NZX Limited Annual Report 2015

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Chairman's Report.

Dear fellow shareholder,

I am pleased to present NZX's annual report for 2015 on behalf of the NZX board, my first time doing so as Chairman.

New Zealand market activity remained strong in 2015 – our markets are performing well and are considered to be "open for business". This is evident in the increase in the S&P/NZX 50 index which was up 13.6% for the year to 31 December 2015. The five year return of that index to the end of 2015 was 13.8%; while the 10 year return (including the Global Financial Crisis of 2007-2008) was 8.1%. It is worth noting, as happens in markets, we have given up some of these gains post the December balance date, with the S&P/NZX 50 index down 0.7% to 1 March.

Index	2015 return	5 year return (pa)	10 year return (pa)
S&P/NZX 50 G	+13.6%	+13.8%	+8.1%
Australian S&P/ASX 200 Accumulation	+2.6%	+7.0%	+5.6%
US S&P 500 Total Return	+1.4%	+12.6%	+7.3%

Source: Forsyth Barr. Table returns calculated in local currency.

Growth of the New Zealand market in 2015 is also demonstrated by the increase in the ratio of equity market capitalisation to Gross Domestic Product during the year to 45.2% at 31 December 2015, up from 42.1% at 31 December 2014.

The listed debt market experienced a resurgence in 2015 with market capitalisation growing during the year from $13.2 billion to $19.8 billion. This was driven by the New Zealand Local Government Funding Agency's (LGFA) listing of all of its $5.6 billion of existing bonds on the debt market, and further large listings of corporate debt.

The LGFA listings provide retail investors with greater access to highly rated and liquid fixed income investments. We thank the LGFA team for their support in bringing these products to market – this was another key milestone in the development of our markets following the recommendations by the 2009 Capital Market Development Taskforce.

2015 has again demonstrated the benefits that a public listing can provide to companies in contributing to the creation of significant shareholder value.

The table that follows highlights the companies with the highest 10 year return on the market.

10 year rank	Code	Company	10 year annualised return (G w/ICs)	Dec 2015 price/ earnings	5 year average price/ earnings	10 year average price/ earnings
1	ATM	A2 Corporation	+34.0%	44.7x	82.0x	82.0x
2	RYM	Ryman	+26.3%	11.9x	13.7x	19.1x
3	RBD	Restaurant Brands	+24.1%	11.7x	9.8x	10.7x
4	POT	Port of Tauranga	+22.0%	15.7x	16.5x	21.0x
5	EBO	Ebos	+20.5%	18.6x	10.6x	12.8x
6	MFT	Mainfreight	+20.5%	17.2x	10.6x	13.1x
7	NZX	NZX	+19.6%	29.9x	18.1x	17.7x
8	AIR	Air New Zealand	+18.5%	16.5x	10.9x	8.9x
9	AIA	Auckland Airport	+17.4%	34.7x	21.2x	24.6x
10	FPH	F&P Healthcare	+14.7%	6.5x	29.1x	22.8x

Source: Forsyth Barr

The above tables show impressive statistics and notwithstanding recent turbulence will provide you with confidence that the New Zealand market has gained significant momentum over recent years. We hope to continue this growth story in 2016 and further strengthen NZX's position globally.

2015 performance

NZX's own financial performance in 2015 was stable at an operational level, with EBITDA (earnings before interest, tax, depreciation and amortisation) unchanged from the prior year at $24.6 million. Reported Net Profit After Tax (NPAT) reflected the significant value realised from the sale of NZX's stake in Link Market Services NZ. Reported NPAT was up 82.1% to $23.9 million. Excluding the $11.8 million gain on the sale of Link NZ, NPAT was down 8.0% to $12.1 million.

The board declared a fully imputed dividend return of 6.0 cents per share in respect of the 2015 year.

Total shareholder return for NZX in the year to 31 December 2015 was -1.0% – an improvement of shareholder returns continues to have the full focus of NZX's board and management team.

More information about NZX's 2015 financial and operational performance is provided in Tim's CEO report and the management commentary.

Regulation

The operation of fair, orderly and transparent markets is of foremost focus to the board. It was a positive year on this front with NZX working constructively with and alongside our fellow regulators, with an ultimate focus on market integrity and on lowering the cost of capital for all NZX listed issuers.

The Financial Markets Authority's (FMA) fourth annual General Obligations Review endorsed the recent work and investment by NZX in its regulatory role, and the effectiveness of our role as frontline regulator. The May report concluded that during the 2014 review period NZX complied with all of its statutory obligations, and NZX was not required to take any specific actions in response to the FMA's review.

Our commitment to maintaining positive and robust relationships with New Zealand's regulators was further cemented in 2015 when NZX signed Memoranda of Understanding (MoUs) with both the FMA and the Takeovers Panel. These MoUs set out frameworks for engagement and cooperation between regulators, taking into account our respective statutory roles.

My thanks go to our fellow regulators, the FMA, the Takeovers Panel, and the New Zealand Markets Disciplinary Tribunal (NZMDT), for their work in 2015. I would also like to acknowledge the work of the Special Division of the NZMDT which exercises the powers and functions of NZX Regulation as they apply to NZX and our Smartshares business.

In November 2015, NZX sought feedback on updating NZX's corporate governance guidelines for Main Board listed issuers. The board recognises good corporate governance standards are important for listed issuers as it further promotes investor confidence and provides mechanisms by which companies, and those in control, are held to account. NZX has received excellent engagement in the first stage of this review with more than 40 submissions received. The board is grateful to all of those who took the time to make a submission, and the NZX team leading this project is looking forward to further engagement with the market as this review progresses.

NZX notes the formation of the New Zealand Corporate Governance Forum in July last year. We hope that our corporate governance initiative will lead to the development of a single set of corporate governance guidelines for listed issuers in New Zealand and we will continue to work with the forum, the FMA, and other stakeholders, to achieve this objective.

In October we welcomed David Flacks who was appointed as an independent non-director member of the NZX Conflicts Committee, a sub-committee of the NZX board chaired by director Dame Therese Walsh. The committee is responsible for the oversight of NZX's conflicts management policies and procedures. David is also chair of the NZMDT and a member of the Takeovers Panel. We thank David for his service and valuable work within our markets.

I would also like to thank Derek Johnston for his work as an independent non-director member and chair of the Regulatory Governance Committee of the board. The committee was established in August 2013, and assists the board in fulfilling its governance responsibilities relating to NZX's regulatory function for its registered markets.

In November, Guy Elliffe and John Williams were appointed independent directors to our Smartshares board. Both bring extensive funds management experience and join CEO Tim Bennett and CFO Bevan Miller on that board.

Board update

I was honoured to take the reins as NZX's Chairman from Andrew Harmos following our annual meeting in May 2015.

Andrew joined the board in 2002 and was appointed Chairman in 2008. In his 13 year tenure, Andrew worked tirelessly on behalf of shareholders and other market stakeholders to ensure our markets are well operated and regulated, and to ensure our organisation is appropriately resourced both to meet current demands and to respond effectively to new developments and opportunities.

Under Andrew's guidance, NZX took a significant leadership role in the development of capital, agricultural commodity and energy markets in New Zealand and Australia. In his seven years as Chairman, Andrew played a vital role in laying the foundations for what is a new chapter in our capital markets, kick-started by KiwiSaver, and now supported by a new regulatory environment under the Financial Markets Conduct Act.

My sincere thanks on behalf of my fellow directors and our shareholders go to Andrew for his constant service to the board, our shareholders, NZX management, and ultimately to New Zealand's capital markets; and for his true professionalism and integrity at every turn.

I would also like to acknowledge and thank the Hon. Simon Power, who also stepped off the board at our annual meeting, for the contribution he made to our board during his two and a half years as a director. Our departing directors join a group of enthusiastic NZX alumni who are champions for NZX and who continue to work tirelessly for the development of our capital markets.

We welcomed Dr Patrick Strange as a director at our annual meeting. Patrick has spent 30 years working as a senior executive and director in both private and listed companies, including more than six years as Chief Executive of Transpower, where he oversaw Transpower's $3.8 billion of essential investment in the National Grid.

Patrick is also Chair of Chorus, a director of Mighty River Power, Auckland International Airport and of the joint board of Ausgrid, Endeavour Energy and Essential Energy, Australia. Patrick has quickly made a valuable contribution to our board, bringing relevant experience from a variety of governance and management roles.

The NZX board continues to work well together, and my thanks go to my fellow directors for their continued hard work and dedication.

Conclusion

Markets are network businesses and NZX is at the heart of that network in New Zealand. NZX takes this leadership role seriously and is committed to developing our capital markets on behalf of all New Zealanders.

The board is extremely grateful for the efforts of Tim Bennett and the NZX management team who delivered a number of important initiatives in 2015.

I would particularly like to thank all of the NZX staff – in Wellington, Auckland, Melbourne, Feilding and across New Zealand – and their families, on behalf of the NZX board.

I would also like to thank our customers, particularly our listed issuers and market participants.

Finally thanks to you, our shareholders, for your continued support of NZX.

James Miller
Chairman

CEO's Report.

Dear shareholder,

In 2014, we embarked on our strategy to increase NZX's presence in two key areas of New Zealand's funds management sector: passive funds management, in particular Exchange Traded Funds (ETFs), and funds services infrastructure.

Underpinning this strategy is the fact that New Zealand's funds management industry has significant growth potential. Total funds under management in New Zealand total more than $110 billion, with KiwiSaver funds under management sitting at $30 billion. This is expected to grow at more than 18.5% per annum to $70 billion before 2020[1]. This compares to an expected long-run growth rate of 7 - 8% in our equity markets.

ETFs have historically had a low market share in New Zealand of less than 1% of total funds under management. This is despite the range of benefits that ETFs offer investors including diversification, low fees, flexibility and transparency. It is also in contrast to most global markets, including Australia, where growth in ETF funds under management was 42% in 2015.

NZX has historically had a relatively small presence in funds services. Our Smartshares business launched New Zealand's first ETF in 1996, over time expanding the portfolio of ETFs on offer to five in 2006.

After a comprehensive review of our strategy, our view was that with only five ETFs on offer in our Smartshares business, our product range was not broad enough to develop a viable ETFs business in the New Zealand market.

NZX therefore acquired passive superannuation and KiwiSaver provider, SuperLife, in January 2015. This acquisition enabled us to launch a broad range of ETFs – from December 2014 through 2015, Smartshares launched 18 new ETFs, bringing the total number on offer to 23. The portfolio of ETFs we now have on offer provide investors with the opportunity to invest across all main asset classes: cash, bonds, shares, and property, in New Zealand and offshore[2].

As a result of the acquisition, NZX Group now comprises the ninth largest fund manager and the tenth largest KiwiSaver provider in New Zealand.

The acquisition of wealth management platform Apteryx in July 2015, and our subsequent ongoing investment in that business, has provided NZX with the opportunity to offer smaller fund managers, advisors and their clients with a next generation fund administration platform. Of the $115 billion of funds under management and under advice in New Zealand, only an estimated $30 billion are currently administered through platforms that

1 New Zealand Treasury Report: Review of KiwiSaver Fund Manager Market Dynamics and Allocation of Assets

2 Investment statements for the ETFs and funds offered by Smartshares Limited are available at smartshares.co.nz. Investment statements for the financial products offered by SuperLife Limited are available at superlife.co.nz.

provide comprehensive reporting, tax compliance and custodial arrangements. And, in our view, the platforms currently offered have not evolved to meet the changing needs of our market.

At the same time as the Apteryx acquisition, NZX reviewed its 50% shareholding in leading New Zealand share registry Link Market Services NZ. After more than 10 years in a successful joint venture with Link Group, both partners felt that it was an appropriate time for one to take full ownership of the business to support Link NZ's future growth. Accordingly, we decided to sell our stake to Link Australia.

The sale of Link NZ realised significant shareholder value and is consistent with our approach of exiting businesses when we consider that either we are no longer the highest value shareholder or that the prospects for the business have materially changed. We remain committed to investing in and growing areas of the capital markets that are underdeveloped, where we see value for shareholders, and where we can contribute to the long-term development of New Zealand's markets.

Business structure

Following our acquisition of SuperLife and Apteryx, we are now managing the NZX business in three distinct groups, reflecting each business's growth prospects and investment requirements. These are:

- Markets – this includes our capital markets activities that generate revenue from capital raising, trading and clearing, listings, participant services, securities data and derivatives. It also includes the Fonterra Shareholders' Market and our energy markets business, which comprises the contracts we operate on behalf of the Electricity Authority

- Funds services – this includes our Smartshares, SuperLife and Apteryx businesses

- Agriculture – this includes our print and online publications, data and analytic reports in Australia and New Zealand, and the Clear Grain Exchange in Melbourne

While managing these businesses separately, we continue to benefit from the connections between them. The growth in our funds services business will help to broaden the range of traded products available to retail and wholesale investors, provide a more efficient market infrastructure, improve the distribution for funds – and enhance trading, compliance and reporting for advisors and smaller fund managers. In turn, we expect this will facilitate new entrants (investors, advisors and fund managers) into our market and ultimately benefit the capital markets business more broadly.

In addition, our agricultural businesses provide data and information to support development of all of our markets, including our dairy derivatives market that continues to demonstrate strong growth.

Our focus going forward

Markets

In New Zealand's capital markets, our priorities over the past three years have been to:

- ensure we have the regulatory and operational resources and a robust technology platform and governance structure in place to operate fair, orderly and transparent markets. While this remains a priority, the remedial work is complete, as acknowledged by the Financial Markets Authority's 2015 General Obligations Review. Pleasingly, the report concluded that NZX complied with all of its statutory obligations in 2014 and was not required to take any specific actions

- implement a sustainable foundation for growth. This includes the establishment of a dedicated Markets team and the upgrade of our trading and clearing infrastructure, which required additional investment to maintain the operational standards that NZX's core role as market operator necessitates

- grow the number of 'products on shelves' for New Zealand investors. This has been a key focus for our Markets team and is demonstrated by:

  - increasingly effective management of the IPO pipeline by active engagement with private companies, their shareholders, and advisors

  - sustainable growth in NZX's debt market. New debt issues were up 374.3% in 2015 with $8.1 billion listed, including the listing by the Local Government Funding Agency of all six existing series of its bonds, representing a total principal amount of $5.6 billion

  - the launch of the NXT market, a tailored and innovative market aimed at smaller, higher growth companies. NXT is a significant development in New Zealand's capital markets and will provide a foundation for future market growth, however, like all new markets, NXT will take time to develop. We continue to see good interest in NXT from potential listed companies, despite the volatility in global markets in early 2016

- build a world-leading dairy derivatives market. To date, our dairy derivatives market has shown significant success in enabling participants to manage global price risk in the global export market. Lots traded in this market were up 111.5% in 2015

In 2016 our efforts are focussed on the last two points: growing the range of traded products available for investors across our equity and debt markets, and continuing to grow our dairy derivatives market. The latter will include working towards the launch of milk price futures and options contracts (subject to regulatory approvals).

