

NSX Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: NSX Limited
ABN: 33 089 447 058
Reporting period: For the year ended 30 June 2020
Previous period: For the year ended 30 June 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	25.5% to	1,667,765
Loss from ordinary activities after tax attributable to the owners of NSX Limited	up	28.5% to	(4,465,241)
Loss for the year attributable to the owners of NSX Limited	up	28.5% to	(4,465,241)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$4,465,241 (30 June 2019: \$3,475,732).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.46</u>	<u>1.26</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
ClearPay Pty Ltd	41.00%	-	(462,348)	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(462,348)	-
Income tax on operating activities			-	-

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

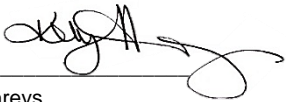
Details of attachments (if any):

The Annual Report of NSX Limited for the year ended 30 June 2020 is attached.

12. Signed



Tim Hart
Director



Kelly Humphreys
Director
28 August 2020

NSX Limited

ABN 33 089 447 058

Annual Report - 30 June 2020

NSX Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of NSX Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of NSX Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Cox	Executive Director and Chair (Resigned 19 February 2020)
Thomas Price	Non- Executive Director and Chair Interim Chief Executive Officer (Appointed 15 January 2020) (Resigned as Interim CEO effective 11 March 2020, resigned as Chair 19 March 2020)
Tony Shen (Weiguo)	Non- Executive Director
Ann Bowering	Managing Director (Resigned 5 July 2019)
Tod McGrouther	Non- Executive Director (Appointed 18 February 2020)
Timothy Hart	Non-Executive Director and Chair (Appointed 26 February 2020)
Nickolas John Karantzis	Managing Director and Interim Chief Executive Officer (Appointed 12 March 2020)
Kelly Humphreys	Non-Executive Director (Appointed 18 June 2020)

Company secretary

Scott Evans has held the position of company secretary (B.Ec (hons) GAICD, SA Fin, FGIA, DFP) since the beginning of the reporting period, to the date of this report. He was appointed on 7 March 2006.

Principal activities

The principal activities of the Group during the financial year were the operation of the National Stock Exchange of Australia Limited.

Operating Results

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$4,465,241 (30 June 2019: loss of \$3,066,742).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of Operations

Revenue

Revenue associated with the operation of the National Stock Exchange of Australia (NSXA) accounts for 89% of all receipts. The balance of revenue is principally the COVID-19 related Government Cash Flow Boost and JobKeeper Rebate along with interest earned on cash and investments held during the period.

The consolidated entity reported total Revenue of \$1.9 million representing a decrease of \$0.5 million on the previous comparative period (pcp). This reflects the impact of the continued focus of the National Stock Exchange of Australia towards better quality listings through the implementation of new and revised listing suitability standards and less revenue from new listings in the current period. Evidence of this can be seen with 5 companies delisted, either voluntarily or by non compliance with NSX listing rules during the year. While the value of this clean-up to NSXA is evident, this period of change will inevitably have a short-term impact on revenue until the NSXA's new marketing and business development initiatives start to show results. Expenditure was incurred on large projects such as the implementation of rule changes to support the Trade Acceptance Service (TAS) for clearing of securities and the expenditure required to support the technology for TAS. In addition, was the initialisation of the ClearPay JV venture and project work started by contractors in line with the proposed alternative settlement and clearing infrastructure.

NSX Limited
Directors' report
30 June 2020

	2020 \$'000	2019 \$'000	Change %
30 June Revenue Category			
Annual fees	1,222.3	1,348.9	(9.00%)
Subsequent quotation	187.4	286.4	(35.00%)
Application fees	258.1	604.2	(57.00%)
Interest received	32.4	41.9	(23.00%)
Other revenue	172.0	51.9	231.00%
Total revenue	<u>1,872.2</u>	<u>2,333.3</u>	

Expenses

The consolidated entity incurred \$5.3 million (2019: \$5.3 million) in expenses excluding depreciation and amortisation in expenses in FY20.

Employee benefits, including NSXA and NSX Corporate resources, decreased by \$0.8 million. This was driven by the resignation of employees during the year and additional costs related to the termination payments to the outgoing CEO in the pcp.

Market trading expenses of \$1 million encompass costs associated with the trading and settlement activities of the exchanges, including trading systems, data centres, security, market access and regulatory fees.

Consultancy expenses for the period were \$0.6 million, which were in line with the pcp. Included in this item are contractor payments and external advisers.

Administration and other expenses increased by \$0.6 million.

Depreciation and amortisation of \$0.6 million reflects the investment in PP&E and right of use assets of the group.

The application of the AASB 16 'Leases' accounting standard has had a significant impact on the current year. The current year profit before income tax expense was reduced by \$363,636. This included an increased depreciation and amortisation expense of \$453,654 and increased finance costs of \$152,703 offset by a reduction in other expenses (reclassification of lease expense) of \$242,721.

Legal expenses increased in the year due to a court case that is still ongoing. This case is related to the suspension of the company pursuant to the NSXA listing rules.

	2020 \$'000	2019 \$'000	Change%
30 June Expense Category			
Employee benefits expense	1,761.0	2,521.7	30.00%
Market trading expenses	979.5	963.5	(2.00%)
Consultancy expenses	609.1	614.9	1.00%
Administration and other expenses	1,345.1	776.8	(72.00%)
Depreciation, amortisation and impairments	553.3	143.5	(292.00%)
Occupancy expenses	65.3	197.7	68.00%
Compliance expenses	50.7	32.7	(59.00%)
Marketing and promotion expenses	29.4	95.1	69.00%
Legal expenses	322.1	54.2	(494.00%)
Finance costs	159.6	-	-
Total expenses	<u>5,875.1</u>	<u>5,400.1</u>	

Consolidated summary

The net loss after tax for the consolidated entity was \$4.5 million for the year (2019: \$3.1 million).

NSX Limited
Directors' report
30 June 2020

Revenue for the operation of the National Stock Exchange of Australia (NSXA) in FY20 was \$1.9 million, \$0.5 million lower than the pcp. The decrease in Listing fees from the pcp reflects a lower average market capitalisation of new issuers during the year. Also a reduced number of active issuers due to the exchange's active stance on market surveillance and compliance capabilities and procedures, aligning the exchange operations with regulatory expectations and industry best practice lead to a decrease in revenue.

The consolidated entity maintains a cash balance of \$4.6 million at the end of the period. Of the cash held, \$1.5 million is held as part of the compensation arrangements of the NSXA Market Licence and other general guarantees leaving \$3.1 million as working capital of the consolidated entity as at 30 June 2020.

The net assets of the consolidated entity have increased from \$2,327,493 as at 30 June 2019 to \$6,209,977 as at 30 June 2020.

Earnings per share (EPS) increased from (1.8) cents per share to (2.2) cents per share or an increase of 20% based on a weighted average number of shares of 205,915,598. Net tangible asset backing per share increased from 1.3 cents to 2.5 cents.

The impact of the Coronavirus (COVID-19) pandemic on day-to-day operations of the Company has been minimal as staff have been able to successfully work from home as and when required.

The following table provides a summary of the group results.

	2020	2019	Change %
	\$'000	\$'000	
30 June Summary			
Revenue	1,410	2,333	(924.00%)
Expense	5,322	5,257	63.00%
EBITDA	(3,912)	(2,924)	(987.00%)
Depreciation/ Amortisation	553	143	412.00%
Net loss after tax	(4,465)	(3,067)	(1399.00%)
	2020	2019	Change %
Key Statistics			
Earnings per share (cents)	(2.2)	(1.8)	20.47%
Net tangible asset backing (cents)	2.5	1.3	101.64%
Share price at the end of period (cents)	9.0	18.5	51.35%
Shares on issue at the end of the period (mil)	257.3	185.0	39.12%
Market capitalisation (\$'mil)	23.2	34.2	(32.32%)
Cash at bank (\$'000)	4,597.2	3,468.0	32.56%
Cash held for statutory purposes (\$'000)	1,480.2	1,476.0	0.29%
Working Capital (\$'000)	3,117.0	1,992.0	56.30%

Capital Raises

On 10 October 2019 NSX issued 9,655,000 new fully paid ordinary shares at \$0.20 per share, 4,827,500 free attaching options to the placement shares and 4,827,500 Broker options at an issue price of \$0.00001 per broker option. The net proceeds were used to further enhance market connectivity to the exchange, in particular, online brokers, creating greater liquidity in our market, and to continue our extensive work on operational enhancements such as TAS.

On 28 February 2020 NSX issued 29,190,517 new fully paid ordinary shares at \$0.145 per share. The net proceeds were used for working capital and investment in the ClearPay Joint Venture.

On 3 June 2020 NSX issued 33,161,540 new fully paid ordinary shares at \$0.091 per share. The net proceeds are being used for technology upgrades, working capital and marketing.

**NSX Limited
Directors' report
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iSignthis Limited (ISX)

On 20 February 2020, NSX announced to the Australian Securities Exchange (ASX) that it will receive \$4.2 million via a placement from Probanx Holdings Limited a wholly owned subsidiary of iSignthis Limited (ASX:ISX) a company listed on the ASX. At that time ISX had taken a 12.96% strategic investment in NSX via a \$4.2 million placement at \$0.145 per share based on the NSX three month VWAP. After receiving the \$4.2 million in funding, as per the share placement agreement with iSignthis Limited, \$3.2 million of the proceeds were used to establish the ClearPay Joint Venture with iSignthis Limited (for more information see below).

After shareholder approval was granted on 30 April 2020 an additional (16,483,516 NSX shares) \$1.5 million were issued to Probanx (an iSignthis subsidiary) taking the relevant interest of iSignthis in NSX to 17.66%.

Subsequent to year end, Probanx has acquired a further 4,000,000 shares in NSX increasing its relevant interest to 19.22%.

Joint Venture

On 20 February 2020 NSX and ISX announced that they will enter into a Shareholders Agreement to form a joint venture vehicle, ClearPay Pty Ltd ("ClearPay JV") to develop a multi-currency, real-time, same day DvP platform ("ClearPay"), to be integrated with ISX's ISXPay® and Paydenity™ platforms.

Under the terms of the ClearPay Shareholders Agreement, the first cash call for ClearPay JV post the first NSX placement of \$3.2 million for a 41% interest by the NSX was paid. ISX will be contributing intellectual property and its subsidiary, Probanx Solutions Ltd, will be designing and developing the DvP platform for a fee, including the integration into ISXPay® and Paydenity™ platforms.

