



# NZX Limited Annual Report 2014



Members of NZX's graduate programme from 2014 and 2015 at our Cable Street, Wellington office.

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# Chairman's Report.

Dear shareholder,

The continued growth and development in New Zealand's capital markets in 2014 is in large measure attributable to the many building blocks put in place over the past five years.

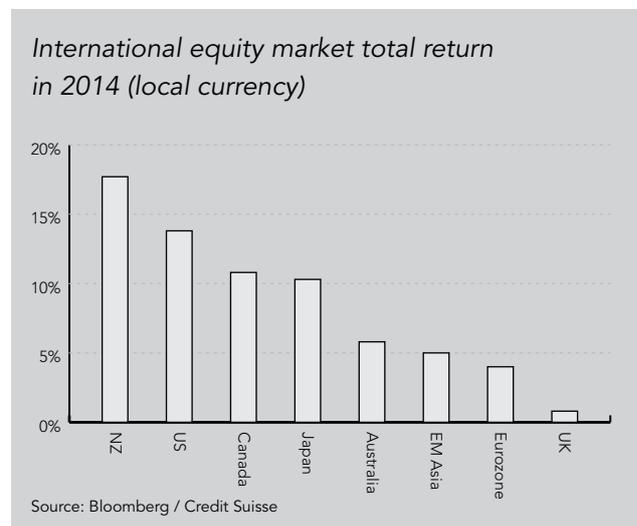
In 2009, the Capital Market Development Taskforce released its report "Capital Markets Matter", which set out 60 – some courageous – recommendations to overhaul New Zealand's capital markets. A number of these were critical to the market's health and survival, let alone growth. Most of those recommendations have now been implemented. The partial listing of three state-owned companies; facilitation of dairy cooperative Fonterra accessing permanent capital while retaining cooperative status; creation of the Financial Markets Authority; passing of the Financial Markets Conduct Act; establishment of NZX's clearing house; launch of dairy derivatives and equity index futures; and the NXT market are all traceable to the work of the Taskforce. The success of these measures and the mixed ownership model in particular, has also given government and local authorities new ways to think about their balance sheets, asset mix and funding options, and has driven broader New Zealand investor participation.

Five years later, with these initiatives completed, the 2014 market statistics represent a number of positive factors. These include confidence in our economy, more listed investment options for investors, strong financial performance by listed companies, availability of capital through KiwiSaver and other initiatives,

confidence to invest, and widespread use of our markets for raising capital and investing. For NZX, this is a recognition of the investment made in our core infrastructure and technology, our people, and a markets regulation structure that is now well fitted to the New Zealand market.

In 2014, our equity markets again captured the headlines with 16 companies listing during the year, \$6.45 billion new capital listed, and total NZX equity market capitalisation to Gross Domestic Product increasing from 37.8% in 2013 to 42.1% at the end of 2014.

The NZX Main Board, home to New Zealand's largest listed companies, outperformed relevant global markets in 2014 in local currency total return terms, as demonstrated in the graph below:



The NZX 50 Gross Index was up 17.5% on 2013, comparing favourably to many overseas markets including Australia, which recorded its lowest return since 2011, up 1.1%.

New Zealand retail investor ownership of the New Zealand equity market now sits at 26.4%, the highest level it has been since 2007, on the back of continued growth in KiwiSaver. This trend is set to continue.

Across NZX's other businesses, which receive less public attention than the equity markets but are as important to our strategy, we made some great progress. In Soft Commodities, dairy futures volumes were up 118% on 2013, US Commodities and Futures Trading Commission approval was obtained allowing US customers to trade our dairy derivatives and a new butter contract was launched; Agri Information, Farmers Weekly advertising was up 8%; in Funds Management, there were 11.3% more units on issue at year end and three new funds launched; the SuperLife transaction was agreed; and in Market Operations, energy consulting revenue was up 8% up on 2013. Our dairy derivatives suite was honoured by being awarded "Best New Agricultural Contract" at the Futures & Options World (FOW) Awards for Asia.

## Financial

NZX's financial performance in 2014 was satisfactory. We delivered fully imputed dividend returns of 6 cents per share in respect of the 2014 financial year, equivalent to a gross yield of 7.4% based on the share price at 12 March 2015. Unfortunately our share price underperformed our expectations, the expectations of our shareholders, and the broader NZX 50 Index, of which NZX is a component. Sustained share price stagnation does not sit comfortably with the board or management, and while our focus is on value creation over the long term and not short term movements, be assured that execution and delivery on strategic initiatives with a focus on cost-management and quality revenue growth is a 2015 priority. Ultimately it is investors and their confidence that drives overall returns to shareholders, and we are focussed on ensuring that this has every reason to grow.

## Strategy – SuperLife

New Zealand is well served by the range of active fund managers available, but there are comparatively few passive or index tracking offerings available here compared to a number of overseas markets. For example, since 2001 the number of Exchange Traded Funds (ETFs) / Exchange Traded Products listed on the ASX has grown from two to more than 90, representing more than \$10 billion in market capitalisation.

Passive ETFs such as our Smartshares products provide investors with a low cost diversified portfolio approach to managed investing. Expanding the options available, we believe, will ultimately provide substantial growth potential for NZX. The SuperLife acquisition, announced in December, increases our funds under management from approximately \$400 million to over \$1.6 billion. It provides an immediate boost to NZX's scale in funds management a much greater exposure to the fast growing KiwiSaver market, as well as substantially enhancing new fund creation and distribution potential for the Smartshares ETFs business. For current SuperLife members, NZX's ownership and its financial strength and commitment to invest in the business will provide an enhanced range of investment options going forward. This is a core growth strategy for NZX and Smartshares, being both an attractive adjacency and a product class that is a core building block of any vibrant capital market.

## Board, Governance and Regulation

My thanks again go to the commitment, insight and support provided by my fellow Directors.

Shareholders will have read of the Hon Simon Power's intention to step down from the Board at our upcoming Annual Meeting in May. Simon's decision was taken by him in consultation with his employer Westpac and the NZX board. It reflected an assessment that there may be potential conflicts of interest between Simon's role as General Manager of Westpac's private wealth management business and his role as a Director of NZX, as our passive funds management business evolves into a core NZX growth strategy. While sensible protocols can be relied on in most cases to manage conflicts, Simon's direct day-to-day management accountability for a

competing business was the defining factor in his decision to resign. Simon has been a great contributor to our board over the past two and half years and we will miss him. We are progressing the recruitment process for a new Director and will provide an update at our Annual Meeting in May.

I would also like to offer a warm welcome to NZX's incoming Chairman James Miller to whom I will hand over to at our Annual Meeting. James was appointed to the board in August 2010 and appointed as Deputy Chairman in 2012. He is a very experienced company director and brings extensive capital markets experience.

In NZX's regulation function, investment in people and resources has continued. Our regulatory outcomes continue to be pleasing. In June 2014, we welcomed the FMA's third annual General Obligations Review, which concluded that during the 2013 review period NZX complied with all of its statutory obligations to ensure that each of our registered markets and the derivatives market were fair, orderly and transparent. As part of the annual review process, NZX and the FMA also agreed a set of actions relating to NZX's communication of its regulatory function and processes, and arrangements for handling perceived or potential conflicts, which have now been put in place. In addition, a Memorandum of Understanding between NZX and the FMA was finalised and signed after balance date. Our two organisations are working well together in an environment of mutual respect and in the interests of the capital markets. Those interested will have noticed increased levels of enforcement activity – NZX Regulation and the New Zealand Markets Disciplinary Tribunal under Chairman David Flacks are working together effectively.

We farewelled Robyn Dey, our former Head of Regulation and more recently Head of Policy and Legal, with our best wishes and thanks for many years of dedicated service.

We also welcomed our new Head of Market Supervision Joost van Amelsfort who reports directly to the Board, and who has made a strong start in his role at NZX.

We welcome Michael Chamberlain and Owen Nash, who join NZX following the SuperLife acquisition. Both will continue as directors of SuperLife, with Michael joining NZX's senior management team.

During the year we restructured the governance of our Clearing House operation and farewelled Pip Dunphy, chairman, and Peter Lockery, independent director of that key piece of our markets infrastructure. Pip and Peter were founder directors of NZCDC and have done an outstanding job in governing that company from design and inception through to maturity. Our thanks go to them.

## Leadership in the Capital Markets

NZX continues to take a leadership and market development role across the capital markets. This includes support for and engagement with important industry bodies such as the Securities Industry Association, INFENZ and the New Zealand Shareholders' Association.

Our ETFs, additional derivative and commodity offerings, data generation and publishing, and the NXT market are all tangible examples of this commitment to market development. We are grateful for the support of market participants, the FMA and the Ministry of Business, Innovation and Employment in facilitating the launch of these various products along with the establishment of NXT.

It was also pleasing to see the various diversity initiatives continue to gain traction over the year, including those which NZX specifically supports.

The statistics continue to show a positive trend, with change most evident in the formation of new boards as part of the IPO process. The 2014 annual statistics are, however, underwhelming. The number of female directors rose just slightly to 14% in 2014 from 12% a year earlier, while the number of female officers increased to 21% from 19% in 2013. The end game here is not simply about greater female representation around just the board table. This is only one of the outcomes that the diversity debate is looking to encourage – but that will fail unless equal if not more emphasis is placed on encouraging greater diversity generally, and greater female participation

in particular, across the spectrum of senior executive appointments. The pool of available and qualified talent for boards will only increase sustainably when this occurs at senior executive and leadership level.

This is one of the reasons why I have resisted, and will continue to resist, any calls for adoption of a quota system for board composition. It makes no sense, nor would it be effective in the long run, for legislation to impose this requirement at company management level. Imposing quotas on company boards and shareholders (it is after all their capital at risk, not that of lawmakers) whose support is critical for business growth, is no more logical and would be equally counterproductive.

## Farewell

As I am stepping down as Chairman at the conclusion of NZX's 2015 Annual Meeting, this will be my last report to shareholders.

Since demutualisation in 2002, shortly before which I joined the board, the company has undergone huge change and growth. I do not claim credit for this – there have been a large number of very talented people who have contributed in many capacities and levels.

NZX Limited's market capitalisation has grown since 2002 from about \$27 million to its current \$300 million plus (after two returns of capital). We are a systemically important, diversified financial services company with dedicated and talented staff working across New Zealand and Australia.

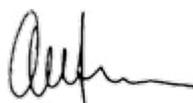
I would like to thank a number of people for their support over the 14 years I have been a director, and seven years of which I have been chairman of the Company.

My thanks go to the various board colleagues with whom I have served, with particular mention of the late Lloyd Morrison – without whom New Zealand's capital markets would likely be foreign owned. It was Lloyd's passion and vision that saw a bid to acquire the then NZSE rejected and the foundations laid for where we are today.

The three NZX chief executives who I have worked with, Bill Foster (1989-2002), Mark Weldon (2002-2012) and Tim Bennett (from 2012) have all been vastly different, each exceptionally talented and have brought many great skills to the development of capital markets in New Zealand and the development of NZX as its own company.

The NZX staff have been a pleasure to work with, during my time on the Board. They include people who I've come to know well, who are true professionals and who have the highest degree of integrity that any board or chair could wish for.

There remains much to do and achieve – I am confident that under the leadership of James Miller as Chairman and Tim Bennett as CEO, our aspirations for continued growth and strong and vibrant capital markets will be realised.



**Andrew Harnos**  
Chairman

# CEO's Report.

## Inform. Exchange. Grow.

NZX is, at its core, a markets business. We build, operate and develop markets that make a significant contribution to the growth and vitality of our economy.

Our starting point is the capital markets we operate, which provide capital to grow New Zealand businesses and in turn give a broad range of opportunities for investors to invest. Vibrant capital markets lower the cost of capital for businesses, encouraging them to raise capital for growth and increase the competitiveness of our economy.

NZX's agricultural information and soft commodity businesses provide information, data and risk management tools to a sector that is at the core of the New Zealand and Australian economies.

Likewise, our energy markets business supports the efficiency and competitiveness of the New Zealand electricity market.

Markets are more than simply exchanges – they are complex networks with a number of different components:

- Infrastructure to support the market: trading, clearing, back office services, market rules and the regulatory framework that they operate under
- Products that trade: securities, derivatives and physical commodities

- Data and information: data to support trading activity, but also information which supports traders' and investors' decision making
- Intermediaries: brokers that facilitate trading and analysts that look to identify investment opportunities
- Customers: retail, institutional and third parties that trade, hedge or invest on the market
- Stakeholders: including large participants, intermediaries, regulators and government.

In large, developed markets overseas, most exchanges operate only in selected parts of markets infrastructure and data. However, the capital markets in New Zealand and the soft commodity markets in Australia are small and under-developed. This provides significant growth opportunities for NZX, but also requires us to invest in areas beyond that of a traditional exchange. To be successful for both our shareholders and our stakeholders, NZX must therefore:

- Operate a broad set of businesses, beyond infrastructure and data, to provide products and information in areas where scale is critical to ensure the vitality and growth of the markets which we operate

- Play a leading role in developing markets ourselves, rather than relying on intermediaries or other market participants to develop them
- Champion our markets and the benefits that they bring to the economy.

In 2014, we started to see the benefits of investment that has been made in each of these three areas and we will continue to invest in them going forward.

## 2014 in Review

Our full year results for the year ended 31 December 2014 showed revenues for the year of \$65.2 million, up 3.8% on 2013, driven by strong growth in NZX's capital markets and funds management businesses. Operating expenses were up 9.6% due to higher contractor costs, targeted increases in staff capability over 2013 and into 2014 and higher professional fees driven by transactions and the Ralec litigation. Reported Net Profit After Tax was up 8.5% to \$13.1 million, with fully diluted earnings per share up 8.5% to 5.1 cents.

## Capital Markets

With the appointment of Aaron Jenkins as Head of Markets at the beginning of 2014, our markets team was fully up and running. The team saw more than 100 potential issuers last year, ran two IPO master classes and actively engaged with brokers, lawyers and other advisors to promote the benefits of listing. Their efforts supported the 16 companies we listed last year – the largest number of companies that have listed in more than a decade. Not only does this generate initial listing revenue, but it provides ongoing listing, trading and data revenue and ensures we have a strong listing pipeline for 2015 and beyond.

