



**TRU-TEST CORPORATION LIMITED
INDEPENDENT ADVISER'S REPORT**

**In respect of KTT Limited Partnership
Increasing its Control of Voting Rights**

CAMPBELL MACPHERSON LTD
CORPORATE ADVISORS

25 May 2018

STATEMENT OF INDEPENDENCE

Campbell MacPherson Limited confirms that it:

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

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

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GLOSSARY

AGR	AGR Agricultural Investments LLC
Associates	Associates of KTT within the meaning of the Code
Campbell MacPherson	Campbell MacPherson Limited
Code	New Zealand Takeovers Code
CRPS	Convertible Redeemable Preference Shares issued by Tru-Test.
Datamars	Datamars SA and Datamars Limited
Deed	Convertible Note Deed Poll dated 28 February 2017
Kestrel Capital	Kestrel Capital Pty Limited
KTT	KTT Limited Partnership
Non-associated Shareholders	Those shareholders of Tru-Test not associated with KTT and its Associates.
Non-associated Directors	Those directors of Tru-Test not associated with KTT and its Associates.
Notes	Unsecured subordinated convertible notes issued by Tru-Test pursuant to the Deed dated 28 February 2017.
Notice of Meeting	Notice of meeting in relation to the Special Meeting.
OIO	Overseas Investment Office
Option	Option issued by Tru-Test pursuant to the Deed dated 28 February 2017.
Proposed Allotment	The allotment of 700,000 new ordinary shares to KTT as a result of the exercise of Options currently held by KTT.
Restraint of Trade	The restraint of trade entered into by the directors of Tru-Test as contained in the SPA.
Sale	Sale of the Sale Businesses to Datamars
Sale Businesses	The Tru-Test businesses that are subject to the Sale to Datamars, comprising Weighing & EID, Electric Fencing, Contract manufacturing and Milk Metering.
Simmons Report	Independent Report prepared for Tru-Test by Simmons Corporate Finance Limited dated May 2018.
SPA	Sale and Purchase Agreement between Tru-Test and Datamars in relation to the Sale of the Sale Businesses.
Special Meeting	Special meeting of Tru-Test shareholders to be held on 15 June 2018.
Tru-Test, the Company	Tru-Test Corporation Limited

1. INTRODUCTION

1.1 Background

Tru-Test Corporation Limited (**Tru-Test**; the **Company**) is an unlisted public company incorporated in New Zealand. The Company is a world leader in agri-technology providing a wide range of solutions including weighing, electronic identification, contract manufacturing, electric fencing, milk metering, dairy automation, milk cooling systems and farm holding tanks.

Tru-Test has 40,824,395 voting securities on issue. These voting securities comprise:

- 34,700,948 ordinary voting shares held by 97 shareholders.
- 6,123,447 convertible redeemable preference shares (**CRPS**) held by AGR Agricultural Investments LLC (**AGR**).

Tru-Test also has a further 1,824,875 non-voting securities held as treasury stock.

Tru-Test's two largest shareholders are:

- KTT Limited Partnership (**KTT**) holding 43.30% of the voting securities on issue.
- AGR holding 15.00% of the voting securities on issue.

KTT and AGR each has one representative on the Tru-Test Board of Directors. KTT's representative is Mr Naill Cairns. AGR's representative is Mr Dan Masters.

On 4 May 2018 Tru-Test announced that it had entered into a conditional Sale and Purchase Agreement (**SPA**) with Swiss companies Datamars SA and Datamars Limited (together **Datamars**) for the sale of a majority of the current Tru-Test business units (the **Sale** of the **Sale Businesses**).

A summary profile of Tru-Test is provided in Section 3.

1.2 The Proposed Allotment

On 28 February 2017 each of KTT and AGR entered into a Convertible Note Deed Poll (the **Deed**) with the Company to subscribe for unsecured subordinated convertible notes (**Notes**) with a face value of \$1.00 per Note. KTT holds 7,000,000 Notes and AGR holds 5,000,000 Notes. There are no other holders of the Notes.

