



NZX Limited Interim Report 2016

S&P/NZX
20
INDEX

5297.69
7.64 / 0.14%

S&P/NZX
50
INDEX

7369
16.0%

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CEO's Report.

The key features of NZX's first half 2016 results were the strength of our markets business, the impact of strategic investments in the funds services segment, and the completion of the long-running Ralec litigation.

Revenues increased 10.3% due to growth in markets activity, and the investments NZX made in 2015 to expand its portfolio of Exchange Traded Funds (ETFs), and enter the wealth platform business through the acquisition of Apteryx (now NZX Wealth Technologies).

Operating earnings¹ declined due to the high costs of the Ralec litigation. Excluding the Ralec costs, operating earnings increased 5.3%. With the Ralec trial concluding in July 2016, expenditure on this litigation has ceased, which will have a significant benefit for earnings in future periods.

A strong result from the markets business reflected a significant lift in trading activity (with the number of trades up 35.8%) and in capital raising activity. NZX's Debt Market has been particularly successful, with the total value of debt listed increasing by 71.1% in the past year. The health of the equity markets was underscored by the fact that the ratio of market capitalisation to GDP reached 50% in July 2016, the first time this level has been reached since NZX began reporting this measure in 2003.

¹ Earnings before net finance income, income tax, depreciation, amortisation and impairment, adjustment to provision for earnout, share of profit of associate and gain on sale of associate

While volumes in the dairy derivatives market slowed in the first half due to a lack of volatility in underlying commodity markets, the number of active traders in the market increased substantially. NZ milk price futures and options were also successfully launched, with initial trading volumes exceeding our expectations. This augurs well for the future growth of dairy derivatives.

The Financial Markets Authority (FMA) again concluded in their annual market operator obligations review that NZX complied with all of its statutory obligations and no specific actions were required.

The markets business demonstrated the benefits of operating leverage, while segment revenues were up 7.9%, costs were up only 1.2%.

NZX's funds services business saw rapid revenue growth, though this was exceeded by the costs associated with the strategic investments NZX has made in this segment. NZX Wealth Technologies made excellent progress, leading to the signing of its first major new client in August. The new suite of Smartshares ETFs is performing well, and SuperLife continues to achieve very pleasing growth in Funds Under Management, particularly in the high-value KiwiSaver segment. It also gained four new corporate superannuation clients in the first half of 2016.

Smartshares was granted a licence by the FMA to operate as a manager of a registered scheme under the Financial Markets Conduct Act (FMCA), which also covers SuperLife. The business will complete its transition to FMCA compliance in the second half of 2016. FMCA licencing and compliance has been a significant undertaking, but once complete will set the business up well for the future, and is a cost that largely will not need to be repeated.

NZX's agri businesses saw mixed results. Challenging conditions in the dairy sector weighed on rural sector confidence and saw the advertising market shrink. The volume of advertising in NZX's agri publications declined 11.1%, with a flow on impact to publishing revenues, which make up the majority of this segment's revenues. Data revenues however increased 21.0% as NZX broadened its product offering, and commodities trading revenues were up 71.3% due to a more favourable grain trading season in Australia.

A more detailed review of the components of NZX's financial results is provided in the management commentary in the next section of this report.

Outlook

NZX continues to expect FY2016 EBITDA to be in the range of \$22.5 million to \$26.5 million. This is subject to market outcomes, particularly in respect to initial public offerings, secondary capital raising, trading and clearing volumes for equity, derivatives and grain trading volumes. This guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments. It also assumes no acquisitions or divestments.

Dividend

The Board declared an interim dividend of 3.0 cents per share, fully imputed. The record date will be 2 September 2016, with a payment date of 16 September 2016.

On behalf of everyone at NZX, thank you for your continued support.

A handwritten signature in black ink, appearing to read 'Tim Bennett', followed by a period.

Tim Bennett
CEO

Management Commentary.

Financial results for the six months ended 30 June 2016

Overview

NZX's reported earnings for the six months ended 30 June 2016 (HY2016) are summarised in the table below.

