SCOTT

2013 HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

100 YEARS OF AUTOMATION

CONTENTS

Directors' Report 1

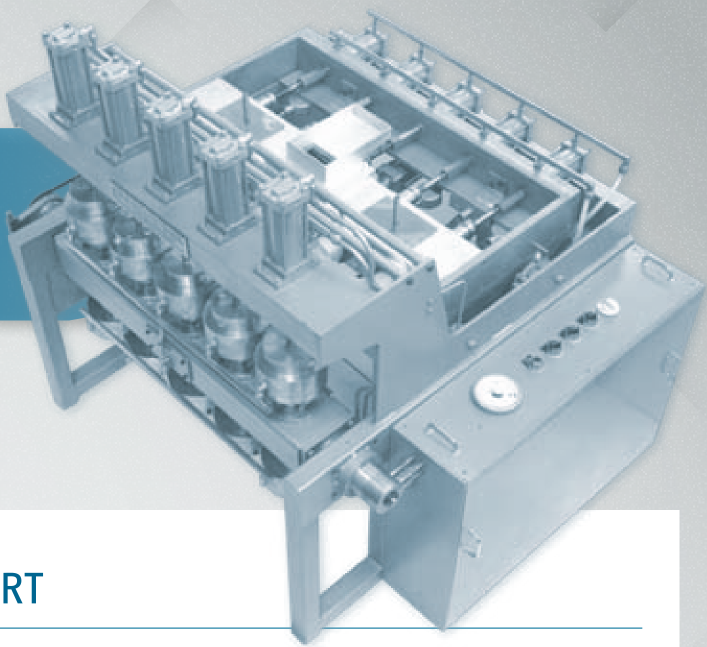
Statement of Comprehensive Income 4

Statement of Changes in Equity 5

Balance Sheet 6

Statement of Cash Flows 7

Notes to and Forming Part of the Interim Financial Statements 8



A 1967 machine for automatically making clay targets for shotgun shooting. Molten tar or pitch was injected into moulds to form the target "birds".

DIRECTORS' REPORT

Financial Commentary

The Company has delivered growth in earnings whilst operating within challenging global business conditions. The Group's unaudited result for the six months ended 28 February 2013 was a net profit before tax of $2.96 million, compared to an unaudited net profit before tax of $2.82 million for the six months ended 29 February 2012. Group revenue for the six months was $26.81 million, compared to Group revenue of $29.36 million for the six months ended 29 February 2012. The Company has a strong balance sheet with no long term debt and net working capital of $16.59 million at the end of the half year.

Review of Operations

The Company completed and shipped several large projects during the reporting period. With a competitive environment for most of our products, combined with the higher value of the New Zealand Dollar, maintaining our target margins has been challenging. We have responded by seeking ways to provide enhanced value to our customers through our solutions and by promoting and leveraging our technology in areas where we lead the world.

We continue to see many opportunities arising from our customers' desire to implement automation that has the ability to drive increased productivity and quality. We are working closely with several key customers to convert these opportunities into contracted, profitable work. In addition to a near term focus on margins, we are also looking longer term by seeking to obtain recurring revenue streams.

The Company's China factory continues to run at close to full production. Plans for the expansion required to support and service our China aspirations are progressing and will assist with the several projects destined for China that are currently being designed and built in our Dunedin and Christchurch facilities.

Our electromagnet business which utilises high temperature superconducting material has seen a slowdown in near term project work. Our focus for this business is to work with our customers on ways to promote earlier adoption of the technology. A market has recently been established to supply equipment to the hard disk drive industry and we also have NMR systems being trialled in two other major industries in Europe and in the USA. We are essentially in the marketing investment phase with both HTS-110 and Scott Milktech to transition our research and development spend into commercial success.

The Company's forward work load is strong and includes project work for several appliance manufacturers, including one of our largest ever projects in US Dollar terms, which were secured during this reporting period. In addition, the two significant meat processing systems that we announced last year continue to progress well and are expected to be delivered to our Australian customers during September to December 2013.

During the period, our business in the mining sector continued to perform well. This enabled us to also work on improving our internal systems and to complete the development and improvement of existing and new products. New hydraulic crushers and a coal sample processing system were successfully completed during the reporting period.

Business Growth

We continue to invest heavily in research and, more particularly, in the development of our range of products. This has been occurring across all market sectors. Total spend on research and development during the half year was in excess of $2.8 million. We take a conservative approach and typically write off research and development costs incurred.

1949 Scott washing machine before the company changed the brand to Whirlpool.

An exciting recent development for the Company was the soft launch of our robot for the dairy industry. The system that we have designed and built automatically places milking cups on cows in a rotary dairy shed. This technology has been developed through our joint venture with several prominent dairy farmers. We expect the full production prototype to be ready for commercial market release toward the end of 2013.

