



SCOTT TECHNOLOGY LIMITED
HALF YEAR RESULTS 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 28 February 2021

	Notes	6 mths 28 Feb 21 (Unaudited) \$'000s	6 mths 29 Feb 20 (Unaudited) \$'000s (restated)	12 mths 31 Aug 20 (Audited) \$'000s
Revenue	2	104,486	99,044	186,073
Other operating income		1,599	195	3,389
Share of joint ventures' net surplus		234	72	149
Raw materials, consumables used and other expenses		(65,080)	(64,252)	(118,023)
Employee benefits expense		(30,059)	(38,242)	(71,377)
OPERATING PROFIT/(LOSS) BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, IMPAIRMENT OF ASSETS AND RESTRUCTURE EXPENSES (OPERATING EBITDA)		11,180	(3,183)	211
Impairment of assets	4	-	(7,600)	(7,600)
Restructuring expense	5	-	(1,429)	(4,257)
PROFIT/(LOSS) BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		11,180	(12,212)	(11,646)
Depreciation and amortisation		(4,457)	(5,032)	(9,898)
Finance costs		(729)	(1,050)	(2,093)
Interest received		62	10	191
NET PROFIT/(LOSS) BEFORE TAXATION		6,056	(18,284)	(23,446)
Taxation (expense)/credit		(1,342)	4,609	5,943
NET PROFIT/(LOSS) FOR THE PERIOD AFTER TAX		4,714	(13,675)	(17,503)
Other Comprehensive Income/(Loss)				
Translation of foreign operations		(3,995)	(493)	(1,136)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD NET OF TAX		719	(14,168)	(18,639)
<i>Net profit/(loss) for the period is attributable to:</i>				
Members of the parent entity		4,771	(13,896)	(17,331)
Non controlling interests		(57)	221	(172)
		4,714	(13,675)	(17,503)
<i>Total comprehensive income/(loss) is attributable to:</i>				
Members of the parent entity		776	(14,389)	(18,467)
Non controlling interests		(57)	221	(172)
		719	(14,168)	(18,639)
Cents Per Ordinary Share				
Earnings per share (weighted average shares on issue):				
Basic		6.1	(17.8)	(22.2)
Diluted		6.1	(17.8)	(22.2)
Net tangible assets per ordinary share (at period end):				
Basic		27.5	29.7	20.2
Diluted		27.5	29.7	20.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 28 February 2021

Six Months Ended 28 February 2021 (Unaudited)	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s	Foreign Currency Translation Reserve (Unaudited) \$'000s	Non- Controlling Assets (Unaudited) \$'000s	Total (Unaudited) \$'000s
Balance at 31 August 2020	81,822	11,516	(391)	(207)	92,740
Net profit/(loss) for the period after tax	-	4,771	-	(57)	4,714
Other comprehensive (loss) for the period net of tax	-	-	(3,995)	-	(3,995)
Transfer between reserves	-	-	(1)	1	-
Balance at 28 February 2021	81,822	16,287	(4,387)	(263)	93,459

Six Months Ended 29 February 2020 (Unaudited)	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s	Foreign Currency Translation Reserve (Unaudited) \$'000s	Non- Controlling Assets (Unaudited) \$'000s	Total (Unaudited) \$'000s
Balance at 31 August 2019	80,073	31,949	745	(35)	112,732
Net (loss)/profit for the period after tax	-	(13,896)	-	221	(13,675)
Other comprehensive (loss) for the period net of tax	-	-	(483)	-	(483)
Transfer between reserves	-	-	(10)	10	-
Dividends paid (4.0 cents per share)	-	(3,102)	-	-	(3,102)
Issue of ordinary shares under dividend reinvestment plan	1,749	-	-	-	1,749
Balance at 29 February 2020	81,822	14,951	252	196	97,221

Twelve Months Ended 31 August 2020 (Audited)	Fully Paid Ordinary Shares (Audited) \$'000s	Retained Earnings (Audited) \$'000s	Foreign Currency Translation Reserve (Audited) \$'000s	Non- Controlling Assets (Audited) \$'000s	Total (Audited) \$'000s
Balance at 31 August 2019	80,073	31,949	745	(35)	112,732
Net (loss) for the period after tax	-	(17,331)	-	(172)	(17,503)
Other comprehensive (loss) for the period net of tax	-	-	(1,136)	-	(1,136)
Dividends paid (4.0 cents per share)	-	(3,102)	-	-	(3,102)
Issue of ordinary shares under dividend reinvestment plan	1,749	-	-	-	1,749
Balance at 31 August 2020	81,822	11,516	(391)	(207)	92,740

