

# SCOTT TECHNOLOGY LIMITED

## INVESTMENT STATEMENT

PREPARED AS AT 8 MAY 2012

### IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

### The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

### Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products. When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

## **1. What sort of investment is this?**

Scott Technology Limited (“the Company”) offers certain employees of the Company and subsidiaries of the Company (within the meaning of the term “subsidiary” given to that term in section 5 of the Companies Act 1993) (“the Group”) ordinary shares in the Company (“the Shares”). Each Eligible Employee (as that term is defined in the Rules attached hereto in Appendix 1) may initially subscribe for up to a maximum purchase value of Shares of \$2,340.00, but not less than a minimum purchase value of Shares of \$600.00.

The Shares offered in connection with this Investment Statement are ordinary shares of the Company ranking equally with all existing ordinary voting shares in the Company and having the same designation as such existing shares. The Shares are being offered under the Scott Technology Limited Employee Share Purchase Scheme (“the Scheme”). The rules of the Scheme (“the Rules”) are set out in Appendix 1 to this Investment Statement.

There are no guarantees in respect of the Shares. The Shares shall rank for dividend as from the date of issue and the holders shall not be entitled to participate in any dividend declared in respect of a period which terminated prior to their issue. Refer to clause 2 below for details in regard to voting and other shareholder rights.

## **2. Who is involved in providing it for me?**

*Issuer*

The Shares are equity securities for the purposes of the Securities Act 1978, and for the purposes of that Act the issuer is:

Scott Technology Limited  
630 Kaikorai Valley Road, Dunedin  
Dunedin

The Directors of Scott Technology Limited are Stuart James McLauchlan, Christopher Charles Hopkins, Graham William Batts, Mark Brendon Waller and Christopher John Staynes.

There is no promoter in respect of the Shares.

The directors named and the address of the issuer set out herein may change. Current names and addresses may be obtained from the Companies Office and can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

### *Scheme*

The offer referred to herein is made as part of the Scheme which was established by the Trust Deed and Rules for Employee Share Purchase Scheme ("the Trust Deed") dated 9 August 2002 and amended on 29 April 2009 and on 26 April 2012. The Scheme provides that the Company may offer Shares for purchase or subscription to Eligible Employees (as that term is defined in the Rules) upon the general terms that the Company shall lend the money required for the purchase of the Shares and that the same shall be held upon trust by the Trustees during the Restrictive Period (the terms Trustees and Restrictive Period are defined in clause 3 below) in accordance with the Trust Deed and Rules.

Refer to clause 11 for details as to how copies of the Trust Deed may be obtained.

Shares offered under the Scheme give the holder:

- The right to attend and vote at a meeting of the Company.
- The right to an equal share in the distribution (if any) of the surplus assets of the Company.
- Other rights under the Company's constitution and the Companies Act 1993.

However, unless otherwise specified in the Rules, the Trustees will not exercise these rights (including the right to vote) during the Restrictive Period.

Participants will be able to exercise the said rights during the Restrictive Period.

### *Business Activities*

The Company was incorporated on 15 August 1950 and originally specialised in automotive engineering and machine building. Since the early 1980's Scott Technology Limited has specialised in the design and manufacture of large scale automation systems for appliance, meat and mining industries.

## **3. How much do I pay?**

Subject to the Rules, each Eligible Employee may subscribe for up to a maximum purchase value of Shares of \$2,340.00, but not less than a minimum purchase value of Shares of \$600.00, which Shares are being offered at the price per Share ("the Issue Price") which is equal to the lesser of:

- (a) The volume weighted average share price in respect of those Shares traded on NZX Limited's Main Board ("the Exchange") for the ten (10) days on which the Exchange is open for trading immediately preceding the Opening Date of the offer referred to herein less a 10% discount per Share; and

- (b) The last traded price per Share in respect of those Shares traded on the Exchange on the trading day immediately preceding the Opening Date of the offer referred to herein less a 10% discount per Share.

The Issue Price (in dollar terms) will be notified to Eligible Employees on the Opening Date of the offer by being displayed on the main staff notice boards at each of the Company's premises.

The total number of Shares initially being offered to all Eligible Employees is not expected to exceed 400,000 based on the current market price per Share. If the total number of Shares applied for exceeds the number available, the application shall abate in such manner as the Company may consider fair and reasonable. Any Shares offered hereunder but not subscribed for in accordance with the provisions described herein will not be issued.

An interest-free loan ("the Loan") is to be made by the Company to each Participant (as that term is defined in the Rules) which Loan will be applied by the Company to pay for the Shares allocated to that Participant under the offer described herein. For this reason Participants are not required to make a direct outlay of cash from their own funds at the time of taking up the offer referred to herein. Each Participant receiving a Loan shall repay such Loan by equal instalments at intervals of not more than one calendar month, as the Company may decide, over a period of three years. Participants (as that term is defined in the Rules) may repay the Loan or any part thereof at any time in advance of the due date. Refer to clause 8.(e)(iii) below for a description of the consequences of failing to make the periodic payments in respect of the Loan.

