



NEW ZEALAND EXCHANGE LIMITED

**FINANCIAL REPORT**

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FOR THE SIX MONTHS ENDED 30 JUNE 2004



## Chairman and CEO's Report

The first half of 2004 saw NZX complete another phase in its development. What we termed the "fixing the franchise" phase finally came to an end with the introduction of the new legal and regulatory framework for NZX's securities markets. In addition, we introduced two new indices (the NZSX 15 Index, the basis for the NZFOX Futures Contract, and the NZAX All Index), and developed the Central Clearing House proposal to better protect the integrity and international reputation of our securities markets.

The new NZX Participant Rules, the NZX Discipline Rules and the NZX Futures & Options Rules all came into force on 3 May and provide real opportunities for expanding both the number and type of participants in the relevant market. The aim, of course, is to generate greater trading activity and drive liquidity – the elixir of any healthy capital market.

The new rules made it possible for NZX to introduce Direct Market Access (DMA) which will give access to third parties to trade directly into this market and provide a critical trading mechanism for the new NZFOX futures and options products. We are already beginning to see renewed interest in the New Zealand market from both domestic investors and market participants offshore who recognise wealth creation opportunities in a market that has been performing strongly for the last 3 years.

Our financial results for the period reflect both this growing interest and a healthy and vibrant securities market in this country.

NZX recorded a post tax profit (NPAT) of \$2.030 million for the six months ended 30 June 2004, representing an increase of 248% on the same period last year.

Revenue increased in the same period to \$8.294 million compared to \$5.442 million in the first half of last year. This increase in revenue came predominantly from the 12 new NZSX Market listings and 5 new NZAX Market listings, along with an increase in existing issuer market capitalisations, an increase in trading revenue and the increased sale of market data and information.

Expenditure for the same period was \$5.261 million compared with \$4.741 million in the corresponding period last year. The 11% increase was primarily due to hiring the staff required to better service our customers, implement current initiatives and develop new business opportunities that will grow longer-term revenue.

## Chairman and CEO's Report CONTINUED

As always, our goal with any development is to more closely align NZX with the needs of our customers and stakeholders in order to make it easier for them to do business with us. We believe this committed focus will continue to deliver more diverse revenue streams and improve our service offering to key customer segments.

We are excited about the prospects for the rest of the year and beyond, and remain committed to growing New Zealand's securities markets. We are confident that the market and structural reforms undertaken in the last 12 months will provide a strong platform from which to do this and look forward to the challenges ahead.

As always, we are very grateful for your continued support and encourage your active participation in the development and success of our securities markets.



Simon Allen  
Chairman  
New Zealand Exchange Limited



Mark Weldon  
Chief Executive  
New Zealand Exchange Limited



## Statement of Financial Performance

for the six months ended 30 June 2004

NOTE	PARENT			GROUP		
	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s
<b>REVENUE</b>						
Listings	2,689	4,445	1,899	2,689	4,428	1,899
Trading, clearing & settlement	2,011	3,256	1,363	2,011	3,256	1,363
Market information	1,346	2,275	1,071	1,346	2,275	1,071
Telecommunications	238	426	-	238	426	-
Legal & Regulatory	862	1,380	359	862	1,380	359
Participant fees	212	504	230	212	504	230
Management fees	-	210	66	135	295	141
Interest	712	952	284	740	1,047	302
Other income	218	81	75	61	77	77
	<b>8,288</b>	13,529	5,347	<b>8,294</b>	13,688	5,442
<b>EXPENSES</b>						
Staff costs and related expenses	2,520	3,748	2,117	2,520	3,748	2,117
Travel & Entertainment	97	156	-	97	156	-
Technology, computer and telecommunications	644	1,440	754	644	1,440	754
Legal and regulatory	358	702	236	364	702	272
Marketing & advertising	227	662	246	227	662	246
Rent	193	352	117	193	352	117
Financial & office expenses	446	730	759	522	877	806
Depreciation:						
Computer equipment	234	378	174	234	378	174
Furniture & equipment	8	11	5	8	11	5
Doubtful Debts	-	40	-	-	40	-
Directors' fees	363	919	147	363	919	147
Auditor's remuneration:						
Audit fee	33	52	27	50	64	39
Other services	20	120	64	39	120	64
	<b>5,143</b>	9,310	4,646	<b>5,261</b>	9,469	4,741
Surplus before non-recurring items	3,145	4,219	701	3,033	4,219	701
Non-recurring income - Net of Tax	6	-	188	-	188	116
Operating surplus before taxation	3,145	4,407	817	3,033	4,407	817
Tax expense	7	(1,039)	(233)	(1,003)	(1,464)	(233)
<b>Surplus for the period</b>	<b>2,106</b>	2,943	584	<b>2,030</b>	2,943	584



