



SCALES CORPORATION LIMITED

4 February 2014

INFORMATION MEMORANDUM Demerger of Scales Group



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Capitalised terms used in this Information Memorandum are defined in the Glossary on page 13. A reference to a page is to a page of this Information Memorandum.

Shareholders should take their own legal, financial and tax advice in respect of this Information Memorandum.

CHAIRMAN'S LETTER

Dear Scales Shareholder

On behalf of Scales Corporation Limited's Board of Directors I am pleased to outline the initiative to demerge George H Investments Limited from Scales Corporation Limited.

Over the last two years, Scales Corporation Limited has narrowed its focus on its three core operating divisions:

- Horticulture (Mr Apple New Zealand Limited and a 50% shareholding in Fern Ridge Produce Limited)
- Storage and Logistics (Polarcold Stores Limited, Whakatu Coldstores Limited, Liqueo Bulk Storage Limited and Scales Logistics Limited)
- Food Ingredients (Meateor Foods Limited and a 50% shareholding in Profruit (2006) Limited)

With the projected consolidated results across all three divisions again showing strong growth in 2013, we believe this increased operational focus is providing clear benefits to the group.

At the same time, the process to realise certain property and other investment interests has commenced with approximately \$12m realised in 2012 and a further \$13m in 2013. This will remain an ongoing initiative as our three large industrial properties continue to be subdivided into separate titles at a time when there is increased interest in commercial property investments from both tenants and investors as a result of the low interest rate environment.

Recognising the increasing demarcation between the core operating divisions and the investment assets, the Scales Corporation Limited Board has decided to implement a demerger of the investment assets into a separate entity (George H Investments Limited). The investment assets will include the three industrial parks (at Whakatu and Groome Place in Hawke's Bay and Silverstream in Mosgiel), a bare section in Canterbury and the 10.31% investment in NZX listed Turners & Growers Limited. After the demerger the investment assets that will be held by George H Investments Limited and its subsidiaries will continue to be managed to maximise value, with the proceeds expected to be returned to shareholders as realised.

The rationalisation and simplification of Scales Corporation Limited's operating activities in this way is viewed as an important precursor should Scales Corporation Limited decide in the future to seek a stock market listing on NZX or an alternative exchange.

Upon the demerger you will retain your existing Scales Corporation Limited shareholding allowing you to continue to participate in the future of the core operating divisions of Scales Corporation Limited. You will also receive the same level of shareholding in George H Investments Limited allowing you to continue to participate in the uplift in value of the investments held by George H Investments Limited and its subsidiaries. In addition, through the demerger process and following property sales completed last year, you will also receive a cash distribution (by way of a return of capital) of 27 cents per existing share. The cash component is to be paid within 21 days of the demerger being implemented, which we are targeting for 31 March 2014.

For all shareholders, the Scales Corporation Limited and George H Investments Limited shares will be "stapled" for the time being, meaning if you wish to trade your shares (or acquire further shares) in either company you are required to transfer (or acquire) both Scales Corporation Limited shares and George H Investments Limited shares so that you continue to hold the same proportion of shares in each company. The stapling is to exist until such time as Scales Corporation Limited lists on a stock exchange or the Directors of Scales Corporation Limited decide to unstack the shares.

The Scales Corporation Limited Board of Directors considers the demerger to be an important step in maximising long term value for Scales Corporation Limited's shareholders. The shareholders will be asked to vote on a special resolution to approve the demerger. Major shareholder Direct Capital Investments Limited, with a shareholding of 84.21%, has confirmed its intention to vote in support of the demerger. Once the shareholder vote has been concluded, the demerger, as it is being effected by way of a Scheme of Arrangement, will still require the approval of the High Court. It is also subject to the receipt of certain Tax

Rulings from the Inland Revenue.

On behalf of the Board I recommend the demerger proposal and we look forward to the continued involvement of shareholders with both Scales Corporation Limited and George H Investments Limited.



Jon Mayson



Silverstream Industrial Park, Mosgiel

PURPOSE AND EFFECT OF THE PROPOSAL

The Scales Group currently holds certain property and other investments that are not related to the three core operating divisions of Scales Corporation (horticulture, storage & logistics and food ingredients). The process to realise value from these assets commenced in 2012 and remains an ongoing initiative.

The objective of the Proposal is to split George H Investments from the Scales Group and for all of Scales Corporation's shareholders on the Record Date to hold shares in George H Investments in the same proportion as they hold shares in Scales Corporation. The effect of the Proposal will be that existing assets in the Scales Group will be held, following implementation of the Proposal, separately by Scales Corporation and George H Investments and, where relevant, their respective subsidiaries. On implementation of the Proposal shareholders will hold the same number of shares in Scales Corporation and George H Investments. Shareholders will not have to pay any money for receiving new shares in George H Investments. George H Investments has been established to act as a holding company, and four companies that are currently subsidiaries of Scales Corporation (Tiger Ventures NZ Limited, Scales Property Development Limited, Silverstream Industrial Park Limited and Whakatu Property Management Limited) will become subsidiaries of George H Investments.

