

Takeovers Code (Scales Corporation Limited) Exemption Notice 2014

Pursuant to section 45 of the Takeovers Act 1993, the Takeovers Panel, being satisfied of the matters set out in section 45(6) of that Act, gives the following notice:

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Notice

1 Title

This notice is the Takeovers Code (Scales Corporation Limited) Exemption Notice 2014.

2 Application

This notice applies to acts or omissions occurring on or after 20 June 2014.

3 Expiry

This notice expires on the close of 30 September 2014.

4 Interpretation

(1) In this notice, unless the context otherwise requires,-

Act means the Takeovers Act 1993

pre-IPO agreement means the agreement for sale and purchase of, and subscription for, voting securities to be dated on or about 19 June 2014 between the offeror, Scales, Direct Capital and certain other holders of voting securities relating to an acquisition of, and subscription for, voting securities by the offeror

Code means the Takeovers Code under the Act

Direct Capital means Direct Capital Investments Limited

offer means the offer of voting securities to the public by the offeror

offeror means SCL Limited

prospectus means the prospectus relating to the offer to be registered on or about 20 June 2014

Scales means Scales Corporation Limited

voting security means a voting security in Scales.

- (2) In this notice, a reference to a person increasing voting control is a reference to the person becoming the holder or controller of an increased percentage of voting rights in Scales.
- (3) Any term or expression that is defined in the Act or the Code and used, but not defined, in this notice has the same meaning as in the Act or the Code.

5 **Exemption from rule 6(1) of the Code**

The offeror is exempted from rule 6(1) of the Code in respect of any increase in its voting control as a result of acquiring, or subscribing for, voting securities under the pre-IPO agreement.

6 **Conditions**

The exemption in clause 5 is subject to the following conditions:

- (a) the offeror disposes of all voting securities that it holds or controls within five working days of the settlement of the offer:
- (b) the offeror does not exercise any voting rights in respect of the voting securities that it holds or controls:
- (c) the prospectus states the maximum percentage of voting securities to be held or controlled by Direct Capital immediately after the settlement of the offer:
- (d) the offer complies with all applicable Acts and regulations.

Dated at Auckland this 4th day of June 2014

[signed]

Richard Andrew Coupe
Deputy Chairman

Statement of reasons

This notice applies to acts or omissions occurring on or after 19 June 2014 and expires on 30 September 2014.

Scales Corporation Limited (**Scales**) has approximately 400 shareholders and, accordingly, is a Code company. Direct Capital Investments Limited (**Direct Capital**) holds approximately 84% of the shares in Scales.

Scales is making an initial public offer of shares (the **Offer**). The Offer will be made by a special purpose vehicle (the **Offeror**), a company newly incorporated for the purposes of the Offer. The Offeror has entered into an agreement with Direct Capital and certain management shareholders in Scales under which the Offeror will acquire shares in Scales from Direct Capital and those management shareholders and will be allotted shares in Scales (the **Pre-IPO Agreement**). The shares acquired by, and allotted to, the Offeror will be offered to the public through the Offer.

As a result of this arrangement, the Offeror is likely to become the holder or controller of more than 20% of the voting rights in Scales. The Offeror will hold the shares for a short period of time before the shares are on-sold through the Offer.

The Takeovers Panel (the **Panel**) has granted an exemption from rule 6(1) of the Code for the Offeror in respect of any increase in the holding or controlling of voting rights in Scales by the Offeror as a result of the Pre-IPO Agreement.

The exemption is subject to conditions that ensure that the Offeror disposes of any shares it holds or controls in Scales within a short time after the settlement of the Offer, that the Offeror does not exercise any voting rights attaching to the shares it will hold or control, that any member of the public who invests in Scales through the Offer will be able to take into account the maximum control percentage of Direct Capital in Scales following the Offer, and that the offer complies with all applicable legislation.

The Panel considers that it is appropriate and consistent with the objectives of the Code to grant the exemptions because,-

- the Offeror will hold more than 20% of the voting rights in Scales only for short time and the relevant shares will be disposed of upon the settlement of the Offer, or shortly thereafter;
- the exemption facilitates an offer of shares to the public that allows all existing shareholders in Scales the opportunity to participate; and
- the exemption avoids unnecessary compliance costs that would be incurred if it was not granted.