NSX sought and obtained shareholder approval at a general meeting of shareholders on 30 April 2020 for the refresh of the 15% placement facility allowed by ASX listing rules, for the issue of shares and options which subsequently raised \$3.0 million. NSX was required to raise at least \$3.5 million in order to exercise the agreement to contribute an additional \$1.3 million for the remaining 9% stake in ClearPay Pty Ltd. NSX did not exercise this part of the agreement and NSX's holding in ClearPay remains at 41%.

Information on directors

Name:	Michael Cox
Title:	Non-Executive Director, Chair (Resigned 19 February 2020)
Qualifications:	BSc (USyd), LLB(UTS), Cert Acc, Dip Gem, Dip DT, FIPA, MAICD, FGAA
Experience and expertise:	Mr Cox had 10 years of 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.
Other current directorships:	Non-Executive Director of Viking Mines Limited (ASX: VKA)
Former directorships (last 3 years):	Nil
Interests in shares:	6,065 Fully paid ordinary shares 700,000 Partly paid shares paid to 1 cent

**NSX Limited
Directors' report
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Name: Thomas Price
Title: Non-Executive Director (Appointed 17 November 2019)
Interim Chief Executive Officer and Chair (Appointed 15 January and 20 February 2020 respectively and resigned as Interim CEO effective 11 March 2020 and Chair effective 19 March 2020)
Qualifications: B.Arts (Macquarie)
Experience and expertise: Mr 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, Mr Price 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 on technology issues and is also responsible for overall market connectivity infrastructure for the FEX group. Previously, Mr Price was an Australian based Derivative Asset Manager and Consultant with over 15 years experience in derivative transactions, derivatives trading and option pricing.
Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: Nil

Name: Tony Shen (Weiguo)
Title: Non-Executive Director (Appointed 29 September 2016)
Qualifications: B.Economics & Management
Experience and expertise: Mr Shen is an executive director and a controlling shareholder of SHKL Group Limited. Mr Shen is an executive director of KSTV (Hong Kong) Limited and Shanghai Kunlun Cultural Media Co., Limited. Mr Shen is a director and substantial shareholder of KSTV Group Limited. In addition to the above companies, Mr Shen is also either an officer and/or has an interest in a number of private companies registered and operating exclusively in China.
Other current directorships: SHKL Group Limited
Former directorships (last 3 years): Nil
Interests in shares: 24,285,00 Fully paid ordinary shares

Name: Ann Bowering
Title: Managing Director (Resigned 5 July 2019)
Qualifications: B.Comm Acc & Fin, CA
Experience and expertise: Ms Bowering has a unique combination of global capital markets, professional service firm, corporate governance, and commercial expertise developed over a 20 year career in global financial markets. Ms Bowering's expertise in the operation of licensed and regulated financial markets has come through her previous roles as Chief Financial Officer and Executive Director of Financial & Energy Exchange Limited, and as a Director of NSX Limited (ASX: NSX) and its subsidiary entities. Ms Bowering was also a Director and CEO of IR Plus Securities Exchange.
Ms Bowering commenced her career at KPMG in 1995, where over the course of twelve years she held a number of roles covering the specialisations of M&A and Capital Markets Advisory, Risk Management and Assurance. During that time she had the opportunity to work in the Melbourne, Houston (USA) and Sydney offices of the firm, and developed a specialisation in the energy and commodities sectors. Following her career at KPMG, Ms Bowering was appointed as Head of Business Development and Operations at Lucsan Technology, where her core responsibility and achievement was to drive rapid business growth in the financial services technology firm.
Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 1,500,000 Fully paid ordinary shares

**NSX Limited
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Name: Tod McGrouther
Title: Non-Executive Director (Appointed 18 February 2020)
Qualifications: Bachelor of Law (First Class Honours and University Medal) University of Sydney and Bachelor of Commerce (First Class Honours) and University medal from University of New South Wales, Diploma of Finance Securities Institute of Australia
Experience and expertise: McGrouther has worked in the Australian corporate advisory industry and equity capital markets since 1986 commencing as Associate Director of Bankers Trust Australia and advising a large number of corporate advisory assignments including the State Bank of Victoria, the South Australian Government, the Bank of New Zealand, the State Bank of New South Wales, the Commonwealth Bank and Qantas. Between 1994 and 1998 Tod was director of the Corporate Finance Department of Prudential Bache Securities Limited. During this time, he completed a number of equity capital raising assignments specialising in the resources sector for the clients including Anaconda Nickel Limited, Australian Goldfields Limited, Sipa Resources Limited and Legend Mining Limited. He also completed a large number of industrial sector initial public offerings including the demutualising and listing of Namoi Cotton Limited.
Other current directorships: Urbanise Limited (ASX: UBN), Love Group Global Limited (ASX: LVE), European Cannabis Corporation Limited
Former directorships (last 3 years): Nil
Interests in shares: Nil

Name: Timothy Hart
Title: Non- Executive Director and Chair (Appointed 26 February 2020 and 26 March 2020 respectively)
Qualifications: Postgraduate Diplomas from Said Business School, The University of Oxford (Strategy & Innovation and Organisational Leadership) and holds a number of degrees from University of Melbourne- Bachelor of Science, Master of Management and Master of Marketing and Master of Education
Experience and expertise: Managing Director and CEO of Ridley Corporation Limited. His varied experience covers governance, general management, finance, regtech. strategic marketing, sales, and logistics. Before joining Ridley Timothy was CEO of Sugar Australia for eight years, after a long career in fast-moving consumer goods industry with SCA and in packaging with Carter Holt Harvey, ACI and Amcor. Mr Hart is a fellow of the Australian Institute of Company Directors and of the institute of Managers and Leaders (Australia and New Zealand).
Other current directorships: Chair Signthis Limited (ASX: ISX)
Former directorships (last 3 years): Nil
Interests in shares: 49,449,033 Fully paid ordinary shares

Name: Nickolas John Karantzis
Title: Managing Director and Interim Chief Executive Officer (Appointed 11 March 2020)
Qualifications: B.E. MCommerclLaw. M.Enterp FIEAust CPEng NER APEC Engineer IntPE(Aus). Mr Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne).
Experience and expertise: He is the founder of iSignthis, a prudentially regulated EU monetary financial institution, and has led that Company to entry to the ASX300 and profitability in 5 years from listing on the ASX. Mr Karantzis has over 25 years' experience in a number of sectors, including payments, online media, secure communications, and e-commerce. His previous public company experience includes directorships with ASX Pacific Star Network Limited (ASX: PNW) and Reeltime Media Limited (ASX:RMA).
Other current directorships: Founder and current MD of iSignthis Limited (ASX: ISX)
Former directorships (last 3 years): None
Interests in shares: 49,449,033 Fully paid ordinary shares

**NSX Limited
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Name:	Kelly Humphreys
Title:	Non-Executive Director (Appointed 18 June 2020)
Qualifications:	Master of Management, Diploma in Financial Services and a graduate member of Australian Institute of Company Directors.
Experience and expertise:	Ms Humphreys is an experienced non-executive director with existing Board and committee roles spanning industry sectors including financial service, health, regulation, and education. Kelly has extensive executive experience in financial services and a depth of technical expertise in operations, risk management and governance. She brings a strong commercial approach to achieving objectives in complex regulatory environments and working effectively to deliver growth and improved performance. Kelly is also a Non-Executive Director of Latrobe Private Health and the Accident Compensation Conciliation Service and a Commissioner of the Victorian Building Authority.
Other current directorships:	Non-Executive Director of Raiz Invest Limited (ASX: RZI).
Former directorships (last 3 years):	Nil
Interests in shares:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Directors meeting	
	Eligible to attend	Number attended
Michael Cox	8	8
Thomas Price	16	16
Tony Shen (Weiguo)	16	11
Ann Bowering	-	-
Tod McGrouther	8	8
Timothy Hart	7	7
Nickolas John Karantzis	7	7
Kelly Humphreys	2	2

Meetings of Audit & Risk Committee

During the period due to the size of the organisation the functions of the Audit Committee were performed by the entire Board. From July 2020 the Board has constituted a three person Audit & Risk Committee.

Meetings of Remuneration and Nomination Committee

Due to the size of the organisation the functions of this committee are performed by the entire Board.

Remuneration Report (Audited)

This report details the performance and remuneration of key management personnel (KMP) for the period.

Under the Board Charter, the NSX Board retains ultimate responsibility for the remuneration of KMP. 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 by the Board on a periodic basis to ensure continued support of the commercial and regulatory interests of the exchange and its shareholders.

**NSX Limited
Directors' report
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The Board policy with respect to the consolidated entity KMP also applies to KMP of its subsidiary entities.

This policy ensures that Directors and KMP are paid without prejudice to the interests of a particular business of the company. This is because Directors and KMP are expected to be able to contribute to each cash generating unit in a positive manner thereby enhancing the performance of each of the cash generating units. The NSX subsidiary National Stock Exchange of Australia Limited (NSXA) is highly regulated by ASIC and as such NSXA must have in place policies and procedures to avoid conflicts of interest when dealing with compliance and admissions decisions. Conflicts could arise if KMP remuneration was based on successful listing applications or compliance decisions which negate the independence and fairness of such decisions.

NSX shareholders approved a performance rights plan at a General Meeting on 30 April 2020 for KMP excluding the Board.

The Board is cognisant of general shareholder concern that long-term equity based rewards for staff should be linked to the achievement by the Company of a performance condition. Performance Rights granted under the Performance Rights Plan to eligible participants will be subject to performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting and the employee being advised that the vesting conditions have been met, Shares will be issued to the employee exercising the Performance Rights.

Although approved by shareholders the Board has not yet implemented the Performance Rights Plan or defined the condition(s) to be met. Accordingly, no performance rights have been granted or vested at the date of this report.

Remuneration Practices

The Board's policy for determining the nature and amount of compensation of directors and other key management for the consolidated entity is as follows:

- Approved by shareholders at the AGM of 9 November 2017, the remuneration pool for non-executive directors is \$400,000 per annum inclusive of any superannuation guarantee remittances. Non-executive Chair and Director fees are comprised of a fixed component being \$87,600 and \$43,800 respectively inclusive of superannuation.
- Executive director fees for service are by mutual agreement with the Board.
- 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 Audit & Risk Committee, Remuneration & Nomination Committee, Compliance Committee or Listing & Admissions Committee.

