>Cash Generating Unit</b>				
Stock Exchanges	10.00	3.00	<b>10.00</b>	10.00

For comparisons of revenue, expenses and operating results for the above cash generating units please refer to Note 25 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 14 CONTROLLED ENTITIES**

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2011	PERCENTAGE OWNED 2010
<b>Parent Entity</b>			
NSX Limited	Australia		
<b>Subsidiaries of NSX Limited:</b>			
BSX Services Pty Limited	Australia	<b>100%</b>	100%
BSX Systems Pty Limited	Australia	<b>100%</b>	100%
National Environment Registry Pty Ltd	Australia	<b>100%</b>	100%
National Stock Exchange of Australia Limited	Australia	<b>100%</b>	100%
NSX Services Pty Limited	Australia	<b>100%</b>	100%
Settlement & Registry Services Pty Ltd	Australia	<b>100%</b>	100%
SIM VSE Group Holdings Limited	Australia	<b>100%</b>	100%
TWEPL Pty Ltd	Australia	<b>31%</b>	31%
Waterexchange Holdings Limited	Australia	<b>0%</b>	100%
WGMPL Pty Ltd	Australia	<b>100%</b>	100%
<b>Subsidiaries of National Stock Exchange of Australia Limited:</b>			
NSX Clearing Nominees Pty Limited	Australia	<b>100%</b>	100%
<b>Subsidiaries of SIM VSE Group Holdings Limited</b>			
SIM Venture Securities Exchange Limited	Australia	<b>100%</b>	100%
<b>Subsidiaries of WGMPL Pty Ltd</b>			
TWEPL Pty Ltd	Australia	<b>69%</b>	69%

**Closure of the Tax Market Business**

On 28 March 2011 the Tax Market operated by NSX ceased. With no cornerstone client for the business the NSX Board decided to cease all operations relating to Tax markets.

**Sale of Waterexchange Assets to Envex Water Pty Ltd**

NSX completed the sale of Waterexchange Pty Ltd assets to Envex on 31 March 2011. The sale price was \$90,909. plus a call option with an exercise price of \$1500.00 per share to purchase 250 shares equaling 25% of the issued capital of Envex Water Pty Ltd (ACN 147 076 686) to expire at midnight 31 December 2015. NSX no longer operates a waterexchange business. Envex Water Pty Ltd is a Joint Venture operated by Macquarie Group Limited, Financial and Energy Exchange Limited and Climate Exchange Plc.

**Change of Company Names**

As part of the asset purchase agreement with Envex Water Pty Ltd The Waterexchange Pty Ltd changed its name to TWEPL Pty Ltd and Watergroup Management Pty Ltd changed its name to WGMPL Pty Ltd.

**Change of Organisational Structure**

NSX Limited deregistered the subsidiaries National Environment Registries Pty Ltd and Settlement and Registry Services Pty Ltd.





**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 15 TRADE AND OTHER PAYABLES**

CURRENT

*Unsecured liabilities*

Trade payables  
Sundry Payables  
Interest received in advance

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>161,477</b>	446,019
<b>220,348</b>	196,530
<b>11,717</b>	17,582
<b>393,542</b>	660,131

**NOTE 16 PROVISIONS****(a) Movements in carrying amounts**

Opening balance at 1 July 2009  
additional provisions  
amounts used  
Balance at 30 June 2010

Opening balance at 1 July 2010  
additional provisions  
amounts used

**Balance at 30 June 2011**

<b>CONSOLIDATED</b>	
<b>EMPLOYEE ENTITLEMENTS</b>	<b>TOTAL</b>
	<b>\$</b>
198,231	198,231
20,420	20,420
(96,742)	(96,742)
121,909	121,909
<b>121,909</b>	<b>121,909</b>
<b>15,272</b>	<b>15,272</b>
<b>(21,881)</b>	<b>(21,881)</b>
<b>115,300</b>	<b>115,300</b>

