NZX Interim Report 2015

For the six months ended 30 June 2015

16 September 2015

CEO's Report

Overview

NZX's half year 2015 results demonstrate the strong progress we have made with expanding NZX's funds management business, along with the resilience of our capital markets revenues, despite an absence of any significant IPO activity during the period.

We saw a significant milestone in the first half of 2015, with total equity market capitalisation topping $100 billion for the first time, and continued growth in trading activity. The continued rapid growth of our dairy derivatives market was another notable feature of the result.

Total revenues for the half year increased $3.2 million or 10.4% on the previous corresponding period to $34.4 million, due to the acquisition of SuperLife Limited, which in turn enabled a significant expansion of the portfolio of Exchange Traded Funds (ETF) offered by our Smartshares business.

EBITDAF was down 3.6% to $11.7 million as increased professional fees associated with the Ralec litigation and the launch of the new ETFs reduced earnings. Reported NPAT was up 157.9% to $18.0 million. Reported NPAT includes an $11.8 million gain from the sale of NZX's 50% shareholding in Link Market Services NZ (Link NZ). Excluding this gain, NPAT was down 11.5%.

Reported results are summarised in the table below.

	Half year ended 30 June 2015 $m	Half year ended 30 June 2014 $m	Change %
Revenue	34.4	31.2	10.4%
Operating expenses	22.7	19.0	19.3%
EBITDAF*	11.7	12.1	(3.6%)
Net finance income	0.3	0.1	159.8%
Depreciation & amortisation	(3.3)	(2.7)	18.8%
Gain on disposal of Link NZ	11.8	-	-
Associate income	0.4	0.2	93.9%
Tax expense	(2.9)	(2.8)	5.6%
Net Profit After Tax	18.0	7.0	157.9%

* Earnings before interest, tax, depreciation, amortisation, asset impairments, share of profit of associates and financing costs.

Effective 30 June, NZX sold its 50% shareholding in Link NZ to Link Market Services Australia. The sale price was an initial payment of NZ$13.8 million with an additional NZ$0.45 million to be paid to NZX 12 months following the sale, depending on Link NZ's financial performance over that period. A resulting gain on sale of $11.8 million is recognised in NZX's half year financial statements.

The sale of NZX's Link NZ stake ensures NZX is well positioned to take advantage of other opportunities to invest in the development of New Zealand's markets infrastructure.

Business Highlights

Capital markets: Revenues in NZX's capital markets business, which includes capital raising, trading and clearing, listings, participant services and securities data, were up 0.2% on 1H 2014 to $17.8 million.

In June, NZX welcomed the listing of G3 Group Limited on NXT, which marked the launch of NZX's new market designed for small and mid-sized businesses. In addition, Fliway Group listed on the Main Board in April. However, compared to the first half of 2014, which included the $1.8 billion listing of Genesis Energy, there was no significant IPO activity in the first half of 2015. As a result, total listing revenue was down 11.7% to $5.5 million.

There was solid trading activity in the six months, with trading volumes and value up 5.5% and 1.9% respectively over 1H 2014. This contributed to a 4.9% increase in securities trading revenue and a 9.5% increase in securities clearing revenue. Securities data revenues were up 10.2% to $5.4 million as a result of a $450k increase in audit revenue.

Other significant features of first half performance included:

