NZX

2011 ANNUAL REPORT

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CHAIRMAN'S REPORT

The NZX 2011 Annual Report to shareholders is essentially a one-stop record of the 2011 year's financial performance. Continuous disclosure, and the electronic age, have combined to reduce the emphasis many stakeholders place on annual reports generally. However, they remain a source of important statutory disclosures, and testament to a company's past performance - in NZX's case, a performance with which we are very pleased.

It is the future that continues to excite and inspire the NZX staff and the Board. NZX is an organisation that takes a long term view, seeks to make a difference, and makes investments that back that belief. Investments in the Clearing House and derivatives market platforms in over the past three years are examples of this, and of the commensurate commitment of capital.

NZX again delivered an improved financial performance, and continued to further strengthen its cash position throughout 2011. The company ended the year with a healthy balance sheet and good cash reserves. This supports the confidence which management and the Board showed in setting our five-year dividend policy in 2009, which has so far seen $30 to $31 million being paid out in quarterly dividends to our shareholders over 2010 and 2011.

The option of using cash or debt to fund further growth in future remains, although our current product set is very strong. NZX remains committed to its core message at the March 2011 Investor Day: low capital intensity growth.

NZX is now in the fortunate position of having both strong growth prospects from our current business portfolio, some confirmed business extensions to that portfolio adding to that strength (including the forthcoming listing of some state owned enterprises), and having structured the business to generate very strong free cash flow. In recognition of this, your Board has resolved to return to shareholders, on a pro rata basis, surplus capital of between $32.5 and $35 million and to cancel, in the process, one in every ten shares held. It is proposed that this will be followed by a share split, the ratio of which will be four new shares issued for every three existing shares.

This time last year we were looking to improved business confidence leading to a potential change in the appetite for listings. We anticipated regulatory change bringing increasing transparency and confidence to our markets. We were heartened by the advent of some healthy conversations (but unfortunately some continued misinformation) on the mixed ownership model for state owned enterprises. And we foresaw the widespread recognition of New Zealand agricultural markets. Each of these is core to the NZX franchise.

Whilst the environmental factors were undoubtedly mixed, NZX still delivered a performance that was better than those with whom we are often compared. This is testament to the strength of the strategy, the design of the business model, its people and its leadership.

For 2011, NZX maintained its commitment to keeping a tight rein on costs while focusing hard on topline revenues and investing in people and products to deliver those outcomes. The results are there in black and white. NZX undertook to maintain its system uptime across all its markets, including the new Clearing House, to develop its fledgling Dairy Futures market to take on the world's best, and to seek out new product development and investment opportunities that are aligned with the integrated Information, Markets and Infrastructure strategy. NZX delivered on all of these commitments.

At a governance level, the Board saw some change toward the end of the year following long-serving Director Nigel Williams' resignation. I want to acknowledge the strength of Nigel's contribution to the NZX Board. He has been an excellent director, hard working member of the audit committee and provided valuable insights from his experience in the Australian markets. We will miss Nigel and wish him well with his additional responsibilities with ANZ in Australia.

The Board is delighted to welcome Alison Gerry as a director. When seeking a new director, the Board was very specific about the type of knowledge and experience we required to provide the right governance mix to complement the continuing directors. I am delighted that a person of Alison Gerry's calibre and background agreed to become a director of NZX. Alison met the specific professional criteria for selection and in addition provides increased diversity of background, experience, thought and gender. I have increasing confidence that we will see more highly qualified and able women seeking governance positions in future.

Chris Moller was appointed to the Board in May 2008, and serves as a member of both the remuneration and audit committees. Chris has indicated to the Board that with his elevation to the chairmanship of Sky City Entertainment Group and Meridian Energy Limited, he would like to reduce his other governance commitments, and to this end would like to retire from the NZX Board over the next 12 months. Chris has agreed to remain on the Board over the CEO transition period. I am grateful for his support in this regard. It provides us time to reflect on the optimum governance mix after the CEO change and to minimise additional changes at this important time.

Our longstanding, and inaugural CEO as a demutualised and listed entity, Mark Weldon, announced in October that he would be moving on from his role as CEO of NZX in 2012. This signalled a change to the face of the company in more ways than one. Mark set himself some very explicit goals when he arrived in 2002. The first was to transform a small, domestically focussed mutual society into a viable entity that would have the necessary funds to invest in world class platforms and product offerings, to ensure that there was a market in New Zealand, designed for New Zealand companies, to enable them to raise capital for growth. The next step was to invest in robust, current infrastructure to support transactional speed and security. Concurrent with that was investment in the skills for frontline regulation that would establish and enforce acceptable standards of transparency and market conduct. Next was to expand and commercialise the meaningful data generated by our markets. Then followed the beginnings of a programme of investment in information and infrastructure offerings to support the further growth of our markets and our company. Arising from this was the investment in energy markets and, most significantly, agricultural markets and the information that feeds them. Alongside this was the considerable investment in the Clearing House technology, rules and people, which set the stage for the meeting of agricultural and financial markets in NZX Dairy Futures.

The financial metrics over that time tell an impressive story. During the period of Mark's leadership, NZX has grown from a position of revenues of $10.4 million, a loss of $500,000, no dividends and a valuation conducted at $15 million nearly a decade ago, to its current position of operating profit approaching $27 million, dividends in 2011 of $17.6 million and a market capitalisation of over $300 million. Approaching the ninth anniversary of its listing, NZX has generated a total return to shareholders of 661.1%, or 26.3% per annum.

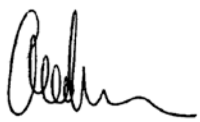
On behalf of all shareholders, NZX employees and the Board I would like to acknowledge the outstanding contribution Mark has made to the company, to the New Zealand capital markets and to New Zealand itself, including through leadership of, and participation in, a number of policy working groups and initiatives, and massive fund raising efforts in support of Christchurch. Mark's wife Sarah deserves acknowledgment alongside Mark for the untiring support she has given. Long may Mark and Sarah's energies continue to be available to New Zealand and New Zealand business.

As you will read in investment statements the world over, past performance is not an indicator of future prospects. However, in NZX's case, we have grown the strategic, financial and operational backbone to deliver strong results for shareholders, and our wider markets stakeholders, over the next decade.

We will shortly be welcoming a new CEO: another outstanding New Zealander returning to take up the NZX mantle - Tim Bennett. The NZX Board is confident that Tim will continue to execute growth from our existing product set and continue, alongside the broader NZX Team, to deliver the strong returns that shareholders of NZX have come to expect.

Finally, recognition of another special person. A material post balance date event was the sad passing of Lloyd Morrison. Lloyd has made a deep impact on many people and on many organisations. NZX, and myself personally are in that category – before Lloyd became a director, during his tenure as such, and just as much after he left our Board. Lloyd was unique and the fact that a little of him rubbed off on every person and every organisation with whom and with which he had a relationship means we each have a commensurate obligation to recognise and if possible carry forward his approach - his drive, energy and vision. The value set that has become known as "NZ Inc." is largely attributable to Lloyd's visions and philosophies. For me, the expressions "what would Lloyd do?" or "what would Lloyd say?" are a good way to carry forward part of Lloyd. To his family in particular, I extend our deepest and heartfelt sympathies.

As Chair of NZX, I look forward to the positive impacts of ongoing judicious investment, of new product development, and of unwavering focus on excellence across equities, derivatives, energy and agricultural markets. Understanding of their common characteristics is, by now, second nature to our wider shareholder base. Awareness of their potential is beginning to develop, based on a core NZX Value: Results.



Andrew Harmos
Chairman

CHIEF EXECUTIVE'S REPORT

In this, my final annual report as CEO of NZX Limited, I would like to cover four themes with our shareholders and stakeholders.

The first is the integrated Information, Markets and Infrastructure (IMI) business model we have built. We kept our finger on the pulse of the global exchange sector and discerned that, in order to fund increasingly expensive exchange IT platforms, and operate in an increasingly costly regulatory environment, we needed to do two things. We needed to both grow our cash flow, and grow it in areas that were not correlated at the revenue line, with our "traditional" cash equities, stock exchange business.

There have been a number of key parts to this. They are:

- We expanded our focus to information products in the securities area;
- We applied the knowledge we had acquired to the agricultural data area, via organic growth and acquisition;
- We improved the way market risk is managed, and enhanced the set of product capability in the New Zealand capital markets, with the Clearing House; and
- We began trading agricultural related commodity products in their core markets (Dairy Futures from New Zealand, Grain in Australia).

IMI has been very, very hard work and its significance was, at times, difficult to convey. However, it has resulted in a business model that, on the evidence, has proved substantially more resilient to challenging financial markets, than the remainder of the exchange sector. The graph on the next page illustrates this point.

While stock prices tend to move around, what this graph demonstrably shows is a clear break in the performance of NZX from the traditional exchange sector around the time of the GFC. Our model comprises a set of non-correlated revenue lines, run off a common infrastructure (IT base). It is a model that has proven its resilience to trading conditions in capital markets, to rapid advances in technology, and to structural changes in regulation.

Shareholders should be very satisfied with the decision to reject the ASX's takeover offer a decade ago. A small part of a bigger pie would have been a lot less appetising than the New Zealand owned and operated recipe our shareholders have enjoyed.

While I have been the visible face of this effort, the execution has been due to the extraordinarily capable management and general staff team at NZX. To them, our shareholders should be very grateful – as am I. Thank you, Team!

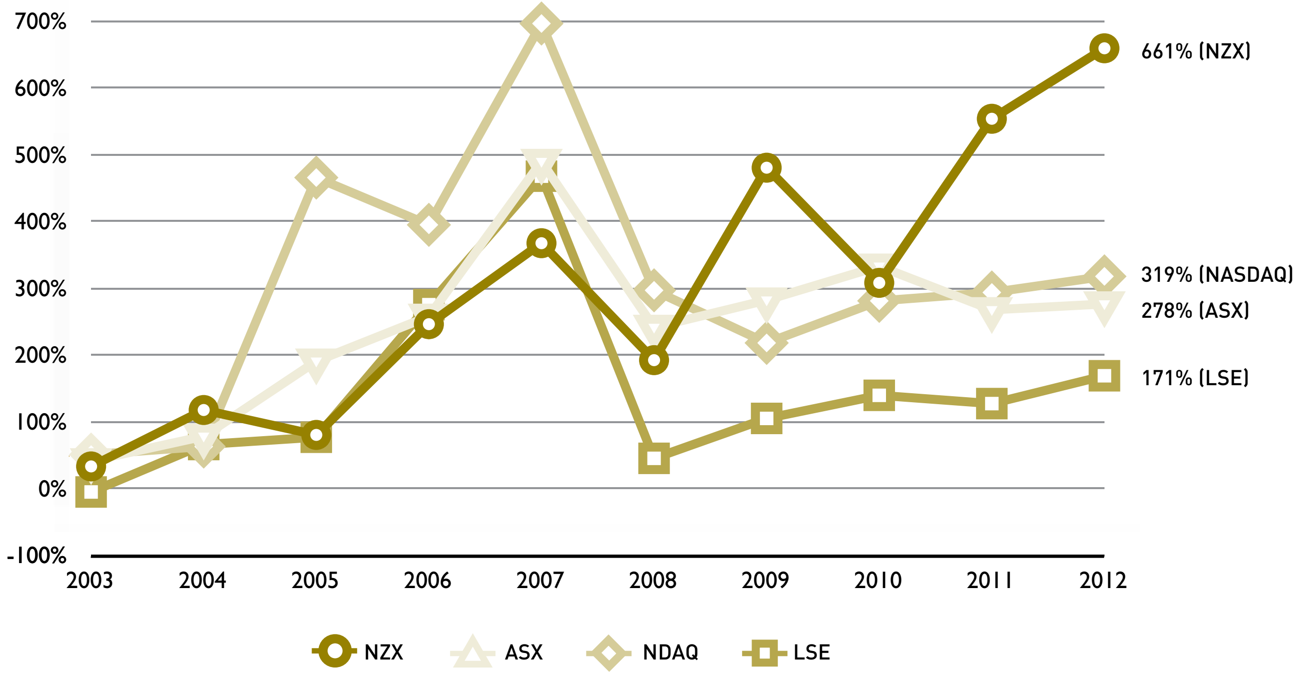
The second theme is strategic options. NZX has them in abundance: high quality infrastructure, the ability to grow topline revenue through innovation and product development, a strong team across the board, excellent free cash flow and a resilient business model. With the reduction in vulnerability comes opportunity and, while these options will not be mine to consider or execute, they are numerous and they are exciting.