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Total revenue	37,925	34,396	31,162	10.3%
Operating expenses	(27,149)	(22,685)	(19,019)	19.7%
Earnings before net finance expense, tax, depreciation and amortisation and gain on sale	10,776	11,711	12,143	(8.0%)
Net finance income	(157)	278	107	(156.5%)
Depreciation, amortisation and gain/loss on sale of PP&E	(3,893)	(3,297)	(2,712)	18.1%
Gain on sale of associate	-	11,807	-	(100.0%)
Share of profit of associate	-	411	212	(100.0%)
Impairment/earnout adjustment	(441)	-	-	NM
Tax expense	(2,708)	(2,937)	(2,780)	(7.8%)
Net profit after tax – reported	3,577	17,973	6,970	(80.1%)
Net profit after tax – excluding gain on sale of associate and impairment/earnout adjustment	4,018	6,166	6,970	(34.9%)

Revenue growth reflected:

- High volumes of activity in the capital markets, with higher listing fees as a result of substantial growth in initial and secondary capital raising and higher trading and clearing fees due to significantly higher trading activity; and
- Growth in revenues from NZX's funds services businesses due to growth in funds under management, the launch of a broad range of Exchange Traded Funds (ETFs) throughout 2015 and the acquisition of Apteryx (subsequently renamed NZX Wealth Technologies) in the second half of 2015.

Expense growth exceeded revenue growth due to a \$1.6 million increase in costs associated with the Ralec litigation, which ended in July 2016. The other drivers of the increase in costs were the increase in funds costs associated with the new range of ETFs, the acquired cost base of NZX Wealth Technologies and higher IT costs.

Included in current year earnings was an impairment charge against brand values in the Agri segment and an adjustment to the value of the provision for the earnout payment in the Apteryx acquisition. Prior year reported net earnings included an \$11.8m gain on sale of the Group's investment in Link Market Services (New Zealand). Excluding these items, reported earnings were down \$2.1m compared to HY15 as a result of the \$1.6m increase in Ralec litigation costs (which are not tax deductible), an increase in amortisation expense and the cessation of associate earnings following the sale of Link NZ.

Segment results

The breakdown of operating earnings by business segment is shown in the table below:

\$000	HY2016	HY2015	Change 2016 v 2015
Segment earnings:			
Markets	19,146	17,371	10.2%
Funds Services	358	1,611	(77.8%)
Agri	291	462	(37.0%)
Corporate	(9,019)	(7,733)	16.6%
Earnings before net finance expense, tax, depreciation and amortisation and gain on sale	10,776	11,711	(8.0%)

The growth in Markets earnings is the result of the growth in capital market activity and the positive operating leverage in this business. The fall in Funds Services earnings reflects strategic investments in this segment, with both NZX Wealth Technologies and some of the new ETFs currently being loss making as the businesses build toward critical mass. The decline in Agri earnings was the result of the adverse conditions that have been impacting the dairy sector reducing spend by advertisers in the Group's publications business. The increase in corporate costs related solely to Ralec litigation expenses. Other corporate costs reduced compared to the prior period.

Further details of revenue and expense movements are set out below.

Markets

Securities information revenue

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Securities information revenue	5,063	5,430	4,929	(6.8%)
Terminal numbers (12 month average)	7,286	7,039	7,427	3.5%

Despite a 3.5% increase in terminal numbers, securities data revenue declined \$367k (6.8%). Just under half of this decrease was lower FundSource revenues as this service was reviewed in 2H 2015 and was only relaunched towards the end of 1H 2016. The remainder of the decline resulted from a change in the product mix with a greater proportion of lower yielding retail and derivatives terminals and a reduced number of higher yielding professional terminals and a reduction in ad hoc revenue recoveries from audit activities.

Listing fees

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Annual listing fees	4,486	4,232	3,834	6.0%
Initial listing fees	960	199	1,293	382.4%
Secondary issuance fees	1,223	1,047	1,075	16.8%
Total listing fees	6,669	5,478	6,202	21.7%
Number of listed issuers	232	214	207	8.4%
Equity market capitalisation	\$117.8b	\$100.2b	\$88.4b	17.6%
Debt	\$22.5b	\$13.2b	\$13.5b	71.1%
Number of new listings	4	2	4	100.0%
Value of new equity listed	\$0.8b	\$0.2b	\$2.3b	438.1%
Total secondary capital raised	\$1.3b	\$1.2b	\$0.8b	3.1%

A 6.0% increase in annual listing fees reflected growth in market capitalisation and the number of listed issuers together with price increases effective 1 July 2015.