- NZX's Dairy Derivatives business continuing to grow strongly, with lots traded in the first half of 2015 up 142.7% on 1H 2014 to 78,612. Dairy Derivatives volumes have grown faster than other new soft commodity derivatives markets and continue to have strong growth potential. Trading momentum has continued into the second half of the year, with August a record month for lots traded.
- The Clear Grain Exchange saw a small lift in tonnes traded during Q2 2015. Despite this, total trades over the half year of 241,806 were down 23.8% on 1H 2014, a result of the majority of the 2014/15 harvest being sold in Q4 2014. Operationally, the Clear business continues its focus on geographic and product expansion.
- NZX's agri publications and data business revenues were impacted by adverse market conditions in the rural sector, with a rapid decline in dairy prices and drought conditions in some regions. Consequently, print advertising revenues were down 9.9% over 1H 2014. While the decline in advertising stabilised somewhat in Q2 2015, the sector outlook remains challenging.
- NZ Agri data revenue was up 20.8% due to an increased uptake of data products, and growth from the acquisition of leading livestock market information business iFarm, which NZX announced it had acquired in May, strengthening NZX Agri's position as a leading provider of information and data products.
- Revenues in NZX's funds management business were up $3.6 million largely due to the acquisition in January of leading New Zealand superannuation and passive funds manager SuperLife. During the six months, SuperLife's KiwiSaver funds under management (FUM) grew by 15.7%, while total SuperLife FUM increased by 10.5%.
- The SuperLife acquisition provided the catalyst for NZX to accelerate the growth of ETFs in New Zealand, providing a much broader range of simple, transparent and low cost listed products for investors. Since December 2014, Smartshares has launched 14 new ETFs, bringing to 19 the portfolio of ETFs now offered by Smartshares. NZX expects to launch an additional 2-3 ETFs before year end.
- Smartshares funds under management grew by 16.8% on the same period last year, excluding SuperLife funds.
- Revenues in NZX's market operations business were stable. This business includes the Electricity Authority contracts NZX operates on the Authority's behalf and the operation of the Fonterra Shareholders' Market. Consulting activity in the six months was higher than previously expected due to the new Extended Reserves Manager contract which the Authority selected NZX as preferred supplier for in March.

- In May, NZX's Energy team submitted a proposal to the Electricity Authority (the Authority) for the four Market Operations Service Provider roles that were up for tender, which are currently operated by NZX on behalf of the Authority. NZX was informed in August by the Authority that it had been selected as preferred supplier for all four market operations service provider roles: Clearing manager; Reconciliation manager; Pricing manager; Wholesale information and trading system (WITS) manager.

Costs

Growth in operating expenses of $3.7 million over the prior corresponding half reflected $1.9 million of SuperLife expenses; a $1.1 million increase in professional fees due to the Ralec litigation and the launch of new Smartshares ETFs; an increase in fund expenditure resulting from the new ETFs; and a small increase in underlying personnel costs. Gross employee related costs in 1H 2015, excluding costs related to SuperLife, were however down compared to the second half of 2014.

Acquisition of Apteryx

In June 2015 NZX announced it had entered into a non-binding heads of agreement to acquire 100% of Apteryx, a business that delivers rich online functionality to enable New Zealand investment advisers and providers to efficiently manage, trade and administer their clients' portfolios. The Apteryx platform has the potential to be developed into a core industry utility with a goal of improving effectiveness and efficiency within the New Zealand market, while at the same time providing medium-term growth potential for our shareholders. The related sale and purchase agreement was signed on 7 August 2015; all completion conditions were satisfied and the purchase was duly completed in August. NZX does not expect the business will have a material impact on earnings in 2015 or 2016.

NZX Regulation Update

NZX continues to focus on maintaining a high quality regulatory environment. In May, NZX welcomed the Financial Markets Authority's (FMA) fourth annual General Obligations Review that assesses and reports on NZX's compliance with its statutory obligations. The report concluded that during the 2014 review period NZX complied with all of its statutory obligations. There were no specific actions agreed between the FMA and NZX following the review.

Also in May, NZX signed a Memorandum of Understanding (MoU) with the Takeovers Panel. The MoU sets out a framework for engagement and cooperation between the two regulators, taking into account their respective roles.

Dividend

NZX's Board has declared an interim dividend of 3.0 cents, fully imputed. The record date for the dividend was 2 September 2015 with a payment date of 16 September. This is unchanged from the dividend declared in respect of 1H 2014.