**(b) Analysis of total provisions**

Current  
Non-current

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>41,602</b>	63,483
<b>73,698</b>	58,426
<b>115,300</b>	121,909

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 17 ISSUED CAPITAL**

99,059,556 (2010: 98,677,203) fully paid ordinary shares  
 1,500,000 (2010: 1,500,00) ordinary shares paid to 1 cent

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>35,782,332</b>	35,261,833
<b>15,000</b>	15,000
<b>35,797,332</b>	35,276,833

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**

At beginning of period  
 Share issues by subsidiaries  
 30 November 2009  
 31 December 2009  
 3 December 2009  
 13 January 2010  
 Transaction costs of rights issue 2010  
 11 Aug 2010 Employee Share Scheme  
 At Reporting Date

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>35,261,833</b>	30,990,596
<b>455,499</b>	-
-	1,489,200
-	1,977,780
-	65,000
-	818,074
-	(78,817)
<b>65,000</b>	-
<b>35,782,332</b>	35,261,833

At beginning of period  
 30 November 2009  
 3 December 2009  
 31 December 2009  
 13 January 2010  
 11 August 2010  
 At Reporting Date

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>No.</b>	<b>No.</b>
<b>98,677,203</b>	74,460,003
-	7,446,000
-	325,000
-	11,634,000
-	4,812,200
<b>382,353</b>	-
<b>99,059,556</b>	98,677,203

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 17 ISSUED CAPITAL (CONT'D)****(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 2011 net debt was \$Nil (2010: \$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.

**NOTE 18 CAPITAL AND LEASING COMMITMENTS****(a) Operating Lease Commitments**

Payable - minimum lease payment  
not later than 12 months  
between 12 months and 5 years

<b>CONSOLIDATED</b>	
<b>2011</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>
<b>70,737</b>	90,564
<b>135,816</b>	3,475
<b>206,553</b>	94,039

**Office Leases**

During the year offices were maintained by the Company at Newcastle (117 Scott Street), Melbourne (45 Exhibition Street and then 415 Riversdale Road) 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. During the year the first three year option was taken by NSX Limited. The lease will run until August 2014.

*Melbourne*

The offices at 45 Exhibition Street were vacated at the expiry of the lease in March 2011. New offices have been occupied at Suite 1.2, 415 Riversdale Road, Hawthorn East Vic 3123. The lease may be terminated at any time with 3 months' notice. The operating lease exists for a multi-function printer/scanner/fax in the Melbourne office was terminated on expiry of the lease.

*Canberra*

The Canberra office lease was terminated on 31 March 2011 as part of the sale of Waterexchange assets to Envex Water Pty Ltd. NSX no longer maintains an office in Canberra.

**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**

Other than that stated above, no other new leases have been entered into during the period.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 19 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**

	2011	2010
Mr Michael Cox as a director of Solidus Financial Services - for services rendered as Chief Executive Officer to NSX Limited	<b>(255,417)</b>	(89,848)
Fees Mr Steven Pritchard received as a director of NSX Limited paid to Rees Pritchard	-	(37,885)
Mr Steven Pritchard is a director of the following NSX participants which paid fees to NSX:		
Illuminator Investment Company Limited	-	8,167
Florin Mining Investment Company Limited	-	7,005
Pritchard Equity Limited	-	6,981
Winpar Holdings Limited	-	7,369
Pritchard & Partners Pty Ltd (broker)	-	655
Pritchard & Partners Corporate Finance Pty Ltd (Nominated Adviser)	-	1,000
Cameron Stockbrokers Limited (broker)	-	2,536
Cameron Stockbrokers Limited (nominated advisers)	-	1,000
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 (2010) and payments made to FEX by SIM VSE Venture Securities Exchange as part of the joint venture (2011).	<b>264,396</b>	305,857
Mr Peter Koller - as expense reimbursement as an alternate director for T Price	-	-
Mr Bruce McNab - fees for representing NSX Limited vs R Bladier court case and also reimbursement of expenses as an alternate director for A Bowering.	<b>13,463</b>	7,138