All Shares purchased by Participants with funds borrowed from the Company will be issued by the Company to Stuart James McLauchlan and Christopher Charles Hopkins ("the Trustees"), to be held by them upon trust for the Participant concerned for the period of three years from the date of the purchase or subscription of the Shares, or the period during which any portion of the Loan made by the Company to the Participant remains owing, whichever shall be the longer ("the Restrictive Period").

To apply for the Shares offered hereunder, Eligible Employees should complete the application form at the back of this Investment Statement and return it to the address indicated below by the Closing Date:

The Chief Financial Officer  
Scott Technology Limited  
Private Bag 1960  
Dunedin

The offer made hereunder is not capable of being assigned.

The timetable in respect of the offer described herein is as follows:

Opening Date: Tuesday 22 May 2012  
Closing Date: Tuesday 12 June 2012  
Allotment Date: Friday 15 June 2012

**These dates are subject to change and are indicative only, and, subject to the requirements of the Securities Act 1978 and NZSX Listing Rules, may be**

**amended by Scott Technology. In its absolute discretion Scott Technology may also withdraw the offer referred to herein and/or the issue of Shares at any time before the date of allotment. Any changes will be announced on NZX, with such announcements deemed to be notice to applicants under the offer.**

Applications received by the Company after the Closing Date will not be accepted. Eligible Employees who fail to indicate their acceptance of the offer by the Closing Date in accordance with the provisions herein shall be deemed to have declined the offer.

Once an application form is received by the Company the application cannot be withdrawn or revoked by the applicant.

**4. What are the charges?**

There are no charges payable by Participants in respect of the offer hereunder other than the Issue Price per Share (which will be financed by the Company by interest-free loan to the Participants). The Company is meeting all expenses of the offer. There are no charges payable by the Company or from the Scheme in respect of the offer described herein that will or may affect the amount of the returns to the subscribers.

**5. What returns will I get?**

The Shares issued as a result of this offer will rank equally in all respects with all existing ordinary voting shares in the Company. Participants may receive returns from their Shares in two ways:

- (a) Participants will be entitled to receive any dividends or other distributions (if any) paid or provided by the Company in respect of their Shares; and
- (b) Participants may also benefit from the proceeds of the sale or other disposition of their Shares.

*Dividends*

Participants' returns on the Shares will include any dividends declared by the Company after the issue of the Shares. Dividends received by the Trustees in respect of Shares will be paid to the Participant on whose behalf the Shares are held. New Zealand taxes may affect dividend returns to Participants. Dividends will be subject to New Zealand withholding and final taxes. Dividends will either have tax deducted before payment or be paid with imputation credits attached and/or taxed in the hands of the Participant.

The Company usually pays dividends in April and December of each year subject to profitability and available cash. The directors of the Company presently do not expect the Company to alter the current dividend policy. Dividends will be prudently set by the directors of the Company having regard to factors affecting the Company's existing and future financial and operational performance.

The ability of the Company to pay dividends will depend upon a number of factors including economic conditions in New Zealand and elsewhere, the operational and financial performance of Scott Technology, prevailing government policies and the levels of interest rates or currency markets, as well as other factors discussed in the section of this Investment Statement headed "What are my risks?". The factors

described in that section could reduce or eliminate the dividends, distributions or other returns intended to be derived from holding the Shares. The Company does not guarantee any specific level of dividend or that a dividend will be paid and does not guarantee the level of imputation credits, if any, attached to any dividends. There are no fixed dates on which dividends (if any) are payable.

The Company is the entity legally liable to pay any final dividend that may be declared by the Company.

#### *Sale of Shares*

During the Restrictive Period Participants are not permitted to sell the Shares.

Once the Restrictive Period has ended, the Trustees will hold the Shares upon trust:

- (i) to transfer the Shares to the Participant concerned; or
- (ii) if the Participant requests in writing, to purchase the Shares from the Participant at:
  1. the price ("the Market Price") per share equal to the closing price of one Share on NZX Limited's Main Board ("the Exchange") (as derived from the Exchange's website or other official report of the Exchange) as at the date the request is received by the Trustees; or
  2. the amount subscribed for the Shares, whichever is the lower, ("the Trustee's Acquisition Price")

In such event the Trustees will be legally liable to pay the Trustee's Acquisition Price.

The returns Participants will receive, should they choose to sell the Shares, will depend upon the Market Price of the Shares. The following factors may have an influence on the Market Price of the Shares:

- The Company's future earnings, cash flow and dividends (if any) and the effect of those on the perceived value of the Shares.
- The success and prospects of the Company as perceived by shareholders and those who advise them.
- Intellectual Property – loss of key staff who have valuable skills and know-how.
- The New Zealand dollar exchange rate, in particular the US dollar exchange rate.
- Market liquidity – the frequency, volume and demand for shares traded.

Any profits or losses arising from the sale of shares are not generally subject to New Zealand tax. However under certain circumstances such profits and losses may be subject to New Zealand taxation. Participants should seek professional advice in respect of their individual tax circumstances.

In the event a Participant wishes to sell the Shares on the NZX or privately then the purchaser (if any) will be the entity legally liable to pay such purchase price as it may agree to pay.

The returns Participants receive are not fixed or guaranteed.

Brokerage may be payable for any trading of Shares on the secondary market.