Thank you for your continued support,

Tim Bennett
CEO

NZX Financial Statements

For the six months ended 30 June 2015

NZX Limited

Income Statement

For the six months ended 30 June 2015

		GROUP		
	Note	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
Revenue				
Securities information		5,430	4,929	10,406
Listing fees		5,478	6,202	13,155
Other issuer services		382	488	1,013
Securities trading		2,330	2,221	4,424
Participant services		1,738	1,695	3,479
Securities clearing		2,441	2,230	4,653
Commodities trading		449	671	1,251
Dairy derivatives		215	88	254
Agri information		5,664	6,004	12,204
Fund services		4,841	1,217	2,716
Market operations		5,428	5,417	11,634
Total revenue	4	**34,396**	**31,162**	**65,189**
Expenses				
Personnel costs		(12,510)	(10,491)	(21,975)
Information technology		(2,946)	(2,872)	(5,828)
Professional fees		(2,542)	(1,374)	(3,437)
Marketing, printing and distribution		(1,676)	(1,745)	(3,827)
Fund expenditure		(773)	(413)	(1,063)
Other expenses		(2,238)	(2,124)	(4,458)
Total expenses		**(22,685)**	**(19,019)**	**(40,588)**
Earnings before net finance income, income tax, depreciation and amortisation, share of profit of associate, gain on sale of associate and gain/(loss) on sale of fixed assets		**11,711**	**12,143**	**24,601**
Interest income		506	275	615
Interest expense		(533)	(133)	(407)
Net gain/(loss) on foreign exchange		305	(35)	(121)
Net finance income		**278**	**107**	**87**
(Loss)/gain on disposal of assets		(32)	-	42
Depreciation and amortisation expense		(3,265)	(2,712)	(5,490)
Gain on disposal of associate	6	11,807	-	-
Share of profit of associates		411	212	673
Profit before income tax		**20,910**	**9,750**	**19,913**
Income tax expense		(2,937)	(2,780)	(6,802)
Profit for the period		**17,973**	**6,970**	**13,111**

Earnings per share			
Basic (cents per share)	6.9	2.7	5.2
Diluted (cents per share)	6.8	2.7	5.1

The accompanying notes form an integral part of these financial statements

NZX Limited

Statement of Comprehensive Income

For the six months ended 30 June 2015

	GROUP		
	Unaudited 6 mths ended 30 June 2015 $000	**Unaudited 6 mths ended 30 June 2014 $000**	**Audited 12 mths ended 31 Dec 2014 $000**
Profit for the period	17,973	6,970	13,111
Other comprehensive income			
Foreign currency translation differences	(190)	20	93
Total comprehensive income for the period	**17,783**	**6,990**	**13,204**

The accompanying notes form an integral part of these financial statements

NZX Limited
Statement of Changes in Equity
For the six months ended 30 June 2015

		GROUP			
	Note	**Share Capital $000**	**Retained Earnings $000**	**Translation Reserve $000**	**Total Equity $000**
Opening balance at 1 January 2014		**29,850**	**19,572**	**94**	**49,516**
Profit for the period		-	6,970	-	6,970
Foreign currency translation differences		-	-	20	20
Total comprehensive income for period		**-**	**6,970**	**20**	**6,990**
Transactions with owners recorded directly in equity:					
Dividends paid	10	-	(4,089)	-	(4,089)
Share based payments		152	-	-	152
Cancellation of non-vesting shares		(166)	-	-	(166)
Total transactions with owners recorded directly in equity		**(14)**	**(4,089)**	**-**	**(4,103)**
Unaudited closing balance at 30 June 2014		**29,836**	**22,453**	**114**	**52,403**
Profit for the period		-	6,141	-	6,141
Foreign currency translation differences		-	-	73	73
Total comprehensive income for period		**-**	**6,141**	**73**	**6,214**
Transactions with owners recorded directly in equity:					
Dividends paid		-	(7,667)	-	(7,667)
Share based payments		161	-	-	161
Cancellation of non-vesting shares		(22)	-	-	(22)
Total transactions with owners recorded directly in equity		**139**	**(7,667)**	**-**	**(7,528)**
Audited closing balance at 31 December 2014		**29,975**	**20,927**	**187**	**51,089**
Profit for the period		-	17,973	-	17,973
Foreign currency translation differences		-	-	(190)	(190)
Total comprehensive income for period		**-**	**17,973**	**(190)**	**17,783**
Transactions with owners recorded directly in equity:					
Dividends paid	10	-	(7,916)	-	(7,916)
Issue of shares		10,000	-	-	10,000
Share based contingent consideration		5,000	-	-	5,000
Dividend accrued on contingent consideration shares		-	(124)	-	(124)
Share based payments		2,071	-	-	2,071
Cancellation of non-vesting shares		(88)	50	-	(38)
Total transactions with owners recorded directly in equity		**16,983**	**(7,990)**	**-**	**8,993**
Unaudited closing balance at 30 June 2015		**46,958**	**30,910**	**(3)**	**77,865**

