NZX Interim Report 2013

For the six months ended 30 June 2013

27 September 2013

CEO's Report

Overview

We are pleased to report that in the first six months of 2013, NZX experienced the strongest capital markets activity New Zealand has seen in a decade. This reflected a more positive global environment, but more importantly, the impact of a number of structural changes in the market that are of benefit not just to NZX, but the economy as a whole.

Important changes are underway in our capital markets. This has been triggered by delivery on the work programme set out in the 2009 Capital Market Development Taskforce Report, including major reforms undertaken by successive governments, coupled with the growth in KiwiSaver funds that are being invested in New Zealand.

NZX's revenues for the six months to 30 June 2013 were $30.3 million, 14.3% higher than the comparable period last year. This was driven by strong performance of the capital markets business, along with increased revenue from Market Operations, which includes the Energy and Fonterra markets. This was partly offset by the impact of New Zealand's worst drought in 70 years on NZX Agri's performance.

A summary of reported results is in the table below:

	6 months ended 30 June 2013 $m	6 months ended 30 June 2012 $m	Change %
Revenue	30.3	26.5	14.3
Operating Expenses	18.2	16.9	7.7
EBITDA*	12.1	9.6	26.0
Net Profit After Tax	6.4	3.2	100.0
Net Profit After Tax (adjusted for 2012 Markit forex loss)	6.4	4.8	33.3

*Earnings Before Interest, Tax, Depreciation and Amortisation

Included in the EBITDA in the first six months of 2013 were one-off expenses of $0.3 million. Prior period EBITDA included one-off items totalling $2.3 million, comprising revenue reductions of $0.3 million and cost increases of $2.0 million. Prior period net profit also included a one-off foreign exchange loss on the realisation of the Markit investment of $1.5 million.

Business Review

The strong performance of NZX's capital markets businesses during the six months was underlined by a period of strong Initial Public Offering (IPO) activity. This included Mighty River Power's listing in May (the first offer in the Government's Share Offer Programme), SLI Systems' listing and the reverse listing of Mad Butcher, both in May, and the compliance listing of Snakk Media in February. Pleasingly, this activity has continued into the second half of the year with Synlait Milk and Wynyard Group listings in July, and Z Energy in August.

Given the continued favourable market conditions, which we believe are structural in nature, one of our core priorities is to ensure private companies are fully aware of the benefits of listing.

The current IPO activity will provide valuable long-term benefits to New Zealand's capital markets. It adds greater depth to the market and provides a broader range of investment opportunities for New Zealanders. Particularly in the case of the Government Share Offers, it introduces new investors into the market, a trend which we expect will continue with Meridian Energy's proposed listing, scheduled for late October 2013.

While the initial listing fees associated with the IPO activity in the first six months of the year contributed to NZX's current year results, these IPOs will also result in recurring annual listing, trading and clearing revenues.

The market itself performed strongly during the first six months, with the NZX 50 up 9.2%. Average daily trades were up 18% compared to the first six months of 2012, while average daily value traded was up 57%. This growth in activity drove a significant increase in trading and clearing revenue.

Market Operations revenue was up 48.8% on the first six months of 2012, benefiting from a full six months of operation of the Fonterra Shareholders' Market, which was launched in November 2012. In addition, NZX's Energy business earned additional revenue through one-off contract work for the Electricity Authority.

In contrast, the performance of NZX's Agri information business was impacted by the worst drought in 70 years, directly reducing advertising revenue across all of its publications. However, there were some highlights in the period, including a steady increase in visitors to Farmers Weekly Online and the launch of the Dairy Trader website (dairytrader.co.nz – a central point for dairy market information including coverage of NZX's Dairy Futures market).

Other business area performance:

- Securities information saw terminal numbers declining due to a continued focus on operational costs by clients
- In Australia, Clear Grain Exchange volumes were impacted by higher volumes earlier in the 2012/13 harvest cycle. Operational highlights included the successful launch of the secondary trading (Trade 2 Trade) market
- Registry business Link Market Services, which is 50% owned by NZX, increased its earnings by 57% during the six months
- While dairy derivatives is still in the early stage of its lifecycle, it has been promising to see real growth momentum in volumes in recent months – this is a business with considerable long term potential

As well as focusing on delivering value in NZX's existing businesses, we also progressed a number of growth initiatives during the period. Growth options we are focussing on include the launch of equity derivatives, new agri information products, new exchange traded funds and the development of a growth market. There also remains the potential for bolt-on acquisitions in the future.

