Interim Report of Scott Corporation Limited for the Half Year Ended 31 December 2011

(ABN 74 003 707 499)

This Interim Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

Current Reporting Period:	Half Financial Year ending 31 December 2011
Previous Corresponding Period:	Half Financial Year ending 31 December 2010

Results for Announcement to the Market
For the Half Year Ended 31 December 2011

Revenue and Net Profit/(Loss)

		Percentage Change		Amount $'000
Revenue	Up	3.64%	To	$83,832
Net Profit after tax attributable to members	Down	18.76%	To	$1,663
Net profit attributable to members	Down	18.76%	To	$1,663

Dividends (Distribution)

	Amount per Security (Cents)	Franked Amount per Security (Cents)
Final Dividend	1.0c	1.0c
Interim Dividend	1.5c	1.5c
Previous corresponding period	1.5c	1.5c

Record date for determining entitlement to dividend: 6 April 12
Payment date for dividend: 27 April 12

	Current Period (Cents)	Previous Corresponding Period (Cents)
Net tangible assets per security	42.8	40.9

Explanation of Revenue

The revenue for the six months ended 31 December 2011 increased by 3.64% to $83.832m in comparison to the previous corresponding period as a result of regular rate escalation achieved from existing customers and increases in volume from a number of key customers.

Explanation of Profit

The Net Profit Before Tax decreased by 18.63% to $2.393m in comparison to the previous corresponding period, whilst the Net Profit After Tax decreased by 18.76% to $1.663m. It is worth noting that the NPAT for the corresponding period ended 31 December 2010 was assisted by a one off sale of a storage tank asset in Townsville.

Unfortunately the increase in revenue did not deliver a material increase in profitability as a result of slightly higher than anticipated repairs and maintenance costs and an increase in borrowing costs of $0.202m.

Corporate Information

ABN 74 003 707 499

This half year report covers the consolidated entity comprising Scott Corporation Limited and its subsidiaries (the Group). The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Review of Operations and Directors' Report starting on page 4. The Directors' Report is unaudited and does not form part of the financial report.

Directors
Mr. A.F. Johnson
Mr. D.B. Keane
Mr. B.C. Grubb
Mr. B.S. Johnson

Company Secretary
Mr. K.E. Cope

Registered Office
55 Davies Road
PADSTOW NSW 2211

Principal Place of Business
55 Davies Road
PADSTOW NSW 2211

Share Register
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

Principal Bankers
Bank SA
97 King William Street
ADELAIDE SA 5000

Auditors
Ernst & Young
121 King William Street
ADELAIDE SA 5000

Directors' Review of Operations

Overview

Group revenue for the period ended 31 December 2011 is up 3.64% to $83.832m compared to the corresponding period, while net profit after tax (NPAT) is down 18.76% to $1.663m. The bulk of the variance in the NPAT performance is the difference in the quantum of profit contribution from the sale of redundant plant and equipment. Last year total profit from sale of plant and equipment was $0.636m, this year it is $0.339m which accounts for $0.297m of the variance in profit before income tax. The other major variance in the profit before income tax is the increase in Borrowing Cost Expense of $0.202m.

In addition to the reduction in profit on sale of plant and equipment, which is not a core function of the business, the profit before income tax did not improve in line with the increase in revenue as a result of:

- A major steel customer ceased transporting metal scrap from Brisbane to New South Wales from August 2011 due to a significant restructuring announcement of their Port Kembla operations. This activity previously generated an average of $0.25m - $0.3m in revenue per month for the Warehousing & Distribution (W&D) branch of our Bulktrans division, and was instrumental in contributing towards the cost of operating our Port Kembla based operations. Whilst some other business opportunities have been gained by W&D they are not of the same magnitude as the metal scrap;

- Melbourne has been the traditional home of a wide ranging number of players in the chemical and petro-chemical industry. The Chemtrans operations in Victoria service a diverse contingent of this industry. We have witnessed reduced output, a plant closure and temporary shut downs through out this industry sector as they continue to grapple with lower demand from their customers and competitive pressures such as the exchange rate on export activities; and

- Our New South Wales based operations of the Chemtrans division experienced further transition of haulage services for a major client to another carrier. The affected branches are down $2.05m in revenue on the same time last year. Whilst in a care taker capacity this work was performed for rates appropriate under the circumstances.