The accompanying notes form an integral part of these financial statements

NZX Limited

Statement of Financial Position

As at 30 June 2015

		GROUP		
	Note	Unaudited 30 June 2015 $000	Unaudited 30 June 2014 $000	Audited 31 Dec 2014 $000
Current assets				
Cash and cash equivalents		25,888	13,526	20,160
Funds held on behalf		51,702	45,177	34,361
Receivables and prepayments		21,109	18,591	9,522
Current tax receivable		-	567	-
Total current assets		**98,699**	**77,861**	**64,043**
Non-current assets				
Non-current receivables		2,261	-	-
Investment in associates		-	2,969	2,930
Property, plant and equipment		3,571	2,175	2,282
Goodwill		34,800	13,233	13,233
Other intangible assets		37,884	24,814	23,363
Total non-current assets		**78,516**	**43,191**	**41,808**
Total assets		**177,215**	**121,052**	**105,851**
Current liabilities				
Bank overdraft		-	2,209	-
Funds held on behalf		51,702	45,177	34,361
Trade payables		6,714	4,446	6,305
Other liabilities		15,685	13,937	11,238
Current tax payable		613	-	195
Total current liabilities		**74,714**	**65,769**	**52,099**
Non-current liabilities				
Deferred consideration		8,168	-	-
Term loan	8	10,000	-	-
Deferred tax liability		6,468	2,880	2,663
Total non-current liabilities		**24,636**	**2,880**	**2,663**
Total liabilities		**99,350**	**68,649**	**54,762**
Net assets		**77,865**	**52,403**	**51,089**
Equity				
Share capital		46,958	29,836	29,975
Retained earnings		30,910	22,453	20,927
Translation reserve		(3)	114	187
Total equity attributable to shareholders		**77,865**	**52,403**	**51,089**
Net tangible assets per share (cents per share)		1.97	5.61	5.66

Approved on behalf of the Board on 18 August 2015.

J B Miller
Chairman of Directors

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

The accompanying notes form an integral part of these financial statements

NZX Limited

Statement of Cash Flows

For the six months ended 30 June 2015

		GROUP		
	Note	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
Cash flows from operating activities				
Receipts from customers		29,117	25,440	63,684
Net interest received		185	89	194
Payments to suppliers and employees		(23,187)	(22,415)	(40,835)
Income tax paid		(4,252)	(4,467)	(6,952)
Net cash provided by/(used in) operating activities		**1,863**	**(1,353)**	**16,091**
Cash flows from investing activities				
Receipts from investments		14,650	-	500
Cash acquired on acquisition of subsidiary	7	59	-	-
Payment for property, plant and equipment		(1,822)	(498)	(1,181)
Payments for intangible assets		(1,106)	(159)	(910)
Acquisition of subsidiary		(10,000)	-	-
Net cash provided by/(used in) investing activities		**1,781**	**(657)**	**(1,591)**
Cash flows from financing activities				
Proceeds from term loan		10,000	-	-
Dividends paid		(7,916)	(4,089)	(11,756)
Net cash provided by/(used in) financing activities		**2,084**	**(4,089)**	**(11,756)**
Net increase/(decrease) in cash		**5,728**	**(6,099)**	**2,744**
Cash at the beginning of the period		**20,160**	**17,416**	**17,416**
Cash at the end of the period		**25,888**	**11,317**	**20,160**

