Tru-Test Corporation Limited

Annual Report 2011

DIRECTORS' REPORT

PREFACE

Welcome to Tru-Test's 2011 Annual Report.

2011 has been a positive year of growth for Tru-Test. The acquisition of EDiTiD in June 2010 helped us fill out our livestock RFID reader product range. This acquisition was closely followed by the purchase of two companies in the United Kingdom; Ritchey and Fearing. The core revenue stream of both of these companies is animal identification tags, both visual and electronic (for sheep and cattle). More recently we wrote to you advising that we had increased our shareholding in our Brazilian subsidiary to 51%.

FINANCIAL SUMMARY

Trading

Revenue was up 19.8% on the previous year due to moderately improved trading conditions and the acquisitions completed during the year. Reported gross margins improved to 37% from 35% in 2010 due to the addition of higher margin products via acquisitions and the closure of the less profitable shearing business. The underlying business continued to make progress on efficiencies during the year with the roll-out of a number of Lean manufacturing initiatives.

CALCULATION OF CONTINUING BUSINESS EBITDA

	2011 NZ$000	2010 NZ$000
Profit/(loss) after tax from continuing business	1,195	(1,735)
Income tax (expense)/income from continuing business	(95)	1,459
	1,290	(3,194)
Add back		
Interest	866	800
Depreciation continuing business	1,445	1,660
Amortisation continuing business	30	334
Group foreign exchange gain on business disposition		284
Total EBITDA	3,631	(116)

The continuing business earnings before interest, tax, depreciation and amortisation (EBITDA) was $3.6 million up from a loss of $0.1 million in 2010. It is pleasing to see the hard work over the last two years in tidying up the company balance sheet and looking for growth opportunities, begin to pay off.

The total net profit from continuing operations for the group before tax was $1.3 million compared with a loss of $3.2 million recorded in 2010.

The share price of the most recent trades in company shares was at $0.80 cents.

Disclosure

The company purchased Ritchey and Fearing in September 2010 using debt funding and at that time updated its banking facility with the ASB Bank.

A definition error occurred in the documentation for this new facility – which gave an effect that was not detected at the time by either the company or the bank, until after balance date. This definition error led to the company breaching two covenants as at 31 March 2011. On being advised of the breaches by the company the ASB Bank subsequently waived the breaches and is working proactively with the company to develop new documentation which accurately reflects the intentions of both parties. Despite this the International Financial Reporting Standards require us to disclose the loans as a current liability.

Whilst the Directors accept that the Accounts as presented later in this report are in strict accordance with the relevant accounting standards, they do not believe that this treatment accurately reflects the position agreed by the ASB Bank and the company. Accordingly the following pro-forma balance sheet is provided to allow shareholders to understand what the Directors believe to be the intention of the parties.

GROUP CONSOLIDATED ACCOUNTS
PRO-FORMA BALANCE SHEET
AS AT 31 MARCH 2011

	IFRS NZ$000	NON IFRS ADJUSTMENTS NZ$000	DIRECTORS ADJUSTED BALANCE SHEET NZ$000
Current assets	40,469	-	40,469
Non-current assets	9,182	-	9,182
Total assets	49,651	-	49,651
Current liabilities			
Trade and other payables	15,295	-	15,295
Other financial liabilities	281	-	281
Employee benefits	1,334	-	1,334
Provisions	397	-	397
Borrowings	14,283	(14,283)	-
	31,590	(14,283)	17,307
Non-current liabilities			
Trade and other payables	726	-	726
Employee benefits	204	-	204
Other financial liabilities	628	-	628
Long term borrowings	-	14,283	14,283
	1,558	14,283	15,841
Total equity and liabilities	49,651	-	49,651

DIRECTORS' REPORT

OPERATIONAL PERFORMANCE

Trading

Trading conditions were still difficult during the 2010/11 year with similar patterns of trading being experienced to the previous financial year. Whilst dairy payouts were significantly higher during the later part of the year in NZ, the benefit in the NZ market was not seen until the first quarter of the 2012 financial year. North American and European dairy markets have not yet experienced the increase in returns that Australasian farmers have seen. A number of our overseas markets are still struggling to recover in the wake of the global financial crisis. Distribution partners are still very cautious in the level of stock that they are buying and holding in inventory.

The flow on from the global financial crisis has been felt on the supply side of the business this year and has lead to us having to increase our stock holding of key raw materials. A number of suppliers have closed down or reduced their stock holdings causing lead times to be push out on many items. We expect that this challenge will continue for some time.

Product Development

During the year we continued with our focus on new product development. We recently launched two new scales products, the EziWeigh5 and 6. These new products are the first of our new generation of weighing products to be launched targeted at making the weighing of animals easier and more affordable for farmers by providing a simple, easy to use device. We will shortly be releasing our new handheld wand RFID reader to compliment the panel readers that we re- launched following the acquisition of EDiTiD. These products will provide the platform of products that farmers will require once mandatory RFID is introduced into NZ.

Electric fence developments have been focused on ensuring our products conform to the new European regulations that came into force during the year. A number of changes were required to be made to our product offering to ensure that they meet the new regulations and enable us to continue to supply into this important market.

Lean Manufacturing

The 2010/ 2011 year has seen the continuation of the roll out of lean programs through the company. The focus has been on the development side of the business where the benefits will be seen in the coming years with shorter product development time horizons and the release of products which we expect to better meet the needs of customers.

Growth

Following the purchase of EDiTiD last June the company completed two acquisitions in the UK in September. Both Ritchey and Fearing are existing distributors of Tru-Test Group products. Over the past 15 years we have built a positive partnership with the Ritchey business.

Ritchey, originally known as Ritchey Tagg Ltd, was formed in 1972 to specialise in the manufacture and supply of ear tags and animal identification products. The business is now a leading independent British manufacturer, distributor and supplier of a wide range of animal husbandry products in the UK, Republic of Ireland and export markets worldwide.

Fearing promotes and supplies agricultural products direct to farmers across the UK and Ireland via an online and catalogue sales programme.

The integration of these companies into Tru-Test has gone smoothly and we are currently reviewing how we can take advantage of the products they manufacture and distribute in the UK, in other markets around the world.

In April this year we announced we had increased our shareholding in Farm Tech, our Joint Venture distribution company in Brazil. We have increased our shareholding from 14% to a majority holding of 51%. Other than changing its name to Tru-Test Brazil it has been business as usual for that team.

This purchase is another exciting step in line with our growth strategy. Brazil is a large market today, with the world's largest commercial cattle herd (196 million). With plenty of growth potential yet to be realized we expect it to be a very large market in the future. This acquisition will provide the Group with a subsidiary from which to better realize the future growth potential in Brazil and the wider Latin American market in all core areas of the business and also provides an opportunity to manufacture market specific products for the Latin American market locally.

We continue to actively look for further opportunities to grow the business and look forward to announcing further acquisitions in the near future. Further acquisitions may require capital investment from either existing and / or new shareholders.

DIRECTORS

During the year both Philip W Cory-Wright and Mark Dewdney resigned as Directors. We thank them for the contributions they made to the company during the time they were Directors.

DIVIDEND

The board have resolved that given our continued focus on growth and using working capital to drive shareholder value and being mindful of the current economic environment, no dividend will be paid. The payment of dividends in the future will continue to be reviewed by Directors. The company recently adopted a new dividend policy and will continue to review the ability of the company to pay dividends against this policy. The dividend policy adopted is as follows;

1. The Company will at all times remain prudently financed.

2. The Company will manage bank covenant arrangements to reasonably ensure on-going compliance.

3. The Company will manage the trade-off between using funds for growth and paying appropriate dividends. However it should be noted the Board is of the view that well targeted merger and acquisition activity is most likely to be a better use of capital which will deliver better long-term shareholder returns than consistently paying out high levels of dividends.

4. The Company will not extend debt facilities to pay dividends.

DIRECTORS' REPORT

5. Notwithstanding the above principles, the Board believes that a consistent and increasing stream of dividends is an important part of rewarding shareholders and is a positive signal to potential investors in the Company. Thus, the Company will look to pay dividends at levels that the Board believes can be maintained on an ongoing basis.

6. The Company will seek to pay dividends of up to 30% of maintainable NPAT per annum to the extent that this is possible within the above principles. The Board will consider the use of a dividend reinvestment scheme from time to time as a mechanism to potentially balance conflicting imperatives.

7. The Board recognises that even a dividend payout of 30% may limit the potential to grow shareholder value, particularly at certain stages of the economic cycle. As a consequence of this it may be necessary to introduce new capital from some existing shareholders or new shareholders to fund certain value creating investment opportunities.

8. The Company will only retain funds from shareholders when it has a reasonable basis for believing that there are likely to be investment propositions that are consistent with strategy and are likely to increase value for shareholders.

OUTLOOK

We have seen a significant improvement in the trading conditions in the NZ market since April this year. The higher commodity prices for sheep and beef and increased dairy returns have meant that farmers have been more willing to spend with our retail partners. Trading conditions still remain uncertain in many of our other markets. Company performance at the end of the first quarter is on budget and ahead of last year. With the acquisitions we have completed, the continuation of internal improvement projects and improved market conditions we expect that the performance for 2012 to be ahead of 2011. However the continued strong New Zealand dollar is an obvious negative factor on the extent to which we will outperform 2011.

