NZX Limited Annual Report 2013

"Activity in New Zealand's capital markets in 2013 was at its highest in more than a decade which clearly has a direct and positive impact on NZX's financial performance. NZX is continuing to invest in building a strong foundation from which to grow the business, and to support the growth of New Zealand's capital markets in the long term."

– Tim Bennett, CEO

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Chairman's Report.

Dear shareholder,

The 2013 year was an outstanding one for New Zealand and our capital markets.

While the equity markets captured the headlines, with listing activity at a decade high and trading activity at an all-time high, NZX enjoyed strong performance across our portfolio of complementary businesses. This reflected not only increased local and global confidence in our markets, but also the benefits of years of planning, investment and infrastructure development, coupled with good execution across our systems and by our people.

The year also demonstrated a greater appreciation by key stakeholders of the importance to an economy of capital markets, and of the strong primary and secondary capital raising advantages, transparency, governance and risk management tools that public capital markets offer, relative to private markets.

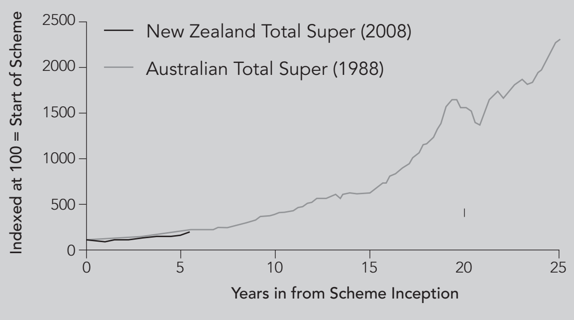
The multiplier effect of 2013's increased market activity was felt across a number of sectors. It was pleasing to see growth and new hiring across the broking industry, including increased depth emerging in the analyst community. A number of other professional and support industries also benefitted.

Business and investor confidence continues at elevated levels, and it is fair to say that projections for New Zealand's economic growth, and our economic health, makes the country an attractive investment destination – and as the immigration statistics are demonstrating – an attractive place to live and work. These are critical components in, and contributors to, continued economic growth: growth in employment, wealth creation and New Zealand's competitiveness.

The structural game changer however, and the gift that has the potential to keep giving to the New Zealand economy and capital markets, is KiwiSaver.

KiwiSaver represents a great start on a long journey

Compelling future for New Zealand Savings if Australia is a guide



An acknowledgment and thanks to Bevan Graham, AMP Capital New Zealand chief economist for the graph

While there are key differences between New Zealand and Australia's savings schemes (including compulsion, tax incentives and contribution percentages), it is interesting to note the substantial equivalence in trajectory at this mid-early comparative stage.

The savings regime in Australia has led to that country's financial and funds management sector becoming globally relevant and competitive, a major contributor to GDP, employment and investment. The weight of funds available has resulted in ready access to capital for growing Australian corporates, and this has enabled them, amongst other things, to acquire and integrate New Zealand businesses that have previously struggled to grow to scale and secure capital funding in New Zealand.

Over time, KiwiSaver is forecast to replicate those same successes here in New Zealand. KiwiSaver's success is bringing its own challenges – high quality problems in a sense. That is, a lack of supply to meet the demand for quality investible New Zealand companies and investment products. Without this, KiwiSaver managers will be required to invest more offshore. While this may provide some advantages, it brings disadvantages through supporting the growth of companies and economies other than our own.

NZX has long embraced, and calls on other market participants to continue to embrace, the challenge of attracting more companies and product to our public capital markets. NZX's soon to launch new growth market is just one tangible demonstration of NZX's commitment to capital markets growth. The planned introduction of equity derivative products and plans to grow the Smartshares business are others.

Largely as a result of the Government' s 2013 share offer programme, more than 115,000 CSNs (Common Shareholder Numbers) were created in 2013 for new investors, taking the total number of active New Zealand registered accounts to more than 580,000. The number of new CSNs created in 2013 was approximately five times the number created in 2012.

During the year we welcomed the newly listed Government assets to our markets along with seven other great New Zealand businesses. We have no doubt that all these companies will derive lasting benefits from the many advantages that listing brings.

At the end of 2013, New Zealand's share market total capitalisation to Gross Domestic Product, a recognised international measure of relative share market size and relevance, stood at 37.8%. This remains too low, but represents a material improvement from the 31.7% at the end of 2012.

In addition to these positive external events, NZX continued its internal development programme over 2013.

- We augmented the depth and diversity of the NZX Board with the appointment in April 2013 of Jon Macdonald. Jon is the CEO of NZX/ASX listed Trade Me, and brings additional diversity of skills to the Board, including through his technology background. There are interesting similarities between the NZX and Trade Me businesses, both involving scalable network infrastructure, a heavy reliance on technology and information and a large customer interface, matching buyers and sellers. Jon also brings a valuable customer perspective to NZX.

- Under the direction of Tim Bennett – who in May this year will have been in the CEO role for two years – the senior management team continued to perform well. Recognising NZX's increased focus on growing existing markets and building new markets, we created the new role of Head of Markets which was filled by Aaron Jenkins, a valuable addition to the Auckland based markets team.

- We were pleased with the outcome of the Financial Markets Authority's (FMA) 2012 General Obligations Review, released mid-2013. The report concluded that NZX was fully compliant with its obligations under the Securities Markets Act. We have made, and continue to make, a number of key changes to the structure and governance of our regulatory function in response to the FMA's recommendations and our own initiatives. Specifically, in August 2013 the NZX Board established a Regulatory Governance Committee to provide further support to the Board in fulfilling its regulatory governance responsibilities. We have also further separated the Head of Regulation role with our existing Head of Regulation moving into a policy role and recruitment under way for a dedicated Head of Compliance. Additional senior staff were also recruited for our enforcement function. We take our responsibilities and obligations as a regulated market operator and a regulatory body very seriously, and regard our regulatory functions as an important asset.

- We have a renewed focus on the Auckland market and our customers and stakeholders across New Zealand and internationally. The majority of NZX's trading and advising participants are headquartered in Auckland, and more than 80 listed issuers have registered offices and significant operations in the city. In August NZX's Auckland-based staff moved into new offices in Auckland's CBD and we were pleased to replicate our distinctive Wellington office ticker with a world-class feature in Auckland.

- We continued our leadership initiatives in the diversity in governance arena. Our focus here is promoting quality appointments and decision making, not perceptions of political correctness. While a number of people and organisations may regard progress across the corporate sector during 2013 as slow, the level of awareness and constructive discussion within New Zealand company boards on the topic has risen dramatically, and the results are beginning to flow through as listed issuers report against the NZX rule set requirements. Critics must remember that the listed sector is not fully representative of the spectrum of New Zealand business and while NZX will continue to play its part, success cannot be measured solely by reference to the listed sector. This is a long term project which we are confident will build stronger governance and performance outcomes across New Zealand.

- We adopted a new dividend policy, effective from the beginning of the 2014 financial year, which is to target a distribution of 80% of free cash flow, subject to the usual constraints of working capital, capital commitments and solvency requirements. In transitioning to this policy, the Board has indicated that it intends to pay total dividends of 6.0 cents per share in respect of the 2014 financial year (subject to no material adverse changes in circumstances) and that we will revert to paying half-yearly dividends.

We're delighted to be a central participant in markets that are vibrant, healthy, hungry for new product, well regulated and providing worthwhile returns. We are pleased with the performance of our portfolio of businesses and have plans to pursue and execute on growth in areas that have the potential to add significant value to NZX. The Board and management team are looking forward to the opportunities we see for 2014 and beyond.

Thanks again to Tim Bennett, the management team, and all NZX staff for their significant efforts during what was again an extremely busy year.

Thanks to Pip Dunphy and Peter Lockery, Chairperson and Independent Director respectively of NZX's clearing house subsidiary, New Zealand Clearing and Depository Corporation Limited, which again performed strongly.

We are grateful for the efforts of the team at the Financial Markets Authority, our regulator and co-regulator. Particular thanks to Sean Hughes, FMA's inaugural CEO and a sincere welcome to Rob Everett, FMA's new CEO, with whom we look forward to building a valuable working partnership.

And to you – our owners – again, we highly value your continuing support.

Andrew Harmos
Chairman

CEO's Report.

Overview

2013 was a significant year for New Zealand's capital markets. More than $7.5 billion in new capital was listed through 10 Initial Public Offerings – this was the best year for new equity raisings in New Zealand in more than a decade.

Overall the NZX 50 was up 16.5% in 2013 with trade volume up 32.0% and trade value 39.6%. This was driven in part by a large number of new investors in the market and a continued increase in offshore interest in New Zealand.

While the agricultural sector ended the year strongly, the impact of the worst drought in 70 years was felt across the country early in the year, reducing farm expenditure and dampening industry sentiment.

Both of these factors are reflected in NZX's financial results for the year. Overall operating revenues were up 12.2% to $62.8 million, with capital markets and fund management revenues up 18.2% and 8.8% respectively, while agricultural information was down 2.9%. Though increased costs from continued investment in the longer-term growth of the business partially offset the revenue increase, EBITDA was up 17.0%, while NPAT was up 22.6%.

Business Review

Capital Markets

- NZX's capital markets business, which comprised 55.7% of revenues in 2013, has two components: new listings, trading and clearing which are strongly correlated with overall market conditions; and issuer and participant services, and sale of securities data, which are a more stable, low growth revenue stream.

- The record number of Initial Public Offerings (IPOs) in 2013 and increase in trading and clearing volumes drove a 47.4% increase in revenues from capital raisings, trading and clearing. Other issuer and participant revenues were up 11.4%, while securities data was down 0.9%, though we saw an uptick towards the end of 2013 in the numbers of data terminals, reflecting an end to industry consolidation and a renewed interest in our markets from offshore.

- Both the IPO pipeline and trading volumes have continued to show positive momentum into the early part of 2014. However, we expect that IPOs in 2014 will comprise more smaller and mid-sized listings, compared to three particularly large listings in 2013 – Mighty River Power, Meridian and Z Energy – which collectively contributed $2.2 million in initial listing fee revenues in 2013.

- We are working on a number of new initiatives for launch in 2014 to capture the momentum and interest in the capital markets:

  – A new market for smaller and mid-sized business will be launched in the second quarter subject to regulatory approval. For companies seeking to raise capital, the market is designed to fill the gap between venture capital funding and the Main Board.