## Statement of Movements in Shareholders Funds

for the six months ended 30 June 2004

NOTE	PARENT			GROUP		
	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s
Surplus for the period	2,106	2,943	584	2,030	2,943	584
Total recognised revenue & expenses	2,106	2,943	584	2,030	2,943	584
Issue of Share Capital	-	14,601	-	-	14,601	-
Issue of CEO Share Scheme Shares	-	2,132	-	-	2,132	-
Shares Held in Subsidiary Company	-	-	-	-	(2,132)	-
Movements in Equity for the period	2,106	19,676	584	2,030	17,544	584
Shareholders' funds at beginning of period	28,093	8,417	8,417	25,961	8,417	8,417
Shareholders' funds at end of period	30,199	28,093	9,001	27,991	25,961	9,001



## Statement of Financial Position

as at 30 June 2004

NOTE	PARENT			GROUP		
	JUNE 2004 (UNAUDITED) \$000s	DEC 2003 (AUDITED) \$000s	JUNE 2003 (UNAUDITED) \$000s	JUNE 2004 (UNAUDITED) \$000s	DEC 2003 (AUDITED) \$000s	JUNE 2003 (UNAUDITED) \$000s
<b>ASSETS</b>						
Current assets:						
Cash at bank	121	108	188	232	172	293
Accounts receivable and other current assets	2,605	2,468	1,723	2,301	2,404	1,602
Taxation receivable	-	-	(242)	-	-	(242)
Investments	2	26,575	7,554	26,575	25,779	7,554
	<b>29,301</b>	<b>28,355</b>	<b>9,223</b>	<b>29,108</b>	<b>28,355</b>	<b>9,207</b>
Non-current assets:						
Advance	2,132	2,132	-	-	-	-
Fixed assets	4	806	730	806	811	730
Deferred tax	7	337	404	337	318	404
Investments	122	-	-	122	-	-
Net assets of Fidelity Guarantee Fund	5	446	446	446	446	446
	<b>3,843</b>	<b>3,707</b>	<b>1,580</b>	<b>1,711</b>	<b>1,575</b>	<b>1,580</b>
<b>Total Assets</b>	<b>33,144</b>	<b>32,062</b>	<b>10,803</b>	<b>30,819</b>	<b>29,930</b>	<b>10,787</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>						
Accounts payable and other current liabilities						
	3	2,499	3,523	1,356	2,382	3,523
Fidelity Guarantee Fund	5	446	446	446	446	446
	<b>2,945</b>	<b>3,969</b>	<b>1,802</b>	<b>2,828</b>	<b>3,969</b>	<b>1,786</b>
Share Capital	12	16,733	-	14,601	14,601	-
Retained Earnings	12	13,466	9,001	13,390	11,360	9,001
Total Shareholders' Funds'		<b>30,199</b>	<b>9,001</b>	<b>27,991</b>	<b>25,961</b>	<b>9,001</b>
<b>Total liabilities and Shareholders' Funds</b>	<b>33,144</b>	<b>32,062</b>	<b>10,803</b>	<b>30,819</b>	<b>29,930</b>	<b>10,787</b>

These interim financial statements were authorised for release on 27 July 2004.

