Scott Technology Limited

# 2017 HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

SCOTT

Scott X-Ray, Primal and Middle Systems (left and rear) integrated into a customer's lamb boning room.

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# CHAIRMAN & MANAGING DIRECTOR'S COMMENTARY

REVENUE
$56.7M
an increase of 32%
on the prior year

The Directors are pleased to report the company has achieved a surplus before tax of $4.2 million for the six months ended 28 February 2017, an increase of 50% on the $2.8 million recorded for the first half of the 2016 financial year. The current year's growth has been greatly assisted by the integration of recent acquisitions and the commercial uptake of the company's own developed technologies.

Reported revenue for the first half of 2017 was $56.7 million, an increase of 32% on the $42.8 million recorded in the first half of 2016.

There continues to be a significant trend toward automation and robotics around the world; at the same time the international markets we operate in remain volatile and unpredictable. Scott's strategy to grow our skill base and to establish critical mass in our key markets of Australasia, North America, China and Europe means we are well positioned to take advantage of and manage the impact of these trends and risks.

A strong operating cash inflow of $10.2 million recorded for the first half of 2017 resulted in cash at bank of $32.8 million at 28 February 2017. $25 million of this is from the April 2016 capital raising, after repayment of all company bank debt. The company's strong balance sheet positions us well to deliver growth through planned organic and acquisition growth.

## REVIEW OF OPERATIONS

Operating performance across the group continued in line with the increase in sales. Economies of scale gained through a series of repeat builds for the food and industrial automation industries, together with a closer sharing of skills and resources on projects between Australia and New Zealand, resulted in the company's Australasian sales being up 34% from the previous corresponding period. The Australasian manufacturing segment also benefited from the purchase of the BladeStop bandsaw safety technology in October 2016 which sits alongside our expanding suite of food processing applications that focus on improving safety, efficiency and yield.

Within our Americas manufacturing segment, RobotWorx continues to experience pressure on margins and profitability as a result of the reduced availability of robots for refurbishment. However, the stronger 'local presence' in the US market provides

## REVIEW OF OPERATIONS *(Cont)*

benefits to the wider Scott group through access to many potential new customers; quicker in-market response for service work; and it provides a launching point into the North American market for the sale of BladeStop bandsaws.

Our Europe and Asia manufacturing segment was expanded in the second half of the previous financial year through the acquisition of the business assets of a German competitor who supplied equipment to the appliance industry. This acquisition provides us with critical mass to deliver and support Scott's engineered solutions into the large European market. The European market is very competitive and conversion of new sales will be slow initially, and we have taken a longer term strategic view to the development of this market and our business in Germany. The China market has been lumpy for direct manufacturing sales into China, however, our China business provides a valuable source of lower cost manufactured components which are inputs to our Australasian activities.

A wide range of Research and Development activities continues to be undertaken and these will support and supplement future organic growth.

**4 CENTS**
per share interim dividend

## DIVIDEND

The Directors have declared an interim dividend of 4.0 cents, fully imputed, payable on 26 April 2017. This dividend, at the same level as the prior year, is being paid on the increased share capital introduced last year through the Scheme of Arrangement with JBS Australia. The dividend reflects the strong operating cash flows being generated by the business and the Directors' confidence of a strong full year result.

## LOOKING AHEAD

The company is well positioned to take advantage of the increasing demand for our skills, our technology and our equipment. Commercialisation of the company's technologies will continue and will underpin organic growth, while potential acquisitions are regularly being reviewed and evaluated to further drive strategic growth where they provide strong value propositions for all stakeholders.

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director


In October 2016 Scott announced the acquisition of the business assets of BladeStop Pty Limited ("BladeStop").

BladeStop is bandsaw safety technology used in the meat processing industry that sits along side Scott's expanding suite of meat processing applications which focus on improving safety, efficiency, and yield. BladeStop is uniquely designed to reduce the risks of serious injury by mechanically stopping the bandsaw blade when the unit senses that a person has come in contact with the blade. Upon sensing contact with the operator, the blade stops operating within 15 milliseconds which can be the difference between having a small skin cut or an amputated finger. The technology was developed in conjunction with Meat & Livestock Australia, while Scott has also contributed to its continued development over the last eighteen months.

