

SCOTT TECHNOLOGY LIMITED
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	<u>4,211</u>	<u>2,757</u>	<u>10,965</u>
Taxation expense	(1,324)	(809)	(2,831)
NET SURPLUS FOR THE PERIOD AFTER TAX	<u><u>2,887</u></u>	<u><u>1,948</u></u>	<u><u>8,134</u></u>
Other Comprehensive Income			
Translation of foreign operations	(172)	148	(201)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	<u><u>2,715</u></u>	<u><u>2,096</u></u>	<u><u>7,933</u></u>
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
	<u><u>2,887</u></u>	<u><u>1,948</u></u>	<u><u>8,134</u></u>
Total comprehensive income is attributable to:			
Members of the parent entity	2,326	2,180	7,284
Non controlling interest	389	(84)	649
	<u><u>2,715</u></u>	<u><u>2,096</u></u>	<u><u>7,933</u></u>

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

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 28 February 2017

Six Months Ended 28 February 2017	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s	Foreign Currency Translation Reserve (Unaudited) \$'000s	Non Controlling Interest (Unaudited) \$'000s	Total (Unaudited) \$'000s
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	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s	Foreign Currency Translation Reserve (Unaudited) \$'000s	Non Controlling Interest (Unaudited) \$'000s	Total (Unaudited) \$'000s
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	Fully Paid Ordinary Shares (Audited) \$'000s	Retained Earnings (Audited) \$'000s	Foreign Currency Translation Reserve (Audited) \$'000s	Non Controlling Interest (Audited) \$'000s	Total (Audited) \$'000s
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

SCOTT TECHNOLOGY LIMITED
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
		<u>60,382</u>	<u>36,771</u>	<u>66,315</u>
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
		<u>57,432</u>	<u>46,724</u>	<u>47,496</u>
TOTAL ASSETS		<u>117,814</u>	<u>83,495</u>	<u>113,811</u>
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	-	-
		<u>19,308</u>	<u>25,799</u>	<u>17,418</u>
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	-	-
		<u>5,305</u>	<u>7,483</u>	<u>1,793</u>
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		<u>93,140</u>	<u>50,277</u>	<u>93,931</u>
Non controlling interest		61	(64)	669
TOTAL EQUITY		<u>93,201</u>	<u>50,213</u>	<u>94,600</u>
TOTAL LIABILITIES & EQUITY		<u>117,814</u>	<u>83,495</u>	<u>113,811</u>

SCOTT TECHNOLOGY LIMITED
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		(6,720)	(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

SCOTT TECHNOLOGY LIMITED
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 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 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	<u>10,244</u>	<u>9,906</u>	<u>16,108</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2017

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. SEGMENT INFORMATION

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.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2017

4.2 Segment Revenues and Results (Cont)

Six Months Ended 28 February 2017 (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 2016 (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

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2017

4.2 Segment Revenues and Results (Cont)

Twelve Months Ended 31 August 2016 (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.

	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)	-
	<u>292</u>	<u>1,014</u>	<u>856</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2017

5. FINANCIAL INSTRUMENTS (Cont)

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).