NZX LIMITED

Financial Statements

For the year ended 31 December 2012

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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 2012 and the results of their operations and cash flows for the year ended 31 December 2012.

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 2012.

The financial statements were authorised for issue for and on behalf of the Directors on 18 February 2013.

A W Harmos
Director and Chairman

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

NZX Limited
Income Statement
For the year ended 31 December 2012

		Group		Parent	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Revenue	4	55,988	54,708	36,843	36,865
Other income	5	-	-	5,852	3,486
Personnel costs	6	(17,660)	(15,155)	(11,020)	(9,211)
Other expenses	7	(16,294)	(14,328)	(11,973)	(8,047)
Earnings before net finance costs, income tax, depreciation and amortisation, and share of profit of associates		**22,034**	**25,225**	**19,702**	**23,093**
Finance income		688	560	253	83
Finance costs		(2,019)	(403)	(470)	(373)
Net finance costs	8	(1,331)	157	(217)	(290)
Depreciation and amortisation expense	9	(6,738)	(5,317)	(5,641)	(4,098)
Share of profit of associates	16	590	572	-	-
Profit before income tax		**14,555**	**20,637**	**13,844**	**18,705**
Income tax expense	10	(4,696)	(6,112)	(3,290)	(4,282)
Profit for the year		**9,859**	**14,525**	**10,554**	**14,423**

Earnings per share			
Basic (cents per share)	11	3.71	5.75
Diluted (cents per share)	11	3.69	5.64

Statement of Comprehensive Income
For the year ended 31 December 2012

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Profit for the year	9,859	14,525	10,554	14,423
Other comprehensive income				
Foreign currency translation differences	25	(24)	-	-
Total comprehensive income for the year	**9,884**	**14,501**	**10,554**	**14,423**

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

NZX Limited
Statement of Changes in Equity
For the year ended 31 December 2012

		Group			
	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2011		**32,212**	**58,632**	**(44)**	**90,800**
Profit for the year		-	14,525	-	14,525
Foreign currency translation differences		-	-	(24)	(24)
Total comprehensive income for the year		-	14,525	(24)	14,501
Dividends paid	25	-	(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**
Profit for the year		-	9,859	-	9,859
Foreign currency translation differences		-	-	25	25
Total comprehensive income for the year		-	9,859	25	9,884
Dividends paid	25	-	(13,541)	-	(13,541)
Issue of shares		881	-	-	881
Share based payments		58	-	-	58
Share buyback and cancellation		(3,449)	(30,948)	-	(34,397)
Non-vesting shares		(250)	-	-	(250)
Balance at 31 December 2012		**29,622**	**20,899**	**(43)**	**50,478**

NZX Limited
Statement of Changes in Equity (continued)
For the year ended 31 December 2012

		Parent			
	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2011		**36,500**	**34,753**	**-**	**71,253**
Profit for the year		-	14,423	-	14,423
Total comprehensive income for the year		-	14,423	-	14,423
Dividends paid	25	-	(17,628)	-	(17,628)
Issue of shares		755	-	-	755
Redemption of shares		(1,202)	-	-	(1,202)
Non-vesting shares		(250)	-	-	(250)
Balance at 31 December 2011		**35,803**	**31,548**	**-**	**67,351**
Profit for the year		-	10,554	-	10,554
Total comprehensive income for the year		-	10,554	-	10,554
Dividends paid	25	-	(13,541)	-	(13,541)
Issue of shares		-	-	-	-
Gain on sale of reissued treasury stock		235	-	-	235
Share based payments		38	-	-	38
Share buyback and cancellation		(3,449)	(30,948)	-	(34,397)
Redemption of shares		(2,843)	-	-	(2,853)
Non-vesting shares		(250)	-	-	(250)
Balance at 31 December 2012		**29,534**	**(2,387)**	**-**	**27,147**

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

NZX Limited
Statement of Financial Position
As at 31 December 2012

	Note	Group 2012 $000	Group 2011 $000	Parent 2012 $000	Parent 2011 $000
Current assets					
Cash and cash equivalents	12	15,238	12,864	1,010	621
Funds held on behalf	13	22,922	19,082	1,021	936
Receivables and prepayments	14	10,443	8,593	7,983	5,986
Current tax receivable	10	-	156	-	-
Other financial assets	15	-	481	1,734	5,619
Total current assets		**48,603**	**41,176**	**11,748**	**13,162**
Non-current assets					
Investments in associates	16	3,353	3,764	2,624	2,624
Investments in subsidiaries	28	-	-	33,605	36,110
Investment in equities	17	-	27,752	-	-
Property, plant & equipment	18	1,701	1,154	1,517	961
Goodwill	19	13,628	13,649	7,720	7,720
Other intangible assets	20	33,672	34,587	28,901	29,134
Total non-current assets		**52,354**	**80,906**	**74,367**	**76,549**
Total assets		**100,957**	**122,082**	**86,115**	**89,711**
Current liabilities					
Bank overdraft	12	8,969	-	8,969	-
Funds held on behalf	13	22,922	19,082	1,021	936
Trade payables	22	4,620	2,117	2,889	1,228
Other liabilities	23	9,737	9,675	6,648	6,759
Current tax payable	10	293	-	168	443
Intercompany payables	29	-	-	35,162	9,551
Total current liabilities		**46,541**	**30,874**	**54,857**	**18,917**
Non-current liabilities					
Deferred tax liability	10	3,938	3,365	4,111	3,443
Total non-current liabilities		**3,938**	**3,365**	**4,111**	**3,443**
Total liabilities		**50,479**	**34,239**	**58,968**	**22,360**
Net assets		**50,478**	**87,843**	**27,147**	**67,351**
Equity					
Share capital	24	29,622	32,382	29,534	35,803
Retained earnings		20,899	55,529	(2,387)	31,548
Translation reserve		(43)	(68)	-	-
Total equity attributable to shareholders		**50,478**	**87,843**	**27,147**	**67,351**

	Group 2012	Group 2011
Net tangible assets per share (cents per share)	1.24	15.38

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

NZX Limited
Statement of Cash Flows
For the year ended 31 December 2012

		Group		Parent	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Cash flows from operating activities					
Receipts from customers		54,898	54,841	35,677	36,235
Dividends received		-	-	3,175	-
Interest received/(paid)		256	217	(155)	(247)
Payments to suppliers and employees		(32,387)	(30,679)	(19,704)	(17,782)
Income tax paid		(3,679)	(3,739)	(2,331)	(1,926)
Net cash provided by/(used in) operating activities	12	**19,088**	**20,640**	**16,662**	**16,280**
Cash flows from investing activities					
Receipts from investments	17	28,223	773	28,320	7,740
Payment for property, plant and equipment		(1,232)	(302)	(1,129)	(226)
Payment for intangible assets		(5,117)	(2,878)	(4,835)	(2,374)
Net cash provided by/(used in) investing activities		**21,874**	**(2,407)**	**22,356**	**5,140**
Cash flows from financing activities					
Proceeds from issues of shares		381	-	340	-
Intercompany payable		-	-	-	-
Repayments of bank loan		-	(7,036)	-	(7,036)
Dividends paid	25	(13,541)	(17,628)	(13,541)	(17,628)
Share buyback	24	(34,397)	-	(34,397)	-
Net cash provided by/(used in) financing activities		**(47,557)**	**(24,664)**	**(47,598)**	**(24,664)**
Net decrease in cash and cash equivalents and bank overdraft		(6,595)	(6,431)	(8,580)	(3,244)
Cash and cash equivalents and bank overdraft at the beginning of the year		12,864	19,295	621	3,865
Cash and cash equivalents and bank overdraft at the end of the year	12	**6,269**	**12,864**	**(7,959)**	**621**