  – Subject to final systems testing, we expect to launch equity futures and options in the first quarter. Equity futures will provide an additional valuable tool for institutional fund managers and experienced offshore investors. An active options market also increases the liquidity of the underlying securities.

  – In addition to focusing on the IPO pipeline, we will continue to help to raise the profile of smaller listed companies with investors. This includes ongoing improvements to NZX.com to provide a broader range of research and information, and extending the research programme that we piloted last year for smaller listed companies.

Soft commodities

- NZX's soft commodity businesses (2.4% of 2013 revenues) currently comprise dairy derivatives and the Clear Grain Exchange in Melbourne. Dairy derivatives continued to show strong growth in 2013 with lots traded up 52.0%. We expect further strong growth in this business after receiving registration from US regulatory agency the Commodity Futures Trading Commission (CFTC) as a Foreign Board of Trade under the US Commodity Exchange Act. This will help us to expand the reach of the futures contracts to the US. We are also planning to launch new tools for farmers in the second quarter of 2014.

- Volumes traded on Clear Grain Exchange were down 24.5% in 2013 compared to 2012. While our market share continued to grow, the majority of grain was sold early in the 2012 harvest, which was reflected in the decrease in our 2013 revenue. The 2013 harvest, which on the East Coast was 5-10% smaller than the prior year, has shown a similar pattern. The Clear Grain Exchange team are currently working on a number of new products that we expect will broaden the attractiveness of our product portfolio beyond farmers on Australia's East Coast.

Agri Information

- NZX's agricultural information business (19.0% of 2013 revenues) publishes a range of print publications in New Zealand, including Farmers Weekly, New Zealand's leading rural newspaper, and a broad range of reports covering the agricultural sector in New Zealand and Australia.

- As noted, the worst drought in New Zealand in 70 years affected our subscription and advertising revenue in the early part of 2013. Not surprisingly, given the strong demand for New Zealand exports and the sharp rise in dairy prices, advertising revenues were up year-on-year in the fourth quarter of 2013. We expect continued strength in the sector in 2014 will translate into a return to revenue growth in our publications.

- Like nearly all media businesses around the world NZX's Agri publications are preparing for the shift online of a significant amount of readership and therefore advertising. To address this, we launched an enhanced online presence at the end of 2013 and will continue this year to develop our offerings, including rolling out our 'Agri Academy' and an online forum for the sector.

- With continued growth in the farming sector, there will be increased demand for high quality data and analytical tools to support business decision-making. The agri team is continuing to expand the range of information and data we provide to the sector, particularly in dairy and grain. We will also continue to look for small acquisitions that could accelerate the growth of our data offering.

Funds Management

- Revenues in our funds management business – which comprises five Smartshares Exchange Traded Funds and SmartKiwi, a KiwiSaver product – grew 8.8% last year. Total funds under management grew to just over $355 million. With domestic funds under management expected to continue to increase, driven by both KiwiSaver and increased savings by New Zealanders, we are expanding the Smartshares business to take advantage of this growing market opportunity. In 2014, we expect to launch two new funds to broaden the range of products available to retail investors and their advisors, and are investigating ways to increase the attractiveness of these products for institutional investors.

Market Operations

- Revenue in 2013 in our market operations business, which includes the markets we operate on behalf of the Electricity Authority and Fonterra, was $11.9 million. This was bolstered by the first full year of operation of the Fonterra Shareholders' Market and a large development project for the Electricity Authority.

  In 2014, Electricity revenues are likely to be more stable due to the long-term nature of the contracts and the reduced level of development activity. The gas contract ($670k of revenue) ceased at 31 December 2013.

Short summary of progress against areas of focus for 2013

Last year I outlined a number of areas of focus for the business. While good progress has been made, there is still work to be done in order meet our objectives.

1. **Provide more opportunities for New Zealanders to invest in New Zealand businesses.** While 2013 was a record year for IPOs, the New Zealand market is still small relative to the size of the economy and the demand that is apparent with the growth of KiwiSaver. This year's plans – including launching a new NZX market for small and mid sized companies, along with equity derivatives and a broader range of Smatshares funds – will contribute to the offering for investors. But we must continue to focus on the IPO pipeline and on encouraging mid-sized companies in particular to list. This includes local government authorities that need to redirect capital away from commercial enterprises toward infrastructure investment.

2. **Offer a broader range of information, data and risk management tools to enable businesses to better manage price risks.** We are expanding our offering in the dairy and grain sectors this year, including providing new milk price forecasting tools for farmers. We will also begin development efforts around additional dairy risk management tools and a futures contract in another agricultural commodity.

3. **Work collaboratively with the industry to underwrite the long-term viability of New Zealand's capital markets.** Much progress has been made around working better with the industry. Examples include the upcoming launch of equity derivatives and the development of a new market for small to medium sized companies.

4. **Continue to enhance and promote the quality of our marketplace for the benefit of investors and other market participants.** We continued to increase our resourcing in the Regulation area in 2013 which – combined with an increase in seniority – means we now have a much more experienced team. By the end of 2013, we had fully addressed all the actions arising from the Financial Markets Authority's 2012 Oversight Review. At the end of 2013 we put in place further improvements to the structure of our Regulation team – this will contribute in a positive way to our Regulatory Policy and Participant Compliance once fully implemented in mid-2014.

5. **Better understand and meet our customers' expectations.** We have made good progress improving our customer service: 90% of issuers surveyed recently thought that our service was satisfactory or above in 2013, an improvement over 2012. Again, this will continue to be a focus for 2014.

6. **Continue to invest in our business to ensure we can capture the opportunities ahead.** This was a major focus in 2013. Although we upgraded our trading system in 2012, a significant amount of work was undertaken in 2013 to upgrade our supporting systems and network. We now have a technology infrastructure that is robust for today, but also provides a base for future and market development efforts.

   We also have a very capable and enthusiastic team in place. The appointment of Aaron Jenkins as Head of Markets at beginning of 2014 completed a new look senior management team. More broadly, we have put in place HR policies and processes that are appropriate for an organisation of our size and significance in the capital markets. This included an organisation-wide review of compensation to ensure that we can attract and retain the right people. The benefits of this are starting to show with a significant reduction in attrition to around 20% and a resulting increase in average tenure.

Outlook

While 2013 will be difficult to replicate given the significant impact that the three largest listings during the year had on our financial results, the outlook for 2014 across almost all of our businesses is positive.

As always, however, our focus is on building the business for the long term. The markets in which we operate have significant growth potential and NZX has good growth opportunities in those markets. The capital markets in New Zealand will continue to benefit from the growth in KiwiSaver for decades to come and soft commodity exports from Australia and New Zealand are expected to grow at double the rate of GDP through to 2050. Our challenge, therefore, is not finding new growth opportunities, but rather ensuring we prioritise, resource and capture the opportunities appropriately.

Finally, I would like to offer my sincere thanks to all of the NZX team for their hard work and commitment during the year – it's great to work with such capable and enthusiastic people.

On behalf of everyone at NZX, I would also like to thank our customers and our shareholders – we are fully aware of our commitments to you and are grateful for your continued support.

Tim Bennett
CEO

Board of Directors.

As at 31 December 2013

1. Andrew Harmos

CHAIRMAN: LLB (Hons), BCom

Andrew Harmos, NZX Chairman, is one of the founding directors of Harmos Horton Lusk, an Auckland-based specialist corporate legal advisory firm. He specialises in takeover advice and structuring, securities offerings, company and asset acquisitions and disposals, strategic and board corporate legal advice. He was appointed a Director of NZX in 2002, and prior to that held a number of other listed company directorships.

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

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

2. James Miller

DEPUTY CHAIRMAN: BCom, FCA

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

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

3. Neil Paviour-Smith

BCA, FCA, ACIS, FCFIP, MSDIA

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

He has more than 20 years' experience in the New Zealand securities industry including prior roles as Head of Research at National Mutual Funds Management and Equities Manager at Westpac Investment Management.

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

Neil is Chair of the Audit and Risk Committee and a member of the Regulatory Governance Committee.

4. Alison Gerry

MAPPFIN, BMS(Hons), CFTP

Alison Gerry became an NZX Director in February 2012. She is a professional company director with more than 20 years' experience working in finance and treasury. Alison lives in Queenstown and is currently Deputy Chair of Kiwibank and a director of TVNZ, Queenstown Airport and Pioneer Generation. From 1999 to 2005, Alison was Group Treasurer for Lion Nathan, based in Sydney. Prior to that, she worked for various financial institutions in Sydney, Hong Kong, Tokyo and London in trading, finance and risk roles.

Alison was also a visiting fellow at the Applied Finance Centre of Macquarie University for 12 years until 2011. Alison has a Masters of Applied Finance from Macquarie University and a first class honours degree in Management Studies from Waikato University.

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

5. Simon Power

BA, LLB

Hon. Simon Power QSO joined the Board in December 2012 and is the General Manager for Business Bank & Wealth at Westpac New Zealand Limited. Simon joined Westpac in 2012 after a notable career in New Zealand politics. He was a senior Minister with the Government and previously held the Justice, Commerce, State Owned Enterprises, Consumer Affairs and the Law Commission portfolios. He was also Associate Minister of Finance and Deputy Leader of the House. During that time he led significant reform and change in financial market oversight and regulation and was heavily involved in the Single Economic Market initiative between Australia and New Zealand.

Simon is a member of the Regulatory Governance Committee and a Trustee for the Asia NZ Foundation.

6. Therese Walsh

BCA, FCA

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

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

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

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

Therese is a member of the Audit and Risk Committee.

7. Jon Macdonald

BE (Hons)

Jon joined the Board in May 2013. Jon is CEO of NZX/ASX listed Trade Me Group Limited. Jon has a background in engineering and technology. He joined Trade Me in 2003 and was appointed CEO in 2008. Prior to joining Trade Me, Jon worked in London for HSBC Investment Bank in a variety of technical and management positions, and has worked for Deloitte Consulting with a focus on telecommunications and financial services. Jon has a Bachelor of Engineering (Hons) from the University of Canterbury.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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 Principles and Guidelines published by the Financial Markets Authority's predecessor, the New Zealand Securities Commission.

Board

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

The Board has established a Code of Ethics that provides a set of principles for Directors to apply in their conduct and work for NZX. The principles deal with managing conflicts of interest, the required skills of Directors, trading in NZX's shares, and maintaining confidentiality of information received in their capacity as Directors of NZX.

