



NZX

**2010 ANNUAL
REPORT**



CONTENTS

Chairman's Report	4
Chief Executive's Report	6
Board of Directors	10
Corporate Governance	12
Key Performance Features	16
Financial Statements	22
Notes to the Financial Statements	29
Market Supervision	75
Statutory Information	76
Directory	86

CHAIRMAN'S REPORT

A core function of good governance is ensuring the economic interests of shareholders are well represented. When macroeconomic winds blow favourably, observers may be excused for thinking that this task almost takes care of itself. When conditions are adverse - as they were throughout 2010 - it is a much bigger challenge to deliver strong financial results. This is even more the case for NZX, when the perception of our performance, and our share price, are so linked - and not always rationally - to the performance and sentiment surrounding equities markets as a whole.

NZX has demonstrated that it can deliver excellent free cash flows under global and local economic conditions that were far worse than many predicted. In 2010 NZX has delivered free cash flow from operations of \$17.1 million.

Some of this cash has been ascribed to the buy-back of NZX shares. The buy-back programme was undertaken when, in the Board's view, the NZX share price was at a level where the repurchase of shares provided value to NZX and remaining shareholders. The programme yielded upwards of 3.2 million NZX shares at an average price of \$1.54 per share.

The NZX Board expects the free cash flow from operations to continue to grow, and to be significantly augmented by the settlement from the TZ1 Environmental Registry transaction with Markit expected around July 2012, if that transaction is settled in cash rather than Markit shares.

The NZX balance sheet is very strong: cash positive to fund growth initiatives and cover expenses, debt at appropriate levels,

and with the strength to continue to invest in the business.

There are real catalysts for an even stronger 2011. Business confidence is trending upward, more effective regulation is on its way, and listing prospects look positive. The continued strength in agricultural markets is gaining momentum, and rational conversations are occurring about the benefits to New Zealand, and the ability of New Zealanders (who have been almost alone in first world economies in not having it), to choose to have an additional, direct exposure to State Owned Enterprises, alongside the stake they already have as taxpayers. The Air New Zealand model - which has worked so well - is one that is completely in the long-term national interest, the interest of the companies concerned, and is well suited to the New Zealand environment.

From a shareholder perspective, much of 2010 was focused on building a base for a continuation of strong shareholder returns. Your Board has confidence that these will come from clearing and derivatives, and from the recognition that agricultural markets have a legitimate, and significant, place amid the more mainstream market activity by which NZX continues to be measured.

The strength of the diversified franchise now is such that NZX's returns and free cash flow, delivered in a period of anaemic equity markets, are sustainable. There is real operating leverage and margin expansion is expected from any bounce in equity market activity over the coming years. Also during this period, we look forward to the realisation of the vision which led to our investments in our grain and derivatives businesses, and their

performance as stable, positive contributors to the bottom line.

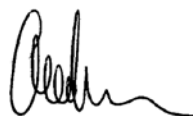
On a broader governance note, there were calls from a few quarters in 2010 for NZX to mandate gender balance on listed company boards as a means of addressing the dearth of female representation at governance level in New Zealand business. But our belief is that before mandating affirmative action for boards (in other words, a “push”) there needs to be more of a “pull” from the corporate sector.

NZX currently has seven directors, all of whom are men. At the same time NZ Clearing Corp has three directors, including two independents. The Chair and the NZX management appointee are both women. Smartshares has a three-person, all female Board. Within NZX’s senior management team, our Heads of Markets and Risk, Market Supervision, Subscription Products and Corporate Office, Corporate Counsel and Company Secretary are all women. Women are also well represented at the next level relative to their male counterparts. A number of NZX’s senior women are gaining governance experience through directorships with NZX subsidiaries. This will serve NZX - and the listed company sector - well in future.

NZX is convinced of the benefits of diversity of background, and of thinking, in developing and executing a strategy, particularly in uncertain, volatile and rapidly changing environments. NZX also looks to hire from a variety of international and business backgrounds and academic disciplines. NZX has benefited from successfully recruiting from the overseas market to bring talented New Zealanders back to impactful local positions.

In the wider governance landscape, we can also look at the practice of companies offshore, where CEOs and senior executives from other companies, rather than only professional directors, are appointed to Boards. This practice would present New Zealand with a relatively deep pool of talented women who could bring a different approach to Boards.

The NZX Board’s thanks again go to our Chief Executive and management team for their dedication, hard work and commitment to the group. A special thank you also to Pip Dunphy and Peter Lockery for their invaluable work as independent directors (and Pip as Chair) of our clearing house operations, through the launch period and subsequently.



Andrew Harmos
Chairman

CHIEF EXECUTIVE'S REPORT

2010 was, without question, the hardest year in my time with NZX - as we predicted it would be. The four key focuses for the year were as follows:

1. Integrating the five companies acquired in 2009, with all the infrastructure, systems, people and cultural adjustments this entailed;
2. Launching a once in a generation fundamental change to the way risk is managed, and funds are moved in the exchange markets in New Zealand, via the Clearing House;
3. Launching the first new market (the NZX Derivatives Market) in the decade since the NZDX - the NZX Debt Market - was established; and
4. Delivering solid financial results in a year burdened by both high project costs, and an external environment that was unfavourable in virtually every respect.

The goal for the year was to end 2010 with the base of the organisation (infrastructure, products, people) established, and for the company to be positioned for a very strong 2011-2015.

Over the close to eight years since being listed, NZX has delivered Total Return to Shareholders of 18.9% (per annum). But to sustain this over the next eight years required some fundamental changes to our organisational shape, our platforms and our product sets. While getting all this done in one year stretched the organisation as never before - and while we, to be sure, made some mistakes on the way through - we are in great shape to deliver similar results for the next decade.

In terms of our 2010 results, the first "clear" quarter of purely operating focus (i.e. no transformative sized projects) was Q4.

The close of 2010 showed very strong momentum, illustrated by:

- ▶ An EBITDAF result of \$12,337 million in the second half of the year compared with \$8,555 million in the first half; and
- ▶ Rigorous cost control, coupled with the completion and implementation of major projects.

The above results demonstrate that NZX is truly an integrated information, markets and infrastructure company, not merely a "stock exchange". Markets are our core business: agriculture, equities, bonds, derivatives, energy. The information that feeds into, and is generated by, those markets supports them and helps them grow. Infrastructure - both technological and regulatory - ensures the ongoing health and integrity of our markets.

So whilst equities remain central to NZX, they are not the sole player on the pitch. There is a whole team of match fit, highly specified market products ready to take on the best that the rest of the world can throw at us - and they are already showing positive signs.

EQUITIES MARKETS

From a shareholder perspective, there are some key facts about our equities markets that are not typically taken into account when the prospects for our business are considered. The first of these is market quality. Research in 2010 from the Capital Markets Co-operative Research Centre in Australia gave evidence that the "leakage" of information in NZX markets is at lower levels than occurs in Australia - a key indicator as to the levels of insider trading activity. That fact should speak for itself in terms of NZX's regulatory functions, yet it remains mute.

Second, spreads. The Capital Markets Development Taskforce showed that for companies under half a billion dollars market capitalisation, our spreads are better than those for equivalent companies on the ASX. For investors, this means a better deal both buying and selling shares.

Third, liquidity. For companies of similar size, the New Zealand market has better liquidity than the ASX.

Fourth, analyst coverage. Companies on the New Zealand market are researched a lot more consistently and thoroughly than similar sized stocks in Australia and the US. An example is Abano Healthcare - a company with a market capitalisation of \$80 million that has three analysts dedicated to covering its stock. Where else in the world would you see that level of coverage for a company this size? While more research coverage would be great, local NZX participant firms do bend their backs to support our local companies.

Fifth, growth. Excluding Australian-owned banks and the minerals sector, the CMDT showed that our market has matched the ASX for growth.

Sixth, equity listings. It is no secret that in the wake of the global financial crisis, many companies altered their growth ambitions. Secondary capital raisings and debt issues, on the other hand, have been alive and well at a time when banks have largely been guarding their corporate safes. There are healthy signs this is beginning to change as New Zealand grows out of the crisis.

And last, innovation. Imminent changes to securities law will clear the way for NZX to innovate at the smaller end of the market, with new market structures better tailored to our corporate landscape.

In the global arena, competition in the exchange landscape - and the driver for consolidation - is the cash equities business. It has become a highly competitive, capital intensive business in the mega-markets such as the US and Europe.

This scenario is not dissimilar to the media industry, where big names like the Herald Tribune in large markets are subject to attack from all sides and have struggled to sustain thriving businesses, while niche players such as the Huffington Post or our own Farmer's Weekly, with different business models (purely electronic in its DNA, or totally, and locally, connected to its readership, as the case may be) are surviving and thriving.

For NZX, the future is bright in this area. The global exchange machinations have two broad, long-term implications.

1. Exchanges are businesses, and increasingly viewed as such in markets with multiple providers; and
2. The value uplift globally is in clearing, derivatives and commodities - areas into which NZX has made early moves.

DERIVATIVES MARKETS

Agricultural markets - unlike other sectors replicated elsewhere in the world - represent our opportunity to build something that is unique, globally distinctive and will have a permanent New Zealand "edge" that no one else can replicate. They will also provide a robust base around which human capital will congregate with the express purpose of taking New Zealand dairy markets to the world.

To date there has been interest in New Zealand dairy derivatives from non NZ Inc. companies who have made rational decisions

to shoulder the cost of joining our market, configuring their technology to fit and meeting strict compliance criteria because they recognise the potential of New Zealand dairy futures for the industry. We look forward to welcoming New Zealand based institutions to this market.

Dairy futures - and futures and options more broadly - give us the ability, that cash equities cannot, to bring product to market on a planned timetable.

They bring with them annuity revenue streams in clearing and trading participation, and to date we have signed on five new data vendors who will, over time, generate significant new data terminal connections for NZX.

For our stakeholders, this is a critical part of "making the base of NZX work harder". It is also the means by which NZX can continue to support a long-term approach to equities, bonds and other more mainstream market products.

In 2010 NZX connected brokers, launched a market and launched a product; at this stage we are ahead of the rest of the world on dairy futures trades, and have better spreads. Our aim is to keep it that way.

INFORMATION: FEEDING MARKETS

Despite our scale, NZX is a global leader in the provision of market information. At a time when most mainstream exchanges were focussing on the gold mine that was equities markets, NZX focussed on the tools to dig in that goldmine. The reason was simple: we cannot control the supply of gold, but as long as there is enough of it (which remains the case), the tools are worth selling.

There is a similar story in a lot of other industries. Airlines are one such example, where seatmakers and designers benefit from globalisation and competition - even if the airlines themselves

do not always benefit in all stages of the cycle. NZX has simply moved early.

We have also moved early in the agricultural information space. Coming up to two years after the purchase of our Feilding-based agricultural information business, commentators are still scratching their heads, but the results are coming through in the P&L and in the strategy, where having knowledge and interest directly into the sector separates NZX from the purely "quant" derivatives exchanges overseas - and gives significant customer credibility.

The fact remains that agricultural markets are central to New Zealand's economy. The information, and informed commentary, that drive those markets are as key to agricultural markets' development as they are for any other market. New Zealand's agriculture is unique in the world - and the world is beginning to recognise that. This is something to be excited by, to be proud of, not to yield willingly to other regions because we simply assume - often by default - that they can do it better than we can. They cannot.

As markets grow, so does the demand for information. And as demand grows, the information becomes more valuable. NZX's long-term position in information is strong, with information sales poised to benefit from dairy futures' success.

CLEARING: CRITICAL INFRASTRUCTURE

The massive investment that was the clearing house (NZ Clearing Corp) is now operational and bedded in. NZ Clearing Corp has as removed a lot of the capital and systemic risk from the market already. It is the equivalent of a scientific "Big Bang" for our markets: a fundamental shift after 20 years of running certain types and vintages of systems and business processes, and accepting certain levels of financial risk.

NZ Clearing Corp is performing well financially, with market participants already starting to use its stock lending capability to complement their long positions with short, which contributes to liquidity. Its Board, chaired by Pip Dunphy, is doing an excellent job.

CAPABILITY

NZX's core systems now lead the world for uptime. In fact, we have not had one second's outage in our equities markets in the last five years, which is an extraordinary performance when compared with the 23 downtimes in 2003 and 2004, before we changed architecture and approach.

NZX has built considerable talent and capability in the technology, agricultural and broader markets areas, coupled with strong commercial execution skills that will stand us in good stead for the future, and enable us to capture the value from anticipated shifts in market structure and sentiment.

CAPITAL MANAGEMENT

The decision to repurchase NZX shares in 2010 was driven by sound capital management principles and shareholder returns, and the buyback was well executed against those principles. NZX has raised about \$55 million in new equity from the market over the last seven years at good cost of capital. Now we are not in need of further capital, having completed large technology projects and made strategic acquisitions, so we are in a position of cash flow confidence. The share buyback was made at an average price of \$1.54.

NEAR TERM OUTLOOK AND FOCUS

For 2011, shareholders should expect to see NZX focusing on putting to work the very solid base we have established in information, markets and infrastructure. Our eye on the cost line

remains unwavering in the move from projects to operations, as does our commitment to developing our people.

The base business portfolio of the organisation is set, our capability is at optimal levels, and we expect a period of strong earnings growth ahead.



Mark Weldon
CEO

BOARD OF DIRECTORS

ANDREW WILLIAM HARMOS

CHAIRMAN: LLB (Hons), BCom

Andrew Harmos is one of the founding directors of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. Andrew was formerly a senior partner of Russell McVeagh, which he left in 2002 after 21 years with that firm. He specialises in takeover advice and structuring, securities offerings, company and asset acquisitions and disposals, strategic and board corporate legal advice. He was appointed a Director of NZX in 2002, and prior to that has held a number of other listed

company directorships. He is currently a Director of ASX listed Westfield Retail Trust, Elevation Capital Management Limited, a fund manager, and Pascaro Investments Limited, a rural focused investment company. He is a trustee the McCahon House Trust, a trust that was established to restore and preserve artist Colin McCahon's house in French Bay, Auckland and to establish a residency for artists in his honour. He is also a trustee of the Arts Foundation of New Zealand.

ROD DRURY

BCA, HFNZCS

Rod Drury is CEO and founder of NZX-listed company Xero, an online accounting solution for small businesses. One of New Zealand's leading technology entrepreneurs, Rod is a member of the New Zealand Hi-Tech Hall of Fame, NZ Hi-Tech Entrepreneur of the Year in 2006 and 2007, World Class New Zealander for ICT

in 2008, an Honorary Fellow of the NZ Computer Society and is a member of Victoria University of Wellington Facility of Commerce Advisory Board.

Rod was a Director of TradeMe when it was sold to Fairfax Media.

JAMES BRUCE MILLER

BCom, FCA

James Miller was appointed by the Board on 27 August 2010.

James is a Director of Vector and Auckland International Airport. He was previously on the ABN AMRO Securities Board, INFINZ Board, and Financial Reporting Standards Board. He has recently retired as a Director and Head of NZ Wholesale Equities with Craigs Investment Partners in Auckland. James' relevant prior roles were Head of Equities at ABN AMRO; Head of Research at ABN AMRO and as a Research Analyst focusing on energy and infrastructure sectors with Barclays de Zoete Wedde (BZW). As such, he brings 14 years' experience in capital markets.

James is a qualified chartered accountant and is a Fellow of the Institute of Chartered Accountants of New Zealand, a Certified Securities Analyst Professional and an accredited Director of the Institute of Directors in NZ Inc. He holds a Bachelor of Commerce from Otago University and is a graduate of The Advanced Management Program, Harvard Business School (USA).

James is also a Director and Chairman of listed investment companies, Barramundi Limited, Kingfish Limited and Marlin Global Limited.

CHRISTOPHER JOHN DAVID MOLLER

BCA, Dip Acc, ACA

Chris Moller was appointed to the NZX Board on 14 May 2008 and was Chief Executive of the New Zealand Rugby Union (NZRU) until December 2007. During his time with the NZRU he jointly led New Zealand's successful bid to host the 2011 Rugby World Cup. He remains a director of Rugby New Zealand 2011 Limited, the joint venture between the New Zealand Government and the NZRU responsible for organising the 2011 tournament. Chris was appointed CEO of the NZRU following a long career in the dairy

industry, finishing as Deputy Chief Executive of Fonterra. Prior to that, Chris held a number of senior posts with the then New Zealand Dairy Board and in the finance and banking sectors, including being global CFO of the New Zealand Dairy Board for a number of years. Currently Chris is Chairman of Meridian Energy Limited and New Zealand Transport Agency. He is also a Director of Westpac New Zealand Limited, SkyCity Entertainment Group Limited and Rugby New Zealand 2011 Limited.