A summary of the assets that will be held in the George H Investments Group is set out on pages 8-9. Immediately following implementation of the Proposal the assets and business of Scales Corporation and George H Investments will be materially the same as the assets and business of Scales Corporation immediately prior to implementation of the Proposal, except the assets of Scales Corporation after implementation of the Proposal will not include shares in George H Investments or any cash paid for reasonable transaction costs relating to the Proposal.

In addition, as part of the Proposal and following the completion of certain property sales in 2013, Scales Corporation's shareholders on the Record Date will also receive a cash distribution (by way of return of capital) of 27 cents per existing share. It is anticipated that Whakatu Property Management Limited will receive the proceeds of the sale of lots 7, 9 and 10 at the Whakatu Industrial Park prior to implementation of the Proposal and that the proceeds will be made available to Scales Corporation to assist funding the payment of 27 cents per existing share. In the event that the sale is not completed before the date for implementation of the Proposal, then Whakatu Property Management Limited intends to borrow money from its bank to make available to Scales Corporation so the full 27 cents can be paid. It is expected that Whakatu Property Management Limited will need to grant security over the property to the bank to support the borrowing. Any such loan and security will remain in place when Whakatu Property Management Limited becomes a member of the George H Investments Group. Upon receiving the proceeds of sale Whakatu Property Management Limited will repay the loan and the security will be discharged. The bank may require supporting guarantees and security from other companies in the George H Investments Group for so long as these borrowing arrangements are in place.

The cash distribution will be paid within 21 days of implementation of the Proposal. Further details of the Proposal are set out in the section "Steps To Implement The Proposal" on pages 4-5. The Proposal is expected to be implemented on 31 March 2014 or such other date as the Directors consider appropriate. The date must be at least two working days after the High Court approves the Proposal as a scheme of arrangement under Part 15 of the Companies Act 1993.

STEPS TO IMPLEMENT THE PROPOSAL

The following steps are necessary to establish George H Investments as a standalone company and for Scales Corporation's shareholders to receive shares in George H Investments:

- By way of background, Scales Corporation currently has 39,864,002 fully paid shares on issue and, at the time the Proposal is implemented, George H Investments will also have 39,864,002 fully paid shares on issue. Scales Corporation holds, and will hold until the Proposal is implemented, all the shares in George H Investments.
- Scales Corporation will double (to 79,728,004) the number of shares in it by way of a 2:1 share split to all existing shareholders on the Record Date. The shareholders will not pay any consideration for the increase in the number of their shares. The new shares will be fully paid up.
- Scales Corporation will buy back half of each shareholder's shares that exist after the share split. The consideration for the buy back of each share will be the transfer by Scales Corporation of one share in George H Investments and cash of 27 cents to be paid no later than 21 days after the Proposal is implemented. The cash amount of 27 cents per share arises from surplus cash in the Scales Group following the property sales completed in 2013 or, if necessary, from bank borrowings referred to on page 3. Any such borrowings will ultimately be repaid from the proceeds of property sales.
- The shares that Scales Corporation buys back are to be cancelled pursuant to section 66 of the Companies Act 1993 and the Court approved scheme of arrangement discussed below. After the buyback Scales Corporation will have the same number of shares (39,864,002) as immediately before implementation of the Proposal.
- Immediately after the share buyback and transfer of George H Investments shares, the shareholders in Scales Corporation and George H Investments will be the same and each shareholder will individually hold the same percentage of shares in George H Investments as the shareholder holds in Scales Corporation and Scales Corporation will hold no shares in George H Investments.

The above transaction will need to be a scheme of arrangement that is approved by the High Court under Part 15 of the Companies Act 1993. This is because a scheme of arrangement ensures that all shareholders must participate in the Proposal.

The shares in Scales Corporation and George H Investments will be stapled for the time being to ensure that a shareholder's proportion of shares in each company remains the same. The implications of the stapling are that if you wish to trade your shares (or acquire further shares) in either company you are required to transfer (or acquire) both Scales Corporation shares and George H Investments shares at the same time. The stapling will mean that, despite the split of the Scales Group and the George H Investments Group, they are able to remain a consolidated group for tax purposes. Tax consolidation allows for any tax losses incurred by a member of the George H Investments Group to be used to offset taxable revenue of a member of the Scales Group, and vice versa.

Under the proposed changes to the constitution of Scales Corporation and George H Investments the stapling will apply until Scales Corporation lists on a stock exchange or the Directors decide to unstaple the shares. Except for a listing, the Directors will consider on a case-by-case basis whether or not the stapling should continue.

The shareholders in Scales Corporation will need to approve the Proposal by way of special resolution (75% majority) at a special meeting of the shareholders in Scales Corporation. The Proposal will only apply to those shareholders in Scales Corporation on the Record Date.

The issue of shares by George H Investments to Scales Corporation for the purpose of the distribution of those shares to the existing Scales Corporation shareholders would require a prospectus and investment statement to comply with the Securities Act 1978. The Financial Markets Authority has granted an exemption from those requirements, subject to certain conditions.

