



Guidance Note

NXT Disclosure Framework

February 2015



The purpose of this guidance note is to provide guidance to NXT companies on their disclosure obligations under the NXT Market Rules. This guidance includes information on the obligation to immediately release an interim update upon becoming aware of a prescribed list of matters, along with the periodic disclosures required by the NXT Market Rules.

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This guidance note relates to the disclosure framework of the NXT Market. NXT companies should note that this guidance note is not intended to be a definitive statement of the application of the NXT Market Rules in every situation, and is only a guide to NZX's policy and practices. This guidance note does not limit NZX's discretion under the NXT Market Rules. This guidance note reflects the NXT Market Rules and law as at February 2015 which are subject to change. NZX takes no responsibility for any error contained in this guidance note. NZX may replace guidance notes at any time and you should ensure that you have the most recent version of this guidance note by checking the NXT Market website at nxt.co.nz



1. Introduction

NXT has been designed as a simple platform to provide access to capital for small to mid-sized businesses, and to allow investors the ability to gain exposure to growing New Zealand companies. One of the key features of the NXT market is that NXT companies will be subject to prescribed disclosure provisions that differ from the continuous disclosure obligations contained in the rules of NZX's other securities markets.

The prescribed disclosure provisions are designed to:

- take account of the needs of small and mid-sized enterprises for predictable and lower cost disclosure requirements; and
- take account of the needs of investors for regular and understandable information that assists them to effectively monitor the performance of NXT companies.

The purpose of this guidance note is to provide guidance to NXT companies and their advisors, as to NZX's expectations in relation to compliance with the prescribed disclosure provisions that apply to NXT. The prescribed disclosure provisions are contained in the NXT Market Rules ("rules"), and this guidance does not replace the obligations set out in those rules.

Appendix 1 to this guidance note sets out the interim update requirements contained in rule 50 and Schedule 5A of the rules.

Appendix 2 to this guidance note provides some working examples to demonstrate the operation of the disclosure rules in practice.

2. Interim updates

Interim updates are required following the occurrence of pre-determined, clearly defined significant events. A NXT company must immediately release an interim update if it becomes aware of any matter set out in Schedule 5A of the rules, or if it is otherwise required to release information to the market by any law, court order, or regulatory or governmental agency.

NZX considers that the matters set out in Schedule 5A are bright-line tests, such that it will be simple for a NXT company to determine whether an event set out in Schedule 5A has occurred and whether disclosure is therefore required. Due to the nature of these tests, incomplete proposals or negotiations and matters of supposition are not required to be disclosed. This section provides guidance in relation to the obligation to immediately release an interim update, which is contained in rule 50.

2.1 When does a NXT company become aware of a matter?

Rule 50 provides that a NXT company becomes aware of a matter at the time the matter becomes known to a director or senior manager of the NXT company.

NZX expects NXT companies to develop systems and processes to ensure that when an event occurs that triggers the requirement to release an interim update, it is promptly identified and an interim update is released.

2.2 What does "immediately" mean?

If an interim update is required to be released to the market, it must be released immediately. NZX Regulation ("NZXR") considers that "immediately" means "promptly and without delay". NZX acknowledges that how promptly an interim update can be provided will depend on:

- The nature, amount and complexity of the information concerned;
- Where the information originated from and whether the information needs to be checked or verified; and
- How long it takes a NXT company to draft an interim update, including to ensure the interim update is complete, accurate and not misleading.

NXT companies need to have appropriate systems and procedures in place to meet their disclosure obligations. Refer to 'Processes for compliance' in section 8 below for information about compliance processes.

A NXT company is required to immediately release an interim update in the circumstances set out in rule 50. However, in some situations, a NXT company may need to request a trading halt under rule 85 until such time as an interim update can be prepared and released, such as when an unexpected event occurs (for example, where a NXT company is served with a claim that triggers paragraph 4 of Schedule 5A). Guidance about how to apply for a trading halt is contained in NXT Guidance Note – Trading Halts and Suspensions which is available on the NXT website.

