NZX

2009 ANNUAL REPORT

CONTENTS

CHAIRMAN'S REPORT

NZX's results in its more "traditional" areas of business were affected by the adverse macro factors that impacted business globally throughout 2009. Prompt action by government in responding to the Capital Markets Development Task Force's interim report enabled listed companies to recapitalise with the benefit of a regulatory regime that recognised the value of the continuous disclosure regime. NZX's listed debt market also functioned exceptionally well, and was successfully accessed by a significant number of companies at a time when traditional wholesale credit markets were, in effect, frozen. Despite general market conditions, there were a number of standout achievements during 2009 which contributed to a record financial result. These were the sale of our shareholding in the Bond Exchange of South Africa, and the sale of the assets and business of our subsidiary TZ1 to the UK based global financial service provider Markit. These investments were conceived and made in late 2008 and mid 2007 respectively, and sold in 2009. Even taking into account the write down in the value of NZX's continued investment in Markit (and therefore the expected ultimate value realisation from the TZ1 assets) the Board considers the results achieved for NZX shareholders by the management team to be outstanding, and as subsequent events demonstrate – very timely.

I have said, on a number of occasions, that NZX sees itself as much more than the provider of an order-matching market, and related services, in New Zealand. NZX willingly assumes a leadership role in New Zealand capital markets, and in the promotion of "New Zealand Inc". Consistent with these broader objectives, the NZX management team has had another extraordinarily busy year. The Board was encouraging of Mark Weldon chairing the Prime Minister's Employment Summit in February 2009, and his membership of both the Capital Markets Development Task Force and the Tax Working Group. Other members of the NZX team and NZX resources were also made available for the benefit of these important groups.

I regard the Capital Markets Development Task Force's final report as an excellent piece of work and an important blueprint for New Zealand's future economic strategy. I hope that, over time, all its recommendations are adopted. To me, they are unarguable propositions for the benefit of New Zealand and our competitiveness as a nation. The report does contain much which is positive for NZX and New Zealand's capital markets – but the benefits to NZX reflect only the positive impact which implementation of the report will have on New Zealand and "New Zealand Inc".

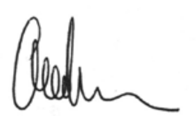
NZX's business strategy centres around the three complementary areas of Information, Markets and Infrastructure.

During 2009, we completed a number of acquisitions in the information generation and distribution area, including Feilding-based Country-Wide Publications, the Clear grain exchange and information business, and Australian Crop Forecasters, in Melbourne. These reflect the growing importance of the rural sector to NZX, and our identification of the information and market/product needs of participants in that sector as needs that NZX is well placed to fulfil.

Our work in markets has also continued with the acquisition of the electricity and gas market operator M-co, the pending launch of derivative instruments (such as the whole milk powder contract), and the evaluation of alternative market structures signalled in the Capital Markets Development Task Force Report. These will seek to address both the "birth rate" difficulties our capital markets face and the special market needs of issuers such as co-operative entities.

The focus of 2010 for NZX will be on the continued successful operation of our portfolio of mature businesses but, importantly also, on the execution of initiatives that represent substantial investments for the company with intended long term benefits. These include a successful launch of the Clearing House accompanied by the launch of derivative products in milk, as well as other securities, index and commodities products; further development of the grain exchange business in Australia and our rural information businesses in both New Zealand and Australia. A number of exciting initiatives were seeded in 2009 – we now need to ensure execution is of a high standard to enable the potential of the various opportunities before us to be realised.

Management is enthusiastic about, and committed to, a successful 2010, albeit cognisant of the challenges that it will bring. Once again, the Board would like to express its gratitude to the management team for a more than full 2009 – and an equally full start to 2010. The Board would also like to express its gratitude to the Securities Commission for its contribution to the co-operative manner in which our two organisations have interacted over the year in review.



Andrew Harmos
Chairman

CHIEF EXECUTIVE'S REPORT

The commentary on pages 10 to 20 of this report provides a detailed explanation of NZX's 2009 financial results. I urge you to read the detail as it gives context for the outstanding bottom line 2009 results achieved by NZX. I do not propose in this letter to further summarise a fulsome summary. Rather, I will demonstrate how NZX's core Values apply to our results, our strategy and define our ongoing success.

If 2009 demonstrated anything it was the value of scenario planning: take the worst business conditions you can contemplate and amplify them. They happened, and NZX was ready.

NZX's key Values are Brave, Results and Advancing New Zealand. We therefore made an active choice to seek out companies, that fit with our existing business, and that would enable us to re-shape our footprint for the next five years. Substantial acquisitions in energy and agriculture demonstrate execution of this strategy.

One example of how these Values combine is our acquisition of rural media company Country-Wide Publications. This was an established business that needed capital to take it to the next level. Based on past examples, the obvious buyer would have been an Australian conglomerate. The transaction would have passed with scarcely a whisper, as would the relocation of intellectual property and, ultimately, jobs. Since its acquisition by NZX, the NZX Agri business based in Feilding Global HQ has added editorial, production and sales capability, further developed the scope and immediacy of its content, and is contributing to a significant level to NZX's New Zealand-based information offering. I am proud to call the able and passionate NZX Agri team colleagues.

Our experience of 2009 was that for many it is hard to think of agricultural enterprise as "markets". Markets were built on agriculture long before paper assets in the form of money, stocks, or virtual transactions were ever contemplated. Agricultural markets may rely more on physical delivery than equities do, but the principles of trading (swapping one type of asset for another), clearing (guaranteeing that the seller has the asset to sell and the buyer has sufficient assets to cover its purchase) and settling (ensuring the buyer gets the asset and the seller gets the money for it within an appropriate time frame) are common to all markets.

The same applies to energy markets. Here the laws of scarcity are less predictably applied, and the ability to hedge against unpredictability is as vital for investment decisions at the front end as it is for retail pricing at the delivery end. The same is true of grain - hence our acquisition of Clear grain exchange in Australia.

Across capital markets, tax, infrastructure and other areas, NZX invested substantial time in 2009. The potential impact of the Capital Markets Development Task Force report to New Zealand cannot be underestimated. Neither can it be ignored that the government is prepared to address the issues head-on, and facilitate the co-operative effort of public and private sectors to make our markets more transparent, more accessible and ultimately, more worthwhile for all participants. NZX is respectful of the opportunity to be part of the debate, part of the solution, and looks forward to the result.

Behind each of these initiatives is a team of people whose enthusiasm and hard graft is driven by key NZX Values of Brave, Results and Advancing New Zealand.

Mark Weldon
CEO

CORPORATE

NZX

DIVISION

NZX Mkts

NZX Agri

NZX Info

BUSINESS UNIT

Mkts Cash Mkts

Mkts Derivatives

Mkts Supervision

Agri Inform

Agri Mkts

Agri Data

Info Energy

Info Agri

Info Mkts

SERVICES TO INVESTORS
AND TRADERS

Smartshares

NZClearingCorp

CLEAR™

Agrifax

profarmer

Australian Crop Forecasters

Newsroom

FundSource

Strong year for NZX: NPAT up 280% to $38.71 million

NZX HAS RELEASED ITS 2009 FULL YEAR RESULT SHOWING A VERY STRONG BOTTOM LINE RESULT, WITH 2009 NPAT OF $38.71 MILLION, A 280% INCREASE ON 2008.

This release contains five sections:

I. SUMMARY: 2009 PERFORMANCE AND 2010 OUTLOOK

Over the previous five years NZX has architected a business model designed to remain strong over the worst business scenarios NZX could contemplate. The strength of the NZX Group business model is seen in these 2009 financial results and those of 2008 where, in both years, NZX performed in the top decile of exchanges globally in terms of financial results.

In 2009, NZX's dominant focus was on strategy execution, including realising capital value from certain of NZX's strategic investments. The highlight of the 2009 financial result is a 280% increase in NPAT to $38.71 million. This reflects a concentrated focus on capital realisation.

NZX's 2009 goals were based on a view that 2009 would be a difficult trading year, and that many of the capital market changes over this period would be fundamental, not merely cyclical. NZX also believed that 2009 would present unique opportunities for a strongly capitalised company with the ability to move quickly.

Accordingly, at its outset, NZX determined that 2009 would have four priorities:

- Fundamentally reshaping NZX's business footprint via both (i) dispositions that turned certain of NZX's strategic investments into cash or hard assets; and (ii) acquisitions that positioned NZX to be a local and global specialist in the nexus between energy and agriculture, and capital markets;
- Developing critical infrastructure to enable strong medium term growth in areas that matched the intended acquisitions;
- Building capability internally in the technology area as this becomes a more important strategic driver, and NZX moves to more of a 'make' rather than 'buy' model over the medium term; and
- Ending 2009 with a strong portfolio of new growth options.

The shape of the NZX business, and the changed nature of the components of full year financial result, reflect the accurate execution of these priorities.

The key aspects of the 2009 financial results are as follows:

- NPAT of $38.71 million, an increase of 280%, reflecting in particular the dispositions of the TZ1 Registry and NZX's shares in BESA - both for significant profit;
- Revenue growth of 33% to $42.81 million. Revenues from the securities business were largely flat, reflecting difficult macro capital market conditions in trading, data sales and IPOs. NZX's revenue growth of $10.68 million was driven by existing agricultural data and acquisitions of businesses in the energy and agricultural area over the period;
- Operating expenditure of $25.25 million, an 89% increase, reflecting the larger shape of the business, integration costs, major project costs, and a significant quantum of one-offs and transaction related items; and
- EBITDAF that fell 6%, reflecting the combination of the challenging capital market conditions, and the one-off and integration costs related to reshaping the business.

NZX has delivered very strong financial performance since its listing in June, 2003. At that time NZX's revenue was $12.64 million, EBITDAF $3.56 million and NPAT $2.94 million. Since listing in June 2003, NZX has achieved a total return to shareholders (TRS) to 31 December 2009 of 526%. This represents a compounded annual TRS of 33% since 2003.

After achieving the 2009 priorities, we believe that in 2010 and beyond our business is poised to benefit from improved macro and local conditions and a business model that will see it continue to deliver strong financial performance over the next five years as a New Zealand listed company.

II. NZX GROUP FINANCIAL RESULT 2009: SUMMARY TABLES

The main line items for the NZX Group 2009 Financial performance are shown in Table 1 below.

Table 1: Financial Results Summary

	2009	Change (PCP*)
Operating Revenue	$42.81 million	33%
Operating Expenditure	$25.25 million	89%
EBITDAF	$17.56 million	(6%)
EBITDA	$45.96 million	166%
NPAT	$38.71 million	280%
Fully Diluted EPS **	34.98 cents	238%

* Previous comparative period (PCP)
** All comparative figures adjusted for share split in December 2009

III. NZX GROUP 2009: DETAILED PERFORMANCE SUMMARY

This section covers important details from the financial result. Significant analysis is provided to ensure shareholders have a detailed understanding of the shape and composition of the business, given the substantial changes to the business over 2009.

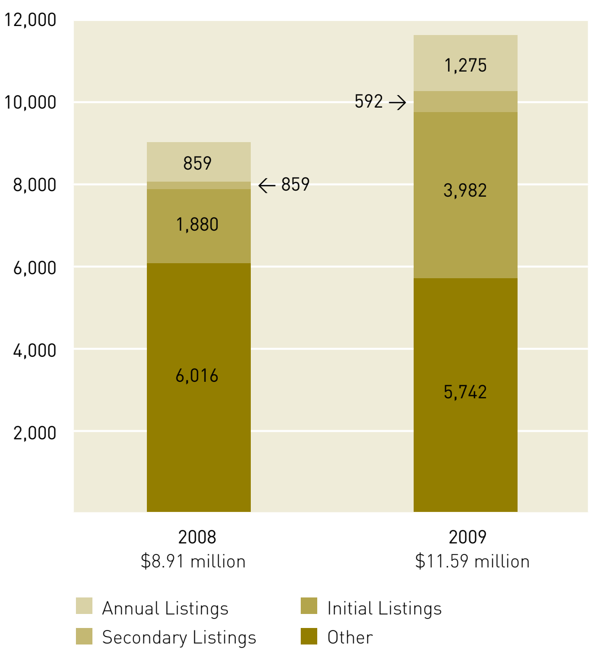
A. OPERATING REVENUE

Operating revenue for the NZX Group in 2009 was $42.81 million. This represents a $10.68 million or 33% increase from the $32.13 million reported in 2008.

1. Listings

Listings revenue in 2009 was $11.59 million. This represents an increase of 30% over the $8.91 million reported in 2008. Record levels of capital raising on both the NZDX and via secondary equity raisings on the Main Board, saw overall listing revenue grow strongly. A comparative breakdown of each of the listings revenue categories is given in Chart 1 below.

Chart 1: Listings Revenue



2. Trading

Trading revenues include all revenues from trading fees, participant and membership fees, and any other charges in all NZX Markets. This category also includes initial revenues from the Clear grain exchange, acquired in November 2009.

Trading revenue fell to $5.02 million, a 6% decrease compared with 2008. The major factor in this fall was a 3% decrease in the average number of daily trades.

3. Market Data

The market data category comprises revenue generated from the sale of data from any of the markets NZX operates. Market data revenue fell by 3% versus 2008 to $10.56 million. This reflects a decrease in data terminal numbers, as well as unfavourable NZ$-US$ exchange rate movements (as the majority of NZX's market data sales are in US dollars).

4. Post Trade Systems and Services

This category includes clearing and settlement fees from post trade systems in both securities and energy. Revenue in this category grew 53% to $4.49 million. Revenue from the energy area accounted for $2.61 million of the $4.49 million. The other significant difference versus 2008 is that NZX received $1 million from services provided to AXE in 2008.

5. NZX Agri

There are two components to the NZX Agri business portfolio: AgriData and AgriInform. Total NZX Agri revenues were $7.71 million in 2009, compared with $1.36 million in 2008. The breakdown between AgriData and AgriInform is $2.35 million and $5.36 million respectively. AgriData revenues held their customer and revenue base – performing well over this difficult trading period. Over the second half of 2009, weak advertising revenues in AgriInform were balanced by subscription numbers that continued to increase over Q4.

6. NZX Energy

NZX Energy includes revenues relating to trading operations of the wholesale electricity market and the New Zealand gas market. The majority of the revenue is predictable annualised revenue.

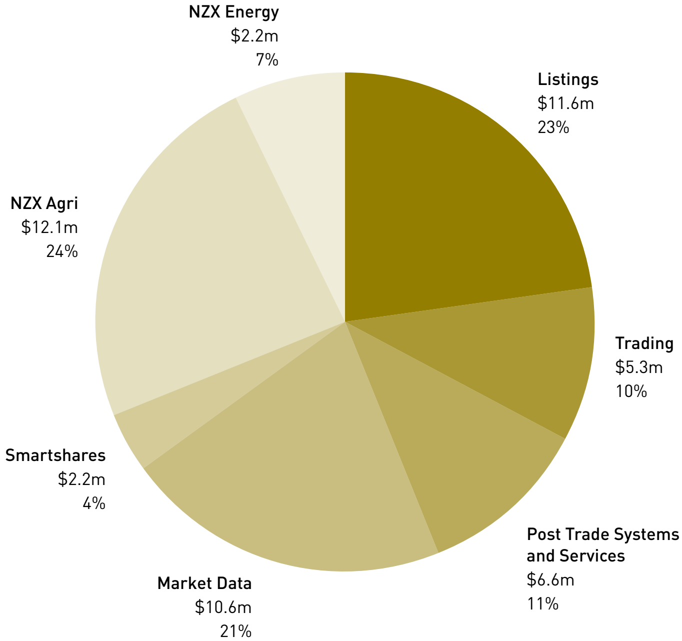
7. Smartshares

Smartshares revenue fell by 18% compared with 2008. The bulk of this fall was due to NZSF's decision to take the management of its index tracking portfolios back in house. Balancing this, Smartshares' retail funds grew well over the year as issuance growth from new investors, regular savings plans and dividend reinvestment each contributed to increased retail funds under management (FUM). At December 2009 retail FUM totalled $321 million, a 30% increase versus 2008.