Dividend

The Directors have approved an interim dividend of 2.5 cents per share, fully imputed, payable on 23 April 2013. The Dividend Reinvestment Plan introduced by the Company in 2011 will apply to this payment.

Looking Ahead

Scott Technology Limited, with financial strength, no term debt and a management team with passion to succeed, is well aware of the on-going need to develop its strengths and increase its responsiveness as a technologically capable innovator. With this in mind, the Company continues to explore opportunities and expand its business through development projects, and through internal research and development.

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director & CEO

Graham Batts with a 15 ton press for Temuka Pottery c. 1970.

2013 MARKS THE CENTENARY OF SCOTT TECHNOLOGY

Engineering company, J & A P Scott, was established in Dunedin in 1913, initially manufacturing buckets for gold dredges and then trading as motor mechanics and motor parts suppliers. The Company manufactured munitions during the Second World War and then following the war set up a wringer washing machine manufacturing plant, leading to a range of appliances being manufactured under the Whirlpool brand. In the late 1970's the Company began manufacturing production lines for the appliance industry, which is still a major part of the business today. In more recent years, the business has diversified to provide automated solutions to the meat, mining and hard disk drive industries and has a market capitalisation of NZ$100 million.

J & A P Scott's Chevrolet truck as a float in the August 1945 Victory Parade. The driver is works manager Ken Brown and the female staff are crowded onto the back of the truck. The sign reminded onlookers that the firm had been a munitions factory during the war.

STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 28 February 2013

	6 mths 28 Feb 13 (Unaudited) $'000s	6 mths 29 Feb 12 (Unaudited) $'000s	12 mths 31 Aug 12 (Audited) $'000s
Revenue	26,814	29,356	63,778
Other income	1,130	626	3,466
Share of joint ventures' and associates' net surplus	43	76	99
Raw materials, consumables used and other expenses	(15,218)	(17,043)	(37,157)
Employee benefits expense	(9,182)	(9,595)	(20,238)
Depreciation and amortisation	(530)	(548)	(1,130)
Finance costs	(99)	(49)	(80)
NET SURPLUS BEFORE TAXATION	2,958	2,823	8,738
Taxation expense	(761)	(743)	(2,628)
NET SURPLUS FOR THE PERIOD AFTER TAX	2,197	2,080	6,110
Other Comprehensive Income			
Movement in cash flow hedge reserve	22	287	(11)
Translation of foreign operations	42	(47)	25
Other comprehensive income for the period net of tax	64	240	14
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	2,261	2,320	6,124
Net surplus for the period is attributable to:			
Members of the parent entity	2,498	2,268	6,711
Non controlling interest	(301)	(188)	(601)
	2,197	2,080	6,110
Total comprehensive income is attributable to:			
Members of the parent entity	2,562	2,508	6,725
Non controlling interest	(301)	(188)	(601)
	2,261	2,320	6,124
Net surplus (attributable to members of the parent entity) per share from continuing operations:			
Basic (cents per share)	6.2	5.7	16.7
Diluted (cents per share)	6.2	5.7	16.7
Net tangible assets per ordinary share:			
Basic (cents per share)	74.3	65.0	72.7
Diluted (cents per share)	74.3	65.0	72.7

STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 28 February 2013

	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Cash Flow Hedge Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non Controlling Interest $'000s	Total $'000s
Six Months Ended 28 February 2013 (Unaudited)						
Balance at 31 August 2012	23,034	16,741	(12)	(120)	950	40,593
Net surplus/(deficit) for the period after tax	-	2,498	-	-	(301)	2,197
Other comprehensive income for the period net of tax	-	-	22	42	-	64
Dividends paid (5.50 cents per share)	-	(2,238)	-	-	-	(2,238)
Issue of ordinary shares under dividend reinvestment plan	680	-	-	-	-	680
Issue of shares in subsidiary	-	-	-	-	186	186
Balance at 28 February 2013	23,714	17,001	10	(78)	835	41,482
Six Months Ended 29 February 2012 (Unaudited)						
Balance at 31 August 2011	21,591	13,024	(1)	(145)	1,315	35,784
Net surplus/(deficit) for the period after tax	-	2,268	-	-	(188)	2,080
Other comprehensive income for the period net of tax	-	-	287	(47)	-	240
Dividends paid (5.00 cents per share)	-	(1,986)	-	-	-	(1,986)
Issue of ordinary shares under dividend reinvestment plan	886	-	-	-	-	886
Acquisition of subsidiary	-	-	-	-	236	236
Balance at 29 February 2012	22,477	13,306	286	(192)	1,363	37,240
Twelve Months Ended 31 August 2012 (Audited)						
Balance at 31 August 2011	21,591	13,024	(1)	(145)	1,315	35,784
Net surplus/(deficit) for the year after tax	-	6,711	-	-	(601)	6,110
Other comprehensive income for the year net of tax	-	-	(11)	25	-	14
Dividends paid (7.50 cents per share)	-	(2,994)	-	-	-	(2,994)
Issue of ordinary shares under dividend reinvestment plan	1,252	-	-	-	-	1,252
Issue of ordinary shares to Employee Share Purchase Scheme	191	-	-	-	-	191
Acquisition of subsidiary	-	-	-	-	236	236
Balance at 31 August 2012	23,034	16,741	(12)	(120)	950	40,593