2.3 Release of information outside of NZX hours

NXT companies are required to release an interim update immediately, however in some situations this may fall outside of NZX's operating hours. Where there is a need for a NXT company to release an interim update to the public outside of NZX's operating hours, the NXT company must provide the announcement to NZX at the same time as it is released publicly, or as soon as reasonably practicable, to ensure that it can be released by NZX prior to market open.

The fact that a public announcement is made outside of NZX's operating hours in these circumstances would not generally be a concern to NZXR, provided that the announcement is provided to NZX prior to market open on the following trading day.

2.4 Nature of Disclosure

Where an interim update is required to be released to the market, rule 50 requires the NXT company to release details of the matter and the expected impact of the matter on the NXT company.

2.5 Interim updates relating to key operating milestones and targets

1. Performance against a target will vary, or is likely to vary, by more than 10%

If a NXT company becomes aware that its or its group's operational performance against an annual target will vary, or is likely to vary, by more than 10%, it must immediately release an interim update to the market, in accordance with paragraph 9 of Schedule 5A to the rules. NZX's view is that "likely to vary" should be interpreted as meaning that a variance of more than 10% is more likely than not.

The 10% variance is in respect of the financial year-end target. NXT companies should take all relevant factors into account (for example, seasonality and other business factors) when considering whether there is, or is likely to be, a variance of more than 10% from an annual target at the end of the financial year.

To ensure compliance with the rules, NXT companies should have a process in place to ensure that they monitor and review performance against annual targets on a regular basis. Such a process should ensure that a NXT company is in a position to make an immediate

announcement to the market if it becomes aware that its performance against an annual target will vary, or is likely to vary, by more than 10%.

The interim update must contain the details of the variance and the expected implications of the variance for the NXT company and its group. NZX recommends the interim update include commentary regarding the extent to which the NXT company expects to miss the annual target, and the reasons for the variance.

Sub-section 3.2 of the Guidance Note – Key Operating Milestones, provides further guidance to NXT companies in relation to reporting variances from targets. Further information about resetting targets is also set out in the Guidance Note – Key Operating Milestones at sub-section 4.1.

2. Key operating milestones no longer meet the NXT standard

A NXT company must have key operating milestones (“**KOMs**”) that taken together address the most significant factors by which the performance of the NXT company’s or group’s business should be assessed and monitored and will result in understandable reporting for investors (“**NXT standard**”).

If a NXT company’s directors cease to hold the opinion that the NXT company’s KOMs meet the NXT standard (including following an annual review), the NXT company must immediately release an interim update to the market, in accordance with paragraph 8 of Schedule 5A to the rules.

An interim update released under paragraph 8 of Schedule 5A should:

- state that the NXT company’s directors have ceased to hold the opinion that the NXT company’s KOMs meet the NXT standard;
- explain the reasons why the KOMs no longer meet the NXT standard;
- explain the impact on the NXT company and the NXT company’s group of the KOMs no longer meeting the NXT standard; and
- set out a proposed timeline for providing the restated KOMs to the market, including when the next business update is due to be released.

After releasing an interim update, a NXT company must restate its KOMs following the process set out in rule 45. Further guidance as to the restatement of key operating milestones is included in sub-section 4.2 of the Guidance Note – Key Operating Milestones.

The next business update to be released under rule 49 must also include certain information relating to the restatement of a NXT company’s KOMs (refer to sub-section 4.4 of this guidance note).

3. Obligation to correct false or misleading information

If the market in shares or rights in a NXT company is materially influenced by false or misleading information available to the market that has been sourced:

- from the NXT company or an associated person of the NXT company; or
- in circumstances that gives the information substantial credibility,

the NXT company must release information to correct the false or misleading information (to the extent necessary) (refer to rule 51).

NZXR considers that whether information has substantial credibility will need to be assessed on a case by case basis. Information sourced from members of the media, and in particular the financial media, may have substantial credibility. The credibility of information may depend upon who is being quoted, and the specificity of the information. NZXR would not consider mere speculation that has been disseminated by the media without being linked to a credible source to have substantial credibility for the purposes of the rule.