Disclosures for director fees paid during the financial year are provided below.

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.

Chair – Michael Cox (Resigned 19 February 2020)

For performance of the roles of Chair and Director Mr Cox is paid a stipend of \$87,600 inclusive of superannuation. The actual remuneration paid to Mr Cox for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr Cox are disclosed in note 31.

Non-Executive Director – Thomas Price

There is no employment or service agreement agreed to by the Board for Mr Price. Mr Price's director stipend as a director is \$43,800 inclusive of superannuation per annum.

As per NSX policy, for the period from January 2020 until March 2020 for the role as non-executive Chair of NSX Limited Mr Price was paid an additional fee equivalent to \$43,800 inclusive of superannuation per annum.

The Board approved on a retrospective basis, that Mr Price be paid an additional fee for higher duties related to the extra hours and duties that Mr Price had to undertake as part of performing the interim CEO role for the period covering 30 December 2019 until 27 March 2020. The fee was calculated on the basis of the previous interim CEO of \$5,000 per week plus superannuation. No agreement was executed by the Board for performance of these higher duties.

**NSX Limited
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The actual remuneration paid to Mr Price for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr Price are disclosed in note 31.

Non-Executive Director – Tony Shen (Weigou)

There is no employment or service agreement agreed to by the Board for Mr Shen. Mr Shen's director stipend as a director is \$43,800 inclusive of superannuation per annum.

The actual remuneration paid to Mr Shen for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr Shen are disclosed in note 31.

Managing Director (Resigned 5 July 2019)– Ann Bowering

In her previous role as an executive director of NSX Limited Ms Bowering was paid a director stipend of \$43,800 inclusive of superannuation per annum.

Actual remuneration paid by NSX to Ms Bowering for services as a director and Managing Director for the year ended 30 June 2020 is provided in the table below.

Annual Base Salary

\$260,000 per annum exclusive of super contribution until date of resignation.

Expense reimbursement

The Managing Director is entitled to reasonable expense reimbursement.

Termination Provisions

The Employment Agreement may be terminated in the circumstances described below:

- Resignation – Ms Bowering may tender her resignation
- Termination on Notice by NSX – The NSX may terminate upon prior notice
- Termination without notice – The NSX may terminate without notice for defined causes (i.e. misconduct, grossly negligent or otherwise incompetent, serious breach of the agreement, becomes bankrupt or commits a crime or other civil wrongdoing).

Post- Employment Restraints

If Ms Bowering intends to work for a competitor or a member of the NSX Group on resigning her position, then Ms Bowering must give notice to NSX so that all reasonable steps can be taken by NSX to protect its business.

Other than the above Ms Bowering is subject to customary post-employment restraints.

Options / Share Scheme

Ms Bowering will be entitled to any option or share scheme arrangements that may be approved by shareholders.

Discretionary Benefits

NSX may, at NSX's discretion provide Ms Bowering with benefits such as bonus or other incentive payments.

Non-Executive Director (Appointed 18 February 2020) – Tod McGrouther

There is no employment or service agreement agreed to by the Board for Mr McGrouther. Mr McGrouther's director stipend as a director is \$43,800 inclusive of superannuation per annum. As Chair of the National Stock Exchange of Australia Limited Mr McGrouther also receives an additional stipend of \$43,800 inclusive of superannuation per annum.

The actual remuneration paid to Mr McGrouther for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr McGrouther are disclosed in note 31.

Non-Executive Director and Chair (Appointed 26 February and 20 March 2020 respectively) – Timothy Hart

There is no employment or service agreement agreed to by the Board for Mr Hart. Mr Hart's director stipend as a director and Chair is \$87,600 inclusive of superannuation per annum.

The actual remuneration paid to Mr Hart for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr Hart are disclosed in note 31.

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Managing Director and Interim Chief Executive Officer (Appointed 12 March 2020) – Nickolas John Karantzis

There is no employment or service agreement agreed to by the Board for Mr Karantzis. Mr Karantzis's remuneration as Managing Director is \$87,600 inclusive of superannuation per annum.

The actual remuneration paid to Mr Karantzis for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Mr Karantzis are disclosed in note 31.

Non-Executive Director – Kelly Humphreys (Appointed 18 June 2020)

There is no employment or service agreement agreed to by the Board for Ms Humphreys. Ms Humphreys' director stipend as a director is \$43,800 inclusive of superannuation per annum.

The actual remuneration paid to Ms Humphreys for the year ended 30 June 2020 is provided in the table below. Related Party transactions with Ms Humphreys are disclosed in note 31.

Financial Position

The net assets of the consolidated entity have increased from \$2,327,493 as at 30 June 2019 to \$6,209,977 as at 30 June 2020.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Legal Proceedings

A company listed on the National Stock Exchange Limited filed a statement of claim with the federal court against NSXA on 25 October 2019 as a result of a compliance decision by NSXA to suspend the Company on 10 April 2019 pursuant to the NSXA listing rules. This Company remains in suspension while the proceedings are before the court. The NSXA insurers have agreed to fund the claim with NSXA contributing the excess of \$100,000. NSX has had confirmation from the insurers that funding has not been withdrawn and therefore NSX has not established a contingent liability for these proceedings.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Future developments

Likely developments in the operations of the consolidated 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 and Governance

Environmental commitment

The consolidated 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 consolidated entity during the year.

Corporate Governance

NSX's Board of Directors is responsible for the corporate governance of NSX Limited. The Board guides and monitors the business affairs of the Group on behalf of stakeholders and its activities are governed by the Constitution.

Our Corporate Governance Statement is founded on the ASX Corporate Governance Council's principles and recommendations. The statement is periodically reviewed and, if necessary, revised.

The responsibilities of the Board of Directors and those functions reserved to the Board, together with the responsibilities of the Managing Director are set out in our Board Charter. To assist with governance NSX has established policies and procedures.

**NSX Limited
Directors' report
30 June 2020**

For copies of policies, procedures and charters, please visit the NSX website and navigate to Governance > Constitution and Policies.

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 2020:

	2020 \$	2019 \$
Tax Services - Income Tax	<u>2,944</u>	<u>6,000</u>

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Indemnity officers or auditors

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

Options

At the date of this report, there are no unissued options of NSX Limited.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

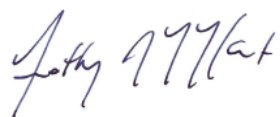
NSX Limited
Directors' report
30 June 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Tony Shen (Weiguo)	40,000	-	-	3,800	-	-	43,800
Tod McGrouther	32,850	-	-	-	-	-	32,850
Timothy Hart	28,615	-	-	2,718	-	-	31,333
Thomas Price	109,462	-	-	8,598	-	-	118,060
Kelly Humphreys	2,769	-	-	263	-	-	3,032
<i>Executive Directors:</i>							
Michael Cox	52,308	-	-	4,969	-	-	57,277
Ann Bowering	46,154	-	-	767	-	-	46,921
Nickolas John Karantzis	29,300	-	-	-	-	-	29,300
	<u>341,458</u>	<u>-</u>	<u>-</u>	<u>21,115</u>	<u>-</u>	<u>-</u>	<u>362,573</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Thomas Price	40,000	-	-	3,800	-	-	43,800
Tony Shen (Weiguo)	40,000	-	-	3,800	-	-	43,800
<i>Executive Directors:</i>							
Michael Cox	80,000	-	-	20,531	-	-	100,531
Ann Bowering	736,730	-	-	7,600	-	-	744,330
	<u>896,730</u>	<u>-</u>	<u>-</u>	<u>35,731</u>	<u>-</u>	<u>-</u>	<u>932,461</u>

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Tim Hart
Director



Kelly Humphreys
Director

28 August 2020

NSX LIMITED

ABN: 33 089 447 058

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of NSX Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of 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.



PKF



PAUL PEARMAN
PARTNER

28 AUGUST 2020
SYDNEY, NSW

NSX Limited
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30 June 2020

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General information

The financial statements cover NSX Limited as a consolidated entity consisting of NSX Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is NSX Limited's functional and presentation currency.

NSX Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3, 1 Bligh Street Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2020. The directors have the power to amend and reissue the financial statements.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <https://www.nsx.com.au>.

NSX Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Revenue	5	1,667,765	2,239,531
Share of losses of joint ventures accounted for using the equity method	6	(462,348)	-
Other income	7	204,433	93,849
Expenses			
Employee benefits expense	8	(1,761,041)	(2,521,749)
Depreciation and amortisation expense	8	(553,265)	(143,510)
Consultancy fees		(609,096)	(614,882)
Compliance expense		(50,667)	(32,725)
Legal expenses		(322,101)	(54,218)
Market trading expenses		(979,484)	(963,452)
Marketing and promotion		(29,398)	(95,131)
Occupancy expenses		(65,306)	(197,717)
Administration expenses		(1,113,377)	(519,813)
Other expenses		(231,723)	(256,925)
Finance costs	8	(159,633)	-
Loss before income tax expense		(4,465,241)	(3,066,742)
Income tax expense	9	-	-
Loss after income tax expense for the year		(4,465,241)	(3,066,742)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(4,465,241)</u>	<u>(3,066,742)</u>
Loss for the year is attributable to:			
Non-controlling interest		-	408,990
Owners of NSX Limited	25	(4,465,241)	(3,475,732)
		<u>(4,465,241)</u>	<u>(3,066,742)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Owners of NSX Limited		(4,465,241)	(3,066,742)
		<u>(4,465,241)</u>	<u>(3,066,742)</u>
		Cents	Cents
Basic earnings per share	39	(2.17)	(2.07)
Diluted earnings per share	39	(2.17)	(2.07)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