**(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 2011 were:

Ordinary Shares:	42,899,826	(2010: 8,336,845) fully paid ordinary shares
Partly Paid Shares:	700,000	(2010: 700,000) partly paid shares to 1 cent
Share Options	Nil	(2010: Nil)

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 20 CASH FLOW INFORMATION****(a) Reconciliation of Cash Flow from Operations****with Profit after Income Tax**

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Net income/(loss) for the period	<b>(1,830,352)</b>	(1,783,592)
<i>Cash flows excluded from profit attributable to operating activities</i>		
<i>Non-cash flows in profit</i>		
Depreciation and amortisation	<b>93,478</b>	195,265
Write-downs of assets	<b>11,358</b>	-
Disposal of subsidiaries assets	<b>5,438</b>	-
Non-cash Share Based Payment	<b>65,000</b>	65,000
Net gain on disposal of asset	<b>(90,909)</b>	-
<i>Changes in assets and liabilities, net of effects of purchase of subsidiaries</i>		
(Increase)/decrease in trade and term receivables	<b>13,604</b>	126,554
Increase/(decrease) in other assets	<b>(51,217)</b>	62,783
Increase/(decrease) in trade payables and accruals	<b>(266,589)</b>	(757,601)
Increase/(decrease) in provisions	<b>(6,609)</b>	(76,322)
Cashflow from Operations	<b>(2,056,798)</b>	(2,167,913)

NSX Limited and controlled entities are a consolidated group.

**(b) Credit Standby Arrangement and Loan Facilities**

The company has commercial credit card facilities with a limit of \$13,000 in any one calendar month. At 30 June 2011, \$2,270 of this facility was used (2010: \$6,148). Interest rates are variable.

**(c) Reconciliation of cash**

Cash at end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>2,248,479</b>	3,956,045
Held to maturity (amortised cost)	<b>2,700,000</b>	2,500,000
	<b>4,948,479</b>	6,456,045



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 20 CASH FLOW INFORMATION (CONT'D)****(d) Non-cash Financing and Investing Activities**

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

During the year NSX Limited issued 382,353 shares with a value of \$65,000 as part of the executive based share scheme. The grant date was 5 August 2010 and the vesting date for the shares is 1 July 2011. Further information can be found in Note 22.

**NOTE 21 ACQUISITION/DISPOSAL OF SUBSIDIARIES**

No subsidiaries were acquired during the period.

Settlement and Registry Services Pty Ltd, National Environment Registry Pty Ltd and Waterexchange Holdings Limited were deregistered during the period.

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL****(a) Director & Key Management Personnel**

Names and positions held of directors & 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
Peter Koller	Alternate to Thomas Price, appointed 1 June 2011
Bruce McNab	Alternate to Ann Bowering, appointed 1 June 2011
Scott Evans	General Manager and Company Secretary
Ian Craig	Companies Manager

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (CONT'D)****(b) Director & Key Management Personnel Compensation**

2011		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	80	-	-	7	-	-	-	87
Ann Bowering	2	40	-	-	4	-	-	-	44
Tom Price	2	40	-	-	4	-	-	-	44
Peter Koller	3	-	-	-	-	-	-	-	-
Bruce McNab	3	-	-	-	-	-	-	-	-
Scott Evans	4,6	145	-	-	13	-	35	-	193
Ian Craig	4,5,6	121	28	-	11	-	30	-	190
		<b>426</b>	<b>28</b>	-	<b>39</b>	-	<b>65</b>	-	<b>558</b>

Notes to 2011:

- (1) Payments to M Cox for services as Chief Executive Officer are also included in Note 19 Related Parties as amounts paid to Solidus Financial Services.
- (2) Amounts for M Cox, A Bowering and T Price are for director fees paid during the year.
- (3) Alternate directors are not paid by the Company as per the NSX Limited constitution.
- (4) Ian Craig received payments as part of a commission scheme with a minimum amount payable of \$28,000. Includes accrued commission for June 2011 paid in July 2011.
- (5) Includes accrued commission for June 2011 paid in July 2011 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 commission scheme is based on new applications for Companies, Nominated Advisers, Facilitators and Participant Brokers on both exchanges. 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 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. No other staff member is entitled to participate in this scheme.
- (6) 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 \$30,000 (176,471 shares) and \$35,000 (205,882 shares) respectively in a financial year. This expense has been recognised in employee benefits expense for the Group.