As announced on 21 February 2012 we have successfully retained the off-road heavy haulage contract that we carry out in the Hunter Valley of New South Wales following a market review process. This association commenced in March 2008 and will now continue for a further 3 years from March 2012. A condition of this agreement also allows our client to extend the contract for a further 2 years.

Scott Corporation will invest $8m into new plant and equipment for the next phase of this relationship, and establish a 7 day operation as opposed to the current 5 day base scenario. This new business model will generate nearly $8m in revenue per year which is nearly double the historical revenue.

Financial

There is a $12.75m cash balance following a total net cash outflow of $1.93m for the period. We took delivery of $3.7m worth of new equipment for the Hunter Valley contract in late December as part of a plan to phase in some incremental capacity. This was funded from cash initially, but was transferred to a bank debt facility in January. Dividends paid totalled $0.699m which is higher than last year due to a higher proportion of shareholders nominating to receive cash as opposed to dividend reinvestment.

Bad and doubtful debts remain at negligible levels. The trading performance has improved the net tangible asset value per ordinary share to 42.8 cents.

Dividend

The Directors have approved an interim fully franked dividend for 2012 of 1.5 cents per ordinary share payable on 27 April 12. The quantum of this interim dividend has been maintained at the same level as last year despite the 18.76% drop in NPAT.

Going Forward

As announced on 21 February 2012 Scott Corporation has entered into an agreement to purchase the assets and contracts of Allfreight Proprietary Limited. Allfreight is a Melbourne based transport business which specialises in supplying "high explosives" transport capabilities to the mining, quarry and defence services sectors. This acquisition allows us to widen the service offering we are able to provide to the Australian dangerous goods industry, as well as open up new growth opportunities for our Chemtrans division.

Allfreight has been turning over annual revenues over $3.5m per annum. The owner and manager of this business has accepted an employment offer with Scott Corporation and will be responsible for the ongoing leadership and development of our "high explosives" business unit reporting to our Chemtrans General Manager. The purchase will be funded using cash.

Our Chemtrans division has been led by Dick Laidlaw in his capacity as General Manager for the last seven years. Regrettably Dick resigned from his position on 30 December 2011 to give full time attention to personal family matters. I would like to pay tribute to the contribution Dick made to Scott Corporation and in particular, to our Chemtrans and Hyde Park businesses. Paul Dale has been appointed to the Chemtrans General Manager position having previously worked as our Group Business Development manager and also as an Account Manager for Chemtrans largest national account. Paul had been identified as a possible successor through our succession planning processes and is well credentialed in transport and dangerous goods.

The second half of the financial year has seen heavy rain fall in Queensland in late January for the second year in a row. Whilst not as damaging as last years floods it has caused some interruption. Looming as a possible business risk is the precarious stance of enterprise bargaining negotiations for the export coal terminal in the Illawarra district which we are dependent on for the supply and transmission of the coal we transport. On the flip side we expect to experience some gain in the last quarter of the year from the new contract in the Hunter Valley and the Allfreight acquisition.

We have been successful in winning parcels of new work emanating from existing clients servicing the mining industry awarded to us in Western Australia and the east coast of Australia. This type of work involves distribution of ammonium nitrate prill and emulsion. This will come on line towards the end of the last quarter of this financial year and will provide incremental revenue in the order of $1.5m per annum and require a capital investment of a similar quantum.

We are gaining business opportunities from the booming Australian resources sector, and are well positioned to see further growth based on the pipe line of activities we are currently engaged in. We can foresee that a capital investment of $19 million in maintenance and business growth may be required in the second half. That level of investment will cause debt levels to reach the higher end of the limits that we have set ourselves internally.