Cash comprises:

	Unaudited 30 June 2015 $000	Unaudited 30 June 2014 $000	Audited 31 Dec 2014 $000
Cash at bank	21,388	6,026	12,660
Bank deposits	4,500	7,500	7,500
Bank overdraft	-	(2,209)	-
Total cash and cash equivalents	**25,888**	**11,317**	**20,160**

Included within the cash and cash equivalent balance is $10.4 million that is held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

The accompanying notes form an integral part of these financial statements

1 Reporting entity

NZX Limited (the "Company" or "NZX") is a listed company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZSX). The Company is an FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013.

The consolidated interim financial statements of NZX Limited as at and for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2 Basis of preparation

(a) Statement of compliance

The Group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2014. These Group financial statements do not include all the information required for full annual financial statements prepared in accordance with NZ IFRS.

These consolidated interim financial statements were approved by the Board of Directors on 18 August 2015 and are unaudited.

(b) Judgements and estimates

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

In preparing these Group financial statements, significant judgements are made by management in applying the Group's accounting policies. The key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2014.

(c) Functional and presentation currency

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

3 Summary of accounting policies

These Group financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 31 December 2014.

4 Segment reporting

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

- Capital Markets - operator and regulator of securities and derivatives markets and provider of trading, post-trade and data services for securities and derivatives, as well as the provider of a central securities depository;
- Soft Commodities (Soft Cdtie’s)- Operator of an electronic grain trading platform through Clear Grain Exchange, and operator of a dairy derivatives market;
- Agricultural Information (Agri Info) - Provider of information, news and data relating to the agriculture sectors in New Zealand and Australia through printed publications and online services;
- Funds Management (Funds Mgmt)- Provider of passive funds management products; and
- Market Operations (Market Ops) - Market operator for New Zealand's wholesale electricity market and the Fonterra Shareholders’ Market.

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

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

Segmental information for the six months ended 30 June 2015

Unaudited	Capital Markets $000	Soft Cdtie's $000	Agri Info $000	Funds Mgmt $000	Market Ops $000	Other $000	Total $000
Revenue	17,799	664	5,664	4,841	5,428	-	34,396
Unallocated expenditure	-	-	-	-	-	(22,685)	(22,685)
Total segment result	**17,799**	**664**	**5,664**	**4,841**	**5,428**	**(22,685)**	**11,711**
Segment assets:							
Goodwill	323	-	5,498	21,259	7,720	-	34,800
Other intangible assets	11,111	2,813	5,161	18,097	174	528	37,884
Total segment assets	**11,434**	**2,813**	**10,659**	**39,356**	**7,894**	**528**	**72,684**
Unallocated assets:							
Cash and cash equivalents	-	-	-	-	-	25,888	25,888
Other assets	-	-	-	-	-	78,643	78,643
Unallocated liabilities	-	-	-	-	-	(99,350)	(99,350)
Net assets	**11,434**	**2,813**	**10,659**	**39,356**	**7,894**	**5,709**	**77,865**

Segmental information for the six months ended 30 June 2014

Unaudited	Capital Markets $000	Soft Cdtie's $000	Agri Info $000	Funds Mgmt $000	Market Ops $000	Other $000	Total $000
Revenue	17,765	759	6,004	1,217	5,417	-	31,162
Unallocated expenditure	-	-	-	-	-	(19,019)	(19,019)
Total segment result	**17,765**	**759**	**6,004**	**1,217**	**5,417**	**(19,019)**	**12,143**
Segment assets:							
Goodwill	323	-	5,190	-	7,720	-	13,233
Other intangible assets	12,346	4,440	4,945	2,344	-	739	24,814
Total segment assets	**12,669**	**4,440**	**10,135**	**2,344**	**7,720**	**739**	**38,047**
Unallocated assets:							
Cash and cash equivalents	-	-	-	-	-	13,526	13,526
Other assets	-	-	-	-	-	69,479	69,479
Unallocated liabilities	-	-	-	-	-	(68,649)	(68,649)
Net assets	**12,669**	**4,440**	**10,135**	**2,344**	**7,720**	**15,095**	**52,403**

