



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NZX LIMITED

AGENDA

ANNUAL MEETING – 3:00pm

Notice is given that the ninth Annual Meeting of Shareholders of NZX Limited (“NZX” or “Company”) will be held at the NZX Centre, Level 2, 11 Cable Street, Wellington on Monday 30 April 2012, commencing at 3.00pm.

The agenda for the 2012 NZX Annual Meeting is as follows:

A. CHAIRMAN’S INTRODUCTION AND COMMENTS

B. CHIEF EXECUTIVE’S REVIEW

C. FINANCIAL STATEMENTS

To receive the Annual Report for the 12 months ended 31 December 2011, including the financial statements and the auditors’ report.

D. AUDITORS (RESOLUTION 1)

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That the Board be authorised to determine the auditors’ fees and expenses for the 2012 financial year”.

E. ELECTION OF DIRECTORS (RESOLUTIONS 2 - 4)

In accordance with NZX’s Constitution, Andrew Harnos and Rod Drury (being together one third of the Directors) must retire and, being eligible, offer themselves for reelection.

To elect Alison Gerry, who was appointed a Director by the Board effective 2 February 2012.

Accordingly, to consider and, if thought fit, pass the following as ordinary resolutions:

Resolution 2: To re-elect Andrew Harnos

Resolution 3: To re-elect Rod Drury

Resolution 4: To elect Alison Gerry as Directors of NZX.

(See Explanatory Note 2 for biographical detail)

F. INCREASE IN MAXIMUM LEVEL OF DIRECTORS’ FEES (RESOLUTION 5)

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That the maximum total amount of Directors’ fees payable annually to all Directors taken together be increased by \$60,000 to \$435,000, such sum to be divided among the Directors as the Directors from time to time deem appropriate.”

G. CAPITAL REPAYMENT (RESOLUTION 6)

To consider and, if thought fit, to pass the following as a special resolution:

“That the arrangement relating to the return of capital to shareholders, as set out in the Arrangement Document incorporated in Explanatory Note 4, be approved.”

H. OTHER BUSINESS

To consider any other business that may be properly brought before the meeting.

Proxies

A Proxy Form is included with this Notice of Annual Meeting. Any shareholder of NZX, who is entitled to attend and vote at the Annual Meeting, is entitled to appoint a proxy to attend the Annual Meeting and vote on his or her behalf. A proxy need not be a shareholder of NZX.

To be valid, a completed Proxy Form must be produced to the Company by delivering it to the Company’s registered office or by delivering, posting or faxing it to Link Market Services Limited (see Proxy Form for the address). You can also appoint your proxy online at www.linkmarketservices.com. You will need your holder number and FIN. In all cases your completed Proxy Form must be received no later than **3.00pm on Saturday 28 April 2012**.

Those NZX shareholders who receive their company information electronically may also return their Proxy Form in electronic format to operations@linkmarketservices.com no later than **3.00pm on Saturday 28 April 2012**.

Resolution requirements

An ordinary resolution is a resolution passed by a simple majority of votes of shareholders who are entitled to vote on the resolution and who exercise their right to vote.

A special resolution is a resolution passed by at least 75% of votes of shareholders who are entitled to vote and who exercise their right to vote.

Other means of having your questions answered.

To assist NZX in providing detailed responses to any further questions shareholders may have, shareholders are invited to forward questions to NZX in advance of the Annual Meeting.

Questions should be sent via email to elizabeth.rose@nzx.com no later than **4.30pm on Monday 23 April 2012**. Directors will ensure that any questions or comments submitted will be addressed in the course of the Annual Meeting. Copies of any presentation materials will be available online shortly after the Annual Meeting concludes.

By order of the Board,

ELIZABETH ROSE, ACTING COMPANY SECRETARY | 27 March 2012



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EXPLANATORY NOTES

1. AUDITOR (Resolution 1)

KPMG are automatically reappointed as auditors under section 200 of the Companies Act 1993. Resolution 1 authorises the Board to fix the fees and expenses of the auditors for the current year.