## NZX delivered a range of projects and initiatives in 2014, many behind the scenes, but all core to our strategy. These included:

### Capital Markets

- Listed 16 companies in a range of sectors including technology, manufacturing, agriculture, energy, health, retirement and education businesses
- Built a new market, NXT, which received regulatory approval and is ready to launch
- Delivered a new product, equity futures
- Updated the look and feel of NZX.com including significantly more NZX-generated video content
- Launched a new website for FundSource
- Established a new standard contract for all our data customers

### Engaged with current and potential customers

- Talked to 116 companies about listing
- Visited 80 issuers and held our largest ever issuer forum in Auckland
- NZX's 50% owned registry, Link Market Services, won registry mandates for 12 of the 16 IPOs in 2014

### Delivered on ensuring that our markets are "fair orderly and transparent"

- The FMA's General Obligations Review concluded that during the 2013 review period NZX complied with all of its statutory obligations
- Implemented Wynyard case management system

Capital markets revenues were up 6.2% to \$37.1 million, comprising 57% of total NZX revenues in 2014. Revenues were up in all areas, with the most notable increase being securities data revenue, which was up 16.6% to \$10.4 million as a result of pricing changes that were effective Q3 2013, and ad hoc audit revenue.

Maintaining confidence in the integrity of our markets is critical. It was therefore pleasing that in June 2014, the Financial Markets Authority's third annual General Obligations Review for the first time concluded that during the 2013 review period, NZX complied with all of our statutory obligations to ensure that each of our registered markets were fair, orderly and transparent. In August, Joost van Amelsfort was appointed Head of Market Supervision, a new role that further strengthens our regulatory function by division of the Head of Regulation role in two, to separate regulatory decision-making and overall policy development.

Despite three trading systems outages in June 2014, the cause of which has been identified and resolved, our systems continued to have very high uptime. In 2014, uptime for our equity markets was 99.79%, dairy derivatives 99.81%, and clearing systems 99.98%.

## Agricultural Information

NZX's agricultural information businesses continue to provide market-leading coverage of the sector, which was reflected in print advertising revenues growing in a media market where print advertising is flat or declining. However, we have additional work to do to broaden and deepen the data we provide to the sector. This will not only enable the market to have a better understanding of the supply and demand drivers, but also enable us to develop a broader range of risk management tools.

Advertising revenues were up 8.1% in 2014, the volume of advertising in print publications was up 1.6%, and subscriptions were up 14.9%. Data revenues were down by 10.3% due to the sale of NewsRoom and the impact of currency fluctuations on reported revenues for its Australian business. The net effect overall was agri information revenues up 2.1%.

## Market Operations

- Two major projects delivered for the Electricity Authority (Dispatchable demand and FTR allocation changes) and we have one more well underway (Settlement and Prudential Security)
- A new hydro information website was built that launched in January (<https://energy.nzx.com>)

## Funds Management

- Launched three new Smartshares funds: The NZ Core Equity Trust in July and two new ETFs in December
- Rolled out a new Smartshares website, brand, and online application form

## Agri Information

- Continued to produce high quality publications: Five journalism awards for our writers at the annual Guild of Agricultural Journalists Awards in October, and Young Country was selected as a finalist in the Best Trade Publication section of the Canon Media Awards
- A leading brand: the 'Land your dream job' campaign went viral, a new AgriHQ brand for data and support tools in New Zealand, and Young Country is now delivered to every New Zealand school
- New tools launched: two dairy data risk management tools for farmers and traders in October
- New users: Traffic on ArgiHQ was up 67% to 22,000 unique visitors per month
- In Melbourne we delivered corporate data subscriptions growth of 20%

## Soft Commodities

The first of the soft commodity tools we offer, dairy derivatives, continued to perform strongly in 2014 with the number of lots traded up 175% to 101,000. The second, Clear Grain Exchange, which enables growers and traders to trade grain online, had a less successful year. The grain harvest on the east coast of Australia, Clear's biggest market, was down by 12%. This, combined with a decline in GrainCorp's share of the market, resulted in Clear's volumes being 4% lower than the previous year. Total tonnes traded were 594,000 versus 617,000 in 2013. Revenues in this business area were therefore down 3.2% over 2013.

## Funds Management

Excluding the two new Exchange Traded Funds (ETFs) launched in December 2014, Smartshares funds under management and units on issue were up 15.7% and 11.1% respectively. As a result, revenues were up 10.5%.

## Market Operations

This business area comprises two markets, the electricity market and the Fonterra Shareholders' Market, which we operate on behalf of the Electricity Authority and Fonterra respectively. Both of these markets perform a critical role in the New Zealand economy. New Zealand has one of the most competitive electricity markets in the world, with NZX's energy team ensuring that the key parts of that market operate efficiently and effectively. The Fonterra Shareholders' Market provides valuable liquidity for Fonterra's shareholders.

Market operations revenue for 2014 was down by 2.0% to \$11.6 million. While in the Energy business there was a continued high level of system and service development activity, this was offset by the loss of a gas allocation contract for the Gas Industry Company in December 2013.

## Soft Commodities

We delivered a standout year in New Zealand:

- Dairy derivatives volumes up 175% in 2014
- First dairy options traded
- Butter futures launched
- Won the Best New Agricultural Contract at the Futures & Options World (FOW) Awards for Asia

We delivered new products in Australia:

- CGX launched in SA and WA and launched a new forward product
- An agreement with GrainCorp to increase their participation in both the spot and forward markets

## Giving Back

We also gave back to the communities we live in:

- Launched a retail investor education programme in conjunction with the Commission for Financial Capability
- Held our first community volunteer days in each office
- Welcomed our first student from the First Foundation
- Supported Rails Girls for the first time
- Relaunched Shares for Good with JB Were, Link Market Services and Computershare
- Hosted the first Massey University Boot Camp for High School students in Auckland

## Market Development

We continued to invest in market development across all our businesses last year. Notable achievements were: the launch of equity derivatives in June; regulatory approval for NXT, our innovative new market for smaller, higher growth companies; the launch of a new set of dairy data tools in August; the commencement of trading in butter futures in December; and the introduction of forward contracts on Clear in time for the 2014/15 harvest.

Our biggest initiative in 2014, and NZX's largest acquisition to date, was the acquisition of SuperLife. This followed a comprehensive review of the options to grow our Smartshares ETFs business.

ETFs provide simple, transparent and low cost investment options for investors. Creating a vibrant exchange traded funds business will ultimately increase market liquidity, stock lending opportunities and provide greater choice and cost effective diversification for investors.

The acquisition of SuperLife provides NZX with much greater scale in the funds management business, and a much more meaningful involvement in the rapidly growing KiwiSaver sector. It enabled Smartshares to launch two new ETFs in December and we expect to launch a broad range of ETFs in 2015. With total funds under management now \$1.7 billion, NZX's funds management business has the scale to offer a broad range of cost effective products and we are investing in marketing and distribution efforts to effectively promote them.

For SuperLife members, the acquisition promises a continuation of SuperLife's founding philosophy, the support of a strong institutional shareholder and investment in growing the range of investment options and the business overall.

## Outlook for 2015

NZX's businesses operate in three high growth sectors of the New Zealand and Australian economies: capital markets, funds management and agriculture. Over the past two years we have built the foundation required to exploit this growth: a great team, robust systems and processes, and appropriate oversight and governance.

In 2015, our focus is on executing against the immediate opportunities we have in front of us. In the capital markets this includes the launch of the NXT market, growth in derivatives and the potential formation of a single securities settlement system for New Zealand. The acquisition of SuperLife provides the catalyst to accelerate the growth of ETFs in New Zealand by providing a much broader range of simple, transparent and low cost listed products for investors.

### Thank you

Finally, I would like to say a sincere thanks to the team at NZX, for all of your continued commitment and efforts to deliver initiatives on behalf of our shareholders and stakeholders.

And on behalf of the NZX team, I would like to thank and acknowledge our customers and our shareholders for your continued support.



**Tim Bennett**  
CEO

# Board of Directors.

As at 31 December 2014

## 1. Andrew Harmos

*CHAIRMAN: LLB (Hons), BCom*

Andrew Harmos, NZX Chairman, is one of the founding directors of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory 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 2001, and prior to that held a number of other listed company directorships.

He is a Director of ASX listed Scentre Group, AMP Life Limited and the National Mutual Life Association of Australasia, fund manager Elevation Capital Management Limited, and Pascaro Investments Limited, a rural focused investment company. He is a trustee of the McCahon House Trust, a trust established to restore and preserve artist Colin McCahon's house and establish a residency for artists in his honour. He is also a trustee of the Arts Foundation of New Zealand.

Andrew is a member of the Regulatory Governance Committee and the Human Resources and Remuneration Committee.

## 2. James Miller

*DEPUTY CHAIRMAN: BCom, FCA*

James Miller, Deputy NZX Chairman, was appointed to the Board in August 2010. James is a Director of the Financial Markets Authority, Mighty River Power, ACC and Auckland International Airport. He was previously on the ABN AMRO Securities Board, INFINZ Board, and Financial Reporting Standards Board. James brings 14

years' direct experience in the New Zealand capital markets with Craigs Investment Partners, and prior to that ABN AMRO and Barclays de Zoete Wedd. 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 a member of the Audit and Risk Committee, the Human Resources and Remuneration Committee, and is a member of the Board of wholly owned NZX subsidiary New Zealand Clearing and Depository Corporation Limited.

## 3. Neil Paviour-Smith

*BCA, FCA, ACIS, FCFIP, MSDIA*

Neil is Managing Director of Forsyth Barr and a director of various related companies. He is also a Board Member of the Chartered Accountants Australia and New Zealand Board and a Councillor of Victoria University of Wellington.

He has more than 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 and an Authorised Financial Adviser, 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 Fellow of the Institute of Chartered Accountants, an accredited Master Stockbroker of the Stockbrokers Association of Australia and a member of the Institute of Directors, the Institute of Chartered Secretaries NZ and the CFA Institute. Neil is Chair of the Audit and Risk Committee and a member of the Human Resources and Remuneration Committee.

#### **4. Alison Gerry**

*MAPPFIN, BMS(Hons), CFTP*

Alison Gerry became an NZX Director in February 2012. Alison has over 20 years experience working for both corporates and for financial institutions in Auckland, Sydney, Hong Kong, Tokyo & London in trading, finance and risk roles. Alison was also a Visiting Fellow at Macquarie University in Sydney for 12 years until 2011. From 2007 Alison has been a professional company director and holds governance positions in the infrastructure and finance sector. Alison has a first class honours degree in Management Studies from Waikato University and a Masters of Applied Finance from Macquarie University.

Alison is a member of the Regulatory Governance Committee, and a member of the Board of wholly owned NZX subsidiary New Zealand Clearing and Depository Corporation Limited.

#### **5. Simon Power**

*BA, LLB*

Hon. Simon Power QSO joined the Board in December 2012 and is the General Manager for Business Bank & Wealth at Westpac New Zealand Limited. Simon joined Westpac in 2012 after a notable career in New Zealand politics. He was a senior Minister with the Government and previously held the Justice, Commerce, State Owned Enterprises, Consumer Affairs and the Law Commission portfolios. He was also Associate Minister of Finance and Deputy Leader of the House.

During that time he led significant reform and change in financial market oversight and regulation and was heavily involved in the Single Economic Market initiative between Australia and New Zealand.

Simon is Chair of the Regulatory Governance Committee, an interim member of the Conflicts Committee and a Trustee for the Asia NZ Foundation.

#### **6. Therese Walsh**

*BCA, FCA*

Therese Walsh joined the Board in February 2013. Therese is the Head of NZ, ICC Cricket World Cup 2015; she also serves on the Board of TVNZ, is a member of the Government's Major Events Investment Panel, and is the Chair of the International Development Advisory and Selection Panel for the Ministry of Foreign Affairs and Trade.

Previously she was the Chief Operating Officer for Rugby New Zealand 2011 Limited, the company established by the NZRU and the NZ Government to deliver the Rugby World Cup Tournament in 2011.

She has also been a Director of NZ Cricket and Save the Children NZ, was a member of the Executive Team at the New Zealand Rugby Union, and held a senior role with KPMG.

Therese is a qualified chartered accountant, a Fellow of the Institute of Chartered Accountants of New Zealand and holds a Bachelor of Commerce and Administration from Victoria University.

Therese is a member of the Audit and Risk Committee and an interim member of the Conflicts Committee.

#### **7. Jon Macdonald**

*BE (Hons)*

Jon joined the Board in May 2013. Jon is CEO of NZX/ASX listed Trade Me Group Limited. Jon has a background in engineering and technology. He joined Trade Me in 2003 and was appointed CEO in 2008. Prior to joining Trade Me, Jon worked in London for HSBC Investment Bank in a variety of technical and management positions, and has worked for Deloitte Consulting with a focus on telecommunications and financial services.

Jon has a Bachelor of Engineering (Hons) from the University of Canterbury.

Jon is Chair of the Human Resources and Remuneration Committee.

# Corporate Governance.

## Best Practice

NZX is committed to ensuring it employs best practice governance structures and principles in keeping with Appendix 16 of the NZX Main Board Listing Rules (the Rules) and the Corporate Governance in New Zealand Principles and Guidelines published by the Financial Markets Authority in December 2014 which updates the version published by its predecessor, the New Zealand Securities Commission.

## 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 (excluding NZX's regulatory functions) to the Chief Executive. The Chief Executive is responsible for implementing policies and strategies set by the Board and is accountable to it. The Board has made a separate 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 matters which include the management of 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.

The Board has implemented a Conflict Management Policy. The purpose of this policy is to identify possible conflicts that might arise between its commercial and supervisory roles and to describe the processes in place at a management and Board level to manage these.

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2014 financial year no Director sought their own independent professional advice.

## Board Composition

As at 31 December 2014, the Board comprised seven Directors, all of whom were non-executive Directors and also Independent as defined in Rule 1.6.1. The Directors were Andrew Harnos (Chair), James Miller (Deputy Chair), Alison Gerry, Jon Macdonald, Neil Paviour-Smith, Simon Power and Therese Walsh.

In accordance with NZX's constitution and the Rules, one third of the Directors are required to retire by rotation every year and may offer themselves for re-election by shareholders. 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, who are invited to attend and participate in appropriate sessions of Board meetings.

## Committees

The Board has four standing committees: the Audit and Risk Committee, the Regulatory Governance Committee, the Human Resources and Remuneration Committee and the Conflicts Committee. No additional remuneration has to date been paid to any Director for additional duties associated with membership of any Committee<sup>1</sup>. The Committees operate under formal terms of reference, copies of which are on <http://www.nzxgroup.com/investor-centre/corporate-governance>

### Audit and Risk Committee

The Audit and Risk Committee may only comprise Independent Directors and at least one member must have expertise in accounting or a financial background. As at 31 December 2014, the members of the Audit and Risk Committee were: Neil Paviour-Smith (Chair), James Miller and Therese Walsh.

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.

### Regulatory Governance Committee

The Regulatory Governance Committee's core function is to assist the Board with its governance responsibilities relating to NZX's regulatory function. The Committee does not have any authority to make regulatory decisions and is not involved in day-to-day operations, management, or decision making except where specific delegations of authority may be made by the Board. No such delegations were made in the financial year to 31 December 2014. The Regulatory Governance Committee comprises non-Executive Directors and an independent non-director member (Derek Johnston), who subsequent to balance date was appointed chairman of the Committee.

