

SCOTT TECHNOLOGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 29 February 2016

	6 mths 29 Feb 16 (Unaudited) \$'000s	6 mths 28 Feb 15 (Unaudited) \$'000s	12 mths 31 Aug 15 (Audited) \$'000s
Revenue	42,816	29,322	72,298
Other income	196	373	2,548
Share of joint ventures' and associates' net surplus/(deficit)	67	(26)	(41)
Raw materials, consumables used and other expenses	(23,445)	(15,460)	(36,180)
Employee benefits expense	(15,611)	(11,569)	(27,689)
Depreciation and amortisation	(848)	(693)	(1,636)
Finance costs	(418)	(376)	(1,198)
NET SURPLUS BEFORE TAXATION	<u>2,757</u>	<u>1,571</u>	<u>8,102</u>
Taxation expense	(809)	(425)	(1,989)
NET SURPLUS FOR THE PERIOD AFTER TAX	<u><u>1,948</u></u>	<u><u>1,146</u></u>	<u><u>6,113</u></u>
Other Comprehensive Income			
Movement in cash flow hedge reserve	-	(24)	27
Translation of foreign operations	148	340	(1,376)
Other comprehensive income for the period net of tax	<u>148</u>	<u>316</u>	<u>(1,349)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	<u><u>2,096</u></u>	<u><u>1,462</u></u>	<u><u>4,764</u></u>
Net surplus for the period is attributable to:			
Members of the parent entity	2,032	1,062	6,169
Non controlling interest	(84)	84	(56)
	<u>1,948</u>	<u>1,146</u>	<u>6,113</u>
Total comprehensive income is attributable to:			
Members of the parent entity	2,180	1,378	4,820
Non controlling interest	(84)	84	(56)
	<u>2,096</u>	<u>1,462</u>	<u>4,764</u>

Cents Per Ordinary Share

Earnings (attributable to members of the parent entity):

Basic	4.5	2.5	13.8
Diluted	4.5	2.5	13.8

Net tangible assets:

Basic	37.5	30.8	37.2
Diluted	37.5	30.8	37.2

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 29 February 2016

	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
Six Months Ended 29 February 2016						
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

	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
Six Months Ended 28 February 2015						
Balance at 31 August 2014	28,804	18,495	(27)	(83)	76	47,265
Net surplus/(deficit) for the period after tax	-	1,062	-	-	84	1,146
Other comprehensive income for the period net of tax	-	-	(24)	340	-	316
Dividends paid (5.5 cents per share)	-	(2,421)	-	-	-	(2,421)
Issue of ordinary shares under dividend reinvestment plan	711	-	-	-	-	711
Issue of ordinary shares on acquisition of Machinery Automation & Robotics Pty Ltd	1,061	-	-	-	-	1,061
Balance at 28 February 2015	30,576	17,136	(51)	257	160	48,078

	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
Twelve Months Ended 31 August 2015						
Balance at 31 August 2014	28,804	18,495	(27)	(83)	76	47,265
Net surplus/(deficit) for the year after tax	-	6,169	-	-	(56)	6,113
Other comprehensive income for the year net of tax	-	-	27	(1,376)	-	(1,349)
Dividends paid (8.0 cents per share)	-	(3,550)	-	-	-	(3,550)
Issue of ordinary shares under dividend reinvestment plan	1,078	-	-	-	-	1,078
Issue of ordinary shares on acquisition of Machinery Automation & Robotics business	1,061	-	-	-	-	1,061
Balance at 31 August 2015	30,943	21,114	-	(1,459)	20	50,618