Costs

A reset of the cost base, as previously signalled, has been necessary to build a stable foundation for future growth. It reflects an increase in staff costs (a mix of additional staff to support growth in Market Operations, and to rebuild capability more broadly), which has seen staff numbers increase to 182 at 30 June 2013, compared to 140 a year ago.

An increase in IT costs reflects the ongoing refresh of non-core systems along with a full six months of costs associated with operating the X-Stream trading system, which was launched in November 2012. Funds management costs in the six months to 30 June 2013 were higher due to one-off restructuring costs.

While the investment of additional resources to rebuild capability has added to the cost base of the organisation, it provides a stronger base to build growth from. Staff turnover reduced to 8.5% in the six months compared to 20.3% in the first half of 2012. This was supported by the increased breadth of experience in the senior management team that is now successfully up and running, following key appointments made in the past year.

We are extremely pleased with the team we have put in place and the efforts we have collectively made over the past year to establish a strong, scalable platform for growth off the existing cost base.

Outlook for the remainder of 2013

Although some caution and uncertainty remains across the agri sector, NZX Agri's revenues are expected to rebound from the effects of this year's drought. In addition, crop forecasts for the coming Australian 2013/14 harvest are promising for Clear Grain Exchange.

In the markets business, the external environment for Initial Public Offerings remains favourable, demonstrated by the successful listing of Z Energy in August 2013. The proposed listing of Meridian Energy is scheduled for the end of October, and there is the possibility of other smaller listings.

In NZX's energy business, additional one-off market development work performed during the first six months is not currently expected to continue in the second half of the year.

Dividend

The NZX Board declared a second quarter dividend of 1.25 cents, fully imputed, in line with the current dividend policy. The dividend was paid on 13 September. In accordance with the current dividend policy of increasing annual distributions through to 2013, NZX currently anticipates making total dividend distributions of 5.6 cents in relation to the 2013 financial year. As previously signaled, the Board anticipates that from 2014, NZX will move to a more conventional payout ratio dividend policy.

Tim Bennett
CEO

Financial Statements

NZX Limited
Income Statement
For the six months ended 30 June 2013

	Note	Group		
		Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Revenue				
Securities information		4,423	4,614	9,008
Agri information		5,697	6,165	12,309
Listings		5,656	4,092	9,920
Other issuer services		457	278	616
Securities trading		2,057	1,564	3,252
Commodities trading		770	1,165	1,863
Participant services		1,485	1,503	3,071
Fund services		1,203	1,136	2,260
Securities clearing		2,190	1,743	3,710
Market operations		6,361	4,260	9,979
Total revenue	4	**30,299**	**26,520**	**55,988**
Expenses				
Personnel costs		(9,793)	(8,814)	(17,660)
Information technology		(2,860)	(2,406)	(4,979)
Professional fees		(1,309)	(1,578)	(3,144)
Marketing, printing and distribution		(1,636)	(2,006)	(3,837)
Fund expenditure		(756)	(385)	(796)
General administration		(1,889)	(1,759)	(3,538)
Total expenses		**(18,243)**	**(16,948)**	**(33,954)**
Earnings before net finance costs, income tax, depreciation and amortisation, and share of profit of associates		**12,056**	**9,572**	**22,034**
Interest income		257	502	688
Interest expense		(225)	(158)	(403)
Net gain/(loss) on foreign exchange		43	(1,518)	(1,616)
Net finance costs		75	(1,174)	(1,331)
Depreciation and amortisation expense		(3,240)	(3,244)	(6,738)
Share of profit of associates	8	314	200	590
Profit before income tax		**9,205**	**5,354**	**14,555**
Income tax expense		(2,769)	(2,105)	(4,696)
Profit for the period		**6,436**	**3,249**	**9,859**
Earnings per share				
Basic (cents per share)	5	2.53	1.28	3.71
Diluted (cents per share)	5	2.51	1.27	3.69

The accompanying notes form an integral part of these financial statements.

NZX Limited
Statement of Comprehensive Income
For the six months ended 30 June 2013

	Group		
	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Profit for the period	6,436	3,249	9,859
Other comprehensive income			
Foreign currency translation differences	47	19	25
Total comprehensive income for the period	**6,483**	**3,268**	**9,884**

The accompanying notes form an integral part of these financial statements.