NEIL PAVIOUR-SMITH

BCA, CA, ACIS, FCFIP, MSDIA

Neil Paviour-Smith is Managing Director of Forsyth Barr Limited, a nationwide sharebroking and investment management firm, and a director of various related companies. He is also a Director of the New Zealand Institute of Chartered Accountants. Neil has over 20 years' experience in the New Zealand securities industry including prior roles as Head of Research at National Mutual Funds Management and Equities Manager at Westpac Investment Management.

Neil is an NZX Advisor, a Fellow of the Institute of Finance Professionals NZ Inc (INFINZ) and was Chairman of the NZ Society of Investment Analysts 1999-2001. He is a Member of the Institute of Chartered Accountants, the Institute of Directors, the Institute of Chartered Secretaries NZ and the CFA Institute and is an accredited Master Stockbroker of the Stockbrokers Association of Australia.

MARK RHYS WELDON

CHIEF EXECUTIVE: BA, BCom, MEcon (First Class Hons), Doc Jur, Dip Int'l Law (Hons)

Mark is the Chief Executive of NZX. Mark graduated from Auckland University with a Masters degree in Economics (First Class Honours), a Bachelor of Commerce and a Bachelor of Arts. Mark then studied at the Columbia University School of Law in New York, graduating in 1997 with a Juris Doctorate and a Diploma in International Law. Mark joined leading New York law

firm Skadden, Arps, Slate, Meagher & Flom as an attorney, then went on to work at the New York office of McKinsey & Company, where he specialised in stock exchanges, asset management and wholesale banking. Mark is also on the board of High Performance Sport New Zealand and Canterbury Grasslands Limited, a New Zealand dairy farm.

NIGEL HENRY MURRAY WILLIAMS

BCom

Nigel Williams has approximately 25 years' experience in New Zealand, Australian and other international capital markets, including his current role as Managing Director, Institutional Australia for the Australia and New Zealand Banking Group Limited based in Sydney. In this role he oversees the business and strategic focus of the Institutional Division's client relationships, products and services in Australia. Nigel is a Director of ETrade Australia and the Australian Financial Markets Association. He

is a past Chairman of Wellesley College, and past board member of Interchange Settlements Limited, various companies related with ANZ National Bank Limited, INFINZ and the AUT Business School. Nigel graduated from the University of Otago with a Bachelor of Commerce in Marketing, Accounting and Finance and has also attended advanced management training at the University of Michigan, USA and Oxford University, England.

CORPORATE GOVERNANCE

BEST PRACTICE

NZX is committed to ensuring it employs best practice governance structures and principles in keeping with Appendix 16 of the NZSX Listing Rules (the Rules) and the Corporate Governance Principles and Guidelines published by the Securities Commission.

NZX believes good governance starts at the top with the Board of Directors (Board), comprising individuals who are elected by shareholders.

BOARD

The Board is responsible for the overall direction and strategy of NZX. It appoints the Chief Executive and delegates the day-to-day operation of NZX's business to the Chief Executive. The Chief Executive implements policies and strategies set by the Board and is accountable to it. The Board has also made a direct delegation to the Head of Market Supervision in respect of NZX's regulatory functions.

The Board has established a Code of Ethics that provides a set of principles for Directors to apply in their conduct and work for NZX. The principles deal with managing conflicts of interest, the required skills of Directors, trading in NZX's shares, and maintaining confidentiality of information received in their capacity as Directors of NZX.

BOARD COMPOSITION

The Board currently comprises seven Directors, of whom six are non-executive Directors and also Independent as defined in Rule 1.6.1. The Independent Directors are Andrew Harmos (Chairman),

Rod Drury, James Miller (appointed 27 August 2010), Chris Moller, Neil Paviour-Smith and Nigel Williams. Mark Weldon, the Chief Executive, is the only non-Independent Executive Director.

In accordance with NZX's constitution and the Rules, one third of the Directors are required to retire by rotation and may offer themselves for re-election by shareholders each year. Nominations for Directors may also be made in accordance with NZX's constitution.

The Board holds regular scheduled meetings. An agenda and papers must be circulated at least five business days before each meeting to allow Directors sufficient time to prepare. The Board also holds ad hoc meetings to consider time sensitive or specific issues (including via teleconference).

The Board has access to executive management and key executive managers are invited to attend and participate in appropriate sessions of Board meetings.

COMMITTEES

The Board has three standing committees: an Audit and Risk Committee, an Appointments and Remuneration Committee, and a Policy, Stakeholder and Risk Committee. No additional remuneration is paid to any Director for additional duties associated with membership of any Committee.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates under Terms of Reference, which set out its role in assisting the Board with financial reporting and corporate financial matters. It may only

comprise Independent Directors and at least one member of the Audit and Risk Committee must have expertise in accounting. The members of the Audit and Risk Committee are: Neil Paviour-Smith (Chairman), Chris Moller and Nigel Williams.

The Audit and Risk Committee has a clear line of communication with the independent external auditor and the internal finance and audit team, and it may, at its discretion, meet with the independent auditor without company management being present.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee operates under Terms of Reference which set out its role. It assists the Board in reviewing the remuneration policies, practices and performance of NZX as they relate to the Directors including any committees that Directors may serve on, and also the remuneration and performance of the Chief Executive.

The Appointments and Remuneration Committee comprises entirely non-Executive Directors. The members of the Appointments and Remuneration Committee are Andrew Harmos

(Chairman), James Miller (appointed to the Committee in October 2010) and Chris Moller.

POLICY, STAKEHOLDER AND RISK COMMITTEE

The Policy, Stakeholder and Risk Committee operates under Terms of Reference which set out its role. Its purpose is to bring a systematic approach to: regulatory policy formation; ensuring appropriate governance structures and systems are in place for the management of external stakeholder and participant risks; and dealing with any other matters referred to it by the Board.

The Policy, Stakeholder and Risk Committee comprises Andrew Harmos (Chairman), James Miller (appointed to the Committee in October 2010), Chris Moller and Mark Weldon.

NOMINATIONS

Given the size of the Board, there is no Nominations and Succession Committee, and, the full Board is involved in the Director nomination process.

2010 NZX DIRECTORS' ATTENDANCE RECORD

Director	NZX Board Attendance
Andrew Harnos	8/8
Neil Paviour-Smith	8/8
Nigel Williams	8/8
Chris Moller	7/8
Rod Drury	8/8
James Miller	2/2 (appointed 27 August 2010)
Mark Weldon	8/8

Audit and Risk Committee Members	Audit and Risk Committee
Neil Paviour-Smith (Chair)	8/8
Nigel Williams	7/8
Chris Moller	8/8

Appointments and Remuneration Committee Members	Appointments and Remuneration Committee
Andrew Harnos (Chair)	2/2
Chris Moller	2/2
James Miller	1/1 (appointed to Committee in October 2010)

PSR Committee Members	Policy, Stakeholder and Risk Committee (PSR)
Andrew Harnos (Chair)	1/1
Chris Moller	1/1
Mark Weldon	1/1
James Miller	(no meeting since appointment to Committee)

Please note the 19 meetings held in 2010 comprised 8 Board meetings, 8 Audit and Risk Committee meetings, 2 Appointments and Remuneration Committee meetings and 1 Policy, Stakeholder and Risk Committee meeting.

- ▶ On a number of occasions the full board (excluding the Chief Executive) met as the Appointments and Remuneration committee and the full Board (excluding any conflicted directors) met as the PSR committee, in the course of scheduled Board meetings.
- ▶ Mark Weldon is not a member of either the Appointments and Remuneration or Audit and Risk committees but attended a number of meetings as an invited attendee.
- ▶ Andrew Harnos and James Miller are not members of the Audit and Risk Committee but attended meetings as invited attendees from time to time.
- ▶ Neil Paviour-Smith and Nigel Williams are not members of the Appointments and Remuneration Committee but attended meetings as invited attendees from time to time.
- ▶ James Miller was appointed a Director on 27 August 2010.

DISCLOSURE

NZX has internal procedures in place to ensure that key financial and material information is communicated to the market in a clear and timely manner. In addition to its disclosure obligations under the NZSX Listing Rules, NZX has adopted a quarterly reporting regime and produces operating metrics monthly. This additional information is intended to provide transparency and assist the market in evaluating NZX's performance. NZX also maintains a website which provides contact points for the public and is updated with information regarding NZX and its releases.

RISK MANAGEMENT

The Board is responsible for ensuring that key business and financial risks are identified and appropriate controls and procedures are in place to effectively manage those risks.

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2010 financial year no Director sought their own independent professional advice.

INSURANCE AND INDEMNIFICATION

NZX provides indemnity insurance cover to Directors and executive employees. This is explained further on page 78.

SHARE TRADING

NZX has adopted a formal Securities Trading Policy ("Policy") to assist with compliance in relation to insider trading prohibitions under the Securities Markets Act 1988. The Policy is modeled on the Listed Companies Association Securities Trading Policy and Guidelines and administered by NZX's Corporate Counsel. The NZX Securities Trading Policy ("Policy") restricts employee and Directors trading in a number of ways including:

- ▶ Prohibiting trading in NZX's securities during "black-out" periods set out in the Policy. These occur prior to the release to the market of NZX financial results and prior to the release to the market of any prospectus for a general offer of securities issued by NZX or a subsidiary of NZX.
- ▶ If a Director, officer or employee of NZX wishes to trade NZX securities outside a black-out period, that person must first apply, and obtain, consent from NZX's Corporate Counsel.
- ▶ If the Chief Executive wishes to trade NZX securities, additional arrangements including approval by the Chair of the Board apply.

Because of the nature of NZX's business, any employee who wishes to buy or sell any security listed on NZX's markets must follow the Policy and apply for consent to trade. This policy is reinforced through individual employment agreements.

GENDER AND DIVERSITY

NZX is convinced of the benefits of diversity of background, and of thinking, in developing and executing corporate strategy.

NZX is committed to ensuring a number of our senior female employees gain governance experience, both through directorships with NZX subsidiaries and, more broadly, through interaction with the Board.

This year, for the first time, NZX is including data on gender diversity within its corporate governance structure. NZX will continue to report against this in future years.

	Total number of persons	Gender balance
NZX Board	7	7 male

KEY OPERATING SUBSIDIARIES

New Zealand Clearing and Depository Corporation Limited	3	2 female (including chair), 1 male.
Smartshares Limited	3	3 female

CEO DIRECT REPORTS

Senior Management	10	6 female, 4 male
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Please note: information in table above is accurate at 31 December 2010.



KEY FEATURES
OF 2010 PERFORMANCE

DIVERSIFIED NZX DELIVERS STRONG PROFIT GROWTH IN A DIFFICULT YEAR

NZX's 2010 Preliminary Full Year Result shows strong growth in both revenue, at 17%, and EBITDAF, at 19%. This result is delivered against a backdrop of difficult market conditions.

In particular, a distinct upswing in revenues - supported by ongoing cost discipline - in the final quarter of 2010 has seen a very strong second half across the integrated information, markets and infrastructure businesses run by NZX. NZX now enters 2011 with strong topline and earnings momentum.

Contributions to this result have come from across the entire business, but most notably in the areas of agricultural information, clearing house participation, technology contracts and new product development.

Operating revenue in 2010 topped the \$50 million mark at \$50.2 million, compared with \$42.8 million the previous year. EBITDAF reached \$20.9 million as against \$17.6 million the previous year. Operating expenditure grew to \$29.3 million compared with \$25.3 million in 2009, but was managed to lower levels in Q4 following the completion of several large, capital-intensive projects.

This result demonstrates that NZX's strategy to become a truly integrated information, markets and infrastructure business is the right one. Delivering such a strong result to shareholders amid challenging external conditions, while focused on some once-in-a-decade new initiatives such as the Clearing House and our new derivatives market, shows that the integrated business model is working well.

NZX as a stock now represents a balanced exposure - on both

current cash flow and future upside - across the New Zealand capital markets and the Australasian soft commodity markets.

Continuing the commodities exposure available through NZX, the Clear Grain Exchange in Australia is demonstrating real momentum, with trading currently tracking at four times the levels reached in the previous harvest.

The NZX Board has declared a significantly increased FY 2010 dividend of 10 cents per share. The Board has approved a new dividend policy based on free cash flow, with dividends to be paid in 2011, 2012 and 2013 to increase by not less than one cent per share each year. The Board and management are confident of the sustainability of the dividend.

NZX has an integrated and complementary set of businesses that generate strong cash flow. NZX has now moved to a much lower capital intensity position, and it is appropriate to adopt a dividend policy that returns surplus cash to shareholders.

Allowing for sufficient retained earnings for appropriate bolt-on acquisitions at the \$5 to 10 million per annum level - should such be identified - the Board has assessed the new dividend to be appropriate, sustainable and in shareholders' best interests.

The 2010 dividend of 6.25 cents per share will be paid on 29 April 2011, to complement the interim dividend payment of 3.73 cents per share paid on 29 October 2010. In addition, beginning in June 2011, NZX's dividend will be paid quarterly, providing more consistent cash flow to shareholders.

NZX GROUP - SECTOR EXPOSURE AND CHARACTERISTICS

SECTOR

- ▶ NZX has evolved its business to provide a balanced investment into soft commodities and traditional capital markets (e.g. equity market transactions are less than 5% of revenue)
- ▶ NZX's soft commodities position is centered on markets and information in dairy and grain, in which New Zealand and Australia are global leaders. These are markets of global, not just local, importance

RETURN ON INVESTED CAPITAL

- ▶ Post the launch of the clearing house and derivatives market, and integration of acquisitions, NZX has transitioned into a low capital intensity, free cash flow story with a fixed cost base business model
- ▶ Free cash flow to grow at a faster rate than EBITDAF
- ▶ NZX's integrated business model now has high degrees of operational leverage, with, for example, a 15% increase in revenue off a flat cost base would result in a 36% EBITDAF increase

GROWTH

- ▶ Strong, growth prospects from existing major revenue streams, to double digits in 2011
- ▶ A number of value drivers and upside opportunities within the business

NZX 2010 FULL YEAR RESULT HIGHLIGHTS - FINANCIAL

OVERALL

- ▶ In a difficult year, with challenging external conditions in all business lines, NZX has delivered a very strong full year result with 19% EBITDAF growth

REVENUE

- ▶ Strong revenue growth of 17% from consistent delivery across all parts of the business
- ▶ Positive momentum built throughout 2010, with a strong 2H ending 2010 with a positive revenue outlook

EXPENSE

- ▶ Strong and consistent expense management in all operating areas
- ▶ Significant cost reduction in 2H, post project delivery

CAPITAL MANAGEMENT

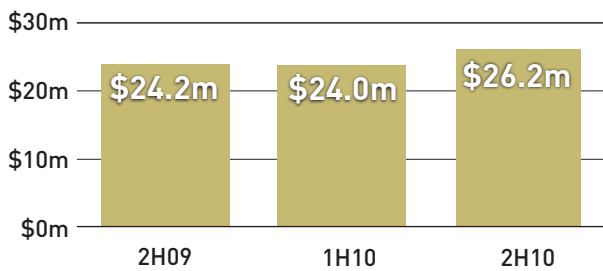
- ▶ Confidence in NZX's future cash flows has lead the NZX Board to declare a significantly higher dividend, which the Board is confident is sustainable
- ▶ Dividend of 10 cents per share declared for FY 2010, a 2.5 cents per share increase on previous policy
- ▶ Share buyback of 3.2M shares completed in 2010 at an average per share cost of \$1.54

CASH FLOW

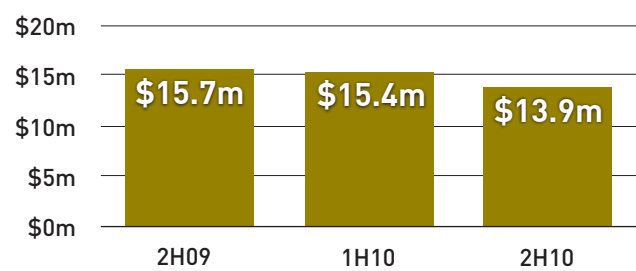
- ▶ Strong net operating cash flow of \$17.1M