The increase in initial listing fees was consistent with a four-fold increase in the value of new equity listed coupled with a significant increase in new debt listings.

The increase in secondary listing fees reflects an increase in and change in the mix of secondary capital raised.

Other issuer services

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Other issuer services revenue	479	382	488	25.4%

Other issuer services revenue represents billing by NZX Regulation for review of transaction documents, waiver applications, etc. The increase in this revenue resulted from the higher number of debt listings and equity transactions that occurred in 1H 2016.

Participant services revenue

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Participant services revenue	1,762	1,738	1,695	1.4%

Participant services revenues were stable, with no significant changes to fee structures.

Securities trading revenue

(\$000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Securities trading revenue	2,971	2,330	2,221	27.5%
Number of trades	0.92m	0.68m	0.64m	35.8%

Securities trading revenue has largely increased in line with the increase in number of trades. Trading volumes increased materially in 1H 2016 due to increased offshore interest in NZX's markets.

Securities clearing revenue

(\$000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Securities clearing revenue	2,829	2,441	2,230	15.9%
Total value traded	\$22.7b	\$18.3b	\$17.8b	27.1%

Similar to the movement in the number of trades, the total value traded increased as a result of increased offshore interest in the New Zealand market and to a lesser extent due to growth in market capitalisation over the past 12 months. Clearing fees (which comprise approximately 50% of securities clearing revenue) were up 33% in line with the movement in value traded, however reduced stock lending fees (reflecting lower stock lending activity) and other more fixed components of the revenue base (such as annual membership fees) meant that the overall change in securities clearing revenue was lower at 15.9%.

Dairy derivatives revenue

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Dairy derivatives revenue	221	215	88	2.8%
Lots traded	63k	79k	32K	(20.2%)

Lots traded declined 20% as a result of a reduction in volatility in underlying commodity prices reducing the need for purchasers of dairy products to hedge their price risk. Despite the drop in the number of lots traded, dairy derivatives revenue was stable – as derivative fees are priced in USD and the NZD has weakened against the USD.

Market operations revenue

\$'000	HY2016	HY2015	HY2014	Change 2016 v 2015
Development revenue	851	735	879	15.8%
Contractual revenue	4,451	4,693	4,538	(5.2%)
Total market operations revenue	5,302	5,428	5,417	(2.3%)

NZX successfully retendered for its market operator contracts with the Electricity Authority (EA) in 2H 2015 and the new contracts commenced in 2016. A decrease in price for the existing contracts was offset by additional work to upgrade the systems used to run the market, the revenue for which is included in the annual billings across the eight year initial term of the contracts. While EA revenue was stable, the small decrease in contractual revenue was the result of a decline in non-EA revenue.

Development revenue increased as a result of the continuation of the Extended Reserves Manager project coupled with a variety of smaller system changes completed under change requests.

Funds Services

Funds management revenue

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
SuperLife revenue	3,426	3,150	-	8.8%
Smartshares revenue	2,393	1,691	1,217	41.5%
Total funds management revenue	5,819	4,841	1,217	20.2%
SuperLife member numbers	44,948	42,197	-	6.5%
SuperLife FUM	\$1,502m	\$1,328m	-	13.1%
Smartshares external FUM	\$468m	\$438m	\$375m	6.8%
Smartshares SuperLife FUM	\$1,113m	\$166m	-	571.7%
Total Smartshares FUM	\$1,581m	\$604m	\$375m	161.8%

SuperLife revenue comes from a combination of membership fees and fees billed based on a percentage of Funds Under Management (FUM). The 9% increase in revenue reflects a blend of member growth and FUM growth.

The funds invested by SuperLife into the ETF products launched during the course of 2015 was the largest contributor to the 42% growth in Smartshares revenue. While reported growth in external Smartshares FUM was 6.8%, this was reduced by the transfer of the smartkiwi KiwiSaver scheme from Smartshares to SuperLife. Adjusting for this, the underlying growth in external Smartshares FUM was 15.5%.

Wealth platform fees

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Wealth platform fees	720	-	-	NM
FUA	\$1,311m	-	-	NM

NZX acquired the Apteryx wealth management platform business in 2H 2015 (subsequently renamed NZX Wealth Technologies). Accordingly, there is no equivalent revenue in prior periods.