NZX Limited
Statement of Changes in Equity
For the six months ended 30 June 2013

		Group			
	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Opening balance at 1 January 2012		**32,382**	**55,529**	**(68)**	**87,843**
Profit for the period		-	3,249	-	3,249
Foreign currency translation differences		-	-	19	19
Total comprehensive income for the period		**-**	**3,249**	**19**	**3,268**
Transactions with owners recorded directly in equity:					
Dividends paid	11	-	(7,201)	-	(7,201)
Share based payments		535	-	-	535
Share buyback and cancellation		(3,449)	(30,948)	-	(34,397)
Total transactions with owners recorded directly in equity		**(2,914)**	**(38,149)**	**-**	**(41,063)**
Unaudited closing balance at 30 June 2012		**29,468**	**20,629**	**(49)**	**50,048**
Profit for the period		-	6,610	-	6,610
Foreign currency translation differences		-	-	6	6
Total comprehensive income for the period		**-**	**6,610**	**6**	**6,616**
Transactions with owners recorded directly in equity:					
Dividends paid		-	(6,340)	-	(6,340)
Issue of shares		881	-	-	881
Share based payments		(477)	-	-	(477)
Cancellation of non-vesting shares		(250)	-	-	(250)
Total transactions with owners recorded directly in equity		**154**	**(6,340)**	**-**	**(6,186)**
Audited closing balance at 31 December 2012		**29,622**	**20,899**	**(43)**	**50,478**
Profit for the period		-	6,436	-	6,436
Foreign currency translation differences		-	-	47	47
Total comprehensive income for the period		**-**	**6,436**	**47**	**6,483**
Transactions with owners recorded directly in equity:					
Dividends paid	11	-	(6,385)	-	(6,385)
Share based payments		184	-	-	184
Share buyback and cancellation		-	-	-	-
Cancellation of non-vesting shares		(96)	-	-	(96)
Total transactions with owners recorded directly in equity		**88**	**(6,385)**	**-**	**(6,297)**
Unaudited closing balance at 30 June 2013		**29,710**	**20,950**	**4**	**50,664**

The accompanying notes form an integral part of these financial statements.

NZX Limited
Statement of Financial Position
As at 30 June 2013

		Group		
		Unaudited	**Unaudited**	**Audited**
		30 June 2013	**30 June 2012**	**31 Dec 2012**
	Note	**$000**	**$000**	**$000**
Current assets				
Cash and cash equivalents		15,188	14,844	15,238
Funds held on behalf	7	33,935	14,101	22,922
Receivables and prepayments		9,286	8,555	10,443
Current tax receivable		162	1,260	-
Total current assets		**58,571**	**38,760**	**48,603**
Non-current assets				
Investments in associates	8	3,267	3,314	3,353
Property, plant & equipment		1,597	1,160	1,701
Goodwill		13,628	13,628	13,628
Other intangible assets		31,338	32,498	33,672
Total non-current assets		**49,830**	**50,600**	**52,354**
Total assets		**108,401**	**89,360**	**100,957**
Current liabilities				
Bank overdraft		11,109	13,860	8,969
Funds held on behalf	7	33,935	14,101	22,922
Trade payables		3,807	3,396	4,620
Other liabilities		5,076	4,212	9,737
Current tax payable		-	-	293
Total current liabilities		**53,927**	**35,569**	**46,541**
Non-current liabilities				
Deferred tax liability		3,810	3,743	3,938
Total non-current liabilities		**3,810**	**3,743**	**3,938**
Total liabilities		**57,737**	**39,312**	**50,479**
Net assets		**50,664**	**50,048**	**50,478**
Equity				
Share capital		29,710	29,468	29,622
Retained earnings		20,950	20,629	20,899
Translation reserve		4	(49)	(43)
Total equity attributable to shareholders		**50,664**	**50,048**	**50,478**
Net tangible assets per share (cents per share)		2.23	1.54	1.24

Approved on behalf of the Board on 19 August 2013.

A W Harmos
Chairman

N Paviour-Smith
Director, Chair of the Audit and Risk Committee

The accompanying notes form an integral part of these financial statements.