In the event that this does occur management and the Board have prepared some capital management initiatives that can be activated as deemed appropriate. We want to ensure that the company is not held back from accessing profitable growth opportunities, whilst at the same time not taking on an unacceptable level of high debt.

We expect trading conditions in the second half of the year to be similar to that of the first half, noting that a rolling industrial campaign at the export coal terminal could affect this outlook. The Board and management are working towards an objective of delivering a full year dividend payment to shareholders which is not less than was paid last year.

David Keane
Managing Director

Directors' Report

The Directors of Scott Corporation Limited (the "Company") submit their report for the half year ended 31 December 2011.

Directors
The names of the Company's Directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr. A. F. Johnson (Non-executive Chairman)
Mr. D. B. Keane (Managing Director)
Mr. B. C. Grubb (Non-executive Director)
Mr. B. S. Johnson (Non-executive Director)

Review of Operations
The Directors' Review of Operations for the half year ended 31 December 2011 is attached.

Principal Activities
The principal activity of the consolidated entity ("the Group") in the course of the financial period was bulk and special material transport and logistics, and associated activities including equipment repairs and maintenance.

Dividends Paid or Declared
An interim fully franked dividend of 1.5 cents per ordinary share, providing a total dividend payment of $1.054m was declared on 23 February 2012. The dividend will be paid on 27 April 2012 based on a record date of 6 April 2012, subject to the Dividend Reinvestment Plan. No provision has been made in the financial statements for the payment of the interim dividend.

Rounding of Amounts
The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars unless otherwise indicated.

Auditor Independence
The Company's auditor, Ernst & Young have provided the Company with an Auditors' Independence Declaration which is on page 19 of this report.

Dated in Sydney this 23rd day of February 2012

Signed in accordance with a resolution of the Board of Directors.

Tony Johnson	**David Keane**
Director	Director

Statement of Comprehensive Income
For The Half Year Ended 31 December 2011

	Note	Consolidated 2011 $ 000	Consolidated 2010 $ 000
Revenue	4(a)	83,832	80,885
Other income	4(b)	339	636
Raw materials and consumables used		(19,584)	(18,525)
Sub contractor expenses		(23,490)	(23,616)
Depreciation and amortisation expense	4(e)	(5,146)	(4,497)
Borrowing cost expense	4(d)	(1,116)	(914)
Employee benefits expense		(24,440)	(23,332)
Other expenses	4(c)	(8,002)	(7,696)
Total expenses		81,778	78,580
Profit before income tax expense		2,393	2,941
Income tax expense		(730)	(894)
Profit after income tax expense		1,663	2,047
Other comprehensive income		-	-
Total comprehensive income		1,663	2,047
Earnings per share (cents per share)			
Basic EPS for profit for the period attributable to ordinary equity holders of the parent		2.4	3.0
Diluted EPS for profit for the period attributable to ordinary equity holders of the parent		2.4	3.0
Dividends per share (cents per ordinary share)		1.5	1.5

Balance Sheet
As At 31 December 2011

	Note	Consolidated As at 31 December 2011 $ 000	Consolidated As at 30 June 2011 $ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	12,746	14,680
Trade and other receivables		17,248	16,169
Inventories		834	541
Prepayments		2,355	2,369
TOTAL CURRENT ASSETS		**33,183**	**33,759**
NON CURRENT ASSETS			
Property, plant and equipment		48,065	44,091
Deferred tax assets		1,980	1,924
Prepayments		245	303
TOTAL NON CURRENT ASSETS		**50,290**	**46,318**
TOTAL ASSETS		**83,473**	**80,077**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		15,705	16,740
Interest bearing loans and borrowings		11,106	10,517
Provisions		4,790	4,855
TOTAL CURRENT LIABILITIES		**31,601**	**32,112**
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		19,599	16,809
Provisions		199	251
Deferred tax liabilities		2,571	2,470
TOTAL NON CURRENT LIABILITIES		**22,369**	**19,530**
TOTAL LIABILITIES		**53,970**	**51,642**
NET ASSETS		**29,503**	**28,435**
EQUITY			
Contributed equity	10	30,680	30,576
Accumulated losses		(1,177)	(2,141)
TOTAL EQUITY		**29,503**	**28,435**