Nothing contained in this Investment Statement should be construed as a promise of profitability, and neither the Company nor its directors and advisors gives any guarantee or promise as to the return of capital or the amount of any returns (including dividends and other distributions) in relation to the offer of Shares referred to herein.

## **6. What are my risks?**

The major risk to Participants is an inability to recover their investment. This could occur for a number of reasons including:

- the price at which Participants are able to sell their Shares in the Company is less than the subscription price of the Shares.
- the market for the Shares becomes illiquid or ceases to exist.
- the Company is placed in receivership or liquidation.

Each of these risks is discussed below:

The price that purchasers of the Shares are prepared to pay in the future may be less than the subscription price for the Shares. Participants who subscribe for Shares may therefore not be able to recover the full value of their original investment. The factors that may affect Share price performance are referred to under the heading "What returns will I get?" on page 5.

There currently exists an active trading market for Shares. The Company does not have any reason to believe that an active trading market for the Shares will not continue to exist. However, there is no guarantee that an active trading market for Shares will continue to exist or that Participants will be able to sell their Shares. In this case Participants may not recover their original investment.

Also, in certain specific circumstances more fully described under clauses 8 c, d, and e below the Trustees may purchase the Shares from the Participant at:

- (a) the Market Price (within the meaning of that term as specified in the Rules and as determined on the relevant the date specified under the Rules); or
- (b) the consideration originally paid for the Shares,

(whichever shall be the lower).

In such event if the then Market Price were to be less than the consideration originally paid for the Shares the Participant would not be able to recover the full value of his or her original investment.

In addition Participants may not receive dividends referred to under the heading "What returns will I get?" if no dividend is declared and paid.

The Company could become insolvent where:

- Working capital requirements absorb all available Bank facilities.
- The Bank withdraws the Company's banking facilities.
- The factors that may have an influence on the market price of Shares, referred to under the heading "What returns will I get?" on page 5, become so significant as to have a major affect on the trading of the Company.

#### *Consequences of Insolvency*

Should the Company become insolvent:

- (i) Participants would not be liable to pay any money to the Company or any other person in respect of the Shares, unless the Participant has received a loan from the Company for the purchase of the Shares, in which case the loan would be repayable according to its terms.
- (ii) Participants' claims would rank equally with all other shareholders and would generally rank equally with all other unsecured creditors of the Company.
- (iii) Claims on the assets of the Company by secured creditors and preferential creditors (being a creditors receiving a preferential right to payment as specified in Schedule 7 of the Companies Act 1993) will rank ahead of Participants' claims.

#### **7. Can the investment be altered?**

The rights attaching to the Shares may be altered by an amendment to the Company's Constitution or in certain circumstances by Court order.

Pursuant to Section 117 of the Companies Act 1993 any action that affects the rights attached to Shares must be approved by a special resolution of interested groups (as that term is defined in Section 116 of the Companies Act 1993). A special resolution must be approved by a majority of 75% or more of shareholders entitled to vote and voting on that resolution.

Under certain circumstances a shareholder whose rights are affected by a special resolution may require the Company to purchase its Shares.

#### **8. How do I cash in my investment?**

- a. During the Restrictive Period Participants cannot sell the Shares.
- b. Once the Restrictive Period has ended, the Trustees will hold the Shares upon trust:
  - (i) to transfer the Shares to the Participant; or
  - (ii) if the Participant requests in writing, to purchase the Shares from the Participant at the Market Price on the date the request is received by the Trustees or the amount subscribed for the Share, whichever is the lower.

Any Shares transferred to Participants once the Restrictive Period has ended are tradable on the Main Board of NZX Limited subject to compliance with:

- (i) The Company's Constitution; and
  - (ii) Applicable securities laws,
- and provided that an active trading market exists.

Shares sold on the Main Board are likely to attract normal brokerage.

- c. If a Participant who has purchased Shares dies during the Restrictive Period the Trustees shall either:
- (i) transfer the Shares to the executor or administrator of his or her estate subject to payment of the balance (if any) of the Loan from the Company to the Participant for the purpose of purchasing the Shares; or
  - (ii) if the executor or administrator shall so request in writing, or if an amount remaining owing to the Company in respect of the Loan made by the Company shall not have been repaid within six months of the date of death (or within such further time as the Company may permit), elect to purchase the Shares on the terms and conditions contained in the Trust Deed and Rules (as described in clause 9(b) of the Rules).
- d. If any Participant shall leave the service of the Group during the Restrictive Period by reason of sickness, accident, redundancy or retirement at normal retirement age the Trustees shall either:
- (i) transfer the Shares to the Participant subject to payment of the balance (if any) of the Loan from the Company to the Participant for the purpose of purchasing the Shares; or
  - (ii) if the Participant shall so request in writing, or if an amount remaining owing to the Company in respect of the Loan made by the Company shall not have been repaid within six months of the date of cessation of employment (or within such further time as the Company may permit), elect to purchase the Shares on the terms and conditions contained in the Trust Deed and Rules (as described in clause 10(b) of the Rules).
- e. If any Participant who has purchased Shares shall:
- (i) leave the service of the Group during the Restrictive Period for any reason other than one mentioned in paragraphs (c) or (d) above; or
  - (ii) give not less than three months' notice to the Trustees that he or she wishes to withdraw from the Scheme; or
  - (iii) if any Participant who has purchased Shares shall fail for any reason whatsoever to make the periodic payments in repayment of the Loan provided for by the terms of the Loan and does not rectify such failure within one month upon being called upon by written notice so to do,
- the Trustees shall, or in the case of failure to keep up payments, may, as soon as reasonably possible following the cessation of service, or upon the

expiration of the three months' notice or one month's notice (as the case may be) purchase the Shares on the terms and conditions contained in the Trust Deed and Rules (as described in clause 11 of the Rules).