Building a strong IPO pipeline of small and mid-size companies remains a key area of focus. While there are a large number of small and mid-sized businesses in New Zealand seeking growth capital, especially in the technology sector, a number have had more success raising capital offshore, establishing a pathway to an eventual listing outside New Zealand. This is despite the significant growth in KiwiSaver assets under management, which was up more than 21% or $5.4 billion in 2015, and the relatively low allocation of those funds to growth assets. This reflects the structure of the KiwiSaver scheme, the concentration of the funds management sector and the risk aversion of KiwiSaver investors and their providers.

While NZX has and will continue to support the listing of smaller businesses through initiatives such as NXT, and the development of smaller fund managers through Apteryx, a concerted effort is needed by all capital market stakeholders to ensure the portfolio of KiwiSaver assets can be used to supply capital to grow smaller New Zealand businesses.

In August, the Electricity Authority reselected NZX for the provision of our existing four market operator service provider roles. As part of providing these services, NZX will undertake a major overhaul of the systems that NZX develops and maintains to facilitate the efficient operation of the New Zealand electricity market, over approximately the next two years. This will be a key focus for the team and will leverage the capability we have built up over many years to support the development and operation of other markets.

Funds services

Our funds services acquisitions have provided a platform for significant growth. This year, our focus is to grow these businesses and promote the benefits of passive funds beyond ETFs and KiwiSaver, and for Apteryx to reach breakeven through customer acquisition and the further build out of its new platform.

Agriculture

Low commodity prices continue to impact our agri businesses on both sides of the Tasman. Lower grain prices early in the 2015/16 harvest resulted in a smaller share of grain being traded, hence lower volumes. In New Zealand, low dairy prices have impacted advertising revenues across our publications.

In 2016, our focus is to keep maximising the connections between our markets and agricultural business, particularly in data, while managing the transition from print to online publications, and maintaining the underlying economics of the businesses in a difficult market environment.

Organisation

We continued to strengthen the organisation in 2015. We appointed Aaron Jenkins (formerly Head of Markets) to the new Head of Funds Management role, and we appointed Mark Peterson to lead the Markets team. Mark has extensive experience in the New Zealand securities market, most recently as Managing Principal of ANZ Securities. Since joining, Mark has made a significant contribution.

Given the increasing breadth of the business, in particular the growth in funds services, we appointed Kristin Brandon as Head of Compliance to oversee compliance with our legal obligations and internal governance processes across the organisation. Robyn Dey, who held a number of roles including Head of Regulation and Head of Policy and Legal, during her five years at NZX, resigned in February. As a result, we appointed Hamish Macdonald as Head of Policy and Legal.

As a result of the two acquisitions we made last year, we added around 60 new staff to NZX from the SuperLife and Apteryx teams. Bringing those teams on board was a significant effort for a large number of people at NZX, especially when we are a relatively small organisation. I would like to thanks those in our finance, human resources, communications and operations and technology teams for making everything happen in a seamless fashion.

Thank you

I would like to thank everyone in the team at NZX for your hard work and professionalism, and for making a valuable contribution in the development of our business and our markets.

Finally, on behalf of everyone at NZX, I would like to thank our shareholders and other key stakeholders, for your continued loyalty and support.

Tim Bennett
CEO

Management Commentary.

For the year ended 31 December 2015

Overview

NZX's revenues grew $8.0m (12.2%) in 2015 to $73.2m. The majority of this growth ($7.1m) was a result of the expansion of NZX's funds services business through the acquisition of SuperLife Limited (effective 1 January 2015) and Apteryx (effective 1 July 2015). The acquisition of SuperLife substantially increased funds management income relative to the prior year, with a commensurate increase in the cost base. It also facilitated the launch of a broad range of Exchange Traded Funds (ETFs) across all major asset classes, with the number of ETFs offered by NZX's subsidiary Smartshares Limited increasing from 7 on 1 January 2015 to 23 by year end. While the setup costs and initial operating expenditure associated with these funds negatively impacted reported 2015 results, these new funds are expected to be a significant source of future growth.

Markets revenues were up $0.8m (1.8%) to $49.9m. Within the capital markets business, IPO activity declined sharply relative to the record levels of 2014. While this saw a significant reduction in initial listing fee revenue, this was compensated for by a significant increase in secondary capital raising activity. Trading and clearing volumes also continued to increase in 2015. Dairy derivatives revenues continued their strong growth, up 169.3% on the prior year.

Electricity contracting revenues had been at very high levels in 2014 and consequently these declined considerably in 2015, with much of the focus of activities in this sector on the renewal of the Electricity Authority's service provider agreements. Agri publishing and data revenues were down $0.5m (4.2%) to $11.7m. While data revenues were up 11.4%, publishing revenues were down 9.9% reflecting the subdued rural economy as a result of the sharp decline in dairy prices. Grain trading revenues were well down on the prior year due to an early end to the 2014/15 harvest and a slow start to the 2015/16 harvest.

Operating expenses were up by 19.7% due to the additional expenditure resulting from the acquisition of SuperLife and wealth management platform provider Apteryx, the expenditure associated with the new suite of ETFs, increased legal fees and other related expenditure for the Ralec litigation as this moves closer to its 2016 trial date, and an increase in underlying payroll costs.

Earnings before net finance income, tax, depreciation and amortisation, share of profit of associate and gain on disposal of associate were unchanged at $24.6m.

Markets

Capital Markets

Securities information revenue

Securities information revenue is derived from the sale of capital markets data to global data resellers, as well as a broad range of subscription products to other participants in the capital markets. Sales to resellers represent the largest source of revenue within this category. These resellers incorporate this data into their own subscription products delivered via data terminals. The reseller pays NZX based on the number of terminal licences they have with their end customers that include NZX data. Thus the number of data terminals is the most significant revenue driver for this category.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Securities information revenue	10,558	10,406	8,924	1.5%
Terminal numbers (12 month average)	7,222	7,291	6,892	(0.9%)

A small reduction in average terminal numbers during the year was offset by an increase in revenue recoveries from audits of subscribers' product usage, resulting in a 1.5% increase in revenue for the year.

Listing fees

There are three components to listing fees:

- Annual listing fees paid by equity and debt issuers listed on NZX's securities markets. The primary drivers of this revenue are the number of listed issuers and any changes in the fee schedule
- Initial listing fees, which are paid by equity and debt issuers upon their initial listing on NZX's securities markets. The primary driver of this revenue is the number of new listings and the value of new capital listed (as fees are based on the opening market capital of the newly listed entity)
- Secondary issuance fees, which are paid by existing issuers when they raise additional capital through, for example: placements, rights issues, the exercise of options or dividend reinvestment plans. The primary driver for this revenue is the value of secondary capital raised

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Annual listing fees	8,584	7,936	7,251	8.2%
Initial listing fees	764	2,800	2,954	(72.7%)
Secondary issuance fees / other	4,042	2,419	2,779	67.1%
Total listing fees	13,390	13,155	12,984	1.8%
Number of listed issuers	231	215	208	7.4%
Equity market capitalisation	$110.2b	$96.5b	$82.2b	14.2%
Debt market capitalisation	$19.8b	$13.2b	$13.5b	50.0%
Number of new listings	6	19	10	(68.4%)
Value of new equity listed	$1.7b	$4.7b	$7.5b	(64.1%)
Total secondary capital raised	$12.9b	$2.4b	$4.0b	435.9%

Annual listing fees were up 8.2% due to a combination of a full year of listing fees for companies that listed in 2014, fee schedule increases, and growth in fees billed due to increases in issuers' market capitalisation.

The fall in initial listing fees revenue reflected the significant decrease in the number of IPOs in 2015 as well as a decrease in the amount of capital raised.

The substantial increase in secondary listing fees resulted from the significant increase in secondary capital raised, largely due to additional capital raised by dual-listed Australian banks as a result of changes to risk capital requirements in Australia.

Other issuer services

This revenue represents fees billed for time spent by NZX's Market Supervision team reviewing IPO and secondary capital raising documents, requests for waivers from NZX listing rules and other significant issuer matters.

($000)	2015	2014	2013	Change 2015 v 2014
Other issuer services revenue	770	1,013	976	(24.0%)

The reduction in this revenue line reflected the reduced number of IPOs, with these transactions typically requiring a significant amount of Market Supervision review. This was somewhat offset by the increase in secondary capital raising activity.

Securities trading revenue

This comprises fees billed for the execution of trades on NZX's equity and debt markets. Trading fees are a combination of a fixed fee per trade and a variable fee based on the value of the trade. The fixed fee component accounts for approximately 70% of NZX's trading revenues; hence the number of trades is the most significant revenue driver.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Securities trading revenue	4,976	4,424	4,345	12.5%
Number of trades	1.46m	1.31m	1.19m	12.0%

Securities trading revenue increased in line with the increase in number of trades. This resulted from increased algorithmic trading and was also boosted by several large sell-downs of strategic shareholdings during 2015.

Participant services revenue

This comprises fees billed to broking and advisory firms who are accredited participants in NZX's equity and debt markets.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Participant services revenue	3,526	3,479	3,132	1.4%

Participant services revenues were stable, with no significant changes to fee structures or number of market participants to whom these fees are charged.

Securities clearing revenue

This revenue comprises fees for clearing and settlement activities and a range of related services such as custody and stock lending undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation. The largest component is settlement fees, which are billed based on the value of the transactions settled. Total value traded is therefore the most significant revenue driver for this category.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Securities clearing revenue	5,365	4,653	4,593	15.3%
Total value traded	$42.2b	$35.6b	$42.4b	18.7%

Dairy derivatives revenue

This is trading, clearing and settlement fees for trading in NZX dairy futures and options. Fees are calculated per lot traded, hence the total number of lots traded is the most significant revenue driver.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Dairy derivatives revenue	684	254	109	169.3%
Lots traded	214k	101k	37k	111.5%

Significant growth in lots traded has occurred due to NZX market development activities (bringing new trading and clearing participants into the market) and volatility in dairy commodities increasingly highlighting the benefits of these products as risk management tools.

Market operations

NZX operates a number of aspects of the New Zealand electricity market under long-term contract from the Electricity Authority and operates the Fonterra Shareholders' Market on behalf of Fonterra. Market operations revenue has two components:

- Fixed annual fees for market operator contracts
- Fees for development projects related to the market operator contracts, which are generally billed on a time and materials basis

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Development revenue	1,375	2,560	2,372	(46.3%)
Contractual revenue	9,256	9,074	9,503	2.0%
Total market operations revenue	10,631	11,634	11,875	(8.6%)

There was reduced development activity in 2015 with the Electricity Authority's primary focus on retendering the market operations contracts that NZX currently holds. NZX was successful in retaining these contracts. NZX's major development activity during the year was a contract to develop a system for deploying reserve capacity in times of generation shortage (the Extended Reserve Manager contract).

Funds services

Funds management

NZX has two sources of funds management income:

- Funds management fees charged by SuperLife Limited, the superannuation and KiwiSaver provider that NZX acquired effective 1 January 2015. These fees are a mix of membership fees (a flat fee charged on a per member basis) and Funds Under Management (FUM) fees (calculated based on a percentage of funds under management)

- Funds management fees charged by Smartshares Limited, a provider of ETFs. These fees are calculated as a percentage of FUM

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
SuperLife revenue	6,433	-	-	NM
Smartshares revenue	3,562	2,716	2,458	31.1%
Total funds management revenue	9,995	2,716	2,458	268.0%
SuperLife member numbers	43,713	-	-	NM
SuperLife FUM	$1,433m	-	-	NM
Smartshares external FUM	$440m	$411m	$355m	7.1%
Smartshares SuperLife FUM	$1,050m	$88m	-	NM
Total Smartshares FUM	$1,490m	$499m	$355m	198.6%

The acquisition of superannuation and KiwiSaver provider SuperLife Limited effective 1 January 2015 contributed an additional $6.4m to group revenues. It also enabled the launch of a broad range of new Smartshares ETFs, providing the seed funding for these new funds. The funds invested by SuperLife into the ETF products was the largest contributor to the 31.1% growth in Smartshares revenue, coupled with growth in external FUM. While reported growth in external Smartshares FUM was 7.0%, this was reduced by the transfer of the smartkiwi KiwiSaver scheme from Smartshares to SuperLife. Adjusting for this, the underlying growth in external Smartshares FUM was 15.0%.

Excluding smartkiwi FUM, SuperLife FUM increased by 14.1% from 1 January 2015 to 31 December 2015.

Wealth platform fees

Wealth management platform fees are earned by Apteryx, a business that NZX acquired effective 1 July 2015. Fees are calculated based on the amount of Funds Under Administration (FUA), therefore this is the key revenue driver for this business.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Wealth platform fees	689	-	-	NM
FUA	$1,317m	-	-	NM

Agricultural businesses

Agri information

This revenue falls into two categories:

- Publishing revenues – advertising and subscription revenues from the publication of rural newspapers and magazines. Advertising is the most significant contributor to revenue and hence the volume of advertising, measured by advertising page equivalents, is the most important revenue driver

- Data revenues – revenue from the sale of subscription data and analytical products in the New Zealand agri sector and Australian grain industry

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Publishing revenue	8,069	8,953	8,404	(9.9%)
Agri data revenue	3,621	3,251	3,546	11.4%
Total agri information revenue	11,690	12,204	11,950	(4.2%)
Total paid advertising page equivalents	2,120	2,483	2,443	(14.6%)

2015 was characterised by difficult conditions in the New Zealand rural sector, with drought impacting some areas and the forecast dairy payout falling rapidly due to declining global commodity prices. This dented advertiser confidence, resulting in a nearly 15% decrease in advertising volumes in NZX's publications. A small offset was provided by growth in online revenues (predominantly website advertising), although this was off a comparatively low base.

While publishing revenues were down, data revenues were up 11.4%, with the largest contributor being the acquisition of i-Farm effective 1 May 2015, an aggregator and distributor of data (mostly related to the red meat sector). This contributed revenues of $274k in 2015.

Grain trading revenue
This revenue comes from trade fees on NZX's Australian online grain trading market, the Clear Grain Exchange. A fixed fee is billed per tonne traded on the exchange; hence the number of tonnes traded is the primary driver of revenue.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Commodities trading revenue	877	1,251	1,446	(29.9%)
Total tonnes traded	452k	595k	617k	(23.9%)

The reduction in commodities trading revenue reflected the decline in volumes of grain traded on the Clear Grain Exchange. The grain trading season runs from the beginning of the harvest in October, with most of the harvested grain normally sold by the following March. In the 2014/15 harvest, grain prices were high at the start of the season and hence most of the grain traded in the first three months of the harvest (which fell into the 2014 financial year). Conversely, in the current 2015/16 harvest prices have been relatively low at the start of the season and hence trading activity has been slower with the majority of trading likely to fall into NZX's 2016 financial year.