BladeStop has worldwide application in the processing of different species of animal and can be used by high volume processors through to lower volume butchery and supermarket environments.

## STATEMENT OF COMPREHENSIVE INCOME

**For the Six Months Ended 28 February 2017**

| | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|
| Revenue | 56,670 | 42,816 | 112,044 |
| Interest received | 353 | 38 | 299 |
| Other income | 126 | 158 | 2,172 |
| Share of joint ventures' and associates' net surplus/(deficit) | (31) | 67 | 378 |
| Raw materials, consumables used and other expenses | (32,976) | (23,445) | (66,579) |
| Employee benefits expense | (18,686) | (15,611) | (34,920) |
| Depreciation and amortisation | (1,205) | (848) | (1,744) |
| Finance costs | (40) | (418) | (685) |
| **NET SURPLUS BEFORE TAXATION** | 4,211 | 2,757 | 10,965 |
| Taxation expense | (1,324) | (809) | (2,831) |
| **NET SURPLUS FOR THE PERIOD AFTER TAX** | 2,887 | 1,948 | 8,134 |
| **Other Comprehensive Income** | | | |
| Translation of foreign operations | (172) | 148 | (201) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX** | 2,715 | 2,096 | 7,933 |
| **Net surplus for the period is attributable to:** | | | |
| Members of the parent entity | 2,498 | 2,032 | 7,485 |
| Non controlling interest | 389 | (84) | 649 |
| | 2,887 | 1,948 | 8,134 |
| **Total comprehensive income is attributable to:** | | | |
| Members of the parent entity | 2,326 | 2,180 | 7,284 |
| Non controlling interest | 389 | (84) | 649 |
| | 2,715 | 2,096 | 7,933 |
| | **Cents Per Ordinary Share** | | |
| **Earnings (attributable to members of the parent entity):** | | | |
| Basic | 3.3 | 4.5 | 13.3 |
| Diluted | 3.3 | 4.5 | 13.3 |
| **Net tangible assets:** | | | |
| Basic | 65.9 | 37.5 | 82.2 |
| Diluted | 65.9 | 37.5 | 82.2 |

## STATEMENT OF CHANGES IN EQUITY

**For the Six Months Ended 28 February 2017**

| | Fully Paid Ordinary Shares $'000s | Retained Earnings $'000s | Foreign Currency Translation Reserve $'000s | Non Controlling Interest $'000s | Total $'000s |
|---|---|---|---|---|---|
| **Six Months Ended 28 February 2017 (Unaudited)** | | | | | |
| Balance at 31 August 2016 | 71,312 | 24,279 | (1,660) | 669 | 94,600 |
| Net surplus for the period after tax | - | 2,498 | - | 389 | 2,887 |
| Other comprehensive income for the period net of tax | - | - | (172) | - | (172) |
| Dividends paid (5.5 cents per share) | - | (4,107) | - | - | (4,107) |
| Acquisition of minority interest in Subsidiary | - | 990 | - | (997) | (7) |
| **Balance at 28 February 2017** | 71,312 | 23,660 | (1,832) | 61 | 93,201 |
| **Six Months Ended 29 February 2016 (Unaudited)** | | | | | |
| Balance at 31 August 2015 | 30,943 | 21,114 | (1,459) | 20 | 50,618 |
| Net surplus/(deficit) for the period after tax | - | 2,032 | - | (84) | 1,948 |
| Other comprehensive income for the period net of tax | - | - | 148 | - | 148 |
| Dividends paid (5.5 cents per share) | - | (2,501) | - | - | (2,501) |
| **Balance at 29 February 2016** | 30,943 | 20,645 | (1,311) | (64) | 50,213 |
| **Twelve Months Ended 31 August 2016 (Audited)** | | | | | |
| Balance at 31 August 2015 | 30,943 | 21,114 | (1,459) | 20 | 50,618 |
| Net surplus for the year after tax | - | 7,485 | - | 649 | 8,134 |
| Other comprehensive income for the year net of tax | - | - | (201) | - | (201) |
| Dividends paid (9.5 cents per share) | - | (4,320) | - | - | (4,320) |
| Issue of ordinary shares under JBS Australia Pty Ltd Scheme of Arrangement | 40,597 | - | - | - | 40,597 |
| Share issue costs | (228) | - | - | - | (228) |
| **Balance at 31 August 2016** | 71,312 | 24,279 | (1,660) | 669 | 94,600 |