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

Board Composition

As at 31 December 2013, the Board comprised seven Directors, all of whom were non-executive Directors and also Independent as defined in Rule 1.6.1. The Directors were Andrew Harmos (Chair), James Miller (Deputy Chair), Alison Gerry, Jon Macdonald, Neil Paviour-Smith, Simon Power and Therese Walsh.

Therese Walsh was appointed to the Board on 1 February 2013 and Jon Macdonald on 3 May 2013. Rod Drury resigned from the Board on 3 May 2013.

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

The Board holds regular scheduled meetings. An agenda and papers must be circulated at least five business days before each meeting to allow Directors sufficient time to prepare. The Board also holds ad hoc meetings to consider time sensitive or specific issues (including via teleconference).

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

Committees

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

Audit and Risk Committee

The Audit and Risk Committee may only comprise Independent Directors and at least one member must have expertise in accounting or a financial background. As at 31 December 2013, the members of the Audit and Risk Committee were: Neil Paviour-Smith (Chair), James Miller and Therese Walsh (appointed to the Committee on 14 March 2013).

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.

The mandate of the Committee was expanded in 2013 to include the oversight of a wider range of risks across the business. Previously the Committee's terms of reference only included financial risk.

Regulatory Governance Committee

The Regulatory Governance Committee was established in August 2013. The Committee's purpose 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 or management functions and decision making except where specific delegations of authority may be made by the Board.

As at 31 December 2013, the members of the Regulatory Governance Committee were: Andrew Harmos (Chair), Alison Gerry, Simon Power and Neil Paviour-Smith.

Human Resources and Remuneration Committee

The purpose 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 2013, members of the Human Resources and Remuneration Committee were Alison Gerry (Chair), Andrew Harmos and James Miller.

Nominations

Given the size of the Board, there is no nominations and succession committee and the full Board is involved in the Director nomination process.

2013 NZX Directors' Attendance Record

Director	NZX Board Attendance
Andrew Harmos (Chair)	7/7
James Miller (Deputy Chair)	6/7
Alison Gerry	6/7
Jon Macdonald (Appointed 3/5/13)	6/6
Neil Paviour-Smith	6/7
Simon Power	6/7
Therese Walsh	7/7
Rod Drury (Resigned 3/5/13)	1/2

Audit and Risk Committee Members	Meeting Attendance
Neil Paviour-Smith (Chair)	5/5
Alison Gerry (Resigned 14/3/13)	1/1
James Miller	5/5
Therese Walsh (Appointed 14/3/13)	4/4

Regulatory Governance Committee Members	Meeting Attendance
Andrew Harmos (Chair)	1/1
Alison Gerry	1/1
Neil Paviour-Smith	1/1
Simon Power	1/1

Human Resources and Remuneration Committee Members	Meeting Attendance
Alison Gerry (Chair)	3/3
Andrew Harmos	3/3
James Miller	3/3

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

The Chief Executive is not a member of either the Human Resources and Remuneration or Audit and Risk committees but attended a number of meetings as an invited attendee.

Disclosure

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

Risk Management

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

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2013 financial year no Director sought their own independent professional advice.

Insurance and Indemnification

NZX provides indemnity insurance cover and indemnities to Directors and executive employees. This is explained further on page 66.

Share Trading

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

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

Because of the nature of NZX's business, any officer or employee who wishes to buy or sell securities issued by an entity that is listed on an NZX market must also follow the Policy and apply to NZX's Corporate Counsel for consent to trade. Adherence to the Policy is reinforced through individual employment agreements.

Gender and Diversity

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

The NZX Diversity Policy requires:

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

As part of NZX's annual employee engagement survey, benchmark 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 work-force 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 2013 and 2012 was as follows:

	31 DECEMBER 2013		**31 DECEMBER 2012**	
Directors	Number	%	Number	%
Female	2	29%	1	17%
Male	5	71%	5	83%
Total	**7**	**100%**	**6**	**100%**
Officers				
Female	4	40%	4	36%
Male	6	60%	7	64%
Total	**10**	**100%**	**11**	**100%**
All employees				
Female	74	43%	85	51%
Male	97	57%	83	49%
Total	**171**	**100%**	**168**	**100%**

Diversity

The Board has evaluated NZX's performance against its 2013 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 its own review early in 2013 and its ongoing consideration of composition, the Board has commissioned an independent board evaluation that is currently underway and will be completed in May 2014.
Key people managers will receive diversity training.	Achieved.
HR metrics on gender and age will be presented to the Board quarterly for their consideration.	Achieved, with presentation of quarterly metrics commencing part way through the 2013 year.
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 in future years.
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 engaged Hay to complete a remuneration review.
During 2013 NZX will undertake the Kenexa Best Places to Work Survey. The following questions will be used to benchmark future progress in this area:	Achieved. These questions were completed in the 2013 survey and the results will be used to benchmark future progress.
This organisation cares about the well-being of its people	The survey result for this was that 69.1% of staff agreed with this statement.
This organisation is an equal opportunities employer.	The survey result for this was that 77.1% of staff agreed with this statement.

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 2013 and the results of their operations and cash flows for the year ended 31 December 2013.

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 2013.

The financial statements were authorised for issue for and on behalf of the Directors on 20 February 2014.

A W Harmos
Chairman of Directors

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

Financial Statements

Income Statement

For the year ended 31 December 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Revenue					
Securities information		8,924	9,008	8,590	8,667
Agri information		11,950	12,309	-	-
Listing fees		12,984	9,920	13,126	10,063
Other issuer services		976	616	976	616
Securities trading		4,371	3,252	4,371	3,252
Commodities trading		1,446	1,863	-	-
Participant services		3,132	3,071	3,132	3,071
Fund services		2,458	2,260	-	-
Securities clearing		4,676	3,710	-	-
Market operations		11,875	9,979	13,346	11,174
Total revenue	4	**62,792**	**55,988**	**43,541**	**36,843**
Dividend income		**-**	**-**	**23,458**	**5,852**
Expenses					
Personnel costs	5	(19,992)	(17,660)	(12,245)	(11,020)
Information technology		(5,832)	(4,979)	(4,946)	(4,606)
Professional fees		(2,127)	(2,210)	(1,532)	(1,666)
Marketing, printing and distribution		(3,550)	(3,837)	(233)	(40)
Fund expenditure		(1,100)	(796)	-	-
Other expenses	6	(4,417)	(4,472)	(4,013)	(5,661)
Total expenses		**(37,018)**	**(33,954)**	**(22,969)**	**(22,993)**
Earnings before net finance income, income tax, depreciation and amortisation, impairment, and share of profit of associates		**25,774**	**22,034**	**44,030**	**19,702**
Interest income		539	688	519	253
Interest expense		(396)	(403)	(515)	(403)
Net loss on foreign exchange		(40)	(1,616)	(34)	(67)
Net finance income/(expense)		103	(1,331)	(30)	(217)
Depreciation and amortisation expense	7	(6,451)	(6,738)	(5,402)	(5,641)
Impairment expense	8	(2,600)	-	(2,205)	-
Share of profit of associates	14	554	590	-	-
Profit before income tax		**17,380**	**14,555**	**36,393**	**13,844**
Income tax expense	9	(5,294)	(4,696)	(4,198)	(3,290)
Profit for the year		**12,086**	**9,859**	**32,195**	**10,554**
Earnings per share					
Basic (cents per share)	10	4.8	3.7		
Diluted (cents per share)	10	4.7	3.7		

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

Statement of Comprehensive Income

For the year ended 31 December 2013

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Profit for the year	12,086	9,859	32,195	10,554
Other comprehensive income recognised through equity				
Foreign currency translation differences	137	25	-	-
Total other comprehensive income	137	25	-	-
Total comprehensive income for the year	**12,223**	**9,884**	**32,195**	**10,554**

Statement of Changes in Equity

For the year ended 31 December 2013

		GROUP			
	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2012		**32,382**	**55,529**	**(68)**	**87,843**
Profit for the year		-	9,859	-	9,859
Foreign currency translation differences		-	-	25	25
Total comprehensive income for the year		**-**	**9,859**	**25**	**9,884**
Transactions with owners recorded directly in equity:					
Dividends paid	22	-	(13,541)	-	(13,541)
Issue of shares		881	-	-	881
Share based payments		58	-	-	58
Share buyback		(3,449)	(30,948)	-	(34,397)
Non-vesting shares		(250)	-	-	(250)
Total transactions with owners recorded directly in equity		**(2,760)**	**(44,489)**	**-**	**(47,249)**
Balance at 31 December 2012		**29,622**	**20,899**	**(43)**	**50,478**
Profit for the year		-	12,086	-	12,086
Foreign currency translation differences		-	-	137	137
Total comprehensive income for the year		**-**	**12,086**	**137**	**12,223**
Transactions with owners recorded directly in equity:					
Dividends paid	22	-	(13,413)	-	(13,413)
Share based payments		324	-	-	324
Non-vesting shares		(96)	-	-	(96)
Total transactions with owners recorded directly in equity		**228**	**(13,413)**	**-**	**(13,185)**
Balance at 31 December 2013		**29,850**	**19,572**	**94**	**49,516**

Statement of Changes in Equity (continued)

For the year ended 31 December 2013

	Note	PARENT			
		Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2012		**35,803**	**31,548**	**-**	**67,351**
Profit for the year		-	10,554	-	10,554
Total comprehensive income for the year		**-**	**10,554**	**-**	**10,554**
Transactions with owners recorded directly in equity:					
Dividends paid	22	-	(13,541)	-	(13,541)
Gain on sale of reissued treasury stock		235	-	-	235
Share based payments		38	-	-	38
Share buyback and cancellation		(3,449)	(30,948)	-	(34,397)
Redemption of shares		(2,843)	-	-	(2,843)
Non-vesting shares		(250)	-	-	(250)
Total transactions with owners recorded directly in equity		**(6,269)**	**(44,489)**	**-**	**(50,758)**
Balance at 31 December 2012		**29,534**	**(2,387)**	**-**	**27,147**
Profit for the year		-	32,195	-	32,195
Total comprehensive income for the year		**-**	**32,195**	**-**	**32,195**
Transactions with owners recorded directly in equity:					
Dividends paid	22	-	(13,413)	-	(13,413)
Share based payments		412	-	-	412
Non-vesting shares		(96)	-	-	(96)
Total transactions with owners recorded directly in equity		**316**	**(13,413)**	**-**	**(13,097)**
Balance at 31 December 2013		**29,850**	**16,395**	**-**	**46,245**

