



SCOTT

SCOTT TECHNOLOGY LIMITED
HALF YEAR RESULTS 2022

CONTENTS

For the Six Months Ended 28 February 2022

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 28 February 2022

		6 mths 28 Feb 22 (Unaudited) \$'000s	6 mths 28 Feb 21 (Unaudited) \$'000s	12 mths 31 Aug 21 (Audited) \$'000s
	Notes			
Revenue	2	118,398	104,486	216,234
Other operating income		569	1,599	2,118
Share of joint ventures' net surplus		435	234	796
Raw materials, consumables used and other expenses		(73,742)	(65,080)	(132,811)
Employee benefits expense		(33,500)	(30,059)	(64,225)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		12,160	11,180	22,112
Interest received		28	62	102
Depreciation and amortisation		(4,108)	(4,457)	(8,836)
Finance costs		(654)	(729)	(1,380)
NET PROFIT BEFORE TAX		7,426	6,056	11,998
Taxation expense		(2,687)	(1,342)	(2,471)
NET PROFIT FOR THE PERIOD AFTER TAX		4,739	4,714	9,527
Other Comprehensive Income / (Loss)				
Translation of foreign operations		2,685	(3,995)	(3,370)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX		7,424	719	6,157
<i>Net profit for the period after tax is attributable to:</i>				
Members of the parent entity		4,721	4,771	9,624
Non controlling interests		18	(57)	(97)
		4,739	4,714	9,527
<i>Total comprehensive income/(loss) is attributable to:</i>				
Members of the parent entity		7,406	776	6,254
Non controlling interests		18	(57)	(97)
		7,424	719	6,157
		Cents Per Ordinary Share		
Earnings per share (weighted average shares on issue):				
Basic		6.0	6.1	12.3
Diluted		6.0	6.1	12.3
Net tangible assets per ordinary share (at period end):				
Basic		40.3	27.5	31.2
Diluted		40.3	27.5	31.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 28 February 2022

	Fully Paid Ordinary Shares <i>(Unaudited)</i> \$'000s	Retained Earnings <i>(Unaudited)</i> \$'000s	Foreign Currency Translation Reserve <i>(Unaudited)</i> \$'000s	Non- Controlling Interests <i>(Unaudited)</i> \$'000s	Total <i>(Unaudited)</i> \$'000s
Six Months Ended 28 February 2022 (Unaudited)					
Balance at 31 August 2021	82,701	19,559	(3,761)	(304)	98,195
Net profit for the period after tax	-	4,721	-	18	4,739
Other comprehensive income for the period net of tax	-	-	2,685	-	2,685
Dividends paid (4.0 cents per share)	-	(3,147)	-	-	(3,147)
Issue of shares under dividend reinvestment plan	1,792	-	-	-	1,792
Balance at 28 February 2022	84,493	21,133	(1,076)	(286)	104,264

	Fully Paid Ordinary Shares <i>(Unaudited)</i> \$'000s	Retained Earnings <i>(Unaudited)</i> \$'000s	Foreign Currency Translation Reserve <i>(Unaudited)</i> \$'000s	Non- Controlling Interests <i>(Unaudited)</i> \$'000s	Total <i>(Unaudited)</i> \$'000s
Six Months Ended 28 February 2021 (Unaudited)					
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

	Fully Paid Ordinary Shares <i>(Audited)</i> \$'000s	Retained Earnings <i>(Audited)</i> \$'000s	Foreign Currency Translation Reserve <i>(Audited)</i> \$'000s	Non- Controlling Interests <i>(Audited)</i> \$'000s	Total <i>(Audited)</i> \$'000s
Twelve Months Ended 31 August 2021 (Audited)					
Balance at 31 August 2020	81,822	11,516	(391)	(207)	92,740
Net profit / (loss) for the period after tax	-	9,624	-	(97)	9,527
Other comprehensive (loss) for the period net of tax	-	-	(3,370)	-	(3,370)
Dividends paid (2.0 cents per share)	-	(1,581)	-	-	(1,581)
Issue of ordinary shares under dividend reinvestment plan	879	-	-	-	879
Balance at 31 August 2021	82,701	19,559	(3,761)	(304)	98,195