NSX Limited
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents		3,116,981	1,994,211
Trade and other receivables	10	150,596	63,471
Financial assets		1,480,233	1,475,125
Other current assets		204,081	68,551
Total current assets		<u>4,951,891</u>	<u>3,601,358</u>
Non-current assets			
Investment accounted for using the equity method	11	2,737,652	-
Property, plant and equipment	12	164,282	237,542
Right-of-use assets	13	2,255,528	-
Intangibles	14	205,304	-
Total non-current assets		<u>5,362,766</u>	<u>237,542</u>
Total assets		<u>10,314,657</u>	<u>3,838,900</u>
Liabilities			
Current liabilities			
Trade and other payables	15	805,726	1,140,692
Lease liabilities	16	533,383	-
Employee benefits	17	109,982	141,946
Contract liabilities	18	285,078	172,166
Total current liabilities		<u>1,734,169</u>	<u>1,454,804</u>
Non-current liabilities			
Lease liabilities	19	2,041,334	-
Employee benefits	20	15,690	-
Long-term provisions	21	-	550
Contract liabilities	22	313,487	56,053
Total non-current liabilities		<u>2,370,511</u>	<u>56,603</u>
Total liabilities		<u>4,104,680</u>	<u>1,511,407</u>
Net assets		<u>6,209,977</u>	<u>2,327,493</u>
Equity			
Issued capital	23	56,583,102	49,378,875
Reserves	24	1,385,159	-
Accumulated losses	25	<u>(51,758,284)</u>	<u>(47,051,382)</u>
Total equity		<u>6,209,977</u>	<u>2,327,493</u>

The above statement of financial position should be read in conjunction with the accompanying notes

NSX Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2018	44,251,385	(43,575,650)	(408,990)	266,745
Loss after income tax expense for the year	-	(3,475,732)		(3,475,732)
Profit attributable to non-controlling interest			219,822	219,822
Disposal of subsidiary			189,168	189,168
Total comprehensive income for the year	-	(3,475,732)	408,990	(3,066,742)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued	5,564,812	-	-	5,564,812
Transaction cost on share issue	(437,322)	-	-	(437,322)
Balance at 30 June 2019	<u>49,378,875</u>	<u>(47,051,382)</u>	<u>-</u>	<u>2,327,493</u>
Consolidated	Issued capital \$	Accumulated losses \$	Share Option Reserve \$	Total equity \$
Balance at 1 July 2019	49,378,875	(47,051,382)	-	2,327,493
Adjustment for change in accounting policy (refer to note 3)	-	(241,661)	-	(241,661)
Balance at 1 July 2019 - restated	49,378,875	(47,293,043)	-	2,085,832
Loss after income tax expense for the year	-	(4,465,241)	-	(4,465,241)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(4,465,241)	-	(4,465,241)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued	9,231,809	-	-	9,231,809
Transaction cost on share issue	(2,027,582)	-	-	(2,027,582)
Options issued	-	-	1,385,159	1,385,159
Balance at 30 June 2020	<u>56,583,102</u>	<u>(51,758,284)</u>	<u>1,385,159</u>	<u>6,209,977</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

NSX Limited
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,224,803	2,260,516
Payments to suppliers and employees (inclusive of GST)		(5,237,243)	(5,953,818)
Interest received		29,204	41,073
Government grants (JobKeepers Rebate & Cash Boost)		92,000	-
Interest and other finance costs paid		(228,074)	-
		<hr/>	<hr/>
Net cash used in operating activities	37	(3,119,310)	(3,652,229)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(26,441)	-
Payments for intangibles	14	(205,304)	-
Cost related to disposal of subsidiary		-	(194,666)
Payment for investment in joint venture		(3,200,000)	-
		<hr/>	<hr/>
Net cash used in investing activities		(3,431,745)	(194,666)
Cash flows from financing activities			
Proceeds from issue of shares	23	9,231,810	5,332,313
Cost of issue of shares		(625,960)	(437,322)
Repayment of borrowings		(910,195)	-
Repayment of lease liabilities		(16,722)	-
		<hr/>	<hr/>
Net cash from financing activities		7,678,933	4,894,991
Net increase in cash and cash equivalents		1,127,878	1,048,096
Cash and cash equivalents at the beginning of the financial year		3,469,336	2,421,240
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year		<u>4,597,214</u>	<u>3,469,336</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3.

Going concern

As at 30 June 2020, NSX Limited was in a net asset position of \$6,209,977 (30 June 2019: \$2,327,493). During the year the Company incurred a loss of \$4,465,241 (30 June 2019: \$3,066,742) and incurred cash outflows from operating activities of \$3,119,310 (30 June 2019: \$3,652,229).

The group is continuing to monitor and respond to the effects of the COVID-19 virus which represents a material uncertainty in the wider business environment. The impact on operations and control processes to date has been minimal, all staff are able to work remotely and projects and business development activities have continued with only some delays. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The financial report will be prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- There is a strong pipeline of new sales that management expect to convert in the coming months after the completion of the Trade Acceptance Service (TAS) project and with several other sales initiatives.
- The NSX is approximately 4-5 weeks away from going live with the TAS project. Once this is live, higher volumes of trades are expected as TAS will allow automated execution of trades.
- Strategy implemented to increase the number of securities listings over future periods and reduce the reliance on capital raises.
- Strategy implemented to increase the number of securities listings over future periods and reduce the reliance on capital raises.
- As announced on 20 February the group believes that the ClearPay Pty Ltd joint venture, once implemented and operational, will provide improved returns.
- Successful share placement in May 2020 raised just over \$3m. The funds will be utilised for technology upgrades, working capital and marketing.
- Ongoing project to identify ways to reduce costs or defer expenditure and lower the business cost base.

Note 1. Significant accounting policies (continued)

Management's forecast (which assumes achievement of the above factors) indicates that the Group can continue as a going concern for at least the next 12 months.

Should the forecast assumptions not eventuate or take longer than foreseen, the Group may be unable to continue normal operations into the foreseeable future. The Group has a history of being able to raise capital and restructure operations when required and the directors are therefore confident that should the need arise they will be able to raise sufficient funds from alternative sources to continue normal operations into the foreseeable future.

The Company is confident that with the clear progress in realising the NSXA as a viable secondary cash equity market to the ASX's current monopoly, that share price and investor interest will increase. The Company has managed to previously raise capital under circumstances that have been less attractive historically.

Basis of preparation

The consolidated financial statements and notes comprise the results of NSX Limited ('The Company') and its controlled entities ('The Group'). These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The significant accounting policies adopted in the preparation of these financial statements are presented below.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (NSX Limited) and all of the subsidiaries. Subsidiaries are entities the parent entity controls. The parent entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

A list of controlled entities is contained in note 33 to the financial statements. All controlled entities have a June financial year end.

Note 1. Significant accounting policies (continued)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

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

Revenue from contracts with customers

The following 5 steps have been applied in analysing transactions to determine when revenue is recognised:

Step 1 – Identify the contract with a customer

Step 2 – Identify the separate performance obligations in the contract

Step 3 – Determine the transaction price

Step 4 – Allocate the transaction price to the separate performance obligation in the contract

Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

Listing fees are deferred and recognised over the period in which it is estimated that the listing service will be provided. Services provided in relation to initial or subsequent listings are not considered to be distinct from the ongoing listing service provided throughout the period which the entity has listed and as such are also recognised over the estimated future listing period. Details of the estimated period for which the services will be provided are included in note 2.

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).

Government grants

Government assistance provided in the form of Job Keeper and Cash Boost payments are recognised when it is reasonable that the Consolidated Entity has satisfied all criteria and conditions of the requirements set by the Australian Taxation Office.

The Job Keeper payment is recognised in the period in which the associated payroll costs have been expensed in the profit and loss.

The Cash Flow Boost is recognised at the point in which the eligibility criteria were met, being the date of the Government announcement for financial assistance.

All government assistance amounts are presented as "Other Income" in the statement of comprehensive income.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

NSX Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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 such as term deposits, and bank overdrafts. Term deposits held on a short term basis in support of operating guarantee and letter of credit for the NSXA Compensation Arrangement has been classified as a current financial asset. This is due to a requirement that these deposits be available for immediate payment to a claimant, should they be called upon, and the obligations of section 885B(1)(g) of the Corporations Act, which requires the Company to provide timely access to Compensation Arrangements. Bank overdrafts are shown within short term borrowings in current liabilities on the Statement of Financial Position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 1. Significant accounting policies (continued)

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Profits earned from joint venture entities will increase the carrying amount of the investment whilst any losses decrease the carrying amount up to the extent the investment in joint venture reaches a carrying value of nil.

Investments and other financial assets

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following category:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets are more than 90 days past due.

Note 1. Significant accounting policies (continued)

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and finance lease liabilities

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 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. 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 consolidated 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.

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

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

Class of fixed asset	Depreciation rate
Plant and equipment	20-40%

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 1. Significant accounting policies (continued)

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are only amortised once the developed asset is ready for use at which point they are amortised on a straight-line basis over the period of their expected benefit.

Impairment of non-financial assets

At each reporting date, the Group 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 consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled compensation benefits are provided to others in exchange for the rendering of services.

Equity-settled transactions are awards of shares, or options over shares, that are provided to others in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares and options are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of NSX Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue recognition

The Group estimates that the initial listing fees of new issuers will have a three year deferral of the initial listing fees (based on historical data).

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with others in exchange for the rendering of services by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Control of ClearPay Pty Ltd

In February 2020, NSX and iSignthisLtd (ASX: ISX; "ISX") announced that they will enter into a Shareholders Agreement to form a joint venture vehicle ClearPay Pty Ltd ("ClearPay JV").

Management have concluded that under AASB 11 Joint Arrangements NSX has joint control of ClearPay JV and it should be classified as a joint venture for the following reasons:

- NSX has joint control of the ClearPay JV board as the Shareholder deed requires at least one NSX representative and one ISX representative at each Board meeting with a quorum of 2. Currently there are 2 Board members in total, NSX has one board member and ISX has one board member. This requires that the determination of the decisions affecting the strategy and operations of ClearPay JV require unanimous agreement by the directors;
- The joint arrangement has been structured through a separate vehicle ClearPay JV;
- The contractual arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of ClearPay JV.

Note 3. Impact on the adoption of AASB16

The consolidated entity has adopted AASB 16 using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 July 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policies which are included in note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

- elected not to reassess whether a contract is or contains a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

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Note 3. Impact on the adoption of AASB16 (continued)

Impact of adoption

On the date of initial application, the consolidated entity recognised lease liabilities previously classified as 'operating leases' under AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of between 5% and 8%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if AASB 16 Leases had always been applied.

	\$
Reconciliation of lease liabilities	
Non-cancellable operating leases at 30 June 2019	3,608,866
Discount using the lessee's incremental borrowing rate of at the rate of initial application	<u>(539,916)</u>
Lease liabilities recognised on 1 July 2019	<u><u>3,068,950</u></u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets - increase by \$2,709,092
- Lease liabilities increase by \$2,950,753

The net impact on accumulated losses on 1 July 2019 was an increase of \$241,661

Note 4. Segment reporting

Primary reporting - Business segments

Major Customers- The Group has a number of customers to which it provides both products and services. During the period the NSX Group had no major customers that contributed more than 5.0% (2019: no major customers contributed more than 5.0%) of total revenue.

