SCOTT

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23 March 2012

GROWTH CONTINUES

COMMENTARY ON HALF YEAR REPORT TO 29 FEBRUARY 2012

Highlights

	6 Months 29 Feb 2012	6 Months 28 Feb 2011	
Revenue	$29.4m	$21.8m	35% increase
Net profit before tax	$2.8m	$2.2m	27% increase
Interim dividend	2.5 cps	2.0 cps	25% increase
Total assets	$48.8m	$37.0m	32% increase

Financial Commentary

The Company has delivered growth in revenue and profit despite challenging global business conditions. The Group's unaudited result for the six months ended 29 February 2012 was a net profit before tax of $2.8 million, compared to an unaudited net profit before tax of $2.2 million for the six months ended 28 February 2011. Group revenue for the six months was $29.4 million, compared to Group revenue of $21.8 million for the six months ended 28 February 2011.

Review of Operations

The Group's diversification across a range of industries has enabled us to again deliver a strong result.

The global increase in demand and prices for commodities continues to drive strong sales for our mining equipment and consumables, while we are also seeing strong demand for appliance production lines into both China and Australia and meat processing solutions into Australia. Enquiries for appliance production lines from North America, historically a significant driver of our business, are variable, while demand from Europe is almost non-existent. Both North America and Europe have been impacted by their domestic and regional economic conditions.

The Company's ongoing investment in HTS-110 Ltd, which designs and builds high temperature superconductors and electromagnets, is performing according to plan. A small positive contribution from operations before reinvestment in research and development was recorded by HTS-110 in this half year.

With several recent successful installations of meat processing systems in both Australia and New Zealand, we continue to see strong forward momentum in this market.

Business Growth

The Group has been actively looking at ways to expand skills and capacity. Organic growth is driven by our innovation and by expanding our range of offerings. We continue to seek acquisitions that will deliver immediate returns and will enhance our existing skill base.

In September 2011 we acquired a 75% shareholding in a Chinese manufacturing facility. It is expected that its existing contract manufacturing base will cover ongoing costs, while providing Scott with a base to take advantage of opportunities within the Chinese and wider Asian markets. In conjunction with this, our Head of Appliance Systems has transferred to China to transition the Chinese business. This move places us geographically closer to our main appliance systems markets and will assist us to better service and develop these markets.

Dividend

The Directors have approved an interim dividend of 2.5 cents per share, fully imputed, payable on 24 April 2012. The Dividend Reinvestment Plan introduced by the Company in 2011 will apply to this payment.

Looking Forward

All areas of the business remain fully engaged with forward work extending toward 2013. With increased demand for our range of standard products we are allocating additional resource to reduce lead times to customers. New orders for large capital projects have reduced as uncertain markets globally slow decisions on capital expenditure or defer projects. This workload has been replaced by an increase in smaller projects, upgrades and standard equipment. The introduction of several new products also boosts overall demand.

The Company continues to see growth opportunities across a range of activities and will progress these where they add value to the business.

Stuart J McLauchlan	Christopher C Hopkins
Chairman	Managing Director
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SCOTT TECHNOLOGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 29 February 2012

	6 mths 29 Feb 12 (Unaudited) $'000s	6 mths 28 Feb 11 (Unaudited) $'000s	12 mths 31 Aug 11 (Audited) $'000s
Revenue	29,356	21,775	53,603
Other income	626	504	5,606
Share of joint ventures' & associates net surplus	76	42	53
Raw materials, consumables & other expenses	(17,043)	(12,151)	(33,043)
Employee benefits expense	(9,595)	(7,266)	(17,394)
Depreciation & amortisation	(548)	(509)	(1,018)
Finance costs	(49)	(232)	(494)
NET SURPLUS BEFORE TAXATION	2,823	2,163	7,313
Taxation expense	(743)	(601)	(2,096)
NET SURPLUS FOR THE PERIOD AFTER TAX	2,080	1,562	5,217
Other Comprehensive Income			
Movement in cashflow hedge reserve	287	46	(63)
Translation of foreign operations	(47)	(85)	(145)
Other comprehensive income for the period net of tax	240	(39)	(208)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	2,320	1,523	5,009
Net surplus for the period is attributable to:			
Members of the parent entity	2,268	1,589	5,326
Non controlling interest	(188)	(27)	(109)
	2,080	1,562	5,217
Total comprehensive income is attributable to:			
Members of the parent entity	2,508	1,550	5,118
Non controlling interest	(188)	(27)	(109)
	2,320	1,523	5,009
Net surplus (attributable to members of the parent entity) per share from continuing operations:			
Basic (cents per share)	5.7	5.0	16.6
Diluted (cents per share)	5.7	5.0	16.6
Net tangible assets per ordinary share:			
Basic (cents per share)	65.0	45.7	63.3
Diluted (cents per share)	65.0	45.7	63.3