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

Statement of Financial Position

As at 31 December 2013

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Current assets					
Cash and cash equivalents		17,416	15,238	1,835	1,010
Funds held on behalf of third parties	12	33,477	22,922	1,176	1,021
Receivables and prepayments	13	7,033	10,443	4,696	7,983
Intercompany receivables		-	-	2,441	1,734
Total current assets		**57,926**	**48,603**	**10,148**	**11,748**
Non-current assets					
Investments in associates	14	2,757	3,353	2,274	2,624
Investments in subsidiaries	25	-	-	33,210	33,605
Property, plant and equipment	15	2,174	1,701	1,815	1,517
Goodwill	16	13,233	13,628	7,720	7,720
Other intangible assets	17	26,870	33,672	22,655	28,901
Total non-current assets		**45,034**	**52,354**	**67,674**	**74,367**
Total assets		**102,960**	**100,957**	**77,822**	**86,115**
Current liabilities					
Bank overdraft	11	-	8,969	-	8,969
Funds held on behalf of third parties	12	33,477	22,922	1,176	1,021
Trade payables	19	5,218	4,620	2,784	2,889
Other liabilities	20	10,749	9,737	7,849	6,648
Current tax liability	9	975	293	1,166	168
Intercompany payables		-	-	15,311	35,162
Total current liabilities		**50,419**	**46,541**	**28,286**	**54,857**
Non-current liabilities					
Deferred tax liability	9	3,025	3,938	3,291	4,111
Total non-current liabilities		**3,025**	**3,938**	**3,291**	**4,111**
Total liabilities		**53,444**	**50,479**	**31,577**	**58,968**
Net assets		**49,516**	**50,478**	**46,245**	**27,147**
Equity					
Share capital		29,850	29,622	29,850	29,534
Retained earnings		19,572	20,899	16,395	(2,387)
Translation reserve		94	(43)	-	-
Total equity attributable to shareholders		**49,516**	**50,478**	**46,245**	**27,147**
Net tangible assets per share (cents per share)		3.68	1.24		

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

Statement of Cash Flows

For the year ended 31 December 2013

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Cash flows from operating activities					
Receipts from customers		66,228	54,898	46,644	35,677
Dividends received		-	-	3,458	3,175
Interest received/(paid)		193	256	56	(155)
Payments to suppliers and employees		(34,637)	(32,387)	(21,064)	(19,704)
Income tax paid		(5,597)	(3,679)	(3,876)	(2,331)
Net cash provided by operating activities	11	**26,187**	**19,088**	**25,218**	**16,662**
Cash flows from investing activities					
Receipts from investments		1,150	28,223	350	28,320
Payments for investments		-	-	(702)	-
Payment for property, plant and equipment		(1,311)	(1,232)	(1,022)	(1,129)
Payment for intangible assets		(1,466)	(5,117)	(637)	(4,835)
Net cash (used in)/provided by investing activities		**(1,627)**	**21,874**	**(2,011)**	**22,356**
Cash flows from financing activities					
Proceeds from issues of shares		-	381	-	340
Dividends paid	22	(13,413)	(13,541)	(13,413)	(13,541)
Share buyback		-	(34,397)	-	(34,397)
Net cash used in financing activities		**(13,413)**	**(47,557)**	**(13,413)**	**(47,598)**
Net increase/(decrease) in cash and cash equivalents and bank overdraft		**11,147**	**(6,595)**	**9,794**	**(8,580)**
Cash and cash equivalents and bank overdraft at the beginning of the year		**6,269**	**12,864**	**(7,959)**	**621**
Cash and cash equivalents and bank overdraft at the end of the year		**17,416**	**6,269**	**1,835**	**(7,959)**
Cash comprises:					
Cash at bank		9,916	7,738	1,835	1,010
Bank deposits		7,500	7,500	-	-
Bank overdraft		-	(8,969)	-	(8,969)
Net cash and cash equivalents and bank overdraft		**17,416**	**6,269**	**1,835**	**(7,959)**

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

Notes to the financial statements.

For the year ended 31 December 2013

1. Reporting entity

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

Financial statements for the Parent Company and consolidated financial statements are presented. The consolidated financial statements as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2. Basis of preparation

a. Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 20 February 2014.

b. Basis of measurement

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

c. Functional and presentation currency

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

d. Use of estimates and judgements

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

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

- note 16 – goodwill
- note 17 – other intangible assets
- note 23 – employee share ownership plans

3. Summary of Accounting Policies

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

a. Reclassifications

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

b. New standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. None of these are expected to have a significant effect on the financial statements of the Group. The standards which are relevant to the Group are as follows.

i. NZ IFRS 9 Financial instruments – effective date to be decided.
The standard adds requirements related to the classification and measurement of financial liabilities and derecognition of financial assets and liabilities.

ii. Amendments to NZ IAS 27 Separate financial statements – effective for periods beginning on or after 1 July 2014
These amendments remove the accounting and disclosure requirement for consolidated financial statements as a result of the issue of NZ IFRS 10 Consolidated financial statements and NZ IFRS 12 Disclosure of interests in other entities.

c. Basis of consolidation

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being NZX and its subsidiaries. A list of subsidiaries appears in note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

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

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

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

iii. Investment in associates

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

d. Foreign currency transactions

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

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

e. Revenue recognition

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

i. Information

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

ii. Markets

Markets revenue includes four broad categories.

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

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

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

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

iii. Infrastructure

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

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

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

iv. Interest

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

f. Borrowing costs

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

g. Lease payments

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

h. Income tax

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

i. Current tax

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

ii. Deferred tax

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

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

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

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

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

i. Goods and services tax

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

j. Financial instruments

i. Financial assets

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

Loans and receivables

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

Cash and cash equivalents

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

ii. Financial liabilities

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

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

k. Property, plant and equipment

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

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

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

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

l. Goodwill

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

m. Intangible assets

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

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

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

n. Impairment of assets

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

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

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

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

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

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

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

o. Share-based payments

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

p. Share capital

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

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

q. Earnings per share

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

r. Employee benefits

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

s. Novation of trades

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

i. Novation

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

ii. Netting

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

iii. Cash market securities (comprises debt and equities)

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

iv. Derivatives (comprises dairy futures)

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

t. Securities borrowing and lending

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

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

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

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

4. Segment reporting

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

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

The Group's CEO (the chief operating decision maker) reviews internal revenue reports for each of these strategic areas on a regular basis and accordingly these form the Group's reportable segments. Expenses are not allocated to the segments as the Group operates an integrated business and resource allocation decisions are made across the Group in totality to optimise the consolidated Group's financial results.

Assets and liabilities are also not allocated to the reportable segments as they are shared across the organisation, with the exception of intangible assets and goodwill. Intangible assets and goodwill are allocated to the reportable segments which these assets support. There have been no changes to the allocation of intangible assets and goodwill to reportable segments since the last financial year.

4. Segment reporting (continued)

	GROUP – 2013				
	Information $000	Markets $000	Infrastructure $000	Other $000	Total $000
Allocated revenue	20,874	25,367	16,551	-	62,792
Unallocated expenditure	-	-	-	(37,018)	(37,018)
Total segment result	**20,874**	**25,367**	**16,551**	**(37,018)**	**25,774**
Segment assets:					
Other intangible assets	6,985	7,115	11,853	917	26,870
Goodwill	5,513	-	7,720	-	13,233
Total segment assets	**12,498**	**7,115**	**19,573**	**917**	**40,103**
Unallocated assets:					
Cash and cash equivalents	-	-	-	17,416	17,416
Other assets	-	-	-	45,441	45,441
Unallocated liabilities	-	-	-	(53,444)	(53,444)
Net assets	**12,498**	**7,115**	**19,573**	**10,330**	**49,516**

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

Geographical information

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

	GROUP	
	2013 $000	2012 $000
Revenue		
New Zealand	51,244	46,061
Australia	5,187	5,764
Other	6,361	4,163
Total revenue	**62,792**	**55,988**
Non-current assets		
New Zealand	40,577	48,136
Australia	4,457	4,218
Total non-current assets	**45,034**	**52,354**

5. Personnel costs

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Personnel costs:					
Salary and related expenses		(19,061)	(16,701)	(11,580)	(10,349)
CEO share plan	23	(77)	(38)	(77)	(38)
Other personnel costs		(854)	(921)	(588)	(633)
Total personnel costs		**(19,992)**	**(17,660)**	**(12,245)**	**(11,020)**

6. Other expenses

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Other expenses:					
Remuneration paid to Group auditors					
audit of financial statements		(162)	(141)	(97)	(84)
other audit related services		(35)	(195)	-	(125)
other services		-	(148)	-	(148)
Remuneration paid to other auditors		(3)	(28)	-	-
Operating lease rental expense		(1,323)	(1,106)	(1,029)	(830)
Directors' fees	26	(483)	(422)	(406)	(347)
Impairment in carrying value of subsidiary	25	-	-	(395)	(2,593)
General administration		(2,411)	(2,432)	(2,086)	(1,534)
Total other expenses		**(4,417)**	**(4,472)**	**(4,013)**	**(5,661)**

Other audit related services provided by the Group auditors included annual meeting scrutineering, process and accounting reviews and operational audits for the Clearing House. Other services provided by the Group auditors in 2012 was for a short term staff secondment.

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

7. Depreciation and amortisation expense

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Depreciation of property, plant and equipment	15	(838)	(685)	(724)	(573)
Amortisation of intangible assets	17	(5,613)	(6,053)	(4,678)	(5,068)
Depreciation and amortisation expense		**(6,451)**	**(6,738)**	**(5,402)**	**(5,641)**

8. Impairment expense

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Impairment of goodwill asset	16	(395)	-	-	-
Impairment of intangible assets	17	(2,205)	-	(2,205)	-
Total impairment expense		**(2,600)**	**-**	**(2,205)**	**-**

The impairment expense of $2,600,000 is made up of $2,412,000 relating to the Group's investment in the Clear Grain Exchange (made up of $395,000 of goodwill impairment and $2,017,000 of software impairment) and $188,000 relating to the NewsRoom brand asset. Further details of the impairment tests are provided in note 18.