**9. Who do I contact with enquiries about my investment?**

Enquiries should be directed to:

*The Issuer*

Scott Technology Limited  
630 Kaikorai Valley Road  
Private Bag 1960  
Dunedin  
Attention: The Chief Financial Officer  
  
Telephone: (03) 478 8110

**10. Is there anyone to whom I can complain if I have problems with the investment?**

*The Issuer*

The Chief Financial Officer  
Scott Technology Limited  
630 Kaikorai Valley Road  
Private Bag 1960  
Dunedin  
  
Telephone: (03) 478 8110

*The Trustees*

Chris Hopkins and Stuart McLauchlan  
C/ - Scott Technology Limited  
630 Kaikorai Valley Road  
Private Bag 1960  
Dunedin  
  
Telephone: (03) 478 8110

There is no ombudsman to whom complaints about the investment can be made.

Scott Technology Limited is a registered Financial Service Provider but is exempt from the requirement to be a member of an approved dispute resolution scheme pursuant to section 48(3)(a) of the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

**11. What other information can I obtain about this investment?**

*Prospectus and Financial Statements*

Other information about the Company and the Shares is contained in the registered prospectus dated 15 May 2012 and the Company's financial statements for the period ended 31st August 2011.

Copies of the Prospectus and the Company's financial statements for the period ended 31st August 2011 together with the Trust Deed and Rules for Employee Share Purchase Scheme dated 9th August 2002, the Deed of Variation of Trust dated 29 April 2009 and the Deed of Variation of Trust dated 26 April 2012 may be obtained free of charge from the Company's registered office at 630 Kaikorai Valley Road, Dunedin or from the Company's Christchurch branch at 10 Maces Road, Christchurch or from Rocklabs Limited at 161 Neilson Street, Auckland or from HTS110 Limited at 69 Gracefield Road, Lower Hutt.

The Prospectus and the Company's financial statements are filed on a public register at the Companies Office and can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

#### *Scott Technology Limited's Constitution*

A copy of the Company's Constitution, which sets out shareholder's rights, is filed on a public register at the Companies Office and can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

#### *Annual Information*

Participants will be sent, on the relevant date, reports which the Company is required to distribute pursuant to the Companies Act 1993 and the Listing Rules of the Main Board. These reports include, but are not limited to, the annual report and the annual audited consolidated financial statements.

#### *On Request Information*

Copies of the following documents may be obtained free of charge on written request to Greg Chiles, Scott Technology Limited, Private Bag 1960, Dunedin:

1. The most recent annual report of the Company.
2. The most recent financial statements of the Company.
3. The registered Prospectus relating to the offer of the Shares.

#### *NZX Disclosures*

The Shares have been accepted for quotation on NZX's Main Board (which is a registered market operated by NZX which is a registered exchange regulated under the Securities Markets Act 1988) and will be quoted upon completion of allotment procedures. However, NZX Limited accepts no responsibility for any statement in this Investment Statement.

The Company is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited for the purposes of that information being made available to participants in that securities market. Such information can be viewed on the NZX website at <https://www.nzx.com/markets/NZSX/securities/SCT/announcements>.

**Appendix 1: Rules of the Scott Technology Limited Employee Share purchase Scheme**

## APPENDIX 1

### Rules of the Scott Technology Limited Employee Share Purchase Scheme

#### 1. Definitions

“**Application**” means the application completed by an Eligible Employee who wishes to subscribe for Shares pursuant to an offer under the Scheme.

“**Board**” means the board of directors of the Company from time to time.

“**Breach**” means breach of the Company’s constitution, the listing and/or other rules governing the Exchange, the Takeovers Code (being the Takeovers Code scheduled to the Takeovers Code Approval Order 2000), any statute, regulation and/or the Company’s internal procedures for securities trading.

“**Business Sale**” means, in respect of a Participant:

- (a) the Subsidiary that employs that Participant is disposed of to a person that is not a member of the Group; or
- (b) the business in which that Participant is employed is disposed of to a person that is not a member of the Group and the Participant, as a result of that disposal, becomes an employee of that person or an associate of that person,

if (but only if) the Board determines that, as a result of the occurrence of that event, Shares held by the Trustees for affected Participants should be transferred to such Participants.

“**Closing Date**” means the Closing Date specified in the Prospectus.

“**Company**” means Scott Technology Limited.

“**Complete Acquisition**” means any transaction which has one of the following results:

- (a) all of the Shares held by the Trustees under the Scheme are compulsorily acquired by any person;
- (b) all of the Shares held by the Trustees under the Scheme are acquired by a person, or by a person and that person’s associates (as such term is defined in the Takeovers Code); or
- (c) all of the Shares held by the Trustees under the Scheme are cancelled, cease to exist or are transferred exchanged, and in substitution for the Shares the Trustees receive or are to receive cash, securities or other benefits.