HALF YEARLY OPERATING RESULT COMPARISON

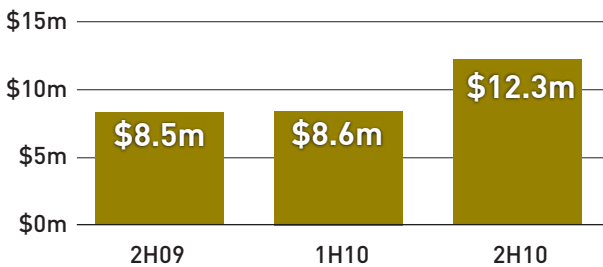
OPERATING REVENUE



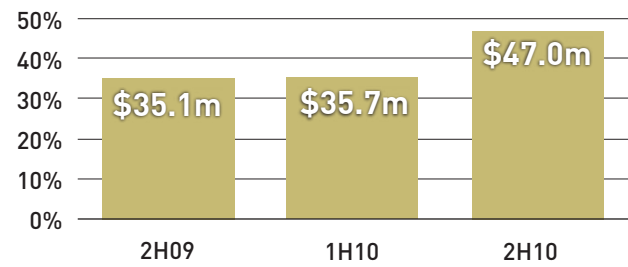
OPERATING EXPENDITURE



EBITDAF



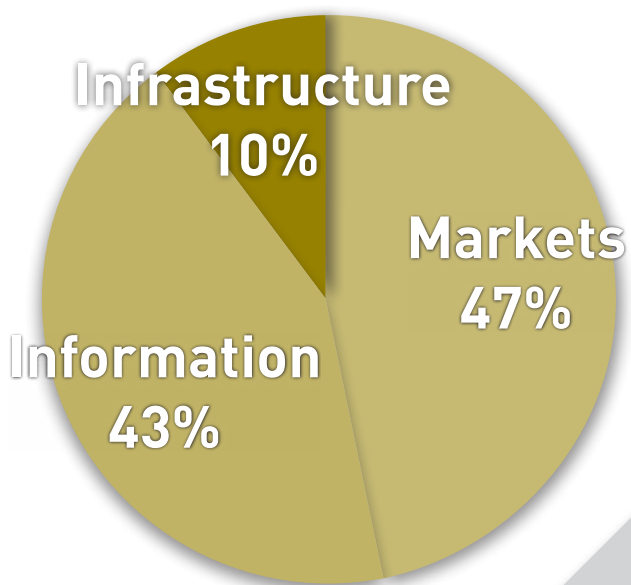
EBITDAF MARGIN



- ▶ 2H 2010 delivered the strongest operating result since the market shocks of 2008
- ▶ Strong improvement in both revenue and expense performance
- ▶ Good margin growth and strong cash flows due to the integrated nature of business and platforms

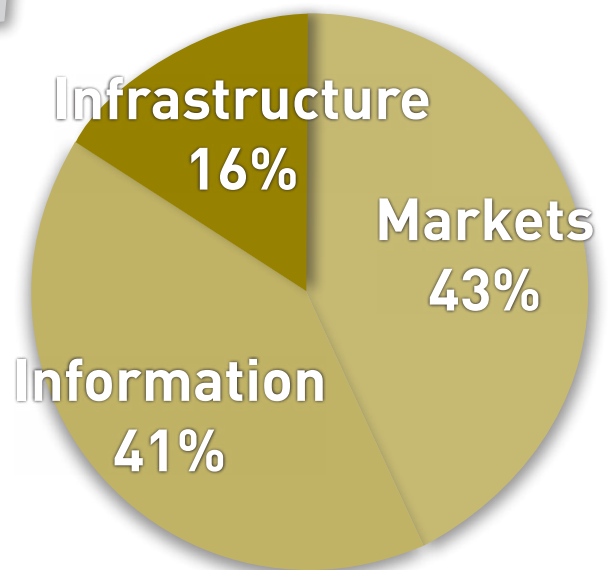
2009 VS 2010 REVENUE SNAPSHOT

2009 (TOTAL \$42.8M)



- ▶ Revenue growth delivered in each of the Information, Markets and Infrastructure areas
- ▶ Revenue mix changing as per strategic plan to higher quality, annuity revenue
- ▶ Revenue mix moving to a stable circa 40% Information, 40% Markets, 20% Infrastructure
- ▶ Reduced dependence on cash market transaction volumes (less than 5% of revenue)

2010 (TOTAL \$50.2M)





FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS' RESPONSIBILITY STATEMENT

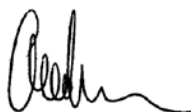
The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZX Limited and its subsidiaries ("NZX Group") as at 31 December 2010 and the results of their operations and cash flows for the year ended 31 December 2010.

The Directors consider that the financial statements of NZX Group have been prepared using accounting policies appropriate to NZX Group's circumstances, consistently applied and supported by

reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors are pleased to present the financial statements of NZX Group for the year ended 31 December 2010.

The financial statements were authorised for issue for and on behalf of the Directors on 28 February 2011.



A W HARMOS
Director and Chairman



N PAVIOUR-SMITH
Director and Chairman
of Audit Committee



M R WELDON
Director and
Chief Executive Officer

NZX LIMITED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue	4	50,228	42,805	34,881	32,503
Employee and related expenses	5	(15,414)	(13,750)	(8,296)	(9,187)
Other expenses	6	(13,922)	(11,499)	(7,169)	(6,751)
Profit before interest, income tax, depreciation, amortisation, and financial instruments		20,892	17,556	19,416	16,565
Loss on foreign exchange	8	(1,899)	(5,537)	(8)	(336)
(Loss)/gain on investment	19	(72)	4,794	(388)	4,643
Impairment expense	9	-	(2,353)	-	(4,126)
Disposal of TZ1 assets	10	-	31,500	-	-
Depreciation and amortisation expense	11	(4,693)	(2,902)	(3,443)	(1,794)
Interest income	12	642	819	314	774
Interest expense	12	(478)	(634)	(478)	(634)
Share of gain of associates accounted for using the equity method	19	199	181	-	-
Profit before income tax expense		14,591	43,424	15,413	15,092
Income tax expense	13(a)	(5,289)	(4,713)	(4,630)	(4,672)
Profit for the period attributable to shareholders		9,302	38,711	10,783	10,420
Earnings per share					
Fully diluted	3	7.50c	34.98c		
Basic	3	7.65c	35.30c		
Net tangible assets per share		32.99c	40.74c		

Statement of Comprehensive Income for the financial year ended 31 December 2010

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit for the period		9,302	38,711	10,783	10,420
Other comprehensive income					
Foreign currency translation differences		93	(189)	-	-
Total comprehensive income and expenses for the period		9,395	38,522	10,783	10,420

Notes to the financial statements are included on pages 29 to 73.

NZX LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group				
	Share Capital \$000	Retained Earnings \$000	Treasury Shares \$000	Translation Reserve \$000	Total Equity \$000
Balance at 1 January 2009	5,102	29,510	(143)	52	34,521
Profit for the period	-	38,711	-	-	38,711
Foreign currency translation differences	-	-	-	(189)	(189)
Distribution plan	5,530	(6,211)	-	-	(681)
Issue of shares	20,149	-	-	-	20,149
Share based payments	1,463	-	-	-	1,463
Shares cancelled	(143)	-	143	-	-
Balance at 31 December 2009	32,101	62,010	-	(137)	93,974
Balance at 1 January 2010	32,101	62,010	-	(137)	93,974
Profit for the period	-	9,302	-	-	9,302
Foreign currency translation differences	-	-	-	93	93
Distribution plan	4,518	(12,680)	-	-	(8,162)
Issue of shares	379	-	-	-	379
Share based payments	233	-	-	-	233
Share buyback	(4,969)	-	-	-	(4,969)
Redemption of shares	(50)	-	-	-	(50)
Balance at 31 December 2010	32,212	58,632	-	(44)	90,800

Notes to the financial statements are included on pages 29 to 73.

NZX LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(cont.)

	Parent			Total Equity \$000
	Share Capital \$000	Retained Earnings \$000	Treasury Shares \$000	
Balance at 1 January 2009	9,492	32,441	(143)	41,790
Profit for the period	-	10,420	-	10,420
Distribution plan	5,530	(6,211)	-	(681)
Issue of shares	20,682	-	-	20,682
Share based payments	240	-	-	240
Share cancelled	(143)	-	143	-
Balance at 31 December 2009	35,801	36,650	-	72,451
Balance at 1 January 2010	35,801	36,650	-	72,451
Profit for the period	-	10,783	-	10,783
Distribution plan	4,518	(12,680)	-	(8,162)
Issue of shares	2,468	-	-	2,468
Share based payments	(240)	-	-	(240)
Share buyback	(4,969)	-	-	(4,969)
Redemption of shares	(1,078)	-	-	(1,078)
Balance at 31 December 2010	36,500	34,753	-	71,253

Notes to the financial statements are included on pages 29 to 73.

NZX LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current assets					
Cash and cash equivalents	14(a)	28,159	35,822	4,647	28,513
Receivables and prepayments	15	6,938	6,283	4,652	4,258
Other financial assets		2,054	2,409	6,343	6,110
Total current assets		37,151	44,514	15,642	38,881
Non-current assets					
Investments accounted for using the equity method	19	3,942	4,129	3,373	4,082
Investments in subsidiaries	30	-	-	36,232	21,381
Investment in equities	10	27,772	29,654	-	-
Property, plant and equipment	16	1,465	1,852	1,216	1,602
Current tax receivable/(payable)	13(b)	642	375	(541)	(1,189)
Goodwill	17	13,249	13,878	7,720	7,720
Other intangible assets	18	36,612	35,011	30,378	27,826
Total non-current assets		83,682	84,899	78,378	61,422
Total assets		120,833	129,413	94,020	100,303
Current liabilities					
Trade payables	20	2,067	3,521	1,177	2,806
Other liabilities	21	19,453	10,819	9,342	8,905
Deferred tax liability/(asset)	13(c)	1,477	(177)	1,622	(21)
Intercompany payable/(receivable)		-	-	3,590	(2,756)
Bank loan	22	7,036	18,918	7,036	18,918
Total current liabilities		30,033	33,081	22,767	27,852
Non-current liabilities					
Other liabilities	21	-	2,358	-	-
Total non-current liabilities		-	2,358	-	-
Total liabilities		30,033	35,439	22,767	27,852
Net assets		90,800	93,974	71,253	72,451
Equity					
Share capital	26	32,212	32,101	36,500	35,801
Retained earnings	28	58,632	62,010	34,753	36,650
Foreign currency translation reserve		(44)	(137)	-	-
Total equity attributable to shareholders		90,800	93,974	71,253	72,451

Notes to the financial statements are included on pages 29 to 73.

NZX LIMITED

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash flows from operating activities					
Receipts from customers		50,464	43,296	34,956	33,978
Interest received/(paid)		208	173	(114)	118
Payments to suppliers and employees		(29,658)	(22,793)	(15,647)	(13,985)
Income tax paid	13	(3,902)	(5,046)	(3,635)	(4,641)
Net cash provided by operating activities	14(b)	17,112	15,630	15,560	15,470
Cash flows from investing activities					
Payment for property, plant and equipment		(374)	(938)	(162)	(655)
Payment for other assets		(6,531)	(17,720)	(4,716)	(17,106)
Payment for investments		(843)	(7,374)	(9,440)	(12,616)
Receipt of/(payment of) funds held on behalf		7,561	(225)	(520)	(225)
Net cash used in investing activities		(187)	(26,257)	(14,838)	(30,602)
Cash flows from financing activities					
Proceeds from issues of shares		4,943	25,325	4,943	25,325
(Repayment of)/proceeds from bank loan		(11,882)	18,918	(11,882)	18,918
Dividends paid	29	(12,680)	(6,211)	(12,680)	(6,211)
Share buyback	26	(4,969)	-	(4,969)	-
Purchase of treasury stock		-	143	-	143
Net cash (used in)/provided by financing activities		(24,588)	38,175	(24,588)	38,175
Net (decrease)/increase in cash and cash equivalents		(7,663)	27,548	(23,866)	23,043
Cash and cash equivalents at the beginning of the financial year		35,822	8,274	28,513	5,470
Cash and cash equivalents at the end of the financial year	14(a)	28,159	35,822	4,647	28,513
Comprising of:					
NZX funds		19,295	34,520	3,865	27,211
Funds held on behalf		8,864	1,302	782	1,302
Total cash and cash equivalents at the end of the financial year		28,159	35,822	4,647	28,513

Notes to the financial statements are included on pages 29 to 73.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

NZX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

NZX Limited ("NZX" or "Parent") is New Zealand's only Registered Exchange. NZX and its subsidiaries (the "Group") are in the business of providing information, markets and infrastructure in securities, energy and agricultural areas, and making investments in areas related to these.

NZX is a for-profit listed public company incorporated in New Zealand, and registered under the Companies Act 1993.

The full year consolidated financial statements of NZX as at, and for the twelve months ended, 31 December 2010 comprise the Group and the Group's interest in associates. NZX is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards as appropriate for profit-orientated entities.

BASIS OF PREPARATION

All monetary values are in thousands of New Zealand Dollars (NZD), which is the Group's functional currency, unless otherwise noted. The financial statements have been prepared on the basis of historical cost, except for available-for-sale financial assets and financial assets designated at fair value through profit or loss, which are stated at fair value. The method used to measure fair value is specified in note 1(h).

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which

ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

PRINCIPLES OF CONSOLIDATION

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being NZX and its subsidiaries as defined in NZ International Accounting Standard ("IAS")-27: Consolidated and Separate Financial Statements. A list of subsidiaries appears in note 30 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In determining the fair value of assets acquired, NZX assesses identifiable intangible assets including brands, intellectual property, software, and any other identifiable intangible assets using recognised valuation methodologies and with reference to suitably qualified experts. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to the Income Statement in the period of acquisition.

Subsidiaries are all entities over which the Group has control, generally accompanying a shareholding of more than 50% of the voting rights. The Group financial statements include the information and results of each subsidiary from the date on which NZX obtains control and until such time as NZX ceases to control such subsidiary.

In preparing the Group financial statements, all intercompany balances and transactions, and unrealised profits arising within the NZX Group are eliminated in full.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2010, and the comparative information presented in these financial statements for the year ended 31 December 2009. The accounting policies have been applied consistently by Group entities.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where the accounting policies of associates differ from the Group, adjustments to ensure consistency with the policies adopted by the Group are made.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The specific revenue recognition criteria for the classes of revenue are as follows:

Information

Information revenue includes revenue for the provision of both securities and agricultural related information. Revenue is recognised over the period the service is provided.

Markets

Markets revenue includes four broad categories.

The first is issuer services. Issuer services revenue consists of revenue from annual listing fees, initial listing fees and subsequent capital raisings. Initial and subsequent listing fees

are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the period the service is provided.

The second category is trading fees from the trading of debt and equities, derivatives, energy and commodities. Fees for the trading of debt and equities, derivatives, electricity and commodities are recognised at trade date.

The third category is revenue for the provision of fund services. Revenue from the provision of fund services is recognised when the services are rendered.

The fourth category is revenue from participant services. This revenue consists of annual participant fees and initial participant fees. Initial participant fees are recognised when the application has taken place. Annual participant fees are recognised over the period the service is provided.

Infrastructure

Infrastructure revenue includes fees for the clearing and settlement of debt, equities and derivatives; provision of energy post-trade systems; technology services and advisory and related services.

Fees for debt and equity clearing and settlement are recognised at settlement date. Market convention is for settlement to occur three days after initial trade date. Fees for derivatives market clearing and settlement are recognised at trade date.

Revenue from the provision of energy post-trade systems and technology services and advisory and related services is recognised over the period the service is provided.

Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(b) Significant estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. The notes include details of the nature and carrying amount of the affected assets and liabilities at the balance sheet date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects

only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Exchange differences arising from the translation of the carrying value of the net investment in the Group's foreign associates are recognised in the foreign currency translation reserve.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on property, plant and equipment.

Depreciation is recognised in the Income Statement and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

▶ Computer equipment	3 – 7 years
▶ Furniture and equipment	3 – 10 years
▶ Leasehold improvements	5 – 10 years

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and associates except where the Group entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax

liabilities and assets reflects the tax consequences that would follow from the manner in which the Group entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the NZX Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Income Statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

(h) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value, net of transaction costs, except for those designated at fair value through the profit or loss, which are measured at fair value.

Financial assets at fair value through profit or loss

The Group entity from time to time classifies certain shares and bonds as financial assets at fair value through profit or loss. Any gains or losses recognised in revaluing these assets to fair value are recognised in the Income Statement. These financial assets are classified as current assets and are stated at fair value.

Available-for-sale financial assets

Other investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

The fair value of the shares is their quoted bid price at the balance sheet date, if that is available.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Refer to note 1(k).

(j) Intangible assets

Intangible assets comprise of software applications and brand IP rights. The Group classifies its intangible assets into two categories; those with indefinite lives and those with finite lives. Intangible assets with indefinite lives are not amortised but are subject to impairment tests annually. The classification of indefinite life intangibles is also reviewed by the Group annually.

All intangible assets with finite useful lives are recorded at cost less accumulated amortisation and impairment.