TRU-TEST TEAM

It was pleasing for the Directors to see a positive return this year for the considerable activities implemented over the past few years. The team have worked hard to ensure that the growth initiatives and acquisitions undertaken were a success. We thank them for their contributions and look forward to working with them to deliver even greater returns for our shareholders in the years to come.

J J Loughlin - Chairman
Tru-Test Corporation Limited
9 August 2011

FINANCIAL STATEMENTS

The Directors have pleasure in presenting the Financial Statements, set out on pages 5 to 36, of Tru-Test Corporation Limited and Group for the year ended 9 August 2011.

The Board of Directors of Tru-Test Corporation Limited authorise these financial statements.

For and on behalf of the Board:

J J Loughlin - Chairman
Tru-Test Corporation Limited
9 August 2011

G J Muir - Managing Director
Tru-Test Corporation Limited
9 August 2011

GROUP CONSOLIDATED ACCOUNTS

Statement of Comprehensive Income for the year ended 31 March 2011

		GROUP		PARENT	
	NOTE	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Sales revenue	4	84,590	70,595	-	-
Cost of sales		(53,060)	(46,075)	-	-
Gross Profit		31,530	24,520	-	-
Other revenue	4	366	341	-	-
Sales and marketing expenses		(15,533)	(13,246)	-	-
Research and development expenses		(4,210)	(3,280)	-	-
Distribution and administrative expenses		(11,487)	(10,202)	-	-
		666	(1,867)	-	-
Foreign exchange gain/(loss)		1,490	(527)	-	-
Finance income (expense)		(866)	(800)	368	315
		624	(1,327)	368	315
(Deficit)/ surplus before taxation		1,290	(3,194)	368	315
Income tax (expense)/income	6	(95)	1,459	(110)	(117)
Profit/(loss) for the year from continuing operations		1,195	(1,735)	258	198
Profit/(Loss) from discontinued operations net of tax	24	297	(5,875)	-	-
Profit/(loss) for the year		1,492	(7,610)	258	198
Other comprehensive income					
Movement in translation of foreign subsidiaries	10	(72)	(489)	-	-
Movements in translation of foreign exchange contracts	10	(1,522)	4,922	-	-
Movements in interest rate swap contracts	10	(29)	164	-	-
Income tax relating to components of other comprehensive income		443	(1,463)	-	-
Other comprehensive income for the year net of tax		(1,180)	3,134	-	-
Total comprehensive income for the year net of tax		312	(4,476)	258	198
Profit/(loss) for the year is attributable to:					
Equity holders of the parent		1,492	(7,458)	258	198
Non controlling interest		-	(152)	-	-
		1,492	(7,610)	258	198
Total comprehensive income is attributable to:					
Equity holders of the parent		312	(4,324)	258	198
Non controlling interest		-	(152)	-	-
		312	(4,476)	258	198

These financial statements should be read in conjunction with the accompanying notes.

GROUP CONSOLIDATED ACCOUNTS

Balance Sheet as at 31 March 2011

	NOTE	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Current assets					
Cash and cash equivalents	11	3,431	5,257	3	3
Trade and other receivables	12	18,552	15,200	-	-
Prepayments		645	374	-	-
Other financial assets	23	75	1,547	-	-
Inventories	13	17,551	13,895	-	-
Taxation receivable		215	331	-	-
		40,469	36,604	3	3
Non-current assets					
Property, plant and equipment	14	4,871	3,904	-	-
Intangibles	15	1,410	309	-	-
Other financial assets	23	322	122	-	-
Investments	16	462	376	8,377	8,377
Deferred tax asset	17	2,117	1,413	-	-
Advances to subsidiaries	22	-	-	27,083	26,825
		9,182	6,124	35,460	35,202
Total assets		49,651	42,728	35,463	35,205
Current liabilities					
Trade and other payables	18	15,295	13,215	-	-
Other financial liabilities	23	281	87	-	-
Employee benefits	19	1,334	1,242	-	-
Provisions	19	397	196	-	-
Borrowings	18	14,283	10,600	-	-
		31,590	25,340	-	-
Non-current liabilities					
Trade and other payables	18	726	727	-	-
Employee benefits	19	204	292	-	-
Other financial liabilities	23	628	503	-	-
		1,558	1,522	-	-
Equity					
Share capital	8	38,293	38,293	38,293	38,293
Reserves	9,10	(21,790)	(22,427)	(2,830)	(3,088)
		16,503	15,866	35,463	35,205
Total equity and liabilities		49,651	42,728	35,463	35,205

These financial statements should be read in conjunction with the accompanying notes.

GROUP CONSOLIDATED ACCOUNTS

Statement of Changes in equity for the year ended 31 March 2011

GROUP

	FULLY PAID ORDINARY SHARES NZ$000	CAPITAL RESERVE NZ$000	HEDGING RESERVE NZ$000	FOREIGN CURRENCY TRANSLATION RESERVE NZ$000	SHARE OPTION RESERVE NZ$000	RESTRICTED SHARE RESERVE NZ$000	RETAINED EARNINGS NZ$000	ATTRIBUTABLE TO HOLDERS OF THE PARENT NZ$000	NON CONTROLLING INTEREST NZ$000	TOTAL NZ$000
Balance at 1 April 2009	38,293	6	(1,348)	832	(152)	-	(17,768)	19,863	1,221	21,084
Total comprehensive income for the year net of tax	-	-	3,887	(426)	-	-	(7,458)	(3,997)	-	(3,997)
Transfer of non controlling reserves	-	-	-	11	152	-	(163)	-	-	-
Sale of non controlling interest	-	-	-	-	-	-	-	-	(1,221)	(1,221)
Balance at 31 March 2010	38,293	6	2,539	417	-	-	(25,389)	15,866	-	15,866
Total comprehensive income for the year net of tax	-	-	(944)	(94)	-	183	1,492	637	-	637
Balance at 31 March 2011	38,293	6	1,595	323	-	183	(23,897)	16,503	-	16,503

PARENT

	FULLY PAID ORDINARY SHARES NZ$000	CAPITAL RESERVE NZ$000	HEDGING RESERVE NZ$000	FOREIGN CURRENCY TRANSLATION RESERVE NZ$000	SHARE OPTION RESERVE NZ$000	RESTRICTED SHARE RESERVE NZ$000	RETAINED EARNINGS NZ$000	ATTRIBUTABLE TO HOLDERS OF THE PARENT NZ$000	NON CONTROLLING INTEREST NZ$000	TOTAL NZ$000
Balance at 1 April 2009	38,293	6	-	-	-	-	(3,292)	35,007	-	35,007
Total comprehensive income for the year net of tax	-	-	-	-	-	-	198	198	-	198
Balance at 31 March 2010	38,293	6	-	-	-	-	(3,094)	35,205	-	35,205
Total comprehensive income for the year net of tax	-	-	-	-	-	-	258	258	-	258
Balance at 31 March 2011	38,293	6	-	-	-	-	(2,836)	35,463	-	35,463

These financial statements should be read in conjunction with the accompanying notes.

GROUP CONSOLIDATED ACCOUNTS

Statement of Cash Flows for the year ended 31 March 2011

		GROUP		PARENT	
	NOTE	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Operating activities					
Receipts from customers		91,098	77,434	-	-
Payments to suppliers and employees		(90,312)	(70,462)	-	-
Government grants		145	67	-	-
Income tax (paid)/refund		(269)	89	-	-
Interest expense paid		(933)	(916)	-	-
Interest income received		67	115	-	-
Cash generated (utilised) operating activities		(204)	6,327	-	-
Investing activities					
Proceeds of sale of property plant and equipment		219	-	-	-
Purchase of property, plant and equipment		(657)	(813)	-	-
Purchase of software assets		(120)	(174)	-	-
Acquisition of subsidiaries	25	(5,942)	-	-	-
Net proceeds on sale of business	24	1,050	(853)	-	-
Cash generated (utilised) investing activities		(5,450)	(1,840)	-	-
Financing activities					
Proceeds from loans		9,307	2,568	-	-
Settlement of loans		(5,508)	(10,274)	-	-
Proceeds from group entities		-	-	-	-
Dividends paid		-	-	-	-
Cash generated (utilised) financing activities		3,799	(7,706)	-	-
Net movement in cash and cash equivalents		(1,855)	(3,219)	-	-
Cash acquired on acquisition		52	-	-	-
Effect of exchange rate fluctuation on cash held		(23)	(315)	-	-
Balance at beginning of year		5,257	8,791	3	3
Cash at end of year		3,431	5,257	3	3

Reconciliation of profit after tax to cash flows from operating activities

Profit after tax before adjustments for:		1,492	(7,610)	257	198
(Gain)/loss on sale of fixed assets		(69)	2	-	-
Long term incentive plan expense		183	-	-	-
Depreciation	14	1,464	2,855	-	-
Impairment and amortisation	15	34	342	-	-
Impairment loss recognised on trade receivables	12	42	(114)	-	-
Interest from subsidiary		-	-	(367)	(315)
Tax losses transferred from subsidiary		-	-	-	22
Deferred tax		(704)	(353)	-	-
Unrealised foreign exchange (gains)/losses		(185)	(518)	-	-
Unrealised change in value of investments	16	(86)	(34)	-	-
		2,171	(5,430)	(110)	(95)
Changes in:					
Trade and other payables		538	3,726	-	-
Taxation receivable		116	150	110	95
Provisions		201	55	-	-
Trade and other receivables		(1,063)	832	-	-
Prepayments		(271)	149	-	-
Inventories		(1,896)	6,845	-	-
		(2,375)	11,757	110	95
Net cash inflow from operating activities		(204)	6,327	-	-

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tru-Test Corporation Limited (the 'Parent') is a profit orientated company domiciled in New Zealand, registered under the Companies Act 1993.