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

1) Reporting entity

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

Financial statements for the Parent Company and consolidated financial statements are presented. The consolidated financial statements as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2) Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 18 February 2013.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets designated as at fair value through profit or loss, which are stated at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

- note 19 - goodwill
- note 20 - other intangible assets
- note 26 - employee share ownership plans

3) Summary of Accounting Policies

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

(a) Reclassifications

Certain comparative amounts in the income statement have been reclassified to conform with the current year's presentation. In particular the following reclassifications have been made to these financial statements.

Revenue

With effect from this year, the Group has disclosed revenue net of rebates and incentives. Rebates and incentives were previously presented as a separate item under "Other Expenses". This reclassification is not considered material to the financial statements and has been made to be consistent with the requirements of accounting standards. It has the effect of reducing both revenue and other expenses by the following equal and corresponding amounts, Group: December 2011 - $928,000 and Parent - December 2011 - $508,000. The reclassification had no impact on profit.

(b) New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. None of these is expected to have a significant effect on the financial statements of the Group. The standards which are relevant to the Group are as follows.

i) Amendment to NZ IAS 1 - effective for periods beginning on or after 1 July 2012

The amendment requires items of other comprehensive income (and any related tax) to be grouped into those that will and will not subsequently be reclassified to profit or loss. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendment.

ii) NZ IFRS 9 Financial instruments - effective for periods beginning on or after 1 Jan 2015

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

iii) NZ IFRS 10 Consolidated financial statements - effective for period beginning on or after 1 Jan 2013

The standard builds on existing principles of identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

iv) NZ IFRS 12 Disclosure of interest in other entities - effective for periods beginning on or after 1 Jan 2103

The standard applies to entities that have an interest in subsidiaries, joint ventures, associates or unincorporated structured entities. It establishes disclosure objectives and specified minimum disclosures that an entity must provide to meet the objectives.

v) NZ IFRS 13 Fair Value Measurement - effective for periods beginning on or after 1 Jan 2013

The standard establishes a single framework for measuring fair value that is required by other standards and is applicable to both financial and non-financial items.

(c) Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being NZX and its subsidiaries. A list of subsidiaries appears in note 28 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

i) Business combinations

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

ii) Investment in subsidiaries

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

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

iii) Investment in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where the accounting policies of associates differ from the Group, adjustments to ensure consistency with the policies adopted by the Group are made.

(d) Foreign currency transactions

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

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

(e) Revenue recognition

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

i) 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.

ii) Markets

Markets revenue includes four broad categories.

(1) Issuer services, which consists of revenue from annual listing fees, initial listing fees, subsequent capital raisings and regulatory services. Initial and subsequent listing fees are recognised when the listing or subsequent event has taken place. Annual listing fees are recognised over the period the service is provided. Regulatory services are recognised when the service is provided.

(2) Trading fees from the trading of debt and equities, derivatives, energy and commodities. Fees for the trading of debt and equities, derivatives, energy and commodities are recognised at trade date.

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

(4) Participant services, which consists of annual participant fees and initial participant fees. Initial participant fees are recognised when the participant's application has been approved. Annual participant fees are recognised over the period the service is provided.

iii) 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.

iv) Interest

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

(f) Borrowing costs

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

(g) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(h) Income tax

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

i) Current tax

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

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(i) Goods and services tax

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

(j) Financial instruments

i) Financial assets

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

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement. Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost using the effective interest method less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument e.g. when the entity becomes obliged to make future payments resulting from the purchase of goods and services. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, intercompany payables and trade and other payables.

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

(k) Property, plant and equipment

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

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

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

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

(l) Goodwill

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

(m) Intangible assets

Intangible assets comprise software applications, brands and intellectual property rights. The Group classifies its intangible assets into two categories; those with indefinite lives and those with finite lives. Intangible assets with indefinite lives are not amortised but are subject to impairment tests annually and whenever there is an indication that the asset may be impaired. The classification of indefinite life intangibles is also reviewed by the Group annually.

All intangible assets with finite useful lives are recorded at cost less accumulated amortisation and impairment losses. Software is amortised on a straight line basis over its estimated useful life of between 3 to 10 years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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

(n) Impairment of assets

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

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

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

(n) Impairment of assets (continued)

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

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

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

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

(o) Share-based payments

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

(p) Share capital

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

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

(q) Earnings per share

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

(r) Employee benefits

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

(s) Novation of trades

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

i) Novation

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

ii) Netting

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

iii) Cash market securities (comprises debt and equities)

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

iv) Derivatives (comprises dairy futures)

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

(t) Securities borrowing and lending

The Group's wholly owned subsidiary, New Zealand Depository Limited, operates a securities lending programme whereby depository participants may make securities available for borrowing by other 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.

(u) Segment reporting

The determination of the Group's operating segments and the information reported for the operating segments is based on the management approach. The CEO has been identified as the Group's chief operating decision maker for purposes of applying segment reporting.

4) Segment reporting

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

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

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

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

	Group – 2012				
	Information $000	**Markets $000**	**Infrastructure $000**	**Other $000**	**Total $000**
Allocated revenue	21,317	20,982	13,689	-	55,988
Unallocated expenditure	-	-	-	(33,954)	(33,954)
Total segment result	**21,317**	**20,982**	**13,689**	**(33,954)**	**22,034**
Segment assets:					
Other intangible assets	7,666	10,262	14,955	789	33,672
Goodwill	5,513	395	7,720	-	13,628
Total segment assets	**13,179**	**10,657**	**22,675**	**789**	**47,300**
Unallocated assets:					
Cash and cash equivalents	-	-	-	15,238	15,238
Other assets	-	-	-	38,419	38,419
Unallocated liabilities	-	-	-	(50,479)	(50,479)
Net assets	**13,179**	**10,657**	**22,675**	**3,967**	**50,478**

4) Segment reporting (continued)

	Group – 2011				
	Information $000	**Markets $000**	**Infrastructure $000**	**Other $000**	**Total $000**
Allocated revenue	20,950	21,287	12,471	-	54,708
Unallocated expenditure	-	-	-	(29,483)	(29,483)
Total segment result	**20,950**	**21,287**	**12,471**	**(29,483)**	**25,225**
Segment assets:					
Other intangible assets	8,410	10,934	14,425	818	34,587
Goodwill	5,534	395	7,720	-	13,649
Total segment assets	**13,944**	**11,329**	**22,145**	**818**	**48,236**
Cash and cash equivalents	-	-	-	12,864	12,864
Investment in equities	-	-	-	27,752	27,752
Other assets	-	-	-	33,230	33,230
Unallocated liabilities	-	-	-	(34,239)	(34,239)
Net assets	**13,944**	**11,329**	**22,145**	**40,425**	**87,843**

Geographical information

The operating segments are managed and operated in Australia and New Zealand. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment non-current assets are based on the geographical location of the assets.