As at 31 December 2014, the members of the Regulatory Governance Committee were: Simon Power (Chair), Andrew Harnos, Alison Gerry and Derek Johnston.

### Human Resources and Remuneration Committee

The core function of the Human Resources and Remuneration Committee is to ensure that human resource policy and practices support NZX in achieving its commercial and stakeholder goals.

As at 31 December 2014, members of the Human Resources and Remuneration Committee were Jon Macdonald (Chair), Neil Paviour-Smith, Andrew Harnos and James Miller.

### Conflicts Committee

The Conflicts Committee was established in August 2014. Its core function is to make recommendations to the Board on conflicts management policies and procedures, including recommendations to address any perceived or actual conflicts of interest between NZX's regulatory responsibilities and its commercial interests.

The Conflicts Committee is appointed by the NZX Board, and comprises directors who are deemed by the Board to be sufficiently independent of conflicts in relation to NZX group activities. The Conflicts Committee has been established with initial members Simon Power and Therese Walsh, with a third member to be appointed in due course.

## 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.

<sup>1</sup> As described in section 5 (Directors holding office and their Remuneration) of the Statutory Information section, additional remuneration has been paid in respect of acting as a director of New Zealand Clearing and Depository Corporation Limited.

## 2014 NZX Directors' Attendance Record

Director	NZX Board Attendance
Andrew Harnos (Chair)	8/8
James Miller (Deputy Chair)	8/8
Alison Gerry	8/8
Jon Macdonald	8/8
Neil Paviour-Smith	8/8
Simon Power	7/8
Therese Walsh	8/8
Audit and Risk Committee Members	Meeting Attendance
Neil Paviour-Smith (Chair)	5/5
James Miller	4/5
Therese Walsh	5/5
Regulatory Governance Committee Members	Meeting Attendance
Simon Power (Chair from 1 October 2014)	5/5
Alison Gerry	5/5
Neil Paviour-Smith <sup>2</sup>	4/4
Andrew Harnos (Chair to 30 September 2014)	5/5
Human Resources and Remuneration Committee Members	Meeting Attendance
Jon Macdonald (Chair from 8 August 2014)	3/3
Andrew Harnos	3/3
James Miller	3/3
Alison Gerry <sup>2</sup> (Chair to 7 August 2014)	1/1
Neil Paviour-Smith <sup>3</sup>	2/2

<sup>2</sup> Resigned from the committee in August 2014.  
<sup>3</sup> Appointed to the committee in August 2014.

The Conflicts Committee was formed in August 2014 and as at 31 December 2014 the Committee had yet to meet.

Andrew Harnos is not a member of the Audit and Risk Committee but attended certain meetings as an invited attendee (together with other directors).

The Chief Executive is not a member of any Committee but attended a number of meetings as an invited attendee.

## Disclosure

NZX has procedures in place to ensure that key financial and material information is communicated to the market in a clear and timely manner in accordance with NZX's disclosure obligations under the Rules. In addition, NZX has adopted a quarterly revenue reporting regime and releases operating and regulatory metrics monthly. This additional information is intended to provide transparency and assist third parties to evaluate 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.

The Audit and Risk Committee assists the Board in fulfilling its risk management responsibilities, other than regulation which is addressed by the Regulatory Governance Committee and clearing house risk which is addressed by the Board of New Zealand Clearing and Depository Corporation Limited.

The Audit and Risk Committee also oversees internal and external audit processes.

## Insurance and Indemnification

NZX provides insurance cover and indemnities to Directors and executive employees. Further detail is set out on page 73.

## Share Trading

NZX has adopted a Securities Trading Policy (Policy) to assist in ensuring compliance with insider trading provisions of the Securities Markets Act 1988 (now replaced by the Financial Markets Conduct Act 2013). The Policy is modelled on the Listed Companies Association Securities Trading Policy and Guidelines and is administered by NZX's Corporate Counsel. The Policy restricts Directors and employees of NZX and its subsidiary companies trading in securities in NZX including during "black-out" periods set out in the Policy, further:

- If a Director or employee of the NZX group wishes to trade NZX securities outside a black-out period, that person must first apply for 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.

The Policy also applies to NZX group employees who wish to trade any security or derivative that is offered by an entity that is listed on an NZX market, or any security or derivative that is quoted for trading on an NZX market. Because of the nature of NZX's business, any officer or employee who wishes to buy or sell such securities must follow the Policy and apply to NZX's Corporate Counsel for consent to trade. Adherence to the Policy is reinforced through individual employment agreements.

## Gender and Diversity

NZX is committed to building and maintaining diversity of skills and perspectives across the organisation. We believe that diversity of thought at all levels, in an inclusive environment, leads to improved outcomes for our employees, our customers and our shareholders.

The NZX Diversity Policy requires:

- transparent, merit-based, recruitment and reward decisions;
- identification and support of talented individuals; and
- use of flexible work practices to encourage broad workforce participation.

As part of NZX's annual employee engagement survey, measurements are taken on employees' view of NZX as an equal opportunity employer and as an employer that cares about its employees' wellbeing. The results of this survey are reported to the Board.

The policy does not set quantitative targets for workforce composition, but does require an age and gender breakdown to be provided to the Board quarterly. The Board will consider whether further measurement is appropriate over time.

The gender balance of NZX Directors, Officers and all permanent employees (excluding Officers) for the years ended 31 December 2014 and 2013 was as follows:

	31 DECEMBER 2014		31 DECEMBER 2013	
	Number	%	Number	%
<b>Directors</b>				
Female	2	29%	2	29%
Male	5	71%	5	71%
<b>Total</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>
<b>Officers<sup>4</sup></b>				
Female	2	22%	4	40%
Male	7	78%	6	60%
<b>Total</b>	<b>9</b>	<b>100%</b>	<b>10</b>	<b>100%</b>
<b>All employees</b>				
Female	86	46%	74	43%
Male	101	54%	97	57%
<b>Total</b>	<b>187</b>	<b>100%</b>	<b>171</b>	<b>100%</b>

<sup>4</sup> 'Officers' has the meaning under the Securities Markets Act 1988 (i.e. the CEO, Head of Market Supervision and the CEO's direct reports who take part in the management of the business). At 31 December 2014, the Officers were the persons holding the following positions: Chief Executive Officer, Head of Market Supervision, Chief Financial Officer, Head of Agri, Head of Australian Commodities, Head of IT, Head of Markets, Head of Operations, and Head of Policy and Legal.

The Board has evaluated NZX's performance against its 2014 diversity objectives.

Objective	Evaluation
As part of an annual review the Board will consider whether it has the required skills and experience including diversity of perspectives.	Achieved. In addition to ongoing consideration of composition, the Board commissioned an independent board evaluation that was completed in May 2014.
Key people managers will receive diversity training.	Mostly achieved. One senior manager, new in 2014, is scheduled to receive training in Q2 2015.
HR metrics on gender and age will be presented to the Board quarterly for their consideration.	Achieved. Further, the Human Resources and Remuneration Committee reviews the diversity policy and its application across all levels of the organisation.
Management will consider whether there are other measures which may be appropriate for understanding the composition of the NZX workforce and, if such measures are identified, will present these to the Board for its consideration.	Achieved. Although no additional measures have currently been identified, this will continue to be kept under review.
NZX will undertake a review to ensure that remuneration is fair and equitable across all levels of the organisation to minimise inadvertent discrimination.	Achieved. In addition to internal assessments, NZX continued to utilise the services of the Hay Group to provide independent benchmarking of remuneration at NZX.
During 2014 NZX will undertake the Kenexa Best Places to Work Survey. The following questions will be used to benchmark future progress in this area:	Achieved. These questions were completed in the 2013 and 2014 surveys and the results will be used to benchmark future progress.
This organisation cares about the well-being of its people	In 2014 the score was 77.4 (2013, 69.1) for this question.
This organisation is an equal opportunities employer.	In 2014 the score was 71.1 (2013, 77.1) for this question.

# 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 (the "NZX Group") as at 31 December 2014 and the results of their operations and cash flows for the year ended 31 December 2014.

The Directors consider that the financial statements of the NZX Group have been prepared using accounting policies appropriate to the 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 the NZX Group for the year ended 31 December 2014.

The financial statements were authorised for issue for and on behalf of the Directors on 16 February 2015.



**A W Harmos**  
Chairman of Directors



**N Paviour-Smith**  
Director and Chairman  
of Audit and Risk  
Committee

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## Income Statement

For the year ended 31 December 2014

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Revenue</b>					
Securities information		10,406	8,924	10,109	8,590
Listing fees		13,155	12,984	13,316	13,126
Other issuer services		1,013	976	1,013	976
Securities trading		4,424	4,345	4,424	4,345
Participant services		3,479	3,132	3,479	3,132
Securities clearing		4,653	4,593	-	-
Commodities trading		1,251	1,446	-	-
Dairy derivatives		254	109	46	26
Agri information		12,204	11,950	-	-
Fund services		2,716	2,458	-	-
Market operations		11,634	11,875	12,655	13,346
<b>Total revenue</b>	4	<b>65,189</b>	<b>62,792</b>	<b>45,042</b>	<b>43,541</b>
<b>Dividend income</b>		-	-	<b>3,223</b>	<b>23,458</b>
<b>Expenses</b>					
Personnel costs	5	(21,975)	(19,992)	(14,210)	(12,245)
Information technology		(5,828)	(5,832)	(5,055)	(4,946)
Professional fees		(3,437)	(2,127)	(2,470)	(1,532)
Marketing, printing and distribution		(3,827)	(3,550)	(326)	(233)
Fund expenditure		(1,063)	(1,100)	-	-
Other expenses	6	(4,458)	(4,417)	(3,179)	(3,618)
<b>Total expenses</b>		<b>(40,588)</b>	<b>(37,018)</b>	<b>(25,240)</b>	<b>(22,574)</b>
<b>Earnings before net finance income, income tax, depreciation and amortisation, impairment, and share of profit of associates</b>		<b>24,601</b>	<b>25,774</b>	<b>23,025</b>	<b>44,425</b>
Interest income		615	539	308	519
Interest expense		(407)	(396)	(215)	(515)
Net loss on foreign exchange		(121)	(40)	(113)	(34)
Net finance income/(expense)		87	103	(20)	(30)
Gain on disposal of assets		42	-	60	-
Impairment expense	7	-	(2,600)	(988)	(2,600)
Depreciation and amortisation expense	8	(5,490)	(6,451)	(4,838)	(5,402)
Share of profit of associates	14	673	554	-	-
<b>Profit before income tax</b>		<b>19,913</b>	<b>17,380</b>	<b>17,239</b>	<b>36,393</b>
Income tax expense	9	(6,802)	(5,294)	(4,607)	(4,198)
<b>Profit for the year</b>		<b>13,111</b>	<b>12,086</b>	<b>12,632</b>	<b>32,195</b>
<b>Earnings per share</b>					
Basic (cents per share)	10	5.2	4.8		
Diluted (cents per share)	10	5.1	4.7		

## Statement of Comprehensive Income

For the year ended 31 December 2014

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Profit for the year	13,111	12,086	12,632	32,195
<b>Other comprehensive income recognised through equity</b>				
Foreign currency translation differences	93	137	-	-
Total other comprehensive income	93	137	-	-
<b>Total comprehensive income for the year</b>	<b>13,204</b>	<b>12,223</b>	<b>12,632</b>	<b>32,195</b>

## Statement of Changes in Equity

For the year ended 31 December 2014

	Note	GROUP			
		Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
<b>Balance at 1 January 2013</b>		<b>29,622</b>	<b>20,899</b>	<b>(43)</b>	<b>50,478</b>
Profit for the year		-	12,086	-	12,086
Foreign currency translation differences		-	-	137	137
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>12,086</b>	<b>137</b>	<b>12,223</b>
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	22	-	(13,413)	-	(13,413)
Issue of shares		324	-	-	324
Non-vesting shares		(96)	-	-	(96)
<b>Total transactions with owners recorded directly in equity</b>		<b>228</b>	<b>(13,413)</b>	<b>-</b>	<b>(13,185)</b>
<b>Balance at 31 December 2013</b>		<b>29,850</b>	<b>19,572</b>	<b>94</b>	<b>49,516</b>
Profit for the year		-	13,111	-	13,111
Foreign currency translation differences		-	-	93	93
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>13,111</b>	<b>93</b>	<b>13,204</b>
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	22	-	(11,756)	-	(11,756)
Share based payments		313	-	-	313
Non-vesting shares		(188)	-	-	(188)
<b>Total transactions with owners recorded directly in equity</b>		<b>125</b>	<b>(11,756)</b>	<b>-</b>	<b>(11,631)</b>
<b>Balance at 31 December 2014</b>		<b>29,975</b>	<b>20,927</b>	<b>187</b>	<b>51,089</b>

## Statement of Changes in Equity (continued)

For the year ended 31 December 2014

	Note	PARENT			Total Equity \$000
		Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	
<b>Balance at 1 January 2013</b>		<b>29,534</b>	<b>(2,387)</b>	-	<b>27,147</b>
Profit for the year		-	32,195	-	32,195
<b>Total comprehensive income for the year</b>		-	<b>32,195</b>	-	<b>32,195</b>
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	22	-	(13,413)	-	(13,413)
Share based payments		412	-	-	412
Non-vesting shares		(96)	-	-	(96)
<b>Total transactions with owners recorded directly in equity</b>		<b>316</b>	<b>(13,413)</b>	-	<b>(13,097)</b>
<b>Balance at 31 December 2013</b>		<b>29,850</b>	<b>16,395</b>	-	<b>46,245</b>
Profit for the year		-	12,632	-	12,632
<b>Total comprehensive income for the year</b>		-	<b>12,632</b>	-	<b>12,632</b>
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	22	-	(11,756)	-	(11,756)
Share based payments		313	-	-	313
Non-vesting shares		(188)	-	-	(188)
<b>Total transactions with owners recorded directly in equity</b>		<b>125</b>	<b>(11,756)</b>	-	<b>(11,631)</b>
<b>Balance at 31 December 2014</b>		<b>29,975</b>	<b>17,271</b>	-	<b>47,246</b>