Cash Flow Statement
For The Half Year Ended 31 December 2011

	Note	Consolidated 2011 $ 000	Consolidated 2010 $ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		91,425	90,349
Payments to suppliers and employees		(83,800)	(81,225)
Net amount remitted to ATO for GST		(1,565)	(1,508)
Interest paid		(1,116)	(914)
Income Tax Paid		(1,199)	(645)
Net cash provided by/(used in) operating activities		3,745	6,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		565	696
Interest received		319	289
Purchase of property, plant and equipment		(9,347)	(4,035)
Net cash provided by/(used in) investing activities		(8,463)	(3,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		8,305	3,344
Repayment of borrowings		(4,926)	(4,240)
Net dividends paid to equity holders		(595)	(544)
Net cash provided by/(used in) financing activities		2,784	(1,440)
Net (decrease) / increase in cash and cash equivalents		(1,934)	1,567
Cash and cash equivalents at the beginning of the period		14,680	12,662
Cash and cash equivalents at the end of the period	5	12,746	14,229

Statement of Changes in Equity
For The Half Year Ended 31 December 2011

Consolidated	Issued Capital $000s	Accumulated Losses $000s	Total $000s
At 1 July 2010	30,286	(3,743)	26,543
Profit for the period ended 31 December 2010	-	2,047	2,047
Other comprehensive income for the period ended 31 December 2010	-	-	-
Total comprehensive income for the period	**-**	**2,047**	**2,047**
Payment of final dividend	-	(692)	(692)
Issued capital via DRP following final dividend	148	-	148
As at 31 December 2010	**30,434**	**(2,388)**	**28,046**

Consolidated	Issued Capital $000s	Accumulated Losses $000s	Total $000s
At 1 July 2011	30,576	(2,141)	28,435
Profit for the period ended 31 December 2011	-	1,663	1,663
Other comprehensive income for the period ended 31 December 2011	-	-	-
Total comprehensive income for the period	**-**	**1,663**	**1,663**
Payment of final dividend	-	(699)	(699)
Issued capital via DRP following final dividend	104	-	104
As at 31 December 2011	**30,680**	**(1,177)**	**29,503**

Notes to the Financial Statements
For The Half Year Ended 31 December 2011

NOTE 1: CORPORATE INFORMATION

The interim financial report of Scott Corporation Limited ("the Company") for the half year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 23 February 2012.

Scott Corporation Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in Note 3.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of the Company for the year ended 30 June 2011.

It is also recommended that the half year financial report be considered together with any public announcements made by the Company and its controlled entities during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The interim financial report for the half year ended 31 December 2011, that has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The financial report has also been prepared on a historical cost basis, except where stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Changes In Accounting Policy

The accounting policies and methods of computation are the same as those applied in the 30 June 2011 Annual Report. The new standards on the following page, or interpretations mandatory for the financial reporting period beginning 1 July 2011 have not impacted the recognition or measurement of the financial position or performance of the Group:

Reference	Title	Summary
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.
AASB 124 (Revised)	Related Party Disclosures	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.
AASB 2011-5	Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]	These amendments result from the proposals that were included in Exposure draft ED205.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(c) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") for the half year ended 31 December 2011.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

NOTE 3: SEGMENT REPORTING

Operating segments
The Group currently operates within two divisional segments being bulk dry goods (Bulktrans) and bulk liquids and dangerous goods and associated services (Chemtrans). Group Administration costs are allocated to both divisions.