Financial statements for the Parent and consolidated financial statements are presented. The consolidated financial statements of Tru-Test Corporation Limited as at and for the year ended 31 March 2011 comprise the Parent and it's subsidiaries (hereafter referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The financial statements were authorised for issue by the Directors on 9 August 2011.

The comparative period shown in the financial statements is for the 12 months ended 31 March 2010.

The Group is primarily involved in the manufacture of high-tech agricultural products.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements and Group financial statements have been prepared in accordance with the Financial Reporting Act 1993 and generally accepted accounting principles in New Zealand (''NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards (''NZ IFRS") and other applicable financial reporting standards as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures the financial statements also comply with International Financial Reporting Standards (''IFRS").

b) Basis of measurement

These financial statements have been prepared under the historical cost convention with the exception of derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group and Parent's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected. Critical estimates and judgements are included within the relevant notes to the financial statements.

e) Adoption of new and revised standards

Adoption of the following standards, interpretations and ammendments has not led to any changes in the Group accounting policies with measurement or recognition impact in the period presented in these accounts.

- NZ IAS 27 - (Revised) Consolidated and Separate Financial Statements.

- NZ IAS 32 - Amendment: Financial instrument: presentation - clarification of rights issues clarifies the matter of classification of rights issues.

- NZ IAS 39 - Amendment: NZ equivalent to IAS 39 financial instruments: recognition and measurement – eligible hedged items clarifies existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

- NZ IFRS 2 - Amendment: Group cash-settled share-based payment transactions require an entity receiving goods or services in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. The current standard requires attribution of Group share-based payment transactions only if they are equity-settled.

- NZ IFRS 3 - Business combinations (revised) introduces a number of changes, the most significant requiring to expense transaction costs and a choice to measure a non-controlling interest at fair value or at its proportionate interest in the acquiree's net assets.

- NZ IFRS 5 - Improvements to NZ equivalents to IFRS: plan to sell the controlling interest in a subsidiary.

- Improvements to NZ equivalents to international financial reporting standards (Approved May 2009) introduces amendments to a number of New Zealand standards which will result in accounting changes for presentation, recognition or measurement purposes.

- NZ IFRIC 17 - Distributions of non-cash assets to owners outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners as owners acting in their capacity as owners.

- NZ IFRIC 18 - Transfers of assets from customers provides guidance on the transfer of assets or cash received from customers.

f) New standards and interpretations

Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

- NZ IAS 12 - Deferred tax: recovery of underlying assets relates to investment Property acquired in a business combination. Effective for accounting periods beginning on or after 1 January 2012.

- NZ IAS 24 - Related party disclosures (revised 2009) amends the definition of a related party. Effective for accounting periods beginning on or after 1 January 2011.

- NZ IFRS 9 - Financial instruments specifies how an entity should classify and measure financial assets, including some hybrid contracts. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning on or after 1 January 2013.

- Revised NZ IFRS 9 - Financial instruments specifies how an entity should classify and measure liabilities and derecognition, of financial instruments. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning on or after 1 January 2013.

- Improvements to NZ equivalents to international financial reporting standards (Approved May 2010) introduces amendments to a number of New Zealand standards which will result in accounting changes for presentation, recognition or measurement purposes. Amendments to standards are effective for accounting periods either beginning on or after 1 July 2010 or 1 January 2011.

- NZ IFRIC 14 - Amendment: The limit on a defined benefit asset, minimum funding requirements and their interaction clarifies the treatment of prepayment of future contributions when there is a minimum funding requirement. NZ IFRIC 14 (Amendment)is effective for accounting periods beginning on or after 1 January 2011.

- NZ IFRIC 19 - Extinguishing financial liabilities with equity instruments covers accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. NZ IFRIC 19 is effective for accounting periods beginning on or after 1 July 2010.

All standards will be adopted at their effective date except for those not applicable to the Group.

The Board of Directors is of the opinion that the impact of the application of these standards will be minor or is not currently quantifiable.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

a) Basis of consolidation

i) Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences to the date control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

ii) Non controlling interest
Where a non controlling interest is created via a partial disposal by the Parent, the non controlling interest represents the non controlling shareholders proportion of identifiable assets and liabilities on disposal, together with the non controlling interest in post acquisition movements in equity.

iii) Associates
Associate companies are those companies in which the Group has significant influence but not control over the operating and financial policies. Associate companies have been reflected in the consolidated financial statements using the equity method which shows the Group's share of retained surpluses in the consolidated statement of performance and its share of post acquisition increases or decreases in net assets in the consolidated statement of financial position.

iv) Acquisition
Where an entity becomes part of the Group during the year the results of that entity are included in the consolidated results from the date that control or significant influence commenced. When an entity is acquired all identifiable assets and liabilities are recognised at their fair value at acquisition date.

b) Foreign currencies

i) Foreign currency transactions
Foreign currency denominated revenue and expense items are translated at the average monthly rate or at a rate approximating that rate. Foreign currency denominated balance sheet items are translated at the rate prevailing at balance date.

ii) Foreign operations
The assets and liabilities of foreign entities are translated at the exchange rates ruling at balance date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the date of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of in part or in full, the relevant amount in the FCTR is transferred to profit and loss.

Intercompany loans denominated in foreign currencies are translated in full at the exchange rates ruling at balance date.

Foreign currency differences on long term intercompany funding loans are recognised in the FCTR.

c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Sale of goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of returns and allowances, trade discounts and volume rebates. Sales revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the recovery of consideration is probable and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

ii) Government grants
Government grants compensating the Group for development cost incurred are recognised as revenue on a systematic basis in the same period in which the costs are incurred.

iii) Rental income
Rental Income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

iv) Interest
Interest revenue is recognised on a time proportional basis using the effective interest method.

d) Property, plant and equipment

i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment as at 1 September 2006, the date of transition to NZ IFRS, was determined by reference to its cost at that date.

Cost includes the purchase consideration or fair value and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

ii) Subsequent costs
Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying value when such expenditure increases the future economic benefits beyond its existing service potential and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day to day servicing of property, plant and equipment are recognised in profit and loss as incurred.

iii) Depreciation
Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the major classes of property, plant and equipment are:

Plant and equipment	3 -10 years
Buildings	45 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes expenditure incurred in acquiring inventories and bringing them to their existing condition and location. In the case of work in progress and finished goods cost includes a portion of direct labour and production overheads appropriate to the stage of completion attained. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

f) Taxation

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to the tax payable of previous years.

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse in the foreseeable future, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent it is probable that future tax profits will be available against which a temporary difference or unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

g) Intangible assets

i) Goodwill
Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in profit and loss and is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

ii) Patents
Patents acquired by the Group are measured at cost less accumulated amortisation and impairment losses.

iii) Trademarks
Trademarks acquired by the Group are measured at cost less accumulated amortisation and impairment losses. Trademarks currently held by the Group have been assessed as having indefinite useful lives and are not amortised.

iv) Research and Development Costs
Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete development, and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

v) Other intangible assets
Other intangible assets that are acquired by the Group, that have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

vi) Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

-patents	20 years
-trademarks	indefinite
-computer software	3 years

h) Financial instruments

i) Non-derivative financial instruments
Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's financial rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and regularly reviewed to determine whether there is any indication that the receivables have suffered an impairment loss. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables
Trade payables and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Interest bearing borrowings
Interest bearing borrowings are classified as other non-derivative financial instruments.

ii) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging arrangement (see below).

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as

NOTES TO THE FINANCIAL STATEMENTS

a cash flow hedge are recognised directly into other comprehensive income and accumulated as a component of equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in the fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit and loss in the same period that the hedged items effects profit and loss.

Economic hedges
Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the profit or loss as part of foreign currency gains or losses.

i) Share capital

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

j) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised on the balance sheet. Payments made under operating leases are recognised in profit and loss on a basis representative of the pattern of benefits expected to be derived from the leased asset.

k) Provisions

i) A provision is realised if, as a result of a past event, the Group has a present legal obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

ii) Warranties
The Group recognises a provision for warranties at the time the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

l) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairment losses directly effect the carrying amount of assets and are recognised in the income statement. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are identifiable cash flows (cash generating units).