Agri

Agri information revenue

(\$'000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Publishing revenue	3,342	4,028	4,457	(17.0%)
Agri data revenue	1,979	1,636	1,547	21.0%
Total agri information revenue	5,321	5,664	6,004	(6.1%)
Total paid advertising page equivalents	889	1,000	1,210	(11.1%)

The difficult conditions that impacted much of the rural sector in 2015 have persisted in 2016. The dairy sector has been particularly hard hit by persistently low prices for milk powders. This has seen farmers cut back on spending and with lower demand, rural businesses have cut back on their advertising spend. This resulted in the 11.1% decline in paid advertising page equivalents.

In light of the adverse market conditions, one marginal publication was closed in 2015, which accounted for approximately \$150k of the decline in advertising revenue. The remainder was the result of the reduction in spend by advertisers.

Approximately half the increase in Agri data revenue came from iFarm, which was acquired in H1 2015, as there was a full six months of revenue in HY 2016 compared to two months in the comparative period. The remainder of the increase is the result of continued growth in subscriptions to NZX's agri data products.

Commodities trading revenue

(\$000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Commodities trading revenue	769	449	671	71.3%
Total tonnes traded	389k	242k	317k	61.0%

The increase in commodities trading revenue reflects the different selling pattern in the 2015/16 harvest relative to the previous period. Prices have been lower in the current harvest which has resulted in a more drawn out sales profile as growers wait for a lift in prices. Lower sales were recorded in H2 2015, with more volume shifting into H1 2016.

Operating expenses

Personnel costs

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Wages and salaries	(13,420)	(11,523)	(9,006)	16.5%
Contractor costs	(1,353)	(1,033)	(1,270)	31.0%
Other personnel costs	(506)	(476)	(374)	6.3%
Gross personnel costs	(15,279)	(13,032)	(10,650)	17.2%
Less capitalised labour	1,395	522	159	167.2%
Reported personnel costs	(13,884)	(12,510)	(10,491)	11.0%

Of the \$1.9m increase in wages and salaries, \$1.1m was from NZX Wealth Technologies which was acquired in 2H 2015. The residual \$0.8m increase reflects additional fixed term employees engaged to complete the upgrade of energy systems under contract to the EA, fixed term employees engaged to backfill staff seconded to the clearing system upgrade project, restructuring costs and salary increases.

The increase in contractor costs was also largely related to energy consulting and development projects.

The increase in capitalised labour came from the clearing system upgrade project, the EA development project and platform development at NZX Wealth Technologies.

Information Technology costs

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Information technology costs	(3,615)	(2,946)	(2,872)	22.7%

Of the \$669k increase in IT costs, \$120k came from NZX Wealth Technologies. A further \$200k resulted from the impact of changes in exchange rates on foreign currency denominated licence fees. The remainder resulted from increased data centre and network costs.

Professional fees

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Ralec litigation expenditure	(2,930)	(1,309)	(333)	123.8%
Other professional fees	(1,054)	(1,233)	(1,041)	(14.5%)
Total professional fees	(3,984)	(2,542)	(1,374)	56.7%

Costs associated with the Ralec litigation, which was heard in the High Court between May and July 2016, were the primary driver of the significant increase in total professional fees. The increase in costs reflected the increase in activity leading up to and during the trial. No further significant costs are expected to be incurred after July and a judgment in the case is currently anticipated before the end of 2016.

Other professional fees decreased slightly as a result of legal fees incurred in the prior year for the launch of new ETFs. This was partly offset by additional costs in HY2016 for FMCA transition activities within the Funds Services segment.

Marketing, print and distribution

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Marketing, print and distribution	(1,605)	(1,676)	(1,745)	(4.2%)

Print and distribution costs declined as a result of the closure of one of NZX's agri publications in 2H 2015.

Fund expenditure

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Fund expenditure	(1,681)	(773)	(413)	117.5%

The significant increase in fund expenditure reflects the increase in the number of Smartshares ETFs from seven to 23 during the course of 2015. Each additional fund has its own fixed costs (including administration and accounting fees, index fees, trustee fees and other compliance costs) which add to fund expenditure. With no further funds launched in 2016, this cost growth will level off in 2017.

Other expenses

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Other expenses	(2,380)	(2,238)	(2,124)	6.3%

Other expenses increased modestly as additional costs from NZX Wealth Technologies were partly offset by an increase in capitalised overheads in line with the increase in labour capitalisation.