The fair value of the shares is recorded in the accounts as 17 cents per share or a dollar value of \$65,000.

The grant date for the second tranche of shares was 5 August 2011. The vesting date is 1 July 2011. 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 2011. 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 17 cents was used with reference to the value as at 5 August 2010. 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 being 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.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (CONT'D)****Share based payments**

	Grant Date	Share Price at Grant Date	Vesting Date	Probability of Vesting	Number
Scott Evans	5 Aug 2010	17 cents	1 Jul 2011	100%	205,882
Ian Craig	5 Aug 2011	17 cents	1 Jul 2011	100%	176,471

The weighted average fair value of those equity instruments, determined by reference to the market price, was \$0.17.

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 2011.

Included under employee benefits expense in the statement of financial position is \$65,000 which relates to the equity-settled share-based payment transactions (2010: \$65,000).

**2010**

	NOTES	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		EQUITY SETTLED SHARE-BASED PAYMENTS		TOTAL
		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
		<b>428</b>	<b>70</b>	<b>-</b>	<b>81</b>	<b>52</b>	<b>65</b>	<b>52</b>	<b>748</b>



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (CONT'D)**

Notes to 2010:

- (1) Payments to M Cox for services as Chief Executive Officer are included in Note 19 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 19.
- (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 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. No other staff member is entitled to participate in this scheme.
- (7) Share based payments have been accrued in the accounts totaling \$65,000. S Evans and I Craig 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 were as 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 being 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**

	<b>Grant Date</b>	<b>Share Price at Grant Date</b>	<b>Vesting Date</b>	<b>Probability of Vesting</b>	<b>Number</b>
Scott Evans	4 Dec 2009	20 cents	1 Jul 2010	100%	175,000
Ian Craig	4 Dec 2009	20 cents	1 Jul 2010	100%	150,000

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 statement of financial position 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 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (CONT'D)****(c) Compensation Options**

No options were issued during the year.

**(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 22(b).

**(e) Options and Rights Holdings**

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

	BALANCE 1/07/2010 No.	GRANTED AS REMUNERATION No.	OPTIONS EXERCISED No.	NET CHANGE OTHER No.	BALANCE 30/06/2011 No.	TOTAL EXERCISABLE No.
Michael Cox	-	-	-	-	-	-
Tom Price	-	-	-	-	-	-
Ann Bowering	-	-	-	-	-	-
Peter Koller	-	-	-	-	-	-
Bruce McNab	-	-	-	-	-	-
Scott Evans	161,706	-	-	-	161,706	-
Ian Craig	161,706	-	-	-	161,706	-
	<b>323,412</b>	-	-	-	<b>323,412</b>	-

Note: 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.

**(f) Shareholdings**

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

	NOTES	BALANCE 1/07/2010 No.	RECEIVED AS REMUNERATION No.	OPTIONS EXERCISED No.	NET CHANGE OTHER No.	BALANCE 30/06/2011 No.
Tom Price	1,2	8,334,236	-	-	16,567,414	24,901,650
Michael Cox		2,609	-	-	-	2,609
Ann Bowering		-	-	-	-	-
Peter Koller		-	-	-	-	-
Bruce McNab		-	-	-	-	-
Scott Evans		16,628	175,000	-	-	191,628
Ian Craig		11,628	150,000	-	-	-
		<b>8,365,101</b>	<b>325,000</b>	-	<b>16,567,414</b>	<b>25,257,515</b>

Notes:

- (1) Net change other refers to shares purchased or sold on market during the financial year. Also it refers to shares obtained by FEX Equity Markets Pty Ltd as part of the FEX EM takeover offer.
- (2) As a director of Financial and Energy Exchange Limited.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (CONT'D)**

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

	BALANCE 1/07/2010	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2011
Tom Price	-	-	-	-	-
Michael Cox	700,000	-	-	-	700,000
Ann Bowering	-	-	-	-	-
Peter Koller	-	-	-	-	-
Bruce McNab	-	-	-	-	-
Scott Evans	-	-	-	-	-
Ian Craig	-	-	-	-	-
	<b>700,000</b>	-	-	-	<b>700,000</b>

**(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. Director's fees are comprised of a fixed component only.

Disclosures for director fees paid during the financial year are provided in Note 22(b).

**Chairman of Directors & 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 as Chief Executive.

Total remuneration paid to Mr Cox during the period is provided in Note 22 Remuneration Report and also Note 19 Related Parties.

*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 2011

**NOTE 22 DIRECTOR & KEY MANAGEMENT PERSONNEL (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 2011 Mr Price was paid \$40,000 exclusive of superannuation for services as a non-executive director. Total remuneration paid to Mr Price for the year ended 30 June 2011 is provided in Note 22.

*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 2011 Ms Bowering was paid \$40,000 exclusive of superannuation for services as a non-executive director.

During the year Ann Bowering was an employee of Financial and Energy Exchange Ltd (FEX). In return for the services provided by Ann Bowering as Chief Executive of SIM Venture Securities Exchange Ltd up to 30 June 2011 the SIMVSE JV paid to FEX \$219,196 inclusive of GST.

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.

Total remuneration paid to Ms Bowering for the year ended 30 June 2011 is provided in Note 22.

*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.

**Alternate Director – Peter Koller**

In line with the NSX Limited constitution no remuneration is paid by the Company to Alternate Directors.

Total remuneration paid to Mr Koller for the year ended 30 June 2011 is provided in Note 22.

*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.

**Alternate Director – Bruce McNab**

In line with the NSX Limited constitution no remuneration is paid by the Company to Alternate Directors.

Total remuneration paid to Mr McNab for the year ended 30 June 2011 is provided in Note 22.

*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 23 CONTINGENT LIABILITIES**

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

	2011 \$	2010 \$
Compensation Arrangements	1,800,000	1,800,000

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 23 CONTINGENT LIABILITIES (CONT'D)**

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 VSE) Australian Financial Markets Licence, SIM VSE operates Investor Compensation Arrangements in accordance with Part 7.5 Division 3 of the Corporations Act 2001. SIM VSE 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 supporting SIM VSE's compensation arrangements.

**NOTE 24 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	
	2011 %	2010 %	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets										
Cash and cash equivalents	4.70	4.46	2,248,279	3,955,151	700,000	700,000	200	894	2,948,479	4,656,045
Commercial bills	5.05	4.81	-	-	2,000,000	1,800,000	-	-	2,000,000	1,800,000
Receivables	-	-	-	-	-	-	130,612	144,216	130,612	144,216
<b>Total Financial Assets</b>	-	-	2,248,279	3,955,151	2,700,000	2,500,000	130,812	145,110	5,079,091	6,600,261
Financial Liabilities										
Payables	-	-	-	-	-	-	393,542	660,131	393,542	660,131
Finance lease liability	-	-	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	-	-	-	-	393,542	660,131	393,542	660,131

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 24 FINANCIAL INSTRUMENTS (CONT'D)****(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.

**(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%	
2011	\$	PROFIT	EQUITY	PROFIT	EQUITY
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash	2,248,479	(5,621)	(5,621)	11,242	11,242
Commercial Bills	2,700,000	(6,750)	(6,750)	13,500	13,500
<b>Increase / Decrease</b>	<b>4,948,479</b>	<b>(12,371)</b>	<b>(12,371)</b>	<b>24,742</b>	<b>24,742</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 25 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 11% (2010: 12.8%) of total revenue. All other customers generate less than 10% of total revenue.