	Stock exchanges \$	Unallocated items \$	Total \$
Consolidated - 2020			
Revenue			
External sales services	1,667,765	-	1,667,765
Interest revenue	32,434	-	32,434
Other revenue	-	171,999	171,999
Total revenue	<u>1,700,199</u>	<u>171,999</u>	<u>1,872,198</u>
Segment net loss before tax	<u>(445,619)</u>	<u>(4,019,622)</u>	<u>(4,465,241)</u>
Loss before income tax expense	<u>(445,619)</u>	<u>(4,019,622)</u>	<u>(4,465,241)</u>
Income tax expense			-
Loss after income tax expense			<u>(4,465,241)</u>
<i>Other items</i>			
Depreciation and amortisation	<u>99,701</u>	<u>453,564</u>	<u>553,265</u>
Assets			
Segment assets	<u>1,315,633</u>	<u>8,999,024</u>	<u>10,314,657</u>
Total assets			<u>10,314,657</u>
Liabilities			
Segment liabilities	<u>1,034,740</u>	<u>3,069,940</u>	<u>4,104,680</u>
Total liabilities			<u>4,104,680</u>

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Note 4. Segment reporting (continued)

Consolidated - 2019	Stock exchanges \$	Unallocated items \$	Total \$
Revenue			
External sales- services	2,239,531	-	2,239,531
Interest revenue	41,893	-	41,893
Other revenue	-	51,956	51,956
Total revenue	<u>2,281,424</u>	<u>51,956</u>	<u>2,333,380</u>
Segment net profit before tax	<u>1,018,000</u>	<u>(4,084,742)</u>	<u>(3,066,742)</u>
Profit/(loss) before income tax expense	<u>1,018,000</u>	<u>(4,084,742)</u>	<u>(3,066,742)</u>
Income tax expense			-
Loss after income tax expense			<u>(3,066,742)</u>
<i>Other items</i>			
Depreciation and amortisation	<u>141,293</u>	-	<u>141,293</u>
Assets			
Segment assets	<u>1,940,830</u>	<u>1,898,070</u>	<u>3,838,900</u>
Total assets			<u>3,838,900</u>
Liabilities			
Segment liabilities	<u>669,143</u>	<u>842,264</u>	<u>1,511,407</u>
Total liabilities			<u>1,511,407</u>

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.

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 consolidated entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographic Segments

Business segment

The consolidated entity has the following business segments:

- The Stock Exchange segment primarily includes the activities of the National Stock Exchange of Australia.

Geographic segments

The consolidated entity's business segments are located in Australia.

Note 5. Revenue

	Consolidated	
	2020	2019
	\$	\$
Trading & listing fees (exchanges)	<u>1,667,765</u>	<u>2,239,531</u>

Note 5. Revenue (continued)

Disaggregation of revenue from contracts with customers

The Company derives revenue from the provision of services both over time and at a point in time. The Company's major category of revenue is enabling issuers the ability to list on a Stock Exchange. This aligns with the Company's segment disclosures included in note 4.

Consolidated - 2020	Reportable segments Stock Exchange \$	Total \$
<i>Timing of revenue recognition</i>		
At a point in time	197,390	197,390
Over time	1,470,375	1,470,375
Trading & listing fees (exchanges) revenue	<u>1,667,765</u>	<u>1,667,765</u>
<i>(a) Reconciliation of Revenue</i>		
Revenue from continuing operations	<u>1,667,765</u>	<u>1,667,765</u>

Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from listing applications received.

	Consolidated 2020	2019
Aggregate amount of the transaction price allocated to listing applications that are partially or fully unsatisfied at 30 June	<u>598,565</u>	<u>228,219</u>

Management expects that 48% of the amount allocated to the unsatisfied contracts as of 30 June 2020 will be recognised as revenue during the next reporting period (\$285,019). Of the remaining balance 33% and 19% is expected to be recognised as revenue in the years ended 2022 and 2023 respectively.

Note 6. Share of losses of joint ventures accounted for using the equity method

	Consolidated 2020	2019
	\$	\$
Share of loss - ClearPay JV	<u>(462,348)</u>	<u>-</u>

See note 34 for information on the ClearPay JV.

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Note 7. Other income

	Consolidated	
	2020	2019
	\$	\$
ATO COVID-19 Cash flow boost	50,000	-
ATO COVID-19 JobKeeper Subsidy	64,500	-
Interest received	32,434	41,893
Other revenue	57,499	51,956
	<u>204,433</u>	<u>93,849</u>
Other income	<u>204,433</u>	<u>93,849</u>

Note 8. Expenses

	Consolidated	
	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	99,701	141,293
Buildings right-of-use assets	453,564	-
	<u>553,265</u>	<u>141,293</u>
Total depreciation	<u>553,265</u>	<u>141,293</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	6,930	-
Interest and finance charges paid/payable on lease liabilities	152,703	-
	<u>159,633</u>	<u>-</u>
Finance costs expensed	<u>159,633</u>	<u>-</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	137,230	160,613
	<u>137,230</u>	<u>160,613</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	1,623,811	2,361,136
	<u>1,623,811</u>	<u>2,361,136</u>

Note 9. Income tax expense

	Consolidated	
	2020	2019
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,465,241)	(3,066,742)
Tax at the statutory tax rate of 27.5%	(1,227,941)	(843,354)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax losses not recognised in the accounts	1,227,941	843,354
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

NSX Limited
Notes to the financial statements
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Note 9. Income tax expense (continued)

	Consolidated	
	2020	2019
	\$	\$
<i>Tax losses not recognised</i>		
Unrecognized carried forward losses not brought into account, the benefits will only be realised if the conditions for deductibility set out in note 1 occur	<u>18,368,195</u>	<u>13,902,954</u>
Potential tax benefit @ 27.5%	<u>5,051,254</u>	<u>3,823,312</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 10. Current assets - trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	103,834	63,021
Deposits	-	450
GST receivable	<u>46,762</u>	<u>-</u>
	<u><u>150,596</u></u>	<u><u>63,471</u></u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Collateral held as security

The Group does not hold any collateral over any receivables balances.

Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 has been determined to be Nil (0%).

Note 11. Non-current assets - investment accounted for using the equity method

	Consolidated	
	2020	2019
	\$	\$
Investment in joint venture	<u>2,737,652</u>	<u>-</u>

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Opening carrying amount	-	-
Additions	3,200,000	-
Share of loss	<u>(462,348)</u>	<u>-</u>
Closing carrying amount	<u><u>2,737,652</u></u>	<u><u>-</u></u>

NSX Limited
Notes to the financial statements
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Note 11. Non-current assets - investment accounted for using the equity method (continued)

See note 34 for details of the investment in the joint venture vehicle ClearPay Pty Ltd.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
Plant and equipment - at cost	907,997	883,772
Less: Accumulated depreciation	<u>(743,715)</u>	<u>(646,230)</u>
	<u><u>164,282</u></u>	<u><u>237,542</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Property plant and equipment \$	Total \$
Balance at 1 July 2018	381,052	381,052
Depreciation expense	<u>(143,510)</u>	<u>(143,510)</u>
Balance at 30 June 2019	237,542	237,542
Additions	26,441	26,441
Depreciation expense	<u>(99,701)</u>	<u>(99,701)</u>
Balance at 30 June 2020	<u><u>164,282</u></u>	<u><u>164,282</u></u>

Note 13. Non-current assets - right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
Right-of-use asset	4,053,719	-
Less: Accumulated depreciation	<u>(1,798,191)</u>	<u>-</u>
	<u><u>2,255,528</u></u>	<u><u>-</u></u>

The consolidated entities right-of-use asset includes lease of an office and a technology lease. Details below:

Sydney office lease

The NSX moved into its premises at Level 3, 1 Bligh Street Sydney in October 2016, with a 5 year term expiring August 2021.

Technology Leases

NSX Limited has an agreement with NASDAQ to provide technology related services to enable the consolidated entity to operate a market for trading securities. The lease commenced on 31 July 2016 for a period of 10 years.

NSX Limited
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Note 14. Non-current assets - intangibles

	Consolidated	
	2020	2019
	\$	\$
Trade Acceptance Service ("TAS") project - at cost	205,304	-

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Trade Acceptance Service \$	Total \$
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Additions	205,304	205,304
Balance at 30 June 2020	205,304	205,304

Additions during the year are in relation to the NSXA Trade Acceptance Service ("TAS") project conducting testing, operational preparedness reviews, and participant liaison. TAS rule changes were approved by ASIC ahead of the target launch date of September 2020.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	128,688	349,853
Sundry payables	144,393	790,839
Accrued expenses	526,366	-
FBT Liability	6,279	-
	805,726	1,140,692

Refer to note 27 for further information on financial instruments.

Note 16. Current liabilities - lease liabilities

	Consolidated	
	2020	2019
	\$	\$
Lease liability	533,383	-

Refer to note 27 for further information on financial instruments.

NSX Limited
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Note 17. Current liabilities - employee benefits

	Consolidated	
	2020	2019
	\$	\$
Annual leave	75,584	114,741
Long service leave	34,398	27,205
	<u>109,982</u>	<u>141,946</u>

Note 18. Current liabilities - contract liabilities

	Consolidated	
	2020	2019
	\$	\$
Contract liabilities	<u>285,078</u>	<u>172,166</u>

Management expects that 100% of this amount allocated to unsatisfied contracts as of 30 June 2020 will be recognised as revenue during the next reporting period.

Note 19. Non-current liabilities - lease liabilities

	Consolidated	
	2020	2019
	\$	\$
Lease liability	<u>2,041,334</u>	<u>-</u>

Refer to note 27 for further information on financial instruments.

Note 20. Non-current liabilities - employee benefits

	Consolidated	
	2020	2019
	\$	\$
Long service leave	<u>15,690</u>	<u>-</u>

Note 21. Non-current liabilities - long-term provisions

	Consolidated	
	2020	2019
	\$	\$
Other	<u>-</u>	<u>550</u>

NSX Limited
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Note 22. Non-current liabilities - contract liabilities

	Consolidated	
	2020	2019
	\$	\$
Contract liabilities	<u>313,487</u>	<u>56,053</u>

Management expects that 64% of this amount allocated to unsatisfied contracts as of 30 June 2020 will be recognised as revenue during the year ended 30 June 2022 and the remaining 36% will be recognised during the year ended 30 June 2023.