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 29 February 2012

Six Months Ended 29 February 2012	Fully Paid Ordinary Shares (Unaudited) $'000s	Retained Earnings (Unaudited) $'000s	Cashflow Hedge Reserve (Unaudited) $'000s	Foreign Currency Translation Reserve (Unaudited) $'000s	Non Controlling Interest (Unaudited) $'000s	Total (Unaudited) $'000s
Balance at 31 August 2011	21,591	13,024	(1)	(145)	1,315	35,784
Net surplus/(deficit) for the period after tax	-	2,268	-	-	(188)	2,080
Other comprehensive income for the period net of tax	_	-	399	(47)	-	352
Deferred tax on movement in cashflow hedge reserve	-	-	(112)	-	-	(112)
Issue of ordinary shares under dividend reinvestment plan	886	-	-	-	-	886
Dividends paid (5.00 cents per share)	-	(1,986)	-	-	-	(1,986)
Acquisition of subsidiary	-	-	-	-	236	236
Balance at 29 February 2012	22,477	13,306	286	(192)	1,363	37,240

Six Months Ended 28 February 2011	Fully Paid Ordinary Shares (Unaudited) $'000s	Retained Earnings (Unaudited) $'000s	Cashflow Hedge Reserve (Unaudited) $'000s	Foreign Currency Translation Reserve (Unaudited) $'000s	Non Controlling Interest (Unaudited) $'000s	Total (Unaudited) $'000s
Balance at 31 August 2010	11,781	9,583	62	-	(15)	21,411
Net surplus/(deficit) for the period after tax	-	1,589	-	-	(27)	1,562
Other comprehensive income for the period net of tax	-	-	46	(85)	-	(39)
Dividends paid (4.00 cents per share)	-	(976)	-	-	-	(976)
Balance at 28 February 2011	11,781	10,196	108	(85)	(42)	21,958

Twelve Months Ended 31 August 2011	Fully Paid Ordinary Shares (Audited) $'000s	Retained Earnings (Audited) $'000s	Cashflow Hedge Reserve (Audited) $'000s	Foreign Currency Translation Reserve (Audited) $'000s	Non Controlling Interest (Audited) $'000s	Total (Audited) $'000s
Balance at 31 August 2010	11,781	9,583	62	-	(15)	21,411
Net surplus/(deficit) for the year after tax	-	5,326	-	-	(109)	5,217
Other comprehensive income for the year net of tax	-	-	(63)	(145)	-	(208)
Issue of ordinary shares under rights issue	9,534	-	-	-	-	9,534
Share issue costs	(251)	-	-	-	-	(251)
Issue of ordinary shares under dividend reinvestment plan	527	-	-	-	-	527
Dividends paid (6.00 cents per share)	-	(1,885)	-	-	-	(1,885)
Acquisition of subsidiary	-	-	-	-	1,439	1,439
Balance at 31 August 2011	21,591	13,024	(1)	(145)	1,315	35,784