Operating expenses

Personnel costs

Gross personnel costs are made up of:

- Wages and salaries, comprising base remuneration of permanent and fixed term employees, leave expenses, short-term incentive costs (bonuses and commissions), long-term incentive costs (employee share schemes), ACC and KiwiSaver contributions

- Contractor costs, comprising the cost of all individuals on short term contracts (including freelance contributors to agricultural publications)

- Other personnel costs, including training and development, recruitment and staff benefits

Where employees or contractors are engaged on capital projects, their time is capitalised to capital work in progress, resulting in a credit to personnel costs.

($000 unless otherwise stated)	2015	2014	2013	Change 2015 v 2014
Wages and salaries	(24,424)	(18,320)	(17,556)	33.3%
Contractor costs	(2,138)	(2,872)	(1,942)	(25.6%)
Other personnel costs	(1,127)	(1,034)	(854)	9.0%
Gross personnel costs	(27,689)	(22,226)	(20,352)	24.6%
Less staff capitalisation	1,638	251	360	552.6%
Reported personnel costs	(26,051)	(21,975)	(19,992)	18.5%
Staff numbers (FTEs)	237	188	176	26.1%

Acquisitions drove the majority of the increase in staff costs, with the addition of SuperLife and Apteryx to the Group adding $3,580k and $1,190k to gross personnel costs respectively. Excluding these two entities, wages and salaries increased by $1.5m (8.1%) due to additional staff resources in key areas of the business and increased accruals for share based compensation, in part reflecting the different accounting treatment applicable to historic share based compensation plans that expired in 2014 relative to those currently applicable.

The decrease in contractor costs largely reflects reduced development activity within Market Operations (which given its variability tends to be staffed with contract resources). Capitalised labour increased significantly due to the commencement of a major project to upgrade NZX's clearing and settlement system coupled with capitalised IT development undertaken by the newly acquired SuperLife and Apteryx entities.

Information technology costs

This includes software licence fees, software and hardware support and maintenance fees, telecommunications and data network costs and the cost of IT services provided by third parties.

($000)	2015	2014	2013	Change 2015 v 2014
Information technology costs	(6,242)	(5,828)	(5,832)	7.1%

Of the $414k increase in IT costs, $90k resulted from the acquisitions of SuperLife and Apteryx. The remainder resulted from increased licencing costs, increased costs of supporting NZX's core trading and clearing systems and the cost of software as a service applications.

Professional fees

This includes legal expenses and advisory and consultancy fees.

($000)	2015	2014	2013	Change 2015 v 2014
Ralec litigation expenditure	(3,094)	(956)	(843)	223.6%
Other professional fees	(2,505)	(2,481)	(1,284)	1.0%
Total professional fees	(5,599)	(3,437)	(2,127)	62.9%

Costs associated with the Ralec litigation, which is scheduled for trial in May 2016, were the primary driver of the significant increase in total professional fees. As the trial date approaches, preparatory work intensified in 2015, including the completion of a pre-trial hearing.

Other professional fees increased by 1.0% largely as a result of costs associated with the launch of 16 new ETFs during the year, costs associated with the acquisition of Apteryx, and increased costs associated with data revenue audits.

Marketing, print and distribution

This includes marketing and promotional expenditure and print and distribution costs for the Group's agricultural publications.

($000)	2015	2014	2013	Change 2015 v 2014
Marketing, print and distribution	(3,549)	(3,827)	(3,550)	(7.3%)

Print and distribution costs declined in line with the reduction in agri publications revenue, as reduced advertising volumes meant the production of smaller publications. One magazine title was discontinued during the year to reduce production costs.

Funds expenditure

This represents the cost of operating the Smartshares ETFs.

($000)	2015	2014	2013	Change 2015 v 2014
Funds expenditure	(2,280)	(1,063)	(1,100)	114.5%

The significant increase in funds expenditure reflects the increase in the number of Smartshares ETFs from 6 to 23 during the year. Each new fund has additional administration costs, which are predominately fixed, so as funds under management in the funds increase margin improves.

Other expenses

This comprises general and administrative expenditure, including rent, travel, insurance, directors' fees, audit fees and general overheads.

($000)	2015	2014	2013	Change 2015 v 2014
Other expenses	(4,851)	(4,458)	(4,417)	8.8%

Other expenses grew as a result of additional costs from acquired entities.

Other Income and Expenses

Net finance income/(expense)

This comprises net interest and foreign exchange gains/losses.

($000)	2015	2014	2013	Change 2015 v 2014
Interest income	1,218	615	539	98.0%
Interest expense	(1,197)	(407)	(396)	194.1%
Net gain/(loss) on foreign exchange	149	(121)	(40)	(223.1%)
Net finance (expense)/income	170	87	103	95.4%

Interest expense increased as a result of the drawdown of $10m of debt in January 2015 to fund the SuperLife acquisition. A further $10m was drawn in August 2015 to increase the capitalisation of the Clearing House in line with growth in trading activity (particularly derivatives). The Clearing House funds are held in liquid assets, so there was also a corresponding increase in interest income. Interest income also increased as a result of the receipt of proceeds from the sale of Link Market Services Limited (Link NZ) on 30 June 2015.

Gain on disposal

($000)	2015	2014	2013	Change 2015 v 2014
Gain on disposal of associate	11,807	-	-	NM
Other (loss)/gain on disposal	(29)	42	-	NM
Total gain on disposal	11,778	42	-	NM

NZX sold its 50% stake in Link NZ on 30 June 2015 for an initial payment of $13.8m, with a further payment of $0.5m to be received in 12 months depending on Link NZ's financial performance over that period. A gain of $11.8m was realised on this sale.

Depreciation and amortisation

($000)	2015	2014	2013	Change 2015 v 2014
Depreciation of PP&E	(1,189)	(1,073)	(838)	10.8%
Amortisation of intangibles	(5,801)	(4,417)	(5,613)	31.3%
Total depreciation and amortisation	(6,990)	(5,490)	(6,451)	27.3%

The increase in the amortisation of intangibles reflects amortisation expense for assets acquired in the SuperLife acquisition in January 2015 – $789k for management rights and $366k for software. The remainder of the increase related to increased amortisation of computer software from Apteryx and other acquired or developed applications.

Share of profit of associate

($000)	2015	2014	2013	Change 2015 v 2014
Share of profit of associate	411	673	554	(38.9%)

The share of profit of associates came from NZX's 50% interest in Link NZ. This ceased upon the sale of the Link NZ stake on 30 June 2015.

Tax expense

($000)	2015	2014	2013	Change 2015 v 2014
Tax expense	(6,076)	(6,802)	(5,294)	(10.7%)
Effective tax rate (excluding non-assessable gain on disposal of Link)	33.5%	34.2%	30.5%	

The decrease in tax expense reflects the fact that the prior year included an additional tax provision of $1.0m for the settlement of an IRD tax audit. The effective tax rate is higher than the statutory rate of 28% due to the significant expenditure on the Ralec litigation which is not deductible for tax purposes.

Board of Directors.

As at 31 December 2015

1. James Miller

CHAIRMAN: BCOM, FCA

James Miller, NZX Chairman, was appointed to the Board in August 2010. James is a Director of Mighty River Power, ACC and Auckland International Airport. He was previously on the ABN AMRO Securities Board, INFINZ Board, and Financial Reporting Standards Board. James brings 14 years' direct experience in the New Zealand capital markets with Craigs Investment Partners, and prior to that ABN AMRO and Barclays de Zoete Wedd. James is a qualified chartered accountant and is a Fellow of the Institute of Chartered Accountants of New Zealand, a Certified Securities Analyst Professional and an accredited Director of the Institute of Directors in NZ Inc. He holds a Bachelor of Commerce from Otago University and is a graduate of The Advanced Management Program, Harvard Business School (USA).

James is a member of the Human Resources and Remuneration Committee, and an ex officio member of the Audit and Risk Committee. He is a member of the Board of wholly owned NZX subsidiary New Zealand Clearing and Depository Corporation Limited.

2. Neil Paviour-Smith

BCA, FCA, AFA, ACIS, FCFIP, MSAA

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

He has more than 25 years' experience in the New Zealand securities industry including prior funds management roles with National Mutual Funds Management and Westpac Investment Management.

Neil is an NZX Advisor and an Authorised Financial Adviser, a Fellow of the Institute of Finance Professionals NZ Inc (INFINZ) and was Chairman of the NZ Society of Investment Analysts 1999–2001. He is a Fellow Chartered Accountant, an accredited Master Stockbroker of the Stockbrokers Association of Australia and a member of the Institute of Directors, Governance New Zealand and the CFA Institute. Neil is Chair of the Audit and Risk Committee and a member of the Human Resources and Remuneration Committee.

3. Alison Gerry

MAPPFIN, BMS(Hons), CFTP

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

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

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4. Dame Therese Walsh
DNZM, BCA, FCA

Dame Therese Walsh joined the Board in February 2013. She is a professional director and is currently Deputy Chair of TVNZ, a Director of ASB Bank Limited, a Trustee of Wellington Regional Stadium, and is a Victoria University Council Member. She also sits on a number of Government panels and Chairs the International Development Selection Panel for the Ministry of Foreign Affairs and Trade. Previously she was Head of NZ for the ICC Cricket World Cup 2015, and Chief Operating Officer for Rugby New Zealand 2011. She has been a director of NZ Cricket and Save the Children NZ, a member of the New Zealand Rugby Union executive team, and held a senior role with KPMG.

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

She is a member of NZX's Audit and Risk Committee, the Regulatory Governance Committee, and Chair of the Conflicts Committee.

5. Jon Macdonald
BE (Hons)

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

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

Jon is Chair of the Human Resources and Remuneration Committee, and a member of the Conflicts Committee and the Regulatory Governance Committee.

6. Dr Patrick Strange
BE (Hons), PHD

Dr Patrick Strange joined the Board in May 2015. Patrick has spent 30 years working as a senior executive and director in both private and listed companies, including more than six years as Chief Executive of Transpower, where he oversaw Transpower's $3.8 billion of essential investment in the National Grid.

Patrick holds a doctorate in civil engineering from the University of Auckland. He spent 13 years in Europe and North America, working in a succession of senior management roles, including Chief Executive roles in computer companies providing major systems to large manufacturing, utility and aerospace enterprises.

Patrick is Chair of Chorus, a Director of Mighty River Power, Auckland International Airport and of the joint board of Ausgrid, Endeavour Energy and Essential Energy, Australia.

Corporate Governance.

Corporate Governance Environment

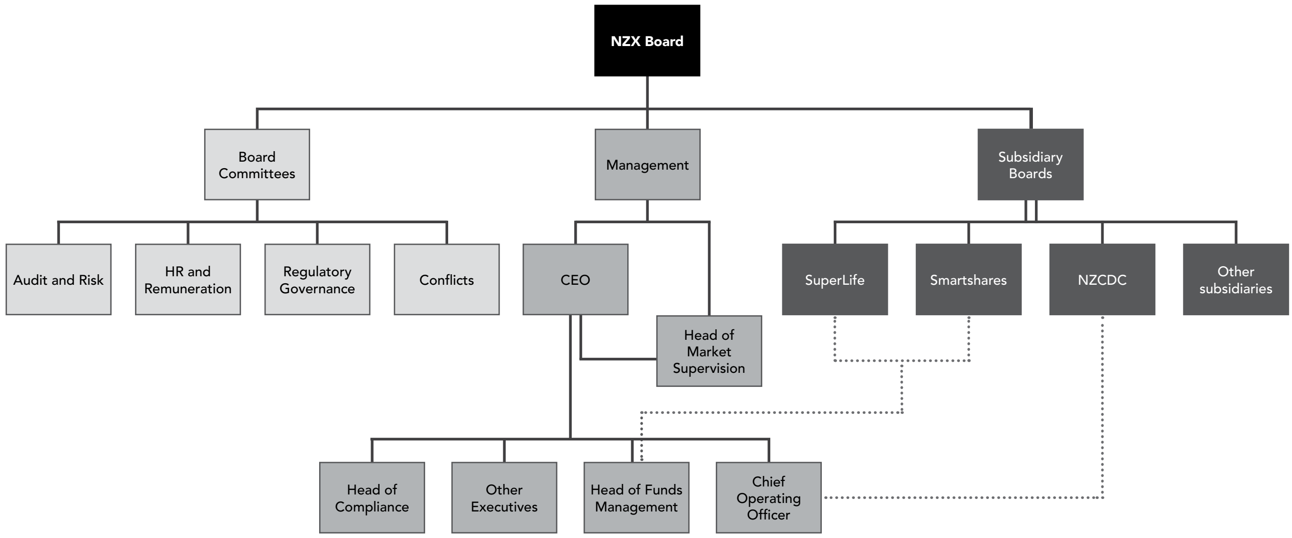
By virtue of the industries in which it operates and its critical role within the New Zealand capital markets, the NZX Group is subject to a more complex compliance environment than most New Zealand listed companies.

The overarching regulatory and compliance framework within which the NZX Group operates is summarised in the table below.

Company/division	Principal source of compliance obligations	Regulator	External assurance activities
NZX Limited (as a listed entity)	Companies Act, FMCA	FMA	Annual statutory audit by KPMG
	NZX Main Board Listing Rules	Special Division	Ongoing special division surveillance and NZMDT annual report on Special Division activities
Capital markets	FMCA	FMA	Annual General Obligations Review by FMA
Capital markets – clearing house	RBNZ designation	RBNZ and FMA jointly	Annual operational audit of clearing house by KPMG
Funds management	Securities Act	FMA	
	Fund trust deeds	Trustee	Annual compliance report to Trustee by KPMG
Energy	Electricity Authority Industry Participation Code	Electricity Authority	Annual compliance audits by various external providers
Agri	No specific compliance requirements	N/A	N/A

As a listed entity, NZX is required to comply with the NZX Main Board Listing Rules (including in relation to the ETFs issued by its wholly owned subsidiary Smartshares Limited). For all other listed entities, NZX is charged with the monitoring and enforcement of compliance with these listing rules. As NZX cannot regulate itself, the monitoring and enforcement of NZX's own compliance with the listing rules is undertaken by the Special Division, an independent division of the New Zealand Markets Disciplinary Tribunal ("Tribunal"). Members of the Special Division are appointed by the Chair of the Tribunal and confirmed by the Financial Markets Authority.

Corporate Governance Framework



Against this backdrop, the NZX Group's Governance framework is summarised in the diagram below.