The third theme is the current period of low capital intensity for NZX. Discussed at length in the last annual report, NZX has clearly moved from a period of substantial, long-term capital investment toward organic topline growth, based on those investments and delivered by the skills of our team rather than ongoing capital expenditure. A range of examples in 2011 include: NZX Agri commencing provision of custom reports (for example, on Chinese Dairy); private research (for example, for global hedge funds interested in New Zealand agriculture); the launch of Milk Fat futures to support the trading of Whole Milk Powder futures; and the provision of a wider product set into the Clearing House.

This path will continue over 2012. For example, Clear and Profarmer Grain are working together on an iPad application that, for the first time, integrates all Australian spot grain market data into a complete market view product; the extension of trading hours in derivatives to catch the European end of day volumes; the launch of NZX equity futures and options; the revision of the NZX 50 Headline Index; and launch of a full trading, clearing, settlement and regulation white label model to run Fonterra's Trading Amongst Farmers market.

Taken together, these innovations will contribute to further margin growth and free cash flow for NZX, and grow the range

**BUSINESS MODEL IMPACT ON TOTAL RETURN TO SHAREHOLDERS
NZX VS SECTOR ***



* Performance data for ASX, NDAQ and LSE based on publicly available sources

and business value of products we offer our customers and stakeholders.

The fourth theme is a personal one. It has been a real privilege to serve as CEO of NZSE (2002-3) and then NZX Limited (2003-2012) through to a conclusion in May this year. While it is difficult to leave, I am pleased to be leaving at the right time, with the prospects for the organisation and its markets so strong, and opportunity to continue to execute right there for the taking.

I thank all the NZX shareholders and stakeholders for your contribution over the last decade. I have great confidence in NZX's future and confidently expect to see the momentum continue.

Finally, as I write this, it is almost ten years to the day since I met that amazing, passionate and determined New Zealander, Lloyd Morrison, who - in his inimitable way, with which many of you are familiar - gave me no option but to come back to New Zealand to take this role. His impact on me personally, and on this organisation in its entirety, has been enormous. Thank you, Lloydo.

Andrew Harmos, our current Chair, was the other key person on that hiring team, and I want to recognise his commitment and capability, and salute the role he has played since stepping up to Chair.

Mark Weldon
CEO

BOARD OF DIRECTORS

ANDREW WILLIAM HARMOS
CHAIRMAN: LLB (Hons), BCom

Andrew Harmos is one of the founding directors of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. He specialises in takeover advice and structuring, securities offerings, company and asset acquisitions and disposals, strategic and board corporate legal advice. He was appointed a Director of NZX in 2002, and prior to that has held a number of other listed company directorships. He is currently a Director of ASX listed Westfield Retail Trust, Elevation Capital Management Limited, a fund manager, and Pascaro Investments Limited, a rural focused investment company. He is a trustee of the McCahon House Trust, a trust that was established to restore and preserve artist Colin McCahon's house in French Bay, Auckland and to establish a residency for artists in his honour. He is also a trustee of the Arts Foundation of New Zealand.

ROD DRURY
BCA, HFNZCS

Rod Drury is CEO and founder of NZX-listed company Xero, an online accounting solution for small businesses. One of New Zealand's leading technology entrepreneurs, Rod is a member of the New Zealand Hi-Tech Hall of Fame, NZ Hi-Tech Entrepreneur of the Year in 2006 and 2007, World Class New Zealander for ICT in 2008, an Honorary Fellow of the NZ Computer Society and is a member of Victoria University of Wellington Facility of Commerce Advisory Board.

JAMES BRUCE MILLER
BCom, FCA

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

James is a Director of the Financial Markets Authority, Vector 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 NZX 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 also a Director and Chairman of listed investment companies, Barramundi Limited, Kingfish Limited and Marlin Global Limited.

CHRISTOPHER JOHN DAVID MOLLER
BCA, Dip Acc, ACA

Chris Moller was appointed to the NZX Board on 14 May 2008 and was Chief Executive of the New Zealand Rugby Union (NZRU) until December 2007. During his time with the NZRU he jointly led New Zealand's successful bid to host the 2011 Rugby World Cup. He remains a director of Rugby New Zealand 2011 Limited, the joint venture between the New Zealand Government and the NZRU responsible for organising the 2011 tournament. Chris was appointed CEO of the NZRU following a long career in the dairy industry, finishing as Deputy Chief Executive of Fonterra. Prior to that, Chris held a number of senior posts with the then New Zealand Dairy Board and in the finance and banking sectors, including being global CFO of the New Zealand Dairy Board for a number of years. Currently Chris is Chairman of Meridian Energy Limited and New Zealand Transport Agency. He is also a Director of Westpac New Zealand Limited, SkyCity Entertainment Group Limited and Rugby New Zealand 2011 Limited.

NEIL PAVIOUR-SMITH
BCA, CA, ACIS, FCFIP, MSDIA

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

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

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

Mark is the Chief Executive of NZX. Mark graduated from Auckland University with a Masters degree in Economics (First Class Honours), a Bachelor of Commerce and a Bachelor of Arts. Mark then studied at the Columbia University School of Law in New York, graduating in 1997 with a Juris Doctorate and a Diploma in International Law. Mark joined leading New York law firm Skadden, Arps, Slate, Meagher & Flom as an attorney, then went on to work at the New York office of McKinsey & Company, where he specialised in stock exchanges, asset management and wholesale banking.

NIGEL HENRY MURRAY WILLIAMS
BCom

Nigel Williams has approximately 25 years' experience in New Zealand, Australian and other international capital markets, including his current role as Managing Director, Institutional Australia for the Australia and New Zealand Banking Group Limited based in Sydney. In this role he oversees the business and strategic focus of the Institutional Division's client relationships, products and services in Australia. Nigel is a Director of ETrade Australia and the Australian Financial Markets Association. He is a past Chairman of Wellesley College, and past board member of Interchange Settlements Limited, various companies related with ANZ National Bank Limited, INFINZ and the AUT Business School. Nigel graduated from the University of Otago with a Bachelor of Commerce in Marketing, Accounting and Finance and has also attended advanced management training at the University of Michigan, USA and Oxford University, England.

CORPORATE GOVERNANCE

BEST PRACTICE

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

** On 1 May 2011 the Financial Markets Authority replaced the Securities Commission. In this report, all references to the Securities Commission and the Financial Markets Authority are marked with an asterisk to alert the reader to this change in regulatory body.*

BOARD

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

The Board has established a Code of Ethics that provides a set of principles for Directors to apply in their conduct and work for NZX.

The principles deal with managing conflicts of interest, the required skills of Directors, trading in NZX's shares, and maintaining confidentiality of information received in their capacity as Directors of NZX.

BOARD COMPOSITION

As at 31 December 2011, the Board comprised six Directors, of whom five were non-executive Directors and also Independent as defined in Rule 1.6.1. The Independent Directors were Andrew Harmos (Chairman), Rod Drury, James Miller, Chris Moller and Neil Paviour-Smith. Mark Weldon, the Chief Executive, is the only non-Independent Executive Director.

In accordance with NZX's constitution and the Rules, one third of the Directors are required to retire by rotation 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 and key executive managers are invited to attend and participate in appropriate sessions of Board meetings.

COMMITTEES

The Board has two standing committees: an Audit and Financial Risk Committee and an Appointments and Remuneration Committee. No additional remuneration is paid to any Director for additional duties associated with membership of either Committee.

AUDIT AND FINANCIAL RISK COMMITTEE

The Audit and Financial Risk Committee operates under Terms of Reference, which set out its role in assisting the Board with financial reporting and corporate financial matters. It may only comprise Independent Directors and at least one member of the Audit and Financial Risk Committee must have expertise in accounting. The members of the Audit and Financial Risk Committee are: Neil Paviour-Smith (Chairman), Chris Moller and James Miller (appointed to the Committee in November 2011).

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

APPOINTMENTS AND REMUNERATION COMMITTEE

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

The Appointments and Remuneration Committee comprises entirely non-Executive Directors. The members of the Appointments and Remuneration Committee are Andrew Harmos (Chairman), James Miller and Chris Moller.

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.

2011 NZX DIRECTORS' ATTENDANCE RECORD

Director	NZX Board Attendance
Andrew Harmos	10/10
Rod Drury	9/10
James Miller	10/10
Chris Moller	10/10
Neil Paviour-Smith	10/10
Mark Weldon	10/10
Nigel Williams (resigned 12 December 2011)*	9/10

Audit and Financial Risk Committee Members	Audit and Financial Risk Committee
Neil Paviour-Smith (Chair)	11/11
James Miller	1/1 (appointed to the Committee in November 2011)
Chris Moller	7/11
Nigel Williams*	9/11

Appointments and Remuneration Committee Members	Appointments and Remuneration Committee
Andrew Harmos (Chair)	2/2
James Miller	2/2
Chris Moller	2/2

Please note the 23 meetings held in 2011 comprised 10 Board meetings, 11 Audit and Financial Risk Committee meetings and 2 Appointments and Remuneration Committee meetings.

- On a number of occasions the full Board (excluding the Chief Executive) met as the Appointments and Remuneration Committee in the course of scheduled Board meetings.
- Mark Weldon is not a member of either the Appointments and Remuneration or Audit and Financial Risk committees but attended a number of meetings as an invited attendee.
- Andrew Harmos is not a member of the Audit and Financial Risk Committee but attended meetings as an invited attendee from time to time.
- Nigel Williams resigned as a Director on 12 December 2011. In this report, all references to Nigel Williams are marked with an asterisk to alert the reader to this change in composition of the Board.

DISCLOSURE

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

RISK MANAGEMENT

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

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2011 financial year no Director sought their own independent professional advice.

INSURANCE AND INDEMNIFICATION

NZX provides indemnity insurance cover to Directors and executive employees. This is explained further on page 75.

SHARE TRADING

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

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

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

GENDER AND DIVERSITY

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

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

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

	Total number of persons	**Gender balance**
NZX Board	7	1 female, 6 male
KEY OPERATING SUBSIDIARIES		
New Zealand Clearing and Depository Corporation Limited	3	2 female (including chair), 1 male.
Smartshares Limited	4	3 female, 1 male
CEO DIRECT REPORTS		
Senior Management	11	5 female, 6 male

Please note: information in table above is accurate at 20 February 2012.

KEY FEATURES

OF 2011 PERFORMANCE

2011 FINANCIAL PERFORMANCE: SUMMARY AND HIGHLIGHTS

NZX delivered a strong 2011 profit result, with NPAT growing by 56%, despite the obvious challenges in the global environment. This growth has been generated off installed platforms and infrastructure and is, accordingly, characterised by low capital intensity and strong free cash flow.

The key to the 2011 result was broad based revenue growth, expanded operating margins achieved by adding new product to scalable infrastructure, and the integrated nature of NZX's business model.

2011 OPERATING RESULT

The Preliminary Full Year Result shows a significant increase in Operating Profit (EBITDAF) of 21% and Net Profit After Tax (NPAT) of 56%. Earnings Per Share grew a corresponding 57%.

These results were delivered by a combination of strong execution against plan, balanced revenue growth and an ongoing focus on cost discipline. These core factors enabled NZX to meet its objective to deliver non capital intensive, high quality growth, as illustrated by a growing gap between the growth rates of the revenue and cost lines.

Operating revenue grew 11% to $55.6 million, compared with $50.2 million in the previous year. By comparison, operating expenditure grew by just under 4% to $30.4 million. EBITDAF growth kept pace with revenue, reaching $25.2 million, compared with $20.9 million in the previous year. There has been a concurrent expansion in operating profit margins from 41.6% in 2010 to 45.3% in 2011.

This growth demonstrates that NZX has truly bedded in the integrated Information, Markets and Infrastructure (IMI) system and processes across the company.

IMI enabled NZX to leverage cross-firm expertise and, where practical, centralise skills in one location. This in turn enabled our team to drive both organic revenue growth - including revenues derived from new products - and cost efficiencies.

PARTICULAR HIGHLIGHTS INCLUDE:

Information

- NZX Agri gathered momentum at the topline and improved the cost line.

Markets

- NZX Markets saw both a number of significant IPOs, and a marked increase in trading activity.
- NZX Dairy Futures experienced significant growth and is now firmly established as a viable market, retaining its position as the most liquid dairy futures contract globally.
- NZX Clear met its second half forecast for tonnes traded on the grain exchange platform.

Infrastructure

- Clearing House revenues continued to climb.
- Operational performance in all Technology and Market Supervision areas was strong.

CAPITAL RETURN TO SHAREHOLDERS

2011 FULL YEAR DIVIDEND

The NZX Board declared a 2011 dividend of 11 cents per share, in line with the existing dividend policy. The fourth instalment of the 2011 dividend is 2.75 cents per share, to be paid on 23 March, 2012 with a record date of 9 March, 2012.