“**Consideration**” in relation to Shares means either the purchase price for existing Shares or the amount to be subscribed for new Shares upon their issue.

“**Eligible Employee**” means any fulltime Employee who has had not less than one months continuous service with the Company and/or any other company in the Group and any part-time Employee who has had not less than one months such

continuous service. An Employee shall be deemed to be in the service of the Company so long as he or she shall be employed by the Company or by any other company in the Group. For the purposes of this definition a part-time Employee shall include any Employee whose regular hours of work with the Company and/or such other company total 20 or more hours per week.

**“Employee”** means any person (not being a company a local or public authority or an unincorporated body of persons) employed by the Company or, at any time when the Company is included in a Group of companies, by any other company for the time being in that Group, but does not include:

- (a) any director of the Company
- (b) any person who alone or with associated persons (with that term to have the same meaning as when used in the Income Tax Act 2007 holds ten per cent or more of the issued capital of the Company.

**“Employment”** means employment by the Company or a Subsidiary.

**“Exchange”** means the New Zealand Stock Market (NZSX) of NZX Limited.

**“Fundamental Change”** means the occurrence of one of the following events:

- (a) change of control of the Company; or
- (b) all or a material part of the business of the Group is disposed of to a person that is not a member of the Group by one transaction or a series of transactions, or any reconstruction or merger affecting the Company occurs (not being a Complete Acquisition), and as a result of that disposal, reconstruction or merger there is in the opinion of the Board a change in the essential nature of the business of the Group,

if (but only if ) the Board determines that, as a result of the occurrence of that event, Shares held by the Trustees for the Participants should be transferred to Participants.

**“Group”** or **“Group of companies”** means the Company and its Subsidiaries.

**“Issue Price”** means the issue price as described in the Prospectus.

**“Listing Rules”** means the listing rules of the Exchange which are binding on the Company, as amended or substituted from time to time.

**“Loan”** means an interest-free loan to a Participant or the Trustees in an amount equal to the Total Value.

**“Market Price”** means the price per share which is equal to the closing price of one Share on the Exchange (as derived from the Exchange’s website or other official report of the Exchange) as at the date at which the same is to be determined.

**“Normal Retiring Age”** has the meaning ascribed thereto in Section DC15.

**“Participant”** means an Eligible Employee to whom an offer of Shares has been made pursuant to the Scheme and whose Application has been accepted by the Company.

**“Prospectus”** means a registered prospectus describing an offer of Shares to Eligible Employees under the Scheme.

**“Purchase”** in relation to Shares includes subscribing for Shares upon their issue by the Company.

**“Restrictive Period”** in relation to any Shares purchased or subscribed for by a Participant means the period of three years commencing on the date of the purchase or subscription or the period during which any portion of a Loan made by the Company to the Participant remains owing whichever shall be the longer.

**“Rules”** means the terms and conditions of the Scheme as amended from time to time in accordance with clause 27.

**“Scheme”** means the Scott Technology Limited Employee Share Purchase Scheme administered in accordance with these Rules.

**“Shares”** means ordinary shares of the Company ranking equally with all existing ordinary voting shares in the Company and having the same designation as such existing Shares.

**“Subsidiary”** means any subsidiary of the Company within the meaning given to the term “subsidiary” in section 5 of the Companies Act 1993.

**“Total Value”** means the aggregate value of the Shares allocated, or to be allocated, to a Participant pursuant to an Application.

**“Trustees”** means the Trustees named in or for the time being appointed pursuant to the provisions of the Trust Deed.

**“Trust Deed”** means the Trust Deed and Rules for Employee Share Purchase Scheme dated 9 August 2002, as amended by Deed of Variation of Trust dated 29 April 2009 as may be substituted, replaced, amended or supplemented from time to time.

## 2. **Construction and Interpretation**

- (a) A reference to a person includes any individual, partnership, committee and incorporated or unincorporated body (whether or not having a separate legal personality).
- (b) Unless the context otherwise requires, in these Rules words denoting the singular shall include the plural and vice versa.
- (c) In these Rules, where any matter is to be determined by the Company, that matter shall be determined in the sole discretion of the Board whose determination shall be final and binding in all respects.
- (d) A reference to Section DC13 or DC15 is a reference to Section DC13 or DC15 (as the case may be) of the Income Tax Act 2007 and any amendment thereto or legislation passed in substitution thereof.

3. The Company may from time to time if and whenever it may see fit so to do offer for purchase or subscription by Eligible Employees Shares which the Company proposes to issue for cash or the purchase of which has been arranged.