NZX Board

The Board is responsible for the overall direction and strategy of NZX. It appoints the Chief Executive and delegates the day-to-day operation of NZX's business (excluding NZX's regulatory functions) to the Chief Executive.

As at 31 December 2015, the Board comprised six directors, all of whom were non-executive directors and all of whom were independent directors in accordance with the NZX listing rules with the exception of James Miller, who was non-independent by virtue of also being a director of Accident Compensation Corporation, which is a substantial product holder in NZX. The directors are James Miller (Chair), Neil Paviour-Smith, Alison Gerry, Dame Therese Walsh, Jon Macdonald and Dr Patrick Strange. Profiles of directors are provided on page 22.

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

The Board holds regular scheduled meetings. The Board also holds ad hoc meetings to consider time sensitive or specific issues (including via teleconference).

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

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2015 financial year no director sought their own independent professional advice.

The Board has established a code of ethics that provides a set of principles for directors to apply in their conduct and work for NZX. The principles deal with matters which include the management of conflicts of interest, the required skills of directors, trading in NZX's shares, and maintaining confidentiality of information received in their capacity as directors of NZX.

The Board has also implemented a Conflict Management Policy. The purpose of this policy is to identify possible conflicts that might arise between its commercial and regulatory roles and to describe the processes in place at a management and Board level to ensure that these potential conflicts are appropriately managed.

Board Committees

The Board has four standing committees: the Audit and Risk Committee, the Regulatory Governance Committee, the Human Resources and Remuneration Committee and the Conflicts Committee. No additional remuneration has to date been paid to any director for additional duties associated with membership of any committee. The non-director members of the Regulatory Governance Committee and the Conflicts Committee are paid separate fees for their services on these committees.

The terms of reference for each of the Board committees can be downloaded at www.nzxgroup.com/investor-centre/corporate-governance

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assist the Board with financial reporting and corporate financial matters. The Audit and Risk Committee also assists the Board in fulfilling its risk management responsibilities, other than regulation which is addressed by the Regulatory Governance Committee and clearing house risk which is addressed by the Board of New Zealand Clearing and Depository Corporation Limited. The Audit and Risk Committee also oversees internal and external audit processes.

The Audit and Risk Committee may only comprise independent directors and at least one member must have expertise in accounting or a financial background. As at 31 December 2015, the members of the Audit and Risk Committee were: Neil Paviour-Smith (Chair), Dame Therese Walsh and Dr Patrick Strange. Neil Paviour-Smith and Dame Therese Walsh are considered by the Board to have expertise in accounting and a financial background.

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

Regulatory Governance Committee

The Regulatory Governance Committee's core function is to assist the Board with its governance responsibilities relating to NZX's regulatory function. The Committee does not have any authority to make regulatory decisions and is not involved in day-to-day operations, management, or decision making except where specific delegations of authority may be made by the Board. No such delegations were made in the financial year to 31 December 2015.

The Regulatory Governance Committee comprises non-Executive Directors and an independent non-director member (Derek Johnston). As at 31 December 2015, the members of the Regulatory Governance Committee were: Derek Johnston (Chair), Alison Gerry, Jon Macdonald and Dame Therese Walsh.

Human Resources and Remuneration Committee

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

As at 31 December 2015, members of the Human Resources and Remuneration Committee were Jon Macdonald (Chair), Alison Gerry, James Miller and Neil Paviour-Smith.

Conflicts Committee

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

The Conflicts Committee is appointed by the NZX Board, and comprises directors who are deemed by the Board to be sufficiently independent of conflicts in relation to NZX group activities and an independent non-director member (David Flacks). The members of the Conflicts Committee are Dame Therese Walsh (Chair), Alison Gerry, Jon Macdonald and David Flacks.

2015 Board and Committee Attendance

	Board	Audit and Risk Committee	Regulatory Governance Committee	HR and Remuneration Committee	Conflicts Committee
Number of meetings held	9	6	2	3	2
James Miller	9	6	–	3	–
Neil Paviour-Smith	9	6	–	3	–
Alison Gerry	9	–	2	2	1
Dame Therese Walsh	6	5	1	–	2
Jon Macdonald	9	–	1	3	2
Dr Patrick Strange *(joined July)*	4	2	–	–	2
Derek Johnston	–	–	2	–	–
David Flacks	–	–	–	–	2

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

Management

The Chief Executive is responsible for implementing policies and strategies set by the Board and is accountable to it. The Chief Executive and senior management operate under specific delegations of authority from the Board.

The Board has made a separate direct delegation to the Head of Market Supervision in respect of NZX's regulatory functions. Accordingly, the Head of Market Supervision has a direct reporting line to both the Chief Executive (in respect of operational matters) and the Board (in respect of regulatory matters).

A new Head of Compliance role, reporting directly to the Chief Executive, was created in 2015 in recognition of the complex compliance environment in which the Group operates. The Head of Compliance is responsible for ensuring that NZX's compliance frameworks and policies remain fit for purpose and that these are duly followed in practice.

NZX's Head of Funds Management has a direct line of reporting to the NZX Chief Executive as well as a secondary line of reporting to the Boards of Directors of NZX's funds management subsidiaries.

NZX's Chief Operating Officer has a direct line of reporting to NZX's Chief Executive as well as a secondary line of reporting to the Board of Directors of New Zealand Clearing and Depository Corporation Limited in respect of the activities of the NZX Group's clearing house.

Profiles of all the senior managers of NZX are available at www.nzxgroup.com/who-we-are/management-profiles

Insurance and Indemnification

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

Gender and Diversity

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

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

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

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

The gender balance of NZX directors, officers and all permanent employees (excluding officers) for the years ended 31 December 2015 and 2014 was as follows:

	31 DECEMBER 2015		31 DECEMBER 2014	
Directors	Number	%	Number	%
Female	2	33%	2	29%
Male	4	67%	5	71%
Total	**6***	**100%**	**7**	**100%**
Officers**				
Female	2	18%	2	22%
Male	9	82%	7	78%
Total	**11**	**100%**	**9**	**100%**
All employees				
Female	109	46%	86	46%
Male	129	54%	101	54%
Total	**238**	**100%**	**187**	**100%**

* Chairman Andrew Harmos and Hon. Simon Power stepped down from the Board at the Annual Meeting in May. Dr Patrick Strange joined the board at the meeting taking the number of directors from 7 to 6.

** An officer means a person, however designated, who is concerned or takes part in the management of the issuer's business, but excludes a person who does not: (a) report directly to the Board; or (b) report directly to a person who reports to the Board.

The Board has evaluated NZX's performance against its 2015 diversity objectives.

Objective	Evaluation
As part of an annual review the Board will consider whether it has the required skills and experience including diversity of perspectives.	Achieved. In addition to ongoing consideration of composition, the Board commissioned an independent board evaluation.
Key people managers will receive diversity training.	Achieved. Senior management are due to complete refresher training in 2016.
HR metrics on gender and age will be presented to the Board quarterly for their consideration.	Achieved. Further, the Human Resources and Remuneration Committee reviews the diversity policy and its application across all of the organisation.
Management will consider whether there are other measures which may be appropriate for understanding the composition of the NZX workforce and, if such measures are identified, will present these to the Board for its consideration.	Achieved. Although no additional measures have currently been identified, this will continue to be kept under review.
NZX will undertake a review to ensure that remuneration is fair and equitable across all levels of the organisation to minimise inadvertent discrimination.	Achieved. In addition to internal assessments, NZX continued to utilise the services of the Hay Group to provide independent benchmarking at NZX.
During 2015 NZX will undertake the Kenexa Best Places to Work Survey. The following questions will be used to benchmark future progress in this area:	Achieved. These questions were completed in the 2015 and 2014 surveys and the results will be used to benchmark future progress.
This organisation cares about the well-being of its people.	In 2015 the score was 73.7 (2014, 77.4) for this question.
This organisation is an equal opportunities employer.	In 2015 the score was 75.9 (2014, 71.1) for this question.

Governance Policies

As noted above, the Board has adopted a Code of Ethics, Delegated Authority Policy and Diversity Policy. In addition to these policies, the Board has adopted a formal Securities Trading Policy and Conflict Management Policy.

Securities Trading Policy

NZX has adopted a Securities Trading Policy to assist in compliance with insider trading provisions of the Financial Markets Conduct Act 2013. The policy is administered by NZX's Chief Financial Officer. The policy restricts directors and officers trading in a number of ways including:

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

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

Conflict Management Policy

As a licensed market operator, NZX is required to undertake the supervision of the markets that it operates. This dual role as market operator and supervisor may lead to a perception of conflict between NZX's regulatory and commercial functions.

For this reason, it is important for NZX to effectively and demonstrably manage any conflicts that might arise between its commercial and supervisory roles. Accordingly, NZX has developed a Conflict Management Policy. The purpose of this policy is to identify possible conflicts and to describe the processes in place at a management and Board level to manage these and/or the amendments to NZX's regulatory regime proposed to address these.

NZX staff receive training on both securities trading and conflict management periodically. Copies of both policies can be downloaded at www.nzxgroup.com/investor-centre/corporate-governanceNZX

Corporate Governance Best Practice

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

Directors' Responsibility Statement.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZX Limited and its subsidiaries (the "NZX Group") as at 31 December 2015 and the results of their operations and cash flows for the year ended 31 December 2015.

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

The Directors are pleased to present the financial statements of the NZX Group for the year ended 31 December 2015.

The financial statements were authorised for issue for and on behalf of the Directors on 23 February 2016.

J B Miller
Chairman of Directors

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

Financial Statements.

Income Statement

For the year ended 31 December 2015

	Note	2015 $000	2014 $000
Operating revenue			
Securities information		10,558	10,406
Listing fees		13,390	13,155
Other issuer services		770	1,013
Securities trading		4,976	4,424
Participant services		3,526	3,479
Securities clearing		5,365	4,653
Commodities trading		877	1,251
Dairy derivatives		684	254
Agri information		11,690	12,204
Wealth platform fees		689	–
Funds management		9,995	2,716
Market operations		10,631	11,634
Total operating revenue	8	**73,151**	**65,189**
Operating expenses			
Personnel costs		(26,051)	(21,975)
Information technology		(6,242)	(5,828)
Professional fees		(5,599)	(3,437)
Marketing, printing and distribution		(3,549)	(3,827)
Funds expenditure		(2,280)	(1,063)
Other expenses	9	(4,851)	(4,458)
Total operating expenses		**(48,572)**	**(40,588)**
Earnings before net finance income, income tax, depreciation and amortisation, share of profit of associate and gain on sale of associate		**24,579**	**24,601**
Interest income		1,218	615
Interest expense		(1,197)	(407)
Net loss on foreign exchange		149	(121)
Net finance income		170	87
(Loss)/gain on disposal of property, plant and equipment		(29)	42
Depreciation and amortisation expense		(6,990)	(5,490)
Gain on sale of associate	11	11,807	–
Share of profit of associate		411	673
Profit before income tax		**29,948**	**19,913**
Income tax expense	12	(6,076)	(6,802)
Profit for the year		**23,872**	**13,111**
Earnings per share			
Basic (cents per share)	13	9.1	5.1
Diluted (cents per share)	13	9.0	5.1

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

Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 $000	2014 $000
Profit for the year	23,872	13,111
Other comprehensive income recognised through equity		
Foreign currency translation differences	(14)	93
Total other comprehensive income	(14)	93
Total comprehensive income for the year	**23,858**	**13,204**

Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2014		**29,850**	**19,572**	**94**	**49,516**
Profit for the year		–	13,111	–	13,111
Foreign currency translation differences		–	–	93	93
Total comprehensive income for the year		**–**	**13,111**	**93**	**13,204**
Transactions with owners recorded directly in equity:					
Dividends paid	20	–	(11,756)	–	(11,756)
Share based payments	19	313	–	–	313
Non-vesting shares	19	(188)	–	–	(188)
Total transactions with owners recorded directly in equity		**125**	**(11,756)**	**–**	**(11,631)**
Balance at 31 December 2014		**29,975**	**20,927**	**187**	**51,089**
Profit for the year		–	23,872	–	23,872
Foreign currency translation differences		–	–	(14)	(14)
Total comprehensive income for the year		**–**	**23,872**	**(14)**	**23,858**
Transactions with owners recorded directly in equity:					
Dividends paid	20	–	(15,834)	–	(15,834)
Issue of shares	19	10,000	–	–	10,000
Share based contingent consideration	19	5,000	–	–	5,000
Dividend accrued on contingent consideration shares		–	(248)	–	(248)
Share based payments	19	2,341	–	–	2,341
Non-vesting shares	19	(88)	50	–	(38)
Total transactions with owners recorded directly in equity		**17,253**	**(16,032)**	**–**	**1,221**
Balance at 31 December 2015		**47,228**	**28,767**	**173**	**76,168**

Statement of Financial Position

As at 31 December 2015

	Note	2015 $000	2014 $000
Current assets			
Cash and cash equivalents		40,293	20,160
Funds held on behalf of third parties	10	61,786	34,361
Receivables and prepayments	15	11,569	9,522
Total current assets		**113,648**	**64,043**
Non-current assets			
Non-current receivables	15	1,827	–
Investment in associate	11	–	2,930
Property, plant & equipment	16	3,507	2,282
Goodwill	3	35,764	13,233
Other intangible assets	2	39,001	23,363
Total non-current assets		**80,099**	**41,808**
Total assets		**193,747**	**105,851**
Current liabilities			
Funds held on behalf of third parties	10	61,786	34,361
Trade payables	17	5,882	6,305
Other liabilities	18	13,588	11,238
Current tax liability	12	2,113	195
Total current liabilities		**83,369**	**52,099**
Non-current liabilities			
Non-current other liabilities	18	8,272	–
Term loan	7	20,000	–
Deferred tax liability	12	5,938	2,663
Total non-current liabilities		**34,210**	**2,663**
Total liabilities		**117,579**	**54,762**
Net assets		**76,168**	**51,089**
Equity			
Share capital		47,228	29,975
Retained earnings		28,767	20,927
Translation reserve		173	187
Total equity attributable to shareholders		**76,168**	**51,089**
Net tangible assets per share (cents per share)		0.53	5.66

Included within the cash and cash equivalent balance at 31 December 2015 is $20.0 million (31 December 2014: $10.0 million) that is held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

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

Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers		72,688	63,684
Net interest received		178	194
Payments to suppliers and employees		(48,038)	(40,835)
Income tax paid		(6,533)	(6,952)
Net cash provided by operating activities	14	**18,295**	**16,091**
Cash flows from investing activities			
Receipts from associate		850	500
Proceeds from the sale of associate		13,800	–
Cash acquired on acquisiton of subsidiary		59	–
Payments for property, plant and equipment		(2,097)	(1,181)
Payments for intangible assets		(3,440)	(910)
Acquisition of businesses		(11,500)	–
Net cash used in investing activities		**(2,328)**	**(1,591)**
Cash flows from financing activities			
Proceeds from term loans		20,000	–
Dividends paid	20	(15,834)	(11,756)
Net cash provided by/(used in) financing activities		**4,166**	**(11,756)**
Net increase in cash and cash equivalents		**20,133**	**2,744**
Cash and cash equivalents at the beginning of the year		**20,160**	**17,416**
Cash and cash equivalents at the end of the year		**40,293**	**20,160**
Cash comprises:			
Cash at bank		32,793	12,660
Bank deposits		7,500	7,500
Net cash and cash equivalents and bank overdraft		**40,293**	**20,160**

Included within the cash and cash equivalent balance at 31 December 2015 is $20.0 million (31 December 2014: $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.