NZX Limited
Statement of Cash Flows
For the six months ended 30 June 2013

		Group		
	Note	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Cash flows from operating activities				
Receipts from customers		27,244	22,272	54,898
Net interest received		33	344	256
Payments to suppliers and employees		(18,925)	(16,275)	(32,387)
Income tax paid		(3,352)	(2,831)	(3,679)
Net cash provided by operating activities	6	**5,000**	**3,510**	**19,088**
Cash flows from investing activities				
Receipts from investments		447	27,347	28,223
Payment for property, plant and equipment		(299)	(306)	(1,232)
Payments for intangible assets		(953)	(833)	(5,117)
Net cash (used in)/provided by investing activities		**(805)**	**26,208**	**21,874**
Cash flows from financing activities				
Proceeds from issues of shares		-	-	381
Dividends paid		(6,385)	(7,201)	(13,541)
Share buyback		-	(34,397)	(34,397)
Net cash used in financing activities		**(6,385)**	**(41,598)**	**(47,557)**
Net decrease in cash		(2,190)	(11,880)	(6,595)
Cash at the beginning of the period		6,269	12,864	12,864
Cash at the end of the period		**4,079**	**984**	**6,269**

Cash comprises:

	Unaudited 30 June 2013 $000	Unaudited 30 June 2012 $000	Audited 31 Dec 2012 $000
Cash and cash equivalents	15,188	14,844	15,238
Bank overdraft	(11,109)	(13,860)	(8,969)
Total cash	**4,079**	**984**	**6,269**

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.

The accompanying notes form an integral part of these financial statements.

NZX Limited
Notes to the financial statements
For the six months ended 30 June 2013

1 Reporting entity

NZX Limited (the "Company" or "NZX") is a listed company 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.

The consolidated interim financial statements of NZX Limited as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The Company is an integrated information, markets and infrastructure company. 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 Group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. These Group financial statements do not include all the information required for full annual financial statements prepared in accordance with NZ IFRS.

These consolidated interim financial statements were approved by the Board of Directors on 19 August 2013 and are unaudited.

(b) Judgements and estimates

Preparing the Group financial statements 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.

In preparing these Group financial statement, significant judgements are made by management in applying the Group's accounting policies. The key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

(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.

3 Summary of Accounting Policies

These Group financial statements have been prepared using the same accounting policies and should be read in conjunction with the financial statements and related notes included in the Group's Annual Report for the year ended 31 December 2012.

(a) Reclassification of comparative figures

The comparative figures for the six months ended 30 June 2012 in the cash flows from operating activities section of the Statement of Cash Flows have been reclassified in accordance with the presentation of the 31 December 2012 full year and 30 June 2013 half year figures. The effect of the reclassification is shown below and has had no impact on the net cash provided by operating activities.

	Unaudited 6 months ended 30 June 2012	
	Current presentation $000	As previously reported $000
Cash flows from operating activities		
Receipts from customers	22,272	25,473
Net interest received	344	344
Payments to suppliers and employees	(16,275)	(20,580)
Income tax paid	(2,831)	(1,727)
Net cash provided by operating activities	**3,510**	**3,510**

NZX Limited
Notes to the financial statements
For the six months ended 30 June 2013

4 Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic areas:

- Information - provides securities and agricultural related information to subscribers;
- Markets - comprised of four broad category of services - Issuer services, Trading services, Fund services and Participant services; and
- Infrastructure - operations relating to clearing and settlement of debt, equities and derivatives, energy, technology services, advisory and related services.

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 six months ended 30 June 2013

Unaudited	Information	Markets	Infrastructure	Other	Total
	$000	$000	$000	$000	$000
Revenue	10,120	11,628	8,551	-	30,299
Unallocated expenditure	-	-	-	(18,243)	(18,243)
Total segment result	**10,120**	**11,628**	**8,551**	**(18,243)**	**12,056**
Segment assets:					
Goodwill	5,513	395	7,720	-	13,628
Other intangible assets	7,549	9,794	13,287	708	31,338
Total segment assets	**13,062**	**10,189**	**21,007**	**708**	**44,966**
Unallocated assets:					
Cash and cash equivalents	-	-	-	15,188	15,188
Other assets	-	-	-	48,247	48,247
Unallocated liabilities	-	-	-	(57,737)	(57,737)
Net assets	**13,062**	**10,189**	**21,007**	**6,406**	**50,664**