Other income and expenses

Net finance income/(expense)

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Interest income	521	506	275	3.0%
Interest expense	(625)	(533)	(133)	17.3%
Net gain/(loss) on foreign exchange	(53)	305	(35)	(117.4%)
Net finance (expense)/income	(157)	278	170	(156.5%)

Interest expense increased as a result of the drawdown of \$10m of debt in August 2015 to increase the capitalisation of the clearing house in line with growth in trading activity (particularly derivatives). The loss on foreign exchange largely arose on the revaluation of Australian operations.

Gain on disposal of associate

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Gain on disposal of associate	-	11,807	-	NM

NZX sold its 50% stake in Link NZ on 30 June 2015. A gain of \$11.8m was realised on this sale in HY 2015.

Depreciation and amortisation

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Depreciation of PP&E	(653)	(590)	(461)	10.7%
Amortisation of intangibles	(3,241)	(2,675)	(2,251)	21.2%
Gain/(loss) on sale of PP&E	1	(32)	-	NM
Total depreciation and amortisation	(3,893)	(3,297)	(2,712)	18.1%

The increase in depreciation resulted from capital expenditure in 2015 on the refit of the company's Wellington head office and NZX Wealth Technologies assets, while the increase in the amortisation of intangibles reflects the amortisation of software acquired in the acquisition of NZX Wealth Technologies.

Share of profit of associate

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Share of profit of associate	-	411	212	(100.0%)

The share of profit of associates came from NZX's 50% interest in Link Market Services (New Zealand) Limited. This ceased upon the sale of the Link NZ stake on 30 June 2015.

Impairment expense and earnout adjustment

\$000	HY2016	HY2015	HY2014	Change 2016 v 2015
Impairment expense	(793)	-	-	NM
Adjustment to provision for earnout	352	-	-	NM

NZX has recognised an impairment of part of the residual value of brand assets in relation to NZX's agri business, reflecting future expectations for rural publications.

The provision for the NZX Wealth Technologies earnout was calculated at 31 December 2015 based on a probability weighted range of possible outcomes. As a result of reassessing these probabilities as at 30 June 2016, the provision has been adjusted downwards by \$352,000.

Tax expense

(\$000 unless otherwise stated)	HY2016	HY2015	HY2014	Change 2016 v 2015
Tax expense	(2,708)	(2,937)	(2,780)	(7.8%)
Effective tax rate (excluding non-assessable gain on disposal of Link)	43.0%	32.3%	28.5%	

The effective tax rate is higher than the statutory rate of 28% due to the significant expenditure on the Ralec litigation which is not deductible for tax purposes. The increase in the effective tax rate compared to the prior period reflects the significant increase in non-deductible Ralec expenditure.

Financial Statements.

For the six months ended 30 June 2016

Income Statement

For the six months ended 30 June 2016

	Note	Unaudited 6 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Operating revenue				
Securities information		5,063	5,430	10,558
Listing fees		6,669	5,478	13,390
Other issuer services		479	382	770
Participant services		1,762	1,738	3,526
Securities trading		2,971	2,330	4,976
Securities clearing		2,829	2,441	5,365
Dairy derivatives		221	215	684
Market operations		5,302	5,428	10,631
Commodities trading		769	449	877
Agri information		5,321	5,664	11,690
Wealth platform fees		720	-	689
Funds management		5,819	4,841	9,995
Total operating revenue	4	37,925	34,396	73,151
Operating expenses				
Personnel costs		(13,884)	(12,510)	(26,051)
Information technology		(3,615)	(2,946)	(6,242)
Professional fees		(3,984)	(2,542)	(5,599)
Marketing, printing and distribution		(1,605)	(1,676)	(3,549)
Funds expenditure		(1,681)	(773)	(2,280)
Other expenses		(2,380)	(2,238)	(4,851)
Total operating expenses	4	(27,149)	(22,685)	(48,572)
Earnings before net finance income, income tax, depreciation, amortisation and impairment, adjustment to provision for earnout, share of profit of associate and gain on sale of associate		10,776	11,711	24,579
Interest income		521	506	1,218
Interest expense		(625)	(533)	(1,197)
Net (loss)/gain on foreign exchange		(53)	305	149
Net finance income		(157)	278	170
Gain/(loss) on disposal of property, plant and equipment		1	(32)	(29)
Depreciation and amortisation expense		(3,894)	(3,265)	(6,990)
Impairment expense	5	(793)	-	-
Adjustment to provision for earnout	6	352	-	-
Gain on sale of associate		-	11,807	11,807
Share of profit of associate		-	411	411
Profit before income tax		6,285	20,910	29,948
Income tax expense		(2,708)	(2,937)	(6,076)
Profit for the period		3,577	17,973	23,872
Earnings per share				
Basic (cents per share)		1.3	6.9	9.1
Diluted (cents per share)		1.3	6.8	9.0

Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited 6 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Profit for the period	3,577	17,973	23,872
Other comprehensive income recognised through equity			
Foreign currency translation differences	2	(190)	(14)
Total other comprehensive income	2	(190)	(14)
Total comprehensive income for the period	3,579	17,783	23,858

Statement of Changes in Equity

For the six months ended 30 June 2016

	Note	Share Capital \$000	Retained Earnings \$000	Translation Reserve \$000	Total Equity \$000
Balance at 1 January 2015		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 the period		-	17,973	(190)	17,783
Transactions with owners recorded directly in equity:					
Dividends paid	9	-	(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
Profit for the period		-	5,899	-	5,899
Foreign currency translation differences		-	-	176	176
Total comprehensive income for the period		-	5,899	176	6,075
Transactions with owners recorded directly in equity:					
Dividends paid	9	-	(7,918)	-	(7,918)
Dividend accrued on contingent consideration shares		-	(124)	-	(124)
Share based payments		270	-	-	270
Total transactions with owners recorded directly in equity		270	(8,042)	-	(7,772)
Audited closing balance at 31 December 2015		47,228	28,767	173	76,168
Profit for the period		-	3,577	-	3,577
Foreign currency translation differences		-	-	2	2
Total comprehensive income for the period		-	3,577	2	3,579
Transactions with owners recorded directly in equity:					
Dividends paid	9	-	(8,043)	-	(8,043)
Share based payments		99	(65)	-	34
Cancellation of non-vesting shares		(86)	86	-	-
Total transactions with owners recorded directly in equity		13	(8,022)	-	(8,009)
Unaudited closing balance at 30 June 2016		47,241	24,322	175	71,738

Statement of Financial Position

As at 30 June 2016

Note	Unaudited 30 June 2016 \$000	Unaudited 30 June 2015 \$000	Audited 31 Dec 2015 \$000
Current assets			
	27,949	25,888	40,293
	58,318	51,702	61,786
	12,447	21,109	11,569
	98,714	98,699	113,648
Non-current assets			
	1,843	2,261	1,827
	3,819	3,571	3,507
	35,764	34,800	35,764
	38,186	37,884	39,001
	79,612	78,516	80,099
	178,326	177,215	193,747
Current liabilities			
	58,318	51,702	61,786
	7,340	6,714	5,882
	6,885	15,685	13,588
	(183)	613	2,113
	72,360	74,714	83,369
Non-current liabilities			
	8,450	8,168	8,272
8	20,000	10,000	20,000
	5,778	6,468	5,938
	34,228	24,636	34,210
	106,588	99,350	117,579
	71,738	77,865	76,168
Equity			
	47,241	46,958	47,228
	24,322	30,910	28,767
	175	(3)	173
	71,738	77,865	76,168
Net tangible assets per share (cents per share)			
	(0.82)	1.97	0.53

Approved on behalf of the Board on 16 August 2016.



J B Miller
Chairman of Directors



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

Statement of Cash Flows

For the six months ended 30 June 2016

Note	Unaudited 6 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Cash flows from operating activities			
	31,736	29,117	72,688
	103	185	178
	(26,718)	(23,187)	(48,038)
	(5,164)	(4,252)	(6,533)
	(43)	1,863	18,295
Cash flows from investing activities			
	-	850	850
	-	13,800	13,800
	-	59	59
	(965)	(1,822)	(2,097)
	(3,293)	(1,106)	(3,440)
	-	(10,000)	(11,500)
	(4,258)	1,781	(2,328)
Cash flows from financing activities			
	-	10,000	20,000
9	(8,043)	(7,916)	(15,834)
	(8,043)	2,084	4,166
	(12,344)	5,728	20,133
	40,293	20,160	20,160
	27,949	25,888	40,293
Cash comprises:			
	18,949	21,388	32,793
	9,000	4,500	7,500
	27,949	25,888	40,293

Included within the cash and cash equivalent balance at 30 June 2016 is \$20.0 million (30 June 2015: \$10.0 million; 31 December 2015: \$20.0 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 six months ended 30 June 2016

1. Reporting entity

These consolidated interim financial statements of NZX Limited (the “Company”) as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

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

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).