## BALANCE SHEET

**As at 28 February 2017**

| | Notes | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|---|
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | | 32,810 | 7,338 | 34,244 |
| Trade debtors | | 13,540 | 11,879 | 15,833 |
| Other financial assets | | 472 | 1,208 | 1,377 |
| Sundry debtors and prepayments | | 1,037 | 1,367 | 1,125 |
| Inventories | | 10,660 | 13,110 | 12,343 |
| Receivable from joint ventures and associates | | 1,863 | 1,869 | 1,393 |
| | | 60,382 | 36,771 | 66,315 |
| **NON CURRENT ASSETS** | | | | |
| Property, plant and equipment | | 12,415 | 11,438 | 12,831 |
| Investment in joint ventures and associates | | 890 | 612 | 923 |
| Other financial assets | | - | 2 | 99 |
| Goodwill | | 29,911 | 29,758 | 29,911 |
| Deferred tax asset | | 2,206 | 1,717 | 1,603 |
| Receivable from joint ventures and associates | | 137 | 1,501 | 431 |
| Intangible assets | 6 | 11,873 | 1,696 | 1,698 |
| | | 57,432 | 46,724 | 47,496 |
| **TOTAL ASSETS** | | 117,814 | 83,495 | 113,811 |
| **CURRENT LIABILITIES** | | | | |
| Trade creditors and accruals | | 9,406 | 9,383 | 8,362 |
| Finance lease liabilities | | 32 | 33 | 32 |
| Other financial liabilities | | 182 | 195 | 523 |
| Employee entitlements | | 3,316 | 3,229 | 4,006 |
| Provision for warranty | | 1,096 | 750 | 1,100 |
| Payable to joint ventures | | 214 | 430 | 346 |
| Taxation payable | | 1,686 | 1,082 | 1,912 |
| Current portion of bank loans | | - | 9,797 | - |
| Contract work in progress | | 2,310 | 900 | 1,137 |
| Current portion of deferred settlement of intangible asset purchase | 6 | 1,066 | - | - |
| | | 19,308 | 25,799 | 17,418 |
| **NON CURRENT LIABILITIES** | | | | |
| Bank loans | | - | 6,907 | - |
| Other financial liabilities | | - | 2 | 99 |
| Employee entitlements | | 2,067 | 498 | 1,639 |
| Finance lease liability | | 40 | 76 | 55 |
| Non current portion of deferred settlement of intangible asset purchase | 6 | 3,198 | - | - |
| | | 5,305 | 7,483 | 1,793 |
| **EQUITY** | | | | |
| Share capital | | 71,312 | 30,943 | 71,312 |
| Retained earnings | | 23,660 | 20,645 | 24,279 |
| Foreign currency translation reserve | | (1,832) | (1,311) | (1,660) |
| Equity attributable to equity holders of the parent | | 93,140 | 50,277 | 93,931 |
| Non controlling interest | | 61 | (64) | 669 |
| **TOTAL EQUITY** | | 93,201 | 50,213 | 94,600 |
| **TOTAL LIABILITIES & EQUITY** | | 117,814 | 83,495 | 113,811 |