	Chemtrans $ 000	Bulktrans $ 000	Unallocated items/eliminations $ 000	Scott Corporation Group $ 000
Income Statement Half year ended 31 December 2011				
Revenue				
Transport services	41,362	35,164	-	76,526
Other income	4,503	2,484	319	7,306
Inter-segment revenue	-	-	-	-
Segment Revenue	45,865	37,648	319	83,832
Segment Result*	1,670	1,500		3,170
Net finance costs				(1,116)
Other income**				339
Profit before tax				2,393
Segment assets	55,428	27,989	-	83,417
Segment liabilities	28,598	25,316	-	53,914
Net Assets	26,830	2,673	-	29,503

* Segment Result is earnings before net finance costs and taxation and any other income.
** Other income represents any profit/(loss) on non core business matters such as the sale of property, plant and equipment.

	Chemtrans $ 000	Bulktrans $ 000	Unallocated items/eliminations $ 000	Scott Corporation Group $ 000
Income Statement Half year ended 31 December 2010				
Revenue				
Transport services	41,307	33,535	-	74,842
Other income	3,830	1,924	289	6,043
Inter-segment revenue	-	-	-	-
Segment Revenue	45,137	35,459	289	80,885
Segment Result*	1,991	1,228	-	3,219
Net finance costs				(914)
Other income**				636
Profit before tax				2,941
Segment assets	51,896	19,601	-	71,497
Segment liabilities	26,017	17,434	-	43,451
Net Assets	25,879	2,167	-	28,046

* Segment Result is earnings before net finance costs and taxation and any other income.
** Other income represents any profit/(loss) on non core business matters such as the sale of property, plant and equipment

NOTE 4: REVENUE AND EXPENSES

	Consolidated 2011 $ 000	Consolidated 2010 $ 000
a) Revenue		
Rendering of services	82,519	79,734
Other revenue	425	83
Sale of goods	1	-
Bank interest received	319	289
Rental income	568	779
Total revenue	**83,832**	**80,885**
b) Other income		
Net gains on disposal of property, plant and equipment	339	636
	339	**636**
c) Other expenses		
Bad and doubtful debts provision movement	-	(40)
Insurance	911	827
Legal expenses	57	51
Other expenses	2,606	2,354
Registration expenses	1,436	1,111
Rental operating leases	2,992	3,393
Total other expenses	**8,002**	**7,696**
d) Finance costs		
Bank loans and overdrafts	76	82
Interest and hire purchase charges	1,040	832
Total finance costs	**1,116**	**914**
e) Depreciation and amortisation expense		
Buildings	16	12
Plant and equipment	5,015	4,374
Leased plant and equipment	31	35
	5,062	4,421
Amortisation of leasehold improvements	84	76
Total depreciation and amortisation expense	**5,146**	**4,497**

	Consolidated	Consolidated
	2011	**2010**
	$ 000	**$ 000**
NOTE 4: REVENUE AND EXPENSES (cont)		
f) Lease payments included in income statement		
Included in other expenses:		
Minimum lease payments – operating leases	813	1,289
Equipment hire	700	755
Property rental expense	1,479	1,349
Total lease payments	**2,992**	**3,393**

	Consolidated	Consolidated
	31 December 2011	**30 June 2011**
	$ 000	**$ 000**
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and cash in hand	3,938	5,648
Short term deposits	8,808	9,032
	12,746	**14,680**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and they earn interest at the respective short term deposit rates.

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period ended 31 December 2011, the Group acquired assets with a cost of $9.347m (2010:$4.035m).

Assets with a net book value of $0.226m were disposed of by the Group during the period ended 31 December 2011 (2010: $0.060m), resulting in a gain on disposal of $0.339m (2010: $0.636m).

NOTE 7: PENSION BENEFIT PLAN

A Superannuation Plan has been established by the Group for the provision of benefits to employees on retirement, death or permanent disability. Benefits provided under the Plan are based on defined contributions made by the Group for each employee.

NOTE 8: INTEREST-BEARING LOANS AND BORROWINGS

During the half year ended 31 December 2011 the Group increased its interest-bearing debt. This was substantially due to a significant investment in new plant and equipment including 22 new prime movers for the Southern Bulkhaulage business unit. During the period, the Company invested approximately $9.347m in new plant and equipment, which was largely funded using interest bearing debt facilities which was significantly higher than the debt amortisation payments of $4.926m.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 31 December 2011, the Group has commitments of $4.84m (2010:$11.53m) principally relating to the acquisition of heavy vehicle fleet required for existing and new customer contracts.