Each Note carries an option (**Option**) to acquire 0.1 of an ordinary share, subject to the terms of the Deed. KTT and AGR therefore have a right to exercise their Options to acquire 700,000 shares and 500,000 shares respectively. The Option exercise price is fixed at \$1.05 per ordinary share.

The Deed currently provides for the Options to be exercised during a period of 5 years commencing on (but excluding) the Note's scheduled maturity date of 30 September 2019 (the **Option Exercise Period**). However, in the light of the proposed Sale the Board has, at the request of KTT, resolved, as permitted by the Deed, to bring forward the commencement date of the 5 year Option Exercise Period. The holders of the Notes have passed a special resolution to approve the amendment of the Option Exercise Period so that it commences on the day that is one week after the passing of the relevant shareholder resolution (refer to Resolution 2 set out in Section 1.6 of this Report). Such date now being 22 June 2018.

Both KTT and AGR have indicated to the Company that they will exercise their Options. The allotment of 700,000 new ordinary shares to KTT (the **Proposed Allotment**) will, subject to

shareholder approval, result in KTT increasing its holding from 17,676,436 voting securities to 18,376,436 voting securities.

Assuming both KTT and AGR exercise their Options and are allotted shares then KTT's percentage holding will increase from 43.30% to 43.73% of the voting securities. If only KTT exercises its Options and is allotted shares then KTT's percentage holding will increase from 43.30% to 44.25% of the voting securities.

The allotment of 500,000 new ordinary shares to AGR will result in AGR increasing its holding from 6,123,447 voting securities to 6,623,447 voting securities. Assuming both KTT and AGR exercise their Options then AGR's percentage holding will increase from 15.00% to 15.76% of the voting securities.

The Proposed Allotment to KTT is not tied to the success or otherwise of the Sale.

1.3 KTT Limited Partnership

KTT is a New Zealand limited partnership specifically established in 2012 by Kestrel Capital Pty Limited (**Kestrel Capital**) to invest in Tru-Test. Kestrel Capital is an Australian private equity firm that operates and manages a range of growth company investments in Australia and New Zealand.

KTT's sole investment comprises its ownership of securities in Tru-Test. As a limited partnership, KTT's business is managed and controlled by its General Partner, Kestrel TT GP Limited which itself is managed and controlled by Kestrel Capital. Kestrel Capital and Kestrel TT GP Limited do not directly hold any shares or Notes in Tru-Test.

KTT is Tru-Test's largest shareholder. Its current security holdings in Tru-Test comprise:

- 17,676,436 ordinary shares representing 43.30% of the voting securities on issue.
- 7,000,000 Notes representing 58.33% of the Notes on issue.
- 7,000,000 Options representing 58.33% of the Options on issue.

Following shareholder approval on 29 August 2014, Tru Test issued 5,714,285 fully paid ordinary shares to KTT at \$1.05 per share on 19 September 2014. KTT last increased its control of voting rights in Tru-Test in September 2016 following shareholder approval of the transfer of Ashweir Limited's shares to KTT. This resulted in KTT increasing its control of Tru-Test voting securities from 35.46% to 43.30%.

1.4 Takeovers Code Requirements

Rule 6 of the Code prohibits:

- A person who holds or controls less than 20% of the voting rights in a Code Company from increasing its control of voting rights beyond 20%.
- A person who holds or controls 20% or more of the voting rights in a Code Company from increasing its control of voting rights.

Unless the person complies with the exceptions to Rule 6.

One of the exceptions, set out in Rule 7(d) of the Code, enables a shareholder to increase its shareholding beyond 20% of the voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of shareholders of the code company.

Rule 16(h) of the Code requires that the Notice of Meeting in respect of the allotment of shares under Rule 7(d) must include or be accompanied by an Independent Adviser's Report

that complies with Rule 18 of the Code. This Report must have regard to the interests of those persons who will vote to approve the allotment.

For Code purposes, Kestrel TT GP Limited and Kestrel Capital are “associates” (**Associates**) of KTT. This status arises because Kestrel TT GP Limited and Kestrel Capital manage and control KTT. As noted earlier neither Kestrel TT GP Limited nor Kestrel Capital holds shares in the Company but, by virtue of their relationship with KTT, they indirectly but effectively control the voting rights held by KTT in the Company.