Chart 2 shows NZX's 2009 revenue lines in percentage and dollar terms – annualising revenue across all areas to provide a sense of the relative size of the revenue in each at the end of 2009.

This is not a forecast for 2010, but an indication of the annualised revenues at the end of 2009.

Chart 2: 2009 Year-End Annualised Revenue



Total: $50.6 million

B. OPERATING EXPENDITURE

Operating expenditure increased by 89% to a total of $25.25 million. The increase in expenditure was driven by the overall impact of acquisitions, related one-off costs, and the accounting treatment of various employee share schemes. Of the total increase it is conservatively estimated that $1.5 million represents costs that are either non-recurring or relate directly to 2009 acquisitions and disposition activity, and as such are not part of the baseline costs of operating NZX's business.

1. Employee and Related Costs

Employee and related costs rose 69% in 2009 to $13.75 million. This is due to three factors. First, the additional staff costs associated with businesses acquired during 2009 of approximately $3.5 million. Second, a number of senior hires into areas of future growth. Third, accounting for the long term share schemes of the CEO and senior management, which increased costs by $1.74 million compared with 2008.

2. Information Technology

Information technology expenditure was $2.23 million in 2009 compared with $1.56 million in 2008. The increase in expenditure is largely attributed to IT costs associated with operating the acquired businesses.

3. Professional Fees

Professional fees more than doubled over 2009, to $1.87 million. Significant expenditure was incurred in 2009 relating to acquisitions, capital raising, the Clearing House and development of the derivatives market.

4. Marketing, Printing and Distribution

This expense category consists primarily of the printing and distribution costs of NZX Agri. Total marketing, printing and distribution costs were $3.02 million in 2009 compared with $109,000 in 2008, with the increase entirely due to the costs of producing and distributing publications.

5. Fund Expenditure

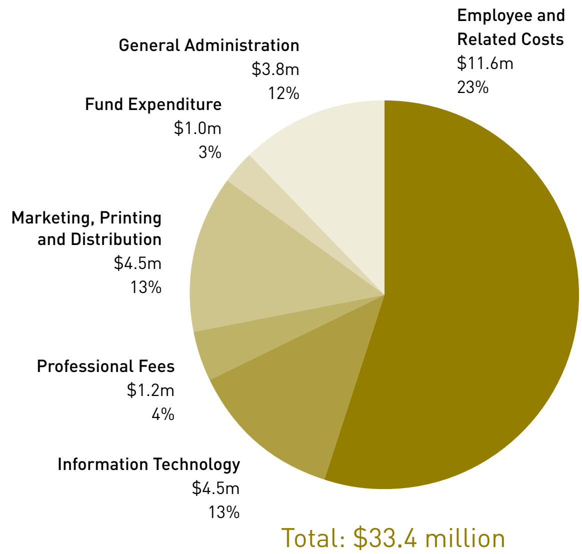
Smartshares fund expenditure fell 4% to $1.08 million for the year, driven by a focus on expense management, including initial consolidation of service providers.

6. General Administration

General administration costs increased by 96% to $3.31million in 2009. Increased rental costs in Wellington and an increase in the Group's number of office locations during the year, as well as general costs associated with businesses acquired, explain approximately 50% of this movement. Bad and doubtful debts of $527,000 are also included, around $400,000 higher than would usually be expected.

Chart 3 below shows NZX's 2009 year end operating expenditure line in percentage and dollar terms – annualising across all areas to provide a sense of the relative size of the cost lines. This is not a forecast for 2010, but an indication of the annualised costs at the end of 2009 excluding one-off costs.

Chart 3: 2009 Year-End Annualised Operating Expenditure



C. BELOW THE EBITDAF LINE

1. Gain on Disposition of Assets

The gain on disposition of assets of $31.5 million relates to the sale of the assets of the TZ1 Registry to Markit in June 2009.

2. Change in Value of Investments

The net change in value of investments is comprised of the gain on sale of NZX's shares in BESA of $4.79 million; impairment costs of $2.35 million - dominated by a write-down of NZX's holding value of AXE - and $5.29 million of unrealised exchange rate movements on NZX's investment in Markit in the 2009 year.

3. Depreciation and Amortisation

The increase in depreciation and amortisation in 2009 of 90% from $1.53 million to $2.90 million reflects largely depreciation and amortisation on the energy and agricultural assets acquired in 2H 2009.

4. Interest Income/Expenditure

Net interest income in 2009 was $185,000, a 73% decrease on 2008. This was due to both lower 2009 interest rates and interest costs for a loan facility drawn down in 2009.

D. STRATEGIC INVESTMENTS - 2009 PERFORMANCE

The NZX Group's strategic investments are a 50% holding in Link Market Services Limited and a 30% holding in Appello Services Limited.

1. Link Market Services

Link Market Services continues to improve its operating performance, with significant success in 2009 in both the IPO market and in winning new business from existing listed issuers. Link Market Services generated revenue of $5.09 million, representing an increase of 8% over 2008. Good cost management, combined with revenue improvement, saw EBITDA increase by 16% to $1.45 million.

Link paid $550,000 in cash to NZX as a shareholder over the year. This payment goes to the NZX Balance Sheet, not through the P&L.

2. Appello Services

During 2009 Appello faced a challenging business environment. As a consequence the business plan for Appello has been adjusted. NZX recorded an equity accounted loss of $45,000 and impaired the carrying value of the investment in Appello by 50%, reducing its value on the balance sheet by 50% to $358,000.

IV. NZX GROUP 2010: STRATEGIC AND FINANCIAL OUTLOOK

A. STRATEGIC OUTLOOK

There are four main strategic priorities for NZX in 2010:

- Successful launch of the Clearing House;
- Successful launch of the derivatives market;
- Continued growth in the agricultural data and markets areas; and
- Realising the synergies from the acquisitions undertaken in 2009.

Details on each of these are provided below.

Successful launch of the Clearing House: The development of New Zealand Clearing and Depository Corporation, New Zealand's first central counter party clearing system, is the largest project NZX has undertaken to date. With go-live imminent in 2010, the focus will switch from development to operations execution. In this post trade area NZX is also investigating a potential joint venture with the Reserve Bank of New Zealand.

Successful launch of the NZX Derivatives Market: 2010 will see the launch of NZX's first derivative products. This represents a fundamental turning point in the profile and prospects for the NZX Group. NZX is determined to build a robust, multi-product derivatives franchise that develops global distinctiveness, in particular in the agriculture and energy areas. Dairy (whole milk power and AMF), energy (nodes and indexes) and equities (TEL and FBU options, and NZX futures) are each expected to be launched in 2010.

Continued growth in the agricultural data and markets areas: In AgriData, NZX would look to see continued revenue growth through product development, product consolidation, and potential acquisitions. In 2010 the Clear grain exchange in Australia will continue to build its position in the grain market, with a goal of ending the year at over $1 million in revenue, and an established market position that can scale upward in 2011 and 2012.

Realising synergies: There are significant synergies to realise from the three major acquisitions (M-co, CPL and Clear) undertaken in 2009. These are expected to deliver financial benefit on the cost line in each of 2010, 2011 and 2012. In addition, changing to a "make" focus rather than "buy" focus on IT will reduce both development and support costs over this period.

B. 2010 OPERATING REVENUE OUTLOOK

1. Listings

NZX expects a strong year for listings in 2010. Following a year dominated by secondary equity raisings by existing listed issuers, NZX is confident of a stronger IPO market for equities and a continuation in secondary equity raisings, albeit for more of a growth than a recapitalisation agenda.

2. Trading

The increased free float generated during 2009 (via secondary issuance and debt IPO activity) and the anticipated increase in IPO activity in 2010, as well as improved macro conditions, are expected to increase securities trading activity over 2010.

Derivative products are expected to launch in June 2010, with whole milk powder futures the first of a suite of dairy risk management tools. NZX is also assessing the feasibility of launching electricity derivatives in 2010. Equity derivatives, including both single stock options and index futures, will also join the derivatives market product platform. Dependencies around the launch date for derivatives relate to regulatory approval and lead times to enable participants to connect to trade and clear these products. These markets take time to build and NZX expects volumes in the first 12 months to be modest.

3. Market Data

NZX is confident that terminal numbers have reached their lowest level, and expects terminal numbers to increase by around 10% over 2010. The NZX Data team also continues to develop new custom and subscription products and will be releasing a number of these over 2010. The derivatives products, due to launch in 2010, will also assist in data terminal sales.

4. Post Trade Systems and Services

As the relative revenue numbers indicate, the post trade area is of growing financial importance to NZX. Expectations are that this area will achieve parity with the trading area in 2010. NZX has consistently indicated the importance of post trade infrastructure in markets, and the growing post trade revenues reflect that emphasis. This area is both highly sticky, and a scale business.

Post trade systems and services revenue is expected to materially increase in 2010. The drivers include both the full year impact of the energy post trade systems, and the introduction of the Clearing House. The NZX Clearing House - to be named the "New Zealand Clearing Corp." - is expected to go live prior to half year. NZX remains engaged in discussions with the Reserve Bank of New Zealand regarding a potential post trade joint venture.

5. NZX Agri

Solid revenue growth is expected across the full portfolio of AgriData brands. NZX also expects an improved EBITDA contribution from the AgriInform publications over 2010, driven by growth in the subscription base, increased advertising revenues through better macro conditions, and the flowing through of cost management actions undertaken in Q4 2009 to the bottom lines.

6. NZX Energy

The NZX Energy revenue outlook for 2010 is solid, with high single digit revenue growth expected.

7. Smartshares

The conversion of the Smartshares from a capital based pricing system to an accruals based pricing system, bringing them into line with market standard for ETFs worldwide, is expected to broaden their appeal with institutional investors and increase their revenue potential. This is scheduled to go live from April 2010. Stock lending and retail FUM growth will also contribute to an improved 2010.

C. 2010 OPERATING EXPENDITURE OUTLOOK

In 2010 NZX expects material cost reductions to come from realised cost synergies and a reduction in one-offs.

1. Employee and Related Costs

Annualised employee and related costs as at December 2009 totalled approximately $18.4 million. NZX expects, via natural attrition, to realise reasonable synergy benefits related to the integration of acquisitions. In terms of ongoing employee expenditure, the levels of staff required to successfully implement the strategic initiatives that are currently either pre-revenue or early stage (Clearing House, Dairy and Energy Derivatives, Grain Exchange) are all on board. The factors above are expected to see this number fall over 2010.

2. Information Technology

Over time NZX expects to move from a technology strategy that has been mostly a "buy" model to one that is mostly "make". The skills and capability acquired via the Clear transaction are expected to result in a distinctive set of technology platforms for NZX that will also reduce ongoing expenditure. While some of the reduction in expenditure will be capital rather than operating, over time ongoing service and other IT consulting fees are expected to fall materially.

In terms of IT licence fees, approximately US$415,000 per year post go-live, for an initial five-year period, and as long as the maintenance contract is in place beyond that, is expected in relation to the Clearing House.

3. Professional Fees

Professional services activity levels are anticipated to be a minimum of $600,000 lower than 2009.

4. Marketing, Printing and Distribution

Printing and distribution costs on the AgriInform hard copy publications will be incurred for a full year in 2010. There is a variable cost element to this line in the AgriInform and AgriData areas. Over 2010 NZX expects to reduce costs in both these areas from improved costs of procurement on the AgriInform side, and through migrating paper/fax to electronic channels for much of the AgriData businesses.

5. Fund Expenditure

Fund expenditure is expected to fall by around 5% in 2010 as the consolidation of service providers and process automation provide additional cost savings.

6. General Administration

Costs will remain at around current levels through to June 2010, and decline slowly over the back half of 2010 as integration activities slow, and project-related cost (e.g. Clearing House) are eliminated.

D. BELOW THE EBITDAF LINE

1. Gain/Loss on Disposition of Assets and Change in Value of Investments

There will be no material movement in this category other than non-cash exchange movement on NZX's investment in Markit.

2. Depreciation and Amortisation

The increased asset base resulting from the Clearing House and the full-year impact of assets purchased through 2009 will increase the level of depreciation and amortisation from $2.9 million in 2009 to between $4.75 million and $5 million in 2010.

3. Taxation

NZX expects tax expense to be approximately 30% of earnings before tax. However, NZX will see a cashflow advantage in 2010 due to differences between tax and accounting depreciation.

NZX's investment in Markit will be taxed under the fair dividend rate (FDR) regime, and NZX will be deemed for tax purposes to have generated a return of 5% of the market value of the Markit investment on 1 January 2010.

E. 2010 STRATEGIC INVESTMENTS OUTLOOK

1. Link Market Services

Link's EBITDA and NPAT are both expected to grow by around 10% in 2010. Link is also expected to return to NZX a minimum of $500,000 in redeemable preference shares (RPS). NZX holds $2.01 million in RPS in Link.

2. Appello Services

NZX expects Appello's 1H 2010 performance to be flat, and show improved performance in 2H, crossing break-even in this period.

V. CAPITAL MANAGEMENT

1. Balance Sheet

NZX continues to have a strong balance sheet with both cash reserves and access to debt facilities. A portion of NZX's cash will be ring-fenced as risk capital for the Clearing House.

2. Dividend

In December 2009 NZX undertook a 4:1 share split to bring the NZX share price into line with average NZX50 share prices, increasing shares on issue from 30.7 million to 123.0 million shares.

The NZX Board has determined that NZX Limited will pay a dividend on the post share split increased capital, of 6.5 cents per share, fully imputed, for the year ending 31 December 2009.

NZX will offer the NZX profit distribution plan (PDP) to shareholders in 2010. NZX believes that profit distribution plans continue to be one of the cheapest and most effective means for companies to raise capital and retain cash for growth. NZX expects attractive earnings and free cash flow accretive acquisition opportunities that fit well with its strategy to be available over the next 24 months.

The NZX dividend details are as follows:

- Record date: 26 March 2010
- Payment date: 29 April 2010
- VWAP calculated: 15 – 26 March 2010
- PDP discount to VWAP: 3.5%

NZX intends to increase the annual dividend by a minimum of 1 cent per share annually for the next five years.

BOARD OF DIRECTORS

ANDREW WILLIAM HARMOS

CHAIRMAN: LLB (Hons), BCom

Andrew is one of the founding directors of Harmos Horton Lusk Limited, 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 with that firm. He specialises in takeover advice and structuring, securities offerings, company and asset acquisitions and disposals, strategic and board corporate legal advice. Andrew was appointed a director of NZX in 2002, and prior to that has held a number of other listed company directorships. He assumed the chairmanship in 2008. Andrew is a director of the Westfield New Zealand group and Elevation Capital Management Limited. He is a trustee of the Arts Foundation of New Zealand and the McCahon House Trust, a trust that was established to restore and preserve artist Colin McCahon's house in French Bay, Auckland, and to establish a residency for artists in his honour.