S C Allen  
Chairman

T E C Saunders  
Director

M R Weldon  
Chief Executive Officer

**Statement of Cash Flows**

for six months ended 30 June 2004

	PARENT			GROUP		
	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s
<b>Cash Flows From Operating Activities</b>						
Cash was provided from:						
Cash received from customers	6,357	14,297	3,547	6,494	14,568	3,549
Net GST received/(paid)	(230)	(753)	(332)	(230)	(753)	(332)
Interest received	718	952	284	746	1,047	302
	6,845	14,496	3,499	7,010	14,862	3,519
Cash was applied to:						
Cash paid to suppliers and employees	5,226	10,631	4,465	5,344	11,117	4,564
Taxation paid	450	1,045	50	450	1,085	90
	5,676	11,676	4,515	5,794	12,202	4,654
Net cash inflows from operating activities	1,169	2,820	(1,016)	1,216	2,660	(1,135)
<b>Cash Flows from Investing Activities</b>						
Cash was provided from:						
Decrease in other investments	-	3,097	3,097	-	3,097	3,097
	-	3,097	3,097	-	3,097	3,097
Cash was applied to:						
Purchase of fixed assets	238	464	170	238	464	170
Increase in other investments	122	-	-	122	-	-
Increase in bank deposits	796	19,964	1,739	796	19,964	1,739
	1,156	20,428	1,909	1,156	20,428	1,909
Net Cash outflows from investing activities	(1,156)	(17,331)	1,188	(1,156)	(17,331)	1,188
<b>Cash Flows from Financing Activities</b>						
Cash was provided from:						
Proceeds from issue of shares	-	14,931	-	-	14,931	-
	-	14,931	-	-	14,931	-
Cash was applied to:						
Share issue expenditure	-	328	-	-	328	-
	-	328	-	-	328	-
Net cash inflows from financing activities	-	14,603	-	-	14,603	-
Net increase/(decrease) in cash held	13	92	172	60	(68)	53
Opening cash balance	108	16	16	172	240	240
Cash at end of the period	121	108	188	232	172	293



**Statement of Cash Flows CONTINUED**

for six months ended 30 June 2004

	PARENT			GROUP		
	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s	SIX MONTHS JUNE 2004 (UNAUDITED) \$000s	12 MONTHS DEC 2003 (AUDITED) \$000s	SIX MONTHS JUNE 2003 (UNAUDITED) \$000s
<b>Reconciliation of surplus for the period to net cash flows from operating activities</b>						
Surplus for the period	<b>2,106</b>	2,943	584	<b>2,030</b>	2,943	584
Add non cash items:						
Depreciation	<b>243</b>	389	179	<b>243</b>	389	179
	<b>2,349</b>	3,332	763	<b>2,273</b>	3,332	763
Decrease (Increase) in accounts receivable	<b>(137)</b>	(856)	(111)	<b>102</b>	(1,002)	(200)
Decrease (Increase) in taxation receivable	-	-	342	-	-	342
Decrease (Increase) in deferred tax	<b>(19)</b>	(16)	(102)	<b>(19)</b>	(16)	(102)
Increase (Decrease) in accounts payable	<b>(1,024)</b>	360	(1,908)	<b>(1,140)</b>	346	(1,938)
Net cash flows from operating activities	<b>1,169</b>	2,820	(1,016)	<b>1,216</b>	2,660	(1,135)



## 1. Statement of accounting policies

The financial statements presented for the 'Parent' comprise New Zealand Exchange Limited ("NZX") and its Fidelity Guarantee Fund. The consolidated financial statements for the 'Group' are for the economic entity comprising NZX, its Fidelity Guarantee Fund and its subsidiaries NZX Funds Management Limited and Tane Nominees Limited. NZX is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. These financial statements are presented in compliance with the Financial Reporting Act 1993 and the Companies Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

### GROUP FINANCIAL STATEMENTS

The Group financial statements consolidate the financial statements of NZX and its wholly owned subsidiaries NZX Funds Management Limited and Tane Nominees Limited, using the purchase method. The wholly owned subsidiary NZX Funds Management Limited is incorporated in New Zealand and has the same balance date as NZX. NZX Funds Management Limited's principle activity is managing the NZSX10 Fund. Tane Nominees Limited is also a wholly owned subsidiary and is incorporated in New Zealand and has the same balance date as NZX. Tane Nominees Limited's principal activity is to hold the Share Scheme Shares in trust for the Chief Executive, Mark Weldon, until such time as the shares Qualify under the terms of the CEO Share Incentive Scheme (see Note 10).

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

### REVENUE RECOGNITION

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

### FIXED ASSETS AND DEPRECIATION

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

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

- Computer equipment and software: 33.3%
- Furniture, fittings and equipment: 20%



## SHARE ISSUE COSTS

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

## TAXATION

Tax expense is based on accounting surpluses, adjusted for the permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

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

## GOODS AND SERVICES TAX (GST)

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

## FINANCIAL INSTRUMENTS

Financial Instruments carried in the statement of financial position include cash and bank balances, investments, accounts receivable and accounts payable.