SCOTT TECHNOLOGY LIMITED
BALANCE SHEET
As at 29 February 2016

	6 mths 29 Feb 16 (Unaudited) \$'000s	6 mths 28 Feb 15 (Unaudited) \$'000s	12 mths 31 Aug 15 (Audited) \$'000s
CURRENT ASSETS			
Cash and cash equivalents	7,338	2,012	2,106
Trade debtors	11,879	11,615	15,912
Other financial assets	1,208	1,311	1,645
Sundry debtors and prepayments	1,367	1,426	1,107
Inventories	13,110	10,587	11,416
Contract work in progress	-	7,946	3,048
Receivable from joint ventures and associates	1,869	1,524	1,978
	<hr/>	<hr/>	<hr/>
	36,771	36,421	37,212
NON CURRENT ASSETS			
Property, plant and equipment	11,438	15,529	11,468
Investment in joint ventures and associates	612	582	545
Other financial assets	2	7	3
Goodwill	29,758	20,081	29,758
Deferred tax asset	1,717	1,948	2,221
Receivable from joint ventures and associates	1,501	1,536	1,523
Intangible assets	1,696	12,131	1,715
	<hr/>	<hr/>	<hr/>
	46,724	51,814	47,233
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	83,495	88,235	84,445
CURRENT LIABILITIES			
Bank overdraft	-	5,180	821
Trade creditors and accruals	9,383	7,571	8,872
Finance lease liabilities	33	-	34
Other financial liabilities	195	91	634
Employee entitlements	3,229	3,465	3,000
Provision for warranty	750	750	750
Payable to joint ventures	430	329	430
Taxation payable	1,082	1,585	1,162
Current portion of bank loans	9,797	13,547	9,822
Contract work in progress	900	-	-
	<hr/>	<hr/>	<hr/>
	25,799	32,518	25,525
NON CURRENT LIABILITIES			
Bank loans	6,907	7,404	7,547
Other financial liabilities	2	7	3
Employee entitlements	498	228	658
Finance lease liability	76	-	94
	<hr/>	<hr/>	<hr/>
	7,483	7,639	8,302
EQUITY			
Share capital	30,943	30,576	30,943
Retained earnings	20,645	17,136	21,114
Cash flow hedge reserve	-	(51)	-
Foreign currency translation reserve	(1,311)	257	(1,459)
	<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent	50,277	47,918	50,598
Non controlling interest	(64)	160	20
	<hr/>	<hr/>	<hr/>
TOTAL EQUITY	50,213	48,078	50,618
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES & EQUITY	83,495	88,235	84,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CASHFLOWS
For the Six Months Ended 29 February 2016

	Notes	6 mths 29 Feb 16 (Unaudited) \$'000s	6 mths 28 Feb 15 (Unaudited) \$'000s	12 mths 31 Aug 15 (Audited) \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from/(applied to):				
Receipts from operations		51,264	35,294	77,480
Interest received		38	11	32
Net GST received/(paid)		470	310	(186)
Payments to suppliers and employees		(41,030)	(31,252)	(65,219)
Interest paid		(451)	(361)	(1,134)
Taxation paid		(385)	(5)	(986)
Net cash inflow from operating activities	2	9,906	3,997	9,987
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from/(applied to):				
Purchase of property, plant, equipment and intangible assets		(799)	(324)	(1,091)
Sale of property, plant and equipment		-	6	4,025
Advance from joint ventures and associates		131	(121)	(461)
Repayment of advance to Employee Share Purchase Scheme		-	17	42
Purchase of business		-	(12,823)	(13,103)
Repayment of investment in joint ventures and associates		-	151	173
Net cash outflow from investing activities		(668)	(13,094)	(10,415)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from/(applied to):				
Proceeds from borrowings		-	12,708	12,852
Repayment of borrowings		(684)	(181)	(3,779)
Dividends paid		(2,501)	(2,421)	(3,550)
Issue of share capital, net of issue costs		-	711	1,078
Net cash inflow/(outflow) from financing activities		(3,185)	10,817	6,601
Net increase in cash held		6,053	1,720	6,173
Add cash and cash equivalents at beginning of the period		1,285	(4,888)	(4,888)
Balance at end of the period		7,338	(3,168)	1,285
Comprised of:				
Cash and cash equivalents		7,338	2,012	2,106
Bank overdraft		-	(5,180)	(821)
		7,338	(3,168)	1,285