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

m) Employee benefits

Provision is made for benefits accruing to employees including wages and salaries, annual leave and long service leave when it is probable that settlement will be required and the provision can be reliably measured. Provision made in respect of benefits expected to settle within twelve months are carried at nominal values using the remuneration rate expected to apply at the time of settlement. Provision made in respect of benefits which are not expected to settle within twelve months are measured at the present value of the estimated future cash outflows in respect of services provided by the employee up to the reporting date.

n) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

o) Determination of fair values

The Group's accounting policies on share-based payments requires the determination of fair value. For all other financial assets and liabilities the carrying amount is a reasonable approximation of fair value.

Share-based payment transactions
The fair value of shares under the long term incentive plan (LTI) are measured using a binomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and risk-free interest rate (based on government bonds). Any service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

p) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of the goods and services tax(GST) except:

(i) where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST. Cashflows are included in the cashflow statement on a gross basis. The GST component of cash flows arising from investing and financing which is recoverable from, or payable to, the taxation authority is classified as operating cashflow.

r) Changes in accounting policies

There have been no changes in accounting policies during the year ended 31 March 2011 and comparative periods. All policies have been applied on a bases consistent with those used in the previous year end.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
Comprises:				
Sales revenue	84,590	1,449	70,595	6,545
Other revenue:				
Rent revenue	221	-	274	-
Consulting services	-	-	-	-
Government grants	145	-	67	-
	366	-	341	-
Finance income	67	-	115	16

	PARENT	
	2011 NZ$000	2010 NZ$000
Finance income	368	315

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENSES

Profit before income tax includes the following specific expenses:

The following items are included within distribution and administration expenses:

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
Auditors' remuneration:				
For auditing financial statements				
Deloitte	147	-	159	-
Other auditors	32	-	48	-
	179	-	207	-
For other services				
Deloitte - tax services	102	-	175	-
Deloitte - other services (due diligence UK)	43	-	38	-
Other auditors - tax services	19	-	-	-
	164	-	213	-
The following items are included within finance expense:				
Interest	857	-	849	-
Loss arising on ineffective derivative designated at fair value	76	-	66	-
	933	-	915	-

Neither the Parent nor the Group have made any donations in the year. (2010:Nil)

Employee benefit expenses	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
Wages and salaries	18,650	-	18,859	2,948
Defined contribution plans	346	-	93	-
Long term incentive plan	183	-	-	-
	19,179	-	18,952	2,948

No wages or salaries are paid by the Parent.

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION

a) Income tax expense in income statement

	GROUP				PARENT	
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000	2011 NZ$000	2010 NZ$000
Current tax expense						
Current period	66	(78)	(994)	(1,890)	110	95
Adjustment for prior periods	67	-	(30)	-	-	22
	133	(78)	(1,024)	(1,890)	110	117
Deferred tax expense						
Current period tax expense	-	-	-	-	-	-
Effect of tax rate change	148	-	-	-	-	-
Change in unrecognised temporary differences	(186)	-	(1,197)	1,747	-	-
Change in recognition of tax losses	-	-	762	-	-	-
	(38)	-	(435)	1,747	-	-
Total income tax expense/(income)	95	(78)	(1,459)	(143)	110	117

b) Reconciliation of effective tax rate

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
Profit/(loss) for the period	1,195	297	(1,735)	(5,875)
Total income tax expense/(income)	95	(78)	(1,459)	(143)
Profit/(loss) before income tax	1,290	219	(3,194)	(6,018)
Income tax expense/(credit) using the Parent's domestic tax rate	387	66	(958)	(1,805)
Effect of tax rates in foreign jurisdictions	21	-	(14)	-
Non-deductible expenses	82	-	(21)	(85)
Effect of tax rate change	148	-	-	-
Change in unrecognised temporary differences	(610)	(144)	(1,197)	1,747
Change in recognition of tax losses	-	-	762	-
Under/(over) provided in prior periods	67	-	(31)	-
	95	(78)	(1,459)	(143)

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION (CONTINUED)

c) Income tax recognised in other comprehensive income

	GROUP		PARENT	
	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Derivatives	(160)	1,527	-	-
Subsidiary funding loans	(283)	(64)	-	-
	(443)	1,463	-	-
Deferred tax equity recognised on hedging reserve				
Balance at beginning of the Year	907	(620)	-	-
Increase/(Decrease)	(160)	1,527	-	-
Balance at end of the year	747	907	-	-
Deferred tax equity recognised on subsidiary translation				
Balance at beginning of the year	(33)	31	-	-
Increase/(Decrease)	(283)	(64)	-	-
Balance at end of the year	(316)	(33)	-	-

d) Imputation credits

	GROUP AND PARENT CONTINUING OPERATIONS	
	2011 NZ$000	2010 NZ$000
Balance at beginning of year	172	220
Income tax payments, refunds and transfers to group companies	(186)	(48)
Prior period correction	330	-
Dividends paid	-	-
Balance at end of year	316	172
Imputation credits are available to shareholders of the Parent company:		
Through the Parent company	316	172
	316	172

Tru-Test Corporation Limited (the Parent) and Tru-Test Limited formed a consolidated tax group effective 1 September 1999. The imputation credits shown above are for the consolidated tax group.

NOTES TO THE FINANCIAL STATEMENTS

7. DIVIDENDS

No dividends were paid by the Company in the current financial year. (2010 Nil)

8. SHARE CAPITAL

	GROUP AND PARENT	
	2011 NZ$000	2010 NZ$000
Share capital at beginning of year	38,293	38,293
Share capital at end of year	38,293	38,293

The number of issued and paid-up shares as at 31 March 2011 was 34,219,417 (2010:34,219,417). All ordinary shares have equal voting rights, no par value and share equally in dividends and surplus on winding up.

9. RETAINED EARNINGS

	GROUP NZ$000	PARENT NZ$000
Balance at 1 April 2009	(17,768)	(3,292)
Profit/(loss) for the year	(7,610)	198
Transfer share option reserve	(163)	-
Attributable to non controlling shareholders	152	-
Balance at 31 March 2010	(25,389)	(3,094)
Balance at 1 April 2010	(25,389)	(3,094)
Profit/(loss) for the year	1,492	258
Balance at 31 March 2011	(23,897)	(2,836)

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RESERVES

Reconciliation of movement in capital and reserves

	GROUP AND PARENT						
	CAPITAL RESERVE NZ$000	HEDGING RESERVE NZ$000	FOREIGN CURRENCY TRANSLATION RESERVE NZ$000	RESTRICTED SHARE RESERVE NZ$000	TOTAL INCLUDING NON CONTROLLING INTEREST NZ$000	NON CONTROLLING INTEREST NZ$000	TOTAL EXCLUDING NON CONTROLLING INTEREST NZ$000
Balance at 1 April 2009	6	(1,348)	843	-	(499)	(163)	(662)
Translation of foreign subsidiaries	-	-	(426)	-	(426)	-	(426)
Gain/(loss) on foreign exchange contract in equity	-	3,445	-	-	3,445	-	3,445
Gain/(loss) on interest rate swaps in equity	-	115	-	-	115	-	115
Long term incentive plan expense	-	-	-	-	-	-	-
Gain/(loss) on foreign exchange contract to profit and loss	-	327	-	-	327	-	327
Transferred to retained earnings	-	-	-	-	-	163	163
Balance at 31 March 2010	6	2,539	417	-	2,962	-	2,962
Balance at 1 April 2010	6	2,539	417	-	2,962	-	2,962
Translation of foreign subsidiaries	-	-	(94)	-	(94)	-	(94)
Gain/(loss) on foreign exchange contract in equity	-	(1,066)	-	-	(1,066)	-	(1,066)
Gain/(loss) on interest rate swaps in equity	-	(20)	-	-	(20)	-	(20)
Long term incentive plan expense	-	-	-	183	183	-	183
Gain/(loss) on foreign exchange contract to profit and loss	-	142	-	-	142	-	142
Transferred to retained earnings	-	-	-	-	-	-	-
Balance at 31 March 2011	6	1,595	323	183	2,107	-	2,107

The capital reserve of $6,000 is held within the Parent company.

11. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Cash at bank and in hand	3,431	5,257	3	3

a) Cash at bank or in hand

These accounts have floating interest rates between 0% to 4.75% for the period to 31 March 2011 (0% to 3.15% for the period to 31 March 2010).

b) Fair value

The carrying amount for cash and cash equivalents equals their fair value.

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Trade receivables	18,304	14,981	-	-
Less: provision for impairment of receivables	(41)	(145)	-	-
	18,263	14,836	-	-
Other receivables	289	364	-	-
	18,552	15,200	-	-

a) Unimpaired receivables

Trade receivables that are less than three months past due are generally not considered impaired. As of 31 March 2011, trade receivables of $2.9 million (2010 $2.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables are as follows:

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Up to 3 months past due date	2,166	1,863	-	-
Over 3 months past due date	724	142	-	-
	2,890	2,005	-	-

b) Impaired receivables

Provision was $0.04 million as of 31 March 2011 (2010:$0.15 million).