Revenue	Group	
	2012 $000	**2011 $000**
New Zealand	46,061	43,985
Australia	5,764	6,844
Other	4,163	3,879
Total revenue	**55,988**	**54,708**

Non-current assets	Group	
	2012 $000	**2011 $000**
New Zealand	48,136	74,431
Australia	4,218	6,475
Total non-current assets	**52,354**	**80,906**

5) Other income

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Other income:				
Dividends received	-	-	5,852	3,486
Total other income	**-**	**-**	**5,852**	**3,486**

6) Personnel costs

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Personnel costs:				
Salary and related expenses	(16,701)	(14,042)	(10,349)	(8,098)
CEO share plan	(38)	(500)	(38)	(500)
Other	(921)	(613)	(633)	(613)
Total personnel costs	**(17,660)**	**(15,155)**	**(11,020)**	**(9,211)**

7) Other expenses

		Group		Parent	
		2012	**2011**	**2012**	**2011**
	Note	**$000**	**$000**	**$000**	**$000**
Other expenses:					
Remuneration paid to Group auditors					
- audit of financial statements		(141)	(123)	(84)	(93)
- other audit related services		(195)	(39)	(125)	(39)
- other services		(148)	-	(148)	-
Remuneration paid to other auditors		(28)	-	-	-
Operating lease rental expense		(1,106)	(1,056)	(830)	(792)
Information technology		(4,979)	(4,154)	(4,606)	(3,843)
Professional fees		(2,210)	(1,801)	(1,666)	(1,519)
Directors' fees		(422)	(425)	(347)	(347)
Marketing, printing and distribution		(3,837)	(3,794)	(40)	(51)
Fund expenditure		(796)	(838)	-	-
Impairment in carrying value of subsidiary	28	-	-	(2,593)	-
General administration		(2,432)	(2,098)	(1,534)	(1,363)
Total other expenses		**(16,294)**	**(14,328)**	**(11,973)**	**(8,047)**

Other audit related services provided by the Group auditors included annual meeting scrutineering, process and accounting reviews and the operational audits for the Clearing House. Other services provided by the Group auditors was for a short term staff secondment.

8) Net finance costs

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Finance income:				
Interest income	688	560	253	83
Total finance income	**688**	**560**	**253**	**83**
Finance costs:				
Interest expense	(403)	(310)	(403)	(310)
Net loss on foreign exchange	(1,616)	(73)	(67)	(63)
Net change in fair value of financial asset at fair value through profit or loss	-	(20)	-	-
Total finance costs	**(2,019)**	**(403)**	**(470)**	**(373)**
Net finance costs	**(1,331)**	**157**	**(217)**	**(290)**

9) Depreciation and amortisation expense

		Group		Parent	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Depreciation of property, plant and equipment	18	(685)	(613)	(573)	(481)
Amortisation of intangible assets	20	(6,053)	(4,704)	(5,068)	(3,617)
Depreciation and amortisation expense		**(6,738)**	**(5,317)**	**(5,641)**	**(4,098)**

10) Taxation

(a) Income tax recognised in profit or loss

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Tax expense comprises:				
Current tax expense	3,989	4,182	2,532	2,510
Prior period adjustment	112	4	80	(65)
Deferred tax relating to the origination and reversal of temporary differences	595	1,926	678	1,837
Total tax expense	**4,696**	**6,112**	**3,290**	**4,282**

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	
	2012	2011	2012	2011
	$000	$000	$000	$000
Profit before income tax expense	14,555	20,637	13,844	18,705
Income tax calculated at 28%	**(4,075)**	**(5,778)**	**(3,876)**	**(5,237)**
Non-deductible expenses	(1,036)	(227)	(1,082)	(212)
Non-taxable intercompany dividends	-	-	1,359	976
Tax on securities subject to FDR	(27)	(389)	-	-
Equity accounted earnings of associate	165	160	-	-
	(4,973)	**(6,234)**	**(3,599)**	**(4,473)**
Under provision of income tax in prior year	(112)	(4)	(80)	65
Foreign investor tax credits & imputation credits	389	126	389	126
	(4,696)	**(6,112)**	**(3,290)**	**(4,282)**

(b) Current tax assets and liabilities

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Balance at beginning of the year - Asset / (Liability)	156	642	(443)	(541)
Current year charge	(3,989)	(4,182)	(2,532)	(2,510)
Prior period adjustment	(139)	(43)	476	682
Tax paid	3,679	3,739	2,331	1,926
Balance at end of year - Asset / (Liability)	**(293)**	**156**	**(168)**	**(443)**

(c) Deferred tax

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Balance at beginning of the year	(3,365)	(1,477)	(3,443)	(1,622)
Current year movement	(595)	(1,926)	(678)	(1,837)
Prior period adjustments	22	38	10	16
Balance at end of the year	**(3,938)**	**(3,365)**	**(4,111)**	**(3,443)**
Deferred tax balance comprises:				
Employee entitlements	408	498	295	436
Doubtful debts	118	55	69	34
Property, plant and equipment, and software	(4,536)	(3,918)	(4,548)	(3,913)
Other	72	-	73	-
	(3,938)	**(3,365)**	**(4,111)**	**(3,443)**

(d) Imputation credit account

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Imputation credits available for use in subsequent reporting periods	**6,169**	**13,049**	**3,250**	**9,720**

11) Earnings per share

	Group	
	2012	**2011**
Basic earnings per share (cents per share)	**3.71**	**5.75**
Diluted earnings per share (cents per share)	**3.69**	**5.64**

(a) Basic earnings per share

	Group	
	2012	**2011**
Earnings ($000)	9,859	14,525
Weighted average number of ordinary shares for the purpose of earnings per share*	265,460	252,506
Basic earnings per share (cents per share)	**3.71**	**5.75**

* comparative share numbers have been amended to reflect the capital restructure undertaken in May 2012 (refer to note 24)

(b) Diluted earnings per share

	Group	
	2012	**2011**
Earnings ($000)	9,859	14,525
Weighted average number of shares for the purpose of earnings per share*	267,180	257,599
Fully diluted earnings per share (cents per share)	**3.69**	**5.64**

* comparative share numbers have been amended to reflect the capital restructure undertaken in May 2012 (refer to note 24)

	Group	
	2012	**2011**
Number of shares	**000's**	**000's**
Weighted average number of ordinary shares for the purpose of earnings per share (basic)*	265,460	252,506
Weighted average shares issued under the CEO share plan and employee share plans*	1,720	5,093
Weighted average number of shares for the purpose of earnings per share (diluted)*	267,180	257,599