## Statement of Financial Position

As at 31 December 2014

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Current assets</b>					
Cash and cash equivalents		20,160	17,416	3,180	1,835
Funds held on behalf of third parties	12	34,361	33,477	1,296	1,176
Receivables and prepayments	13	9,522	7,033	6,833	4,696
Intercompany receivables		-	-	2,992	2,441
<b>Total current assets</b>		<b>64,043</b>	<b>57,926</b>	<b>14,301</b>	<b>10,148</b>
<b>Non-current assets</b>					
Investments in associates	14	2,930	2,757	2,274	2,274
Investments in subsidiaries	25	-	-	32,222	33,210
Property, plant & equipment	15	2,282	2,174	1,937	1,815
Goodwill	16	13,233	13,233	7,720	7,720
Other intangible assets	17	23,363	26,870	19,453	22,655
<b>Total non-current assets</b>		<b>41,808</b>	<b>45,034</b>	<b>63,606</b>	<b>67,674</b>
<b>Total assets</b>		<b>105,851</b>	<b>102,960</b>	<b>77,907</b>	<b>77,822</b>
<b>Current liabilities</b>					
Funds held on behalf of third parties	12	34,361	33,477	1,296	1,176
Trade payables	19	6,305	5,218	2,748	2,784
Other liabilities	20	11,238	10,749	8,670	7,849
Current tax liability	9	195	975	1,305	1,166
Intercompany payables		-	-	13,804	15,311
<b>Total current liabilities</b>		<b>52,099</b>	<b>50,419</b>	<b>27,823</b>	<b>28,286</b>
<b>Non-current liabilities</b>					
Deferred tax liability	9	2,663	3,025	2,838	3,291
<b>Total non-current liabilities</b>		<b>2,663</b>	<b>3,025</b>	<b>2,838</b>	<b>3,291</b>
<b>Total liabilities</b>		<b>54,762</b>	<b>53,444</b>	<b>30,661</b>	<b>31,577</b>
<b>Net assets</b>		<b>51,089</b>	<b>49,516</b>	<b>47,246</b>	<b>46,245</b>
<b>Equity</b>					
Share capital		29,975	29,850	29,975	29,850
Retained earnings		20,927	19,572	17,271	16,395
Translation reserve		187	94	-	-
<b>Total equity attributable to shareholders</b>		<b>51,089</b>	<b>49,516</b>	<b>47,246</b>	<b>46,245</b>
Net tangible assets per share (cents per share)		5.66	3.68		

## Statement of Cash Flows

For the year ended 31 December 2014

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		63,684	66,228	44,294	46,644
Dividends received		-	-	3,223	3,458
Interest received		194	193	72	56
Payments to suppliers and employees		(40,835)	(34,637)	(25,751)	(21,064)
Income tax paid		(6,952)	(5,597)	(4,921)	(3,876)
<b>Net cash provided by operating activities</b>	11	<b>16,091</b>	<b>26,187</b>	<b>16,917</b>	<b>25,218</b>
<b>Cash flows from investing activities</b>					
Receipts from investments		500	1,150	-	350
Payments for investments		-	-	(2,058)	(702)
Payment for property, plant and equipment		(1,181)	(1,311)	(1,023)	(1,022)
Payment for intangible assets		(910)	(1,466)	(735)	(637)
<b>Net cash used in investing activities</b>		<b>(1,591)</b>	<b>(1,627)</b>	<b>(3,816)</b>	<b>(2,011)</b>
<b>Cash flows from financing activities</b>					
Dividends paid	22	(11,756)	(13,413)	(11,756)	(13,413)
<b>Net cash used in financing activities</b>		<b>(11,756)</b>	<b>(13,413)</b>	<b>(11,756)</b>	<b>(13,413)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,744</b>	<b>11,147</b>	<b>1,345</b>	<b>9,794</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>17,416</b>	<b>6,269</b>	<b>1,835</b>	<b>(7,959)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>20,160</b>	<b>17,416</b>	<b>3,180</b>	<b>1,835</b>
<b>Cash comprises:</b>					
Cash at bank		12,660	9,916	3,180	1,835
Bank deposits		7,500	7,500	-	-
<b>Net cash and cash equivalents and bank overdraft</b>		<b>20,160</b>	<b>17,416</b>	<b>3,180</b>	<b>1,835</b>

Included within the cash and cash equivalent balance is \$10.0 million that is held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

# Notes to the Financial Statements.

For the year ended 31 December 2014

## 1. Reporting entity

NZX Limited (the "Company", "Parent" or "NZX") is incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZSX). The Company is an issuer in terms of the Financial Reporting Act 1993.

Financial statements for the Parent Company and consolidated financial statements are presented. The consolidated financial statements as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The Company operates New Zealand securities, derivatives and energy markets and an Australian grain commodity market. The Company also builds and maintains the infrastructure on which they operate, and provides a range of information and data to support market growth and development.

## 2. Basis of preparation

### a. Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 16 February 2015.

### b. Basis of measurement

The financial statements have been prepared on a historical cost basis.

### c. Functional and presentation currency

These financial statements are presented in New Zealand Dollars (\$), which is the Company's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

### d. Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- [note 16](#) – goodwill
- [note 17](#) – other intangible assets
- [note 23](#) – employee share ownership plans

### 3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

#### a. Reclassifications

Certain comparative amounts in the income statement have been reclassified to conform with the current year's presentation.

#### b. New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. None of these are expected to have a significant effect on the financial statements of the Group. The standards which are relevant to the Group are as follows.

##### i. *IFRS 9 Financial instruments – effective for periods beginning on or after 1 January 2018*

The standard adds requirements related to the classification and measurement of financial liabilities and derecognition of financial assets and liabilities.

##### ii. *Amendments to IAS 27 Separate financial statements – effective for periods beginning on or after 1 January 2016*

These amendments remove the accounting and disclosure requirement for consolidated financial statements as a result of the issue of NZ IFRS 10 Consolidated financial statements and NZ IFRS 12 Disclosure of interests in other entities.

##### iii. *IFRS 15 Revenue from Contracts with Customers – effective for period beginning on or after 1 January 2017*

The standard introduces a new revenue recognition model for contracts with customers and may have a significant impact on how and when revenue is recognised.

#### c. Basis 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. A list of subsidiaries appears in note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

##### i. *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. 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 bargain purchase gain is recognised in the Income Statement in the period of acquisition.

##### ii. *Investment in subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

##### iii. *Investment in associates*

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.

#### d. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to New Zealand Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand Dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

#### e. 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:

##### i. Capital markets

Capital markets revenue includes five broad categories.

- (1) Securities related information is recognised over the period the service is provided.
- (2) Issuer services, which consists of revenue from annual listing fees, initial listing fees, subsequent capital raisings and regulatory services. 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. Regulatory services are recognised when the service is provided.
- (3) Trading fees from the trading of debt and equities securities. Fees for the trading of debt and equities securities are recognised at trade date.
- (4) Participant services, which consist of annual participant fees and initial participant fees. Initial participant fees are recognised when the participant's application has been approved. Annual participant fees are recognised over the period the service is provided.
- (5) 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.

##### ii. Soft commodities markets

Fees from the trading and clearing of derivatives and commodities. Fees for the trading of derivatives and commodities are recognised at trade date. Fees for derivative market clearing and settlement are recognised at trade date.

##### iii. Agricultural information

Agricultural related information is recognised over the period the service is provided.

##### iv. Funds management

Revenue for the provision of fund services, which is recognised when the services are rendered.

##### v. Market operations

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.

**vi. Interest**

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

**f. Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**g. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**h. Income tax**

Tax expense comprises current and deferred tax. Current and deferred tax is recognised as an expense or income in the Income Statement, except when it relates to items recognised directly in equity or other comprehensive income, in which case the deferred tax is also recognised directly in equity or other comprehensive income, 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.

**i. 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 year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**ii. Deferred tax**

Deferred tax is recognised 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 if there is a legally enforceable right to 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.

**i. 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.

**j. Financial instruments**

**i. Financial assets**

The Group classifies financial assets into the loans and receivable category. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

**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'. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost using the effective interest method less impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents also includes the amount set aside for risk capital requirements by the Group and is not available for general cash management use.

**ii. Financial liabilities**

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument e.g. when the entity becomes obliged to make future payments resulting from

the purchase of goods and services. The Group derecognises a financial liability when its contractual obligations are discharged, canceled or expire. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, intercompany payables and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**k. Property, plant and equipment**

Items of 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 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

**l. 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.

#### m. Intangible assets

Intangible assets comprise software applications, brands and intellectual property 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 and whenever there is an indication that the asset may be impaired. 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 losses. Software is amortised on a straight line basis over its estimated useful life of between 3 to 10 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Software applications acquired may involve expenditure on both research and development activities. Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

#### n. Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any objective evidence 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.

**o. Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of awards that will eventually vest. For plans where vesting conditions are based on total shareholder returns, the fair value at date of grant reflects these conditions, whereas for plans with non-market based vesting conditions, the conditions are reflected in the calculation of awards that will eventually vest over the vesting period.

**p. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

**q. 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 weighted average

number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, which consist of share based payments.

**r. 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.

**s. Novation of trades**

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

**i. 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.

**ii. 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.

**iii. 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.

**iv. 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'.

**t. 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 approved depository participants. 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.

## **4. Segment reporting**

The Group has five reportable segments, as described below, which are the Group's strategic business areas. In the prior periods the Group had three reportable

segments and the change to five is to better reflect the nature of the Group's businesses and the way the information is now reported internally.

- Capital Markets – operator and regulator of securities and derivatives markets and provider of trading, post-trade and data services for securities and derivatives, as well as the provider of a central securities depository;
- Soft Commodities – Operator of an electronic grain trading platform through Clear Grain Exchange, and operator of a dairy derivatives market;
- Agricultural Information – Provider of information, news and data relating to the agriculture sectors in New Zealand and Australia through printed publications and online services;
- Funds Management – Provider of passive funds management products; and
- Market Operations – Market operator for New Zealand's wholesale electricity market and the Fonterra Shareholders Market.

The Group's CEO (the chief operating decision maker) reviews internal management reports for each of these strategic areas on a regular basis. The Group's revenue is analysed into each of the reportable segments. However, expenses incurred are not allocated to the segments as resource allocation decisions are made across the Group in totality to optimise the consolidated Group's financial results.

The Group also utilises a shared net assets base with all assets and liabilities operated without specific allocation to the reportable segments, with the exception of intangible assets and goodwill. Intangible assets and goodwill are allocated to the reportable segments which these assets support. There have been no changes to the allocation of intangible assets and goodwill to reportable segments since the last financial year.

Segmental information for the year ended 31 December 2014

	Capital Markets \$000	Soft Commodities \$000	Agricultural information \$000	Funds Management \$000	Market Operations \$000	Other \$000	Total \$000
Revenue	37,130	1,505	12,204	2,716	11,634	-	65,189
Unallocated expenditure	-	-	-	-	-	(40,588)	(40,588)
<b>Total segment result</b>	<b>37,130</b>	<b>1,505</b>	<b>12,204</b>	<b>2,716</b>	<b>11,634</b>	<b>(40,588)</b>	<b>24,601</b>
<b>Segment assets:</b>							
Goodwill	323	-	5,190	-	7,720	-	13,233
Other intangible assets	11,536	3,608	4,921	2,344	-	954	23,363
<b>Total segment assets</b>	<b>11,859</b>	<b>3,608</b>	<b>10,111</b>	<b>2,344</b>	<b>7,720</b>	<b>954</b>	<b>36,596</b>
<b>Unallocated assets:</b>							
Cash and cash equivalents	-	-	-	-	-	20,160	20,160
Other assets	-	-	-	-	-	49,095	49,095
Unallocated liabilities	-	-	-	-	-	(54,762)	(54,762)
<b>Net assets</b>	<b>11,859</b>	<b>3,608</b>	<b>10,111</b>	<b>2,344</b>	<b>7,720</b>	<b>15,447</b>	<b>51,089</b>

Segmental information for the year ended 31 December 2013

	Capital Markets \$000	Soft Commodities \$000	Agricultural information \$000	Funds Management \$000	Market Operations \$000	Other \$000	Total \$000
Revenue	34,954	1,555	11,950	2,458	11,875	-	62,792
Unallocated expenditure	-	-	-	-	-	(37,018)	(37,018)
<b>Total segment result</b>	<b>34,954</b>	<b>1,555</b>	<b>11,950</b>	<b>2,458</b>	<b>11,875</b>	<b>(37,018)</b>	<b>25,774</b>
<b>Segment assets:</b>							
Goodwill	323	-	5,190	-	7,720	-	13,233
Other intangible assets	13,041	4,773	5,387	2,344	408	917	26,870
<b>Total segment assets</b>	<b>13,364</b>	<b>4,773</b>	<b>10,577</b>	<b>2,344</b>	<b>8,128</b>	<b>917</b>	<b>40,103</b>
<b>Unallocated assets:</b>							
Cash and cash equivalents	-	-	-	-	-	17,416	17,416
Other assets	-	-	-	-	-	45,441	45,441
Unallocated liabilities	-	-	-	-	-	(53,444)	(53,444)
<b>Net assets</b>	<b>13,364</b>	<b>4,773</b>	<b>10,577</b>	<b>2,344</b>	<b>8,128</b>	<b>10,330</b>	<b>49,516</b>

## 4. Segment reporting (continued)

### Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment non-current assets are based on the geographical location of the assets.

	GROUP	
	2014 \$000	2013 \$000
<b>Revenue</b>		
New Zealand	53,483	51,244
Australia	4,764	5,187
Other	6,942	6,361
<b>Total revenue</b>	<b>65,189</b>	<b>62,792</b>
<b>Non-current assets</b>		
New Zealand	37,814	40,577
Australia	3,994	4,457
<b>Total non-current assets</b>	<b>41,808</b>	<b>45,034</b>

## 5. Personnel costs

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Personnel costs:</b>					
Salary and related expenses		(20,864)	(19,061)	(13,478)	(11,580)
CEO share plan	23	(77)	(77)	(77)	(77)
Other personnel costs		(1,034)	(854)	(655)	(588)
<b>Total personnel costs</b>		<b>(21,975)</b>	<b>(19,992)</b>	<b>(14,210)</b>	<b>(12,245)</b>

## 6. Other expenses

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Other expenses:</b>					
Remuneration paid to Group auditors					
- audit of financial statements		(160)	(157)	(101)	(97)
- other audit related services		(77)	(40)	(10)	-
Remuneration paid to other auditors		(3)	(3)	-	-
Operating lease rental expense		(1,179)	(1,323)	(935)	(1,029)
Directors' fees	26	(469)	(483)	(410)	(406)
General administration		(2,570)	(2,411)	(1,723)	(2,086)
<b>Total other expenses</b>		<b>(4,458)</b>	<b>(4,417)</b>	<b>(3,179)</b>	<b>(3,618)</b>

Other audit related services provided by the Group auditors included an operational audit (\$31,000) and depository review (\$5,000) for the Clearing House, trust account reporting (\$10,000) for the Energy Clearing House and prospectus extraction reports (\$5,000) and spreadsheet calculation reviews (\$26,000) for funds managed by Smartshares Limited.

Group Directors' fees includes fees paid to non-executive directors of NZX's wholly owned subsidiary New Zealand Clearing and Depository Corporation Limited.