**(a) Segment Performance**

	STOCK EXCHANGES \$'000	TAXI MARKETS DISCONTINUED \$'000	WATER EXCHANGE DISCONTINUED \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>12 MONTHS ENDED 30 JUNE 2011</b>					
<b>Revenue</b>					
External sales – services	975	247	179	164	<b>1,565</b>
Interest revenue	80	1	9	175	<b>265</b>
Other	-	-	-	328	<b>328</b>
<b>Total segment revenue</b>	<b>1,055</b>	<b>248</b>	<b>188</b>	<b>667</b>	<b>2,158</b>
<b>Total group revenue</b>					<b>2,158</b>
<b>Results</b>					
Segment net profit before tax	(1,648)	(31)	(170)	19	<b>(1,830)</b>
<b>Other Items</b>					
Depreciation and amortisation	88	1	4	-	<b>93</b>
<b>12 MONTHS ENDED 30 JUNE 2010</b>					
<b>Revenue</b>					
External sales – services	1,261	330	519	-	<b>2,110</b>
Interest revenue	-	-	-	198.4	<b>198</b>
Other	-	-	-	280.6	<b>281</b>
<b>Total segment revenue</b>	<b>1,261</b>	<b>330</b>	<b>519</b>	<b>479</b>	<b>2,589</b>
<b>Total group revenue</b>					<b>2,589</b>
<b>Results</b>					
Segment net profit before tax	(821)	13	(30)	(845)	<b>(1,683)</b>
<b>Other Items</b>					
Depreciation and amortisation	183	3	7	2	<b>195</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 25 SEGMENT REPORTING (CONT'D)****(b) Segment Assets**

	STOCK EXCHANGES \$'000	TAXI MARKETS DISCONTINUED \$'000	WATER EXCHANGE DISCONTINUED \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>AS AT 30 JUNE 2011</b>					
<b>Segment Assets</b>	<b>2,323</b>	<b>3</b>	<b>6</b>	<b>2,983</b>	<b>5,314</b>
<b>Segment asset increases for the period:</b>					
Acquisitions	42	-	-	-	42
<b>AS AT 30 JUNE 2010</b>					
<b>Segment Assets</b>	<b>1,059</b>	<b>78</b>	<b>431</b>	<b>5,285</b>	<b>6,853</b>
<b>Segment asset increases for the period:</b>					
Acquisitions	51	-	2	-	53

**(c) Segment Liabilities**

	STOCK EXCHANGES \$'000	TAXI MARKETS DISCONTINUED \$'000	WATER EXCHANGE DISCONTINUED \$'000	UNALLOCATED ITEMS \$'000	TOTAL \$'000
<b>AS AT 30 JUNE 2011</b>					
<b>Segment Liabilities</b>	<b>123</b>	<b>-</b>	<b>6</b>	<b>380</b>	<b>509</b>
<b>AS AT 30 JUNE 2010</b>					
<b>Segment Liabilities</b>	<b>37</b>	<b>39</b>	<b>223</b>	<b>483</b>	<b>782</b>



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 25 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 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, trade and settle securities.
- The Taxi Market segment provided a facility for the trading of Melbourne metropolitan taxi licence transfers and assignments. This segment was discontinued during the current year.
- The Waterexchange segment provided a facility for the trading of water entitlements trading as the Waterexchange. This segment was discontinued during the current year.

**GEOGRAPHIC SEGMENTS**

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 26 FINANCIAL MARKET FIDELITY FUNDS AND COMPENSATION ARRANGEMENTS**

As at 30 June 2011 the National Stock Exchange of Australia Limited Fidelity Fund had a balance of \$439,471 (2010 - \$392,968). 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 2011 the SIM Venture Securities Exchange Limited Fidelity Fund had a balance of \$45,625 (2010 - \$38,684). 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 27 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 ASX Settlement CHES 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 capacity and reliability of the trading systems which are licensed to the economic entity by NASDAQ OMX Group and the ASX Settlement CHES settlement systems, which are licensed to the Economic Entity by the Australian Securities Exchange Limited.

