

# St John Balanced Property Fund Limited - Target Company Statement

in relation to the full takeover offer by  
Rockport Holdings Limited Partnership

2 October 2013

## ST JOHN BALANCED PROPERTY FUND LIMITED - TARGET COMPANY STATEMENT

The following information has been prepared by St John Balance Property Fund Limited (*St John*) in accordance with Rule 46 of the Takeovers Code in response to a full takeover offer proposed to be made by Rockport Holdings Limited Partnership (*the Offeror*).

### 1 Date

1.1 This target company statement (*Statement*) is dated 2 October 2013.

### 2 Offer

2.1 The offer is a full takeover offer by the Offeror to purchase all of the fully paid ordinary shares in St John not already held by the Offeror as at the date of the offer. The offer is conditional on the Offeror receiving acceptances in respect of that number of St John ordinary shares that, when taken together with voting securities already held or controlled by the Offeror confer more than 90% of the total voting rights in St John.

2.2 The terms of the offer are set out in the offer document, which was sent to St John shareholders on 30 September 2013 (*Offer Document*).

### 3 Target Company

3.1 The name of the target company is St John Balanced Property Fund Limited.

### 4 Directors of St John

4.1 The names of the directors of St John are:

- (a) John James Gosney;
- (b) Ross John Healy; and
- (c) Christopher Ian Minty.

### 5 Ownership of equity securities of St John

5.1 The table below sets out the number, designation, and the percentage of any class of equity securities of St John held or controlled by:

- (a) each director or senior officer of St John and their associates; and
- (b) any other person holding or controlling 5% or more of the class of equity securities of St John, to the knowledge of St John.

Name	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities of class
<b>Directors</b>			
John Gosney	5,191,788	Ordinary	78.27%
Ross Healy	5,191,788	Ordinary	78.27%
<b>Associates of directors</b>			

Rockport Holdings Limited Partnership	5,191,788	Ordinary	78.27%
KJTR Holdings Limited	51,440	Ordinary	0.78%
<b>Holders or controllers of more than 5% of any class of equity securities</b>			
Rockport Holdings Limited Partnership	5,191,788	Ordinary	78.27%
M Smith, K Tanner, G Tanner	343,058	Ordinary	5.2%

**Notes:** John Gosney and Ross Healy are directors of Rockport GP Limited, the General Partner of Rockport Holdings Limited Partnership, which holds or controls 5,191,788 shares in St John, including those held by KJTR Holdings Limited. KJTR Limited is wholly owned by Rockport Holdings Limited Partnership.

Other than as set out in the table above, as at the date of this Statement, no other person of the kind referred to above holds or controls equity securities of St John.

5.2 During the two year period immediately preceding the date of this statement:

- (a) no equity securities of St John have been issued to the directors or senior officers of St John or their associates; and
- (b) none of the directors or senior officers of St John or their associates has obtained a beneficial interest in equity securities of St John under any employee share scheme or other remuneration arrangement.

## 6 Trading in St John equity securities

6.1 The table below sets out the total number and designation of equity securities of St John acquired or disposed of by a director or senior officer of St John or their associates during the six month period before 1 October 2013 (being the latest practicable date before the date of this Statement) including the consideration for, and the date of, each such transaction.

Name	Number of equity securities	Designation of equity security	Acquisition or disposal	Consideration per equity security	Date
Rockport Holdings Limited Partnership	66,476	Ordinary	Disposal	\$1.70	2 Sep 2013
KJTR Holdings Limited	51,440	Ordinary	Acquisition	\$1.70	2 Sep 2013

6.2 The table below sets out the number and designation of equity securities of St John acquired or disposed of by people holding or controlling 5% or more of that class of equity security, to the knowledge of St John during the six month period before 1 October 2013 (being the latest practicable date before the date of this Statement), including:

- (a) in the case of a single transaction in any week the number of securities, the consideration per security, and the week of the transaction; and

- (b) in the case of multiple transactions in any week, the total number of securities acquired or disposed of in that week, in each class, and the weighted average consideration per security in each class.

Name	Number of equity securities	Designation of equity security	Acquisition or disposal	Consideration per equity security	Week starting
<b>Holders or controllers of 5% or more of any class of equity security</b>					
Rockport Holdings Limited Partnership	66,746	Ordinary	Disposal	\$1.70	2 Sep 2013

Other than as set out in the table above, no person who holds or controls 5% or more of any class of equity security in St John, to the knowledge of St John, has acquired or disposed of any equity securities in the period referred to above.

## 7 Acceptance of offer

- 7.1 John Gosney and Ross Healy, directors of St John, and their associates have advised that they intend to accept the offer in respect of all of the equity securities held or controlled by them (and not already held by the Offeror, being the 51,440 equity securities held by KJTR Holdings Limited) as set out in paragraph 5.1 to this Statement.