## INVESTMENTS

The investment in NZX Funds Management Ltd, is included at cost of \$100 in the statement of Financial position of the parent. All other investments are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

## ACCOUNTS RECEIVABLE

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



## STATEMENT OF CASH FLOWS

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

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

## OPERATING LEASES

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

## CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies during the period.

## 2. Investments

	INTEREST RATES	MATURITIES	JUNE 2004 \$000s	DECEMBER 2003 \$000s	JUNE 2003 \$000s
Bank Deposits - at call	5.75%	Call	200	500	300
Bank Deposits - 30 day	5.90% - 5.94%	30 days	26,375	25,279	7,254
			26,575	25,779	7,554

Investments for both the Parent and Group are the same.

## 3. Accounts Payable and Other Current Liabilities

	PARENT			GROUP		
	JUNE 2004 \$000s	DECEMBER 2003 \$000s	JUNE 2003 \$000s	JUNE 2004 \$000s	DECEMBER 2003 \$000s	JUNE 2003 \$000s
Trade creditors	526	567	739	526	567	723
Provision for Tax	931	322	-	814	322	-
Unearned income	-	1,903	-	-	1,903	-
Employee entitlements	80	80	243	80	80	243
Accrued expenses	813	459	426	814	459	426
GST	149	192	(52)	149	192	(52)
	2,499	3,523	1,356	2,382	3,523	1,340



#### 4. Fixed Assets

	COST \$000s	ACCUMULATED DEPRECIATION \$000s	BOOK VALUE JUNE 2004 \$000s
Computer equipment	3,923	3,190	733
Furniture & equipment	269	196	73
	4,192	3,386	806

	COST \$000s	ACCUMULATED DEPRECIATION \$000s	BOOK VALUE DECEMBER 2003 \$000s
Computer equipment	3,751	2,986	765
Furniture & equipment	204	158	46
	3,955	3,144	811

	COST \$000s	ACCUMULATED DEPRECIATION \$000s	BOOK VALUE JUNE 2003 \$000s
Computer equipment	5,252	4,561	691
Furniture & equipment	202	163	39
Leasehold improvements	102	102	-
	5,556	4,826	730

Non-current assets for both the Parent and the Group are the same. Assets that are no longer in use have been written out of the register.

#### 5. New Zealand Exchange Limited Fidelity Guarantee Fund

There has been no change to the Fund during the period. The accumulated funds are represented by funds with the Exchange.

On 3 May 2004 the NZX Participant Rules came into effect. These rules replaced the NZX Business Rules 2003.

The Fidelity Guarantee Fund is preserved under the NZX Participant Rules and the operation of this fund is governed by NZX Participant Rules 8.11-8.14. The NZX Participant Rules are similar to the NZX Business Rules 2003 with respect to the operation of the fidelity Guarantee Fund.

The liability of the Fund for any one particular failure remains limited to \$500,000 or such greater amount as may be determined from time to time by the Board, as was the case under the previous rules. Furthermore the maximum amount payable to any one claimant in respect of a failure remains limited to \$20,000 or such greater amount as the Board may determine, also reflecting the pre-demutualisation position.



## 6. Non-recurring items

The Exchange demutualised its structure on 16 October 2002 and became a Limited Liability Company from 1 January 2003.

The \$188,000 received in the period ended 31 December 2003 represents a levy on members as a contribution to the cost of demutualisation. These payments were made voluntarily.

## 7. Taxation

	PARENT			GROUP		
	SIX MONTHS JUNE 2004 \$000s	12 MONTHS DEC 2003 \$000s	SIX MONTHS JUNE 2003 \$000s	SIX MONTHS JUNE 2004 \$000s	12 MONTHS DEC 2003 \$000s	SIX MONTHS JUNE 2003 \$000s
<b>INCOME TAX</b>						
Operating surplus before tax	3,145	4,407	701	3,033	4,407	701
Permanent Differences:						
Non-taxable income	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-
Non-deductible expenditure	6	29	6	6	29	6
Surplus subject to Tax	3,151	4,436	707	3,039	4,436	707
Tax at 33%	1,039	1,464	233	1,003	1,464	233
Income tax recognised in Statement of Financial Performance	1,039	1,464	233	1,003	1,464	233
Comprising:						
Current tax	1,058	1,480	392	1,022	1,480	392
Prior period adjustment	-	-	-	-	-	-
Deferred tax	(19)	(16)	(102)	(19)	(16)	(102)
	1,039	1,464	290	1,003	1,464	290
Deferred Tax:						
Balance at beginning of period	318	302	302	318	302	302
Transfer from tax expense	19	16	102	19	16	102
Balance at end of year	337	318	404	337	318	404
Imputation Credit Account:						
Balance at beginning of period	1,688	643	643	1,688	643	643
Income tax paid	450	1,045	50	450	1,045	50
Balance at end of period	2,138	1,688	693	2,138	1,688	693