4 Segment reporting (continued)

Segmental information for the year ended 31 December 2014

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

Geographical information

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

Revenue	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
New Zealand	27,820	24,589	53,483
Australia	3,333	3,779	4,764
Other	3,243	2,794	6,942
Total revenue	**34,396**	**31,162**	**65,189**

Non-current assets	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
New Zealand	74,585	39,184	37,814
Australia	3,931	4,007	3,994
Total non-current assets	**78,516**	**43,191**	**41,808**

5 Bank overdraft

Bank overdraft facility

The Group has an overdraft facility to allow the Group flexibility in its working capital management. The facility limit is $10.0 million and has no fixed expiry date. The bank may cancel the facility by giving 30 days written notice.

6 Investment in associates

	Unaudited 6 mths ended 30 June 2015 $000
Disposal of associate	
Proceeds from sale of associate	14,298
Less carrying value	(2,491)
Gain on disposal of associate	**11,807**

During the period the Group sold its 50% stake in Link Market Services Limited to the other 50% shareholder for $14.3 million. This sale settled on 30 June 2015, with the initial payment of $13.8 million being received. Under the agreement a further amount of $173,000 has been estimated as a post completion purchase price adjustment and an additional $450,000 is receivable in the second half of 2016 depending on Link Market Service Limited financial performance over the next 12 month period to 30 June 2016. The Group also is liable to issue shares to the value of $125,000 as a retention amount in respect of key employees of Link Market Services Limited in three years time. The Group has assessed that the requirements for these payments to be made are expected be achieved.

7 Acquisition of subsidiary

Acquisition of SuperLife Limited

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

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

In the six months ended 30 June 2015 SuperLife contributed revenue of $3.2 million and profit after tax of $0.4 million to the Group's results.

7 Acquisition of subsidiary (continued)

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

Consideration transferred/payable

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

Equity instruments issued

The value of the ordinary shares issued was based on the volume weighted average price during the 20 business days prior to 8 December 2014 (the date of the sale and purchase agreement), with the issue price being $1.21 per ordinary share.

Contingent consideration

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

The issues of the $5.0 million of NZX ordinary shares will be payable if SuperLife's funds under management exceed $1.207 billion for a period of twelve consecutive months.

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

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

A provisional allocation of the purchase price to the identifiable assets acquired and liability assumed has been set out in the table below.

Identifiable assets acquired and liabilities assumed (Provisional)

	$000
Cash and cash equivalents	59
Trade and other receivables	100
Property, plant and equipment	79
Goodwill	21,259
Management rights	15,036
IT Systems	1,099
Deferred tax liability	(4,518)
Trade and other payables	(183)
Total identifiable net assets	**32,931**

Trade and other receivables comprises gross contractual amounts of $74,704 which has all been collected since acquisition date.

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

8 Term loan

The $10.0 million term loan is for an initial three year term. The facility is unsecured and contains two financial covenants which have been met throughout the period:

- The ratio of interest bearing debt to EBITDA shall not exceed 3.5 times; and
- The ratio of EBITDA to interest shall not exceed 4.0 times.

The weighted effective interest rate at 30 June 2015 was 4.07%.

The Group has also entered into a further $10.0 million facility to provide funding for additional risk capital for its wholly owned subsidiary New Zealand Clearing Limited. This facility was undrawn at 30 June 2015. The Group expects to fully draw down this facility in Q3 2015, with the proceeds to be held as restricted deposits for clearing risk capital purposes.