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

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 2015. 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 16 (Unaudited) \$'000s	6 mths 28 Feb 15 (Unaudited) \$'000s	12 mths 31 Aug 15 (Audited) \$'000s
Net surplus for the period	1,948	1,146	6,113
Adjustments for non-cash items:			
Depreciation and amortisation	848	693	1,636
Net loss/(gain) on sale of property, plant and equipment	-	(2)	(280)
Deferred tax	504	(197)	809
Share of net deficit/(surplus) of joint ventures and associates	(67)	26	41
Add/(less) movement in working capital:			
Trade debtors	4,033	3,025	(1,272)
Other financial assets - derivatives	438	(156)	(511)
Sundry debtors and prepayments	(260)	(774)	(455)
Inventories	(1,694)	1,222	393
Contract work in progress	3,948	912	5,810
Taxation payable	(80)	617	194
Trade creditors and accruals	511	(1,659)	(358)
Other financial liabilities - derivatives	(440)	29	619
Employee entitlements	69	(64)	(99)
Movements in working capital disclosed in investing/financing activities:			
Movement in foreign exchange translation reserve relating to working capital	148	340	(1,376)
Working capital relating to business purchases/amalgamation	-	(1,161)	(1,277)
Net cash inflow from operating activities	<u>9,906</u>	<u>3,997</u>	<u>9,987</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

3. CONTINGENT LIABILITIES

	6 mths 29 Feb 16 (Unaudited) \$'000s	6 mths 28 Feb 15 (Unaudited) \$'000s	12 mths 31 Aug 15 (Audited) \$'000s
Payment guarantees and performance bonds	7,275	151	472
Stock Exchange bond	75	75	75
Maximum contract penalty clause exposure	2,064	436	1,636

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

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest			Carrying Value		
		29 Feb 16 %	28 Feb 15 %	31 Aug 15 %	29 Feb 16 \$'000s	28 Feb 15 \$'000s	31 Aug 15 \$'000s
Joint Ventures							
Robotic Technologies Limited (i)	New Zealand	50	50	50	556	580	543
Scott Technology Euro Limited (ii)	Ireland	50	50	50	72	66	69
NS Innovations Pty Limited (iii)	Australia	50	50	50	14	14	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	50	34	31	26
Scott Technology S.A. (v)	Chile	50	50	50	(4)	(67)	(66)
Rocklabs Automation Canada Limited (vi)	Canada	50	50	50	(60)	(19)	(41)
Associates							
Robot Vision Lab Ltd (vii)	New Zealand	-	40	-	-	(23)	-
					612	582	545

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

4. 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 surplus was \$13,000 for the six months ended 29 February 2016 (six months ended 28 February 2015: net surplus of \$37,000).
- (ii) Scott Technology Euro Limited (Scott Euro) is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. Scott Euro was formed in 2008 and has a balance date of 31 August. Scott Technology Limited's share of Scott Euro's net surplus was \$3,000 for the six months ended 29 February 2016 (six months ended 28 February 2015: net surplus of \$1,000).
- (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 2009 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 2016 (six months ended 28 February 2015: \$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 surplus was \$8,000 for the six months ended 29 February 2016 (six months ended 28 February 2015: net deficit of \$6,000).
- (v) Scott Technology S.A. (STSA) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. STSA commenced trading in June 2013. STSA is a sales agency for mining equipment in the Americas. Scott Technology Limited's share of STSA's net surplus for the six months ended 29 February 2016 was \$62,000 (six months ended 28 February 2015: net deficit of \$19,000).
- (vi) Rocklabs Automation Canada Limited (RAC) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. RAC commenced trading in 2013. RAC is a sales agency for mining equipment in the Americas. Scott Technology Limited's share of RAC's net deficit for the six months ended 29 February 2016 was \$19,000 (six months ended 28 February 2015: net deficit of \$32,000).
- (vii) 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 provided the Group with preferred access to RVL's services. Scott Technology Limited's share of RVL's net deficit was \$Nil for the six months ended 29 February 2016 (six months ended 28 February 2015: net deficit of \$Nil). \$20,000 share capital was repaid to Scott Technology Limited in 2015 and Scott Technology Limited ceased to be a shareholder in RVL.