CONSOLIDATED BALANCE SHEET

As at 28 February 2021

	Notes	28 Feb 21 (Unaudited) \$'000s	29 Feb 20 (Unaudited) \$'000s	31 Aug 20 (Audited) \$'000s
Current Assets			(restated)	
Cash and cash equivalents		6,200	-	7,745
Trade debtors		31,609	30,339	23,429
Other financial assets	8	1,105	787	1,032
Sundry debtors		2,727	2,504	2,575
Inventories		18,803	22,931	22,682
Contract assets		12,264	26,762	25,381
Receivable from joint ventures and associates		1,257	1,069	767
Taxation receivable		-	2,302	-
TOTAL CURRENT ASSETS		73,965	86,694	83,611
Non Current Assets				
Property, plant and equipment		18,177	20,360	18,298
Investment in joint ventures		1,458	1,444	1,223
Other financial assets	8	89	-	4
Goodwill		54,636	57,473	57,316
Deferred tax		5,364	2,542	5,865
Intangible assets		11,948	14,072	13,721
Right of use assets		11,005	14,738	13,072
TOTAL NON CURRENT ASSETS		102,677	110,629	109,499
TOTAL ASSETS		176,642	197,323	193,110
Current Liabilities				
Bank overdraft		-	8,975	-
Trade creditors and accruals		25,451	31,853	24,033
Lease liabilities		3,477	3,910	3,818
Other financial liabilities	8	1,143	831	972
Contract liabilities		16,385	9,346	29,052
Employee entitlements		6,822	9,704	7,815
Provision for warranty		1,828	1,811	1,874
Payable to joint ventures		347	703	431
Taxation payable		255	-	92
Current portion of term loans		2,566	2,679	3,719
Deferred settlement on purchase of business		1,293	1,938	1,376
Onerous contracts provision		7,366	6,720	7,699
TOTAL CURRENT LIABILITIES		66,933	78,470	80,881
Non Current Liabilities				
Other financial liabilities	8	668	868	814
Employee entitlements		718	801	696
Lease liabilities		8,285	11,446	10,008
Term loans		6,579	8,517	7,466
Deferred settlement on purchase of business		-	-	505
TOTAL NON CURRENT LIABILITIES		16,250	21,632	19,489
Equity				
Share capital		81,822	81,822	81,822
Retained earnings		16,287	14,951	11,516
Foreign currency translation reserve		(4,387)	252	(391)
Equity attributable to equity holders of the parent		93,722	97,025	92,947
Non controlling interests		(263)	196	(207)
TOTAL EQUITY		93,459	97,221	92,740
TOTAL LIABILITIES & EQUITY		176,642	197,323	193,110

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 28 February 2021

	Note	28 Feb 21 (Unaudited) \$'000s	29 Feb 20 (Unaudited) \$'000s	31 Aug 20 (Audited) \$'000s
Cash Flows From Operating Activities				
<i>Cash was provided from / (applied to):</i>				
Receipts from operations		101,551	115,326	218,083
Interest received		62	10	191
COVID-19 wage subsidies received		942	-	3,614
Payments to suppliers and employees		(96,602)	(113,332)	(201,651)
Taxation paid		(678)	(1,080)	(674)
Net cash inflow from operating activities	3	5,275	924	19,563
Cash Flows From / (to) Investing Activities				
<i>Cash was provided from / (applied to):</i>				
Purchase of property, plant, equipment and intangible assets		(1,419)	(1,445)	(3,206)
Sale of property, plant and equipment		97	777	2,807
Dividend received from joint venture		-	-	298
Proceeds from advances with joint ventures		-	792	824
Repayment of advances with joint ventures		(575)	-	-
Purchase of business		(457)	(447)	(514)
Purchase of investments		-	(20)	(20)
Net cash (outflow)/inflow from investing activities		(2,354)	(343)	189
Cash Flows to Financing Activities				
<i>Cash was provided from / (applied to):</i>				
Repayment of borrowings		(3,150)	(1,344)	(3,574)
Dividends paid		-	(1,353)	(1,353)
Proceeds from borrowings		1,456	907	3,264
Lease payments		(2,313)	(2,075)	(4,176)
Interest paid		(459)	(954)	(1,431)
Net cash (outflow) from financing activities		(4,466)	(4,819)	(7,270)
Net (decrease)/increase in cash held		(1,545)	(4,238)	12,482
Add cash and cash equivalents at start of period		7,745	(4,737)	(4,737)
Balance at end of period		6,200	(8,975)	7,745
<i>Comprised of:</i>				
Cash and bank balances / (bank overdraft)		6,200	(8,975)	7,745