## STATEMENT OF CASHFLOWS

**For the Six Months Ended 28 February 2017**

| | Notes | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Cash was provided from/(applied to):** | | | | |
| Receipts from operations | | 60,576 | 51,264 | 118,880 |
| Interest received | | 353 | 38 | 299 |
| Net GST received/(paid) | | 531 | 470 | (372) |
| Payments to suppliers and employees | | (49,023) | (41,030) | (100,463) |
| Interest paid | | (40) | (451) | (773) |
| Taxation paid | | (2,153) | (385) | (1,463) |
| **Net cash inflow from operating activities** | 2 | 10,244 | 9,906 | 16,108 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| **Cash was provided from/(applied to):** | | | | |
| Purchase of property, plant, equipment and intangible assets | | (6,790) | (799) | (2,984) |
| Sale of property, plant and equipment | | 90 | - | 481 |
| Advance from joint ventures and associates | | (306) | 131 | 1,593 |
| Repayment of advance to Employee Share Purchase Scheme | | - | - | 2 |
| Purchase of business assets | | - | - | (880) |
| Purchase of non controlling interest in subsidiary | | (550) | - | - |
| **Net cash outflow from investing activities** | | (7,556) | (668) | (1,788) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| **Cash was provided from/(applied to):** | | | | |
| Repayment of borrowings | | (15) | (684) | (17,410) |
| Dividends paid | | (4,107) | (2,501) | (4,320) |
| Issue of share capital, net of issue costs | | - | - | 40,369 |
| **Net cash inflow/(outflow) from financing activities** | | (4,122) | (3,185) | 18,639 |
| Net increase/(decrease) in cash held | | (1,434) | 6,053 | 32,959 |
| Add cash and cash equivalents at beginning of the period | | 34,244 | 1,285 | 1,285 |
| **Balance at end of the period** | | 32,810 | 7,338 | 34,244 |
| **Comprised of:** | | | | |
| Cash and cash equivalents | | 32,810 | 7,338 | 34,244 |

# NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

**For the Six Months Ended 28 February 2017**

## 1. FINANCIAL STATEMENTS

### Statement of Compliance

The unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standard 34 ("NZ IAS-34") "Interim Financial Reporting" and other applicable financial reporting standards as appropriate for profit oriented entities. Compliance with NZ IAS-34 ensures compliance with International Accounting Standard 34 "Interim Financial Reporting".

These financial statements have been prepared using the same accounting policies as the previously published annual financial statements as at 31 August 2016. These interim financial statements should be read in conjunction with the policies disclosed in the annual financial statements.

## 2. NOTES TO THE CASHFLOW STATEMENT

| | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|
| Net surplus for the period | 2,887 | 1,948 | 8,134 |
| **Adjustments for non-cash items:** | | | |
| Depreciation and amortisation | 1,205 | 848 | 1,744 |
| Net loss/(gain) on sale of property, plant and equipment | - | - | 215 |
| Deferred tax | (603) | 504 | 618 |
| Share of net deficit/(surplus) of joint ventures and associates | 31 | (67) | (378) |
| Impairment of net assets (QMT Machinery Technology (Qingdao) Co Limited) | - | - | 449 |
| **Add/(less) movement in working capital:** | | | |
| Trade debtors | 2,293 | 4,033 | 79 |
| Other financial assets - derivatives | 1,004 | 438 | 172 |
| Sundry debtors and prepayments | 88 | (260) | (18) |
| Inventories | 1,683 | (1,694) | (927) |
| Contract work in progress | 1,173 | 3,948 | 4,185 |
| Taxation payable | (226) | (80) | 750 |
| Trade creditors and accruals | 1,044 | 511 | (510) |
| Other financial liabilities - derivatives | (440) | (440) | (17) |
| Employee entitlements | (262) | 69 | 1,987 |
| Provision for warranty | (4) | - | 350 |
| **Movements in working capital disclosed in investing/financing activities:** | | | |
| Movement in foreign exchange translation reserve relating to working capital | (172) | 148 | (201) |
| Working capital relating to business purchases/amalgamation | - | - | (75) |
| Impairment of net assets (QMT Machinery Technology (Qingdao) Co Ltd | - | - | (449) |
| Working capital relating to purchase of non controlling interest | 543 | - | - |
| Net cash inflow from operating activities | 10,244 | 9,906 | 16,108 |