## 7. Impairment expense

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
Impairment in carrying value of subsidiary	25	-	-	(988)	(395)
Impairment of goodwill asset	16	-	(395)	-	-
Impairment of intangible assets	17	-	(2,205)	-	(2,205)
<b>Total impairment expense</b>		<b>-</b>	<b>(2,600)</b>	<b>(988)</b>	<b>(2,600)</b>

Please refer to note 25 for the details on the Parent impairment in the carrying value of subsidiary. In the 2013 year the Group impairment charge of \$2,600,000 is made up of \$2,412,000 relating to the Group's investment in the Clear Grain Exchange (made up of \$395,000 of goodwill impairment and \$2,017,000 of software impairment) and \$188,000 relating to one of the Group's brand assets. Further details of the impairment tests are provided in note 18.

The impact on tax expense of the impairment charge in 2013 is a credit of \$565,000 in relation to the impairment of software, with the remainder of the impairment expense being non-deductible.

## 8. Depreciation and amortisation expense

	Note	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
Depreciation of property, plant and equipment	15	(1,073)	(838)	(901)	(724)
Amortisation of intangible assets	17	(4,417)	(5,613)	(3,937)	(4,678)
<b>Depreciation and amortisation expense</b>		<b>(5,490)</b>	<b>(6,451)</b>	<b>(4,838)</b>	<b>(5,402)</b>

## 9. Taxation

### a. Income tax expense recognised in profit or loss

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Tax expense comprises:</b>				
Current tax expense	6,225	5,975	5,060	4,837
Prior period adjustment	958	175	-	105
Deferred tax relating to the origination and reversal of temporary differences	(381)	(856)	(453)	(744)
<b>Total tax expense</b>	<b>6,802</b>	<b>5,294</b>	<b>4,607</b>	<b>4,198</b>

As outlined in NZX's previous financial statements, the IRD commenced a tax audit of NZX in November 2012. NZX's 30 June 2014 financial statements disclosed that in March 2014 the IRD had issued Notices Of Proposed Adjustment in relation to certain items.

NZX has subsequently agreed a settlement in principle with the IRD in respect of these matters. As a result, a provision of \$1.02m has been recognised at 31 December 2014 for additional tax payable pursuant to the settlement (which is included within the prior period adjustment figure above), with a further \$0.22m provided for use of money interest (which is included within interest expense). This settlement will conclude the tax audit.

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:

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Profit before income tax expense	19,913	17,380	17,239	36,393
<b>Income tax calculated at 28%</b>	<b>(5,576)</b>	<b>(4,866)</b>	<b>(4,827)</b>	<b>(10,190)</b>
Non-deductible expenses	(652)	(703)	(737)	(535)
Non-taxable intercompany dividends	-	-	762	6,344
Equity accounted earnings of associate	189	155	-	-
	<b>(6,039)</b>	<b>(5,414)</b>	<b>(4,802)</b>	<b>(4,381)</b>
Under provision of income tax in prior year	(958)	(191)	-	(128)
Foreign investor tax credits & imputation credits	195	311	195	311
	<b>(6,802)</b>	<b>(5,294)</b>	<b>(4,607)</b>	<b>(4,198)</b>

b. Current tax assets and liabilities

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Balance at beginning of the year – Asset / (Liability)</b>	<b>(975)</b>	<b>(293)</b>	<b>(1,166)</b>	<b>(168)</b>
Current year charge	(6,225)	(5,975)	(5,060)	(4,837)
Prior period adjustment	53	(304)	-	(37)
Tax paid	6,952	5,597	4,921	3,876
<b>Balance at end of year – (Liability)</b>	<b>(195)</b>	<b>(975)</b>	<b>(1,305)</b>	<b>(1,166)</b>

c. Deferred tax

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Balance at beginning of the year</b>	<b>(3,025)</b>	<b>(3,938)</b>	<b>(3,291)</b>	<b>(4,111)</b>
Current year movement	381	856	453	744
Prior period adjustments	(19)	57	-	76
<b>Balance at end of the year</b>	<b>(2,663)</b>	<b>(3,025)</b>	<b>(2,838)</b>	<b>(3,291)</b>
<b>Deferred tax balance comprises:</b>				
Employee entitlements	467	402	436	308
Doubtful debts	78	79	34	28
Property, plant and equipment, and software	(3,349)	(3,704)	(3,365)	(3,710)
Other	141	198	57	83
	<b>(2,663)</b>	<b>(3,025)</b>	<b>(2,838)</b>	<b>(3,291)</b>

## 9. Taxation (continued)

### d. Imputation credit account

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Imputation credits available for use in subsequent reporting periods	10,128	8,085	8,759	6,849

## 10. Earnings per share

### a. Basic earnings per share

	GROUP	
	2014	2013
Profit for the year (\$000)	13,111	12,086
Weighted average number of ordinary shares for the purpose of basic earnings per share (000s)	254,004	254,031
<b>Basic earnings per share (cents per share)</b>	<b>5.2</b>	<b>4.8</b>

### b. Diluted earnings per share

	GROUP	
	2014	2013
Profit for the year (\$000)	13,111	12,086
Weighted average number of shares for the purpose of diluted earnings per share (000s)	256,068	256,115
<b>Fully diluted earnings per share (cents per share)</b>	<b>5.1</b>	<b>4.7</b>

	GROUP	
	2014 000s	2013 000s
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	254,004	254,031
Weighted average shares issued under the CEO share plan and employee share plans	2,064	2,084
<b>Weighted average number of shares for the purpose of earnings per share (diluted)</b>	<b>256,068</b>	<b>256,115</b>

## 11. Bank overdraft and cash flow reconciliation

### a. Bank overdraft facility

The Group has access to an overdraft facility which was established in 2011 to allow the Group flexibility in its working capital management. The facility limit is \$20.0m and has no fixed expiry date. The bank may cancel the facility by giving 180 days written notice. The effective interest rate of the facility at 31 December 2014 was 5.09% (2013: 4.12%).

### b. Reconciliation of profit for the year to net cash provided by operating activities

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Profit for the year</b>	<b>13,111</b>	<b>12,086</b>	<b>12,632</b>	<b>32,195</b>
Share of profit of associates	(673)	(554)	-	-
Share based payment bonus accrual	125	228	125	316
Non cash dividends received from subsidiary	-	-	-	(20,000)
Depreciation and amortisation expense	5,490	6,451	4,838	5,402
Impairment expense	-	2,600	-	2,205
Tax losses transferred from subsidiary company	-	-	-	144
Impairment in carrying value of subsidiary company	-	-	988	395
	<b>4,942</b>	<b>8,725</b>	<b>5,951</b>	<b>(11,538)</b>
(Increase)/decrease in receivables and prepayments	(2,489)	3,410	(2,137)	3,287
Increase/(decrease) in trade payables and other liabilities	437	2,197	785	1,096
Increase/(decrease) in current tax liability	452	682	139	998
(Decrease)/increase in deferred tax liability	(362)	(913)	(453)	(820)
	<b>(1,962)</b>	<b>5,376</b>	<b>(1,666)</b>	<b>4,561</b>
<b>Net cash provided by operating activities</b>	<b>16,091</b>	<b>26,187</b>	<b>16,917</b>	<b>25,218</b>

## 12. Funds held on behalf of third parties

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Bond Deposit	1,296	1,176	1,296	1,176
Collateral Deposit	25,462	28,573	-	-
Fund held on behalf of clients	7,603	3,728	-	-
	<b>34,361</b>	<b>33,477</b>	<b>1,296</b>	<b>1,176</b>

## 12. Funds held on behalf of third parties (continued)

The collateral deposit represent balances deposited by participants to cover margins on outstanding settlement obligations for cash market, stock lending transactions and derivative contracts. Funds lodged as margin collateral are interest bearing and are carried at the amounts deposited which represent fair value. Interest earned on collateral deposits is returned to participants and a collateral management fee is charged. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to participants.

The funds held on behalf of clients represent balances deposited by participants in addition to their cash collateral requirements. The funds are lodged in a non interest bearing account and are carried at the amount deposited which represent fair value. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to participants.

The bond deposits represent balances deposited by issuers, required as a condition of listing on NZX's markets. Funds lodged as bond deposits are interest bearing and are carried at the amounts deposited which represent fair value. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to issuers.

## 13. Receivables and prepayments

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Trade receivables	7,451	5,680	5,077	3,630
Provision for doubtful debts	(278)	(283)	(123)	(100)
	<b>7,173</b>	<b>5,397</b>	<b>4,954</b>	<b>3,530</b>
Sundry debtors	860	939	575	814
Prepayments	1,358	590	1,276	345
Accrued interest	59	45	28	7
Accrued income	72	62	-	-
	<b>9,522</b>	<b>7,033</b>	<b>6,833</b>	<b>4,696</b>

### a. Movement in provision for doubtful debts

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Balance at beginning of the year	(283)	(420)	(100)	(247)
Amounts written off during the year	30	36	21	25
(Increase)/decrease in provision recognised in profit or loss	(25)	101	(44)	122
<b>Balance at end of the year</b>	<b>(278)</b>	<b>(283)</b>	<b>(123)</b>	<b>(100)</b>

## 14. Investment in associates

Name of Entity	Country of Incorporation	OWNERSHIP INTEREST		CARRYING VALUE OF ASSET IN GROUP ACCOUNTS	
		2014 (%)	2013 (%)	2014 \$000	2013 \$000
<b>Associates</b>					
AXE ECN Pty Limited	Australia	50	50	-	-
Link Market Services Limited	New Zealand	50	50	2,930	2,757
<b>Total investment in associates</b>				<b>2,930</b>	<b>2,757</b>

Link Market Services Limited is a share registry and related market services provider in New Zealand.

<b>Amount of goodwill in carrying value of equity accounted associates:</b>	<b>213</b>	<b>213</b>
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	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Movement in carrying value of associates:</b>				
Balance at beginning of the year	2,757	3,353	2,274	2,624
Distributions received	(500)	(800)	-	-
Capital repayment	-	(350)	-	(350)
Share of profit of associates	673	554	-	-
<b>Balance at end of the year</b>	<b>2,930</b>	<b>2,757</b>	<b>2,274</b>	<b>2,274</b>

Summarised financial information of associates not adjusted for the percentage ownership held by the Group is as follows:

	GROUP	
	2014 \$000	2013 \$000
<b>Summarised financial information of associates:</b>		
Current assets	3,029	2,353
Non-current assets	3,647	4,054
<b>Total assets</b>	<b>6,676</b>	<b>6,407</b>
Current liabilities	1,227	1,340
<b>Total liabilities</b>	<b>1,227</b>	<b>1,340</b>
<b>Net assets</b>	<b>5,449</b>	<b>5,067</b>
Revenue	8,624	7,713
Net profit after tax	1,346	1,109

## 15. Property, plant and equipment

	GROUP					Total \$000
	Computer equipment \$000	Furniture and equipment \$000	Leasehold improvements \$000	Motor Vehicles \$000	Capital work in progress \$000	
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2013</b>	<b>4,196</b>	<b>1,039</b>	<b>1,369</b>	<b>184</b>	<b>-</b>	<b>6,788</b>
Additions	583	30	26	66	623	1,328
Disposals	(1,891)	-	-	(4)	-	(1,895)
Reclassifications	-	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>2,888</b>	<b>1,069</b>	<b>1,395</b>	<b>246</b>	<b>623</b>	<b>6,221</b>
Additions	597	187	7	65	326	1,182
Disposals	-	(4)	-	(34)	-	(38)
Reclassifications	-	202	552	-	(754)	-
<b>Balance at 31 December 2014</b>	<b>3,485</b>	<b>1,454</b>	<b>1,954</b>	<b>277</b>	<b>195</b>	<b>7,365</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2013</b>	<b>3,078</b>	<b>863</b>	<b>1,029</b>	<b>117</b>	<b>-</b>	<b>5,087</b>
Depreciation expense	561	68	145	64	-	838
Disposals	(1,875)	-	-	(3)	-	(1,878)
<b>Balance at 31 December 2013</b>	<b>1,764</b>	<b>931</b>	<b>1,174</b>	<b>178</b>	<b>-</b>	<b>4,047</b>
Depreciation expense	706	98	206	63	-	1,073
Disposals	-	(3)	-	(34)	-	(37)
<b>Balance at 31 December 2014</b>	<b>2,470</b>	<b>1,026</b>	<b>1,380</b>	<b>207</b>	<b>-</b>	<b>5,083</b>
<b>Net Book Value</b>						
<b>As at 31 December 2013</b>	<b>1,124</b>	<b>138</b>	<b>221</b>	<b>68</b>	<b>623</b>	<b>2,174</b>
<b>As at 31 December 2014</b>	<b>1,015</b>	<b>428</b>	<b>574</b>	<b>70</b>	<b>195</b>	<b>2,282</b>

<b>PARENT</b>						
	Computer equipment \$000	Furniture and equipment \$000	Leasehold improvements \$000	Motor Vehicles \$000	Capital work in progress \$000	Total \$000
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2013</b>	<b>3,952</b>	<b>880</b>	<b>1,369</b>	-	-	<b>6,201</b>
Additions	366	23	26	-	623	1,038
Disposals	(1,891)	-	-	-	-	(1,891)
<b>Balance at 31 December 2013</b>	<b>2,427</b>	<b>903</b>	<b>1,395</b>	-	<b>623</b>	<b>5,348</b>
Additions	560	142	-	-	321	1,023
Reclassifications	-	202	552	-	(754)	-
<b>Balance at 31 December 2014</b>	<b>2,987</b>	<b>1,247</b>	<b>1,947</b>	-	<b>190</b>	<b>6,371</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2013</b>	<b>2,870</b>	<b>785</b>	<b>1,029</b>	-	-	<b>4,684</b>
Depreciation expense	531	48	145	-	-	724
Disposals	(1,875)	-	-	-	-	(1,875)
<b>Balance at 31 December 2013</b>	<b>1,526</b>	<b>833</b>	<b>1,174</b>	-	-	<b>3,533</b>
Depreciation expense	623	73	205	-	-	901
<b>Balance at 31 December 2014</b>	<b>2,149</b>	<b>906</b>	<b>1,379</b>	-	-	<b>4,434</b>
<b>Net Book Value</b>						
<b>As at 31 December 2013</b>	901	70	221	-	623	1,815
<b>As at 31 December 2014</b>	<b>838</b>	<b>341</b>	<b>568</b>	-	<b>190</b>	<b>1,937</b>

## 16. Goodwill

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Carrying amount				
Balance at beginning of the year	13,233	13,628	7,720	7,720
Impairment expense	-	(395)	-	-
<b>Balance at end of the year</b>	<b>13,233</b>	<b>13,233</b>	<b>7,720</b>	<b>7,720</b>

For the purposes of impairment testing, the aggregate carrying amount of goodwill is allocated to the Group's cash generating units (CGUs) as follows:

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Carrying amount				
Agri	2,181	2,181	-	-
Direct Data	323	323	-	-
Grain Information Unit	3,009	3,009	-	-
Energy	7,720	7,720	7,720	7,720
<b>Balance at end of the year</b>	<b>13,233</b>	<b>13,233</b>	<b>7,720</b>	<b>7,720</b>

A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors. For the year ended 31 December 2014, the directors have reviewed all carrying values of goodwill for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other relevant factors. A description of the impairment tests carried out and the key assumptions used is set out in [note 18](#).