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 28 February 2021

1. SUMMARY OF ACCOUNTING POLICIES

The unaudited interim financial statements (Interim Financial Statements) presented are those of Scott Technology Limited ("Company") and its subsidiaries ("Group"). The Company is a profit oriented entity, registered in New Zealand under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed with NZX Limited and its ordinary shares are quoted on the NZX Main Board.

The Group's principal activities are the design, manufacture, sale and servicing of automated and robotic production lines and processes for a wide variety of industries in New Zealand and overseas.

BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with the requirements of the NZX Listing Rules.

The Interim Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The Interim Financial Statements also comply with IAS 34 "Interim Financial Reporting" and other applicable financial reporting standards as appropriate for profit orientated entities.

The Interim Financial Statements have been prepared on the basis of historical cost, except where otherwise identified. The presentation currency used in the preparation of the financial statements is New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

NON-GAAP FINANCIAL INFORMATION

The Group uses operating profit/(loss) before interest, tax, depreciation and amortisation, impairment of assets and restructuring expenses (operating EBITDA) and profit/(loss) before interest, tax, depreciation and amortisation, (EBITDA) to describe financial performance as it considers these line items provide a better measure of underlying business performance. These non-GAAP measures are not prepared in accordance with New Zealand Equivalent to International Financial Reporting (NZ IFRS) and may not be comparable to similarly titled amounts reported by other entities.

ACCOUNTING POLICIES

All accounting policies have been applied on a basis consistent with those used in the audited financial statements of Scott Technology Limited for the year ended 31 August 2020. These Interim Financial Statements should be read in conjunction with the policies disclosed in the annual financial statements.

There are no new or amended standards that are issued but not yet effective that are expected to have a material impact on the Group.

RESTATEMENT OF PRIOR PERIOD: INTANGIBLE ASSETS

For the year ended 31 August 2020, the Group restated the intangible assets balances to recognise the foreign exchange impact on intangible assets associated with entities denominated in foreign currencies. The Group has restated the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes as at 29 February 2020 to reflect the impact of this restatement.

RECLASSIFICATION OF PRIOR PERIOD COMPARATIVES

Development Assets

An adjustment was made in the 2020 financial year to reclassify two assets included in the 2019 financial statements from Contract assets to Development assets in the Consolidated Balance Sheet. This reclassification reduced contract assets as at 31 August 2019 by \$6.8 million and increased Development assets by \$6.8 million. There was no change in the overall reported Current Assets. Those Development assets were fully impaired as at 29 February 2020. As a result of the recognition of Development assets of \$6.8 million at 31 August 2019, the impairment expense as at 29 February 2020 of \$10.4 million was restated in line with expense amount of \$7.6 million reported as at 31 August 2020. The balance of \$2.8 million is adjusted to revenue.

Onerous Contract Provision

For the year ended 31 August 2020, the Group reclassified loss making contracts from Contract assets/liabilities to an Onerous contracts provision. As at 29 February 2020, a reclassification has been made to the Consolidated Balance Sheet to reflect this reclassification. This reclassification has increased Contract assets by \$3.0 million, decreased Contract liabilities by

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

\$3.7 million and increased the Onerous contract provision by \$6.7 million.

The above reclassifications did not have any impact on Equity or the Consolidated Statement of Cash Flows.

Segments and Cash Generating Units (CGUs)

The previously reported segment and CGU of Europe & Asia was split in the second half of the 2020 financial year into the new segments and CGUs of Europe and China. As a result of the split of Europe and Asia, the interim 2020 reported segment and CGU of Europe and Asia has been split out in Note 2 Revenue and Note 7 Segment information in order to report comparative figures for the new segments/CGUs of Europe and China.