CONSOLIDATED BALANCE SHEET

As at 28 February 2022

	Notes	28 Feb 22 (Unaudited) \$'000s	28 Feb 21 (Unaudited) \$'000s	31 Aug 21 (Audited) \$'000s
Current Assets				
Cash and cash equivalents		13,748	6,200	12,242
Trade debtors		31,767	31,609	27,485
Other financial assets	5	1,303	1,105	663
Sundry debtors		4,939	2,727	5,170
Inventories		28,512	18,803	23,125
Contract assets		29,483	12,264	24,487
Receivable from joint ventures and associates	7	124	1,257	-
Taxation receivable		372	-	-
TOTAL CURRENT ASSETS		110,248	73,965	93,172
Non Current Assets				
Property, plant and equipment		17,197	18,177	17,741
Investment in joint ventures		784	1,458	348
Other financial assets	5	93	89	37
Goodwill		56,264	54,636	55,171
Deferred tax		3,365	5,364	5,428
Intangible assets		9,948	11,948	10,874
Development assets		2,798	-	2,210
Right of use assets		10,074	11,005	9,523
TOTAL NON CURRENT ASSETS		100,523	102,677	101,332
TOTAL ASSETS		210,771	176,642	194,504
Current Liabilities				
Bank overdraft		15,090	-	-
Trade creditors and accruals		24,293	25,451	30,095
Lease liabilities		3,194	3,477	2,900
Other financial liabilities	5	1,415	1,143	714
Contract liabilities		24,451	16,385	22,739
Employee entitlements		7,561	6,822	8,282
Provision for warranty		1,228	1,828	1,230
Taxation payable		-	255	1,236
Payable to joint ventures	7	-	347	108
Current portion of term loans		11,403	2,566	737
Deferred settlement on purchase of business		854	1,293	1,327
Onerous contracts provision		7,938	7,366	7,962
TOTAL CURRENT LIABILITIES		97,427	66,933	77,330
Non Current Liabilities				
Other financial liabilities	5	521	668	696
Employee entitlements		753	718	712
Lease liabilities		7,622	8,285	7,388
Term loans		184	6,579	10,183
TOTAL NON CURRENT LIABILITIES		9,080	16,250	18,979
Equity				
Share capital		84,493	81,822	82,701
Retained earnings		21,133	16,287	19,559
Foreign currency translation reserve		(1,076)	(4,387)	(3,761)
Equity attributable to equity holders of the parent		104,550	93,722	98,499
Non controlling interests		(286)	(263)	(304)
TOTAL EQUITY		104,264	93,459	98,195
TOTAL LIABILITIES & EQUITY		210,771	176,642	194,504