In the event that the Proposed Allotment proceeds, the issue of shares to KTT will result in KTT increasing its control of voting rights in Tru-Test from 43.30% to a maximum of 44.25%. The Proposed Allotment is subject to shareholder approval in accordance with Rule 16 of the Code. Neither KTT nor any of its Associates are permitted to vote on the allotment of shares to KTT arising from the exercise of its Options.

Campbell MacPherson Limited (**Campbell MacPherson**) has been engaged by Tru-Test to prepare an Independent Adviser’s Report in accordance with Rule 18 of the Code (the **Report**). This Report provides an evaluation of the merits of the Proposed Allotment.

We note that, for the purposes of the Proposed Allotment, KTT and AGR are **not** associates within the meaning of the Code. The allotment of shares to AGR as a result of the exercise of its Options **does not** require shareholder approval in accordance with the Code.

1.5 Overseas Investment Act Requirements

We understand that KTT has previously received consent from the Overseas Investment Office (**OIO**) in 2014 and 2016 in relation to its investment in Tru-Test. KTT does not require any further approval from the OIO in respect of the Proposed Allotment.

1.6 Notice of Meeting

The Company is holding a special meeting of shareholders on 15 June 2018 (the **Special Meeting**), where shareholders will vote on a two resolutions contained in the notice of meeting (**Notice of Meeting**).

Resolution 1 is a special resolution and relates to shareholder approval for the Sale. Further information on Resolution 1 is contained in the Notice of Meeting and is not the subject of our Report. We note that the Company has engaged Simmons Corporate Finance Limited to prepare an Independent Report (the **Simmons Report**) to assist shareholders in forming their own opinion on whether to vote for or against Resolution 1. The Simmons Report is attached to the Notice of Meeting.

Resolution 2 relates to the Proposed Allotment. The text of Resolution 2 as set out in the Notice of Meeting is provided below.

Resolution 2: As an Ordinary Resolution - Approval to the increase in the voting securities of KTT LP

To approve the increase in KTT's holding and control of voting rights in the Company, and Kestrel TT GP Limited's and Kestrel Capital Pty Limited's increase in the control of voting rights (as detailed in the table below) which arise by virtue of the allotment of 700,000 ordinary shares in the Company to KTT LP pursuant to the exercise of the options held by KTT LP under the Convertible Note Deed Poll issued by the Company on 28 February 2017.

<i>Assumptions as to the exercise of the options held by KTT LP and AGR</i>	<i>Percentage of all voting securities currently held or controlled by KTT LP and any associates prior to the allotment to KTT LP*1</i>	<i>Number of voting securities being allotted to KTT LP</i>	<i>Percentage which the allotment represents of the aggregate of all the existing voting securities and the allotment</i>	<i>Percentage of all voting securities that will be held or controlled by KTT LP after completion of the allotment</i>	<i>Aggregate of the percentage of all voting securities that will be held or controlled by KTT LP and its associates after completion of the allotment*1</i>
<i>Assuming that KTT LP only exercises options</i>	43.30%	700,000	0.95%	44.25%	44.25%
<i>Assuming that both KTT LP and AGR exercise their respective options</i>	43.30%	700,000	0.43%	43.73%	43.73%

*1 No voting securities are held by persons who could be regarded as associates (as that term is defined in the Takeovers Code) of KTT LP

Resolution 2 is not conditional on Resolution 1 being approved.

1.7 Issue of the Report

The **Non-Associated Directors** of Tru-Test, being those Directors who are not associated with KTT, have engaged Campbell MacPherson to prepare an Independent Adviser's Report on the merits of the Proposed Allotment in accordance with Rule 18 of the Code.

Campbell MacPherson was approved by the Takeovers Panel on 17 May 2018 to prepare the Independent Adviser's Report.