SCOTT TECHNOLOGY LIMITED
BALANCE SHEET
As at 29 February 2012

	6 mths 29 Feb 12 (Unaudited) $'000s	6 mths 28 Feb 11 (Unaudited) $'000s	12 mths 31 Aug 11 (Audited) $'000s
CURRENT ASSETS			
Cash and cash equivalents	2,087	199	3,524
Trade debtors	7,830	9,930	8,644
Other financial assets	1,590	1,296	1,189
Sundry debtors and prepayments	1,378	962	511
Inventories	4,759	3,330	4,890
Contract work in progress	6,050	-	3,511
Receivable from joint ventures & associates	522	2,053	677
Deposit on purchase of business	-	-	293
	24,216	17,770	23,239
NON CURRENT ASSETS			
Property, plant and equipment	10,935	10,375	10,474
Investment in joint ventures & associates	447	234	224
Other financial assets	-	19	238
Goodwill	10,813	7,515	10,452
Deferred tax asset	1,249	-	419
Receivable from joint ventures & associates	949	1,040	1,910
Intangible assets	209	-	177
	24,602	19,183	23,894
TOTAL ASSETS	48,818	36,953	47,133
CURRENT LIABILITIES			
Trade creditors and accruals	5,447	3,911	5,115
Other financial liabilities	2,016	2,570	901
Employee entitlements	1,632	2,036	2,521
Provision for warranty	500	350	500
Bank loans – current portion	-	1,093	-
Contract work in progress	-	546	-
Taxation payable	878	720	1,295
	10,473	11,226	10,332
NON CURRENT LIABILITIES			
Other financial liabilities	-	-	300
Employee entitlements	1,105	224	717
Bank loans – non current portion	-	3,516	-
Deferred tax liability	-	29	-
	1,105	3,769	1,017
OWNERS EQUITY			
Share capital	22,477	11,781	21,591
Retained earnings	13,306	10,196	13,024
Cashflow hedge reserve	286	108	(1)
Foreign currency translation reserve	(192)	(85)	(145)
Equity attributable to equity holders of the parent	35,877	22,000	34,469
Non controlling interest	1,363	(42)	1,315
TOTAL EQUITY	37,240	21,958	35,784
TOTAL LIABILITIES & OWNERS EQUITY	48,818	36,953	47,133

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CASHFLOWS
For the Six Months Ended 29 February 2012

	Notes	6 mths 29 Feb 12 (Unaudited) $'000s	6 mths 28 Feb 11 (Unaudited) $'000s	12 mths 31 Aug 11 (Audited) $'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from/(applied to):				
Receipts from operations		29,169	24,308	52,571
Realised fair value gain on foreign exchange derivatives		-	-	3,626
Interest received		26	4	103
Net GST received/(paid)		292	(46)	(716)
Payments to suppliers and employees		(27,673)	(21,135)	(49,330)
Interest paid		(49)	(245)	(519)
Taxation paid		(2,102)	(1,251)	(2,354)
Net cash inflow/(outflow) from operating activities	2	(337)	1,635	3,381
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from/(applied to):				
Purchase of property, plant, equipment & intangible assets		(452)	(432)	(1,062)
Sale of property, plant and equipment		42	54	166
Purchase of business assets		(573)	(965)	(3,535)
Advance from joint ventures & associates		1,116	422	928
Repayment of advance to Employee Share Purchase Scheme		14	28	67
Deposit paid on purchase of business		-	-	(293)
Investment in associates		(147)	-	-
Net cash inflow/(outflow) from investing activities		-	(893)	(3,729)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from/(applied to):				
Proceeds from borrowings		-	1,350	4,596
Repayment of borrowings		-	(592)	(8,324)
Dividends paid		(1,986)	(976)	(1,885)
Issue of share capital, net of issue costs		886	-	9,810
Net cash inflow/(outflow) from financing activities		(1,110)	(218)	4,197
Net increase/(decrease) in cash held		(1,437)	524	3,849
Add cash and cash equivalents at beginning of the period		3,524	(325)	(325)
Balance at end of the period		2,087	199	3,524
Comprised of:				
Cash and bank balances		2,087	1,765	3,524
Bank overdraft and short term money market borrowings		-	(1,566)	-
Cash and cash equivalents		2,087	199	3,524

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2012

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 orientated 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 2011. 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 29 Feb 12 (Unaudited) $’000s	6 mths 28 Feb 11 (Unaudited) $’000s	12 mths 31 Aug 11 (Audited) $’000s
Net surplus for the period	2,080	1,562	5,217
Adjustments for non-cash items:			
Depreciation & amortisation	548	509	1,018
Net gain on sale of property, plant & equipment	(20)	(45)	(41)
Deferred tax, net of asset acquired on purchase of subsidiary & deferred tax on movement in cashflow hedge reserve	(942)	(477)	(654)
Share of net surplus of joint ventures	(76)	(42)	(53)
Movement in exchange translation reserve	(47)	(85)	-
Add/(less) movement in working capital:			
Trade debtors	814	(3,375)	(2,089)
Other financial assets - derivatives	191	1,551	1,214
Sundry debtors and prepayments	(867)	(637)	(186)
Inventories	131	157	(1,403)
Contract work in progress	(2,539)	3,100	(957)
Taxation payable	(417)	(179)	396
Trade creditors and accruals	332	(660)	544
Other financial liabilities - derivatives	846	(13)	(1,428)
Employee entitlements	(501)	264	1,242
Working capital relating to purchase of business	130	5	535
Warranty provision	-	-	150
Movement in foreign exchange translation reserve relating to working capital	-	-	(124)
Net cash inflow/(outflow) from operating activities	(337)	1,635	3,381

Under certain debtor financing arrangements entered into by the Group, cashflows are receipted directly by the third party financier to the arrangement. Consequently the Balance Sheet movement related to financial assets and financial liabilities excludes the movements as a result of these non cash transactions.