Software is amortised on a straight line basis over its estimated useful life of three to 12 years.

(k) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets not yet available for use, and intangible assets with indefinite useful lives are tested for impairment both (i) annually and (ii) whenever there is an indication that the asset may be impaired. Any impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses other than for goodwill, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For all financial assets, the carrying amount is reduced by the impairment loss directly, with the exception of trade receivables where the carrying amount is reduced through the use of a doubtful debts provision account. When a trade receivable is uncollectible, it is written off against the doubtful debts allowance account. Changes in the carrying amount of the provision account are recognised in the Income Statement.

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting

from the purchase of goods and services, and are measured at amortised cost.

(m) Share-based payments

The fair value of the amount payable to employees in respect of share plan shares is recognised at grant date as equity with a corresponding receivable.

In the Group these entries are eliminated as the shares are treated as treasury stock. Over the vesting period the amount is recognised as an employee expense. The amount recognised as an employee expense is adjusted to reflect the actual number of shares that are expected to vest.

The grant date fair value of options is recognised as an employee expense with a corresponding entry to equity, over the vesting period. The amount recognised as an employee expense is adjusted to reflect the actual number of options that are expected to vest.

(n) Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classifications.

(o) Earnings per share

The Group presents basic and fully diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is determined by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted daily average number of ordinary shares outstanding during the period. Fully diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, which consist of share based payments.

(p) Novation of trades

The Group's wholly owned subsidiary, New Zealand Clearing Limited acts as a central counterparty to all trades on NZX Markets. This involves the novation of all cash market securities trades and derivatives contracts.

Novation

Through novation, a single trade is replaced by two settlement transactions. New Zealand Clearing Limited becomes the buyer to every sell transaction and the seller to every buy transaction. Accordingly, the clearing participant on each side of the trade will be the counterparty to New Zealand Clearing Limited.

Netting

A clearing participant's settlement obligations to New Zealand Clearing Limited are netted for each currency, security and settlement day. This means that each clearing participant will settle with New Zealand Clearing Limited one net obligation per security and one overall cash obligation per currency for each settlement time and each settlement account.

Cash market securities (comprises debt and equities)

Revenue from cash market securities is recognised on settlement date. This means that trades occurring in the last three trading days before balance date are not recognised as a financial asset or liability. As a consequence, clearing and settlement related revenue on cash market securities in the last three trading days before balance date is not recognised during the period in which the trade occurs.

Derivatives (comprises dairy futures)

Derivatives are recognised at fair value at trade date, which is zero. Participants are required to lodge an amount (initial margin to cover the risk of future price movements) which varies from contract to contract and is based on the risk parameters ascribed to that product at trade date. Movements in the fair value of futures contracts after trade date are paid or received on a daily basis via cash settlement. Margin collateral, which is held in cash by New Zealand Clearing Limited, is recognised on balance sheet at fair value and is classified as 'funds held on behalf'.

(q) Securities borrowing and lending

The Group's wholly owned subsidiary, New Zealand Depository Limited, operates a securities lending programme whereby depository participants may make securities available for borrowing by other depository participants who have been approved, and wish to do so. Depository participants may borrow securities to meet both settlement obligations and for strategic purposes.

Securities lending involves transfer of title of securities to a borrower, who will then give the lender collateral in the form of cash. The borrower pays a fee calculated daily at an effective borrowing rate for the outstanding loan and is contractually obliged to return the securities on demand. The borrower will also pass over to the lender any dividends and corporate actions that may arise during the period for which securities are lent.

In essence, the lender retains the key rights they would have had if they had not lent the securities. As a consequence, the NZCDC Group does not record an offsetting asset and liability on balance sheet date arising out of securities borrowing and lending.

As a depository participant itself, New Zealand Clearing Limited may also borrow securities via the securities lending programme so as to meet its settlement obligations.

(r) Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 December 2010, and have not been applied in preparing the consolidated financial statements:

a. *NZ IFRS 7 Financial Instrument: Disclosure* has the following amendments:

- i. Amended and removed existing disclosure requirements and requires that qualitative disclosure should be made in relation to the quantitative disclosure to better enable users to evaluate an entity's exposure to risks arising from financial instruments. The impact of this change has not yet been determined.
- ii. Additional disclosures required about the transfer of financial assets to enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised and the associated liabilities; and to evaluate the nature of and risk associated with the entity's continuing involvement in derecognising financial assets. This change is not expected to have any impact on the consolidated financial statements.

b. *NZ IFRS 9 Financial Instruments* has the following amendments:

- i. Simplifies the mixed measurement model and establishes amortised cost and fair value categories for financial assets. The basis of classification depends on the business model of the entity and the contractual cash flow characteristics of the financial asset.
- ii. Measurements and classification requirements of financial liabilities remain unchanged, except fair value option and certain derivatives linked to unquoted equity instruments.

The impact of any changes has not yet been determined.

2. SEGMENT REPORTING

NZX has determined that there are three revenue segments, being Information, Markets and Infrastructure. NZX considers that there are no expenditure segments as resource allocation decisions across the Group are made to optimise the consolidated Group's financial result.

NZX also considers that on the balance sheet, segments exist for intangible assets only. There are no other asset or liability segments as NZX has a shared asset base with assets and liabilities operated without allocation.

The segments were reviewed and updated during 2010 from the previously disclosed Agri-business, Securities Markets and Energy to better reflect the business of NZX.

NZX runs operations in both Australia and New Zealand. Total revenue from Australian operations for the year ending 31 December 2010 was NZ\$2,836,123

	Group 2010				
	Information \$000	Markets \$000	Infrastructure \$000	Other \$000	Total \$000
Allocated revenue	20,515	21,654	8,059	-	50,228
Unallocated expenditure	-	-	-	(29,336)	(29,336)
Total segment result	20,515	21,654	8,059	(29,336)	20,892
Segment assets:					
Intangibles	9,017	11,325	14,881	1,389	36,612
Goodwill	5,529	-	7,720	-	13,249
Total segment assets	14,546	11,325	22,601	1,389	49,861
Unallocated assets:					
Cash and cash equivalents	-	-	-	28,159	28,159
Investment in equities	-	-	-	27,772	27,772
Other	-	-	-	15,041	15,140
Unallocated liabilities	-	-	-	(30,033)	(30,132)
Net assets	14,546	11,325	22,601	42,328	90,800

2. SEGMENT REPORTING (cont.)

	Group 2009				
	Information \$000	Markets \$000	Infrastructure \$000	Other \$000	Total \$000
Allocated revenue	18,268	20,050	4,487	-	42,805
Unallocated expenditure	-	-	-	(25,249)	(25,249)
Total segment result	18,268	20,050	4,487	(25,249)	17,556
Segment assets:					
Intangibles	9,461	10,744	13,066	1,740	35,011
Goodwill	6,158	-	7,720	-	13,878
Total segment assets	15,619	10,744	20,786	1,740	48,889
Unallocated assets:					
Cash and cash equivalents	-	-	-	35,822	35,822
Investment in equities	-	-	-	29,654	29,654
Other	-	-	-	14,850	14,850
Unallocated liabilities	-	-	-	(35,241)	(35,241)
Net assets	15,619	10,744	20,786	46,825	93,974

3. EARNINGS PER SHARE

	Group	
	2010	2009
Fully diluted earnings per share (cents per share)	7.50c	34.98c
Basic earnings per share (cents per share)	7.65c	35.30c

FULLY DILUTED EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used to calculate fully diluted earnings per share are as follows:

	Group	
	2010 \$000	2009 \$000
Earnings	\$9,302	\$38,711
Weighted average number of ordinary shares for the purpose of earnings per share	124,105	110,666
Fully diluted earnings per share (cents per share)	7.50c	34.98c

BASIC EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used to calculate basic earnings per share are as follows:

	Group	
	2010 \$000	2009 \$000
Earnings	\$9,302	\$38,711
Weighted average number of ordinary shares for the purpose of earnings per share	121,649	109,661
Basic earnings per share (cents per share)	7.65c	35.30c

When calculating the weighted daily average number of basic ordinary shares, the shares issued under the CEO share plan, the group leader share plan, the senior executive share plan and the NZX Limited employee share plan – team and results have been excluded, as these are dilutive potential ordinary shares.

	Group	
	2010 \$000	2009 \$000
Weighted average number of ordinary shares for the purpose of earnings per share (fully diluted)	124,105	110,666
Weighted average standard LTI shares under the CEO share plan and the Plan	(2,456)	(1,005)
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	121,649	109,661

4. REVENUE

As outlined in Note 2, Segment Reporting, revenue is recorded in three segments, shown in the table below.

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue:				
Information	20,515	18,268	8,948	10,064
Markets	21,654	20,050	18,413	17,876
Infrastructure	8,059	4,487	7,520	4,563
Total Revenue	50,228	42,805	34,881	32,503

5. EMPLOYEE AND RELATED EXPENSES

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Employee and related expenses:					
Termination benefits		(308)	(21)	(85)	(21)
Salary and related expenses		(14,818)	(12,321)	(7,923)	(7,758)
CEO share plan	26	(288)	(1,408)	(288)	(1,408)
Total employee and related expenses		(15,414)	(13,750)	(8,296)	(9,187)

6. OTHER EXPENSES

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Other expenses:					
Remuneration paid to auditors	7	(149)	(126)	(102)	(98)
Operating lease rental expense	25	(1,133)	(1,144)	(855)	(991)
Information technology		(3,448)	(2,227)	(3,295)	(2,210)
Professional fees		(1,945)	(1,740)	(1,501)	(1,611)
Rebates and incentives		(221)	(3)	(16)	-
Marketing, printing and distribution		(4,027)	(3,023)	(158)	(140)
Fund expenditure		(819)	(1,078)	-	-
General administration		(2,180)	(2,158)	(1,242)	(1,701)
Total other expenses		(13,922)	(11,499)	(7,169)	(6,751)

7. REMUNERATION OF AUDITORS

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Audit of the financial statements	138	126	95	98
Other audit related fees	11	-	7	-
	149	126	102	98

Other audit related fees relate to prospectus and accounting policy reviews.

8. LOSS ON FOREIGN EXCHANGE

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Exchange movement on investment in equities	10	(1,882)	(5,285)	-	-
Other		(17)	(252)	(8)	(336)
Loss on foreign exchange		(1,899)	(5,537)	(8)	(336)

9. IMPAIRMENT EXPENSE

NZX sold its shares in Appello Services Limited in December 2010 and has no holding at 31 December 2010. NZX's carrying value in AXE ECN Pty Limited is nil at 31 December 2010. Further details are contained in note 19.

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Impairment of investments accounted for using equity method	19	-	(2,181)	-	(3,954)
Impairment in investments		-	(2,181)	-	(3,954)
Impairment of intangibles	18	-	(172)	-	(172)
		-	(2,353)	-	(4,126)

9. IMPAIRMENT EXPENSE (cont.)

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries, including indefinite life intangibles, were reviewed for impairment as at 31 December 2010. The review was based on discounted cash flow analysis, using a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of the investments in subsidiaries were greater than the carrying values of the investment. The analysis at 31 December 2010 identified that the carrying values at both a Parent and a Group level were fair. (2009: nil impairment in subsidiaries).

IMPAIRMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method were reviewed for impairment as at 31 December 2010. The review was based on discounted cash flow analysis, using a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of investments accounted for using the equity method was greater than the carrying values of the investments. The analysis at 31 December 2010 identified that the carrying values at both a Parent and a Group level were fair. (2009: investment in Appello Services Limited was impaired by \$358,088 in the Parent and Group and the investment in AXE ECN Pty Ltd impaired by \$3,596,290 in the Parent and \$1,822,493 in the Group).

10. DISPOSAL OF TZ1 ASSETS AND INVESTMENT IN EQUITIES

DISPOSAL OF TZ1 ASSETS

On 30 June 2009, the Group sold the assets of TZ1 to Markit Group Limited ("Markit"), with consideration being by way of Markit shares. The results of TZ1 are separately disclosed from the operating profit of the Group in the Income Statement.

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Results from operating activities	-	(2,711)	-	-
Income tax credit	-	605	-	-
Results from operating activities, net of income tax	-	(2,106)	-	-
Gain on sale of assets	-	53,572	-	-
Reduction in carrying value of investment in equities	-	(19,966)	-	-
Profit/(loss) for the period	-	31,500	-	-

10. DISPOSAL OF TZ1 ASSETS AND INVESTMENT IN EQUITIES (cont.)

INVESTMENT IN EQUITIES

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Markit shares investment	27,772	29,654	-	-
Total	27,772	29,654	-	-

The Markit Shares are designated as financial assets at fair value through profit or loss.

The Group retains an economic interest in the performance of the TZ1 assets now operating under the trading name Markit Environmental Registry ("the Environmental Registry"). As at 31 December 2010 the value of the Markit investment recorded in the Group accounts is \$27,772,015. The three drivers of change in the value of NZX's investment as reported on the Income Statement are:

The performance of the Environmental Registry

Depending on the 2011 performance of the Environmental Registry the Group may receive additional consideration under the business purchase agreement or have some of the consideration the Group received clawed back. Based on the operating metrics and financial information available in relation to the Environmental Registry, it is considered unlikely that additional consideration will be received.

If the Environmental Registry fails to meet specified EBITDA thresholds in the 2011 year, then Markit has the option to repurchase its shares for US\$21,401,115. Based on the operating metrics and financial information available in relation to the Environmental Registry, the Group expects the repurchase of shares by Markit to be the most likely outcome and has determined that NZX's investment in Markit should be recorded at the expected cash consideration (US\$21,401,115). If shares are repurchased by Markit for cash, payment is expected to be made in early to mid 2012.

Currency fluctuations

Markit shares are valued in US dollars. The shares have been re-valued from the spot rate at 31 December 2009 of 0.7217 to the spot rate at 31 December 2010 of 0.7706 (see note 8).

Changes in the value of Markit shares

The Group has recorded the carrying value of its investment in Markit as the cash payment expected if Markit choose to repurchase its shares (US\$21,401,115). This is not a minimum value of consideration, because if the Environmental Registry fails to meet specified EBITDA targets for 2011, it is at Markit's option to repurchase the shares. NZX considers it to be the most likely outcome.

11. DEPRECIATION AND AMORTISATION EXPENSE

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Depreciation of property, plant and equipment	16	(673)	(571)	(555)	(504)
Amortisation of intangible assets	18	(4,020)	(2,331)	(2,888)	(1,290)
Depreciation and amortisation expense		(4,693)	(2,902)	(3,443)	(1,794)

12. INTEREST INCOME AND EXPENSE

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Interest income:				
Bank deposits	601	817	273	772
Bonds	41	2	41	2
Total interest income	642	819	314	774
Interest expense:				
Interest on bank loan	(478)	(634)	(478)	(634)
Total interest expense	(478)	(634)	(478)	(634)

13. TAXATION

(A) INCOME TAX RECOGNISED IN PROFIT OR LOSS

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Tax expense comprises:					
Current tax expense		3,497	3,890	2,849	4,392
Adjustments recognised in the current year relating to current tax of prior years		138	217	138	136
Deferred tax relating to the origination and reversal of temporary differences		1,654	1	1,643	144
Tax expense – TZ1	10	-	605	-	-
Total tax expense		5,289	4,713	4,630	4,672

13. TAXATION (cont.)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Note	Group		Parent	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit before income tax expense		14,591	43,424	15,413	15,092
Tax expense – TZ1		-	(605)	-	-
		14,591	42,819	15,413	15,092
Income tax calculated at 30%		(4,377)	(12,846)	(4,624)	(4,527)
Non-deductible expenses		(559)	(2,884)	(47)	(1,422)
Non-taxable gains		-	11,765	-	1,393
Change in corporate tax rate *		107	-	116	-
Tax on securities subject to FDR		(445)	-	-	-
Equity accounted earnings of associate		60	54	-	-
		(5,214)	(3,911)	(4,555)	(4,556)
Under provision of income tax in prior year		(138)	(217)	(138)	(136)
Foreign investor tax credits		63	20	63	20
Tax expense – TZ1	10	-	(605)	-	-
		(5,289)	(4,713)	(4,630)	(4,672)

* The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. There has been a change in the corporate tax rate from 30% to 28% from 1 January 2011. The deferred tax balance at 31 December 2010 is calculated using the new corporate tax rate, and the adjustment above shows the effect of the change in rate of deferred tax.