Campbell MacPherson issues this Report to the Non-Associated Directors to assist Tru-Test shareholders other than KTT (the **Non-Associated Shareholders**) in forming their own opinion on whether to vote for or against Resolution 2.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of voting for or against Resolution 2 in relation to each individual shareholder. This Report is therefore necessarily general in nature. This Report is not to be used for any other purpose without Campbell MacPherson's prior written consent.

2. EVALUATION OF THE MERITS OF THE PROPOSED ALLOTMENT

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Proposed Allotment of ordinary shares to KTT. There is no legal definition of the term “merits” in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of “merits”, guidance can be taken from:

- The Takeover Panel’s Guidance Note on the role of Independent Advisers dated March 2018;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the Proposed Allotment;
- Overseas precedents; and
- The ordinary meaning of the term “merits”.

In our view an assessment of the merits of the Proposed Allotment should focus on the following:

- The rationale for the Proposed Allotment.
- The terms of the Proposed Allotment.
- The impact of the Proposed Allotment on the ownership and control of Tru-Test by KTT.
- Other issues associated with the Proposed Allotment.
- The implications of Resolution 2 not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying this opinion.

2.2 Rationale for the Proposed Allotment

KTT holds its Options as a result of its investment in the Notes. It therefore already holds rights to exercise its Options in accordance with the terms of the Deed. As noted in Section 1 the Option Exercise Period as set out in the original Deed, did not commence until 30 September 2019. Furthermore, there was no guarantee that KTT would exercise its Options during the subsequent 5 year period. Given these circumstances the Company has not previously sought shareholder approval for KTT to increase its voting control of the Company via exercise of its Options.

The terms of the proposed Sale to Datamars have resulted in the Company re-examining the terms of the Notes. One of the conditions of the SPA is that all Tru-Test directors enter into a restraint of trade agreement (the **Restraint of Trade**). In return for Niall Cairns, KTT’s Board representative, entering into the restraint of trade, KTT has requested that the Company vary the terms of the Options to enable KTT to exercise its Options prior to the completion of the Sale to Datamars. The resulting allotment of shares to KTT also requires Tru-Test shareholder approval as set out in Section 1 of this Report.

The Directors of Tru-Test have signed a Directors’ Resolution authorising the Company to redeem the Notes early and to accelerate the commencement date of the 5 year Option Exercise Period. The new commencement date is now 22 June 2018. We note that this Directors’ Resolution also benefits AGR as the only other holder of Options.

2.3 Terms of the Proposed Allotment

Our Report is not specifically required to opine on the amendment to the Option Exercise Period as this amendment has already been authorised by the Board and completed in accordance with the terms of the Deed.

However, to the extent that the Proposed Allotment of shares to KTT will be accelerated as a result of the change in Option Exercise Period it can be argued that, in effect, the terms of the Proposed Allotment have also been changed.

The Proposed Allotment to KTT will provide KTT with the opportunity to purchase 700,000 new shares in Tru-Test at a price of \$1.05 per share ahead of any distribution of capital from the Company arising from the Sale.

The exact timing and quantum of any distribution to Tru-Test shareholders is not known at this point and will depend on a wide range of factors including the completion of the Sale, any re-structuring of the remaining business, debt levels and working capital requirements. At this point Tru-Test has indicated that, if the Sale proceeds, the payment range of the distribution would be somewhere between \$1.00 per share to \$1.45 per share. This distribution includes \$1.26 million in funds received by the Company assuming exercise of the Options by KTT and AGR.

If the distribution were to take place without the prior Proposed Allotment to KTT (but with the prior allotment to AGR) then the implied distribution per share, all else being equal, would lie within the range of \$1.00 to \$1.46 per share.

This would represent a small reduction in distribution to the Non-Associated Shareholders of up to \$0.01 per share.

We note that the figures above do not include any consideration of taxation payable on the distribution at a shareholder level as each shareholders taxation circumstances will be unique.

2.4 Impact on the Ownership and Control of Tru-Test

Ownership and Control of the Shares

As outlined in Section 1.2 we believe there are two key scenarios for Tru-Test shareholders to consider. The most likely scenario is that both KTT and AGR exercise their Options to acquire Tru-Test shares (**Likely Scenario**). However, there is also a “maximum scenario” where only KTT exercises its Options to acquire Tru-Test shares (**Maximum Scenario**).