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

9. Taxation

a. Income tax expense recognised in profit or loss

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Tax expense comprises:				
Current tax expense	5,975	3,989	4,837	2,532
Prior period adjustment	175	112	105	80
Deferred tax relating to the origination and reversal of temporary differences	(856)	595	(744)	678
Total tax expense	**5,294**	**4,696**	**4,198**	**3,290**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Profit before income tax expense	17,380	14,555	36,393	13,844
Income tax calculated at 28%	**(4,866)**	**(4,075)**	**(10,190)**	**(3,876)**
Non-deductible expenses	(703)	(1,036)	(535)	(1,082)
Non-taxable intercompany dividends	-	-	6,344	1,359
Tax on securities subject to FDR	-	(27)	-	-
Equity accounted earnings of associate	155	165	-	-
	(5,414)	**(4,973)**	**(4,381)**	**(3,599)**
Under provision of income tax in prior year	(191)	(112)	(128)	(80)
Tax credits	311	389	311	389
	(5,294)	**(4,696)**	**(4,198)**	**(3,290)**

b. Current tax assets and liabilities

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at beginning of the year – Asset / (Liability)	**(293)**	**156**	**(168)**	**(443)**
Current year charge	(5,975)	(3,989)	(4,837)	(2,532)
Prior period adjustment	(304)	(139)	(37)	476
Tax paid	5,597	3,679	3,876	2,331
Balance at end of year – (Liability)	**(975)**	**(293)**	**(1,166)**	**(168)**

c. Deferred tax

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at beginning of the year	**(3,938)**	**(3,365)**	**(4,111)**	**(3,443)**
Current year movement	856	(595)	744	(678)
Prior period adjustments	57	22	76	10
Balance at end of the year	**(3,025)**	**(3,938)**	**(3,291)**	**(4,111)**
Deferred tax balance comprises:				
Employee entitlements	402	408	308	295
Doubtful debts	79	118	28	69
Property, plant and equipment, and software	(3,704)	(4,536)	(3,710)	(4,548)
Other	198	72	83	73
	(3,025)	**(3,938)**	**(3,291)**	**(4,111)**

d. Imputation credit account

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Imputation credits available for use in subsequent reporting periods	**8,085**	**6,516**	**6,849**	**4,745**

10. Earnings per share

a. Basic earnings per share

	GROUP	
	2013	2012
Profit for the year ($000)	12,086	9,859
Weighted average number of ordinary shares for the purpose of basic earnings per share (000s)	254,031	265,460
Basic earnings per share (cents per share)	**4.8**	**3.7**

b. Diluted earnings per share

	GROUP	
	2013	2012
Profit for the year ($000)	12,086	9,859
Weighted average number of shares for the purpose of diluted earnings per share (000s)	256,115	267,180
Fully diluted earnings per share (cents per share)	**4.7**	**3.7**

	GROUP	
Number of shares	2013 000s	2012 000s
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	254,031	265,460
Weighted average shares issued under the CEO share plan and employee share plans	2,084	1,720
Weighted average number of shares for the purpose of earnings per share (diluted)	**256,115**	**267,180**

11. Bank overdraft and cash flow reconciliation

a. Bank overdraft facility

The Group has access to an overdraft facility which was established in 2011 to allow the Group flexibility in its working capital management. The facility limit is $20.0 million and has no fixed expiry date. The bank may cancel the facility by giving 180 days written notice. The effective interest rate of the facility at 31 December 2013 was 4.12% (2012: 4.08%).

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Profit for the year	**12,086**	**9,859**	**32,195**	**10,554**
Share of profit of associates	(554)	(590)	-	-
Foreign exchange loss on investments	-	1,536	-	-
Share based payment bonus accrual	228	58	316	38
Non cash dividends received from subsidiary	-	-	(20,000)	(2,677)
Depreciation and amortisation expense	6,451	6,738	5,402	5,641
Impairment expense	2,600	-	2,205	-
Tax losses transferred from subsidiary company	-	-	144	567
Impairment in carrying value of subsidiary company	-	-	395	2,593
	8,725	**7,742**	**(11,538)**	**6,162**
Increase/(decrease) in current tax liability	682	449	998	(275)
(Decrease)/increase in deferred tax liability	(913)	573	(820)	668
Decrease/(increase) in receivables and prepayments	3,410	(1,850)	3,287	(1,997)
Increase in trade payables and other liabilities	2,197	2,315	1,096	1,550
	5,376	**1,487**	**4,561**	**(54)**
Net cash provided by operating activities	**26,187**	**19,088**	**25,218**	**16,662**

12. Funds held on behalf of third parties

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Bond Deposit	1,176	1,021	1,176	1,021
Collateral Deposit	32,301	21,901	-	-
	33,477	**22,922**	**1,176**	**1,021**

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

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

13. Receivables and prepayments

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Trade receivables	5,680	8,050	3,630	6,048
Provision for doubtful debts	(283)	(420)	(100)	(247)
	5,397	**7,630**	**3,530**	**5,801**
Sundry debtors	939	1,403	814	1,059
Prepayments	590	1,320	345	1,118
Accrued interest	45	37	7	5
Accrued income	62	53	-	-
	7,033	**10,443**	**4,696**	**7,983**

a. Movement in provision for doubtful debts

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Balance at beginning of the year	(420)	(195)	(247)	(123)
Amounts written off during the year	36	99	25	3
Decrease/(Increase) in provision recognised in profit or loss	101	(324)	122	(127)
Balance at end of the year	**(283)**	**(420)**	**(100)**	**(247)**

14. Investment in associates

		OWNERSHIP INTEREST		CARRYING VALUE OF ASSET IN GROUP ACCOUNTS	
Name of Entity	Country of Incorporation	2013 (%)	2012 (%)	2013 $000	2012 $000
Associates					
AXE ECN Pty Limited	Australia	50	50	-	-
Link Market Services Limited	New Zealand	50	50	2,757	3,353
Total investment in associates				**2,757**	**3,353**

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

Amount of goodwill in carrying value of equity accounted associates:	**213**	**213**

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Movement in carrying value of associates:				
Balance at beginning of the year	3,353	3,764	2,624	2,624
Distributions received	(800)	(1,001)	-	-
Capital repayment	(350)	-	(350)	-
Share of profit of associates	554	590	-	-
Balance at end of the year	**2,757**	**3,353**	**2,274**	**2,624**

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

	GROUP	
	2013 $000	2012 $000
Summarised financial information of associates:		
Current assets	2,353	2,660
Non-current assets	4,054	4,624
Total assets	**6,407**	**7,284**
Current liabilities	1,340	1,026
Total liabilities	**1,340**	**1,026**
Net assets	**5,067**	**6,258**
Revenue	7,713	6,961
Net profit after tax	1,109	1,180

15. Property, plant and equipment

	GROUP					
	Computer equipment $000	Furniture and equipment $000	Leasehold improvements $000	Motor Vehicles $000	Capital work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2012	**3,075**	**993**	**1,369**	**136**	**10**	**5,583**
Additions	1,115	46	-	75	-	1,236
Disposals	-	-	-	(27)	(4)	(31)
Reclassifications	6	-	-	-	(6)	-
Balance at 31 December 2012	**4,196**	**1,039**	**1,369**	**184**	**-**	**6,788**
Additions	583	30	26	66	623	1,328
Disposals	(1,891)	-	-	(4)	-	(1,895)
Balance at 31 December 2013	**2,888**	**1,069**	**1,395**	**246**	**623**	**6,221**
Accumulated depreciation						
Balance at 1 January 2012	**2,656**	**789**	**885**	**99**	**-**	**4,429**
Depreciation expense	422	74	144	45	-	685
Disposals	-	-	-	(27)	-	(27)
Balance at 31 December 2012	**3,078**	**863**	**1,029**	**117**	**-**	**5,087**
Depreciation expense	561	68	145	64	-	838
Disposals	(1,875)	-	-	(3)	-	(1,878)
Balance at 31 December 2013	**1,764**	**931**	**1,174**	**178**	**-**	**4,047**
Net Book Value						
As at 31 December 2012	**1,118**	**176**	**340**	**67**	**-**	**1,701**
As at 31 December 2013	**1,124**	**138**	**221**	**68**	**623**	**2,174**

15. Property, plant and equipment (continued)

	PARENT					
	Computer equipment $000	Furniture and equipment $000	Leasehold improvements $000	Motor Vehicles $000	Capital work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2012	**2,844**	**859**	**1,369**	**-**	**-**	**5,072**
Additions	1,108	21	-	-	-	1,129
Balance at 31 December 2012	**3,952**	**880**	**1,369**	**-**	**-**	**6,201**
Additions	366	23	26	-	623	1,038
Disposals	(1,891)	-	-	-	-	(1,891)
Balance at 31 December 2013	**2,427**	**903**	**1,395**	**-**	**623**	**5,348**
Accumulated depreciation						
Balance at 1 January 2012	**2,493**	**733**	**885**	**-**	**-**	**4,111**
Depreciation expense	377	52	144	-	-	573
Balance at 31 December 2012	**2,870**	**785**	**1,029**	**-**	**-**	**4,684**
Depreciation expense	531	48	145	-	-	724
Disposals	(1,875)	-	-	-	-	(1,875)
Balance at 31 December 2013	**1,526**	**833**	**1,174**	**-**	**-**	**3,533**
Net Book Value						
As at 31 December 2012	1,082	95	340	-	-	1,517
As at 31 December 2013	**901**	**70**	**221**	**-**	**623**	**1,815**

16. Goodwill

Carrying amount	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Balance at beginning of the year	13,628	13,649	7,720	7,720
Impairment expense	(395)	-	-	-
Refund of stamp duty	-	(21)	-	-
Balance at end of the year	**13,233**	**13,628**	**7,720**	**7,720**

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

Carrying amount	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Agri	2,181	2,181	-	-
Direct Data	323	323	-	-
Grain Information Unit	3,009	3,009	-	-
Clear Grain Exchange	-	395	-	-
Energy	7,720	7,720	7,720	7,720
Balance at end of the year	**13,233**	**13,628**	**7,720**	**7,720**

A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors. For the year ended 31 December 2013, the directors have reviewed all carrying values of goodwill for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other relevant factors. A description of the impairment tests carried out and the key assumptions used is set out in note 18.