The intention of rule 51 is that the duty to correct false information in the market is limited so that parties cannot force information out of a NXT company simply by generating a false rumour. The market's interest in requiring correction of false rumours is intended to be limited to those which are of a reasonably specific nature and from a source which lends substantial credibility to them.

The following are suggested responses for compliance with rule 51:

- The NXT company responds, via standard language that “[*Name of NXT company*] is in full compliance with its disclosure obligations under the NXT Market Rules”.
- If further clarification is needed, the NXT company should approach NZXR with additional information for NZXR to review. If approached, NZXR may consider making a statement as to whether, on the basis of the information provided, it considers that the NXT company has complied with the rules.
- Alternatively, the NXT company may release such clarification to the market as is appropriate.
- If necessary, the NXT company may request a trading halt under rule 82 to prevent the development of a false market.

While rule 51 only requires NXT companies to provide an interim announcement in circumstances where the information is false or misleading, NXT companies should also consider whether it is appropriate to make an announcement confirming that the information is true, in order to ensure that the market is trading on an orderly and equally informed basis.

Where the trading behaviour in relation to a NXT company's securities does not appear to be linked to information available to the market, NZX may apply a halt so that enquiries can be made of the NXT company to determine the reasons for the trading behaviour and whether an interim update is required to be released under rule 51.

4. Business Updates

In this section, guidance is provided in relation to the obligation contained in rule 49 of the rules to provide a quarterly business update.

4.1 Form of Business Update

NXT companies must follow the format set out in the template for rule 49 when providing a business update to the market. NXT companies are not expected to include any inapplicable matter set out in that template. NXT companies are not precluded from including additional information in a business update, and if additional information is to be included this should be set out in section 6 under the heading “Other information”.

4.2 General Commentary

Section 1 of the template requires NXT companies to provide a general commentary and review for the past quarter, which must include a description of any major changes or developments that have or will have a key effect on the NXT company's and / or the group's business, or stated strategy and plans.

NZX expects the general commentary to be broader than the report against the KOMs, required by the subsequent sections of the template. For example, the commentary may include new additional matters that have arisen over the past quarter that would not impact on the previously identified milestones, and may include a description of matters that have not yet had an impact on the NXT company's performance against a target but are likely to do so.

NZX does not expect the general commentary to describe matters that affect NXT companies or issuers generally, but that the commentary should include matters that relate to the particular NXT company or its group.

4.3 Performance against KOMs

Guidance as to how targets should be reported against in the business update is provided in sub-section 3.1 of the Guidance Note – Key Operating Milestones.

4.4 Restating key operating milestones and resetting targets

1. Key operating milestones

As explained above, a NXT company must immediately release an interim update if the directors cease to hold the opinion that the KOMs meet the NXT standard.

A NXT company must also restate its KOMs in accordance with rule 45:

If at any time (including following a review as required by rule 44), the directors of a NXT company cease to hold the opinion that the NXT company's key operating milestones meet the NXT standard, then the NXT company must as soon as reasonably practicable:

- (a) consult with its NXT Advisor (if any) in relation to the restatement of the key operating milestones; and
- (b) restate key operating milestones that meet the NXT standard and that have been approved by NZX; and
- (c) set an annual target in respect of each key operating milestone.

Restated KOMs and targets must be released together with a certificate by the directors of the NXT company that the KOMs meet the NXT standard. The form of the directors' certificate is as follows:

In the directors' opinion, [name of NXT company]'s key operating milestones, taken together, address the most significant factors by which the performance of [NXT company]'s or [NXT company]'s group's business should be assessed and monitored and will result in understandable reporting for investors and therefore meet the NXT standard.

The restated KOMs and targets and the directors' certificate must be released no later than in the next business update required to be released under rule 49 following restatement of the KOMs, or may be released earlier, with the annual targets released under rule 43.

The business update must also:

- disclose the restated KOMs and a target for performance in respect of each of the KOMs;
- report against the target for its restated KOMs in respect of the period ending on the most recently completed quarter;
- include a certificate by the directors that the KOMs meet the NXT standard; and
- explain how the restated KOMs meet the NXT standard by reference to the NXT company's key strategy and plans for generating returns to its shareholders. A NXT company may wish to include in the commentary a cross-reference to the general commentary included in section 1 of the business update.

