Scott Technology Ltd
Scheme Booklet

30 October 2015

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a Special Meeting of shareholders of Scott Technology Limited (**Company**) will be held at Scott Technology Limited, 630 Kaikorai Valley Road, Dunedin, on 26 November 2015, commencing at 2:00pm.

All **defined terms** in this Notice of Special Meeting and explanatory memorandum are set out at the back of the explanatory memorandum.

Business before the meeting

The business of the Special Meeting is to consider and if thought fit pass the following resolution for the purposes of Part 15 of the Companies Act 1993 to be voted on in accordance with the voting thresholds detailed below:

"That the Scheme of Arrangement providing for:

(a) *the transfer of ordinary shares in the Company pursuant to acceptances by shareholders of an offer by JBS (**JBS Offer**) to acquire all of the ordinary shares of the Company (other than the shares of those shareholders who accept the Rights Offer referred to in paragraph (b) below in respect of any of their shares) at a purchase price of $1.39 per share in accordance with and subject to the terms and conditions contained in the JBS Offer Document (the **Transfer of Shares**);*

(b) *the issue of ordinary shares in the Company (**Rights Issue Shares**) pursuant to acceptances by shareholders of a pro rata 1 for 8 non-renounceable rights offer of new ordinary shares at an issue price of $1.39 per share (**Rights Offer**) in accordance with and subject to the terms and conditions contained in the Rights Offer Document;*

(c) *the issue of 10,000,000 ordinary shares in the Company to JBS at an issue price of $1.39 per share (**Placement Shares**) in accordance with and subject to the terms and conditions contained in the Subscription Agreement;*

(d) *the issue of such number of additional ordinary shares in the Company at an issue price of $1.39 per share (**Top Up Shares**) as required for JBS to hold 50.1% of all the shares in the Company (if it would not already do so after the Transfer of Shares and the issue of the Placement Shares and the Rights Issue Shares) in accordance with and subject to the terms and conditions contained in the Subscription Agreement; and*

(e) *the transfer of ordinary shares in the Company pursuant to the compulsory acquisition provisions set out in the JBS Offer in the event JBS has acquired 90% or more of the ordinary shares in the Company (calculated after the issue of the Rights Issue Shares) as a result of the Transfer of Shares and the issue of the Placement Shares as set out above,*

as more particularly described in the explanatory memorandum contained in this Notice of Special Meeting, be approved."

Voting eligibility and thresholds

All persons who are registered as shareholders at the close of business on the second Business Day before the Special Meeting is held are eligible to vote on the Resolution.

The voting thresholds under the Companies Act 1993 for approval of the Scheme of Arrangement are:

(a) 75% or more of the votes entitled to be cast, and cast, on the resolution by each interest class of Shareholders; and

(b) a simple majority of all votes entitled to be voted on the resolution.

Each of these requirements must be met for the Resolution to be approved. In particular, note:

- requirement (a) means that there will be a separate vote for Non-Eligible Shareholders as referred to in paragraph 6 of the explanatory memorandum; and
- requirement (b) means a majority of all Shares is required, and not just those being voted. Therefore, **if you are in favour of the Scheme of Arrangement it is very important that you cast your vote**.

Attendance and voting

Your right to vote may be exercised by:

(a) **attending the meeting and voting in person**;

(b) **postal voting**: The Board has determined that postal voting is permitted. Postal voting instructions are included in the proxy/voting form which accompanies this Notice of Special Meeting. Link Market Services Limited has been authorised by the Board to receive and count postal votes at the meeting. You can cast a postal vote (direct vote) online at https://investorcentre.linkmarketservices.co.nz/voting/SCT. You will require your CSN/Holder Number and Authorisation Code (FIN) to complete your vote. Alternatively, complete and send the proxy/voting form by post, email (as a scanned attachment) or fax so that your vote is received by Link Market Services Limited no later than 24 November 2015; or

(c) **Appointing a proxy (or representative) to attend and vote in your place**: The proxy need not be a shareholder of the Company. The form of appointment of a proxy and voting instructions accompany this Notice of Special Meeting. You can appoint a proxy online at https://investorcentre.linkmarketservices.co.nz/voting/SCT. You will require your CSN/Holder Number and Authorisation Code (FIN) to complete your vote. Alternatively, complete and send the proxy/voting form by post, email (as a scanned attachment) or fax so that it is received by Link Market Services Limited by no later than 24 November 2015.

By order of the Board

Chris Hopkins
Managing Director and Chief Executive
30 October 2015

EXPLANATORY MEMORANDUM

Contents

Description of Scheme of Arrangement

1. There are three parts to the Scheme of Arrangement:

   (a) An offer by JBS to acquire your Shares at $1.39 per Share on the terms in the **enclosed** JBS Offer Document (the **JBS Offer**), provided that you have not accepted the Rights Offer referred to in paragraph (b) below in respect of any of your Shares.

   (b) A Rights Offer by the Company to issue to you 1 new Share for every 8 Shares you hold on the Rights Offer Record Date at an issue price of $1.39 per Share (**Rights Issue Shares**) on the terms in the **enclosed** Rights Offer Document. This Rights Offer is being made by the Company to those Shareholders who do not wish to sell their Shares to JBS pursuant to the JBS Offer, and is made only to Shareholders resident in New Zealand or Australia.

   (c) The issue of new Shares by the Company to JBS at $1.39 per Share on the terms in the **enclosed** Subscription Agreement between the Company and JBS. This provides for new Shares to be issued as follows:

      (i) an issue of 10,000,000 new Shares for an aggregate issue price of $13,900,000 in order to provide the Company with new capital (**Placement Shares**); and

      (ii) if required, a top up issue of such number of new Shares (**Top Up Shares**) as will result in JBS holding 50.1% of all the Shares in the Company, taking into account the Shares to be acquired by JBS pursuant to the JBS Offer, the new Shares to be issued pursuant to the Rights Offer, and the issue of the Placement Shares and the Top Up Shares.

2. An **Independent Adviser's Report** is also **enclosed** reporting on the merits of the Scheme of Arrangement.

Actions for you to take

3. You are being asked to decide whether or not to:

   (a) vote in favour of the Scheme of Arrangement;

   and, either

   (b) accept the JBS Offer for your Shares and not accept the Rights Offer by the Company;

   or

(c) accept the Rights Offer by the Company (if you are resident in New Zealand or Australia) and not accept the JBS Offer for any of your Shares.

4. You may decide:

(a) to vote in favour of the Scheme of Arrangement and accept **either** the JBS Offer in respect of some or all of your Shares **or** the Rights Offer in respect of some or all of your Shares (if you are resident in New Zealand or Australia); **or**

(b) to vote in favour of the Scheme of Arrangement, but accept neither the JBS Offer nor the Rights Offer; **or**

(c) to vote against the Scheme of Arrangement and accept neither the JBS Offer nor the Rights Offer; **or**

(d) to vote against the Scheme of Arrangement but still accept either the JBS Offer **or** the Rights Offer (if you are resident in New Zealand or Australia) in respect of some or all of your Shares – this would only have effect if the Scheme of Arrangement is approved by the other Shareholders.

Shareholder approval required

5. The JBS Offer, the Rights Offer, and the issue of new shares to JBS will proceed only if the Scheme of Arrangement is approved by a majority of 75% of the votes of Shareholders in each interest class who vote on the resolution, and also by a simple majority of the votes of all Shareholders entitled to vote (whether voting or not). **It is therefore important that you cast your vote if you are in favour of the Scheme of Arrangement**.

Shareholders not resident in New Zealand or Australia – a separate interest class

6. The Rights Offer is open only to Shareholders as at the Rights Offer Record Date who are resident in New Zealand, Australia and other Shareholders that the Company is satisfied can participate in the Rights Offer in compliance with all applicable laws (**Eligible Shareholders**). Shareholders who are not Eligible Shareholders (**Non-Eligible Shareholders**) will form a separate class of Shareholders for the purpose of voting on the Resolution to approve the Scheme of Arrangement. This means that there is a requirement for a separate vote for approval by 75% or more of the votes of the Non-Eligible Shareholders who are entitled to vote and who do vote.

Minority Buy Out Rights – Major Transaction

7. Depending on the number of Shares which are sold by Shareholders to JBS under the JBS Offer, it is possible that the Company may be required to issue (under the Rights Issue, the Placement and the issue of Top Up Shares) Shares which have a value of more than half the value of the Company's assets prior to the issue of those new Shares. If that were to occur, then those issues of new Shares may be a major transaction under section 129 of the Companies Act 1993, and, if the resolution to approve the Scheme of Arrangement is passed, the Shareholders who vote against it would have the right to require the Company to purchase their Shares in accordance with sections 110 to 115 of the Companies Act 1993. However it is not expected that dissenting Shareholders would wish to exercise this right as they are being given the opportunity to sell their Shares to JBS under the JBS Offer.

Overseas Investment Office Approval Required

8. The Scheme of Arrangement is conditional on receipt of approval under the Overseas Investment Act 2005 (**OIA**). Approval is required to be sought because the Company owns sensitive land and special land within the meaning of the OIA and the Overseas Investment Regulations 2005 respectively. JBS has submitted an application for approval to the Overseas Investment Office. The Company will make an announcement on NZX when it is informed of the outcome of the application by JBS.

Final Court approval required

9. If the Shareholders vote in favour of the Scheme of Arrangement in accordance with the required majorities, an application will be made to the High Court to approve the Scheme of Arrangement and make orders to implement it.

Indicative timetable

First Court Date – initial Court order received directing Special Meeting to be held.	14 October 2015
Rights Offer Record Date	28 October 2015
Rights Offer Period – the Rights Offer may be accepted within this time period.	28 October 2015 to 24 November 2015
JBS Offer Period – the JBS Offer may be accepted within this time period (unless extended under the JBS Offer Document).	28 October 2015 to 24 November 2015
Notice of Special Meeting sent to Shareholders	30 October 2015
Rights Offer Closing Date – last day for the Share Registrar to receive Rights Offer Acceptance Forms. If your Rights Offer Acceptance Form is not received by the Share Registrar by this date it may not be processed.	24 November 2015
JBS Offer Closing Date – last day for the Share Registrar to receive JBS Offer Acceptance Forms. This day may be extended to 31 March 2016. If your JBS Offer Acceptance Form is not received by the Share Registrar by this date it may not be processed.	24 November 2015
Voting Due Date – Last day for postal and proxy/voting forms to be received by the Share Registrar in respect of voting on the Scheme of Arrangement.	24 November 2015
Scheme Record Date – must be a Shareholder on this date to be able to vote at the Special Meeting.	24 November 2015
Special Meeting of Shareholders	26 November 2015
Second Court Date – receipt of final Court orders making the	17 December 2015

Scheme of Arrangement binding. This date is indicative only.	
Implementation Date – issue and transfer of Shares occurs and consideration is paid. This will be the date that is 5 Business Days after the Scheme of Arrangement is made binding by the High Court, unless the High Court sets another date. This date is indicative only.	24 December 2015
End Date – if the Scheme of Arrangement does not become binding by this date it will not proceed.	30 April 2016

YOUR VOTE IS IMPORTANT

10. In order for the Scheme of Arrangement to proceed, the requisite majorities of Shareholders must vote in favour of the Scheme of Arrangement.

11. **In particular the Scheme of Arrangement requires approval by a majority of all voting rights entitled to be voted on the resolution i.e. by a majority of all Shares, and not just those Shares being voted. Therefore, if you are in favour of the Scheme of Arrangement it is very important that you cast your vote**.

12. You can vote by attending the Special Meeting, by submitting a postal vote or by appointing a proxy (or representative) to attend the Special Meeting and vote on your behalf.

13. A proxy/voting form is provided with this Notice of Special Meeting. You may lodge your vote, by post or alternatively online at https:investorcentre.linkmarketservices.co.nz/voting/SCT. Further information on how to vote is set out in the Notice of Special Meeting and on the proxy/voting form.

14. Please note that the proxy/voting form is separate to the JBS Offer Acceptance Form and the Rights Offer Acceptance Form. If you are in favour of the Scheme of Arrangement **and** wish to accept either the JBS Offer or the Rights Offer, you will need to fill in and complete both the proxy/voting form and the relevant Acceptance Form.

Why is the Scheme of Arrangement being proposed?

15. JBS is interested in the Company's technology for its global operations and believes that with JBS as a majority shareholder it could open up additional opportunities to the Company for growth internationally. JBS wishes as part of the Scheme of Arrangement to provide the Company with additional capital which will allow the Company to reduce debt and support additional growth.

16. It is a condition of JBS' proposed investment in the Company that JBS acquire at least a 50.1% shareholding in the Company.

17. The Company also wishes those Shareholders who do not wish to sell any Shares to JBS to have the opportunity to acquire additional Shares in the Company at the same price JBS is paying for new Shares. This opportunity can only be made available to Shareholders resident in New Zealand or Australia.

18. The JBS Offer alone would not provide the Company with additional capital. Similarly, a placement of Shares to JBS so that it would hold at least 50.1% of the Company would not provide a liquidity option to shareholders (which may be desirable to some Shareholders), or the opportunity for Shareholders resident in New Zealand or Australia who do not wish to sell to JBS to acquire additional Shares.

19. A scheme of arrangement is considered the most convenient way for the Company to secure an appropriate amount of additional capital from JBS, for JBS to obtain the controlling stake which is a condition of its proposal to invest, and for existing Shareholders to either sell their Shares or (if they are resident in New Zealand or Australia) to acquire new Shares.

20. Section 1.4.8 of the Independent Adviser's Report provides details of alternative transaction structures.

21. The alternatives explained in the Independent Adviser's Report are (i) a partial takeover offer under the Takeovers Code followed by a shareholder approved issue of Shares to JBS; and (ii) an issue of Shares to JBS (potentially without shareholder approval) followed by a partial takeover offer by JBS to obtain 50.1% of the Shares.

22. As explained in the Independent Adviser's Report, the Scheme of Arrangement was chosen because the alternatives lack the degree of commercial certainty required by the Company and JBS:

    (a) the Company may not get the required level of additional funding as Shareholder approval may be required to obtain that funding; and

    (b) JBS may not obtain 50.1% of the Shares if there is low acceptance of its partial offer or the issue of Shares to JBS is not approved by Shareholders.

23. Further, by using the Scheme of Arrangement, the need for two separate Shareholder approval processes is eliminated.

Who is JBS?

24. JBS is the largest meat processing company in Australia and a division of JBS S.A., the largest animal protein processing company in the world, working in the areas of food, leather, products for pets, biodiesel, collagen, cans and cleaning products (further details on JBS S.A. are provided below).

25. Through a network of eleven strategically located processing facilities and five feedlots stretched from Townsville in north Queensland to Devonport in Tasmania, JBS has a daily processing capacity of more than 8,000 cattle and 21,000 small stock.

26. With a commitment to maintaining the highest levels of food safety, animal welfare, product quality and customer service, JBS has developed an enviable reputation as the leading supplier of Australian beef and lamb products around the world. Today, JBS exports to more than 80 countries while also maintaining significant market share in the domestic Australian beef and lamb market.

27. JBS employs more than 8,500 people across Australia in a wide range of specialist roles to ensure its customers enjoy the highest quality and consistency of product every day of the week.

28. For more information on JBS please visit its website: http://www.jbssa.com.au/.

    JBS S.A.

29. JBS S.A.'s history began in 1953 in Brazil, when José Batista Sobrinho (whose initials now form the name of the company) started out processing less than five head of cattle per day. Through determination, discipline, simplicity, years of hard work and a few acquisitions along the way, it grew from a small, family-owned business into the world's leading provider of quality meat protein, leather and sustainable co-products. Today, with more than 61 years of tradition, JBS S.A. is a global leader in the processing of animal protein. Present in more than 20 countries, JBS S.A. serves a base of more than 300,000 clients in more than 150 countries through a diverse portfolio of products and brands.

30. Headquartered in Brazil, JBS employs around 215,000 team members throughout its production platforms and sales offices around the world. The operational structure includes beef, pork, lamb, poultry and hides/leather processing facilities, in addition to feedlots.

31. Its main customers are retail chains, wholesale clubs and food service companies, such as restaurants, hotels, food service distributors and further processors.

32. In addition to the food sector, it is also present in the segments of personal hygiene and cleaning products, collagen, metal packaging, casings, biodiesel, vegetable oils, transport, waste management and recycling.

33. JBS S.A., went public in 2007 and its stock is currently traded on the Sao Paulo Stock Exchange, in the Novo Mercado segment, under the ticker JBSS3.

34. As at 31 December 2014, JBS SA's consolidated net revenue was approximately 120 billion Brazilian Reals (approximately NZ$44.9 billion) and consolidated net income was approximately BRL 2 billion Brazilian Reals (approximately NZ$748 million).

35. For more information on JBS S.A. please visit its website (http://jbss.infoinvest.com.br/) and also its Annual and Sustainability Report 2014 (http://relatorioanual.jbs.com.br/en/).

36. Details about JBS' intentions for the Company are set out in the JBS Offer Document.

Who are the promoters?

37. The promoters of the Scheme are JBS and the Company.

Directors' recommendation

38. The directors of the Company **unanimously** recommend that you **vote in favour** of the Scheme of Arrangement.

39. The reasons for the directors' recommendation are:

    (a) the price for the Shares under the JBS Offer, the Rights Offer and the Subscription Agreement is above the valuation range determined by the Independent Adviser. The directors believe that the Company has developed and will continue to develop intellectual property which may create future value that is not fully incorporated into the Independent Adviser's valuation range. If the Scheme of Arrangement is approved, the directors suggest that shareholders need to be mindful of the Company's intellectual property and its possible value when considering their personal decision in relation to their shareholding in the Company (for example in deciding whether to sell to JBS, hold or to invest more by taking up the Rights Offer);

    (b) Shareholders are being offered an opportunity to sell their Shares and exit their investment if they desire in an otherwise illiquid market, or (if they are resident in New Zealand or Australia) to acquire additional new Shares at the same price as the acquisition price for JBS under the Subscription Agreement;

    (c) the Company requires additional funding to reduce its debt levels following the recent acquisitions of Robotworx and Machinery Automation & Robotics;

    (d) becoming a subsidiary of JBS will provide the Company with access to JBS' business channels which provides additional opportunity for growth and the possibility of obtaining further funding in the future if needed; and

    (e) JBS' intentions (further described in section 10 of Schedule 1 of the JBS Offer Document) are positive with respect to the development of the Company's business.

40. A director of the Company may withdraw or revise his or her recommendation prior to the Second Court Date and in that event the Company will make a market announcement of such withdrawal on NZX's website (https://www.nzx.com/markets/NZXS/securities/SCT).

What is the effect of the Scheme of Arrangement?

41. If the Scheme of Arrangement becomes effective then:

(a) the Company will secure at least NZ$13,900,000 of new funding which is required to reduce the Company's debt levels. The Company as at the last balance date being 31 August 2015, had total term debt (excluding working capital) of $17.4 million.

The minimum capital received under the Scheme of Arrangement is $13.9 million (assuming no acceptances are received under the Rights Offer) which would occur if shareholder acceptances totalled 17.8 million shares or more and the maximum capital received by the company under the Scheme of Arrangement is $78.8 million if no shareholders accepted the JBS Offer to purchase and all Eligible Shareholders take up their Rights Issue Shares.

The resultant debt would be $3.5 million if the minimum additional capital is received. If the maximum capital was to be received then all debt would be repaid with surplus cash of $61.4 million remaining after debt repayment;

(b) Shareholders will be given the opportunity **either** to sell all or some of their Shares, as they wish, to JBS for NZ$1.39 per Share **or** (if they are resident in New Zealand or Australia) to acquire additional new Shares at that price; and

(c) JBS will obtain at least a 50.1% and, potentially, up to a 100% shareholding in the Company. If a 100% shareholding is obtained the Company will be delisted. Paragraph 92 provides examples of where in this range JBS may end up depending on, respectively, the level of acceptances and subscriptions under the JBS Offer and Rights Offer.

How is the Price for the Shares determined?

42. The price for the Shares under the JBS Offer, the Rights Offer, the Subscription Agreement and any compulsory acquisition is $1.39 based on the 3 months volume weighted average price of the Shares on the NZX Main Board for the period ending 1 June 2015 which is the date JBS made its indicative proposal to the Company to acquire Shares.

What are the key conditions for the Scheme of Arrangement to become binding?

43. The key conditions to the Scheme of Arrangement becoming binding are that:

(a) Shareholders approve the Scheme of Arrangement at the Special Meeting by the required majorities (voting thresholds are described in this Notice of Special Meeting);

(b) JBS receives consent under the Overseas Investment Act 2005 in relation to the Scheme of Arrangement;

(c) the High Court approves the Scheme of Arrangement and orders the implementation of the Scheme of Arrangement;

(d) there not having occurred prior to the final approval of the Scheme of Arrangement by the High Court, any event materially adverse to the business, financial or trading position, assets or liabilities, profitability or prospects of the Scott Group, taken as a whole, including any material deterioration in the debt situation or financial forecast of any member of the Scott Group; and

(e) the Subscription Agreement is not terminated prior to the Second Court Date.