9 Impairment test

Impairment test
The Group's cash generating units (CGU's) to which goodwill has been allocated are tested for impairment annually, and whenever there is an indicator of impairment based on the performance of the CGU relative to expected future performance and other relevant factors.

9 Impairment test (continued)

Indefinite life intangible assets are reviewed for impairment annually. Finite and indefinite life intangible assets are also reviewed for impairment whenever there are indicators of impairment. Impairment testing is based on the performance of the intangible asset or cash-generating unit relative to expected future performance and other relevant factors. A description of the impairment tests carried out is included in the annual report for the year ended 31 December 2014.

As set out in the annual report for the year ended 31 December 2014 the Energy CGU 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. The EA has commenced the tender process for these service provider contracts and NZX submitted its bid in May 2015. The outcome of the tender process will not be known until the later part of 2015. If NZX does not retain these contracts, or a significant portion of contract revenue ceased, then an impairment would likely result.

10 Dividends

		Unaudited 6 mths ended 30 June 2015		Unaudited 6 mths ended 30 June 2014		Audited 12 mths ended 31 Dec 2014	
Dividends declared and paid	**For year ended**	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**	**Cents per share**	**Total $000**
March 2014	31 Dec 13			1.60	4,089	1.60	4,089
September 2014	31 Dec 14					3.00	7,667
March 2015	31 Dec 14	3.00	7,916				
Total dividends paid for period		**3.00**	**7,916**	**1.60**	**4,089**	**4.60**	**11,756**

Refer to note 13 for details of the first half 2015 dividend.

11 Related party transactions

(a) Transactions with key management personnel

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

	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
Short-term employee benefits	2,179	2,017	4,197
Share-based payments	144	(53)	(37)
	2,323	**1,964**	**4,160**

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

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

Directors fees for the six month period to 30 June 2015 were $205,000 (30 June 2014: $243,000, 31 December 2014: $469,000) and have been included in other expenses.

(c) Transactions with other related parties

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

	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
Sales to Link Market Services Limited	275	199	512
Purchases from Link Market Services Limited	(184)	(155)	(307)

	Unaudited 6 mths ended 30 June 2015 $000	Unaudited 6 mths ended 30 June 2014 $000	Audited 12 mths ended 31 Dec 2014 $000
Receivable from Link Market Services Limited	94	54	182
Non current receivable from CEO	1,811	-	-
Payable to Link Market Services Limited	(32)	-	(44)

A CEO share scheme is in place under the CEO's employment contract that runs for a period of 5 years expiring mid 2017. The full details of this scheme is outlined in the Group financial statements for the year ended 31 December 2014. The Group has determined that it is likely the performance hurdle will not be met and has accordingly recognised a loan to the CEO as a non current receivable with a corresponding increase in equity in accordance with the terms of the scheme.

12 Contingent liabilities and commitments

(a) Ralec Litigation

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

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

(a) An earn-out payment (the Grain Software Market Payment) of AU$7m (payable in cash and/or NZX shares valued at the date of the SPA) and a possible unquantified ancillary bonus payment, if particular grain tonnages and revenues were achieved by Clear during 2009 and 2012.

12 Contingent liabilities and commitments (continued)

Between these periods, Clear traded between approximately 13% and 17% of the various tonnage targets. Ralec alleges this was because NZX failed properly to resource and finance Clear. NZX denies this.

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

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

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

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

13 Subsequent events

Dividend

Subsequent to balance date the Board declared a first half 2015 dividend of 3.00 cents per share, fully imputed, to be paid on 16 September 2015, with a record date of 2 September 2015.

KPMG

Independent review report

To the Shareholders of NZX Limited

We have completed a review of the interim financial statements of NZX Limited and its subsidiary companies (the "Group") on pages 6 to 20 which comprise the statement of financial position as at 30 June 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities

The Directors of the Group are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and of its financial performance and its cash flows for the six months ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

KPMG

18 August 2015
Wellington

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