NIGEL HENRY MURRAY WILLIAMS

BCom

Nigel was appointed a Director of NZX in 2004. He has approximately 25 years' experience in New Zealand, Australian and other international capital markets, including his current role as Managing Director, Institutional Australia for the Australia and New Zealand Banking Group Limited based in Sydney. In this role he oversees the business and strategic focus of the Institutional Division's client relationships, products and services in Australia. Nigel was a member of the 2008 NZ Government Taskforce on Capital Markets Development. He is a Director of ETrade Australia Limited, a Director of the Australian Financial Markets Association, and Chairman of the City Art Gallery Foundation in Wellington. He is a past Chairman of Wellesley College, and past board member of Interchange Settlements Limited, various companies related with ANZ National Bank Limited, INFINZ and the AUT Business School. 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.

NEIL PAVIOUR-SMITH

BCA, CA, ACIS, FCFIP, MSDIA

Neil is Managing Director of Forsyth Barr Limited, a nationwide share broking and investment management firm, and a director of various related companies. Neil has extensive experience in the New Zealand securities industry including several years in equity funds management and research roles. Neil is a Director of the New Zealand Institute of Charters Accountants and 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 CFA Society of NZ.

ROD DRURY (APPOINTED 18 NOVEMBER 2009)

BCA, HFNZCS

Rod is CEO and founder of NZX-listed company Xero, an online accounting solution for small businesses. One of New Zealand's leading technology entrepreneurs, Rod is a member of the New Zealand Hi-Tech Hall of Fame, NZ Hi-Tech Entrepreneur of the Year in 2006 and 2007, World Class New Zealander for ICT in 2008, an Honorary Fellow of the NZ Computer Society and is a member of Victoria University of Wellington Facility of Commerce Advisory Board.

Rod was a Director of TradeMe when it was sold to Fairfax Media.

CHRISTOPHER JOHN DAVID MOLLER

BCA, Dip Acc, ACA

Chris was appointed to the NZX Board on 14 May 2008 and was Chief Executive of the New Zealand Rugby Union until December 2007. During his time with the NZRU he jointly led New Zealand's successful bid to host the 2011 Rugby World Cup. He remains a director of Rugby New Zealand 2011 Limited, the joint venture between the New Zealand Government and the NZRU responsible for organising the 2011 tournament.

Chris was appointed CEO of the NZRU following a long career in the dairy industry, finishing as Deputy Chief Executive of Fonterra. Prior to that Chris held a number of senior posts with the then New Zealand Dairy Board and in the finance and banking sectors, including being global CFO of the New Zealand Dairy Board for a number of years. Currently Chris is a Director of SkyCity Entertainment Group Limited, Meridian Energy Limited, Synlait Limited and New Zealand Cricket Inc.

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. 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 Juris Doctorate and a Diploma in International Law. Mark joined leading New York law firm Skadden, Arps, Slate, Meagher & Flom as an attorney, then went on to work at the New York office of McKinsey & Company, where he specialised in stock exchanges, asset management and wholesale banking.

CORPORATE GOVERNANCE

BEST PRACTICE

NZX is committed to ensuring it employs best practice governance structures and principles in keeping with Appendix 16 of the NZSX Listing Rules (the 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 (Board) who are elected by shareholders to direct and control NZX's activities.

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 accountable 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 include 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 COMPOSITION

The Board currently comprises six Directors, of whom five are non-Executive Directors and also Independent as defined in Rule 1.6.1. The Independent Directors are Andrew Harmos (Chairman), Nigel Williams, Chris Moller, Neil Paviour-Smith and Rod Drury (appointed 18 November 2009). Mark Weldon, the Chief Executive, is the only non-Independent Executive Director on the Board.

In accordance with the constitution and the Rules, one third of the Directors are required to retire by rotation and may offer themselves for re-election by shareholders each year. NZX also accepts nominations for Directors in accordance with the Rules.

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

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

COMMITTEES

The Board has three standing committees: an Audit and Risk Committee, Appointments and Remuneration Committee, and Policy, Stakeholder and Risk Committee.

AUDIT AND RISK COMMITTEE

The Audit and Risk 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 and Risk Committee must have expertise in accounting. The members of the Audit and Risk Committee are: Neil Paviour-Smith (Chairman), Chris Moller and Nigel Williams.

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

APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee operates under a charter that sets out its role. It assists the Board in reviewing the remuneration policies, practices and performance of NZX as they relate to the Directors including any committees that Directors may serve on, and also the remuneration and performance of the Chief Executive and senior management.

The Appointments and Remuneration Committee comprises entirely non-Executive Directors. The members of the Appointments and Remuneration Committee are Andrew Harmos (Chairman), Nigel Williams and Chris Moller, who replaced Henry van der Heyden on his resignation as a Director.

POLICY, STAKEHOLDER AND RISK COMMITTEE

The purpose of the Committee is to bring a systematic approach to: policy formation; working with parties that impact the market; managing key stakeholders; ensuring appropriate governance structures and systems are in place for the management of external (stakeholder and participant) risks; and dealing with any other matters referred to it by the Board. The Committee operates under agreed Terms of Reference.

The Policy, Stakeholder and Risk Committee comprises Andrew Harmos (Chairman), Mark Weldon, Chris Moller and Rowan Macrae.

NOMINATIONS

Given the size of the Board, there is no Nominations and Succession Committee, and, the full Board is involved in the Director nomination process.

2009 NZX Directors' Attendance Record

Director	NZX Board Attendance
Andrew Harmos	14/14
Henry van der Heyden (resigned 30 September 2009)*	11/11
Neil Paviour-Smith	14/14
Nigel Williams	13/14
Chris Moller	12/14
Rod Drury (appointed 18 November 2009)*	1/1 (first meeting 16/12/09)
Mark Weldon	14/14

Audit and Risk Committee Members	Audit and Risk Committee
Neil Paviour-Smith (Chair)	10/10
Nigel Williams	10/10
Chris Moller	7/10

Appointments and Remuneration Committee Members	Appointments and Remuneration Committee
Andrew Harmos (Chair)	2/2
Henry van der Heyden*	1/2
Chris Moller	2/2

PSR Committee Members	Policy, Stakeholder and Risk Committee (PSR)
Andrew Harmos (Chair)	3/3
Chris Moller	3/3
Mark Weldon	3/3

Please note the 29 meetings comprised 14 Board meetings, 10 Audit and Risk Committee meetings, two Appointments and Remuneration Committee meetings and three Policy, Stakeholder and Risk Committee meetings held in 2009.

* Mark Weldon is not a member of either the Appointments and Remuneration or Audit and Risk committees but attended a number of meetings as an invited attendee.
* Andrew Harmos is not a member of the Audit and Risk Committee but attended a number of meetings as an invited attendee.
* Rod Drury became a Director of the Board on 18 November 2009, following the resignation of Henry van der Heyden as a Director on 30 September 2009. In this report all references to Rod Drury and Henry van der Heyden are marked with an asterisk to alert the reader to this change in composition of the Board.

DISCLOSURE

NZX has internal procedures in place to ensure that key financial and material information is communicated to the market in a clear and timely manner. In addition to its disclosure obligations under the Rules, NZX has adopted a quarterly 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. During the 2009 financial year Directors sought independent professional advice where necessary and appropriate.

INSURANCE AND INDEMNIFICATION

NZX provides indemnity insurance cover to Directors and executive employees. This is explained further on page 80.

SHARE TRADING

The company has adopted a formal NZX Securities Trading Policy to address insider trading and market manipulation requirements under the Securities Markets Act 1988 (as amended by the Securities Markets Amendment Act 2006). The NZX Securities Trading Policy is modeled on the Listed Companies Association Securities Trading Policy and Guidelines and administered by the Corporate Counsel and the NZX Securities Trading Committee. The NZX Securities Trading Policy ("Policy") restricts trading in a number of ways including:

- Prohibiting trading in NZX's securities during "black-out" periods set out in the Policy. These occur where quarterly financial results have not yet been released to the market.
- If a Director, officer or employee of NZX wishes to trade NZX securities outside a black-out period, that person must first apply, and obtain, consent from the NZX Securities Trading Committee or its delegated representatives.

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.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZX Limited and its subsidiaries ("NZX Group") as at 31 December 2009 and the results of their operations and cash flows for the year ended 31 December 2009.

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

The Directors are pleased to present the financial statements of NZX Group for the year ended 31 December 2009.

The financial statements were authorised for issue for and on behalf of the Directors on 1 March 2010.

A W Harmos
CHAIRMAN

N Paviour-Smith
DIRECTOR

M R Weldon
CHIEF EXECUTIVE OFFICER

NZX Limited Income Statement
For the financial year ended 31 December 2009

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Revenue	2	42,805	32,132	32,503	27,796
Employee and related expenses	3	(13,750)	(8,132)	(9,187)	(6,606)
Other expenses	4	(11,499)	(5,255)	(6,751)	(3,978)
Profit before interest, income tax, depreciation, amortisation, and financial instruments		**17,556**	**18,745**	**16,565**	**17,212**
(Loss)/gain on foreign exchange	5	(5,537)	215	(336)	207
Gain on investment	14	4,794	-	4,643	-
Impairment expense	6	(2,353)	-	(4,126)	(482)
Disposal of TZ1 assets	7	31,500	(1,664)	-	-
Depreciation and amortisation expense	8	(2,902)	(1,526)	(1,794)	(990)
Net interest income	9	185	683	140	656
Share of gain/(loss) of associates accounted for using the equity method	14	181	(786)	-	-
Profit before income tax expense		**43,424**	**15,667**	**15,092**	**16,603**
Income tax expense	10	(4,713)	(5,485)	(4,672)	(5,118)
Profit/(loss) for the period attributable to shareholders		**38,711**	**10,182**	**10,420**	**11,485**
Earnings per share					
Fully diluted	24	34.98c	10.36c		
Basic	24	35.30c	10.45c		
Net tangible assets per share		40.74c	16.26c		

Statement of Comprehensive Income
For the financial year ended 31 December 2009

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Profit for the period		38,711	10,182	10,420	11,485
Other comprehensive income					
Foreign currency translation differences	21	(189)	89	-	-
Total comprehensive income and expense for the period		**38,522**	**10,271**	**10,420**	**11,485**

Notes to the financial statements are included on pages 34 to 75.

NZX Limited Statement of Changes in Equity
For the financial year ended 31 December 2009

Group	Share Capital $000	Retained Earnings $000	Treasury Shares $000	Translation Reserve $000	Total Equity $000
Balance at 1 January 2008	**4,419**	**24,556**	**-**	**(37)**	**28,938**
Profit for the period	-	10,182	-	-	10,182
Foreign currency translation differences	-	-	-	89	89
Dividends to equity holders	**-**	**(5,228)**	**-**	**-**	**(5,228)**
Issue of shares	958	-	-	-	958
Share based payments	(275)	-	-	-	(275)
Purchase of own shares	-	-	(143)	-	(143)
Balance at 31 December 2008	**5,102**	**29,510**	**(143)**	**52**	**34,521**
Balance at 1 January 2009	**5,102**	**29,510**	**(143)**	**52**	**34,521**
Profit for the period	-	38,711	-	-	38,711
Foreign currency translation differences	-	-	-	(189)	(189)
Distribution plan	**5,530**	**(6,211)**	**-**	**-**	**(681)**
Issue of shares	20,149	-	-	-	20,149
Share based payments	**1,463**	**-**	**-**	**-**	**1,463**
Shares cancelled	**(143)**	**-**	**143**	**-**	**-**
Balance at 31 December 2009	**32,101**	**62,010**	**-**	**(137)**	**93,974**

Notes to the financial statements are included on pages 34 to 75.

Parent	Share Capital $000	Retained Earnings $000	Treasury Shares $000	Total Equity $000
Balance at 1 January 2008	**7,747**	**26,184**	**-**	**33,931**
Profit for the period	-	11,485	-	11,485
Dividends to equity holders	**-**	**(5,228)**	**-**	**(5,228)**
Purchase of own shares	-	-	(143)	(143)
Issue of shares	1,745	-	-	1,745
Balance at 31 December 2008	**9,492**	**32,441**	**(143)**	**41,790**
Balance at 1 January 2009	**9,492**	**32,441**	**(143)**	**41,790**
Profit for the period	-	10,420	-	10,420
Distribution plan	**5,530**	**(6,211)**	**-**	**(681)**
Issue of shares	20,682	-	-	20,682
Share based payments	**240**	**-**	**-**	**240**
Shares cancelled	**(143)**	**-**	**143**	**-**
Balance at 31 December 2009	**35,801**	**36,650**	**-**	**72,451**

Notes to the financial statements are included on pages 34 to 75.

NZX Limited Statement of Financial Position
As at 31 December 2009

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Current assets					
Cash and cash equivalents	33(a)	35,822	8,274	28,513	5,470
Receivables and prepayments	13	6,283	5,659	4,258	5,474
Other financial assets		2,409	653	6,110	5,043
Total current assets		**44,514**	**14,586**	**38,881**	**15,987**
Non-current assets					
Investments accounted for using the equity method	14	4,129	12,231	4,082	14,128
Investments in subsidiaries	28	-	-	21,381	11,782
Investment in equities	29	29,654	-	-	-
Property, plant and equipment	15	1,852	1,405	1,602	1,371
Deferred tax asset/(liability)	10	177	(55)	21	(69)
Intercompany receivable		-	-	2,756	-
Goodwill	**16**	**13,878**	**4,075**	**7,720**	**-**
Other intangible assets	17	35,011	14,469	27,826	9,230
Total non-current assets		**84,701**	**32,125**	**65,388**	**36,442**
Total assets		**129,215**	**46,711**	**104,269**	**52,429**
Current liabilities					
Trade payables	18	7,284	2,943	6,153	2,281
Other liabilities	19	7,056	6,597	5,558	5,917
Current tax (receivable)/payable	10	(375)	331	1,189	1,068
Intercompany payable		-	-	-	1,373
Bank loan	20	18,918	-	18,918	-
Total current liabilities		**32,883**	**9,871**	**31,818**	**10,639**
Non-current liabilities					
Other liabilities	**19**	**2,358**	**2,319**	**-**	**-**
Total non-current liabilities		**2,358**	**2,319**	**-**	**-**
Total liabilities		**35,241**	**12,190**	**31,818**	**10,639**
Net assets		93,974	34,521	72,451	41,790
Equity					
Share capital	21	32,101	5,102	35,801	9,492
Retained earnings	22	62,010	29,510	36,650	32,441
Treasury stock	21	-	(143)	-	(143)
Foreign currency translation reserve	21	(137)	52	-	-
Total equity attributable to shareholders		**93,974**	**34,521**	**72,451**	**41,790**

Notes to the financial statements are included on pages 34 to 75.

NZX Limited Statement of Cash Flows
For the financial year ended 31 December 2009

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Cash flows from operating activities					
Receipts from customers		43,296	32,654	33,978	26,065
Interest received/(paid)		173	707	118	654
Payments to suppliers and employees		(23,018)	(15,361)	(14,210)	(10,285)
Income tax paid	10	**(5,046)**	**(3,395)**	**(4,641)**	**(2,948)**
Net cash provided by operating activities	33(b)	**15,405**	**14,605**	**15,245**	**13,486**
Cash flows from investing activities					
Payment for property, plant and equipment		(938)	(251)	(655)	(222)
Payment for other assets		(17,720)	(5,625)	(17,106)	(4,445)
Payment for investments		(7,374)	(8,624)	(12,616)	(9,314)
Net cash (used in)/provided by investing activities		(26,032)	(14,500)	(30,377)	(13,981)
Cash flows from financing activities					
Proceeds from issues of shares		**25,325**	**564**	**25,325**	**564**
Proceeds from bank loan		18,918	-	18,918	-
Dividends paid	23	**(6,211)**	**(5,228)**	**(6,211)**	**(5,228)**
Purchase of treasury stock		**143**	**(143)**	**143**	**(143)**
Net cash used in financing activities		**38,175**	**(4,807)**	**38,175**	**(4,807)**
Net increase/(decrease) in cash and cash equivalents		**27,548**	**(4,702)**	**23,043**	**(5,302)**
Cash and cash equivalents at the beginning of the financial year		**8,274**	**12,976**	**5,470**	**10,772**
Cash and cash equivalents at the end of the financial year	33(a)	**35,822**	**8,274**	**28,513**	**5,470**

Notes to the financial statements are included on pages 34 to 75.