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 28 February 2022

	Note	28 Feb 22 (Unaudited) \$'000s	28 Feb 21 (Unaudited) \$'000s	31 Aug 21 (Audited) \$'000s
Cash Flows From Operating Activities				
<i>Cash was provided from / (applied to):</i>				
Receipts from operations		111,296	101,952	208,146
Interest received		28	62	102
COVID-19 wage subsidies received		436	541	591
Payments to suppliers and employees		(118,369)	(96,602)	(194,583)
Taxation paid		(2,230)	(678)	(830)
Net cash (outflow) / inflow from operating activities	4	(8,839)	5,275	13,426
Cash Flows From Investing Activities				
<i>Cash was provided from / (applied to):</i>				
Purchase of property, plant, equipment and intangible assets		(589)	(1,419)	(2,303)
Sale of property, plant and equipment		72	97	209
Repayment of advances with joint ventures		-	(575)	-
Divestment of joint venture		-	-	1,215
Sale of HTS		-	-	768
Purchase of development asset		(588)	-	(2,210)
Purchase of business		(497)	(457)	(457)
Net cash (outflow) from investing activities		(1,602)	(2,354)	(2,778)
Cash Flows From Financing Activities				
<i>Cash was provided from / (applied to):</i>				
Repayment of borrowings		(681)	(3,150)	(10,175)
Dividends paid		(1,354)	-	(702)
Proceeds from borrowings		1,254	1,456	10,119
Lease payments		(1,694)	(2,313)	(4,007)
Interest paid		(668)	(459)	(1,386)
Net cash (outflow) from financing activities		(3,143)	(4,466)	(6,151)
Net (decrease) / increase in cash held		(13,584)	(1,545)	4,497
Add cash and cash equivalents at start of period		12,242	7,745	7,745
Balance at end of period		(1,342)	6,200	12,242
<i>Comprised of:</i>				
Cash and bank balances / (bank overdraft)		(1,342)	6,200	12,242

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 28 February 2022

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The unaudited interim financial consolidated 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 and its annual financial statements comply with these Acts. 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, sales and servicing of automated and robotic production lines and processes for a wide variety of industries in New Zealand and abroad.

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. They also comply with International Financial Reporting Standards ("IFRS")

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, and depreciation and amortisation (EBITDA), and Net tangible assets per ordinary shares (at period end) to describe financial performance as it considers these line items provide a better measure of underlying business performance.

These non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be compatible 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 2021. These Interim Financial Statements should be read in conjunction with the policies disclosed in the annual financial statements.

The Group has adopted all mandatory new and amended standards and interpretations. None had a material impact on these 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.

RECLASSIFICATION OF PRIOR PERIOD COMPARATIVES

Segment Reporting - Products and Sources of Revenue

For the year ended 31 August 2021, the Group redefined its sources of revenue from contracts with customers from Long term contracts, Standard equipment, and Short term products and service work, to Systems, Products and Services to align with its 2025 strategy document.

The main impact of this reclassification is a reallocation of revenue between the old and new categories particularly, Standard equipment and Short term products and service work. Comparative figures for the six month period ended 28 February 2021 included under Note 2 Revenue from Contracts With Customers have been restated in order to report comparative figures under the new classifications.

AUDIT

The Interim Financial Statements for the six months ended 28 February 2022 are unaudited. Comparative balances for the six months ended 28 February 2021 are also unaudited, whilst the comparative balances for the 12 months ended 31 August 2021 are audited.

AUTHORISATION

The Interim Financial Statements were authorised by the Board of Directors on 7 April 2022. The annual financial statements for the year ended 31 August 2021 were authorised by the Board of Directors on 21 October 2021.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from contracts with customers 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.

Six months ended 28 February 2022 (Unaudited)		Systems \$'000s	Products \$'000s	Services \$'000s	Total \$'000s
Australasia manufacturing	Segment revenue	36,206	22,985	12,265	71,456
	Inter-segment revenue	(6,080)	(2,588)	(681)	(9,349)
	Revenue from external customers	30,126	20,397	11,584	62,107
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	20,397	11,584	31,981
	- Over time	30,126	-	-	30,126
		30,126	20,397	11,584	62,107
Americas manufacturing	Segment revenue	3,720	4,946	6,655	15,321
	Inter-segment revenue	23	2,273	593	2,889
	Revenue from external customers	3,743	7,219	7,248	18,210
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	7,219	7,248	14,467
	- Over time	3,743	-	-	3,743
		3,743	7,219	7,248	18,210
Europe manufacturing	Segment revenue	17,732	3,292	9,329	30,353
	Inter-segment revenue	-	50	88	138
	Revenue from external customers	17,732	3,342	9,417	30,491
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	3,342	9,417	12,759
	- Over time	17,732	-	-	17,732
		17,732	3,342	9,417	30,491
China manufacturing	Segment revenue	1,268	-	-	1,268
	Inter-segment revenue	6,057	265	-	6,322
	Revenue from external customers	7,325	265	-	7,590
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	265	-	265
	- Over time	7,325	-	-	7,325
		7,325	265	-	7,590
Total manufacturing	Segment revenue	58,926	31,223	28,249	118,398
	Inter-segment revenue	-	-	-	-
	Revenue from external customers	58,926	31,223	28,249	118,398
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	31,223	28,249	59,472
	- Over time	58,926	-	-	58,926
		58,926	31,223	28,249	118,398