As a result of the Proposal, Scales Corporation will need to amend its existing employee share scheme so that the shareholding structure in Scales Corporation can be mirrored in George H Investments on implementation of the Proposal. In particular, it is intended that the custodian deed under which Scales Employees Limited holds shares in Scales Corporation on behalf of employees will be extended to shares in George H Investments that will be held on behalf of the relevant employees following implementation of the Proposal. Rearranging the employee share scheme in this manner is intended to ensure that the current scheme arrangements in Scales Corporation are replicated in George H Investments so that the shareholding arrangements are, upon implementation of the Proposal, the same in both companies.

KEY DATES

4 February 2014	Notice of Special Meeting
20 February 2014	Special Meeting
13 March 2014	High Court decision for approval of the scheme of arrangement for the Proposal (estimate)
28 March 2014	Record Date
31 March 2014	Target date for implementation of the Proposal

The above dates are subject to change. If there is a change the shareholders in Scales Corporation will be notified of the change and any implications of the changed dates.

WHAT WILL YOU GET UNDER THE PROPOSAL?

Under the Proposal each shareholder will receive the same number of shares in George H Investments as the shareholder holds in Scales Corporation on the Record Date, plus a cash payment (by way of a return of capital) of 27 cents per existing Scales Corporation share. The cash payment will be paid within 21 days of implementation of the Proposal which is being targeted for 31 March 2014, provided the High Court has approved the Proposal at least two working days before that date, and subject to an acceptable Tax Ruling being obtained. Further details of the Proposal are set out in the section "Steps To Implement The Proposal" on pages 4-5.

The existing shares in Scales Corporation are ordinary shares. The new shares a shareholder will receive in George H Investments will also be ordinary shares. The rights that are attached to each ordinary share in Scales Corporation and George H Investments include:

- The right to one vote on a poll at a meeting of shareholders on any resolution, including any resolution to:
 - 1 Appoint or remove a director.
 - 2 Adopt or alter the constitution of the company.
 - 3 Approve a Major Transaction.
 - 4 Approve an amalgamation under the Companies Act 1993.
 - 5 Put the company in liquidation.
- The right to an equal share in dividends authorised by the board of directors.
- The right to an equal share in the distribution of the company's surplus assets.

At the time the Proposal is implemented there will only be ordinary shares issued by Scales Corporation and George H Investments. The shares in George H Investments are not guaranteed by Scales Corporation.

WHY IS THE PROPOSAL IN THE BEST INTERESTS OF SHAREHOLDERS?

The Directors believe the Proposal is in the best interests of Scales Corporation's shareholders because it separates the three core operating divisions of Scales Group (horticulture, storage & logistics and food ingredients) from other property and investment interests not required in the operating divisions. The Proposal is a one-off transaction involving the return of a significant amount of capital to shareholders. It involves some relatively significant capital asset divestments and reflects the return of capital realised from these sales to shareholders. The shares being distributed in specie constitute an interest in the remaining capital assets that are surplus to the on-going business of Scales Corporation. In addition, the return of capital is an integral part of the restructuring of the Scales Group ahead of a possible IPO.

Scales Corporation will continue to focus on the growth and development of its three core operating divisions while George H Investments will focus on the management of its property and other investments to maximise value, with any proceeds from asset realisations by companies in the George H Investments Group expected to be returned to shareholders as the relevant assets are realised.

The rationalisation and simplification of Scales Corporation in this way is viewed as an important precursor should Scales Corporation decide in the future to seek a stock market listing on NZX or an alternative exchange.

MATERIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSAL

The Directors are of the view that the advantages of the Proposal far outweigh any disadvantages taking into account the various benefits and risks. It is noted that major shareholder Direct Capital Investments Limited, with a shareholding of 84.21%, has confirmed its intention to vote in support of the Proposal.

Material Advantages of the Proposal

Allows Scales Corporation's management to focus on its three core operating divisions

The businesses which will constitute Scales Corporation and George H Investments respectively have significantly different profiles.

Scales Corporation is focussed on the further growth and development of its three core operating divisions, horticulture, storage & logistics, and food ingredients. Each of these businesses operates in industries offering significant long term potential.

George H Investments on the other hand will be focussed on the management of its property and other investments to maximise value, with the proceeds from realisations expected to be returned to shareholders as the relevant assets are realised.

The Proposal provides the opportunity for the two entities to be separated to focus on their respective activities under their own governance.

Simplifies Scales Corporation for possible future stock market listing

The rationalisation and simplification of Scales Corporation's activities in this way is viewed as an important precursor should Scales Corporation decide in the future to seek a stock market listing on NZX or an alternative exchange. The property and other investment assets of George H Investments are unlikely to be properly recognised in a stock market listing because they are not related to Scales Corporation's operating divisions.

Material Disadvantages of the Proposal

Reduced scope of mutual financial support between Scales Corporation and George H Investments

The Proposal will create two separate legal groups, Scales Corporation and George H Investments, and each will operate with its own debt financing arrangements. Scales Corporation will no longer be able to use the

assets of George H Investments for security against future banking facilities it may require, nor will George H Investments be able to use the operating cashflows of Scales Corporation for security against any facilities it may require.