(B) CURRENT TAX ASSETS AND LIABILITIES

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year – (Liability)/Asset	375	(331)	(1,189)	(1,068)
Current year charge	(3,497)	(3,890)	(2,849)	(4,392)
Prior period adjustment	(138)	(450)	(138)	(370)
Tax paid	3,902	5,046	3,635	4,641
Balance at end of the year – Asset/(Liability)	642	375	(541)	(1,189)

13. TAXATION (cont.)

(C) DEFERRED TAX

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year	177	(55)	21	(69)
Current year movement	(1,654)	(1)	(1,643)	(144)
Prior period adjustments	-	233	-	234
Balance at end of the year	(1,477)	177	(1,622)	21
Deferred tax balance comprises:				
Employee entitlements	257	645	220	597
Doubtful debts and impairment	126	157	18	42
Property, plant and equipment, and software	(1,877)	(625)	(1,877)	(618)
Other	17	-	17	-
	(1,477)	177	(1,622)	21

(D) IMPUTATION CREDIT ACCOUNT

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year	16,731	11,989	15,322	10,985
Income tax paid	3,902	5,046	3,635	4,641
Imputation credits attached to dividends paid	(3,399)	(304)	(3,399)	(304)
Prior period adjustment	(910)	-	(910)	-
Balance at end of the year	16,324	16,731	14,648	15,322

14. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the Statement of Financial Position as follows:

	Interest rates	Maturities	Group		Parent	
			2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash at bank	1% - 2.25%	Call	19,070	11,864	4,058	4,555
Bank deposits	3% - 5.1%	30 to 182 days	9,089	23,958	589	23,958
			28,159	35,822	4,647	28,513

14. NOTES TO THE CASH FLOW STATEMENT (cont.)**(B) RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Profit after tax for the period	9,302	38,711	10,783	10,420
Loss/(gain) on revaluation of fair value through profit or loss financial assets	1,949	(33,114)	388	(4,643)
Share of associates' (profit)/loss (less dividends)	(199)	(181)	-	-
Depreciation and amortisation of non-current assets (note 11)	4,693	2,902	3,443	1,794
Impairment of non-current assets	-	2,353	-	4,126
	15,745	10,671	14,614	11,697
(Increase)/decrease in current tax balances	(267)	(706)	(648)	121
(Increase)/decrease in deferred tax balances	1,654	(232)	1,643	(90)
(Increase)/decrease in current receivables	(655)	(624)	(394)	1,216
Increase/(decrease) in current payables	4,822	4,839	(1,192)	3,513
	21,299	13,948	14,023	16,457
Non-operating payables	(6,288)	(1,191)	1,794	(1,191)
Non-operating provisions	2,101	2,873	(257)	204
Other non-operating liabilities	(4,187)	1,682	1,537	(987)
Net cash from operating activities	17,112	15,630	15,560	15,470

15. RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade receivables	6,014	5,842	3,736	3,634
Allowance for doubtful debts	(451)	(544)	(64)	(139)
	5,563	5,298	3,672	3,495
Prepayments and sundry debtors	692	405	528	356
Accrued interest	27	43	-	29
Accrued income	656	537	452	378
	6,938	6,283	4,652	4,258

The average credit period on sales of services for the Parent is 39 days (2009: 54 days).

MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year	(544)	(70)	(139)	(58)
Amounts written off during the year	207	-	126	-
Amounts recovered during the year	45	5	-	3
Increase in allowance recognised in profit or loss	(159)	(479)	(51)	(84)
Balance at end of the year	(451)	(544)	(64)	(139)

16. PROPERTY, PLANT AND EQUIPMENT

	Group					Total
	Computer Equipment \$000	Furniture and Equipment \$000	Leasehold Improvements \$000	Motor Vehicles \$000	Capital work in progress \$000	\$000
Gross carrying amount						
Balance at 1 January 2009	2,010	670	1,297	-	52	4,029
Additions	571	239	72	103	108	1,093
Disposals	-	(19)	-	(13)	(52)	(84)
Balance at 31 December 2009	2,581	890	1,369	90	108	5,038
Additions	271	79	-	-	-	350
Disposals	(22)	-	-	-	(64)	(86)
Reclassifications	44	-	-	-	(44)	-
Balance at 31 December 2010	2,874	969	1,369	90	-	5,302
Accumulated depreciation						
Balance at 1 January 2009	1,668	493	463	-	-	2,624
Depreciation expense	297	115	134	25	-	571
Disposals	-	(8)	-	(1)	-	(9)
Balance at 31 December 2009	1,965	600	597	24	-	3,186
Depreciation expense	383	110	144	36	-	673
Disposals	(22)	-	-	-	-	(22)
Balance at 31 December 2010	2,326	710	741	60	-	3,837
Net Book Value						
As at 31 December 2009	616	290	772	66	108	1,852
As at 31 December 2010	548	259	628	30	-	1,465

16. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Parent				Total
	Computer Equipment \$000	Furniture and Equipment \$000	Leasehold Improvements \$000	Capital work in progress \$000	\$000
Gross carrying amount					
Balance at 1 January 2009	1,943	653	1,297	52	3,945
Additions	433	190	72	108	803
Disposals	-	(19)	-	(52)	(71)
Balance at 31 December 2009	2,376	824	1,369	108	4,677
Additions	212	23	-	-	235
Disposals	(2)	-	-	(64)	(66)
Reclassification	44			(44)	-
Balance at 31 December 2010	2,630	847	1,369	-	4,846
Accumulated depreciation					
Balance at 1 January 2009	1,622	489	463	-	2,574
Depreciation expense	270	100	134	-	504
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2009	1,892	586	597	-	3,075
Depreciation expense	321	90	144	-	555
Balance at 31 December 2010	2,213	676	741	-	3,630
Net Book Value					
As at 31 December 2009	484	238	772	108	1,602
As at 31 December 2010	417	171	628	-	1,216

17. GOODWILL

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Gross carrying amount				
Balance at beginning of the year	13,878	4,075	7,720	-
Goodwill on acquisition	1,662	11,083	-	7,720
Movement in earn out provisions post acquisition	(2,291)	(1,280)	-	-
Balance at end of the year	13,249	13,878	7,720	7,720
Net book value				
Balance at beginning of the year	13,878	4,075	7,720	-
Balance at end of the year	13,249	13,878	7,720	7,720

Goodwill on acquisition comprises \$1,380,000 of goodwill on the acquisition of Callum Downs Pty Limited ("Callum Downs"), \$267,000 on the acquisition of the CLEAR Group ("CLEAR"), and \$15,000 on the acquisition of Australian Crop Forecasters Pty Limited ("ACF") in the Group only. The estimated earn-out provisions arising on acquisitions have been reviewed and adjusted to reflect current operating performance.

Goodwill is reviewed for impairment annually based on the performance of the asset or cash-generating unit to which the goodwill relates relative to expected future performance and other relevant factors. The directors have reviewed goodwill for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and other relevant factors. Discounted cash flow analysis used a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of the assets or cash-generating units to which the goodwill relates were greater than current carrying values, and that 2010 and forecast 2011 multiples are consistent with the equivalent multiple for NZX and comparable companies trading both in New Zealand and overseas. The 2011 forecasts are based on 2010 actual performance adjusted for known circumstances that will impact 2011. The EBITDA multiples tested range from 2.0 to 7.0. As at 31 December 2010 the Group EBITDAF multiple was 9.0.

The directors have tested the carrying value of goodwill and have assessed that all carrying values are appropriate and that no impairment charge is required.

18. OTHER INTANGIBLE ASSETS

	Group					Total
	Software \$000	Brand names, trademarks, and right to use brand names \$000	Data archives, customer lists, databases, websites & IP \$000	Management rights \$000	Intangible work in progress \$000	\$000
Gross carrying amount						
Balance at 1 January 2009	6,413	3,891	1,458	2,344	4,957	19,063
Additions	13,531	5,533	-	-	4,369	23,433
Disposals	(352)	(50)	-	-	-	(402)
Impairment	-	-	-	-	(172)	(172)
Balance at 31 December 2009	19,592	9,374	1,458	2,344	9,154	41,922
Additions	636	-	618	-	4,367	5,621
Reclassification	12,996	(1,056)	1,056	-	(12,996)	-
Balance at 31 December 2010	33,224	8,318	3,132	2,344	525	47,543
Accumulated Amortisation						
Balance at 1 January 2009	3,914	680	-	-	-	4,594
Amortisation expense	1,397	934	-	-	-	2,331
Disposals	(14)	-	-	-	-	(14)
Balance at 31 December 2009	5,297	1,614	-	-	-	6,911
Amortisation expense	3,062	958	-	-	-	4,020
Balance at 31 December 2010	8,359	2,572	-	-	-	10,931
Net Book Value						
As at 31 December 2009	14,295	7,760	1,458	2,344	9,154	35,011
As at 31 December 2010	24,865	5,746	3,132	2,344	525	36,612
These are broken down by sector as follows:						
Information	139	5,746	3,132	-	-	9,017
Markets	8,981	-	-	2,344	-	11,325
Infrastructure	14,356	-	-	-	525	14,881
Unallocated	1,389	-	-	-	-	1,389
	24,865	5,746	3,132	2,344	525	36,612

18. OTHER INTANGIBLE ASSETS (cont.)

	Parent				Total
	Software \$000	Brand names, trademarks, \$000	Data archives, customers lists, databases, websites & IP \$000	Intangible work in progress \$000	\$000
Gross carrying amount					
Balance at 1 January 2009	5,648	996	1,458	4,957	13,059
Additions	13,513	2,176	-	4,369	20,058
Impairment	-	-	-	(172)	(172)
Balance at 31 December 2009	19,161	3,172	1,458	9,154	32,945
Additions	453	-	620	4,367	5,440
Reclassification	12,996	(702)	702	(12,996)	-
Balance at 31 December 2010	32,610	2,470	2,780	525	38,385
Accumulated Amortisation					
Balance at 1 January 2009	3,829	-	-	-	3,829
Amortisation expense	1,290	-	-	-	1,290
Balance at 31 December 2009	5,119	-	-	-	5,119
Amortisation expense	2,888	-	-	-	2,888
Balance at 31 December 2010	8,007	-	-	-	8,007
Net Book Value					
As at 31 December 2009	14,042	3,172	1,458	9,154	27,826
As at 31 December 2010	24,603	2,470	2,780	525	30,378
These are broken down by segment as follows:					
Information	-	2,470	2,780	-	5,250
Markets	8,857	-	-	-	8,857
Infrastructure	14,357	-	-	525	14,882
Unallocated	1,389	-	-	-	1,389
	24,603	2,470	2,780	525	30,378

18. OTHER INTANGIBLE ASSETS (cont.)

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Comprising:				
Other intangibles – definite life	28,024	27,387	25,128	23,195
Other intangibles – indefinite life	8,588	7,624	5,250	4,631
Net book value	36,612	35,011	30,378	27,826

Amortised expense is included in the line item 'depreciation and amortisation expense' in the Income Statement.

All intangible assets are reviewed for impairment annually based on the performance of the intangible asset or cash-generating unit relative to expected future performance and other relevant factors. The directors have reviewed all intangibles for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and other relevant factors. Discounted cash flow analysis used a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of intangible assets and cash-generating units were greater than current carrying values, and that 2010 and forecast 2011 multiples are consistent with equivalent multiples for NZX and comparable companies trading both in New Zealand and overseas. The 2011 forecasts are based on 2010 actual performance adjusted for known circumstances that will impact 2011. The EBITDA multiples tested range from 2.0 to 7.0. As at 31 December 2010 the Group EBITDAF multiple was 9.0.

The directors have tested the carrying value of all intangible assets and have assessed that all carrying values are appropriate and that no impairment charge is required.

SOFTWARE

Given the nature of NZX and its operations, the Group has a strong investment in software, both acquired and internally generated. This software is a definite life intangible and has a book value of \$24,603,000 in the Parent and \$24,865,000 in the Group as at 31 December 2010, and WIP in relation to software of \$525,000 in both the Parent and Group.

Software at 31 December 2010 includes Clearing House software with a book value of \$11,008,000 and an estimated useful life of twelve years. This asset has five main value drivers. These are:

- ▶ Cash market volumes (debt and equity);
- ▶ Derivatives market volumes;
- ▶ Depository customers;
- ▶ Value added services from the depository, such as securities lending; and
- ▶ Direct customer participation and membership in the Clearing House as a paid member, or potentially other markets that the Clearing House may provide clearing services to.

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clearing House software is higher than the carrying value at 31 December 2010 of \$11,008,000. To support the carrying value of this asset, approximately 85% total growth in revenue generated from this asset is required in five years from the \$2.6 million initial estimate of annualised revenue. For the first four months of operation, revenue relating to the Clearing House is tracking at an annualised rate of approximately \$3 million.

18. OTHER INTANGIBLE ASSETS (cont.)

A portion of the net present value of the Clearing House asset is derived from expected revenue generated from the derivatives market. The derivatives market was launched in October 2010, and is thus in start-up phase. Significant growth in lots traded and revenue from all sources (including membership fees) is required to sustain that portion of the carrying value – noting that the overall carrying value is based on a series of drivers, as listed above.

The Clearing House has fundamentally changed the manner in which risk is traded in the NZX capital markets. Moving to a central counter party model has significantly reduced the level of risk in the NZX markets, and improved their attractiveness to international participants. This reduced risk – while not part of the carrying value – was, and remains, fundamental to an improved quality market in New Zealand, and is a critical part of the long term infrastructure of a healthy capital market.

Software at 31 December 2010 also includes grain exchange software with a book value of \$7,823,000 and an estimated useful life of ten years. The value of the grain exchange software is based on the free cash flow generated over and above the operating cost base of the business. The revenues generated are directly related to the fees charged per tonne, and the number of tonnes traded, with the carrying value supported by expectations of significant volume growth in tonnes traded. This operation remains in the late stages of start-up, and is expected to move to a cash flow positive position, on current tracking, in 2012. At the time of this Annual Report, the current season's harvest is tracking at above 3.75 times the prior harvest in terms of tonnes traded.

BRAND NAMES AND TRADEMARKS

These are considered to have an indefinite life based on the length of time they are expected to be used for, and the indefinite period over which the Group has control of these assets.

NZX separates ownership of trademarks and brand names from the activity of carrying out the business of each subsidiary. NZX gives the relevant subsidiaries the right to use the brand name for a specified period of time. The trademarks and brand names held by the Parent have an indefinite life, while the right to use in the subsidiary has a finite life. The carrying values of the trademark and brand names are \$2,470,000 and \$5,746,000 in the Parent and Group accounts.

DATA ARCHIVES, CUSTOMER LISTS, DATABASES, WEBSITES & IP

NZX acquired data archives, customer lists, databases, websites, and IP from IRG for \$1,458,000. These assets have an indefinite life and are included in the Parent accounts.

MANAGEMENT RIGHTS

Smartshares Limited acquired the management rights for SmartOZZY, SmartMOZY, and the SmartMIDZ funds for a total value of \$2,344,000. These are held in the Group accounts with an indefinite life, as there is no expiry date for these rights and they are expected to be used indefinitely.

19. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of entity	Balance Date	Country of Incorporation	Ownership interest		Group Carrying value of asset		
			2010 %	2009 %	2010 \$000	2009 \$000	
Associates							
AXE ECN Pty Limited ("AXE")	31 December	Australia	50	50	-	-	
Link Market Services Limited	31 December	New Zealand	50	50	3,942	3,939	
Appello Services Limited	31 December	New Zealand	-	30	-	190	
					3,942	4,129	
Amount of goodwill in carrying value of equity accounted associates:						213	306

RECONCILIATION OF CARRYING VALUE OF ASSOCIATES:

	Group	
	2010 \$000	2009 \$000
Balance at beginning of the year	4,129	12,231
Investments	136	36
Divestments	(172)	(5,428)
Capital repayments	(350)	(550)
Impairment	-	(2,181)
Share of associates net gain/(loss)	199	181
Movement in foreign currency translation reserve	-	(160)
Balance at end of the year	3,942	4,129

The movement in the carrying value of Link Market Services Limited includes the redemption by Link Market Services Limited of \$350,000 of redeemable preference shares in 2010 (2009: \$550,000).

NZX sold its 30% shareholding in Appello Services Limited in December 2010 for \$100,000 which resulted in a loss of sale of \$393,925 in the Parent and \$72,702 in the Group.

As announced to market in December 2010, AXE ECN Pty Limited will be wound up in early 2011 at the agreement of all shareholders. It is expected that this will have no impact on NZX's Income Statement.

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES:

	Group	
	2010 \$000	2009 \$000
Total assets	8,172	9,005
Total liabilities	(714)	(1,228)
Net assets	7,458	7,777
Revenue	5,942	6,466
Net profit	731	249

Summarised financial information of associates not adjusted for the percentage ownership held by the Group.