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

**NOTE 28 EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 28 July NSX Limited shareholders approved the removal of the voting restrictions present in the Company's constitution. FEX EM extended its takeover offer to 5pm, 4 November 2011.

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.

**NOTE 29 COMPANY DETAILS**

The registered office and principal place of business is:

NSX Limited  
Level 2,  
117 Scott Street  
Newcastle NSW 2300

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 30 ASSOCIATES AND JOINT VENTURES**

There is currently an association between Financial and Energy Exchange Limited (FEX) and NSX Limited for the venture with SIM Group Holdings Limited for the operation of an Australian Market Licence; SIM Venture Securities Exchange Limited (SIM VSE). Currently, NSX owns 91.33% of the venture and FEX owns 8.67%. FEX will move to 50% ownership of the venture on payment to the venture of \$2.5million. As the ownership by FEX is currently small, the venture entity is consolidated in the accounts and is shown as non-controlling interest. The following table is provided as information on the financial performance of the venture.

	SIM VSE JV	
	30 JUN 2011	30 JUN 2010
<b>Non-controlling Interest</b>		
Share Capital \$	364,652	-
Current Year profit/(loss)	(45,488)	-

**NOTE 31 PARENT ENTITY DISCLOSURES****Results of Parent**

	2011 \$	2010 \$
Loss for the period	(4,754,040)	(2,800,833)
Loss attributable to non controlling equity interest	-	-
Profit from sale of discontinued operations	90,909	-
Total comprehensive loss for the period	(4,663,131)	(2,800,833)

**Financial position at year end**

Current assets	3,953,840	8,417,710
Total assets	7,545,360	12,009,977
Current liabilities	319,553	186,040
Total liabilities	319,553	186,040

**Total Equity of parent entity**

Share Capital	35,341,833	35,276,833
Retained losses	(28,116,026)	(23,452,896)
Total equity	7,225,807	11,823,937

The parent entity has no contingencies or any capital commitments for property, plant and equipment. The parent entity has in place agreements with subsidiary entities for the provision of services to maintain the operations of the Stock Exchanges. The parent entity has not entered into a deed of cross guarantee.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 32 EARNINGS PER SHARE****(a) Reconciliation of Earnings to Loss**

	CONSOLIDATED	
	30 JUN 2011	30 JUN 2010
Loss for the period	(1,830,352)	(1,683,363)
Earnings used to calculate basic and diluted EPS	(1,830,352)	(1,683,363)

**(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	99,016,618	87,021,316
Weighted average number of ordinary used in calculating dilutive EPS	99,016,618	87,021,316

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

	NOTE	CONSOLIDATED	
		30 JUN 2011	30 JUN 2010
<b>Earnings per share</b>			
<i>Basic earnings per share</i>			
earnings from continuing operations		(1.82)	(1.93)
loss from discontinued operations		(0.03)	-
<b>Total</b>	32	(1.85)	(1.93)
<i>Diluted earnings per share</i>			
earnings from continuing operations		(1.82)	(1.93)
loss from discontinued operations		(0.03)	-
<b>Total</b>	32	(1.85)	(1.93)

**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 2011 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 30 August 2011

Newcastle

## Independent Audit Report to the members of NSX Limited

### Report on the Financial Report

We have audited the accompanying financial report of NSX Limited and controlled entities (the Economic Entity), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Economic Entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and 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. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. 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 judgment, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 was provided to the directors of NSX Limited and controlled entities on 31 August 2011.

## Independent Audit Report to the members of NSX Limited

### *Auditor's 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 Economic Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Remuneration Report**

We have audited the Remuneration Report included in pages 34 to 37 of the report of directors for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of NSX Limited for the year ended 30 June 2011, complies with s300A of the *Corporations Act 2001*.