We note that Scales Corporation currently has appropriate long term banking facilities in place and enjoys the strong support of its banks Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and Westpac New Zealand Limited who have each given their approval to the Proposal.

Proposal costs

Total one off transaction costs associated with the Proposal and Restructure are expected to be of the order of \$450,000 (plus GST). These costs mainly relate to legal, tax and other advisory costs.

On an ongoing basis George H Investments will require its own audit and corporate governance. Incremental annual costs are not expected to exceed \$100,000 (plus GST). Executive and administration services will be provided to George H Investments by Scales Corporation under the Services Agreement but these are costs which Scales Corporation would be incurring in any event and are not incremental costs arising as a result of the Proposal.

Potential No Consolidation of Tax Groups

If the George H Investments Group and the Scales Group cease to be part of the same consolidated tax group then there may be less flexibility for tax matters in the future. As explained on page 4, until the Directors decide otherwise the George H Investments Group and Scales Group are able to remain in the same consolidated tax group while the shares are stapled.

If the George H Investments Group and the Scales Group cease to be part of the same consolidated tax group, then this will be effected by one of the two groups being nominated to leave the existing tax group and forming a new tax group. Any dividend imputation credits will remain in the old tax group while the exiting group will have no dividend imputation credits. It is the Directors intention to pay a dividend in a manner that best maximises any available dividend imputation credits which exist when the Proposal is effected. Imputation credits will then build up in each of the George H Investments Group and the Scales Group as they respectively pay income tax on any taxable revenue in the future.

RESTRUCTURE

Prior to implementation of the Proposal, a restructure of the Scales Group will be carried out so that the 10.31% investment in Turners & Growers Limited, the three industrial parks (at Whakatu and Groome Place in Hawke's Bay and Silverstream in Mosgiel), and the bare land at Canada Crescent in Christchurch, are held by George H Investments or its subsidiaries. The Restructure will include transfers to George H Investments of shares in each of Tiger Ventures NZ Limited (the owner of the investment in Turners & Growers Limited), Whakatu Property Management Limited (the owner of the Whakatu Industrial Park), Scales Property Development Limited (the owner of industrial land at Groome Place) and Silverstream Industrial Park Limited (the owner of the Silverstream Industrial Park), together with various intragroup receivables relating to those companies. In addition, it is the intention that the Canada Crescent land will be transferred to Silverstream Industrial Park Limited before the transfer of shares in that company.

As part of the Restructure, Scales Corporation will subscribe for new shares in George H Investments so that, at the time the Proposal is implemented, George H Investments will have 39,864,002 fully paid shares on issue. The consideration for the new shares issued by George H Investments will be satisfied in cash to fund the transfers of shares and receivables mentioned above. Also part of the Restructure, where a property owned by Scales Property Development Limited, Silverstream Industrial Park Limited or Whakatu Property Management Limited is used, or may be needed in the future, by a company in an operating division of the Scales Group, appropriate arrangements have been, or are being, put in place. These are explained further in the following section.

GEORGE H INVESTMENTS GROUP – ASSETS HELD AFTER IMPLEMENTATION OF THE PROPOSAL – RIGHTS OF SCALES GROUP TO LEASE OR BUY BACK CERTAIN ASSETS

The assets that will be held by the George H Investments Group after the Proposal is implemented are summarised below under the heading of the company which will own the asset on the date the Proposal is implemented.

Also summarised below are certain options which have been granted by companies in the George H Investments Group to companies in the Scales Group.

Tiger Ventures NZ Limited

Shares in Turners & Growers Limited: Turners & Growers Limited is a company listed on the NZX. Tiger Ventures NZ Limited holds 10.31% of the shares in Turners & Growers Limited.

Whakatu Property Management Limited

Whakatu Industrial Park: Whakatu Property Management Limited currently owns a number of lots at Whakatu Industrial Park at Whakatu in Hawke's Bay. It is currently intended that one of those lots, lot 3, will be subdivided into a number of individual sites during 2014.

The land on which the coldstores operated by Whakatu Coldstores Limited are located, and forming part of lot 3, will be sold to Whakatu Coldstores Limited. In addition, to allow for future development of its business, Whakatu Coldstores Limited has been granted an option until 31 December 2015 to acquire another part of lot 3 (currently comprising land and buildings leased to multiple tenants). These sale and option arrangements are conditional on the subdivision of lot 3 being completed. Meateor Foods Limited and Liqueo Bulk Storage Limited lease, and following the Restructure will continue to lease, another part of lot 3 and lot 6 respectively.

Whakatu Property Management Limited has recently sold lots 7, 9 and 10 at Whakatu Industrial Park to a private investor.

Dunedin site: Whakatu Property Management Limited has recently sold its Dunedin property occupied by Meateor Foods Limited to a private investor. The lease to Meateor Foods Limited remains in place.

Scales Property Development Limited

Groome Place: Scales Property Development Limited currently owns a number of lots at Groome Place in Hawke's Bay. It is currently intended that one of those lots, lot 5, will be subdivided into a number of individual sites during 2014.