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 2015. These Group financial statements do not include all the information required for full annual financial statements prepared in accordance with NZ IFRS.

(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 2015.

(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 2015.

4. Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business areas. In prior periods the Group had five reportable segments and the change to three distinct groups is to better reflect each business's growth prospects and investment requirements. The reportable segments are:

- 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. It also includes the Fonterra Shareholders' Market and our energy markets business, which comprises the contracts we operate on behalf of the Electricity Authority;
- Agricultural Information - provider of information, news and data relating to the agriculture sectors in New Zealand and Australia through printed publications and online services, and the Clear Grain Exchange in Melbourne; and
- Funds Services - provider of superannuation, KiwiSaver and Exchange Traded Funds and funds administration platforms.

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. Expenses incurred are allocated to the segments only if they are direct and specific expenses to the three areas. The remaining 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's assets and liabilities are analysed into each of the reportable segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to Corporate segment.

Segmental information for the six months ended 30 June 2016

Unaudited	Markets \$000	Agri \$000	Funds		Total \$000
			Services \$000	Corporate \$000	
Operating revenue	25,296	6,090	6,539	-	37,925
Operating expenses	(6,150)	(5,799)	(6,181)	(9,019)	(27,149)
Total segment result	19,146	291	358	(9,019)	10,776
Segment assets	108,468	13,529	44,424	11,905	178,326
Segment liabilities	(58,873)	(2,183)	(15,458)	(30,074)	(106,588)
Net assets	49,595	11,346	28,966	(18,169)	71,738

Segmental information for the six months ended 30 June 2015

Unaudited	Markets \$000	Agri \$000	Funds		Total \$000
			Services \$000	Corporate \$000	
Operating revenue	23,449	6,107	4,840	-	34,396
Operating expenses	(6,078)	(5,645)	(3,229)	(7,733)	(22,685)
Total segment result	17,371	462	1,611	(7,733)	11,711
Segment assets	99,891	16,097	42,037	19,190	177,215
Segment liabilities	(62,638)	(2,966)	(13,747)	(19,999)	(99,350)
Net assets	37,253	13,131	28,290	(809)	77,865

4. Segment reporting (continued)

Segmental information for the twelve months ended 31 December 2015

Unaudited	Markets \$000	Agri \$000	Funds		Total \$000
			Services \$000	Corporate \$000	
Operating revenue	49,902	12,567	10,682	-	73,151
Operating expenses	(12,390)	(11,527)	(8,956)	(15,699)	(48,572)
Total segment result	37,512	1,040	1,726	(15,699)	24,579
Segment assets	110,480	15,225	44,702	23,340	193,747
Segment liabilities	(68,329)	(2,763)	(16,015)	(30,472)	(117,579)
Net assets	42,151	12,462	28,687	(7,132)	76,168

5. Impairment expense

NZX has recognised an impairment of part of the residual value of brand assets in relation to NZX's agri business, reflecting future expectations for rural publications.

6. Adjustment to provision for earnout

The provision for the Apteryx (now NZX Wealth Technologies) earnout was calculated at 31 December 2015 based on a probability weighted range of possible outcomes. As a result of reassessing these probabilities as at 30 June 2016, the provision has been adjusted downwards by \$352,000.

7. Bank overdraft

Bank overdraft facility

The Group has access to an overdraft facility which was established in 2015 to allow the Group flexibility in its working capital management. The facility limit is \$10.0m and has no fixed expiry date. The bank may cancel the facility by giving 30 days written notice. The effective interest rate of the facility at 30 June 2016 was 3.95% (30 June 2015: 4.75%, 31 December 2015: 4.15%).

8. Term loan

	Unaudited As at 30 June 2016 \$000	Unaudited As at 30 June 2015 \$000	Audited As at 31 Dec 2015 \$000
Current	-	-	-
Non-current	20,000	10,000	20,000
Total term loans	20,000	10,000	20,000

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

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

The weighted effective interest rate at 30 June 2016 was 3.10% (30 June 2015:4.07%, 31 December 2015:3.62%).