## 17. Other intangible assets

	<b>GROUP</b>					
	Software and websites \$000	Brands, Trademarks and rights to use Brands \$000	Data archives, customer lists, databases, and other IP \$000	Management rights \$000	Intangible work in progress \$000	Total \$000
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2013</b>	<b>41,193</b>	<b>8,318</b>	<b>3,132</b>	<b>2,344</b>	<b>373</b>	<b>55,360</b>
Additions	264	-	-	-	752	1,016
Disposals	(5,353)	-	-	-	-	(5,353)
Reclassification	867	-	-	-	(867)	-
<b>Balance at 31 December 2013</b>	<b>36,971</b>	<b>8,318</b>	<b>3,132</b>	<b>2,344</b>	<b>258</b>	<b>51,023</b>
Additions	238	-	-	-	762	1,000
Disposals	(191)	(412)	-	-	-	(603)
Reclassification	636	-	-	-	(636)	-
<b>Balance at 31 December 2014</b>	<b>37,654</b>	<b>7,906</b>	<b>3,132</b>	<b>2,344</b>	<b>384</b>	<b>51,420</b>
<b>Accumulated amortisation &amp; impairment</b>						
<b>Balance at 1 January 2013</b>	<b>17,395</b>	<b>4,293</b>	-	-	-	<b>21,688</b>
Amortisation expense	4,923	690	-	-	-	5,613
Impairment of intangible assets	2,017	188	-	-	-	2,205
Disposals	(5,353)	-	-	-	-	(5,353)
<b>Balance at 31 December 2013</b>	<b>18,982</b>	<b>5,171</b>	-	-	-	<b>24,153</b>
Amortisation expense	4,193	223	-	-	-	4,416
Disposals	(100)	(412)	-	-	-	(512)
<b>Balance at 31 December 2014</b>	<b>23,075</b>	<b>4,982</b>	-	-	-	<b>28,057</b>
<b>Net Book Value</b>						
<b>As at 31 December 2013</b>	<b>17,989</b>	<b>3,147</b>	<b>3,132</b>	<b>2,344</b>	<b>258</b>	<b>26,870</b>
<b>As at 31 December 2014</b>	<b>14,579</b>	<b>2,924</b>	<b>3,132</b>	<b>2,344</b>	<b>384</b>	<b>23,363</b>

## 17. Other intangible assets (continued)

	PARENT					
	Software and websites \$000	Brands, Trademarks and rights to use Brands \$000	Data archives, customer lists, databases, and other IP \$000	Management rights \$000	Intangible work in progress \$000	Total \$000
<b>Gross carrying amount</b>						
<b>Balance at 1 January 2013</b>	<b>40,204</b>	<b>2,470</b>	<b>2,780</b>	<b>-</b>	<b>139</b>	<b>45,593</b>
Additions	319	-	-	-	318	637
Disposals	(5,353)	-	-	-	-	(5,353)
Reclassification	206	-	-	-	(206)	-
<b>Balance at 31 December 2013</b>	<b>35,376</b>	<b>2,470</b>	<b>2,780</b>	<b>-</b>	<b>251</b>	<b>40,877</b>
Additions	44	-	-	-	691	735
Reclassification	563	-	-	-	(563)	-
<b>Balance at 31 December 2014</b>	<b>35,983</b>	<b>2,470</b>	<b>2,780</b>	<b>-</b>	<b>379</b>	<b>41,612</b>
<b>Accumulated amortisation &amp; impairment</b>						
<b>Balance at 1 January 2013</b>	<b>16,692</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,692</b>
Amortisation expense	4,678	-	-	-	-	4,678
Impairment of intangible assets	2,017	188	-	-	-	2,205
Disposals	(5,353)	-	-	-	-	(5,353)
<b>Balance at 31 December 2013</b>	<b>18,034</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,222</b>
Amortisation expense	3,937	-	-	-	-	3,937
<b>Balance at 31 December 2014</b>	<b>21,971</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,159</b>
<b>Net Book Value</b>						
<b>As at 31 December 2013</b>	<b>17,342</b>	<b>2,282</b>	<b>2,780</b>	<b>-</b>	<b>251</b>	<b>22,655</b>
<b>As at 31 December 2014</b>	<b>14,012</b>	<b>2,282</b>	<b>2,780</b>	<b>-</b>	<b>379</b>	<b>19,453</b>

### *Change in estimate*

During the year, the Group reviewed the useful life for its Clear Grain Exchange (“CGX”) software, which resulted in a change in the useful life from ten years to seven years. The effect of this change on amortisation expense in the second half of the year was an increase in amortisation expense of \$409,000.

## 18. Impairment tests

Indefinite life intangible assets are reviewed for impairment annually. They are also reviewed for impairment whenever there are indicators of impairment, as are finite life intangible assets.

A summary of the CGU's to which intangible assets have been allocated is outlined below:

	Software and websites \$000	Other finite life intangible \$000	Indefinite life intangible \$000	Work in progress \$000	Total other intangible assets \$000	Goodwill \$000	TOTAL \$000
<b>Cash generating unit</b>							
Clearing House	6,748	-	-	32	<b>6,780</b>	-	<b>6,780</b>
Agri	473	-	2,488	-	<b>2,961</b>	2,181	<b>5,142</b>
Grain Information Unit	88	-	1,971	-	<b>2,059</b>	3,009	<b>5,068</b>
Clear Grain Exchange	2,782	-	-	-	<b>2,782</b>	-	<b>2,782</b>
Smartshares	-	-	2,344	-	<b>2,344</b>	-	<b>2,344</b>
Energy	-	-	-	-	-	7,720	<b>7,720</b>
Direct Data	-	-	-	-	-	323	<b>323</b>
<b>Other</b>							
Other intangible assets	876	-	1,598	9	<b>2,483</b>	-	<b>2,483</b>
Other computer software	3,609	-	-	345	<b>3,954</b>	-	<b>3,954</b>
	<b>14,576</b>	-	<b>8,401</b>	<b>386</b>	<b>23,363</b>	<b>13,233</b>	<b>36,596</b>

For the year ended 31 December 2014, the Directors have reviewed all intangible assets for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other factors. All impairment tests have been undertaken on a value in use basis.

Key assumptions used in the calculation of recoverable amounts in discounted cash flow analysis are consistent with those used and disclosed in the financial statements for the year ended 31 December 2013 unless indicated otherwise. Discounted cash flow analysis used an independently assessed base discount of 10.4% for New Zealand CGUs and 12.3% for Australian CGUs (stress tested at higher and lower rates) and a forecast period of five years. For the prior year an independently assessed base discount rate of 10.5% for New Zealand CGUs and 12.9% for Australian CGUs was used. A terminal growth rate of 3% has been used to extrapolate cash flow projections beyond five years. Where relevant, EBITDA multiples were used to cross-check the discounted cash flow analysis for established businesses. Implied multiples ranged from 1.8x to 6.5x (2013: 2.1x to 6.7x) and were considered reasonable in comparison to observable market values.

The review of the carrying values of goodwill and intangible assets for the CGUs have been assessed as having recoverable amounts exceeding their carrying values. Therefore no impairment charges are required for the year ended 31 December 2014.

### a. Clearing House

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clearing House CGU is assessed to be higher than the carrying value at 31 December 2014. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are

## 18. Impairment tests (continued)

dependent is the future revenue growth rate. Future revenue growth is dependent on growth in equity and dairy derivatives markets which are expected to trade within a range of 5% to 25% of their respective underlying markets by the end of the forecast period (currently this range is 0% to 5%). These assumptions are based on trading statistics for similar derivative products in overseas markets.

### b. Agri

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Agri CGU is assessed to be higher than the carrying value at 31 December 2014. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future revenue growth rate which is assumed to be 3% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

### c. Grain Information Unit

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Grain Information Unit CGU is assessed to be higher than the carrying value at 31 December 2014. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future revenue growth rate which is assumed to be 2% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

### d. Clear Grain Exchange (CGX)

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clear Grain Exchange (CGX) CGU is assessed to be higher than the carrying value at 31 December 2014. The revenues generated are directly related to the fees charged per tonne, and the number of tonnes traded. To assess the appropriateness of the carrying value of the CGX CGU significant emphasis was placed, in particular, on the long-run assumptions. In arriving at CGX's carrying value on the NZX Group balance sheet, the CGX business is expected to need to achieve market share in its respective market segments at or around 5.0% for the new market segment it is entering into, to 14.3% in the market segments operated in by GrainCorp Operations Limited ("GrainCorp") with which NZX has a formal operating agreement in place. GrainCorp markets currently provide the vast majority of CGX's revenue. The operating arrangement between CGX and GrainCorp is governed by an agreement which expires on 30 October 2017.

### e. Smartshares

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. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future level of funds under management which is assumed to grow by 3% per annum during the explicit forecast period and the establishment of new fund products.

### f. Energy

The Energy CGU is comprised only of a goodwill amount of \$7,720,000. This business has a significant reliance on service provider contracts it has in place with the Electricity Authority ("EA") which were renewed in 2012 and now expire on 1 May 2016. The EA has indicated that it will tender these contracts in accordance with its normal procurement process in the first half of 2015. If NZX does not retain these contracts, or a significant portion of contract revenue ceased, then an impairment would likely result. Additionally, the contract nature of this business is such that as time passes, the amount of future contracted revenues decreases and the risk of impairment increases unless additional revenues are obtained from other sources.

## 19. Trade payables

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Trade payables	271	600	225	339
Goods and services tax payable	1,199	1,018	897	758
Accrued expenses	4,777	3,542	1,572	1,633
Accrued interest	58	58	54	54
	<b>6,305</b>	<b>5,218</b>	<b>2,748</b>	<b>2,784</b>

## 20. Other liabilities

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Employee benefits	3,523	3,310	3,139	2,831
Unearned income	7,715	7,439	5,531	5,018
	<b>11,238</b>	<b>10,749</b>	<b>8,670</b>	<b>7,849</b>

## 21. Shares on issue

### a. Number of shares on issue at the end of the year

	GROUP		PARENT	
	2014 Number	2013 Number	2014 Number	2013 Number
<b>Ordinary shares on issue</b>				
General	254,038,669	253,997,949	254,038,669	253,997,949
CEO shares	-	-	1,575,000	1,575,000
<b>Total ordinary shares on issue</b>	<b>254,038,669</b>	<b>253,997,949</b>	<b>255,613,669</b>	<b>255,572,949</b>
<b>Restricted shares</b>				
Employees	-	-	496,254	373,624
<b>Total restricted shares on issue</b>	<b>-</b>	<b>-</b>	<b>496,254</b>	<b>373,624</b>
<b>Total shares on issue</b>	<b>254,038,669</b>	<b>253,997,949</b>	<b>256,109,923</b>	<b>255,946,573</b>

The Company has 1,575,000 shares issued under the CEO Share Plan and 496,254 restricted shares issued under the NZX Limited employee share plan – Team and Results held by entities within the Group. All shares issued under the employee share plan 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 NZX Main Board.

## 21. Shares on issue (continued)

### b. Movement in the number of shares

	GROUP		PARENT	
	2014 Number	2013 Number	2014 Number	2013 Number
<b>Balance at beginning of the year</b>	<b>253,997,949</b>	<b>254,040,160</b>	<b>255,946,573</b>	<b>256,319,575</b>
<b>Issue of shares</b>				
Employee share plans	40,720	241,466	559,942	271,963
<b>Redemption of shares</b>				
Employee share plans	-	-	(40,720)	(241,466)
Other	-	(283,677)	-	(283,677)
Share cancellation	-	-	(355,872)	(119,822)
<b>Balance at end of the year</b>	<b>254,038,669</b>	<b>253,997,949</b>	<b>256,109,923</b>	<b>255,946,573</b>

## 22. Dividends

	For year ended	PARENT			
		2014		2013	
		Cents per share	Total \$000	Cents per share	Total \$000
<b>Dividends declared and paid</b>					
March 2013	31 Dec 12			1.25	3,192
May 2013	31 Dec 13			1.25	3,193
September 2013	31 Dec 13			1.25	3,194
December 2013	31 Dec 13			1.50	3,834
March 2014	31 Dec 13	1.60	4,089		
September 2014	31 Dec 14	3.00	7,667		
<b>Total dividends paid for the year</b>		<b>4.60</b>	<b>11,756</b>	<b>5.25</b>	<b>13,413</b>

Refer to [note 30](#) for details of the second half 2014 dividend.

## 23. Share based payments

### a. CEO Share Plan

A CEO share scheme is in place under the CEO's employment contract. The scheme runs for a period of 5 years expiring mid 2017.

Pursuant to the terms of the scheme, 1,575,000 new ordinary shares were issued on 31 December 2012 at an issue price of \$1.19 per share, being the volume weighted average price of NZX shares for the 10 business days ended on Friday 4 May 2012 (the business day immediately preceding the CEO's start date).

The issue price of the shares is funded by a loan from NZX, which bears interest at NZX's cost of bank funding. The shares rank for dividends and are held by a nominee wholly owned by NZX for the duration of the scheme.

If over the period of the scheme NZX's total shareholder return (TSR) exceeds a margin of 1% over NZX's weighted average cost of capital (to be determined annually by the Board), the CEO will receive a taxable bonus equivalent to the amount of the loan and will receive a transfer of the shares on full repayment of the loan and any accrued interest. If the hurdle rate is not met, then on expiry of the scheme the CEO will not receive the bonus and will be required to repay the loan from his own resources and will receive a transfer of shares.

The Group has accounted for the scheme in accordance with NZ IFRS 2 by calculating the fair value of the shares and recognising this as an expense on a straight line basis over the 5 years. The total fair value was determined to be \$383,000. The fair value was calculated by reference to an independent valuation which was based on the following assumptions:

- Grant date: 2 August 2012
- Share price on grant date: \$1.19
- Historic volatility (NZX share price): 29%

The scheme is currently being accounted for based on the expectation that the performance hurdle will be met. If the Group subsequently determines that it no longer expects the hurdle to be met then it will cease to recognise compensation expense and recognise the loan to the CEO as a receivable in the statement of financial position with a corresponding increase in equity.

#### **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 selected 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.

On issue, the Restricted Shares are transferred to a nominee, to 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 three years. Historically both components of the Team and Results Plan had earnings per share thresholds that must be met for the Restricted Shares to be eligible to vest at the end of the term, subject to the ability of the Board to exercise a discretion to deem shares to be vesting shares. In 2013 one of the eligibility and transfer conditions for the Results Plan was changed to a total shareholder return hurdle which is the same as the CEO Share Plan. This will apply for future issues.

