

6 MARCH 2013

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF SAVOY EQUITIES LIMITED BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR BREACHES OF NZSX LISTING RULES 3.3.1(c), 3.3.3(a), 3.6.2(c) and 6.1.1

1. The NZ Markets Disciplinary Tribunal (“**Tribunal**”) has approved a settlement agreement between NZX Limited (“**NZX**”) and Savoy Equities Limited (“**SVY**”) dated 27 February 2013 (“**Settlement Agreement**”) in respect of a breaches by SVY of NZSX Listing Rules (“**Rules**”) 3.3.1(c), 3.3.3(a), 3.6.2(c) and 6.1.1.

Background – Breaches of Rules 3.3.1(c), 3.3.3(a) and 3.6.2(c)

2. Rule 3.3.1(c) requires the Board of an Issuer listed on the NZX Main Board (“**Issuer**”) to include a minimum number of two Independent Directors. Rule 3.3.3(a) requires the Board of an Issuer to make a determination no later than 10 Business Days following the Issuer’s annual meeting and, immediately after making such determination, release to the market the names of those directors determined by the Board to be Independent Directors. Rule 3.6.2(c) requires that an Issuer’s Audit Committee have a majority of members that are Independent Directors.
3. From 23 May 2007 until 10 October 2012, and from 30 November 2012 until 20 December 2012, SVY did not have two Independent Directors on its Board, in breach of Rule 3.3.1(c).
4. From 23 May 2007 until 17 October 2012, and from 30 November 2012 until 20 December 2012, the majority of SVY’s Audit Committee members were not Independent Directors, in breach of Rule 3.6.2(c).
5. Between 1 January 2007 and 31 December 2012, SVY failed to identify which Directors it had determined, in its view, to be Independent Directors and to release the names of the Independent Directors to the market no later than 10 Business Days following its 2007, 2008, 2009, 2010, 2011 and 2012 annual meetings, in breach of Rule 3.3.3(a).

Background – Breach of Rule 6.1.1

6. Rule 6.1.1 requires that certain notices of meeting must be approved in writing by NZX, prior to such notices of meeting being circulated to holders of Securities, executed, or otherwise given effect to in any way.
7. On Friday 28 September 2011, SVY held a Special General Meeting where SVY shareholders voted on a transaction involving a Related Party (being the Ratification of the Sale and Purchase Agreement entered into with Wells Investment Limited), and the conversion of advances by the Directors into equity securities. The Notice of Meeting was provided to shareholders without SVY obtaining NZX’s written approval of the Notice of Meeting, in breach of Rule 6.1.1. An Appraisal Report was provided by a person approved by NZX.

Determination

8. The Tribunal considers a breach of the corporate governance provisions of the Rules seriously. They are of vital importance to the integrity of the market and to give investors confidence that directors have been appointed to represent shareholder interests. In addition, an appropriately comprised audit committee is critical in ensuring that an Issuer maintains a robust audit process.
9. A breach of Rule 6.1.1 can be a serious breach of the Rules. The objective of Rule 6.1.1 is to ensure that shareholders have sufficient information to understand the effect of a resolution proposed by an Issuer.
10. In determining to approve the Settlement Agreement, the Tribunal considered certain mitigating factors, including that:
 - a. Owing to SVY's financial position, SVY had difficulty in recruiting directors as it has been unable to pay directors' fees.
 - b. SVY has appointed an Independent Director and accordingly, is no longer in breach of each of Rules 3.3.1(c), 3.3.3(a) and 3.6.2(c).
 - c. In relation to the breach of Rule 6.1.1, SVY provided an Appraisal Report to its shareholders, which contained information to assist shareholders to understand the terms of the transaction proposed by SVY.
11. In determining to approve the Settlement Agreement, the Tribunal considered certain aggravating factors, including that:
 - a. SVY had failed to ensure its contact details were accurate and up-to-date.
 - b. The Notice of Meeting stated that NZX had approved it, which was incorrect.
 - c. SVY did not self-report the breaches, and was in breach of Rules 3.3.1(c), 3.3.3(a) and 3.6.2(c) for significant periods of time.

Penalties

12. NZX and SVY have reached a settlement and agreed that:
 - a. A public censure to be made by the Tribunal.
 - b. SVY will pay \$15,000, being a penalty to the NZX Discipline Fund.
 - c. SVY will pay the costs of the Tribunal (plus GST, if any).
 - d. SVY will contribute towards the costs of NZX (plus GST, if any).

Approval

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

The Tribunal hereby publicly censures SVY for its breach of Rules 3.3.1(c), 3.3.3(a), 3.6.2(c) and 6.1.1.

The Tribunal

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 6 March 2013