NEW ZEALAND MARKETS
DISCIPLINARY TRIBUNAL

14 October 2013

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF ENERGY MAD LIMITED BY THE NZ MARKETS DISCIPLINARY TRINUBAL FOR A BREACH OF NZSX LISTING RULE 10.1.1

1. The NZ Markets Disciplinary Tribunal ("**Tribunal**") has approved a settlement agreement between NZX Limited ("**NZX**") and Energy Mad Limited ("**MAD**") dated 24 September 2013 ("**Settlement Agreement**") in respect of MAD's breach of NZSX Listing Rule ("**Rule**") 10.1.1 in December 2011.

Background

2. MAD carries on business designing, manufacturing and selling energy efficient lighting.

3. MAD's securities began trading on the NZX Main Board on 19 October 2011. MAD has been subject to the Rules since that time.

4. The Rules require MAD to immediately release material information to NZX as soon as MAD is aware of it, unless one of the exceptions in the Rules applies.

5. On 23 January 2012, MAD announced that: "Recent delays in the production of new Ecobulb Downlights and getting the updated spiral accreditation in Australia, combined with higher than anticipated freighting costs and foreign exchange revaluations, will reduce Energy Mad's F2012 EBITDA to approximately $1.1 million from its IPO forecast of $3.5 million."

6. A change in an Issuer's financial forecast is highlighted as information which is likely to be material information for the purpose of Rule 10.1.1, under the footnote to Rule 10.1.1.

7. On 23 January 2012, MAD's share price fell $0.15 from $0.70 to $0.55 from the previous day's close of $0.70. This represented a fall in value of 21.4%.

8. NZX Regulation has investigated whether the announcement was sufficiently timely to meet the continuous disclosure obligations under the Rules. NZXR has completed a thorough investigation of this matter involving analysis of MAD's management reports, examination of MAD's board papers and minutes and a review of other related information provided by MAD on the matter.

9. As a result of the investigation, NZXR considers that on 20 December 2011, through its directors and executive officers, MAD was in possession of material information that should have been disclosed to the market immediately.

10. The material information was the existence of production and dispatch delays at its Chinese factory that manufactured its light bulbs, which meant MAD would not achieve $1.5 million of the $3.5 million EBITDA forecast in its IPO prospectus. Although MAD believed that it would be able to pursue alternative revenue streams including an accredited Australian Veet scheme bulb with potential revenue of $1.9 million EBITDA to make up the EBITDA shortfall, the alternative measures were not guaranteed resulting in at least a reasonable risk as to whether MAD could deliver its EBITDA forecast from its IPO prospectus. MAD acknowledges that a disclosure obligation existed on 20 December 2011.

11. MAD accepts that it breached its continuous disclosure obligation.

12. MAD's relatively small market capitalisation means the $30,000 fine is a significant penalty for MAD and appropriately reflects the severity of failing to comply with the continuous disclosure obligations in the Rules.

Determination

13. The Tribunal considers a breach of the continuous disclosure provisions of the rules to be a very serious matter. The obligation to disclose material information in a timely manner is a fundamental obligation placed on issuers under the Rules.

14. Timely disclosure of market sensitive information is essential to maintaining the integrity of the market. Compliance with continuous disclosure requirements ensures that the market is informed of relevant information at all times. These provisions are designed to promote the equality of information in the market so that all investors are able to make informed investment decisions. It is a critical part of ensuring that NZX's markets are efficient, transparent and fair.

15. The Tribunal notes that financial projections and forecasts can be inherently commercially difficult, particularly for new Issuers. However, it is vitally important that all Issuers constantly assess their financial performance against any announced financial projections, forecasts or expectations and keep the market fully informed of any matters which may be material to their progress in achieving them.

16. In determining to approve the Settlement Agreement, the Tribunal considered certain mitigating factors, including that:

    a. MAD had only been listed on the NZX Main Board for two months prior to the breach;

    b. Prior to listing, MAD appointed an experienced company secretary and legal advisers;

c. MAD spent time, energy and resources considering its continuous disclosure obligations leading up to its 23 January 2012 announcement and detailing these considerations in its Board minutes;

d. MAD sought and relied on expert advice when it decided not to make a market announcement on 20 December 2011 and sought additional information from its suppliers and Australian government agencies concerning the spiral bulb accreditation;

e. MAD set down a special meeting on 20 January 2012 to consider this information and a further meeting on 22 January 2012 to consider financial information from management;

f. On 23 January 2012 MAD announced that "Recent delays in the production of the new Ecobulb Downlights and getting the updated spiral accreditation in Australia, combined with higher than anticipated freighting costs and foreign exchange revaluations, will reduce Energy Mad's FY2012 EBITDA to approximately $1.1 million from its IPO forecast of $3.5 million";

g. The breach was not deliberate;

h. MAD has co-operated fully and promptly with NZXR's investigation and information requests; and

i. As at the date of this censure, MAD has not previously been found in breach of a similar continuous disclosure obligation under the Rules.

17. In determining to approve the Settlement Agreement, the Tribunal considered certain aggravating factors, including that:

a. From the time the disclosure obligation arose on 20 December 2011 to the time that MAD released the announcement on 23 January 2012, approximately 128,752 shares were traded for an aggregate value of $82,180.

b. The meetings convened on 20 and 22 January 2012 to consider additional information and to make a further assessment were held a month after the Board's initial consideration of the matter. The Tribunal would normally expect such a re-assessment to have occurred much more quickly, particularly given the material nature of the information, however it recognises that the delay in this case was compounded by the intervening Christmas period.

c. The announcement had an immediate market impact. On 23 January 2012 (following the release of the announcement), the traded price of MAD's securities fell $0.15 to $0.55 from the previous day's close of $0.70. This represented a fall in value of 21.4%.

Penalties

18. NZX and MAD have reached a settlement and agreed that:

    a. A public censure, in the form of this announcement, be made by the Tribunal;

    b. MAD will pay $30,000 as a penalty to the NZX Discipline Fund for its breach of Rule 10.1.1;

    c. MAD will pay the costs of the Tribunal (plus GST, if any); and

    d. MAD will contribute $3,575 (plus GST, if any) to NZXR's costs.

Approval

19. 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.

20. The Tribunal hereby censures MAD for its breach of Rule 10.1.1.

The Tribunal

21. The Tribunal is a disciplinary body 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 14 October 2013