5. CAPITAL COMMITMENTS

As at 29 February 2016 the Group had a capital commitment of \$786,000 (28 February 2015: \$Nil) being the 90% balance payable on the purchase of a property at 1B Quadrant Drive, Lower Hutt which will be used to accommodate the HTS-110 superconductor magnet business. A 10% deposit was paid in February 2016, with the balance payable on 1 March 2016.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

6. SEGMENT INFORMATION

6.1 Products and Services from which Reportable Segments Derive Their Revenues

Following the acquisition of the RobotWorx business in 2014 and the Machinery Automation & Robotics business in 2015, the Group's business activities were reorganised on a regional manufacturing basis. As a result, the Group's reportable segments under NZ IFRS-8 have changed from:

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

to:

- Australasia Manufacturing
- Americas Manufacturing
- Asia 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.

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

6.2 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.

Six Months Ended 29 February 2016 (Unaudited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Asia Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	33,533	8,184	1,099	-	42,816
Segment profit/(loss)	4,911	840	(237)	-	5,514
Depreciation and amortisation	(380)	(117)	(87)	(264)	(848)
Share of surplus/(deficit) of joint ventures	21	43	3	-	67
Interest revenue	2	-	2	34	38
Central administration costs	-	-	-	(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

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

6.2 Segment Revenues and Results (Cont)

Six Months Ended 28 February 2015 (Unaudited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Asia Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	19,519	8,123	1,680	-	29,322
Segment profit	1,752	2,328	143	-	4,223
Depreciation and amortisation	(283)	(86)	(39)	(285)	(693)
Share of surplus/(deficit) of joint ventures and associates	23	(50)	1	-	(26)
Interest revenue	3	-	1	7	11
Central administration costs	-	-	-	(1,568)	(1,568)
Finance costs	(301)	(74)	(1)	-	(376)
Net profit/(loss) before taxation	1,194	2,118	105	(1,846)	1,571
Taxation (expense)/credit	(274)	(639)	(29)	517	(425)
Net profit/(loss) after taxation	920	1,479	76	(1,329)	1,146
Twelve Months Ended 31 August 2015 (Audited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Asia Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	48,606	17,795	5,897	-	72,298
Segment profit	9,020	3,235	74	2,131	14,460
Depreciation and amortisation	(750)	(227)	(99)	(560)	(1,636)
Share of surplus/(deficit) of joint ventures and associates	24	(69)	4	-	(41)
Interest revenue	20	-	1	11	32
Central administration costs	-	-	-	(3,515)	(3,515)
Finance costs	(881)	(171)	(3)	(143)	(1,198)
Net profit/(loss) before taxation	7,433	2,768	(23)	(2,076)	8,102
Taxation (expense)/credit	(1,789)	(1,030)	8	822	(1,989)
Net profit/(loss) after taxation	5,644	1,738	(15)	(1,254)	6,113

Revenue reported above represents revenue generated from external customers. Inter-segment sales were \$677,000 for the six months ended 29 February 2016 (six months ended 28 February 2015: \$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 and associates, investment revenue and finance costs.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2016

8. SUBSEQUENT EVENTS

At a Special Meeting on 26 November 2015, the shareholders of Scott Technology Limited approved a Scheme of Arrangement for JBS Australia Pty Limited to acquire a 50.1% shareholding in Scott Technology Limited. Further approval of the Scheme of Arrangement is currently being sought from the Overseas Investment Office and the High Court. Final approval is expected to be obtained in April 2016.

On 1 March 2016 Scott Technology Limited purchased a property at 1B Quadrant Drive, Lower Hutt which will be used to accommodate the HTS-110 superconductor magnet business. The total purchase price was \$884,000 and Note 5 records the capital commitment at balance date.

On 23 March 2016 the Board of Directors approved an interim dividend of four cents per share with full imputation credits attached to be paid for the 2016 year (2015 interim dividend: two and a half cents per share). The dividend rate is an increase on the corresponding period last year in order to utilise imputation credits in advance of JBS Australia Pty Limited becoming a 50.1% shareholder in Scott Technology Limited.