

**NZX Market Supervision Decision
Scott Technology Limited
Application for Waiver from NZSX Listing Rules 7.10.5**

Background

1. Scott Technology Limited (“**SCT**”) is an Issuer with ordinary shares listed on the NZSX and is subject to the NZSX Listing Rules (“**Rules**”).
2. SCT proposes to undertake a pro rata one for four renounceable rights issue (“**Rights Issue**”) of new ordinary shares (“**New Shares**”) at an issue price of \$1.20 per New Share in accordance with Rule 7.3.4(a).
3. The Rights Issue is to be offered to existing shareholders by way of a Simplified Disclosure Prospectus and will be open to SCT’s shareholders with a registered address in New Zealand on the Record Date (“**Eligible Shareholders**”).
4. A maximum number of 7,944,127 New Shares (subject to rounding) are to be issued under the Rights Issue which will be of the same class as existing shares of SCT listed on the NZSX.
5. SCT wishes to offer Eligible Shareholders who accept their entitlement in full the option to apply for additional New Shares under the Rights Issue to the extent of any shortfall in the Rights Issue (“**Oversubscription Facility**”).
6. The allocation of New Shares under the Oversubscription Facility will occur as follows:
 - a) to applicants for New Shares who would otherwise hold less than the minimum holding of 200 shares after the Rights Issue, to the extent necessary to enable them to hold the minimum holding (and if necessary, pro rata based on the aggregate holdings of such applicants for additional New Shares as at the Record Date, to the extent available);
 - b) to the extent that there are additional New Shares remaining unallocated after allocation under paragraph (a), applicants will be allocated the lesser of:
 - i. the number of additional New Shares applied for by the applicant under the Oversubscription Facility; or
 - ii. a pro rata share of the number of New Shares available via the Oversubscription Facility scaled in direct proportion to the aggregate holdings of existing shares of SCT held by all such applicants for additional New Shares as at the Record Date; and
 - c) any additional New Shares which remain unallocated following the allocations set out above will be allocated pro rata amongst the remaining unsatisfied applicants on the same basis as above, until all New Shares have been allocated or all applications fulfilled.

7. Additionally, SCT proposes that any New Shares not allocated as part of the Oversubscription Facility would then be offered for sale in a shortfall bookbuild in which eligible institutional investors will be able to bid for the remaining New Shares at a price at or above the relevant subscription price in relation to the Rights Issue (the “**Shortfall Bookbuild**”).

Application

8. SCT has approached NZX Market Services (“**NZXMS**”) for a waiver from Rule 7.10.5, to the extent necessary to enable Eligible Shareholders to make applications in excess of their pro rata entitlement in accordance with the Oversubscription Facility and Shortfall Bookbuild.
9. In support of its application, SCT submits that:
 - a) the Oversubscription Facility will assist SCT by increasing the amount likely to be received under the Rights Issue in accordance with the objective of raising additional capital;
 - b) the provision of an Oversubscription Facility is seen by the directors as “good governance”, as it enables existing shareholders to increase their investment in SCT in a cost efficient manner and limits the dilution of the ownership of SCT that may occur as a result of an underwrite or private placement;
 - c) the allocations are subject to SCT’s right to limit the allotment of additional New Shares to any person when that allotment will be likely to result in that person materially increasing their ability to exercise, or direct the exercise of, effective control of SCT;
 - d) Rule 7.5 will continue to apply. The directors of SCT do not perceive any risk of any shareholder materially increasing its ability to exercise control over SCT by way of the Oversubscription Facility or Shortfall Bookbuild;
 - e) the Oversubscription Facility will be offered to shareholders as at the Record Date only. Such a limitation prevents a new shareholder buying a small number of rights and then applying for a large number of shares via the Oversubscription Facility; and
 - f) NZX has previously granted waivers in similar circumstances, including the waivers to: Vital Healthcare Property Trust on 27 October 2010, Hellaby Holdings Limited on 23 August 2010, Skellerup Holdings Limited on 3 September 2009, among others.

Rules

10. Rule 7.10.5 provides:

7.10.5 Renounceable Right shall not entitle the holder of the Right to apply for more than the entitlement of Securities except to enable acquisition of the number of Securities needed to give that holder a Minimum Holding.

Decision

11. On the basis that the information provided to NZXMS is complete and accurate in all material respects, NZXMS hereby grants SCT a waiver from Rule 7.10.5 in connection with the Rights Issue, subject to the following conditions:
- a) that additional New Shares are allocated to applicants under the Oversubscription Facility in accordance with the procedure set out in paragraph 6 of this decision;
 - b) NZXMS is satisfied that the terms of the Oversubscription Facility are sufficiently disclosed in the offer document containing the offer made pursuant to the Rights Issue;
 - c) the offer document will state that NZXMS has granted a waiver from Rule 7.10.5 and will detail the conditions of the waiver;

Reasons

12. In coming to the decision to grant SCT the waiver from the requirements of Rule 7.10.5, NZXMS has considered that:
- a) the terms of the allocation of New Shares offered via the Oversubscription Facility will ensure that, to the greatest extent possible, New Shares are allocated in proportion to the to the number of existing shares held by the applicants at the Record Date.
 - b) Rule 7.5 continues to apply and specifically restricts the issue of any shares that could be significantly likely to result in any person or group materially increasing their ability to exercise effective control of an Issuer;
 - c) there is ample precedent for granting the waiver requested, including the decisions listed at paragraph 9(f) above, among others;

Confidentiality

13. SCT has requested that this application and the decision of NZXMS remain confidential until the announcement of the Rights Issue. NZXMS grants SCT's request, as it accords with the policy of Rules 1.11.2 and 1.11.4 and the footnotes to those Rules.

ENDS.