CAPITAL RETURN

NZX intends to return circa $32.5 to $35 million to shareholders, representing 10% of the company's market capitalisation.

To execute this return, NZX announced:

- A 10% pro-rata compulsory share cancellation, subject to shareholder, court and IRD approval.
- The return is expected to utilise NZX's existing ASC balance, with the remainder of cancelled shares accompanied by imputation credits.
- The entire return will be tax effective to shareholders.
- The return is expected to take place before the end of May 2012.

STOCK SPLIT

A stock split of seven for three is being effected with the capital return.

2012 DIVIDEND

Guidance on the 2012 dividend is to be announced by the Board at the 30 April, 2012 NZX Annual Meeting.

OUTLOOK

The second half of 2011 in particular saw strong momentum across the business, which is flowing through into the first quarter of 2012. The key focus in 2012 will remain free cash flow growth.

EBITDAF margin growth rate is expected to continue at a similar rate to 2011, due to the addition of new products operated on scalable infrastructure.

On the revenue side, liquidity in the cash equities, derivatives and commodities markets is expected to continue to grow. Market data revenues are expected to improve. In addition there is further scope for revenue growth through the Fonterra Shareholders' Market and listed Fund.

The focus on cost management will continue, with cost growth expected to be maintained at similar levels to those held in 2011.

SUMMARY

Since becoming a public company, NZX has delivered consistent topline growth with an expanded footprint across sectors and across geographies, and has developed new markets and platforms.

This model has shown strength across a full variety of economic, regulatory and political conditions.

The business model has, over time, delivered increasing yield to accompany the growth. Therefore, NZX as a stock spans the spectrum of growth and yield. It has proved to be a healthy combination for markets and shareholders alike.

HIGHLIGHTS AT A GLANCE

OVERALL

- NPAT increase of 56% on the previous corresponding period (pcp)
- Very strong full year operating performance with EBITDAF growth of 21% on pcp
- Revenue growth of 11% with consistent cost discipline keeping cost growth at 4%
- Strong operating leverage evident with EBITDAF margin expanding from 41% to 45% over the period
- Fully diluted earnings per share growth of 57%

REVENUE

- Balanced double digit revenue growth with delivery from multiple areas

HIGHLIGHTS INCLUDE:

- Markets - Up 16% on pcp, driven by strong growth across each of cash, derivatives and commodities markets
- Infrastructure - Up 17% on pcp driven by clearing house and other technology contracts
- Typical 2H effect saw 2H revenue of $29.0 million vs 1H revenue $26.6 million, up 9%

EXPENSES

- Only area of major cost growth was information technology, up 20% on pcp, reflecting clearing house licence fees (only three months in 2010)
- Marketing, printing and distribution costs down by 6% as a result of ongoing process improvements

OTHER

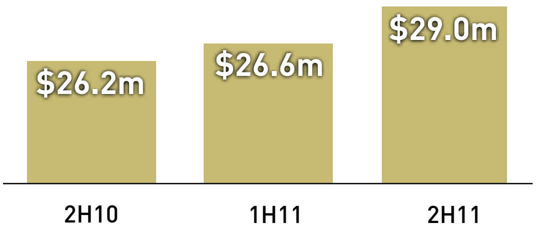
- Link Market Services - Strong profit growth in FY11, with EBITDA up 34% on pcp to $2.5 million
- No acquisitions during FY11, as per management indication
- 100% uptime availability of securities market platforms (for the sixth year running)

CAPITAL RETURN

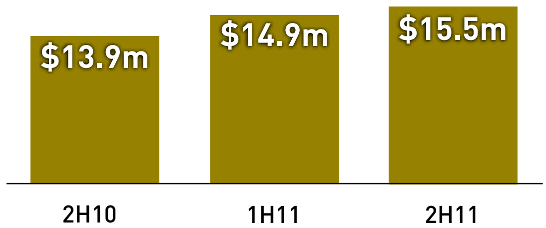
- FY11 dividend of 11 cps declared, final payment of 2.75 cps paid March 23, record date 9 March 2012
- $32.5 million to $35 million pro-rata compulsory share cancellation announced, with no tax to NZX's ASC level of $21.7 million, and remainder of cancelled shares accompanied by imputation credits
- Capital return amount to be circa 10% of market cap as of notice date, in the week of 20 February
- Stock split on seven for three basis effected on completion of the 10% pro-rata compulsory buyback

FULL YEAR OPERATING RESULT COMPARISON

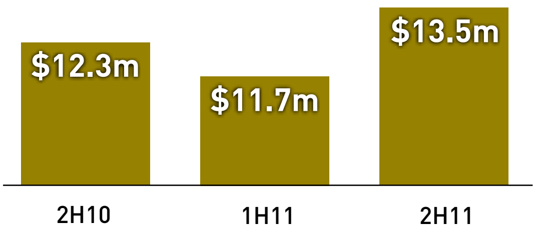
OPERATING REVENUE



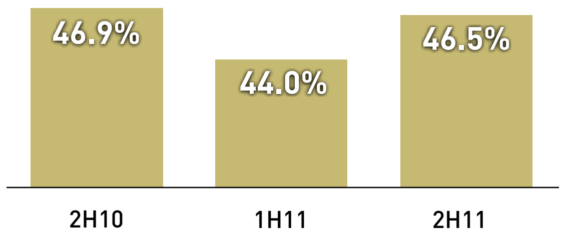
OPERATING EXPENDITURE



EBITDAF

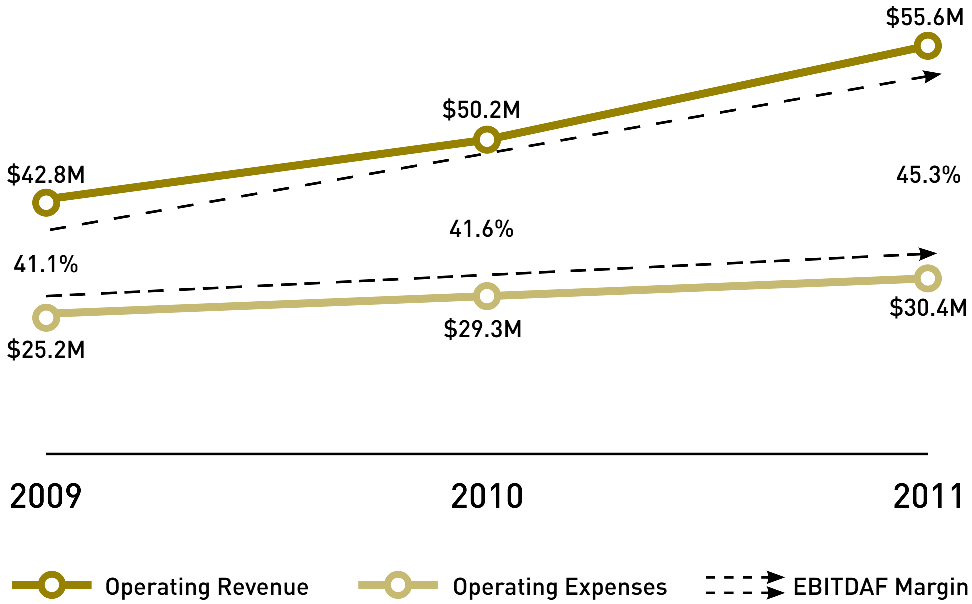


EBITDAF MARGIN



EBITDAF MARGIN

EBITDAF MARGIN – GROWING GAP BETWEEN REVENUE AND EXPENSE



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZX Limited and its subsidiaries ("NZX Group") as at 31 December 2011 and the results of their operations and cash flows for the year ended 31 December 2011.

The Directors consider that the financial statements of NZX Group have been prepared using accounting policies appropriate to NZX Group's circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors are pleased to present the financial statements of NZX Group for the year ended 31 December 2011.

The financial statements were authorised for issue for and on behalf of the Directors on 20 February 2012.

A W HARMOS
Director and Chairman

N PAVIOUR-SMITH
Director and Chairman of Audit Committee

M R WELDON
Director and Chief Executive Officer

NZX LIMITED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Revenue	4	55,636	50,228	37,373	34,881
Employee, contractor and related expenses	5	(15,155)	(15,414)	(9,211)	(8,296)
Other expenses	6	(15,256)	(13,922)	(8,555)	(7,169)
Profit before interest, income tax, depreciation and amortisation, and financial instruments		**25,225**	**20,892**	**19,607**	**19,416**
Gain/(loss) on foreign exchange	8	(93)	(1,899)	(63)	(8)
Gain/(loss) on investment	18	-	(72)	-	(388)
Depreciation and amortisation expense	10	(5,317)	(4,693)	(4,098)	(3,443)
Interest income	11	560	642	83	314
Interest expense	11	(310)	(478)	(310)	(478)
Dividends received from subsidiaries		-	-	3,486	-
Share of profit of associates	18	572	199	-	-
Profit before income tax expense		**20,637**	**14,591**	**18,705**	**15,413**
Income tax expense	12(a)	(6,112)	(5,289)	(4,282)	(4,630)
Profit for the period attributable to shareholders		**14,525**	**9,302**	**14,423**	**10,783**
Earnings per share					
Fully diluted	3	11.84c	7.50c		
Basic	3	12.08c	7.65c		
Net tangible assets per share		35.03c	32.99c		

Statement of Comprehensive Income for the financial year ended 31 December 2011

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Profit for the period		14,525	9,302	14,423	10,783
Other comprehensive income					
Foreign currency translation differences		(24)	93	-	-
Total comprehensive income and expense for the period		**14,501**	**9,395**	**14,423**	**10,783**

Notes to the financial statements are included on pages 27 to 70

NZX LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group			
	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2010	**32,101**	**62,010**	**(137)**	**93,974**
Profit for the period	-	9,302	-	9,302
Foreign currency translation differences	-	-	93	93
Distribution plan	4,518	(12,680)	-	(8,162)
Issue of shares	379	-	-	379
Share based payments	233	-	-	233
Share buyback	(4,969)	-	-	(4,969)
Shares cancelled	(50)	-	-	(50)
Balance at 31 December 2010	**32,212**	**58,632**	**(44)**	**90,800**
Profit for the period	-	14,525	-	14,525
Foreign currency translation differences	-	-	(24)	(24)
Distribution plan	-	(17,628)	-	(17,628)
Issue of shares	-	-	-	-
Share based payments	420	-	-	420
Share buyback	-	-	-	-
Non-vesting shares	(250)	-	-	(250)
Balance at 31 December 2011	**32,382**	**55,529**	**(68)**	**87,843**

Notes to the financial statements are included on pages 27 to 70

NZX LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (cont.)

	Parent			
	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2010	**35,801**	**36,650**	**-**	**72,451**
Profit for the period	-	10,783	-	10,783
Distribution plan	4,518	(12,680)	-	(8,162)
Issue of shares	2,468	-	-	2,468
Share based payments	(240)	-	-	(240)
Share buyback	(4,969)	-	-	(4,969)
Redemption of shares	(1,078)	-	-	(1,078)
Balance at 31 December 2010	**36,500**	**34,753**	**-**	**71,253**
Profit for the period	-	14,423	-	14,423
Distribution plan	-	(17,628)	-	(17,628)
Issue of shares	755	-	-	755
Share based payments	-	-	-	-
Share buyback	-	-	-	-
Redemption of shares	(1,202)	-	-	(1,202)
Non-vesting shares	(250)			(250)
Balance at 31 December 2011	**35,803**	**31,548**	**-**	**67,351**

Notes to the financial statements are included on pages 27 to 70

NZX LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Current assets					
Cash and cash equivalents	13(a)	12,864	19,295	621	3,865
Funds held on behalf		19,082	8,864	936	782
Receivables and prepayments	14	8,593	6,938	5,986	4,652
Current tax receivable/(payable)	12(b)	156	642	(443)	(541)
Other financial assets		481	2,054	5,619	6,343
Total current assets		**41,176**	**37,793**	**12,719**	**15,101**
Non-current assets					
Investments accounted for using the equity method	18	3,764	3,942	2,624	3,373
Investments in subsidiaries	28	-	-	36,110	36,232
Investment in equities	9	27,752	27,772	-	-
Property, plant and equipment	15	1,154	1,465	961	1,216
Goodwill	16	13,649	13,249	7,720	7,720
Other intangible assets	17	34,587	36,612	29,134	30,378
Total non-current assets		**80,906**	**83,040**	**76,549**	**78,919**
Total assets		**122,082**	**120,833**	**89,268**	**94,020**
Current liabilities					
Trade payables	19	2,117	2,067	1,228	1,177
Other liabilities	20	28,757	19,453	7,695	9,342
Intercompany payable		-	-	9,551	3,590
Bank loan	21	-	7,036	-	7,036
Total current liabilities		**30,874**	**28,556**	**18,474**	**21,145**
Non-current liabilities					
Deferred tax liability	12c	3,365	1,477	3,443	1,622
Total non-current liabilities		**3,365**	**1,477**	**3,443**	**1,622**
Total liabilities		**34,239**	**30,033**	**21,917**	**22,767**
Net assets		**87,843**	**90,800**	**67,351**	**71,253**
Equity					
Share capital	25	32,382	32,212	35,803	36,500
Retained earnings		55,529	58,632	31,548	34,753
Foreign currency translation reserve		(68)	(44)	-	-
Total equity attributable to shareholders		**87,843**	**90,800**	**67,351**	**71,253**

