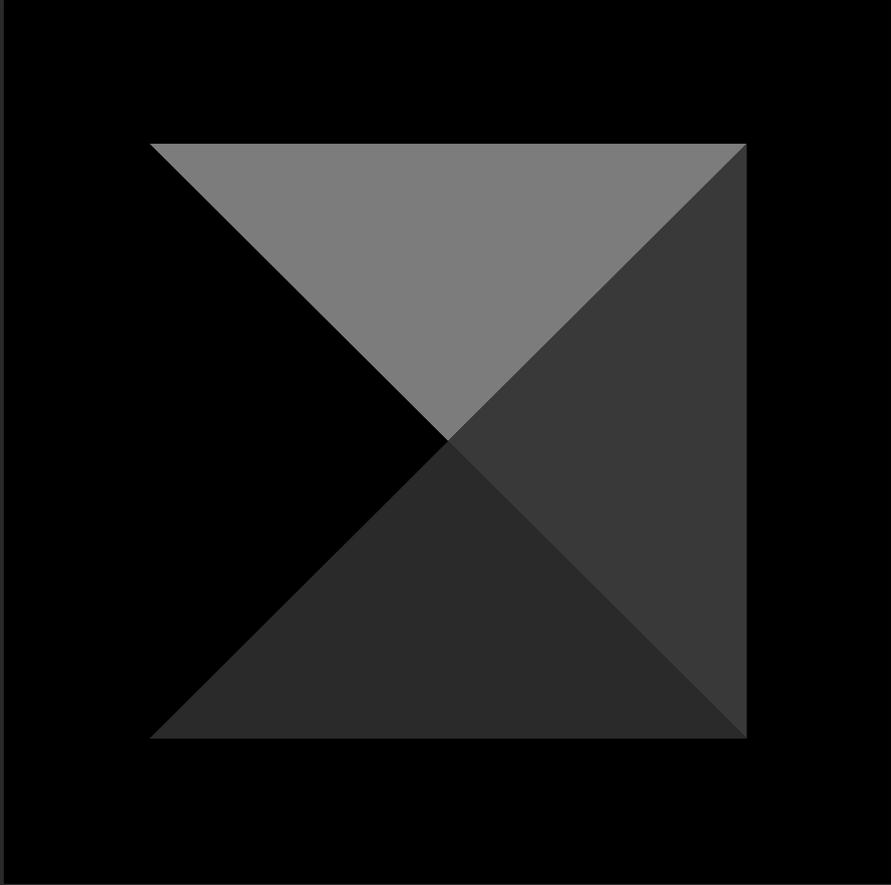


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NEW ZEALAND EXCHANGE LIMITED ANNUAL REPORT

Issued 30 March 2005

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# ANNUAL MEETING AND FINANCIAL CALENDAR

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## Annual Meeting

The Annual Meeting of shareholders of NZX will be held at the Crown Plaza Hotel, Auckland, New Zealand on Thursday, 9 June 2005, commencing at 3.30pm. Full details, including the business to be dealt with, are contained, in the Notice of Meeting which will be sent to shareholders on or around 25 May 2005.

## Financial Calendar

31 December 2004	2004 Financial Year end
16 February 2005	Preliminary Full Year Financial Results issued
March 2005	2004 Annual Report issued
29 April 2005	Record date for dividend payment
11 May 2005	Dividend payment
3.30pm, 7 June 2005	Latest time for receipt of proxies for Annual Meeting
3.30pm, 9 June 2005	Annual Meeting
July 2005	Preliminary Half Year Announcement issued
September 2005	2005 Half Year Report issued
31 December 2005	2005 Financial Year end
April, October each year	Financial results issued for the quarter

## CHAIRMAN'S REPORT

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2004 has been a watershed year for NZX. Having managed a period of significant regulatory and company change in 2003, NZX had set itself a rigorous agenda of investigation into further opportunities for growth and sustainable revenue generation in 2004. The ultimate goal is to establish a company that exercises sound judgement, strategic and tactical acumen, and invests in people and technology to maintain and improve our capital markets and the performance of NZX within them.



The financial results speak for themselves:

- A 69% increase in operating EBITDA is evidence of both continuing growth in Participant numbers and levels of activity throughout the year.
- Record numbers of new listings amongst solid, proven performers - who recognise the strength and security offered by a sound compliance programme - bore witness to the ongoing growth potential across multiple sectors. In 2004 listings growth, in relative percentage terms, was second in the world, according to World Federation of Exchanges figures.
- Operating stability, as evidenced by a significant reduction in market outages, saw the start of significant technology investments in 2004.
- New investors making informed decisions to enter the share market, either via advisors or brokers or - as with exchange traded funds - on their own account, was evidence that more and more New Zealanders are seeking a share of the wellbeing afforded by asset ownership.
- And ongoing strong share price performance is recognition of NZX's current and potential performance.

These statistics tell only part of the story of 2004. Whilst the results will no doubt be a source of satisfaction for shareholders, all investors and participants know that a market - and a company's role within it - is driven as much by sentiment as by hard data.

Among the challenges NZX faced, which were positive in process and outcome, were data licensing, the successful introduction of new Participant Rules, ongoing technology improvements and, not least, productive partnerships such as the one announced in December with ASX Perpetual to provide a new level of competition in the registry space.

In 2004, NZX has shown its capacity to apply capital wisely and well and, as part of sound capital management, we were pleased to announce a fully imputed special dividend of 40 cents per share.

We believe that shareholders and other stakeholders can look forward to seeing further evidence of this sound and sustainable success in 2005.

A handwritten signature in cursive script that reads "scallen".

Simon Allen, Chairman

30 March 2005



## CHIEF EXECUTIVE'S REPORT

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### What we said we'd do

NZX promised a year of building in 2004: in market liquidity, reliability and credibility; and building new businesses. In this report we hold ourselves to account for each of those commitments, and set expectations for 2005, against the backdrop of NZX's determination to unlock the value of New Zealand's capital markets for investors and shareholders.

#### Building market liquidity

The daily market liquidity of the NZSX 50 increased from 0.046% in 2003 to 0.07% at the end of 2004, an increase of 52.2%. This means our market is much more investable – a key goal. This was driven by the following: new listings increased a further 10.6% over 2003 figures, increasing the set of investment opportunities driving market scale growth; liquidity continued to be driven upward by transaction growth, assisted in no small part by increasing market breadth and a regulatory environment investors are comfortable with; and latterly, ease of transactions enabled by Direct Market Access.

Of particular note is the strong performance of the NZAX Market, demonstrating the worth of tailoring a market to the needs of non mainstream and emerging companies.

NZX is conscious that we cannot capitalise on continued strong market performance alone to encourage new investors into our markets. New investors need products that are simple in design, diversified, have low fees, favourable tax treatment and healthy yield. Higher availability of these types of investment products, coupled with increased market participation across sectors, will offer investors the range and choice they are entitled to expect from our markets.

#### Building market reliability

Throughout 2004 NZX implemented a full Wide Area Network replacement, greatly increasing security and addressing our most significant technology risks. This was a major exercise requiring the co-operation of the wider participant community to achieve the right outcomes within the right timeframe.

Until now New Zealand markets lacked direct access to order books in the trading engine, a key contributor to market activity. Direct Market Access technology now allows automated or programmed order entry, accounting for the majority of trades in most mature markets. NZX Participants have already achieved significant improvements in their order handling.

Implementation of the new business rules required revised trading and settlement software, bringing NZX into line with the technology standards of major international exchanges.

#### Building market credibility

NZX completed the task of disbanding the Market Surveillance and other NZX Panels and we brought our compliance activities (waivers, rulings, accreditation and approvals) in-house. Over 300 applications were handled during 2004.

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We launched the NZX Advisory Boards covering Asset Management, Debt, Futures and Options, and Business to increase transparency and enhance communication across our markets. New Participant, Discipline and Listing Rules were also introduced.

The Access Brokerage collapse was a testing time for all parties, and the NZX Discipline process is still underway. Our chief concern remains preservation of trust in New Zealand's markets. Where the discipline process highlights any areas for improvement within NZX, we have committed to making these public.

### **Building new businesses**

Smartshares (exchange traded funds) introduced a new group of investors to asset ownership outside residential property. Like housing, initially the holdings are relatively modest but the opportunities for growth are significant. Unlike housing, the risk is spread and people can save while they invest. This is a legitimate challenge to the dominance of residential property as an asset class in New Zealand.

Instant access to complete and original market announcement documentation is now possible with i-Search, an electronic database that makes a range of tailored information more readily available to participants.

NZX's joint venture with registry business ASX Perpetual to form Link Market Services, and its purchase of BK Registries, is a winning formula. For investors, it raises the bar for provision of timely and relevant information about their holdings. For listed companies, it provides genuine competitive choice. For NZX, it gives access to best in class technology and establishes a revenue stream that will grow with the market.

## **What we plan to do**

### **Within NZX**

NZX has a number of initiatives, beyond the core business, positioned to either develop new business or capture value from related businesses, including:

- ▣ **NZDX:** The debt market works well for non-investment grade issuers. To grow this market we need to add investment grade products. This is important to growing the range of savings products available to retail investors and will also bring in new participants. Success will require Securities Commission and government buy-in.
- ▣ **NZFOX:** This trading facility remains ripe for development, with several brokers working through the stringent accreditation process. There is an appetite for Futures and Options trading in New Zealand, and its availability will bring us in line with international markets.
- ▣ **Smartshares:** Smartshares offer investors a neutral investment product with transparent and continuous pricing. This business is targeted to capture the growth in ETFs and related products evident in other markets.
- ▣ **Link Market Services:** This registry represents another significant investment targeting return from healthier and wider participation in the equity markets.