Further information about restating KOMs is provided in sub-section 4.2 of the Guidance Note – Key Operating Milestones.

2. Targets

A NXT company may only reset a target if it becomes aware that its or its group's operational performance against the target will vary, or is likely to vary, by more than 10% or after it has completed the annual review of its targets or as a result of restating its KOMs. NZX's approval is not required to reset a target.

If a NXT company decides to reset a target, it must provide the reset target to the market in the next quarterly business update, and report against the reset target in that business update and the business updates that follow.

If a NXT company elects to reset a target, it must include the information set out in section 4 of the business update template, which includes commentary as to the reasons for the reset of the targets. Further information in relation to reporting against reset targets in a business update is included in the Guidance Note – Key Operating Milestones.

4.5 Consequences of a late filing of a business update

A NXT company is required to release a business update within 20 business days after the end of each quarter. Rule 82 sets out the circumstances in which NZX may suspend trading in a NXT company's shares or rights. NZX will suspend a NXT company who has not filed a business update as required by rule 49 within 5 business days of the date release was required, unless NZX determines that suspension is not required either for the protection of investors, or to maintain the integrity and reputation of NXT.

5. Financial and Ongoing Reporting

5.1 Financial reporting

NXT companies are required to provide the market with periodic financial information, in addition to the quarterly business updates.

Rule 52 requires a NXT company to provide a half year and full year preliminary announcement within 2 months of the end of the half year or full year, respectively, and no later than the release of the half year or annual report. A reporting calendar for the half year and full year preliminary announcement is available on the NXT website. Schedule 5B of the rules sets out the content requirements for a preliminary announcement.

A NXT company must also release an annual report to shareholders and the market within 3 months of its balance date, in accordance with rule 53. The content requirements for an annual report are set out in Schedule 5C of the rules.

Under rule 54, a NXT company must also release to the market and to shareholders a half year report within 3 months of its half year end that meets the content requirements of Schedule 5D of the rules.

5.2 Ongoing reporting – capital changes and corporate actions

1. Capital changes

When a NXT company issues, redeems or acquires equity securities (or securities convertible into equity securities), the NXT company must release a notice to the market immediately after the issue, redemption or acquisition (refer to rule 56). The notice must be in the form set out in the template for rule 56. The template for rule 56 includes instructions as to how the notice should be completed. Where a NXT company transfers treasury stock (as that process is set out in the Companies Act 1993), NZX will regard this as a new issue and a notice must be released to the market.

2. Corporate actions

A NXT company must also release a notice of any corporate action to the market in accordance with rule 57. The notice must be in the form set out in the template for rule 57. A corporate action is any action in respect of shares including a distribution, rights offer, bonus issue, conversion, consolidation, subdivision, acquisition, redemption, scheme of arrangement, amalgamation or other benefit.

The timetable requirement for providing a corporate actions notice in relation to a rights offer or a share purchase plan are set out in the procedure for rule 57 (and included as instructions in the template for rule 57). For other corporate actions, a notice must be released to the market no later than 5 business days prior to the record date for the corporate action.

NZX has developed two templates for corporate action notices. A notice of dividend must be used in relation to the announcement of a dividend, whereas a notice of corporate action must be used for all other corporate actions.

6. Research

NZX will engage a research provider to provide research coverage on NXT companies. NZX will release research reports relating to a NXT company on that NXT company's webpage on the NXT website. Research relating to a NXT company will be denoted by the code "RESEARCH" on the NXT website.

7. General requirements for market releases

Rule 58 and the template for rule 58 contain the requirements for all market releases made by a NXT company. In particular, all market releases must be attributed to a senior manager or director of the NXT company.

If a NXT company is required to make disclosure under the rules, it must not publish that information publicly (including to the media or any other exchange on which the NXT company's securities are quoted) until after NZX has confirmed that the information has been released (refer to rule 58).