Likely Scenario

Under the Likely Scenario the allotment of shares to KTT and AGR as a result of the exercise of their respective Options will result in KTT increasing its ownership of voting securities from 17,676,436 (43.30%) to 18,376,436 (43.73%). Non-Associated Shareholders will therefore (in aggregate) suffer a dilution of their percentage holding from 56.70% to 56.27% of the voting securities as shown below.

Likely Scenario - Ownership & Control of Voting Securities					
	Current		Option Exercise & Share Allotment	Post-Allotment	
	No. of Voting Securities	%		No. of Voting Securities	%
KTT	17,676,436	43.30%	700,000	18,376,436	43.73%
Non-Associated Shareholders	23,147,959	56.70%	500,000	23,647,959	56.27%
Total	40,824,395	100.00%	1,200,000	42,024,395	100.00%

Source: Tru-Test

Maximum Scenario

If only KTT exercises its Options then KTT will increase its ownership of voting securities from 17,676,436 (43.30%) to 18,376,436 (44.25%). Non-Associated Shareholders will therefore (in aggregate) suffer a dilution of their percentage holding from 56.70% to 55.75% of the voting securities as shown below.

Maximum Scenario - Ownership & Control of Voting Securities					
	Current		Option Exercise & Share Allotment	Post-Allotment	
	No. of Voting Securities	%		No. of Voting Securities	%
KTT	17,676,436	43.30%	700,000	18,376,436	44.25%
Non-Associated Shareholders	23,147,959	56.70%		23,147,959	55.75%
Total	40,824,395	100.00%	700,000	41,524,395	100.00%

Source: Tru-Test

In both the Likely Scenario and the Maximum Scenario, the dilutive impact on the ownership of Tru-Test by the Non-Associated Shareholders and the commensurate increase in control by KTT is very small (less than 1.0%) and is not considered significant in the context of the ownership or control of Tru-Test.

The Proposed Allotment will therefore not result in KTT materially increasing its ownership or voting control of the Company.

No Change to the Board of Directors

Tru-Test advises that the Proposed Allotment will not result in any increase in the number of Directors appointed by KTT to the Board of Tru-Test, nor is it expected to result in any increase in KTT's control or influence on the Tru-Test Board.

Ability of KTT to Increase its Control of Tru-Test in the Future

In the event that shareholders approve Resolution 2, KTT will not be able to subsequently increase its ultimate shareholding in Tru-Test above 43.73% (under the Likely Scenario) or 44.25% (under the Maximum Scenario) in the future unless it complies with the provisions of the Code.

KTT will therefore only be able to increase its voting control in Tru-Test above 43.73% (under the Likely Scenario) or 44.25% (under the Maximum Scenario) if;

- It makes a full or partial takeover offer; or
- The acquisition of further shares by KTT is approved by way of an ordinary resolution of Tru-Test shareholders, (where KTT and its Associates would be precluded from voting on such a resolution); or
- The Company makes an allotment of shares to KTT which is approved by way of an ordinary resolution of Tru-Test shareholders, (where KTT would be precluded from voting on such a resolution).

2.5 Other Issues Associated with the Proposed Allotment

The Proposed Allotment is not conditional on the Sale

Subject to shareholder approval of Resolution 2, the Proposed Allotment is expected to take place soon after the new commencement date of the Option Exercise Period, being 22 June 2018. However, the Sale is likely to remain conditional for an extended period beyond the Special Meeting. Therefore in the event that the Sale does not proceed, but the Options are exercised by KTT, the Proposed Allotment cannot be reversed.

Additional Capital

The Proposed Allotment will result in Tru-Test receiving additional subscribed capital of \$735,000 from KTT. These surplus funds will be available to distribute to all shareholders as part of any capital distribution resulting from the proposed Sale.