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2022

2. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Six months ended 28 February 2021 (Unaudited) (Restated)		Systems	Products	Services	Total
		\$'000s	\$'000s	\$'000s	\$'000s
Australasia manufacturing	Segment revenue	25,023	16,040	10,167	51,230
	Inter-segment revenue	(15)	(927)	817	(125)
	Revenue from external customers	25,008	15,113	10,984	51,105
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	15,113	10,984	26,097
- Over time	25,008	-	-	25,008	
		25,008	15,113	10,984	51,105
Americas manufacturing	Segment revenue	3,987	7,728	5,251	16,966
	Inter-segment revenue	2,038	993	(882)	2,149
	Revenue from external customers	6,025	8,721	4,369	19,115
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	8,721	4,369	13,090
- Over time	6,025	-	-	6,025	
		6,025	8,721	4,369	19,115
Europe manufacturing	Segment revenue	19,414	1,447	9,182	30,043
	Inter-segment revenue	(2,023)	82	64	(1,877)
	Revenue from external customers	17,391	1,529	9,246	28,166
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	1,529	9,246	10,775
- Over time	17,391	-	-	17,391	
		17,391	1,529	9,246	28,166
China manufacturing	Segment revenue	6,017	230	-	6,247
	Inter-segment revenue	-	(148)	1	(147)
	Revenue from external customers	6,017	82	1	6,100
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	82	1	83
- Over time	6,017	-	-	6,017	
		6,017	82	1	6,100
Total manufacturing	Segment revenue	54,441	25,445	24,600	104,486
	Inter-segment revenue	-	-	-	-
	Revenue from external customers	54,441	25,445	24,600	104,486
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	25,445	24,600	50,045
- Over time	54,441	-	-	54,441	
		54,441	25,445	24,600	104,486

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2022

2. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Twelve months ended 31 August 2021 (Audited)		Systems \$'000s	Products \$'000s	Services \$'000s	Total \$'000s
Australasia manufacturing	Segment revenue	61,417	33,527	19,782	114,726
	Inter-segment revenue	516	(4,661)	1,479	(2,666)
	Revenue from external customers	61,933	28,866	21,261	112,060
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	28,866	21,261	50,127
	- Over time	61,933	-	-	61,933
		61,933	28,866	21,261	112,060
Americas manufacturing	Segment revenue	8,702	12,593	11,914	33,209
	Inter-segment revenue	1,118	4,560	(1,639)	4,039
	Revenue from external customers	9,820	17,153	10,275	37,248
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	17,153	10,275	27,428
	- Over time	9,820	-	-	9,820
		9,820	17,153	10,275	37,248
Europe manufacturing	Segment revenue	34,403	3,770	17,076	55,249
	Inter-segment revenue	(1,510)	82	160	(1,268)
	Revenue from external customers	32,893	3,852	17,236	53,981
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	3,852	17,236	21,088
	- Over time	32,893	-	-	32,893
		32,893	3,852	17,236	53,981
China manufacturing	Segment revenue	12,542	508	-	13,050
	Inter-segment revenue	(124)	19	-	(105)
	Revenue from external customers	12,418	527	-	12,945
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	527	-	527
	- Over time	12,418	-	-	12,418
		12,418	527	-	12,945
Total manufacturing	Segment revenue	117,064	50,398	48,772	216,234
	Inter-segment revenue	-	-	-	-
	Revenue from external customers	117,064	50,398	48,772	216,234
	<i>Timing of revenue recognition</i>				
	- At a point in time	-	50,398	48,772	99,170
	- Over time	117,064	-	-	117,064
		117,064	50,398	48,772	216,234

3. SEGMENT INFORMATION

3.1 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

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

3.2 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 as these allocations would not result in a meaningful and comparable measure of profitability by segment.