## CHIEF EXECUTIVE'S REPORT CONTINUED

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### Within the wider environment

There are a number of infrastructure developments we expect to contribute to a continued growth trajectory, including:

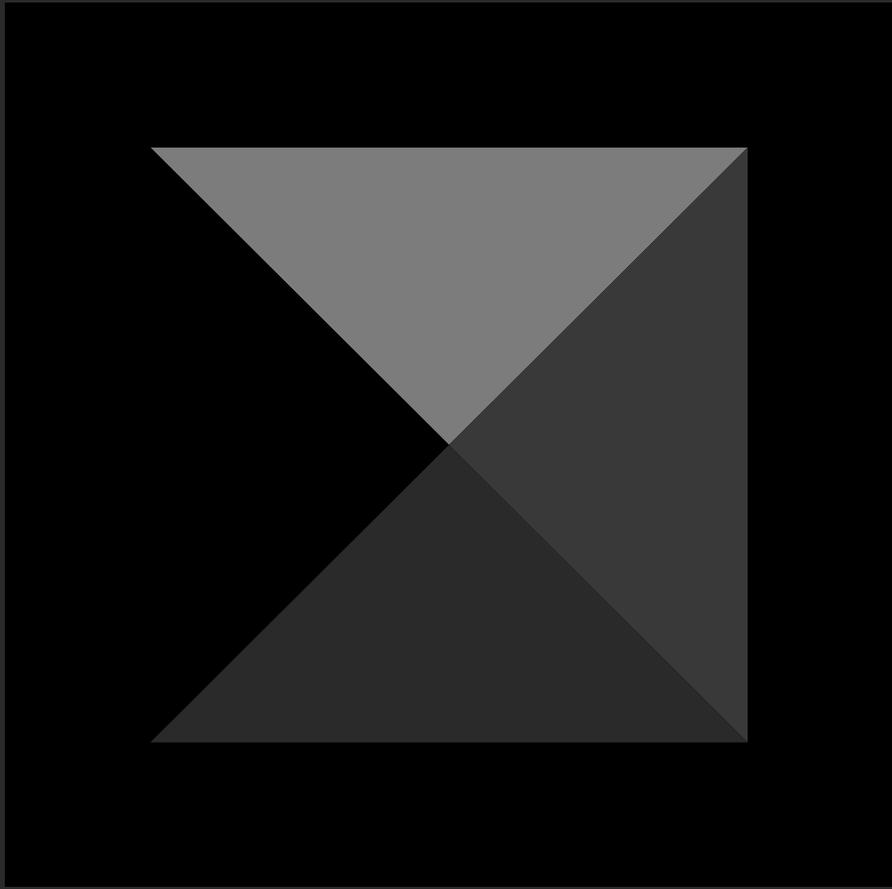
- ▣ **Savings:** NZX will play an active role to ensure New Zealanders have access to the information and products that will give genuine and uncomplicated choices for their savings.
- ▣ **Tax changes:** Recommendations contained in the 2004 Stobo Tax Report will further improve the accessibility, and benefits of equity ownership for New Zealanders. Further, an active stock lending market, facilitated by access to standard tax treatment of securities lending, is a key component of mature, liquid equity markets.
- ▣ **New listings:** There are many as yet untapped opportunities for a range of companies and industries to share the benefits of the New Zealand market. Listings at the upper end of company capitalisation (greater than \$500 million) add new and sustainable revenue through listing fees and drive growth in transaction numbers, encouraging more international interest in New Zealand markets. Among those with this potential are the rural and energy sectors and local subsidiaries of offshore companies. Listings at the smaller end of the market are critical for growth and injecting a capital market mindset into New Zealand business. The NZAX market moves into its second full year with a healthy infrastructure of sponsors and potential listings.
- ▣ **Market information:** Demand for information is tied to activity levels and listings, so this revenue source continues to grow. NZX's market information assets create further options for introducing new products and services.

Throughout 2005, NZX will continue to seek investment opportunities that leverage our existing assets and extend our exposure to the continued healthy development of New Zealand capital markets.

The NZX team is uniquely skilled to assess and capitalise on these opportunities, to make sound judgements and develop intelligent solutions that will truly unlock the value of New Zealand's capital markets for investors and shareholders, and contribute to the economic well-being of this country.



Mark Weldon, Chief Executive Officer  
30 March 2005



## OUR BUSINESS

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NZX's business is founded on the belief that a healthy capital market infrastructure is essential for the economic well-being of this country. We are passionate about markets and business, and about ensuring we serve our market participants and New Zealand investors to achieve economic wealth and well-being.

As New Zealand's markets strengthen, companies will increasingly recognise the benefits of listing and investors will see the benefits of having a share of these companies in their own asset base. This principle has driven NZX's performance since its inception and will continue to drive growth – both of our own company and the markets we serve.

In doing so, NZX will continue to unlock the value of New Zealand's capital markets, for investors and shareholders alike.

Our role in this regard is quite simple:

- ▶ **We are the frontline market regulator**, ensuring an equal playing field for all listed companies and market participants and setting the standard in terms of ethics and integrity.
- ▶ **We are the market advocate**, ensuring the structure and operation of the markets are such that companies want to list and people want to invest. We are a promoter of education and knowledge, ensuring the future of New Zealand's markets.
- ▶ **We are the market infrastructure and technology provider**, with a fully electronic trading, clearing and settlement system that facilitates trading nationwide. We aim to ensure this technology continues to facilitate liquid markets.
- ▶ **We are a product and service provider**, not only of savings and investment products, ensuring investing in the markets is more accessible for more New Zealanders, but also of technology products and services that brokers and listed companies use on a daily basis. NZX holds a firm conviction that New Zealand's capital markets have much more room to develop and improve. NZX's assets – our people, our brand and our technology – are dedicated to this development and to capturing value from it.

## OUR VISION

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We believe New Zealand's markets can be developed further to serve the natural talent of New Zealand's entrepreneurs, unlocking value for more New Zealand company owners through access to competitive capital sources, and New Zealand investors through a diverse trading marketplace.

While our core business is the listing and trading of cash equities, there are growth opportunities in other areas such as derivatives, debt, warrants and funds. Beyond that we will continue to investigate every opportunity for growth, pursuing only those which yield value for investors and shareholders.

## OUR MISSION

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### **NZX – A New Zealand company, serving New Zealand business.**

Our investment is in New Zealand: New Zealand companies in every sector, New Zealand investors – existing and potential – and New Zealand infrastructure. While this does not preclude participation and potential partnership in our markets by overseas companies and investors, our commitment to New Zealand remains fundamental to our business.

Our goal is to unlock the true value of our marketplace. NZX embraces the challenge of creating a vibrant market, where the flow of new liquidity becomes the financial fuel for a prosperous nation.

**We're just getting started.**



## OUR MARKETS, OUR PRODUCTS, OUR SERVICES

CORE MARKETS	Unique markets and products, to drive liquidity and cater for diversity
	<p><b>NZSX – the Stock Market.</b> This is our original market, the heartland of the stock exchange and home to many of New Zealand’s best known brands, from Telecom to Carter Holt Harvey, Fisher &amp; Paykel Appliances and more. NZSX companies stand out not only as symbols of success in their own right, but as proof of the potential of local investment in the local market. They are the lynchpin of NZX, the cornerstone companies not only of the market, but of the economy of New Zealand.</p>
	<p><b>NZAX – the Alternative Market.</b> Tailormade to facilitate growth, NZAX is specifically designed for both small-medium and non-standard company structures (such as co-operatives) – all with a common need for capital and market facilitation. It is NZX’s goal that through the NZAX Market, we will break the ‘growth ceiling’ many companies experience, and unlock investment opportunities for New Zealand investors and value for company owners. Through a new NZX Sponsor function and a more flexible regulatory regime, NZX has single-mindedly developed this market for growth.</p>
	<p><b>NZDX – the Debt Market.</b> This market offers a range of investment securities including corporate and Government bonds and fixed income securities. The goal for this market is to expand and grow the facility that already exists, providing both companies and a broader spectrum of investors with more opportunities for investment diversification and growth.</p>
	<p><b>NZFOX – New Zealand Futures and Options.</b> NZFOX products are New Zealand Futures and Options products that are being created by NZX to trade on the Sydney Futures Exchange. New Zealand Futures and Options contracts will provide additional leverage and risk management opportunities for experienced investors in New Zealand equities, and offer trading and diversification opportunities for all market participants.</p>
	<p><b>NZX Regulation.</b> Running an exchange is in reality about running well regulated businesses. As the frontline regulator of the markets, NZX works closely with the Securities Commission to enhance and optimise the regulatory environment in New Zealand. The goal: a transparent and efficient marketplace designed to protect investors, provide a cost-effective means of raising capital and facilitate growth for participants. We regulate companies as well as market participants – issuing our brand to those that meet the standards we set. And we monitor their performance to ensure confidence and integrity are maintained.</p>

CORE MARKETS	Continued
	<p><b>NZX Data.</b> NZX Data products harness the enormous resource of available data and information that our markets generate. NZX has developed data products that are not only relevant and easy to use, but are capable of deriving real value for market participants.</p> <ul style="list-style-type: none"> <li>▶ <b>i-Search</b> is an online database which provides easier access to all NZX listed issuer market announcements. These market announcements are the original files provided to NZX and include financial statements, dividend notifications and up to the minute press releases.</li> <li>▶ <b>NZX Market Feed</b> processes and disseminates a large amount of valuable market information throughout the trading day, from data on individual trades and share price movements to company announcements. NZX offers this information via the NZX Market Feed to licensed Data Distributors.</li> </ul>

GROWTH BUSINESSES	
	<p><b>Smartshares.</b> Making investing in the sharemarket easier for all New Zealanders is a priority for NZX. Through the development of our Smartshares range of exchange traded funds, we hope to attract more first time investors into the market by offering a smarter and easier way to invest. Smartshares are designed to offer a low cost, fully diversified and easily traded investment option for those starting out, and for those wanting a diversified core to their portfolio.</p>
	<p><b>Link Market Services.</b> Link Market Services Limited (LINK) is New Zealand's newest share registry, offering a fresh new service alternative to New Zealand Issuers. A joint venture between NZX and Australia's ASX Perpetual Registrars Limited, LINK is developing registry, employee plan administration and consulting services to be offered to the New Zealand Market. LINK was a natural extension for NZX as we identified an opportunity in the registry market to re-ignite competition with an offering of innovative and premium trans-Tasman services.</p>

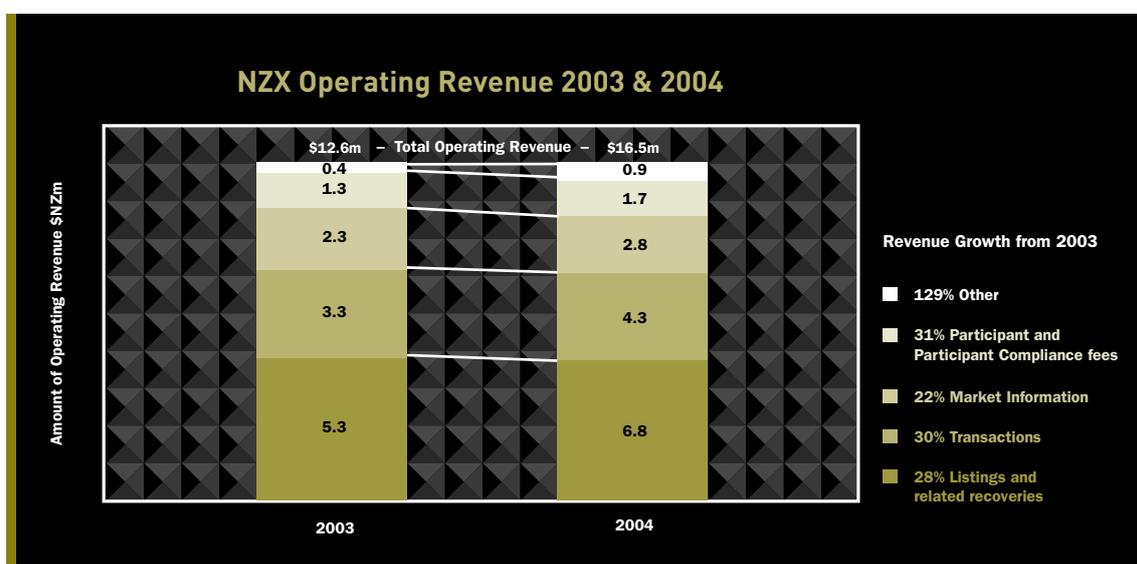
## FINANCIAL REVIEW

NZX followed a strong 2003 performance by increasing its operating EBITDA 69% to \$6.0 million in 2004. Net profit after tax reached \$3.7 million, an increase of 25% over the 2003 result.