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
3 to 6 months past due	10	-	-	-
Over 6 months past due	21	180	-	-
	31	180	-	-

Movements on the Group provision for impairment of trade receivables are as follows:

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Balance at beginning of the year	145	277	-	-
Effect of exchange rate movement	61	(18)	-	-
Provision for receivables impairment	(42)	(102)	-	-
Receivables written off during the year as uncollectable	(123)	(12)	-	-
Balance at 31 March	41	145	-	-

The creation and release of provision for impaired receivables have been included under administration expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
Raw material and components	8,426	-	6,422	1,091
Work in progress	1,402	-	1,476	362
Finished goods	9,531	-	6,814	712
Less: obsolescence provision	(1,808)	-	(1,754)	(1,228)
	17,551	-	12,958	937
Charged to obsolescence	552	-	927	1,163
Provision released to profit and loss	(498)	(1,228)	(280)	-

Inventories are subject to retention of title clauses. The cost of inventories recognised as an expense during the year in respect of both continuing and discontinued operations was $41.1 million (2010:$48.4 million). There is no inventory held by the Parent company.

14. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	LAND NZ$000	BUILDINGS NZ$000	PLANT AND EQUIPMENT NZ$000	TOTAL NZ$000
Year ended 31 March 2010				
Opening net book amount	74	93	5,694	5,861
Additions	-	-	813	813
Net disposals	-	-	2	2
Depreciation charge	-	(4)	(2,850)	(2,854)
Effect of movement in exchange rates	-	-	82	82
Closing net book value	74	89	3,741	3,904
At 31 March 2010				
Cost or valuation	74	178	36,364	36,616
Accumulated depreciation	-	(89)	(32,623)	(32,712)
Net book value	74	89	3,741	3,904
Year ended 31 March 2011				
Opening net book amount	74	89	3,741	3,904
Additions	23	816	1,749	2,588
Net disposals	-	-	(150)	(150)
Depreciation charge	-	(124)	(1,340)	(1,464)
Effect of movement in exchange rates	-	-	(7)	(7)
Closing net book value	97	781	3,993	4,871
At 31 March 2011				
Cost or valuation	97	994	29,627	30,718
Accumulated depreciation	-	(213)	(25,634)	(25,847)
Net book value	97	781	3,993	4,871

Freehold land and buildings with a carrying amount of $673,000 (2010: Nil) have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity without bank approval. The Parent company holds no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSETS

	GROUP		
	COMPUTER SOFTWARE NZ$000	OTHER INTANGIBLES NZ$000	TOTAL NZ$000
Year ended 31 March 2010			
Opening net book value	477	-	477
Exchange differences	-	-	-
Additions	174	-	174
Amortisation charge	(342)	-	(342)
Closing net book value	309	-	309
At 31 March 2010			
Gross carrying value	2,240	-	2,240
Accumulated amortisation and impairment	(1,931)	-	(1,931)
Net book value	309	-	309
Year ended 31 March 2011			
Opening net book value	309	-	309
Exchange differences	1	-	1
Additions	335	799	1,134
Amortisation charge	(34)	-	(34)
Closing net book value	611	799	1,410
At 31 March 2011			
Gross carrying value	2,927	799	3,726
Accumulated amortisation and impairment	(2,316)	-	(2,316)
Net book value	611	799	1,410

Amortisation of computer software is included in the statement of comprehensive income under sales and marketing expense, research and development expenses and distribution and administration expenses. The Parent company holds no goodwill or intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Shares in subsidiaries	-	-	8,377	8,377
Shares in associates	462	376	-	-
	462	376	8,377	8,377

Investments in subsidiaries comprise:

	PERCENTAGE HELD BY TRU-TEST CORPORATION 2011	2010	BALANCE DATE	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY
Tru-Test Limited	100%	100%	31 March	New Zealand	Manufacturers/distributors
Tru-Test Incorporated	100%	100%	31 March	U.S.A	Distributors
Tru-Test Pty Limited	100%	100%	31 March	Australia	Manufacturers/distributors
Speedrite de Mexico	100%	100%	31 December	Mexico	Distributors
Napier Tool & Die Co. Limited	100%	100%	31 March	New Zealand	Manufacturers
Stafix Electric Fencing Limited	100%	100%	31 March	New Zealand	Investment Company
PEL Industries Limited	100%	100%	31 March	New Zealand	Non-operating
Ritchey Limited	100%	0%	31 March	United Kingdom	Manufacturers/ distributors
Fearing International (Stock Aids) Limited	100%	0%	31 March	United Kingdom	Distributors
Tru-Test UK Limited	100%	0%	31 March	United Kingdom	Investment Company

Investment in associates comprise:

The Group's share of the results of its associate and aggregated assets and liabilities are as follows:

Farm Tech Technologia Agropecuaria Limitada	14%	14%	31 December	Brazil	Manufacturers/distributors

Movements in the carrying value of equity accounted investees

	GROUP 2011 NZ$000	GROUP 2010 NZ$000
Balance beginning of the period	376	342
Change in fair value	86	34
Balance at 31 March	462	376

The results of entities with 31 December balance dates have been included in the consolidated statement of financial performance for the periods to 31 March 2011 and 31 March 2010. Investments in associates are accounted for in the Group financial statements using the equity method as the Group has significant influence.

NOTES TO THE FINANCIAL STATEMENTS

17. DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	GROUP CONTINUING OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000
Deductible temporary differences	793	3,743
Tax losses	4,251	1,502
	5,044	5,245

The future availability of tax losses is dependent on the satisfaction of income tax continuity tests. However deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.The unrecognized deferred tax asset primarily exists in Australia.

There are no unrecognised temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised in the Parent or the Group.

Recognised deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	GROUP CONTINUING OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000
Amounts recognised in profit or loss:		
Property, plant and equipment	151	200
Intangible assets	128	137
Inventories	434	355
Provisions and accruals	769	682
Other items	35	39
Tax losses	600	-
	2,117	1,413
Amounts recognised directly in equity:		
Cashflow hedges	431	874
Net deferred tax assets	2,548	2,287
Movements:		
Opening balances	2,287	471
Effect of tax rate change	(148)	-
Credited/(charged) to the income statement	852	353
Credited/(charged) to equity	(443)	1,463
Closing balance	2,548	2,287

There are no recognised deferred tax losses in the Parent.

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER PAYABLES

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Current				
Trade payables	11,836	9,050	-	-
Other payables	3,459	4,165	-	-
	15,295	13,215	-	-
Current				
Bank loans (secured)	14,283	10,600	-	-
	14,283	10,600	-	-
Non-current				
Other payables - onerous lease provision	726	727	-	-

The bank loans are secured by a mortgage over land and buildings and a debenture over total assets. Interest rates on loans vary from 2.82% to 6.98% (2010 1.48% to 5.96%).

Due to an error in a definition in the bank facility documentation which occurred at the time the documentation was updated for the acquisition of Ritchey and Fearing, two bank covenants were breached at 31 March 2011. The ASB has subsequently waived the breaches while it is working with the company on new documentation which accurately reflects the intentions of both parties. Accounting standards dictate that this long term liability is shown as a current liability on the balance sheet at 31 March 2011 even though the loan is not expected to be repaid within 12 months.

The bank loan at 31 March 2010 was shown as a current liability due to a new agreement being negotiated across the balance date in 2010.

A summarised analysis of the sensitivity of trade and other payables to interest and foreign exchange risk can be found in note 23.

19. PROVISIONS

	GROUP 2011 NZ$000	GROUP 2010 NZ$000	PARENT 2011 NZ$000	PARENT 2010 NZ$000
Current				
Employee benefits	1,334	1,242	-	-
Warranties	397	196	-	-
	1,731	1,438	-	-
Non-current				
Employee benefits	204	292	-	-
	204	292	-	-

Warranties
Provision is made for the estimated warranty claims in respect of products which are still under warranty at balance date. Claims that are expected to be settled in the next financial year have been classified as current liabilities. Management estimates the provision based on historical warranty information and any recent trends that may suggest future claims could differ from historical amounts.

20. CAPITAL COMMITMENTS

There were capital commitments of $65,791 contracted for at balance date, but not recorded in liabilities, for computer equipment and plant (2010 $36,632). These amounts are payable within one year. In respect of the Group's interest in the associated company there are no material capital commitments. The Parent company had no capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

21. OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
a) Leases as lessee				
Commitments in relation to leases contracted for at balance date.				
Less than one year	2,578	-	2,182	-
Between one and two years	2,293	-	1,945	-
Between three and five years	4,748	-	4,711	-
More than five years	3,414	-	5,341	-
	13,033	-	14,179	-
Representing:				
Cancellable operating leases	-	-	-	-
Non-cancellable operating leases	13,033	-	14,179	-
Operating lease costs	2,059	-	2,730	363

	GROUP			
	CONTINUING OPERATIONS 2011 NZ$000	DISCONTINUED OPERATIONS 2011 NZ$000	CONTINUING OPERATIONS 2010 NZ$000	DISCONTINUED OPERATIONS 2010 NZ$000
b) Onerous lease contracts				
Included in the above are onerous lease contracts				
Less than one year	51	-	(10)	360
Between one and two years	65	-	52	-
Between three and five years	275	-	232	-
More than five years	335	-	443	-
	726	-	717	360

In the prior year the cost of creating the onerous lease provision was charged to administration expense for continuing operations and cost of sales for discontinued operations. In the current year, the interest unwind portion of the onerous lease expense has been charged to finance expense with the balance being credited to rent in administration expenses.