* comparative share numbers have been amended to reflect the capital restructure undertaken in May 2012 (refer to note 24)

12) Cash and cash equivalents and bank overdraft

(a) Composition of cash and cash equivalents and bank overdraft

For the purposes of the cash flow statement, cash and cash equivalents and bank overdraft includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents and bank overdraft at the end of the reporting period as shown in the statement of cash flows comprise of the items below:

		Group		Parent	
		2012	**2011**	**2012**	**2011**
		$000	**$000**	**$000**	**$000**
Cash at bank	0.00% - 3.00%	7,738	5,364	1,010	621
Bank deposits	3.37% - 3.92%	7,500	7,500	-	-
Bank overdraft	4.08%	(8,969)	-	(8,969)	-
Net cash and cash equivalents and bank overdraft		**6,269**	**12,864**	**(7,959)**	**621**

The Group has access to an overdraft facility which was established in 2011 to allow the Group flexibility in its working capital management. The facility limit is $15.0m and has no fixed expiry date. The bank may cancel the facility by giving 180 days written notice. The effective interest rate of the facility at 31 December 2012 was 4.08% (2011: 3.90%).

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

(b) Reconciliation of profit for the year to net cash from operating activities

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Profit for the year	9,859	14,525	10,554	14,423
Loss on revaluation of fair value through profit or loss on financial assets	-	20	-	-
Share of profit of associates	(590)	(572)	-	-
FX loss on investments	1,536	-	-	-
Share based payment bonus accrual	58	-	38	-
Non cash dividends received from subsidiary	-	-	(2,677)	(3,486)
Depreciation and amortisation expense	6,738	5,317	5,641	4,098
Tax losses transferred from subsidiary company	-	-	567	-
Impairment in carrying value of subsidiary	-	-	2,593	-
	17,601	**19,290**	**16,716**	**15,035**
Decrease/(increase) in current tax balances	449	486	(275)	(98)
Increase/(decrease) in deferred tax balances	573	1,888	668	1,821
(Increase)/decrease in current receivables	(1,850)	22	(1,997)	1,118
Increase/(decrease) in current payables	2,315	(1,046)	1,550	(1,596)
Net cash from operating activities	**19,088**	**20,640**	**16,662**	**16,280**

13) Funds held on behalf

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Bond Deposit	1,021	936	1,021	936
Collateral Deposit	21,901	18,146	-	-
	22,922	**19,082**	**1,021**	**936**

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

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

14) Receivables and prepayments

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Trade receivables	8,050	6,776	6,048	4,751
Allowance for doubtful debts	(420)	(195)	(247)	(123)
	7,630	**6,581**	**5,801**	**4,628**
Prepayments and sundry debtors	2,723	1,777	2,177	1,207
Accrued interest	37	8	5	-
Accrued income	53	227	-	151
	10,443	**8,593**	**7,983**	**5,986**

(a) Movement in allowance for doubtful debts

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Balance at beginning of the year	(195)	(451)	(123)	(64)
Amounts written off during the year	99	348	3	-
Amounts recovered during the year	-	-	-	-
Increase in allowance recognised in profit or loss	(324)	(92)	(127)	(59)
Balance at end of the year	**(420)**	**(195)**	**(247)**	**(123)**

15) Other financial assets

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Other receivables	-	481	-	3,923
Intercompany receivables	-	-	1,734	1,696
	-	**481**	**1,734**	**5,619**

16) Investment in associates

Name of Entity	**Country of Incorporation**	**Ownership interest**		**Carrying value of asset in Group Accounts**	
		2012	**2011**	**2012**	**2011**
		(%)	**(%)**	**$000**	**$000**
Associates					
AXE ECN Pty Limited	Australia	50	50	-	-
Link Market Services Limited	New Zealand	50	50	3,353	3,764
Total investment in associates				**3,353**	**3,764**
Amount of goodwill in carrying value of equity accounted associates:				**213**	**213**

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Movement in carrying value of associates:				
Balance at beginning of the year	3,764	3,942	2,624	3,374
Distribution	(1,001)	-	-	-
Capital repayments	-	(750)	-	(750)
Share of profit of associates	590	572	-	-
Balance at end of the year	**3,353**	**3,764**	**2,624**	**2,624**

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

	Group	
	2012	2011
	$000	$000
Summarised financial information of associates:		
Total assets	7,350	8,396
Total liabilities	(1,092)	(1,296)
Net assets	**6,258**	**7,100**
Revenue	6,961	6,771
Net profit after tax	1,180	1,144

17) Investment in equities

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Investments in equities:				
Markit shares investment	-	27,752	-	-
Total investment in equities	**-**	**27,752**	**-**	**-**

Under the June 2009 purchase agreement between Markit and NZX, Markit acquired NZX's environmental registry business from TZ1 Limited and issued shares as consideration. Markit had the option to reacquire the consideration shares issued to the Group based on the environmental registry's performance. In January 2012, Markit chose to exercise this option and pay NZX for its shareholding in Markit. The settlement of US$21.4 million was received on 26 January 2012, which brought to completion the performance of each party's obligations in respect of the 2009 sale. No realised gains/(losses) on disposal of investment were recorded in the current period in respect of this transaction because the carrying value of the investment asset in USD as at 31 December 2011 was already adjusted to the value of the settlement price expected to be received. A foreign exchange loss of NZ$1.5m was recognised on repatriation of the sale proceeds and this is included in finance costs. The repatriation proceeds of NZ$26.2m were paid to the Parent and this was accounted for as an increase in the intercompany payable in the Parent's statement of financial position as at reporting date (refer note 29).

Included within the receipts from investments of NZ$28.2m in the Statement of Cash Flows was the NZ$26.2m from the Group's subsidiary, TZ1 Limited, as outlined above.

NZX Limited
Notes to the financial statements
For the year ended 31 December 2012

18) Property, plant and equipment

	Group					
	Computer equipment	**Furniture and equipment**	**Leasehold improve-ments**	**Motor Vehicles**	**Capital work in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount						
Balance at 1 January 2011	**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**
Additions	1,115	46	-	75	-	1,236
Disposals	-	-	-	(27)	(4)	(31)
Reclassifications	6	-	-	-	(6)	-
Balance at 31 December 2012	**4,196**	**1,039**	**1,369**	**184**	**-**	**6,788**
Accumulated depreciation						
Balance at 1 January 2011	**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**
Depreciation expense	422	74	144	45		685
Disposals	-	-	-	(27)	-	(27)
Balance at 31 December 2012	**3,078**	**863**	**1,029**	**117**	**-**	**5,087**
Net Book Value						
As at 31 December 2011	**419**	**204**	**484**	**37**	**10**	**1,154**
As at 31 December 2012	**1,118**	**176**	**340**	**67**	**-**	**1,701**