4. Any such offer as aforesaid shall be made upon the following terms:
- (a) It shall be made to all persons who are Eligible Employees at the time when it is made and shall not be capable of being assigned.
  - (b) The Consideration at which the Shares are offered shall not exceed the Market Price as at the date upon which the offer is made.
  - (c) Shares issued pursuant to the Scheme shall rank for dividend as from the date of issue and the holders shall not be entitled to participate in any dividend declared in respect of a period which terminated prior to their issue.
  - (d) A day shall be fixed being not less than 21 days from the date when the offer is made by which each Eligible Employee shall notify the Company whether he or she accepts the offer or not. Any Eligible Employee who fails to notify the Company within the specified time or within such longer period as the Company may either generally or in any particular case allow shall be deemed to have declined the offer.
  - (e) The offer shall be made in writing and may be brought to the notice of each Eligible Employee by handing it to him or her or sending the same through the post in an envelope bearing his or her name and the address last notified to the Company as his or her address. The accidental omission to give notice to any Eligible Employee of an offer of Shares shall not invalidate the offers made to other Eligible Employees and the Eligible Employee failing to receive the offer shall have no right of action against the Company in respect thereof.
  - (f) The maximum number of Shares an Eligible Employee may purchase at any time shall be Shares the Consideration for which is \$2,340.00 (or such greater sum as may from time to time be set as a maximum for employee share purchase schemes under Section DC13) reduced by the amount of the Consideration (if any) for any other Shares acquired by him or her pursuant to this Scheme (or a similar scheme of the Company or any other company in the Group) within the period of three years ending on the date of Purchase.
  - (g) At the time of making an offer the Company may set a minimum number of Shares which each Eligible Employee may purchase but this minimum shall not exceed the number of Shares the Consideration for which is \$600.00 or such greater amount as may for the time being be set pursuant to Section DC13.
  - (h) Subject to the provisions of subclause (f) and (g) of this clause:
    - (i) an offer may be made of an express number of Shares to each Eligible Employee who may accept the offer in respect of all the Shares so offered to him or her or of some lower number stated in the offer, or
    - (ii) the Company may nominate a maximum number of Shares available for Purchase and each Eligible Employee may apply for Shares within the limits set pursuant to subclauses (f) and (g).

In the latter case if the total number of Shares applied for exceeds the number available the application shall abate in such manner as the Company may consider fair and reasonable and in particular the Company may take

into account Shares purchased by any Eligible Employee pursuant to any earlier offer. For the avoidance of doubt, the number of Shares offered or nominated pursuant to this clause may be described by reference to a method for calculating that number.

5.
  - (a) The Company shall lend to each Participant (interest free) an amount equal to the Total Value on the terms set out herein.
  - (b) Each such Loan shall be free of interest and other charges and shall be repayable over a period of three years by equal instalments at such intervals being intervals of not more than one calendar month as the Company may decide.
  - (c) Any Participant purchasing Shares may repay any such Loan or any part thereof at any time in advance of the due date.
6. All Shares purchased by Participants in accordance with the foregoing provisions shall be issued or transferred (as the case may be) by the Company to the Trustees (or if the Trustees so direct to a custodian trustee) to be held by the Trustees upon trust for the Participants purchasing the same upon and subject to the following terms and conditions:
  - (a) Subject as hereinafter provided the Shares shall be held upon trust during the Restrictive Period.
  - (b) Each dividend (including any bonus payment paid to holders of Shares) received by the Trustees in respect of Shares held on trust as aforesaid shall forthwith be paid to the Participant concerned. Neither the Company or the Trustees shall retain any dividend or part thereof for the purpose of applying the same in or towards payment of the Loan or any other debt owing by the Participant to the Company.
7. Until the end of the Restrictive Period neither the interest of the Participant in the said Shares or any part thereof or his or her rights in respect thereof shall be capable of being assigned charged alienated or disposed of.
8. When the Restrictive Period has ended the Trustees shall hold the said Shares upon trust:
  - (a) to transfer the same to the Participant; or
  - (b) to purchase the same from the Participant, if the Participant shall so request in writing, at Market Price on the date such request is received by the Trustees or the amount of the Consideration originally paid for the Shares, whichever shall be the lower.
9. Notwithstanding anything hereinbefore contained if a Participant who has purchased Shares dies during the Restrictive Period the Trustees shall either:
  - (a) transfer the Shares to the executor or administrator of his or her estate subject to payment of the balance (if any) of any Loan from the Company to the Participant for the purpose of purchasing the Shares, or
  - (b) if the executor or administrator shall so request in writing or if an amount remaining owing to the Company in respect of a Loan made by the Company

shall not have been repaid within six months of the date of death or within such further time as the Company may permit, elect to purchase the Shares at Market Price on the day the Trustees receive such written request or on the day either such period expires (as the case may be) or at the amount of the Consideration originally paid for the Shares (whichever shall be the lower) and hold the proceeds upon trust to pay to the Company any money remaining owing in respect of a Loan made to the Participant to purchase the Shares and subject thereto to pay the balance to the executor or administrator of the Participant.

10. If any Participant shall leave the service of the Group during the Restrictive Period by reason of sickness, accident, redundancy or retirement at Normal Retiring Age the Trustees shall either:

- (a) transfer the Shares to the Participant subject to payment of the balance (if any) of any Loan from the Company to the Participant for the purpose of purchasing the Shares; or
- (b) if the Participant shall so request in writing, or if an amount remaining owing to the Company in respect of a Loan made by the Company shall not have been repaid within six months of the date of cessation of employment (or within such further time as the Company may permit), elect to purchase the Shares at Market Price on the day the Trustees receive such written request or on the day either such period expires (as the case may be) or at the amount of the Consideration originally paid for the Shares (whichever shall be the lower) and hold the proceeds upon trust to pay to the Company any money remaining owing in respect of any Loan made to the Participant to purchase the Shares and subject thereto to pay the balance to the Participant.