2. DIRECTORS (Resolutions 2-4)

Pursuant to clause 26.1 of the Constitution and NZSX Listing Rule 3.3.11, one third of the Directors must retire by rotation at each annual meeting. Andrew Harmos and Rod Drury retire in accordance with clause 26.2 of the Constitution and each offers himself for re-election.

Alison Gerry was appointed as a Director of NZX by the Board effective 2 February 2012 and, in accordance with clause 25.2 of the Constitution and NZSX Listing Rule 3.3.6 retires and offers herself for election.

Andrew Harmos LLB (Hons), BCom

Andrew Harmos is one of the founding directors of Harmos Horton Lusk Limited, an Auckland-based specialist corporate legal advisory firm. He specialises in takeover advice and structuring, securities offerings, company and asset acquisitions and disposals, strategic and board corporate legal advice. He was appointed a Director of NZX in 2002, and prior to that has held a number of other listed company directorships. He is currently a Director of ASX listed Westfield Retail Trust, Elevation Capital Management Limited, a fund manager, and Pascaro Investments Limited, a rural focused investment company. He is a trustee of the McCahon House Trust and of the New Zealand Arts Foundation.

The Board has determined Mr Harmos to be an Independent Director as defined in the NZSX Listing Rules.

Rod Drury BCA, HFNZCS

Rod Drury is CEO and founder of NZX-listed company Xero Limited, 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 Faculty of Commerce Advisory Board.

The Board has determined Mr Drury to be an Independent Director as defined in the NZSX Listing Rules.

Alison Gerry

BMgmt Studies, Masters of Applied Finance

Alison Gerry has over 20 years' experience working in finance and treasury for both corporates and for financial institutions including Macquarie and HSBC. From 1999 to 2005, Alison was Group Treasurer for Lion Nathan, based in Sydney. Prior to that, she worked for various financial institutions in Sydney, Hong Kong, Tokyo and London, primarily in trading, finance and risk roles. In addition, Alison worked in 2006 and 2007 as part of a three-person team to establish The Rice Fund - a charitable organisation set up by the Hedge Fund Industry in Asia, focusing on children and education. Alison was a visiting fellow at the Applied Finance Centre of Macquarie University for 12 years until 2011, during which time she also undertook various strategic treasury consultancy projects for New Zealand and Australian based corporates. Alison is also a Director of Kiwibank, TVNZ, Queenstown Airport Corporation and Pioneer Generation.

Alison Gerry was appointed by the Board effective 2 February 2012.

The Board has determined Ms Gerry to be an Independent Director as defined in the NZSX Listing Rules.

3. INCREASE IN MAXIMUM LEVEL OF DIRECTORS FEES (Resolution 5)

The Board proposes to increase the total maximum amount of annual Directors' fees by \$60,000 to \$435,000.

There are currently six non-Executive Directors and one Executive Director on the Board. Only non-Executive Directors are paid Directors fees and no committee fees are paid. While the currently approved annual remuneration of all Directors taken together is \$375,000 (approved at the 2005 annual meeting), the annual sum paid has remained at \$350,000 pa and this is not expected to be increased in the current year.

Shareholders should note that NZX is seeking approval for an aggregate amount payable for all Directors taken together. If NZX were to increase the number of the Directors NZX may, under NZSX Listing Rule 3.5.1, without further authorisation of Shareholders, increase the total amount of Directors' fees by such amount as is necessary to enable a new Director to receive remuneration not exceeding the average amount paid to each of the other existing non-Executive Directors (other than the Chairman). However, as a matter of governance, the Board would prefer to have the total level of fees payable formally approved by shareholders.

The proposed increase also recognises that it has been seven years since Directors' fees were last increased and that NZX has grown significantly in that time. An increase in the total maximum amount also provides headroom for special work.