AUDIT

The Interim Financial Statements for the six months ended 28 February 2021 are unaudited. Comparative balances for the six months ended 29 February 2020 are also unaudited, whilst the comparative balances for the 12 months ended 31 August 2020 are audited.

AUTHORISATION

The Interim Financial Statements were authorised by the Board of Directors on 8 April 2021. The annual financial statements for the year ended 31 August 2020 were authorised by the Board of Directors on 30 October 2020.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major geographic manufacturing regions (segments) and revenue streams. Revenue from short term projects and service has been combined as they are of a similar nature.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

2. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Six months ended 28 February 2021 (Unaudited)	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Australasia manufacturing				
Segment revenue	28,519	7,742	14,969	51,230
Inter-segment revenue	83	142	(350)	(125)
Revenue from external customers	28,602	7,884	14,619	51,105
<i>Timing of revenue recognition</i>				
- At a point in time	-	7,884	14,619	22,503
- Over time	28,602	-	-	28,602
	28,602	7,884	14,619	51,105
Americas manufacturing				
Segment revenue	2,566	4,977	9,423	16,966
Inter-segment revenue	1,807	(144)	486	2,149
Revenue from external customers	4,373	4,833	9,909	19,115
<i>Timing of revenue recognition</i>				
- At a point in time	-	4,833	9,909	14,742
- Over time	4,373	-	-	4,373
	4,373	4,833	9,909	19,115
Europe manufacturing				
Segment revenue	22,299	7,176	568	30,043
Inter-segment revenue	(1,890)	1	12	(1,877)
Revenue from external customers	20,409	7,177	580	28,166
<i>Timing of revenue recognition</i>				
- At a point in time	-	7,177	580	7,757
- Over time	20,409	-	-	20,409
	20,409	7,177	580	28,166
China manufacturing				
Segment revenue	5,891	123	233	6,247
Inter-segment revenue	-	1	(148)	(147)
Revenue from external customers	5,891	124	85	6,100
<i>Timing of revenue recognition</i>				
- At a point in time	-	124	85	209
- Over time	5,891	-	-	5,891
	5,891	124	85	6,100
Total manufacturing				
Segment revenue	59,275	20,018	25,193	104,486
Inter-segment revenue	-	-	-	-
Revenue from external customers	59,275	20,018	25,193	104,486
<i>Timing of revenue recognition</i>				
- At a point in time	-	20,018	25,193	45,211
- Over time	59,275	-	-	59,275
	59,275	20,018	25,193	104,486

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

2. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Six months ended 29 February 2020 (Unaudited)	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Australasia manufacturing				
Segment revenue	15,992	12,777	8,149	36,918
Inter-segment revenue	(1,726)	(1,013)	(466)	(3,205)
Revenue from external customers	14,266	11,764	7,683	33,713
<i>Timing of revenue recognition</i>				
- At a point in time	-	11,764	7,683	19,447
- Over time	14,266	-	-	14,266
	14,266	11,764	7,683	33,713
Americas manufacturing				
Segment revenue	9,906	5,591	8,470	23,967
Inter-segment revenue	1,726	898	(6)	2,618
Revenue from external customers	11,632	6,489	8,464	26,585
<i>Timing of revenue recognition</i>				
- At a point in time	-	6,489	8,464	14,953
- Over time	11,632	-	-	11,632
	11,632	6,489	8,464	26,585
Europe manufacturing (restated)				
Segment revenue	27,078	5,099	3,792	35,969
Inter-segment revenue	-	115	472	587
Revenue from external customers	27,078	5,214	4,264	36,556
<i>Timing of revenue recognition</i>				
- At a point in time	-	5,214	4,264	9,478
- Over time	27,078	-	-	27,078
	27,078	5,214	4,264	36,556
China manufacturing (restated)				
Segment revenue	2,165	-	25	2,190
Inter-segment revenue	-	-	-	-
Revenue from external customers	2,165	-	25	2,190
<i>Timing of revenue recognition</i>				
- At a point in time	-	-	25	25
- Over time	2,165	-	-	2,165
	2,165	-	25	2,190
Total manufacturing				
Segment revenue	55,141	23,467	20,436	99,044
Inter-segment revenue	-	-	-	-
Revenue from external customers	55,141	23,467	20,436	99,044
<i>Timing of revenue recognition</i>				
- At a point in time	-	23,467	20,436	43,903
- Over time	55,141	-	-	55,141
	55,141	23,467	20,436	99,044