2.6 Implications if Resolution 2 is not Approved

In the event that Resolution 2 is not approved, then Mr Naill Cairns may not be willing to enter into the Restraint of Trade that is a condition of the Sale to Datamars. In the event that Mr Cairns refuses to enter into the Restraint of Trade then this condition of the SPA would not be met and this would negatively impact on the risks associated with completing the Sale to Datamars and the consequential distribution of capital to shareholders including the Non-Associated Shareholders.

2.7 Voting for or Against Resolution 2

Voting for or against Resolution 2 is a matter for individual shareholders to consider. Such a decision by each shareholder would be based on their own views as to dilution, control, the potential impact of the Sale and other factors. The Non-Associated Shareholders of Tru-Test will therefore need to weigh up carefully these consequences and consult their own professional adviser as appropriate.

2.8 Summary Evaluation of the Merits of the Proposed Allotment

In our opinion, taking into account all of the relevant factors, the positive aspects of the Proposed Allotment significantly outweigh the negative aspects.

A summary of the key factors influencing our opinion are provided below.

Positive aspects

- The Proposed Allotment will not result in KTT materially increasing its ownership or voting control of the Company.
- The Proposed Allotment will not result in any change to the Board of Directors of Tru-Test.
- The Proposed Allotment is a consequence of bringing forward the Option Exercise Date of the Options held by KTT. KTT requested such a change on the basis that their representative on the Board of Directors will be required to enter into a Restraint of Trade as one of the conditions of the Sale to Datamars.
- The Proposed Allotment would provide \$735,000 of additional cash to Tru-Test. These funds would be then be included in the capital distribution to shareholders should the Sale proceed.

Negative aspects

- Assuming that the Sale proceeds and a capital distribution is made to Tru-Test shareholders, the Proposed Allotment is expected to result in a small reduction in the capital distribution to Non-Associated Shareholders of up to \$0.01 per share.

3. SUMMARY PROFILE OF TRU-TEST

3.1 Introduction

Tru-Test is a New Zealand-based unlisted public company incorporated in 1964. The Company has grown to become a world leader in agri-technology solutions and generates annual revenues of almost \$140 million p.a.

This Section provides a brief summary profile of the Company. We note that a more detailed corporate profile on Tru-Test is contained within the Simmons Report attached to the Notice of Meeting.

3.2 Overview of Operations

Tru-Test is the world's leading manufacturer of livestock weigh scale indicators and milk metering equipment. Globally Tru-Test is also the world leader in electric fencing and traditional fencing tools, helping ensure animals are contained and pastures are managed for sustainable, profitable results. Tru-Test products are sold in over 100 countries worldwide through its network of wholly-owned subsidiaries and established distribution partners.

In 2013 Tru Test added dairy automation and on-farm cooling solutions to its stable of agricultural products and services designed to help farmers maximise productivity and profit.

The current Tru Test business comprises 6 main operating divisions:

- Weighing & EID
- Electric Fencing
- Milk Metering
- Dairy Automation & Milk Cooling
- Milk Tanks
- Contract manufacturing

The Sale to Datamars involves divestment of the Weighing & EID, Electric Fencing, Contract manufacturing and Milk Metering businesses. It does not include Tru Test's Dairy Automation & Milk Cooling and Milk Tanks businesses and assets which will continue to be operated by Dairy Technology Services Limited following the completion of the Sale.

3.3 Board and Senior Executives

The directors of Tru-Test are:

- John Loughlin, independent chair
- Niall Cairns, non-executive, associated with KTT
- Rhys Jones, independent non-executive
- Dan Masters, non-executive, associated with AGR
- Phil Pryke, non-executive, associated with Co-Investor Private Equity (NZ) Ltd No 1.

The Company's senior management team includes:

- Simon Mander, Chief Executive Officer
- Ian Hadwin, Chief Financial Officer

3.4 Capital Structure and Shareholders

Tru-Test has 40,824,395 voting securities on issue, held by 98 shareholders. These voting securities comprise:

- 34,700,948 ordinary voting shares.
- 6,123,447 convertible redeemable preference shares (CRPS).

Tru-Test also has a further 1,824,875 non-voting securities held as treasury stock.