17. Other intangible assets

	GROUP					
	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 2012	**34,420**	**8,318**	**3,132**	**2,344**	**2,008**	**50,222**
Additions	191	-	-	-	4,947	5,138
Reclassification	6,582	-	-	-	(6,582)	-
Balance at 31 December 2012	**41,193**	**8,318**	**3,132**	**2,344**	**373**	**55,360**
Additions	264	-	-	-	752	1,016
Disposals	(5,353)	-	-	-	-	(5,353)
Reclassification	867	-	-	-	(867)	-
Balance at 31 December 2013	**36,971**	**8,318**	**3,132**	**2,344**	**258**	**51,023**
Accumulated amortisation and impairment						
Balance at 1 January 2012	**12,171**	**3,464**	**-**	**-**	**-**	**15,635**
Amortisation expense	5,224	829	-	-	-	6,053
Balance at 31 December 2012	**17,395**	**4,293**	**-**	**-**	**-**	**21,688**
Amortisation expense	4,923	690	-	-	-	5,613
Impairment of intangible assets	2,017	188	-	-	-	2,205
Disposals	(5,353)	-	-	-	-	(5,353)
Balance at 31 December 2013	**18,982**	**5,171**	**-**	**-**	**-**	**24,153**
Net Book Value						
As at 31 December 2012	**23,798**	**4,025**	**3,132**	**2,344**	**373**	**33,672**
As at 31 December 2013	**17,989**	**3,147**	**3,132**	**2,344**	**258**	**26,870**

17. Other intangible assets (continued)

	PARENT					
	Software and websites $000	Brands, Trademarks and rights to use Brands $000	Data archives, customer lists, databases, and other IP $000	Management rights $000	Intangible work in progress $000	Total $000
Gross carrying amount						
Balance at 1 January 2012	**33,791**	**2,470**	**2,780**	**-**	**1,717**	**40,758**
Additions	136	-	-	-	4,699	4,835
Reclassification	6,277	-	-	-	(6,277)	-
Balance at 31 December 2012	**40,204**	**2,470**	**2,780**	**-**	**139**	**45,593**
Additions	319	-	-	-	318	637
Disposals	(5,353)	-	-	-	-	(5,353)
Reclassification	206	-	-	-	(206)	-
Balance at 31 December 2013	**35,376**	**2,470**	**2,780**	**-**	**251**	**40,877**
Accumulated amortisation and impairment						
Balance at 1 January 2012	**11,624**	**-**	**-**	**-**	**-**	**11,624**
Amortisation expense	5,068	-	-	-	-	5,068
Balance at 31 December 2012	**16,692**	**-**	**-**	**-**	**-**	**16,692**
Amortisation expense	4,678	-	-	-	-	4,678
Impairment of intangible assets	2,017	188	-	-	-	2,205
Disposals	(5,353)	-	-	-	-	(5,353)
Balance at 31 December 2013	**18,034**	**188**	**-**	**-**	**-**	**18,222**
Net Book Value						
As at 31 December 2012	**23,512**	**2,470**	**2,780**	**-**	**139**	**28,901**
As at 31 December 2013	**17,342**	**2,282**	**2,780**	**-**	**251**	**22,655**

18. Impairment tests

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

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

	Software and websites $000	Other finite life intangible $000	Indefinite life intangible $000	Work in progress $000	Total other intangible assets $000	Goodwill $000	TOTAL $000
Cash generating unit							
Clearing House	8,185	-	-	-	**8,185**	-	**8,185**
Agri	565	223	2,489	-	**3,277**	2,181	**5,458**
Grain Information Unit	136	-	1,969	-	**2,105**	3,009	**5,114**
Clear Grain Exchange	3,790	-	-	-	**3,790**	-	**3,790**
Smartshares	-	-	2,344	-	**2,344**	-	**2,344**
Energy	408	-	-	-	**408**	7,720	**8,128**
Direct Data	-	-	-	-	**-**	323	**323**
Other							
Other intangible assets	982	-	1,598	-	**2,580**	-	**2,580**
Other computer software	3,923	-	-	258	**4,181**	-	**4,181**
	17,989	**223**	**8,400**	**258**	**26,870**	**13,233**	**40,103**

For the year ended 31 December 2013, the Directors have reviewed all intangible assets for impairment using discounted cash flow analysis, comparable EBITDA multiple analysis and/or other factors. All impairment tests have been undertaken on a value in use basis.

Key assumptions used in the calculation of recoverable amounts in discounted cash flow analysis are consistent with those used and disclosed in the financial statements for the year ended 31 December 2012 unless indicated otherwise. Discounted cash flow analysis used an independently assessed base discount rate of 10.5% for New Zealand CGUs and 12.9% for Australian CGUs (stress tested at higher and lower rates) and a forecast period of five years. For the prior year a base discount rate of 12.5% was used across all CGUs. A terminal growth rate of 3% has been used to extrapolate cash flow projections beyond five years. Where relevant, EBITDA multiples were used to cross-check the discounted cash flow analysis for established businesses. Implied multiples ranged from 2.1x to 6.7x (2012: 2.1x to 7.4x) and were considered reasonable in comparison to observable market values.

As a result of the review of the carrying value of the Clear Grain Exchange CGU, the carrying value has been impaired by $2,412,000 for the year ended 31 December 2013. The impairment charge has resulted in the goodwill component of the CGU of $395,000 being fully impaired, and a $2,017,000 impairment charge against the carrying value of the intangible software asset. The impairment charge is a result of continuing lower than expected tonnes traded through the Clear Grain Exchange and the Company's extrapolated growth rates being revised downwards as a result.

The review of the carrying values of goodwill and intangible assets for the remaining assets and CGUs resulted in a further impairment charge of $188,000 for one of the Group's brand assets. All remaining assets and CGUs have been assessed as having recoverable amounts exceeding their carrying values. Therefore no impairment charges are required for the year ended 31 December 2013 for these remaining assets and CGUs.

a) Clearing House

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Clearing House CGU is assessed to be higher than the carrying value at 31 December 2013. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future revenue growth rate. Future revenue growth is dependent on growth in equity and dairy derivatives markets which are expected to trade within a range of 5% to 25% of their respective underlying markets by the end of the forecast period (currently this range is 0% to 5%). These assumptions are based on trading statistics for similar derivative products in overseas markets.

b) Agri

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Agri CGU is assessed to be higher than the carrying value at 31 December 2013. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future revenue growth rate which is assumed to be 3% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

c) Grain Information Unit

Based on discounted cash flow analysis using internal base case assumptions, the net present value of the Grain Information Unit CGU is assessed to be higher than the carrying value at 31 December 2013. Other than the general assumptions outlined above, the principal assumption on which the discounted cash flows are dependent is the future revenue growth rate which is assumed to be 3% during the explicit forecast period. The Company based its assumption on rates it considers reasonable based on historical experience.

d) Clear Grain Exchange (CGX)

Based on discounted cash flow analysis using internal base case assumptions, the carrying value of goodwill and software in the CGX CGU has been reduced to its recoverable amounts through the recognition of an impairment charge. The revenues generated are directly related to the fees charged per tonne, and the number of tonnes traded. To assess the appropriateness of the carrying value of the CGX CGU significant emphasis was placed, in particular, on the long-run assumptions. Sensitivity analysis, stress testing and various market scenarios were also undertaken and assessed. In arriving at CGX's carrying value on the NZX Group balance sheet, the CGX business is expected to need to achieve market share in relevant market segments (i.e. not the entire Australian grain market) at or around 9.0% by 2018, compared to current market share levels estimated at around 6.0% of the relevant market. The growth in market share expected is based on recent growth achieved in the relevant market segment.

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

e) Smartshares

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

f) Energy

The Energy CGU includes goodwill of $7,720,000 and other intangible assets of $408,000 for a total carrying value of $8,128,000. This business has a significant reliance on service provider contracts it has in place with the Electricity Authority ("EA") which were renewed in 2012 and expire on 1 May 2016. If these contracts are not renewed, or a significant portion of contract revenue ceased, then an impairment would likely result. Additionally, the contract nature of this business is such that as time passes, the amount of future contracted revenues decreases and the risk of impairment increases.

19. Trade payables

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Trade payables	600	1,526	339	1,315
Goods and services tax payable	1,018	437	758	326
Accrued expenses	3,542	2,657	1,633	1,248
Accrued interest	58	-	54	-
	5,218	**4,620**	**2,784**	**2,889**

20. Other liabilities

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Employee benefits	3,310	2,636	2,831	2,129
Unearned income	7,439	6,651	5,018	4,519
Earn out provision	-	450	-	-
	10,749	**9,737**	**7,849**	**6,648**

The earn out provision was in relation to the acquisition of Countrywide Publications Limited in 2009 and was paid out in 2013. No further amounts are owed in relation to this acquistion.

21. Shares on issue

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

	GROUP		PARENT	
	2013 Number	2012 Number	2013 Number	2012 Number
Ordinary shares on issue				
General	253,997,949	253,756,483	253,997,949	253,756,483
CEO shares	-	-	1,575,000	1,575,000
Total ordinary shares on issue	**253,997,949**	**253,756,483**	**255,572,949**	**255,331,483**
Restricted shares				
Employees	-	-	373,624	704,415
Non-vesting shares*	-	283,677	-	283,677
Total restricted shares on issue	**-**	**283,677**	**373,624**	**988,092**
Total shares on issue	**253,997,949**	**254,040,160**	**255,946,573**	**256,319,575**

* These shares were held for cancellation in due course.

All shares issued under employee share plans (including the CEO Share Scheme) and other restricted shares are subject to transfer conditions and eligibility criteria before they are able to transfer without restriction or vest as ordinary shares. Until those transfer conditions and/or eligibility criteria are met, none are quoted on the NZSX.

b. Movement in the number of shares

	GROUP		PARENT	
	2013 Number	2012 Number	2013 Number	2012 Number
Balance at beginning of the year	**254,040,160**	**120,709,139**	**256,319,575**	**122,610,069**
Issue of shares				
Employee share plans	241,466	-	271,963	1,575,000
Share split	-	144,988,831	-	146,358,384
Other	-	309,629	-	-
Redemption of shares				
Employee share plans	-	-	(241,466)	(1,892,192)
Other	(283,677)	(135,083)	(283,677)	(135,083)
Share cancellation	-	(12,082,473)	(119,822)	(12,196,603)
Shares vested	-	250,117	-	-
Balance at end of the year	**253,997,949**	**254,040,160**	**255,946,573**	**256,319,575**

In 2012 all shares were subject to a court-approved reconstruction of NZX share capital which took effect on 25 May 2012. Under the capital reconstruction there was a mandatory share cancellation of one in every ten shares held. This was immediately followed with a share split. The share split ratio was four new shares issued for every three existing shares, or a 7:3 share split ratio.