### Key highlights:

- ▣ Operating EBITDA, excluding non-recurring expenditure, reached \$6.0 million, versus \$3.6 million in 2003, an increase of 69%.
- ▣ Operating revenue was \$16.5 million, versus \$12.6 million in 2003, an increase of 30%.
- ▣ Operating expenses (excluding non-recurring) was \$10.5 million, versus \$9.1 million in 2003, an increase of 15%.
- ▣ NPAT for the group was \$3.7 million, up from \$2.9 million last year, an increase of 25%.

Revenue from listing and trading activity drove growth in operating revenues and accounted for over 60% of the increase in total revenue. These, and other key revenue drivers, are discussed in detail below.



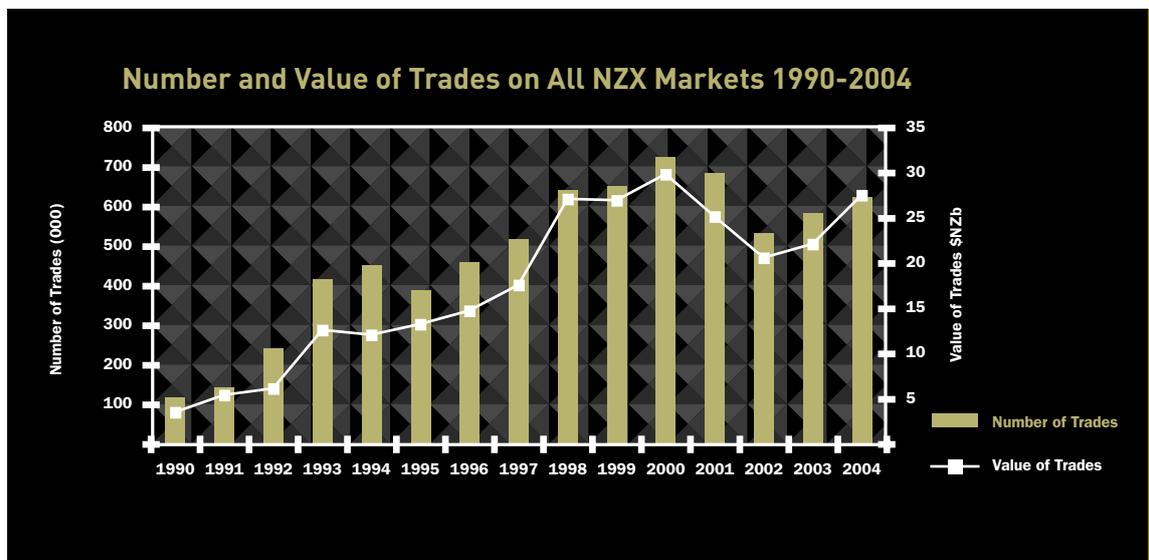
\*Listings and Market Participants include a Regulatory component. Other includes other income & NZXFM Ltd.

## Revenues

### TRANSACTIONS

Total transactions increased 6.7% in 2004, with average daily transactions reaching 2,466. While this continues an upward trend since 2002, transactions have yet to reach 1998-2001 levels. Transaction revenue is generated primarily by three types of fees that apply to each trade: a value fee, an execution fee, and a clearing and settlement fee. Variable revenue per trade, including these three types of fees, was \$5.75 in 2004 (NZX adjusted transaction prices in both 2003 and 2004).

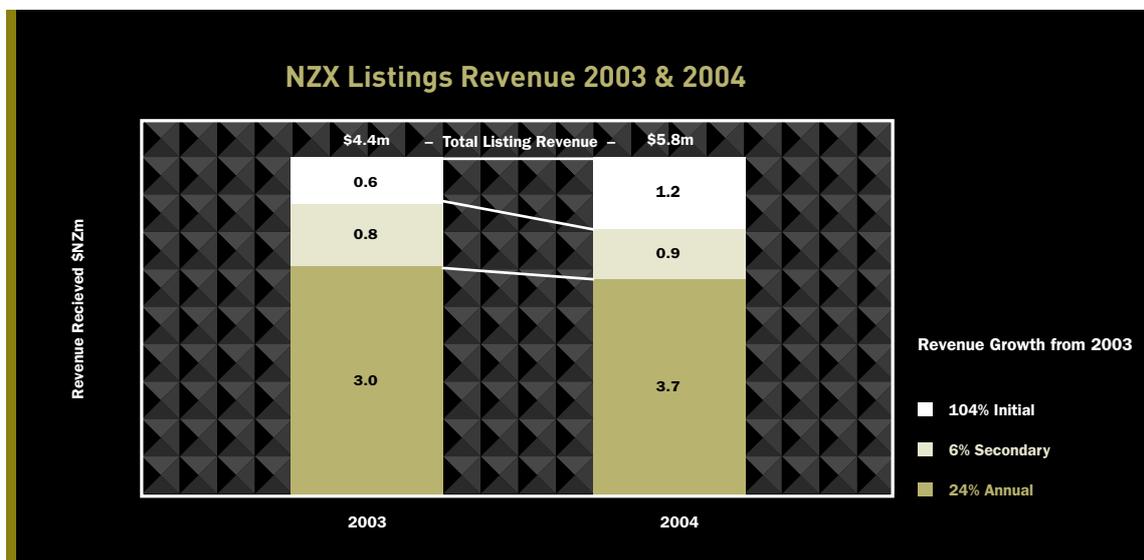
NZX has made significant investments to drive transaction growth. The primary investment has been the introduction of Direct Market Access (DMA). DMA has unlocked the manual bottleneck to order placement and monitoring, by providing an open interface into our trading engine. The increasing complexity of products (e.g. warrants) and participant activity (e.g. proprietary trading, price making, online retail trading) will drive order flow through this channel. In just four months of availability, nine NZX Firms have implemented DMA.



Source: NZX Data



## FINANCIAL REVIEW CONTINUED



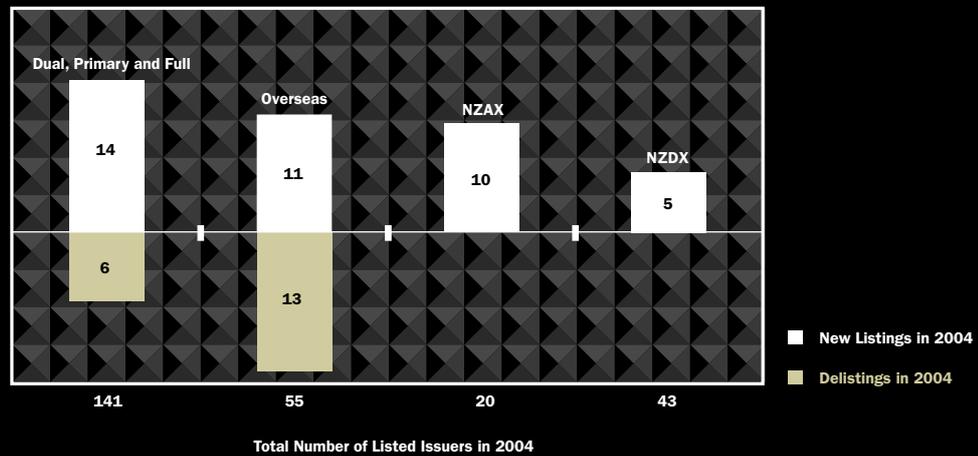
Source: NZX Data

### LISTINGS

2004 was a healthy year for new listings. NZX listing revenue increased to \$5.8 million, a 32% increase over 2003, owing to the presence of an active primary market combined with an increase in annual listing fees (effective from July 2004.) Listing revenue is driven by three categories of fees. Annual fees are charged to existing Issuers based on market capitalisation. Secondary fees are charged to existing Issuers raising or issuing additional equity. Initial fees are charged based on the market capitalisation of new Issuers at the time of their initial listing. The graph above provides a detailed look at NZX listing revenue across these three categories.

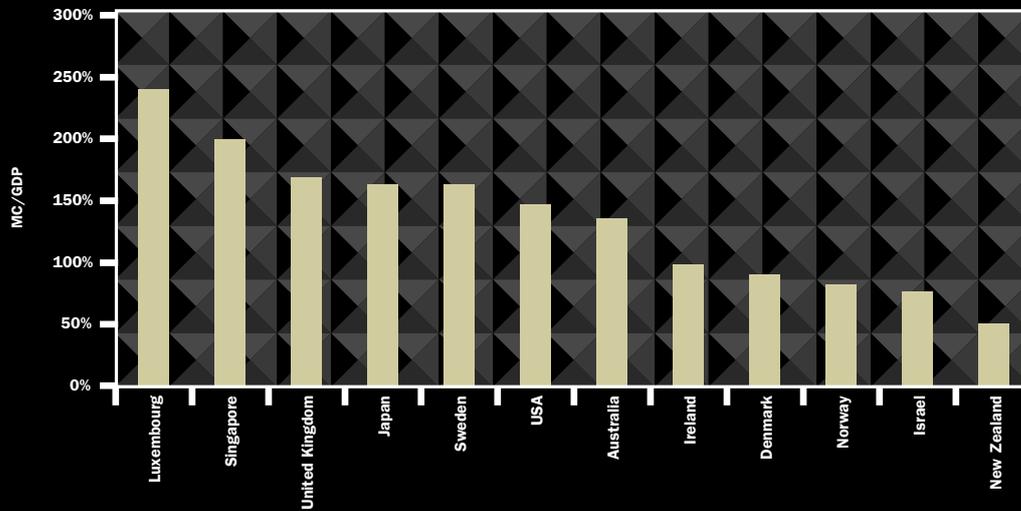
Domestic listing activity was particularly strong. However, despite adding \$11 billion on total market capitalisation (i.e. 22%), New Zealand still has some ground to make up in attracting companies to list. There remains considerable potential to raise listing rates across domestic sectors that have in the past been under-represented. The graphs on the next page are an indication of the potential for increased public listings and market capitalisation in New Zealand.

## Number of New Issuer Listings and Issuer Delistings in 2004



Source: NZX Data \*Numbers vary slightly from the end of year metrics due to Issuers being listed on more than one market.

## World Stock Exchanges Market Capitalisation/GDP



Source: CIA World Fact Book, WFE Focus

## FINANCIAL REVIEW CONTINUED

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### MARKET INFORMATION

NZX has made investments in the market information space throughout 2004. The primary effort was the rewriting of NZX's Data Licensing Agreement. This new agreement, following international standards, will provide NZX and its Data Distributors with more clarity about the use and distribution of NZX Data. Improvements were made to the telecommunications infrastructure carrying the NZX Market Feed, and improvements were also made to the quality of information contained within the Market Feed. In late 2004 NZX also introduced i-Search, an electronic version of the paper based "Daily Memo", providing instant and comprehensive access to market announcements and releases. This product has ended the daily publishing of paper copies of market announcements.