Segmental information for the six months ended 30 June 2012

Unaudited	Information	Markets	Infrastructure	Other	Total
	$000	$000	$000	$000	$000
Revenue	10,779	9,738	6,003	-	26,520
Unallocated expenditure	-	-	-	(16,948)	(16,948)
Total segment result	**10,779**	**9,738**	**6,003**	**(16,948)**	**9,572**
Segment assets:					
Goodwill	5,513	395	7,720	-	13,628
Other intangible assets	7,861	10,677	12,845	1,115	32,498
Total segment assets	**13,374**	**11,072**	**20,565**	**1,115**	**46,126**
Unallocated assets:					
Cash and cash equivalents	-	-	-	14,844	14,844
Other assets	-	-	-	28,390	28,390
Unallocated liabilities	-	-	-	(39,312)	(39,312)
Net assets	**13,374**	**11,072**	**20,565**	**5,037**	**50,048**

NZX Limited
Notes to the financial statements
For the six months ended 30 June 2013

4 Segment reporting (continued)

Segmental information for the year ended 31 December 2012

Audited	Information	Markets	Infrastructure	Other	Total
	$000	$000	$000	$000	$000
Revenue	21,317	20,982	13,689	-	55,988
Unallocated expenditure	-	-	-	(33,954)	(33,954)
Total segment result	**21,317**	**20,982**	**13,689**	**(33,954)**	**22,034**
Segment assets:					
Goodwill	5,513	395	7,720	-	13,628
Other intangible assets	7,666	10,262	14,955	789	33,672
Total segment assets	**13,179**	**10,657**	**22,675**	**789**	**47,300**
Unallocated assets:					
Cash and cash equivalents	-	-	-	15,238	15,238
Other assets	-	-	-	38,419	38,419
Unallocated liabilities	-	-	-	(50,479)	(50,479)
Net assets	**13,179**	**10,657**	**22,675**	**3,967**	**50,478**

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.

Revenue	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
New Zealand	23,686	21,575	46,061
Australia	3,915	2,155	5,764
Other	2,698	2,790	4,163
Total revenue	**30,299**	**26,520**	**55,988**

Non-current assets	Unaudited As at 30 June 2013 $000	Unaudited As at 30 June 2012 $000	Audited As at 31 Dec 2012 $000
New Zealand	45,599	46,324	48,136
Australia	4,231	4,276	4,218
Total non-current assets	**49,830**	**50,600**	**52,354**

NZX Limited
Notes to the financial statements
For the six months ended 30 June 2013

5 Earnings per share

(a) Basic earnings per share

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 Dec 2012
Earnings ($000)	6,436	3,249	9,859
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	254,089	253,563	265,460
Basic earnings per share (cents per share)	**2.53**	**1.28**	**3.71**

(b) Diluted earnings per share

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 Dec 2012
Earnings ($000)	6,436	3,249	9,859
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	256,316	256,406	267,180
Diluted earnings per share (cents per share)	**2.51**	**1.27**	**3.69**

Number of shares	Unaudited 30 June 2013 000's	Unaudited 30 June 2012 000's	Audited 31 Dec 2012 000's
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	254,089	253,563	265,460
Weighted average shares issued under the CEO share plan and employee share plans	2,227	2,843	1,720
Weighted average number of shares for the purpose of earnings per share (diluted)	256,316	256,406	267,180

6 Reconciliation of profit for the period to net cash provided by operating activities

	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Profit for the period	6,436	3,249	9,859
Share of profit of associates	(314)	(200)	(590)
Foreign exchange loss on investments	-	1,536	1,536
Share based payment bonus accrual	88	535	58
Depreciation and amortisation expense	3,240	3,244	6,738
	9,450	**8,364**	**17,601**
(Increase)/decrease in current tax receivable/(payable)	(455)	(1,104)	449
(Decrease)/increase in deferred tax liability	(128)	378	573
Decrease/(increase) in receivables and prepayments	1,157	57	(1,850)
(Decrease)/increase in trade payables and other liabilities	(5,024)	(4,185)	2,315
Net cash from operating activities	**5,000**	**3,510**	**19,088**

7 Funds held on behalf

	Unaudited 30 June 2013 $000	Unaudited 30 June 2012 $000	Audited 31 Dec 2012 $000
Bond deposit	1,191	956	1,021
Collateral deposit	32,744	13,145	21,901
	33,935	**14,101**	**22,922**

The collateral deposit represents 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 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. Interest earned on bond deposits is retained by the Group. There is an equal and opposite amount disclosed under current liabilities for the total amount repayable to issuers.