44. These conditions are reflected in the JBS Offer Document, the Rights Offer Document and the Subscription Agreement which between them set out the components of the Scheme of Arrangement. Descriptions of the key terms of each document are set out below under *"What are the documents relating to the Scheme of Arrangement?"*.

45. There are further conditions in the JBS Offer Document. These conditions essentially relate to the business of the Scott Group being carried on in the ordinary course pending the Scheme of Arrangement being effected.

46. All conditions must be satisfied or, if applicable, waived on or before the End Date, being 30 April 2016. This date will not be extended.

Can the Scheme of Arrangement be amended?

47. The Company and JBS reserve the right to amend the JBS Offer Document, the Rights Offer Document and the Subscription Agreement at any time and from time to time provided that any such amendment must be contained in a written document which is filed with the High Court and, if made following the Special Meeting of Shareholders to consider the Scheme of Arrangement, approved by the High Court and communicated to Shareholders in the manner required by the High Court (if so required).

48. Any amendment to this Scheme of Arrangement proposed by the Company and JBS at any time prior to or at the Special Meeting, with or without any other prior notice or communication, which is accepted by the Shareholders voting at the Special Meeting, will become part of this Scheme of Arrangement for all purposes.

What are the voting thresholds?

49. The voting thresholds under the Companies Act 1993 for approval of the Scheme of Arrangement are:

(a) a majority of 75% of the votes entitled to be cast, and cast, on the resolution by each interest class of Shareholders; and

(b) a simple majority of all votes entitled to vote on the resolution.

50. These thresholds are in accordance with the Companies Act 1993 and cannot be amended.

Am I entitled to vote at the Scheme Meeting?

51. All persons who are Shareholders at the close of business on the second Business Day before the Special Meeting is held are entitled to vote at the Special Meeting. The voting thresholds are set out in paragraphs 5 and 6 of this explanatory memorandum.

What will happen to the Shares held under the Company's employee share purchase scheme?

52. Further to the Rules of the Company's employee share purchase scheme (**ESPS**), the trustees of the ESPS will abstain from voting the Shares held under the ESPS and will not accept the JBS Offer or the Rights Offer and the Shares will be otherwise dealt with in accordance with the ESPS Rules.

53. If a compulsory acquisition occurs under the JBS Offer (see *"What compulsory acquisition provisions apply?"*) the ESPS Shares will be acquired by JBS under that procedure. The proceeds of sale will be dealt with in accordance with the ESPS Rules.

When will the Scheme of Arrangement be implemented?

54. The Scheme of Arrangement will be implemented 5 Business Days after all the conditions in relation to the Scheme of Arrangement are satisfied (unless the High Court determines otherwise). The last date by which all the conditions can be satisfied is 30 April 2016. See *"What are the key conditions for the Scheme of Arrangement to become binding?"* for a summary of the relevant conditions.

55. In practice the Company will apply for final High Court orders to effect the Scheme of Arrangement when all conditions except High Court approval are satisfied.

56. The Company and JBS hope to be granted final High Court orders on or about 17 December 2015. This is an indicative date only. The Company will in any event make a market announcement on NZX's website (https://www.nzx.com/markets/NZSX/securities/SCT) when final High Court orders are granted and advise what the Implementation Date will be.

57. An indicative timetable has been included on pages 6 to 7 above.

How can I sell my Shares to JBS under the JBS Offer?

58. If you decide to sell all or some of your Shares to JBS under the JBS Offer (and accordingly you will not be able to acquire any new Shares under the Rights Offer) then simply complete the JBS Offer Acceptance Form in the JBS Offer Document and send it back to the Share Registrar so that it is received by it by the JBS Offer Closing Date, being (24 November 2015), unless extended.

59. The JBS Offer Acceptance Form contains instructions on how to complete and lodge it. If you require further assistance please contact the Share Registrar by any of the following methods:

    (a) +64 9 375 5998; or

    (b) enquiries@linkmarketservices.com.

How can I acquire Shares under the Rights Offer?

60. If you are an Eligible Shareholder and have decided to acquire new Shares under the Rights Offer (and accordingly not to sell any of your Shares to JBS under the JBS Offer) then simply complete the Rights Offer Acceptance Form in the Rights Offer Document and send it back to the Share Registrar so that it is received by the Rights Offer Closing Date, being 24 November 2015.

61. The Rights Offer Acceptance Form contains instructions on how to complete and lodge it. If you require further assistance please contact the Share Registrar by any of the following methods:

    (a) +64 9 375 5998; or

    (b) enquiries@linkmarketservices.com.

What will I be entitled to receive if the Scheme of Arrangement comes into effect?

62. If you accepted the JBS Offer to sell your Shares to JBS, you will be sent, on the Implementation Date, NZ$1.39 per Share in the manner you have specified in the JBS Offer Acceptance Form. If your Shares are not transferred to JBS, then you will remain a Shareholder, assuming you have not otherwise sold your Shares, and your Shares are not compulsorily acquired by JBS. In any event, brokerage will not be payable by you if you sell your Shares to JBS under the JBS Offer (including by way of compulsory acquisition).

63. If you are an Eligible Shareholder and you accepted the Rights Offer to acquire new Shares to be issued by the Company, then on the Implementation Date the new Shares to which you are entitled will be allotted to you. The Company will forward to you a notice of that allotment and the new Shares will be quoted on the NZX Main Board.

What compulsory acquisition provisions apply?

64. The compulsory acquisition provisions in the Takeovers Code have been adopted in the JBS Offer. This means that if you did not accept the JBS Offer, and if JBS acquires 90% of all Shares (including by issue of the Placement Shares), then the following provisions apply:

    (a) JBS will send you an acquisition notice and a share transfer form on the Implementation Date. Trading of Shares on NZX will be suspended 5 Business Days after this date;

    (b) the acquisition notice will state:

        (i) either that you must sell your shares to JBS at the purchase price under the Offer (**Compulsory Sale**);

        (ii) or that you have the right to sell your shares to JBS at that price (**Voluntary Sale**);

    (c) if the acquisition notice provides for a **Compulsory Sale** (which is the intention of JBS as at the date of this Notice of Meeting), you may within 15 Business Days return the signed share transfer form to the Share Registrar, which will then arrange for payment of the purchase price to be sent to you within a further 5 Business Days. If you do not do this, then the purchase price will be paid by JBS to the Company to be held in trust for you, and the Company will, on your behalf, transfer your Shares to JBS; and

    (d) if the acquisition notice provides for a **Voluntary Sale**, then you may within 15 Business Days return the signed share transfer form to the Share Registrar, which will then arrange for payment of the purchase price to be sent to you within a further 5 Business Days.

What happens if the High Court does not approve the Scheme of Arrangement or the Scheme of Arrangement does not otherwise proceed?

65. If the Scheme of Arrangement does not proceed JBS will not acquire any Shares under the JBS Offer and will not subscribe for any Shares under the Subscription Agreement, and the Company will not issue any new Shares under the Rights Offer.

66. The Company will continue to assess, as appropriate, how to reduce its debt levels.

What happens to my Shares if I do not vote?

67. You are free not to vote.

68. However, the Scheme of Arrangement is an important transaction for the Company and the directors strongly encourage you to vote. In particular the Scheme of Arrangement requires approval by a majority of all voting rights entitled to be voted on the resolution i.e. by a majority of all Shares, and not just those Shares being voted. Therefore, **if you are in favour of the Scheme of Arrangement it is very important that you cast your vote**.

69. Details of how you can vote are set out on page 2 of this Notice of Special Meeting.

Can I sell my Shares now?

70. Provided you have not already submitted a JBS Offer Acceptance Form and otherwise comply with the law, you are free to sell your Shares on market at any time you wish.

71. Once you accept the JBS Offer by validly submitting a JBS Offer Acceptance Form to the Share Registrar, you cannot otherwise sell the Shares you sold to JBS (unless the Scheme does not come into effect). In this regard, JBS Offer Accepting Shareholders irrevocably authorise JBS to instruct the Company and the Share Registrar to refuse, until the Scheme of Arrangement is implemented or lapses, to register any transfer of any or all JBS Offer Accepted Shares except under the JBS Offer.

What are the documents relating to the Scheme of Arrangement?

72. The Scheme of Arrangement is being implemented by three key documents: the JBS Offer Document, the Rights Offer Document and the Subscription Agreement.

JBS Offer Document

73. The JBS Offer Document sets out the terms and conditions upon which the JBS Offer is being made to Shareholders. A copy of the JBS Offer Document accompanies this Notice of Special Meeting.

74. **Please note** that if you accept the offer to acquire any new Shares under the Rights Offer then you are not entitled to sell any of your Shares to JBS under the JBS Offer Document.

75. The key terms of the JBS Offer Document are:

    (a) JBS is offering NZ$1.39 for each Share;

    (b) JBS may increase (but not decrease) the price under the JBS Offer at any time. If you have accepted the JBS Offer before this time, you will nonetheless get the benefit of the increased JBS Offer price;

(c) the JBS Offer is open for acceptance from 28 October 2015 until 24 November 2015, but may be extended to 31 March 2016;

(d) if the combined total of the JBS Offer Accepted Shares and the Placement Shares would result in JBS holding 90% or more of the Shares (after issue of the Placement Shares and the Rights Issue Shares), then JBS will have the right and may have the obligation to compulsorily acquire the remaining Shares at the same price as under the JBS Offer (being, NZ$1.39 for each Share). Please see paragraph 64 for a description of the compulsory acquisition provisions which apply;

(e) the consideration under the JBS Offer will be sent to JBS Offer Accepting Shareholders by the method selected by those Shareholders in the JBS Offer Acceptance Form on the Implementation Date (being the date that falls 5 Business Days after the date the Scheme of Arrangement becomes binding, unless the High Court determines otherwise). Please see paragraph 64 in relation to compulsory acquisition; and

(f) once a JBS Offer Acceptance Form is validly submitted, it cannot be withdrawn even in the case of non-payment on the Implementation Date. If payment is not made on the Implementation Date, the affected JBS Offer Accepting Shareholders will have a debt due to them enforceable by application to the High Court.

76. A summary of the key conditions of the JBS Offer is set out above in *"What are the key conditions for the Scheme of Arrangement to become binding?"*.

Rights Offer Document

77. The Rights Offer Document sets out the terms and conditions upon which the Rights Offer has been made by the Company to Eligible Shareholders. A copy of the Rights Offer Document accompanies this Notice of Special Meeting.

78. **Please note** that if you accept the offer to acquire any new Shares under the Rights Offer then you are not entitled to sell any of your Shares to JBS under the JBS Offer Document.

79. The key terms of the Rights Offer Document are:

(a) the Company is making a pro rata non-renounceable rights issue of 1 new Share for every 8 existing Shares held by Eligible Shareholders on the Rights Offer Record Date, that is 28 October 2015 for up to a maximum of 5,684,236 new Shares;

(b) the new Shares are ordinary shares in the Company of the same class as and ranking equally in all respects with the existing Shares on the Rights Offer Record Date. The new Shares will be quoted on the NZX Main Board immediately following allotment;

(c) Eligible Shareholders may subscribe for all or only a proportion of the new Shares to which they are entitled;

(d) the Rights Offer is open for acceptance from 28 October 2015 until 24 November 2015;

(e) if the combined total of the JBS Offer Accepted Shares and the Placement Shares would result in JBS holding 90% or more of the Shares (after issue of the

Placement Shares and the Rights Issue Shares), then JBS will have the right and may have the obligation to compulsorily acquire the remaining Shares at the same price as under the JBS Offer (being, NZ$1.39 for each Share). Please see paragraph 64 for a description of the compulsory acquisition provisions which apply; and

(f) the new Shares acquired under the Rights Offer will be allotted on the Implementation Date (being the date that falls 5 Business Days after the date the Scheme of Arrangement becomes binding, unless the High Court determines otherwise). Please see paragraph 64 in relation to compulsory acquisition.

80. A summary of the key conditions of the Rights Offer is set out above in *"What are the key conditions for the Scheme of Arrangement to become binding?"*.

Subscription Agreement

81. The Subscription Agreement sets out the terms and conditions on which JBS or a nominee (in this section referred to as **JBS**) will subscribe for new Shares in the Company. A copy of the Subscription Agreement accompanies this Notice of Special Meeting.

82. Under the Subscription Agreement JBS has agreed to subscribe for, and the Company has agreed to issue, the Placement Shares and the Top Up Shares (together the **Subscription Shares**) at NZ$1.39 per Share, subject to the condition in the Subscription Agreement being satisfied. The Subscription Shares will be issued and paid for on the Implementation Date (unless the High Court determines otherwise).

83. The Subscription Agreement is conditional on the JBS Offer being declared unconditional on or before the End Date, even if there are no JBS Offer Accepted Shares.

84. The Subscription Agreement may be terminated:

(a) by agreement between JBS and the Company; or

(b) by JBS for breach of warranty by the Company; or

(c) by JBS if any director of the Company withdraws or adversely revises their recommendation that you vote in favour of the Scheme of Arrangement or makes a public statement containing negative or unsupportive remarks regarding the Scheme of Arrangement.

85. The Placement Shares consist of 10,000,000 new Shares the aggregate consideration for which is NZ$13,900,000 (being NZ$1.39 per Share).

86. How the number of Top Up Shares will be calculated is set out next.

How is the number of Top Up Shares calculated?

87. A requirement of JBS is to acquire at least a 50.1% shareholding as a result of the Scheme of Arrangement.

88. If the Placement Shares and the JBS Offer Accepted Shares under the Offer do not represent at least 50.1% of the Shares (calculated as if the Placement Shares and the Rights Issue Shares were issued), then JBS' requirement cannot be met.

89. Therefore, the Company has agreed to issue JBS such number of new Shares which when taken together with the Placement Shares and the JBS Offer Accepted Shares (if

any) represent 50.1% of the total number of Shares (calculated as if the Placement Shares, the Top Up Shares and the Rights Issue Shares were issued). The purchase price for the Top Up Shares is the same as for the Placement Shares.

90. The calculation of the number of Top Up Shares will be completed:

(a) within 2 Business Days of the JBS Offer Closing Date; and

(b) again within 2 Business Days of the Unconditional Date, so that JBS and the Company can decide what, if any, Late Acceptances are processed under the JBS Offer and the Rights Offer.

91. The number of Top Up Shares will not definitively be known until 2 Business Days after the Unconditional Date, if Placement Shares and JBS Offer Accepted Shares do not represent 50.1% of the Shares (calculated as if the Placement Shares and the Rights Issue Shares were issued). The Company will announce the number of Top Up Shares and Rights Issue Shares to be issued once known (the announcement will be available on NZX's website: https://www.nzx.com/markets/NZSX/securities/SCT).

92. Set out below are three examples illustrating how the number of Top Up Shares will be calculated:

(a) **Example 1:** JBS receives acceptances for 60% of the Shares under the JBS Offer, does not otherwise own any Shares and 1,000,000 Shares are issued under the Rights Offer.

(i) After the issue of the Placement Shares and Rights Issue Shares, the Company would have 56,473,890 Shares on issue and JBS would own 37,284,334 of them for a total price of NZ$51,825,224.26.

(ii) Therefore, as JBS would own 66.02% of the Shares no Top Up Shares would need to be issued.

(b) **Example 2:** JBS receives acceptances for 27% of the Shares under the JBS Offer, does not otherwise own any Shares and 3,000,000 Shares are issued under the Rights Offer.

(i) After the issue of the Placement Shares and Rights Issue Shares, the Company would have 58,473,890 Shares on issue and JBS would own 22,277,951 of them.

(ii) Therefore, JBS would only own 38.10% of the Shares and so Top Up Shares would need to be issued.

(iii) To get to a 50.1% holding, JBS would be issued 14,063,062 Top Up Shares.

(iv) The total number of Shares after the Scheme of Arrangement would be 72,563,952 of which JBS would own 36,341,013 for a total price of NZ$50,514,008.07.

(c) **Example 3:** JBS receives no acceptances under the JBS Offer, does not otherwise own any Shares and 3,000,000 Shares are issued under the Rights Offer.

(i) After the issue of the Placement Shares and Rights Issue Shares, the Company would have 58,473,890 Shares on issue and JBS would own 10,000,000 of them.

(ii) Therefore, JBS would only own 17.10% of the Shares and so Top Up Shares would need to be issued.

(iii) To get to a 50.1% holding, JBS would be issued 38,668,175 Top Up Shares.

(iv) The total number of Shares after the Scheme of Arrangement would be 97,142,065 of which JBS would own 48,668,175 for a total subscription price of NZ$67,648,763.25.

93. The above examples assume that the number of Shares is 45,473,890 and will not change otherwise than under the Scheme of Arrangement.

Could the Company be delisted?

94. If a compulsory acquisition occurs (see paragraph 64 for an explanation of the compulsory acquisition process) the Company will be delisted.

95. If the Company cannot meet the spread requirements of the NZX Listing Rules on the Scheme of Arrangement being implemented and it does not get a waiver from the NZX in this regard, it will be delisted. The spread requirements require that at least 500 members of the public hold at least 25% of the Shares. A member of the public, in the case of the Company, is a person who does not hold 10% or more of the Shares.

What are the taxation implications of the Scheme of Arrangement?

96. Tax implications will depend on the circumstances of each Shareholder, noting that the applicable tax rules will vary depending on the tax profile of the relevant Shareholder (e.g. individual, company, superannuation fund, etc). Shareholders should seek their own professional taxation advice in relation to their personal tax position.

Independent Adviser's Report

97. The Company has appointed Northington Partners Limited to assess and report on the merits of the Scheme of Arrangement. The full report accompanies this Notice of Special Meeting.

98. A summary of the Independent Adviser's assessment of the Scheme of Arrangement is in section 1.4.9 of the Independent Adviser's report.

Takeovers Panel no-objection statement

99. As the Company is a 'Code Company' for the purposes of the Takeovers Code, the Takeovers Panel regulates the control of its voting rights (Shares in this case).

100. Under the Companies Act 1993, the Company may request from the Takeovers Panel, a 'no-objection statement', to present to the High Court when seeking orders in respect of a scheme of arrangement.

101. The Takeovers Panel's role is to assist the High Court by:

   (a) reviewing scheme documents to ensure that appropriate information is placed before shareholders and that associates and interest classes of shareholders have been adequately identified; and

   (b) helping to ensure that matters that are relevant to the High Court's decision are properly brought to the High Court's attention.

102. The Takeovers Panel in giving a no-objection statement **does not** comment on the merits of the Scheme of Arrangement. Rather, the primary purpose of the Takeovers Panel's review is to consider whether Shareholders will be adversely affected by the transaction the subject of the Scheme of Arrangement being conducted under a scheme as opposed to under the Takeovers Code.

103. Even if the no-objection statement is granted by the Takeovers Panel, the High Court still has discretion not to implement the Scheme of Arrangement.

104. The Company requested and has been granted by the Takeovers Panel a preliminary no-objection statement (called a letter of intention) of the Scheme of Arrangement, which was presented to the High Court on the First Court Date.

105. The Takeovers Panel has indicated that on the basis of the documents and information provided to it, it proposes to grant a final no-objection statement on or before the Second Court Date.

What is the role of the High Court?

106. Under the Companies Act 1993 the Company and JBS must obtain the High Court's approval for the Scheme of Arrangement to be implemented.

107. High Court approval involves a two stage process. This is why a 'First Court Date' and a 'Second Court Date' have been referred to in this Notice of Special Meeting.

108. At the First Court Date the High Court scrutinises the documents relating to the Scheme of Arrangement and, if satisfied, gives orders for the process that must be followed for final approval to be obtained at the Second Court Date.

109. Assuming all other conditions to the Scheme of Arrangement are satisfied or waived, before the High Court gives orders implementing the Scheme of Arrangement it must be satisfied that:

   (a) there has been compliance with the relevant procedural rules e.g. those applicable to holding the Special Meeting, passing resolutions by each class of Shareholders, making of court applications etc;

   (b) the Scheme of Arrangement has been fairly put to each class of Shareholders and that the explanatory memorandum puts all the information reasonably necessary to enable each class of Shareholders to judge and vote on the Scheme of Arrangement;

   (c) Shareholders in each class are fairly represented by those Shareholders who vote on the Scheme of Arrangement;

   (d) the Scheme of Arrangement is such that a Shareholder acting as an intelligent and honest person of business in respect of his or her own interest, may reasonably agree with the Scheme of Arrangement; and

(e) Shareholders will not be adversely affected by the use of the Scheme of Arrangement rather than the Takeovers Code to effect the transactions contemplated by the Scheme of Arrangement.

Rights of the Shareholder to object

110. If the resolution the subject of the Special Meeting is passed, but you still object to the Scheme of Arrangement being implemented, you will have the right to be heard at the hearing for the final court order. You can request a hard or electronic copy of the High Court originating application by contacting the Company at g.chiles@scott.co.nz. The application will be sent to you within 5 Business Days of the Company's receipt of your request. You can also submit a written complaint directly to the Takeovers Panel by email: takeovers.panel@takeovers.govt.nz.