The Parent has no lease commitments or operating lease expenses.

The Group leases various offices and warehouses under non-cancellable operating leases expiring within 1 to 8 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2011 NZ$000	2010 NZ$000
c) Customs and contract bonds	11	11
d) Guarantee of gross bank overdraft and loans accommodation for Group companies to a limit of:	25,000	40,000
At balance date the gross amount of bank borrowings so guaranteed, before deducting cash balances held at the bank was	14,283	10,600
Cash and bank balances held at balance date	3,431	5,257
Net balance of loans after deduction of cash and bank balances	10,852	5,343

One of the groups subsidiary companies has been involved in a copyright court case. The case has been successfully defended but the plaintiffs have appealed the decision.

We do not believe that there is any probability of a material adverse outcome to the case.

There are no contingent liabilities (2010:Nil).

NOTES TO THE FINANCIAL STATEMENTS

22. RELATED PARTIES

a) Parent entity and subsidiaries

The ultimate Parent of the Group is Tru-Test Corporation Limited. Interests in subsidiaries and associates are set out in note 16.

b) Key management and personnel compensation

Key management personnel compensation for the periods ended 31 March 2011 and 31 March 2010 is set out below. The key management personnel are all the Directors of the company and the six executives with the greatest authority for the strategic direction and management of the company.

	GROUP	
	2011 NZ$000	2010 NZ$000
Short-term employee benefits	2,444	2,240
Long-term employee benefits	183	-
Post-employment benefits	6	5
	2,633	2,245

c) Other transactions with key management personnel

From time to time key management personnel, or their related parties, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

d) Transactions with related parties

Loans are unsecured and may bear interest. Tru-Test Corporation Limited received interest income of $367,000 (2010: $315,000) from its subsidiaries on its intercompany loan receivables. The weighted average interest rate on the loans is 4.82% (2010: 4.27%). Interest is receivable on the last business day of each month.

		GROUP		PARENT	
		2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Loans to related parties					
Loans advanced to:	Napier Tool & Die	-	-	1,862	1,862
	PEL Industries Limited	-	-	514	514
	Stafix Electric Fencing Limited	-	-	7,730	7,472
	Tru-Test Investments Limited	-	-	-	-
	Tru-Test Limited	-	-	16,977	16,977
	Tru-Test UK Limited	-	-	-	-
	Fearing Limited	-	-	-	-
	Ritchey Limited	-	-	-	-
		-	-	27,083	26,825
Transactions during the year:					
	Stafix Electric Fencing Limited	-	-	-	-
	Tru-Test UK Limited	-	-	-	-
	Fearing Limited	-	-	-	-
	Ritchey Limited	-	-	-	-
Transactions with shareholders who have significant influence over the Group					
Sales to LIC Ltd		157	497	-	-
Trade receivables - LIC Ltd		1	1	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT

The Group's business activities result in exposure to a variety of financial risks including market risk (includes currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity. Treasury identifies, evaluates and hedges financial risks.

Credit risk

Credit risk is the risk that the counter party to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to wholesale and overseas customers, including outstanding receivables and committed transactions. Wholesale and foreign customers are credit checked by a reputable credit agency.

Risk control further assesses the credit quality of the customer, taking into account three trade references, its financial position, past experience and other factors. The utilisation of credit limits by wholesale and foreign customers is regularly reviewed by the chief financial officer. Where appropriate, personal guarantees are obtained from customers. The concentration of credit risk is limited due to the customer base being large and unrelated.

Maximum exposures to credit risk as at balance date are:

	GROUP		PARENT	
	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
Bank balances	3,431	5,257	3	3
Receivables	18,552	15,200	-	-
Other financial assets	397	1,669	-	-
Advances to subsidiaries	-	-	27,083	26,825
Guaranteee	-	-	25,000	40,000

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general the Group generates sufficient cashflows to meet it's obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following table sets out the contractual cashflows for all financial liabilities.

2011

	GROUP						
	BALANCE SHEET NZ$000	ADJUSTMENT INTEREST NZ$000	CONTRACTUAL CASHFLOWS NZ$000	< 1 YEAR NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000	MORE THAN 5 YEARS NZ$000
Secured bank loans	14,283	-	14,283	14,283	-	-	-
Lease liabilities	726	388	13,421	2,663	2,371	4,923	3,464
Trade and other payables	15,295	-	15,295	15,295	-	-	-
	30,304	388	42,999	32,241	2,371	4,923	3,464

2010

	GROUP						
	BALANCE SHEET NZ$000	ADJUSTMENT INTEREST NZ$000	CONTRACTUAL CASHFLOWS NZ$000	< 1 YEAR NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000	MORE THAN 5 YEARS NZ$000
Secured bank loans	10,600	-	10,600	10,600	-	-	-
Lease liabilities	717	478	14,657	2,271	2,030	4,916	5,440
Trade and other payables	13,215	-	13,215	13,215	-	-	-
	24,532	478	38,472	26,086	2,030	4,916	5,440

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Except for a guarantee that Tru-Test Corporation has provided to the ASB in respect of the banking facilities the Group has with it, the Parent company has no contractual liabilities in the current or comparative period.

In addition to the cash balances of $3.4 million (2010:$5.3 million), the Group has a gross bank borrowing facility of $25 million (2010 $40 million). The net bank borrowings (after deducting deposits) is $10.9 million (2010 $5.4 million).

Of the gross facility $14.3 million (2010 $10.6 million) has been drawn down by the Group at balance date.

This facility can be drawn in any combination of term and overdraft facilities.

The ASB Bank facility is a two year renewable multi-currency cash advance facility. It is secured by way of a general security deed over all the assets of Tru-Test Limited (refer note 18 for further information). Tru-Test Corporation has provided a guarantee to the ASB in respect of the banking facilities the Group has with it.

Summarised sensitivity analysis
The following summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A 100 basis point rise in interest rates reduces earnings before tax by $143,000, (2010 $100,000), whereas a 100 basis point fall in interest rates increases earnings before tax by $143,000, (2010 $100,000).

The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

A 10% strengthening of the NZ dollar against the currencies Tru-Test trades in decreases EBIT by $905,000, (2010 $2.0 million) whereas a 10% weakening of the NZ dollar against the same currencies increases EBIT by $905,000, (2010 $2.0 million).

Market risk
The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. A treasury committee, composed of senior management, provides oversight for risk management and derivative activities. This committee determines the Group's financial risk policies and objectives, and provides guidelines for derivative instrument utilisation. The committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

Capital risk management
The Group manages its capital to ensure that the Group operates as a going concern, whilst maximising the reward and minimising the risk to stakeholders through the optimisation of the debt and equity balance.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the bank quarterly. The principle covenants in place relating to capital management are the earnings before interest, tax, amortisation and depreciation (EBITDA) to interest ratio and EBITDA to net bank debt ratio. Ratio's also have to be maintained between tangible assets and liabilities and tangible assets and net bank debt as well as working capital ratio's to net bank debt and shareholders funds levels.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the Parent company, comprising issued capital, reserves and retained earnings as disclosed in notes 8, 9 and 10 respectively.

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Categories of financial assets and financial liabilities

	GROUP			
	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS NZ$000	LOANS AND RECEIVABLES NZ$000	CASH NZ$000	FINANCIAL LIABILITIES AT AMORTISED COST NZ$000
As at 31 March 2011				
Current assets				
Cash and cash equivalents	-	-	3,431	-
Trade receivables	-	18,552	-	-
Foreign exchange contracts	75	-	-	-
Current liabilities				
Trade and other payables	-	-	-	15,295
Foreign exchange contracts	233	-	-	-
Interest rate swaps	48	-	-	-
Interest bearing loans	-	-	-	14,283
Non-current assets				
Foreign exchange contracts	258	-	-	-
Interest rate swaps	64	-	-	-
Non-current liabilities				
Foreign exchange contracts	306	-	-	-
Interest rate swaps	322	-	-	-

	GROUP			
	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS NZ$000	LOANS AND RECEIVABLES NZ$000	CASH NZ$000	FINANCIAL LIABILITIES AT AMORTISED COST NZ$000
As at 31 March 2010				
Current assets				
Cash and cash equivalents	-	-	5,257	-
Trade receivables	-	15,200	-	-
Foreign exchange contracts	1,547	-	-	-
Current liabilities				
Trade and other payables	-	-	-	13,215
Foreign exchange contracts	69	-	-	-
Interest rate swaps	18	-	-	-
Interest bearing loans	-	-	-	10,600
Non-current assets				
Foreign exchange contracts	110	-	-	-
Interest rate swaps	12	-	-	-
Non-current liabilities				
Foreign exchange contracts	240	-	-	-
Interest rate swaps	263	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

	PARENT			
	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS NZ$000	LOANS AND RECEIVABLES NZ$000	CASH NZ$000	FINANCIAL LIABILITIES AT AMORTISED COST NZ$000
As at 31 March 2011				
Non-current assets				
Advances to subsidiaries	-	27,083	-	-

