



17 January 2014

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF NZF GROUP LIMITED BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR A BREACH OF NZSX LISTING RULE 10.5.1

1. The NZ Markets Disciplinary Tribunal ("**Tribunal**") has approved a settlement agreement between NZX Limited ("**NZX**") and NZF Group Limited ("**NZF**") dated 20 December 2013 ("**Settlement Agreement**") in respect of NZF's breach of NZSX Listing Rule ("**Rule**") 10.5.1.

Summary

2. An issuer listed on the NZX Main Board is required to provide its annual report to the market within three months of the end of the Issuer's financial year, under Rule 10.5.1.
3. NZF's financial year-end is 31 March, and accordingly its 2013 annual report was due to be provided to NZX for release to the market by 30 June 2013.
4. As NZF did not file its 2013 annual report until 20 November 2013, it breached Rule 10.5.1.
5. As a result of the breach, trading in NZF's securities was suspended from 8 July 2013 until 20 November 2013.
6. NZF has admitted to the breach and accepts the penalties outlined below.

Background

7. On 27 June 2013, NZF advised NZX that it would likely be late in releasing its 2013 annual report.
8. On 28 June 2013, NZF announced to the market that there would likely be a delay in completing the audited financial statements and that its 2013 annual report would not be completed in time for release to the market in accordance with the Rules.
9. NZF says that the delay was because at NZF's balance date, NZF owned 50% of MPMH Limited ("**MPMH**") and although NZF has since divested of its interest in MPMH, NZF was still required to account for MPMH in its 2013 annual report. MPMH's auditors advised that they were unable to provide audit clearance in respect of MPMH at that time. As a result, NZF's auditors could not issue the audit report.
10. On 8 July 2013, NZXR suspended trading in NZF securities in accordance with footnote 2(b) of Rule 5.4.3.

11. On 20 November 2013 NZF's 2013 annual report was provided to the market.
12. Following the release of the 2013 annual report, trading in NZF's securities resumed on 20 November 2013.

Determination

13. The Tribunal has stated on numerous occasions that an issuer's compliance with the periodic reporting requirements in the Rules is a fundamental requirement. Information in relation to the performance and financial position of an issuer must be promptly made available to the market. Information in relation to the performance and financial position of an Issuer must be promptly made available to the market. Any breach of these Rules brings the market into disrepute.
14. The periodic reporting requirements are fundamental to the integrity of the market in ensuring that relevant reliable financial information regarding an Issuer is made available to the market promptly. These requirements also mitigate the risk posed by an information imbalance, where those "inside" the Issuer are in possession of information not available to the market.
15. A delay in the provision of audited financial statements can unnerve investors and damage confidence in both the Issuer's securities and in the market generally. A suspension in trading in an Issuer's securities, and particularly one that lasts for four and a half months and arises from an uncertainty about the Issuer's financial position, damages the integrity of the market.
16. The purpose of Rule 10.5.1 is to ensure that relevant, reliable, financial information in relation to the financial performance and financial position of an Issuer is available, promptly, to the market following the completion of its financial year. The failure by NZF to provide its 2013 annual report when required meant that objective was not met.
17. The Tribunal has increased the penalties it imposes for such breaches in past cases in the hope it would act as a deterrent.
18. A breach of Rule 10.5.1 falls within Penalty Band 6 of the Tribunal Procedures, which means that on a summary hearing the maximum fine the Tribunal can impose is \$250,000.
19. In determining to approve the Settlement Agreement, the Tribunal considered certain mitigating factors. including that:
 - a. NZF contacted NZX on 27 June 2013, self-reporting that the 2013 annual report would not be provided to the market by 30 June 2013; and
 - b. NZF notified the market that the 2013 annual report would be delayed and sought to keep the market informed on timing for release of its annual report.
20. In determining to approve the Settlement Agreement, the Tribunal considered certain aggravating factors, including that:

- a. The 2013 annual report was due to be released on 30 June 2013, but was not released to the market until 20 November 2013. Accordingly, the market was uninformed for a period of over four and half months; and
 - b. While NZF provided guidance to the market and NZX on when the 2013 annual report would be released, NZF failed to meet that guidance.
21. The public statement the parties have agreed to make under the terms of the Settlement Agreement names NZF as the Issuer in breach of the Rules. The Tribunal considers that the public naming of NZF is entirely appropriate in this case and is consistent with the Tribunal's publication *Policy Guideline on the Naming of Respondents*.

Penalties

22. NZX and NZF have reached a settlement and agreed that:
- a. NZF will pay the NZX Discipline Fund \$35,000 by way of penalty (plus GST, if any) for the breach of Rule 10.5.1.
 - b. This public censure by the Tribunal will be made.
 - c. NZF will pay the costs of the Tribunal and will contribute to the costs incurred by NZX in relation to this matter.

Approval

23. The Settlement Agreement is approved by the Tribunal pursuant to Rule 10 of the NZ Markets Disciplinary Tribunal Rules ("**NZMDT Rules**"), and as such, the Settlement Agreement is the determination of the Tribunal.

Censure

24. The Tribunal hereby publicly censures NZF for its breach of Rule 10.5.1.

The Tribunal

25. The Tribunal is a disciplinary body which is independent of NZX and its subsidiaries. The Financial Markets Authority approves its members. Under the NZMDT Rules, the Tribunal determines and imposes penalties for referrals made to it by NZX in relation to the conduct of parties regulated by the market rules.

Dated 17 January 2014