

10 October 2013

Listed Company Relations  
New Zealand Exchange Limited  
PO Box 2959  
Wellington

Dear Sir/Madam

**RE: SCOTT TECHNOLOGY LIMITED 2013 FULL YEAR ANNOUNCEMENT**

The Directors of Scott Technology Limited are pleased to announce a solid result in our centenary year. To recognise this, and as a demonstration of our confidence in the future of the company, the Directors have declared a special centenary dividend of 2.0 cents per share in addition to a 5.5 cents per share final dividend. This brings the total dividend for the year to 10.0 cents per share. Scott enters the start of its next 100 years with a full project order book and a strong balance sheet.

The company's profit before tax for the year to 31 August 2013 was \$7.15 million. Whilst below our record result of the prior year, this does not in any way diminish what was still an excellent result that represents an earnings before tax to sales ratio of 11.9%.

Net profit after tax for the year was \$5.14 million compared to \$6.11 million in 2012. Total shareholders' equity at 31 August 2013 was \$42.98 million, compared to \$39.64 million at 31 August 2012.

2013 has seen a small decrease in revenues, while the continuing high New Zealand dollar has tightened margins and reduced profit. Despite this, Scott continues to develop new technologies and associated business opportunities. In the year to 31 August 2013, 87% or \$51.96 million (2012: 86% or \$54.77 million) of total revenues were derived outside New Zealand against the backdrop of a high New Zealand dollar and a slower mining sector.

The Company continues with a very strong balance sheet, although the demand for working capital has increased with some customers entering into Scott's promotional "try before you buy" or leasing arrangements as they look to overcome their own capital constraints. Post balance date, our strong balance sheet has enabled us to purchase, for \$3.2 million, the properties at 155 – 161 Neilson Street, Auckland which were leased by the Rocklabs division.

## **Dividend**

The special centenary dividend of 2.0 cents is fully imputed and will be added to the final dividend of 5.5 cents per share for the year ended 31 August 2013, payable on 3 December 2013. An interim dividend of 2.5 cents per share was paid in April 2013, bringing the total dividend to 10.0 cents per share for the year. The Dividend Reinvestment Plan applies to these distributions.

## **Review of Operations**

The Company completed and shipped several large projects during the year. With a competitive environment for most of our products, combined with the higher value of the New Zealand Dollar, maintaining our target margins has been challenging. We have responded by seeking ways to provide enhanced value to our customers through our solutions and by promoting and leveraging our technology in areas where we lead the world.

We continue to see many opportunities arising from our customers' desire to implement automation that has the ability to drive increased productivity, improved quality, and lower cost within their business.

Our market for appliance systems continues to be challenging, although we are currently manufacturing four identical lines for a North American customer and prospects for further new work out of North America are high. We are also working on opportunities to supply equipment to China, along with other prospects.

The two significant meat processing systems that we announced last year are currently in their commissioning phase. An X-Ray Primal system is being commissioned in Australia for one of the customers using a combination of Scott New Zealand and Scott Australia staff, while the Middle Processing system will be shipped shortly. A Middle Processing system will also be shipped to the other customer to be integrated with the X-Ray Primal system that they purchased in the previous financial year. This illustrates the modularity of the meat processing systems that we build. These systems will provide further confidence and impetus to the meat industry for the continued adoption of our technology.

During the year, our business in the mining sector continued to perform well, although we were affected by a decrease in mining and exploration activity. We have continued to develop and improve existing and new technology, with new hydraulic crushers and a coal sample processing system being successfully completed during the year. The purchase of the Rocklabs properties illustrates our long term confidence and commitment to this sector.

Our electromagnet business, which utilises high temperature superconducting material, saw a slow down in project work for a large proportion of the year, but an increase in orders in the last quarter, coupled with some strong forward prospects, gives us confidence for 2014 and beyond.

The Company's China factory continues to run at close to full production. Plans for the expansion required to support and service our China aspirations are progressing and will assist with several projects destined for China that are currently being designed and built in our Dunedin and Christchurch facilities.

Although our recorded sales to Asia in the year to August are lower than prior years, our forward work includes multiple appliance projects destined for China.

## **Business Growth**

We continue to invest heavily in research and, more particularly, in the development of our range of products. This has been occurring across all market sectors. We take a conservative approach and typically write off most research and development costs incurred.

Opportunities for external acquisitions and partnering continue to be evaluated, with the focus being on adding value to both our customers' businesses and to our shareholders' investment in the Company.

## Centenary

2013 marks the centenary of the Scott business. The Scott Technology of today owes much to the shareholders, directors, management and staff of the last 100 years who have laid down a solid foundation and innovative ethos from which we now deliver products to customers in 89 countries across a variety of industries.

Products and industry focus have evolved with changing customer and consumer demands, while still maintaining an underlying core value of engineering excellence. The business has grown from supplying dredge equipment in its very early years, to being automotive engineers and spare parts suppliers aligned with the evolution of the motor car. During the war years the business manufactured munitions to assist the war effort and then following the war, manufactured whiteware for the domestic market. The 1970's saw the business begin designing and building production lines for the appliance industry, which is still a major part of the business today. In more recent years the business has diversified to provide automated solutions to the meat, mining and hard disk drive industries.

Current management and staff are committed to carrying on and enhancing this tradition.

Yours faithfully



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