111. As noted in paragraph 7 above, if the Scheme of Arrangement is approved by the Shareholders and you vote against it, you may have a right to require the Company to purchase your Shares in accordance with sections 110 to 115 of the Companies Act 1993.

Defined terms

112. In this Notice of Special Meeting (including the explanatory memorandum):

Business Day means a day that is not a Saturday, Sunday or public holiday in Auckland and Dunedin New Zealand, Brisbane, Australia and Greeley, Colorado USA;

Company means Scott Technology Limited;

Eligible Shareholders means those Shareholders defined in paragraph 6;

End Date: means 30 April 2016;

First Court Date means the date on which the High Court makes orders under section 236(1) of the Companies Act 1993 directing the Company to convene a Special Meeting of Shareholders to consider the Scheme of Arrangement;

Implementation Date means the date that is 5 Business Days after the Unconditional Date or such other date as the High Court may set;

JBS means JBS Australia Pty Ltd or, if nominated by JBS Australia Pty Ltd, one of its associated entities;

JBS Offer means the offer to purchase Shares made by JBS in the JBS Offer Document;

JBS Offer Acceptance Form means the acceptance form in the JBS Offer Document;

JBS Offer Accepted Shares means, subject to clause 2.1(g) of the Subscription Agreement, the Shares of each of those Shareholders who have accepted the JBS Offer and whose JBS Offer Acceptance Form is received by the Share Registrar on or before the JBS Offer Closing Date together with such Shares that are represented by Late Acceptances which JBS elects to accept;

JBS Offer Accepting Shareholders means, subject to clause 2.1(g) of the Subscription Agreement, those Shareholders that accept the JBS Offer by returning their JBS Offer Acceptance Form to the Share Registrar so that it is received by the JBS Offer Closing

Date together with those Shareholders who give a Late Acceptance which JBS elects to accept;

JBS Offer Closing Date means the date and time by which the Share Registrar must receive JBS Offer Acceptance Forms, being 24 November 2015 (subject to extension under the JBS Offer Document);

JBS Offer Document means the document containing the terms and conditions of the JBS Offer accompanying this Notice of Special Meeting;

Late Acceptances means any acceptance forms under the JBS Offer or the Rights Offer received by the Share Registrar after the JBS Offer Closing Date or the Rights Offer Closing Date respectively;

Non-Eligible Shareholders means those Shareholders defined in paragraph 6;

NZX means NZX Limited;

NZX Listing Rules means the NZX Main Board/Debt Market Listing Rules;

Placement Shares means the 10,000,000 new Ordinary Shares to be issued by the Company and subscribed for by JBS on the Implementation Date pursuant to the Subscription Agreement;

Rights Issue Shares means ordinary shares in the Company issued or to be issued under the Rights Offer;

Rights Offer means the non-renounceable Rights Offer of new ordinary shares made by the Company in the Rights Offer Document;

Rights Offer Acceptance Form means the entitlement and acceptance form in the Rights Offer Document;

Rights Offer Closing Date means the date and time by which the Share Registrar must receive Rights Offer Acceptance Form being 24 November 2015;

Rights Offer Document means the document containing the terms and conditions of the Rights Offer accompanying this Notice of Special Meeting;

Rights Offer Record Date means 28 October 2015;

Scheme of Arrangement means the scheme described in this Notice of Special Meeting comprising the transactions provided for in the JBS Offer Document, the Rights Offer Document and the Subscription Agreement;

Scheme Record Date means 24 November 2015;

Scott Group means the Company and its subsidiaries;

Second Court Date means the date on which final orders are made by the High Court making the Scheme of Arrangement binding;

Share means a fully paid ordinary share in the capital of the Company;

Share Registrar means Link Market Services Limited;

Shareholders means those persons entered in the Company's share register as holding Ordinary Shares;

Subscription Agreement means the document containing the terms and conditions of JBS' subscription for the Subscription Shares accompanying this Notice of Special Meeting;

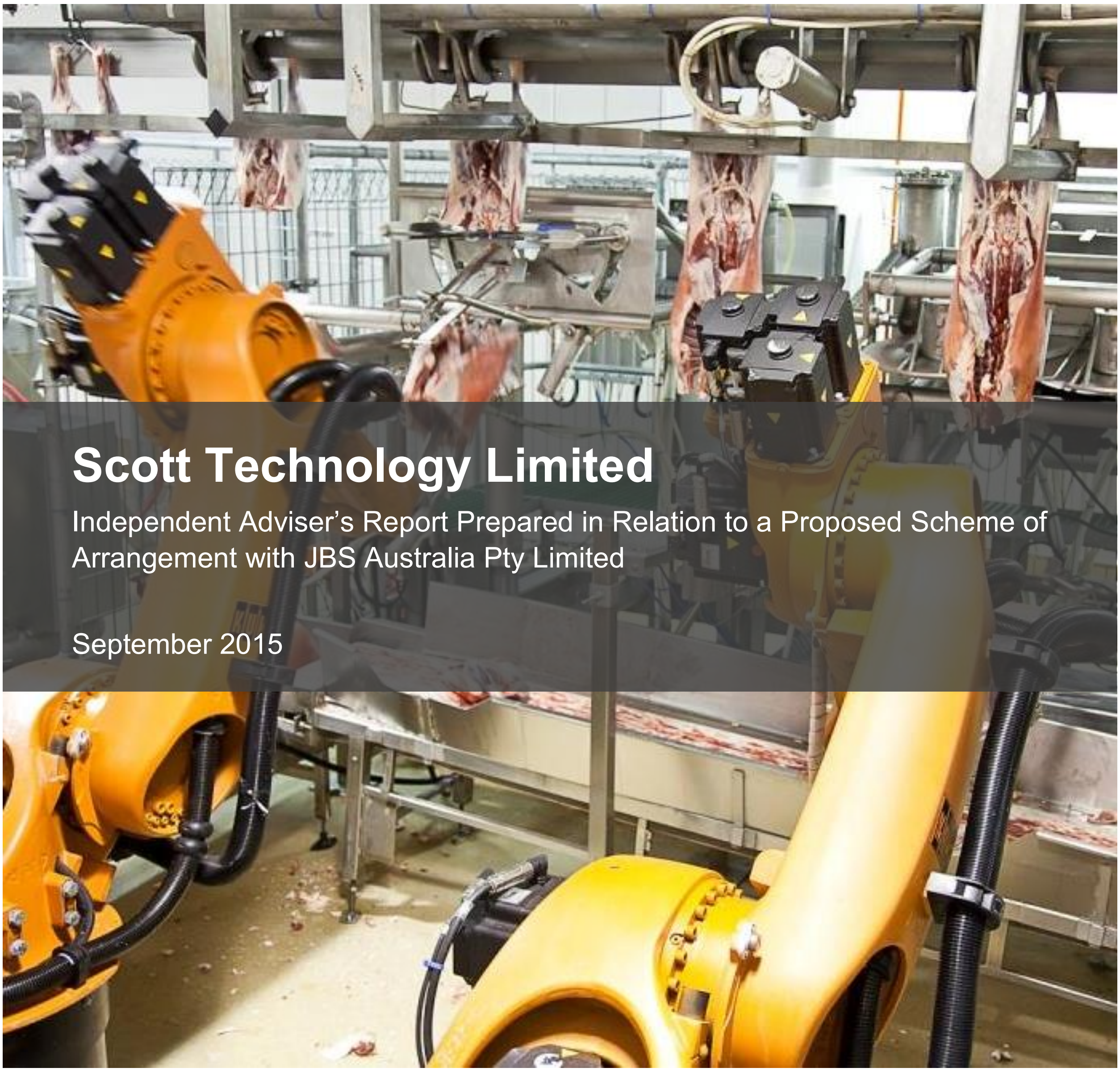
Subscription Shares means the Placement Shares and, if any, the Top Up Shares;

Top Up Shares: where the Placement Shares and the JBS Offer Accepted Shares (if any) do not represent at least 50.1% of the total number of Shares (calculated as if the Placement Shares and the Rights Issue Shares were issued), the Top Up Shares will be such number of Shares which when taken together with the Placement Shares and the JBS Offer Accepted Shares (if any) represent 50.1% of the total number of Shares (calculated as if the Placement Shares and the Rights Issue Shares and the Top Up Shares were issued);

Unconditional Date means the date on which the conditions applicable to the Scheme of Arrangement are satisfied or (where applicable) waived (it is expected that this will be date on which the High Court makes a final order that the Scheme of Arrangement is binding); and

Voting Due Date means the date and time by which the Company or the Share Registrar is required to receive from Shareholders their postal votes or, proxy/voting form in respect of voting on the Scheme of Arrangement, being 24 November 2015.

Northington Partners



Scott Technology Limited

Independent Adviser's Report Prepared in Relation to a Proposed Scheme of Arrangement with JBS Australia Pty Limited

September 2015

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Abbreviations and Definitions

CAGR	Compound average growth rate
Code	The Takeovers Code
DCF	Discounted cash flow
EBIT	Earnings before Interest and Tax
EBITA	Earnings before Interest, Tax, and Amortisation
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Eligible Shareholders	Shareholders in Scott with a registered address in New Zealand or Australia, or shareholders who are able to participate in the Rights Offer in compliance with all applicable laws
FY	Financial Year
JBS	JBS Australia Pty Limited, a division of Brazilian headquartered JBS S.A.
JBS Offer	The offer by JBS to acquire all of the ordinary shares of Scott (other than the shares of those shareholders who accept the Rights Offer) at a purchase price of $1.39 per share
Non-Eligible Shareholders	Scott shareholders who are not Eligible Shareholders
Northington Partners	Northington Partners Limited
NPAT	Net Profit After Tax
NTA	Net Tangible Assets
NZ$	New Zealand dollars
NZX	NZX Limited
Rights Issue Shares	Ordinary shares that may be issued to Eligible Shareholders pursuant to the Rights Offer
Rights Offer	A pro rata 1 for 8 non-renounceable rights offer for new ordinary shares in Scott at an issue price of $1.39 per share
Placement Shares	The issue of 10 million ordinary shares in Scott to JBS at an issue price of $1.39 per share
Scheme of Arrangement	The scheme of arrangement being contemplated by Scott under Part 15 of the Companies Act 1993 that comprises the JBS Offer, the Rights Offer, the issue of Placement Shares to JBS, and the potential issue of Top-Up Shares to JBS
Scott or Company	Scott Technology Limited
Top-Up Shares	The issue of such number of additional ordinary shares in the Company at an issue price of $1.39 per share as required for JBS to hold 50.1% of all the shares in Scott if it would not already do so after acceptances under the JBS Offer and the issue of the Placement Shares and Rights Issue Shares
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

1.0 Assessment of the Merits of the Scheme of Arrangement

1.1. Introduction

Scott Technology Limited ("**Scott**" or "**Company**") is a public company listed on the NZX Main Board, being the main board equity securities market operated by NZX Limited ("**NZX**"). Scott operates as an engineering company specialising in the design and manufacture of production and process machinery. Further details on Scott are set out in Section 2.0.

On 20 August 2015, Scott announced it had been in discussions with JBS Australia Pty Limited ("**JBS**") about the structure of an investment in the Company to be made by JBS. Further details on JBS are set out in Appendix 1.

As a result of its discussions, Scott is considering entering into a scheme of arrangement with JBS under Part 15 of the Companies Act 1993 ("**Scheme of Arrangement**"). There are three key parts to the Scheme of Arrangement:

1. An offer by JBS to acquire all of the ordinary shares of Scott (other than the shares of those shareholders who accept the Rights Offer (as described below) in respect of any of their shares) at a purchase price of $1.39 per share ("**JBS Offer**").
2. The issue of ordinary shares in Scott ("**Rights Issue Shares**") to the Company's shareholders with a registered address in New Zealand or Australia ("**Eligible Shareholders**") that participate in a pro rata 1 for 8 non-renounceable rights offer of new ordinary shares at an issue price of $1.39 per share ("**Rights Offer"**). The Rights Offer is not available to Scott shareholders who are not Eligible Shareholders ("**Non-Eligible Shareholders**").
3. The issue of new ordinary shares in the Company to JBS, as follows:
    i. The issue of 10 million ordinary shares at an issue price of $1.39 per share ("**Placement Shares");** and
    ii. The issue of such number of additional ordinary shares in the Company at an issue price of $1.39 per share ("**Top-Up Shares**") as required for JBS to hold 50.1% of all the shares in Scott (if it would not already do so after acceptances under the JBS Offer and the issue of the Placement Shares and the Rights Issue Shares).

The Scheme of Arrangement has been structured this way so that (if approved) it will ensure that both companies will achieve their key requirements from the transaction:

- Scott will raise the minimum level of capital needed to reduce its current debt level and strengthen its balance sheet;
- Scott shareholders who wish to liquidate their shareholding may do so without incurring brokerage costs;
- JBS is guaranteed to have a controlling position in Scott no matter how many Scott shareholders choose to sell their shares to JBS under the JBS Offer; and
- Existing Scott shareholders have the ability to not only retain their existing shares in the Company, but also potentially increase their investment in Scott via the Rights Offer.

1.2. Key Conditions

The Scheme of Arrangement is subject to a number of conditions before it will become binding, the full details of which are set out in the Notice of Meeting to be sent to Scott shareholders. A summary of the key conditions is as follows:

- Scott's Eligible Shareholders and Non-Eligible Shareholders must separately approve the Scheme of Arrangement at a Special Meeting of shareholders. Pursuant to the Companies Act 1993, the Scheme of Arrangement must be approved by:
    - A simple majority of all votes entitled to be voted on the relevant resolution; and

    - 75% or more of the votes actually voted on the resolution.

- JBS needs consent under the Overseas Investment Act 2005 in relation to the Scheme of Arrangement.
- The High Court must approve the Scheme of Arrangement and order its implementation.
- Prior to the final approval of the Scheme of Arrangement by the High Court, no event occurs that is materially adverse to the business, financial or trading position, assets or liabilities (including debt position), profitability or prospects of the Scott group taken as a whole.
- The business of Scott is carried on in the ordinary course pending the Scheme of Arrangement being effected.

The conditions are relatively standard in relation to an offer such as the JBS Offer and the Scheme of Arrangement as a whole.

As set out in the Notice of Meeting, the Company and JBS reserve the right to amend the key terms at any time prior to implementation of the Scheme of Arrangement. If changes are made prior to the date of the Special Meeting, Scott's shareholders will be given notice of those changes and will therefore have the ability to consider the impact of the changes before they vote on the Scheme of Arrangement. Any changes made subsequent to the Special Meeting must be filed with and approved by the High Court and communicated to shareholders in the manner required by the High Court (if so required).

1.3. Regulatory Requirements and Scope of this Report

The Scheme of Arrangement is governed by the Companies Act 1993 and is required to be approved by the High Court. An explanation of the role of the High Court is set out in the Notice of Meeting sent to Scott's shareholders.

Although the provisions of the Takeovers Code ("**Code**") do not apply to the Scheme of Arrangement, the Takeovers Panel (which is responsible for administering and enforcing the Code) will conduct a review to consider whether Scott's shareholders will be adversely affected by the transactions involved in the Scheme of Arrangement as opposed to the sequence of transactions that would be needed under the Code to deliver a similar outcome.

Scott has requested that the Takeovers Panel issue a "no-objection statement" in relation to the Scheme of Arrangement to present to the High Court to assist with its deliberations. Although there is no legal requirement under the Companies Act 1993 or the Code for an independent adviser's report as a result of the Scheme of Arrangement, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an independent adviser's report before it will consider issuing a final no-objection statement.

Scott's independent directors requested Northington Partners Limited ("**Northington Partners**") to prepare the independent adviser's report required by the Takeovers Panel. Our appointment was approved by the Takeovers Panel on 27 August 2015. Further details on the regulatory requirements and scope of this report are set out in Appendix 2.

This report will accompany the Notice of Meeting to be sent to all Scott shareholders and sets out our opinion on the merits of the Scheme of Arrangement. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 7.

1.4. Summary of Our Assessment for Eligible Shareholders

1.4.1. Scott's Current Financial Position and Requirements

As summarised in Section 2.1.2, Scott has embarked upon a number of acquisitions in recent years. These transactions have been predominantly debt funded and the Company has gone from a position of having no term debt at the end of FY2013 to a net debt position of approximately $18.6 million as at 31 August 2015.

The Board of Directors of Scott believes current debt levels are too high given the current operating conditions faced by the Company. The Board is keen to see Scott secure new equity funding so that overall debt levels can be reduced. It is for this reason that the Scheme of Arrangement has been structured to include the issue of Placement Shares to JBS, which will provide a minimum of $13.9 million in new equity capital for the Company.

Depending upon acceptance levels of the JBS Offer, the number of remaining Scott shareholders who participate in the Rights Offer and the extent to which Top-Up Shares are required to be issued to JBS to ensure it attains a minimum shareholding of 50.1%, it is possible that the Company may end up with significantly more new equity funding than the $13.9 million minimum. The range of outcomes for new funding is set out in Section 1.4.5 below.

1.4.2. Strategy and Outlook under JBS Control

We understand that JBS is attracted to Scott because of the potential to apply Scott's technology throughout its global operations, providing the potential to deliver higher efficiency, higher yields and productivity gains. With JBS as a majority shareholder, Scott will also have the balance sheet strength to grow all of its business lines internationally as new opportunities are presented.

However, Scott does not expect significant changes to its current strategy if the Scheme of Arrangement is approved and JBS gains a controlling position in the Company. While the immediate opportunities for Scott will focus on JBS' meat processing plants around the world, the Company will continue to pursue its current ambitions in all market sectors. The continued involvement of independent directors should ensure that any future projects carried out by Scott for JBS will be done on a commercial, arms-length basis.

In theory, Scott could provide its services to JBS under the existing ownership structure, without JBS taking an ownership position in the Company. However, Scott will be in a far stronger position to take advantage of the opportunities if it is well capitalised and has the financial resources to scale operations as required. On that basis, we suggest that JBS views the potential investment in Scott as a compelling standalone investment opportunity and will be appropriately incentivised to maximise the value of the opportunity.

1.4.3. Key Decisions for Scott's Shareholders

Given the structure of the Scheme of Arrangement, Scott's shareholders will have a number of key decisions to make, in contrast to the relatively straight forward decision-making process in a typical takeover offer. Ultimately, the structure provides Scott shareholders with the collective ability to decide (at the 75% acceptance level) whether they want JBS as a strategic partner, and then for each individual shareholder to determine whether they want to retain an interest in the restructured Company or take the opportunity to sell some or all of their shares.

Specifically, an Eligible Shareholder in Scott must decide whether to:

1. Vote in favour of the Scheme of Arrangement and accept either:
   - the JBS Offer in respect of some or all of its shares; or
   - the Rights Offer in respect of some or all of its shares; or
2. Vote in favour of the Scheme of Arrangement but accept neither the JBS Offer nor the Rights Offer; or
3. Vote against the Scheme of Arrangement and accept neither the JBS Offer nor the Rights Offer; or
4. Vote against the Scheme of Arrangement but accept either:
   - the JBS Offer in respect of some or all of its shares; or
   - the Rights Offer in respect of some or all of its shares.

1.4.4. Value of the JBS Offer

Our valuation range is determined primarily on the basis of an earnings multiple approach, considering Scott's current financial position, earnings outlook and risk profile. Full details of our valuation approach and conclusions are set out in Section 3.0. In our opinion, the full underlying value of Scott's shares is in a range between $1.08 and $1.26 per share, with a mid-point value of $1.17 per share. Our valuation is based on 100% of the equity in Scott and therefore includes a premium for control.

Figure 1 compares the JBS Offer price ($1.39) with our assessment of the full underlying value of Scott's shares. The $1.39 purchase price is approximately 10% higher than the top end of our value range ($1.26 per share) and we therefore conclude that the JBS Offer is fully priced.

Figure 1: Comparison of JBS Offer Price and our Assessed Valuation Range

Sources: Northington Partners' Analysis, Scott

We acknowledge that our assessed value range is lower than recently observed market values for Scott shares. The Volume Weighted Average Price ("**VWAP**") over the last six months ($1.38) is close to the JBS Offer price, and Scott shares have traded considerably higher than that in the last 2-3 years. However, we are confident that our value range appropriately considers Scott's recent performance and future prospects and therefore represents a reliable assessment of the intrinsic value of the business. Based on the evidence, we certainly cannot justify the observed market values on a valuation fundamentals basis.

Based on our valuation analysis, we conclude that the JBS Offer price incorporates a premium of between 10% and 28% compared to our assessment of the underlying value of the shares.

1.4.5. Summary of Potential Outcomes

If the Scheme of Arrangement becomes effective, there are a range of possible outcomes for both Scott and Scott's shareholders. The numerous permutations arise due to the multiple decisions required to be made by Scott's shareholders, as summarised above.