Of the $20.0 million proceeds from term loans, $10.0 million was used to fund the acquisition of SuperLife Limited, with the remaining $10.0 million used to fund the $10.0 million increase in Clearing House risk capital. In addition to the $10.0 million cash payment for the purchase of SuperLife Limited, $10.0 million of NZX shares were issued to the vendors, refer to note 6.

Notes to the Financial Statements.

For the year ended 31 December 2015

1. Reporting entity and statutory base

Reporting entity

These financial statements are for NZX Limited (the "Company" or "NZX") and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed and its ordinary shares are quoted on the NZX Main Board.

Basis of preparation

These are the Group financial statements for the year ended 31 December 2015. They 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 measurement basis adopted in the preparation of these financial statement is historical cost, modified by the revaluation of certain financial instruments as identified in the accompanying notes. 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.

Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries. Consistent accounting policies across the parent and all subsidiaries and associates 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, management rights 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.

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 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

Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

There are no new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the Group.

Accounting 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. The principal areas of judgement, including information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, for the Group in preparing these financial statements are set.

- note 2 – intangible assets
- note 3 – goodwill
- note 21 – share based payments

2. Intangible assets

Intangible assets are initially measured at cost. The direct costs associated with the development of software and website assets for internal use are capitalised where success is probable and the capitalisation criteria of NZX's accounting policy and NZ IFRS are met. The cost of intangible assets acquired in a business combination is their fair value at the date of the acquisition. Intangible assets with a finite life are amortised from the date the asset is ready for use on a straight-line basis over its estimated life which is as follows:

• Software and websites	3 – 9 years
• Management rights	20 years

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. This is outlined in note 4.

Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated.

	Software and websites $000	Brands, Trademarks and rights to use Brands $000	Data archives, customer lists, databases, and other IP $000	Management rights $000	Intangible work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2014	**36,971**	**8,318**	**3,132**	**2,344**	**258**	**51,023**
Additions	238	–	–	–	762	1,000
Disposals	(191)	(412)	–	–	–	(603)
Transfer from WIP	636	–	–	–	(636)	–
Balance at 31 December 2014	**37,654**	**7,906**	**3,132**	**2,344**	**384**	**51,420**
Additions	–	–	255	–	3,263	3,518
Disposals	(133)	–	–	–	–	(133)
Acquired on acquisition of businesses	2,273	–	–	15,772	–	18,045
Transfer from WIP	1,276	–	–	–	(1,276)	–
Balance at 31 December 2015	**41,070**	**7,906**	**3,387**	**18,116**	**2,371**	**72,850**
Accumulated amortisation & impairment						
Balance at 1 January 2014	**18,982**	**5,171**	**–**	**–**	**–**	**24,153**
Amortisation expense	4,193	223	–	–	–	4,416
Disposals	(100)	(412)	–	–	–	(512)
Balance at 31 December 2014	**23,075**	**4,982**	**–**	**–**	**–**	**28,057**
Amortisation expense	5,016	–	–	789	–	5,805
Disposals	(13)	–	–	–	–	(13)
Balance at 31 December 2015	**28,078**	**4,982**	**–**	**789**	**–**	**33,849**
Net book value						
As at 31 December 2014	**14,579**	**2,924**	**3,132**	**2,344**	**384**	**23,363**
As at 31 December 2015	**12,992**	**2,924**	**3,387**	**17,327**	**2,371**	**39,001**

3. Goodwill

	2015 $000	2014 $000
Carrying amount		
Balance at beginning of the year	13,233	13,233
Acquired on acquisition of SuperLife Limited	20,730	–
Acquired on acquisition of Apteryx business	1,494	–
Acquired on acquisition of other business	307	–
Balance at end of the year	**35,764**	**13,233**

A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors. For the year ended 31 December 2015, the directors have reviewed the carrying value of goodwill for impairment and determined that no impairment exists. A description of the impairment tests carried out and the key assumptions used is set out in note 4.

4. Impairment tests

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

A summary of the CGU's to which intangible assets have been allocated as at 31 December 2015 is outlined below:

	Software and websites $000	Other finite life intangible $000	Indefinite life intangible $000	Work in progress $000	Total other intangible assets $000	Goodwill $000	Total $000
Cash generating unit							
Clearing House	5,270	–	–	1,496	**6,766**	–	**6,766**
Agri	207	–	2,742	–	**2,949**	2,488	**5,437**
Grain Information Unit	401	–	1,971	–	**2,372**	3,009	**5,381**
Clear Grain Exchange	1,267	–	–	–	**1,267**	–	**1,267**
Funds management	914	14,983	2,344	155	**18,396**	20,730	**39,126**
Energy	144	–	–	26	**170**	7,720	**7,890**
Direct data	–	–	–	–	**–**	323	**323**
Other							
Other intangible assets	688	–	1,598	10	**2,296**	–	**2,296**
Other computer software	4,101	–	–	684	**4,785**	1,494	**6,279**
	12,992	**14,983**	**8,655**	**2,371**	**39,001**	**35,764**	**74,765**

Impairment test

For the year ended 31 December 2015, the Directors have reviewed all intangible assets for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other factors as appropriate to the asset being tested. All impairment tests have been undertaken on a value in use basis.

Key assumptions used in the calculation of recoverable amounts in discounted cash flow analysis are consistent with those used and disclosed in the financial statements for the year ended 31 December 2014 unless indicated otherwise. Discounted cash flow analysis using a forecast period of 5 years for all CGUs other than Energy where a forecast period of 11 years was used to match the contractual period (including extensions). The analysis also used an independently assessed WACC of 10.4% for New Zealand CGUs and 12.3% for Australian CGUs (and were stress tested at higher rates). A terminal growth rate of 2.0% pa has been used to extrapolate cash flow projections beyond five years in New Zealand and 2.5% pa in Australia. Management has assessed the long term economic outlook data available, and assessed that the use of a 2% pa and 2.5% pa terminal growth rate in 2015 were appropriate, whereas in the prior year a 3% rate had been used. Where relevant, EBITDA multiples were used to cross-check the discounted cash flow analysis for established businesses.

The review of the carrying values of goodwill and intangible assets has determined that all the CGUs have recoverable amounts exceeding their carrying values. Therefore no impairment charges are required for the year ended 31 December 2015. Further information on specific assumptions underlying CGU discounted cash flow analysis is set out below.

a) Clearing House

Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows for this CGU are dependent is the future revenue growth rate. Future revenue growth is dependent on growth in equity and dairy derivatives markets. Growth in equity markets has been forecast based on historical growth rates, while dairy derivatives are expected to trade within a range of 5% to 25% (2014: 5% to 25%) of their respective underlying markets by the end of the forecast period (currently this range is 0% to 5%). This assumption is based on trading statistics for similar derivative products in overseas markets.

b) Agri and Grain Information Unit

Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows for the Agri and Grain Information unit CGU are dependent is the future revenue growth rate which is assumed to be 2.0% during the explicit forecast period for Agri and 2.5% for Grain Information Unit. The Company considers this reasonable based on historical experience. The value of the Agri information business was cross checked against the EBITDA multiples of listed media entities. The 31 December 2016 implied multiple was 3.9x compared to market multiples of 3.2x to 7.9x.

c) Clear Grain Exchange (CGX)

The revenues generated by CGX are directly related to the fees charged per tonne, and the number of tonnes traded. To assess the appropriateness of the carrying value of the CGX CGU significant emphasis was placed, in particular, on the long-run assumptions. To support CGX's carrying value on the Group balance sheet, the CGX business is expected to need to achieve market share around 5.0% (2014: 5.0%) for new market segments it is entering into, and 10% (2014: 14.3%) in the market segments operated in by GrainCorp Operations Limited ("GrainCorp") with which NZX has a formal operating agreement in place. GrainCorp markets currently provide the majority of CGX's revenue. The operating arrangement between CGX and GrainCorp is governed by an agreement which expires on 30 October 2017.

d) Funds management

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 apply indefinitely. Additionally the acquisition of SuperLife Limited has resulted in additional management rights acquired of $15,772,000, which are held in the Group accounts as a finite life asset to be amortised over 20 years and goodwill of $20,730,000. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future level of funds under management which is assumed to grow between 6.0% pa to 11.0% pa during the explicit forecast period.

e) Energy

The carrying value of the Energy CGU is comprised mainly of a goodwill amount of $7,720,000. This business has a significant reliance on service provider contracts it has in place with the Electricity Authority ("EA") which were renewed in late 2015 for the eight year period 1 May 2016 to April 2024. As a result of this renewal, NZX has certainty of minimum cash flows to be received over the next eight years which, and along with additional uncontracted consulting revenue, support the current carrying value of the CGU.

5. Segment reporting

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

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

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

The Group also utilises a shared asset base, with assets and liabilities not specifically allocated to the reportable segments, with the exception of intangible assets and goodwill. Intangible assets and goodwill are allocated to the reportable segments to which these assets relate. There have been no changes to the allocation of intangible assets and goodwill to reportable segments since the last financial year.

Segmental information for the year ended 31 December 2015

	Capital markets $000	Soft commodities $000	Agricultural information $000	Funds services $000	Market operations $000	Other $000	Total $000
Revenue	38,585	1,561	11,690	10,684	10,631	–	73,151
Unallocated expenditure	–	–	–	–	–	(48,572)	(48,572)
Total segment result	**38,585**	**1,561**	**11,690**	**10,684**	**10,631**	**(48,572)**	**24,579**
Segment assets:							
Goodwill	323	–	5,498	22,223	7,720	–	35,764
Other intangible assets	11,350	1,918	5,209	19,747	170	607	39,001
Total segment assets	**11,673**	**1,918**	**10,707**	**41,970**	**7,890**	**607**	**74,765**
Unallocated assets:							
– Cash and cash equivalents	–	–	–	–	–	40,293	40,293
– Other assets	–	–	–	–	–	78,689	78,689
Unallocated liabilities	–	–	–	–	–	(117,579)	(117,579)
Net assets	**11,673**	**1,918**	**10,707**	**41,970**	**7,890**	**2,010**	**76,168**

Segmental information for the year ended 31 December 2014

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

Geographical information

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

	2015 $000	2014 $000
Revenue		
New Zealand	59,838	53,483
Australia	6,402	4,764
Other	6,911	6,942
Total revenue	**73,151**	**65,189**
Non-current assets		
New Zealand	75,886	37,814
Australia	4,213	3,994
Total non-current assets	**80,099**	**41,808**

6. Acquisition of businesses

Acquisition of SuperLife Limited

On 16 January 2015 NZX acquired 100% ownership of SuperLife Limited ("SuperLife"), a provider of superannuation, KiwiSaver, and managed investments products with approximately $1.2 billion in funds under management at that date. The effective date of acquisition was 1 January 2015.

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

In the year ended 31 December 2015 SuperLife contributed revenue of $6.4 million and profit after tax of $1.7 million to the Group's results.

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

Consideration transferred/payable

	Note	$000
Cash		10,000
Equity instruments (being 8,264,463 ordinary shares)		10,000
Contingent equity consideration (being 4,132,232 ordinary shares)	27	5,000
Present value of contingent cash consideration		7,931
Total consideration		**32,931**

Equity instruments issued

The value of the ordinary shares issued was based on the volume weighted average price during the 20 business days prior to 8 December 2014 (the date of the sale and purchase agreement), with the issue price being $1.21 per ordinary share. These shares were subject to a lock up period of 12 months that expired on 16 January 2016.

Contingent consideration

In addition to the initial consideration of $20 million, the sale and purchase agreement provides for additional consideration of up to $15.0 million dependent on the retention and growth of SuperLife's Funds Under Management (FUM) over a three year period ending 31 December 2017. These further payments, if targets are achieved, will be $5.0 million of NZX ordinary shares at an issue price of $1.21 per share and up to $10.0 million in cash. The $5.0 million of NZX ordinary shares have been issued as per note 27.

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

Based on the expected probabilities of achieving the earnout, taking into account historic growth rates, the Group has accrued for 90% of the $10.0 million of contingent consideration that will be paid at the end of the three year period if the 11% growth target is met. The contingent cash consideration shown in the table of consideration transferred above is based on the present value of this amount.

The allocation of the purchase price to the identifiable assets acquired and liabilities assumed is set out in the table below.

Identifiable assets acquired and liabilities assumed

	$000
Cash and cash equivalents	59
Trade and other receivables	100
Property, plant and equipment	79
Management rights	15,772
IT systems	1,099
Deferred tax liability	(4,724)
Trade and other payables	(184)
Total identifiable net assets acquired	**12,201**
Less total consideration paid/payable	(32,931)
Goodwill	**20,730**

Acquisition-related costs

NZX incurred acquisition-related costs of $426,000 related to consultancy, legal fees and due diligence costs. $342,000 of these acquisition-related costs were included in the 2014 Income Statement within professional fees and the balance of $84,000 of these acquisition-related costs are included in the current period's Income Statement.

Acquisition of Apteryx business

On 7 August 2015 NZX completed its acquisition of the Apteryx business, which is a provider of funds administration platforms for an initial consideration of $1.5 million.

In the year ended 31 December 2015 the Apteryx business contributed revenue of $0.69 million and a loss after tax of $0.24 million to the Group's results.

The following table summaries the cash consideration paid and payable under this acquisition, along with the allocation of this purchase price to the identifiable assets acquired and liabilities assumed at the acquisition date.

	$000
Property, plant and equipment	224
IT systems	1,176
Trade and other payables	(189)
Total identifiable net assets acquired	**1,211**
Less total consideration paid/payable	(2,705)
Goodwill	**1,494**

Contingent consideration

In addition to the initial consideration of $1.5 million, the sale and purchase agreement provides for additional consideration of up to $2.5 million dependent on the level of Funds Under Administration and monthly operating revenue at September 2016. Up to $2.5 million in cash will become payable at 30 September 2016 if the business has Funds Under Administration of $3.0 billion and monthly revenue of $0.25 million, with this amount reducing over a six month period to nil if these two targets are not met by 31 March 2017.