	Parent					
	Computer equipment	**Furniture and equipment**	**Leasehold improve-ments**	**Motor Vehicles**	**Capital work in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Gross carrying amount						
Balance at 1 January 2011	**2,630**	**847**	**1,369**	**-**	**-**	**4,846**
Additions	214	12	-	-	**-**	226
Balance at 31 December 2011	**2,844**	**859**	**1,369**	**-**	**-**	**5,072**
Additions	1,108	21	-	-	-	1,129
Balance at 31 December 2012	**3,952**	**880**	**1,369**	**-**	**-**	**6,201**

	Parent					
	Computer equipment	**Furniture and equipment**	**Leasehold improve-ments**	**Motor Vehicles**	**Capital work in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Accumulated depreciation						
Balance at 1 January 2011	**2,213**	**676**	**741**	-	**-**	**3,630**
Depreciation expense	280	57	144	-	**-**	481
Balance at 31 December 2011	**2,493**	**733**	**885**	**-**	**-**	**4,111**
Depreciation expense	377	52	144	-	-	573
Balance at 31 December 2012	**2,870**	**785**	**1,029**	**-**	**-**	**4,684**
Net Book Value						
As at 31 December 2011	**351**	**126**	**484**	**-**	**-**	**961**
As at 31 December 2012	**1,082**	**95**	**340**	**-**	**-**	**1,517**

19) Goodwill

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Carrying amount	**$000**	**$000**	**$000**	**$000**
Balance at beginning of the year	13,649	13,249	7,720	7,720
Earnout payments	-	400	-	-
Refund of stamp duty	(21)	-	-	-
Balance at end of the year	**13,628**	**13,649**	**7,720**	**7,720**

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

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Carrying amount	**$000**	**$000**	**$000**	**$000**
Agri	2,181	2,181	-	-
Direct Data	323	323	-	-
Grain Information Unit	3,009	3,030	-	-
Clear Grain Exchange	395	395	-	-
Energy	7,720	7,720	7,720	7,720
Balance at end of period	**13,628**	**13,649**	**7,720**	**7,720**

A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors. A description of the impairment tests carried out and the key assumptions used is set out in note 21.

20) Other intangible assets

	Group					
	Software and websites	Brands, Trademarks and rights to use Brands	Data archives, customer lists, databases, and other IP	Management rights	Intangible work in progress	Total
	$000	$000	$000	$000	$000	$000
Gross carrying amount						
Balance at 1 January 2011	**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**
Additions	191	-	-	-	4,947	5,138
Reclassification	6,582	-	-	-	(6,582)	-
Balance at 31 December 2012	**41,193**	**8,318**	**3,132**	**2,344**	**373**	**55,360**
Accumulated amortisation & impairment						
Balance at 1 January 2011	**8,359**	**2,572**	-	-	**-**	**10,931**
Amortisation expense	3,812	892	-	-	**-**	4,704
Balance at 31 December 2011	**12,171**	**3,464**	**-**	**-**	**-**	**15,635**
Amortisation expense	5,224	829	-	-	-	6,053
Balance at 31 December 2012	**17,395**	**4,293**	**-**	**-**	**-**	**21,688**
Net Book Value						
As at 31 December 2011	**22,249**	**4,854**	**3,132**	**2,344**	**2,008**	**34,587**
As at 31 December 2012	**23,798**	**4,025**	**3,132**	**2,344**	**373**	**33,672**

	Parent					
	Software and websites	Brands, Trademarks and rights to use Brands	Data archives, customer lists, databases, and other IP	Management rights	Intangible work in progress	Total
	$000	$000	$000	$000	$000	$000
Gross carrying amount						
Balance at 1 January 2011	**32,610**	**2,470**	**2,780**	**-**	**525**	**38,385**
Additions	51	-	-	-	2,322	2,373
Reclassification	1,130	-	-	-	(1,130)	-
Balance at 31 December 2011	**33,791**	**2,470**	**2,780**	**-**	**1,717**	**40,758**
Additions	136	-	-	-	4,699	4,835
Reclassification	6,277	-	-	-	(6,277)	-
Balance at 31 December 2012	**40,204**	**2,470**	**2,780**	**-**	**139**	**45,593**
Accumulated amortisation & impairment						
Balance at 1 January 2011	**8,007**	-	-	-	**-**	**8,007**
Amortisation expense	3,617	-	-	-	**-**	3,617
Balance at 31 December 2011	**11,624**	**-**	**-**	**-**	**-**	**11,624**
Amortisation expense	5,068	-	-	-	-	5,068
Balance at 31 December 2012	**16,692**	**-**	**-**	**-**	**-**	**16,692**
Net Book Value						
As at 31 December 2011	**22,167**	**2,470**	**2,780**	**-**	**1,717**	**29,134**
As at 31 December 2012	**23,512**	**2,470**	**2,780**	**-**	**139**	**28,901**

Change in estimates

During the year, the Group reviewed the useful lives for specific intangible assets, which resulted in the changes to the useful lives of the Clearing House, Derivative and website assets within the software and website category. The useful lives were amended to 9 years for the Clearing House and the Derivative intangible assets, previously 12 years and 10 years respectively to align with the contractual expiry date for the Company's trading system. The useful life for the website intangible asset was reduced to 2 years, previously 4 years. The effect of these changes on amortisation expense for the 12 months ended 31 December 2012 was an increase in amortisation expense of $721,634.

Impairment test

Indefinite life intangible assets are reviewed for impairment annually. Finite and indefinite life intangible assets are reviewed for impairment whenever there are indicators of impairment. A description of the impairment tests carried out and the key assumptions used is set out in note 21.

21) Impairment test

A summary of the key CGUs to which intangible assets have been allocated is outlined below:

	Software & websites	Other finite life intangible	Indefinite life intangible	Work in progress	Total other intangible assets	Goodwill	TOTAL
	$000	$000	$000	$000	$000	$000	$000
Cash generating unit							
Clearing House	9,269	-	-	139	9,408	-	**9,408**
Agri	179	913	2,677	234	4,003	2,181	**6,184**
Grain Information Unit	105	-	1,969	-	2,074	3,009	**5,083**
Clear Grain Exchange	6,749	-	-	-	6,749	395	**7,144**
Smartshares - management rights	-	-	2,344	-	2,344	-	**2,344**
Energy	1,388	-	-	-	1,388	7,720	**9,108**
Other							
Other intangible assets	1,169	-	1,598	-	2,767	323	**3,090**
Trading system	3,793	-	-	-	3,793	-	**3,793**
Other computer software	1,146	-	-	-	1,146	-	**1,146**
	23,798	**913**	**8,588**	**373**	**33,672**	**13,628**	**47,300**

Impairment test

Indefinite life intangible assets are reviewed for impairment annually. Finite and indefinite life intangible assets are also reviewed for impairment whenever there are indicators of impairment. Impairment testing is based on the performance of the intangible asset or cash-generating unit relative to expected future performance and other relevant factors. For the year ended 31 December 2012, the directors have reviewed all intangible assets for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other factors. All impairment tests have been undertaken on a value in use basis.