The range of possible outcomes for the Company largely focuses on two factors:

- The extent of JBS' shareholding in Scott – which will lie in the range of 50.1% to 100.0% following implementation of the Scheme of Arrangement; and
- The amount of new equity funding that Scott may secure – which will lie in the range of $13.9 million to $78.9 million.

Potential JBS Shareholding Level Outcomes

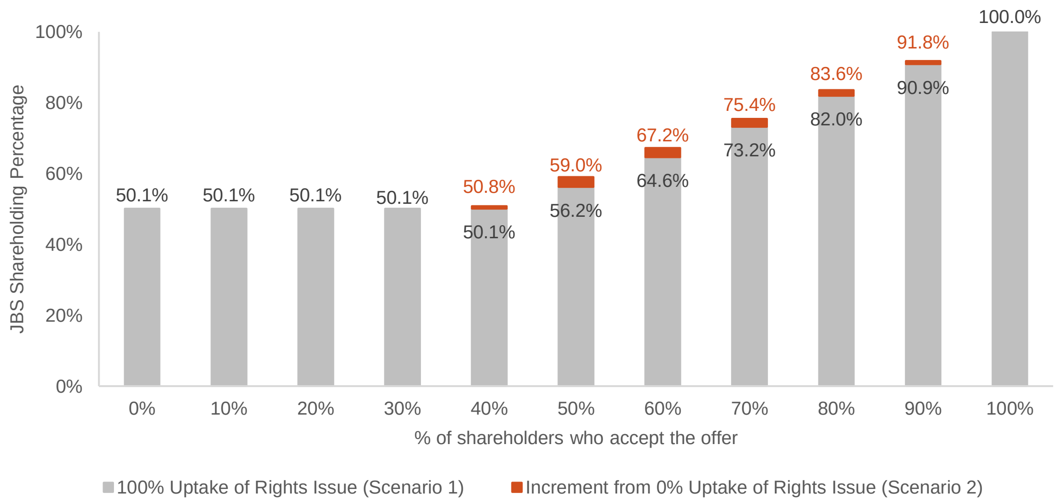
It is not possible to accurately predict what level of shareholding in the Company JBS will end up with if the Scheme of Arrangement is implemented. Although the minimum level (50.1%) and maximum level (100%) are known, JBS could end up with a shareholding level anywhere within this range. The factors that will influence JBS' ultimate ownership stake in the Company are:

- The extent to which Scott shareholders accept the JBS Offer. Up until the point where the combination of the Placement Shares and the number of shares sold into the JBS Offer are sufficient to ensure JBS will have a 50.1% shareholding, the level of acceptances will not impact JBS' ultimate shareholding level. That is, if acceptances of the JBS Offer are not sufficient to ensure this outcome, JBS will simply be issued Top-Up Shares to guarantee the 50.1% shareholding level will be achieved. However, once acceptances of the JBS Offer are at a level where no Top-Up Shares are required to be issued, every additional share sold into the JBS Offer will have the effect of increasing JBS' shareholding above the 50.1% level.

- The extent to which Scott's Eligible Shareholders participate in the Rights Offer. As previously noted, any Eligible Shareholder who participates in the JBS Offer will not be able to participate in the Rights Offer. Thus, if there is a high uptake of the JBS Offer, there will be relatively few shareholders who will be eligible for the Rights Offer. In this situation, JBS' ultimate shareholding level will be higher than what could potentially be the case if more Eligible Shareholders elected to participate in the Rights Offer. Any Rights Issues Shares will also have the impact of increasing the total number of shares on issue in Scott, and thereby increase the level of new capital raised under the Scheme of Arrangement.

A summary of the possible shareholding levels that JBS could end up with under two different scenarios is set out in Figure 2. Scenario 1 assumes 100% of the Eligible Shareholders who do not accept the JBS Offer take up the Rights Offer to the maximum extent of their entitlement while Scenario 2 assumes zero take-up of the Rights Offer.

Figure 2: Potential JBS Control Position



Source: Northington Partners' Analysis

Figure 2 shows that JBS' eventual shareholding position is mostly driven by the number of existing shareholders who sell their shares to JBS through the JBS Offer. If acceptance levels for the JBS Offer exceed 40%, the level of participation in the Rights Offer by non-accepting Eligible Shareholders has some impact on the JBS shareholding position but it is relatively marginal.

Potential Level of New Funding for Scott

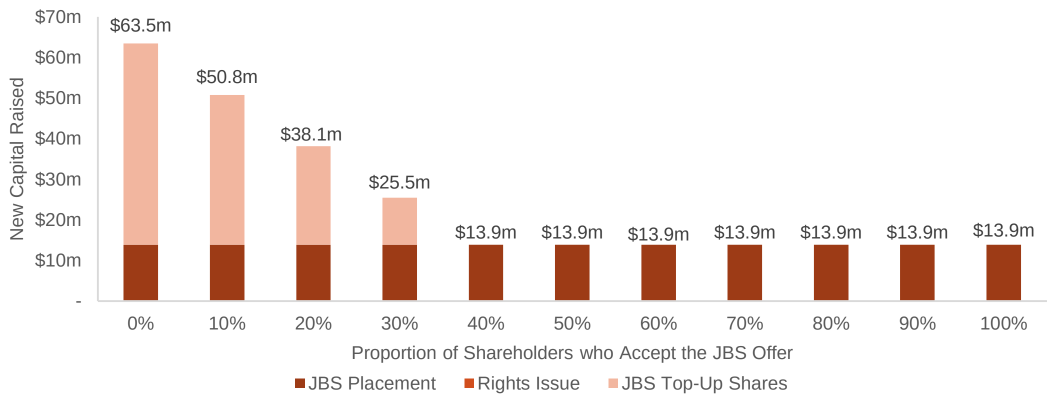
Figure 3 and Figure 4 summarise the potential level of new capital that will be introduced into Scott if the Scheme of Arrangement is approved. Figure 3 assumes that none of the Eligible Shareholders participate in the Rights Offer, and shows that the outcome will vary widely depending on the number of existing shareholders who accept the JBS Offer:

- At low levels of acceptance, a high number of Top-Up Shares will be issued to ensure that JBS reaches its minimum shareholding of 50.1%. Assuming no shareholders accept the JBS Offer, approximately 45.7m new shares will be issued to JBS raising $63.5m of new capital.
- If approximately 40% of the existing shareholders accept the JBS Offer, JBS will hold sufficient shares (from the combination of the JBS Offer and the Placement Shares) to exceed the 50.1% minimum shareholding and no Top-Up Shares will need to be issued.

The level of new capital introduced to the company is therefore limited to the $13.9m from the issue of the Placement Shares.

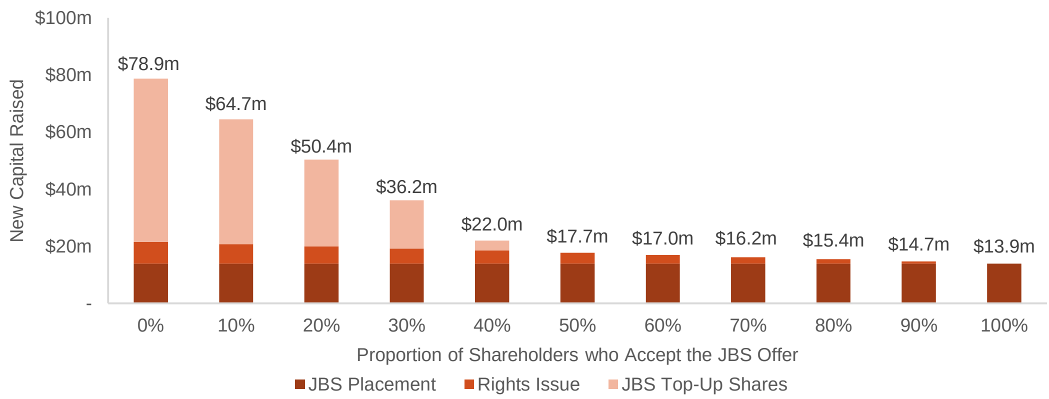
- At any acceptance level of the JBS Offer above 40%, the outcome is the same – no Top-Up Shares are issued and Scott will receive $13.9m of new capital.

Figure 3: New Capital Issued – 0% Take-up of Rights Offer



Source: Northington Partners' Analysis

Figure 4: New Capital Issued – 100% Take-up of Rights Offer



Source: Northington Partners' Analysis

Figure 4 summarises outcomes from the other extreme, where 100% of Eligible Shareholders participate in the Rights Offer to the full extent of their entitlement. This shows that the level of new capital introduced into the Company is higher at almost all acceptance levels of the JBS Offer. For example, if 40% of shareholders accept the JBS Offer, Scott will raise between $13.9m (at 0% take-up of the Rights Offer) and $22.0m (at 100% take-up of the Rights Offer), depending on the actual level of take-up for the Rights Offer. In the extreme case of 0% acceptances of the JBS Offer and 100% participation in the Rights Offer (with all shareholders taking up their full rights entitlement), Scott will raise $78.9m of new capital and thereby more than double the value of its equity.

We suggest that this uncertainty over the outcome is one of the disadvantages of the Scheme of Arrangement. If less than 40% of the existing shareholders accept the JBS Offer, Scott will arguably have surplus cash and the future return on capital could be adversely affected unless any surplus is efficiently managed. In the current interest rate environment, it would not make sense to have surplus capital invested in cash for a prolonged period.

It is difficult to determine the likelihood that the Company will be in this position if the Scheme of Arrangement is approved. We would expect a meaningful number of shareholders to accept the JBS Offer and the extreme outcomes that would lead to high levels of new capital may therefore have low probability. However, even if the extreme outcomes do occur, shareholders can expect that the Scott Board will adopt a disciplined approach to capital management and manage the surplus carefully.

1.4.6. Potential Impact on Scott's Control Position

As noted in Section 1.4.5 above, if the Scheme of Arrangement becomes effective, JBS is guaranteed to end up with a minimum shareholding level in the Company of 50.1%. Even if none of Scott's shareholders accepted the JBS Offer, this outcome is assured as a result of the combined effect of the Placement Shares and the Top-Up Shares. The extent to which JBS' shareholding will exceed 50.1% will depend upon the number of Scott's shareholders who accept the JBS Offer or Rights Offer.

If it proceeds, the Scheme of Arrangement will therefore have a material impact on the control position of the Company.

Majority Control Between 50.1% and 75.0%

If JBS' shareholding ends up in the range of 50.1% to 75%, then:

- Scott will continue to be listed on the NZX Main Board, with JBS as a majority shareholder controlling more than half of the shares on issue.
- JBS will have effective day-to-day control of the Company by being able to pass ordinary resolutions unilaterally. Ordinary resolutions require support from more than 50% of the shareholders entitled to vote and voting on the resolution.
- JBS will be in a position to veto special resolutions of the Company (which require support from at least 75% of shareholders entitled to vote and voting on the relevant matter).
- Pursuant to the constitution of Scott and the NZX Main Board listing rules, JBS will have the ability to appoint a majority of directors to the board of Scott. JBS has indicated in the JBS Offer that it intends to seek that level of Board representation.
- Although the liquidity of Scott's shares has historically been low, liquidity would likely reduce even further, particularly if JBS was to end up with a shareholding level closer to the 75% end of the range.
- JBS will be permitted to "creep" towards a 90% shareholding in Scott over time by buying up to a further 5% of the shares on issue each year, commencing 12 months after the Scheme of Arrangement is implemented.

Special resolutions typically relate to what can be thought of as "major transactions" for the subject company, and include proposals such as changes to the company constitution and acquisitions or divestments with transaction values that exceed certain thresholds. Under Scott's current shareholding structure, no single shareholder is in a position to unilaterally determine if a special resolution is passed or not, although we note that the top two shareholders control 25.4% of the share register, meaning if they were to act in concert they could vote against and veto a special resolution.

In terms of passing special resolutions, the extent to which JBS would require support from other shareholders will depend on the size of its ultimate shareholding (assuming it will sit in the range of 50.1% to 75%). If JBS ends up with a shareholding level closer to the minimum guaranteed position of 50.1%, then JBS would still require relatively widespread support from a range of other shareholders to pass special resolutions. However, the closer JBS' shareholding is to the 75% level, the lower the level of support that will be required from other shareholders.

Majority Control Between 75.0% and 90.0%

If the Scheme of Arrangement is implemented and JBS ends up with a shareholding level within this range, then:

- Scott will continue to be listed on the NZX Main Board, with JBS as a majority shareholder controlling more than 75% of the shares on issue but less than 90%.
- JBS will have effective control over the day-to-day operations of Scott.
- JBS would control the outcome of any ordinary resolutions and special resolutions put to shareholders.

- Pursuant to the constitution of Scott and the NZX Main Board listing rules, JBS will have the ability to appoint a majority of directors to the board of Scott.
- The liquidity of Scott's shares would reduce significantly. The closer JBS gets to a 90% shareholding, the lower the liquidity of Scott shares will be.
- JBS will be permitted to "creep" towards a 90% shareholding in Scott over time by buying up to a further 5% of the shares on issue each year, commencing 12 months after the Scheme of Arrangement is implemented.

90.0% Compulsory Acquisition Threshold

The JBS Offer is for all of the outstanding shares in Scott. If the Scheme of Arrangement is implemented and a sufficient number of Scott's shareholders accept the JBS Offer, there is a possibility that JBS will end up with a shareholding level exceeding 90%.

In a standard takeover offer conducted under the Code, this situation would allow the offeror to invoke the compulsory acquisition provisions of the Code to acquire the remaining shares it was not able to acquire under the takeover offer. Although the provisions of the Code do not apply to the Scheme of Arrangement, JBS has effectively adopted the compulsory acquisition provisions of the Code in the JBS Offer. JBS has indicated that it intends to exercise the compulsory acquisition rights set out in the JBS Offer if the 90% threshold is reached. In this circumstance, Scott shareholders who did not sell their shares into the JBS Offer can either voluntarily sell or be forced to sell their shares to JBS at the $1.39 purchase price stated in the JBS Offer.

After the compulsory acquisition procedure is completed, Scott would be wholly owned by JBS and would delist from the NZX Main Board.

1.4.7. Implications for Scott if the Scheme of Arrangement is not Approved

Although Scott is under no immediate pressure to reduce its debt position, the current facilities will be reviewed in February 2016 and the Board is committed to raising additional capital.

The Board considered a rights issue at the beginning of 2015 and canvased the views of key existing shareholders regarding their likely participation. The feedback suggested that the rights issue may not receive sufficient support to achieve the capital target and the Board therefore began to focus on identifying an appropriate cornerstone shareholder. While a number of parties expressed some interest in an investment in Scott, the Board determined that the JBS proposition will provide existing shareholders with the best outcome.

If the Scheme of Arrangement is not approved, Scott will need to explore other capital raising options. While JBS could potentially reconsider the current terms of the Scheme of Arrangement, there is certainly no guarantee that that would happen and the JBS opportunity could be lost. Given the time and effort committed to the search for a cornerstone shareholder, the Company does not believe that a better alternative is likely in the short term.

1.4.8. Transaction Structure

As previously discussed, Scott's primary goal when it began the process was simply to raise additional capital and reduce its debt position. After reviewing its options, Scott resolved that the JBS proposition provided the best available alternative, even allowing for the fact that JBS requires a controlling position in the Company. The Scheme of Arrangement was determined to be the best transaction structure to deliver both parties with their respective requirements.

An alternative to the Scheme of Arrangement would be for JBS to make a partial takeover offer under the Code, with an offer to buy a specified number of shares which would provide JBS with a controlling shareholding interest. However, this approach has a number of issues;

1. It does not provide Scott with any surety that it would receive the required level of new capital. A partial takeover would involve JBS acquiring existing shares from the current shareholders, and would not provide new capital to the Company itself. While it is possible that JBS could subscribe for additional shares in the Company once the partial takeover process is successfully completed, the share placement would still be subject to a second shareholder approval process pursuant to the provisions of the Code.

2. It is possible that Scott could issue new shares to JBS to raise new capital, and then JBS could launch a partial takeover offer to take its shareholding in Scott above the 50% threshold. However JBS would not have surety that it would achieve a controlling position under this approach. It is also arguable whether Scott could raise sufficient capital without seeking shareholder approval for the placement, which would be required under the Code if the placement provided JBS with more than 20% of the shares on issue in the Company.

The Scheme of Arrangement therefore avoids the need for two separate shareholder approval processes that would be required under a partial takeover process. We suggest that this advantage of the Scheme of Arrangement is offset to some degree by the fact that a partial takeover offer arguably provides shareholders with greater certainty as to the eventual outcome. As set out in Section 1.4.5 above, if the Scheme of Arrangement is approved, there is a wide range of potential outcomes in terms of the eventual shareholding held by JBS and the new capital introduced to the Company. For existing shareholders wishing to retain their interest in Scott, this uncertainty is not ideal.

1.4.9. Summary of our Assessment

Given the objectives of both Scott and JBS, the proposed transaction is relatively complicated, and Scott shareholders have a number of related questions to address. The most fundamental collective decision is whether or not to approve the Scheme of Arrangement and thereby cede control of the Company to JBS. Assuming that the Scheme of Arrangement is approved, each shareholder then needs to determine whether to participate in the JBS Offer or (in the case of Eligible Shareholders) the Rights Offer.

In our view, the key factors that Scott shareholders need to consider are as follows:

- Scott needs to raise new capital to reduce its debt level and appears to have limited alternatives to the JBS proposition. We understand that existing large shareholders in the Company have limited appetite to provide further capital;
- While JBS will have control of the Company after the completion of the Scheme of Arrangement, JBS will potentially provide some strategic benefits to the Scott business. These include the ability to sell Scott services into JBS' large global operations, as well as potential access to further capital if that is needed to fund any future growth opportunities;
- In our view, Scott will continue to face significant challenges if the business continues under its current structure. While the earnings volatility from Scott's traditional product lines (particularly the appliances business) may be partially offset by contributions from recent acquisitions, further structural changes may be needed to put the Company into a positon where it can support sustainable improvements in financial performance;
- The JBS Offer price represents a meaningful premium over our assessed value range for the Scott shares. Given the low level of trading liquidity in the stock, the Scheme of Arrangement therefore provides existing shareholders with an opportunity to exit their investment at a price that we believe is reasonably attractive;
- Assuming that acceptances under the JBS Offer do not provide JBS with over 90% of all shares on issue, the Scheme of Arrangement provides shareholders who wish to retain an interest in the Company with the ability to do so. Existing Eligible Shareholders can also increase their investment in Scott via the Rights Offer.

1.5. Summary of Our Assessment for Non-Eligible Shareholders

Our assessment of the merits of the Scheme of Arrangement in Section 1.4 above for Eligible Shareholders applies equally to Non-Eligible Shareholders, with the exception of the matters noted directly below:

- The key decisions required to be made by Non-Eligible Shareholders differ slightly from those set out in Section 1.4.3 above for Eligible Shareholders insofar as Non-Eligible Shareholders need not decide whether to participate in the Rights Offer (as that is not an option open to them).

- Although Non-Eligible Shareholders cannot participate in the Rights Offer, they are free to seek to purchase more shares in the Company on market if they wish to increase their investment in the Company. However, low liquidity in the Company's shares may mean it could be difficult for Non-Eligible Shareholders to do so at the same $1.39 price available to Eligible Shareholders under the Rights Offer. An inability to purchase shares on-market at this pricing level could therefore result in Non-Eligible Shareholders who do not wish to participate in the JBS Offer being effectively forced to accept a small dilution to their shareholding level in the Company. Although this outcome may not be ideal for Non-Eligible Shareholders put in this position, we note that it is reasonably standard (due to tax and regulatory requirements) for New Zealand listed companies to restrict rights offers to shareholders who are resident in New Zealand.

1.6. Approval or Rejection of the Scheme of Arrangement

This report represents one source of information that Scott shareholders may wish to consider when forming their own view on whether to approve the Scheme of Arrangement. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

2.0 Profile of Scott Technology

2.1. Background

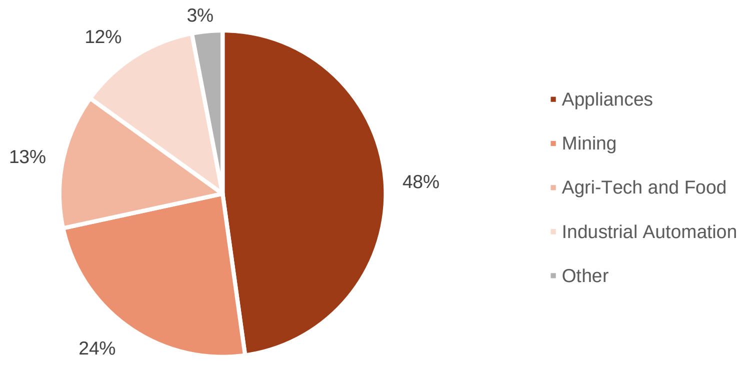
2.1.1. Overview

Scott traces its origins back to 1913 and the establishment of J & A P Scott (which specialised in general repairs to gas, oil, and petrol motors) by Scottish immigrant engineer John Scott. Today, the Company is listed on the main board of NZX and specialises in the design and manufacture of automated production and process machinery.