## 8 Ownership of equity securities of the Offeror

- 8.1 The Offeror is not a company and therefore clause 8 of Schedule 2 of the Takeovers Code does not apply.

## 9 Trading in equity securities of the Offeror

- 9.1 The Offeror is not a company and therefore clause 9 of Schedule 2 of the Takeovers Code does not apply.

## 10 Arrangements between the Offeror and St John

- 10.1 No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between the Offeror (or any associates of the Offeror) and St John (or any related company of St John) in connection with, in anticipation of, or in response to, the offer.

## 11 Relationship between the Offeror, and directors and senior officers of St John

- 11.1 No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between the Offeror (or any associates of the Offeror) and any of the directors or senior officers of St John (or any related company of St John) in connection with, in anticipation of, or in response to, the offer.

- 11.2 As at the date of this Statement, John Gosney and Ross Healy are directors of the Offeror's General Partner, Rockport GP Limited, and are also the directors of KJTR Holdings Limited, a company wholly owned by the Offeror.

## 12 Agreements between St John, and directors and senior officers

- 12.1 No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between St John (or any related company of St John) and any of the directors or senior officers of St John or any related company of St John or their associates, under which a payment or other benefit may be made

or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the offer.

**13 Interests of directors and senior officers of St John in contracts of the Offeror**

13.1 John Gosney and Ross Healy are directors of St John and are also directors of:

- (a) the Offeror's General Partner, Rockport GP Limited; and
- (b) in the case of John Gosney, Poronui Investments Limited, a limited partner of the Offeror;
- (c) in the case of Ross Healy, Phillimore Imperial Limited, a limited partner of the Offeror; and
- (d) KJTR Holdings Limited, a company wholly owned by the Offeror.

13.2 John Gosney is the sole shareholder of his associate Poronui Investments Limited. Ross Healy (together with Madeline Healy) owns one third of the shares in his associate Phillimore Imperial Limited.

13.3 As such, each of John Gosney, Ross Healy, Poronui Investments Limited and Phillimore Investments Limited have an interest in all the contracts to which the Offeror (or a related company of the Offeror) is a party, which comprise:

- (a) lease arrangements over certain properties;
- (b) a property management agreement with Cambridge Funds Management Limited (which also manages St John);
- (c) banking arrangements with the Bank of New Zealand; and
- (d) the Offeror's limited partnership agreement,

each of which were entered into in the ordinary course of business of the Offeror and on usual terms and conditions.

13.4 St John and its subsidiaries (*the Group*) are related companies of the Offeror. None of the Directors or senior offices of St John, or their respective associates, are interested in any contract to which any member of the Group is party, other than to the extent arising from their positions as Directors or seniors officers of St John or, in the case of the St John Directors John Gosney and Ross Healy and the Offeror's limited partners Poronui Investments Limited and Phillimore Imperial Limited, from their respective associations with the Offeror, St John's majority shareholder.

13.5 Other than as set out in this section 13, no Director or senior officer nor their respective associates, has any interest in any contract to which the Offeror (or a related company of the Offeror) is a party.

**13A Interests of St John substantial security holders in material contracts of the Offeror or related company**

13A.1 As at the date of this Statement, no person who, to the knowledge of the directors or the senior officers of St John holds or controls 5% or more of any class of equity securities of St John, has an interest in any material contract to which the Offeror

(or any related company of the Offeror) is a party, other than as disclosed in respect of John Gosney, Ross Healy, Poronui Investments Limited and Phillimore Investments Limited in section 13.

**14 Additional information**

14.1 In the opinion of the members of the board of directors of St John, no additional information, to the knowledge of St John, is required to make the information in the Offeror's takeover offer document correct or not misleading.

**15 Recommendation**

15.1 Christopher Minty, independent director of St John, recommends that shareholders accept the offer, because:

- (a) the offer price represents a significant premium to the price at which St John's shares last traded in advance of the offer;
- (b) the offer provides an opportunity for minority shareholders to sell their shares should they so desire, which may not be otherwise possible given the lack of liquidity in St John shares; and
- (c) the offer price of \$2.50 per share falls within the valuation range assessed by the independent advisors.

15.2 Ross Healy and John Gosney, directors of St John, make no recommendation on whether shareholders should accept or reject the offer, as they are both directors of the Offeror and therefore interested in the outcome of the offer.

**16 Actions of St John**

16.1 There are no material agreements or arrangements (whether legally enforceable or not) of St John and its related companies entered into as a consequence of, in response to, or in connection with, the offer other than:

- (a) a contract for legal services with Chapman Tripp; and
- (b) a contract to prepare an independent adviser's report with KordaMentha.

16.2 There are no negotiations underway as a consequence of, or in response to, or in connection with, the offer that relate to or could result in:

- (a) an extraordinary event such as a merger, amalgamation, or reorganisation involving St John or any of its related companies;
- (b) the acquisition or disposition of material assets by St John or any of its related companies;
- (c) an acquisition of equity securities by, or of, St John or any related company of St John; or
- (d) any material change in the equity securities on issue, or policy relating to distributions, of St John.