Market Information revenues increased by 22.2% in 2004, reaching \$2.78 million. Increased interest in the New Zealand market, as evidenced by number and value of transactions as well as new listings, will continue to drive consumption of market information. The core contributor to market information revenue (70%) is royalty fees on real time price information, including order book information (i.e. market depth). Real time information is distributed in New Zealand, Australia, and worldwide by NZX Data Distributors, all of whom sign our Data Licensing Agreement. NZX's largest three Data Distributors, measured by total royalty fees, are IRESS, Reuters, and Bloomberg. NZX also earns revenue through the licensing of distribution to Data Distributors and the sale of direct products to professional users.

### PARTICIPANT REVENUE

Revenue from NZX Participants reached \$1.7 million, an increase of 30.8% in 2004. Participant fees cover a range of largely fixed compliance, surveillance and infrastructure fees. This figure includes revenue attributed to 'Regulatory' in the detailed Financial Statements.

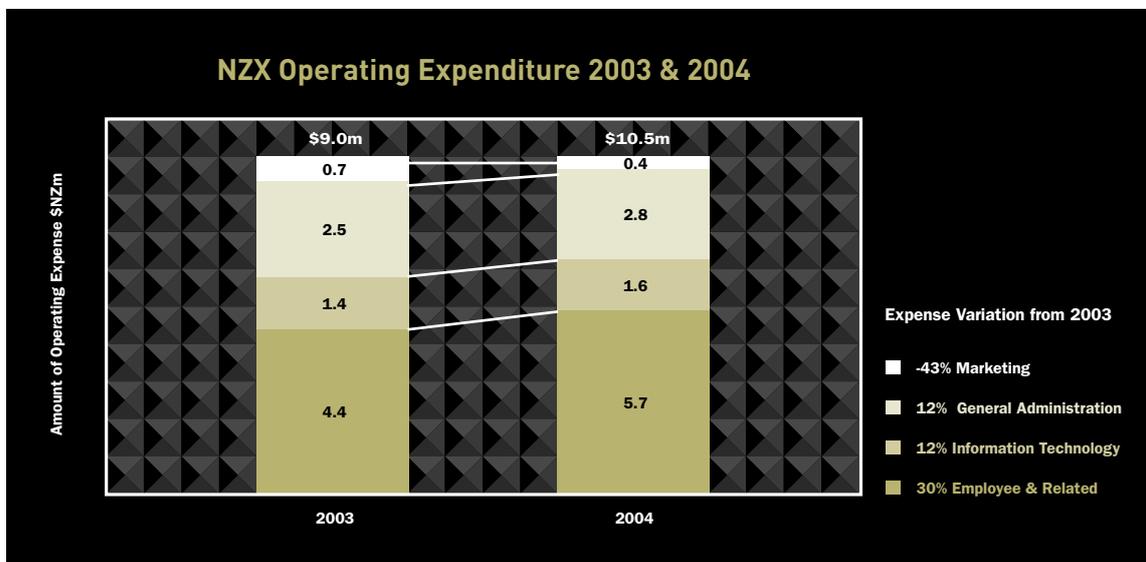
In May 2004, NZX introduced a new set of Participant Rules that better reflect Participant activity and lower barriers to entry for firms focusing on specific areas of market activity. For example, under the previous rules Participants wishing to trade also had to clear and settle the trades. Firms that wished to trade directly into the market and 'hand-off' trades to specialist clearing and settlement providers were faced with the untenable option of changing their business models to accommodate outdated Participant Rules. A thorough review of Participant structures in other mature markets drove changes at NZX.

NZX's Participant base has undergone significant change since demutualisation. A number of smaller Participants have chosen to access NZX through larger Participants. This has led to a decrease in total direct Participants. On the other hand, Deutsche Bank, a large international firm, has renewed its Participant status with NZX. NZX is actively working to attract a broader range of Participants including sponsors, FASTER Participants, and Data Distributors.

## Expenses

Total operating expenses, which includes increased operating expenditure relating to NZX subsidiary NZX Funds Management, increased 15.3% to \$10.5 million in 2004. The core driver of growth in expenses was employee and related expenditure which reached \$5.7 million, a 30.4% increase versus 2003. The growth of total staff numbers was the key driver of this increased expenditure. Staff numbers reached 59 at the end of 2004 versus 45 at the end of 2003. New staff have helped support and develop the core infrastructure of the markets business, while also helping NZX expand into new businesses. The list below details a number of key initiatives in 2004 supported by NZX staff.

- **New Network:** NZX introduced a new Wide Area Network in 2004 that greatly enhanced security and connectivity between NZX and its Participants.



Source: NZX Data

## FINANCIAL REVIEW CONTINUED

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- ▶ **Participant Rules update:** An internal team of solicitors, market operations staff and developers implemented a full rewrite and technical implementation of the NZX Participant Rules, effective 1 May 2004.
- ▶ **Direct Market Access (DMA):** This was also largely driven by an internal team of solicitors, operations staff, developers and testers. As discussed above, this is a critical asset for driving transaction volumes.
- ▶ **NZX Funds Management (NZXFM):** NZX launched two new funds (MOZY and FONZ), acquired MIDZ and launched the Smartshares brand, all in 2004. This effort was driven primarily by an internal team dedicated to NZXFM.
- ▶ **Link Market Services:** Resources dedicated to the strategic development and investigation of entry to the registry space, are also incorporated into NZX staffing costs.

Operating expenditure excluding the category of employee and related expenditure was very stable and reflects the scalable nature of NZX's core markets business infrastructure. Total expenditure excluding employee and related expenditure reached \$4.8 million, an increase of just 4%. This increase also includes the increased cost incurred by NZX Funds Management of operating three additional funds in the fourth quarter of 2004. NZX now has a strong infrastructure of technology and staff to support continued growth in transactions and listings.

NZX highlighted \$1.5 million in non-recurring expenditure in 2004. \$1.0 million is related to the subsidiary NZX Funds Management. This expense covered brokerage fees paid on the initial offerings of two funds and the launch costs for the Smartshares brand. NZX also recognised \$0.5 million of expense related to the collapse of Access Brokerage, primarily driven by external lawyers' and forensic accountants' fees. NZX expects to spend a similar amount on external advisory services related to Access Brokerage in 2005.

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## Capital Expenditure and Cash Flow

NZX continues to maintain a healthy level of cash and liquid assets. NZX raised \$15 million at its July 2003 listing, an amount supplemented by nearly \$8.9 million carried over from the mutual organisation. Retained earnings since listing have further contributed to NZX's cash and liquid assets. NZX made two significant commitments of this capital in 2004:

### NZX FUNDS MANAGEMENT LIMITED (NZXFM)

NZXFM is a wholly-owned subsidiary and accounts are consolidated for the purpose of our financial statements. NZX provided \$1.5 million in capital to NZXFM to fund growth activities. As detailed above, NZXFM incurred \$1.0 million of non-recurring expenditure in 2004. Below is a highlight of key activities and metrics:

- ▶ \$192 million in total funds under management at 31 December 2004.
- ▶ Three new products were added in 2004, two through internal product development effort (MOZY and FONZ) and one through acquisition (MIDZ).
- ▶ \$50 million raised in initial public offerings for MOZY and FONZ.
- ▶ \$0.6 million total operating revenue for 2004.

### LINK MARKET SERVICES

On 15 December 2004, NZX announced a 50/50 joint venture with ASX Perpetual Registrars Limited of Australia. The culmination of over 12 months of analysis led NZX to contribute \$3.3 million capital to Link Market Services (LINK). LINK entered an agreement to purchase Ashburton-based BK Registries Limited for an amount equal to 3.5 times expected 2005 EBITDA.

### OTHER

Capital expenditure outside the investments described above was \$1.1 million, including the purchase of computer equipment to support the growth in our workforce.



## BOARD OF DIRECTORS

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### **Simon Christopher Allen – CHAIRMAN** BSc, BCom

Simon is Chief Executive of ABN AMRO in New Zealand. Simon established BZW (now ABN AMRO) in 1988. The ABN AMRO group is a registered bank in New Zealand and provides products and services to Government, corporates and investors.

Simon is also a Director of ABN Australia Limited, ABN AMRO Equities NZ Limited, ABN AMRO Nominees Limited, ABN AMRO Holdings (New Zealand) Limited, ABN AMRO Craigs Limited, AMS NZ Limited and Big Bonds NZ Limited.

### **Hugh Richmond Lloyd Morrison – DEPUTY CHAIRMAN** LLB (Hons)

Lloyd is Executive Chairman of Wellington-based HRL Morrison & Co. Lloyd established Morrison & Co in 1988 and has primarily been responsible for the development and expansion of the firm. Morrison & Co has been successful both as an advisor and investor in the infrastructure sector in New Zealand, Australia, the US and the UK. In early years the firm played a key advisory role in the reform of the sector in New Zealand and Australia. In March 1994, Morrison & Co formed Infratil Limited (a specialist investor in infrastructure and utility assets) which has subsequently become a successful public company and which remains managed by Morrison & Co.

Lloyd is Managing Director of Infratil Limited, a current Director of HRL Morrison & Co (Australia) Pty Limited, Morrison & Co Infrastructure Management Limited, Wellington International Airport Limited, Port of Tauranga Limited and TrustPower Limited. Lloyd is also a member of the Fairfax New Zealand Advisory Council.

### **Andrew William Harnos** LLB (Hons), BCom

Andrew is one of the founding partners of Harnos Horton Lusk, an Auckland-based specialist corporate legal advisory firm. Andrew was formerly a senior partner of Russell McVeagh, which he left in 2002 after 21 years. 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.

### **Neil Paviour-Smith** BCA, CA, ACIS, FCFIP

Neil is Managing Director of Forsyth Barr Limited, a nationwide sharebroking firm and investment house, and a Director of various related companies. Neil has 16 years' experience in the securities industry including several years in equity funds management and research roles. Neil is a Director of listed companies Global Equity Market Securities Limited and Global Corporate Credit Limited.

Neil is an NZX Advisor, a Fellow and past Chairman of the Institute of Finance Professionals NZ, a member of the Institute of Chartered Accountants of NZ, the Institute of Directors, the Institute of Chartered Secretaries NZ and the NZ Society of Investment Professionals.

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### **Timothy Ernest Corbett Saunders** MBA, BCom

Tim is a consultant to Northington Partners Limited, a corporate advisory and investment banking firm located in Auckland. Since 1987 he has been retained as a financial and economic consultant in both the private and public sectors. For several years prior to 1987, Tim owned and managed various companies involved in manufacturing and retailing. Before that he was general manager of merchant bank Chase NBA New Zealand Group Limited (affiliated to Chase Manhattan Bank) and was, in the early 1970s, an analyst with the World Bank, Washington DC.

