

NOTES TO THE FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2005

1. Statement of accounting policies

These interim financial statements for New Zealand Exchange Limited have been prepared in accordance with Financial Reporting Standard 24: Interim Financial Statements and generally accepted accounting practice within New Zealand. They should be read in conjunction with the New Zealand Exchange Limited's 2004 Annual Report.

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

2. Non-recurring items

Non-recurring items reported include expenditure incurred in investigating the default of Access Brokerage Limited and preparation for the NZX Discipline hearing for Access Brokerage Limited of \$344,000 and the impairment to goodwill from the Sydney Futures Exchange (SFE) contract of \$360,000. At December 2004 non-recurring items included \$494,000 default of Access Brokerage Limited, \$621,000 Smartshares Marketing expenditure and IPO Brokerage Fees of \$423,000. There were no non-recurring items reported at June 2004.

3. New Zealand International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board announced that the New Zealand equivalents to International Financial Reporting Standards (IFRS) will apply to all New Zealand entities for the periods commencing on or after 1 January 2007 with the opportunity to early adopt by up to two years. NZX intends to adopt NZIFRS for the year ended 31 December 2007.

NZX has a project to identify the differences between existing NZ GAAP and NZIFRS as they impact on NZX.

NZX DIRECTORY

Board of Directors (as at 30 June 2005)

Simon Allen, Chairman

Mark Weldon, Chief Executive Officer

Andrew Harmos

Lloyd Morrison

Tim Saunders

Neil Paviour-Smith

Nigel Williams

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about transactions and changes of address should contact New Zealand Exchange Limited's share register, or visit our website at www.nzx.com

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For a full copy of NZX's Half Year results, operating metrics, media materials and a transcript of our Management Discussion and Analysis, go to <http://www.nzx.com.aboutus/investor>.



New Zealand Exchange Limited

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FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR SIX MONTHS ENDED 30 JUNE 2005

	Group		
	6 months Jun 2005 unaudited \$000	12 months Dec 2004 audited \$000	6 months Jun 2004 unaudited \$000
Operating revenue	8,628	16,482	7,582
Equity accounted earnings of associate	(25)	0	0
Operating expenses	5,821	10,469	5,019
Operating EBITDA	2,782	6,013	2,563
Non-recurring income/(expenditure)	(704)	(1,538)	-
EBITDA	2,078	4,475	2,563
Interest expense/(income)	(812)	(1,661)	(712)
Depreciation	333	553	242
Amortisation	95	55	-
Surplus before tax	2,462	5,528	3,033
Tax expense	985	1,851	1,003
Surplus after tax	1,477	3,677	2,030

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR SIX MONTHS ENDED 30 JUNE 2005

	Group		
	6 months Jun 2005 unaudited \$000	12 months Dec 2004 audited \$000	6 months Jun 2004 unaudited \$000
Surplus for the period	1,477	3,677	2,030
Total recognised revenue & expenditure	1,477	3,677	2,030
Issue of CEO Share Scheme Shares	2,132	2,132	-
Issue of Employee Share Scheme Shares	639	-	-
Dividend payment	(5,112)	-	-
Shares held in subsidiary companies	(2,771)	(2,132)	-
Movement in Shareholders' Funds for the period	(3,635)	3,677	2,030
Shareholders' Funds at beginning of period	29,638	25,961	25,961
Shareholders' Funds at end of period	26,003	29,638	27,991

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Group		
	Jun 2005 unaudited \$000	Dec 2004 audited \$000	Jun 2004 unaudited \$000
ASSETS			
Current assets:			
Cash at bank	806	187	232
Cash investments	13,300	19,931	26,575
Receivables	1,710	1,461	1,534
Other current assets	582	722	391
	16,398	22,301	28,732
Non-current assets:			
Fixed assets	2,286	1,327	806
Investments	8,808	8,898	122
Net assets of Fidelity Guarantee Fund	-	-	446
Deferred tax	352	361	337
	11,446	10,586	1,711
Goodwill	868	1,055	305
Total Assets	28,712	33,942	30,748
LIABILITIES AND SHAREHOLDERS' FUNDS			
Accounts payable	773	708	421
Other current liabilities	1,835	3,715	1,076
Provision for taxation	101	(119)	814
Fidelity Guarantee Fund	-	-	446
	2,709	4,304	2,757
Share capital	14,601	14,601	14,601
Retained earnings	11,402	15,037	13,390
Total shareholders' funds	26,003	29,638	27,991
Total liabilities & shareholders' funds	28,712	33,942	30,748

These financial statements were authorised for release on 27 July 2005.

S C Allen
Chairman

T E C Saunders*
Director

M R Weldon
Chief Executive Officer

* Tim Saunders resigned as a Director of NZX on and from 28 July 2005.

STATEMENT OF CASH FLOWS

FOR SIX MONTHS ENDED 30 JUNE 2005

	Group		
	6 months Jun 2005 unaudited \$000	12 months Dec 2004 audited \$000	6 months Jun 2004 unaudited \$000
Operating cash inflows	7,276	19,715	7,010
Operating cash outflows	7,203	15,140	5,794
Net cash from operating activities	73	4,575	1,216
Investing cash inflows	6,631	5,848	-
Investing cash outflows	1,293	10,408	1,156
Net cash from investing activities	5,338	(4,560)	(1,156)
Financing cash inflows	320	-	-
Financing cash outflows	5,112	-	-
Net cash from financing activities	(4,792)	-	-
Net increase in cash held	619	15	60
Opening cash balance	187	172	172
Cash at end of the period	806	187	232
RECONCILIATION OF SURPLUS FOR THE PERIOD TO NET CASH FROM OPERATING ACTIVITIES			
Surplus for the period	1,477	3,677	2,030
Add non cash items:			
Depreciation	333	553	243
Amortisation	95	55	-
Goodwill impairment	360	-	-
Equity accounted earnings	25	-	-
Unrealised gain on investment bonds	(23)	(92)	-
	2,267	4,193	2,273
Decrease/(increase) in current assets	(378)	17	102
Decrease/(increase) in deferred tax	9	(43)	(19)
Increase/(decrease) in current liabilities	(2,045)	1,295	(1,140)
Increase/(decrease) in provision for tax	220	(441)	-
Increase/(decrease) in fidelity fund	-	(446)	-
Net cash from operating activities	73	4,575	1,216