Notes to the financial statements are included on pages 27 to 70

NZX LIMITED
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Cash flows from operating activities					
Receipts from customers		54,841	50,464	36,235	34,956
Interest received/(paid)		217	208	(247)	(114)
Payments to suppliers and employees		(30,679)	(29,658)	(17,782)	(15,647)
Income tax paid	12	(3,739)	(3,902)	(1,926)	(3,635)
Net cash provided by operating activities	**13(b)**	**20,640**	**17,112**	**16,280**	**15,560**
Cash flows from investing activities					
Payment for property, plant and equipment		(302)	(374)	(226)	(162)
Payment for other assets		(2,878)	(6,531)	(2,374)	(4,716)
Receipts from/(Payments for) investments		773	(843)	7,740	(9,440)
Net cash used in investing activities		**(2,407)**	**(7,748)**	**5,140**	**(14,318)**
Cash flows from financing activities					
Proceeds from issues of shares		-	4,943	-	4,943
Repayments of bank loan		(7,036)	(11,882)	(7,036)	(11,882)
Dividends paid	27	(17,628)	(12,680)	(17,628)	(12,680)
Share buyback	25	-	(4,969)	-	(4,969)
Net cash used in financing activities		**(24,664)**	**(24,588)**	**(24,664)**	**(24,588)**
Net decrease in cash and cash equivalents		**(6,431)**	**(15,224)**	**(3,244)**	**(23,346)**
Cash and cash equivalents at the beginning of the financial year		**19,295**	**34,520**	**3,865**	**27,211**
Cash and cash equivalents at the end of the financial year	**13(a)**	**12,864**	**19,295**	**621**	**3,865**

Notes to the financial statements are included on pages 27 to 70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NZX LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

The full year consolidated financial statements of NZX as at, and for the twelve months ended, 31 December 2011 comprises the Group and the Group's interest in associates.

NZX is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

BASIS OF PREPARATION

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

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

PRINCIPLES OF CONSOLIDATION

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being NZX and its subsidiaries as defined in NZIAS 27: *Consolidated and Separate Financial Statements.* A list of subsidiaries appears in note 28 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2011, and the comparative information presented in these financial statements for the year ended 31 December 2010. The accounting policies have been applied consistently by Group entities.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

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

Information

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

Markets

Markets revenue includes four broad categories.

The first is issuer services. Issuer services revenue consists of revenue from annual listing fees, initial listing fees and subsequent capital raisings. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the period the service is provided.

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

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

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

Infrastructure

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

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

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

Interest

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

(b) Significant estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Foreign currency transactions and balances

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

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

(d) Property, plant and equipment

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

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

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

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

(e) Employee benefits

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

(f) Income tax

Tax expense comprises current and deferred tax.

Current tax

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

Deferred tax

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

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

(g) Goods and services tax

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

(h) Financial assets

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

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

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

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

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

(i) Goodwill

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

(j) Intangible assets

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

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

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

(k) Impairment of assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

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

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

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

(m) Share-based payments

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

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

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

(n) Comparative amounts

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

(o) Earnings per share

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

(p) Novation of trades

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

Novation

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

Netting

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

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

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

(q) Securities borrowing and lending

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

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

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

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

(r) Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 December 2011, and have not been applied in preparing the financial statements. The impact of any changes has not yet been determined.

Harmonisation Amendments – various amendments effective for periods beginning on or after 1 July 2011;

FRS 44 New Zealand Additional Disclosures –Effective for annual reporting periods beginning on or after 1 July 2011;

NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2015;

NZ IFRS 10 Consolidated Financial Statements - Effective for annual reporting periods beginning on or after 1 January 2013;

NZ IFRS 12 Disclosure of Interests in Other Entities - Effective for annual reporting periods beginning on or after 1 January 2013;

NZ IFRS 13 Fair Value Measurement Statements –Effective for annual reporting periods beginning on or after 1 January 2013;

NZ IAS 19 Employee Benefits (amended 2011) - Effective for annual reporting periods beginning on or after 1 January 2013;

NZ IAS 27 Investments in associates and joint ventures (amended 2011) - Effective for annual reporting periods beginning on or after 1 January 2013.

2. SEGMENT REPORTING

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

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

NZX runs operations in both Australia and New Zealand. Total revenue from Australian operations for the year ending 31 December 2011 was NZ$3,482,859 (2010: NZ$2,836,123)

	Group 2011				
	Information $000	Markets $000	Infrastructure $000	Other $000	Total $000
Allocated revenue	20,950	22,052	12,634	-	55,636
Unallocated expenditure	-	-	-	(30,411)	(30,411)
Total segment result	**20,950**	**22,052**	**12,634**	**(30,411)**	**25,225**
Segment assets:					
Intangibles	8,410	10,934	14,425	818	34,587
Goodwill	5,929	-	7,720	-	13,649
Total segment assets	**14,339**	**10,934**	**22,145**	**818**	**48,236**
Unallocated assets:					
Cash and cash equivalents	-	-	-	12,864	12,864
investment in equities	-	-	-	27,752	27,752
Other	-	-	-	33,230	33,230
Unallocated liabilities	-	-	-	(34,239)	(34,239)
Net assets	**14,339**	**10,934**	**22,145**	**40,425**	**87,843**

2. SEGMENT REPORTING (cont.)

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

3. EARNINGS PER SHARE

	Group	
	2011	2010
Fully diluted earnings per share (cents per share)	11.84c	7.50c
Basic earnings per share (cents per share)	12.08c	7.65c

FULLY DILUTED EARNINGS PER SHARE

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

	Group	
	2011	2010
Earnings	$14,525	$9,302
Weighted average number of ordinary shares for the purpose of earnings per share	122,666	124,105
Fully diluted earnings per share (cents per share)	**11.84c**	**7.50c**

BASIC EARNINGS PER SHARE

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

	Group	
	2011	2010
Earnings	$14,525	$9,302
Weighted average number of ordinary shares for the purpose of earnings per share	120,241	121,649
Basic earnings per share (cents per share)	**12.08c**	**7.65c**

Shares that may potentially be issued under the CEO share plan, the group leader share plan, the senior executive share plan and the NZX Limited employee share plan – team and results (refer note 25) and therefore may be dilutive have been excluded when calculating basic earnings per share, as the shares have not vested as at 31 December 2011.

	Group	
	2011	2010
Weighted average number of ordinary shares for the purpose of earnings per share (fully diluted)	122,666	124,105
Weighted average shares issued under the CEO share plan and employee share plans	(2,425)	(2,456)
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	120,241	121,649

4. REVENUE

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

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Revenue:				
Information	20,950	20,515	8,706	8,948
Markets	22,052	21,654	18,510	18,413
Infrastructure	12,634	8,059	10,157	7,520
Total revenue	**55,636**	**50,228**	**37,373**	**34,881**

5. EMPLOYEE AND RELATED EXPENSES

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Employee and related expenses:					
Salary and related expenses		(14,042)	(14,818)	(8,098)	(7,923)
CEO share plan	25	(500)	(288)	(500)	(288)
Other		(613)	(308)	(613)	(85)
Total employee and related expenses		**(15,155)**	**(15,414)**	**(9,211)**	**(8,296)**

6. OTHER EXPENSES

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Other expenses:					
Remuneration paid to auditors	7	(162)	(149)	(132)	(102)
Operating lease rental expense	24	(1,056)	(1,133)	(792)	(855)
Information technology		(4,154)	(3,448)	(3,843)	(3,295)
Professional fees		(2,226)	(1,945)	(1,866)	(1,501)
Rebates and incentives		(928)	(221)	(508)	(16)
Marketing, printing and distribution		(3,794)	(4,027)	(51)	(158)
Fund expenditure		(838)	(819)	-	-
General administration		(2,098)	(2,180)	(1,363)	(1,242)
Total other expenses		**(15,256)**	**(13,922)**	**(8,555)**	**(7,169)**

7. REMUNERATION OF AUDITORS

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Remuneration of Auditors:				
Audit of the financial statements	(123)	(138)	(93)	(95)
Other audit related fees	(39)	(11)	(39)	(7)
Total remuneration of auditors	**(162)**	**(149)**	**(132)**	**(102)**

Other audit related fees relate to Clear Grain Exchange review (2010: prospectus and accounting policy reviews).

8. LOSS ON FOREIGN EXCHANGE

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Loss on Foreign Exchange:					
Exchange movement on investment in equities	9	(20)	(1,882)	-	-
Other		(73)	(17)	(63)	(8)
Total loss on foreign exchange		**(93)**	**(1,899)**	**(63)**	**(8)**

9. INVESTMENT IN EQUITIES

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Investment in Equities:				
Markit shares investment	27,752	27,772	-	-
Total	**27,752**	**27,772**	**-**	**-**

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

The Group retains an economic interest in the performance of the TZ1 assets now operating under the trading name Markit Environmental Registry ("the Environmental Registry"). As at 31 December 2011 the value of the Markit investment recorded in the Group accounts is $27,751,997.

Currency fluctuations

Markit shares are valued in US dollars. The shares have been re-valued from the spot rate at 31 December 2010 of 0.7706 to the spot rate at 31 December 2011 of 0.7713 (see note 8).

Changes in the value of Markit shares

The Group has recorded the carrying value of its investment in Markit as the cash payment expected if Markit choose to repurchase its shares (US$21,405,115). Subsequent to the Statement of Financial Position date Markit has decided to repurchase its shares (note 34: subsequent events).

10. DEPRECIATION AND AMORTISATION EXPENSE

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Depreciation of property, plant and equipment	15	(613)	(673)	(481)	(555)
Amortisation of intangible assets	17	(4,704)	(4,020)	(3,617)	(2,888)
Depreciation and amortisation expense		**(5,317)**	**(4,693)**	**(4,098)**	**(3,443)**

11. INTEREST INCOME AND EXPENSE

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Interest income:				
Bank deposits	537	601	60	273
Bonds	23	41	23	41
Total interest income	**560**	**642**	**83**	**314**
Interest expense:				
Interest on bank loan	(310)	(478)	(310)	(478)
Total interest expense	**(310)**	**(478)**	**(310)**	**(478)**

12. TAXATION

(A) INCOME TAX RECOGNISED IN PROFIT OR LOSS

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Tax expense comprises:					
Current tax expense		4,182	3,497	2,510	2,849
Adjustments recognised in the current year relating to current tax of prior years		4	138	(65)	138
Deferred tax relating to the origination and reversal of temporary differences		1,926	1,654	1,837	1,643
Total tax expense		**6,112**	**5,289**	**4,282**	**4,630**

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	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Profit before income tax expense		20,637	14,591	18,705	15,413
Income tax calculated at 28% (2010: 30%)		**(5,778)**	**(4,377)**	**(5,237)**	**(4,624)**
Non-deductible expenses		(227)	(559)	(212)	(47)
Non-taxable intercompany dividends		-	-	976	-
Change in corporate tax rate *		-	107	-	116
Tax on securities subject to FDR		(389)	(445)	-	-
Equity accounted earnings of associate		160	60	-	-
		(6,234)	**(5,214)**	**(4,473)**	**(4,555)**
Under provision of income tax in prior year		(4)	(138)	65	(138)
Foreign investor tax credits		126	63	126	63
		(6,112)	**(5,289)**	**(4,282)**	**(4,630)**

* The tax rate used in the above reconciliation is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. There has been a change in the corporate tax rate from 30% to 28% from 1 January 2011.