## 8. Financial Instruments

### FAIR VALUE

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

### CREDIT RISK

The maximum credit risk associated with the financial instruments held by the Exchange 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.

The Exchange does not require collateral or other security to support financial instruments as it only deposits with banks with high credit ratings. The Exchange further minimizes its credit exposure by limiting the amount of funds placed with any one bank at any one time to \$10.0 million.

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

### INTEREST RATE RISK

The Exchange 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.

## 9. Commitments

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

	JUNE 2004 \$000s	DECEMBER 2003 \$000s	JUNE 2003 \$000s
Up to one year			
Lease of premises	119	94	94
SFE Trading Infrastructure	578	750	-
>1 Year	-	-	-

The Exchange has entered into a contract to move premises in August 2005 based on a ten year lease agreement.



## 10. Related Party transactions

During the period, NZX had a management contract with its subsidiary NZX Funds Management Limited for administering the NZSX10 Fund. For the period, NZX received no management fees (Dec 2003 \$209,769). At 30 June 2003, NZX Funds Management Limited owed NZX \$302,781 (Dec 2003 \$144,035).

Mark Weldon, as part of the advance provided to him under the terms of the CEO Share Incentive Scheme, owes NZX \$2,132,433 (Dec 2003 \$2,132,433).

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

Mr Weldon's employment contract, as Chief Executive of NZX, provides for him to be issued with shares pursuant to the terms of the CEO Share Incentive Scheme (**Share Scheme Shares**). The CEO Share Incentive Scheme (**Scheme**) was approved by members of the New Zealand Stock Exchange (prior to demutualisation) at a Special General Meeting of the New Zealand Stock Exchange on 16 October 2002 and the terms of the Scheme were described in NZX's Prospectus and Investment Statement registered on 3 June 2003. The Scheme involved the issue to Mr Weldon of that number of shares as represented 5% of the number of shares on issue 30 trading days after the date on which shares were first quoted on the NZSX Market.

NZX provided Mr Weldon with a loan of \$2,132,433 for the purpose of subscribing for the Share Scheme Shares. The terms of the financial assistance provided to Mr Weldon was described in a disclosure document which was provided to all shareholders on 15 September 2003. The amount of the loan is the aggregate of the issue price for the 634,275 Share Scheme Shares issued under the Scheme (being 5% of the number of shares on issue 30 trading days after the date on which shares are first quoted on NZSX). The Share Scheme Shares were issued to Tane Nominees Limited (**Nominee**) which holds them on trust for Mr Weldon pending qualification of the shares. The shares will not qualify until certain total shareholder return performance criteria are satisfied and Mr Weldon remains a full-time employee of NZX (**Qualification or Qualify**).

The loan to Mr Weldon is interest free unless and until Qualification. After Qualification that part of the loan applied to subscribe for those Share Scheme Shares which have Qualified will attract interest at a rate which reflects NZX's cost of debt. The loan is to be repaid by the earlier of 12 months after Qualification, or 4 September 2008. If Mr Weldon ceases to be a full-time employee of NZX before the Share Scheme Shares have Qualified then NZX will redeem or buyback (for cash, at their issue price) those Share Scheme Shares which have not Qualified and apply the proceeds towards the repayment of the outstanding balance of the loan.

The Share Scheme Shares are a separate class of shares and, pending Qualification, will not participate in dividends or distributions in respect of which shares become "entitlement" prior to Qualification, will have the right to participate in rights issues, and





will have rights to participate in bonus issues contingent on their Qualification. Pending Qualification, Mr Weldon will have the right to direct the way votes attaching to the Share Scheme Shares are exercised by the Nominee. Mr Weldon will not be entitled to transfer or otherwise dispose of Share Scheme Shares unless and until they are transferred to him following Qualification.