Guarantees

Scott Corporation Limited has the following guarantees at 31 December 2011:

- The Company has guaranteed Bank SA a rental bond of $143,006 (30 June 2011: $143,006) on 18 June 2007, payable to Taras Nominees Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $155,000 (30 June 2011: $155,000) on 12 June 2008, payable to Storehouse Investments (NSW) Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $91,667 (30 June 2011: $91,667) on 9 July 2009, payable to JK Properties Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a contract bond of $250,000 (30 June 2011: $250,000) on 9 July 2009, payable to Waste Recycling and Processing Corporation Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $116,875 (30 June 2011: $116,875) on 18 August 2010, payable to Giuseppe Peter Callo and Nadene Leanne Callo for a commercial property lease.

Cross guarantees given by Scott Corporation Limited, Chemtrans Pty Limited, Bulktrans Pty Limited and Hyde Park Tank Depot Pty Limited are described in Note 22 of the 2011 Annual Report.

Legal claims

There are a number of minor legal actions pending against companies within the consolidated entity. Liability has not been admitted and the claims will be defended. The Directors are currently reviewing the consolidated entity's position.

	Consolidated 31 December 2011 $ 000	Consolidated 30 June 2011 $ 000
NOTE 10: CONTRIBUTED EQUITY		
Ordinary shares (i)	30,680	30,576

	31 December 2011 Thousands	31 December 2011 $ 000	30 June 2011 Thousands	30 June 2011 $ 000
Balance at the beginning of the period	69,947	30,576	69,219	30,286
Ordinary shares issued under DRP	317	104	728	290
Balance at the end of the period	70,264	30,680	69,947	30,576

Ordinary shares:

(i) Ordinary shares are issued and fully paid
(ii) Fully paid ordinary shares carry one vote per share and carry the right to dividends

NOTE 11: DIVIDEND REINVESTMENT PLAN

The consolidated entity has a Dividend Reinvestment Plan under which holders of ordinary shares may elect to acquire additional shares in lieu of cash dividends. Shares are issued at a discount of 5% (or as otherwise determined by the Board of Directors from time to time) of their market value which is determined by reference to the weighted average market price of Scott Corporation Limited shares during the five (5) trading days following the relevant dividend record date.

NOTE 12: EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 31 December 2011 Scott Corporation Limited has entered into an agreement to purchase the business assets of Allfreight Australia (“Allfreight”). Allfreight is a Melbourne based transport business which specialises in supplying “high explosive” capabilities to the mining, quarry and defence services sectors.

Allfreight has turnover of over $3.5m per annum, and the acquisition will be earnings per share accretive. The current owner and manager of the business, Mr Ron Skidmore, has accepted an employment offer with Scott Corporation and will be responsible for the ongoing leadership and development of the high explosives business unit.

Other than the matter referred to above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

	Consolidated	**Consolidated**
	2011	**2010**
	Cents per share	**Cent per share**
NOTE 13: NET TANGIBLE ASSET PER SECURITY		
Net tangible assets per security	42.8	40.9

NOTE 14: AUDIT/REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

The report is based on accounts to which one of the following applies:

☐	The accounts have been audited	✓	The accounts have been subject to review
☐	The accounts are in the process of being audited or subject to review	☐	The accounts have not yet been audited or reviewed

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Scott Corporation Limited, we state that:

1. In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Tony Johnson	**David Keane**
Director	Director

Dated at Sydney this 23rd day of February 2012.

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Auditor's Independence Declaration to the Directors of Scott Corporation Limited

In relation to our review of the financial report of Scott Corporation Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David Sanders
Partner
Adelaide
23 February 2012

Ernst & Young

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To the members of Scott Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scott Corporation Limited, which comprises the balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, notes and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Scott Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included on page 20 of the interim report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scott Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

David Sanders
Partner
Adelaide
23 February 2012