3. CONTINGENT LIABILITIES

	6 mths 29 Feb 12 (Unaudited) $'000s	6 mths 28 Feb 11 (Unaudited) $'000s	12 mths 31 Aug 11 (Audited) $'000s
Payment guarantees and performance bonds	1,207	558	1,489
Stock exchange bond	75	75	75
Maximum contract penalty clause exposure	580	1,866	1,507
Guarantee of joint venture's banking facilities	750	750	750
Guarantee of industry loan	124	-	124

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 National Bank 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 becoming increasingly common in international contractual agreements. There is a clearly defined sequence of events that need to occur before penalty clauses are imposed.

Scott Technology Limited has provided a guarantee of up to $750,000 in respect of joint venture borrowings by Robotic Technologies Limited from the Bank of New Zealand Limited. These borrowings totalled $755,000 as at 29 February 2012 (28 February 2011: $1.1 million).

Scott Technology Limited has provided a guarantee of up to $124,000 in respect of an industry development loan to a subsidiary.

4. CAPITAL COMMITMENTS

There were no capital commitments as at 29 February 2012 (28 February 2011: $Nil).

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest 29 Feb 12 %	Ownership Interest 28 Feb 11 %	Ownership Interest 31 Aug 11 %	Carrying Value 29 Feb 12 $'000s	Carrying Value 28 Feb 11 $'000s	Carrying Value 31 Aug 11 $'000s
Joint Ventures							
Robotic Technologies Limited (i)	New Zealand	50	50	50	314	189	190
Scott Technology Euro Limited (ii)	Ireland	50	50	50	52	45	28
NS Innovations Pty Limited (iii)	Australia	50	50	50	-	-	-
Scott Separation Technology Limited (iv)	New Zealand	50	-	-	59	-	-
Associates							
Robot Vision Lab Limited (v)	New Zealand	40	-	40	22	-	6
					447	234	224

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont)

(i) Scott Technology Limited's joint venture with Silver Fern Farms Limited, Robotic Technologies Limited (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is the marketing and development of (primarily lamb) meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of RTL's net profit was $124,000 for the six months ended 29 February 2012 (six months ended 28 February 2011: net profit of $123,000).

(ii) Scott Technology Euro Limited is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. Scott Technology Euro Limited was formed in 2008 and has a balance date of 31 August. Scott Technology Limited's share of Scott Technology Euro Limited's net profit was $24,000 for the six months ended 29 February 2012, (six months ended 28 February 2011: net deficit of $81,000).

(iii) NS Innovations Pty Limited (NSIL) is a joint venture between Scott Technology Limited and Northern Co-Operative Meat Company Limited of Australia. NSIL was formed in August 2010 and has a balance date of 31 August. NSIL's principal activity is the marketing and development of (primarily beef) meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of NSIL's net surplus was $Nil for the six months ended 29 February 2012 (six months ended 28 February 2011: $Nil).

(iv) Scott Separation Technology Limited (SSTL) is a joint venture between Scott Technology Limited and private individuals. SSTL was formed in December 2011 and has a balance date of 31 August. SSTL's principal activity is the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries. Scott Technology Limited's share of SSTL's net loss was $41,000 for the three months since its incorporation.

(v) Robot Vision Lab Limited (RVL) was established in the 2011 financial year to provide specialised vision and robotics services to its customers. Scott Technology Limited's 40% shareholding in RVL provides the Group with preferred access to RVL's services. Scott Technology Limited's share of RVL's net loss was $4,000 for the six months ended 29 February 2012 (six months ended 28 February 2011: $Nil).

6. SEGMENT INFORMATION

6.1 Products & Services from which Reportable Segments Derive Their Revenues

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

- Standard production equipment
- Automated production systems (designed and manufactured to order)

Information regarding the Group's reporting segments is presented below. Amounts reported for the prior periods have been restated to conform to the requirements of NZ IFRS-8.