Scott's global head office is in Dunedin, New Zealand, with manufacturing plants located in Christchurch, Wellington, Auckland, Australia, the USA and China. Permanent sales and service offices are located in New Zealand, Australia, USA, China, Italy, Canada and Chile.

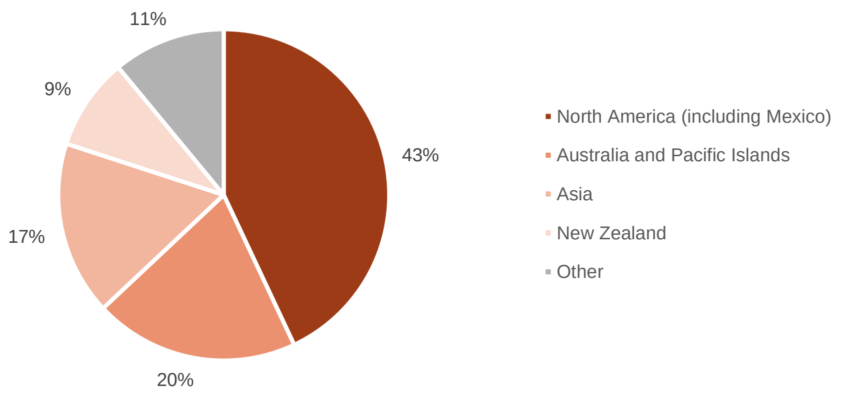
The Company currently operates in four key markets around the globe: Agri-Tech and Food, Mining, Appliances, and other Industrial Automation. As set out in Figure 5 and Figure 6 below, sales in the Appliances and Mining sectors represented nearly three quarters of FY2014 group sales, with sales in North America (including Mexico) being the largest regional contributor.

Figure 5: FY2014 Group Sales by Sector



Source: Scott

Figure 6: FY2014 Group Sales by Region



Source: Scott

Scott directly employs around 360 staff worldwide. The Company currently holds 31 patents secured across different processes and in different geographical regions, with a further 25 patents pending.

2.1.2. Significant Historical Events

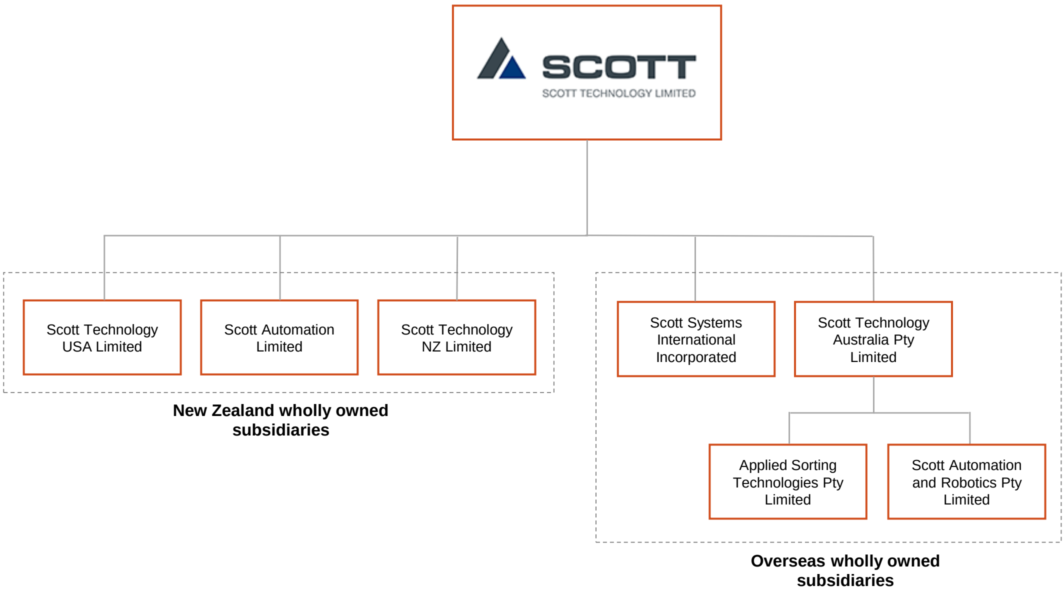
Key milestones in Scott's history are summarised below:

- 1997: Company's shares listed on NZX following an in specie share distribution to shareholders of the formerly listed Donaghys Limited.
- 2001: Scott Automation established.
- 2001: Partnership with KUKA Robotics (Germany) established.
- 2002: Acquisition of CBS Engineering ("**CBS**").
- 2003: Representative office in Shanghai established.
- 2006: Package Handling Systems sold.
- 2008: Acquisition of Rocklabs Limited ("**Rocklabs**").
- 2010: Acquisition of Malcolm Smith Reference Materials ("**MSRM**").
- 2010: Acquisition of 50.65% stake in HTS-110 Limited ("**HTS**").
- 2011: Acquisition of 70% stake in QMT Machinery Technology (Qingdao) Co. Limited ("**QMT**").
- 2014: Acquisition of RobotWorx business.
- 2014: Acquisition of Applied Sorting Technologies Pty Limited ("**AST**").
- 2014: Acquisition of remaining 49.35% stake in HTS.
- 2015: Acquisition of Machinery Automation & Robotics Pty Limited ("**MAR**"), recently re-named as Scott Automation & Robotics Pty Limited.

2.1.3. Corporate Structure

Following numerous acquisitions over recent years, Scott has a number of wholly owned subsidiaries. A representation of current trading subsidiaries is set out in Figure 7 below.

Figure 7: Wholly Owned Trading Subsidiaries (as at 1 September 2015)



Source: Scott

Table 1 sets out a summary of the principal activity of each wholly-owned subsidiary.

Table 1: Principal Activity of Wholly-owned Trading Subsidiaries

Legal Entity	Location	Principal Activity
Scott Technology Limited	New Zealand	The ultimate parent entity within the group. An investment holding company that owns all properties.
Scott Technology NZ Limited	New Zealand	The main trading company for New Zealand operations, including the design and manufacture of automated systems (under the "Scott" band), the service and upgrade of Scott equipment worldwide (under the "Scott Service International" brand), the manufacture and sale of automated laboratory sampling equipment for the mining industry (under the "Rocklabs" brand), and the development, design and manufacture of high temperature superconductor equipment (under the "HTS-110" brand).
Scott Technology USA Limited	New Zealand	Financing subsidiary for the USA businesses, as well as owning a number of domain names associated with the RobotWorx business.
Scott Systems International Inc.	USA	Sales and service, particularly in North America and for the RobotWorx business.
Scott Systems (Qingdao) Co. Limited	China	Design and manufacture of automation systems in China.
Scott Technology Australia Pty Ltd	Australia	Sales and service.
Applied Sorting Technologies Pty Ltd	Australia	Manufacture and sale of x-ray technology.
Scott Automation and Robotics Pty Ltd	Australia	Design, manufacture, installation and commissioning of industrial automation solutions in Australia.

Source: Scott

In addition to the Company's wholly-owned subsidiaries, Scott has interests in a number of other entities, including joint venture operations. A summary of those interests is set out in Table 2 below.

Table 2: Entities not Wholly-Owned (including Joint Ventures)

Legal Entity	Location	Ownership Interest	Principal Activity
Robotic Technologies Limited	New Zealand	50%	A joint venture with Silver Fern Farms Limited involved in the marketing and development of (primarily) lamb meat processing equipment.
Scott Separation Technology Limited	New Zealand	50%	A joint venture between Scott and private individuals involved in the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries.
Scott Milktech Limited	New Zealand	61%	A joint venture between Scott and private individuals involved in the development of dairy industry technologies (e.g. robotic cupping of cows in mechanised milking).
QMT Machinery Technology (Qingdao) Co. Limited	China	70%	China manufacturing.

NS Innovations Pty Limited	Australia	50%	A joint venture between Scott and Northern Co-Operative Meat Company Limited of Australia involved in the marketing and development of (primarily) beef meat processing equipment.
Scott Technology Euro Limited	Ireland	50%	Scott's European sales agency, being a joint venture between Scott and Industrial Process Solution of Italy.
Scott Technology S.A.	Chile	50%	Scott's sales agency for mining equipment in the Americas, being a joint venture between Scott and Canadian private company STG Holdings Limited.
Rocklabs Automation Canada Limited	Canada	50%	Scott's sales agency for mining equipment in North America, being a joint venture between Scott and Canadian private company STG Holdings Limited.

Source: Scott

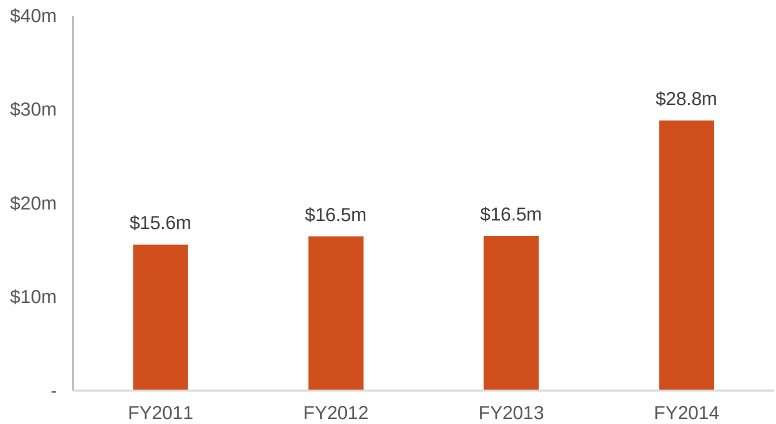
2.2. Key Market Sectors

2.2.1. Appliances

Scott is involved in the design, manufacture, installation and servicing of automated appliance manufacturing and assembly equipment for home appliance manufacturers. Scott's product lines offer solutions for manufacturers of cooking, refrigeration, laundry and hot water cylinder products, including for multinational clients such as Haier, General Electric, Bosch and Electrolux. The Company's equipment capability range extends from fully automatic production lines to standalone equipment units to meet the needs and flexibility of lean manufacturing.

Demand for Scott's equipment is linked to demand for appliance assembly lines (in turn driven mainly by manufacturers seeking productivity and quality improvements) which is cyclical in nature (typically every 3-5 years). Although FY2014 revenue from the appliance sector was significantly higher than for previous recent financial periods (due to the impact of one or two large projects), future revenue and earnings are expected to revert to a level more consistent with historical levels. A summary of Scott's revenues from the appliance sector is set out in Figure 8 below.

Figure 8: Historical Revenue from the Appliance Sector



Source: Scott

2.2.2. Mining

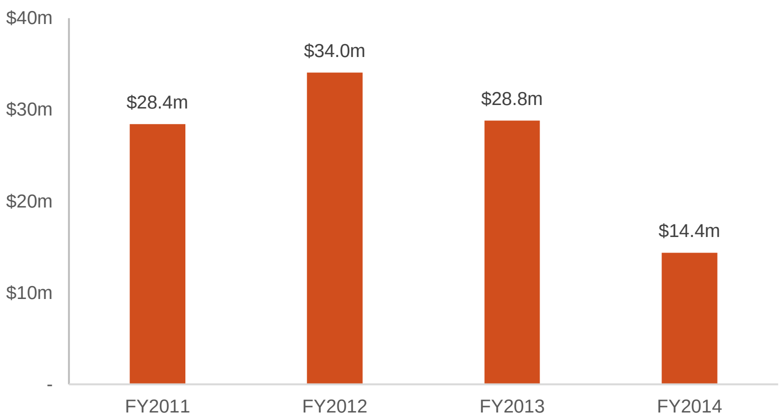
The Company's business units operating in the mining sector are Rocklabs, MAR and AST, with key product lines comprising:

- Sample preparation equipment (crushers, pulverisers, and ring mills) sold through the Rocklabs brand

- Rocklabs supplied reference materials for mining laboratories (involved in the mining of predominantly precious metals) to calibrate laboratory results and performance
- Automated ore sorting equipment

Rocklabs is the Company's largest revenue contributor out of the three mining business units. However, Rocklabs' revenue has been significantly impacted over recent years as customers have dramatically reduced expenditure on capital equipment in response to a fall in the price of their traded commodities, minerals and precious metals. A summary of Scott's revenues from the mining sector is set out in Figure 9 below.

Figure 9: Historical Revenue from the Mining Sector



Source: Scott

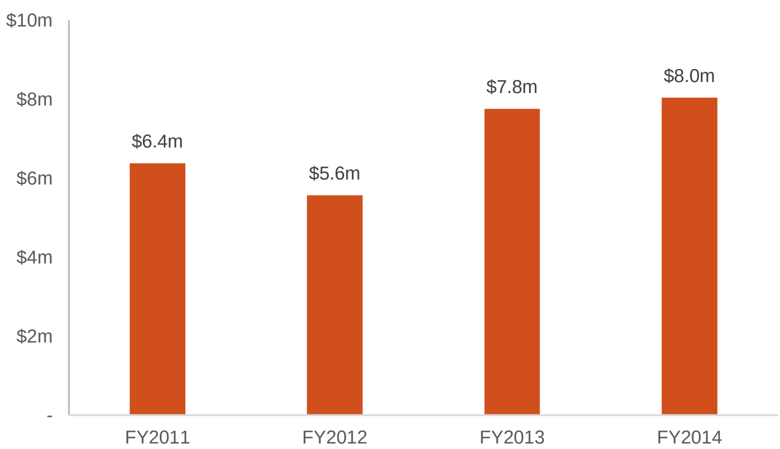
2.2.3. Agri-Tech and Food

Business units operating in the agri-tech and food sector are Scott Technology NZ Limited (the main New Zealand trading company), MAR and AST. Key product lines comprise:

- Automated boning, cutting and x-ray machinery in beef and lamb processing plants
- On-farm robotic milking systems (Scott Milktech)
- X-ray meat / food inspection equipment

Revenues from this sector have been broadly stable over the last four years as shown in Figure 10 below.

Figure 10: Historical Revenue from the Agri-Tech and Food Sectors



Source: Scott

2.2.4. Industrial Automation

This sector involves a number of Scott's business units: Scott, RobotWorx, MAR, AST, Scott China, and HTS. Key products include turnkey automation and robotic systems, with certain business units also involved in the sale and integration of new and used robots and robotic systems.

Although a reasonably small contributor to overall Company revenues, revenues from this sector have increased significantly over recent years following several acquisitions made by Scott as shown in Figure 11 below.

Figure 11: Historical Revenue from the Industrial Automation Sector

Source: Scott

2.3. Capital Structure and Ownership

As at 1 September 2015, Scott had 45,473,890 ordinary shares on issue held by approximately 2,990 shareholders. The Company's top 10 shareholders are set out in Table 3 below. Compared to many listed companies, Scott is not very closely held, with the top 10 shareholders holding less than half the Company's shares.

Table 3: Top 10 Shareholders

	Shareholder	Number of Shares Held	Shareholding Percentage
1	New Zealand Central Securities	6,171,119	13.57%
2	Oakwood Securities Limited	5,379,000	11.83%
3	Russell John Field & Anthony James Palmer	3,399,739	7.48%
4	Investment Custodial Services	1,751,148	3.85%
5	JBWERE (NZ) Nominees Limited	1,469,550	3.23%
6	AL Escrow 2014 Limited	1,292,602	2.84%
7	TheBestUrls, LLC	1,001,767	2.20%
8	Custodial Services Limited	913,648	2.01%
9	Forsyth Barr Custodians	580,584	1.28%
10	Southern Capital Limited	510,000	1.12%
	Top 10 Shareholders	**22,469,157**	**49.41%**
	Remaining Shareholders	23,004,733	50.59%
	Total Shares on Issue	**45,473,890**	**100.00%**

Source: Scott

2.4. Share Price Performance and Liquidity

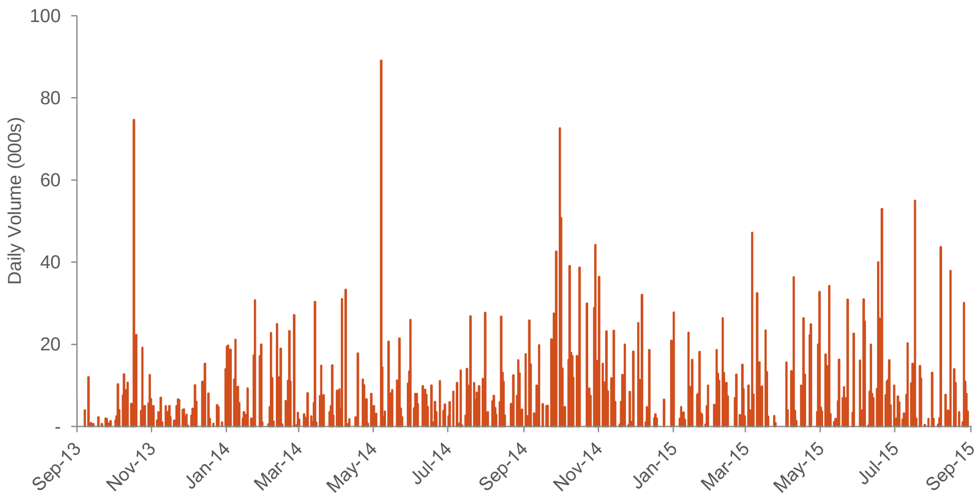
The performance of Scott's shares since September 2010 relative to the NZX50 Index is shown in Figure 12 below. Although Scott's share price generally outperformed the index in the first three years of the period, share price performance since the beginning of 2014 has not matched that of the index. This is likely attributable to a deterioration of earnings since that time. Profit has been impacted as the company has dealt with a significant slowdown in the mining sector and faced pressure on manufacturing margins across all its market sectors as a result of competitive forces and (until relatively recently), the high value of the New Zealand dollar.

Figure 12: Scott Share Price Performance Relative to NZX50 Index

Sources: Capital IQ / Northington Partners' analysis

The Company's shares have historically suffered from low liquidity. Figure 13 below sets out the daily trading volumes in Scott's shares during the 2 year period to 7 September 2015, showing numerous days without any trades and typically low volumes on the days when trading did take place.

Figure 13: Scott Share Liquidity



Source: Capital IQ

Further details on the liquidity of Scott's shares during the last 12 months are set out in Table 4 below.

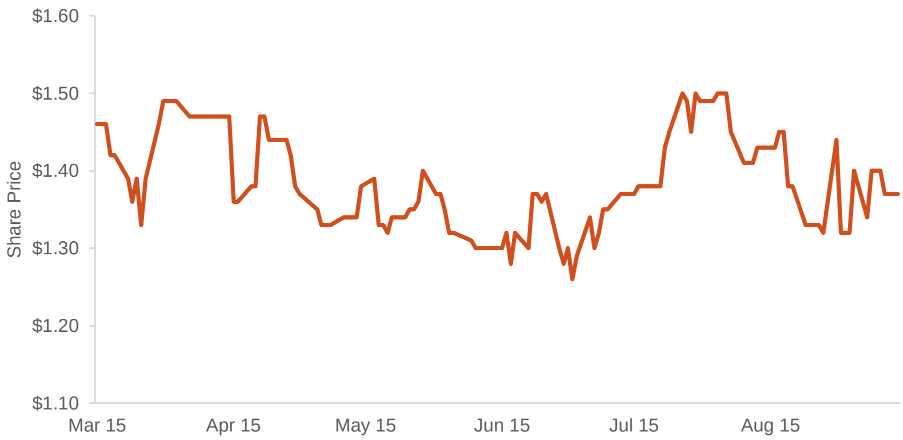
Table 4: Scott Share Liquidity Last 12 Months

	12 Months to 7 September 2015
Average Daily Share Trading Volume	10,515
Total Shares Traded	2,639,190
Shares on Issue	45,473,890
Total Volume / Shares on Issue	5.80%

Sources: Capital IQ / Northington Partners Analysis

Share price performance over the last six months is shown in Figure 14, while the VWAP for a number of observation periods prior to the announcement of the proposed investment by JBS is summarised in Table 5. Scott's shares have generally traded in a range between $1.26 and $1.50 per share over the period.

Figure 14: Scott Share Price Performance – Last Six Months



Source: Capital IQ

Table 5: Scott Volume Weighted Average Price (to 18 August 2015)

	Last 6 Months	Last 3 Months	Last Month
Volume Weighted Average Price	$1.38	$1.36	$1.45

Source: Capital IQ

2.5. Financial Information

2.5.1. Financial Performance

A summary of the Scott financial performance for the four year period between FY2011 and FY2014, together with the 6 months period ending 28 February 2015 and the 11 months period ending 31 July 2015 (based on unaudited management accounts), is set out in Table 6 below.