NZX LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. Summary of accounting policies

STATEMENT OF COMPLIANCE

NZX Limited ("NZX" or "Parent") is New Zealand's only Registered Exchange. NZX and its subsidiaries (the "Group") are in the business of providing information, markets and infrastructure in securities, energy and agricultural areas, and making investments in areas related to these.

NZX is a for-profit listed public company incorporated in New Zealand, and registered under the Companies Act 1993.

The full year consolidated financial statements of NZX as at, and for the 12 months ended, 31 December 2009 comprise the Group and the Group's interest in associates.

NZX is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

BASIS OF PREPARATION

All monetary values are in thousands of New Zealand Dollars (NZD), which is the Group's functional currency, unless otherwise noted. The financial statements have been prepared on the basis of historical cost, except for available-for-sale financial assets and financial assets designated at fair value through profit or loss, which are stated at fair value. The method used to measure fair value is specified in note 1(h).

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

PRINCIPLES OF CONSOLIDATION

The Group financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being NZX and its subsidiaries as defined in NZ International Accounting Standard ("IAS")-27: Consolidated and Separate Financial Statements. A list of subsidiaries appears in note 28 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. In determining the fair value of assets acquired, NZX assesses identifiable intangible assets including brands, intellectual property, software, and any other identifiable intangible assets using recognised valuation methodologies and with reference to suitably qualified experts. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to the Income Statement in the period of acquisition.

Subsidiaries are all entities over which the Group has control, generally accompanying a shareholding of more than 50% of the voting rights. The Group financial statements include the information and results of each subsidiary from the date on which NZX obtains control and until such time as NZX ceases to control such subsidiary.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2009, and the comparative information presented in these financial statements for the year ended 31 December 2008. The accounting policies have been applied consistently by Group entities.

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

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Revenue recognition

Rendering of services
Revenue from a transaction to provide services is recognised by reference to the stage of completion of the transaction at the balance sheet date. The stage of completion is determined on a time proportionate basis over the commitment period.

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

(b) Significant estimates policy

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. The notes include details of the nature and carrying amount of the affected assets and liabilities at the balance sheet date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement.

Exchange differences arising from the translation of the carrying value of the net investment in the Group's foreign associates are recognised in the foreign currency translation reserve.

(d) Property, plant and equipment

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

Depreciation is provided on property, plant and equipment.

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

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

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

(e) Employee benefits

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

(f) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

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

Current and deferred tax for the period

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

(g) Goods and services tax

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

(h) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value, net of transaction costs, except for those designated at fair value through the profit or loss, which are measured at fair value.

Financial assets at fair value through profit or loss

The Group entity from time to time classifies certain shares and bonds as financial assets at fair value through profit or loss. Any gains or losses recognised in revaluing these assets to fair value are recognised in the Income Statement. These financial assets are classified as current assets and are stated at fair value.

Available-for-sale financial assets

Other investments in shares are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

The fair value of the shares is their quoted bid price at the balance sheet date, if that is available.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Refer to note 1(k).

(j) Intangible assets

Intangible assets comprise software applications and brand IP rights. The Group classifies its intangible assets into two categories: those with indefinite lives and those with finite lives. Intangible assets with indefinite lives are not amortised but are subject to impairment tests annually. The classification of indefinite life intangibles is also reviewed by the Group annually.

All intangible assets with finite useful lives are recorded at cost less accumulated amortisation and impairment.

Software is amortised on a straight line basis over its estimated useful life of three to 10 years.

(k) Impairment of assets

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

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

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

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

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

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

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

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

(m) Share-based payments

The fair value of the amount payable to employees in respect of share scheme shares is recognised at grant date as equity with a corresponding receivable. In the Group these entries are eliminated as the shares are treated as treasury stock. Over the vesting period the amount is recognised as an employee expense. The amount recognised as an employee expense is adjusted to reflect the actual number of shares that are expected to vest.

The grant date fair value of options is recognised as an employee expense with a corresponding entry to equity over the vesting period. The amount recognised as an employee expense is adjusted to reflect the actual number of options that are expected to vest.

(n) Segment reporting

The Group considers that there are three reporting segments, as disclosed in note 35.

(o) Comparative amounts

Where necessary, comparative figures have been restated to correspond to the current year classifications.

(p) Earnings per share

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

(q) Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 December 2009, and have not been applied in preparing the consolidated financial statements:

a. NZIFRS 2 Share Based Payments clarifies the definition of vesting conditions and is not expected to have any impact on the consolidated financial statements.

b. NZIFRS 3 Business Combinations discusses business combinations involving only mutual entities, and those in which separate entities or businesses are brought together to form a reporting entity by contract alone. This change is not expected to have any impact on the consolidated financial statements. There are also new or amended requirements:

i. All items of consideration transferred are recognised at fair value

ii. Goodwill measurement

iii. Non-controlling interest

iv. Transaction/acquisition costs

v. New disclosures

These requirements may impact on the consolidated financial statements, but the Group has not yet determined what the potential impact will be. These requirements become mandatory for the Group's 2010 financial statements.

c. NZ IFRS 9 Financial Instruments specifies the classification and measurement criteria for financial assets. The impact of any changes has not yet been determined.

d. NZ IAS 24 Related party Disclosure simplifies the definition of related party and clarifies the intended meaning of the definition. This change is not expected to have any impact of the consolidated financial statements.

e. NZ IAS 27 Consolidated and Separated Financial Statements specifies changes in the accounting for non-controlling interests and the loss of control of a subsidiary, and may affect the Group's 2010 financial statements. The impacts of any changes have not yet been determined.

2. Revenue

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Revenue:				
Listings	11,592	8,913	11,697	9,033
Trading	5,016	5,339	4,946	5,339
Market data	10,559	10,888	10,064	10,293
Post trade systems and services	4,487	2,935	4,563	3,131
Agri-business	7,709	1,355	-	-
Energy markets	1,233	-	1,233	-
Smartshares	2,209	2,702	-	-
Total revenue	**42,805**	**32,132**	**32,503**	**27,796**

3. Employee and related expenses

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Employee and related expenses:					
- termination benefits		(21)	(63)	(21)	(63)
- salary and other employee benefits		(12,321)	(8,345)	(7,758)	(6,819)
- CEO share scheme	21	(1,408)	276	(1,408)	276
Total employee and related expenses		**(13,750)**	**(8,132)**	**(9,187)**	**(6,606)**

4. Other operating expenses

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Other expenses:					
Remuneration paid to auditors	12	(126)	(122)	(98)	(59)
Operating lease rental expense	27	(1,144)	(845)	(991)	(839)
Information technology		(2,227)	(1,559)	(2,210)	(1,516)
Professional fees		(1,740)	(658)	(1,611)	(644)
Marketing, printing and distribution		(3,023)	(109)	(140)	(37)
Fund expenditure		(1,078)	(1,124)	-	-
General administration		(2,161)	(838)	(1,701)	(883)
Total other expenses		**(11,499)**	**(5,255)**	**(6,751)**	**(3,978)**

5. Gain/(loss) on foreign exchange

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Exchange movement on investment in equities	(5,285)	-	-	-
Other	(252)	215	(336)	207
(Loss)/gain on foreign exchange	**(5,537)**	**215**	**(336)**	**207**

6. Impairment expense

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Impairment of investments in subsidiaries		-	-	-	(482)
Impairment of investments accounted for using equity method	14	(2,181)	-	(3,954)	-
Impairment in investments		(2,181)	-	(3,954)	(482)
Impairment of intangibles	17	(172)	-	(172)	-
		(2,353)	**-**	**(4,126)**	**(482)**

Impairment of investments in subsidiaries

Impairment testing of investments in subsidiaries including indefinite life intangibles was based on an earnings-to-carrying-value basis for each cash generating unit. The analysis at 31 December 2009 identified that the carrying values at both a Parent and a Group level were fair. (2008: impairment in the Parent accounts for NZX Agrifax Limited $350,000 and NZX Newsroom Limited $132,000).

Impairment of investments accounted for using equity method

The investment in Appello Services Limited was impaired by $358,088 in the Parent and Group and the investment in AXE ECN Pty Ltd impaired by $3,596,290 in the Parent and $1,822,493 in the Group at 31 December 2009. Further details are contained in Note 14.

7. Disposal of TZ1 assets

On 30 June 2009, the Group sold the assets of TZ1 to Markit Group Limited ("Markit"), with consideration being by way of Markit shares. The results of TZ1 are separately disclosed from the operating profit of the Group in the Income Statement.

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Results from operating activities		(2,711)	(2,310)	-	-
Income tax credit		605	646	-	-
Results from operating activities, net of income tax		(2,106)	(1,664)	-	-
Gain on sale of assets		53,572	-	-	-
Reduction in carrying value of investment in equities	29	(19,966)	-	-	-
Profit/(loss) for the period		**31,500**	**(1,664)**	**-**	**-**

Further details on the investment in Markit are disclosed in Note 29.

8. Depreciation and amortisation expense

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Depreciation of property, plant and equipment	15	(571)	(501)	(504)	(484)
Amortisation of intangible assets	17	(2,331)	(1,025)	(1,290)	(506)
Depreciation and amortisation expense		**(2,902)**	**(1,526)**	**(1,794)**	**(990)**

9. Net interest income

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Net interest revenue:				
Bank deposits	183	683	138	656
Bonds	2	-	2	-
Total net interest income	**185**	**683**	**140**	**656**

10. Taxation

(a) Income tax recognised in profit or loss

		Group		Parent	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Tax expense comprises:					
Current tax expense		3,890	4,530	4,392	4,742
Adjustments recognised in the current year relating to current tax of prior years		217	23	136	19
Deferred tax relating to the origination and reversal of temporary differences		1	286	144	357
Tax expense – TZ1	7	605	646	-	-
Total tax expense		**4,713**	**5,485**	**4,672**	**5,118**

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

Profit before income tax expense		43,424	15,667	15,092	16,603
Tax expense – TZ1		(605)	(646)	-	-
		42,819	**15,021**	**15,092**	**16,603**
Income tax calculated at 30%		**(12,846)**	**(4,507)**	**(4,527)**	**(4,981)**
Non-deductible expenses		(2,884)	(132)	(1,422)	(177)
Non-taxable gains		11,765	-	1,393	-
Equity accounted earnings of associate		54	(236)	-	-
		(3,911)	**(4,875)**	**(4,556)**	**(5,158)**
Under provision of income tax in prior year		(217)	(23)	(136)	(19)
Foreign investor tax credits		20	59	20	59
Tax expense – TZ1	7	(605)	(646)	-	-
		(4,713)	**(5,485)**	**(4,672)**	**(5,118)**

10. Taxation (cont.)

(b) Current tax assets and liabilities

	Group		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at beginning of the year – (Liability)/Asset	(331)	854	(1,068)	786
Current year charge	(3,890)	(4,530)	(4,392)	(4,742)
Prior period adjustment	(450)	(50)	(370)	(60)
Tax paid	5,046	3,395	4,641	2,948
Balance at end of the year – Asset/(Liability)	**375**	**(331)**	**(1,189)**	**(1,068)**

(c) Deferred tax

	Group		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at beginning of the year	(55)	204	(69)	247
Current year movement	(1)	(286)	(144)	(357)
Prior period adjustments	233	27	234	41
Balance at end of the year	**177**	**(55)**	**21**	**(69)**

Deferred tax balance comprises:

Employee entitlements	645	196	597	156
Doubtful debts and impairment	157	20	42	17
Property, plant and equipment	84	(472)	84	(472)
Intangible assets	(709)	201	(702)	230
Balance at end of the year	**177**	**(55)**	**21**	**(69)**

(d) Imputation credit account

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the year	11,989	11,080	10,985	10,523
Income tax paid	5,046	3,395	4,641	2,948
Imputation credits attached to dividends paid	(304)	(2,486)	(304)	(2,486)
Balance at end of the year	**16,731**	**11,989**	**15,322**	**10,985**

11. Key management personnel compensation

The compensation of the Chief Executive Officer ("CEO") and the key management personnel of the entity is set out below:

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Short-term employee benefits	3,833	2,600	3,833	2,600
Share-based payment	1,463	(276)	1,463	(276)
	5,296	**2,324**	**5,296**	**2,324**

The share-based payment in 2009 was an expense of $1,463,160 in relation to the CEO, Group Leader ("GL") and senior executive share schemes (2008: expense reversal of $276,107). Further details in relation to share schemes are contained in Note 21.

12. Remuneration of auditors

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Audit of the financial statements	126	89	98	59
Other audit related fees	-	15	-	-
Non-audit services	-	18	-	-
	126	**122**	**98**	**59**

13. Receivables and prepayments

	Group		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Trade receivables	5,842	4,606	3,634	4,337
Allowance for doubtful debts	(544)	(70)	(139)	(58)
	5,298	**4,536**	**3,495**	**4,279**
Prepayments	405	84	356	75
Accrued interest	43	30	29	8
Accrued income	537	1,009	378	1,112
	6,283	**5,659**	**4,258**	**5,474**

The average credit period on sales of services for the Parent is 54 days (2008: 45 days).

Movement in allowance for doubtful debts	Group		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at beginning of the year	(70)	(18)	(58)	(8)
Amounts written off during the year	-	9	-	5
Amounts recovered during the year	5	17	3	17
Increase in allowance recognised in profit or loss	(479)	(78)	(84)	(72)
Balance at end of the year	**(544)**	**(70)**	**(139)**	**(58)**

14. Investments accounted for using the equity method

Name of entity	Balance date	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %	Group carrying value of asset 2009 $000	Group carrying value of asset 2008 $000
Associates						
AXE ECN Pty Limited ("AXE")	31 December	Australia	50	50	-	1,988
Link Market Services Limited	31 December	New Zealand	50	50	3,939	4,277
Appello Services Limited	31 December	New Zealand	30	30	190	558
Bond Exchange of South Africa ("BESA")	31 December	South Africa	-	22	-	5,408
					4,129	**12,231**
Amount of goodwill in carrying value of equity accounted associates:					306	2,734

Reconciliation of carrying value of associates:	Group 2009 $000	Group 2008 $000
Balance at beginning of the year	12,231	6,557
Investments	36	6,903
Divestments	(5,428)	-
Capital repayments	(550)	(550)
Impairment	(2,181)	-
Share of associates net gain/(loss)	181	(786)
Movement in foreign currency translation reserve	(160)	198
Elimination of NZX margin on consolidation	-	(91)
Balance at end of the year	**4,129**	**12,231**

The reduction in the carrying value of Link Market Services Limited is due to the redemption by Link Market Services Limited of $550,000 of redeemable preference shares in 2009 (2008: $550,000).

The NZX Board has reviewed NZX's investment in Appello Services Limited, and considers it appropriate to impair the investment. The impairment of the investment in the accounts at 31 December 2009 is $358,088 in both the Parent and the Group.