	PARENT			
	DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS NZ$000	LOANS AND RECEIVABLES NZ$000	CASH NZ$000	FINANCIAL LIABILITIES AT AMORTISED COST NZ$000
As at 31 March 2010				
Non-current assets				
Advances to subsidiaries	-	26,825	-	-

Foreign currency risk

The fair value of foreign currency hedges will transfer to the profit and loss in the following periods:

2011

	GROUP			
	BALANCE SHEET NZ$000	< 1 YEAR NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000
Fair value of foreign currency				
Asset	333	75	-	258
Liability	539	233	-	306

2010

	GROUP			
	BALANCE SHEET NZ$000	< 1 YEAR NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000
Fair value of foreign currency				
Asset	1,657	1,547	34	76
Liability	309	69	75	165

The Group is exposed to currency rate risk on sales, imported purchases and purchases of certain plant and equipment that are denominated in currencies other than the Parent's functional currency, New Zealand dollars ($), which is the presentation currency of the Group. The currencies in which transactions are primarily denominated are Australian dollars (AUD), US dollars (USD), Euro (€), Great British pound (£), Japanese yen (JPY) and Mexican peso (MXN). The Group's foreign exchange risk control limits restrict the entering of financial instruments to 100% of projected 0 to 12 months foreign currency denominated sales, 75% of projected 13 to 24 month sales and 50% of projected 25 to 48 month sales. The Group uses a mixture of forward exchange contracts and options to hedge its foreign currency risk. These forward exchange contracts have maturities of up to four years at the balance sheet date.

In respect of other monetary assets and liabilities held in currencies other than New Zealand dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's exposure to significant foreign currency can be summarised as follows:

FOREIGN CURRENCY RISK	2011 STATED IN	AUD NZ$000	€ NZ$000	£ NZ$000	¥ NZ$000	MXN NZ$000	USD NZ$000
Cash balances		851	168	1,119	69	22	1,079
Trade receivables		2,891	2,751	2,984	403	167	4,970
Other receivables		-	-	-	-	48	-
Secured bank loans		-	-	(3,683)	-	-	-
Trade payables		(1,321)	(135)	(1,429)	-	(11)	(1,891)
Net balance sheet exposure before hedging activity		2,421	2,784	(1,009)	472	226	4,158

FOREIGN CURRENCY RISK	2010 STATED IN	AUD NZ$000	€ NZ$000	£ NZ$000	¥ NZ$000	MXN NZ$000	USD NZ$000
Cash balances		1,852	327	93	420	10	866
Trade receivables		2,562	2,891	361	21	284	4,133
Other receivables		-	-	-	-	47	43
Secured bank loans		(775)	-	-	-	-	-
Trade payables		(1,316)	(51)	(3)	-	(36)	(1,420)
Net balance sheet exposure before hedging activity		2,323	3,167	451	441	305	3,622

There is no foreign currency risk in the Parent company.

Interest rate risk
The table below details the notional principle amounts and remaining terms of interest rate swap contracts outstanding at balance date.

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPLE AMOUNT		FAIR VALUE ASSET/(LIABILITY)	
	2011 %	2010 %	2011 NZ$000	2010 NZ$000	2011 NZ$000	2010 NZ$000
< 1 Year	4.87	4.70	4,309	2,000	(28)	(18)
1 to 2 Years	-	4.87	-	4,173	-	(31)
2 to 5 years	5.94	5.94	9,939	4,710	(203)	(154)
			14,248	10,883	(231)	(203)

The Group has a policy of ensuring that between 0% and 100 % of its exposure to changes in interest rates on borrowings is fixed for up to 5 years, and 0% to 50% (5 to 10 years) of projected debt levels.

2011

	< 6 MONTHS NZ$000	6-12 MONTHS NZ$000	GROUP 1-2 YEARS NZ$000	2-5 YEARS NZ$000	> 5 YEARS NZ$000
Secured bank loans - variable rate	-	-	3,600	-	-
Secured bank loans - fixed interest rate	-	4,309	-	9,939	-
Total	-	4,309	3,600	9,939	-

2010

	< 6 MONTHS NZ$000	6-12 MONTHS NZ$000	GROUP 1-2 YEARS NZ$000	2-5 YEARS NZ$000	> 5 YEARS NZ$000
Secured bank loans - variable rate	-	-	825	-	-
Secured bank loans - fixed interest rate	-	2,000	4,173	4,710	-
Total	-	2,000	4,998	4,710	-

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

2011

	PARENT				
	< 6 MONTHS NZ$000	6-12 MONTHS NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000	> 5 YEARS NZ$000
Variable rate instruments	-	-	-	-	-
Intercompany loans	-	-	-	-	27,083
Total	-	-	-	-	27,083

2010

	PARENT				
	< 6 MONTHS NZ$000	6-12 MONTHS NZ$000	1-2 YEARS NZ$000	2-5 YEARS NZ$000	> 5 YEARS NZ$000
Variable rate instruments	-	-	-	-	-
Intercompany loans	-	-	-	-	26,825
Total	-	-	-	-	26,825

Fair values are grouped into three levels based upon the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices(unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data(unobservable inputs).

These loans are a mixture of fixed and floating bearing interest rates between 2.82% to 6.98%(2010 1.48% to 5.96%).

Fair Values

Cash and bank balances, accounts receivables and advances to subsidiaries

The carrying value of these financial instruments is equal to their fair value.

Creditors and borrowings

The carrying value of these financial instruments is equal to their fair value.

Foreign currency forward exchange contracts and currency options

The fair value of these classes of financial instruments is based on the quoted market prices of comparable financial instruments. The net fair value at 31 March 2011 was a liability of $0.2 million (2010 an asset of $1.8 million) Level 2 fair value.

Interest rate swaps

The fair value of these classes of financial instruments is based on the quoted market prices of comparable financial instruments. The net fair value at 31 March 2011 was a liability of $0.3 million (2010 a liability of $0.4 million) Level 2 fair value.

NOTES TO THE FINANCIAL STATEMENTS

24. DISCONTINUED OPERATIONS

a) Profit/(loss) for the year from discontinued operations

	GROUP			
	MARCH 2011 NZ$000 SHEARING	MARCH 2010 NZ$000 SHEARING	MARCH 2011 NZ$000 MEDICAL	MARCH 2010 NZ$000 MEDICAL
Revenue	1,449	6,543	-	2
Expenses	(1,230)	(12,494)	-	(69)
Deficit before taxation	219	(5,951)	-	(67)
Income tax credit/(expense)	78	143	-	-
Profit/(loss) for the year	297	(5,808)	-	(67)

Medical discontinued operations relate to BrainZ Instruments Limited. Following the sale to Natus of the assets the shares in BrainZ Instruments were sold on 30 September 2009.

Shearing discontinued operations relate to the shearing manufacturing facility in Villawood Sydney and the shearing category of sales worldwide.

Depreciation in relation to discontinued operations was $19,000 and $1,195,000 for the 2011 and 2010 years respectively.

Amortisation and impairment was $4,000 and $8,000 for the 2011 and 2010 years respectively.

b) Net cash inflow/(outflow) on disposal

	GROUP		GROUP	
	MARCH 2011 NZ$000 SHEARING	MARCH 2010 NZ$000 SHEARING	MARCH 2011 NZ$000 MEDICAL	MARCH 2010 NZ$000 MEDICAL
Consideration received in cash and cash equivalents	1,050	-	-	1,661
Less: cash and cash equivalent balances disposed of	-	-	-	(2,514)
	1,050	-	-	(853)

25. ACQUISITIONS

a) On 18 June 2010 the Company entered into an agreement with Electronic Data Holdings Limited to acquire all of the assets and intellectual property of EDiTiD, an RFID company for $500,000. The transaction settled on 9 July 2010.

	NZ$000
Inventory	159
Fixed assets	50
Goodwill	291
	500

EDiTiD is not run as a separate division of Tru-Test so we are unable to disclose the earnings impact of this transaction.

b) On 17 September 2010 Ritchey Limited acquired all of the assets of the ‘Ritchey’ division from Animalcare Group PLC. On 17 September 2010 Tru-Test UK Limited acquired all of the shares in Fearing International (Stock Aids) Limited from Animalcare Group PLC. Ritchey is a manufacturer,distributor and supplier of animal husbandry products in the United Kingdom and Republic of Ireland. Fearing sells agricultural products directly to farmers in the United Kingdom and Republic of Ireland via on-line and catalogue sales programmes. Both companies are seen as strong businesses with excellent growth potential, able to increase Tru-Test’s presence in the United Kingdom and serve as distribution centres to enable Tru-Test to better serve the United Kingdom and grow the wider European market.

An additional cash advance facility agreement of up to $5,000,000 NZD was signed with ASB on 15 September 2010 to facilitate these purchases.

The loan was drawn down in GBP. The loan secured by debentures from the companies purchased and a mortgage over the land and buildings in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

25. ACQUISITIONS (CONTINUED)

Net cash inflow/(outflow) on acquisition

	RITCHEY NZ$000		FEARING NZ$000
Consideration paid in cash and cash equivalents	4,187		1,227
Plus: cash and cash equivalent balances acquired	1		27
	4,188		1,254

The fair value of the financial assets acquired includes receivables.
Recognised amounts of identifiable assets acquired and liabilities assumed.