A current and former Director of a number of New Zealand companies, Tim is currently the Chairman of Feltex Carpets Limited and Solid Energy NZ Limited, and a Director of Calan Healthcare Properties Limited, Capital Properties (NZ) Limited, Global Corporate Credit Limited, Contact Energy Limited and Pyne Gould Corporation Limited (including wholly owned subsidiaries Marac Finance Limited and Perpetual Trustees Limited). He is also a member of the Australasian Advisory Board of LEK Consultants.

### **Nigel Williams** BCom Director

Nigel Williams has over 20 years' experience in both New Zealand and overseas capital markets, including his current role as Managing Director, Institutional Markets for the combined ANZ New Zealand Limited and National Bank New Zealand Limited. He has held various senior management roles within the National Bank of New Zealand Limited including Treasurer and is currently a member of the Bank's principal governance committees. Nigel is also a director of Interchange and Settlement Limited.

Nigel graduated from the University of Otago with a Bachelor of Commerce in Marketing, Accounting and Finance and has also attended advanced management training at the University of Michigan, USA and Oxford University, England.

### **Mark Rhys Weldon – CHIEF EXECUTIVE** BA, BCom, MEcon (First Class Hons), Doc Jur, Dip Int'l Law (Hons)

Mark is the Chief Executive of NZX, and works closely with management to implement the Board's strategies. Mark is also a director of NZX Funds Management Limited and Chairman of Link Market Services Limited.

Mark graduated from Auckland University with a Masters degree in Economics (First Class Honours), a Bachelor of Commerce and a Bachelor of Arts. Mark then studied at the Columbia University School of Law in New York, graduating in 1997 with a Doctorate in Jurisprudence and a Diploma in International Law.

Mark joined leading New York law firm Skadden, Arps, Slade, Meagher & Flom as an attorney. While there, he worked extensively in securities law and on mergers and acquisitions. Mark went on to work at the New York office of McKinsey & Company. He specialised in stock exchanges, asset management and wholesale banking (investment and commercial), and general corporate strategy. Mark is a member of the NZX Business Advisory Board and the New Zealand Olympic Committee.

#### **BOARD COMMITTEES**

The Remuneration Committee comprises Mr Allen and Mr Williams.

The Audit Committee comprises Mr Saunders (Chair), Mr Allen and Mr Paviour-Smith.



## CORPORATE GOVERNANCE

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NZX is committed to ensuring it employs best practice governance structures and principles in keeping with Appendix 16 of the NZSX Listing Rules and the Corporate Governance Principles and Guidelines published by the Securities Commission.

NZX believes good governance starts at the top with the Board of Directors (the Board) who are elected by shareholders to direct and control NZX's activities.

### OPERATION OF THE BOARD

The Board is responsible for the overall direction and strategy of NZX. It selects 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 responsible to it.

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 cover 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.

### BOARD OF DIRECTORS

The Board currently comprises seven Directors, of whom six are non-executive Directors. In accordance with NZSX Listing Rule 3.3.1B, the Board has determined that six of the seven Directors are independent as defined in the NZSX Listing Rules. The independent Directors are Simon Allen (Chairman), Lloyd Morrison (Deputy Chairman), Andrew Harmos, Neil Paviour-Smith, Tim Saunders and Nigel Williams.<sup>1</sup> Mark Weldon, the Chief Executive, is the only non-independent executive Director on the board.

In accordance with the constitution, one third of the Directors are required to retire by rotation and offer themselves for re-election by shareholders each year.

Meetings of the Board are scheduled in advance, a meeting agenda and papers must be circulated at least five business days before each meeting to allow directors sufficient time to prepare.

The Board has access to executive management and, from time to time, key executive managers are invited to attend and participate in meetings of the Board. Annually, each executive manager must present a twelve-month business plan and three-year strategic plan for their area of responsibility to the Board for approval.

The Board holds regular scheduled meetings (every six weeks) and also holds ad hoc meetings to consider time sensitive or specific issues. During the 2004 financial year, the Board met (including via teleconference) 22 times.

<sup>1</sup> W R Trotter retired from the Board at the Annual Meeting held in May 2004.

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## COMMITTEES

The Board has two standing committees: an audit committee and a remuneration committee.

### AUDIT COMMITTEE

The audit committee operates under a charter, which sets out its role in assisting the Board with corporate financial matters. It may only comprise independent Directors and at least one member of the audit committee must have expertise in accounting.

The audit committee has a clear line of communication with the independent and internal auditor, and it may, at its discretion, meet with the independent auditor without company management being present.

The audit committee met four times in the 2004 financial year. The audit committee met with the independent auditor four times in the 2004 financial year.

### REMUNERATION COMMITTEE

The remuneration committee operates under a charter that sets out its role. It assists the Board in reviewing the remuneration policies and practices of NZX as they relate to the Directors, including any committees that Directors may serve on and the remuneration of the Chief Executive. The remuneration committee comprises entirely non-executive Directors. The remuneration committee met twice in the 2004 financial year.

## NOMINATIONS

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

### 2004 NZX DIRECTORS' ATTENDANCE RECORD

Director	NZX Board	Audit Committee	Remuneration Committee
Simon Allen	22/22	4/4	2/2
Lloyd Morrison	13/22	-	-
Andrew Harnos	21/22	-	-
Neil Paviour-Smith	22/22	4/4	-
Tim Saunders	20/22	4/4	-
Bill Trotter <sup>2</sup>	7/9	-	-
Mark Weldon	22/22	-	-
Nigel Williams <sup>3</sup>	14/15	-	2/2

<sup>2</sup> W R Trotter retired as a director of NZX at the Annual Meeting in May 2004.

<sup>3</sup> The Board appointed N Williams a director of NZX in April 2004.



## CORPORATE GOVERNANCE CONTINUED

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### 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 NZSX Listing Rules, NZX has adopted a quarterly reporting regime and produces operating metrics monthly. This additional information provides transparency and assists the market in evaluating NZX's performance. NZX also maintains a website which provides contact points for the public and is continuously 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 independent professional advice to assist with their responsibilities. No such request was made by any director during the 2004 financial year.

### INSURANCE AND INDEMNIFICATION

NZX provides indemnity insurance cover to Directors, executive employees, the Market Surveillance Panel, and the Disciplinary and Complaints Committee.

### SHARE TRADING

The company has adopted a formal NZX Securities Trading Policy to address insider trading requirements under the Securities Markets Act 1988. The NZX Securities Trading Policy is modelled on the Insider Trading (Approved procedure for Company Officers) Notice 1996 (the Notice) and administered by the NZX Securities Trading Committee that consists of the Corporate Counsel and Chairman of the Board. The NZX Securities Trading Policy restricts trading in the financial year by prohibiting trading in NZX's securities during 'black-out' periods set out in the Notice.

If a Director or Officer wishes to trade NZX securities in a 'trading window', that person must first apply for, and obtain, consent from the NZX Securities Trading Committee.

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



NEW ZEALAND EXCHANGE LIMITED FINANCIAL STATEMENTS

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## STATEMENT OF FINANCIAL PERFORMANCE

FOR YEAR ENDED 31 DECEMBER 2004

	Note	Parent		Group	
		12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
Operating revenue	2	16,107	12,577	16,482	12,641
Operating expenses	3	9,818	8,921	10,469	9,080
<b>Operating EBITDA</b>		<b>6,289</b>	<b>3,656</b>	<b>6,013</b>	<b>3,561</b>
Non-recurring income / (expenditure)	9	(494)	188	(1,538)	188
<b>EBITDA</b>		<b>5,795</b>	<b>3844</b>	<b>4,475</b>	<b>3749</b>
Interest received		1,661	952	1,661	1,047
Depreciation		553	389	553	389
Amortisation		55	-	55	-
<b>Surplus before tax</b>		<b>6,848</b>	<b>4,407</b>	<b>5,528</b>	<b>4,407</b>
Tax expense	10	2,286	1,464	1,851	1,464
<b>Surplus after tax</b>		<b>4,562</b>	<b>2,943</b>	<b>3,677</b>	<b>2,943</b>

## STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR YEAR ENDED 31 DECEMBER 2004

	Parent		Group	
	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
<b>Surplus for the period</b>	4,562	2,943	3,677	2,943
<b>Total recognised revenue &amp; expenditure</b>	4,562	2,943	3,677	2,943
Issue of share capital	-	14,601	-	14,601
Issue of CEO Share Scheme shares	-	2,132	2,132	2,132
Shares held in subsidiary company	-	-	(2,132)	(2,132)
<b>Movement in equity for the period</b>	4,562	19,676	3,677	17,544
Shareholders' funds at beginning of period	28,093	8,417	25,961	8,417
<b>Shareholders' funds at end of period</b>	32,655	28,093	29,638	25,961



## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Note	Parent		Group	
		12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
<b>ASSETS</b>					
Current assets:					
Cash on hand		151	108	187	172
Cash investments	4	19,931	25,779	19,931	25,779
Receivables & prepayments	5	2,501	2,264	2,183	2,200
Net assets of Fidelity Guarantee Fund	8	-	446	-	446
		<b>22,583</b>	<b>28,597</b>	<b>22,301</b>	<b>28,597</b>
Non current assets:					
Advance	13	2,132	2,132	-	-
Fixed assets	7	1,327	811	1,327	811
Investments	4	10,398	-	8,898	-
Deferred tax	10	361	318	361	318
		<b>14,218</b>	<b>3,261</b>	<b>10,586</b>	<b>1,129</b>
Goodwill		527	132	1,055	132
<b>Total assets</b>		<b>37,328</b>	<b>31,990</b>	<b>33,942</b>	<b>29,858</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Accounts payable and other current liabilities	6	4,277	3,129	4,423	3,128
Provision for taxation	10	396	322	(119)	322
Fidelity Guarantee Fund	8	-	446	-	446
		<b>4,673</b>	<b>3,897</b>	<b>4,304</b>	<b>3,896</b>
Share capital	15	16,733	16,733	14,601	14,601
Retained earnings	15	15,922	11,360	15,037	11,360
Total shareholders' funds		<b>32,655</b>	<b>28,093</b>	<b>29,638</b>	<b>25,961</b>
<b>Total liabilities &amp; shareholders' funds</b>		<b>37,328</b>	<b>31,990</b>	<b>33,942</b>	<b>29,857</b>

These financial statements were authorised for release on 16 February 2005.