20. CURRENT TRADE PAYABLES

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade payables	639	489	408	439
Goods and services tax payable	441	334	319	288
Accrued expenses	987	2,698	450	2,079
	2,067	3,521	1,177	2,806

21. OTHER LIABILITIES

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Employee benefits	4,653	4,370	4,268	3,842
Unearned income	5,936	5,147	4,292	3,761
Funds held on behalf	8,864	1,302	782	1,302
Earn out provisions	-	2,358	-	-
	19,453	13,177	9,342	8,905

Funds held on behalf include disciplinary funds held, listed issuer bonds and participant funds held.

MOVEMENT IN EARN OUT PROVISIONS

Earn out provisions may be entered into in relation to acquisitions. At 31 December 2010 no provision has been made for earn out payments as NZX currently has no earn outs it expects to pay. The earn outs are based on the acquired companies' performances, and are increased/decreased or paid over the period of the contract. The closing balance of the earn out provisions are management's best estimate of the actual amount of payments to be made in relation to NZX Rural Limited nil (2009: \$1,500,000) and NZX ProFarmer Australia Pty Limited nil (2009: \$858,000).

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year	2,358	2,523	-	204
Increase in provision	-	1,500	-	-
Decrease in provision	(2,358)	(1,469)	-	(8)
Earn out payments made	-	(196)	-	(196)
Balance at end of the year	-	2,358	-	-
Comprising:				
Current earn out provisions	-	-	-	-
Non-current earn out provisions	-	2,358	-	-
	-	2,358	-	-

22. BANK LOAN

At 31 December 2010 NZX had three bank loans totalling \$7,035,827, denominated in New Zealand Dollars with nominal interest rates between 4.46% and 4.49%. The bank loans all have durations of three months, with maturity dates of 28 January 2011, 8 February 2011 and 29 March 2011. The loans were established to allow the Group flexibility in its capital management.

NZX pays a bank facility fee at an interest rate of 0.75% of the total facility available, irrespective of the utilisation of the facility. The facility was \$25,000,000 throughout the year and has an expiry date of May 2011.

23. CONTINGENT LIABILITIES AND COMMITMENTS

NZX has entered into a sale and purchase agreement with the vendor of ProFarmer Limited, that includes an earn out provision whereby NZX is required to pay up to \$2,309,012 (AU\$1,750,000) in excess of the amount provided for in the financial statements if EBITDA targets for the year ended 30 June 2011 are met. NZX does not expect these EBITDA targets to be met.

NZX entered into a sale and purchase agreement with M-co in 2009, which includes an earn out provision whereby NZX is required to pay \$1,500,000 if gross revenue during the period between 30 June 2009 and 30 June 2012 attributable to the business and the business opportunities exceeds \$30,250,000. No provision has been made at 31 December 2010, as NZX does not expect the revenue target to be met.

NZX entered into a sale and purchase agreement with CLEAR in 2009. This agreement provides for an additional payment pursuant to which NZX would be required to pay up to \$9,236,047 (AU\$7,000,000) if certain grain trading volumes are reached. No provision has been made at 31 December 2010, as NZX does not expect that the required grain trading volumes will be met. The agreement also provides for a further payment of up to \$9,236,047 (AU\$7,000,000) to be made which is also dependent upon meeting of special criteria under the agreement. No provision has been made at 31 December 2010 for this amount.

NZX is undertaking legal action re potential breaches by a third party of agreements with NZX. The outcome of this legal action is to be determined. Costs are capped at \$400,000 if NZX loses, and are estimated to be a minimum of \$200,000 if NZX wins.

24. CAPITAL COMMITMENTS FOR EXPENDITURE

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Capital expenditure commitments:				
Tata Consulting Limited	-	436	-	436
	-	436	-	436

The Group has no exposure or obligations to capital commitments of Associates.

LEASE COMMITMENTS

Non-cancellable operating lease commitments are disclosed in note 25 to the financial statements.

25. LEASING

OPERATING LEASES

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Non-cancellable operating lease payments				
Up to 1 year	1,287	998	1,084	815
1 – 2 years	1,248	991	1,084	815
2 – 5 years	2,705	2,668	2,624	2,443
> 5 years	-	336	-	336
	5,240	4,993	4,792	4,409

26. SHARE CAPITAL

As at 31 December 2010 there were 122,852,716 shares issued and fully paid (2009: 122,972,580). The total number of shares on issue includes ordinary shares and employee and other restricted shares. All ordinary shares carry one vote per share and carry the right to dividends. All issued shares are fully paid and have no par value.

The shares issued under the CEO share plan, the group leader share plan, the senior executive share plan and the NZX Limited employee share plan – team and results, are treated as treasury stock and are eliminated at a Group level, and are entitled to participate in corporate actions. Due to differences in the terms of plans, the NZX employee share plan 2008, the NZX employee share plan 2008 (2009 offer) and Country-Wide Publishing Limited shares are not treated as treasury stock, and are not eliminated at a Group level. Any shares or other share entitlements relating to corporate actions for employee and other restricted shares are held by the nominee on the same terms as the underlying plans.

SHARE CAPITAL AT END OF YEAR

	Group		Parent	
	2010 Number of shares (000's)	2009 Number of shares (000's)	2010 Number of shares (000's)	2009 Number of shares (000's)
Ordinary shares on issue	119,475	119,987	121,278	121,730
Employee and other restricted shares:				
NZX employee share plan – team and results	-	-	1,237	-
NZX employee share plan 2008 (2009 offer)	68	65	68	65
NZX employee share plan 2008		346	-	346
Group leader share plan	-	-	-	488
Senior executive share plan		-	-	83
Country-Wide Publishing Limited	270	261	270	261
Total shares on issue at end of year	119,813	120,659	122,853	122,973

26. SHARE CAPITAL (cont.)

At 31 December 2010, ordinary shares on issue for the parent included 1,803,346 shares issued under the CEO share plan. These are restricted and not available for trading unless they both (i) qualify and (ii) are taken up by the CEO. For details on the CEO share plan, see note 26(a) below.

All shares issued under employee and other restricted shares are subject to transfer conditions and eligibility criteria before they are able to vest as ordinary shares. Until those transfer conditions and/or eligibility criteria are met, none are quoted on the NZSX.

MOVEMENT IN ISSUED CAPITAL

	Group		Parent	
	2010 Number of shares (000's)	2009 Number of shares (000's)	2010 Number of shares (000's)	2009 Number of shares (000's)
Balance at beginning of the year	120,659	97,585	122,973	99,375
Issue of shares:				
Rights	-	19,469	-	19,841
Senior management share plans		-	35	83
Other employee share plans	35	55	1,265	55
Profit distribution plan	2,333	3,344	2,414	3,413
On acquisition of businesses	-	341	-	341
Redemption of shares:				
Senior management share plans	-	-	(591)	-
Other employee share plans	-		(29)	-
Share buyback	(3,214)	-	(3,214)	-
Cancellation of shares – treasury stock	-	(135)	-	(135)
Balance at end of the year	119,813	120,659	122,853	122,973

Senior management shares plans include the group leader share plan and the senior executive share plan.

26. SHARE CAPITAL (cont.)

(A) ORDINARY SHARES ON ISSUE

Share buyback

On 5 July 2010, the NZX Board approved an on-market buyback of ordinary shares during the period 9 July 2010 to 31 January 2011. The total number of shares repurchased as at 31 December 2010 was 3,214,029 for a total value of \$4,969,000. The average price of purchase was \$1.54 per share. All shares acquired under the buyback were cancelled and removed from the register.

CEO share plan

The CEO share plan is a two-part equity-based long-term incentive (LTI) plan with a four and a half year duration, which may be shortened to a three and a half year duration at board discretion, with a start date of 4 June 2007 and expiry date of 31 December 2011, or 31 December 2010 if terminated early. The Board has chosen not to exercise such discretion.

The two parts to the plan are:

- ▶ standard LTI; and
- ▶ out-performance LTI.

Each part of the plan consists of two tranches, with the first tranche having a 3.5 year duration (qualification date 31 December 2010) and the second tranche having an additional year's duration (qualification date 31 December 2011).

STANDARD LTI ("LTI")

	2010 Number of shares (000's)	2009 Number of shares (000's)
Tranche One		
Shares issued at beginning of plan	695,120	695,120
Shares issued as a result of corporate actions	201,144	171,078
Shares issued at end of year	896,264	866,198
Tranche Two		
Shares issued at beginning of plan	193,984	193,984
Shares issued as a result of corporate actions	56,132	47,742
Shares issued at end of year	250,116	241,726
Total shares issued at end of year	1,146,380	1,107,924

The LTI shares were issued to the CEO in December 2007 at an issue price of \$2.58 per share (the volume weighted average price ("VWAP") for the 20 days to 3 June 2007, being the expiry date of the previous CEO share plan) per share. NZX extended financial assistance to Mr Weldon in the form of an interest free loan to fund the acquisition of these LTI shares. These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these LTI shares includes a compound 15% EPS growth over the duration of the plan, with a start date for assessment of EPS growth of 1 January 2008. The beginning EPS figure is the full year 2007 EPS of 9.04 cents per share.

26. SHARE CAPITAL (cont.)

Qualification criteria have been met for tranche one of the LTI plan and Mr Weldon will receive a bonus of \$1,791,672, to be used to repay the financial assistance that was extended in relation to the shares that have met the qualification criteria. As at 31 December 2010, the NZX Board has accounted for the LTI portion of the plan. The amount recognised in the Income Statement is the time proportional value of the total cost of the LTI portion of the plan (\$473,327 for the year ended 31 December 2010). The CEO is required to fund PAYE (and other taxes) and any Kiwisaver employer contributions relating to the bonus.

If qualification criteria are met for tranche two, Mr Weldon will receive an additional bonus of \$500,000, and there will be a corresponding expense incurred in the Income Statement.

Although the LTI share plan shares were issued at \$2.58, IFRS 2 requires the shares be valued for reporting purposes as at the grant date (grant date is when approval for the plan was obtained), being 6 September 2007. At this date the 20 day VWAP was \$2.44.

OUT-PERFORMANCE LTI (“OPLTI”)

	2010 Number of shares (000's)	2009 Number of shares (000's)
Tranche One		
Shares issued at beginning of plan	409,524	409,524
Shares issued as a result of corporate actions	118,505	100,792
Shares issued at end of year	528,029	510,316
Tranche Two		
Shares issued at beginning of plan	100,000	100,000
Shares issued as a result of corporate actions	28,937	24,612
Shares issued at end of year	128,937	124,612
Total shares issued at end of year	656,966	634,928

The OPLTI shares were issued to Mr Weldon in December 2007 at an issue price of \$2.58 per share (the VWAP for the 20 days to 3 June 2007, being the expiry date of the previous CEO share plan). These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these OPLTI shares is a compound 22.5% EPS growth over the duration of the plan, with a start date for assessment of EPS growth of 1 January 2008. The beginning EPS figure is the full year 2007 EPS of 9.04 cents per share. NZX has extended financial assistance to Mr Weldon in the form of an interest free loan of \$1,313,298 to fund the acquisition of these OPLTI shares. There is no bonus payable to Mr Weldon in relation to the OPLTI and this part of the plan is treated as an option plan for accounting purposes. These options were valued by Deloitte, using the Black Scholes valuation model, at 63 cents and 74 cents per share for the period to December 2010 and December 2011 respectively. The Black Scholes valuation assumed a risk free interest rate based on Government bonds for the relevant periods, dividend yield was assumed to be nil, and expected volatility of 25%. The expected volatility was estimated by assessing the long run volatility for New Zealand shares (assessed as 20%) and adjusting for NZX's relative volatility since listing.

At 31 December 2010, qualification criteria have not been met for tranche one of the OPLTI plan. Accordingly, the tranche one shares extend, with a second chance for qualification based on the relevant EPS to 31 December 2011. The shares issued in relation to tranche one of the OPLTI plan, and all associated entitlements, remain held by the nominee until the qualification criteria are re-assessed in 2012.

Given the vesting criteria have not been met as at 31 December 2010, the NZX Board has not accounted for the cost of the OPLTI portion of the plan at this time. This has resulted in a reversal of amounts recognised in the Income Statement in prior periods of \$185,262. The total value that will be recognised in the Income Statement if vesting criteria are met at 31 December 2011 is \$330,976.

26. SHARE CAPITAL (cont.)

(B) EMPLOYEE AND OTHER RESTRICTED SHARES

NZX Limited employee share plan – team and results

The NZX Limited employee share plan – team and results (“Team and Results Plan”) was implemented in May 2010.

Under the terms of the Team and Results Plan, NZX offered select employees (“Participants”) non-participating redeemable shares (“Restricted Shares”) which will be reclassified as NZX ordinary shares at the completion of the term of the Team and Results Plan, subject to certain eligibility and transfer conditions. The Team component of the Team and Results Plan is for staff throughout the business whom have been identified as key to delivery of the NZX strategy, while the Results component of the Team and Results Plan is for senior leaders.

A total of 1,265,467 Restricted Shares were issued under the Team and Results Plan in 2010. This included a number of Restricted Shares that were issued to Participants who agreed to forgo their entitlements under two previous NZX shares plans: the group leader share plan and the senior executive plan. These plans have been cancelled, and the 556,063 shares previously issued pursuant to those plans have been redeemed. The net new issuance under the Team and Results Plan in 2010 was 709,404 shares.

The consideration paid for the Restricted Shares by Participants under the Team and Results Plan was \$1.95 per share (“Issue Price”), payable on application. The Issue Price was the volume weighted average price of NZX ordinary shares in the 20 business days preceding, and including, 31 March 2010. To fund the Issue Price of the Restricted Shares, Team and Results Plan Participants received financial assistance, in the form of an interest free loan (“Loan”) from NZX, for the aggregate Issue Price of each Participant’s Restricted Shares entitlement. The total amount of the financial assistance provided by NZX under the Team and Results Plan in 2010 was \$2,467,661.

On issue, the Restricted Shares were transferred to a nominee, who will hold the shares on trust for each Participant for the term of the Team and Results Plan, which varies between Participants. At the end of the term, providing certain eligibility and transfer conditions are met, and subject to the Participant paying any required taxes and Kiwisaver deductions, NZX will offset the Loan obligation by paying a bonus equal to the aggregate Issue Price of the shares which are to vest in the Participant (“Bonus”). The Restricted Shares will then be reclassified as ordinary shares in NZX and transferred to the Participant.

The Team component of the Team and Results Plan is offered on terms of either two or three years, whereas the Results component of the Team and Results Plan is offered on terms of between three and five years. Both components of the Team and Results Plan have earnings per share thresholds that must be met for the Restricted Shares to be eligible to vest at the end of the term.

If the eligibility or transfer conditions are not met, the Team and Results Plan requires that the Restricted Shares be redeemed by NZX. The proceeds from the redemption of the Restricted Shares will be applied in repayment of the Loan, which will discharge any obligation on the Participant to repay the Loan. Following redemption the Participant will not receive any entitlements, such as distributions or dividends, issued in respect of the Restricted Shares. The effect of this is that the Participant receives no shares or cash and the Loan is repaid. The redemption is a mechanism designed to return both parties to the position they were in prior to entry into the Team and Results Plan.

NZX employee share plan 2008 (2009 offer)

It is the intention that all selected employees offered new executive share plans will be offered participation under the Team and Results Plan. At 31 December 2010, there are still a small number of employees whose entitlements relate to the previously existing NZX employee share plan 2008 (2009 offer) that will be eligible to vest in March 2011 if all criteria are met. There were 67,658 shares issued under this plan at 31 December 2010.

26. SHARE CAPITAL (cont.)

Group leader share plan

Following the implementation of the Team and Results Plan, participants under the group leader share plan agreed to forego their entitlements and transfer to the Team and Results Plan. The restricted shares issued under the group leader share plan were redeemed.

Senior executive share plan

Following the implementation of the Team and Results Plan, participants under the senior executive share plan agreed to forego their entitlements under the senior executive share plan and transfer to the Team and Results Plan. The restricted shares issued under the senior executive share plan were redeemed.

Country-Wide Publishing Limited

261,104 shares with a combined value of \$500,000 were issued as part of the consideration for the CPL acquisition in 2009. Inclusive of corporate actions, there were 270,167 shares issued in relation to the CPL acquisition at 31 December 2010.

27. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Chief Executive Officer ("CEO") and the key management personnel of the entity is set out below:

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Short-term employee benefits	4,080	3,833	3,292	3,833
Share-based payments	423	1,463	423	1,463
Termination benefits	222	-	-	-
	4,725	5,296	3,715	5,296

Further details in relation to share plans are contained in Note 26.