22. Dividends

		PARENT			
		2013		2012	
	For year ended	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid					
March 2012	31 Dec 11			2.75*	3,280
May 2012	31 Dec 12			3.25*	3,921
September 2012	31 Dec 12			1.25	3,168
November 2012	31 Dec 12			1.25	3,172
March 2013	31 Dec 12	1.25	3,192		
May 2013	31 Dec 13	1.25	3,193		
September 2013	31 Dec 13	1.25	3,194		
December 2013	31 Dec 13	1.50	3,834		
Total dividends paid for the year		**5.25**	**13,413**	**8.50**	**13,541**

* These dividends were prior to the reconstruction of NZX's share capital in May 2012, refer to note 21(b).

Refer to note 30 for details of the 2013 fourth quarter dividend.

23. Share based payments

a. CEO Share Plan

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

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

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

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

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

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

b. Employee and other restricted shares

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

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

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

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

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

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

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

	Number of shares 000s	Average share price $
Balance at 1 January 2012	**994**	**0.94098**
Share cancellation	(99)	0.94093
Share split	1,193	0.94096
Shares transferred to NZX employees	-	-
Redemptions	(1,383)	0.93690
Balance at 31 December 2012	**705**	**0.94896**
Shares issued	30	1.32806
Shares transferred to NZX employees	(241)	0.97812
Redemptions	(120)	0.95720
Balance at 31 December 2013	**374**	**0.95794**

Total financial assistance provided by NZX under the Team and Results Plan as at 31 December 2013 was $358,000 (2012: $668,434).

24. Financial instruments

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

a. Financial risk management framework

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

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

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

b. Credit risk management

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

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

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

Detail on other forms of credit risk resulting from the activities of the Clearing House is provided in note 24 (h).

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Not past due	4,546	3,922	3,178	2,620
Past due 0 – 30 days	379	2,837	120	2,549
Past due > 30 days	755	1,291	332	879
	5,680	**8,050**	**3,630**	**6,048**

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Gross trade receivables	5,680	8,050	3,630	6,048
Individual impairment	(153)	(237)	(68)	(172)
Collective impairment	(130)	(183)	(32)	(75)
	5,397	**7,630**	**3,530**	**5,801**

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

c. Liquidity risk management

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

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

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

d. Market risk management

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

Currency risks
NZX utilises foreign currency receipts to offset purchases denominated in foreign currencies. The Company determines forward exposures, and considers these in line with internal policies and procedures, and where appropriate enters forward exchange agreements to keep any exposure to an acceptable level. Monetary assets and liabilities are kept to an acceptable level by buying or selling foreign currencies at the spot rate. There is no significant exchange rate risk.

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

Interest rate risk sensitivity analysis:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Effect on net interest income:				
1% increase in interest rate	186	73	30	(69)
1% decrease in interest rate	(186)	(73)	(30)	69

e. Capital management

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

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

There were no changes in the Group's approach to capital management during the year. As described in note 21, NZX restructured its share capital on 25 May 2012.

f. Accounting classification and fair values

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

		GROUP 2013		
Financial instruments	Note	Loans and receivables $000	Amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents		17,416	-	17,416
Funds held on behalf of third parties	12	33,477	-	33,477
Receivables	13	6,443	-	6,443
Total		**57,336**	**-**	**57,336**
Liabilities				
Trade payables	19	-	5,218	5,218
Funds held on behalf of third parties	12	-	33,477	33,477
Other liabilities	20	-	3,310	3,310
Total		**-**	**42,005**	**42,005**

		GROUP 2012		
Financial instruments	Note	Loans and receivables $000	Amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents		15,238	-	15,238
Funds held on behalf of third parties	12	22,922	-	22,922
Receivables	13	9,123	-	9,123
Total		**47,283**	**-**	**47,283**
Liabilities				
Bank overdraft	11	-	8,969	8,969
Trade payables	19	-	4,620	4,620
Funds held on behalf of third parties	12	-	22,922	22,922
Other liabilities	20	-	3,086	3,086
Total		**-**	**39,597**	**39,597**

Financial instruments	Note	PARENT 2013 Loans and receivables $000	Amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents		1,835	-	1,835
Funds held on behalf of third parties	12	1,176	-	1,176
Receivables	13	4,351	-	4,351
Intercompany receivables		2,441	-	2,441
Total		**9,803**	**-**	**9,803**
Liabilities				
Trade payables	19	-	2,784	2,784
Funds held on behalf of third parties	12	-	1,176	1,176
Other liabilities	20	-	2,831	2,831
Intercompany payables		-	15,311	15,311
Total		**-**	**22,102**	**22,102**

Financial instruments	Note	PARENT 2012 Loans and receivables $000	Amortised cost $000	Total carrying amount $000
Assets				
Cash and cash equivalents		1,010	-	1,010
Funds held on behalf of third parties	12	1,021	-	1,021
Receivables	13	6,865	-	6,865
Intercompany receivables		1,734	-	1,734
Total		**10,630**	**-**	**10,630**
Liabilities				
Bank overdraft	11	-	8,969	8,969
Trade payables	19	-	2,889	2,889
Funds held on behalf	12	-	1,021	1,021
Other liabilities	20	-	2,129	2,129
Intercompany payables		-	35,162	35,162
Total		**-**	**50,170**	**50,170**

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 2013, 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 $6,632,434 cash held from such deposits at 31 December 2013 (2012: $28,964,478).

h. Clearing House counterparty credit risk

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

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

This counterparty credit risk is managed primarily through:

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

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

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

As at 31 December 2013, NZCL had a right to receive $5.056 million (2012: $5.176 million) from clearing participants and an obligation to pay $5.056 million (2012: $5.176 million) to clearing participants for the settlement of cash market transactions. All of these outstanding transactions were settled subsequent to 31 December 2013. The aggregate absolute value of all net outstanding cash market settlement transactions at 31 December 2013 was $54.351 million (2012: $41.802 million). In addition, at 31 December 2013, the total value of outstanding securities loans was $3.587 million (2012: $2.547 million) and the absolute notional value of open derivative contracts was US$44.727 million (2012: US$7.067 million).

Cash collateral held to cover these outstanding settlement positions at 31 December 2013 was $28.573 million (2012: $20.379 million). In addition, at 31 December 2013 an additional $5.5 million collateral (2012: $5.5 million) was held by way of performance bonds.

Reserve Bank of New Zealand Liquidity Facility

Under a Memorandum of Understanding with the Reserve Bank of New Zealand (“RBNZ”), signed 6 October 2010, the Clearing House is eligible for backup liquidity support from the RBNZ subject to the Clearing House maintaining its designation status and meeting the eligibility criteria for RBNZ counterparties. This liquidity support is only available via the discounting of Eligible Securities (as defined by RBNZ and published in their website). The Clearing House did not hold any Eligible Securities during 2013.

25. Group entities

Name of subsidiaries	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST AND VOTING RIGHTS 2013 %	2012 %
Subsidiaries			
Energy Clearing House Limited	New Zealand	100	100
FundSource Limited	New Zealand	100	100
Mandela Investments Limited	New Zealand	100	100
MXF Nominees Limited	New Zealand	100	100
New Zealand Clearing and Depository Corporation Limited	New Zealand	100	100
New Zealand Clearing Limited	New Zealand	100	100
New Zealand Depository Limited	New Zealand	100	100
New Zealand Depository Nominee Limited	New Zealand	100	100
New Zealand Exchange Limited	New Zealand	100	-
NZX CEO Share Scheme Nominee Limited	New Zealand	100	100
NZX CPL Nominee Limited	New Zealand	100	100
NZX Executive Share Plan Nominees Limited	New Zealand	100	100
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Rural Limited	New Zealand	100	100
Smartshares Limited	New Zealand	100	100
Tane Nominees Limited	New Zealand	100	100
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
NZX Agri Advisors Pty Limited	Australia	100	100

Investment in subsidiaries

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

	CARRYING VALUES	
	2013 $000	2012 $000
Subsidiaries of the Parent:		
NZX Rural Limited	7,295	7,295
FundSource Limited	922	922
Smartshares Limited	4,000	4,000
TZ1 Limited	6,091	6,091
NZX Holding No. 4 Limited (holding company for CGX)	2,902	3,297
New Zealand Clearing and Depository Corporation Limited	12,000	12,000
Total	**33,210**	**33,605**

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

26. Related party transactions

a) Transactions with key management personnel

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Short-term employee benefits	3,966	4,871	3,314	4,167
Share-based payments	249	50	232	20
Termination benefits	7	102	7	102
	4,222	**5,023**	**3,553**	**4,289**

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

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

Directors fees for the year were $483,000 (2012: $422,000) and have been included in other expenses (note 6).

c) Transactions with other related parties

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

	GROUP	
	2013 $000	2012 $000
Transactions with related parties		
Sales to Link Market Services Limited	512	306
Purchases from Link Market Services Limited	(307)	(404)
Balances with related parties		
Receivable from Link Market Services Limited	182	52
Payable to Link Market Services Limited	(44)	-

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

	PARENT	
	2013 $000	2012 $000
Transactions with subsidiary companies		
Sales to NZX Rural Limited	136	413
Sales to Smartshares Limited	197	85
Sales to Fundsource Limited	21	5
Sales to NZX Holdings No.4 Limited	282	150
Sales to NZX Profarmer Australia Pty Limited	58	163
Sales to NZX Agri Advisors Pty Limited	13	21
Sales to New Zealand Clearing Limited	425	951
Balances with subsidiary companies		
Receivable from Smartshares Limited	89	42
Receivable from New Zealand Clearing Limited	35	-
Receivable from NZX Agri Advisors Pty Limited	6	6

27. Lease commitments as lessee

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Non-cancellable operating lease payments:				
Up to 1 year	1,505	1,271	1,265	1,086
1 – 2 years	1,002	1,175	765	1,086
2 – 5 years	1,712	706	1,055	456
> 5 years	869	284	733	-
	5,088	**3,436**	**3,818**	**2,628**

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

28. Contingent liabilities and commitments

a. Ralec Litigation

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

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

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

b. Tax

NZX received notification in November 2012 that the IRD had progressed its risk review of the NZX Group, undertaken in 2011, to a tax audit. This audit has been ongoing throughout 2013. In February 2014 the IRD has provided preliminary indication that it may challenge the treatment of items for which the Company estimates the tax effect is approximately $1.3 million. The IRD's position has not been finalised and no provision has been made at 31 December 2013 in respect of these items. The IRD also continues to consider other matters for which it has made requests for information.