S C Allen  
Chairman



T E C Saunders  
Director



M R Weldon  
Chief Executive Officer

## STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31 DECEMBER 2004

	Parent		Group	
	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash was provided from:				
Cash received from customers and others	18,249	14,297	18,951	14,568
Net GST paid	(934)	(753)	(934)	(753)
Interest received	1,577	952	1,698	1,047
	<b>18,892</b>	<b>14,496</b>	<b>19,715</b>	<b>14,862</b>
Cash was applied to:				
Cash paid to suppliers and employees	11,063	10,631	12,885	11,117
Taxation paid	2,255	1,045	2,255	1,085
	<b>13,318</b>	<b>11,676</b>	<b>15,140</b>	<b>12,202</b>
<b>Net cash inflows from operating activities</b>	<b>5,574</b>	<b>2,820</b>	<b>4,575</b>	<b>2,660</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash was provided from:				
Decrease in bank deposits	5,848	3,097	5,848	3,097
	<b>5,848</b>	<b>3,097</b>	<b>5,848</b>	<b>3,097</b>
Cash was applied to:				
Purchase of fixed assets	1,073	464	1,073	464
Increase in investments	10,306	19,964	9,335	19,964
	<b>11,379</b>	<b>20,428</b>	<b>10,408</b>	<b>20,428</b>
<b>Net cash outflows from investing activities</b>	<b>(5,531)</b>	<b>(17,331)</b>	<b>(4,560)</b>	<b>(17,331)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash was provided from:				
Proceeds from issue of shares	-	14,931	-	14,931
		14,931		14,931
Cash was applied to:				
Share issue expenditure	-	328	-	328
		328		328
<b>Net cash inflows from financing activities</b>	<b>-</b>	<b>14,603</b>	<b>-</b>	<b>14,603</b>
Net increase (decrease) in cash held	<b>43</b>	<b>92</b>	<b>15</b>	<b>(68)</b>
Opening cash balance	<b>108</b>	<b>16</b>	<b>172</b>	<b>240</b>
<b>Cash at end of period</b>	<b>151</b>	<b>108</b>	<b>187</b>	<b>172</b>



## STATEMENT OF CASH FLOWS

FOR YEAR ENDED 31 DECEMBER 2004

	Parent		Group	
	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
<b>RECONCILIATION OF SURPLUS FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Surplus for the period	4,562	2,943	3,677	2,943
Add non cash items:				
Depreciation	553	389	553	389
Amortisation	55	-	55	-
Unrealised gain on investment bonds	(92)	-	(92)	-
	<b>5,078</b>	<b>3,332</b>	<b>4,193</b>	<b>3,332</b>
Decrease (increase) in accounts receivable	(237)	(856)	17	(1002)
Decrease (increase) in deferred tax	(43)	(16)	(43)	(16)
Increase (decrease) in accounts payable	1,148	360	1,295	346
Increase (decrease) in provision for tax	74	-	(441)	-
Net cash flows from operating activities	(446)	-	(446)	-
<b>Net cash flows from operating activities</b>	<b>5,574</b>	<b>2,820</b>	<b>4,575</b>	<b>2,660</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2004

## 1. Statement of accounting policies

The financial statements presented for the 'Parent' comprise the New Zealand Exchange Limited (NZX) and its Fidelity Guarantee Fund. The consolidated financial statements for the 'Group' are for the economic entity comprising NZX, its Fidelity Guarantee Fund and its subsidiaries NZX Funds Management Limited and Tane Nominees Limited. NZX is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. These financial statements are presented in compliance with the Financial Reporting Act 1993 and the Companies Act 1993. The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

### GROUP FINANCIAL STATEMENTS

The group financial statements consolidate the financial statements of NZX and its wholly owned subsidiaries NZX Funds Management Limited, and Tane Nominees Ltd using the purchase method. The wholly owned subsidiary NZX Funds Management Limited is incorporated in New Zealand and has the same balance date as NZX. NZX Funds Management Limited's principal activity is managing the NZSX MidCap Index Fund (MIDZ), NZX Australian MidCap Index Fund (MOZY), NZSX 10 Fund (TENZ) and NZSX 50 Portfolio Index Fund (FONZ). Tane Nominees Limited is also a wholly owned subsidiary and is incorporated in New Zealand and has the same balance date as NZX. Tane Nominees Limited's principal activity is to hold the Share Scheme shares in trust for the Chief Executive, Mark Weldon, until such time as the shares 'qualify' or otherwise under the terms of the CEO Share Incentive Scheme (see Note 13).

All material transactions between Parent and subsidiary companies are eliminated on consolidation. Shares in NZX held by subsidiary companies are shown as a deduction from share capital.

### REVENUE RECOGNITION

Income earned in the normal course of business is recognised at the time the service is provided. When revenue is received in advance it is amortised evenly over the period the service will be provided.

### FIXED ASSETS AND DEPRECIATION

All fixed assets are initially recorded at cost. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Fixed assets have been depreciated on a straight line basis at the following rates:

- ▶ Computer equipment: 33.3%
- ▶ Furniture and equipment: 20%

### SHARE ISSUE COSTS

Costs associated with the issue of shares are recognised as a reduction of the amount collected per share.

### TAXATION

Tax expense is based on accounting surpluses, adjusted for the permanent differences between accounting and tax rules. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceeds the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of timing differences, or losses, will be utilised.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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FOR YEAR ENDED 31 DECEMBER 2004

### GOODS AND SERVICES TAX (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### FINANCIAL INSTRUMENTS

Financial instruments carried in the Statement of Financial Position include cash and bank balances, investments, accounts receivable and accounts payable.

### INVESTMENTS

Investment Bonds are stated at market value and any resultant gain or loss is recognised in the statement of Financial Performance. All other investments are stated at cost.

### GOODWILL

Goodwill is reviewed as it relates to each specific transaction. The amount recognised as goodwill will be amortised on a straight line basis over the shorter of its estimated useful life or 20 years.

### ACCOUNTS RECEIVABLE

Accounts receivable are carried at estimated realisable value after providing against debts where collection is doubtful.

### STATEMENT OF CASH FLOWS

The following are the definitions of the items used in the statement of cash flows:

- ☒ Operating activities include all transactions and other events that are not investing or financing activities.
- ☒ Investing activities are those activities relating to the acquisition, holding and disposal of property, furniture and equipment and of investments. Investments can include securities not falling within the definition of cash.
- ☒ Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash.
- ☒ Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

### OPERATING LEASES

Operating lease rentals are charged to the Statement of Financial Performance as they fall due.

### CHANGES IN ACCOUNTING POLICIES

There were no material changes in accounting policies during the period.

### COMPARATIVES

Comparative figures where necessary have been restated to correspond to the current year disclosures.

## 2. Operating revenue

	Parent		Group	
	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
Listings	5,857	4,445	5,807	4,428
Participant fees	1,053	930	1,053	930
Trading, clearing & settlement	4,254	3,256	4,254	3,256
Market information	2,779	2,275	2,779	2,275
Regulatory	1,736	1,380	1,736	1,380
NZX Funds Management Limited	270	210	695	295
Other income	158	81	158	77
	<b>16,107</b>	<b>12,577</b>	<b>16,482</b>	<b>12,641</b>

## 3. Operating expenses

	Parent		Group	
	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000	12 Months Dec 2004 \$000	12 Months Dec 2003 \$000
Employee & related costs	5,567	4,369	5,695	4,369
Information technology	1,619	1,440	1,619	1,440
Legal	470	702	567	702
Marketing	383	662	383	662
Rent & accommodation	385	352	385	352
General administration	695	730	1,074	877
Directors' fees	290	295	299	295
Audit fees	48	52	78	64
Other auditors' services	151	120	151	120
Doubtful debts	(14)	40	(14)	40
Depreciation:				
Computer equipment	535	378	535	378
Furniture & equipment	18	11	18	11
Goodwill amortisation	55	-	55	-



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

### 4. Investments

Cash investments	Interest rates	Maturities	Dec 2004 \$000	Dec 2003 \$000
Bank deposits – at call	6.5%	Call	500	500
Bank deposits – 30 day	6.62%-6.67%	30 Days	19,431	25,279
			19,931	25,779

Cash investments for both the Parent and Group are the same.

Other investments	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
Link Market Services Limited	3,255	-	3,255	-
NZX Funds Management Limited	1,500	-	-	-
Investment bonds	5,643	-	5,643	-
	10,398	-	8,898	-

NZX's Investment in Link Market Services Limited is a result of development and a capital contribution to the 50:50 joint venture formed between NZX and ASX Perpetual on 15 December 2004. NZX also invested further in NZX Funds Management Limited to purchase the NZSX MidCap Index Fund and NZX Australian MidCap Index Fund and to launch the new Smartshares brand. The investment in Bonds are Marked to Market, any unrealised gain or loss is recorded in the Statement of Financial Performance.

### 5. Receivables and prepayments

	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
Trade receivables	1,291	1,804	1,461	1,884
Prepayments	378	143	415	143
Intercompany receivable	543	144	-	-
Accrued interest	98	-	98	-
Accrued income	191	173	209	173
	2,501	2,264	2,183	2,200

## 6. Accounts payable and other current liabilities

	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
Trade creditors	661	779	708	779
Unearned income	2,453	1,903	2,453	1,903
Employee entitlements	155	80	155	80
Accrued expenses	905	247	1,004	247
GST	103	120	103	120
	<b>4,277</b>	<b>3,129</b>	<b>4,423</b>	<b>3,129</b>

## 7. Fixed assets

	Cost \$000	Accumulated Depreciation \$000	Book Value 31 Dec 2004 \$000
<b>Computer equipment</b>	4,660	<b>3,520</b>	1,140
<b>Furniture &amp; equipment</b>	250	<b>177</b>	73
<b>Capital work in progress</b>	114	-	114
	<b>5,024</b>	<b>3,697</b>	<b>1,327</b>

	Cost \$000	Accumulated Depreciation \$000	Book Value 31 Dec 2003 \$000
Computer equipment	3,751	<b>2,986</b>	765
Furniture & equipment	204	<b>158</b>	46
	<b>3,955</b>	<b>3,144</b>	<b>811</b>

Fixed assets for both the Parent and the Group are the same.

## 8. New Zealand Exchange Limited Fidelity Guarantee Fund

On 3 May 2004 the NZX Participant Rules (the Participant Rules) came into force, replacing the NZX Business Rules 2003. The Participant Rules contain provision for a Fidelity Guarantee Fund on the same terms as existed before their commencement. The relevant sections of the NZX Participant Rules are 8.11 – 8.14.

Under the Participant Rules, the liability of the Fund for any one particular failure remains limited to \$500,000 or such greater amount as may be determined from time to time by the Board. Furthermore the maximum amount payable to any one claimant in respect of a failure remains limited to \$20,000 or such greater amount as the Board may determine. These provisions reflect the position pre-demutualisation and under the NZX Business Rules 2003.

On 6 September 2004 Access Brokerage Limited was put into liquidation. NZX applied its Fidelity Guarantee Fund to investors who suffered loss as a consequence of the Access Brokerage Limited failure. The provision held on the balance sheet at 31 December 2004 is nil (2003 \$446,000).



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

### 9. Non-recurring items

Non-recurring items reported include expenditure incurred in investigating the default of Access Brokerage Limited (\$494,000) and expenditure incurred by NZX Funds Management Limited in relation to Marketing (\$621,000) and Brokerage Fees paid in IPO (\$423,000 net). This contributed to the capital raising of \$55.0 million and the launch of "Smartshares" brand.