As part of the Restructure, Mr Apple New Zealand Limited has been granted options until 31 December 2015 to acquire two parts of lot 5 and will lease each part until the relevant option is exercised or lapses. These option arrangements are conditional on the subdivision of lot 5 being completed.

In addition, Mr Apple New Zealand Limited will continue to lease orchard land in lot 3 until 30 June 2014 (with one right of renewal for 12 months).

Silverstream Industrial Park Limited

Silverstream Industrial Park: Silverstream Industrial Park Limited owns land at Silverstream Industrial Park in Mosgiel.

Polarcold Stores Limited leases, and following the Restructure will continue to lease, on a long term basis, a multi-purpose facility at the Silverstream Industrial Park. In addition, Liqueo Bulk Storage Limited leases part of the land for bulk storage tanks and loading pads.

Silverstream Industrial Park Limited has recently sold one of its lots at the Industrial Park to a private investor.

Land at Canada Crescent, Hornby, Christchurch: This bare land is currently owned by Polarcold Stores Limited. As part of the Restructure, it is intended that the land will be transferred to Silverstream Industrial Park Limited, with an option until 31 December 2015 for Polarcold to repurchase the land.

STRUCTURE CHARTS OF THE GROUPS BEFORE AND AFTER IMPLEMENTATION OF THE PROPOSAL

Please refer to Appendix A containing the following charts:

- The Scales Group before the Proposal and Restructure are implemented
- The Scales Group after the Proposal and Restructure are implemented
- The George H Investments Group after the Proposal and Restructure are implemented

BOARDS OF DIRECTORS

Immediately after the Proposal is implemented the Board of Directors of Scales Corporation and George H Investments will comprise those persons referred to below.

Scales Corporation

Jonathan Mayson
22 Waitui Grove, Mount Maunganui

Mr J I Mayson (Jon) was appointed as a Director on 1 June 2012. Jon was the Chief Executive Officer of Port of Tauranga Limited from 1997 to 2005 as well as serving as a director of associated companies in logistics and port related industries. He has until recently been Chairman of New Zealand Trade & Enterprise and in the 2006 New Year's Honour List was made a Companion of the New Zealand Order of Merit (CNZM).

Tony Batterton
5 Mount St John Avenue, Epsom, Auckland

Mr A D Batterton (Tony) was appointed a Director on 16 August 2011, is a director of Direct Capital Investments Limited and is on the investment committee of both Direct Capital Investments Limited and the Pohutukawa Fund. Tony has had 18 years' experience in private equity and investment banking in New Zealand with Direct Capital Investments Limited and in London with HSBC Investment Bank. He is currently also a non-executive director of Rodd & Gunn and Transaction Services Limited.

Andy Borland
30 McSaveney's Road, Marshland, Christchurch

Mr A J Borland (Andy) was appointed Managing Director on 16 August 2011. Andy joined Scales Corporation as Chief Executive Officer on 3 September 2007 and prior to that was employed by Westpac Banking Corporation for 17 years in a number of senior management roles. Over the past 6 years Andy has shown leadership skills, a strong business acumen and expertise in areas of corporate activities, property and horticulture.

BOARDS OF DIRECTORS (CONTINUED)

Mark Hutton

123 St Heliers Bay Road, St Heliers, Auckland

Mr M R Hutton (Mark) was appointed a Director on 16 August 2011, is a founding director of Direct Capital Investments Limited and is on the investment committee of both Direct Capital Investments Limited and the Pohutukawa Fund. Mark has a background in private equity, specialising in mergers, acquisitions and funding structures for portfolio companies. He is currently also a director of Stratex (NZ) Limited, New Zealand King Salmon Investments Limited and Hi-way Group Limited.

George H Investments

Bruce Jans

35 Guys Hill Road, Hospital Hill, Napier

Mr B W Jans (Bruce) is the Chairman of the property companies currently in the Scales Group. He was a Director of Scales Corporation from 2002 to 2011. Bruce was previously Chairman of Whakatu Coldstores Limited from its inception until it was taken over by Scales Corporation. He was also a director of the New Zealand Meat Producers Board. Bruce lives in Napier and has various business interests in Napier and Bluff.

The other directors of George H Investments will be Tony Batterton, Andy Borland and Mark Hutton. Information on those directors is listed immediately above in the section on the Directors of Scales Corporation.

The Directors of Scales Corporation and George H Investments listed above will be the directors on the date the Proposal is implemented. The directors of both companies will be able to resign according to the usual procedure set out in the Companies Act 1993 and each company's constitution. New directors will be able to be appointed by the usual ordinary resolution of shareholders.¹

CONSTITUTION OF SCALES CORPORATION AND GEORGE H INVESTMENTS

Set out below are the material differences of shareholders' rights between the constitution of Scales Corporation immediately prior to implementation of the Proposal and constitution of George H Investments immediately after implementation of the Proposal.