To avoid a breach of rule 58, directors and officers of NXT companies should be particularly careful about what they say when speaking publicly about the NXT company. They should only talk about information that has already been disclosed, or information that does not require disclosure under the rules.

Announcements are required to be made to NZX via the NXT website. NXT companies must ensure that they release all announcements in accordance with the terms of the electronic reporting systems agreement. Company announcements are collected centrally and distributed to the market via the NXT website. Traders have access to the information provided via the NXT website to allow them to re-price bids or offers as a consequence of an announcement.

NXT companies should note the powers of NZX set out in rules 59 and 60, that NZX may decline to release information that is false, misleading, defamatory, omits required information or breaches any rule or law. NZX may also require a NXT company to amend an announcement prior to releasing the announcement to the market.

8. Processes for compliance

NXT companies must have systems and processes in place to ensure that they meet the disclosure obligations set out in the rules. NXT companies should consult with their NXT Advisor in relation to these processes prior to listing to ensure that they are appropriate. In particular, NZX expects NXT companies to have process in place to:

- ensure matters that require an interim update are identified and provided to the market;
- consider internal management information to measure the NXT company's performance against its KOMs and targets;
- identify where a NXT company's performance against a target will or will be likely to vary by more than 10%;
- respond to sudden or unexpected events in a timely manner;
- ensure that issues and incidents are appropriately escalated to ensure that disclosure obligations are being considered by responsible individuals;
- establish a process for discussing matters relating to interim updates and other disclosure matters with its NXT Advisor;
- identify directors and senior managers who have responsibility to agree and sign off interim updates;
- identify individuals who have responsibility for discussing disclosure matters with NZX (i.e. individuals who have sufficient knowledge of the business and sufficient authority to agree the release of an announcement or to request a trading halt where necessary);
- identify to NZX, any person who is external to the NXT company (for example: the NXT company's external legal counsel or NXT Advisor) who has authority to discuss disclosure matters or request trading halts;

- prepare draft announcements in advance of Board meetings or other planned events, such as entering into agreements; and
- ensure appropriate Board oversight of the NXT company's compliance with its disclosure obligations.

9. Price enquiries

NZXR will from time to time make formal price enquiries of issuers if trading prices or volumes move significantly, to confirm whether the NXT company considers that an interim update is necessary.

There is not one automatic trigger that would result in a price enquiry being issued. Instead, NZX will consider all relevant factors and, if NZX considers it appropriate, will issue a price enquiry. Where NZX does make a price enquiry, it will be released to the market along with the NXT company's response.

10. Contact us

If you have any questions on the matters in this guidance note, please contact NZXR at regulation@nzx.com

Appendix 1: NXT Market Rule 50 and Schedule 5A

Rule 50

If a **NXT company** becomes aware of any matter set out in Schedule 5A (Interim Update) or if a **NXT company** or any of its **subsidiaries** is required to release information to the market by any law or by any court, regulatory or governmental agency with power to compel it to do so, the **NXT company** must immediately **release** details of the matter and the expected impact of that matter on the **NXT company** and its **group**. A **NXT company** becomes aware of a matter for the purposes of this **rule** at the time the matter becomes known to a **director** or **senior manager** of the **NXT company**. Nothing in these **rules** limits the information that may be **released**.

Schedule 5A – Interim Update

If a **NXT company** becomes aware of any of the following, the **NXT company** must immediately **release** an interim update under **rule 50** containing details of the matter and the expected impact of the matter on the **NXT company** and its **group**. A **NXT company** becomes aware of a matter for the purposes of **rule 50** at the time the matter becomes known to a **director** or **senior manager** of the **NXT company**.