The main features of Scott's historical financial performance can be summarised as follows:

- The business has demonstrated significant volatility in profitability, due largely to the challenges experienced in some of its key market sectors. The mining sector in particular has gone through a major commodity cycle downturn, with many of Scott's customers significantly reducing capital expenditure in response. As set out in Section 2.2 above, this has resulted in Scott's revenue from the mining sector decreasing from $34.0 million in FY2012 to $14.4 million in FY2014. In addition, competitive pressures and the impact of a historically high New Zealand dollar over much of the historical period have placed pressure on the Company's manufacturing margins.

- Although operating revenue over the historical period prima facie appears relatively stable, this is due to the impact of "acquired revenue" from the Company's recent acquisitions. On a like-for-like basis, operating revenue, particularly in FY2013 and FY2014, would have decreased significantly had it not been for the impact of recently acquired business units.

Table 6: Scott Historical Financial Performance

Year ended 31 August ($000)	FY2011	FY2012	FY2013	FY2014	6 months to 28 February 2015	11 months to 31 July 2015
Operating revenue	**53,603**	**63,778**	**60,034**	**60,316**	**29,322**	**68,347**
Government grants related to research and development	1,877	2,558	2,509	1,498	373	478
Operating expenses	(50,437)	(57,395)	(54,320)	(55,793)	(27,029)	(61,727)
EBITDA	**5,043**	**8,941**	**8,223**	**6,021**	**2,666**	**7,098**
Depreciation and amortisation	(1,018)	(1,130)	(1,109)	(1,336)	(693)	(1,375)
EBIT	**4,025**	**7,811**	**7,114**	**4,685**	**1,973**	**5,723**
Net financing expenses	(391)	(18)	(100)	(416)	(376)	(954)
Share of joint ventures' & associates' net surplus	53	99	132	(38)	(26)	(239)
Realised fair value gain on FX derivatives	3,626	846	-	-	-	-
Profit before Tax	**7,313**	**8,738**	**7,146**	**4,231**	**1,571**	**4,530**
Income tax credit / (expense)	(2,096)	(2,628)	(2,006)	(1,205)	(425)	(1,309)
Profit after Tax	**5,217**	**6,110**	**5,140**	**3,026**	**1,146**	**3,221**
Net movement in cash flow hedge reserve	(63)	(11)	(87)	72	(24)	-
Translation of foreign operations	(145)	25	210	(173)	340	-
Total Comprehensive Income	**5,009**	**6,124**	**5,263**	**2,925**	**1,462**	**3,221**

Sources: Scott Audited Financial Statements (FY2011-FY2014), Scott unaudited Financial Statement (6 months to 28 February 2015), Management accounts (11 months to 31 July 2015).

2.5.2. Financial Position

Table 7 below summarises Scott's financial position for the last four financial years, together with the position as at 28 February 2015.

Table 7: Scott Statement of Historical Financial Position

As at 31 August ($000)	FY2011	FY2012	FY2013	FY2014	As at 28 February 2015
Assets					
Cash	3,524	6,060	1,327	1,370	2,012
Trade and other receivables	9,155	12,899	13,836	15,292	13,041
Receivable from joint venture and associates	2,587	2,410	1,714	2,939	3,060
Inventory	4,890	7,570	9,048	11,809	10,587
Contract work in progress	3,511	4,203	6,828	8,858	7,946
Property, Plant & Equipment ("PP&E")	10,474	10,606	10,755	14,679	15,529
Investment in joint ventures and associates	224	601	855	759	582
Goodwill	10,452	10,813	10,813	16,657	20,081
Other assets	2,316	2,422	2,982	4,663	15,397
Total Assets	**47,133**	**57,584**	**58,158**	**77,026**	**88,235**

Liabilities					
Trade and other payables	5,115	9,391	7,612	9,230	7,571
Employee entitlements	3,238	4,350	4,337	3,757	3,693
Payable to associates	-	229	289	329	329
Loans and borrowings	-	-	-	14,682	26,131
Other liabilities	2,996	3,021	2,168	1,763	2,433
Total Liabilities	**11,349**	**16,991**	**14,406**	**29,761**	**40,157**
Equity					
Share capital	21,591	23,034	24,005	28,804	30,576
Hedging reserve	(146)	(132)	(9)	(110)	206
Retained earnings	13,024	16,741	18,985	18,495	17,136
Non-controlling interests	1,315	950	771	76	160
Total Equity	**35,784**	**40,593**	**43,752**	**47,265**	**48,078**

Sources: Scott Audited Financial Statements (FY2011-FY2014), Scott unaudited Financial Statement (6 months to 28 February 2015).

The main features of Scott's financial position are summarised as follows:

- Total assets over the period have steadily increased, with the main contributors being increases in inventory, PP&E, and goodwill. The increase in goodwill relates directly to the acquisitions made by Scott over the last 3-4 years.
- The Company has gone from a position of having no term debt at the end of FY2013 to having interest bearing debt of approximately $26.1 million as at 28 February 2015 (subsequently reduced to around $18.6 million as at 31 August 2015). The increase in indebtedness is directly attributable to the recent business acquisitions which have been predominantly debt funded.

2.5.3. Cash Flows

Table 8 below summarises Scott's historical cash flows for the period FY2011 to FY2014, together with the 6 months period ending 28 February 2015.

Table 8: Scott Statement of Historical Cash Flows

Year ended 31 August ($000)	FY2011	FY2012	FY2013	FY2014	6 months to 28 February 2015
Cash receipts from operations	52,571	62,485	59,824	57,019	35,294
Cash payments to suppliers and employees	(49,330)	(55,532)	(57,811)	(56,263)	(31,252)
Realised fair value gain on FX derivatives	3,626	846	-	-	-
Net interest	(416)	(18)	(100)	(392)	(350)
Income tax and GST paid	(3,070)	(2,403)	(3,846)	(243)	305
Net Cash from Operating Activities	**3,381**	**5,378**	**(1,933)**	**121**	**3,997**
Purchase of Property, Plant & Equipment	(1,062)	(702)	(1,333)	(4,430)	(324)
Net advances from / (to) joint ventures and associates	928	406	756	(1,055)	(121)
Purchase of business	(3,828)	(573)	-	(6,164)	(12,823)
Other	233	(360)	(57)	(82)	174
Net Cash from Investing Activities	**(3,729)**	**(1,229)**	**(634)**	**(11,731)**	**(13,094)**

(Repayments) / proceeds of borrowings	(3,728)	(62)	(62)	8,424	12,527
Dividends paid	(1,885)	(2,994)	(3,263)	(4,121)	(2,421)
Issue of capital	9,810	1,443	1,159	1,092	711
Net Cash from Financing Activities	**4,197**	**(1,613)**	**(2,166)**	**5,395**	**10,817**
Net Cash Flow	**3,849**	**2,536**	**(4,733)**	**(6,215)**	**1,720**

Sources: Scott Audited Financial Statements (FY2011-FY2014), Scott unaudited Financial Statement (6 months to 28 February 2015).

2.6. Key Issues and Outlook

2.6.1. Ongoing Volatility in Key Market Segments

Historically, the largest contributors to Scott's revenue and profitability have been from the Appliances and Mining sectors. In FY2014, these two sectors accounted for a combined 72% of overall group revenues. The Appliances sector in particular is reliant on the targeting and delivery of large projects to a small number of key customers, resulting in lumpy revenues for the Company. Additionally, the potential for one or two such projects to be delayed or cancelled by a customer prior to a contract being secured by Scott remains a genuine risk.

Although some commentators believe the Mining sector may have reached a cyclical low-point, sentiment in the sector remains weak overall. This means it is difficult for Company management to forecast with any certainty how this sector may perform in the future. Expectations are that earnings from this market sector will remain lumpy and volatile.

2.6.2. Company Debt Levels

As previously mentioned, the Company's debt levels have increased significantly over recent years as Scott has embarked on a number of business acquisitions. Reducing the level of debt, particularly given the volatile operating conditions faced by the Company, is a key motivation for contemplating the proposed Scheme of Arrangement. If the proposed Scheme of Arrangement is not implemented, the Company will continue to explore capital raising options to reduce its debt level.

2.6.3. Integration of Recent Acquisitions

With a number of acquisitions having been recently concluded by the Company, it is important that the newly acquired business units are integrated with Scott's existing operations and any identified synergies (e.g. the ability sell through new channels) are extracted.

2.6.4. New Product Development

The company has spent over $30 million over the last 5 years on research and development targeted towards new product innovation. Given the issues faced in some of its key market segments and competitive pressures on margins, the need to keep innovating and commercialising new solutions is likely to be important in order to retain and attract new customers (in both existing and new market sectors).

3.0 Valuation of Scott Technology

3.1. Valuation Summary

Our valuation assessment of the Scott business is based primarily on an earnings multiple approach. Estimated maintainable earnings relate to the projected level of EBITDA for the financial year ending 31 August 2015 and 31 August 2016, adjusted to reflect some normalisations that we believe are appropriate and an allowance for the earnings impact of recent acquisitions. Our EBITDA multiple range of between 7.5x and 8.0x is based on a combination of listed comparable company and recent transaction evidence, as well as our assessment of Scott's current position and outlook.

We have estimated a fair value range for the Scott shares of between $1.08 and $1.26 per share. A summary of the valuation is set out in Table 9.

Table 9: Scott Valuation Summary

	Low	High
Maintainable EBITDA (000s)	$9,000	$9,500
Valuation Multiple	7.5x	8.0x
Enterprise Value (000s)	**$67,500**	**$76,000**
less Net Debt (000s)	($18,600)	($18,600)
Aggregate Equity Value (000s)	**$48,900**	**$57,400**
Number of Shares on Issue (000s)	45,474	45,474
Value per Share	**$1.08**	**$1.26**

Source: Northington Partners' Analysis

Details of our adopted valuation approach and assumptions are provided in the remainder of this section.

3.2. Valuation Methodology

In general terms, the value of equity in any company can be determined using a deductive approach that starts with an estimate of the underlying enterprise value. Enterprise value represents the aggregate value of the company's on-going operations assuming that the assets are entirely equity funded. In order to estimate the aggregate value of equity, the enterprise value is adjusted to account for the level of debt carried by the company and the values of any other assets and liabilities of the company that are not needed to maintain the core operations of the business.

A summary of the steps needed to estimate the aggregate equity value of Scott is set out in Table 10 below.

Table 10: General Framework for Assessing Equity Value

	Step	Comment
	Enterprise Value	Represents the aggregate value of the operating assets of the business. Can be estimated using a variety of methods (see discussion in Section 3.2.1 below).
Plus	Surplus Assets (if any)	The value of assets that are not required to support the on-going operation of the business and which can therefore be sold.
Less	Net Debt	Defined as interest-bearing debt less cash reserves.
Less	Other Liabilities (if any)	Accounts for other liabilities that would be borne by the new owner of the company, such as the net present cost of derivative exposures.
equals	Equity Value	Directly comparable to Market Capitalisation

In almost all cases, estimating enterprise value is the most difficult part of the process.

Given the purpose of our valuation, we have assessed the enterprise value of Scott on the basis of a 100% control position. As further explained in Appendix 3, this valuation framework incorporates an allowance for any acquisition premium that may be appropriate in the circumstances of the proposed transaction, reflecting the potential benefits that an acquirer may generate from gaining control of the target business.

3.2.1. Alternative Methodologies

For a company viewed on a going-concern basis, enterprise value should be determined as a function of the estimated level of cash returns that the operating assets are expected to generate in the future. The specific approach that is used to estimate this value is dependent on the nature of the company and the expectations regarding future performance. The two main approaches usually adopted in the valuation of publicly listed companies are summarised as follows:

- Earnings Multiple: This method determines enterprise value by applying a valuation multiple to the assessed level of maintainable annual earnings (or cash flows), where the multiple is chosen to reflect the risk associated with the future performance of the business. Depending on the nature of the business, earnings can be appropriately measured at the EBITDA, EBITA, EBIT, or NPAT levels.
- Discounted Cashflows ("**DCF**"): A DCF approach is based on an explicit forecast of the annual cash flows that will be generated over a specified forecast period (typically between 5 and 10 years). The value of cash flows that may occur after the end of the explicit forecast period are incorporated into the valuation process by capitalising an estimate of maintainable cash flows for the terminal period. A DCF model is therefore usually made up of two components:
  - i. The present value of the projected cash flows during the forecast period; and
  - ii. The present value of all other cash flows projected to occur after the explicit forecast period. This component is commonly referred to as the terminal value.

Each approach has some advantages and disadvantages, and the most appropriate choice is dependent on the characteristics of the business under consideration and the quality of the market data that is available. The key advantage of the earnings multiple approach is its simplicity. Total enterprise value can be determined on the basis of the actual earnings results for the most recent financial reporting period or the equivalent projection for next year. Companies with well-established operations should be in a position to supply reasonably reliable earnings projections for the next one or two years, and the valuation model is therefore only reliant on an independent assessment of the appropriate earnings multiple. Estimates of an appropriate multiple are typically based on data derived from other companies that are considered to be comparable to the target company in relation to growth prospects, capital expenditure requirements, and risk profiles.

Unfortunately, it is extremely rare that the target company will have any close comparables with respect to all of these important characteristics. In many cases, earnings multiples extracted from a set of businesses within exactly the same industry will have a wide range of values that reflect company specific factors rather than the underlying risk level of the industry itself. It then becomes a matter of judgement to make a series of adjustments to the implied multiples to properly account for the differences between the companies. These adjustments are often arbitrary and very difficult to benchmark.

In the majority of cases, the earnings multiple approach is therefore most suited to businesses with a relatively stable earnings outlook, low capital expenditure requirements, and limited growth opportunities. For companies with these characteristics, the multiples derived from market data are more likely to accurately reflect the market's perception of the underlying quality of the projected earnings stream.

The DCF approach can provide a better valuation treatment for companies with future growth prospects and high capital expenditure requirements. Because each of these factors can be explicitly incorporated into the valuation process, the DCF model directly accounts for many important value drivers of the business under consideration. Accessing the necessary data for a DCF model can however be problematic, especially when there is no credible process by which to construct the future forecasts of free cash flows. The discounting process is also reliant on an estimate for the required rate of return. Because this estimate is not directly observable and must be derived from data collected from other comparable companies, the DCF value is also reliant on the existence of other companies that have the same risk profile.

3.2.2. Preferred Valuation Approach

We believe that the Earnings Multiple valuation framework is most appropriate for Scott. While the Company is likely to continue its strategy of growth by acquisition, the nature and timing of those potential acquisitions is highly uncertain. The biggest valuation issue relates to the significant earnings volatility that the Company has experienced in the past and is likely to continue to experience in the future. On-going uncertainty over market conditions in each key business sector, the number of large scale projects that come to market and Scott's success rate in winning those projects clearly makes the assessment of a maintainable earnings figure more difficult for Scott than for companies with a relatively stable earnings outlook. However, the issue of accurately projecting future earnings levels is even greater for the DCF approach, which must effectively incorporate a forecast of the degree and timing of the cyclical highs and lows of the industry.

3.3. Assessed Enterprise Value Range

The assessed enterprise value of Scott is determined with reference to estimates of the maintainable earnings for the business and an appropriate earnings multiple. Our analysis and conclusions for each of these inputs is summarised below.

3.3.1. Estimate of Maintainable Earnings

Our estimate of maintainable earnings for Scott is based primarily on the Company's recent performance and our understanding of key earnings drivers for the business in the near term. Table 11 below summarises actual EBITDA levels for FY2012 to FY2014, as well as the year-to-date performance for FY2015. We note that:

- At the time of preparing this report, the management accounts for the year ending 31 August 2015 had not been completed. We understand from management that the expected outcome for the year will be better than the run-rate implied by the year to date management accounts for the 11 months ending 31 July 2015, and we have assumed an EBITDA range for the full year of $8.0m - $8.5m;
- Scott has not yet formally confirmed its budget for FY2016. We have reviewed a high level divisional sales budget and a first draft of the full budget for FY2016 which, based on discussions with Scott management, are still subject to material changes. Given the preliminary nature of the information, it is not reported here.

Table 11: Summary of Scott Historical Earnings

	FY2012	FY2013	FY2014	2015 YTD Actual 11 Months to 31 July
Revenue	$66.3m	$62.5m	$61.8m	$68.8m
Total Operating Cost	($57.4m)	($54.3m)	($55.8m)	($61.7m)
EBITDA	**$8.9m**	**$8.2m**	**$6.0m**	**$7.1m**
EBITDA Margin	13.4%	13.1%	9.7%	10.3%

Sources: Scott's FY2013 and FY2014 Audited Financial Statements, Scott's Management Accounts and Internal Work Papers, Northington Partners Analysis.

In determining a maintainable earnings level for Scott, the key features of the historical and forecast earnings are as follows:

- Given the nature of Scott's business, potential divergences between actual and budget performance are very high. For example, forecast revenue for FY2015 is approximately 20% lower than the original budget, largely as a consequence of several new projects being pushed into the next period; and
- The FY2015 result has been materially affected by a combination of positive and negative factors: the decline in the value of the New Zealand dollar during the second half of the year has materially improved earnings, while the deferral of new projects in the appliances and meat processing divisions, and the on-going cyclical low in the mining division have had negative effects. Overall, total revenue and margins are significantly lower than initially budgeted; and
- Near term future earnings will benefit if the value of the New Zealand dollar remains in its current range, and Scott will also receive the full contribution from the MAR acquisition in FY2016. However, the cyclical slowdown in mining and appliances is likely to continue and both revenues and margins will remain under pressure.

On balance, we believe that a maintainable EBITDA range of $9.0m - $9.5m provides a reasonable balance between the impact of difficult trading conditions that are expected to continue in appliances and mining, and the upside that may be delivered by both the full integration of recently acquired businesses and the lower currency. This level of earnings is higher than historical performance, is materially higher than our estimate of full year normalised earnings for FY2015 ($8.0m - $8.5m), and in our view therefore incorporates reasonable allowance for the earnings improvement that Scott is targeting in the short term.

3.3.2. Determining Appropriate Earnings Multiple

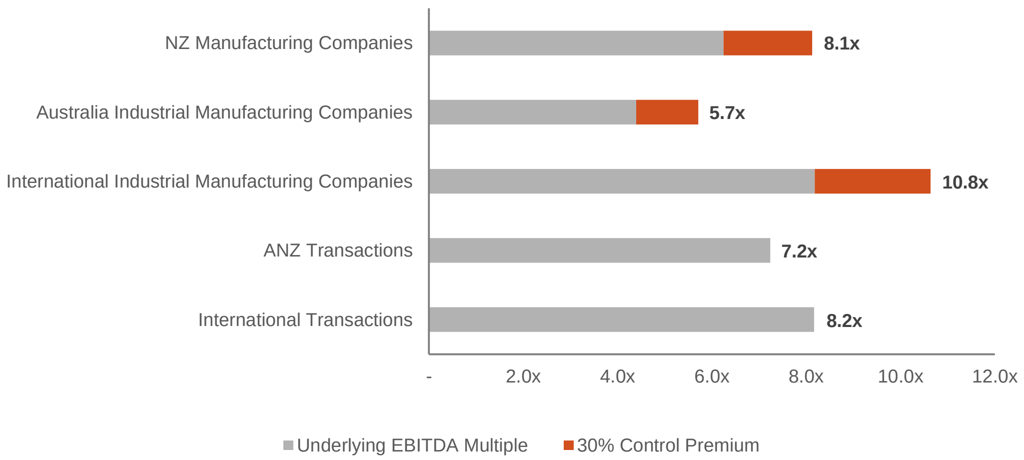
A valuation multiple range can be derived from two sources:

- Implied multiples from recent transactions involving similar target companies; and
- Publically traded companies that are considered to be comparable to the subject company.

We have access to a wide range of listed comparable international businesses, and a smaller selection of similar but not directly comparable listed businesses in Australia and New Zealand. There is also limited data available for a small number of transactions that have some relevance to this valuation.

A summary of the benchmarked listed comparable companies and transactions is presented in Figure 15 below, with additional detail provided in Appendix 4 and Appendix 5.

Figure 15: Summary of Comparable Company and Transaction EV / Forward EBITDA multiples



Sources: Capital IQ and other Public Reports as at 7 September 2015

Note: In the majority of the transactions benchmarked we only have access to historical earnings metrics. As a result, the transactions metrics are not directly comparable to the trading metrics. However we do not believe this inconsistency materially distorts the evidence as the companies benchmarked are typically large business with relatively flat growth profiles.

As shown in the chart above, the listed company evidence has been adjusted to include a control premium of 30% to account for the fact that trading multiples reflect the value of a minority position, while the transactions we have benchmarked typically involve the acquisition of a majority position giving the acquirer some level of control.

The available evidence suggests that a controlling position in companies with similar industry exposure to Scott is currently valued at between 6.0 x and 10.5x forward EBITDA. However, given the benchmarked companies are not perfectly comparable to Scott, we consider a number of attributes of the Scott business relative to the companies in our comparable set. These attributes are presented in Table 12 below, along with an indication of the broad impact each attribute has on our assessment of the appropriate valuation multiple range.