Following Qualification, and contemporaneously with the repayment of the relevant part of the loan referred to above, NZX will pay to Mr Weldon an amount equivalent to the aggregate amount of dividends or distributions to which the relevant Shares would have been entitled during the period since they were first issued, grossed up to the extent such dividends carried imputation credits.

The total shareholder return performance criteria required for Qualification requires that the weighted average selling price of shares exceed a trigger price over a 30 trading day period at any time during the period from when the shares become available to Qualify to the date six years after 4 June 2002, and that Mr Weldon remains a full time employee of NZX during that 30 day period (60% of which is available to qualify on 4 June 2005, 20% on 4 June 2006, and the remaining 20% on 4 June 2007).

## 11. Distribution to shareholders

During the period there were no dividends paid.

## 12. Share Capital

On 1 January 2003 there were 3,310,000 shares on issue which were split 1:1. The offer was a combined 1:2 renounceable rights issue of 3,310,000 shares at \$1.50 and an offer to the public of \$10,000,000 of shares at the final price of \$3.60. As at 30 June 2004 there were 12,685,504 ordinary shares issued and 634,275 Share Scheme Shares issued in trust to the Chief Executive Officer, Mark Weldon and fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. As at 30 June 2004 there were 186,410 Options allotted to staff. The Exercise Price Formula is stated in the Prospectus dated 12 December 2003 and as amended in Memorandum of Amendment dated 19 December 2003. These documents are available free of charge at the companies office website: [www.companies.govt.nz](http://www.companies.govt.nz). The cost of \$0.25 cents per share was incurred in completing the issue. These costs were taken as a reduction of the amount recognised as being generated by the issue. Hence \$1.15 per share has been recognised as a contribution by shareholders.

The balance at 30 June 2004 was the same as at 31 December 2003.



## 12. Share Capital CONTINUED

	PARENT			GROUP		
	JUNE 2004 \$000s	DEC 2003 \$000s	JUNE 2003 \$000s	JUNE 2004 \$000s	DEC 2003 \$000s	JUNE 2003 \$000s
<b>MOVEMENT IN ISSUED CAPITAL</b>						
Balance at beginning of period	16,733	-	-	14,601	-	-
Share issue during the period						
Ordinary Shares	-	14,601	-	-	14,601	-
Executive Share Scheme Shares	-	2,132	-	-	2,132	-
Shares held by subsidiary company	-	-	-	-	[2,132]	-
Balance at end of period	16,733	16,733	-	14,601	14,601	-
<b>MOVEMENT IN RETAINED EARNINGS</b>						
Balance at beginning of period	11,360	8,417	8,417	11,360	8,417	8,417
Surplus for the period	2,106	2,943	584	2,030	2,943	584
Balance at end of period	13,466	11,360	9,001	13,390	11,360	9,001

## 13. Contingent Liabilities

There are no Contingent Liabilities at 30 June 2004 (2003 nil).

## 14. Segmented Reporting

The company and its subsidiary operates within the financial markets industry. All significant operations take place in New Zealand.

## 15. Earnings per share

Earnings per share (cents per share)

PARENT		
SIX MONTHS JUNE 2004	12 MONTHS DEC 2003	SIX MONTHS JUNE 2003
16.59	23.2	-

Earnings per share are calculated by dividing the operating surplus attributable to shareholders by the weighted average number of ordinary shares on issue during the period. Earnings per share for June 2004 is for the 6 month period only.

## 16. Significant events after balance date

There were no significant announcements or events after balance date.

# NZX DIRECTORY OF NEW ZEALAND EXCHANGE LIMITED

## Board of Directors

Simon Allen, Chairman  
Mark Weldon, Chief Executive Officer  
Andrew Harmos  
Lloyd Morrison  
Tim Saunders  
Neil Paviour-Smith

## Executive Management

Geoff Brown, Market Product and Development  
Elaine Campbell, Regulatory and Public Policy  
Chris Corke, Operations and Development  
Rebecca Cottrell, Corporate Counsel  
Carl Daucher, Strategy and Finance  
Melissa Jenner, Marketing and Communications

## Shareholder Inquiries

Shareholders with inquiries about transactions and changes of address should contact New Zealand Exchange Limited's share register, or visit our website at [www.nzx.com](http://www.nzx.com)

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**NZ Toll Free:** 0800 737 100

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