28. RETAINED EARNINGS

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Balance at beginning of the year	62,010	29,510	36,650	32,441
Net profit attributable to shareholders	9,302	38,711	10,783	10,420
Cash dividends paid	(12,680)	(6,211)	(12,680)	(6,211)
Balance at end of the year	58,632	62,010	34,753	36,650

29. DIVIDENDS

	2010		2009	
	Cents per share	Total \$000	Cents per share	Total \$000
Recognised amounts				
Fully paid shares	10.25c	12,680	6.25c	6,211

In March 2010 NZX gave shareholders a choice of a dividend in the form of one bonus share for every 28.81 shares held at a strike price of \$1.8728 or a cash dividend payment of 6.5 cents fully imputed per share. A total of 323 holders with a combined shareholding of 53,465,156 shares chose a dividend payment, and the remaining shareholders with a combined shareholding of 68,585,792 shares chose the bonus shares. This full year 2009 dividend was paid in April 2010. The total distribution was \$8,022,485, made up of cash distributed of \$3,503,967 and bonus shares issued of \$4,518,518.

In October 2010 NZX paid a cash dividend of 3.75 cents fully imputed per share. This interim 2010 dividend was paid in October 2010. The total paid was \$4,641,118.

The total distribution paid during 2010 was \$12,680,288, made up of cash distributed of \$8,161,770 and bonus shares issued of \$4,518,518.

30. SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership interest and voting rights	
		2010 %	2009 %
Subsidiaries			
Energy Clearing House Limited	New Zealand	100	100
Energy Market Consulting Limited	New Zealand	100	100
FundSource Limited	New Zealand	100	100
Mandela Investments Limited	New Zealand	100	100
MXF Nominees Limited	New Zealand	100	100
New Zealand Clearing and Depository Corporation Limited	New Zealand	100	100
New Zealand Clearing and Depository Limited	New Zealand	100	100
New Zealand Clearing Limited	New Zealand	100	100
New Zealand Depository Limited	New Zealand	100	100
New Zealand Depository Nominee Limited	New Zealand	100	100
New Zealand Exchange Limited	New Zealand	100	100
NZ Fox Limited	New Zealand	100	100
NZX CPL Nominee Limited	New Zealand	100	100
NZX Executive Share Plan Nominees Limited	New Zealand	100	100
NZX GL Nominee Limited	New Zealand	100	100
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Incognito Limited	New Zealand	80	80
NZX Rural Limited	New Zealand	100	100
Smartshares Limited	New Zealand	100	100
Tane Nominees Limited	New Zealand	100	100
Time Zone One Limited	New Zealand	100	100
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
NZX Agri Advisors Pty Limited (previously Profarmer Advisory Services Pty Limited)	Australia	100	100

30. SUBSIDIARIES (cont.)**SUBSIDIARIES OF PARENT**

Name of entity	Goodwill		Indefinite life intangibles		Carrying values	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Subsidiaries						
NZX Rural Limited	1,782	3,282	-	-	7,295	7,295
FundSource Limited	323	323	-	-	922	922
Smartshares Limited	-	-	2,344	2,344	4,000	4,000
TZ1 Limited	-	-	-	-	6,125	6,478
NZX Holding No. 4 Limited	2,491	827	-	-	5,890	2,686
New Zealand Clearing and Depository Corporation Limited	-	-	-	-	12,000	-
Total	4,596	4,432	2,344	2,344	36,232	21,381

Impairment testing of investments including indefinite life intangibles was based on an earnings-to-carrying-value basis for each cash-generating unit. The analysis of these carrying values identified that carrying values at both a Parent and Group level were fair (2008: NZX Agrifax Limited reduced by \$350,000 and NZX Newsroom Limited reduced by \$132,000).

31. ACQUISITION OF BUSINESSES AND INVESTMENTS

Name of business	Proportion of shares / assets acquired (%)	Principal activity	Date of acquisition
2010			
Callum Downs Pty Limited	100	Rural information	16 June 2010
2009			
The Marketplace Company Limited ("M-co") and its subsidiaries Energy Clearing House Limited and Energy Market Consulting Limited	100	Energy markets and infrastructure	9 June 2009
Country-Wide Publishing Limited ("CPL")	100	Rural information	1 May 2009
CLEAR Group ("CLEAR")	100	Grain trading	31 October 2009
Australian Crop Forecasters Pty Limited ("ACF")	100	Rural information	30 November 2009

On 16 June 2010 NZX acquired the business and assets of Callum Downs. Callum Downs publishes subscription reports on the Australian grain market.

Asset	Callum Downs Fair Value on acquisition \$000
Fixed assets	2
Intangibles	619
Goodwill	1,380
Total	2,001

FULL YEAR PERFORMANCE OF ACQUIRED INVESTMENTS:

The full year contribution of Callum Downs to revenue in the 2010 Group financial statements was \$267,000. This does not include any earnings prior to acquisition on the basis that the assets for the business were purchased and are held in NZX Holding No. 4 Limited. As such, the full year revenue contribution is only for the period since NZX acquired the business's assets. Contribution to EBITDA and net profit/ (loss) after tax cannot be calculated, as the business purchased is operated as part of the Group.

32. RELATED PARTY DISCLOSURES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 30 and details of interest in associates are disclosed in note 19. Amounts receivable from and payable to related parties at balance date and sales and purchases between related parties are disclosed below.

Related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	2010 \$000	2010 \$000	2010 \$000	2010 \$000
Parent				
NZX Limited	904	88	1,707	5,226
Subsidiaries				
Smartshares Limited	-	411	2,087	3
NZX Rural Limited	-	-	2,121	-
FundSource Limited	11	-	1,021	-
NZX Holding No. 4 Limited	-	150	2,248	1,450
NZX ProFarmer Australia Pty Limited	-	-	-	2,248
New Zealand Clearing Limited	-	293	-	1,462
New Zealand Depository Limited	-	-	1,303	27
Associates				
LINK Market Services Limited	322	225	-	6
Appello Services Limited	-	70	-	65

Related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	2009 \$000	2009 \$000	2009 \$000	2009 \$000
Parent				
NZX Limited	416	149	2,879	120
Subsidiaries				
Smartshares Limited	-	359	13	14
TZ1 Limited	-	50	-	-
NZX Rural Limited	-	-	-	1,048
FundSource Limited	10	-	61	-
NZX Holding No. 4 Limited	-	25	1,929	1,780
NZX ProFarmer Australia Pty Limited	-	-	48	1,929
Associates				
LINK Market Services Limited	305	146	-	-
Appello Services Limited	-	-	-	39
AXE ECN Pty Limited	45	47	-	-

During the period, NZX's subsidiary Smartshares Limited managed the NZX MidCap Index Fund (SmartMIDZ), NZX Australian MidCap Index Fund (SmartMOZY), NZX 10 Fund (SmartTENZ), NZX 50 Portfolio Index Fund (SmartFONZ) and NZX Australian 20 Leaders Index Fund (SmartOZZY).

33. INVOLVEMENT IN ELECTRICITY TRANSACTIONS

NZX, through its subsidiary Energy Clearing House Limited ("ECH"), is the electricity market operation service provider responsible for ensuring that market participants pay or are paid the correct amount for the electricity they generated or consumed during the previous month. ECH also manages the prudential security requirements of participants, intended to ensure payers can meet their obligations in the market. Each month the reconciliation of metering data for prior consumption periods results in changes to the quantities of electricity previously traded and, on occasion, changes to the amounts payable by market participants. This results in the issue and payment of invoices containing wash-up amounts to affected participants. No provision is made for such wash-ups.

At 31 December 2010, ECH has outstanding payables and receivables for the purchase and sale of electricity, and the settlement of transmission losses. These items are not recorded in the Group's statement of financial position, because in aggregate, a nil net position arises which is consistent with the fact that other parties bear the risk associated with settlement in the electricity market. It should be noted that no legal right of set-off exists between these electricity settlement liabilities and assets.

In discharging its obligations under the Electricity Industry Participation Code, ECH is required to ensure that purchasers maintain acceptable levels of prudential security. Participants can comply with this obligation in a number of ways, including third party guarantees, letters of credit and deposits of cash with the ECH.

ECH holds cash deposit security on trust, and does not recognise the security provided in its statement of financial position. There was \$52,027,224 cash held from such deposits at 31 December 2010.

34. CLEARING HOUSE COUNTERPARTY CREDIT RISK

The Group is exposed to counterparty credit risk on unsettled trades, which may arise from the failure by a counterparty to meet its obligation or commitment to New Zealand Clearing Limited ("NZCL"), a fully owned subsidiary who acts as a central counterparty. All trades on NZX's markets enter the Clearing House and are immediately novated such that NZCL becomes the buyer to every sell trade and the seller to every buy trade. As buy and sell settlement transactions that are novated to NZCL offset each other, the Group is not exposed to direct price movements in the underlying equities or derivatives.

However, equity or derivative price movements, market activity and an individual participant's own solvency may have an impact on a counterparty's ability to meet their obligations to the Group. Failure to meet these obligations exposes the Group to potential replacement cost risk on unsettled transactions.

This counterparty credit risk is managed primarily through:

- ▶ Initial entry and ongoing obligations for clearing participants;
- ▶ Risk based capital adequacy requirements;
- ▶ Margin requirements calculated daily that must be met by the submission of eligible collateral; and
- ▶ Fixed capital resources to be used in the event of participant default.

The Group regularly stress-tests clearing participant exposures against the amount and liquidity of margin collateral and risk capital resources. The Group's ongoing monitoring of participants' unsettled positions and exposures, coupled with daily margining and collateral management, enables it to efficiently manage its central counterparty credit risk. Margin requirements are calculated for each participant based on that participant's unsettled transaction in each security. Margin rates for each security are based on the underlying characteristics of the security and its price volatility. Margin requirements are calculated on a daily basis using current market prices. Each day, margin requirements are compared to collateral held and a margin call made where necessary. Participants are then required to post additional eligible collateral. Eligible collateral includes cash, bank performance bonds, and securities (including NZ and US government securities and NZX50 listed securities). Securities provided as collateral are subject to a risk reduction (haircut).

The Group is also exposed to counterparty credit risk through NZCL by acting as central counterparty for securities lending transactions. As NZCL is exposed to the full principal value of each loan, NZCL requires collateral to be posted equal to 105% of the loan. All loans are revalued on a daily basis and additional collateral required where appropriate.

34. CLEARING HOUSE COUNTERPARTY CREDIT RISK (cont.)

As at 31 December 2010, NZCL has a right to receive \$5.534 million from clearing participants and an obligation to pay \$5.534 million to clearing participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2010. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2010 was \$34.562 million. In addition, at 31 December 2010, the total value of outstanding securities loans was \$20,337 and the absolute notional value of open derivative contracts was US\$513,850.

Collateral held to cover these outstanding settlement positions at 31 December 2010 was \$7.968 million. All collateral was held in cash.

In addition to fixed risk capital resources of \$10 million, under a Memorandum of Understanding with the Reserve Bank of New Zealand ("RBNZ"), signed 6 October 2010, the Group is eligible for backup liquidity support from the RBNZ subject to the Group maintaining its designation status and meeting the eligibility criteria for RBNZ counterparties.

35. FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Board of NZX reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1(h) to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The foreign currencies in which transactions are primarily denominated are United States Dollars (USD) (market information sales and IT infrastructure purchases), and Australian Dollars (AUD) (grain market operations, market information sales and IT operating costs). With shareholdings in Australia, there is translation exposure to AUD for investments. Exchange rate exposures are managed within approved policy parameters.

NZX utilises natural hedges from receipts of sales to offset purchases denominated in foreign currencies matching maturities. The treasury committee meets monthly to determine forward exposures, and considers these in line with internal policies and procedures, and where appropriate enters forward exchange agreements to keep any exposure to an acceptable level. Monetary assets and liabilities are also considered by the Treasury committee and are kept to an acceptable level by buying or selling foreign currencies at the spot rate.

NZX holds an investment in Markit which is denominated in USD. NZX does not currently hedge the exposure to exchange rate movement on this investment.

35. FINANCIAL INSTRUMENTS (cont.)

INTEREST RATE RISK

NZX is exposed to interest rate risk in that future interest rate movements will affect cash flows and the market value of fixed interest and other investment assets. NZX currently does not use any derivative products to manage interest rate risk.

INTEREST RATE RISK SENSITIVITY ANALYSIS:

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Effect on net interest income:				
1% increase in interest rate	211	169	(24)	96
1% decrease in interest rate	(211)	(169)	24	(96)

CREDIT RISK

The maximum credit risk associated with the financial instruments held by the Group is considered to be the value reflected in the Statement of Financial Position. The risk of non-recovery of these amounts is considered to be minimal. The Group does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk arise where NZX is exposed to the risk that a party may fail to discharge an obligation in the normal course of business. NZX treasury policy is to limit the exposure to counterparties so as to not exceed:

- ▶ The greater of \$10 million or 60% of cash and cash equivalents for registered banks that operate in New Zealand with a minimum credit rating of AA-.
- ▶ 30% of total cash and cash equivalents for other institutions with a minimum credit rating of A- (the total exposure for other institutions cannot exceed 50% of the total cash and cash equivalents).

Detail on other forms of credit risk not related to financial instruments is provided in note 34.

The status of trade receivables at the reporting date is as follows:

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Not past due	4,351	3,101	3,119	2,346
Past due 0-30 days	593	684	306	280
Past due > 31 days	1,070	2,057	311	1,008
Total	6,014	5,842	3,736	3,634

35. FINANCIAL INSTRUMENTS (cont.)

In summary, trade receivables are determined to be impaired as follows:

	Group		Parent	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Gross trade receivables	6,014	5,842	3,736	3,634
Individual impairment	-	-	-	-
Collective impairment	(451)	(544)	(64)	(139)
Trade receivables net	5,563	5,298	3,672	3,495

LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2010

Financial Instruments	Note	Loans and receivables \$000	Amortised cost \$000	Designated at fair value \$000	Total Carrying value \$000	Fair value \$000
Assets						
Cash and cash equivalents	14 (a)	28,159	-	-	28,159	28,159
Receivables and prepayments	15	6,938	-	-	6,938	6,938
Investment in equities	10	-	-	27,772	27,772	27,772
Other financial assets						
Advances – share plans		2,054	-	-	2,054	2,054
Total		37,151	-	27,772	64,923	64,923
Liabilities						
Current tax payable/(receivable)	13(b)	-	(642)	-	(642)	(642)
Trade payables	20	-	2,067	-	2,067	2,067
Bank Loan	22	-	7,036	-	7,036	7,036
Other liabilities	21	-	19,453	-	19,453	19,453
Total		-	27,914	-	27,914	27,914

35. FINANCIAL INSTRUMENTS (cont.)

FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2009

Financial Instruments	Note	Loans and receivables \$000	Amortised cost \$000	Designated at fair value \$000	Total Carrying value \$000	Fair value \$000
Assets						
Cash and cash equivalents	14(a)	35,822	-	-	35,822	35,822
Receivables and prepayments	15	6,283	-	-	6,283	6,283
Investment in equities	10	-	-	29,654	29,654	29,654
Other financial assets						
Investment - bonds		732	-	-	732	732
Advances – share plans		1,677	-	-	1,677	1,677
Total		44,514	-	29,654	74,168	74,168
Liabilities						
Current tax payable/(receivable)	13(b)	-	(375)		(375)	(375)
Trade payables	20	-	7,284		7,284	7,284
Bank Loan	22	-	18,918		18,918	18,918
Other liabilities	21	-	9,414		9,414	9,414
Total		-	35,241		35,241	35,241

36. SUBSEQUENT EVENTS

As announced to market in December 2010, AXE ECN Pty Limited will be wound up in early 2011 at the agreement of all shareholders. It is expected that this will have no impact on NZX's Income Statement.



Independent Auditor's Report

To the shareholders of NZX Limited

REPORT ON THE COMPANY AND GROUP FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NZX Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 24 to 73. The financial statements comprise the statement of financial position of the company and the consolidated statement of financial position of the group as at 31 December 2010, the income statement and statements of comprehensive income, changes in equity and cash flows of the company and the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows of the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided general accounting services to the company and group. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements of NZX Limited and its subsidiaries ("the company and group") on pages 24 to 73:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the consolidated financial position of the group as at 31 December 2010 and of the financial performance and cash flows of the company and the consolidated financial performance and consolidated cash flows of the group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by NZX Limited and its subsidiaries as far as appears from our examination of those records.

28 February 2011

Wellington

NZX MARKET SUPERVISION

This is a summary statistical report of NZX Market Supervision (NZXMS) activities in 2010.