12. TAXATION (cont.)

(B) CURRENT TAX ASSETS AND LIABILITIES

		Group		Parent	
	Note	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of the year - Asset / (Liability)		**642**	**375**	**(541)**	**(1,189)**
Current year charge		(4,182)	(3,497)	(2,510)	(2,849)
Prior period adjustment		(43)	(138)	682	(138)
Tax paid		3,739	3,902	1,926	3,635
Balance at end of year - Asset / (Liability)		**156**	**642**	**(443)**	**(541)**

(C) DEFERRED TAX

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of the year	**(1,477)**	**177**	**(1,622)**	**21**
Current year movement	(1,926)	(1,654)	(1,837)	(1,643)
Prior period adjustments	38	-	16	-
Balance at end of the year	**(3,365)**	**(1,477)**	**(3,443)**	**(1,622)**
Deferred tax balance comprises:				
Employee entitlements	498	257	436	220
Doubtful debts and impairment	55	126	34	18
Property, plant and equipment, and software	(3,918)	(1,877)	(3,913)	(1,877)
Other	-	17	-	17
	(3,365)	**(1,477)**	**(3,443)**	**(1,622)**

(D) IMPUTATION CREDIT ACCOUNT

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of the year	**16,324**	**16,731**	**14,648**	**15,322**
Income tax paid	3,730	3,902	1,926	3,635
Imputation credits attached to dividends paid	(7,607)	(3,399)	(7,415)	(3,399)
Imputation credits attached to dividends received	192	-	192	-
Prior period adjustment	410	(910)	369	(910)
Balance at end of the year	**13,049**	**16,324**	**9,720**	**14,648**

13. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

			Group		Parent	
	Interest rates	Maturities	2011 $000	2010 $000	2011 $000	2010 $000
Cash at bank	1.0% - 2.5%	Call	5,364	13,795	621	3,865
Bank deposits	3.63% - 3.72%	30 to 180 days	7,500	5,500	-	-
			12,864	19,295	**621**	3,865

(B) RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Profit after tax for the period	14,525	9,302	14,423	10,783
Loss/(Gain) on revaluation of fair value through profit or loss on financial assets	20	1,949	-	388
Share of associates' (profit)/loss (less dividends)	(572)	(199)	-	-
Dividends received from subsidiaries	-	-	(3,486)	-
Depreciation and amortisation of non-current assets (note 10)	5,317	4,693	4,099	3,443
	19,290	**15,745**	**15,036**	**14,614**
(Increase)/decrease in current tax balances	486	(267)	(98)	(648)
Increase/(decrease) in deferred tax balances	1,888	1,654	1,821	1,643
Decrease/(increase) in current receivables	22	(655)	1,118	(394)
	21,686	**16,477**	**17,877**	**15,215**
Increase/(decrease) in current payables	(1,046)	4,822	(1,597)	(1,192)
	20,640	**21,299**	**16,280**	**14,023**
Non-operating payables	-	(6,288)	-	1,794
Non-operating provisions	-	2,101	-	(257)
Other non-operating liabilities	-	(4,187)	-	1,537
Net cash from operating activities	**20,640**	**17,112**	**16,280**	**15,560**

14. RECEIVABLES AND PREPAYMENTS

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Trade receivables	6,776	6,014	4,751	3,736
Allowance for doubtful debts	(195)	(451)	(123)	(64)
	6,581	**5,563**	**4,628**	**3,672**
Prepayments and sundry debtors	1,777	692	1,207	528
Accrued interest	8	27	-	-
Accrued income	227	656	151	452
	8,593	**6,938**	**5,986**	**4,652**

The average credit period on sales of services for the Parent is 41 days (2010: 39 days).

MOVEMENT IN ALLOWANCE FOR DOUBTFUL DEBTS

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of the year	**(451)**	**(544)**	**(64)**	**(139)**
Amounts written off during the year	348	207	-	126
Amounts recovered during the year	-	45	-	-
Increase in allowance recognised in profit or loss	(92)	(159)	(59)	(51)
Balance at end of the year	**(195)**	**(451)**	**(123)**	**(64)**

15. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Computer Equipment $000	Furniture and Equipment $000	Leasehold Improvements $000	Motor Vehicles $000	Capital work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2010	**2,581**	**890**	**1,369**	**90**	**108**	**5,038**
Additions	271	79	-	-	-	350
Disposals	(22)	-	-	-	(64)	(86)
Reclassifications	44	-	-	-	(44)	-
Balance at 31 December 2010	**2,874**	**969**	**1,369**	**90**	**-**	**5,302**
Additions	215	24	-	55	10	304
Disposals	(14)	-	-	(9)	-	(23)
Balance at 31 December 2011	**3,075**	**993**	**1,369**	**136**	**10**	**5,583**
Accumulated depreciation						
Balance at 1 January 2010	**1,965**	**600**	**597**	**24**	**-**	**3,186**
Depreciation expense	383	110	144	36	-	673
Disposals	(22)	-	-	-	-	(22)
Balance at 31 December 2010	**2,326**	**710**	**741**	**60**	**-**	**3,837**
Depreciation expense	344	79	144	46	-	613
Disposals	(14)	-	-	(7)	-	(21)
Balance at 31 December 2011	**2,656**	**789**	**885**	**99**	**-**	**4,429**
Net Book Value						
As at 31 December 2010	**548**	**259**	**628**	**30**	**-**	**1,465**
As at 31 December 2011	**419**	**204**	**484**	**37**	**10**	**1,154**

15. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Parent				
	Computer Equipment $000	Furniture and Equiipment $000	Leasehold Improvements $000	Capital work in progress $000	Total $000
Gross carrying amount					
Balance at 1 January 2010	**2,376**	**824**	**1,369**	**108**	**4,677**
Additions	212	23	-	-	235
Disposals	(2)	-	-	(64)	(66)
Reclassification	44	-	-	(44)	-
Balance at 31 December 2010	**2,630**	**847**	**1,369**	**-**	**4,846**
Additions	214	12	-	-	226
Balance at 31 December 2011	**2,844**	**859**	**1,369**	**-**	**5,072**
Accumulated depreciation					
Balance at 1 January 2010	**1,892**	**586**	**597**	**-**	**3,075**
Depreciation expense	321	90	144	-	555
Balance at 31 December 2010	**2,213**	**676**	**741**	**-**	**3,630**
Depreciation expense	280	57	144	-	481
Balance at 31 December 2011	**2,493**	**733**	**885**	**-**	**4,111**
Net Book Value					
As at 31 December 2010	**417**	**171**	**628**	**-**	**1,216**
As at 31 December 2011	**351**	**126**	**484**	**-**	**961**

16. GOODWILL

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Gross carrying amount				
Balance at beginning of the year	**13,249**	**13,878**	**7,720**	**7,720**
Goodwill on acquisition	-	1,662	-	-
Earnout payments	400	-	-	-
Movement in earn out provisions post acquisition	-	(2,291)	-	-
Balance at end of the year	**13,649**	**13,249**	**7,720**	**7,720**
Net book value				
Balance at beginning of the year	**13,249**	**13,878**	**7,720**	**7,720**
Balance at end of the year	**13,649**	**13,249**	**7,720**	**7,720**

In November 2011 NZX agreed to make partial pre-payment of the final earn-out payable under the terms of the Sale Agreement with Countrywide Publications Limited. All remaining earn out payments and interests in restricted shares under the sale Agreement were reduced by 50 percent.

Goodwill is reviewed for impairment annually based on the performance of the asset or cash-generating unit to which the goodwill relates relative to expected future performance and other relevant factors. The directors have reviewed goodwill for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and other relevant factors. Discounted cash flow analysis used a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of the assets or cash-generating units to which the goodwill relates were greater than current carrying values, and that 2011 and forecast 2012 multiples are consistent with the equivalent multiple for NZX and comparable companies trading both in New Zealand and overseas. The 2012 forecasts are based on 2011 actual performance adjusted for known circumstances that will impact 2012. The EBITDA multiples tested range from 2.0 to 8.5. As at 31 December 2011 the Group EBITDAF multiple was 10.98.

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

17. OTHER INTANGIBLE ASSETS

	Group					
	Software $000	Brand names, trademarks, and right to use brand names $000	Data archives, customer lists, databases, websites & IP $000	Management rights $000	Intangible work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2010	**19,592**	**9,374**	**1,458**	**2,344**	**9,154**	**41,922**
Additions	636	-	618	-	4,367	5,621
Reclassification	12,996	(1,056)	1,056	-	(12,996)	-
Balance at 31 December 2010	**33,224**	**8,318**	**3,132**	**2,344**	**525**	**47,543**
Additions	66	-	-	-	2,613	2,679
Reclassification	1,130	-	-	-	(1,130)	-
Balance at 31 December 2011	**34,420**	**8,318**	**3,132**	**2,344**	**2,008**	**50,222**
Accumulated Amortisation						
Balance at 1 January 2010	**5,297**	**1614**	**-**	**-**	**-**	**6,911**
Amortisation expense	3,062	958	-	-	-	4,020
Disposals	-	-	-	-	-	-
Balance at 31 December 2010	**8,359**	**2,572**	**-**	**-**	**-**	**10,931**
Amortisation expense	3,812	892	-	-	-	4,704
Balance at 31 December 2011	**12,171**	**3,464**	**-**	**-**	**-**	**15,635**
Net Book Value						
As at 31 December 2010	**24,865**	**5,746**	**3,132**	**2,344**	**525**	**36,612**
As at 31 December 2011	**22,249**	**4,854**	**3,132**	**2,344**	**2,008**	**34,587**
These are broken down by sector as follows:						
Information	40	4,854	3,132	-	384	8,410
Markets	7,959	-	-	2,344	632	10,935
Infrastructure	13,432	-	-	-	992	14,424
Unallocated	818	-	-	-	-	818
	22,249	**4,854**	**3,132**	**2,344**	**2,008**	**34,587**

17. OTHER INTANGIBLE ASSETS (cont.)

	Parent					
	Software	Brand names, trademarks,	Data archives, customers lists, databases, websites & IP	Management rights	Intangible work in progress	Total
	$000	$000	$000	$000	$000	$000
Gross carrying amount						
Balance at 1 January 2010	**19,161**	**3,172**	**1,458**	**-**	**9,154**	**32,945**
Additions	453	-	620	-	4,367	5,440
Reclassification	12,996	(702)	702	-	(12,996)	-
Balance at 31 December 2010	**32,610**	**2,470**	**2,780**	**-**	**525**	**38,385**
Additions	51	-	-	-	2,322	2,374
Reclassification	1,130	-	-	-	(1,130)	-
Balance at 31 December 2011	**33,791**	**2,470**	**2,780**	**-**	**1,717**	**40,759**
Accumulated Amortisation						
Balance at 1 January 2010	**5,119**	**-**	**-**	**-**	**-**	**5,119**
Amortisation expense	2,888	-	-	-	-	2,888
Balance at 31 December 2010	**8,007**	**-**	**-**	**-**	**-**	**8,007**
Amortisation expense	3,617	-	-	-	-	3,617
Balance at 31 December 2011	**11,624**	**-**	**-**	**-**	**-**	**11,624**
Net Book Value						
As at 31 December 2010	**24,603**	**2,470**	**2,780**	**-**	**525**	**30,378**
As at 31 December 2011	**22,167**	**2,470**	**2,780**	**-**	**1,717**	**29,134**
These are broken down by segment as follows:						
Information	-	2,470	2,780	-	93	5,343
Markets	7,928	-	-	-	632	8,560
Infrastructure	13,432	-		-	992	14,424
Unallocated	807	-	-	-	-	807
	22,167	**2,470**	**2,780**	**-**	**1,717**	**29,134**

17. OTHER INTANGIBLE ASSETS (cont.)

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Comprising:				
Other intangibles – finite life	25,991	28,024	23,884	25,128
Other intangibles – indefinite life	8,596	8,588	5,250	5,250
Net book value	**34,587**	**36,612**	**29,134**	**30,378**

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

All intangible assets are reviewed for impairment annually based on the performance of the intangible asset or cash-generating unit relative to expected future performance and other relevant factors. The directors have reviewed all intangibles for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and other relevant factors. Discounted cash flow analysis used a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of intangible assets and cash-generating units were greater than current carrying values, and that 2011 and forecast 2012 multiples are consistent with equivalent multiples for NZX and comparable companies trading both in New Zealand and overseas. The 2012 forecasts are based on 2011 actual performance adjusted for known circumstances that will impact 2012. The EBITDA multiples tested range from 2.0 to 8.5. As at 31 December 2011 the Group EBITDAF multiple was 10.98.

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

SOFTWARE

Given the nature of NZX and its operations, the Group has a strong investment in software, both acquired and internally generated. This software is a finite life intangible and has a book value of $22,167,108 in the Parent and $22,249,210 in the Group as at 31 December 2011, and WIP in relation to software of $1,717,176 in the Parent and $2,006,987 in the Group.

CLEARING HOUSE SOFTWARE

Software at 31 December 2011 includes Clearing House software with a book value of $10,064,686 and an estimated useful life of twelve years. This asset has five main value drivers. These are:

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

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clearing House asset is higher than the carrying value at 31 December 2011.