The NZX Board also reviewed the investment in AXE, and considers it is appropriate to impair the full investment in AXE. The impairment of the AXE investment in the accounts at 31 December 2009 is $3,596,290 in the Parent and $1,822,493 in the Group given previous equity accounted losses.

NZX sold its 22% shareholding in BESA in June 2009 for $10,221,312 which resulted in a gain on sale of $4,643,409 in the Parent and $4,793,808 in the Group.

14. Investments accounted for using the equity method (cont.)

	Group	
Summarised financial information of associates:	**2009**	**2008**
	$000	**$000**
Total assets	9,005	30,027
Total liabilities	1,228	2,575
Net assets	**7,777**	**27,452**
Revenue	**6,466**	**16,320**
Net profit/(loss)	**249**	**(2,822)**

Summarised financial information of associates not adjusted for the percentage ownership held by the Group.

15. Property, plant and equipment

	Group					
	Computer equipment $000	Furniture and equipment $000	Lease-hold improvements $000	Motor vehicles $000	Capital work in progress $000	Total
Gross carrying amount						
Balance at 1 January 2008	**2,494**	**661**	**1,297**	**-**	**1,823**	**6,275**
Additions	224	13	-	-	52	289
Disposals	(708)	(4)	-	-	(1,823)	(2,535)
Balance at 31 December 2008	**2,010**	**670**	**1,297**	**-**	**52**	**4,029**
Additions	571	239	72	103	108	1,093
Disposals	-	(19)	-	(13)	(52)	(84)
Balance at 31 December 2009	**2,581**	**890**	**1,369**	**90**	**108**	**5,038**
Accumulated depreciation						
Balance at 1 January 2008	**2,068**	**403**	**321**	**-**	**-**	**2,792**
Depreciation expense	269	90	142	-	-	501
Depreciation expense – TZ1	5	-	-	-	-	5
Disposals	(674)	-	-	-	-	(674)
Balance at 31 December 2008	**1,668**	**493**	**463**	**-**	**-**	**2,624**
Depreciation expense	297	115	134	25	-	571
Disposals	-	(8)	-	(1)	-	(9)
Balance at 31 December 2009	**1,965**	**600**	**597**	**24**	**-**	**3,186**
Net book value						
As at 31 December 2008	**342**	**177**	**834**	**-**	**52**	**1,405**
As at 31 December 2009	**616**	**290**	**772**	**66**	**108**	**1,852**

	Parent				
	Computer equipment $000	Furniture and equipment $000	Lease-hold improvements $000	Capital work in progress $000	Total
Gross carrying amount					
Balance at 1 January 2008	**2,443**	**657**	**1,297**	**1,823**	**6,220**
Additions	208	-	-	52	260
Disposals	(708)	(4)	-	(1,823)	(2,535)
Balance at 31 December 2008	**1,943**	**653**	**1,297**	**52**	**3,945**
Additions	433	190	72	108	803
Disposals	-	(19)	-	(52)	(71)
Balance at 31 December 2009	**2,376**	**824**	**1,369**	**108**	**4,677**
Accumulated depreciation					
Balance at 1 January 2008	**2,041**	**402**	**321**	**-**	**2,764**
Depreciation expense	255	87	142	-	484
Disposals	(674)	-	-	-	(674)
Balance at 31 December 2008	**1,622**	**489**	**463**	**-**	**2,574**
Depreciation expense	270	100	134	-	504
Disposals	-	(3)	-	-	(3)
Balance at 31 December 2009	**1,892**	**586**	**597**	**-**	**3,075**
Net Book Value					
As at 31 December 2008	**321**	**164**	**834**	**52**	**1,371**
As at 31 December 2009	**484**	**238**	**772**	**108**	**1,602**

16. Goodwill

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Gross carrying amount				
Balance at beginning of the year	4,075	1,520	-	-
Goodwill on acquisition	11,083	3,278	7,720	-
Movement in earn out provisions post acquisition	(1,280)	(723)	-	-
Balance at end of the year	**13,878**	**4,075**	**7,720**	**-**
Net book value				
Balance at beginning of the year	**4,075**	**1,520**	**-**	**-**
Balance at end of the year	**13,878**	**4,075**	**7,720**	**-**

Goodwill on acquisition comprises $7,720,000 of goodwill on the acquisition of the Marketplace Company Limited ("M-co") in both the Parent and Group, and $2,536,000 on the acquisition of Country-wide Publishing Limited ("CPL"), $125,000 on the acquisition of the CLEAR Group ("CLEAR"), and $702,000 on the acquisition of Australian Crop Forecasters Pty Limited ("ACF") in the Group only.

Goodwill is tested for impairment annually based on the performance of the business unit or product line relative to the acquisition forecasts, the expected future performance of each business unit or product line and any other relevant factors. The directors have tested goodwill for impairment using comparable EBITDA multiple analysis. Specifically, the directors tested that the 2009 and forecast 2010 multiples are not greater than the equivalent multiple for NZX and comparable companies trading both in New Zealand and overseas. The 2010 forecasts are based on 2009 actual performance adjusted for known circumstances that will impact 2010. The EBITDA multiples tested range from 4.0 to 7.0. As at 31 December 2009 the Group EBITDAF multiple was 16.5.

The directors have tested the carrying value of goodwill and have assessed that no impairment charge is required.

17. Other intangible assets

	Group						
	Computer software $000	Brand names & trademarks $000	Data archives, customers lists, databases websites & IP $000	Management rights $000	Rights to use brand names $000	Intangible work in progress $000	Total
Gross carrying amount							
Balance at 1 January 2008	**5,433**	**670**	**1,458**	**2,344**	**2,001**	**-**	**11,906**
Additions	980	1,020	-	-	388	4,957	7,345
Disposals	-	-	-	-	(188)	-	(188)
Balance at 31 December 2008	**6,413**	**1,690**	**1,458**	**2,344**	**2,201**	**4,957**	**19,063**
Additions	13,531	2,182	-	-	3,351	4,369	23,433
Disposals	(352)	(50)	-	-	-	-	(402)
Impairment	-	-	-	-	-	(172)	(172)
Balance at 31 December 2009	**19,592**	**3,822**	**1,458**	**2,344**	**5,552**	**9,154**	**41,922**
Accumulated amortisation							
Balance at 1 January 2008	**3,354**	**-**	**-**	**-**	**197**	**-**	**3,551**
Amortisation expense	542	-	-	-	483	-	1,025
Amortisation expense – TZ1	18	-	-	-	-	-	18
Balance at 31 December 2008	**3,914**	**-**	**-**	**-**	**680**	**-**	**4,594**
Amortisation expense	1,397	-	-	-	934	-	2,331
Disposals	(14)	-	-	-	-	-	(14)
Balance at 31 December 2009	**5,297**	**-**	**-**	**-**	**1,614**	**-**	**6,911**
Net book value							
As at 31 December 2008	**2,499**	**1,690**	**1,458**	**2,344**	**1,521**	**4,957**	**14,469**
As at 31 December 2009	**14,295**	**3,822**	**1,458**	**2,344**	**3,938**	**9,154**	**35,011**
These are broken down by sector as follows:							
Agri-business	8,623	3,682	-	-	3,767	-	16,072
Securities markets	1,293	140	1,458	2,344	171	9,154	14,560
Energy	4,379	-	-	-	-	-	4,379
	14,295	**3,822**	**1,458**	**2,344**	**3,938**	**9,154**	**35,011**

17. Other intangible assets (cont.)

	Parent				
	Computer software $000	Brand names & trademarks $000	Data archives, customer lists, databases, websites & IP $000	Intangibles work in progress $000	Total
Gross carrying amount					
Balance at 1 January 2008	**5,363**	**628**	**1,458**	**-**	**7,449**
Additions	285	368	-	4,957	5,610
Balance at 31 December 2008	**5,648**	**996**	**1,458**	**4,957**	**13,059**
Additions	13,513	2,176	-	4,369	20,058
Impairment	-	-	-	(172)	(172)
Balance at 31 December 2009	**19,161**	**3,172**	**1,458**	**9,154**	**32,945**
Accumulated Amortisation					
Balance at 1 January 2008	**3,323**	**-**	**-**	**-**	**3,323**
Amortisation expense	506	-	-	-	506
Balance at 31 December 2008	**3,829**	**-**	**-**	**-**	**3,829**
Amortisation expense	1,290	-	-	-	1,290
Balance at 31 December 2009	**5,119**	**-**	**-**	**-**	**5,119**
Net book value					
As at 31 December 2008	**1,819**	**996**	**1,458**	**4,957**	**9,230**
As at 31 December 2009	**14,042**	**3,172**	**1,458**	**9,154**	**27,826**
These are broken down by sector as follows:					
Agri-business	8,386	3,032	-	-	11,418
Securities markets	1,276	140	1,458	9,154	12,028
Energy	4,380	-	-	-	4,380
	14,042	**3,172**	**1,458**	**9,154**	**27,826**

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Comprising:				
Other intangibles – definite life	27,387	8,977	23,195	6,776
Other intangibles – indefinite life	7,624	5,492	4,631	2,454
Net book value	**35,011**	**14,469**	**27,826**	**9,230**

Amortised expense is included in the line item "depreciation and amortisation expense" in the Income Statement.

NZX acquired data archives, customer lists, databases, websites, and IP from IRG for $1,458,000. These assets have an indefinite life and are included in the Parent accounts. Smartshares Limited acquired the management rights for SmartOZZY, SmartMOZY, and the SmartMIDZ funds for a total value of $2,344,000. These are held in the Group accounts with an indefinite life, as there is no expiry date for these rights and they are expected to be used indefinitely.

Other indefinite life intangibles are trademarks, brands and customer lists. These are considered to have an indefinite life based on the length of time they are expected to be used for, and the indefinite period over which the Group has control of these assets.

All intangibles are tested for impairment annually based on the performance of the business unit or product line relative to the acquisition forecasts, the expected future performance of each business unit or product line and any other relevant factors. The directors have tested all intangibles for impairment using comparable EBITDA multiple analysis. Specifically, the directors tested that the 2009 and forecast 2010 multiples are not greater than the equivalent multiple for NZX and comparable companies trading both in New Zealand and overseas. The 2010 forecasts are based on 2009 actual performance adjusted for known circumstances that will impact 2010. The EBITDA multiples tested range from 4.0 to 7.0. As at 31 December 2009 the Group EBITDAF multiple was 16.5.

The directors have tested the carrying value of all intangibles and have assessed that the only impairment charge required is $172,000 in relation to work in progress.

NZX separates ownership of trademarks and brand names from the activity of carrying out the business of each subsidiary. NZX then sells a right to use the brand name to the subsidiary for a specified period of time. The trademarks and brand names held by the Parent have an indefinite life, while the right to use in the subsidiary has a finite life. The carrying values of the trademark and brand names are $3,172,000 and $7,760,000 in the Parent and Group accounts.

Definite life intangibles also include software with a book value of $14,042,000 in the Parent and $14,295,000 in the Group as at 31 December 2009, and WIP in relation to the new clearing and settlement infrastructure of $8,365,000 in both the Parent and Group.

18. Current trade payables

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Trade payables	489	606	439	531
Goods and services tax payable	334	92	288	90
Accrued expenses	6,461	2,245	5,426	1,660
	7,284	**2,943**	**6,153**	**2,281**

19. Other liabilities

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Employee benefits	607	498	495	381
Unearned income	5,147	4,367	3,761	3,804
Funds held on behalf	1,302	1,528	1,302	1,528
Earn out provisions	2,358	2,523	-	204
	9,414	**8,916**	**5,558**	**5,917**

Funds held on behalf include disciplinary funds held and listed issuer bonds.

Movement in earn out provisions

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the year	2,523	1,056	204	1,056
Increase in provision	1,500	2,410	-	90
Decrease in provision	(1,469)	(723)	(8)	(722)
Earn out payments made	(196)	(220)	(196)	(220)
Balance at end of the year	**2,358**	**2,523**	**-**	**204**
Comprising:				
Current earn out provisions	-	204	-	204
Non-current earn out provisions	2,358	2,319	-	-
	2,358	**2,523**	**-**	**204**

Earn out provisions are entered into in relation to acquisitions. The earn outs are based on the acquired companies' performances, and are increased/decreased or paid over the period of the contract. The closing balance of the earn out provisions are management's best estimate of the actual amount of payments to be made in relation to NZX Rural Limited $1,500,000 (2008: $130,000), NZX Newsroom Limited nil (2008: $74,000), and NZX ProFarmer Australia Pty Limited $858,000 (2008: $2,319,000).

20. Bank loan

At 31 December 2009 NZX had two bank loans totalling $18,918,327, denominated in New Zealand Dollars with nominal interest rates between 3.69% and 3.80%. The bank loans have durations of less than one year, and were established for acquisitions, allowing the Group flexibility in its capital management. $14,382,500 has been repaid subsequent to balance date.

21. Share capital and reserves

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Share capital	32,101	5,102	35,801	9,492
	32,101	**5,102**	**35,801**	**9,492**

	Group		Parent	
	2009 Number of shares 000	2008 Number of shares 000	2009 Number of shares 000	2008 Number of shares 000
Fully paid ordinary shares				
Balance at beginning of the year	97,585	97,050	99,375	98,449
Issues of shares – rights	19,469	-	19,841	-
Issue of shares – senior management share schemes	-	-	83	588
Issue of shares – distribution plan	3,344	-	3,413	-
Issue of shares – employee share plan	55	535	55	535
Issue of shares – on acquisition of businesses	341	-	341	-
Redemption of shares - senior management share schemes	-	-	-	(197)
Cancellation of shares – treasury stock	(135)	-	(135)	-
Balance at the end of the year	**120,659**	**97,585**	**122,973**	**99,375**
Treasury stock	-	(93)	-	(93)
Balance at end of the year net of treasury stock	**120,659**	**97,492**	**122,973**	**99,282**

21. Share capital and reserves (cont.)

All issued shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends. The shares issued under the CEO share scheme, the group leader share scheme and the senior executive share scheme are treated as treasury stock and are eliminated at a Group level, and are entitled to participate in corporate actions. Any shares or other share entitlements relating to corporate actions are held by the nominee on the same terms as the underlying schemes.

As at 31 December 2009 there were 122,972,580 ordinary shares issued and fully paid (2008: 99,282,320). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

On 7 December 2009, there was a 4 for 1 share split of all issued shares. All comparative figures have been adjusted to reflect this split.

261,104 shares with a combined value of $500,000 were issued as part of the consideration for the CPL acquisition and 79,788 shares with a combined value of $150,000 were issued as part of the transaction for disposal of TZ1 assets.

Foreign currency translation reserve	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the year	52	(37)	-	-
Total recognised in comprehensive income	(189)	89	-	-
Balance at end of the year	**(137)**	52	-	-

Treasury stock

During 2009 NZX purchased a total of 42,008 shares at an aggregate cost of $70,363 (2008: 93,344 shares at aggregate cost of $142,665). In May 2009, NZX cancelled all treasury stock, being 135,352 shares at $213,028.

CEO share scheme

The CEO share scheme was approved by NZX shareholders at a special meeting held on 6 September 2007. The scheme is a two-part equity-based long-term incentive (LTI) scheme with a three and a half year duration, extendable to a four and a half year duration at board discretion, with a start date of 4 June 2007 and expiry date of 31 December 2010 (or 31 December 2011 if extended).

The two parts to the scheme are:

- a standard LTI; and
- an out-performance LTI.