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

2. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Twelve months ended 31 August 2020 (Audited)	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Australasia manufacturing				
Segment revenue	29,707	30,602	15,534	75,843
Inter-segment revenue	(346)	(2,753)	(1,309)	(4,408)
Revenue from external customers	29,361	27,849	14,225	71,435
<i>Timing of revenue recognition</i>				
- At a point in time	-	27,849	14,225	42,074
- Over time	29,361	-	-	29,361
	29,361	27,849	14,225	71,435
Americas manufacturing				
Segment revenue	15,808	9,639	13,535	38,982
Inter-segment revenue	275	2,030	473	2,778
Revenue from external customers	16,083	11,669	14,008	41,760
<i>Timing of revenue recognition</i>				
- At a point in time	-	11,669	14,008	25,677
- Over time	16,083	-	-	16,083
	16,083	11,669	14,008	41,760
Europe manufacturing				
Segment revenue	42,126	9,723	13,899	65,748
Inter-segment revenue	71	965	641	1,677
Revenue from external customers	42,197	10,688	14,540	67,425
<i>Timing of revenue recognition</i>				
- At a point in time	-	10,688	14,540	25,228
- Over time	42,197	-	-	42,197
	42,197	10,688	14,540	67,425
China manufacturing				
Segment revenue	4,979	369	152	5,500
Inter-segment revenue	-	(242)	195	(47)
Revenue from external customers	4,979	127	347	5,453
<i>Timing of revenue recognition</i>				
- At a point in time	-	127	347	474
- Over time	4,979	-	-	4,979
	4,979	127	347	5,453
Total manufacturing				
Segment revenue	92,620	50,333	43,120	186,073
Inter-segment revenue	-	-	-	-
Revenue from external customers	92,620	50,333	43,120	186,073
<i>Timing of revenue recognition</i>				
- At a point in time	-	50,333	43,120	93,453
- Over time	92,620	-	-	92,620
	92,620	50,333	43,120	186,073

For the Six Months Ended 28 February 2021

3. NOTES TO THE CASH FLOW STATEMENT

	28 Feb 21 (Unaudited) \$'000s	29 Feb 20 (Unaudited) \$'000s	31 Aug 20 (Audited) \$'000s
Net profit/(loss) for the period	4,714	(13,675)	(17,503)
Adjustments for non-cash items:			
Depreciation and amortisation	4,457	5,032	9,898
Net (gain) on sale of property, plant and equipment	(75)	(115)	(328)
Deferred tax	501	(3,168)	(6,491)
Share of net surplus of joint ventures and associates	(234)	(72)	(149)
Add/(less) movement in working capital:			
Trade debtors	(8,180)	8,655	15,564
Other financial assets- derivatives	(158)	429	180
Sundry debtors	(152)	701	629
Inventories	3,879	(372)	(123)
Contract assets and liabilities	450	(1,148)	17,455
Development Assets	-	6,786	6,786
Onerous contract provision	(333)	-	3,463
Taxation payable	163	(2,521)	(126)
Trade creditors and accruals	1,418	968	(7,024)
Other financial liabilities- derivatives	25	(1,811)	(1,724)
Employee entitlements	(971)	(733)	(2,726)
Provision for warranty	(46)	265	328
Interest paid	459	1,050	1,431
Movements in working capital disclosed in investing/financing activities:			
Movement in foreign exchange translation reserve relating to working capital	374	422	13
Working capital relating to purchase of business and non controlling interest	(1,016)	231	10
Net cash inflow from operating activities	5,275	924	19,563

4. IMPAIRMENT OF ASSETS

	6 mths 28 Feb 21 (Unaudited) \$'000s	6 mths 29 Feb 20 (Unaudited) \$'000s (restated)	12 mths 31 Aug 20 (Audited) \$'000s
Impairment of Scott LED assets	-	168	168
Impairment of Investment in Veritide Limited	-	420	420
Impairment of Scott Dairy development asset	-	3,370	3,370
Impairment of other development assets	-	3,642	3,642
	-	7,600	7,600

Scott LED was a company that sold LED lightbulbs. As a part of a review of the operations of the Group, this business activity was identified as being non-core to the Scott strategy. As a result, the assets related to Scott LED Limited were impaired and the business ceased trading. The total cost of closing Scott LED in 2020 was \$168,000.