1. The appointment of receivers, liquidators or statutory managers in respect of the **NXT company** or any of its **holding companies** or **subsidiaries**;
2. The result of any vote at a shareholders' meeting;
3. A breach by the **NXT company** or any of its **subsidiaries** of a banking covenant that may result in the acceleration of payment of any sum;
4. The service of any claim by or against the **NXT company** or any of its **subsidiaries** in legal proceedings where the amount claimed is greater than 15% of the **NXT company's average market capitalisation**;
5. The **NXT company** or any of its **subsidiaries** enters into or agrees to enter into a **significant transaction**;
6. A change in the essential nature of the business of the **NXT company** or the **NXT company's group**;
7. The variation or termination or completion of a previously announced transaction, including a transaction referred to in paragraph 5 of this schedule;
8. The **NXT company's directors** cease to hold the opinion that the **key operating milestones** meet the **NXT standard** (including following an annual review as required by **rule 44**);
9. The **NXT company's** or its **group's** operational performance will vary or is likely to vary by more than 10% from a target set in relation to any of its **key operating milestones**;
10. Any decision to take action that would require approval by an interest group under section 117 of the **Act**;
11. Any decision to subdivide or consolidate **shares**;

12. Any decision to issue **equity securities**, grant an option in respect of **equity securities**, to make a call in respect of partly paid **equity securities** or to acquire or redeem any **equity securities**;
13. Any decision to propose an amendment to the terms of **shares, equity securities**, options in respect of **equity securities** or the **NXT company's** constitution;
14. The cancellation of any proposal already notified by **release**;
15. Receipt of a request for a special meeting of shareholders of the **NXT company** under section 121(b) of the **Act**;
16. Any decision to:
 - (a) adopt or change a dividend policy;
 - (b) declare, recommend or pay a dividend or distribution that would otherwise not be expected to be made or paid;
 - (c) not make or pay a dividend or distribution that would otherwise be expected to be made or paid;
17. Appointment to or cessation of office or employment (as the case may be) of any **director, senior manager** or external auditor;
18. Any qualification or emphasis of a matter by the auditors on the financial statements of the **NXT company** or any **subsidiary** of the **NXT company**;
19. Any material adjustment to a preliminary announcement previously released under **rule 52** or an error in the financial statements or group financial statements included in an annual report prepared for the purposes of **rule 53** if the **board** of the **NXT company** has concluded that those financial statements should no longer be relied upon because of that error;
20. The **board** determines that a **director** has attained the status of an **independent director** or that a **director** has ceased to be an **independent director**;
21. Any change in the **NXT company's** physical, postal or public website address, telephone, contact person, **share registrar**, or the opening or closure of a branch **share** register;
22. Any proposed change in name of the **NXT company**;
23. Any decision to extend a half-year reporting period or to change balance date;
24. Any credit rating applying to the **NXT company**, its **holding company**, any of its **subsidiaries** or any of their **securities**, or any change to a credit rating;
25. If a **mining company**, any significant discovery of mineralisation or **hydrocarbon**.

Appendix 2: Examples

The following examples are illustrative only of the disclosure obligations of a NXT company under the rules. These examples should not be regarded as having any effect on the rules.

Example 1

X Limited, a retail business, has a target of having 8 retail stores open by the end of 31 December 2015. As at 30 June 2015, X Limited had 7 retail stores open. In July 2015, X Limited enters negotiations to acquire Y Limited (which owns and operates 3 retail stores) for consideration of \$4 million. X Limited's average market capitalisation is \$30 million.

Schedule 5A(5)

An interim update must be released if a NXT company or any of its subsidiaries enters into or agrees to enter into a significant transaction.

If it proceeds, the acquisition of Y Limited will be a significant transaction for X Limited because the consideration to be paid (\$4 million) is more than 10% of X Limited's average market capitalisation. However, an interim update is not required under paragraph 5 of Schedule 5A, because X Limited is in negotiation with Y Limited and negotiations are incomplete. X Limited has not entered into, nor agreed to enter into, a significant transaction within the meaning of the rules.

Schedule 5A(9)

An interim update must be released if a NXT company's or its group's operational performance will vary or is likely to vary by more than 10% from a target set in relation to any of its key operating milestones.

As at 31 December 2015, X Limited will have 11 retail stores open if it concludes negotiations and enters into a binding heads of agreement with Y Limited to acquire 3 additional retail stores. This will be a variance of 37% against its target of having 8 retail stores open by 31 December 2015. Therefore, if X Limited enters into a binding heads of agreement to acquire Y Limited, X Limited will be required to immediately release an interim update to the market because:

- X Limited has agreed to enter into a significant transaction (under paragraph 5 of Schedule 5A to the rules); and
- X Limited's operational performance will vary by more than 10% from a target set in relation to its 'number of retail stores open' key operating milestones (under paragraph 9 of Schedule 5A to the rules).