6. SEGMENT INFORMATION (Cont)

6.2 Segment Revenues & Results

The following is an analysis of the Group's revenue and results by reportable segment. Design and manufacturing activities for all segments are undertaken at all of the Group's manufacturing sites (Dunedin, Christchurch, Wellington and Auckland), with projects being allocated to manufacturing sites based on available resources, rather than by segment. The Group does not allocate certain resources and shared support services by segment for internal reporting purposes. For the purposes of NZ IFRS-8 allocations are based on a combination of revenue contribution by segment, gross margin and senior management's contribution to the segment. These allocations may not result in a meaningful and comparable measure of profitability by segment.

Six Months Ended 29 February 2012	**Standard Equipment $'000s**	**Automated Equipment $'000s**	**Unallocated $'000s**	**Total $'000s**
Revenue	13,241	16,115	-	29,356
Segment profit	4,920	(300)	-	4,620
Depreciation	(75)	(286)	(187)	(548)
Share of profits of joint ventures	-	-	76	76
Interest revenue	-	-	26	26
Government grants	-	-	600	600
Shared support services	-	-	(1,902)	(1,902)
Finance costs	-	-	(49)	(49)
Net profit before taxation	4,845	(586)	(1,436)	2,823
Taxation expense	(1,275)	154	378	(743)
Net profit after taxation	3,570	(432)	(1,058)	2,080

Six Months Ended 28 February 2011	**Standard Equipment $'000s**	**Automated Equipment $'000s**	**Unallocated $'000s**	**Total $'000s**
Revenue	9,714	12,061	-	21,775
Segment profit	2,651	926	-	3,577
Depreciation & amortisation	(69)	(342)	(98)	(509)
Share of profits of joint ventures	-	-	42	42
Interest revenue	-	-	4	4
Government grants	-	-	500	500
Shared support services	-	-	(1,219)	(1,219)
Finance costs	(136)	-	(96)	(232)
Net profit before taxation	2,446	584	(867)	2,163
Taxation expense	(680)	(162)	241	(601)
Net profit after taxation	1,766	422	(626)	1,562

6. SEGMENT INFORMATION (Cont)

6.2 Segment Revenues & Results (Cont)

Twelve Months Ended 31 August 2011	**Standard Equipment $'000s**	**Automated Equipment $'000s**	**Unallocated $'000s**	**Total $'000s**
Revenue	21,453	32,150	-	53,603
Segment profit	6,396	4,235	-	10,631
Depreciation & amortisation	(108)	(728)	(182)	(1,018)
Share of profits of joint ventures	-	-	53	53
Interest revenue	16	-	87	103
Shared support services	-	-	(1,962)	(1,962)
Finance costs	(271)	(65)	(158)	(494)
Net profit before taxation	6,033	3,442	(2,162)	7,313
Taxation expense	(1,729)	(987)	620	(2,096)
Net profit after taxation	4,304	2,455	(1,542)	5,217

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the six months ended 29 February 2012 (2011: $Nil).

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.

7. ACQUISITION OF BUSINESS

7.1 Business Acquired & Cost of Acquisition

On 30 September 2011 the Company acquired a 70% shareholding in a Chinese manufacturing business, QMT Machinery Technology (Qingdao) Co Limited (QMT). The cost of acquisition was $910,000 and was paid in cash.

7. ACQUISITION OF BUSINESS (Cont)

7.2 Analysis of Assets and Liabilities Acquired

Financial information in respect of the net assets acquired on acquisition of QMT is set out below:

	Book Value $'000s	Fair Value Adjustment $'000s	Fair Value Acquisition $'000s
Current Assets			
Cash & bank balances	44	-	44
Trade & other receivables	209	-	209
Inventories	416	-	416
Non-current Assets			
Property, plant and equipment	611	-	611
Current Liabilities			
Trade & other payables	(495)	-	(495)
Total assets and liabilities	785	-	785
Non-controlling interest on acquisition	(236)	-	(236)
Goodwill on acquisition	-	361	361
Cost of Acquisition	549	361	910

7.3 Goodwill Arising on Acquisition

Goodwill arose in the acquisition of QMT because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, the cost and length of time involved in establishing a business in China and future market development of the business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

8. SUBSEQUENT EVENTS

On 23 March 2012 the Board of Directors approved an interim dividend of two and a half cents per share with full imputation credits attached to be paid for the 2012 year (2011: two cents per share).