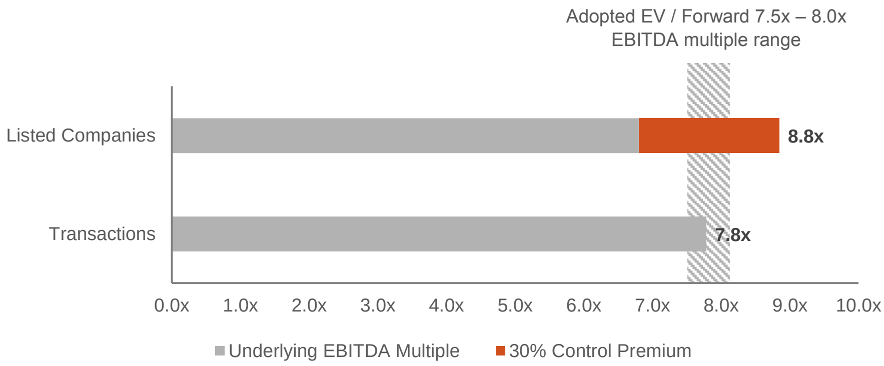
Table 12: Valuation Multiple Adjustments

Attribute	Comment	Impact
Size	Scott is somewhat smaller than the majority of the companies benchmarked. Smaller companies typically attract lower multiples as they are considered to have higher risk profiles compared to larger companies. This is broadly referred to as the small stock effect.	↓
Market Share	While there is no practical way to assess relative market share between Scott and the benchmarked companies, Scott's overall size and industry diversification necessarily suggest it has lower market share in each of the markets it operates.	↓
Earnings Volatility	Scott typically generates revenue through the provision of large contracts to significant global manufacturers and resource focused companies. As a result, earnings can be significantly impacted by the loss or delay of a single contract and Scott generally has little control over these factors.	↓
Growth Potential	We believe Scott has future earnings upside potential due to the following factors: ▪ Scott has a proven track record of making sound acquisitions to help grow, diversify and strengthen the overall business. We understand the Company intends to continue this approach under a prudent investment framework. ▪ Scott is still in the process of bedding down the acquisition of MAR and RobotWorx. As these businesses are fully integrated into the wider group it is expected some efficiencies and synergies will be achieved over the short to medium term. ▪ Two core target markets for Scott (mining and appliance manufacturing) are currently at the bottom of their relative business cycles. As these sectors recover, we would expect Scott's earnings will also recover through time.	↑
Industry Diversification	Scott serves three core industries; appliance manufacturing, resources (particularly mining) and agri-tech and food. This diversity across largely unrelated industries provides Scott with a natural hedge against the typical business cycle within each industry.	↑

Source: Northington Partners' Analysis

Given the benchmarking evidence and the attributes considered in the table above, we consider an appropriate EV / EBITDA multiple range for Scott is between 7.5x and 8.0x. Figure 16 below presents the adopted EV / EBITDA range for Scott as compared to the comparable listed company and transaction benchmarking evidence.

Figure 16: Analysis of Listed Company and Transaction EV / Forward EBITDA multiples



Sources: Capital IQ and other Public Reports as at 7 September 2015

Note: In the majority of the transactions benchmarked we only have access to historical earnings metrics. As a result, the transactions metrics are not directly comparable to the trading metrics. However we do not believe this inconsistency materially distorts the evidence as the companies benchmarked are typically large business with relatively flat growth profiles.

3.4. Enterprise Value Range

Based on our estimates for maintainable earnings and an appropriate earnings multiple, the resulting enterprise value range for Scott is summarised in Table 13 below. These values represent our assessment of the full acquisition value of Scott, and implicitly incorporate a premium for control and acquisition synergies.

Table 13: Earnings Multiple Valuation Assessment

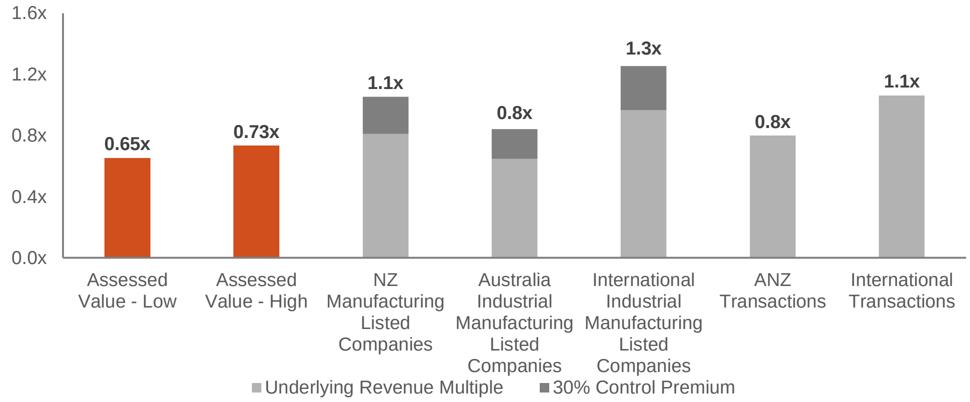
	Valuation Range	
	Low	**High**
Maintainable EBITDA (000s)	$9,000	$9,500
Forward EBITDA Multiple	7.5x	8.0x
Enterprise Value (000s)	**$67,500**	**$76,000**

Source: Northington Partners' Analysis

3.5. Other Valuation Benchmarks

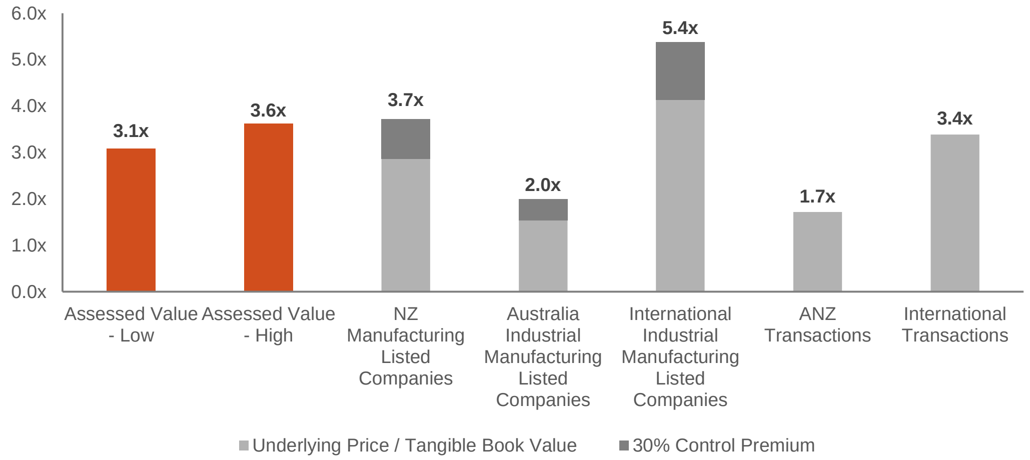
Given the reliance of the Scott business on a small number of large projects and the relatively low level of information available, we are not able to construct a robust DCF model as a valuation cross check. As an alternative, we have benchmarked our enterprise value assessment for Scott against the comparable company set using a range of additional metrics. Summary results are presented in Figure 17 and Figure 18.

Figure 17: Benchmark Analysis: EV / Forward Revenue Multiples



Sources: Northington Partners' Analysis, Capital IQ and other Public Reports as at 7 September 2015

Figure 18: Benchmark Analysis: EV / Tangible Book Value Multiples



Sources: Northington Partners' Analysis, Capital IQ and other Public Reports as at 7 September 2015

Although the differences between Scott and the companies included in the comparable set make direct comparisons difficult, we believe that the implied multiples for Scott are consistent with the available evidence.

3.6. Aggregate Equity Value and Value per Share

The assessed range for the value of 100% of the shares on issue in Scott is set out in Table 14. Our equity valuation reflects a net debt value of $18.6m, based on management's estimate as at 31 August 2015.

The resulting equity value corresponds to a range of $1.08 to $1.26 per share.

Table 14: Aggregate Equity Value and Value per Share

	Low	**High**
Enterprise Value (000s)	$67,500	$76,000
less Net Debt (000s)	($18,600)	($18,600)
Equity Value (000s)	**$48,900**	**$57,400**
Number of Shares (000s)	45,474	45,474
Value per Share	**$1.08**	**$1.26**

Source: Northington Partners' Analysis

Appendix 1: Summary Profile of JBS

JBS is the largest meat processing company in Australia, operating 11 processing facilities and five feedlots stretching from Townsville in north Queensland to Devonport in Tasmania. JBS has a daily processing capacity of more than 8,000 cattle and 21,000 small stock.

JBS is the leading supplier of Australian beef and lamb products around the world, exporting to more than 80 countries. JBS also maintains significant market share in the domestic Australian beef and lamb market. The business employs more than 8,500 people across Australia in a wide range of roles.

Further details on JBS and its operations in Australia can be found on the website: www.jbssa.com.au/

The parent company of JBS is JBS S.A., the largest animal protein processing company in the world and the second largest food company in the world. The headquarters of JBS S.A. are situated in Brazil, and the company is listed on the Brazilian Stock Exchange with a market capitalisation (as at 14 September 2015) of approximately NZ$20.3 billion.

The origins of JBS S.A. date back to 1953 in Brazil. Today, JBS S.A. is a global leader in the processing of animal protein with a presence in more than 20 countries, serving 300,000 clients in more than 150 countries through a diverse portfolio of products and brands. JBS S.A. employs around 215,000 staff throughout its production platforms and sales offices around the world. The company operates over 300 processing plants worldwide and generated around NZ$55 billion in the 12 months to 30 June 2015.

In addition to the food sector, JBS S.A. also has a presence in the segments of personal hygiene and cleaning products, collagen, metal packaging, casings, biodiesel, vegetable oils, transport, waste management and recycling.

Further details on JBS S.A. and its global operations can be found on the website: http://jbss.infoinvest.com.br/

Appendix 2: Regulatory Requirements and Scope of this Report

Role of Takeovers Panel

The Takeovers Code ("**Code**") sets out rules governing the conduct of company takeovers in New Zealand. The provisions of the Code apply to any company that is a "Code Company" (as defined in the Code). Scott is a "Code Company" by virtue of it being listed on the NZX Main Board and by having more than 50 shareholders.

The fundamental rule of the Takeovers Code is set out in Rule 6 and prevents any entity (together with its associates) from becoming the holder or controller of 20% or more of the voting rights in a "Code Company" other than via one of several courses of action prescribed in Rule 7 of the Code.

Pursuant to Rule 7 of the Code, a person may (among other exceptions) become the holder or controller of 20% or more of a Code Company "by an acquisition under a full offer". Although the JBS Offer is effectively an offer for all of the ordinary shares in Scott that it does not already own, it does not constitute an offer that must comply with the provisions of the Code. This is because the JBS Offer forms part of a scheme of arrangement that is governed by the Companies Act 1993 and is required to be approved by the High Court. An explanation of the role of the High Court is set out in the Notice of Meeting sent to Scott's shareholders.

In the case of the proposed Scheme of Arrangement, the primary role of the Takeovers Panel is to consider whether Scott's shareholders will be adversely affected by the transactions contemplated by the Scheme of Arrangement as opposed to the corresponding transactions under the Code. To this end, the Takeovers Panel's role is to assist the High Court by:

- Reviewing scheme documents to ensure that appropriate information is placed before shareholders and that associates and interest classes of shareholders have been adequately identified; and
- Helping to ensure that matters that are relevant to the High Court's decision are properly brought to the High Court's attention.

Under the Companies Act 1993, Scott may request a "no-objection statement" from the Takeovers Panel, to present to the High Court when seeking orders in respect of the Scheme of Arrangement. Although there is no legal requirement under the Companies Act 1993 or the Code for an independent adviser's report as a result of the Scheme of Arrangement, the practice of the Takeovers Panel (except in very limited circumstances) is to require preparation of an independent adviser's report that opines on the merits of the relevant transaction(s) before it will consider issuing a final no-objection statement to the High Court.

Scott's independent directors requested Northington Partners Limited ("**Northington Partners**") to prepare the independent adviser's report required by the Takeovers Panel. Our appointment was approved by the Takeovers Panel on 27 August 2015.

Basis of Assessment

The exact meaning of the word "merits" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered when assessing the merits of a takeover offer. Although the Takeovers Panel has published a guidance note about the role of an Independent Adviser, it has been careful not to limit the scope of the assessment and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved. However, the Takeovers Panel suggests that a merits assessment is broader than a valuation assessment and will include other positive and negative aspects of a transaction.

Northington Partners has assessed the merits of the proposed Scheme of Arrangement by taking into account the following factors:

- The underlying value of the ordinary shares in Scott, based on an assessment of the intrinsic value of the Company;
- The purchase price offered by JBS in the JBS Offer for the Scott shares it does not already own, and the implied premium or discount to our assessment of intrinsic value that the purchase price represents;
- The prospects, attractiveness and risk profile of Scott, including the Company's need to raise capital to fund ongoing operations and alternative funding options if the Scheme of Arrangement does not proceed;

- The impact of the Scheme of Arrangement on the control position of the Company (including JBS' rights to exercise the compulsory acquisition provisions set out in the JBS Offer if a 90% shareholding is attained);
- Such other financial and non-financial considerations as may be appropriate; and
- The key decisions required to be made by shareholders (in contrast to the relatively straight forward decision making process in a typical takeover offer), being:
  - Whether to vote in favour of the overall Scheme of Arrangement allowing JBS to become a majority shareholder; then
  - Whether to accept the JBS Offer to sell some or all of their shares to JBS; and
  - Assuming they will retain a shareholding, whether Eligible Shareholders wish to participate in the Rights Offer.

Appendix 3: Treatment of Premiums for Synergies and Control

An acquisition premium is broadly defined as the amount that particular purchasers are prepared to pay over and above the intrinsic value of the business when held in isolation (the “standalone” value). Although the additional value can arise from a number of sources, the aggregate premium is usually referred to as a premium for control and is justified on the basis that control over the operations of the company provides the shareholder with the ability to affect future cash flows. The potential scale of the control premium is directly related to both the nature of the target business and the competitive bid environment. In some cases, the appropriate control premium can be relatively small.

The existence of an acquisition premium (if any) is related to the synergistic benefits that some acquiring companies may be able to extract from the merged entity. These benefits mean that the acquirer should be prepared to pay more for the company than the underlying standalone value. The nature of the synergy benefits are generally dependent on the type of industry and the relative market positions of the two companies, but may arise from an increase in market share and influence, or a decrease in the aggregate operating costs of the merged entity.

Although not reflected in the JBS offer, the acquisition price paid in a takeover situation typically exceeds the pre-bid value of the target company. Because the reasons for this acquisition premium will vary from case to case, the actual premium will also be different in each situation. In broad terms the apparent acquisition premium will arise from two sources:

i. **The Market has Undervalued the Existing Business:** If the target company has been systematically undervalued because of the market’s misconceptions regarding the company’s future prospects, then this “market value adjustment” should be captured as part of a competitive bid process. Our assessment of the underlying value of Scott is based on all of the available information, and therefore directly reflects the full fair value of the business as a going-concern.

ii. **The Acquirer can Extract Additional Value from the Target Company**: Securing a controlling interest in the target company may provide the acquirer with the opportunity to extract more value relating to synergies, cost reductions, and other private benefits. In almost all cases, a proportion of the total value of these benefits must be shared with the target company shareholders in order for the acquisition to occur. The final allocation of value that is reflected in the acquisition price will largely depend on the degree of competitive pressure associated with each particular takeover.

The potential influence of the first component means that it is not possible to directly compare the Offer price to the pre-bid share market values and then attribute all of the difference between the prices to the implied premium for control. It is often reported that the observed takeover premiums can range anywhere between 20% and 40%, measured by comparing the total acquisition price per share to the pre-bid listed market price per share. The proportion of that premium that is actually attributable to control will however be dependent on the performance of the target company prior to the takeover bid and the degree to which market prices were lower than the actual underlying fair value.

It is very rare to have good information regarding transactions that involve companies which are closely comparable to the target company. In this particular instance we have a very limited set of transaction data that can be used to reliably infer the market’s perception of the appropriate acquisition premium for this Company, and therefore believe that it is inappropriate to apply an average observed premium to the estimated value of the standalone business.

In theory at least, an acquisition premium should only be based on the actual achievable improvements in the combined business after the acquisition has occurred. These improvements will only have value consequences if there is either an increase in the net cash flows derived from the business or if there is a reduction in the required rate of return. The actual premium that any acquirer can rationally pay must be related to the nature of the target company and the circumstances surrounding the sector in which the target company operates. Ultimately, a rational acquirer will only pay a premium if it believes that by gaining control, additional value can be created by changing the way the business is managed.

In the case of the Scott business, the appropriate acquisition premium is very difficult to assess because it relates to factors that cannot be easily quantified. The company is well managed and the opportunities for increasing cash flows through improved management are limited. In our view, the benefits that might arise from introducing a strategic partner such as JBS into Scott are related to the following factors:

- Scott will arguably have better opportunities to grow its business in the meat processing sector via JBS’ global operations; and

- JBS will provide Scott with access to a very strong balance sheet and the ability to fund future growth opportunities.

While these may lead to tangible benefits for the Scott business in the future, we believe the opportunities are not yet sufficiently defined to be separately valued. Some allowance for the potential upside has however been incorporated into our assessment of our earnings based valuation, through the adopted estimates for both maintainable earnings and the earnings multiple.

Appendix 4: Comparable Company Data

Table 15: Listed New Zealand Manufacturing Companies

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM Revenue	EV / NTM Revenue	EV / LTM EBITDA	EV / NTM EBITDA	Price / Book	Price / Tangible Book
Nuplex Industries	NZ	879	730	0.6x	0.6x	6.8x	6.3x	1.3x	1.7x
Steel & Tube Holdings	NZ	311	244	0.6x	0.6x	8.1x	6.6x	1.4x	1.7x
Skellerup Holdings	NZ	242	243	1.2x	1.2x	6.8x	6.0x	1.5x	2.2x
Methven	NZ	99	77	1.0x	0.9x	8.6x	6.0x	1.5x	9.5x
Rakon	NZ	76	62	0.6x	-	14.0x	-	0.8x	0.9x
Mercer Group	NZ	31	25	0.7x	-	nm	-	1.7x	2.3x
Wellington Drive Technologies	NZ	13	12	0.6x	-	nm	-	1.5x	3.3x
Sealegs Corporation	NZ	8	10	0.5x	-	nm	-	1.3x	1.3x
Average				**0.7x**	**0.8x**	**8.9x**	**6.2x**	**1.4x**	**2.9x**

Source: Capital IQ as at 7 September 2015

Table 16: Listed Australia Industrial Manufacturing Companies

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM Revenue	EV / NTM Revenue	EV / LTM EBITDA	EV / NTM EBITDA	Price / Book	Price / Tangible Book
Bradken	Australia	676	220	0.6x	0.6x	7.1x	4.6x	0.4x	0.7x
RCR Tomlinson	Australia	323	310	0.3x	0.3x	5.6x	3.9x	0.9x	2.3x
Codan	Australia	214	175	1.3x	-	8.9x	-	1.2x	4.0x
Boom Logistics	Australia	130	51	0.6x	-	7.0x	5.9x	0.2x	0.2x
Matrix Composites & Engineering	Australia	40	47	0.3x	0.3x	1.5x	2.2x	0.3x	0.3x
Korvest	Australia	38	37	0.5x	-	5.6x	5.9x	1.0x	1.0x
Zicom Group	Singapore	32	41	0.2x	-	4.6x	-	0.4x	0.5x
TZ	Australia	29	36	1.7x	1.1x	nm	nm	1.9x	4.3x
XRF Scientific	Australia	21	29	0.9x	0.9x	4.5x	3.8x	0.9x	1.6x
Valmec	Australia	20	16	0.4x	-	14.1x	-	0.9x	1.0x
Scantech	Australia	4	10	0.3x	-	3.0x	-	0.8x	0.9x
Average				**0.7x**	**0.6x**	**6.2x**	**4.4x**	**0.8x**	**1.5x**

Source: Capital IQ as at 7 September 2015

Table 17: Listed International Industrial Manufacturing Companies

Company	Country	EV ($m)	Market Cap ($m)	EV / LTM Revenue	EV / NTM Revenue	EV / LTM EBITDA	EV / NTM EBITDA	Price / Book	Price / Tangible Book
Yaskawa Electric	Japan	4,879	4,480	0.9x	0.9x	7.6x	7.8x	1.9x	2.3x
KUKA Aktiengesellschaft	Germany	4,694	4,658	1.0x	0.9x	11.3x	10.1x	4.4x	18.4x
Hillenbrand	United States	3,415	2,621	1.3x	1.3x	7.5x	7.9x	2.7x	nm
Daifuku	Japan	2,466	2,387	0.7x	0.6x	8.4x	7.8x	1.7x	2.0x
Nachi-Fujikoshi	Japan	2,445	1,746	0.8x	0.8x	6.0x	5.5x	1.3x	1.3x
Tomra Systems	Norway	2,276	2,013	2.3x	2.1x	12.1x	10.8x	3.3x	17.3x
John Bean Technologies	United States	1,854	1,634	1.1x	1.1x	10.0x	10.6x	nm	nm
ATS Automation Tooling Systems	Canada	1,696	1,465	1.4x	1.4x	12.7x	10.4x	2.1x	nm
Shibuya Kogyo	Japan	771	757	0.7x	-	7.8x	-	1.3x	1.4x
Kardex	Switzerland	658	825	1.2x	1.1x	10.5x	10.0x	4.1x	4.2x
M.A.X. Automation	Germany	350	247	0.5x	0.5x	6.4x	7.5x	1.5x	5.9x
Yushin Precision Equipment	Japan	327	453	1.3x	1.2x	8.2x	-	1.4x	1.4x
Hirata Corporation	Japan	275	123	0.4x	0.4x	4.9x	-	0.4x	0.4x
Mirle Automation	Taiwan	209	230	0.6x	0.6x	8.0x	-	1.4x	1.4x
Adept Technology	United States	160	173	1.8x	1.8x	nm	nm	4.5x	4.9x
Shin Heung Machine	South Korea	125	150	1.1x	0.7x	8.9x	-	1.9x	2.1x
Key Technology	United States	114	120	0.7x	0.7x	nm	-	1.2x	1.6x
Symtek Automation Asia	Taiwan	96	104	0.8x	-	6.6x	-	2.4x	2.5x
Molins	United Kingdom	46	37	0.2x	0.2x	4.5x	3.1x	0.6x	1.7x
Pentamaster	Malaysia	34	37	1.0x	-	6.8x	-	1.5x	1.6x
Average				**1.0x**	**1.0x**	**8.2x**	**8.3x**	**2.1x**	**4.1x**

Source: Capital IQ as at 7 September 2015

Table 18: Detailed Listed Company Descriptions

Company	Description
Nuplex Industries	Develops, manufactures, and sells synthetic resins for use in decorative, industrial, automotive, and protective coatings.
Steel & Tube Holdings	Processes, fabricates, and distributes steel and allied products in New Zealand.
Skellerup Holdings	Develops, manufactures, markets, and distributes technical polymer products and vacuum pumps for various specialist industrial and agricultural applications.
Methven	Designs, manufactures, and supplies showerware, tapware, and domestic water control valves with operations in New Zealand, the United Kingdom, China, and Australia.
Rakon	Designs, develops, and manufactures frequency control solutions for various applications in Asia, North America, Europe, and internationally.
Mercer Group	Provides stainless, interior, and medical solutions primarily in New Zealand and Australia.
Wellington Drive Technologies	Develops, manufactures, markets, and sells energy saving and electronically commutated motors and fans, and associated electronics and software worldwide.
Sealegs Corporation	Manufactures and sells amphibious marine crafts. The company offers recreational boats, professional amphibious marine crafts, and military grade all-wheel drive amphibious enablement systems.