Six Months Ended 28 February 2022 (Unaudited)	Australasia Manufacturing	Americas Manufacturing	Europe Manufacturing	China Manufacturing	Unallocated	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue	62,107	18,210	30,491	7,590	-	118,398
Segment profit / (loss)	12,199	(205)	3,316	295	-	15,605
Depreciation and amortisation	(1,980)	(302)	(1,572)	(62)	(192)	(4,108)
Share of net surplus in joint ventures	435	-	-	-	-	435
Interest revenue	-	-	-	28	-	28
Central administration costs	-	-	-	-	(3,880)	(3,880)
Finance costs	(136)	(69)	(173)	-	(276)	(654)
Net profit/(loss) before taxation	10,518	(576)	1,571	261	(4,348)	7,426
Taxation (expense)/benefit	(2,327)	133	(488)	(5)	-	(2,687)
Net profit/(loss) after taxation	8,191	(443)	1,083	256	(4,348)	4,739

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2022

3. SEGMENT INFORMATION CONTINUED

3.2 SEGMENT REVENUES AND RESULTS CONTINUED

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

Twelve Months Ended 31 August 2021 (Audited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Europe Manufacturing \$'000s	China Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	112,060	37,248	53,981	12,945	-	216,234
Segment profit	19,447	4,117	6,275	2,514	-	32,353
Depreciation and amortisation	(3,792)	(601)	(3,991)	(79)	(373)	(8,836)
Share of net surplus in joint ventures	796	-	-	-	-	796
Interest revenue	-	-	3	99	-	102
Central administration costs	-	-	-	-	(11,037)	(11,037)
Finance costs	(160)	(194)	(392)	-	(634)	(1,380)
Net profit/(loss) before taxation	16,291	3,322	1,895	2,534	(12,044)	11,998
Taxation (expense)/benefit	(1,112)	(737)	(501)	(121)	-	(2,471)
Net profit/(loss) after taxation	15,179	2,585	1,394	2,413	(12,044)	9,527

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were \$15.8 million for the six months ended 28 February 2022, (six months ended 28 February 2021: \$5.9 million; twelve months ended 31 August 2021: \$12 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 and investment revenue.

4. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	28 Feb 22 (Unaudited) \$'000s	28 Feb 21 (Unaudited) \$'000s	31 Aug 21 (Audited) \$'000s
Net profit for the period	4,739	4,714	9,527
Adjustments for non-cash items and non operating activities:			
Depreciation and amortisation	4,108	4,457	8,836
Net (gain) on sale of property, plant and equipment	(27)	(75)	(68)
Deferred tax	2,063	501	437
Share of net surplus of joint ventures and associates	(435)	(234)	(796)
Interest expense	654	459	1,380
	6,363	5,108	9,789
Add/(less) movement in working capital:			
Trade debtors	(4,282)	(8,180)	(4,056)
Other financial assets – derivatives	(697)	(158)	336
Sundry debtors	231	(152)	(2,595)
Inventories	(5,387)	3,879	(443)
Contract assets	(4,997)	13,117	894
Contract liabilities	1,712	(12,667)	(6,313)
Onerous contract provision	(24)	(333)	263
Taxation payable	(1,608)	163	1,144
Trade creditors and accruals	(5,803)	1,418	6,062
Other financial liabilities – derivatives	525	25	(376)
Employee entitlements	(680)	(971)	483
Provision for warranty	(2)	(46)	(644)
	(21,012)	(3,905)	(5,245)
Movements in working capital disclosed in investing/financing activities:			
Working capital relating to sale/(purchase) of business and non controlling interest	26	(1,016)	(97)
Movement in foreign exchange translation reserve relating to working capital	1,045	374	(548)
Net cash (outflow) / inflow from operating activities	(8,839)	5,275	13,426