Key assumptions used in the calculation of recoverable amounts in the discounted cash flow analysis are consistent with those used and disclosed in the financial statements for the year ended 31 December 2011. Discounted cash flow analysis used a base rate discount rate of 12.5% (stress tested at higher and lower rates) and a forecast period of five years. A terminal growth rate of 3% has been used to extrapolate cash flow projections beyond five years. The 2013 forecasts are based on the 2012 actual performance adjusted for known circumstances that are expected to impact 2013 results. Where relevant, EBITDA multiples were used to cross-check the discounted cash flow analysis for established businesses. Implied multiples ranged from 2.1x to 7.4x and were considered reasonable in comparison to observable market values.

The directors have tested the carrying values of goodwill and intangible assets for the assets and CGUs stated and have assessed that recoverable amounts exceed carrying values. Therefore, no impairment charge is required for the year ended 31 December 2012 (2011: Nil).

a) Clearing House

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clearing House asset is assessed to be higher than the carrying value at 31 December 2012. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows is dependant is the future revenue growth rate. The future revenue growth is dependant on the growth in the equity and dairy derivatives markets which are expected to trade within a range of 5% to 60% of their respective underlying markets by the end of the forecast period (currently this range is 0% to 8%). These assumptions are based on trading statistics for similar derivative products in overseas markets.

b) Agri

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Agri asset is assessed to be higher than the carrying value at 31 December 2012. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows is dependant is the future revenue growth rate which is assumed to be 5% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

c) Grain Information Unit

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Grain Information Unit asset is assessed to be higher than the carrying value at 31 December 2012. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows is dependant is the future revenue growth rate which is assumed to be 3% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

d) Clear Grain Exchange (CGX)

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the CGX asset is assessed to be higher than the carrying value at 31 December 2012. 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 11% by 2017, compared to current market share levels estimated at around 5% of the relevant market. The growth in market share expected is based on recent growth achieved in the relevant market segment.

CGX's operations are significantly reliant on its relationship with bulk handler, GrainCorp Operations Limited ("GrainCorp"). The operating arrangement between CGX and GrainCorp is governed by an Agreement which has recently been renewed and now expires on 30 October 2017. In the event this contract is not renewed an impairment could result.

e) Smartshares - Management Agreement

Smartshares Limited acquired the management rights for SmartOZZY, SmartMOZY, and the SmartMIDZ funds for a total value of $2,344,000. These are held in the Group accounts with an indefinite life, as there is no expiry date for these rights and they are expected to be used indefinitely. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows is dependant is the future level of funds under management which is assumed to grow by 3% per annum during the explicit forecast period. This assumption is based on historical experience.

f) Energy

The Energy CGU includes goodwill of $7,720,000 which is supported by the expected future free cash flows generated by the business. This business has a significant reliance on service provider contracts it has in place with the Electricity Authority ("EA") which were renewed in 2012 and now expire on 1 May 2016. The key assumption underpinning the carrying value of the Energy CGU is that the EA contracts will be renewed for a further period beyond May 2016. In the event that these contracts were not renewed, an impairment would likely result.

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22) Trade payables

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Trade payables	1,526	96	1,315	46
Goods and services tax payable	437	538	326	389
Accrued expenses	2,657	1,483	1,248	793
	4,620	**2,117**	**2,889**	**1,228**

23) Other liabilities

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Employee benefits	2,636	2,732	2,129	2,292
Unearned income	6,651	6,743	4,519	4,467
Earn out provisions	450	200	-	-
	9,737	**9,675**	**6,648**	**6,759**

The earn out provisions are in relation to the acquisition of Countrywide Publications Limited in 2009. No further amounts are owed under this acquisition. Refer to notes 26 and 33 for further detail.

24) Shares on issue

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

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	000's	**000's**	**000's**	**000's**
Ordinary shares on issue				
General	253,756	120,439	253,756	120,439
CEO shares	-	-	1,575	907
Total ordinary shares on issue	**253,756**	**120,439**	**255,331**	**121,346**
Restricted shares				
Employees	-	-	704	994
Country Wide Publishing Limited	-	135	-	135
Non-vesting shares *	284	135	284	135
Total restricted shares on issue	**284**	**270**	**988**	**1,264**
Total shares on issue	**254,040**	**120,709**	**256,319**	**122,610**

* These shares are held for cancellation in due course.

All shares were subject to a court-approved capital reconstruction of NZX share capital which took effect on 25 May 2012. Under the capital reconstruction there was a mandatory share cancellation of one in every ten shares held. This was immediately followed with a share split. The share split ratio was four new shares issued for every three existing shares, or a 7:3 share split ratio. The additional ordinary shares on issue that resulted from the share split are reflected in the current period. The comparative ordinary share numbers in prior periods are not amended to reflect this capital restructure.

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

(b) Movement in the number of shares

	Group		Parent	
	2012 000's	2011 000's	2012 000's	2011 000's
Balance at beginning of the period	**120,709**	**119,813**	**122,610**	**122,853**
Issue of shares				
Employee share plans	-	-	1,575	374
Share split	144,988	-	146,358	-
Other	310	-	-	-
Redemption of shares				
Employee share plans	-	-	(1,892)	(617)
Other	(135)	-	(135)	-
Share cancellation	(12,082)	-	(12,197)	-
Shares vested	250	896	-	-
Balance at end of the period	**254,040**	**120,709**	**256,319**	**122,610**

25) Dividends

		Group and Parent			
		2012		2011	
	For year ended	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid					
April 2011	31/12/10			6.25	7,644
June 2011	31/12/11			2.75	3,362
September 2011	31/12/11			2.75	3,359
December 2011 *	31/12/11			2.75	3,263
March 2012	31/12/11	2.75	3,280		
May 2012	31/12/12	3.25	3,921		
September 2012	31/12/12	1.25	3,168		
November 2012	31/12/12	1.25	3,172		
Total dividends paid for the year		**8.50**	**13,541**	**14.50**	**17,628**

* Dec 2011 audited figures exclude tax withheld and paid the following month

Refer to note 33 for details of the 2012 fourth quarter dividend.

26) Share based payments

(a) CEO Share Plan

A CEO share scheme has been agreed under the CEO's employment contract. The scheme runs for a period of 5 years expiring mid 2017.

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

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

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

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

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

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

The Team component of the Team and Results Plan is offered on terms of either two or three years, whereas the Results component of the Team and Results Plan is offered on terms of 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, subject to the ability of the Board to exercise a discretion to deem shares to be vesting shares.

The Board has indicated that it will exercise its discretion over part of the Team plan to deem shares to be vesting shares. This has been reflected in the financial statements. This applies to a number of employees over a two to three year period and in aggregate is not material.

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.

2012 offer

Restricted shares under the Team and Results plan in 2012 (2012 offer) were offered to participating employees during the period. As at 31 December 2012, no Restricted Shares had yet been issued under the 2012 offer.

2011 offer

Detail of Restricted Shares issued under the Team and Results Plan in 2011 (2011 offer), subsequent transfers of shares to NZX employees and redemptions of shares are detailed below.

The consideration paid for the Restricted Shares by Participants under the Team and Results Plan 2011 offer was $2.02 per share (“Issue Price”) equivalent to $0.96 on a post-share split and capital return basis, 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 $417,434.