**LAWLER PARTNERS**  
Chartered Accountants

Newcastle

Dated: 31 August 2011



**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 2011

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 2011****CATEGORY (SIZE OF HOLDING)**

1 – 1,000  
1,001 – 5,000  
5,001 – 10,000  
10,001 – 100,000  
100,001 – and over

NUMBER	
ORDINARY	PARTLY PAID
34	-
140	-
69	-
143	-
41	3
<b>417</b>	<b>3</b>

**(b) Marketable Parcels as at 31 August 2011**

The number of holders holding less than a marketable parcel (UMP) is 77 (at a market price of 23.5 cents). UMP Number of securities is 95,795. UMP as a percentage of shares on issue is 0.10%.

**(c) Substantial Shareholders as at 31 August 2011**

The names of the substantial shareholders listed in the holding company's register as at 31 August 2011 are:

- 1 FEX EQUITY MARKETS PTY LTD \*
- 2 VITRON WERKBUND SUD AUSTRALASIA PTY LTD
- 3 NEW EQUITY WORLD PTY LTD
- 4 FINANCIAL & ENERGY EXCHANGE LTD
- 5 ASTERIA T & I PTY LTD
- 6 AUSTRALIAN MINING GROUP LTD

**Total issued capital**

\*Subject to change due to FEX Takeover offer

NUMBER OF FULLY PAID ORDINARY SHARES HELD	PERCENTAGE OF SHARES HELD TO ISSUED CAPITAL
18,517,480	18.7
11,700,000	11.8
11,270,520	11.4
11,258,802	11.4
7,500,000	7.6
7,432,500	7.5
<b>67,679,302</b>	<b>68.3</b>

**(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.

**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. 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 2011

**(e) 20 Largest Shareholders — Ordinary Shares – as at 31 August 2011**

		<b>% HELD OF NUMBER OF ORDINARY FULLY PAID SHARES HELD</b>	<b>ISSUED ORDINARY CAPITAL</b>
1	FEX EQUITY MARKETS PTY LTD *	18,517,480	18.7
2	VITRON WERKBUND SUD AUSTRALASIA PTY LTD	11,700,000	11.8
3	NEW EQUITY WORLD PTY LTD	11,270,520	11.4
4	FINANCIAL & ENERGY EXCHANGE LTD	11,258,802	11.4
5	ASTERIA T & I PTY LTD	7,500,000	7.6
6	AUSTRALIAN MINING GROUP LTD	7,432,500	7.5
7	RENERGY PTY LTD	4,788,665	4.8
8	WSE INVESTMENT FUND NO 2 PTY LTD	4,688,198	4.7
9	CAPE LAMBERT RESOURCES LIMITED	4,000,000	4.0
10	LIN LANG INTERNATIONAL TRADING PTY LTD	2,220,000	2.2
11	IRON MOUNTAIN PTY LIMITED	1,930,372	1.9
12	MS LIJUN LI	1,220,948	1.2
13	MR QIZHONG WANG & MS RONG LI	769,365	0.8
14	MR DAVID ANTHONY	638,000	0.6
15	MISS EVELIN ZHANG	492,000	0.5
16	TARANAKI INVESTMENTS PTY LTD	480,921	0.5
17	MR DAVID SCICLUNA & MR ANTHONY SCICLUNA	478,500	0.5
18	MR SCOTT FRANCIS EVANS	403,393	0.4
19	MR IAN CRAIG	338,099	0.3
20	THE GNUINE SNAKE OIL COMPANY	299,700	0.3
<b>Total</b>		<b>90,427,463</b>	<b>91.3</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 2011

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

New South Wales: Boardroom Pty Ltd  
 Level 7,  
 207 Kent Street  
 Sydney NSW 2000  
[www.boardroomlimited.com.au](http://www.boardroomlimited.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, 17 November 2011, at the registered office of NSX Limited, Level 2, 117 Scott Street, Newcastle NSW 2300.

**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





NSX Limited and Controlled Entities. ABN 33 089 447 058

Level 2, 117 Scott Street Newcastle NSW 2300

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