X Limited may decide to reset its annual target for its 'number of retail stores open' key operating milestone (under rule 47). The reset annual target must be included in the next business update to be released under rule 49.

X Limited must also provide general commentary on its entry into the transaction with Y Limited in the next business update to be released under rule 49.

Example 2

X Limited is considering advice from a third party consultant in relation to a proposal to partially remunerate its directors with shares under a new incentive scheme that has not previously been approved or disclosed to shareholders.

Schedule 5A(12)

An interim update must be released if a NXT company makes any decision to issue equity securities, to grant an option in respect of equity securities, to make a call in respect of partly paid securities or to acquire or redeem any equity securities.

While X Limited is considering the third party consultant's advice in relation to the proposal, no interim update is required to be released because X Limited has not yet made a decision to issue equity securities. If X Limited decides to issue equity securities to its directors under a new incentive scheme, an interim update must be immediately released following the decision to issue, regardless of whether the issue is subject to X Limited obtaining shareholder approval.

Example 3

One of X Limited's targets is that it will achieve average revenue per customer of \$100 by 31 December 2015.

In 30 June 2015, the CEO and CFO of X Limited are considering internal sales reports that illustrate that X Limited will likely generate average revenue per customer of \$80 per customer by 31 December 2015.

Schedule 5A(9)

An interim update must be released if a NXT company's or its group's operational performance will vary or is likely to vary by more than 10% from a target set in relation to any of its key operating milestones.

X Limited must release an interim update immediately because X Limited is aware that its performance against its annual target of achieving average revenue of \$100 per customer is likely to vary by more than 10%. In this situation, X Limited may decide to reset its average revenue per customer target for the year ending 31 December 2015 in accordance with rule 47 although it is not obligated to do so (under rule 43). If X Limited chooses to reset its average revenue per customer target for the year ending 31 December 2015, the reset annual target must be included in the next business update to be released under rule 49.

Example 4

X Limited, which has a retail business, enters into negotiations with a new supplier in relation to a line of products that it currently stocks. Separately, X Limited enters into negotiations with a well known internet shopping service provider. Neither of the transactions would be a significant transaction for X Limited.

The new opportunities may have a key effect on X Limited's business, strategy and plans. Therefore, X Limited must provide a general commentary in the next business update to be released under rule 49 about the new opportunities it has identified and how these new opportunities may impact X Limited's stated strategy and plans. The new opportunities do not affect X Limited's existing key operating milestones.

Schedule 5A(8)

An interim update must be released if a NXT company's directors cease to hold the opinion that the key operating milestones meet the NXT standard (including following an annual review as required by rule 44).

X Limited must have key operating milestones that meet the NXT standard and annual targets in respect of each key operating milestone (see rule 42).

The NXT standard, in relation to a company's key operating milestones, means that taken together, the key operating milestones address the most significant factors by which the performance of the company's or the company's group's business should be assessed and monitored and will result in understandable reporting for investors.

If X Limited concludes negotiations and enters into a transaction with the new supplier and/ or the internet shopping service provider, the directors of X Limited will need to consider whether its existing key operating milestones continue to meet the NXT standard. If the directors of X Limited cease to hold the opinion that X Limited's existing key operating milestones meet the NXT standard, X Limited must release an interim update under paragraph 8 of Schedule 5A. The interim update should include the information set out in sub-section 2.5(b) of this guidance note.

After releasing an interim update, X Limited must restate its key operating milestones in accordance with rule 45. As part of the restatement process, X Limited must consult with its NXT Advisor and obtain NZX's approval of its restated KOMs. Further guidance as to the restatement of key operating milestones is included in sub-section 4.2 of the Guidance Note – Key Operating Milestones.

X Limited's next business update to be released under rule 49 must also include the information set out in sub-section 4.4 of this guidance note in relation to X Limited's restatement of its KOMs.