17. OTHER INTANGIBLE ASSETS (cont.)

A portion of the net present value of the Clearing House asset is derived from expected revenue generated from the derivatives market. The derivatives market was launched in October 2010, and is thus in start-up phase. Revenue generated from the derivatives market is currently less than 5% of Clearing House's total revenue. Cash-market related revenue (i.e. membership, clearing, settlement, stock lending and depository) are forecast to grow slowly. Derivatives related revenue (lots cleared and settled, open interest margin, derivatives based membership) are forecast to grow to be approximately 74% of Clearing House total revenue in five years time.

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

CLEAR GRAIN EXCHANGE SOFTWARE (CGX)

Software at 31 December 2011 includes grain exchange software with a book value of $6,999,192 and an estimated useful life of ten years. The value of the grain exchange software is based on the free cash flow generated over and above the operating cost base of the business. The revenues generated are directly related to the fees charged per tonne, and the number of tonnes traded. 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 sustain CGX's carrying value on the NZX Group balance sheet, the CGX business is expected to need to achieve market share in relevant market segments (i.e. not the entire Australian grain market) at or around 7% by 2016, which is not materially above current market share levels estimated at around 4% of the relevant market.

BRAND NAMES AND TRADEMARKS

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

NZX separates ownership of trademarks and brand names from the activity of carrying out the business of each subsidiary. Subsequent to acquisition of a trademark or brand by a subsidiary the legal ownership of the trademark or brand is sold to NZX, with the subsidiaries retaining the right to use the trademark and brand for a specified period of time. The trademarks and brand names held by the Parent have an indefinite life, while the right to use in the subsidiary has a finite life. The carrying values of the trademark and brand names are $2,470,047 and $4,854,364 in the Parent and Group accounts respectively.

DATA ARCHIVES, CUSTOMER LISTS, DATABASES, WEBSITES & IP

NZX acquired data archives, customer lists, databases, websites, and IP. These assets have an indefinite life.

MANAGEMENT RIGHTS

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

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of entity	Country of Incorporation	Ownership interest		Group Carrying value of asset	
		2011 %	2010 %	2011 $000	2010 $000
Associates					
AXE ECN Pty Limited	Australia	50	50	-	-
Link Market Services Limited	New Zealand	50	50	3,764	3,942
				3,764	**3,942**
Amount of goodwill in carrying value of equity accounted associates:				**213**	**213**

RECONCILIATION OF CARRYING VALUE OF ASSOCIATES:

	Group	
	2011 $000	2010 $000
Balance at beginning of the year	**3,942**	**4,129**
Investments	-	136
Divestments	-	(172)
Capital repayments	(750)	(350)
Impairment	-	-
Share of associates net gain/(loss)	572	199
Movement in foreign currency translation reserve	-	-
Balance at end of the year	**3,764**	**3,942**

The movement in the carrying value of Link Market Services Limited includes the redemption by Link Market Services Limited of $750,000 of redeemable preference shares in 2011 (2010: $350,000).

AXE ECN Pty Limited will be wound up in early 2012 at the agreement of all shareholders. It is expected that this will have no impact on NZX's Income Statement.

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

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES:

	Group	
	2011 $000	2010 $000
Total assets	8,396	8,172
Total liabilities	(1,296)	(714)
Net assets	**7,100**	**7,458**
Revenue	6,771	5,942
Net profit	**1,144**	**731**

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont.)

IMPAIRMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments accounted for using the equity method were reviewed for impairment as at 31 December 2011. The review was based on comparison of 2011 and forecast 2012 EBITDA multiples with NZX and comparable companies. The analysis at 31 December 2011 identified that the carrying values at both a Parent and a Group level were fair (2010: nil impairment).

19. CURRENT TRADE PAYABLES

	Group		Parent	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Trade payables	96	639	46	408
Goods and services tax payable	538	441	389	319
Accrued expenses	1,483	987	793	450
	2,117	**2,067**	**1,228**	**1,177**

20. OTHER LIABILITIES

	Group		Parent	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Employee benefits	2,732	4,653	2,292	4,268
Unearned income	6,743	5,936	4,467	4,292
Funds held on behalf	19,082	8,864	936	782
Earn out provisions	200	-	-	-
	28,757	**19,453**	**7,695**	**9,342**

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

EARN OUT PROVISIONS

Earn out provisions may be entered into in relation to acquisitions. The earn outs are based on the acquired companies' performances, and are increased/decreased or paid over the period of the contract. The closing balance of the earn out provisions are management's best estimate of the actual amount of payments to be made in relation to NZX Rural Limited of $200,000 (2010: nil).

21. BANK LOAN

At 31 December 2011 NZX has no outstanding bank loans (2010: three bank loans totalling $7,035,827, denominated in New Zealand Dollars). NZX has access to an overdraft facility which was established in 2011 to allow the Group flexibility in its working capital management. At 31 December 2011 NZX had nil outstanding in respect of this facility.

NZX pays a bank facility fee at an interest rate of 0.85% of the total facility available, irrespective of the utilisation of the facility. The facility is $15,000,000 and has no expiry date as it is a demand loan. The bank may cancel the facility by giving 90 days written notice.

The interest rate of the facility at 31 December 2011 would have been 3.05% (being OCR + 0.55%) were the facility have been used.

22. CONTINGENT LIABILITIES AND COMMITMENTS

M-CO

NZX entered into a sale and purchase agreement with M-co in 2009, which includes an earn out provision whereby NZX is required to pay $1,500,000 if gross revenue during the period between 30 June 2009 and 30 June 2012 attributable to the business and the business opportunities exceeds $30,250,000. No provision has been made at 31 December 2011, as NZX does not expect the revenue target to be met.

CLEAR

Grain Market Software Payment

NZX entered into a sale and purchase agreement with Clear in 2009 (the "Clear SPA") to acquire the assets required to operate the Clear electronic grain trading platform. The Clear SPA provides for NZX to make an additional payment of AU$7,000,000 ($9,202,051), which is contingent upon:

- particular grain tonnage being traded through the Clear Platform by certain dates; and
- NZX successfully negotiating a specific type of agreement with a specific type of third party by certain dates. No provision for this payment has been made at 31 December 2011, as based on annualised grain volumes, NZX Clear traded less than 11% of the required metric tonnes at 31 December 2011. It is not expected that the required threshold at 30 June 2012 (which is 33% greater than the threshold at 30 June 2011) will be met.

Agri-Portal Payment

The Clear SPA also provides for a further additional payment of AU$7,000,000 ($9,202,051) on the meeting of certain criteria by October 2012. The Agri-Portal Purchase Payment is payable if the Agri-portal, which is based on the Grain Market Software, has been completed and put into operation to the satisfaction of NZX. No provision has been made for the Agri-Portal Purchase Payment.

The Agri-Portal has three distinct, unique value propositions, and sources of competitive advantage, delivered via a single platform: Proprietary content (being data, analysis and media related to its relevant soft commodities and core proprietary markets); Proprietary markets (being the operation of the key marketplace for spot trading for the relevant soft commodities in New Zealand and Australia), and Proprietary design, (providing the key comprehensive functionality and world-leading usability that meets all customer business requirements).

NZX's assessment is that the Agriportal is unlikely to be completed and put into operation to the satisfaction of NZX.

22. CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

RALEC Litigation

NZX has filed a suit 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 Clear SPA for breach of warranty and related claims, and were made to protect NZX's commercial best interests.

NZX was successful in its application to set aside the defendant's protest to jurisdiction of the New Zealand Court, judgment being delivered on 22 December 2011. The defendants filed a statement of defence and counterclaim on 22 December 2011. The quantum of this counterclaim has not been pleaded.

The claim and counterclaim will be heard through the New Zealand Courts.

Tax

The IRD has undertaken a tax risk review of the NZX Group during 2011, which identified a number of tax risks. The IRD has confirmed that it has no risks currently under investigation but that they may be considered as part of a future audit selection process. Therefore NZX has made no additional provision for tax in these financial statements.

23. CAPITAL COMMITMENTS

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Capital expenditure commitments:				
Tata Consulting Limited	78	-	78	-
Sungard	166	-	166	-
Total	**244**	**-**	**244**	**-**

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

24. LEASE COMMITMENTS AS LESSEE

OPERATING LEASES

	Group		Parent	
Non-cancellable operating lease payments	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
Up to 1 year	1,263	1,287	1,086	1,084
1 - 2 years	1,162	1,248	1,086	1,084
2 - 5 years	1,542	2,705	1,542	2,624
> 5 years	-	-	-	-
	3,967	**5,240**	**3,714**	**4,792**

25. SHARE CAPITAL

As at 31 December 2011 there were 122,610,069 shares issued and fully paid (2010: 122,852,716). The total number of shares on issue includes ordinary shares and employee and other restricted shares. All ordinary shares carry one vote per share and carry the right to dividends. All issued shares are fully paid and have no par value.

The shares issued under the CEO share plan (2011: 907,082; 2010: 1,803,346) and the NZX Limited employee share plan – team and results (2011: 993,848; 2010: 1,236,495), are treated as treasury stock and are eliminated at a Group level, and are entitled to participate in corporate actions. Due to differences in the terms of plans, the NZX employee share plan 2008 (2009 offer) and Country-Wide Publishing Limited shares are not treated as treasury stock, and are not eliminated at a Group level. Any shares or other share entitlements relating to corporate actions for employee and other restricted shares are held by the nominee on the same terms as the underlying plans.

SHARE CAPITAL AT END OF YEAR

	Group		Parent	
	2011 Number of shares (000's)	**2010 Number of shares (000's)**	**2011 Number of shares (000's)**	**2010 Number of shares (000's)**
Ordinary shares on issue				
General	120,439	119,475	120,439	119,475
CEO shares			907	1,803
Total ordinary shares on issue	**120,439**	**119,475**	**121,346**	**121,278**
Restricted shares				
Employees	-	68	994	1,305
Country Wide Publishing Limited	135	270	135	270
Non-vesting shares *	135	-	135	-
Total restricted shares	**270**	**338**	**1,264**	**1,575**
Total shares on issue at end of year	**120,709**	**119,813**	**122,610**	**122,853**

*: these shares are held for cancellation in due course.

25. SHARE CAPITAL (cont.)

At 31 December 2011, ordinary shares on issue for the parent included 907,082 shares issued under the CEO share plan (2010: 1,803,346). These are restricted and not available for trading unless they both (i) qualify and (ii) are taken up by the CEO. For details on the CEO share plan, see note 25(a) below.

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

MOVEMENT IN SHARE CAPITAL

	Group		Parent	
	2011 Number of shares (000's)	2010 Number of shares (000's)	2011 Number of shares (000's)	2010 Number of shares (000's)
Balance at beginning of the year	**119,813**	**120,659**	**122,853**	**122,973**
Issue of shares				
Rights	-	-	-	-
Employee share plans	-	35	374	1,300
Profit distribution plan	-	2,333	-	2,414
On acquisition of businesses	-	-	-	-
Redemption of shares				
Employee share plans	-	-	(617)	(620)
Share buyback	-	(3,214)	-	(3,214)
Shares vested	896	-	-	-
Balance at end of the year	**120,709**	**119,813**	**122,610**	**122,853**

25. SHARE CAPITAL (cont.)

(A) ORDINARY SHARES ON ISSUE

CEO share plan

The CEO share plan is a two-part equity-based long-term incentive (LTI) plan with a four and a half year duration, with a start date of 4 June 2007 and expiry date of 31 December 2011.

The two parts to the plan are:

- standard LTI; and
- out-performance LTI.

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

STANDARD LTI ("LTI")

	2011 Number of shares (000's)	2010 Number of shares (000's)
Tranche One		
Shares issued at beginning of plan	695,120	695,120
Shares issued as a result of corporate actions	201,144	201,144
Shares vested	(896,264)	-
Shares issued at end of year	**-**	**896,264**
Tranche Two		
Shares issued at beginning of plan	193,984	193,984
Shares issued as a result of corporate actions	56,132	56,132
Shares issued at end of year	**250,116**	**250,116**
Total shares issued at end of year	**250,116**	**1,146,380**

The LTI shares were issued to the CEO in December 2007 at an issue price of $2.58 per share (the volume weighted average price ("VWAP") for the 20 days to 3 June 2007, being the expiry date of the previous CEO share plan adjusted for a 4 for 1 share split in 2009). NZX extended financial assistance to Mr Weldon in the form of an interest free loan to fund the acquisition of these LTI shares. These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these LTI shares includes a compound 15% EPS growth over the duration of the plan, with a start date for assessment of EPS growth of 1 January 2008. Shares issued as a result of corporate actions relate to a rights issue and shares issued under NZX's Distribution Plan that have occurred through the duration of the LTI plan.

Qualification criteria were met at 31 December 2010 for tranche one of the LTI plan.