## 3. CONTINGENT LIABILITIES

| | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|
| Payment guarantees and performance bonds | 3,550 | 7,275 | 6,071 |
| Stock Exchange bond | 75 | 75 | 75 |
| Rental bond | 16 | - | - |
| Maximum contract penalty clause exposure | 2,317 | 2,064 | 1,431 |

Payment guarantees are provided to customers in respect of advance payments received by the Group for contract work in progress, while performance bonds are provided to some customers for a period of up to one year from final acceptance of the equipment.

Scott Technology Limited has a payment bond to the value of $75,000 in place with ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are common in international contractual agreements. There is a clearly defined sequence of events that needs to occur before penalty clauses are imposed.

## 4. FINANCIAL STATEMENTS

### 4.1 Products and Services from which Reportable Segments Derive Their Revenues

The Group's reportable segments under NZ IFRS-8 are:

- Australasia Manufacturing
- Americas Manufacturing
- Asia and Europe Manufacturing

Australasia is reported as a single segment due to the integrated nature of customers, manufacturing, sales and financing activities across New Zealand and Australia.

Asia and Europe is reported as a single segment due to the integrated nature of customers, manufacturing and sales activities across Asia and Europe.

Information regarding the Group's reporting segments is presented below.

### 4.2 Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment. For the purposes of NZ IFRS-8 allocations are based on the operating results by segment. The Group does not allocate certain resources (such as senior executive management time) and central administration costs by segment for internal reporting purposes and therefore these allocations may not result in a meaningful and comparable measure of profitability by segment.

### 4.2 Segment Revenues and Results *(Cont)*

| Six Months Ended 28 February 17 (Unaudited) | Australasia Manufacturing $'000s | Americas Manufacturing $'000s | Asia & Europe Manufacturing $'000s | Unallocated $'000s | Total $'000s |
|---|---|---|---|---|---|
| Revenue | 45,091 | 6,263 | 5,316 | - | 56,670 |
| Operating profit/(loss) | 7,202 | 598 | (648) | - | 7,152 |
| Depreciation and amortisation | (825) | (76) | (121) | (183) | (1,205) |
| Share of surplus/(deficit) of joint ventures | - | (18) | (13) | - | (31) |
| Interest revenue | 2 | - | - | 351 | 353 |
| Central administration costs and foreign exchange | - | - | - | (2,018) | (2,018) |
| Finance costs | (40) | - | - | - | (40) |
| Net profit/(loss) before taxation | 6,339 | 504 | (782) | (1,850) | 4,211 |
| Taxation (expense)/credit | (1,934) | (149) | 219 | 540 | (1,324) |
| Net profit/(loss) after taxation | 4,405 | 355 | (563) | (1,310) | 2,887 |

| Six Months Ended 29 February 16 (Unaudited) | Australasia Manufacturing $'000s | Americas Manufacturing $'000s | Asia & Europe Manufacturing $'000s | Unallocated $'000s | Total $'000s |
|---|---|---|---|---|---|
| Revenue | 33,533 | 8,184 | 1,099 | - | 42,816 |
| Operating profit/(loss) | 4,911 | 840 | (237) | - | 5,514 |
| Depreciation and amortisation | (380) | (117) | (87) | (264) | (848) |
| Share of surplus/(deficit) of joint ventures and associate | 21 | 43 | 3 | - | 67 |
| Interest revenue | 2 | - | 2 | 34 | 38 |
| Central administration costs and foreign exchange | - | - | - | (1,596) | (1,596) |
| Finance costs | (341) | (77) | - | - | (418) |
| Net profit/(loss) before taxation | 4,213 | 689 | (319) | (1,826) | 2,757 |
| Taxation (expense)/credit | (1,227) | (210) | 89 | 539 | (809) |
| Net profit/(loss) after taxation | 2,986 | 479 | (230) | (1,287) | 1,948 |