In the previous period, Scott held an investment in Veritide Limited, (Veritide), a research collaboration that provides mobile handheld scanners to identify visible and non-visible faecal contamination on meat carcasses. As at 29 February 2020, Veritide had not secured any further funding to keep operating and Scott's investment of \$420,000 had been impaired as a result.

Scott Dairy is automated milking technology for the dairy industry that has been developed over several years. During the first half of the 2020 financial year, discussions with potential commercialisation partners ceased with no further plans to commercialise this product at this stage. As a result, the total amount of the asset was written down at 29 February 2020. The full cost of impairing this asset was \$3,370,000

Impairment of other development assets related to two non-performing projects based in Australia and New Zealand that were included in the 2020 half year financial statements. Both projects contained high levels of risk and when combined with execution issues, led to unexpected additional costs to complete the project. In the previous period, discussions with the commercial partners ceased with no further plans to commercialise these products at this stage. The majority of revenue associated with these projects was recognised in the 2017 and 2018 financial years. All additional costs relating to these projects were included in the 2020 half year financial statements. As at 31 August 2020, one of these projects was reclassified to Development assets. This Development asset was impaired as at 31 August 2020. Refer to note B9 of the audited financial statements of Scott Technology Limited for the year ended 31 August 2020 for further discussion on the treatment of this asset.

5. RESTRUCTURING PROVISION

On 29 November 2019, the proposal to close the operations of DC Ross in Dunedin was announced. The operations officially closed in April 2020. A provision of \$1,429,000 to close the facility has been included in the 2020 half year financial statements, primarily related to the write off of fixed assets where the book value of these assets is unlikely to be recovered. All of the costs associated with the restructure of these operations were included in the financial statements as at 31 August 2020.

6. CONTINGENT LIABILITIES

	28 Feb 21 (Unaudited) \$'000s	29 Feb 20 (Unaudited) \$'000s	31 Aug 20 (Audited) \$'000s
Payment guarantees and performance bonds	33,314	12,359	26,272
Stock Exchange bond	75	75	75
Maximum contract penalty clause exposure	6,946	7,967	7,041

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.

7. SEGMENT INFORMATION

7.1 PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

The Group's reportable segments under NZ IFRS8 are:

- Australasia Manufacturing
- Americas Manufacturing
- Europe Manufacturing
- China 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.

7.2 SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results by reportable segment. For the purposes of NZ IFRS8 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

7. SEGMENT INFORMATION CONTINUED

7.2 SEGMENT REVENUES AND RESULTS CONTINUED

Six Months Ended 28 February 2021 (Unaudited)	Australasia Manufacturing	Americas Manufacturing	Europe Manufacturing	China Manufacturing	Unallocated	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue	51,105	19,115	28,166	6,100	-	104,486
Segment operating profit	7,285	3,190	2,642	1,530	-	14,647
Central administration costs	-	-	-	-	(3,701)	(3,701)
Share of net (deficit)/profit in joint ventures	(42)	276	-	-	-	234
EBITDA	7,243	3,466	2,642	1,530	(3,701)	11,180
Depreciation and amortisation	(1,891)	(301)	(2,114)	(33)	(118)	(4,457)
Interest revenue	-	-	3	59	-	62
Finance costs	(86)	(80)	(197)	-	(366)	(729)
Net profit/(loss) before tax	5,266	3,085	334	1,556	(4,185)	6,056
Taxation expense	(339)	(588)	(323)	(92)	-	(1,342)
Net profit/(loss) after tax	4,927	2,497	11	1,464	(4,185)	4,714

Six Months Ended 29 February 2020 (Unaudited) (Restated)	Australasia Manufacturing (restated)	Americas Manufacturing	Europe Manufacturing (restated)	China Manufacturing (restated)	Unallocated	Total (restated)
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue	33,713	26,585	36,556	2,190	-	99,044
Segment operating profit/(loss)	(2,928)	3,488	556	(690)	-	426
Impairment of assets	(7,600)	-	-	-	-	(7,600)
Restructuring provision	(1,429)	-	-	-	-	(1,429)
Central administration costs	-	-	-	-	(3,681)	(3,681)
Share of net profit in joint ventures	8	64	-	-	-	72
EBITDA	(11,949)	3,552	556	(690)	(3,681)	(12,212)
Depreciation and amortisation	(1,999)	(396)	(2,411)	(24)	(202)	(5,032)
Interest revenue	1	-	-	6	3	10
Finance costs	(111)	(106)	(236)	-	(597)	(1,050)
Net (loss)/profit before tax	(14,058)	3,050	(2,091)	(708)	(4,477)	(18,284)
Taxation benefit/(expense)	5,476	(863)	(66)	62	-	4,609
Net (loss)/profit after tax	(8,582)	2,187	(2,157)	(646)	(4,477)	(13,675)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2021