	RITCHEY NZ$000	FEARING NZ$000	TOTAL NZ$000
Cash	1	51	52
Inventory	1,284	700	1,984
Property, plant and equipment	1,849	101	1,950
Software	215	-	215
Intangibles	-	508	508
Accounts receivable	1,796	493	2,289
Accounts payable	(957)	(599)	(1,556)
Total identifiable net assets	4,188	1,254	5,442

Profit/(loss) for the year from acquisitions

	MARCH 2011 NZ$000 RITCHEY		MARCH 2011 NZ$000 FEARING
Revenue	6,084		3,174
Expenses	(6,158)		(2,750)
Deficit before taxation	(74)		424
Income tax(credit)/expense	-		-
Profit/(loss) for the year	(74)		424

26. SHARE-BASED PAYMENTS

Share ownership plan

The Group has a long term incentive plan for senior executives of the Group which provides for certain executives to be granted equity in the Group if certain performance criteria are met.

Under the plan the Board has the discretion to issue the following number of shares at the specified target share prices;

- In respect of the year ended 31 March 2010 at $1.10	762,727 shares
- In respect of the year ended 31 March 2011 at $1.30	645,385 shares
- In respect of the year ended 31 March 2012 at $1.55	541,290 shares
- In respect of the year ended 31 March 2013 at $1.85	453,514 shares
	2,402,916 shares

The target share prices were determined by adding an annual growth target of 20% to the 1 April 2009 share price of 0.90 cents per share. Once the shares are issued, a loan to the participants will be created for the value of the shares. Upon vesting the participants will receive a cash bonus sufficient to pay off this loan.

The shares issued will be restricted in the following ways until final vesting occurs;
- The shares are non transferable
- Dividends accrue but are not paid until final vesting
- The shares do not carry voting rights

The shares issued under the plan remain restricted until the earlier of the end of the plan (24 September 2013) or a liquidity event occurring.

A liquidity event is defined by the plan when either the Company sells more than 50% of its assets or a person acquires 50% or more of the Company's share capital.

Eligibilty to participate in the long term incentive plan and the award levels will be evaluated annually by the Tru-Test Board.

The following restricted shares were eligible to be issued to executives at 31 March 2011.
- In respect of the year ended 31 March 2010 762,727 shares
- In respect of the year ended 31 March 2011 645,385 shares

If the employee is still employed with Tru-Test at the end of the plan and the target share price has been met, the shares will be transferred to the employee outright with no restrictions. If the employee leaves Tru-Test before the end of the plan or the target share price is not met, Tru-Test will redeem the shares at the same price they were issued at.

The final number of shares to be issued is determined by the Company's share price as at 31 March 2013 (as determined by an independent valuer if there has been no liquidity event).

The following criteria will be used to determine the final number of shares that will be issued and vest with the participants;
If the 2013 valuation share price or liquidity event share price (as the case may be):
(a) is less than 74% of the Target Share Price (i.e., at or below $1.37), no Bonus Shares shall vest;
(b) is between 75% and 79% of the Target Share Price (i.e., between $1.38 and $1.46), 50%(1,201,458) of the Bonus Shares held by each Executive shall vest;
(c) is between 80% and 89% of the Target Share Price (i.e., between $1.47 and $1.65), 65%(1,561,895) of the Bonus Shares held by each Executive shall vest;
(d) is between 90% and 99% of the Target Share Price (i.e., between $1.66 and $1.84), 85%(2,042,479) of the Bonus Shares held by each Executive shall vest; and
(e) equals or exceeds the Target Share Price of $1.85, 100%(2,402,916) of the Bonus Shares held by each Executive shall vest.

The weighted average fair value of the restricted shares to be issued in respect of the 2010 and 2011 financial shares is 30.61 cents per share. The shares were valued using the binomial pricing model. The valuation was prepared by PricewaterhouseCoopers in March 2011 for the sole purpose of valuing the shares under this plan.

The key valuation model inputs are as follows;
Risk free rate - 2.53% to 3.81%.
Expected share price volatility - 41%. The expected volatility of returns of an investment in the equity of the Company.
Time equals 2.48 years. Time from the date of the valuation to maturity of the restricted shares.
Vesting date - 24 September 2013.
Dividend yield of zero.

The expense recognised by the group in the current financial year was $182,586.

27. SUBSEQUENT EVENTS

Acquisition

On the 7 April 2011 the Company entered into an agreement to increase its shareholding in its Brazilian subsidiary Farm Tech. The shareholding has been increased from 14% to 51%.

Issue of shares under long term incentive plan

On the 26th of May 2011 the Board of Directors resolved to issue 1,408,112 restricted ordinary shares under the long term incentive plan.

An amount of $182,586 has been recorded as an expense in relation to the issue of these shares in the 2011 financial year.

As the plan was approved at the 2010 annual meeting and in accordance with contractual commitments the financial impact of the issue of the shares for the first two years of the plan has been recorded in the current financial year even though the shares were actually issued post balance date.

AUDITOR'S REPORT

Deloitte

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
TRU-TEST CORPORATION LIMITED

Report on the Financial Statements

We have audited the financial statements of Tru-Test Corporation Limited and group on pages 5 to 36, which comprise the consolidated and separate balance sheet of Tru-Test Corporation Limited, as at 31 March 2011, the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, provision of taxation advice and corporate finance advice, we have no relationship with or interests in Tru-Test Corporation Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 5 to 36:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and give a true and fair view of the financial position of Tru-Test Corporation Limited and group as at 31 March 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

- we have obtained all the information and explanations we have required
- in our opinion proper accounting records have been kept by Tru-Test Corporation Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
9 August 2011
Auckland, New Zealand

STATUTORY INFORMATION

For the year ended 31 March 2011

REMUNERATION OF DIRECTORS

Remuneration paid to Directors during the year by the Company and Group were as follows:

	TRU-TEST 2011 NZ$000	BRAINZ INSTRUMENTS 2011 NZ$000	TRU-TEST 2010 NZ$000	BRAINZ INSTRUMENTS 2010 NZ$000
J J Loughlin (Chairman)	70	-	70	-
G J Muir (Managing Director) [1]	959	-	685	-
K J Aitchison [2]	40	-	40	12
Dr J Brown [2]	-	-	-	12
N C E Cairns	40	-	40	-
P W Cory-Wright [3]	17	-	26	-
M B N Dewdney [4]	9	-	40	-
R Jones	40	-	40	-
Dr D Pethica [2]	-	-	-	18
P J Pryke	40	-	40	-

[1] G J Muir was appointed to the Tru-Test Corporation Board effective 20 February 2009. This amount includes both salary and short term and long term incentives paid or accrued for the year.

[2] BrainZ Directors' fees relate to April 2009 to September 2009 only

[3] P W Cory-Wright was appointed 21 August 2009 and resigned on 1 September 2010

[4] M B N Dewdney resigned 22 June 2010

No Directors' fees were paid by the Parent company during the year.

STATUTORY INFORMATION

For the year ended 31 March 2011

REMUNERATION OF EMPLOYEES

The number of employees whose remuneration during the year was in the specified bands are as follows:

	GROUP	
	2011	2010
100001-110000	13	9
110001-120000	7	8
120001-130000	4	4
130001-140000	1	1
140001-150000	4	2
150001-160000	2	2
160001-170000	2	4
170001-180000	1	1
180001-190000	-	-
190001-200000	-	1
200001-210000	1	1
210001-220000	-	-
220001-230000	-	-
230001-240000	1	-
240001-250000	-	-
250001-260000	-	1
260001-270000	-	1
270001-280000	-	-
280001-290000	1	1
290001-300000	-	-
300001-310000	-	-
310001-320000	2	-
320001-330000	-	1
331001-340000	-	-
340001-350000	-	-

These numbers include off-shore employee's who are paid in USD and AUD. There are no employees of the Parent company.

ENTRIES RECORDED IN THE INTERESTS REGISTER

a) Directors' interest in transactions

Directors have declared interests in the following transactions with the Company during the period.

P J Pryke gave notice that he is a Director of Co-Investor and therefore will be an interested party in all transactions involving it and the Company.

NCE Cairns gave notice that he is a Director of Kestrel Capital Pty Ltd and therefore will be an interested party in all transactions involving it and the Company.

JJ Loughlin advised that he is a Director of Allied Farmers who are a customer of Tru-Test Ltd. He resigned as a Director of Allied Farmers effective from 20 August 2010.

M B N Dewdney gave general notice that he is a Director of LIC Ltd and therefore will be an interested party in all transactions involving it and the Company.

M B N Dewdney subsequently resigned from the Board of Tru-Test with effect from 22 June 2010.

b) Share dealing by Directors

During the year interests associated with Greg Muir, Managing Director acquired 62,000 shares.

c) Use of Company information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not have otherwise been available to them.

Directory

DIRECTORS

J J Loughlin (Chairman)

G J Muir (Managing Director)

K J Aitchison

N C E Cairns

P W Cory-Wright (resigned 1/09/2010)

M B N Dewdney (resigned 22/06/2010)

R Jones

P J Pryke

AUDITORS

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80 Queen St
Auckland
New Zealand

SOLICITORS

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New Zealand

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