Based on the expected probabilities of achieving the earnout, the Group has accrued for 50% of the $1.5 million of contingent consideration that will be paid. The contingent cash consideration shown in the table of consideration transferred above is based on the present value of this amount.

Acquisition-related costs
NZX incurred acquisition-related costs of $55,000 related to legal fees which are included within professional fees in the current year's Income Statement.

7. Term loan

	2015 $000	2014 $000
Current	-	-
Non-current	20,000	-
Total term loans	**20,000**	**-**

The $20.0 million term loan has an expiry date of 16 January 2019. The facility is unsecured and contains two financial covenants which have been met throughout the year:

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

- The ratio of EBITDA to interest shall exceed 4.0 times.

The weighted effective interest rate at 31 December 2015 was 3.62%.

8. Operating revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to NZX and the revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The specific revenue recognition criteria for the classes of revenue are as follows:

i) Capital markets

Capital markets revenue includes five broad categories:

(1) Securities information revenue is recognised over the period the service is provided.

(2) Issuer services, which consists of revenue from annual listing fees, initial listing fees, subsequent capital raisings and regulatory services. Initial and subsequent listing fees are recognised when the listing or subsequent capital raising event has taken place. Annual listing fees are billed on 30 June for the following 12 month period and are recognised on a straight line basis over this 12 month period. Fees for regulatory services are recognised when the service is provided.

(3) Trading fees from the trading of debt and equities securities, are recognised at trade date.

(4) Participant services, which consist of annual participant fees and initial participant fees. Initial participant fees are recognised when the participant's application has been approved. Annual participant fees are billed on 30 June for the following 12 month period and are recognised on a straight line basis over this 12 month period.

(5) Fees for debt and equity clearing and settlement, which are recognised at settlement date (currently three days after initial trade date).

ii) Soft commodities markets

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

iii) Agricultural information

Agricultural information revenue consists of subscriptions and advertising fees. Subscription revenues are recognised on a straight line basis over the subscription period. Advertising revenues are recognised when the advertisement is published.

iv) Funds services

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

v) Market operations

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

	2015 $000	2014 $000
Securities information	10,558	10,406
Listing fees	13,390	13,155
Other issuer services	770	1,013
Securities trading	4,976	4,424
Participant services	3,526	3,479
Securities clearing	5,365	4,653
Commodities trading	877	1,251
Dairy derivatives	684	254
Agri information	11,690	12,204
Wealth platform fees	689	–
Funds management	9,995	2,716
Market operations	10,631	11,634
Total operating revenue	**73,151**	**65,189**

9. Operating expenses

	2015 $000	2014 $000
Personnel costs	(26,051)	(21,975)
Information technology	(6,242)	(5,828)
Legal expenses	(3,604)	(1,751)
Other professional fees	(1,995)	(1,686)
Marketing, printing and distribution	(3,549)	(3,827)
Funds expenditure	(2,280)	(1,063)
Operating lease rental expense	(1,421)	(1,179)
Directors' fees	(406)	(469)
Remuneration paid to Group auditors	(306)	(237)
Remuneration paid to other auditors	(3)	(3)
Other expense	(2,715)	(2,570)
Total operating expense	**(48,572)**	**(40,588)**

The directors' fees have declined this year as the number of board members has reduced from 7 to 6 following the Annual Meeting in May 2015. 2014 also included director fees paid to independent directors on the Clearing House board who resigned in September 2014.

Legal expenses for the current year includes $3.1 million (2014: $1.0 million) incurred in relation to the Ralec litigation, refer to note 25.

Remuneration paid to Group auditors

	2015 $000	2014 $000
Audit and review of NZX Group and subsidiary statutory financial statements	(134)	(121)
Audit of statutory financial statements for Funds managed by Smartshares Limited, an NZX subsidiary	(104)	(39)
Total audit fees	**(238)**	**(160)**
Trust account reporting for Energy Clearing House	–	(10)
Prospectus extraction reports and operation reviews for Funds managed by Smartshares Limited	(29)	(32)
Annual operational audit of the Clearing House	(34)	(30)
Annual depository assurance engagement of New Zealand Depository Limited	(5)	(5)
Total other audit related services	**(68)**	**(77)**
Total fees paid to the auditor	**(306)**	**(237)**

10. Funds held on behalf of third parties

	2015 $000	2014 $000
Bond deposits	1,346	1,296
Collateral deposits	55,287	25,462
Funds held on behalf of clients	5,153	7,603
	61,786	**34,361**

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

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

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

11. Investment in associate

During the year the Group sold its 50% stake in Link Market Services Limited to the other 50% shareholder for $14.3 million. The net sale proceeds is comprised of:

- $13.8 million was the initial consideration received on settlement on 30 June 2015.
- $173,000 is a further amount receivable as a purchase price adjustment following the finalisation of the settlement accounts for Link Market Services.
- $450,000 is receivable in the second half of 2016 depending on Link Market Services financial performance over the 12 month period to 30 June 2016.
- The Group is liable to issue shares to the value of $125,000 as a retention amount in respect of key employees of Link Market Services in three years time if these employees remain with Link at that time.

The Group has assessed that the requirements for these payments to be made are expected to be achieved.

	2015 $000	2014 $000
Disposal of associate		
Proceeds from sale of associate	14,298	–
Less carrying value	(2,491)	–
Gain on sale of associate	**11,807**	**–**

12. Taxation

(a) Income tax expense recognised in profit or loss

	2015 $000	2014 $000
Tax expense comprises:		
Current tax expense	7,507	6,225
Prior period adjustment	47	958
Deferred tax relating to the origination and reversal of temporary differences	(1,478)	(381)
Total tax expense	**6,076**	**6,802**

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:

	2015 $000	2014 $000
Profit before income tax expense	29,948	19,913
Income tax calculated at 28%	**(8,385)**	**(5,576)**
Non-deductible expenses	(1,398)	(652)
Non-taxable gain on sale of associate	3,306	–
Equity accounted earnings of associate	115	189
	(6,362)	**(6,039)**
Under provision of income tax in prior year	(45)	(958)
Tax credits	331	195
	(6,076)	**(6,802)**

(b) Current tax liabilities

	2015 $000	2014 $000
Balance at beginning of the year	(195)	(975)
Current year charge	(7,507)	(6,225)
Prior period adjustment	(944)	53
Tax paid	6,533	6,952
Balance at end of year	**(2,113)**	**(195)**

(c) Deferred tax liability

	2015 $000	2014 $000
Balance at beginning of the year	(2,663)	(3,025)
Current year movement	1,478	381
Deferred tax on acquisition	(4,724)	–
Prior period adjustments	(29)	(19)
Balance at end of year	**(5,938)**	**(2,663)**
Deferred tax balance comprises:		
Employee entitlements	761	467
Doubtful debts	85	78
Property, plant and equipment, and software	(6,920)	(3,349)
Other	136	141
	(5,938)	**(2,663)**

(d) Imputation credit account

	2015 $000	2014 $000
Imputation credits available for use in subsequent reporting periods	**14,830**	**10,128**

13. Earnings per share

Basic earnings per share at 31 December 2015 is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period. An adjustment to take into account the shares issued under the shares plans is made to weighted average number of shares used in the calculation of the diluted earnings per share at 31 December 2015.

(a) Basic earnings per share

	2015	2014
Profit for the year ($000)	23,872	13,111
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	263,539	255,579
Basic earnings per share (cents per share)	**9.1**	**5.1**

(b) Diluted earnings per share

	2015	2014
Profit for the year ($000)	23,872	13,111
Weighted average number of ordinary shares for the purpose of earnings per share (in thousands)	263,941	256,068
Fully diluted earnings per share (cents per share)	**9.0**	**5.1**

14. Bank overdraft and cash flow reconciliation

(a) Bank overdraft facility

The Group has access to an overdraft facility which was established in 2015 to allow the Group flexibility in its working capital management. The facility limit is $10.0m and has no fixed expiry date. The bank may cancel the facility by giving 30 days written notice. The effective interest rate of the facility at 31 December 2015 was 4.15% (2014: 5.09%).

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

	2015 $000	2014 $000
Profit for the year	**23,872**	**13,111**
Share of profit of associate	(411)	(673)
Gain on sale of associate	(11,807)	–
Share based payment bonus accrual	653	125
Non cash interest expense on investing activity	343	–
Depreciation and amortisation expense	6,990	5,490
	(4,232)	**4,942**
(Increase) in receivables and prepayments	(1,324)	(2,489)
Increase in trade payables and other liabilities	436	437
Increase in current tax liability	992	452
(Decrease) in deferred tax liability	(1,449)	(362)
	(1,345)	**(1,962)**
Net cash provided by operating activities	**18,295**	**16,091**

15. Receivables and prepayments

Receivables and prepayments are initially recognised at the fair value of the amounts to be received. They are subsequently measured at amortised cost (using the effective interest method) less impairment losses, if any.

	2015 $000	2014 $000
Trade receivables	7,022	7,451
Provision for doubtful debts	(302)	(278)
	6,720	**7,173**
Sundry debtors	2,013	860
Prepayments	2,094	1,358
Accrued proceeds for disposal of Link Market Services	623	–
Accrued interest	90	59
Accrued income	29	72
Total current receivables and prepayments	**11,569**	**9,522**
Financial asset - non current amount	1,827	–
Total receivables and prepayments	**13,396**	**9,522**

The non current financial asset at 31 December 2015 represents the loan owed by the CEO under the CEO share plan, as described in note 21.

(a) Movement in provision for doubtful debts

The Company maintains a provision for doubtful debts when there is objective evidence of its customers being unable to make required payments and also makes a provision for doubtful debts on all balances greater than 90 days overdue which have not been subject to review.

	2015 $000	2014 $000
Balance at beginning of the year	(278)	(283)
Amounts written off during the year	54	30
(Increase)/decrease in provision recognised in profit or loss	(78)	(25)
Balance at end of the year	**(302)**	**(278)**

16. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. The cost of assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended use.

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
- Motor vehicles 3 years

	Computer equipment $000	Furniture and equipment $000	Leasehold improvements $000	Motor vehicles $000	Capital work in progress $000	Total $000
Net book balue at 1 January 2015	**1,015**	**428**	**574**	**70**	**195**	**2,282**
Additions during the year	449	531	173	29	1,263	2,445
Transfers from WIP during the year	29	–	1,408	–	(1,437)	–
Depreciation expense for the year	(702)	(214)	(215)	(54)	–	(1,185)
Disposals during the year	–	–	(35)	–	–	(35)
Net book value at 31 December 2015	**791**	**745**	**1,905**	**45**	**21**	**3,507**

17. Trade payables

Trade payables and accruals are initially recognised at fair value less transaction costs (if any). They are subsequently measured at amortised cost using the effective interest method.

	2015 $000	2014 $000
Trade payables	248	271
Goods and services tax payable	727	1,199
Accrued expenses	4,807	4,777
Accrued interest	100	58
	5,882	**6,305**

18. Other liabilities

	2015 $000	2014 $000
Employee benefits	4,430	3,523
Unearned income	7,860	7,715
Deferred consideration payable on Apteryx acquisition	1,223	–
Earn out accrual	75	–
Total current other liabilities	**13,588**	**11,238**
Non current – deferred consideration on SuperLife acquisition	8,272	–
Total other liabilities	**21,860**	**11,238**

19. Shares on issue

The Company had 263,919,546 fully paid ordinary shares as at 31 December 2015 (2014: 255,613,669 fully paid ordinary shares). The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings. Included within this total is 1,575,000 fully paid ordinary shares (2014: 1,575,000 fully paid ordinary shares) issued under the CEO Share Plan as outlined in note 21.

At 31 December 2015 the Company has 315,889 restricted shares (2014: 496,254 restricted shares) on issue under the NZX Limited employee share plan - Team and Results held by entities within the Group. All shares issued under the employee share plan are subject to transfer conditions and eligibility criteria before they are able to vest as ordinary shares. Until those transfer conditions and/or eligibility criteria are met, none are quoted on the NZX Main Board.

Movement in share capital

	Number	$000
Balance at 1 January 2014	**255,572,949**	**29,850**
Issue of fully paid ordinary shares	40,720	49
Share based payments	–	264
Non-vesting shares	–	(188)
Balance at 31 December 2014	**255,613,669**	**29,975**
Issue of fully paid ordinary shares	8,305,877	10,000
Share based contingent consideration accrued	–	5,000
Share based payments	–	2,341
Non-vesting shares	–	(88)
Balance at 31 December 2015	**263,919,546**	**47,228**

20. Dividends

		2015		2014	
	For year ended	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid					
March 2014	31 Dec 13			1.60	4,089
September 2014	31 Dec 14			3.00	7,667
March 2015	31 Dec 14	3.00	7,916		
September 2015	31 Dec 15	3.00	7,918		
Total dividends paid for the year		**6.00**	**15,834**	**4.60**	**11,756**

Refer to note 27 for details of the second half 2015 dividend.

21. Share based payments

(a) CEO Share Plan

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

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

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

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

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

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

The Board has determined that it is likely the performance hurdle will not be met and has accordingly recognised a loan to the CEO as a non current receivable with a corresponding increase in equity in accordance with the terms of the scheme.

(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 offers selected employees ("Participants") non-participating redeemable shares ("Restricted Shares") which will be reclassified as NZX ordinary shares at the completion of the term of the Team and Results Plan, subject to certain eligibility and transfer conditions.

The Team component of the Team and Results Plan is offered on terms of one, two or three years, whereas the Results component of the Team and Results Plan is offered on terms of three years.

If the eligibility or transfer conditions are not met, the Restricted Shares are redeemed by NZX. The proceeds from the redemption of the Restricted Shares will be applied in repayment of the Loan, which will discharge any obligation on the Participant to repay the Loan. Following redemption, the Participant will not receive any entitlements, such as distributions or dividends, issued in respect of the Restricted Shares. The effect of this is that the Participant receives no shares or cash and the Loan is repaid.

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

	Number of shares	Average share price $
Balance at 1 January 2014	**374**	**0.95794**
Shares issued	519	1.23988
Shares transferred to NZX employees	(41)	1.20732
Redemptions	(356)	0.95225
Balance at 31 December 2014	**496**	**1.23589**
Shares transferred to NZX employees	(41)	1.34146
Redemptions	(139)	1.25899
Balance at 31 December 2015	**316**	**1.21203**

Total financial assistance provided by NZX under the CEO and employee share plans as at 31 December 2015 was $2,257,250 (2014: $2,487,250).

22. Financial instruments

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

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

The NZX Group undertakes securities clearing and settlement activities for the listed equities, debt and derivatives markets through its clearing house New Zealand Clearing and Depository Corporation Limited (NZCDC or the "Clearing House"). These activities expose NZCDC and the NZX Group to several significant financial risks. Management of these risks is the responsibility of the Board of Directors of NZCDC. The NZCDC Board reports to the main NZX Board on a regular basis on its risk management activities.