11. If any Participant who has purchased Shares shall:

- (a) leave the service of the Group during the Restrictive Period for any reason other than one mentioned in clauses 9 or 10 hereof or
- (b) give not less than three months' notice to the Trustees that he or she wishes to withdraw from the Scheme or
- (c) fail for any reason whatsoever to make the periodic payments in repayment of the Loan provided for by the terms of the Loan and does not rectify such failure within one month upon being called upon by written notice so to do

the Trustees shall or in the case of failure to keep up payments may, as soon as reasonably possible following the cessation of service as aforesaid or upon the expiration of the three months' notice or one month's notice (as the case may be) purchase the said Shares at Market Price on the day of expiry of the notice or on the day of cessation of employment as the case may be or at the amount of the Consideration originally paid for the Shares (whichever shall be the lower) and apply the purchase moneys (or so much thereof as may be required) in payment to the Company of the amount (if any) remaining owing by the Participant in respect of the purchase of the Shares and pay the balance (if any) to the Participant.

12. If during the Restrictive Period:

- (a) the Company makes any distribution or allocation of Shares, securities or other benefits (other than cash) (hereafter to referred to as "Bonus Benefits") to holders of Shares for which such holders are not to provide consideration, the Bonus Benefits shall be issued to the Trustees and held by them upon the same trusts as the Shares in respect of which the Bonus Benefits shall have been issued;
  - (b) the Company shall make an offer of Shares or other securities for cash (any such offer being a "Rights Offer") to holders of Shares the Trustees shall not accept that Rights Offer, but shall, if in the opinion of the Board it is practicable to do so, dispose of the Trustee's rights under that Rights Offer, and account to each Participant for the consideration received on that disposal attributable to the Shares held for that Participant;
  - (c) the Company makes any payment of cash to holders of Shares which is, or is to be, accompanied by a reduction in the number of Shares, or the proportion of the economic interest in the Company, held by holders of Shares to which such payment applies (a Capital Return) on the basis that holders of Shares may elect whether or not to participate in it, the Trustees shall elect not to participate in it in respect of Shares held for Participants;
  - (d) any other consolidation or subdivision of Shares, Share buyback, Capital Return made on the basis that it applies to all holders of Shares (without any election by holders of Shares), offer under the Takeovers Code, amalgamation, or the reconstruction of or adjustment to the Shares or the share structure of the Company, of any nature whatsoever, is made or announced, the Company may make such adjustments or alterations to the terms of the Scheme as in the reasonable opinion of the Company are necessary to ensure that, so far as is reasonably possible, no benefit is conferred on the Participant that is not conferred generally on other holders of Shares (and vice versa), as a result of the occurrence of any event referred to in this clause (d).
  - (e) a Complete Acquisition occurs the Trustees will distribute as soon as practicable to the Participant concerned all consideration received by the Trustees for the Shares held for that Participant, subject to payment of the balance (if any) of any Loan from the Company to the Participant for the purpose of purchasing the Shares.
  - (f) the Company is placed into liquidation, then on the date immediately before the Company is placed into liquidation, the beneficial ownership of the Shares held for the Participant concerned shall be sold to the Trustees at Market Price as at the last date on which the Shares are traded on the Exchange prior to the Company being placed into liquidation or at the amount of the Consideration originally paid for the Shares (whichever shall be the lower) and the Trustees shall apply the amount due to the Participant concerned in repayment of the Loan to the Company. This shall discharge fully the Participant's obligation to repay the Loan.
13. (a) No arrangement or alteration set out in clause 12 shall be made if that arrangement or alteration would cause a Breach;
- (b) Except as required to give effect to clause 12, the Trustees will not exercise any right conferred on them under the Takeovers Code or other applicable takeovers laws.

14. If the Trustees are satisfied that any Participant has suffered such loss or is in such circumstances that his or her continued participation in the Scheme on the terms then current has entailed or would entail serious hardship the Trustees may at their discretion and with the consent of the Participant:
- (a) vary the terms of repayment of any Loan made to the Participant under the Scheme, or
  - (b) allow the Participant to withdraw from the Scheme forthwith on the same terms as if he or she had ceased to be an Employee of the Company and the provisions of clause 11 hereof applied.
15. The Company shall supply to the Trustees for, or by arrangement with the Trustees send direct to, the Participants concerned copies of all accounts reports and notices which are sent to the holders of Shares in the Company.
16. A Share gives the holder:
- (a) the right to attend and vote at a meeting of the Company;
  - (b) the right to an equal share in the distribution (if any) of the surplus assets of the Company; and
  - (c) other rights under the Company's constitution and the Companies Act 1993.

However, unless otherwise specified in these Rules, the Trustees will not exercise these rights (including the right to vote) during the Restrictive Period. This clause operates as an irrevocable direction to the Trustees from each Participant to this effect.