The Exchange demutualised its structure on 16 October 2002 and became a limited liability company from 1 January 2003. The \$188,000 received in the prior period represents the balance of a levy on members as a contribution to the cost of demutualisation. These payments were made voluntarily.

### 10. Taxation

Income Tax	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
<b>Operating surplus before tax:</b>	<b>6,848</b>	4,407	<b>5,528</b>	4,407
Permanent differences:				
Non-deductible expenditure	79	29	79	29
Surplus subject to tax	<b>6,927</b>	4,436	<b>5,607</b>	4,436
Tax at 33%	<b>2,286</b>	1,464	<b>1,851</b>	1,464
Income tax recognised in Statement of Financial Performance	<b>2,286</b>	1,464	<b>1,851</b>	1,464
Comprising:				
Current tax	<b>2,329</b>	1,480	<b>1,894</b>	1,480
Deferred tax	<b>(43)</b>	(16)	<b>(43)</b>	(16)
	<b>2,286</b>	1,464	<b>1,851</b>	1,464
<b>Deferred tax:</b>				
Balance at beginning of the period	<b>318</b>	302	<b>318</b>	302
On surplus for the period	<b>43</b>	16	<b>43</b>	16
Balance at end of the period	<b>361</b>	318	<b>361</b>	318
<b>Imputation credit account:</b>				
Balance at beginning of the period	<b>1,688</b>	643	<b>1,688</b>	643
Income tax paid	<b>2,255</b>	1,045	<b>2,255</b>	1,045
<b>Balance at end of the period</b>	<b>3,943</b>	1,688	<b>3,943</b>	1,688

## 11. Financial instruments

### FAIR VALUE

The fair value of the financial instruments is considered to be equivalent to the value as reflected in the Statement of Financial Position.

### CREDIT RISK

The maximum credit risk associated with the financial instruments held by NZX is considered to be the value reflected in the Statement of Financial Position. The risk of non-recovery of these amounts is considered to be minimal.

NZX does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk arise where NZX is exposed to the risk that a party may fail to discharge an obligation in the normal course of business. NZX does not have any significant concentrations of credit 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.

## 12. Commitments

NZX has commitments, which are not recognised in the Financial Statements, for property lease rentals for existing office space and an agreement with SFE Limited which enables New Zealand based futures and options products to be listed on SFE's trading and infrastructure.

Other Investments	Dec 2004 \$000	Dec 2003 \$000
<b>Up to 1 year</b>		
Lease of premises	290	94
Capital fit out of premises	1,486	-
SFE trading infrastructure	275	750
<b>1 – 2 years</b>	496	-
<b>2 – 5 years</b>	1,488	-
<b>&gt; 5 years</b>	2,687	-

NZX has entered into a lease in respect of a move to new premises in June 2005. Any expenses relating to this move have been recorded as Capital Work in Progress and are noted in note 7 of these accounts.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

### 13. Related party transactions

During the period NZX's subsidiary NZX Funds Management Limited managed the NZSX MidCap Index Fund (MIDZ), NZX Australian MidCap Index Fund (MOZY), NZSX 10 Fund (TENZ) and NZSX 50 Portfolio Index Fund (FONZ). At 31 December 2004 NZX Funds Management Limited had an inter company debt with NZX of \$543,190 (Dec 2003 \$144,035).

No amounts owed by related parties have been written off or forgiven during the period.

Financial assistance was provided to the Chief Executive Officer, Mark Weldon during the prior period. A disclosure document was provided to all shareholders on 15 September 2003 setting out details of a proposal by the Company to give financial assistance to the Chief Executive Officer and Director of the Company, Mark Weldon, in connection with the acquisition by a nominee company (Nominee) of the 634,275 Share Scheme shares in the Company, to be held by the Nominee on behalf of Mr Weldon in accordance with the terms of the Chief Executive Officer Share Incentive Scheme (Scheme).

The terms of the Scheme, and the proposed financial assistance, were approved by members of the Company's predecessor, the New Zealand Stock Exchange, at the time of demutualisation and were fully described in the Company's prospectus and investment statement registered on 3 June 2003.

The directors of the Company authorised the Company to give financial assistance to Mr Weldon to fund the acquisition of the shares, by way of a loan of \$2,132,433, which is the aggregate of the issue prices for the 634,275 Share Scheme shares. There has been no financial effect of this transaction recorded in the financial statements for the years ended 31 December 2003 and 31 December 2004.

### 14. Distribution to shareholders

During the year there were no dividends paid. However, since year end the directors have resolved that a special dividend of \$0.40 cents per share be paid, see Note 19.

### 15. Share capital

On 1 January 2003 there were 3,310,000 ordinary shares on issue which were split 1:1 on 30 May 2003. In June 2003 there was a combined offer comprising a 1:2 renounceable rights issue of 3,310,000 shares at \$1.50 and an offer to the public of \$10,000,000 of shares at the final price of \$3.60. As at 31 December 2004 there were 12,685,504 ordinary shares issued and fully paid (2003 12,685,504). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. The cost of \$0.25 cents per share was incurred in completing the issue. These costs were taken as a reduction of the amount recognised as being generated by the issue. Hence \$1.25 per share has been recognised as a contribution by shareholders. There were no new shares issued in the year ended 31 December 2004.

634,275 Share Scheme Shares were on issue as at 31 December 2004. Subject to meeting certain criteria, 60% of these shares may be eligible for Qualification under the scheme on 4 June 2005. As at 31 December 2004 there were 186,500 options to acquire ordinary shares on issue to staff under the NZX Executive Share Option Plan. Of these 159,000 have an exercise date in July 2006.

Movement in Issued Capital	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
Balance at beginning of the period	16,733	-	14,601	-
Shares issued during the period:				
Ordinary shares	-	14,601	-	14,601
Executive Share Scheme shares	-	2,132	-	2,132
Shares held by subsidiary company	-	-	-	(2,132)
<b>Balance at end of the period</b>	<b>16,733</b>	<b>16,733</b>	<b>14,601</b>	<b>14,601</b>

Movement in Retained Earnings	Parent		Group	
	Dec 2004 \$000	Dec 2003 \$000	Dec 2004 \$000	Dec 2003 \$000
Balance at beginning of the period	11,360	8,417	11,360	8,417
Surplus for the period	4,562	2,943	3,677	2,943
<b>Balance at end of the period</b>	<b>15,922</b>	<b>11,360</b>	<b>15,037</b>	<b>11,360</b>

## 16. Contingent liabilities

There are no contingent liabilities at 31 December 2004 (2003 nil).

## 17. Segmented reporting

The Company and its subsidiaries operate within the financial markets industry. All significant operations take place in New Zealand.

## 18. Earnings per share

	Parent	
	Dec 2004	Dec 2003
Earnings per share (cents per share)	28.99	23.20

Earnings per share are calculated by dividing the operating surplus attributable to shareholders by the weighted average number of ordinary shares on issue during the period.

## 19. Significant events after balance date

At the NZX Board meeting on 16 February 2005 the Board resolved to pay a special, fully imputed, dividend of \$0.40 cents per share on ordinary shares held. Payment date for the dividend will be Wednesday 11 May 2005; record and ex dates will be Friday 29 April 2005 and Monday 2 May 2005 respectively.



## Auditors' Report

to the shareholders of New Zealand Exchange Limited

We have audited the financial statements on pages 24 to 37. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 December 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 29 to 30.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2004 and their financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors, tax advisors and providers of other assurance services.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 24 to 37:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 31 December 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 7 March 2005 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
Wellington

## STATUTORY INFORMATION

FOR YEAR ENDED 31 DECEMBER 2004

### 1. Business operations

There have been no changes in the business undertakings of the company and subsidiaries during the year.

### 2. Interests Register

The group is required to maintain an Interests Register in which particulars of certain transactions and matters involving the directors must be recorded. There were no new matters recorded in the Interests Register in 2004.

### 3. Directors' interests

The directors have declared interests in the following entities:

Director	Interest	Entity
S C Allen	Director Director Director Director Director Director Director Director Director Director	ABN AMRO Craigs Ltd ABN AMRO New Zealand Limited ABN AMRO Group New Zealand Ltd ABN AMRO Equities Australia Ltd ABN AMRO Nominees NZ Ltd ABN AMRO Holdings New Zealand Ltd ABN AMRO Equities Derivatives New Zealand Ltd ABNED Nominees New Zealand Ltd Xylem Investments Ltd Big Bonds NZ Ltd
H R L Morrison	Director Director Director Director Director Director Director Director Director Director Member	Wellington International Airport Limited Port of Tauranga Limited HRL Morrison & Co Group Limited Hettinger Nominees Limited Morrison & Co Infrastructure Management Limited Pencarrow Private Equity Limited The Mbo Fund Limited TrustPower Limited Infratil Limited Infratil Airport Holdings Limited Fairfax New Zealand Advisory Council
A W Harnos	Partner Director	Harnos Horton Lusk Westfield New Zealand Group
N Paviour-Smith	Director Director Director Director Director	Forsyth Barr Group Limited and Associated Companies Forsyth Barr Limited Leveraged Equities Finance Limited Global Equity Market Securities Limited Global Corporate Credit Limited



## STATUTORY INFORMATION CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

### 3. Directors' interests *continued*

Director	Interest	Entity
T E C Saunders	Chairman Chairman Director Director Director Director Director	Feltex Carpets Limited Solid Energy NZ Limited Calan Healthcare Properties Limited Capital Properties (NZ) Limited Contact Energy Limited Global Corporate Credit Limited Pyne Gould Corporation Limited
N Williams	Director	Interchange & Settlement Limited
M R Weldon	Chairman Director Member	Link Market Services Limited NZX Funds Management Limited New Zealand Olympic Committee

### 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 which 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.

Director	Remuneration	Entity
S C Allen	\$79,000	Chairman Member Audit Committee Member of Remuneration Committee
H R L Morrison	\$39,000	Deputy Chairman
A W Harnos	\$39,000	
N Paviour-Smith	\$42,500	Member of Audit Committee
T E C Saunders	\$49,000	Chairman Audit Committee
W R Trotter <sup>1</sup>	\$13,084	
M R Weldon	\$755,000	CEO
N Williams <sup>2</sup>	\$28,875	Member Remuneration Committee

<sup>1</sup> W R Trotter retired as a Director of NZX at the Annual Meeting in May 2004.

<sup>2</sup> The Board appointed N Williams a Director of NZX in April 2004.

## 6. Indemnification and insurance of executives and Directors

During the year, the Company paid insurance premiums in respect of directors', executive employees', Market Surveillance Panel, Disciplinary and Complaints Committee liability insurance. The policies do not specify the premium for individuals.

This insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive employee unless the conduct involves a willful breach of duty or an improper use of inside information or position to gain advantage.

## 7. Subsidiary company Directors

Mr Mark Weldon, Mr Geoffrey Brown, Mr Martin Rea and Mr Don Trow held office as directors of the subsidiary company NZX Funds Management Limited at the end of the financial year. Mr Don Trow was paid director fees of \$2,500 in relation to this directorship. Ms Elaine Campbell is the sole director of Tane Nominees Limited. The remuneration of employees acting as directors of subsidiaries is disclosed in the relevant banding of remuneration set out under Employee Remuneration.