The specific financial risks faced by the Group, the way in which they are managed and their impact on the financial statements are discussed below.

(a) Credit risk

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. Credit risk arises from three principal sources:

- Receivables from customers arising in the normal course of business;
- Investment of surplus cash and Clearing House risk capital with financial institutions;
- Credit risk arising from the activities of the Clearing House, which is discussed separately in section (h).

Excluding Clearing House activities, NZX has no significant concentrations of credit risk from general customers, with balances receivable spread across a broad portfolio of customers. NZX does not require collateral to be provided against receivables incurred in the ordinary course of business, although listed issuers and participants in NZX's equity and debt markets are required to provide a bond that may be called upon in the event of default on financial obligations.

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

	2015 $000	2014 $000
Not past due	5,148	5,497
Past due 0 – 30 days	540	763
Past due > 30 days	1,334	1,191
	7,022	**7,451**

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

	2015 $000	2014 $000
Gross trade receivables	7,022	7,451
Individual impairment	(155)	(138)
Collective impairment	(147)	(140)
	6,720	**7,173**

The movement in the allowance for impairment in respect of trade and other receivables during the year is set out in note 15(a).

For investment of risk capital and surplus cash balances, NZX follows a treasury policy that requires investments to be held only with high credit quality counterparties and sets limits on NZX's exposure to individual counterparties. The counterparty limits are as follows:

- 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).

(b) Foreign exchange risk

NZX primarily derives revenues and incurs expenses in local currencies (NZD for New Zealand operations and AUD for Australian operations). In a minority of cases however, receipts and payments are in foreign currencies (principally USD). NZX utilises foreign currency receipts to offset purchases denominated in foreign currencies. The Company determines forward exposures, and considers these in line with internal policies and procedures. It may enters forward exchange agreements to keep any exposure to an acceptable level, though no such contracts were considered necessary in the current or prior financial year. Monetary assets and liabilities are kept to an acceptable level by buying or selling foreign currencies at the spot rate.

Foreign exchange risk also arises on the translation of NZX's investment in its Australian operations and intercompany balances between the parent and these entities. NZX does not attempt to hedge this risk.

(c) Interest rate risk

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

The group's investment assets, particularly those designated as risk capital, are generally required to be readily convertible into cash. These are therefore invested in short term interest bearing assets or held as bank deposits at floating rates of interest. This reduces the risk of movements in the market value of financial investments, but increases the group's exposure to changes in cash flows as a result of shot term movements in interest rates.

During 2015, the group drew down $20 million of term debt. $10 million of this was to fund the acquisition of SuperLife Limited, while $10 million was to provide for additional risk capital in the Clearing House. The interest period for the debt utilised to provide risk capital is set to match as closely as possible the interest period for the related short term investments in which the risk capital is held, thus minimising the net interest rate risk to the Group.

As at balance date, none of the Group's investments or term debt were subject to interest periods of greater than three months.

An analysis of the sensitivity of the Group's earnings to movements in interest rates is shown below. As at both 31 December 2015 and 2014 the Group's interest bearing assets exceeded its interest bearing liabilities, hence an increase in interest rates would have had a positive impact on earnings.

	2015 $000	2014 $000
Effect on net interest income:		
1% increase in interest rate	398	328
1% decrease in interest rate	(398)	(328)

This above information is calculated using the Group's cash balances (less the $20.0 million held as risk capital for Clearing House), the Group's term debt, and the bank balances of $18.2 million (2014: $11.3m) held by the Funds managed by the Group's subsidiary, Smartshares Limited. The Funds' bank balances are included in Smartshares Limited as the manager of these Funds is entitled to interest on amounts held in respect of distributions received (including distributions in respect of securities on loan under any securities lending programme undertaken by the Fund), interest earned on monies in the Regular Savings Plan and cash application account.

(d) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to realise its assets on a sufficiently timely basis to meet its financial liabilities as they fall due. Liquidity risk arises from the general activities of the Group as well as in specific situations in the operation of the Clearing House. Clearing House liquidity risk is discussed in section (h).

The Group manages its general liquidity risk by maintaining adequate cash reserves, maintaining a sufficient term to maturity for its term borrowings and maintaining adequate overdraft facilities to provide it the flexibility to absorb predicted variability in cash flows. It continuously monitors forecast and actual cash flows to assist with determining the appropriate levels of cash reserves and borrowing capacity.

The table below summaries the Group's exposure to liquidity risk based on the undiscounted contractual cash flows and maturities of term debt.

	Total contractual cash flows $000	Less than 1 year $000	1–2 years $000	2–5 years $000	More than 5 years $000
Term loan	(21,448)	(724)	(20,724)	–	–

(e) Accounting classification and fair values

The fair value of the financial instruments, which comprise cash and cash equivalents, funds held on behalf of third parties, receivables, trade payables, other liabilities and term loans, approximates their carrying amounts in these accounts.

(f) 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).

(g) Energy Clearing House

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

At 31 December 2015, 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 $9,743,875 cash held from such deposits at 31 December 2015 (2014: $8,712,619).

(h) Clearing House counterparty credit risk

The Clearing House acts as a central counterparty to trades on NZX's securities and derivatives markets. Trades that enter the Clearing House are immediately novated such that the Clearing House becomes the buyer to every sell trade and the seller to every buy trade. As buy and sell settlement transactions that are novated to the Clearing House offset each other, the Group is not directly exposed to price movements in the underlying equities or derivatives.

For the period between trade date and settlement date, the Clearing House is exposed to credit risk on the buy trade as participants could default on their obligations to deliver cash in exchange for the securities acquired by the Clearing House on the buy side of the trade.

Should the buying participant fail to deliver cash, the Clearing House must still meet its obligation to buy the securities from the selling participant. In this instance the Clearing House is subject to liquidity risk as it may be unable to realise sufficient cash to pay for the securities it is acquiring.

If the buying participant defaults on its obligation to deliver cash and the Clearing House acquires the securities, it then becomes exposed to market price risk on the securities acquired. If the price of the securities falls, the Clearing House would incur a loss on the disposal of those securities.

Credit risk
Counterparty credit risk is managed primarily managed in two ways. Firstly, through imposing requirements on participants, including minimum capital adequacy requirements, that aim to ensure that participants maintain sufficient capital and liquidity to meet their obligations to the Clearing House on an ongoing basis. Secondly, through calculating margin requirements on participants' open positions and requiring participants to post this margin as collateral as security for the trades. Margin requirements are calculated for each participant based on that participant's unsettled transaction in each security. Margin rates for each security are based on the underlying characteristics of the security and its price volatility. Margin requirements are calculated on a daily basis using current market prices. Each day, margin requirements are compared to collateral held and a margin call made where necessary. Participants are then required to post additional eligible collateral. Eligible collateral includes cash, bank performance bonds, and securities (including NZ and US government securities and NZX50 listed securities). Securities provided as collateral are subject to a prudential value discount, commonly referred to as a "haircut".

The Group is also exposed to counterparty credit risk through New Zealand Clearing Limited ("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.

Liquidity risk
Liquidity risk is managed through a combination of the collateral held from participants, the Clearing House's own cash reserves and a specific liquidity facility which provides short term liquidity in the event of a participant default.

Collateral from the defaulting participant would be applied towards meeting the settlement obligations on the other side of the trade. The Clearing House also holds risk capital in cash and highly liquid investments, which is available to meet the buy side obligations of defaulted transactions. As at 31 December 2015 the Clearing House held risk capital of $20 million (31 December 2014 $10 million). Finally, on 30 December 2014 the Clearing House entered into an agreement with a major New Zealand fund manager to provide liquidity support in the form of $50m of securities or cash. Use of this facility is limited to situations where a participant default has occurred. The Clearing House may access the facility to obtain liquidity in the form of securities or cash, collateralised against cash or eligible securities provided by the Clearing House to the Fund Manager. The facility is for an initial term of two years ending December 2016.

Market risk
The risk that the Clearing House will realise a loss from liquidating securities that it becomes the owner of as a result of a participant default is managed by maintaining sufficient participant collateral and risk capital to absorb projected losses. Any losses incurred are initially funded from the defaulting participant's margin collateral. Should this be insufficient to cover the losses, then these must be met from the Clearing House's own risk capital. The Clearing House regularly stress tests clearing participant exposures against the total amount of margin collateral and risk capital resources.

Clearing balances outstanding
As at 31 December 2015, NZCL has a right to receive $13.872 million (2014: $15.129 million) from Clearing Participants and an obligation to pay $13.872 million (2014: $15.129 million) to Clearing Participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2015. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2015 was $111.193 million (2014: $75.511 million). In addition, at 31 December 2015, the total value of outstanding securities loans was $5.205 million (2014: $2.176 million) and the absolute notional value of open derivative contracts was US$57.560 million (2014: US$23.070 million).

Cash collateral held to cover these outstanding settlement positions at 31 December 2015 was $35.542 million (2014: $25.462 million). In addition, at 31 December 2015 an additional $5.5 million collateral (2014: $5.5 million) was held by way of performance bonds.

23. 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:

	2015 $000	2014 $000
Short-term employee benefits	3,758	4,197
Share-based payments	218	(37)
	3,976	**4,160**

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

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

Directors fees for the year were $406,000 (2014: $469,000) and have been included in other expenses (note 9).

c) Transactions with other related parties

During the year, the Group made sales to and purchases from its associate. The amounts of sales and purchases between the Group and its associate, and any outstanding balances as at reporting date, are set out below. The Group has no associates at year end following the disposal of Link Market Services Limited in June 2015.

	2015 $000	2014 $000
Transactions with related parties		
Sales to Link Market Services Limited	275	638
Interest on receivable from CEO	16	–
Purchases from Link Market Services Limited	(184)	(341)
Balances with related parties		
Receivable from Link Market Services Limited	–	8
Non current receivable from CEO	1,827	–
Payable to Link Market Services Limited	–	(66)

d) Transactions with managed funds

Two of the Company's subsidiaries (Smartshares Limited and SuperLife Limited) are involved in funds management. Management fees are received from the funds and are shown in the Income Statement as Funds management revenue.

24. Lease commitments as lessee

Non-cancellable operating lease payments

	2015 $000	2014 $000
Up to 1 year	2,020	1,673
1 – 2 years	1,851	1,656
2 – 5 years	4,996	4,757
> 5 years	491	1,920
	9,358	**10,006**

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

25. Contingent liabilities and commitments

Ralec Litigation

NZX filed proceedings in 2011 against Ralec Commodities Pty Limited, Ralec Interactive Pty Limited, Grant Thomas, Dominic Pym and other related parties (together "Ralec") in the New Zealand High Court. The proceedings relate to claims under the sale and purchase agreement (the "SPA") entered into in 2009 with Clear Commodities Pty Limited and Clear Interactive Pty Limited ("Clear") for breach of warranty and associated claims. NZX filed an updated claim in December and an associated claim against certain shareholders in the Ralec companies in July last year. The updated claim seeks damages of at least AU$20.7 million against Ralec. Ralec denies NZX's claim.

Ralec has recently filed an amended counterclaim against NZX in December. The quantum of the counterclaim remains inadequately particularised. The claims against NZX are primarily for damages in respect of the following payments contingently payable to Ralec under the Clear SPA:

(a) An earn-out payment (the Grain Software Market Payment) of AU$7million (payable in cash and/or NZX shares valued at the date of the SPA) and a possible unquantified ancillary bonus payment, if particular grain tonnages and revenues were achieved by Clear during 2009 and 2012. Between these periods, Clear traded between approximately 13% and 17% of the various tonnage targets. Ralec alleges this was because NZX failed properly to resource and finance Clear. NZX denies this.

(b) A second earn-out of AU$7million (payable in cash and/or NZX shares valued at the date of the SPA) comprising the Agri-Portal Purchase Payment and an ancillary payment (the Agri-Portal Payment), if an Agri-Portal had been completed and put into operation to the satisfaction of NZX by the end October 2012. The core of the Agri-Portal was to be a spot market and associated data based around the Clear Grain Exchange and at least one other commodity. Ralec alleges NZX failed properly to resource and fund the development of the Agri-Portal. NZX denies it breached its obligations and says that because the Clear Grain Exchange did not trade at the anticipated or required levels, the Agri-Portal could not be completed or put into operation to the satisfaction of NZX.

Ralec's counterclaim also alleges related misrepresentation and breach of duty claims, as well as claims under the Fair Trading Act. Ralec's damages claims are for the loss of the opportunity to earn these payments, together with associated benefits, interest and costs. The total amount of Ralec's counterclaim against NZX remains difficult to assess but NZX believes it is in the vicinity of AU$19–20million.

NZX's claim and Ralec's counterclaim are set down to be heard in the High Court in New Zealand for an 8 week trial starting on 2 May 2016.

Based on the Company's assessment of the circumstances and information available to it, it does not believe it is probable that a loss will be incurred and accordingly no provision has been recognised.

26. Capital commitments

	2015 $000	2014 $000
Capital expenditure commitments:		
Software development	1,368	104
	1,368	**104**

27. Subsequent events

Dividend

Subsequent to balance date the Board declared a second half 2015 dividend of 3.00 cents per share, to be paid on 30 March 2016 (with a record date of 16 March 2016). This is in line with the NZX dividend policy adopted on 21 February 2014.

Issue of ordinary shares

On 29 January 2016 the Company issued 4,132,232 fully paid ordinary shares at $1.21 per share as the deferred consideration owed to the vendors for the acquisition of SuperLife Limited, as outlined in note 6, as the condition was met for the issue of these shares.

Auditor's Report.

Independent auditor's report

To the shareholders of NZX Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NZX Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Group in accordance with the Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Audit Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $892,000, determined with reference to a benchmark of Group profit before tax adjusted to exclude the gain on sale of the Group's investment in Link Market Services Limited as disclosed in the consolidated income statement. We chose adjusted profit before tax on the basis it is the benchmark against which the performance of the Group is commonly measured. Materiality represents 5% of the adjusted benchmark.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters, our key audit procedures to address those matters and our findings from those procedures in order that the Group's shareholders as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

Key audit matter	Our procedures to address the key audit matter and findings
Impairment assessments for goodwill and other intangible assets As disclosed in note 4 of the consolidated financial statements, the Group has goodwill and other intangible assets of $74.8 million (2014: $36.6 million) which is allocated across cash generating units (CGUs). Goodwill and other intangible assets with an indefinite useful life are required to be tested for impairment annually. Impairment of intangible assets is considered to be a key audit matter due to the significance of the assets to the Group's consolidated statement of financial position, and due to the judgement involved in the assessment of the 'value in use' of the Group's CGUs performed by the directors. The judgement relates to the future results of the CGU and the discount rates applied to future cash flow forecasts.	To focus our audit procedures on the higher risk areas we made an assessment using our professional judgement of the CGUs we considered to be subject to a higher risk of impairment. This assessment was based on the level of judgement and assumptions involved in the valuation model, the excess of assessed value over the carrying value reflected in the consolidated financial statements, market conditions and materiality. The CGUs we considered to be higher risk were Energy, Agri and SuperLife. For the higher risk assessed CGUs, our procedures included: • Evaluating the logic of the discounted cash flow valuation models; • Revenue forecasts – for the explicit period forecast in the valuation models we compared the forecasts to Board approved forecasts, contracted revenue amounts, historic revenue amounts/growth rates or historic industry statistics; • Cost forecasts – for the explicit period forecast in the valuation models we compared the forecasts to Board approved forecasts and assessed the reasonableness of cost growth by comparing it to historic long run inflation rates; • Assessing the reasonableness of the terminal growth rate by comparing it to the long run inflation rate; and • Assessing the reasonableness of the discount rates applied by comparing them to the current market conditions for the CGU.