17. (a) A Participant who wishes to subscribe for an offer of Shares made under the Scheme must deliver to the Company on or before the Closing Date an Application completed and signed by the Participant.
- (b) In making an Application, a Participant:
- (i) acknowledges that the Rules are binding and constitute an agreement between the Participant and the Company on which the Trustees may rely;
  - (ii) acknowledges that the Company, by offering Shares to an Eligible Employee under the Scheme, will not be deemed to have represented that that Eligible Employee's Employment will continue until or beyond the end of the Restrictive Period, and does not:
    - (a) confer any right to continued Employment;
    - (b) affect the rights of the Company or any Subsidiary to amend or terminate the Employment of that Employee;
  - (iii) will have directed the Company to apply the Loan in payment to the Company of the Total Value for the Shares (this direction discharging fully the Participant's obligation to pay for the Shares);

- (iv) will have directed the Company that the Shares be held under the Scheme on behalf of the Participant by the Trustees in accordance with the terms of the Rules and Trust Deed; and
  - (v) agrees to the terms of the Trust Deed.
  - (vi) agrees that any liability of the Trustees arising from or in connection with the Scheme (including any liability of the Trustees arising from or in connection with these Rules) is limited to the assets from time to time held by the Trustees on the trusts described in the Trust Deed.
- 18. Participation in the Scheme by an Eligible Employee is conditional upon approval of the relevant Eligible Employee's Application by the Company. The Company will notify each Eligible Employee subscribing for Shares whether or not it has accepted the Eligible Employee's Application.
- 19. The Participant will be bound by the Rules upon acceptance ("Acceptance") of the Eligible Employee's Application by the Company.
- 20. Acceptance will be invalid and of no effect if it would give rise to a Breach. If acceptance does not give rise to a Breach the Company will, if the Company accepts that Eligible Employee's Application:
  - (a) determine the number of Shares to be allocated to the Participant by dividing the Total Value by the Issue Price;
  - (b) allocate the Shares to the Participant by issuing such Shares to the Trustees to be held for the Participant under the terms of these Rules and the Trust Deed; and
  - (c) notify the Participant in writing of the allocation, the Issue Price and the number of Shares allocated.
- 21. Provided the Trustees act in accordance with their obligations under the Trust Deed, no Participant shall have any claim against the Trustees.
- 22. The Trustees may act in reliance on the directions given by Participants under the Rules and shall not be obliged to act on any other direction from a Participant. The provisions of this clause are intended to confer a benefit on the Trustees and may be enforced by the Trustees as if the Trustees were a party to these Rules.
- 23.
  - (a) the Board will administer all aspects of the Scheme, including the offering of Shares. Any matter to be determined by the Company will be determined as the Board sees fit in its sole discretion, subject to the Scheme.
  - (b) any dispute or difference arising under the Scheme shall be determined by the Board whose decision shall be final and binding in all respects.
- 24. Notwithstanding any other provision of the Scheme, the issue and transfer of Shares shall at all times be subject to compliance with insider trading and related restrictions and the Company's securities trading policy.
- 25.
  - (a) any correspondence from the Participant to the Company shall be delivered or posted to the registered office of the Company, or to such other address as may be notified by the Company in writing.

- (b) any correspondence from the Company to the Participant shall be delivered to the Participant or posted to the address specified in the Application.
- 26. The Participant waives all rights to compensation or damages in consequence of the termination of the Participant's employment with the Company or any Subsidiary for any reason whatsoever insofar as those rights arise, or may arise, from his or her ceasing to be entitled to benefits under the Scheme as a result of such termination.
- 27. Subject to the Company's constitution and any applicable Listing Rules, the Board may amend the Rules:
  - (a) in cases of manifest unfairness to the Company or the Participant;
  - (b) where the Board considers the outcomes to be contrary to the spirit and intention of the Scheme;
  - (c) if the Board considers that the interests of the Participants affected are not materially prejudiced; or
  - (d) with the prior written consent of at least 75% of Participants affected.
- 28. (a) The Company may terminate the Scheme, subject to clause 28(b).
- (b) The Company:
  - (i) may not terminate the Scheme (or vary a term of any Participant's participation in the Scheme) if this would cause a Breach;
  - (ii) may defer performance of any obligation under the Scheme (including delivery of Shares to a Participant) where it considers that performance will (or is likely to) cause a Breach and/or in any way adversely affect the Company's market reputation.
- 29. If during the Restrictive Period, there occurs a Fundamental Change or a Business Sale, the provisions of clause 10 herein will apply as if the Participant had left the service of the Group by reason of sickness, accident, redundancy or retirement at Normal retiring Age, however, no transfer of Shares shall be made pursuant to this clause if, and to the extent, that such transfer would cause a Breach.
- 30. During the Restrictive Period a Participant may not (including by operation of law) transfer, assign, or otherwise dispose of or create any interest (including any security, or legal or equitable interest) in any Shares allocated to that Participant under the Scheme. The purported transfer assignment or disposition or creation of a security, legal or equitable interest in the subject Shares will be void.
- 31. The Company will give notice of any amendment to, termination of or deferral under the Scheme to all Participants affected.
- 32. The Company will provide the Participant with a copy of the Trust Deed on request. The Participant acknowledges that the Trustees will be bound to operate the Scheme in accordance with the Trust Deed.
- 33. New Zealand law shall apply to the Scheme and the parties submit to the exclusive jurisdiction of the New Zealand Courts.