During 2013 the Board exercised its discretion over part of the Team plan to deem shares to be vesting shares. The earnings per share hurdle no longer applies for awards made in 2014. This has been reflected in the financial statements. This applies to a number of employees over a two to three year period and in aggregate is not material.

## 23. Share based payments (continued)

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.

Details of Restricted Shares issued under the Team and Results Plan, transfers of shares to NZX employees and redemptions of shares during the period are set out below.

	Number of shares 000s	Average share price \$
<b>Balance at 1 January 2013</b>	<b>705</b>	<b>0.94896</b>
Share issued	30	1.32806
Shares transferred to NZX employees	(241)	0.97812
Redemptions	(120)	0.95720
<b>Balance at 31 December 2013</b>	<b>374</b>	<b>0.95794</b>
Shares issued	519	1.23988
Shares transferred to NZX employees	(41)	1.20732
Redemptions	(356)	0.95225
<b>Balance at 31 December 2014</b>	<b>496</b>	<b>1.23589</b>

Total financial assistance provided by NZX under the Team & Results Plan as at 31 December 2014 was \$2,487,250 (2013: \$358,000).

## 24. Financial instruments

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

### a. Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Committee ("Committee"), which is responsible for developing and monitoring the Group's financial risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the financial risks faced by the Group, to set appropriate financial risk limits and controls, and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

### b. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held.

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 resulting from the activities of the Clearing House is provided in note 24 (h).

The status of trade receivables at the reporting date was as follows.

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Not past due	5,497	4,546	4,082	3,178
Past due 0 – 30 days	763	379	387	120
Past due > 30 days	1,191	755	608	332
	<b>7,451</b>	<b>5,680</b>	<b>5,077</b>	<b>3,630</b>

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

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Gross trade receivables	7,451	5,680	5,077	3,630
Individual impairment	(138)	(153)	(80)	(68)
Collective impairment	(140)	(130)	(43)	(32)
	<b>7,173</b>	<b>5,397</b>	<b>4,954</b>	<b>3,530</b>

The movement in the allowance for impairment in respect of trade and other receivables during the year is set out in [note 13\(a\)](#).

### c. Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

## 24. Financial instruments (continued)

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities it considers reasonable relative to the assessed liquidity risk determined by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk arises from mismatches in the timing of amounts payable and receivable in the normal course of the operations of the Group. Liquidity risk would also result in the event of default by a counterparty to a trade to which the Group subsidiary, New Zealand Clearing Limited, acts a central counterparty and the Group's approach to managing this risk is outlined in note 24 (h) below.

The financial liabilities of the Group include bank overdraft, trade payables and other liabilities. The contractual maturities for these financial liabilities are all less than one year.

### d. Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Currency risks*

NZX utilises foreign currency receipts to offset purchases denominated in foreign currencies. The Company determines 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 kept to an acceptable level by buying or selling foreign currencies at the spot rate. There is no significant exchange rate risk.

#### *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	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Effect on net interest income:</b>				
1% increase in interest rate	215	186	45	30
1% decrease in interest rate	(215)	(186)	(45)	(30)

### e. Capital management

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. Capital comprises share capital, retained earnings and other reserves.

The Board of NZX reviews the capital structure on a regular basis. Based on recommendations of the Board the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs and other capital management activities.

There were no changes in the Group's approach to capital management during the year.

f. Accounting classification and fair values

The table below shows the carrying amounts of all financial instruments classified into their categories. The fair value of the financial instruments approximates their carrying amounts.

		<b>GROUP 2014</b>		
Financial instruments	Note	Loans and receivables \$000	Amortised cost \$000	Total carrying amount \$000
<b>Assets</b>				
Cash and cash equivalents		20,160	-	20,160
Funds held on behalf of third parties	12	34,361	-	34,361
Receivables	13	8,164	-	8,164
<b>Total</b>		<b>62,685</b>	<b>-</b>	<b>62,685</b>
<b>Liabilities</b>				
Trade payables	19	-	(6,305)	(6,305)
Funds held on behalf of third parties	12	-	(34,361)	(34,361)
Other liabilities	20	-	(3,523)	(3,523)
<b>Total</b>		<b>-</b>	<b>(44,189)</b>	<b>(44,189)</b>
		<b>GROUP 2013</b>		
Financial instruments	Note	Loans and receivables \$000	Amortised cost \$000	Total carrying amount \$000
<b>Assets</b>				
Cash and cash equivalents		17,416	-	17,416
Funds held on behalf of third parties	12	33,477	-	33,477
Receivables	13	6,443	-	6,443
<b>Total</b>		<b>57,336</b>	<b>-</b>	<b>57,336</b>
<b>Liabilities</b>				
Trade payables	19	-	(5,218)	(5,218)
Funds held on behalf of third parties	12	-	(33,477)	(33,477)
Other liabilities	20	-	(3,310)	(3,310)
<b>Total</b>		<b>-</b>	<b>(42,005)</b>	<b>(42,005)</b>

## 24. Financial instruments (continued)

		<b>PARENT 2014</b>		
Financial instruments	Note	Loans and receivables \$000	Amortised cost \$000	Total carrying amount \$000
<b>Assets</b>				
Cash and cash equivalents		3,180	-	3,180
Funds held on behalf of third parties	12	1,296	-	1,296
Receivables	13	5,557	-	5,557
Intercompany receivables		2,992	-	2,992
<b>Total</b>		<b>13,025</b>	<b>-</b>	<b>13,025</b>
<b>Liabilities</b>				
Trade payables	19	-	(2,748)	(2,748)
Funds held on behalf of third parties	12	-	(1,296)	(1,296)
Other liabilities	20	-	(3,139)	(3,139)
Intercompany payables		-	(13,804)	(13,804)
<b>Total</b>		<b>-</b>	<b>(20,987)</b>	<b>(20,987)</b>
		<b>PARENT 2013</b>		
Financial instruments	Note	Loans and receivables \$000	Amortised cost \$000	Total carrying amount \$000
<b>Assets</b>				
Cash and cash equivalents		1,835	-	1,835
Funds held on behalf of third parties	12	1,176	-	1,176
Receivables	13	4,351	-	4,351
Intercompany receivables		2,441	-	2,441
<b>Total</b>		<b>9,803</b>	<b>-</b>	<b>9,803</b>
<b>Liabilities</b>				
Trade payables	19	-	(2,784)	(2,784)
Funds held on behalf	12	-	(1,176)	(1,176)
Other liabilities	20	-	(2,831)	(2,831)
Intercompany payables		-	(15,311)	(15,311)
<b>Total</b>		<b>-</b>	<b>(22,102)</b>	<b>(22,102)</b>

### g. Energy Clearing House

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.

At 31 December 2014, 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 the energy market participants have accepted the risks associated with electricity settlement.

In discharging its obligations under the Electricity Industry Participation Code, ECH is required to ensure that purchasers maintain adequate 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 \$8,712,619 cash held from such deposits at 31 December 2014 (2013: \$6,632,434).

### h. 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. Trades on NZX’s securities and derivatives markets that enter the Clearing House 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 market 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
- Capital resources to be used in the event of participant default where margin collateral is insufficient to cover the 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 prudential value discount, commonly referred to as a “haircut”.

## 24. Financial instruments (continued)

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.

As at 31 December 2014, NZCL has a right to receive \$15.129 million (2013: \$5.056 million) from Clearing Participants and an obligation to pay \$15.129 million (2013: \$5.056 million) to Clearing Participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2014. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2014 was \$75.511 million (2013: \$54.351 million). In addition, at 31 December 2014, the total value of outstanding securities loans was \$2.176 million (2013: \$3.587 million) and the absolute notional value of open derivative contracts was US\$23.070 million (2013: US\$44.727 million).

Cash collateral held to cover these outstanding settlement positions at 31 December 2014 was \$25.462 million (2013: \$28.573 million). In addition, at 31 December 2014 an additional \$5.5 million collateral (2013: \$5.5 million) was held by way of performance bonds.

### *Reserve Bank of New Zealand Liquidity Facility*

Under a Memorandum of Understanding with the Reserve Bank of New Zealand ("RBNZ"), signed 6 October 2010, the Clearing House is eligible for backup liquidity support from the RBNZ subject to the Clearing House maintaining its designation status and meeting the eligibility criteria for RBNZ counterparties. This liquidity support is only available via the discounting of Eligible Securities (as defined by RBNZ and published in their website). The Clearing House did not hold any Eligible Securities during 2014.

### *Other Liquidity Facility*

During the financial year NZCL entered into a liquidity facility to be utilised in the event a participant has defaulted on its settlement obligations and NZCL's cash position is insufficient to meet its obligations as the central counterparty. The facility allows NZCL to borrow up to \$50m in cash or securities, with collateral provided in the form of securities NZCL will hold as part of the default resolution process. The facility is for an initial term of two years ending December 2016.

## 25. Group entities

Name of subsidiaries	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST AND VOTING RIGHTS	
		2014 %	2013 %
<b>Subsidiaries</b>			
Energy Clearing House 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 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
NZX CEO Share Scheme Nominee Limited	New Zealand	100	100
NZX CPL Nominee Limited	New Zealand	100	100
NZX Executive Share Plan Nominees Limited	New Zealand	100	100
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Rural Limited	New Zealand	100	100
Smartshares Limited	New Zealand	100	100
Tane Nominees Limited	New Zealand	100	100
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
NZX Agri Advisors Pty Limited	Australia	100	100

### *Investment in subsidiaries*

The carrying values of the Parent's investments in subsidiaries are as follows:

	CARRYING VALUES	
	2014 \$000	2013 \$000
<b>Subsidiaries of the Parent:</b>		
NZX Rural Limited	7,295	7,295
FundSource Limited	922	922
Smartshares Limited	4,000	4,000
TZ1 Limited	6,091	6,091
NZX Holding No. 4 Limited (holding company for CGX)	1,914	2,902
New Zealand Clearing and Depository Corporation Limited	12,000	12,000
<b>Total</b>	<b>32,222</b>	<b>33,210</b>

## 25. Group entities (continued)

The Parent impaired the carrying value of its investment in NZX Holdings No.4 Limited during the year based on an analysis of future cash flows relating to the investment and to align the parent company carrying value with the Group carrying value.

## 26. Related party transactions

### a. Transactions with key management personnel

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Short-term employee benefits	4,197	3,966	3,508	3,314
Share-based payments	(37)	249	(74)	232
Termination benefits	-	7	-	7
	<b>4,160</b>	<b>4,222</b>	<b>3,434</b>	<b>3,553</b>

### b. Transactions with directors and other entities NZX directors are associated with

The Company regularly enters into transactions on an arm's length basis and under normal commercial terms and conditions with other entities that some of the directors may sit on the board of or are employed by

Directors fees for the year were \$469,000 (2013: \$483,000) and have been included in other expenses (note 6).

### c. Transactions with other related parties

During the year, the Group made sales to and purchases from its associates. The amounts of sales and purchases between the Group and its associates, and any outstanding balances as at reporting date, are set out below.

	GROUP	
	2014 \$000	2013 \$000
<b>Transactions with related parties</b>		
Sales to Link Market Services Limited	638	512
Purchases from Link Market Services Limited	(341)	(307)
<b>Balances with related parties</b>		
Receivable from Link Market Services Limited	8	182
Payable to Link Market Services Limited	(66)	(44)

During the year, the Parent made sales to and purchases from its subsidiary companies. The amounts of sales and purchases between the Parent and its subsidiary companies, and any outstanding balances as at reporting date, are set out below.

	PARENT	
	2014 \$000	2013 \$000
<b>Transactions with subsidiary companies</b>		
Sales to NZX Rural Limited	250	136
Sales to Smartshares Limited	223	197
Sales to Fundsource Limited	21	21
Sales to NZX Holdings No.4 Limited	260	282
Sales to NZX Profarmer Australia Pty Limited	59	58
Sales to NZX Agri Advisors Pty Limited	9	13
Sales to New Zealand Clearing Limited	425	425
<b>Balances with subsidiary companies</b>		
Receivable from Smartshares Limited	21	89
Receivable from New Zealand Clearing Limited	35	35
Receivable from NZX Agri Advisors Pty Limited	1	6

## 27. Lease commitments as lessee

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Non-cancellable operating lease payments:</b>				
Up to 1 year	1,673	1,505	1,430	1,265
1 – 2 years	1,656	1,002	1,415	765
2 – 5 years	4,757	1,712	4,245	1,055
> 5 years	1,920	869	1,880	733
	<b>10,006</b>	<b>5,088</b>	<b>8,970</b>	<b>3,818</b>

The Group leases a number of office premises under operating leases. The leases run for a period of between 1 to 7 years, with an option to renew the lease after that date.

## 28. Contingent liabilities and commitments

### a. Ralec Litigation

NZX filed proceedings against Ralec Commodities Pty Limited, Ralec Interactive Pty Limited, Grant Thomas, Dominic Pym and other related parties (together "Ralec") in the New Zealand High Court. The proceedings relate to claims under the sale and purchase agreement entered into with Clear Commodities Pty Limited and Clear Interactive Pty Limited in 2009 (the "Clear SPA") for breach of warranty and associated claims.

The defendants filed a statement of defence and counterclaim on 22 December 2011. The quantum of this counterclaim has not been finally particularised but is substantially for the value of the lost opportunity to earn under the Clear SPA the Grain Market Software Payment of AU\$7.0 million, the Agri-Portal Payment of AU\$7.0 million and consequent damages.

The claim and counterclaim will be heard through the New Zealand Courts. On the basis of the Company's assessment of the circumstances and the information available to it, no provision has been made.

## 29. Capital commitments

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Capital expenditure commitments:</b>				
Software development	104	126	104	126
	<b>104</b>	<b>126</b>	<b>104</b>	<b>126</b>

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

## 30. Subsequent events

### Dividend

Subsequent to balance date the Board declared a second half 2014 dividend of 3.00 cents per share, to be paid on 27 March 2015 (with a record date of 13 March 2015). This is in line with the NZX dividend policy adopted on 21 February 2014.

### Acquisition of SuperLife Limited

On 16 January 2015 NZX acquired 100% ownership of SuperLife Limited ("SuperLife"), a provider of superannuation, Kiwisaver, and managed investments products with approximately \$1.2 billion in funds under management.

The acquisition of SuperLife enables NZX to grow the scale of its passive funds management business and accelerate the development of its portfolio of Exchange Traded Funds (ETFs).

As the acquisition occurred subsequent to balance date, no earnings from SuperLife are reported in the current period. If the acquisition had occurred on 1 January 2014, management estimates that consolidated NZX Group revenue would have been \$71.67m and consolidated profit for the year would have been \$14.22m.