Standard LTI ("LTI")

The LTI consists of 889,104 shares (695,120 shares for 3.5 years duration, and a further 193,984 shares if the NZX Board extends the duration to 4.5 years). The LTI shares were issued to the CEO, Mr Weldon, in December 2007 at an issue price of $2.58 per share (the volume weighted average price ("VWAP") for the 20 days to 3 June 2007, being the expiry date of the previous CEO share scheme) per share. NZX extended financial assistance to Mr Weldon in the form of an interest free loan to fund the acquisition of these LTI shares. These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these LTI shares includes a compound 15% EPS growth over the duration of the scheme, with a start date for assessment of EPS growth of 1 January 2008. The beginning EPS figure is the full year 2007 EPS of 9.04 cents per share. If vesting criteria are met for the 3.5 years, and the potential additional year, Mr Weldon will receive a bonus equivalent to $2.58 (being the issue price of the relevant shares) multiplied by the relevant number of shares described above, and there will be a corresponding expense incurred in the Income Statement. At 3.5 years, for example, Mr Weldon will receive a bonus of $1,791,672 to be used to repay the financial assistance that was extended in relation to the shares that vest at that time.

Although the LTI share scheme shares were issued at $2.58, IFRS 2 requires the shares be valued for reporting purposes as at the grant date (grant date is when approval for the scheme was obtained), being 6 September 2007. At this date the 20 day VWAP was $2.44.

At 31 December 2009, given the EPS result in assessing whether or not the vesting criteria will be met at the end of the scheme, the NZX Board has determined to account for the LTI portion of the scheme ($1,222,761) at this time. The amount recognised in the Income Statement is the time proportional value of the expected total cost of the LTI portion of the scheme.

Out-performance LTI ("OPLTI")

The OPLTI consists of 509,524 shares (409,524 shares for a 3.5 year duration, and a further 100,000 shares if the NZX Board extends the duration to 4.5 years). The OPLTI shares were issued to Mr Weldon in December 2007 at an exercise price of $2.58 per share (the VWAP for the 20 days to 3 June 2007, being the expiry date of the previous CEO share scheme). These shares are held by a nominee on behalf of Mr Weldon until such time as they vest, or are redeemed by NZX if vesting criteria are not met. The vesting criteria for these OPLTI shares is a compound 22.5% EPS growth over the duration of the scheme, with a start date for assessment of EPS growth of 1 January 2008. The beginning EPS figure is the full year 2007 EPS of 9.04 cents per share. NZX has extended financial assistance to Mr Weldon in the form of an interest free loan of $1,313,298 to fund the acquisition of these OPLTI shares. There is no bonus payable to Mr Weldon in relation to the OPLTI and this part of the scheme is treated as an option scheme for accounting purposes. These options were valued by Deloitte, using the Black Scholes valuation model, at 63 cents and 74 cents per share for the period to December 2010 and December 2011 respectively. The Black Scholes valuation assumed a risk free interest rate based on government bonds for the relevant periods, dividend yield was assumed to be nil, and expected volatility 25%. The expected volatility was estimated by assessing the long run volatility for New Zealand shares (assessed as 20%) and adjusting for NZX's relative volatility since listing. Accordingly the total value that will be recognised in the Income Statement if vesting criteria are met is $330,976.

At 31 December 2009, given the EPS result in assessing whether or not the vesting criteria will be met at the end of the scheme, the NZX Board has determined to account for the OPLTI portion of the scheme ($185,262) at this time. The amount recognised in the Income Statement is the time proportional value of the expected total cost of the OPLTI portion of the scheme.

Group leader share scheme

The group leader share scheme was implemented in July 2008. The scheme consists of two tranches of shares. The scheme allows for vesting of tranche 1 shares on 31 December 2011, and tranche 2 shares on 31 December 2013. The hurdle for vesting is compounding annual EPS growth of 22.5% over the duration of the scheme, with the baseline EPS being the 2007 EPS of 9.04 cents per share.

The starting market price for determining the number of shares to be issued was the 20 day VWAP to 30 June 2008 being a value of $2.01 per share. This is the price at which the shares were issued. At 31 December 2009 the scheme consists of an aggregate of 391,616 shares (249,120 shares in relation to tranche 1, and 142,496 shares in relation to tranche 2) issued at a value of $786,169. NZX has extended financial assistance in the form of interest free loans to fund the acquisition of these shares. This scheme is treated as an option scheme. A Black Scholes valuation was undertaken which valued these share options at 48 cents and 64 cents per share for the tranche 1 and tranche 2 shares respectively. The Black Scholes valuation assumed a risk free interest rate based on government bonds for the relevant periods, dividend yield was assumed to be nil, and expected volatility 25%. The expected volatility was estimated by assessing the long run volatility for New Zealand shares (assessed as 20%) and adjusting for NZX's relative volatility since listing. Accordingly the total value that will be recognised in the Income Statement if vesting criteria are met is $209,796.

At 31 December 2009, given current market conditions, in assessing whether or not the vesting criteria will be met at the end of the scheme, the NZX Board has determined to account for the cost of this Scheme ($50,981) at this time. The amount recognised in the Income Statement is the time proportional value of the expected total cost of the scheme.

Senior executive share scheme

The senior executive share scheme was implemented in September 2009. The scheme consists of two tranches of shares. The scheme allows for vesting of tranche 1 shares on 31 December 2012 and tranche 2 shares on 31 December 2013. The hurdle for vesting is compounding annual EPS growth of 22.5% over the duration of the scheme, with the baseline EPS being the EPS to June 2009, adjusted for the gain on sale on the investment in BESA and the sale of the TZ1 registry business.

The starting market price for determining the number of shares to be issued was the 20 day VWAP to 30 September 2009 being a value of $1.93 per share. This is the price at which the shares were issued. At 31 December 2009 the scheme consists of an aggregate of 83,112 shares (60,592 shares in relation to tranche 1, and 22,520 shares in relation to tranche 2) issued at a value of $159,991. NZX has extended financial assistance in the form of interest free loans to fund the acquisition of these shares. This scheme is treated as an option scheme. A Black Scholes valuation was undertaken which valued these share options at 48 cents and 57 cents per share for the tranche 1 and tranche 2 shares respectively. The Black Scholes valuation assumed a risk free interest rate based on government bonds for the relevant periods, dividend yield was assumed to be nil, and expected volatility 25%. The expected volatility was estimated by assessing the long run volatility for New Zealand shares (assessed as 20%) and adjusting for NZX's relative volatility since listing. Accordingly the total value that will be recognised in the Income Statement if vesting criteria are met is $41,928.

At 31 December 2009, given current market conditions, in assessing whether or not the vesting criteria will be met at the end of the scheme, the NZX Board has determined to account for the cost of this scheme ($4,156) at this time. The amount recognised in the Income Statement is the time proportional value of the expected total cost of the scheme.

Employee share plan

NZX executive share plan shares are offered to selected employees at the market price of the shares on the date of issue. The Directors of NZX authorised NZX to provide financial assistance to some NZX employees to assist them in the acquisition of NZX ordinary shares under the NZX executive share plan. The aggregate financial assistance provided under the NZX executive share plan at December 2008 was $652,103. During 2009 there has been additional financial assistance provided with a total value of $172,302. NZX employees repaid $369,993 of this assistance during the period. The balance of the financial assistance provided to employees under the NZX executive share plan at December 2009 is $454,412.

Employee share capital movements

Date of issue	Number of shares issued in that year	Price per share issued in that year ($)	Number of shares transferred out of nominee company to NZX employees	Number of shares at end of year
December 2009	150,432	1.387	110,284	495,528
December 2008	535,068	1.790	382,840	455,380
December 2007	-	-	811,672	303,152
December 2006	834,304	1.700	571,032	1,114,824
December 2005	610,052	0.993	259,000	851,552
December 2004	500,500	1.277	-	500,500

Shares were transferred in accordance with the terms of the NZX executive share plan. As at 31 December 2009 495,528 shares were held under the executive share plan making up 0.4% of total shares (2008: 455,380 shares held, making up 0.5% of total shares).

22. Retained earnings

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at beginning of the year	29,510	24,556	32,441	26,184
Net profit attributable to shareholders	38,711	10,182	10,420	11,485
Cash dividends paid	(6,211)	(5,228)	(6,211)	(5,228)
Balance at end of the year	**62,010**	**29,510**	**36,650**	**32,441**

23. Dividends

	2009		2009	
	Cents per share	Total $000	Cents per share	Total $000
Recognised amounts				
Fully paid ordinary shares	6.25c	6,211	5.25c	5,228

In March 2009 NZX gave shareholders a choice of a dividend in the form of one bonus share for every 26.02 shares held at a strike price of $1.6263 or a cash dividend payment of 6.25 cents fully imputed per share. A total of 131 holders with a combined shareholding of 10,545,032 shares chose a dividend payment, and the remaining shareholders with a combined shareholding of 88,025,644 shares chose the bonus shares. The dividend was paid in April 2009. The total distribution paid for 2009 was $6,210,601, made up of cash distributed of $678,536 and bonus shares issued of $5,532,089.

24. Earnings per share

	Group	
	2009	2008
Fully diluted earnings per share (cents per share)	34.98c	10.36c
Basic earnings per share (cents per share)	35.30c	10.45c

Fully diluted earnings per share

The earnings and weighted average number of ordinary shares used to calculate fully diluted earnings per share are as follows:

	Group	
	2009	2008
	000	000
Earnings	$38,711	$10,182
Weighted average number of ordinary shares for the purpose of earnings per share	110,666	98,289
Fully diluted earnings per share (cents per share)	**34.98c**	**10.36c**

Basic earnings per share

The earnings and weighted average number of ordinary shares used to calculate basic earnings per share are as follows:

	Group	
	2009	2008
	000	000
Earnings	$38,711	$10,182
Weighted average number of ordinary shares for the purpose of earnings per share	109,661	97,400
Basic earnings per share (cents per share)	**35.30c**	**10.45c**

When calculating the weighted daily average number of basic ordinary shares an adjustment has been made for Standard LTI shares issued under the CEO share scheme. The weighted daily average number of fully diluted ordinary shares has not been adjusted for OPLTI shares issued under the CEO share scheme or the GL share scheme and senior executive share scheme shares as these are not considered dilutive for the period.

	Group	
	2009	2008
	000	000
Weighted average number of ordinary shares for the purpose of earnings per share (fully diluted)	110,666	98,289
Weighted average standard LTI shares under the CEO share scheme	(1,005)	(889)
Weighted average number of ordinary shares for the purpose of earnings per share (basic)	**109,661**	**97,400**

25. Commitments for expenditure

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Capital expenditure commitments:				
Tata Consulting Limited	436	595	436	595
	436	**595**	**436**	**595**

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

Lease commitments

Non-cancellable operating lease commitments are disclosed in note 27 to the financial statements.

26. Contingent liabilities and commitments

NZX has entered into a sale and purchase agreement with the vendor of ProFarmer Limited, that includes an earn out provision whereby NZX is required to pay up to $2,168,257 (AU$1,750,000) in excess of the amount provided for in the financial statements if EBITDA targets for the year ended 30 June 2011 are met. NZX does not expect these EBITDA targets to be met.

NZX has entered into a sale and purchase agreement with M-co, that includes an earn out provision whereby NZX is required to pay $1,500,000 if gross revenue for the period 30 June 2009 and 30 June 2012 attributable to the business and the business opportunities exceeds $30,250,000. No provision has been made at 31 December 2009, as NZX does not expect the revenue target to be met.

NZX has entered into a sale and purchase agreement with CLEAR, which includes an additional asset payment whereby NZX is required to pay $8,673,027 (AU$7,000,000) if certain grain trading volumes are reached. No provision has been made at 31 December 2009, as NZX does not expect that the grain trading volumes will be met. The sale and purchase agreement also provides for a further $8,673,027 (AU$7,000,000) payment to be made to the key management and CLEAR staff upon the successful completion of a further IT development project. No provision has been made at 31 December 2009 for this amount.

27. Leasing

Operating leases

The lease for NZX's premises commenced on 1 September 2005 and has an expiry date of 30 June 2015. There was a rent review for Level One of the NZX Centre in June 2008 and Level Two of the NZX Centre in July 2008. Rent review negotiations for these are ongoing. The lease commitments set out in the table below are in relation to the existing lease commitment prior to the rent review. NZX is currently paying an annual rental for the NZX Centre and signage of $986,976, being the midpoint between the valuation received by NZX and the lessor. The midpoint is being paid as a proxy for the actual rental payments (yet to be determined) and a wash up adjustment will be made once the rental review is complete. NZX believes that the midpoint that is currently being paid exceeds the amount that will ultimately be payable.

	Group		Parent	
Non-cancellable operating lease payments	**2009**	2008	**2009**	2008
	$000	$000	**$000**	$000
Up to 1 year	998	674	815	665
1 – 2 years	991	665	815	665
2 – 5 years	2,668	1,995	2,443	1,995
→ 5 years	336	998	336	998
	4,993	**4,332**	**4,409**	**4,323**

28. Subsidiaries

Name of entity	Country of incorporation	Ownership interest and voting rights	
		2009	2008
		%	%
Subsidiaries			
Dairy Week Limited	New Zealand	-	100
Energy Clearing House Limited	New Zealand	100	-
Energy Market Consulting Limited	New Zealand	100	-
FundSource Limited	New Zealand	100	100
Mandela Investments Limited	New Zealand	100	100
MXF Nominees Limited	New Zealand	100	100
New Zealand Clearing and Depository Corporation Limited	New Zealand	100	-
New Zealand Clearing and Depository Limited	New Zealand	100	100
New Zealand Clearing Limited	New Zealand	100	100
New Zealand Depository Limited	New Zealand	100	100
New Zealand Depository Nominee Limited	New Zealand	100	100
New Zealand Exchange Limited	New Zealand	100	100
NZ Fox Limited	New Zealand	100	100
NZX CPL Nominee Limited	New Zealand	100	-
NZX Executive Share Plan Nominees Limited	New Zealand	100	100
NZX GL Nominee Limited	New Zealand	100	100
NZX Holding No. 3 Limited	New Zealand	100	100
NZX Holding No. 4 Limited	New Zealand	100	100
NZX Incognito Limited	New Zealand	80	80
NZX Newsroom Limited	New Zealand	-	100
NZX Rural Limited (previously NZX Agrifax Limited)	New Zealand	100	100
Smartshares Limited	New Zealand	100	100
Tane Nominees Limited	New Zealand	100	100
Time Zone One Limited	New Zealand	100	100
TZ1 Limited	New Zealand	100	100
NZX ProFarmer Australia Pty Limited	Australia	100	100
Profarmer Advisory Services Pty Limited	Australia	100	-

NZX Newsroom Limited and Dairy Week Limited were amalgamated into NZX Agrifax Limited on 30 June 2009, and the entity was renamed NZX Rural Limited.

28. Subsidiaries (cont.)

Subsidiaries of Parent

Name of entity	Goodwill		Indefinite life intangibles		Carrying values	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
Subsidiaries						
NZX Rural Limited	3,282	754	-	-	7,295	2,991
FundSource Limited	323	323	-	-	922	922
Smartshares Limited	-	-	2,344	2,344	4,000	4,000
TZ1 Limited	-	-	-	50	6,478	2,043
NZX Holding No. 4 Limited	827	-	-	-	2,686	1,826
Total	**4,432**	**1,077**	**2,344**	**2,394**	**21,381**	**11,782**

Impairment testing of investments including indefinite life intangibles was based on an earnings-to-carrying-value basis for each cash generating unit. The analysis of these carrying values identified that carrying values at both a Parent and Group level were fair (2008: NZX Agrifax Limited reduced by $350,000 and NZX Newsroom Limited reduced by $132,000).