- ▶ Processed 14,184 announcements with 17 recorded errors, which gives an accuracy rate of 99.8801%.
- ▶ Processed 171 Waiver and Ruling applications in respect of Listed Issuers and Market Participants. All Waivers and Rulings were dealt with in accordance with NZXMS protocols and delivered within required timeframes.
- ▶ Processed 30 complaints in respect of the conduct of Listed Issuers and Market Participants.
- ▶ Implemented 51 Trading Halts.
- ▶ Referred 32 matters to the Securities Commission. Eight of those matters related to share price enquiries carried out by NZX Market Supervision and required no further action by the Securities Commission. The remaining 24 matters concerned matters such as compliance with the insider trading, substantial security holder, directors' and officers' notices and continuous disclosure provisions of the Securities Markets Act 1988. Of these 24 matters, 22 matters resulted in no further action letters being received by NZXMS.
- ▶ Referred eight matters to the NZ Markets Disciplinary Tribunal for serious breaches of the NZX Participant Rules or NZX Listing Rules.
- ▶ Responded to 21 Requests from the Securities Commission in respect of trading data.

STATUTORY INFORMATION

1. BUSINESS OPERATIONS

CHANGES TO CORE BUSINESS

The key changes to the core business undertakings of the Company, its subsidiaries and associates during the year have been:

- ▶ The launch of a new clearing and settlement infrastructure, which provides a central counter party clearing house and central securities depository. This provides a settlement platform that will support the trading of securities and a range of new products.
- ▶ The launch of a derivatives market, intended to support a suite of futures and options products, such as the global whole milk powder futures contract, which was introduced in October 2010.
- ▶ The completion of an Australian-based Grain Intelligence Unit with the acquisition and subsequent integration of the business assets of Callum Downs Commodity News Pty Limited alongside Australian Crop Forecasters and Profarmer publications, which were already owned by NZX.

INVESTMENTS

Changes to the Company's investments have included:

- ▶ NZX selling its 30% stake in Appello Services Limited (ASL) to the remaining shareholders of ASL.
- ▶ The Directors of AXE ECN Pty Limited resolving to take the necessary steps to progress the winding up of the company.

2. INTERESTS REGISTER

NZX is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

3. DIRECTORS' INTERESTS

The Directors have declared interests in the entities listed right. Where an (R) is included next to the entity, the Director has ceased to have that interest during the year.

4. INFORMATION USED BY DIRECTORS

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors that would not otherwise have been available to them.

3. DIRECTORS' INTERESTS (cont.)

Director	Interest	Entity
A W Harnos	Director	Harnos Horton Lusk Limited
	Director	Westfield (New Zealand) Limited and Associated Companies (R)
	Director	Elevation Capital Management Limited
	Director	Westfield Retail Trust
R Drury	CEO	Xero Limited
	Director	Pacific Fibre Limited
J B Miller *	Director	Vector Limited
	Director	Auckland International Airport Limited
	Chairman	Barramundi Limited (appointed to Board September 2010)
	Chairman	Kingfish Limited (appointed to Board September 2010)
	Chairman	Marlin Global Limited (appointed to Board September 2010)
	Director	Craigs Investment Partners Limited and associated entities (R)
	Shareholder	Craigs Investment Partners Limited
C J D Moller	Director	Rugby New Zealand 2011 Limited
	Joint Owner and Director	Urenui Consultants Limited
	Chairman	New Zealand Cricket (Inc)
	Director	International Cricket Council
	Director	ICC Development (International) Limited
	Director	SkyCity Entertainment Group Limited
	Trustee	Victoria University of Wellington Foundation
	Trustee	Westpac Regional Stadium Trust
	Chairman	New Zealand Transport Agency effective 25 March 2010 (Chairman from 1 April 2010)
	Chairman	Meridian Energy Limited (Chairman from 1 January 2011)
	Director	Westpac New Zealand Limited
	Director	Synlait Limited (R)
N Paviour-Smith	Director	Forsyth Barr Group Limited and Associated Companies
	Director	Forsyth Barr Limited
	Director	Leveraged Equities Finance Limited
	Director	NZX GL Nominee Limited
	Director	New Zealand Institute of Chartered Accountants Inc.
M R Weldon	Director	Various NZX subsidiaries
	Member	University of Auckland School of Business Advisory Board
	Director	Canterbury Grasslands Limited
N H M Williams	Employee	Australia and New Zealand Banking Group Limited
	Director	ETrade Australia
	Director	Australian Financial Markets Association (from February 2010)

Notes to the tables in sections 3, 5 and 10:

* J Miller was appointed to the Board on 27 August 2010. In this Statutory Information section all references to J Miller are marked with an asterisk to alert the reader to this change in composition of the Board.

5. DIRECTORS HOLDING OFFICE AND THEIR REMUNERATION

The Directors holding office during the year are listed below. The total amount of the remuneration and other benefits received by each Director during the year, and responsibility held, is listed next to their names.

Directors	Remuneration	Special Responsibility
A W Harmos	\$100,000	Chairman and Independent Director
R Drury	\$50,000	Independent Director
J B Miller*	\$12,500	Independent Director
C J D Moller	\$50,000	Independent Director
N Paviour-Smith	\$50,000	Independent Director
M R Weldon**	\$1,319,236	CEO
N H M Williams	\$50,000	Independent Director

** See Notes 5 and 26 to financial statements. M R Weldon is remunerated as an employee of NZX and receives no separate payment in his capacity as a director.

6. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

NZX pays premiums in respect of directors' liability insurance. The policies do not specify a premium for individuals.

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or judgements awarded or entered against the individual, settlements negotiated and any legal costs or expenses awarded against the individual arising from a liability to persons (other than the company or a related body corporate) incurred in their position as a director unless the conduct involves a wilful breach of duty, improper use of inside information or position to gain any profit or advantage or any criminal, dishonest, fraudulent or malicious acts or omissions or any knowing or wilful violation of any statute or regulation.

7. SUBSIDIARY COMPANIES DIRECTORS

The remuneration of employees acting as Directors of subsidiaries is disclosed in the relevant banding of remuneration set out under the heading Employee Remuneration. NZX employees did not receive additional remuneration for acting as Directors during the year.

CLEARING HOUSE ENTITIES

NEW ZEALAND CLEARING AND DEPOSITORY CORPORATION LIMITED*

Peter Lockery **
Philippa Dunphy (Chair) **
Robyn Dey

NEW ZEALAND CLEARING LIMITED*

Philippa Dunphy **

NEW ZEALAND DEPOSITORY LIMITED*

Peter Lockery **

NEW ZEALAND DEPOSITORY NOMINEE LIMITED*

Robyn Dey

* Simon Smith, Chief Operating Officer of the clearing house, was a director of these companies from the time of their incorporation. He resigned as a director at the time the final Board structure was determined, prior to the launch of the new clearing and settlement system.

** Independent directors.

Mr Lockery and Ms Dunphy receive fees for their services as Independent Directors. In 2010 those fees were \$14,583 and \$29,167 respectively.

7. SUBSIDIARY COMPANIES DIRECTORS (cont.)

OTHER NZX SUBSIDIARIES

The following persons held office as Directors of NZX's subsidiary companies at the end of the year. Those persons with an (R) after their name ceased to hold office during the year.

ENERGY CLEARING HOUSE LIMITED

Ashley Milkop (R)
Rachael Newsome
Robyn Dey

ENERGY MARKET CONSULTING LIMITED

Heather Kirkham

FUNDSOURCE LIMITED

Geoffrey Brown (R)
Rachael Newsome

SMARTSHARES LIMITED

Damas Potoi (R)
Fiona Mackenzie
Garth Taylor (R)
Geoffrey Brown (R)
Helena Lewis
Rowan Macrae

NZX PROFARMER AUSTRALIA PTY LIMITED**

Mark Weldon
Richard Koch

NZX AGRI ADVISORS PTY LIMITED**

Richard Koch

NZX RURAL LIMITED

Mark Weldon
Rowan Macrae

MANDELA INVESTMENTS LIMITED

Mark Weldon

MXF NOMINEES LIMITED

Rowan Macrae

CABLE STREET PARTNERS LIMITED

Geoffrey Brown (R)
Mark Gerbich
Rachael Newsome

NEW ZEALAND EXCHANGE LIMITED

Mark Weldon

NZFOX LIMITED

Mark Weldon

NZX CPL NOMINEE LIMITED

Rowan Macrae

NZX EXECUTIVE SHARE PLAN NOMINEES LIMITED

Mark Reese

NZX GL NOMINEE LIMITED

Neil Paviour-Smith

NZX HOLDING NO. 3 LIMITED

Geoffrey Brown (R)
Mark Weldon

NZX HOLDING NO.4 LIMITED

Geoffrey Brown (R)
Heather Kirkham
Justin Bgoni
Rachael Newsome

NZX INCOGNITO LIMITED

Catherine Savage
Geoffrey Brown (R)
Rachael Newsome

TANE NOMINEES LIMITED

Rowan Macrae

TIME ZONE ONE LIMITED

Mark Weldon

TZ1 LIMITED

Mark Weldon

NEW ZEALAND CLEARING AND DEPOSITORY LIMITED

Simon Smith

A number of these subsidiaries are maintained for name protection reasons. Others were non-operating or ceased to operate during the 2010 year.

** Australian Registered Entity.

8. EQUITY INVESTMENTS – NZX APPOINTED DIRECTORS

The following persons held office as Directors of companies in which NZX has an equity investment. Directors noted are those that held office at 31 December 2010.

APPELLO SERVICES LIMITED*

Justin Bgoni (R)

AXE ECN PTY LIMITED**

Mark Weldon

LINK MARKET SERVICES (NZ) LIMITED

Erich Livengood

Leanne Walker

* NZX's 30% shareholding in Appello Services Limited was sold to the remaining shareholders of Appello Services Limited in December 2010

** Australian Registered Entity.

9. EMPLOYEE REMUNERATION

During the year a number of employees or former employees (excluding Directors) received remuneration and other benefits, including non-cash benefits and NZX shares in accordance with NZX Share Plans, in their capacity as employees of the Company, the value of which exceeded \$100,000 per annum.

Remuneration Ranges	Employee
100,000 – 109,999	5
120,000 – 129,999	3
130,000 – 139,999	3
140,000 – 149,999	3
150,000 – 159,999	4
160,000 – 169,999	5
170,000 – 179,999	2
180,000 – 189,999	4
200,000 – 209,999	1
280,000 – 289,999	1
320,000 – 329,999	2
360,000 – 369,999	2
420,000 – 429,000	1

10. DIRECTOR TRANSACTIONS IN SECURITIES OF THE PARENT COMPANY

Director	Securities held Legal and Beneficial as at 31 December 2010
A W Harmos	184,724
R Drury	-
J B Miller*	19,087
C J D Moller	29,800
N Paviour-Smith	238,145
M R Weldon	6,241,220 ¹
N H M Williams	91,750

¹ Additionally an NZX nominee company (Tane Nominees Limited) holds 1,803,346 shares issued under the 2007 CEO Share Plan. Note that in relation to the CEO Share Plan Shares (as reflected in the 31 December 2010 Financial Statements) the Board has determined to account for the cost of this scheme and accordingly the cost to NZX and value to the CEO is \$288,065 for the year ended 31 December 2010.

11. AUDITORS

The auditor of the parent company and Group is KPMG. They provide audit and other services for which they are remunerated.

	Parent \$000	Group \$000
Audit of the financial statements	95	138
Other audit related fees	7	11
Non-audit services	-	-
Total	102	149

SECURITY HOLDER INFORMATION

12. TOP 20 SECURITY HOLDERS

The following table shows the names and holdings of the 20 largest holdings of securities in the Company as at 31 December 2010.

	Shares Held	%
Tea Custodians Limited	10,589,324	8.73
Accident Compensation Corporation	9,459,533	7.80
ASB Nominees Limited (Lola Nominees Limited)	6,241,220	5.15
Nigel Babbage and Philippa Babbage	5,020,000	4.14
Premier Nominees Limited – ING Wholesale Australasian Share Fund	4,978,322	4.10
Premier Nominees Limited - ING Wholesale Equity Selection Fund	3,010,932	2.48
Custodial Services Limited	2,938,803	2.42
National Nominees New Zealand Limited	2,752,010	2.27
David Mitchell Odlin	2,396,324	1.98
New Zealand Superannuation Fund Nominees Limited	2,279,982	1.88
Leveraged Equities Finance Limited	1,874,523	1.55
Tane Nominees Limited	1,803,346	1.49
H & G Limited	1,800,332	1.48
AMP Investment Strategic Equity Growth Trust Fund	1,557,624	1.28
FNZ Custodians Limited	1,371,117	1.13
Citibank Nominees (NZ) Limited	1,363,232	1.12
Custodial Services Limited	1,271,792	1.05
M W Daniel & N G Burton & M M Benjamin	1,000,000	0.82
Custodial Services Limited	987,031	0.81
Forsyth Barr Custodians Ltd	983,234	0.81
TOTAL	63,678,681	52.51

13. SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2010

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1000	225	7.21	133,190	0.11
1001 to 5000	1,184	37.94	3,756,302	3.10
5001 to 10000	723	23.17	5,335,985	4.40
10001 to 20000	484	15.51	6,776,640	5.59
20001 to 30000	178	5.70	4,448,332	3.67
30001 to 40000	69	2.21	2,384,172	1.97
40001 to 50000	56	1.79	2,487,405	2.05
50001 and Over	202	6.47	95,971,370	79.12
Total	3,121	100.00	121,278,396	100.00

Domicile of Holders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	3,050	97.73	119,457,144	98.49
Australia	51	1.63	1,306,231	1.08
Other	20	0.64	530,021	0.44
Total	3,121	100.00	121,278,396	100.00

14. SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Company under section 35C of the Securities Markets Act 1988 the following were substantial holders in the Company as at 31 December 2010. The total number of voting securities on issue as at 31 December 2010 was 121,278,396 ordinary shares.

	Relevant Interest	% at 31 December 2010
Accident Compensation Corporation	8,438,098	7.0
ANZ National Bank Limited ING (NZ) Ltd ING (NZ) Holdings Limited	10,480,976	8.6
Fisher Funds Management Limited	9,547,042	7.9
M R Weldon (Lola Nominees Limited together with Tane Nominees Limited)	8,044,566	6.6

15. WAIVERS FROM THE LISTING RULES AND INDEPENDENT DIRECTOR CERTIFICATES

The following waivers have been granted to NZX and relied upon in the financial year ended 31 December 2010:

Waivers from the application of NZSX Listing Rule (Rule) 7.6.1 to allow NZX to redeem its own Equity Securities where, under the terms of the Group Leader Share Scheme or the NZX Employee Share Plan – Team and Results, it is obliged or entitled to do so.

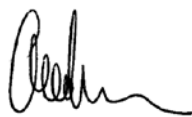
A waiver from the application of Rule 7.6.6A(b) to exempt the financial assistance provided under the 2007 CEO Share Plan from the requirement that it be provided within 12 months of the resolution to implement the CEO Scheme being passed.

The NZX Independent Directors provided the Special Division with a Directors' Certificate dated 26 February 2010 under Rule 9.2.4 in relation to an increase in the remuneration of the NZX CEO. The certificate confirmed base salary adjustments for CPI movements for the period since 2006. These were 3.2% (2007), 3.4% (2008) and 2.0% (2009) and resulted in an increase in base salary from \$446,250 to \$485,712 effective from 1 January 2010. The Independent Directors certified that this proposed arrangement was set on an arm's length, commercial basis and that Rule 9.2.4(d)(i) was complied with.

16. SECURITIES ISSUED BY NZX

NZX's ordinary shares are quoted on the NZSX Market. Shares issued under the various employee share schemes, such as the New Zealand Exchange Employee Share Scheme 2008 (2009 offer), the NZX Employee Share Plan – Team and Results (implemented in May 2010) and the NZX Country-Wide Publishing Plan are subject to certain transfer conditions and entitlement criteria. For so long shares issued under these schemes are subject to these restrictions they are not quoted on any market and will not be quoted on any market until such time as they vest in the relevant participants.

This report is signed by and on behalf of the Board of NZX Limited by,



A W Harmos



M R Weldon

DIRECTORY

REGISTERED OFFICE

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11 Cable Street
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www.nzx.com

BOARD OF DIRECTORS

Andrew Harnos
Rod Drury
James Miller
Chris Moller
Neil Paviour-Smith
Mark Weldon
Nigel Williams

AUDITORS

KPMG
10 Customhouse Quay
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SHARE REGISTER

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lmsenquiries@linkmarketservices.com
www.linkmarketservices.com

The NZX logo consists of the letters 'NZX' in a bold, white, sans-serif font. The letters are set against a dark blue rectangular background. To the right of the text, there is a white triangle pointing downwards, which is partially overlaid by a yellow triangle pointing upwards, creating a stylized graphic element.

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