Under NZSX Listing Rule 9.3.1, the Directors and their Associated Persons, who hold shares in the Company are disqualified from voting or acting as a discretionary proxy on this resolution. However, a Director, or an Associated Person of a Director who is appointed as a proxy by a non-associated shareholder may vote on this resolution in accordance with that shareholder's express instructions.



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4. CAPITAL REPAYMENT (INCORPORATING THE ARRANGEMENT DOCUMENT) [Resolution 6]

1. Introduction

- 1.1 On 20 February 2012, the Company announced that, subject to the approval of shareholders, it would undertake a capital repayment to distribute surplus capital to shareholders by way of a pro rata share buyback and cancellation pursuant to a scheme of arrangement. The Company proposes to return to holders of ordinary shares, on a pro rata basis, approximately \$34.4 million (this figure is approximate because it is subject to rounding of fractions of shares). In conjunction with this return of capital to shareholders, the Company will also, immediately following the cancellation, undertake a "seven-for-three" share split ("Share Split").
- 1.2 The capital repayment will be primarily funded by the proceeds of the Company's shareholding in Markit, being US\$21.4 million. The balance of approximately \$8.8 million (depending on exchange rates) will be funded from available cash resources, including by recourse to the Company's debt facilities. The result of the reduction in equity combined with the partial debt funding of the payment will be an increase in the debt to equity ratio, which the Company considers is appropriate as the cost of debt to the Company is significantly less than the cost of capital.
- 1.3 The Board has determined that this return of capital should be effected by way of a Court-approved arrangement under Part XV of the Companies Act 1993 ("Arrangement"). Such an Arrangement is fair to all shareholders as it achieves a return of capital on a pro rata basis, leaving the relative voting and distribution rights of all shareholders unaffected.
- 1.4 The Company has applied to the High Court of New Zealand for an order directing the Company to put the Arrangement to shareholders. The Court ordered in March 2012 that approval by special resolution of ordinary shareholders (that is, a resolution passed by a 75% majority of the votes of all ordinary shareholders entitled to vote and voting at the meeting) is required. Accordingly, the Arrangement will be put to shareholders for approval by a special resolution at the Company's Annual Meeting. If the resolution is passed, the Company will seek a final order from the High Court sanctioning the return of capital.

2. The Arrangement and its effect

- 2.1 Subject to approval by holders of ordinary shares, and receipt of a final order from the High Court sanctioning the return of capital, the Arrangement will result in:
 - (a) the cancellation of one in every ten shares held by each shareholder in the Company (together with all rights attaching to those shares). Fractions of a share will be rounded up or down to the nearest whole number (with half a share being rounded up); and
 - (b) the payment to each holder of ordinary shares of \$2.85 for each share cancelled, or approximately \$0.285 per share held prior to cancellation.

In this way, the Company will return to holders of ordinary shares, on a pro rata basis, approximately \$34.4 million of capital. On the

Record Date (as defined in paragraph 2.4 below) there are expected to be 120,836,530 ordinary shares on issue. Based on this number, 12,083,653 ordinary shares will be cancelled. This will leave the total number of ordinary shares on issue at approximately 108,752,877. The Company will also cancel one in ten shares issued under the Company's various share schemes. This is further explained in section 7.

- 2.2 As explained further in section 3, the Company has requested confirmation from the New Zealand Commissioner of Inland Revenue ("IRD") that the distribution is not in lieu of a dividend payment. If this confirmation is not obtained, the resolution to approve the Arrangement will not be put to shareholders, or if put prior to receipt of advice from the IRD, will not be implemented if the confirmation is ultimately not provided.
- 2.3 Subject to the approval of the holders of ordinary shares, the final order from the High Court sanctioning the Arrangement is expected to be made in May 2012.
- 2.4 The share register will close at 5:00 pm on the first Friday following the 10th Business Day after the date on which the final order from the High Court sanctioning the Arrangement is made ("Record Date"). This will be for the purpose of determining the number of shares to be cancelled and the amount to be returned to all those shareholders whose names appear in the share register at that time.
- 2.5 Payment to shareholders will be made by cheque or, in the case of those shareholders who have previously provided bank account details to the Company, by direct credit. Cheques will be posted, or direct credits made, within 10 Business Days of the Record Date. At the same time, each shareholder will be issued with a new shareholding statement showing the new number of shares held following the cancellation of shares. Both the payment to shareholders and the provision of a new shareholding statement will be undertaken by Link Market Services Limited.
- 2.6 The timetable for the proposed Arrangement is set out in the table below.