Note 23. Equity - issued capital

	2020	Consolidated		2019
	Shares	2020	2019	Shares
		\$	\$	
Ordinary shares - fully paid	<u>257,305,928</u>	<u>184,954,043</u>	<u>56,583,102</u>	<u>49,378,875</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	147,905,288		44,236,385
Issue of shares- placement	5 October 2018	22,185,793	\$0.15	3,327,868
Issue of shares- placement	26 October 2018	13,362,962	\$0.15	2,004,444
Issue of shares- placement	19 June 2019	1,500,000	\$0.16	232,500
Capital raise cost		-	\$0.00	(437,322)
1,500,000 ordinary shares paid to 1 cent		-	\$0.00	15,000
Balance	30 June 2019	184,954,043		49,378,875
Issue of shares- placement	10 October 2019	9,655,000	\$0.20	1,931,484
Issue of shares- placement	28 February 2020	29,190,517	\$0.15	4,232,625
Issue of shares - payment to KG Capital Partners	15 May 2020	344,828	\$0.15	50,000
Issue of shares- placement	3 June 2020	33,161,540	\$0.09	3,017,700
Capital raise costs		-	\$0.00	(2,027,582)
Balance	30 June 2020	<u>257,305,928</u>		<u>56,583,102</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

NSX Limited
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Note 23. Equity - issued capital (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. See note 30 for further information.

The capital risk management policy remains unchanged from the date of the Annual Report.

Note 24. Equity - reserves

	Consolidated	
	2020	2019
	\$	\$
Options reserve	<u>1,385,159</u>	<u>-</u>

Options reserve

The reserve is used to recognise the value of equity benefits provided to CPS Capital Group Pty Ltd (CPS) or their nominee and KG Capital Partners Pty Ltd ("KG") or their nominee. CPS and KG acted as the lead brokers in capital raises during the year.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	\$	Total \$
Balance at 1 July 2018	-	-
Balance at 30 June 2019	-	-
Issue of options as part of capital raising	<u>1,385,159</u>	<u>1,385,159</u>
Balance at 30 June 2020	<u>1,385,159</u>	<u>1,385,159</u>

Details	Date	Share Options
Balance	1 July 2019	-
Issue of unlisted broker options	10 October 2019	4,827,500
Issue of unlisted placement options	10 October 2019	4,827,500
Issue of unlisted success options	15 May 2020	13,000,000
Issue of unlisted success options	3 June 2020	2,000,000
Issue of unlisted success options	19 June 2020	<u>7,500,000</u>
		<u>32,155,000</u>

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Note 24. Equity - reserves (continued)

On 10 October 2019 NSX issued 4,827,500 unlisted share options issued at \$0.0001 per option to CPS Capital Group Pty Ltd or their nominee. CPS acted as the manager to coordinate and manage the Placement. The Broker Options have an exercise price of \$0.30 and an expiration date of 29 August 2022. Vesting occurred on date of issue. The unlisted share options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.079 per Unlisted Option which is \$378,959 recognised as part of Capital raising costs.

On the same date NSX issued 4,827,500 unlisted free attaching options to the placement shares. Those options have an exercise price of \$0.30 and an expiration date of 29 August 2022.

22,500,000 Success Options were issued to KG Capital Partners Pty Ltd ("KG") or their nominee as a component of compensation for providing introductory and lead manager services for a placement undertaken by NSX. The 22,500,000 Success Options were issued across three issues, as follows.

- Success Options Issue 1 – 13,000,000 unlisted options issued on 15 May 2020. Each option entitles the holder to one fully paid ordinary share in NSX upon exercise. The options are exercisable at a price of \$0.25 and have an expiry date of 14 May 2023. The unlisted share options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.044 per Unlisted Option which is \$575,900 recognised as part of Capital raising costs.
- Success Options Issue 2 – 2,000,000 unlisted options issued on 3 June 2020. Each option entitles the holder to one fully paid ordinary share in NSX upon exercise. The options are exercisable at a price of \$0.25 and have an expiry date of 3 June 2023. The unlisted share options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.045 per Unlisted Option which is \$89,800 recognised as part of Capital raising costs.
- Success Options Issue 3 – 7,500,000 unlisted options issued on 19 June 2020. Each option entitles the holder to one fully paid ordinary share in NSX upon exercise. The options are exercisable at a price of \$0.25 and have an expiry date of 19 June 2023. The unlisted success options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.045 per Unlisted Option which is \$340,500 recognised as part of Capital raising costs.

Note 25. Equity - accumulated losses

	Consolidated	
	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	(47,051,382)	(43,575,650)
Adjustment for change in accounting policy	(241,661)	-
Accumulated losses at the beginning of the financial year - restated	(47,293,043)	(43,575,650)
Loss after income tax expense for the year	(4,465,241)	(3,475,732)
Accumulated losses at the end of the financial year	<u>(51,758,284)</u>	<u>(47,051,382)</u>

Note 26. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 27. Financial instruments

Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to banking facilities, and monitors and manages the financial risks relating to the operations of the Group in accordance with the decisions of the directors.

In the reporting period, the Group was not exposed to material financial risks of changes in foreign currency exchange rates. Accordingly, the Group did not employ derivative financial instruments to hedge currency risk exposures.

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Note 27. Financial instruments (continued)

	Consolidated	
	2020	2019
	\$	\$
Finance assets		
Cash and cash equivalents	3,116,981	1,994,211
Other receivables and other assets	250,843	69,001
Other financial assets	1,480,233	1,475,125
	<u>4,848,057</u>	<u>3,538,337</u>
Financial liabilities		
Trade and other payables	805,726	1,140,692
Lease liabilities	2,574,717	-
	<u>3,380,443</u>	<u>1,140,692</u>

Credit Standby Arrangement and Loan Facilities

The company has commercial credit card facilities with a limit of \$20,000 in any one calendar month. At 30 June 2020, \$2,327 of this facility was used (2019: \$5,185). Interest rates are variable.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's cash held on term deposit. A sensitivity analysis was performed and the assessment determined that a movement in interest rates is not considered to be material to the group's profit and loss.

Interest rate sensitivity analysis

	Carrying amount	Interest rate risk			
		-0.25%	0.5%	-0.25%	0.5%
Consolidated - 2020		Net result	Equity	Net result	Equity
Cash	3,116,981	(7,792)	(7,792)	15,585	15,585
Term Deposit	1,480,233	(3,701)	(3,701)	7,401	7,401
Increase/decrease		<u>(11,493)</u>	<u>(11,493)</u>	<u>22,986</u>	<u>22,986</u>
Consolidated - 2019		Net result	Equity	Net result	Equity
Cash	1,994,211	(4,986)	(4,986)	9,971	9,971
Term deposit	1,475,125	(3,688)	(3,688)	7,376	7,376
Increase/decrease		<u>(8,674)</u>	<u>(8,674)</u>	<u>17,347</u>	<u>17,347</u>

The consolidated 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:

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Note 27. Financial instruments (continued)

	Weighted average effective interest rate 2020 %	Weighted average effective interest rate 2019 %	Floating interest rate 2020	Floating interest rate 2019	Maturing within 1 year 2020	Maturing within 1 year 2019	Total 2020	Total 2019
Financial Assets:								
Cash and cash equivalents	1.50%	1.50%	3,116,981	1,994,211	-	-	3,166,981	1,994,211
Term deposits	1.57%	1.50%	-	-	1,480,233	1,475,125	1,480,233	475,125
Total financial assets			<u>3,116,981</u>	<u>1,994,211</u>	<u>1,480,233</u>	<u>1,475,125</u>	<u>4,647,214</u>	<u>2,469,336</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have significant credit risk exposure to any single counterparty at the reporting date.

The credit risk on liquid cash funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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.

Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the board of directors, which periodically reviews the consolidate entities short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities where possible.

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Note 28. Key management personnel disclosures

Directors

The following persons were directors of NSX Limited during the financial year:

Michael Cox	Executive Director and Chair (Resigned 28 February 2020)
Thomas Price	Non- Executive Director and Chair Interim Chief Executive Officer (Appointed 15 January 2020) (Resigned as Interim CEO 11 March 2020, resigned as Chair 19 March 2020)
Tony Shen (Weiguo)	Non- Executive Director
Ann Bowering	Managing Director (Resigned 5 July 2019)
Tod McGrouther	Non-Executive Director (Appointed 18 February 2020)
Timothy Hart	Non-Executive Director and Chair (Appointed 26 February and 20 March 2020 respectively)
Nickolas John Karantzis	Managing Director and Interim Chief Executive Officer (Appointed 12 March 2020)
Kelly Humphreys	Non-Executive Director (Appointed 18 June 2020)

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	341,457	896,730
Post-employment benefits	21,116	35,731
	<u>362,573</u>	<u>932,461</u>

Compensation options

No options were issued during the year.

Shares issued on Exercise of Remuneration Options

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

Shareholdings

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

	Notes	Balance 1/07/2019 No.	Received as remuneration No.	Options exercised No.	Net change other No.	Balance 30/06/2020 No.
2020						
Michael Cox	-	6,065	-	-	-	6,065
Tony Shen (Weiguo)	-	24,285,000	-	-	-	24,285,000
Timothy Hart & Nickolas John Karantzis*	-	-	-	-	45,449,033	45,449,033
	-	<u>24,291,065</u>	-	-	<u>45,449,033</u>	<u>69,740,098</u>

*Relevant interest held by iSignthis Limited (ASX: ISX) of which Mr Karantzis and Mr Hart are directors. The interest arose due to the application for shares by Probanx Holdings Limited (which is a subsidiary of iSignthis Limited). A change in relevant interest to 19.22% for iSignthis Limited occurred on 6 August 2020 where 4,000,000 shares were purchased by Probanx Holdings Limited via an off-market share purchase. The relevant interest for Timothy Hart & Nickolas John Karantzis also changed to 19.22% of the issued capital of NSX or 49,449,003 shares.