7. SEGMENT INFORMATION CONTINUED

7.2 SEGMENT REVENUES AND RESULTS CONTINUED

Twelve Months Ended 31 August 2020 (Audited)	Australasia Manufacturing	Americas Manufacturing	Europe Manufacturing	China Manufacturing	Unallocated	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue	71,435	41,760	67,425	5,453	-	186,073
Segment operating profit/(loss)	330	2,971	3,393	(196)	-	6,498
Impairment of assets	(7,600)	-	-	-	-	(7,600)
Restructuring provision	(1,291)	-	(2,966)	-	-	(4,257)
Central administration costs	-	-	-	-	(6,436)	(6,436)
Share of net (deficit)/profit in joint ventures	(69)	287	(69)	-	-	149
EBITDA	(8,630)	3,258	358	(196)	(6,436)	(11,646)
Depreciation and amortisation	(3,985)	(751)	(4,668)	(52)	(442)	(9,898)
Interest revenue	86	-	-	98	7	191
Finance costs	(215)	(294)	(471)	-	(1,113)	(2,093)
Net (loss)/profit before tax	(12,744)	2,213	(4,781)	(150)	(7,984)	(23,446)
Taxation benefit/(expense)	5,804	(478)	356	451	(190)	5,943
Net (loss)/profit after tax	(6,940)	1,735	(4,425)	301	(8,174)	(17,503)

Revenue reported above represents revenue generated from external customers. Inter-segment sales were \$5.9 million for the six months ended 28 February 2021 (six months ended 29 February 2020: \$2.1 million; twelve months ended 31 August 2020: \$5.0 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.

8. 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.

DERIVATIVE FINANCIAL INSTRUMENTS	6 mths 28 Feb 21 (Unaudited) \$'000s	6 mths 29 Feb 20 (Unaudited) \$'000s	12 mths 31 Aug 20 (Audited) \$'000s
Assets			
<i>At fair value:</i>			
Foreign currency forward contracts held as effective fair value hedges	739	-	162
Fair value hedge of open firm commitments	361	787	728
Foreign exchange derivatives	94	-	146
	1,194	787	1,036
<i>Represented by:</i>			
Current financial assets	1,105	787	1,032
Non-current financial assets	89	-	4
	1,194	787	1,036
Liabilities			
<i>At fair value:</i>			
Foreign currency forward contracts held as effective fair value hedges	361	787	728
Fair value hedge of open firm commitments	739	-	162
Foreign exchange derivatives	43	44	82
Interest rate swap contracts	668	868	814
	1,811	1,699	1,786
<i>Represented by:</i>			
Current financial liabilities	1,143	831	972
Non-current financial liabilities	668	868	814
	1,811	1,699	1,786

The Group has categorised these derivatives, both financial assets and financial liabilities, as Level 2 under the fair value hierarchy contained within NZ IFRS13.

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.

8. FINANCIAL INSTRUMENTS CONTINUED

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.

9. NON CURRENT ASSETS AVAILABLE FOR SALE

Included within property, plant and equipment balance are assets available for sale amounting to \$768,000.

These assets represent property, plant and equipment from niche high temperature super conducting business in Wellington, HTS-110, which is considered non-core.

10. COVID-19 AND GOING CONCERN

COVID-19 continues to have a significant impact on the global economy. As a global organisation with operations in multiple jurisdictions, the Group has been impacted in numerous ways and continues to assess the impact on the Group on a regular basis.