Event	Date
Annual meeting of shareholders	Monday, 30 April 2012
Final orders made by High Court *	Thursday, 10 May 2012
Record Date *	Friday, 25 May 2012
Payment to shareholders *	By Friday, 1 June 2012

* The dates above are indicative only, as final Court orders may not have been made by 10 May 2012. In any event, the Record Date will be the first Friday following the 10th Business Day after the date on which the final order from the High Court sanctioning the Arrangement is made, and payment will be made to shareholders within 10 Business Days after the Record Date.

3. Taxation

- 3.1 The Company has requested from the New Zealand Commissioner of Inland Revenue confirmation that the Commissioner is satisfied that the amount that will be paid (approximately \$34.4 million) to shareholders on the share cancellation is not in lieu of the payment of dividends under section CD22(8) of the Income Tax Act 2007.



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- 3.2 To the extent that the amount to be returned to holders of ordinary shares is less than or equal to the Company's available subscribed capital, it will be treated as a return of capital and not as a taxable distribution for New Zealand income tax purposes. The Company's available subscribed capital is approximately \$21.7 million (approximately \$1.80 per ordinary share).
- 3.3 The amount in excess of the Company's available subscribed capital of approximately \$12.7 million (approximately \$1.05 per ordinary share) will be treated as a taxable distribution for New Zealand income tax purposes and imputation credits will be attached. Where applicable, tax will be withheld.
- 3.4 Notwithstanding this, amounts distributed to shareholders in accordance with the Arrangement may still be taxable in the following circumstances:
- where gains arise to a shareholder and the shareholder is a share dealer; or
 - where gains arise to a shareholder and the shares were acquired for the purpose of resale; or
 - where gains arise to a shareholder and the gains are derived from a profit-making undertaking or scheme.
- 3.5 Shareholders, including in particular those resident outside New Zealand, should obtain independent taxation advice in respect of the effect on their individual tax position.

4. Rationale for the return of capital

- 4.1 The Board has conducted a review of the Company's capital position. NZX has minimal interest bearing debt and has capital surplus to its current and reasonably foreseeable requirements. Given these factors, the Board has concluded that the return of surplus funds to shareholders is appropriate.
- 4.2 In the event that IRD confirmation is not obtained or shareholders do not approve the Arrangement, the Board will reconsider options for the use of the surplus capital.
- 4.3 The rationale for the share split is to encourage retail participation and liquidity.

5. Financial impact of the return of capital

- 5.1 The impact of the return of capital on the Company's balance sheet can be illustrated as follows:

As at 31 December 2011	Actual (\$millions)	Adjusted to show effect of return of capital (\$millions)
Total assets	89.268	63.599
Financed by:		
Shareholders' equity	67.351	32.912
Term liabilities	3.443	3.443
Current liabilities	18.474	27.244
Total equity and liabilities	89.268	63.599

6. Effect on shareholders

- 6.1 The Arrangement involves the Company's shareholders having one share cancelled for every ten shares held, and receiving a cash sum of \$2.85 for each share cancelled. That is, shareholders will effectively receive approximately \$0.285¹ for each share held before cancellation. Fractions of a share will be rounded up or down to the nearest whole number (with half a share being rounded up).
- 6.2 An example of its effect for a shareholder holding 10,000 shares is set out below.

Note: references to share prices are for illustrative purposes only.