29. Capital commitments

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Capital expenditure commitments:				
Software development	126	237	126	237
	126	**237**	**126**	**237**

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

30. Subsequent events

Subsequent to balance date the Board declared a fourth quarter final dividend of 1.60 cents per share, fully imputed, to be paid on 21 March 2014 (with a record date of 7 March 2014).

Auditor's Report.

Independent auditor's report

To the shareholders of NZX Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of NZX Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 18 to 62. The financial statements comprise the statements of financial position as at 31 December 2013, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion the financial statements on pages 18 to 62:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company and the group as at 31 December 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by NZX Limited as far as appears from our examination of those records.

KPMG

20 February 2014
Wellington

Statutory Information.

1. Business Operations

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

2. Interests Register

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

3. Directors' Interests

The Directors have declared interests in the following entities.

Director	Interest	Entity
Andrew Harmos	Director	Harmos Horton Lusk Limited
	Director	Elevation Capital Management Limited
	Director	Westfield Retail Trust
	Director	Pascaro Investments Limited
	Director	AMP Life Limited
	Director	National Mutual Life Association Australasia Limited
Rod Drury [1]	Director	P F Holdings Limited
	CEO	Xero Limited
	Director	Xero Trustee Limited
Alison Gerry	Director	Kiwibank Limited
	Director	Television New Zealand Limited
	Director	Queenstown Airport Limited
	Director	Pioneer Generation Limited
	Trustee	Michael Hill International Violin Competition
Jon Macdonald [1]	CEO	Trade Me Group Limited
	Director	Trade Me Limited
	Director	TMG Trustee Limited
	Director	Old Friends Limited
	Director	Trade Me Comparisons Limited
James Miller	Director	Auckland International Airport Limited
	Director	Financial Markets Authority
	Director	Mighty River Power
	Director	New Zealand Clearing and Depository Corporation Limited
	Director	Accident Compensation Corporation
Neil Paviour-Smith	Director	Forsyth Barr Group Limited and Associated Companies
	Director	Forsyth Barr Limited
	Director	Leveraged Equities Finance Limited
	Director	New Zealand Institute of Chartered Accountants Inc.
	Council Member	Victoria University of Wellington

Director	Interest	Entity
Simon Power	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
Therese Walsh[1]	Head of New Zealand	ICC Cricket World Cup 2015
	Director	Television New Zealand Limited
	Chair	International Development Advisory and Selection Panel, MFAT
	Member	Major Events Investment Panel, MBIE

1 Rod Drury resigned as a Director on 3 May 2013. Therese Walsh and Jon Macdonald were appointed as Directors effective 1 February 2013 and 3 May 2013 respectively.

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	$100,000	Chairman and Independent Director
Rod Drury[2]	$17,033	Independent Director
Alison Gerry	$50,000	Independent Director
Jon Macdonald[2]	$32,967	Independent Director
James Miller[3]	$60,000	Deputy Chairman and Independent Director
Neil Paviour-Smith	$50,000	Independent Director
Simon Power	$50,000	Independent Director
Therese Walsh[2]	$45,694	Independent Director

2 Rod Drury resigned as a Director on 3 May 2013. Therese Walsh and Jon Macdonald were appointed as Directors effective 1 February 2013 and 3 May 2013 respectively.

3 Includes additional remuneration for acting as a director of New Zealand Clearing and Depository Corporation Limited, a 100% owned subsidiary of NZX

6. Indemnifications and Insurance of Directors and Officers

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

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

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

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
Philippa Dunphy [4] (Chair, Independent Director)
Peter Lockery [4] (Independent Director)
Tim Bennett
James Miller

New Zealand Clearing Limited
Philippa Dunphy [4] (Independent Director)

New Zealand Depository Limited
Peter Lockery [4] (Independent Director)

New Zealand Depository Nominee Limited
Robyn Dey (Ceased to hold office during 2013)
Amanda Simpson

4 Mr Lockery and Ms Dunphy receive fees for their services as Independent Directors. In 2013 those fees were $25,000 and $50,000 respectively.

Other NZX Subsidiaries

The following persons held office as Directors of NZX's subsidiary companies at 31 December 2013.

Energy Clearing House Limited
Robyn Dey (Ceased to hold office during 2013)
Amanda Simpson

FundSource Limited
Sam Stanley

Smartshares Limited
Erich Livengood (Ceased to hold office during 2013)
Kathryn Jaggard (Ceased to hold office during 2013)
Tim Bennett
Kristin Brandon
Bevan Miller

NZX Profarmer Australia Pty Limited (Australian registered entity)
Tim Bennett
Ron Storey

NZX Agri Advisors Pty Limited (Australian registered entity)
Ron Storey

NZX Rural Limited
Tim Bennett
Bevan Miller

Mandela Investments Limited
Bevan Miller

MXF Nominees Limited
Bevan Miller

New Zealand Exchange Limited
Bevan Miller

NZX CPL Nominee Limited
Bevan Miller

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

NZX Holding No. 3 Limited
Bevan Miller

NZX Holding No. 4 Limited
Erich Livengood
Tim Bennett

NZX CEO Share Scheme Nominee Limited
Bevan Miller

Tane Nominees Limited
Bevan Miller
Elizabeth Rose (Ceased to hold office during 2013)

TZ1 Limited
Bevan Miller

8. Equity Investments – NZX Appointed Directors

The following persons held office as Directors of companies in which NZX has an equity investment. Directors noted are those that held office at 31 December 2013.

AXE ECN Pty Limited (Australian registered entity)
Bevan Miller

LINK Market Services Limited
Erich Livengood
Tim Bennett

Pacific Custodians (New Zealand) Limited (Incorporated 7 August 2013)
Erich Livengood
Tim Bennett

9. Donations

During the year, NZX did not make any donations.

10. Employee Remuneration

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

Remuneration Ranges	Employee
100,000 – 109,999	5
110,000 – 119,999	5
120,000 – 129,999	5
130,000 – 139,000	5
140,000 – 149,999	2
150,000 – 159,999	2
170,000 – 179,999	1
180,000 – 189,999	2
190,000 – 199,999	2
200,000 – 209,999	1
210,000 – 219,999	1
230,000 – 239,999	1
240,000 – 249,999	1
280,000 – 289,999	5
300,000 – 309,999	1
1,030,000 – 1,039,000	1

11. Director Transactions in Securities of the Parent Company

Director	Securities held Legal and Beneficial as at 31 December 2013
Andrew Harmos	387,920
Rod Drury [5]	-
Alison Gerry	-
Jon Macdonald	-
James Miller	40,083
Neil Paviour-Smith	500,105
Simon Power	-
Therese Walsh	-

5 In respect of Rod Drury as at the date of resignation, effective 3 May 2013.

12. Auditors

The auditor of the parent company and Group is KPMG. They provide audit and other services for which they were remunerated in respect of 2013 as follows:

	Parent $000	Group $000
Audit of the financial statements	97	162
Other audit related fees	-	35
Non-audit services	-	-
Total	**97**	**197**

13. Top 20 Security Holders

The following table shows the names and holdings of the 20 largest holdings of securities in the Company as at 31 January 2014.

Holder Details	Shares held	% Holding
New Zealand Central Securities Depository Limited	94,798,065	37.09
Nigel Babbage & Philippa Babbage	11,251,395	4.40
FNZ Custodians Limited	8,739,871	3.42
Custodial Services Limited	7,645,813	2.99
David Mitchell Odlin	6,261,681	2.45
Custodial Services Limited	3,119,527	1.22
Leveraged Equities Finance Limited	3,090,350	1.21
Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	2,500,000	0.98
Custodial Services Limited	2,466,666	0.97
Custodial Services Limited	2,273,261	0.89
Forsyth Barr Custodians Limited	2,256,129	0.88
Investment Custodial Services Limited	2,054,733	0.80
Sil Long Term Holdings Limited	1,700,000	0.67
Forsyth Barr Custodians Limited	1,596,924	0.62
NZX CEO Share Scheme Nominee Limited	1,575,000	0.62
Michael Walter Daniel & Elizabeth Beatty Benjamin & Michael Murray Benjamin	1,250,000	0.49
New Zealand Depository Nominee Limited	1,052,896	0.41
ASB Nominees Limited	900,000	0.35
Don James Turkington	864,836	0.34
Somerset Smith Partners Ltd	831,549	0.33
Total	**156,228,696**	**61.13**

14. Spread of ordinary shareholders as at 31 January 2014

Size of Holding	SHAREHOLDERS		SHARES	
	Number	%	Number	%
1 to 1,000	174	4.56	108,018	0.04
1,001 to 5,000	788	20.64	2,471,030	0.97
5,001 to 10,000	988	25.88	7,546,258	2.95
10,001 to 50,000	1,484	38.87	32,169,318	12.59
50,001 to 100,000	206	5.39	14,496,796	5.67
Greater than 100,000	178	4.66	198,781,529	77.78
Total	**3,818**	**100.00**	**255,572,949**	**100.00**

15. Substantial Security Holders

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by NZX under section 35C of the Securities Markets Act 1988 the following were substantial holders in NZX as at 31 December 2013. The total number of voting securities on issue as at 31 December 2013 was 255,572,949 ordinary shares.

	Relevant Interest	%
ANZ New Zealand Investments Limited	21,938,362	8.584
Fisher Funds Management Limited	20,048,789	7.845

16. Waivers from the Listing Rules and Independent Director Certificates

The following waivers have been granted to NZX or relied upon by NZX in the 12 month period ended 31 January 2014:

A waiver from the application of Rule 7.6.1. The purpose of the waiver was to allow for shares to be redeemed by NZX, where they failed to vest in favour of Country-Wide Publications Limited (CPL), in the circumstances contemplated by the arrangements relating to the acquisition of the CPL business.

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

17. Securities Issued by NZX

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

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

Andrew Harmos

Neil Paviour-Smith

Directory.

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Board of Directors

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

Share Register

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