At 31 December 2011, the qualification criteria were met for tranche two of the LTI plan. Mr Weldon will receive a bonus of $499,994 to repay the financial assistance that was extended in relation to LTI tranche two shares. The CEO is required to fund PAYE (and other taxes) and any Kiwisaver employer contributions relating to the bonus.

A total of $499,994 has been recognised in the 2011 Income Statement in respect of tranche two of the LTI plan relating to the 250,116 shares that will vest under the LTI plan. The LTI plan is now complete.

25. SHARE CAPITAL (cont.)

OUT-PERFORMANCE LTI ("OPLTI")

	2011 Number of shares (000's)	2010 Number of shares (000's)
Tranche One		
Shares issued at beginning of plan	409,524	409,524
Shares issued as a result of corporate actions	118,505	118,505
Shares issued at end of year	**528,029**	**528,029**
Tranche Two		
Shares issued at beginning of plan	100,000	100,000
Shares issued as a result of corporate actions	28,937	28,937
Shares issued at end of year	**128,937**	**128,937**
Total shares issued at end of year	**656,966**	**656,966**

The OPLTI shares were issued to Mr Weldon in December 2007 at an issue price of $2.58 per share (the VWAP for the 20 days to 3 June 2007, being the expiry date of the previous CEO share plan adjusted for a 4 for 1 share split in 2009). These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these OPLTI shares is a compound 22.5% EPS growth over the duration of the plan, with a start date for assessment of EPS growth of 1 January 2008. Shares issued as a result of corporate actions relate to a rights issue and shares issued under NZX's Distribution Plan that have occurred through the duration of the OPLTI plan.

At 31 December 2011, qualification criteria for the OPLTI plan have not been met. Accordingly, the OPLTI shares will be redeemed by NZX and all associated entitlements repaid to NZX. No cost has been recognised in the 2011 Income Statement with respect to the OPLTI plan. The OPLTI plan is now complete.

25. SHARE CAPITAL (cont.)

(B) EMPLOYEE AND OTHER RESTRICTED SHARES

NZX Limited employee share plan – team and results

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

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

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

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

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

2011 offer

A total of 373,790 Restricted Shares were issued under the Team and Results Plan in 2011 (2011 offer). During the year 1,486 of the 2011 Restricted Shares were redeemed and proceeds were used to repay the loan provided by NZX.

The consideration paid for the Restricted Shares by Participants under the Team and Results Plan 2011 offer was $2.02 per share ("Issue Price"), payable on application. The Issue Price was the volume weighted average price of NZX ordinary shares in the 20 business days preceding, and including, 31 March 2011. To fund the Issue Price of the Restricted Shares, Team and Results Plan 2011 offer Participants received financial assistance, in the form of an interest free loan ("Loan") from NZX, for the aggregate Issue Price of each Participant's Restricted Shares entitlement. The total amount of the financial assistance provided by NZX under the Team and Results Plan 2011 offer was $751,792.

25. SHARE CAPITAL (cont.)

2010 offer

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

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

A total of 643,924 of the 2010 Restricted Shares have been redeemed and proceeds from the redemption used to repay the loan provided by NZX. Financial assistance provided in respect of the 2010 offer at 31 December 2011 is $1,212,009; 621,543 restricted shares in respect of the 2010 offer are held at 31 December 2011.

Country-Wide Publishing Limited

261,104 shares with a combined value of $500,000 were issued as part of the consideration for the CPL acquisition in 2009. Inclusive of corporate actions, there were 270,167 shares issued in relation to the CPL acquisition at 31 December 2011. Of these shares, 135,083 are pending cancellation pursuant to an agreement signed in November 2011 in which NZX agreed to make partial prepayment under the terms of the Sale Agreement with Countrywide Publications Limited.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Short-term employee benefits	3,302	4,080	2,644	3,292
Share-based payments	649	423	649	423
Termination benefits	613	222	613	-
	4,564	**4,725**	**3,906**	**3,715**

Further details in relation to share plans are contained in Note 25.

27. DIVIDENDS

	2011		2010	
	Cents per share	Total $000	Cents per share	Total $000
Recognised amounts				
Fully paid ordinary shares	14.50c	17,628	10.25c	12,680

In April 2011 NZX paid the final 2010 cash dividend of 6.25 cents fully imputed per share. The total paid was $7,643,591.

In June 2011 NZX paid an interim 2011 (quarter 1) cash dividend of 2.75 cents fully imputed per share. The total paid was $3,361,930.

In September 2011 NZX paid an interim 2011 (quarter 2) cash dividend of 2.75 cents fully imputed per share. The total paid was $3,359,649.

In December 2011 NZX paid an interim 2011 (quarter 3) cash dividend of 2.75 cents fully imputed per share. The total paid was $3,262,717 (excludes tax withheld and paid in January 2012).

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

28. SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership interest and voting rights	
		2011 %	2010 %
Subsidiaries			
Energy Clearing House Limited	New Zealand	100	100
Energy Market Consulting Limited	New Zealand	100	100
FundSource Limited	New Zealand	100	100
Mandela Investments Limited	New Zealand	100	100
MXF Nominees Limited	New Zealand	100	100
New Zealand Clearing and Depository Corporation Limited	New Zealand	100	100
New Zealand Clearing and Depository Limited	New Zealand	100	100
New Zealand Clearing Limited	New Zealand	100	100
New Zealand Depository Limited	New Zealand	100	100
New Zealand Depository Nominee Limited	New Zealand	100	100
New Zealand Exchange Limited	New Zealand	100	100
NZ Fox Limited	New Zealand	100	100
NZX CPL Nominee Limited	New Zealand	100	100
NZX Executive Share Plan Nominees Limited	New Zealand	100	100
NZX GL Nominee Limited	New Zealand	100	100
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Incognito Limited	New Zealand	80	80
NZX Rural Limited	New Zealand	100	100
Smartshares Limited	New Zealand	100	100
Tane Nominees Limited	New Zealand	100	100
Time Zone One Limited	New Zealand	100	100
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
NZX Agri Advisors Pty Limited (previously Profarmer Advisory Services Pty Limited)	Australia	100	100

28. SUBSIDIARIES (cont.)

SUBSIDIARIES OF PARENT

Name of entity	Goodwill		Indefinite life intangibles		Carrying values	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Subsidiaries						
NZX Rural Limited	1,982	1,782	-	-	7,295	7,295
Fundsource Limited	323	323	-	-	922	922
Smartshares Limited	-	-	2,344	2,344	4,000	4,000
TZ1 Limited	-	-	-	-	6,003	6,125
NZX Holding No. 4 Limited	2,491	2,491	-	-	5,890	5,890
New Zealand Clearing and Depository Corporation Limited	-	-	-	-	12,000	12,000
Total	**4,796**	**4,596**	**2,344**	**2,344**	**36,110**	**36,232**

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries were reviewed for impairment as at 31 December 2011. The review was based on discounted cash flow analysis, using a discount rate of 12.5% and a forecast period of five years. Specifically, the directors tested that the net present value of the investments in subsidiaries were greater than the carrying values of the investment. The analysis at 31 December 2011 identified that the carrying values at both a Parent and a Group level were fair (2010: nil impairment in subsidiaries).

29. ACQUISITION OF BUSINESSES AND INVESTMENTS

In 2011 no acquisitions took place. On 16 June 2010 NZX acquired the business and assets of Callum Downs. Callum Downs publishes subscription reports on the Australian grain market.

30. RELATED PARTY DISCLOSURES

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 and details of interest in associates are disclosed in note 18. Amounts receivable from and payable to related parties at balance date and sales and purchases between related parties are disclosed below.

Related parties	Sales to related parties 2011 $000	Purchases from related parties 2011 $000	Amounts owed by related parties 2011 $000	Amounts owed to related parties 2011 $000
Parent				
NZX Limited	1,456	75	1,709	9,550
Subsidiaries				
Smartshares Limited	-	390	2,869	-
NZX Rural Limited	-	-	4,746	-
FundSource Limited	10	-	1,244	-
NZX Holding No. 4 Limited	-	150	2,374	1,696
NZX ProFarmer Australia Pty Limited	-	-	700	2,382
New Zealand Clearing Limited	-	858	-	310
New Zealand Depository Limited	-	-	308	-
Associates				
LINK Market Services Limited	266	238	-	12
Appello Services Limited	-	21	-	-

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

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

31. INVOLVEMENT IN ELECTRICITY TRANSACTIONS

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

At 31 December 2011, ECH has outstanding payables and receivables for the purchase and sale of electricity, and the settlement of transmission losses. These items are not recorded in the Group's statement of financial position, because in aggregate, a nil net position arises which is consistent with the fact that other parties bear the risk associated with settlement in the electricity market. It should be noted that no legal right of set-off exists between these electricity settlement liabilities and assets.

In discharging its obligations under the Electricity Industry Participation Code, ECH is required to ensure that purchasers maintain 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 $22,108,453 cash held from such deposits at 31 December 2011 (2010: $52,027,224).

32. CLEARING HOUSE COUNTERPARTY CREDIT RISK

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

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

This counterparty credit risk is managed primarily through:

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

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

32. CLEARING HOUSE COUNTERPARTY CREDIT RISK (cont.)

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 2011, NZCL has a right to receive $6.123 million (2010: $5.534 million) from clearing participants and an obligation to pay $6.123 million (2010: $5.534 million) to clearing participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2011. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2011 was $37.603 million (2010: $34.562 million). In addition, at 31 December 2011, the total value of outstanding securities loans was $1.123 million (2010: $20,337) and the absolute notional value of open derivative contracts was US$23.682 million (2010: US$513,850). The increase in the value of derivatives positions is due to the significant increase in trading in derivatives contracts.

Cash collateral held to cover these outstanding settlement positions at 31 December 2011 was $16.795 million (2010: $7.968 million). All collateral was held in cash. In addition, at 31 December 2011 an additional $5.5 million collateral (2010: nil) was held by way of performance bonds.

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

33. FINANCIAL INSTRUMENTS

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

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

FOREIGN CURRENCY RISK MANAGEMENT

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

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

33. FINANCIAL INSTRUMENTS (cont.)

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

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	
	2011 $000	2010 $000	2011 $000	2010 $000
Effect on net interest income:				
1% increase in interest rate	129	211	6	(24)
1% decrease in interest rate	(129)	(211)	(6)	24

CREDIT RISK

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

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

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

Detail on other forms of credit risk not related to financial instruments is provided in note 32.

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

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Not past due	4,393	4,351	2,887	3,119
Past due 0-30 days	992	593	759	306
Past due > 31 days	1,391	1,070	1,105	311
Total	**6,776**	**6,014**	**4,751**	**3,736**

33. FINANCIAL INSTRUMENTS (cont.)

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

	Group		Parent	
	2011 $000	2010 $000	2011 $000	2010 $000
Gross trade receivables	6,776	6,014	4,751	3,736
Individual impairment	-	-	-	-
Collective impairment	(195)	(451)	(123)	(64)
Trade receivables net	**6,581**	**5,563**	**4,628**	**3,672**

LIQUIDITY RISK MANAGEMENT

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

FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2011

Financial Instruments	Note	Loans and receivables $000	Amortised cost $000	Designated at fair value $000	Total Carrying value $000	Fair value $000
Assets						
Cash and cash equivalents	13(a)	12,864	-	-	12,864	12,864
Receivables and prepayments	14	8,593	-	-	8,593	8,593
Investment in equities	9	-	-	27,752	27,752	27,752
Other financial assets						
Advances - share plans		503	-	-	503	503
Total		**21,960**	**-**	**27,752**	**49,712**	**49,712**
Liabilities						
Current tax payable/(receivable)	12(b)	-	(156)	-	(156)	(156)
Trade payables	19	-	2,117	-	2,117	2,117
Bank loan	21	-	-	-	-	-
Other liabilities	20	-	28,757	-	28,757	28,757
Total		**-**	**30,718**	**-**	**30,718**	**30,718**

33. FINANCIAL INSTRUMENTS (cont.)

FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2010

Financial Instruments	Note	Loans and receivables $000	Amortised cost $000	Designated at fair value $000	Total Carrying value $000	Fair value $000
Assets						
Cash and cash equivalents	13(a)	19,295	-	-	19,295	19,295
Receivables and prepayments	14	6,938	-	-	6,938	6,938
Investment in equities	9	-	-	27,772	27,772	27,772
Other financial assets						
Advances - share plans		2,054	-	-	2,054	2,054
Total		**28,287**	**-**	**27,772**	**56,059**	**56,059**
Liabilities						
Current tax payable/(receivable)	12(b)	-	(642)	-	(642)	(642)
Trade payables	19	-	2,067	-	2,067	2,067
Bank loan	21	-	7,036	-	7,036	7,036
Other liabilities	20	-	19,453	-	19,453	19,453
Total		**-**	**27,914**	**-**	**27,914**	**27,914**

34. SUBSEQUENT EVENTS

Markit

At 16 January 2012 NZX announced that Markit will pay NZX US$21.4 million, by 31 January 2012, to bring to completion the performance of each party's obligations in respect of the 2009 sale by NZX of the TZ1 environmental registry to Markit.