8 Investment in associates

Name of Entity		**Ownership interest**			**Carrying value of asset in Group Accounts**		
		Unaudited 30 June 2013 (%)	**Unaudited 30 June 2012 (%)**	**Audited 31 Dec 2012 (%)**	**Unaudited 30 June 2013 $000**	**Unaudited 30 June 2012 $000**	**Audited 31 Dec 2012 $000**
Associates							
AXE ECN Pty Limited	Australia	50	50	50	-	-	-
Link Market Services Limited	New Zealand	50	50	50	3,267	3,314	3,353
Total investment in associates					**3,267**	**3,314**	**3,353**
Amount of goodwill in carrying value of equity accounted associates:					**213**	**213**	**213**

	Unaudited 6 months ended 30 June 2013 $000	**Unaudited 6 months ended 30 June 2012 $000**	**Audited 12 months ended 31 Dec 2012 $000**
Movement in carrying value of associates:			
Balance at beginning of the period	3,353	3,764	3,764
Distribution	(400)	(650)	(1,001)
Share of profit of associates	314	200	590
Balance at end of the period	**3,267**	**3,314**	**3,353**

9 Impairment test

The Group's cash generating units (CGU's) to which goodwill has been allocated are 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.

Indefinite life intangible assets are reviewed for impairment annually. Finite and indefinite life intangible assets are also reviewed for impairment whenever there are indicators of impairment. Impairment testing is based on the performance of the intangible asset or cash-generating unit relative to expected future performance and other relevant factors. A description of the impairment tests carried out is included in the annual report for the year ended 31 December 2012.

NZX Limited
Notes to the financial statements
For the six months ended 30 June 2013

9 Impairment test (continued)

For the period ended 30 June 2013, the Group reviewed the Clear Grain Exchange ("CGX") CGU for impairment due to the CGU not achieving its revenue targets for the period. Based on discounted cash flow analysis using internal base case assumptions, the net present value of the CGX asset is assessed to be higher than the carrying value at 30 June 2013. The discounted cash flow analysis used a discounted rate of 12.9% (December 2012: 12.5%) and a foreacast period of four and half years out to 2017. A terminal growth rate of 3% has been used to extrapolate cash flow projections beyond 2017. The revenues generated under the cash flow projections 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 asset, significant emphasis was placed, in particular, on the long-run assumptions. Sensitivity analysis, stress testing and various market scenarios were also undertaken and assessed. To support CGX's carrying value on the Group balance sheet, the CGX business is expected to need to achieve market share in the eastern Australian states and South Australia in which it currently operates (i.e. not the entire Australian grain market) at or around 12.5% and 6.0% respectively by 2017, compared to current market share levels estimated at around 5.0%-7.0% and less than 1.0% respectively of the relevant market. The growth in market share expected is based on recent growth achieved in the relevant market segment.

10 Shares on issue

a) Number of shares on issue at the end of the period

	Unaudited 30 June 2013	Unaudited 30 June 2012	Audited 31 Dec 2012
Ordinary shares on issue			
General	253,972,723	253,446,854	253,756,483
Total ordinary shares on issue	**253,972,723**	**253,446,854**	**253,756,483**
Restricted shares			
Country Wide Publishing Limited	-	283,677	-
Non-vesting shares *	-	-	283,677
Total restricted shares on issue	-	**283,677**	**283,677**
Total shares on issue	**253,972,723**	**253,730,531**	**254,040,160**

* These shares were held for cancellation in due course.

There are also 1,575,000 shares issued under the CEO share scheme and 368,353 restricted shares issued under employee share plans held by entities within the Group and treated as treasury stock for the purposes of the table above. All shares issued under the employee share plans and other restricted shares are subject to transfer conditions and eligibility criteria before they are able to vest as ordinary shares. Until those transfer conditions and/or eligibility criteria are met, none are quoted on the NZSX.

(b) Movement in the number of shares

	Unaudited 6 months ended 30 June 2013	Unaudited 6 months ended 30 June 2012	Audited 12 months ended 31 Dec 2012
Balance at beginning of the period	**254,040,160**	**120,709,139**	**120,709,139**
Issue of shares			
Employee share plans	216,240	-	-
Share split	-	144,988,831	144,988,831
Other	-	-	309,629
Redemption of shares			
Other	(283,677)	(135,083)	(135,083)
Share cancellation	-	(12,082,473)	(12,082,473)
Shares vested	-	250,117	250,117
Balance at end of the period	**253,972,723**	**253,730,531**	**254,040,160**

10 Shares on issue (continued)

All shares were subject to a court-approved capital reconstruction of NZX share capital which took effect on 25 May 2012. Under the capital reconstruction there was a mandatory share cancellation of one in every ten shares held. This was immediately followed with a share split. The share split ratio was four new shares issued for every three existing shares, or a 7:3 share split ratio. The additional ordinary shares on issue that resulted from the share split are reflected in the current period.