#### 4.2 Segment Revenues and Results *(Cont)*

| Twelve Months Ended 31 August 16 (Audited) | Australasia Manufacturing $'000s | Americas Manufacturing $'000s | Asia & Europe Manufacturing $'000s | Unallocated $'000s | Total $'000s |
|---|---|---|---|---|---|
| Revenue | 88,151 | 15,355 | 8,538 | - | 112,044 |
| Operating profit/(loss) | 18,362 | 881 | (1,092) | - | 18,151 |
| Impairment of net assets | - | - | (449) | - | (449) |
| Depreciation and amortisation | (1,150) | (150) | (141) | (303) | (1,744) |
| Share of surplus/(deficit) of joint ventures | 250 | 120 | 8 | - | 378 |
| Interest revenue | 5 | - | 2 | 292 | 299 |
| Central administration costs and foreign exchange | - | - | - | (4,985) | (4,985) |
| Finance costs | (346) | (241) | (2) | (96) | (685) |
| Net profit/(loss) before taxation | 17,121 | 610 | (1,674) | (5,092) | 10,965 |
| Taxation (expense)/credit | (4,599) | (110) | 469 | 1,409 | (2,831) |
| Net profit/(loss) after taxation | 12,522 | 500 | (1,205) | (3,683) | 8,134 |

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $1.4 million for the six months ended 28 February 2017 (six months ended 29 February 2016: $0.7 million).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs, share of profits of joint ventures, investment revenue and finance costs.

## 5. FINANCIAL INSTRUMENTS

The Group enters into foreign currency forward exchange contracts to hedge trading transactions, including anticipated transactions, denominated in foreign currencies.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as cashflow hedges of highly probable forecast transactions.

## 5. FINANCIAL INSTRUMENTS *(Cont)*

| | 6 mths 28 Feb 17 (Unaudited) $'000s | 6 mths 29 Feb 16 (Unaudited) $'000s | 12 mths 31 Aug 16 (Audited) $'000s |
|---|---|---|---|
| **Fair value of derivative financial instruments** | | | |
| **Other financial assets - derivatives:** | | | |
| Foreign currency forward contracts held as effective fair value hedges | 180 | 196 | 620 |
| Foreign exchange derivatives | 148 | 948 | 377 |
| Foreign exchange collar option derivatives | 144 | 89 | 479 |
| **Other financial liabilities - derivatives:** | | | |
| Fair value hedge of open firm commitments | (180) | (196) | (620) |
| Foreign exchange collar option derivatives | - | (23) | - |
| | 292 | 1,014 | 856 |

The Group has categorised these derivatives, both financial assets and financial liabilities, as Level 2 under the fair value hierarchy contained within NZ IFRS 13.

The fair value of foreign currency forward exchange contracts is determined using a discounted cashflow valuation. Key inputs include observable forward exchange rates, at the measurement date, with the resulting value discounted back to present values.

There have been no changes in valuation techniques used for foreign currency forward exchange contracts during the current reporting period.

There were no transfers between fair value hierarchy levels during either the current or prior periods.