Tru-Test 10 Largest Shareholders

Shareholder	No. of Shares Held	% of Voting Rights
KTT	17,676,436	43.30%
AGR	6,123,447 ¹	15.00%
Aspiring Asset Management Limited	2,563,511	6.28%
Co-Investor Private Equity (NZ) Ltd No 1	2,451,535	6.01%
Muir Trust	2,164,213	5.30%
Norwood Investments Limited	1,124,444	2.75%
Purlieu Enterprises Limited	1,078,720	2.64%
Escor Investments Pty Limited	920,245	2.25%
VBS Investments Pty Limited	695,705	1.70%
Jetan Pty Limited	636,574	1.56%
	35,434,830	86.80%
Others (88 shareholders)	5,389,565	13.20%
Total	40,824,395 ²	100.00%

¹ CRPS

² Excluding 1,824,875 ordinary shares held as treasury stock

Source: Tru-Test

3.5 Financial Summary

A summary of Tru-Test's recent financial performance and position is set out below.

Tru-Test Summary of Financial Performance

	Year to 31 Mar 15 (Audited) \$000	Year to 31 Mar 16 (Audited) \$000	Year to 31 Mar 17 (Audited) \$000	Year to 31 Mar 18 (Draft) \$000
Total revenue	140,939	141,183	125,606	139,861
Gross profit	53,163	52,133	46,135	50,565
EBITDA	17,624	13,707	5,897	7,441*
EBIT	9,788	5,501	663	1,818

EBIT: Earnings before interest and tax

*after one-off non-recurring costs

Source: Tru-Test annual reports and draft 2018 financial results

Summary of Financial Position

	As at 31 Mar 15 (Audited) \$000	As at 31 Mar 16 (Audited) \$000	As at 31 Mar 17 (Audited) \$000	As at 31 Mar 18 (Draft) \$000
Current assets	54,654	59,660	64,057	66,381
Non current assets	79,547	59,802	60,478	57,713
Total assets	134,201	119,462	124,535	124,094
Current liabilities	(36,047)	(27,098)	(35,717)	(68,110)
Non current liabilities	(69,441)	(82,189)	(81,477)	(52,941)
Total liabilities	(105,488)	(109,287)	(117,194)	(121,051)
Total equity	28,713	10,175	7,341	3,043

Source: Tru-Test annual reports and draft 2018 financial results

APPENDIX I. INFORMATION, DISCLAIMER & INDEMNITY

I.a Sources of Information

The statements and opinions expressed in this Report are based on the following main sources of information:

- Tru-Test Corporation Limited Notice of Special Meeting of Shareholders to be held on 15 June 2018
- Detail of current securities on issue, provided by Tru-Test.
- Tru-Test annual reports and Draft 2018 financial results.
- Draft Independent Report (Profile Section) by Simmons Corporate Finance Limited in respect of the proposed sale of the Company's Weighing, Electronic Identification, Contract Manufacturing, Electric Fencing Products and Milk Metering Businesses to Datamars SA, dated May 2018.
- Resolutions of Directors and Note holders in relation to the amendment of the Convertible Note Deed Poll.
- Other information and responses provided by the Tru-Test directors, senior management and the Company's legal advisers.

During the course of preparing this Report, we have had discussions with and/or received information from the Directors who are not associated with KTT, executive management of Tru-Test and the Company's legal advisers.

The Non-Associated Directors of Tru-Test have confirmed that we have been provided, for the purpose of this Report, with all information relevant to the Proposed Allotment that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Report.

In our opinion, the information set out in this Report is sufficient to enable the Non-Associated Directors and the Non-Associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Allotment Resolution.

I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Tru-Test and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this Report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Tru-Test. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

I.c Disclaimer

We have prepared this Report with care and diligence and the statements in this Report are given in good faith and in the belief, on reasonable grounds, that such statements are true and correct.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of this Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time. We have no obligation to advise any person of any change in circumstances which comes to our attention after the date of this Report or to review, revise or update our Report.