11 Dividends

		Unaudited 6 months ended 30 June 2013		Unaudited 6 months ended 30 June 2012		Audited 12 months ended 31 December 2012	
Dividends declared and paid	**For year ended**	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**
March 2012	31 Dec 11			2.75	3,280	2.75	3,280
May 2012	31 Dec 12			3.25	3,921	3.25	3,921
September 2012	31 Dec 12					1.25	3,168
November 2012	31 Dec 12					1.25	3,172
March 2013	31 Dec 12	1.25	3,192				
May 2013	31 Dec 13	1.25	3,193				
Total dividends paid for the period		**2.50**	**6,385**	**6.00**	**7,201**	**8.50**	**13,541**

Refer to note 15 for details of the 2013 second quarter dividend.

12 Share based payments

(a) CEO Share Plan

The CEO share scheme agreed under the CEO's employment contract runs for a period of five years expiring mid 2017. The details of the CEO share scheme are outlined in the Group's financial statements for the year ended 31 December 2012.

b) Employee Share Plan

The NZX Limited employee share plan - team and results ("Team and Results Plan") was implemented in May 2010. The details of the Team and Results Plan are outlined in the Group's financial statements for the year ended 31 December 2012. As at 30 June 2013 no further shares have been issued under these plans.

13 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:

	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Short-term employee benefits	1,935	2,676	4,871
Share-based payments	131	10	50
Termination benefits	-	-	102
	2,066	**2,686**	**5,023**

Further details in relation to share based payment arrangements with key management personnel are disclosed in note 12.

13 Related party transactions (continued)

(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 six month period to 30 June 2013 were $239,000 (31 December 2012: $422,000, 30 June 2012: $208,000) and have been included in professional fees.

(c) Transactions with other related parties

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

	Unaudited 6 months ended 30 June 2013 $000	Unaudited 6 months ended 30 June 2012 $000	Audited 12 months ended 31 Dec 2012 $000
Sales to Link Market Services Limited	199	149	306
Purchases from Link Market Services Limited	(155)	(173)	(404)

	Unaudited 30 June 2013 $000	Unaudited 30 June 2012 $000	Audited 31 Dec 2012 $000
Receivable from Link Market Services Limited	54	-	52
Payable to Link Market Services Limited	-	-	-

14 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.

(b) Tax

NZX received notification in November 2012 that the IRD have progressed their risk review of the NZX Group, undertaken in 2011, to a tax audit. IRD continues to gather information from the Company. The Directors do not consider any specific provision is required.

15 Subsequent events

Dividend

Subsequent to balance date the Board declared a second quarter final dividend of 1.25 cents per share, fully imputed, to be paid on 13 September 2013 (with a record date of 2 September 2013). This is consistent with the NZX dividend policy as adopted on 25 February 2011.

Auditors' review report

To the shareholders of NZX Limited

We have completed a review of the interim financial statements on pages 5 to 17 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and Review Engagement Standard RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of NZX Limited and its subsidiary companies (the "Group") and their financial position as at 30 June 2013.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 30 June 2013 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other assurance services to the Group. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 5 to 17 do not give a true and fair view of the financial position of Group as at 30 June 2013 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 19 August 2013 and our opinion is expressed as at that date.

KPMG

Wellington

Company Directory

Registered Office
NZX Limited
Level 1, NZX Centre
11 Cable Street
PO Box 2959
Wellington

Tel: +64 4 472 7599
Email: info@nzx.com
Web: www.nzxgroup.com

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

Auditors
KPMG
Customhouse Quay
Wellington

Tel: +64 4 816 4500
Fax: +64 4 816 4600

Share Registry
Link Market Services Limited
PO Box 91976
Auckland 1142

Investor Enquiries: +64 9 375 5998
Fax: +64 9 375 5990
Email: enquiries@linkmarketservices.co.nz
Web: www.linkmarketservices.co.nz