These amounts do not take account of any fair value adjustments that may arise upon finalisation of the acquisition accounting. As outlined below the initial acquisition accounting has not been finalised.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

<b>Consideration transferred</b>	<b>\$000</b>
Cash	10,000
Equity instruments (being 8,264,463 ordinary shares)	10,000
Contingent equity consideration (being 4,132,232 ordinary shares)	5,000
Present value of contingent cash consideration	8,000
	<b>33,000</b>

### ***Equity instruments issued***

The value of the ordinary shares issued was based on the volume weighted average price during the 20 business days prior to 8 December 2014 (the date of the sale and purchase agreement), with the issue price being \$1.21 per ordinary share.

### ***Contingent consideration***

In addition to the initial consideration of \$20 million, the sale and purchase agreement provides for additional consideration of up to \$15.0 million dependent on the retention and growth of SuperLife's Funds Under Management (FUM) over a three year period ending 31 December 2017. These further payments, if targets are achieved, will be \$5.0 million of NZX ordinary shares at an issue price of \$1.21 per share and up to \$10.0 million in cash.

The issue of the \$5.0 million of NZX ordinary shares will be payable if SuperLife's funds under management exceed \$1.207b for a period of twelve consecutive months.

Up to \$10.0 million in cash will become payable at 31 December 2017, with the amount payable dependant on the rate of growth in FUM over the three year earnout period. No additional amount is payable if FUM is less than \$1.41b at 31 December 2017 (equivalent to a 7% compound annual growth rate). The full \$10.0m is payable if FUM exceeds \$1.57b (equivalent to an 11% compound annual growth rate). Partial payment of the earnout amount will result if FUM at 31 December 2017 is between \$1.41m and \$1.57m.

Based on growth rates achieved by SuperLife in recent years, the Group expects that its initial accounting for the acquisition will be based on the assumption that the full \$15.0 million of contingent consideration will be paid by the end of the three year period. The contingent cash consideration shown in the table of consideration transferred above is based on the present value of this expected payment.

### ***Allocation of consideration transferred to assets and liabilities acquired and recognition of goodwill***

As the acquisition occurred close to reporting date, the initial acquisition accounting has not been completed. This will require determination of the fair value of tangible and identifiable intangible assets acquired. The principal identifiable intangible assets acquired are the management rights to the existing SuperLife superannuation and KiwiSaver schemes and proprietary internally developed software, which is of a specialised nature. Tangible assets consist primarily of some office equipment.

### 30. Subsequent events (continued)

Accordingly, the Company is not able to provide disclosure of the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed or the value of goodwill arising on acquisition.

#### *Acquisition-related costs*

NZX incurred acquisition-related costs of \$342,000 related to consultancy, legal fees and due diligence costs. These acquisition-related costs have been included in the current years Income Statement within professional fees.

#### *New banking facilities*

On 16 January 2015, the Group entered into new banking facilities, consisting of a \$10.0 million overdraft facility for working capital purposes, a \$10.0 million three year term debt facility to fund the initial cash consideration for the acquisition of SuperLife Limited and a \$10.0 million term debt facility (undrawn) to provide for additional risk capital funding to the Clearing House. These facilities replaced the existing overdraft facility outlined in note 11(a).

The facilities are unsecured and contain two covenant requirements

- The ratio of interest bearing debt to EBITDA shall not exceed 3.5 times; and
- The ratio of EBITDA to interest shall exceed 4.0 times

# Auditor's Report.



## 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 68. The financial statements comprise the statements of financial position as at 31 December 2014, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

#### *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 other assurance services to the company and group. Partners and employees of our firm may also deal with the group on normal terms within the ordinary course of the business of the group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationships with, or interests in, the company and group.

### ***Opinion***

In our opinion the financial statements on pages 24 to 68:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company and the group as at 31 December 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

### **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 as far as appears from our examination of those records.

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

16 February 2015  
Wellington

# Statutory Information.

## 1. Business Operations

There have been no changes in the core business undertakings of the Company or its subsidiaries and associates during the year.

## 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 following entities. Where a (R) is included next to the entity, the Director has ceased to have that interest during the year.

Director	Interest	Entity
Andrew Harnos	Director	Harnos Horton Lusk Limited
	Director	Elevation Capital Management Limited
	Director	Scentre Group Limited (ASX listed)
	Director	Pascaro Investments Limited
	Director	AMP Life Limited
	Director	National Mutual Life Association of Australasia Limited

Director	Interest	Entity
Alison Gerry	Director	Kiwibank Limited
	Director	Television New Zealand Limited
	Director	New Zealand Clearing and Depository Corporation Limited
	Director	Queenstown Airport Limited (R)
	Director	Pioneer Generation Limited
	Trustee	Michael Hill International Violin Competition
	Director	Infratil Limited
Jon Macdonald	CEO	Trade Me Group Limited
	Director	Trade Me Limited
	Director	TMG Trustee Limited
	Director	Old Friends Limited
	Director	Trade Me Comparisons Limited
James Miller	Director	Auckland International Airport Limited
	Director	Financial Markets Authority
	Director	Mighty River Power
	Director	New Zealand Clearing and Depository Corporation Limited
	Director	Accident Compensation Corporation

Director	Interest	Entity	
Neil Paviour-Smith	Director	Forsyth Barr Group Limited and Associated Companies	
	Director	Forsyth Barr Limited	
	Director	Leveraged Equities Finance Limited	
	Board Member	New Zealand Institute of Chartered Accountants Regulatory Board	
	Director	Chartered Accountants Australia and New Zealand	
Simon Power	Council Member	Victoria University Council	
	Director	BT Financial Group (NZ) Limited	
	Director	BT Funds Management (NZ) Limited	
	Director	Westpac Financial Services Group-NZ-Limited	
	Director	Westpac Life-NZ-Limited	
	Director	Westpac Nominees-NZ-Limited	
	Director	Westpac Superannuation Nominees-NZ-Limited	
	Director	Yorba Linda Trustee Limited	
	General Manager	Business Bank and Wealth, a division of Westpac New Zealand Limited	
	Trustee	Asia NZ Foundation	
	Chair	NZ US Council	
	Therese Walsh	Head of New Zealand	ICC Cricket World Cup 2015
		Director	Television New Zealand Limited
Chair		International Development and Selection Panel, MFAT	
Member		Major Events Investment Panel, MBIE	
Member		Strategic Risk and Resilience Advisory Board, DPMC	

## 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.

## 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
Andrew Harnos	\$100,000	Chairman and Independent Director
Alison Gerry <sup>1</sup>	\$51,472	Independent Director
Jon Macdonald	\$50,000	Independent Director
James Miller <sup>1</sup>	\$58,528	Deputy Chairman and Independent Director
Neil Paviour-Smith	\$50,000	Independent Director
Simon Power	\$50,000	Independent Director
Therese Walsh	\$50,000	Independent Director

<sup>1</sup> Includes additional remuneration for acting as a director of New Zealand Clearing and Depository Corporation Limited. 100% owned subsidiary of NZX.

## 6. Indemnifications 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 judgments 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.

NZX has granted indemnities to NZX directors and NZX appointed directors of operating subsidiaries in relation to potential liabilities and costs they may incur for acts or omissions in their role as a director of NZX or as a director of an NZX subsidiary. Similar exclusions to those under the insurance apply.

## 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*

Tim Bennett  
James Miller (Independent Director)  
Alison Gerry (Independent Director)  
Philippa Dunphy (Independent Director, ceased to hold office during 2014)<sup>2</sup>  
Peter Lockery (Independent Director, ceased to hold office during 2014)<sup>2</sup>

### *New Zealand Clearing Limited*

Tim Bennett  
Philippa Dunphy (Independent Director, ceased to hold office during 2014)<sup>2</sup>

### *New Zealand Depository Limited*

Tim Bennett  
Peter Lockery (Independent Director, ceased to hold office during 2014)<sup>2</sup>

### *New Zealand Depository Nominee Limited*

Amanda Simpson

2. Mr Lockery and Ms Dunphy receive fees for their services as Independent Directors. In 2014 those fees were \$18,750 and \$37,500 respectively.

## Other NZX Subsidiaries

The following persons held office as directors of NZX's subsidiary companies at the end of the year.

### *Energy Clearing House Limited*

Amanda Simpson

### *FundSource Limited*

Reuben Samuel Stanley

### *Smartshares Limited*

Tim Bennett

Kristin Brandon

Bevan Miller

### *NZX Profarmer Australia Pty Limited (Australian registered entity)*

Tim Bennett

Ron Storey

### *NZX Agri Advisors Pty Limited (Australian registered entity)*

Ron Storey

### *NZX Rural Limited*

Tim Bennett

Bevan Miller

### *Mandela Investments Limited*

Bevan Miller

### *MXF Nominees Limited*

Bevan Miller

### *New Zealand Exchange Limited*

Bevan Miller

### *NZX CPL Nominee Limited*

Bevan Miller

### *NZX Executive Share Plan Nominees Limited*

Peter Mark Reese (Independent Director)

### *NZX Holding No. 3 Limited*

Bevan Miller

### *NZX Holding No. 4 Limited*

Erich Livengood (Ceased to hold office during 2014)

Tim Bennett

Bevan Miller

### *NZX CEO Share Scheme Nominee Limited*

Bevan Miller

### *Tane Nominees Limited*

Bevan Miller

### *TZ1 Limited*

Bevan Miller

## 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 2014.

### *AXE ECN Pty Limited (Australian registered entity)*

Bevan Miller

### *LINK Market Services Limited*

Erich Livengood (Ceased to hold office during 2014)

Tim Bennett

Bevan Miller

### *Pacific Custodians (New Zealand) Limited*

Erich Livengood (Ceased to hold office during 2014)

Tim Bennett

Bevan Miller

## 9. Donations

During the year, NZX made donations to charitable organisations of \$7,854.

## 10. Employee Remuneration

During the year<sup>1</sup> 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
110,000 – 119,999	4
120,000 – 129,999	1
130,000 – 139,000	3
140,000 – 149,999	5
160,000 – 169,999	5
170,000 – 179,999	2
180,000 – 189,999	2
190,000 – 199,999	1
210,000 – 219,999	1
220,000 – 229,999	2
290,000 – 299,999	1
300,000 – 309,999	1
330,000 – 339,999	2
340,000 – 349,999	1
1,120,000 – 1,129,000	1

<sup>1</sup> Remuneration includes bonus amounts referable to the 2013 financial year.

## 11. Director Transactions in Securities of the Parent Company

Director	Securities held Legal and Beneficial as at 31 December 2014
Andrew Harnos	387,920
Alison Gerry	-
Jon Macdonald	-
James Miller	40,083
Neil Paviour-Smith	500,105
Simon Power	-
Therese Walsh	-

## 12. Auditors

The auditor of the parent company and Group is KPMG. They provide audit and other services for which they were remunerated in 2014 as follows:

	Parent \$000	Group \$000
Audit of the financial statements	101	160
Other audit related fees	10	77
Non-audit services	-	-
<b>Total</b>	<b>111</b>	<b>237</b>

### 13. 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 January 2015.

Holder Details	Shares held	% Holding
New Zealand Central Securities Depository Limited	108,163,607	40.99
Nigel Babbage & Philippa Babbage	11,550,000	4.38
Aventine Group Limited	8,264,463	3.13
FNZ Custodians Limited	6,899,715	2.61
David Mitchell Odlin	6,239,681	2.36
Custodial Services Limited	6,054,608	2.29
Leveraged Equities Finance Limited	2,908,126	1.1
Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	2,600,000	0.99
Custodial Services Limited	2,434,252	0.92
Investment Custodial Services Limited	2,336,150	0.89
Custodial Services Limited	1,966,835	0.75
Forsyth Barr Custodians Limited	1,958,403	0.74
Custodial Services Limited	1,862,925	0.71
NZX CEO Share Scheme Nominee Limited	1,575,000	0.6
Forsyth Barr Custodians Limited	1,346,278	0.51
SIL Long Term Holdings Limited	1,300,000	0.49
Michael Walter Daniel & Elizabeth Beatty Benjamin & Michael Murray Benjamin	1,250,000	0.47
New Zealand Depository Nominee Limited	1,179,268	0.45
Selwyn John Cushing	870,320	0.33
Don James Turkington	864,836	0.33
<b>Total</b>	<b>171,624,467</b>	<b>65.04</b>

### 14. Spread of ordinary shareholders as at 31 January 2015

Size of Holding	SHAREHOLDERS		SHARES	
	Number	%	Number	%
1 to 1,000	180	5.06	110,542	0.04
1,001 to 5,000	746	20.96	2,344,016	0.89
5,001 to 10,000	940	26.4	7,250,020	2.75
10,001 to 50,000	1,331	37.39	28,776,562	10.91
50,001 to 100,000	194	5.45	13,700,688	5.19
Greater than 100,000	169	4.75	211,696,304	80.23
<b>Total</b>	<b>3,560</b>	<b>100.00</b>	<b>263,878,132</b>	<b>100.00</b>

### 15. Substantial Security Holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to NZX's records and disclosures made under section 280(1)(b) of the FMCA, the following were substantial product holders in NZX as at 31 December 2014. The total number of voting securities on issue as at 31 December 2014 was 255,613,669 ordinary shares.

	Class	Relevant Interest	%
ANZ New Zealand Investments Limited	Ordinary shares	21,938,362	8.58
Fisher Funds Management Limited	Ordinary shares	22,939,608	8.98
Milford Asset Management Limited	Ordinary shares	16,420,914	6.43

## 16. Waivers from the Listing Rules and Independent Director Certificates

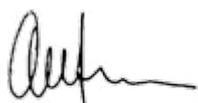
The following waiver has been granted to NZX or relied upon by NZX in the 12 month period ended 31 December 2014:

Waiver from the application of Rule 7.6.1 to allow NZX to redeem its own Equity Securities where, under the terms of the NZX Employee Share Plan – Team and Results, it is obliged or entitled to do so.

## 17. Securities Issued by NZX

NZX's ordinary shares are quoted on the NZX Main Board. Shares issued under the various employee share schemes, such as the CEO LTI Share Scheme (implemented January 2013) and the NZX Employee Share Plan – Team and Results (implemented in May 2010), are subject to certain transfer conditions and entitlement criteria. For so long as 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:



**Andrew Harnos**



**Neil Paviour-Smith**

# Directory.

## Registered Office

NZX Limited  
Level 1 / NZX Centre  
11 Cable Street  
PO Box 2959  
WELLINGTON  
Tel: +64 4 472 7599

[info@nzx.com](mailto:info@nzx.com)  
[www.nzxgroup.com](http://www.nzxgroup.com)

## Auditors

KPMG  
10 Customhouse Quay  
WELLINGTON  
Tel: +64 4 816 4500  
Fax: +64 4 816 4600

## Board of Directors

Andrew Harmos  
Alison Gerry  
Jon Macdonald  
James Miller  
Neil Paviour-Smith  
Simon Power  
Therese Walsh

## Share Register

Link Market Services Limited  
PO Box 91976  
Auckland 1142

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