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 the derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of the fair value of firm commitments (fair value hedge) or as hedges of forecast future sales (cash flow hedge). Open firm commitments reflect contractual agreements to provide goods to customers at an agreed price denominated in a foreign currency on specified future dates.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the Six Months Ended 28 February 2022

5. FINANCIAL INSTRUMENTS CONTINUED

	6 months 28 Feb 22 (Unaudited) \$'000s	6 months 28 Feb 21 (Unaudited) \$'000s	12 months 31 Aug 21 (Audited) \$'000s
Assets			
<i>At fair value:</i>			
Fair value hedge of open firm commitments	1,375	739	324
Foreign currency forward contracts held as effective fair value hedges	9	361	375
Foreign exchange derivatives	12	94	1
	1,396	1,194	700
<i>Represented by:</i>			
Current financial assets	1,303	1,105	663
Non current financial assets	93	89	37
	1,396	1,194	700
Liabilities			
<i>At fair value:</i>			
Fair value hedge of open firm commitments	9	361	375
Foreign currency forward contracts held as effective fair value hedges	1,375	739	324
Foreign exchange derivatives	125	43	52
Interest rate swap contracts	427	668	659
	1,936	1,811	1,410
<i>Represented by:</i>			
Current financial liabilities	1,415	1,143	714
Non current financial liabilities	521	668	696
	1,936	1,811	1,410

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. The fair value of foreign exchange contracts outstanding is recognised as other financial assets/liabilities.

6. CONTINGENT LIABILITIES

	6 months 28 Feb 22 (Unaudited) \$'000s	6 months 28 Feb 21 (Unaudited) \$'000s	12 months 31 Aug 21 (Audited) \$'000s
Payment guarantees and performance bonds	24,209	33,314	30,370
Stock Exchange bond	75	75	75
Maximum contract penalty clause exposure	5,256	6,946	5,692

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 (28 February 2021: \$75,000; 31 August 2021: \$75,000) in place with ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are becoming increasingly common in international contractual agreements. There is a clearly defined sequence of events that needs to occur before penalty clauses are imposed.

7. RELATED PARTY TRANSACTIONS

	6 months 28 Feb 22 (Unaudited) \$'000s	6 months 28 Feb 21 (Unaudited) \$'000s	12 months 31 Aug 21 (Audited) \$'000s
Joint Ventures			
Project work undertaken by the Group for RTL	-	(5)	197
Administration, sales and marketing fees charged by the Group to RTL	31	118	198
Sales revenue received by RTL from the Group	-	21	558
Advance from Scott Technology to RTL	124	(347)	(108)
Interest charged by RTL to Scott Technology on advance	13	38	66
Advance to Scott Technology SA	-	807	-
Advance to Rocklabs Automation Canada	-	450	-

Substantial Shareholders

JBS Australia Pty Ltd owns a 52.27% shareholding in Scott Technology Limited (28 February 2021: 51.9%; 31 August 2021: 52.02%). The Group has recognised sales to JBS companies of \$4.0 million (28 February 2021: \$0.7 million; 31 August 2021: \$6.9 million), the majority of which are sales of Bladestop machines, and has made purchases from JBS Companies of \$nil (28 February 2021: \$nil; 31 August 2021: \$nil). As at balance date the Group had \$2.3 million receivable from JBS Companies (28 February 2021: \$1.8million; 31 August 2021: \$1.0 million).

The Group has a revolving credit facility with JBS up to a maximum of \$10 million. The expiry date of this facility is 31 August 2022. This facility was not utilised during the periods included in this report.

