

## NOTES TO THE FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2006

### 1. Statement of Accounting Policies

These interim financial statements have been prepared in accordance with Financial Reporting Standard 24: Interim Financial Statements and generally accepted accounting practice (GAAP). They should be read in conjunction with the New Zealand Exchange Limited's (NZX) 2005 Annual Report.

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. The accounting policies are consistent with those used in the previous years.

### 2. Non-recurring items

Non-recurring items reported include two items. The write down of goodwill from the Sydney Futures Exchange (SFE) contract of \$263,601, and Smartshares Limited non-recurring expenditure of \$43,000. This was related to the purchase of the management rights of the Tortis-Ozzy Fund.

### 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 for early adoption 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 NZ IFRS as they impact on NZX. As the project is not yet completed NZX is unable to quantify the impact on the financial statements but possible treatments are:

#### Income tax

Deferred tax will be calculated using the NZ IFRS balance sheet liability approach rather than the tax effect income statement approach currently used under NZ GAAP. This NZ IFRS approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This is likely to impact the levels of deferred tax assets and liabilities recorded by NZX.

### Goodwill

Goodwill will be subject to an annual impairment test that could give rise to an impairment expense if the assessment of the fair value of the goodwill is lower than its carrying value under NZ IFRS. The current NZX treatment is to amortise goodwill arising on acquisition over the shorter of its estimated useful life or 20 years.

NZX intends to provide further information on the impact of transitioning to NZ IFRS in the next annual financial statements for the year ending 31 December 2006.

### 4. Capital Expenditure Commitments

A capital commitment may arise in relation to the purchase of Agri-Fax Limited. The maximum amount that may be payable under the first earn-out agreement is \$130,000 due on 31 March 2007. At this time a reliable estimate cannot be made since it is unknown if the condition of payment will be met. Therefore no provision has been made in the NZX Group half-year financial statements. Management will continue to monitor this commitment and make a provision when a reliable estimate can be determined.

### 5. Contingent Liabilities

NZX is currently involved in litigation with Bank of New Zealand and Access Brokerage which claim \$5.3 million from NZX and Deloitte. The Directors believe NZX has a good defence to the claims which are being vigorously defended. NZX has insurance cover from AIG for its defence costs and the claim. This is subject to a \$200,000 excess which has been paid and is included as "legal costs" in the NZX Group's financial statements for the year ended 31 December 2005. No further provision is required in the 2006 financial statements.

For a full copy of NZX's Half Year results please visit our website.

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# FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2006

## STATEMENT OF FINANCIAL PERFORMANCE

FOR SIX MONTHS ENDED 30 JUNE 2006

	Group		
	6 months Jun 2006 unaudited \$000	12 months Dec 2005 audited \$000	6 months Jun 2005 unaudited \$000
Operating revenue	10,450	19,437	8,628
Equity accounted earnings of associate	(309)	(34)	(25)
Operating expenses	6,563	12,172	5,821
<b>Operating EBITDA</b>	<b>3,578</b>	<b>7,231</b>	<b>2,782</b>
Non-recurring income/(expenditure)	(306)	(704)	(704)
<b>EBITDA</b>	<b>3,272</b>	<b>6,527</b>	<b>2,078</b>
Interest expense/(income)	(828)	(1,647)	(812)
Depreciation	397	751	333
Amortisation	85	156	95
<b>Surplus before tax</b>	<b>3,618</b>	<b>7,267</b>	<b>2,462</b>
Tax expense	1,443	2,380	985
<b>Surplus after tax</b>	<b>2,175</b>	<b>4,887</b>	<b>1,477</b>

## STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR SIX MONTHS ENDED 30 JUNE 2006

	Group		
	6 months Jun 2006 unaudited \$000	12 months Dec 2005 audited \$000	6 months Jun 2005 unaudited \$000
<b>Surplus for the period</b>	<b>2,175</b>	<b>4,887</b>	<b>1,477</b>
<b>Total recognised revenue &amp; expenditure</b>	<b>2,175</b>	<b>4,887</b>	<b>1,477</b>
Issue of employee restricted share capital	605	1,780	639
Issue of CEO share scheme shares	-	(1,141)	2,132
Dividend payment	(3,381)	(5,398)	(5,112)
Shares held in subsidiary company	-	1,141	(2,771)
<b>Movement in shareholders' funds for the period</b>	<b>(601)</b>	<b>1,269</b>	<b>(3,635)</b>
Shareholders' funds at beginning of period	30,907	29,638	29,638
<b>Shareholders' funds at end of period</b>	<b>30,306</b>	<b>30,907</b>	<b>26,003</b>

## STATEMENT OF FINANCIAL POSITION

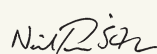
AS AT 30 JUNE 2006

	Group		
	Jun 2006 unaudited \$000	Dec 2005 audited \$000	Jun 2005 unaudited \$000
<b>ASSETS</b>			
Current assets:			
Cash at bank	2,859	1,546	806
Deposits and bonds	14,100	18,100	13,300
Receivables and prepayments	3,168	3,416	2,292
	<b>20,127</b>	<b>23,062</b>	<b>16,398</b>
Non-current assets:			
Advances	421	154	-
Fixed assets	2,184	2,453	2,286
Investments	8,464	8,758	8,808
Deferred tax	433	438	352
	<b>11,502</b>	<b>11,803</b>	<b>11,446</b>
Goodwill	534	808	868
Intangibles	1,141	-	-
<b>Total assets</b>	<b>33,304</b>	<b>35,673</b>	<b>28,712</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Accounts payable and other current liabilities	2,514	4,920	2,608
Provision for taxation	484	(154)	101
	<b>2,998</b>	<b>4,766</b>	<b>2,709</b>
Share capital	16,986	16,381	14,601
Retained earnings	13,320	14,526	11,402
Total shareholders' funds	30,306	30,907	26,003
<b>Total liabilities &amp; shareholders' funds</b>	<b>33,304</b>	<b>35,673</b>	<b>28,712</b>

These financial statements were authorised for release on 27 July 2006.



S C Allen  
Chairman



Neil Paviour-Smith  
Director



M R Weldon  
Chief Executive Officer

## STATEMENT OF CASH FLOWS

FOR SIX MONTHS ENDED 30 JUNE 2006

	Group		
	6 months Jun 2006 unaudited \$000	12 months Dec 2005 audited \$000	6 months Jun 2005 unaudited \$000
Operating cash inflows	9,072	23,484	7,276
Operating cash outflows	7,373	18,081	7,203
<b>Net cash flows from operating activities</b>	<b>1,699</b>	<b>5,403</b>	<b>73</b>
Investing cash inflows	3,971	1,831	6,631
Investing cash outflows	2,314	2,102	1,293
<b>Net cash flows from investing activities</b>	<b>1,657</b>	<b>(271)</b>	<b>5,338</b>
Financing cash inflows	1,339	1,625	320
Financing cash outflows	3,382	5,398	5,112
<b>Net cash flows from financing activities</b>	<b>(2,043)</b>	<b>(3,773)</b>	<b>(4,792)</b>
Net increase in cash held	1,313	1,359	619
Opening cash balance	1,546	187	187
<b>Cash at end of the period</b>	<b>2,859</b>	<b>1,546</b>	<b>806</b>
<b>RECONCILIATION OF SURPLUS FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the period	2,175	4,887	1,477
Add non cash items:			
Depreciation	397	751	333
Write down of SFE Goodwill	264	360	360
Amortisation	85	156	95
Unrealised gain on investment bonds	(16)	63	(23)
Equity accounted earnings of associate (LINK)	309	34	-
	<b>3,214</b>	<b>6,251</b>	<b>2,242</b>
Decrease (increase) in accounts receivable	248	(1,233)	(623)
Decrease (increase) in deferred tax	5	(77)	8
Increase (decrease) in accounts payable	(2,406)	497	(1,774)
Increase (decrease) in provision for tax	638	(35)	220
<b>Net cash flows from operating activities</b>	<b>1,699</b>	<b>5,403</b>	<b>73</b>