NSX Limited
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Note 28. Key management personnel disclosures (continued)

	Notes	Balance 1/07/2018 No.	Received as remuneration No.	Options exercised No.	Net change other No.	Balance 30/06/2019 No.
2019						
Michael Cox	-	4,030	-	-	2,022	6,065
Tony Shen (Weiguo)	-	24,285,000	-	-	-	24,285,000
		<u>24,289,030</u>	<u>-</u>	<u>-</u>	<u>2,022</u>	<u>24,291,065</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF, the auditor of the company:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - PKF</i>		
Audit or review of the financial statements	<u>64,500</u>	<u>51,000</u>
<i>Other services - PKF</i>		
Tax services	<u>2,944</u>	<u>6,000</u>
	<u><u>67,444</u></u>	<u><u>57,000</u></u>

Note 30. Contingent liabilities

	Consolidated	
	2020	2019
	\$	\$
Estimates of the maximum amounts of contingent liabilities that may become payable:		
Compensation Arrangements	800,000	800,000
ASX Settlement Performance Bond	<u>500,000</u>	<u>500,000</u>
	<u><u>1,300,000</u></u>	<u><u>1,300,000</u></u>

Compensation Arrangements

Part 7.5 of the Corporations Act 2001 requires licensed markets through which participants provide services for retail clients to have compensation arrangements. The compensation arrangements are limited to the coverage of losses arising from defalcation of client assets held by participants registered with the Exchanges as the holders of Australian Market Licences (AML) as detailed in the Corporations Act 2001.

National Stock Exchange of Australia Limited Compensation Arrangements

The minimum cover that NSX is required to have as part of the compensation arrangements is \$800,000. The arrangements to meet the minimum cover are in two parts: (a) the NSX Fidelity Fund as detailed in this report note 38, and (b) a Letter of Credit for the amount of \$700,000. The combined sources have over \$1.2 million in funds which exceeds the minimum cover by over \$400,000.

Note 30. Contingent liabilities (continued)

During the period there were no claims on the compensation arrangements.

ASX Settlement Performance Bond

National Stock Exchange of Australia acts as a settlement agent on behalf of several NSX and SIMVSE broker participants. Consequently NSX is registered with ASX Settlement as a General Participant for the purpose of ASX Settlement Operating Rules to effect CHESS settlements. ASX Settlement Operating Rule 4.9.1 requires General Participants to post a Settlement Performance Bond to the value of \$500,000. ASX Settlement can make a demand under Operating Rule 4.9.5 if ASX Settlement is satisfied that a Participant has contravened a provision of the rules and as a result of that contravention, ASX settlement has suffered or incurred any losses, damages, costs or expenses.

NSX has established a bank guarantee backed by a term deposit of \$500,000 to satisfy the requirements of the Settlement Performance Bond. During the period there were no claims arising from ASX Settlement Operating Rule 4.9.5.

Note 31. Related party transactions

Parent entity

NSX Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Joint ventures

Interests in joint ventures are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Beneficial Holdings

The direct, indirect and beneficial holdings of directors and their director related entities in the share and share options of the consolidated entity as at 30 June 2020 were:

Ordinary Shares: 69,740,098 (2019: 24,291,065) fully paid ordinary shares

Partly Paid Shares: 700,000 (2019: 700,000) partly paid shares to 1 cent

Share Options: Nil (2019: Nil)

Transactions with related parties

Mr Tony Shen is a director of NSX and also a director of SHKL Group Limited a company which was listed on National Stock Exchange of Australia until 14 July 2020. SHKL owns 9.44% of the issued capital of NSX. SHKL pays annual listing fees to NSXA.

Mr John Karantzis has a relevant interest in 49,449,033 NSX Limited shares or 19.22% of the issued capital at the date of this report as outlined in the table below.

Note 31. Related party transactions (continued)

Holder of relevant interest	Nature of relevant interest	Class and number of securities
Nickolas John Karantzis	Mr Karantzis controls Select All Enterprise Limited as he holds 100% of the shares, which means Mr Karantzis has a relevant interest under section 608(3)(b) of the Corporations Act 2001 (Cth) (the Act).	49,449,033 fully paid ordinary shares
Select All Enterprise Limited (BVI Co No 2003943)	Select All Enterprise Limited (Select) has voting power above 20% in relation to ISIGNTHIS Limited as Select holds 41% of the shares, which means Select has a relevant interest under section 608(3)(a) of the Act.	49,449,033 fully paid ordinary shares
ISIGNTHIS Limited (ACN 075 419 715)	ISIGNTHIS Limited (ISX) controls Probanx Holdings Limited as ISX holds 100% of the shares, which means ISX has a relevant interest under section 608(3)(b) of the Act.	49,449,033 fully paid ordinary shares
Probanx Holdings Limited	Probanx Holdings Limited (Probanx) directly holds 19.22% of the shares of NSX Limited, which means Probanx has a relevant interest under section 608(1)(a) of the Act.	49,449,033 fully paid ordinary shares

iSignthis Limited (ASX: ISX) controls Probanx Holdings Limited (Probanx) as ISX holds 100% of the Probanx issued capital, which means ISX has a relevant interest under section 608(3)(b) of the Act. Probanx directly holds 19.22% of the shares of NSX Limited, which means Probanx has a relevant interest under section 608(1)(a) of the Act.

Mr John Karantzis is a director of Select All Enterprise Limited (Select). Select has voting power above 20% in relation to ISX as Select holds 41% of the issued capital of ISX, which means Select has a relevant interest under section 608(3)(a) of the Act.

Mr Tim Hart is a director of iSignthis Limited (ASX:ISX). Through ISX's subsidiary holding in Probanx Holdings Limited, ISX has a relevant interest in 19.22% of the issued capital of NSX Limited at the date of this report.

Mr Tod McGrouther is a director of KTM Capital. KTM Capital rents premises to Probanx for the amount of \$9000/month. Probanx provides services (as per software agreement) to ClearPay which is the Joint Venture with NSX and iSignthis. Rent is believed to be a market price for the space and is an arm's length commercial transaction. From time to time there may be Probanx matters that need discussion by the NSX Limited Board. Probanx owns 19.22% of NSX Limited issued capital. Probanx provides services to ClearPay which is the Joint Venture with NSX and iSignthis. Tod McGrouther is on the Board of ClearPay as NSX's representative.

NSX Limited
Notes to the financial statements
30 June 2020

Note 31. Related party transactions (continued)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Sale of goods and services: SHKL Group Limited payment of annual listing fees to NSXA during the period (SHKL is a substantial shareholder of NSX)	38,737	38,737
Payment for other expenses: Amounts paid to FEX for services rendered such as rental for the market site for functions for listing ceremonies and Annual General Meeting (an NSX director is also a director of FEX)	-	6,000

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	(4,465,240)	(3,066,745)
Total comprehensive income	(4,465,240)	(3,066,745)

NSX Limited
Notes to the financial statements
30 June 2020

Note 32. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	11,581,272	2,445,953
Total assets	11,581,272	2,445,953
Total current liabilities	770,068	118,460
Total liabilities	2,811,402	118,460
Equity		
Issued capital	56,583,101	49,378,875
Options reserve	1,385,159	-
Accumulated losses	(51,758,283)	(47,051,382)
Total equity/(deficiency)	<u>6,209,977</u>	<u>2,327,493</u>

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 Exchange. The parent entity has not entered into a deed of cross guarantee.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
NSX Private Market Pty Limited	Australia	100.00%	100.00%
BSX Systems Pty Limited	Australia	100.00%	100.00%
National Stock Exchange of Australia Limited	Australia	100.00%	100.00%
NSX Services Limited	Australia	100.00%	100.00%
Subsidiaries of National Stock Exchange of Australia Limited		-	-
NSX Clearing Nominees Pty Limited	Australia	100.00%	100.00%

Note 34. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
ClearPay Pty Ltd	Australia	41.00%	-

Note 34. Interests in joint ventures (continued)

On 20 February 2020 NSX and iSignthis Limited (ISX) announced that they had entered into a Shareholders Agreement to form a joint venture vehicle, ClearPay Pty Ltd ("ClearPay JV). The purpose of the joint venture is to develop a multi-currency, real-time, same day DvP platform called ClearPay. The system will initially be utilised alongside with the National Stock Exchange of Australia's ("NSXA") current post-trade arrangements where appropriate. However, the NSXA, NSX's wholly owned subsidiary market operator, intends to ultimately process all transactions via the new platform.

NSX initially invested \$3.2 million for a 41% stake in ClearPay JV, with ISX owning the remaining 59%. ClearPay JV will engage Probanx Solutions Pty Ltd (Cyprus), a wholly owned subsidiary of ISX, to build a DvP platform to be used by NSXA initially. ISX will be contributing intellectual property and its subsidiary, Probanx Solutions Ltd, will be designing and developing the DvP platform for a fee, including the integration into ISXPay® and Paydentity™ platforms. Further, ISX (through its subsidiary Probanx Holdings Ltd) owned 12.94% of NSX after an investment of \$4.2 million in February 2020. Subsequent to year end, Probanx has acquired a further 4,000,000 shares in NSX increasing its relevant interest to 19.22%.

ClearPay JV shareholders as at 30 June 2020 are:

- NSX owns 35 shares in the company;
- ISX owns 50 shares of the company.

Management have concluded that under AASB 11 Joint Arrangements NSX has joint control of ClearPay JV and it should be classified as a joint venture for the following reasons:

- NSX has joint control of the ClearPay JV board as the Shareholder deed requires at least one NSX representative and one ISX representative at each Board meeting with a quorum of 2. Currently there are 2 Board members in total, NSX has one board member and ISX has one board member. This requires that the determination of decisions affecting the strategy and operations of ClearPay JV require unanimous agreement by the directors;
- The joint arrangement has been structured through a separate vehicle ClearPay JV;
- The contractual arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of ClearPay JV.

The second cash call would have seen NSX pay \$1.3 million for an additional 9% interest in the ClearPay JV. As announced on 26 May 2020, the NSX capital raising threshold needed to complete the additional 9% investment was not reached and as a result, the opportunity lapsed. Any future investment in the ClearPay JV will be determined by an independent valuation and formula as set out in the shareholders agreement.

Management note that if NSX's ownership percentage in the ClearPay JV were to significantly change or other circumstances regarding the investment should change a reassessment of control and classification as a joint venture would need to be completed.

The ClearPay JV will pay the Developer (Probanx Solutions Ltd: incorporated in Cyprus and a wholly owned subsidiary of iSignthis Ltd) \$4.5 million to develop the DvP Platform and 25% of the ClearPay JV monthly gross profits for the duration of the maintenance period (first two years from the date of the first commercial settlement of a security by a participant on the DvP Platform or "Operations Date"). At 30 June 2020 ClearPay JV has a contractual commitment for \$3.4 million to the Developer (Probanx Solutions Ltd). All transactions between the two entities are deemed to be on a commercial basis and at arm's length.