	Before	After
Shares held	10,000	9,000
Share price before repayment (say, \$2.80)	\$28,000	-
Share price after repayment (now estimated at \$2.79)		\$25,150
Plus cash received (\$2.85 for 1000 shares)	-	\$2,850 ²
Value to shareholder	\$28,000 (Shares only)	\$28,000 (Cash and shares)
Percentage ownership	.0083%	.0083%

The proposed "seven-for-three" Share Split immediately following the cancellation will have the following impact.

Note: references to share prices are for illustrative purposes only.

	Before	After
Shares held	9,000	21,000
Share price (estimate)	\$2.79	\$1.20
Share value	\$25,150	\$25,150
Percentage ownership	.0083%	.0083%

- 6.3 Overall, shareholders should therefore be in the same financial position before and after the capital repayment and share split, subject to applicable taxes. The difference is that following the repayment each shareholder's value will be represented by the value of his or her remaining shares plus the cash returned.
- 6.4 Directors of the Company and associated persons of Directors who beneficially own shares in the Company will participate in the return of capital in exactly the same way as all other ordinary shareholders of the Company. The number of shares in which Directors and/or their associated persons have relevant interests as at 15 March 2012, and the dollar amounts they will receive if their holdings do not change prior to the Record Date, are noted below.

¹ Taxes may be withheld from this amount.

² Taxes may be withheld from this amount.



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Shares held by Directors and/or their Associated Persons

	Number of shares held legally and/or beneficially	\$ Received through Capital Repayment ³
A W Harmos	184,724	52,645
N Paviour-Smith	238,145	67,873
M R Weldon	4,887,600	1,392,966
Associated person (Tane Nominees Limited)	147,442 ⁴	-
A Gerry	-	-
J Miller	19,087	5,441
C Moller	29,800	8,493
R Drury	-	-

Directors and/or their Associated Persons are entitled to vote on Resolution 6.

7. Share Scheme Shares

7.1 NZX Limited Employee Share Plan – Team and Results

7.1.1 Under the NZX Limited Employee Share Plan – Team and Results (“Employee Share Plan”), the Company has issued restricted shares (“Employee Share Plan Shares”) to NZX Executive Share Plan Nominees Limited for it to hold on trust for participants in the Employee Share Plan until such time as the Employee Share Plan Shares vest and are transferred to the participant pursuant to the terms of the Employee Share Plan. Employee Share Plan Shares qualify if certain transfer conditions are met. If Employee Share Plan Shares qualify they become classified as ordinary shares and title is transferred from NZX Executive Share Plan Nominees Limited to the participant.

7.1.2 On the Record Date, NZX Executive Share Plan Nominees Limited is expected to hold 993,848⁵ Employee Share Plan Shares on trust for the relevant participants.

7.1.3 The Arrangement will result in the cancellation of one in ten Employee Share Plan Shares held by NZX Executive Share Plan Nominees Limited. No payment will be required to be made by the Company for any Employee Share Plan Shares cancelled under the Arrangement unless and until the relevant Employee Share Plan Shares vest and are transferred to the participant.

7.1.4 Following the vesting of Employee Share Plan Shares, the Company will be required to pay to the participant, in respect of the Employee Share Plan Shares that were cancelled under the Arrangement, an amount equivalent to the consideration paid for an equivalent number of ordinary shares.

7.1.5 The Employee Share Plan Shares constitute a separate class of shares from the ordinary shares of the Company. The Employee Share Plan Shares do not confer any voting rights on either the participant or the nominee. Participants are entitled to vote their ordinary shares (i.e. any ordinary shares held by a participant that are not Employee Share Plan Shares) on the special resolution put to ordinary shareholders.

7.2 Country-Wide Publications Limited Scheme

7.2.1 In part satisfaction of the purchase price of the business assets of Country-Wide Publications Limited the Company issued 65,276 non-participating convertible redeemable shares (“CPL Shares”) to NZX CPL Nominee Limited on 23 June 2009, to hold on trust for the vendor, Country-Wide Publications Limited, until such time as the CPL Shares vest and convert into ordinary shares in the Company (“CPL Scheme”).