The Group took fast and decisive action to protect the health and safety of the employees and the financial integrity of the Group. The actions taken included:

- Putting the health and wellbeing of all employees and their families first,
- Following all Government regulations, including limiting access to sites,
- Enabling employees to work from home where required, possible and viable,
- Deferred all non-essential capital expenditure and limited all discretionary expenditure,
- Accessing available Government support for employees globally,
- Suspended dividend payments in 2020,
- Secured an additional funding line from our majority shareholder, JBS Australia Pty Ltd, and
- Released a revised strategy and restructured the Group's global operations to right-size the business and reduce the overall cost base.

The Group has sufficient headroom in its current banking facilities and has also finalised negotiations with Scott's major banking partner, ANZ Bank New Zealand Limited, to ensure the Group continues to have access to sufficient debt facilities for future investment needs.

While COVID-19 continues to provide uncertainties within the day to day operations of the Group, the measures taken, together with the renewed strategy for future years, have resulted in improved underlying performance in the period ended 28 February 2021, increased balance sheet resilience, and a stronger cash position.

The Board believes that the actions taken by the Group, along with the continued support of ANZ Bank New Zealand Limited and JBS Australia Pty Ltd, will ensure Scott continues to be in a good position to manage the on-going impacts from COVID-19.

11. SUBSEQUENT EVENTS

DIVIDEND

The Board has resolved to pay an interim dividend for the year ending 31st August 2021 of 2 cents per share (2020: no interim dividend paid).

STATUTORY INFORMATION

For the Six Months Ended 28 February 2021

SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights	
			2021 %	2020 %
<i>Parent Entity</i>				
Scott Technology Limited	31-Aug	New Zealand	n/a	n/a
<i>New Zealand Trading Subsidiaries</i>				
Scott Technology NZ Limited	31-Aug	New Zealand	100	100
Scott Automation Limited	31-Aug	New Zealand	100	100
Scott Technology USA Limited	31-Aug	New Zealand	100	100
QMT General Partner Limited	31-Aug	New Zealand	93	93
QMT New Zealand Limited Partnership	31-Aug	New Zealand	92	92
Scott Technology Americas Limited	31-Aug	New Zealand	100	100
Scott Technology Europe Limited	31-Aug	New Zealand	100	100
<i>New Zealand Non Trading Subsidiaries</i>				
Scott LED Limited	31-Aug	New Zealand	100	100
Rocklabs Limited	31-Aug	New Zealand	100	100
<i>Overseas Subsidiaries</i>				
Scott Technology Australia Pty Ltd	31-Aug	Australia	100	100
Applied Sorting Technologies Pty Ltd	31-Aug	Australia	100	100
Scott Automation & Robotics Pty Ltd	31-Aug	Australia	100	100
Scott Systems International Incorporated	31-Aug	USA	100	100
Scott Systems (Qingdao) Co Limited	31 December (*)	China	95	95
Scott Technology GmbH	31-Aug	Germany	100	100
Scott Technology Belgium bvba	31-Aug	Belgium	100	100
Scott Automation NV	31-Aug	Belgium	100	100
FLS Group bvba	31-Mar	Belgium	100	100
FLS Systems NV	31-Mar	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao	31 December (*)	Brazil	100	100
Scott Automation a.s.	31-Aug	Czech Republic	100	100
Scott Automation SAS	31-Aug	France	100	100
Scott Automation Limited	31-Aug	United Kingdom	100	100
Normaclass	31-Aug	France	100	100
Rivercan S.A.	31 December (*)	Uruguay	100	100
<i>Joint Ventures</i>				
Robotic Technologies Limited	31-Aug	New Zealand	50	50
Scott Technology Euro Limited	31-Aug	Ireland	50	50
Scott Technology S.A.	31-Aug	Chile	50	50
Rocklabs Automation Canada Limited	31-Aug	Canada	50	50

(*) Determined by local regulatory requirements.

STATUTORY INFORMATION CONTINUED

For the Six Months Ended 28 February 2021

DIRECTORS

Stuart McLauchlan	Chairman and Independent Director
Edison Alvares	Director
John Berry	Alternate Director
Alan Byers	Director
Derek Charge	Independent Director
Brent Eastwood	Director
John Kippenberger	Executive Director
John Thorman	Independent Director and Audit Committee Chair

EXECUTIVES' DETAILS

John Kippenberger	Group Chief Executive Officer
Cameron Mathewson	Group Chief Financial Officer

DIRECTORY

The details of the company's principal administrative and registered office in New Zealand is:

Registered Office

630 Kaikorai Valley Road
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Dunedin 9054
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Share Registry

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