Scales Corporation Constitution	George H Investments Constitution
<p>ISSUE OF SHARES (clauses 2.1 to 2.8)</p> <p>There are restrictions on the number of voting securities that can be issued in any 12 month period (with certain provisos). New securities are to be offered first to existing shareholders on a pro-rata basis. The Board has a discretion to issue and allot unissued securities to persons other than existing shareholders in certain specified circumstances provided that the total number of unissued securities of any class which may be issued or allotted under these discretionary provisions during any financial year shall not exceed 10% of the total number of securities of that class on issue at the commencement of that financial year</p>	<p>ISSUE OF SHARES (clauses 4.1 and 4.2)</p> <p>The board may issue shares or securities convertible into shares or rights or options to acquire shares in any number to any person it thinks fit. There is no requirement for the shares to be offered first to existing shareholders</p>
<p>APPROVAL OF ACQUISITION OF SHARES, REDEMPTION OF SHARES OR FINANCIAL ASSISTANCE (clause 4.5)</p> <p>The acquisition or redemption of shares or the provision of financial assistance by the company must be approved by an ordinary resolution of the holders of each class of shares whose rights or entitlements could be affected by the acquisition, redemption or financial assistance and the transaction must be completed within 12 months of the date of the resolution</p>	<p>APPROVAL OF ACQUISITION OF SHARES, REDEMPTION OF SHARES OR FINANCIAL ASSISTANCE (clauses 10, 11 and 13)</p> <p>The company is permitted to acquire or redeem shares in accordance with the provisions of the Companies Act 1993 and in the case of redeemable shares, the terms of issue of those shares. Any financial assistance provided by the company must be in accordance with the provisions of the Act</p>
<p>REGISTRATION OF TRANSFER OF SHARES (clause 10.11)</p> <p>The Board may refuse to register any transfer of a share in certain circumstances</p>	<p>REGISTRATION OF TRANSFER OF SHARES (clause 12.3)</p> <p>In addition to the provisions in the existing constitution, the board may refuse to register any transfer where the transfer is not, in the board's opinion, in the best interests of the Company or the board does not approve of the proposed transferee</p>
<p>APPOINTMENT OF DIRECTORS (clause 18.6.2)</p> <p>Directors may be appointed by ordinary resolution of shareholders provided notice of the proposed election has been given to each person entitled to receive notice of the meeting not less than seven days before the meeting</p>	<p>APPOINTMENT OF DIRECTORS (clause 19.2)</p> <p>Without limiting the appointment (and removal) of directors by ordinary resolution as provided in the Companies Act 1993, a director may be appointed (or removed) by written notice to that effect to the company signed by shareholders who between them hold a majority of the ordinary shares</p>

CONSTITUTION OF SCALES CORPORATION AND GEORGE H INVESTMENTS (CONTINUED)

The approach with the new constitution for George H Investments is to not replicate some provisions that are in the Companies Act 1993 and Takeovers Code. This simplifies the constitution document.

The existing constitution of Scales Corporation contains provisions regarding ownership of shares by “overseas persons” and gives the Directors powers to request certain information and in some circumstances refuse to register a transfer of shares if the limits of ownership prescribed by the Overseas Investment Act 2005 would be exceeded. These provisions will not be included in the new constitution of George H Investments because these matters are sufficiently governed by the Overseas Investment Act 2005 and the regulations issued pursuant to that Act.

There are lengthy provisions in the existing constitution of Scales Corporation for “Optional Distributions” (clause 29.5) and “Qualifying Shares” (clause 29.7). These are matters at the discretion of the Board. These provisions will not be included in the new constitution of George H Investments. However, the board of directors of George H Investments could elect, if it wished to do so, to offer the payment of distributions to shareholders in the manner set out in the constitution of Scales Corporation. This does not amount to a material difference in the rights of shareholders and is therefore not included in the table above as these matters were always at the discretion of the board of directors of the relevant company.

SERVICES AGREEMENT

Certain management and administration services will be provided to the George H Investments Group by Scales Corporation under the Services Agreement. Scales Corporation will receive a service fee equal to the actual cost incurred in the provision of the services (plus GST). The Services Agreement is for a rolling 12 month term, and able to be terminated at three months’ notice by either party.

BANK APPROVAL

Scales Corporation has term and seasonal debt facilities with its syndicate of banks, comprising Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and Westpac New Zealand Limited. On the date the Proposal is implemented the loans under these facilities will be owed by Scales Corporation alone. All security for the loans will be given by Scales Corporation and its subsidiaries. George H Investments will not be a guarantor of the loans to Scales Corporation. It is intended that the George H Investments Group will not have any long term bank debt.

TAX TREATMENT

The tax-related statements below and elsewhere in this Information Memorandum constitute a general summary only. None of the statements constitute advice to, and none can be relied upon by, any person for any purpose. The information is based on tax legislation in force as at the date of this Information Memorandum. Tax legislation, its interpretation and the levels and basis of taxation may change, and its application depends upon individual circumstances. Shareholders should take their own independent tax advice in respect of this Information Memorandum by reference to their particular circumstances.

The transfer of shares in George H Investments and payment of cash to the Scales Corporation shareholders under the Proposal is a return of capital to shareholders, not a distribution of operating profits in lieu of Scales Corporation paying a dividend. The shares and cash to be received by the shareholders should not be taxable in the hands of the shareholders provided that shares are held on capital account for tax purposes. Scales Corporation has applied for a binding ruling from the Inland Revenue Department to confirm that this distribution is not taxable as a dividend in the hands of Scales Corporation shareholders.