## 8. Employee remuneration

During the year the number of employees or former employees (excluding Directors) who received remuneration and other benefits including non-cash benefits in their capacity as employees of the company, the value of which was or exceeded \$100,000 per annum, was as follows:

Remuneration Ranges	Current Employee
100,000 – 109,999	–
110,000 – 119,999	–
120,000 – 129,999	–
130,000 – 139,999	1
140,000 – 149,999	2
150,000 – 159,999	1
160,000 – 169,999	1
170,000 – 179,999	–
180,000 – 199,999	1
200,000 – 209,999	–
210,000 – 219,999	–
220,000 – 229,999	2
230,000 – 239,999	–
240,000 – 249,999	–

As stated in Note 15 to the Financial Statements, as at 31 December 2004 there were 186,500 options to acquire ordinary shares issued to staff on issue under the terms of the NZX Executive Share Option Plan. The first exercise date of options issued under the Plan is July 2006; 27,500 of these options were issued during 2004. NZX has to meet certain criteria to enable these options to be exercised. The value of the options has not been included as part of employee remuneration.



## STATUTORY INFORMATION CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

### 9. Directors' transactions in securities of the Parent Company

Director	Date	No. of securities acquired/ disposed	Securities held Non-Beneficial as at 31 December 2004	Securities held Beneficial as at 31 December 2004
S C Allen				50,833
H R L Morrison				20,833
A W Harnos				20,833
N Paviour-Smith				25,958
T E C Saunders			8,333	
W R Trotter*			20,833	30,000
M R Weldon	8 November 2004	17,000		37,833
M R Weldon (held by Tane Nominees)		634,275		634,275 (Share Scheme shares)
N Williams	7 April 2004	6,000		
	6 September 2004	4,000		10,000

### 10. Auditor

\*Securities held as at May 2004

The auditor of the Parent Company and group is PricewaterhouseCoopers. PricewaterhouseCoopers provide audit and other services for which they are remunerated.

	Parent	Group
	\$000's	\$000's
Audit services	48	78
Taxation, share scheme and compliance services	17	29
Other services	86	86

## SECURITY HOLDER INFORMATION

FOR YEAR ENDED 31 DECEMBER 2004

### 1. Top 20 security holders

The following table shows the names and holdings of the 20 largest holdings of ordinary shares in the Company as at 23 February 2005.

	Shares Held	%
Probatas Investments Limited	1,018,146	7.98%
The Trustees Executors and Agency Company of New Zealand	885,631	6.94%
Premier Nominees Limited	414,702	3.25%
Asteron Life Limited	392,119	3.07%
Peter Masfen & Others	383,473	3.00%
Nigel Charles Babbage & Others	374,178	2.93%
Westpac Banking Corporation	327,997	2.57%
ITHACA (Custodians) Limited	310,500	2.43%
NZ Superannuation Fund Nominees Limited	290,333	2.27%
Leveraged Equities Custodians Limited	249,357	1.95%
Accident Compensation Corporation	229,589	1.79%
TEA Custodians Limited	213,179	1.67%
Custodial Services Limited	204,575	1.60%
NZ Guardian Trust Investment Nominees Limited	159,999	1.25%
David Mitchell Odlin	144,000	1.12%
Custodial Services Limited	134,906	1.05%
National Nominees New Zealand Limited	120,000	0.94%
Peter Edward Webb	98,000	0.76%
Forbar Custodians Limited	81,431	0.63%
Somerset Smiths Partners Limited	72,500	0.56%
	<b>6,104,615</b>	<b>47.76%</b>

### 2. Spread of ordinary shareholders as at 23 February 2005

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
<b>1 to 1,000</b>	<b>1,485</b>	<b>59.54</b>	<b>833,925</b>	<b>6.54</b>
<b>1,001 to 5,000</b>	<b>743</b>	<b>29.79</b>	<b>1,635,213</b>	<b>12.82</b>
<b>5,001 to 10,000</b>	<b>112</b>	<b>4.49</b>	<b>930,454</b>	<b>7.29</b>
<b>10,001 to 20,000</b>	<b>67</b>	<b>2.69</b>	<b>1,092,303</b>	<b>8.56</b>
<b>20,001 to 30,000</b>	<b>47</b>	<b>1.88</b>	<b>1,254,906</b>	<b>9.84</b>
<b>30,001 to 40,000</b>	<b>10</b>	<b>0.4</b>	<b>357,197</b>	<b>2.8</b>
<b>&gt;40,000</b>	<b>30</b>	<b>1.2</b>	<b>6,653,006</b>	<b>52.15</b>
	<b>2,494</b>	<b>100</b>	<b>12,757,004</b>	<b>100</b>



## SECURITY HOLDER INFORMATION CONTINUED

FOR YEAR ENDED 31 DECEMBER 2004

Domicile of Holders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	<b>2,468</b>	98.95	<b>12,246,550</b>	96.02
Australia	<b>16</b>	0.64	<b>80,171</b>	0.62
Other	<b>10</b>	0.4	<b>430,283</b>	3.37
	<b>2,494</b>	100.00	<b>12,757,004</b>	100.00

### 3. Substantial security holders

The following information is given pursuant to section 26 of the Securities Markets Act 1988. According to the file kept by the Company under section 25 of the Securities Markets Act 1988 the following were substantial security holders in the Company as at 24 February 2005. The total number of voting securities on issue as at 24 February 2005 was 13,649,279, comprising 12,828,504 ordinary shares, 634,275 Share Scheme Shares, and 186,500 options to acquire ordinary shares.

	Relevant Interest	%
Probatas Investments Limited as Bare Trustee and Nominee for Forsyth Barr Exchange Holdings Limited as beneficial owner	<b>1,018,146</b>	8.03
Fisher Funds Management Limited	<b>920,359</b>	7.26
ING NZ Ltd	<b>783,527</b>	6.18

### 4. Waivers from the Listing Rules

A waiver from the application of Listing Rule 9.2.1 was granted on 9 August 2004 to allow NZX to enter into the Service Contracts and Purchase Agreements for the MIDZ and MOZY funds without the requirement for an Ordinary Resolution of NZX's shareholders. Of all waivers set out in the Prospectus and Investment Statement dated 3 June 2003 only those relating to the CEO Share Incentive Scheme remain applicable as at 31 December 2004. Those applicable waivers are:

- A waiver from the application of Listing Rule 7.3.1(a) to allow NZX to issue shares where, under the terms of the CEO Scheme, it is obliged or entitled to do so, and to allow NZX to issue shares under the Offer.
- A waiver from the application of Listing Rule 7.6.1 to allow NZX to purchase its own shares where, under the terms of the CEO Scheme it is obliged or entitled to do so.
- A waiver from the application of Listing Rule 7.6.3 to allow NZX to redeem its own shares where, under the terms of the CEO Scheme, it is obliged or entitled to do so.
- A waiver from the application of Listing Rule 7.6.5 to allow NZX or a wholly owned subsidiary to provide financial assistance to Mr Weldon for the purposes of implementing the CEO Scheme.
- A waiver from the application of Listing Rule 7.6.6 to exempt and share acquisitions or redemptions by NZX, and the provision of financial assistance given for the purposes of the CEO Scheme from the requirement that any such acquisition, redemption or financial assistance to be made or given within 12 months (for acquisitions) or six months (for redemption or financial assistance).

### 5. Securities issued by NZX

NZX's ordinary shares are quoted on the NZSX Market. NZX's options, issued pursuant to the Executive Share Option Plan, are not quoted on any market. The Share Scheme shares issued pursuant to the CEO Share Incentive Scheme are not quoted on any market.

### Registered Office

New Zealand Exchange Limited  
ASB Bank Tower  
2 Hunter Street  
PO Box 2959  
WELLINGTON  
Tel: +64 4 472 7599  
info@nzx.com  
www.nzx.com

### Board of Directors

Simon Allen  
Lloyd Morrison  
Andrew Harnos  
Neil Paviour-Smith  
Timothy Saunders  
Nigel Williams  
Mark Weldon

The Directors can be contacted at NZX's registered office.

### Auditors

PricewaterhouseCoopers  
113-119 The Terrace  
WELLINGTON

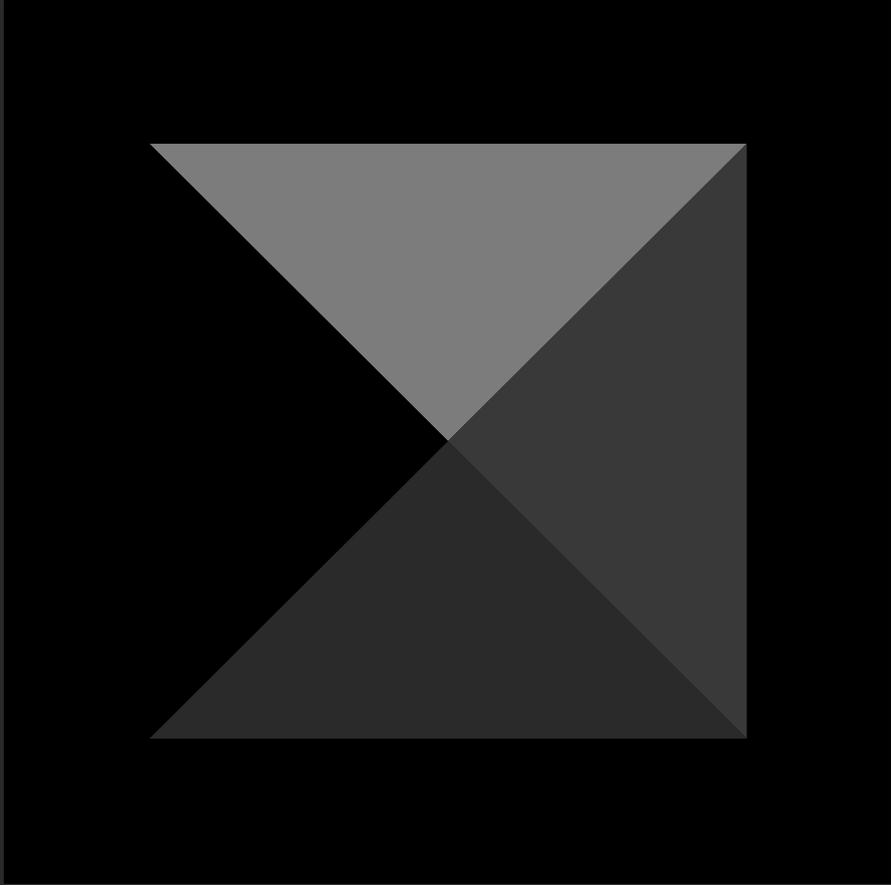
### Share Registrar

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Private Bag 92 119  
AUCKLAND



## NOTES

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[www.nzx.com](http://www.nzx.com)