We have had no involvement in the preparation of the Notice of Meeting issued by Tru-Test and have not verified or approved the contents of the Notice of Meeting. We do not accept any responsibility for the contents of the Notice of Meeting except for this Report.

I.d Indemnity

Tru-Test has agreed that, to the extent permitted by law, it will indemnify Campbell MacPherson and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law.

Tru-Test has also agreed to indemnify Campbell MacPherson and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Campbell MacPherson or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Campbell MacPherson shall reimburse such costs.

APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson Limited

Campbell MacPherson is a private New Zealand-owned investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, debt and equity capital-raising and prepares independent corporate advisory reports, valuation reports and strategic advice to a wide range of private and public New Zealand companies, local bodies and other organisations. Further information on Campbell MacPherson can be found on our website www.campbellmacpherson.com

The persons in Campbell MacPherson responsible for issuing this Report are Alistair Ward, Tony Haworth and Brad Caldwell. These individuals are experienced corporate finance practitioners with relevant expertise in preparing a report of this nature.

Summary profiles on each individual are provided below.

Alistair Ward B.Com (Hons), M INST D, AFNZIM

Alistair together with Stephen Burns formed Campbell MacPherson in 2002. Alistair was the former principal of Waitiri Capital Ltd, an Auckland-based venture capital and advisory company established in 1997, the interests of which were acquired by Campbell MacPherson. In both roles he has advised many business leaders and owners on issues relating to corporate governance and strategy, mergers, acquisitions and capital-raising.

Alistair has an in depth knowledge of the NZ building and construction sector including extensive senior management experience in NZ and overseas with the Fletcher Building Group between 1982 and 1997. Alistair is a former CEO of Golden Bay Cement, the largest cement company in NZ and a key part of NZX-listed Fletcher Building. As a reflection of this position Alistair also chaired a variety of industry groups including the Cement and Concrete Association of NZ and the Major Energy Users Group.

Alistair is a former Director of Solid Energy and Hynds Limited, and continues to hold several private company directorships including Christchurch Ready Mix Concrete Limited. He is a member of the New Zealand Institute of Directors and an Associate Fellow of the NZ Institute of Management.

Tony Haworth M.Sc (Tech), M.Sc (Fin), M.AusIMM, MAICD

Tony has over 20 years of experience spanning a variety of technical, corporate and governance roles across the minerals industry and as a corporate adviser / investment banker.

Tony has worked both internationally and in New Zealand for companies ranging from start-ups to established private and public listed entities. His previous roles include General Manager of National Mining Company in Oman, Director of Liberty Gold Corporation in London and Geologist with Heritage Gold. He is currently an Independent Director of ASX/NZX listed firm New Talisman Gold Mines Ltd.

Tony specialises in mergers and acquisitions, corporate valuation and independent adviser's reports. Since joining Campbell MacPherson in 2004 he has successfully completed numerous corporate finance transactions and advisory assignments across a wide variety of industry sectors, including building and construction, minerals, solid waste, manufacturing, retail, biotechnology and information technology.

Tony holds a Masters in Finance from London Business School and a Masters in Earth Science from the University of Waikato. He is a Corporate Member of the AusIMM and a Member of the Australian Institute of Company Directors.

Brad Caldwell *B.Com, M.Bus*

Brad joined Campbell MacPherson in 2010 and has over 7 years of corporate advisory and investment banking experience. Brad has successfully worked on a wide range of advisory assignments, including business acquisitions and divestments, company valuations, strategic analysis and independent reports prepared in accordance with the NZX Listing Rules and Takeovers Code.

Brad is a graduate of the University of Otago where he completed a Bachelor of Commerce, majoring in finance, followed by a Masters in Business, majoring in finance.

II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with Tru-Test or KTT that could affect our ability to provide an unbiased opinion in relation to this Report.

Campbell MacPherson has not had any part in the formulation of the Proposed Allotment nor any aspects thereof. Our sole involvement has been the preparation of this Report.

Campbell MacPherson will receive a fixed fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the Non-Associated Directors for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of Campbell MacPherson. Changes made to the Report as a result of circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of this Report.

II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting to be sent to Tru-Test's shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