Scales Corporation reserves the right to alter this Information Memorandum and the Proposal, or to not implement the Proposal, if the binding ruling is, in Scales Corporation's opinion, not favourable. If the Proposal is amended Scales Corporation will seek the same shareholders' approval for an amended proposal (75% approval by special resolution) and a new timetable for an amended proposal may need to be adopted. As noted above, despite the binding ruling, a shareholder's own circumstances may give rise to a different tax treatment and shareholders should obtain their own legal, financial and tax advice in respect of this Information Memorandum and the Proposal.

TRANSACTION COSTS

Total one-off transaction costs associated with the Proposal and Restructure are expected to be of the order of \$450,000 (plus GST). These costs mainly relate to legal, tax and other advisory costs. The costs include \$75,000 (plus GST) paid for advisory services to Direct Capital IV Management Limited, a company of which Mark Hutton and Tony Batterton are directors.

GLOSSARY

Directors means the directors of Scales Corporation Limited at the relevant time.

George H Investments means George H Investments Limited. George H Investments Limited is a wholly owned subsidiary of Scales Corporation prior to the Proposal being implemented, but will be a separate company outside the Scales Group and will be the parent company in the George H Investments Group after the Proposal is implemented.

George H Investments Group means George H Investments and its subsidiaries.

Major Transaction has the same meaning as in section 129(2) of the Companies Act 1993. In summary a "major transaction" involves a transaction entered into by a company where the value of the transaction is more than half the value of the company's assets.

NZX means the main board of the New Zealand Stock Exchange and operated by NZX Limited.

Proposal means the transaction involving:

- (a) Scales Corporation conducting a 2 for 1 share split so that each shareholder's shareholding on the Record Date doubles; and
- (b) Scales Corporation buying back half of each such shareholder's shares following the share split; and
- (c) as consideration for the buy back of each such share:
 - (i) the transfer by Scales Corporation of one share in George H Investments; and
 - (ii) the payment of 27 cents in cash, with such cash payment to be made no later than 21 days after the date the Proposal is implemented.

Record Date means 28 March 2014.

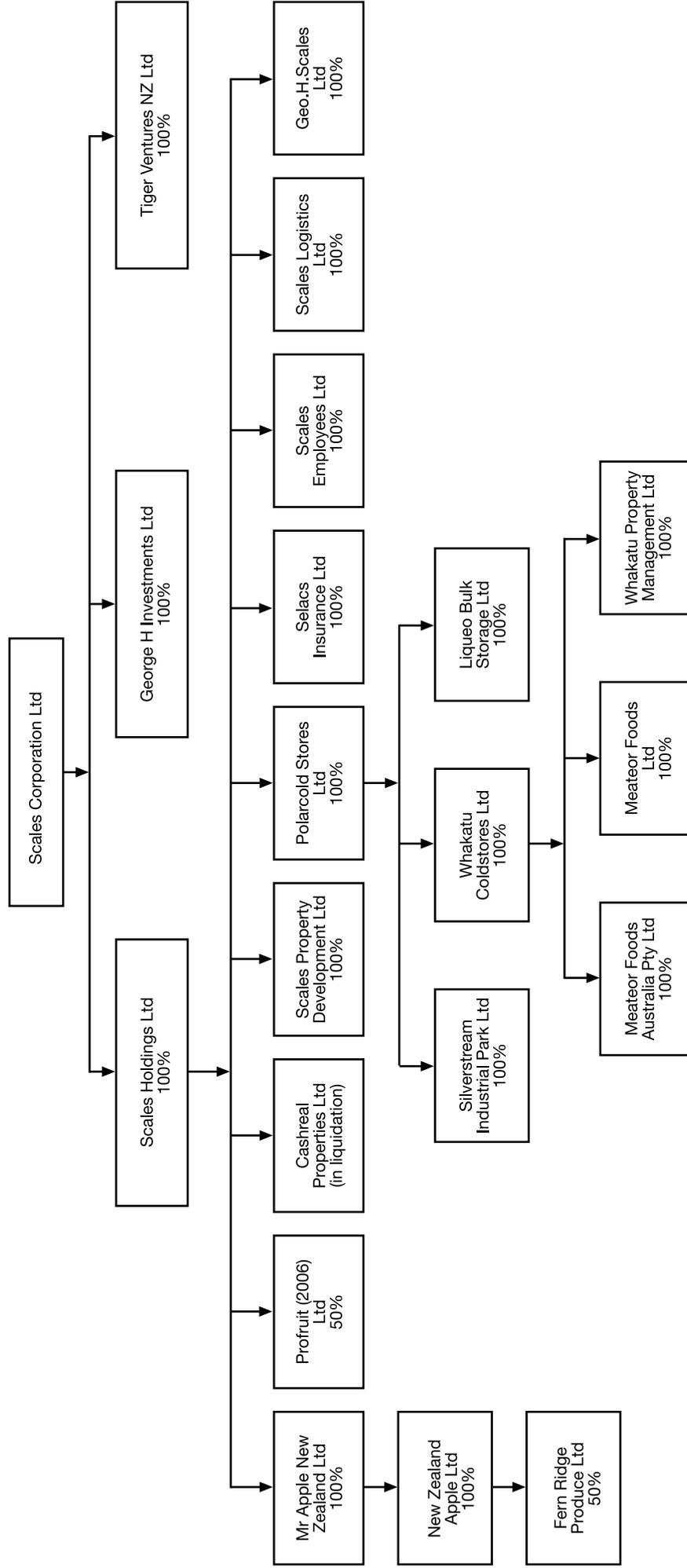
Restructure means the restructure referred to on page 7.