Dividends paid to JBS amounted to \$1.6 million (28 February 2021: \$nil; 31 August 2021: \$0.8 million). All dividends have been reinvested in Scott Technology Limited under a dividend reinvestment plan.

8. COVID-19 IMPACT

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 in 2020 and 2021. As the situation has evolved, further action taken during the period has included:

- Putting the health and wellbeing of all employees and their families first. This continues to be the priority,
- Following all Government regulations, including limiting access to sites,
- Enabling employees to work from home where required, possible and viable,
- Accessing available Government support for employees and each of our regional business across the globe, and
- As supply chains have continued to be impacted, Scott has worked closely with our major suppliers to secure long-term inventory supply and we will continue to invest in working capital to support this where required.

The Group has sufficient headroom in its current banking facilities to ensure it continues to have access to sufficient debt facilities for future needs.

While COVID-19 continues to provide uncertainties to the operations of the Group, the measures taken, together with the strategy for future years, have resulted in a much improved underlying performance for the period and balance sheet resilience.

The Board believes that the actions taken by the Group, along with the on-going support of ANZ Bank and its majority shareholder JBS, will ensure Scott continues to be in a good position to manage the on-going impacts from COVID-19.

9. SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Group in subsequent periods.

The Board has resolved to pay an interim dividend for the six months ended 28 February 2022 of 4 cents per share (28 February 2021: 2 cents per share; 31 August 2021: 4 cents per share).

STATUTORY INFORMATION

For the Six Months Ended 28 February 2022

SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights	
			2022 %	2021 %
<i>Parent Entity</i>				
Scott Technology Limited	31 August	New Zealand	n/a	n/a
<i>New Zealand Trading Subsidiaries</i>				
Scott Technology NZ Limited	31 August	New Zealand	100	100
Scott Automation Limited	31 August	New Zealand	100	100
Scott Technology USA Limited	31 August	New Zealand	100	100
QMT General Partner Limited	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership	31 August	New Zealand	92	92
Scott Technology Americas Limited	31 August	New Zealand	100	100
Scott Technology Europe Limited	31 August	New Zealand	100	100
<i>New Zealand Non Trading Subsidiaries</i>				
Scott LED Limited	31 August	New Zealand	100	100
Rocklabs Limited	31 August	New Zealand	100	100
<i>Overseas Subsidiaries</i>				
Scott Technology Australia Pty Ltd	31 August	Australia	100	100
Scott Automation & Robotics Pty Ltd	31 August	Australia	100	100
Scott Systems International Incorporated	31 August	USA	100	100
Scott Systems (Qingdao) Co Limited	31 December (*)	China	95	95
Scott Technology GmbH	31 August	Germany	100	100
Scott Technology Belgium bvba	31 August	Belgium	100	100
Scott Automation NV	31 August	Belgium	100	100
FLS Group bvba	31 August	Belgium	100	100
FLS Systems NV	31 August	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao	31 December (*)	Brazil	100	100
Scott Automation a.s.	31 August	Czech Republic	100	100
Scott Automation SAS	31 August	France	100	100
Scott Automation Limited	31 August	United Kingdom	100	100
Normaclass	31 August	France	100	100
Rivercan S.A.	31 December (*)	Uruguay	100	100

(*) Determined by local regulatory requirements.

STATUTORY INFORMATION CONTINUED

For the Six Months Ended 28 February 2022

DIRECTORS

Stuart McLauchlan	Chairman and Independent Director
John Kippenberger	Executive Director
John Thorman	Independent Director and Audit Committee Chair
Derek Charge	Independent Director
Edison Alvares	Director
Alan Byers	Director
Brent Eastwood	Director
John Berry	Alternate Director for Mr Alvares, Mr Byers and Mr Eastwood
Penny Ford	Emerging Director

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
Private Bag 1960
Dunedin 9054
New Zealand

Share Registry

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enquiries@linkmarketservices.co.nz



ENGINEERING  **SCOTT** TO HIGH PERFORMANCE