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. Subsequent transfers of shares to NZX employees and redemptions of shares are detailed below.

The consideration paid for the Restricted Shares by Participants under the Team and Results Plan 2010 offer was $1.95 per share (“Issue Price”), equivalent to $0.93 on a post share split and capital return basis, payable on application. The Issue Price was the volume weighted average price of NZX ordinary shares in the 20 business days preceding, and including, 31 March 2010. To fund the Issue Price of the Restricted Shares, Team and Results Plan Participants received financial assistance, in the form of an interest free loan (“Loan”) from NZX, for the aggregate Issue Price of each Participant’s Restricted Shares entitlement. The total amount of the financial assistance provided by NZX under the Team and Results Plan 2012 offer at 31 December 2012 was $251,000.

	2010 offer 000s	2011 offer 000s	Total 000s
Number of shares originally issued	1,265	374	1,639
Prior year redemptions	(644)	(1)	(645)
	621	373	994
Share cancellation	(62)	(37)	(99)
Share split	746	447	1,193
Shares transferred to NZX employees	-	-	-
Current period redemptions	(1,035)	(348)	(1,383)
Number of shares at end of year	**270**	**435**	**705**

Countrywide Publishing Limited ("CPL")

As part of the consideration for the CPL acquisition in 2009, 261,104 shares with a combined value of $500,000 were issued. Inclusive of corporate actions, there were 270,167 shares issued in relation to the CPL acquisition at 31 December 2011. Pursuant to an agreement signed in November 2011 in which NZX agreed to make partial prepayment under the terms of the Sale Agreement with CPL, 135,083 of the shares were cancelled during the period.

Post the capital restructure in May 2012, there were 283,677 shares on issue in relation to the CPL acquisition at 31 December 2012.

Subsequent to balance date these shares did not vest. Refer note 33 for further detail.

27) Financial instruments

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

(a) Financial risk management framework

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

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

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

(b) Credit risk management

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

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

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

Detail on other forms of credit risk resulting from the activities of the Clearing House is provided in note 27 (i).

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

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Not past due	3,922	4,393	2,620	2,887
Past due 0 - 30 days	2,837	992	2,549	759
Past due > 30 days	1,291	1,391	879	1,105
	8,050	**6,776**	**6,048**	**4,751**

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

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Gross trade receivables	8,050	6,776	6,048	4,751
Individual impairment	(237)	-	(172)	-
Collective impairment	(183)	(195)	(75)	(123)
	7,630	**6,581**	**5,801**	**4,628**

The movement in the allowance for impairment in respect of trade and other receivables during the year is set out in note 14(a).

(c) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due.

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.

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

(d) Market risk management

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

Currency risks

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

In 2011, the Group held an investment in Markit shares which was denominated in USD. The Group did not hedge the exposure to exchange rate movement on this investment. This investment was disposed of in January 2012 (refer note 17).

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	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Effect on net interest income:				
1% increase in interest rate	73	129	(69)	6
1% decrease in interest rate	(73)	(129)	69	(6)

Market price risk

Following the disposal of the investment in Markit shares in January 2012, the Group is no longer exposed to market price risk.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Capital comprises share capital, retained earnings and other reserves.

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

There were no changes in the Group's approach to capital management during the year. As described in note 23, NZX restructured its share capital on 25 May 2012.

(f) Accounting classification and fair values

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

Group 2012 Financial instruments	Note	Loans & receivables $000	Amortised cost $000	Designated at fair value $000	Total carrying amount $000
Assets					
Cash and cash equivalents	12	15,238	-	-	15,238
Funds held on behalf	13	22,922	-	-	22,922
Receivables	14	10,443	-	-	10,443
Total		**48,603**	**-**	**-**	**48,603**
Liabilities					
Bank overdraft	12	-	8,969	-	8,969
Trade payables	22	-	4,620	-	4,620
Funds held on behalf	13	-	22,922	-	22,922
Other liabilities	23	-	9,737	-	9,737
Total		**-**	**46,248**	**-**	**46,248**

Group 2011 Financial instruments	Note	Loans & receivables $000	Amortised cost $000	Designated at fair value $000	Total carrying amount $000
Assets					
Cash and cash equivalents	12	12,864	-	-	12,864
Funds held on behalf	13	19,082	-	-	19,082
Receivables	14	8,593	-	-	8,593
Other financial assets	15	481	-	-	481
Investment in equities	17	-	-	27,752	27,752
Total		**41,020**	**-**	**27,752**	**68,772**
Liabilities					
Trade payables	22	-	2,889	-	2,889
Funds held on behalf	13	-	19,082	-	19,082
Other liabilities	23	-	9,675	-	9,675
Total		**-**	**31,646**	**-**	**31,646**

Parent 2012 **Financial instruments**	**Note**	**Loans & receivables** **$000**	**Amortised cost** **$000**	**Designated at fair value** **$000**	**Total carrying amount** **$000**
Assets					
Cash and cash equivalents	12	1,010	-	-	1,010
Funds held on behalf	13	1,021	-	-	1,021
Receivables	14	7,983	-	-	7,983
Other financial assets	15	1,734	-	-	1,734
Liabilities					
Bank overdraft	12	-	8,969	-	8,969
Trade payables	22	-	2,889	-	2,889
Funds held on behalf	13	-	1,021	-	1,021
Other liabilities	23	-	6,648	-	6,648
Intercompany payables	29	-	35,162	-	35,162
Total		**-**	**54,689**	**-**	**54,689**

Parent 2011 **Financial instruments**	**Note**	**Loans & receivables** **$000**	**Amortised cost** **$000**	**Designated at fair value** **$000**	**Total carrying amount** **$000**
Assets					
Cash and cash equivalents	12	621	-	-	621
Funds held on behalf	13	936	-	-	936
Receivables	14	5,986	-	-	5,986
Other financial assets	15	5,619	-	-	5,619
Total		**13,162**	**-**	**-**	**13,162**
Liabilities					
Trade payables	22	-	1,228	-	1,228
Funds held on behalf	13	-	936	-	936
Other liabilities	23	-	6,759	-	6,759
Intercompany payables	29	-	9,551	-	9,551
Total		**-**	**18,474**	**-**	**18,474**

(g) Fair value hierarchy

The discussion below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group had one investment in equities (refer Note 17) carried at fair value and classified as a Level 2 financial instrument until it was disposed of in 2012. The Group did not hold any other financial instruments carried at fair value as at 31 December 2012. The Parent does not hold any financial instruments carried at fair value.

(h) Energy Clearing House

NZX, through its subsidiary Energy Clearing House Limited ("ECH"), is the electricity-market operation service provider responsible for ensuring that market participants pay or are paid the correct amount for the electricity they generated or consumed during the previous month. ECH also manages the prudential security requirements of participants, intended to ensure payers can meet their obligations in the market. 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.

At 31 December 2012, ECH has outstanding payables and receivables for the purchase and sale of electricity, and the settlement of transmission losses. These items are not recorded in the Group's statement of financial position, because the energy market participants have accepted the risks associated with electricity settlement.