Scales Corporation means Scales Corporation Limited, the parent company in the Scales Group.

Scales Group means Scales Corporation Limited and its subsidiaries (both before and after the Proposal is implemented, as the context requires).

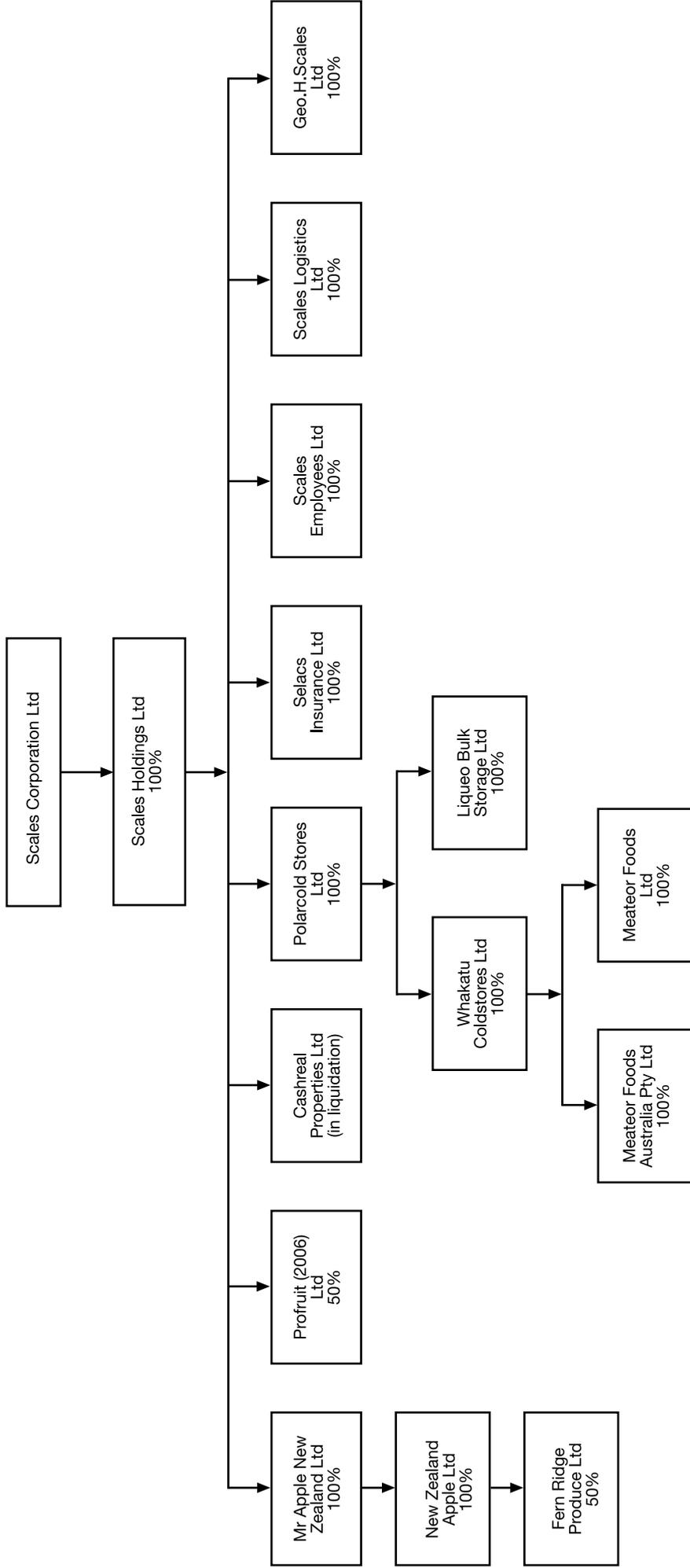
Services Agreement means the agreement to be entered into between Scales Corporation and George H Investments where Scales Corporation will provide certain management and administration services to the George H Investments Group. Further details are set out on page 12.

Appendix A
Scales Group Before The Proposal And Restructure Are Implemented



Note: Upon the liquidation of Cashreal Properties Limited (in liquidation) being completed it will cease to exist and will no longer form part of the group.

Appendix A (continued)
Scales Group After The Proposal And Restructure Are Implemented



Note: Upon the liquidation of Cashreal Properties Limited (in liquidation) being completed it will cease to exist and will no longer form part of the group.

Appendix A (continued)
George H Investments Group After The Proposal And Restructure Are Implemented