NSX Limited
Notes to the financial statements
30 June 2020

Note 34. Interests in joint ventures (continued)

Summarised financial information

	2020 \$
<i>Summarised statement of financial position</i>	
Cash and cash equivalents	<u>2,749,183</u>
Total assets	<u>2,749,183</u>
Current liabilities	<u>676,861</u>
Total liabilities	<u>676,861</u>
Net assets	<u><u>2,072,322</u></u>
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Other expenses	<u>(1,127,678)</u>
Loss before income tax	(1,127,678)
Other comprehensive income	<u>-</u>
Total comprehensive income	<u><u>(1,127,678)</u></u>
<i>Reconciliation of the consolidated entity's carrying amount</i>	
Opening carrying amount	-
Share of loss after income tax	(462,348)
Investment in ClearPay JV	<u>3,200,000</u>
Closing carrying amount	<u><u>2,737,652</u></u>

Note 35. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Impact of the Coronavirus (COVID-19)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the impact has been minimal for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

NSX Limited
Notes to the financial statements
30 June 2020

Note 37. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax expense for the year	(4,465,241)	(3,066,742)
Adjustments for:		
Depreciation and amortisation	553,265	141,293
Share of loss - joint ventures	462,348	-
Interest and other finance costs	168,626	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(63,313)	57,532
Decrease in trade and other payables	(349,186)	(446,688)
Decrease in other provisions	(16,274)	(337,624)
Increase in deferred income	370,346	-
Decrease in other current assets	220,119	-
Net cash used in operating activities	<u>(3,119,310)</u>	<u>(3,652,229)</u>

Reconciliation of cash

	2020	2019
Cash at end of the financial year as shown in the cash flow statement is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	3,116,981	1,994,211
Term deposits	<u>1,480,233</u>	<u>1,475,125</u>
	<u>4,597,214</u>	<u>3,469,336</u>

Non-cash Financing and Investing Activities

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

Note 38. Financial Market Fidelity Fund

As at 30 June 2020 the National Stock Exchange of Australia Limited Fidelity Fund had a balance of \$590,880 (2019: \$581,358). The National Stock Exchange of Australia Limited is the manager of the fidelity fund and the assets of the fidelity fund can only be used for the purposes prescribed in the Corporations Act 2001. The Board of National Stock Exchange of Australia Limited has waived the contribution fees for Participants.

Note 39. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax	(4,465,241)	(3,066,742)
Non-controlling interest	-	(408,990)
Loss after income tax attributable to the owners of NSX Limited	<u>(4,465,241)</u>	<u>(3,475,732)</u>

Note 39. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>205,915,598</u>	<u>167,755,325</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>205,915,598</u>	<u>167,755,325</u>
	Cents	Cents
Basic earnings per share	(2.17)	(2.07)
Diluted earnings per share	(2.17)	(2.07)

Note 40. 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 consolidated entity by NASDAQ Group and the ASX Settlement CHES settlement systems, which are licensed to the consolidated entity by the Australian Securities Exchange Limited.

NSX Limited
Directors' declaration
30 June 2020

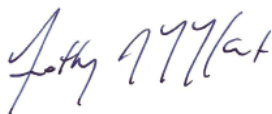
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Tim Hart
Director



Kelly Humphreys
Director

28 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NSX LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of NSX Limited and its controlled entities (the company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of NSX Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which describes management's assessment of the entity's ability to continue as a going concern. The entity is currently in a net asset position of \$6.210m after recognising a loss in the current year of \$4.465m and cash outflows from operating activities of \$3.119m. Our opinion is not modified in respect of this matter.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matters described below to be key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Valuation Classification of cash held for compensation arrangements and existence of investments

Why significant

Under compensation arrangements, NSX Limited must maintain a minimum level of cash available for immediate use in the event of a claim. This cash is held on a short-term basis in term deposits.

NSX Limited classify these term deposits as a current financial asset, regardless of the term invested.

The cash deposits amount to \$1.2m and are disclosed as Financial Assets in the Balance Sheet and included in Cash and Cash Equivalents for the purpose of the Consolidated Statement of Cash Flows. This includes a Term Deposit for \$700,000 within National Stock Exchange of Australia Limited and an established bank guarantee backed by a term deposit of \$500,000 as noted in Note 30.

Given the nature of the judgement required in the accounting treatment, we consider this be a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Discussions with management to determine their basis for classification as a current financial asset. Management of NSX Limited provided a detailed basis for classification, supported by reference to Australian Accounting Standards.
- Reviewing management's basis for the classification against the requirements of Australian Accounting Standards, while also taking into consideration the intent of Chapter 7, Part 7.5 of the Corporations Act 2001 which sets out requirements for a compensation regime, and the nature of approved compensation arrangements.
- Assessing whether NSX Limited has an unconditional right to call the deposit at their discretion.

Key Audit Matters (cont'd)

2. Joint Venture Accounting

Why significant

NSX Limited holds 41% of the shares in ClearPay Pty Ltd with the other 59% being held by iSignthis Ltd.

At 30 June 2020 iSignthis Ltd owns 17.66% of the shares in NSX Limited, as a result of investment totalling \$5.7m during the year, and is deemed to be a related party of NSX Limited.

The directors and management have determined joint control exists and, in accordance with AASB 11 Joint Arrangements, have assessed the relationship as a Joint Venture. As a result of this judgement, the joint arrangement has been accounted for using the equity method in accordance with AASB 128 Investment in Associates and Joint Ventures

Should any of the conditions set out in Note 2 vary, it could alter the relationship between NSX Limited ClearPay Pty, and result in alternate classification and accounting treatment.

Given the nature of the judgement required in the accounting treatment, we consider this be a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Reviewing the terms and nature of the agreement between both parties to determine whether control exists at 30 June 2020.
- Reviewing management's assessment of the joint arrangement and appropriate accounting treatment.
- Assessing the completeness and appropriateness of the disclosures in Note 6 and Note 34.
- Verifying the initial cost of investment and vouching subsequent share of losses in the joint venture at the reporting date.

Key Audit Matters (cont'd)

3. Transition to AASB 16 Leases

Why significant

The Group adopted AASB 16 Leases with a date of transition at 1 July 2019.

As of 30 June 2020, the Group's Consolidated Statement of Financial Position reported right-of-use assets of \$2.256m and lease liabilities of \$2.575m.

The transition to AASB16 Leases involves a number of key judgements and estimates, which are detailed in Note 2.

Accordingly we have recognised the transition to AASB16 Leases as a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Reviewing the accounting entries on transition to AASB 16 Leases at 1 July 2019.
- Reviewing underlying lease data by agreeing leases to original contract documentation.
- Recalculating the right of use asset and related lease liabilities at 1 July 2019 and 30 June 2020.
- Assessing reasonableness of management estimates and judgements including of key variables such as incremental borrowing rates and depreciation rates applied in the year to 30 June 2020.
- Considering indication for any impairment to the carrying value of right of use assets.
- Assessing the completeness of reported lease liabilities by testing the reconciliation to the Group's operating lease commitments at 30 June 2019, and by investigating key service contracts to assess whether they contained a lease under AASB 16.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

Other Information (cont'd)

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2020.

In our opinion, the Remuneration Report of NSX Limited for the period ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A 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.



PKF



PAUL PEARMAN
PARTNER

28 AUGUST 2020
SYDNEY

NSX Limited
Shareholder information
30 June 2020

The shareholder information set out below was applicable as at 18 August 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of ordinary shares partly paid	Number of holders of options over ordinary shares
1 to 1,000	33	-	-
1,001 to 5,000	127	-	-
5,001 to 10,000	95	-	-
10,001 to 100,000	217	1	21
100,001 and over	89	2	19
	<u>561</u>	<u>3</u>	<u>40</u>
Holding less than a marketable parcel	<u>163</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
PROBANX HOLDINGS LTD	49,449,033	19.22
CROSS STRAIT DEVELOPMENT FUND CO LIMITED	26,271,185	10.21
SHKL GROUP LIMITED	24,285,000	9.44
UBS NOMINEES PTY LTD	22,171,041	8.62
UNITED CAPITALS LIMITED (CR2310085 A/C)	21,949,145	8.53
WELLPOINT INC LIMITED (CR 1972550 A/C)	19,848,888	7.71
EXCHANGE TECHNOLOGY INVESTMENTS PTY LTD	18,066,132	7.02
GOWING BROS LTD	10,000,001	3.89
AUSTRALIAN MINING GROUP LTD	7,432,500	2.89
MR ANTONY WILLIAM PAUL SAGE (EGAS SUPERANNUATION FUND A/C)	4,000,000	1.55
OSSA PTY LTD (OSSA SUPERANNUATION FUND A/C)	3,278,688	1.27
LACHMAC PTY LTD	2,500,000	0.97
WOOLWICH HOLDINGS PTY LTD (THE J DEACON SUPER FUND A/C)	2,266,676	0.88
MR DAVID ANDREW DEACON	2,186,676	0.85
BANNABY INVESTMENTS PTY LIMITED (BANNABY SUPER FUND A/C)	2,000,000	0.78
AREION TRADING CO PTY LTD (KG FAMILY A/C)	1,943,541	0.76
MR JOHN JOSEPH RYAN	1,900,000	0.74
WCAB PTY LTD	1,500,000	0.58
M A O'BRIEN MEDICAL PTY LTD (M A O'BRIEN MEDICAL PL SF AC)	1,500,000	0.58
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,432,260	0.56
	<u>223,980,766</u>	<u>87.05</u>

Unquoted equity securities

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.

NSX Limited
Shareholder information
30 June 2020

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
PROBANX HOLDINGS LTD	49,449,033	19.22
CROSS STRAIT DEVELOPMENT FUND CO LIMITED	26,271,185	10.21
SHKL GROUP LIMITED	24,285,000	9.44
UBS NOMINEES PTY LTD	22,171,041	8.62
UNITED CAPITALS LIMITED (CR2310085 A/C)	21,949,145	8.53
WELLPOINT INC LIMITED (CR 1972550 A/C)	19,848,888	7.71
EXCHANGE TECHNOLOGY INVESTMENTS PTY LTD	18,066,132	7.02

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Partly paid shares

Each partly paid share is entitled to one vote on a pro-rata 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.

There are no other classes of equity securities.