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

ECH holds cash deposit security on trust, and does not recognise the security provided in its statement of financial position. There was $28,964,478 cash held from such deposits at 31 December 2012 (2011: $22,108,453).

(i) Clearing House counterparty credit risk

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

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

This counterparty credit risk is managed primarily through:

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

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

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

As at 31 December 2012, NZCL has a right to receive $5.176 million (2011: $6.123 million) from clearing participants and an obligation to pay $5.176 million (2011: $6.123 million) to clearing participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2012. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2012 was $41.802 million (2011: $37.603 million). In addition, at 31 December 2012, the total value of outstanding securities loans was $2.547 million (2011: $1.123 million) and the absolute notional value of open derivative contracts was US$7.067 million (2011: US$23.682 million).

Cash collateral held to cover these outstanding settlement positions at 31 December 2012 was $20.379 million (2011: $16.795 million). In addition, at 31 December 2012 an additional $5.5 million collateral (2011: $5.5 million) was held by way of performance bonds.

Reserve Bank of New Zealand Liquidity Facility

Under a Memorandum of Understanding with the Reserve Bank of New Zealand ("RBNZ"), signed 6 October 2010, Clearing House is eligible for backup liquidity support from the RBNZ subject to Clearing House maintaining its designation status and meeting the eligibility criteria for RBNZ counterparties.

28) Group entities

Name of subsidiaries	Country of Incorporation	Ownership interest and voting rights 2012 %	2011 %
Subsidiaries			
Energy Clearing House Limited	New Zealand	100	100
Energy Market Consulting Limited *	New Zealand	-	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
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
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
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Incognito Limited *	New Zealand	-	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
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
NZX Agri Advisors Pty Limited	Australia	100	100

* - These subsidiary companies were all dormant companies that the Group had removed from the Companies Office register on 11 January 2012.

Investment in subsidiaries

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

	Carrying values 2012 $000	2011 $000
Subsidiaries of the Parent:		
NZX Rural Limited	7,295	7,295
FundSource Limited	922	922
Smartshares Limited	4,000	4,000
TZ1 Limited	6,091	6,003
NZX Holding No. 4 Limited (holding company for CGX)	3,297	5,890
New Zealand Clearing and Depository Corporation Limited	12,000	12,000
Total	**33,605**	**36,110**

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

29) Related party transactions

a) Transactions with key management personnel

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

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Short-term employee benefits	4,871	3,302	4,167	2,644
Share-based payments	50	649	20	649
Termination benefits	102	613	102	613
	5,023	**4,564**	**4,289**	**3,906**

Further details in relation to share based payment arrangements with key management personnel are disclosed in note 26.

b) Transactions with directors and other entities NZX directors are associated with

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

Directors fees for the year were $422,000 (2011: $425,000) and have been included in note 7 under other expenses.

c) Transactions with subsidiaries and associates

During the year, the Parent made sales to and purchases from its subsidiaries and associates. The amounts of sales and purchases between the Parent and these related parties and transactions between subsidiaries and any outstanding balances as at reporting date are listed below. Amounts owed to the Parent by related parties are included in other financial assets in the Statement of Financial Position.

	2012			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related Parties	**$000**	**$000**	**$000**	**$000**
Parent				
NZX Limited	1,807	94	1,840	35,162
Subsidiaries	-	-	-	-
Smartshares Limited	-	413	94	42
NZX Rural Limited	-	85	6,014	-
FundSource Limited	10	5	1,365	-
NZX Holding No. 4 Limited	135	150	3,008	2,121
NZX ProFarmer Australia Pty Limited	-	163	1,448	2,443
NZX Agri Advisors Pty Limited	28	21	-	6
New Zealand Clearing Limited	-	951	-	807
New Zealand Depository Limited	-	-	654	9
TZ1 Limited	-	-	26,216	-
Associates				
LINK Market Services Limited	306	404	52	-

	2011			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related Parties	**$000**	**$000**	**$000**	**$000**
Parent				
NZX Limited	1,456	75	1,709	9,551
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

30) Lease commitments as lessee
Non-cancellable operating lease payments

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Non-cancellable operating lease payments:				
Up to 1 year	1,271	1,263	1,086	1,086
1 - 2 years	1,175	1,162	1,086	1,086
2 - 5 years	706	1,542	456	1,542
> 5 years	284	-	-	-
	3,436	**3,967**	**2,628**	**3,714**

The Group leases a number of office premises under operating leases. The leases typically run for a period of 6 years, with an option to renew the lease after that date.

31) Contingent liabilities and commitments

(a) M-Co

NZX entered into a sale and purchase agreement with M-Co in 2009, which included an earn-out provision whereby NZX was 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 exceeded $30,250,000. This gross revenue target was not met at 30 June 2012, and therefore the earn-out provision has expired.

(b) Clear Grain Exchange

Grain Market Software Payment

NZX entered into a sale and purchase agreement with Clear Commodities Pty Limited and Clear Interactive Pty Limited 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, which is contingent upon, amongst other things, particular grain tonnage being traded through the Clear Platform by certain dates.

Based on annualised grain volumes, Clear Grain Exchange traded less than the required metric tonnes at 30 June 2012, and therefore no additional payment was made.

Agri-Portal Payment

The Clear SPA also provides for a further additional payment of AU$7,000,000 on the meeting of certain criteria by October 2012. This Agri-Portal Purchase Payment is payable if an Agri-Portal, based on the Grain Market Software, has been completed and put into operation to the satisfaction of NZX by October 2012.

An Agri-Portal was not completed and put into operation to the satisfaction of NZX by the intended date. Consequently, no payment was made.

Ralec Litigation

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

The defendants filed a statement of defence and counterclaim on 22 December 2011. The quantum of this counterclaim has not been finally particularised but is substantially for the value of the lost opportunity to earn the Grain Market Software Payment and Agri-Portal Payment referred to above and consequent damages.

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

(c) Tax

NZX received notification in November 2012 that the IRD have progressed their risk review of the NZX Group, undertaken in 2011, to a tax audit. This investigation is at an early stage. The Directors do not consider any specific provision is required.

32) Capital commitments

	Group		Parent	
	2012	2011	2012	2011
	$000	$000	$000	$000
Capital expenditure commitments:				
Software development	237	244	237	244
	237	244	237	244

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

33) Subsequent events

Countrywide Publishing Limited

Subsequent to balance date it was determined that the qualification criteria required under the terms of issue were not met. Accordingly, the shares issued as part of the consideration for the CPL acquistion are held for redemption by NZX.

Dividend

Subsequent to balance date the Board declared a fourth quarter final dividend of 1.25 cents per share, fully imputed, to be paid on 22 March 2013 (with a record date of 8 March 2013). This is consistent with the NZX Dividend Policy as adopted on 25 February 2011.

Independent auditor’s report

To the shareholders of NZX Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of NZX Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 4 to 50. The financial statements comprise the statements of financial position as at 31 December 2012, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group’s preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to assurance and general accounting services. 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 4 to 50:

- 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 2012 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

18 February 2013
Wellington