Under the June 2009 purchase agreement between Markit and NZX, Markit had the option to acquire the consideration shares issued to TZ1 based on the environmental registry's performance.

Markit has chosen to exercise this option and pay NZX in cash for its shareholding in Markit. The funds were received on 26 January 2012.

Capital Structure

The NZX Board intends to return to shareholders, on a pro rata basis, surplus capital of between $32.5 and $35 million and to cancel, in the process, one in every ten shares held. The return of capital is subject to receiving notice from the Inland Revenue Department confirming that the distribution is not in lieu of a dividend and High Court approval of the arrangement. This will leave approximately 109.8 million shares on issue at the completion of the share cancellation.

In conjunction with this return of capital to shareholders, NZX also plans, immediately following the cancellation, to undertake a share split. The share split ratio will be four new shares issued for every three existing shares, or a 7:3 share split ratio.

The proposal to return capital will be put to shareholders for approval at NZX's Annual Meeting on 30 April 2012.

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, We have audited the accompanying financial statements of NZX Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 21 to 70. The financial statements comprise the statements of financial position as at 31 December 2011, 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 general accounting services to the company and group. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 21 to 70:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 December 2011 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.

KPMG

20 February 2012
Wellington

NZX MARKET SUPERVISION

This is a summary statistical report of NZX Market Supervision (NZXMS) activities in 2011.

- Processed 13,502 announcements with 12 recorded errors, which gives an accuracy rate of 99.911%.
- Determined 269 applications made under the NZX Listing Rules and NZX Participant Rules. All applications were dealt with in accordance with NZXMS protocols and delivered within required timeframes.
- Processed 22 issuer and six Participant complaints in respect of the conduct of Listed Issuers and Market Participants.
- Implemented 45 Trading Halts.
- Referred 46 matters to the Financial Markets Authority*. Four of those matters related to share price enquiries carried out by NZX Market Supervision and required no further action by the Financial Markets Authority*. The remaining 42 matters concerned matters such as compliance with the insider trading, substantial security holder, directors' and officers' notices and continuous disclosure provisions of the Securities Markets Act 1988.
- Referred four matters to the NZ Markets Disciplinary Tribunal for serious breaches of the NZX Participant Rules or NZX Listing Rules.
- Responded to 10 Requests from the Financial Markets Authority* for details of trading data.

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 entities listed on the following page. Where an (R) is included next to the entity, the Director has ceased to have that interest during the year.

4. INFORMATION USED BY DIRECTORS

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

3. DIRECTORS' INTERESTS (cont.)

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

Notes to the tables in sections 3, 5 and 11:
* N H M Williams resigned as a Director on 12 December 2011. In this Statutory Information section all references to N H M Williams are marked with an asterisk to alert the reader to this change in composition of the Board.

5. DIRECTORS HOLDING OFFICE AND THEIR REMUNERATION

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

Directors	Remuneration	Special Responsibility
A W Harmos	$100,000	Chairman and Independent Director
R Drury	$50,000	Independent Director
J B Miller	$50,000	Independent Director
C J D Moller	$50,000	Independent Director
N Paviour-Smith	$50,000	Independent Director
M R Weldon**	$1,128,877.04	CEO
N H M Williams*	$50,000	Independent Director

** The remuneration listed above does not include any stock based remuneration received, which is listed in Notes 5 and 26 to financial statements. M Weldon is remunerated as an employee of NZX and receives no separate payment in his capacity as a director.

6. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or 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.

7. SUBSIDIARY COMPANIES DIRECTORS

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

CLEARING HOUSE ENTITIES

NEW ZEALAND CLEARING AND DEPOSITORY CORPORATION LIMITED*

Peter Lockery *
Philippa Dunphy (Chair) *
Robyn Dey

NEW ZEALAND CLEARING LIMITED

Philippa Dunphy *

NEW ZEALAND DEPOSITORY LIMITED

Peter Lockery *

NEW ZEALAND DEPOSITORY NOMINEE LIMITED

Robyn Dey

* Independent directors.

Mr Lockery and Ms Dunphy receive fees for their services as Independent Directors. In 2011 those fees were $25,000 and $50,000 respectively.

7. SUBSIDIARY COMPANIES DIRECTORS (cont.)

OTHER NZX SUBSIDIARIES

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

ENERGY CLEARING HOUSE LIMITED
Rachael Newsome
Robyn Dey

ENERGY MARKET CONSULTING LIMITED
Erich Livengood
Heather Kirkham (R)

FUNDSOURCE LIMITED
Rachael Newsome

SMARTSHARES LIMITED
Erich Livengood
Fiona Mackenzie (R)
Helena Lewis (R)
Kathryn Jaggard
Kristin Brandon
Rowan Macrae

NZX PROFARMER AUSTRALIA PTY LIMITED**
Mark Weldon
Patrick O'Shannassy
Richard Koch (R)

NZX AGRI ADVISORS PTY LIMITED**
Patrick O'Shannassy
Richard Koch (R)

NZX RURAL LIMITED
Mark Weldon
Rowan Macrae

MANDELA INVESTMENTS LIMITED
Mark Weldon

MXF NOMINEES LIMITED
Rowan Macrae

CABLE STREET PARTNERS LIMITED
Mark Gerbich
Rachael Newsome

NEW ZEALAND EXCHANGE LIMITED
Mark Weldon

NZFOX LIMITED
Mark Weldon

NZX CPL NOMINEE LIMITED
Rowan Macrae

NZX EXECUTIVE SHARE PLAN NOMINEES LIMITED
Peter Mark Reese

NZX GL NOMINEE LIMITED
Neil Paviour-Smith

NZX HOLDING NO. 3 LIMITED
Mark Weldon

NZX HOLDING NO. 4 LIMITED
Erich Livengood
Heather Kirkham (R)
Justin Bgoni (R)
Rachael Newsome

NZX INCOGNITO LIMITED
Catherine Savage
Rachael Newsome

TANE NOMINEES LIMITED
Rowan Macrae

TIME ZONE ONE LIMITED
Mark Weldon

TZ1 LIMITED
Mark Weldon

NEW ZEALAND CLEARING AND DEPOSITORY LIMITED
Simon Smith

A number of these subsidiaries are maintained for name protection reasons. Others were non-operating or ceased to operate during the 2011 year.

** Australian Registered Entity.

8. EQUITY INVESTMENTS – NZX APPOINTED DIRECTORS

The following persons held office as Directors of companies in which NZX has an equity investment. Directors noted are those that held office at 31 December 2011.

AXE ECN PTY LIMITED*

Mark Weldon

LINK MARKET SERVICES LIMITED

Erich Livengood
Leanne Walker (R)
Robyn Dey

* Australian Registered Entity.

9. DONATIONS

During the year, NZX donated $79,439 to the Christchurch Earthquake Fund.

10. EMPLOYEE REMUNERATION

During the year a number of employees or former employees (excluding Directors) received remuneration and other benefits, including non-cash benefits and NZX shares in accordance with NZX Share Plans, in their capacity as employees of the Company, the value of which exceeded $100,000 per annum. In respect of the NZX Share Plans, the table below records a benefit where the shares were eligible to vest during the year. In this case, the remuneration will include an amount equivalent to the bonus received by the employee or former employee under the NZX Share Plans.

Remuneration Ranges	Employee
100,000 – 109,999	4
110,000 – 119,999	4
120,000 – 129,999	6
140,000 – 149,999	2
150,000 – 159,999	2
160,000 – 169,999	1
170,000 – 179,999	2
180,000 – 189,999	2
190,000 – 199,999	1
200,000 – 209,999	1
220,000 – 229,999	1
240,000 – 249,999	2
280,000 – 289,999	2
350,000 – 359,999	1

11. DIRECTOR TRANSACTIONS IN SECURITIES OF THE PARENT COMPANY

Director	Securities held Legal and Beneficial as at 31 December 2011
A W Harmos	184,724
R Drury	-
J B Miller	19,087
C J D Moller	29,800
N Paviour-Smith	238,145
M R Weldon	4,637,484 [1]
N H M Williams*	91,750

[1] Additionally as at 31 December 2011 an NZX nominee company (Tane Nominees Limited) held 907,082 shares issued under the 2007 CEO Share Plan. Since 31 December 2011, 250,116 of those shares relating to the LTI plan have qualified. The balance of 656,966 shares relate to the OP plan and have not qualified.

12. AUDITORS

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

	Parent $000	Group $000
Audit of the financial statements	93	123
Other audit related fees	39	39
Non-audit services	-	-
Total	**132**	**162**

SECURITY HOLDER INFORMATION

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 2012.

	Shares Held	%
Tea Custodians Limited	10,216,916	8.42
Accident Compensation Corporation	9,478,429	7.81
Nigel Babbage and Philippa Babbage	5,020,000	4.14
Premier Nominees Limited – ING Wholesale Australasian Share Fund	4,824,014	3.98
ASB Nominees Limited	4,637,484	3.82
Custodial Services Limited - 3	3,397,771	2.80
FNZ Custodians Limited	2,803,162	2.31
David Mitchell Odlin	2,802,824	2.31
JPMorgan Chase Bank	2,635,265	2.17
Premier Nominees Limited – ING Wholesale Equity Selection Fund	2,403,980	1.98
New Zealand Superannuation Fund Nominees Limited	2,195,915	1.81
Leveraged Equities Finance Limited	1,852,606	1.53
AMP Investment Strategic Equity Growth Trust Fund	1,662,603	1.37
Forsyth Barr Custodians Limited	1,521,380	1.25
Custodial Services Limited - 18	1,504,628	1.24
Citibank Nominees (NZ) Limited	1,436,085	1.18
HSBC Nominees (New Zealand) Limited	1,320,602	1.09
Custodial Services Limited - 4	1,242,295	1.02
Custodial Services Limited - 2	1,147,748	0.95
Norwich Union Life Insurance (NZ) Ltd – Main Fund	1,033,917	0.85
TOTAL	**63,137,624**	**52.03**

14. SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 JANUARY 2012

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1000	277	8.47	168,530	0.14
1001 to 5000	1,314	40.18	4,220,802	3.48
5001 to 10000	720	22.02	5,364,986	4.42
10001 to 20000	476	14.56	6,694,573	5.52
20001 to 30000	183	5.60	4,532,007	3.74
30001 to 40000	64	1.96	2,253,766	1.86
40001 to 50000	53	1.62	2,380,783	1.96
50001 and Over	183	5.60	95,730,607	78.89
Total	**3,270**	**100.00**	**121,346,054**	**100.00**

Domicile of Holders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	3,189	97.52	119,451,997	98.44
Australia	56	1.71	1,288,705	1.06
Other	25	0.76	605,352	0.50
Total	**3,270**	**100.00**	**121,346,054**	**100.00**

15. SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Company under section 35C of the Securities Markets Act 1988 the following were substantial holders in the Company as at 31 December 2011. The total number of voting securities on issue as at 31 December 2011 was 121,346,054 ordinary shares.

	Relevant Interest	% at 31 December 2011
Accident Compensation Corporation	8,438,098	7.0
Fisher Funds Management Limited	9,547,042	7.9
OnePath (NZ) Limited	9,157,028	7.5

16. WAIVERS FROM THE LISTING RULES AND INDEPENDENT DIRECTOR CERTIFICATES

The following waivers have been granted to NZX or relied upon by NZX in the 12 month period ended 31 January 2012:

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

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

The NZX Independent Directors provided the Special Division with a Directors' Certificate dated 4 May 2011 under Rule 9.2.4 in relation to an increase in the remuneration of the NZX CEO and a change in weighting of base salary to bonus. The certificate confirmed a base salary adjustment for CPI movements for the period since 2010. This was 3.99% and resulted in an increase in base salary from $487,883 to $507,398 effective from 1 January 2011. In addition, the weightings of the CEO salary were changed from the then current 1:2 (base:bonus) to 1:1 (base:bonus) without changing the overall quantum of the CEO salary package. The certificate confirmed that this proposed arrangement was set on an arm's length, commercial basis and that Rule 9.2.4(d)(i) was complied with. Following the resignation of the NZX CEO arrangements have been entered into reflecting agreement on remuneration terms for the period ending 30 June 2012.

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 NZX Employee Share Plan – Team and Results (implemented in May 2010) and issued in respect of the acquisition of Country-Wide Publishing Limited 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,

A W Harmos

M R Weldon

DIRECTORY

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Rod Drury
James Miller
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Mark Weldon

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