KPMG

	As a cross-check we compared the valuations to the market for comparable businesses and transactions. The market valuations had headroom above the CGU carrying values when applied to actual CGU earnings or funds under management. As an overall test we compared the Group's net assets as at 31 December 2015 of $76.2 million to its market capitalisation of $282.4 million at 31 December 2015 and noted implied headroom of $206.2 million. We also assessed whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and intangible assets. We found the assumptions and resulting estimates used in each of the impairment assessments to be balanced. We found the Group's disclosures to be proportionate in their description of the assumptions and estimates made by the Group and the sensitivity to changes thereon.
Acquisition accounting The acquisition of SuperLife Limited as disclosed in note 6 of the consolidated financial statements is a key audit matter due to the size of the acquisition (purchase price of $32.9 million) and complexities inherent in business acquisitions. Management has completed a process to allocate the purchase price to tangible assets, goodwill and separately identifiable intangible assets such as management rights. This process involves estimation and judgement of future performance of the business and discount rates applied to future cash flow forecasts.	Our procedures to assess the accounting treatment of the acquisition included: • Reading the sale and purchase agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; • Evaluating the recognition of the contingent consideration included in the purchase price. We assessed the probability of achieving the funds under management growth targets by comparing these against historic industry statistics; • Evaluating the assets and liabilities identified in the acquisition accounting against the terms of the sale and purchase agreement; and • Evaluating the cash flow forecasts used in the measurement of the identifiable intangible assets. This included assessing the growth in funds under management, changes in member numbers and the discount rate against historic industry statistics and current market data. We found the assumptions and resulting estimates used in the measurement of the acquired assets and liabilities to be balanced.

Information other than the Consolidated Financial Statements and Auditor's Report

The directors are responsible for all other information included in an entity's Annual Report. Other information may include the Chairman's report, CEO's Report, disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we will not express any form of audit opinion or assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this auditor's report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears misstated. If so we are required to report such matters to the directors.

Directors' Responsibilities for the Consolidated Financial Statements
The directors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the External Reporting Board website: https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

KPMG

Brent Manning (Partner)
For and on behalf of KPMG
Wellington
23 February 2016

Statutory Information.

1. Business operations

The company acquired funds management provider SuperLife Limited and funds administration platform provider Apteryx during the year as set out in note 6 to the financial statements on pages 45 to 47. It also sold its interest in Link Market Services Limited as set out in note 11 on page 50.

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

2. Interests Register

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

3. Directors' interests

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

Director	Interest	Entity
Andrew Harmos[1]	Director	Harmos Horton Lusk Limited
	Director	Elevation Capital Management Limited
	Director	Scentre Group Limited (ASX listed)
	Director	Pascaro Investments Limited
	Director	AMP Life Limited
	Director	National Mutual Life Association of Australasia Limited

1 Resigned 21 May 2015.

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

Director	Interest	Entity
Neil Paviour-Smith	Director	Forsyth Barr Group Limited and Associated Companies
	Director	Forsyth Barr Limited
	Director	Leveraged Equities Finance Limited
	Board Member	New Zealand Institute of Chartered Accountants Regulatory Board
	Director	Chartered Accountants Australia and New Zealand
	Council Member	Victoria University Council
Simon Power[2]	Director	BT Financial Group (NZ) Limited
	Director	BT Funds Management (NZ) Limited
	Director	Westpac Financial Services Group-NZ-Limited
	Director	Westpac Life-NZ-Limited
	Director	Westpac Nominees-NZ-Limited
	Director	Westpac Superannuation Nominees-NZ-Limited
	Director	Yorba Linda Trustee Limited
	General Manager	Business Bank and Wealth, a division of Westpac New Zealand Limited
	Trustee	Asia NZ Foundation
	Chair	NZ US Council
Dr Patrick Strange	Chairman	Chorus Limited
	Director	Mighty River Power Limited
	Director	Ausgrid, Endeavour Energy & Essential Energy (Australia)
	Director	Auckland International Airport Limited
	Director	Worksafe New Zealand

2 Resigned 21 May 2015.

Director	Interest	Entity
Dame Therese Walsh	Head of New Zealand	ICC Cricket World Cup 2015 (R)
	Director	Television New Zealand Limited
	Chair	International Development and Selection Panel, MFAT
	Member	Major Events Investment Panel, MBIE
	Member	Strategic Risk and Resilience Advisory Board, DPMC
	Trustee	Wellington Regional Stadium Trust
	Director	ASB Bank Limited

4. Information used by Directors

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

5. Directors holding office and their remuneration

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

Directors	Remuneration	Special Responsibility
Andrew Harmos[2]	$38,978	Chairman and Independent Director
Alison Gerry[1,6]	$64,806	Independent Director
Jon Macdonald	$50,000	Independent Director
James Miller[1,5,7]	$91,967	Chairman/Deputy Chairman and Non-Independent Director
Neil Paviour-Smith	$50,000	Independent Director
Simon Power[3]	$19,505	Independent Director
Dr Patrick Strange[4]	$33,333	Independent Director
Dame Therese Walsh	$50,000	Independent Director

1 Includes additional remuneration for acting as a director of New Zealand Clearing and Depository Corporation Limited. 100% owned subsidiary of NZX.
2 Resigned 21 May 2015.
3 Resigned 21 May 2015.
4 Appointed 1 May 2015.
5 Appointed Chairman 21 May 2015, was deputy chairman prior to this.
6 Of the amount received in 2015, $4,806 relates to director fees for New Zealand Clearing and Depository Corporation for the 2014 year.
7 Mr Miller is deemed non-independent by virtue of also being a Director of Accident Compensation Corporation, which is a substantial product holder in NZX.

6. Indemnifications and insurance of Directors and Officers

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

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

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

7. Subsidiary Companies Directors

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

Clearing House Entities

New Zealand Clearing and Depository Corporation Limited
Tim Bennett
James Miller (Non-Executive Director)
Alison Gerry (Independent Director)

New Zealand Clearing Limited
Tim Bennett

New Zealand Depository Limited
Tim Bennett

New Zealand Depository Nominee Limited
Amanda Simpson

Other NZX Subsidiaries

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

Energy Clearing House Limited
Amanda Simpson

FundSource Limited
Reuben Samuel Stanley (Ceased to hold office during 2015)
Bevan Miller

Smartshares Limited
Tim Bennett
Kristin Brandon (Ceased to hold office during 2015)
Bevan Miller
Guy Elliffe (Independent Director)
Alister John Williams (Independent Director)

NZX Profarmer Australia Pty Limited (Australian registered entity)
Tim Bennett
Ron Storey (Ceased to hold office during 2015)
Nathan Cattle

NZX Agri Advisors Pty Limited (Australian registered entity)
Ron Storey (Ceased to hold office during 2015)
Nathan Cattle

NZX Rural Limited
Tim Bennett
Bevan Miller

Mandela Investments Limited
Bevan Miller

MXF Nominees Limited
Bevan Miller

New Zealand Exchange Limited
Bevan Miller

NZX CPL Nominee Limited
Bevan Miller

NZX Executive Share Plan Nominees Limited
Peter Mark Reese (Independent Director)

NZX Holding No. 3 Limited
Bevan Miller

NZX Holding No. 4 Limited
Tim Bennett
Bevan Miller

NZX CEO Share Scheme Nominee Limited
Bevan Miller

SuperLife Limited
Michael Chamberlain
Owen Nash

Tane Nominees Limited
Bevan Miller

TZ1 Limited
Bevan Miller

The directors of NZX's subsidiary companies have declared interests in the following entities.

Subsidiary director	Interest	Entity
Guy Elliffe	Corporate Governance Manager	Accident Compensation Corporation
John Williams	Investment Manager	Trust Investments Management Limited
Michael Chamberlain	Director Director Director and Shareholder Director	Aventine Limited Aventine Group Limited Ballynagarrick Investments Limited MCA NZ Limited
Owen Nash	Director Director Director Director and Shareholder	Aventine Limited Aventine Group Limited MCA NZ Limited Naawo Investments Limited

The total amount of remuneration and other benefits to which each director of a subsidiary (other than NZX employees) was entitled during the period ended 31 December 2015, is listed next to their names.

Subsidiary director	Remuneration
Guy Elliffe[1]	$5,000
John Williams[2]	$5,000

1 Appointed to the Smartshares Limited Board on 6 November 2015.

2 Appointed to the Smartshares Limited Board on 6 November 2015.

8. Donations

During the year, NZX made donations to charitable organisations of $16,978.

9. Employee remuneration

During the year[1] a number of employees or former employees (excluding Directors) received remuneration and other benefits, including non-cash benefits and NZX shares in accordance with NZX Share Plans, in their capacity as employees of the Company, the value of which exceeded $100,000 per annum.

Remuneration Ranges	Employees
100,000 – 109,999	8
110,000 – 119,999	5
120,000 – 129,999	2
130,000 – 139,000	6
140,000 – 149,999	6
160,000 – 169,999	3
170,000 – 179,999	3
180,000 – 189,999	1
190,000 – 199,999	1
210,000 – 219,999	3
220,000 – 229,999	1
230,000 – 239,999	2
250,000 – 259,999	1
330,000 – 339,999	4
340,000 – 349,999	1
410,000 – 419,999	1
1,110,000 – 1,119,000	1

1 Remuneration includes bonus amounts referable to the 2014 financial year.

10. Director Transactions in Securities of the Parent Company

Director	Securities held Legal and Beneficial as at 31 December 2015
Alison Gerry	-
Jon Macdonald	50,000
James Miller	40,083
Neil Paviour-Smith	500,105
Dr Patrick Strange	5,000
Dame Therese Walsh	50,000

During the year the Directors disclosed in accordance with section 148 (2) of the Companies Act 1993 that they had acquired or disposed of a relevant interest in ordinary shares as follows:

Director	Rate of transaction	Consideration per share	Number of shares	Nature of transaction
John Macdonald	28 August 2015	$1.04	25,000	Acquisition on market
	4 September 2015	$0.99	25,000	Acquisition on market
Dr Patrick Strange	21 August 2015	$1.06	5,000	Acquisition on market
Dame Therese Walsh	7 December 2015	$1.02	50,000	Acquisition on market

11. Auditors

The auditor of the parent company and Group is KPMG. They provide audit and other services for which they were remunerated in 2015 as follows:

	Group $000
Audit of the financial statements	238
Other audit related fees	68
Non-audit services	-
Total	**306**

12. Top 20 Security Holders

The following table shows the names and holdings of the 20 largest holdings of securities in the Company as at 1 March 2016.

Holder Details	Shares held	% Holding
HSBC Nominees (New Zealand) Limited	19,476,476	7.3
TEA Custodians Limited	19,202,554	7.2
Accident Compensation Corporation	17,832,671	6.7
Aventine Group Limited	12,396,695	4.6
Nigel Babbage & Philippa Babbage	11,700,000	4.4
Premier Nominees Limited	10,968,241	4.1
HSBC Nominees (New Zealand) Limited	9,408,157	3.5
Citibank Nominees (NZ) Ltd	8,807,103	3.3
FNZ Custodians Limited	7,357,144	2.7
David Mitchell Odlin	6,163,681	2.3
Forsyth Barr Custodians Ltd	5,920,899	2.2
Custodial Services Limited	4,971,507	1.9
BNP Paribas Nominees NZ Limited	3,876,378	1.5
Investment Custodial Services Limited	3,522,538	1.3
JPMorgan Chase Bank	3,291,344	1.2
Leveraged Equities Finance Limited	3,062,376	1.1
Custodial Services Limited	2,078,645	0.8
Premier Nominees Limited ING Wholesale Equity Selection Fund	1,935,840	0.7
Custodial Services Limited	1,874,168	0.7
Premier Nominees Limited	1,642,731	0.6
Total	**155,489,148**	**58.0**

13. Spread of ordinary shareholders as at 1 March 2016

Size of Holding	SHAREHOLDERS Number	SHAREHOLDERS %	SHARES Number	SHARES %
1-1,000	198	5.26	126,603	0.05
1,001-5,000	788	20.94	2,563,669	0.96
5,001-10,000	971	25.8	7,641,871	2.85
10,001-50,000	1,420	37.74	30,792,352	11.49
50,001-100,000	205	5.45	14,482,097	5.4
Greater than 100,000	181	4.81	212,445,186	79.26
Total	**3,763**	**100**	**268,051,778**	**100**

14. Substantial product holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to NZX's records and disclosures made under section 280(1)(b) of the FMCA, the following were substantial product holders in NZX as at 31 December 2015. The total number of voting securities on issue as at 31 December 2015 was 263,919,546 ordinary shares.

	Class	Relevant Interest	%
Accident Compensation Corporation	Ordinary shares	18,144,591	6.88
ANZ New Zealand Investments Limited	Ordinary shares	20,086,307	7.61
Fisher Funds Management Limited	Ordinary shares	20,214,280	7.66
Highclere International Investors LLP	Ordinary shares	13,387,809	5.07

15. Waivers from the Listing Rules and Independent Director Certificates

The following waiver has been granted to NZX or relied upon by NZX in the 12 month period ended 31 December 2015:

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

16. Securities Issued by NZX

NZX's ordinary shares are quoted on the NZX Main Board. Shares issued under the various employee share schemes, such as the CEO LTI Share Scheme (implemented January 2013) and the NZX Employee Share Plan – Team and Results (implemented in May 2010), are subject to certain transfer conditions and entitlement criteria. For so long as shares issued under these schemes are subject to these restrictions they are not quoted on any market and will not be quoted on any market until such time as they vest in the relevant participants.

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

James Miller **Neil Paviour-Smith**

Directory.

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Board of Directors

James Miller
Alison Gerry
Dame Therese Walsh
Jon Macdonald
Neil Paviour-Smith
Dr Patrick Strange

Share Register

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