Bradken	Engages in the manufacture and supply of consumable and capital products worldwide. The Mining & Transport segment is involved in the design, manufacture, supply, and service of consumable wear products for various types of earth moving equipment in the mining and quarry industries. The Mineral Processing segment manufactures custom designed products for grinding mills, crushing, and conveying equipment for the hard rock mining industry.
RCR Tomlinson	Provides integrated engineering solutions to the resources, energy, mining, and infrastructure sectors in Australia and internationally. It provides electrical and instrumentation services; railway signaling design and installation, and overhead wiring systems; turnkey material handling solutions from design and offers integrated solutions for power generation and thermal energy plants, components, and systems.
Codan	Designs, manufactures, and markets various products for the radio communications, metal detection, and mining technology markets worldwide. Its equipment comprise high frequency (HF) transceivers and manpacks, antennas and masts, power supplies, remote controls, coin and treasure products, and gold detectors.
Boom Logistics	Provides crane logistics and lifting solutions to the resources, energy, utilities, and infrastructure sectors in Australia. The company offers mobile and crawler cranes for wet and dry hire with short term and long term rental facilities; and tailored elevated work platform solutions with a fleet of travel towers and access equipment. It also provides special hydraulic mobile cranes and low profile prime movers and access equipment.
Matrix Composites & Engineering	Engages in the design, test, manufacture, distribution, and servicing of engineered products and services for oil and gas, and mineral resources industries worldwide. It offers capital drilling equipment, including riser buoyancy systems, low drag buoyant fairing systems, and MarineShield Riser Protect and permanent buoyancy systems.
Korvest	Engages in the hot dip galvanizing and sheet metal fabrication operations in Australia. It manufactures cable and pipe support systems and fittings under the EzyStrut name; designs and assembles access systems for large mobile equipment under Power Step name.
Zicom Group	Manufactures and sells deck machinery, offshore structures, fluid metering stations, process plants, foundation equipment and concrete mixers, and precision engineered machinery and services to the offshore marine, oil and gas, construction, electronics, biomedical, and agriculture industries.
TZ	Develops intelligent devices and smart device systems that enable the commercialization of hardware and software solutions for the management, control, and monitoring of business assets.
XRF Scientific	Manufactures and markets precious metal products, specialized chemicals, and instruments for the mining, and scientific and analytical industries in Australia.
Valmec	A diversified energy and infrastructure services group, provides equipment, construction, commissioning, and maintenance services to the oil and gas, resources, and infrastructure sectors in Australia. The company's services include process services engineering, procurement, and construction; mining multi-discipline construction; gas turbine compression and metering; petrochemical and mining fabrication; electrical and underground; earthworks and civil engineering; and asset preservation, service, and maintenance.
Scantech	Manufactures and markets scientific and industrial instruments for the resource sector, including cement, coal, and minerals industries in Australia and internationally.
Yaskawa Electric	Manufactures and sells mechatronic products in Japan and internationally. It operates in three segments: Motion Control, Robotics, and System Engineering.
KUKA Aktiengesellschaft	Develops and sells robot-based automation systems under the KUKA brand worldwide. The company develops, produces, sells, and services industrial robots for various applications and industry sectors. It also offers automated production and assembly solutions for industrial manufacturing; operates as a system integrator for systems, tools, and customized mechanical engineering; and automates individual production processes, such as welding and brazing, processing various materials.
Hillenbrand	Makes and sells business-to-business products and services for various industries worldwide. The Process Equipment Group segment designs, engineers, manufactures, markets, and services process and material handling equipment and systems for various industries, plastics, processed food, chemicals, fertilizers, industrial minerals, mining, energy, and forest products.
Daifuku	Provides consulting, engineering, design, manufacture, installation, and after-sales services for logistics systems and material handling equipment in Japan and internationally.
Nachi-Fujikoshi	Engages in machining, robots, components, and materials businesses. The company operates through Cutting Tools; Machine Tools; Robots; Bearings; Hydraulic Equipment; and Special Steels/Industrial Furnaces and Others segments.
Tomra Systems	Provides sensor-based solutions for optimal resource productivity worldwide. The Collection Solutions segment develops, produces, sells, leases, and services automated recycling systems. The Sorting Solutions segment provides sorting and processing technology for the fresh and processed food industries; sorting systems for waste and metal material streams and ore sorting systems for the mining industry.
John Bean Technologies	Designs, manufactures, tests, and services products and systems for food processing and air transportation industries. The company provides protein processing equipment, liquid foods processing equipment and automatic guided vehicles for use in material handling in the food and beverage, manufacturing, warehouse, automotive, hospital, and printing industries.
ATS Automation Tooling Systems	Provides factory automation solutions worldwide. It engages in planning, designing, building, commissioning, and servicing automated manufacturing and assembly systems, including automation products and test solutions.
Shibuya Kogyo	Manufactures and sells packaging and mechatronics system products in Japan and internationally. It offers bottling systems for filling beverages, packaging systems and robotic systems for applications, including product accumulation, packaging, assembly, etc. in the food, pharmaceutical, and other industries; and pharmaceutical manufacturing systems.
Kardex	Manufactures and sells automated storage solutions and materials handling systems worldwide. It offers a range of storing solutions, including dynamic storage systems, turnkey systems, automated storage and retrieval machines, conveyor systems and vertical and horizontal systems.

M.A.X. Automation	Provides industrial automation and environmental technology solutions. The company's Industrial Automation segment manufactures engine components, such as cylinder crankcases and crankshafts, as well as cleaning, testing, and assembly systems; and automated assembly for gearboxes and clutches, and precision assembly systems. Its Environmental Technology segment designs, develops, produces, and sells machinery and plants, and systems for shredding and processing primary and secondary raw materials.
Yushin Precision Equipment	Manufactures and sells robots and automated stock machines for automated part extraction and storage from molding machines worldwide. Its primary products include take-out robots of injection molded plastic products; automated stock systems; and labor-saving automation equipment.
Hirata	Manufactures and sells various manufacturing line systems, industrial robots, and logistic equipment in Japan and internationally. It manufactures and deals in production systems for various fields, including automotive, semiconductors, and home electronics.
Mirle Automation	Manufactures and sells automation system integrators and related products. The company offers various automated equipment for clean room FPD transporter and material-handling, such as CF in-line C/V systems, LCD/LCM auto packing/palletizing systems, equipment for clean robot applications; and manufacturing equipment and automated transporting systems for solar cell industries, as well as open-short tester for touch panels; and robotic application systems for semiconductor, optronic, and general industries.
Adept Technology	Designs, manufactures, and sells industrial and mobile robots for the semiconductor, packaging, electronics, automotive/industrial, logistics/warehouse, food, and flexible manufacturing markets worldwide. The company offers Adept SmartController, a robot motion controller; Adept SmartVision, a vision processor; Adept ACE (automation control environment), a PC-based software for configuring, calibrating, and managing equipment in a workcell; and ACE PackXpert to deploy automation solutions.
Shin Heung Machine	Manufactures and sells automated material handling systems in South Korea. Its products include automated storage and retrieval systems, mobile rack systems, stacker cranes, mini load stacker cranes, rail guided vehicles, conveyors, automatic and digital picking systems, automatic guided vehicle systems, laser guided vehicles, and electronic monorail systems. It serves automobile, electronics, pharmaceutical, food and beverage, petrochemical, paper, textile, furniture, 3rd party logistics, etc.
Key Technology	Designs, manufactures, sells, and services process automation systems integrating electro-optical inspection, sorting, and process systems in the United States and internationally. It provides automated inspection systems, including belt-fed sorters - Optyx, Tegra, and Manta that are primarily used in the fresh and frozen fruit, vegetable, and potato products segments.
Symtek Automation Asia	Designs, manufactures, and sells automation systems and tools in Taiwan. It offers printed circuit board products, including panel rack-frames, and robot system and FPC system automation products; and automation connecting equipment, such as turning machines, diverters, buffer machines, gap control machines, and flip cooling machines.
Molins	Provides instrumentation, machinery, and analytical services to the fast-moving consumer goods, healthcare, and pharmaceutical sectors worldwide. The Scientific Services segment develops, assembles, sells, and maintains process and quality control instruments for the tobacco industry. The Packaging Machinery segment develops and supplies custom machinery and product solutions for packaging and processing applications; and designs and manufactures cartoning machinery, case packers, and end-of-line and robotic solutions, as well as provides complete turnkey projects involving design and integration of packaging systems.
Pentamaster	Designs, assembles, and installs computerized automation systems and equipment internationally. It offers RFID solutions and hardware, and vision inspection solutions; LED test solutions, such as bench equipment and accessories, imaging test systems, handlers, sorters, tapers, and strobe light controllers; material handling equipment, including conveyors, industrial furniture, industrial lifters, mobile compactors, and robotics, as well as services; and packaging solutions comprising FIBC double stations, mobile FIBC filling stations, and big bag filling stations, as well as open-mouth bags.

Source: Capital IQ as at 7 September 2015

Appendix 5: Comparable Transaction Data

Table 19: Details for Recent Australia and New Zealand Transactions

Date	Target	Description	Country	Acquirer	Implied EV ($m)	EV / LTM Revenue	EV / LTM EBITDA	Price / Book
Oct-14	BCS Group	Develops, designs, manufactures, installs, and services baggage handling systems (BHS).	NZ	Daifuku	44	0.3x	7.2x	-
Apr-14	Tata Steel International (Australasia)	Supplies stainless steel and engineering steel products in New Zealand.	NZ	Steel & Tube Holdings	24	0.4x	n/a	1.0x
Jan-14	Diversified Mining Services	Comprises the COALTRAM mining equipment business and intellectual property.	Australia	PPK Group	14	n/a	5.7x	-
Nov-12	Milfos International	Designs and manufactures dairying equipment and milking systems to customers worldwide.	NZ	GEA Group	15	0.3x	4.8x	-
May-12	Industrea	Designs and manufactures sampling and sample preparation equipment for the minerals and mining industries.	Australia	General Electric Company	882	1.9x	5.8x	1.4x
Jan-12	Ludowici	Engages in the design, manufacture, service, and distribution of equipment and consumables for the global minerals processing industry.	Australia	FLSmidth & Co	380	1.3x	11.1x	3.0x
Jul-11	Nu-Con	Designs, manufactures, and installs powder handling, packing, and pneumatic conveying systems internationally.	NZ	GEA Process Engineering	36	0.8x	n/a	-
Dec-10	Essa Australia	Designs and manufactures sampling and sample preparation equipment for the minerals and mining industries.	Australia	FLSmidth	38	0.9x	6.4x	1.9x
May-10	Dexion	Manufactures and markets shelving, storage, and materials handling products for businesses worldwide.	Australia	GUD Holdings	135	0.5x	9.8x	1.3x
Average						**0.8x**	**7.2x**	**1.7x**

Source: Capital IQ

Table 20: Details for Recent International Transactions

Date	Target	Description	Country	Acquirer	Implied EV	EV / LTM Revenue	EV / LTM EBITDA	P/B
Jul-15	Shenzhen Weichuang Automatization Equipment	Designs, manufactures, installs, and maintains automatic production lines/assembly lines, automatic mechanical parking systems, automatic conveyor/logistics systems, automatic painting equipment.	China	Xuzhou Wuyang Technology	132	1.9x	n/a	3.8x
Dec-14	Garlock Rubber Technologies	Manufactures and delivers a line of conveyor belt products to meet the bulk haulage applications.	US	Main Street Capital Corporation	55	1.4x	n/a	-

Dec-14	Sir Spa	Designs, develops, and manufactures robotic systems for application in automotive, aeronautics, plastics, pharmaceuticals, engineering, and ceramics/sanitary ware industries in Europe and internationally.	Italy	WAMGROUP & Wolong (Italy) Investment	32	0.7x	n/a	5.1x
Jun-14	IMA Automation Amberg	Engaged in designing, engineering, and manufacturing systems for the automated assembly of finished products or product components.	Germany	Preh	31	0.6x	n/a	-
Apr-14	Dynamic Micro Systems Semiconductor Equipment	It offers wafer handling robotics, including atmospheric robots, vacuum robots, and components; wafer handling systems that include vacuum and atmospheric systems; semiconductor contamination control solutions.	Germany	Brooks Automation (Germany)	37	1.1x	n/a	-
Apr-14	Telestack	Designs, manufactures, installs, and commissions mobile bulk material handling systems.	UK	Astec Industries	42	1.3x	n/a	-
Nov-13	Zoomic Automation	Designs and manufactures industrial machineries and automation systems in Malaysia and internationally.	Malaysia	Ire-Tex	3	1.0x	n/a	5.9x
Sep-13	IWK Verpackungstechnik	Manufactures and markets packaging machinery for cosmetic, pharmaceutical, food, and chemical industries.	Germany	ATS Automation Tooling Systems	169	1.2x	9.0x	-
Jun-13	Interroll Engineering West	Manufactures and supplies power belt curves, Spiral Lifts, spiral chutes, conveyors, components, packaging equipment, and material handling equipment.	US	Interroll Holding	34	1.4x	n/a	-
Jan-13	Cimbria	Designs, develops, manufactures, and installs technology processes, equipment, and plants for handling and storing crops in Denmark and internationally.	Denmark	Silverfleet Capital Partners	216	1.0x	7.1x	-
Oct-12	Cascade	Engages in the manufacture and distribution of materials handling load engagement devices and related replacement parts under the Cascade name primarily for the lift truck and construction industries worldwide.	US	Toyota Industries	861	1.3x	8.4x	2.2x
Sep-12	KraussMaffei Technologies	Manufactures and supplies machinery for producing plastics.	Germany	Onex Corporation	888	0.6x	n/a	-
Jul-12	Mayfran Holdings	Manufactures and distributes conveying equipment.	US	Tsubakimoto Chain	111	0.6x	n/a	-
Mar-12	Schrader Electronics and Schrader International	Designs and manufactures automotive, industrial electronics and pressure technologies to control a range of fluid and pneumatic systems.	US	Madison Dearborn Partner	634	1.2x	6.8x	-

Mar-12	The Minster Machine Company	Its Automation division offers a line of coil handling and die transfer equipment for various industrial applications.	US	Nidec-Shimpo	114	0.8x	n/a	-
Jan-12	Taiyo	Engages in the development, manufacture, sale, and export of hydraulic, pneumatic equipment, industrial robots and automated assembly lines in Japan and internationally.	Japan	Parker-Hannifin	99	0.5x	5.6x	0.9x
Oct-11	Euromaint Industry	Develops and manufactures production equipment and production processes for engineering and manufacturing sectors.	Sweden	Coor Service Manageme nt	19	0.3x	n/a	-
Aug-11	Rotex Global	Provides screening machines and industrial separation equipment, feeders, conveyors, and automated analyzers.	US	Hillenbrand	315	2.8x	11.7x	6.1x
Jul-11	SFK-Danfotech	Supplies processing equipment to the meat industry.	US	Middleby	10	1.7x	n/a	-
May-11	Elexis	Provides factory automation and quality assurance systems such as strip guiding systems; plastic automated handling systems; drive technology for ports and coal mine projects; width measuring systems; and Web guiding systems.	Germany	SMS Holding	317	1.2x	8.9x	2.7x
Dec-10	Tramco	Engages in the manufacture and distribution of bulk material handling equipment for chemical, coal, food, grain, municipal solid waste and recycling, mining, plastic, paper, pulp, and rubber industries worldwide.	US	Ag Growth International	28	0.7x	5.1x	-
Dec-10	Assembly & Test Worldwide U.S. and German Automation and Test Systems Businesses	Comprises automation and test systems businesses.	US	ATS Automation Tooling System.	26	0.3x	n/a	-
Dec-10	Clyde Process Solutions	Designs and manufactures pneumatic conveying, pneumatic injection, dust filtration, and valve equipment for a range of process industries worldwide.	UK	Schenck Process	105	0.7x	8.5x	0.9x
Sep-10	Cozzini	Offers food preparation products, reduction/emulsion systems, post-pasteurization products, data acquisition and product tracking systems, water cooking/cooling systems, material handling equipment, meat grinding equipment.	US	Middleby	29	0.7x	n/a	-
Mar-10	Niederlassung der ATS Automation Tooling Systems	Manufactures and supplies assembly, feeder, and handling technology products.	Germany	ATS Automation Tooling Systems	82	0.8x	n/a	-
Jan-10	K-Tron International	Designs, produces, markets, and services bulk solids material handling equipment and systems.	US	Hillenbrand	511	2.0x	10.5x	2.8x
Average						**1.1x**	**8.2x**	**3.4x**

Source: Capital IQ

Appendix 6: Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Annual reports for Scott for 2012, 2013 and 2014, and the half year report for 2015
- Audited financial statements for Scott for the period FY2011 to FY2014
- Scott management accounts for the 11 months to 31 July 2015 in respect of the Company's Statement of Financial Performance
- Scott management accounts for the 6 months to 28 February 2015 in respect of the Company's Statement of Financial Position and Statement of Cash Flows
- Scott's preliminary management budget for FY2016
- Discussions with senior management personnel of Scott
- The Scott website
- A final Draft Notice of Meeting to be sent to Scott shareholders, containing details of the JBS Offer, the Rights Offer and the Placement Shares
- Various other documents that we considered necessary for the purposes of our analysis

Appendix 7: Declarations, Qualifications and Consents

Declarations

This report is dated 29 September 2015 and has been prepared by Northington Partners at the request of the independent directors of Scott to fulfil the requirements of the Takeovers Panel in relation to the proposed Scheme of Arrangement. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to Scott for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of Scott (other than any shareholder who is associated with JBS) that are being asked to consider the proposed Scheme of Arrangement, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D and Steven Grant B.Com, LLB (Hons). Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by Scott or (to the best of our knowledge) by any other party to the proposed Scheme of Arrangement that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the proposed Scheme of Arrangement.

The preparation of this independent report will be Northington Partners’ only involvement in relation to the proposed Scheme of Arrangement. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by Scott. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

Scott has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

Scott has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington
Partners