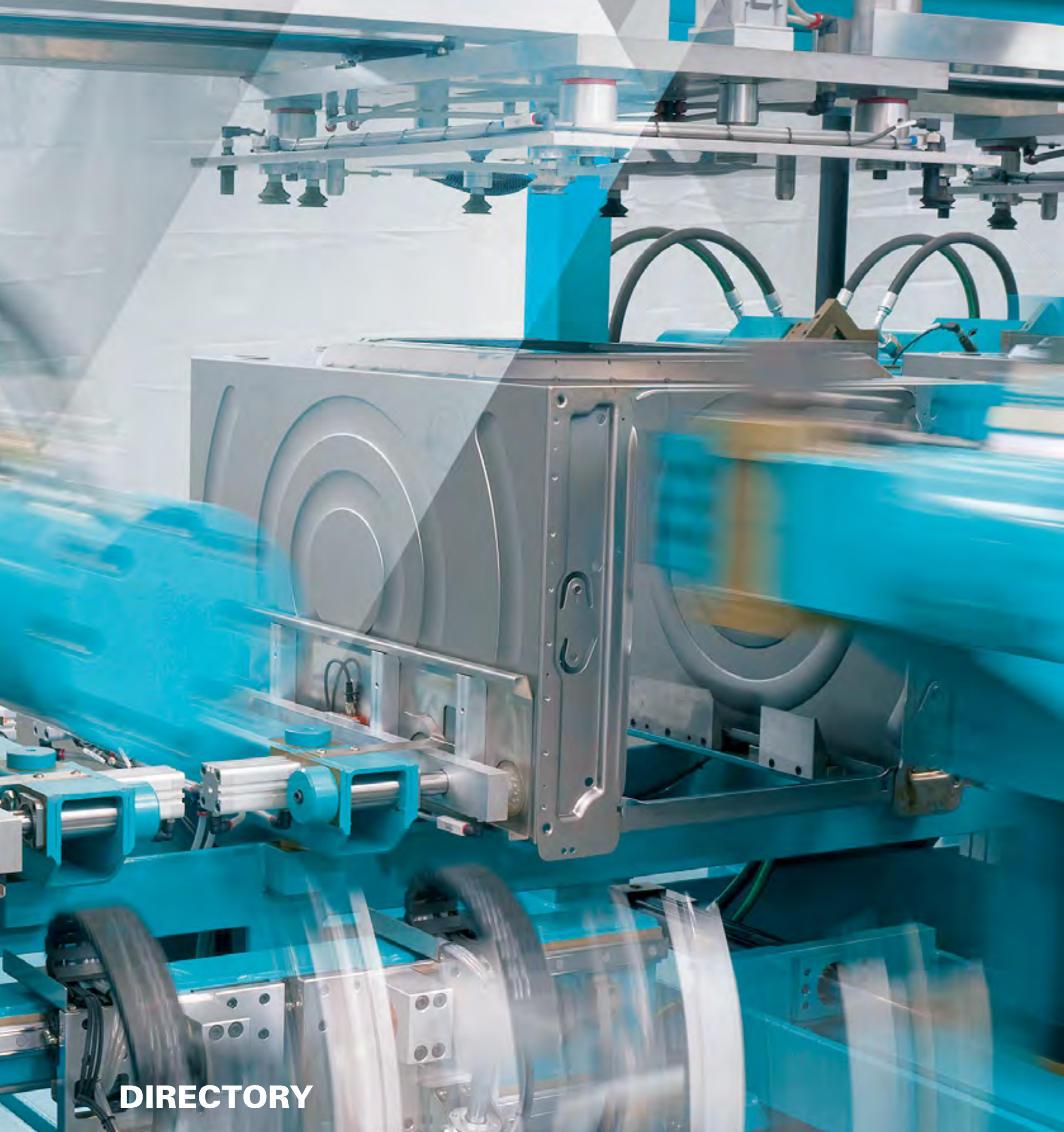
The fair value of financial instruments not already measured at fair value approximates their carrying value,

## 6. ACQUISITION OF BLADESTOP TECHNOLOGY

On 31 October 2016 the Group purchased the business assets of BladeStop Pty Limited, being entirely intellectual property. The purchase price consisted of an upfront cash payment of A$6 million, plus the vendors will share in the BladeStop earnings for an agreed period. The deferred portion of the purchase price is estimated to be A$4 million.

## 7. SUBSEQUENT EVENTS

On 5 April 2017 the Board of Directors approved an interim dividend of four cents per share with full imputation credits attached to be paid for the 2017 year (2016 interim dividend: four cents per share).



# DIRECTORY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Chris Hopkins

**Directors Representing JBS Australia Pty Ltd (not Independent Directors)**
Andre Nogueira
Brent Eastwood
Edison Alvares

**Chief Financial Officer & Company Secretary**
Greg Chiles

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