29. Investments in equities

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Investment in equities:				
Markit shares investment	29,654	-	-	-
Total	**29,654**	**-**	**-**	**-**

On 30 June 2009, the Group sold the assets of TZ1, with the consideration being Markit shares. Initial consideration for the sale was $56,679,438. The Markit shares are designated as financial assets at fair value through profit or loss.

The Group retains an economic interest in the performance of the TZ1 assets now operating under the trading name Markit Environmental Registry ("the Environmental Registry"). As at 31 December 2009 the value of the Markit investment recorded in the Group accounts is $29,653,755. The three drivers of change in the value of NZX's investment as reported on the Income Statement are:

- The performance of the Environmental Registry. Pursuant to the TZ1 / Markit business purchase agreement, NZX retains an economic interest in the Environmental Registry; and
- Currency fluctuations. Markit shares are valued in US dollars; and
- Changes in the value of Markit shares.

Each driver, and the manner in which it has been reflected in the Group accounts, are discussed on page 65.

The performance of the Environmental Registry

Depending on the 2011 performance of the Environmental Registry the Group may receive additional consideration under the business purchase agreement or have some of the consideration the Group received clawed back.

If the Environmental Registry fails to meet specified EBITDA thresholds in the 2011 year, then Markit has the option to repurchase its shares for US$21,401,115. The Group has reviewed the operating metrics and financial information available in relation to the Environmental Registry and determined that NZX's investment in Markit should be reduced to the expected cash consideration (US$21,401,115).

Macro conditions have moved against the Environmental Registry since the sale. In particular, a lack of consensus, or plan at Copenhagen, leaves the carbon agenda in limbo. Further, the voluntary carbon market is dependent on corporate activity. The lack of a global political agenda around carbon, and the financial climate, has made such "discretionary" expenditure a lot more contestable and scarce.

Despite the above, the Environmental Registry continues to lead the field in customer acquisition, and is well placed to benefit when the carbon agenda, and corporate willingness to voluntarily spend in this field, return. The reduction in carrying value reflects the relatively short-dated period of the earn up/down, and the fact that 2009 was a critical growth phase, that has faced strong macro headwinds. The Group remains confident around the long-term success of the Environmental Registry.

Currency fluctuations

Markit shares are valued in US dollars. The shares have been re-valued to the spot rate at balance date (see note 5).

Changes in the value of Markit shares

The Group has reduced the carrying value of its investment in Markit to the cash payment expected if Markit chooses to repurchase its shares (US$21,401,115). This is not a minimum value of consideration, because if the Environmental Registry fails to meet specified EBITDA targets for 2011, it is at Markit's option to repurchase the shares, but NZX considers it to be the most likely outcome.

30. Acquisition of businesses and investments

Name of business	Proportion of shares / assets acquired (%)	Principal activity	Date of acquisition
2009			
The Marketplace Company Limited ("M-co") and its subsidiaries Energy Clearing House Limited and Energy Market Consulting Limited	100	Energy market services	9 June 2009
Countrywide Publishing Limited ("CPL")	100	Rural publisher	1 May 2009
CLEAR Group ("CLEAR")	100	Grain trading platform	31 October 2009
Australian Crop Forecasters Pty Limited ("ACF")	100	Rural publisher	30 November 2009
2008			
Dairy Week Limited	100	Data sales	4 April 2008
BESA	22	Exchange	30 September 2008
NZX ProFarmer Australia Pty Limited	100	Data sales	31 October 2008

On 9 June 2009 NZX acquired the business and assets of M-co including its subsidiaries, Energy Clearing House Limited and Energy Market Consulting Limited. M-co provides service to the New Zealand electricity and gas markets by way of contracts with the Electricity Commission and Gas Industry Company. These service contracts include trading information systems, pricing, clearing and settlement, and reconciliation of data.

On 1 May 2009 NZX acquired CPL. CPL is New Zealand's leading rural publishing company, whose products include The New Zealand Farmers Weekly, Country-Wide North and Country-Wide South, NZ Dairy Exporter, Deer Farmer and Young Country.

On 30 October 2009 NZX acquired the assets of CLEAR, the owner of the CLEAR Grain Exchange. The CLEAR Grain Exchange is the Australian grain industry's only full-service electronic market for the trading of grain. CLEAR Grain Exchange provides a full end-to-end solution for spot commodities trading. The CLEAR Grain Exchange also provides a full suite of back office, settlement and payment services.

On 30 November 2009 NZX acquired the business assets of ACF. ACF publishes monthly subscription reports on Australian grain supply and demand. ACF has a long standing in the Australian grain market as the lead provider of high quality and independent crop forecasting services, with particular strength in the dairy and grain industries.

Asset	M-co	CPL	CLEAR	ACF
	Fair Value on acquisition $000	Fair Value on acquisition $000	Fair Value on acquisition $000	Fair Value on acquisition $000
Cash	300	-	-	-
Fixed assets	150	140	100	1
Intangibles	4,900	4,824	8,527	702
Goodwill	7,720	2,536	125	702
Total	**13,070**	**7,500**	**8,752**	**1,405**

Full year performance of acquired investments:

Asset	M-co $000	CPL $000	CLEAR $000	ACF $000
Revenue	3,845	5,361	70	52
EBITDA	1,955	740	(671)	30
Contribution to group net profit/(loss) after tax	1,214	12	(482)	21

The full year contribution of M-co, CPL, CLEAR and ACF to the Group financial statements does not include any earnings prior to acquisition on the basis that the assets for these businesses were purchased and are held in newly established companies. As such, the full year performance is only the period since NZX acquired each business's assets.

31. Involvement in electricity transactions

NZX, through its subsidiary Energy Clearing House Limited ("ECH"), acts as a principal in the purchase and sale of electricity. From time to time the post-fact reconciliation of metering data will result in changes to the quantities of electricity traded and, on rare occasions, changes to the amounts payable. This will result in the payment of wash-up amounts to generators or purchasers, and the receipt of wash-up amounts from purchasers or generators. No provision is made for such wash-ups.

At 31 December 2009, ECH has outstanding payables and receivables for the purchase and sale of electricity, and the settlement of transmission losses. These items are not recorded in the Group's statement of financial position, because in aggregate, a nil net position arises which is consistent with the fact that other parties have accepted the risks associated with electricity settlements. It should be noted that no legal right of set-off exists between these electricity settlement liabilities and assets.

In discharging its obligations under the Electricity Governance Rules, ECH is required to ensure that energy purchasers maintain adequate levels of prudential security. This is usually satisfied by way of a bank guarantee, but occasionally purchasers will deposit cash with the ECH to satisfy these requirements.

ECH does not recognise the security provided in its statement of financial position. There was $23,253,382 in cash held from such deposits at 31 December 2009.

32. Related party disclosures

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 and details of interest in associates are disclosed in note 14. Amounts receivable from and payable to related parties at balance date and sales and purchases between related parties are disclosed below.

Related Parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	2009 $000	2009 $000	2009 $000	2009 $000
Parent				
NZX Limited	416	149	2,879	120
Subsidiaries				
Smartshares Limited	-	359	13	14
TZ1 Limited	-	50	-	-
NZX Rural Limited	-	-	-	1,048
FundSource Limited	10	-	61	-
NZX Holding No. 4 Limited	-	25	1,929	1,780
NZX ProFarmer Australia Pty Limited	-	-	48	1,929
Associates				
LINK Market Services Limited	305	146	-	-
Appello Services Limited	-	-	-	39
AXE ECN Pty Limited	45	47	-	-

Related Parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	2008 $000	2008 $000	2008 $000	2008 $000
Parent				
NZX Limited	1,651	123	4,075	1,415
Subsidiaries				
Smartshares Limited	-	414	-	97
TZ1 Limited	-	105	-	458
NZX Agrifax Limited	-	-	534	-
Dairy Week Limited	-	-	262	-
FundSource Limited	8	-	390	-
NZX Holding No. 4 Limited	-	-	1,693	-
NZX Newsroom Limited	-	-	219	-
NZX ProFarmer Australia Pty Limited	-	-	-	1,693
Tane Nominees Limited	-	-	-	2,856
Associates				
LINK Market Services Limited	319	109	40	-
Appello Services Limited	-	-	-	2
AXE ECN Pty Limited	51	1,278	-	656
BESA	-	-	-	36

During the period, NZX's subsidiary Smartshares Limited managed the NZX MidCap Index Fund (SmartMIDZ), NZX Australian MidCap Index Fund (SmartMOZY), NZX 10 Fund (SmartTENZ), NZX 50 Portfolio Index Fund (SmartFONZ) and NZX Australian 20 Leaders Index Fund (SmartOZZY). At 31 December 2009, NZX had an intercompany debt with Smartshares Limited of $12,771(2008: Smartshares Limited debt to NZX of $32,011).

An amount of $312,762 owed by AXE to NZX was fully written off during the period.

During the period, NZX retained Harmos Horton Lusk Limited ("HHL") on a limited number of specialist divestment and acquisition matters in respect of which the legal fees paid to HHL totalled $229,224. HHL does not provide legal advice to NZX on general matters or as a matter of course and the engagement by management of HHL on these particular matters was specifically referred to and approved by the Directors of NZX (excluding Andrew Harmos). Mr Harmos is the Chairman of Directors of NZX and is also a Director of HHL. Mr Harmos had no involvement in any HHL capacity in the matters handled by another Director of HHL. Over this period, NZX paid approximately $900,000 in total legal fees to other firms.

33. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the Statement of Financial Position as follows:

			Group		Parent	
	Interest rates	Maturities	2009 $000	2008 $000	2009 $000	2008 $000
Cash at bank	0% - 2.75%	Call	11,864	5,774	4,555	2,970
Bank deposits	3.00%-4.60%	33 to 120 days	23,958	2,500	23,958	2,500
			35,822	**8,274**	**28,513**	**5,470**

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Profit after tax for the period	38,711	10,182	10,420	11,485
Gain on revaluation of fair value through profit or loss on financial assets	(33,114)	-	(4,643)	-
Share of associates' (profit)/loss (less dividends)	(181)	786	-	-
Depreciation and amortisation of non-current assets (note 8)	2,902	1,526	1,794	990
Depreciation and amortisation – TZ1	-	23	-	-
	8,318	**12,517**	**7,571**	**12,475**
Impairment of non-current assets	2,353	-	4,126	482
(Increase)/decrease in current tax balances	(706)	1,185	121	1,854
(Increase)/decrease in deferred tax balances	(232)	259	(90)	316
(Increase)/decrease in current receivables	(624)	500	1,216	(1,498)
	9,109	**14,461**	**12,944**	**13,629**
Increase/(decrease) in current payables	4,839	156	3,513	(3,698)
Current provisions	**13,948**	**14,617**	**16,457**	**9,931**
Non-operating payables	(1,416)	1,027	(1,416)	1,027
Non-operating provisions	2,873	(1,039)	204	2,528
Other non-operating liabilities	**1,457**	**(12)**	**(1,212)**	**3,555**
Net cash from operating activities	**15,405**	**14,605**	**15,245**	**13,486**

34. Financial instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Board of NZX reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1(c) to the financial statements.

Financial risk management objectives

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

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The foreign currencies in which transactions are primarily denominated are United States Dollars (USD) (market information sales and IT infrastructure purchases), and Australian Dollars (AUD) (grain market operations, market information sales and IT operating costs). With shareholdings in Australia, there is translation exposure to AUD for investments. Exchange rate exposures are managed within approved policy parameters.

NZX utilises natural hedges from receipts of sales to offset purchases denominated in foreign currencies matching maturities. The treasury committee meets monthly to determine forward exposures, and considers these in line with internal policies and procedures, and where appropriate enters forward exchange agreements to keep any exposure to an acceptable level. Monetary assets and liabilities are also considered by the Treasury committee and are kept to an acceptable level by buying or selling foreign currencies at the spot rate.

NZX holds an investment in Markit which is denominated in USD. NZX does not currently hedge the exposure to exchange rate movement on this investment.

Interest rate risk

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

Interest rate risk sensitivity analysis:

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Effect on net interest income:				
1% increase in interest rate	169	83	96	55
1% decrease in interest rate	(169)	(83)	(96)	(55)

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 treasury policy is to limit the exposure to counterparties so as to not exceed:

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

The carrying amount of financial assets represents the Group's maximum credit exposure. The status of trade receivables at the reporting date is as follows:

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Not past due	3,101	2,040	2,346	1,660
Past due 0-30 days	684	503	280	535
Past due > 31 days	2,057	2,063	1,008	2,142
Total	**5,842**	**4,606**	**3,634**	**4,337**

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

	Group		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
Gross trade receivables	5,842	4,606	3,634	4,337
Individual impairment	-	-	-	-
Collective impairment	(544)	(70)	(139)	(58)
Trade receivables net	**5,298**	**4,536**	**3,495**	**4,279**

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financial instruments

As at 31 December 2009

Financial instruments	Note	Loans and receivables $000	Amortised cost $000	Designated at fair value $000	Total carrying value $000	Fair value $000
Assets						
Cash and cash equivalents	33(a)	35,822	-	-	35,822	35,822
Receivables and prepayments	13	6,283	-	-	6,283	6,283
Investment in equities	29	-	-	29,654	29,654	29,654
Other financial assets						
Investment - bonds		732	-	-	732	732
Advances – share schemes		1,677	-	-	1,677	1,677
Total		**44,514**	**-**	**29,654**	**74,168**	**74,168**
Liabilities						
Current tax payable/ (receivable)	10(b)	-	(375)	-	(375)	(375)
Trade payables	18	-	7,284	-	7,284	7,284
Bank loan	20	-	18,918	-	18,918	18,918
Other liabilities	19	-	9,414	-	9,414	9,414
Total		**-**	**35,241**	**-**	**35,241**	**35,241**

As at 31 December 2008

Financial instruments	Note	Loans and receivables	Amortised cost	Total carrying value	Fair value
Assets					
Cash and cash equivalents	33(a)	8,274	-	8,274	8,274
Receivables and prepayments	13	5,659	-	5,659	5,659
Other financial assets		653	-	653	653
Total		**14,586**	**-**	**14,586**	**14,586**
Liabilities					
Current tax payable/(receivable)	10(b)	-	331	331	331
Trade payables	18	-	2,943	2,943	2,943
Other liabilities	19	-	8,916	8,916	8,916
Total		**-**	**12,190**	**12,190**	**12,190**

35. Segmented reporting

NZX has determined that there are three revenue segments, being agri-business, securities markets and energy. NZX considers that there are no expenditure segments as there is a significant shared fixed cost base and NZX operates as one company without allocation of this expenditure.

NZX also considers that on the balance sheet, segments exist for intangible assets only. There are no other asset or liability segments as NZX has a shared asset base with assets and liabilities operated without allocation.