7.2.2 On the Record Date, NZX CPL Nominee Limited is expected to hold 135,084⁶ CPL Shares on trust for the vendor.

7.2.3 The Arrangement will result in the cancellation of one in ten CPL Shares held by NZX CPL Nominee. No payment will be required to be made by the Company for any CPL Shares cancelled under the Arrangement unless and until the relevant CPL Shares vest and legal title to the ordinary shares in the Company is transferred to the vendor.

7.2.4 Following vesting of the CPL Shares, the Company will be required to pay to the vendor, in respect of CPL Shares that were cancelled under the Arrangement, an amount equivalent to the consideration paid for an equivalent number of ordinary shares.

7.2.5 The CPL Shares constitute a separate class of shares from the ordinary shares of the Company. The CPL Shares do not confer any voting rights on either the vendor or the nominee. The vendor is entitled to vote its ordinary shares (i.e. any ordinary shares held by the vendor that are not CPL shares) on the special resolution put to ordinary shareholders.

³ Taxes may be withheld from these amounts.

⁴ These shares are related entitlements of CEO Share Scheme Shares. As at 15 March 2012, the 147,442 shares have not qualified and will be sold or otherwise dealt with for the benefit of NZX.

⁵ Following various redemptions under the terms of the Employee Share Plan. In addition, NZX anticipates making further offers under the terms of the Employee Share Plan before the Record Date; the maximum dollar amount of the shares that will be offered is \$704,888.

⁶ Following a share split in 2009 and subsequent redemption under the terms of the CPL Scheme.



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8. Further information

- 8.1 Shareholders who have any questions about the effect of the Arrangement on their investment should consult their financial advisers.
- 8.2 Copies of the Court documents filed in relation to the Arrangement are available on the website www.nzxgroup.com/documents. Printed copies of the Court documents will also be made available to shareholders on request to Francesca Brown, Bell Gully, PO Box 1291, Wellington 6140.
- 8.3 The Company will file the final Court documents in support of final orders within 48 hours of the Meeting. These will be able to be accessed as above at 8.2. Any shareholder who wishes to oppose the application for final orders must file a notice and affidavits in opposition within seven days of the Company filing its final Court documents. Copies of the opposition papers should also be served on the Company. The Company will then have seven days to reply to that opposition. The hearing of the application for final orders will occur either approximately two weeks after the Meeting (if there is no opposition) or approximately four weeks after the Meeting (if there is opposition).

ARRANGEMENT DOCUMENT

ARRANGEMENT PURSUANT TO PART XV OF THE COMPANIES ACT 1993

BETWEEN: NZX Limited and the holders of shares in NZX Limited

1. Interpretation

- 1.1 In this document, unless the context otherwise requires:
 - "Business Day" means a day on which the stock exchange operated by NZX is open for trading;
 - "NZX" means NZX Limited;
 - "Record Date" means the first Friday which is a Business Day following the 10th Business Day after the date on which the final order from the High Court of New Zealand is made pursuant to section 236(1) of the Companies Act 1993 sanctioning the Arrangement;
 - "Scheme" means NZX's share schemes, including the NZX Limited Employee Share Scheme – Team and Results, and the Country-Wide Publications Limited Scheme;
 - "Share" means an ordinary share in NZX or a Share Scheme Share;
 - "Share Scheme Share" means a share issued pursuant to a Scheme.

2. Arrangement

- 2.1 One Share for every ten Shares registered in the name of each shareholder at 5.00pm on the Record Date shall be cancelled (together with all the rights attaching to those Shares). For this purpose fractions of a Share shall be rounded up or down to the nearest whole Share (and half of a Share shall be rounded up).
- 2.2 Within 10 Business Days after the Record Date, NZX shall pay to each holder of ordinary shares approximately \$2.85 for each ordinary share registered in the name of the shareholder which has been cancelled in accordance with clause 2.1.
- 2.3 No payment shall be made by NZX under the Arrangement in respect of Share Scheme Shares cancelled in accordance with clause 2.1. However, a payment may subsequently be made pursuant to the terms of the Scheme.