9. Dividends

		Unaudited 6 months ended 30 June 2016		Unaudited 6 months ended 30 June 2015		Audited 12 months ended 31 Dec 2015	
For year ended		Cents per share	Total \$000	Cents per share	Total \$000	Cents per share	Total \$000
Dividends declared and paid							
March 2015	31 Dec 14			3.00	7,916	3.00	7,916
September 2015	31 Dec 15					3.00	7,918
March 2016	31 Dec 15	3.00	8,043				
Total dividends paid for the year		3.00	8,043	3.00	7,916	6.00	15,834

Refer to note 13 for details of the first half 2016 dividend.

10. Share based payments

During the period, there were no changes in the CEO share scheme plan and shares that were issued, transferred to NZX employees or redeemed under the Team and Results share plan were on consistent terms with the prior year.

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 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Short-term employee benefits	2,329	2,179	3,758
Share-based payments	145	144	218
	2,474	2,323	3,976

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

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

Directors fees for the six month period to 30 June 2016 were \$185,000 (30 June 2015: \$205,000, 31 December 2015: \$406,000) and have been included in other expenses.

(c) Transactions with other related parties

During the year, the Group made sales to and purchases from its associate. The amounts of sales and purchases between the Group and its associate, and any outstanding balances as at reporting date, are set out below. The Group has no associates since 1 July 2015 following the disposal of Link Market Services Limited in June 2015.

	Unaudited 6 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Transactions with related parties			
Sales to Link Market Services Limited	-	275	-
Interest on receivable from CEO	16	-	16
Purchases from Link Market Services Limited	-	(184)	-
	Unaudited 6 months ended 30 June 2016 \$000	Unaudited 6 months ended 30 June 2015 \$000	Audited 12 months ended 31 Dec 2015 \$000
Receivable from Link Market Services Limited	-	94	-
Non current receivable from CEO	1,843	1,811	1,827
Payable to Link Market Services Limited	-	(32)	-

(d) Transactions with managed funds

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

12. Contingent liabilities and commitments

Ralec Litigation

NZX filed proceedings in 2011 against Ralec Commodities Pty Limited, Ralec Interactive Pty Limited, Grant Thomas, Dominic Pym and other related parties (together "Ralec") in the New Zealand High Court. The proceedings relate to claims under the sale and purchase agreement (the "SPA") entered into in 2009 with Clear Commodities Pty Limited and Clear Interactive Pty Limited ("Clear") for breach of warranty and associated claims. NZX's claim in its final form seeks damages of at least AU\$13.76 million against Ralec. Ralec denies NZX's claim.

Ralec filed a counterclaim against NZX. 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), if particular grain tonnages and revenues were achieved by Clear during 2009 and 2012. Between these periods, Clear traded between approximately 13% and 17% of the various tonnage targets. Ralec alleges this was because NZX failed properly to resource and finance Clear. NZX denies this.
- (b) A second earn-out of AU\$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 of 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 in the vicinity of AU\$20.7 million.

NZX's claim and Ralec's counterclaim were heard in the High Court in New Zealand in an 11 week trial between 2 May 2016 and 13 July 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 2016 dividend of 3.00 cents per share, to be paid on 16 September 2016 (with a record date of 2 September 2016).



Independent review report

To the Shareholders of NZX Limited

We have completed a review of the interim financial statements of NZX Limited (the “Company”) and its subsidiary companies (the “Group”) on pages 21 to 35 which comprise the statement of financial position as at 30 June 2016, 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.

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

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 Group. 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 2016, 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*.

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG' in a stylized, cursive font.

16 August 2016
Wellington

Directory.

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Board of Directors

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Alison Gerry
Dame Therese Walsh
Dr Patrick Strange
Jon Macdonald
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Share register

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A large, illuminated NZX logo is mounted on the side of a modern glass skyscraper. The letters are bright white and stand out against the dark, textured background of the building's facade. The building's windows reflect the sky, adding to the urban, financial atmosphere of the image.A sign on the building facade displays the text "S&P 10 INDEX" in a stylized, illuminated font. The "10" is significantly larger than the other text, emphasizing the index's focus. The sign is set against a dark background, making the white and blue illuminated characters highly visible.

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