**17 Equity securities of St John**

17.1 St John has 6,633,210 ordinary shares on issue. The rights of shareholders in respect of capital, distributions and voting are as follows:

- (a) the right to an equal share with other shareholders in dividends authorised by the board of St John;
- (b) the right to an equal share with other shareholders in the distribution of surplus assets on liquidation of St John; and
- (c) subject to the St John's constitution, the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution to:
  - (i) appoint or remove a director or auditor;
  - (ii) alter St John's constitution;
  - (iii) approve a major transaction;
  - (iv) approve an amalgamation of St John; and
  - (v) put St John into liquidation.

## 18 **Financial information**

18.1 St John shareholders are entitled to obtain from St John a copy of St John's most recent annual report (being the annual report for the period ended 31 March 2013) by making a written request to Cambridge Asset Management Limited, PO Box 30528, Lower Hutt or by sending an email to [office@cambridgemanagement.co.nz](mailto:office@cambridgemanagement.co.nz). The annual report is also available for download at:

<http://cambridgemanagement.co.nz/Our+Investments/St+John+Balanced+Property+Fund+Limited>

18.2 The independent adviser report, attached to this Statement, also contains financial information pertaining to St John.

18.3 Other than as set out above or as contained in the independent adviser report:

- (a) there have been no known material changes in the financial or trading position or prospects of St John since the annual report; and
- (b) there is no other information about the assets, liabilities, profitability and financial affairs of St John that could reasonably be expected to be material to the making of a decision by St John shareholders to accept or reject the offer.

## 19 **Independent advice on merits of offer**

19.1 KordaMentha, as independent adviser, has prepared a report on the merits of the offer as required by Rule 21 of the Takeovers Code. A copy of this independent adviser report is attached to this Statement.

## 19A **Different classes of securities**

19A.1 No independent adviser report on the fairness between classes of St John's equity securities is required to be prepared under Rule 22 of the Takeovers Code.

20 **Asset valuation**

20.1 The report provided by KordaMentha includes a valuation of St John. A copy of this independent adviser report is attached to this Statement. The basis of computation and key assumptions on which those valuations are based is set out in that report.

21 **Prospective financial information**

21.1 None of the information provided in this statement refers to prospective financial information of St John.

22 **Sales of unquoted equity securities under offer**

22.1 Not applicable. The shares that are the subject of the offer are quoted on the online trading platform [unlisted.co.nz](http://unlisted.co.nz) (*Unlisted*).

23 **Market prices of quoted equity securities under offer**

23.1 The closing price on Unlisted of the shares on:

- (a) 1 October 2013, being the latest practicable working day before the date on which this statement is sent, was NZ\$2.11; and
- (b) 11 September 2013, being the last day on which Unlisted was open for business before the date on which St John received the Offeror's takeover notice, was NZ\$1.65.

The highest and lowest closing market price of the shares on Unlisted (and the relevant dates) during the 6 months before the date on which St John received the Offeror's takeover notice were as follows:

- highest closing market price was NZ\$1.65 (on all days which the Unlisted exchange was open for business between 25 July 2013 and 11 September 2013); and
  - lowest closing market price was NZ\$1.50 (on all days which the Unlisted exchange was open for business between 11 March 2013 and 24 July 2013).
- 23.2 A special meeting of St John shareholders was held on 12 November 2012 to consider a special resolution to approve a share buyback of up to 575,751 shares. The resolution was passed and following the meeting St John made an offer to acquire 2,629 shares from each shareholder at \$1.50 per share. Eighty shareholders accepted the offer and 194,536 shares were repurchased and immediately cancelled.
- 23.3 Following the above mentioned share buyback, St John announced it would further purchase up to 359,139 of the company's shares in the market at a price of \$1.50 per share on a first come first served basis. On 27 March 2013 St John announced the close of its on market offer, having repurchased 355,034 shares, which were immediately cancelled.
- 23.4 By reducing the number of shares outstanding, these buybacks may have affected the market prices for the shares, referred to above.

24 **Approval of this statement**

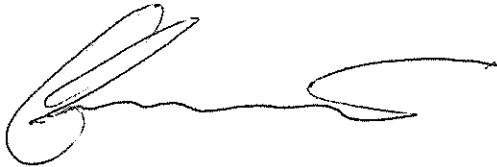
24.1 The board of directors of St John have approved the contents of this Statement.



25 **Certificate**

25.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by St John under the Takeovers Code.

**Signed by** each of the persons noted below, or their agent authorised in writing.



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Christopher Ian Minty  
Director



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John James Gosney  
Director



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Sandra Ann Lee  
being the person fulfilling the roles of Chief  
Executive Officer and Chief Financial Officer