	Group 2009				
	Agri-business $000	Securities markets $000	Energy $000	Other $000	Total $000
Revenue:					
Listings	-	11,592	-	-	11,592
Trading	-	5,016	-	-	5,016
Market data	-	10,559	-	-	10,559
Post trade systems and services	-	1,876	2,611	-	4,487
Agri-business	7,709	-	-	-	7,709
Energy markets	-	-	1,233	-	1,233
Smartshares	-	2,209	-	-	2,209
Total Revenue	**7,709**	**31,252**	**3,844**	**-**	**42,805**
Unallocated expenditure:	-	-	-	(25,249)	(25,249)
Total segment result	**7,709**	**31,252**	**3,844**	**(25,249)**	**17,556**
Segment assets:					
Intangibles	16,072	14,560	4,379	-	35,011
Goodwill	5,835	323	7,720	-	13,878
Total segment assets	**21,907**	**14,883**	**12,099**	**-**	**48,889**
Unallocated assets	-	-	-	80,326	80,326
Unallocated liabilities	-	-	-	(35,241)	(35,241)
Net assets	**21,907**	**14,883**	**12,099**	**45,085**	**93,974**

	Group 2008				
	Agri-business $000	Securities markets $000	Energy $000	Other $000	Total $000
Revenue:					
Listings	-	8,913	-	-	8,913
Trading	-	5,339	-	-	5,339
Market data	-	10,888	-	-	10,888
Post trade systems and services	-	2,935	-	-	2,935
Agri-business	1,355	-	-	-	1,355
Smartshares	-	2,702	-	-	2,702
Total Revenue	**1,355**	**30,777**	**-**	**-**	**32,132**
Unallocated expenditure:	-	-	-	(13,387)	(13,387)
Total segment result	**1,355**	**30,777**	**-**	**(13,387)**	**18,745**
Segment assets:					
Intangibles	3,121	11,348	-	-	14,469
Goodwill	3,752	323	-	-	4,075
Total segment assets	**6,873**	**11,671**	**-**	**-**	**18,544**
Unallocated assets	-	-	-	28,167	28,167
Unallocated liabilities	-	-	-	(12,190)	(12,190)
Net assets	**6,873**	**11,671**	**-**	**15,977**	**34,521**

36. Subsequent events

There were no events subsequent to balance date.

KPMG

Audit report

To the shareholders of NZX Limited

We have audited the financial statements on pages 27 to 75. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 34 to 39.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2009 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report 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:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 27 to 75:
- comply with New Zealand generally accepted accounting practice;
- give a true and fair view of the financial position of the company and group as at 31 December 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 1 March 2010 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

NZX MARKET SUPERVISION

This is a summary statistical report of NZX Market Supervision activities in 2009.

In 2009 NZX Market Supervision:

- Processed 15,395 announcements. The accuracy rate in respect of processing these announcements was 99.9%.
- Processed 226 Waiver and Ruling applications in respect of Listed Issuers and Market Participants. All Waivers and Rulings were dealt with in accordance with NZXR Protocols and delivered within the required timeframes.
- Processed 33 complaints in respect of the conduct of Listed Issuers and Market Participants.
- Implemented 70 trading halts.
- Referred 23 matters to the Securities Commission. 10 of those matters related to share price enquiries carried out by NZX Market Supervision and required no further action by the Securities Commission. The remaining 13 matters, which concerned matters such as compliance with the insider trading, substantial security holder, directors' and officers' notices and continuous disclosure provisions of the Securities Markets Act 1988, have resulted in 10 no further action letters being received by NZXR.
- Referred six matters to the NZ Markets Disciplinary Tribunal for serious breaches of the NZX Participant Rules or NZX Listing Rules.
- Responded to 27 requests from the Securities Commission in respect of trading data.

STATUTORY INFORMATION

1. Business Operations

A. Changes to Core Business - The key changes to the core business undertakings of the Company / its subsidiaries and associates during the year have been the continued development of the agri-businesses and the development of the NZX energy businesses through:

- Amalgamation of various agri-businesses (NZX Agrifax, NZX Newsroom, Dairy Week) into NZX Rural Limited under the "NZX Rural" brand.
- Purchase of Country-Wide Publications Limited, Clear Grain and Australian Crop Forecasters.
- Purchase of M-co.
- Sale of the TZ1 registry business to the UK-based firm Markit.

B. Investments - Changes to the Company's investments have included:

- NZX sold its 22% stake in the Bond Exchange of South Africa (BESA) to the Johannesburg Stock Exchange pursuant to a scheme of arrangement.

Additionally the Company has progressed towards completion of the new clearing and settlement infrastructure that will provide a central counter party Clearing House and associated depository. This also provides a platform for the trading of a range of new products. In particular, NZX is developing a whole milk powder future and option as part of a suite of derivative products.

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. No matters were recorded in the Interests Register in 2009.

3. Directors' Interests

The Directors have declared interests in the entities listed below. Where an (R) is included next to the entity, the Director has ceased their interest during the past year.

Director	Interest	Entity
A Harmos	Director	Harmos Horton Lusk Limited
	Director	Westfield (New Zealand) Limited
	Director	Elevation Capital Management Limited
	Trustee	Arts Foundation of New Zealand
	Trustee	McCahon House Trust
N Paviour-Smith	Director	Forsyth Barr Group Limited and Associated Companies
	Director	Forsyth Barr Limited
	Director	Leveraged Equities Finance Limited
	Director	NZX GL Nominee Limited
	Director	New Zealand Institute of Chartered Accountants
N Williams	Director	Australian Financial Markets Association
	Employee	Australia and New Zealand Banking Group Limited
	Director	ETrade Australia Limited
H van der Heyden*	Director	Fonterra Co-operative Group Limited
	Director	King St Advertising
	Director	Elevation Capital Management Limited
	Director	Independent Egg Producers Co-Op Limited
	Trustee	Asia: NZ Foundation
	Member	Rabobank ANZ Food & Agribusiness Advisory Board
C Moller	Director	Synlait Limited
	Director	Rugby New Zealand 2011 Limited
	Joint Owner and Director	Urenui Consultants Limited
	Director	New Zealand Cricket (Inc)
	Director	SkyCity Entertainment Group Limited
	Trustee	Victoria University of Wellington Foundation
	Director	Meridian Energy Limited
	Trustee	Westpac Regional Stadium Trust (as at 1 October 2009)
M Weldon	Director	Various NZX subsidiaries and associates (see section 7)
	Director	AXE ECN Pty Limited
	Member	University of Auckland School of Business Advisory Board
R Drury*	CEO	Xero Limited
	Director	Pacific Fibre Limited

4. Information used by Directors

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

5. Directors holding office and their Remuneration

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

Directors	Remuneration	Special Responsibility
A W Harmos*	$100,000	Chairman and Independent Director*
N Paviour-Smith	$50,000	Independent Director
N Williams	$50,000	Independent Director
C J D Moller	$50,000	Independent Director
M R Weldon**	$1,392,300	CEO
R Drury*	$5,859.38	Independent Director*

* Note: Disclosed in accordance with NZIFRS requirements

** See Notes 11 and 21 to financial statements

6. Indemnification and Insurance of Directors and Officers

During the year, the Company paid insurance premiums in respect of Directors' and Officers' 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 Officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

7. Subsidiary Companies Directors

The remuneration of employees acting as Directors of subsidiaries is disclosed in the relevant banding of remuneration set out under Employee Remuneration. As a general position, NZX employees did not receive additional remuneration for acting as Directors during the year.

The following persons held office as directors of NZX's subsidiary companies at the end of the year. Those persons with an (R) after their name ceased to hold office during the year. For those companies where NZX does not appoint all of the Directors, only those Directors appointed by NZX have been included.

Appello Services Limited
Saki Hannah
Elane Campbell (R)

AXE ECN Pty Limited
Mark Weldon

Energy Clearing House Limited
Ashley Milkop
Rachael Newsome
Shane Dinnan (R)

Energy Market Consulting Limited
Heather Kirkham

Fund Source Limited
Geoffrey Brown

LINK Market Services (NZ) Limited
Saki Hannah
Heather Kirkham
Shane Noone (R)

Mandela Investments Limited
Mark Weldon

MXF Nominees Limited
Rowan Macrae

New Zealand Clearing and Depository Corporation Limited
Simon Smith

New Zealand Clearing and Depository Limited
Simon Smith

New Zealand Clearing Limited
Simon Smith

New Zealand Depository Limited
Simon Smith

New Zealand Depository Nominee Limited
Simon Smith

New Zealand Exchange Limited
Mark Weldon

NZ FOX Limited
Mark Weldon

NZX CPL Nominee Limited
Rowan Macrae

NZX GL Nominee Limited
Neil Paviour-Smith

NZX Holding No. 3 Limited
Geoffrey Brown
Mark Weldon
Simon Smith (R)

NZX Holding No.4 Limited
Geoffrey Brown
Heather Kirkham
Rachael Newsome
Rachael Cross (R)
Shane Noone (R)

NZX Rural Limited
Rowan Macrae
Mark Weldon
Rachael Cross (R)

Smartshares Limited
Geoffrey Brown
Fiona Mackenzie
Damas Potoi
Elaine Campbell (R)
Mark Weldon (R)

Tane Nominees Limited
Rowan Macrae

Time Zone One Limited
Mark Weldon

TZ1 Limited
Mark Weldon

NZX Newsroom Limited and Dairy Week Limited were amalgamated with NZX Agrifax Limited on 30 June 2009. NZX Agrifax Limited was subsequently renamed NZX Rural Limited.

8. Employee Remuneration

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

Remuneration Ranges	Employee
100,000 – 109,999	2
110,000 – 119,999	1
120,000 – 129,999	3
130,000 – 139,999	1
140,000 – 149,999	2
150,000 – 159,999	2
160,000 – 169,999	9
170,000 – 179,999	1
180,000 – 189,999	1
310,000 – 319,999	1
320,000 – 329,999	1

9. Director Transaction in Securities of the Parent Company

Director	Securities held Beneficially as at 31 December 2009
A W Harmos	184,724
N Paviour-Smith	230,156
N Williams	88,672
R Drury*	0
M R Weldon	6,241,220[1]
C J D Moller	28,800

[1] Additionally the NZX nominee company (Tane Nominees Limited) holds 1,742,856 shares under the CEO Share Scheme. In relation to the CEO Share Scheme Shares (as reflected in the 31 December 2009 Financial Statements) the Board has determined to account for the cost of this scheme, and accordingly the cost to NZX and value to the CEO is $1,408,023 for the period to 31 December 2009.

10. Auditors

	Parent $000	Group $000
Audit of the financial statements	98	126
Other audit related fees	-	-
Non-audit services	-	-
Total	**98**	**126**

SECURITY HOLDER INFORMATION

11. Top 20 Security Holders

The following table shows the names and holdings of the 20 largest holdings of securities in the Company as at 31 December 2009.

	Shares Held	%
TEA Custodians Limited	14,895,468	12.24
ASB Nominees Limited	6,241,220	5.13
Accident Compensation Corporation	5,849,579	4.81
Nigel Babbage and Philippa Babbage	5,020,000	4.12
Premier Nominees Limited	4,175,804	3.43
Custodial Services Limited	4,058,940	3.33
New Zealand Superannuation Fund Nominees Limited	3,144,868	2.58
Premier Nominees Limited – ING Wholesale Equity Selection Fund	3,010,932	2.47
National Nominees New Zealand Limited	2,776,124	2.28
David Mitchell Odlin	2,516,000	2.07
Leveraged Equities Finance Limited	1,891,716	1.55
Citibank Nominees (NZ) Limited	1,891,364	1.55
H & G Limited	1,800,332	1.48
Tane Nominees Limited	1,742,856	1.43
Forsyth Barr Custodians Limited	1,729,938	1.42
AMP Investment Strategic Equity Growth Trust Fund	1,669,124	1.37
Custodial Services Limited	1,416,480	1.16
Norwich Union Life Insurance (NZ) Limited – Main Fund	1,325,568	1.09
Sinclair Long Term Holdings Limited	1,229,544	1.01
Michael Walter Daniel and Nigel Geoffrey Burton and Michael Murray Benjamin	1,000,000	0.82
Total Top 20	**67,385,857**	**55.36**

SECURITY HOLDER INFORMATION (cont.)

12. Spread of ordinary shareholders as at 1 February 2009

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1000	174	6.49	97,031	0.08
1001 to 5000	1,004	37.46	3,294,523	2.71
5001 to 10000	620	23.13	4,682,310	3.85
10001 to 20000	415	15.49	5,989,240	4.92
20001 to 30000	149	5.56	3,644,112	2.99
30001 to 40000	77	2.87	2,751,120	2.26
40001 to 50000	51	1.90	2,288,412	1.88
50001 and Over	190	7.09	98,982,724	81.31
Total	**2,680**	**100.00**	**121,729,472**	**100.00**

Domicile of Holders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	2,617	97.65	120,446,728	98.95
Australia	43	1.60	733,740	0.60
Other	20	0.75	549,004	0.45
Total	**100.00**	**100.00**	**100.00**	**100.00**

13. Substantial Security Holders

The following information is given pursuant to section 35F of the Securities Markets Act 1988. According to the file kept by the Company under section 35C of the Securities Markets Act 1988 the following were substantial holders in the Company as at 31 December 2009. The total number of voting securities on issue as at 1 March 2010 was 122,972,580 comprising 120,658,604 ordinary shares, 2,313,976 GL, CEO and Senior Executive shares and 487,232 Staff Shares[2].

	Relevant Interest	%
Fisher Funds Management Limited	9,145,848	7
ANZ National Bank Limited ING (NZ) Ltd ING (NZ) Holdings Limited	10,480,976	9
M R Weldon (Lola Nominees)	5,008,528	4

2 Further detail regarding the various classes of shares which together comprise the 'Staff Shares' can be found in Note 21 to the financial statements.

14. Waivers from the Listing Rules and Independent Director Certificates

The following waivers have been previously granted to NZX and relied upon in the financial year ending 31 December 2009:
A waiver from the application of Rule 7.6.6(b) to exempt the financial assistance provided under the CEO Scheme from the requirement that it be provided within 12 months of the resolution to implement the CEO Scheme being passed.

A waiver from the application of Rule 7.6.1 to allow NZX to redeem its own Equity Securities where, under the terms of the Group Leader / Senior Executive Share Scheme, it is obliged or entitled to do so.

Additionally, a waiver from Rule 7.6.4(b)(iii) was granted to NZX and relied upon in the year ending 31 December 2009. This waiver related to the May 2009 Rights Issue. It allowed NZX to provide a loan to the CEO to exercise the rights attaching to the Restricted Shares under the CEO Share Scheme, on the same basis as all other NZX employees participating in NZX's employee share schemes.

The NZX Independent Directors have provided the Special Division with a Directors' Certificate dated 2 December 2008 under Listing Rule 9.2.4(b) in relation to an increase in the remuneration of the NZX CEO. The certificate had three components:

1. Base salary adjustments for CPI movements in calendar years 2006 and 2007. These were 2.6% and 3.2% respectively and resulted in a proposed increase in base salary from $446,250 to $472,504 to be effective from 1 January 2008. This increase was declined by the CEO.
2. Providing the CEO with the same NZX employer KiwiSaver contributions as other staff. This added 4% to the CEO remuneration from 1 November 2008. In applying the salary increase from 1 January 2008 NZX also provided the appropriate KiwiSaver contributions applicable, being 1% from 1 January to 31 October 2008 and 4% from 1 November 2008. This was consistent with the Independent Directors' Certificates NZX has previously provided in relation to the KiwiSaver component.
3. In relation to the CEO bonus entitlement, in respect of the 2009 calendar/fiscal year and beyond, the Board removed the 1:1 cap, with the Board (on the recommendation of the Appointments and Remuneration Committee) continuing to determine bonus entitlement based on achievement of KPIs [Key Performance Indicators]. This adjustment is consistent with models across the financial services and banking sectors in particular, where bonus entitlements are not capped in this fashion.

15. Securities Issued by NZX

NZX's ordinary shares are quoted on the NZSX market. Those share scheme shares issued pursuant to the CEO Share Scheme (implemented in 2007); the Group Leader and Employee Share Schemes (both implemented in 2008); and the Senior Executives Share Scheme (implemented in 2009), have not qualified and are not quoted on any market and will not do so until such time as they vest.

DIRECTORY

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