BALANCE SHEET

As at 28 February 2013

	6 mths 28 Feb 13 (Unaudited) $'000s	6 mths 29 Feb 12 (Unaudited) $'000s	12 mths 31 Aug 12 (Audited) $'000s
CURRENT ASSETS			
Cash and cash equivalents	2,489	2,087	6,060
Trade debtors	8,188	7,830	12,069
Other financial assets	702	1,590	549
Sundry debtors and prepayments	1,047	1,378	830
Inventories	8,133	4,759	7,570
Contract work in progress	4,408	6,050	4,203
Receivable from joint ventures and associates	99	522	755
	25,066	24,216	32,036
NON CURRENT ASSETS			
Property, plant and equipment	10,834	10,935	10,606
Investment in joint ventures and associates	644	447	601
Other financial assets	231	-	117
Goodwill	10,813	10,813	10,813
Deferred tax asset	1,854	1,249	1,555
Receivable from joint ventures and associates	1,800	949	1,655
Intangible assets	206	209	201
	26,382	24,602	25,548
TOTAL ASSETS	51,448	48,818	57,584
CURRENT LIABILITIES			
Trade creditors and accruals	4,710	5,447	9,391
Other financial liabilities	229	2,016	275
Employee entitlements	2,146	1,632	3,045
Provision for warranty	750	500	750
Payable to associates	-	-	229
Taxation payable	642	878	1,996
	8,477	10,473	15,686
NON CURRENT LIABILITIES			
Employee entitlements	1,489	1,105	1,305
EQUITY			
Share capital	23,714	22,477	23,034
Retained earnings	17,001	13,306	16,741
Cash flow hedge reserve	10	286	(12)
Foreign currency translation reserve	(78)	(192)	(120)
Equity attributable to equity holders of the parent	40,647	35,877	39,643
Non controlling interest	835	1,363	950
TOTAL EQUITY	41,482	37,240	40,593
TOTAL LIABILITIES AND EQUITY	51,448	48,818	57,584

STATEMENT OF CASH FLOWS

For the Six Months Ended 28 February 2013

	Notes	6 mths 28 Feb 13 (Unaudited) $'000s	6 mths 29 Feb 12 (Unaudited) $'000s	12 mths 31 Aug 12 (Audited) $'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from/(applied to):				
Receipts from operations		31,348	29,169	62,485
Realised fair value gain on foreign exchange derivatives		-	-	846
Interest received		33	26	62
Net GST received/(paid)		(256)	292	660
Payments to suppliers and employees		(30,349)	(27,673)	(55,532)
Interest paid		(99)	(49)	(80)
Taxation paid		(2,414)	(2,102)	(3,063)
Net cash inflow/(outflow) from operating activities	2	(1,737)	(337)	5,378
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from/(applied to):				
Purchase of property, plant, equipment and intangible assets		(763)	(452)	(702)
Sale of property, plant and equipment		-	42	48
Purchase of business assets		-	(573)	-
Advance from joint ventures and associates		282	1,116	406
Repayment of advance to Employee Share Purchase Scheme		40	14	60
Purchase of subsidiary		-	-	(573)
Investment in joint ventures and associates		-	(147)	(278)
Advance to Employee Share Purchase Scheme		-	-	(190)
Net cash outflow from investing activities		(441)	-	(1,229)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from/(applied to):				
Repayment of borrowings		(21)	-	(62)
Dividends paid		(2,238)	(1,986)	(2,994)
Issue of share capital, net of issue costs		680	886	1,443
Issue of share capital to non controlling interest		186	-	-
Net cash outflow from financing activities		(1,393)	(1,100)	(1,613)
Net increase/(decrease) in cash held		(3,571)	(1,437)	2,536
Add cash and cash equivalents at beginning of the period		6,060	3,524	3,524
Balance at end of the period		2,489	2,087	6,060
Comprised of:				
Cash and bank balances		2,489	2,087	6,060

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the Six Months Ended 28 February 2013

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 2012. These interim financial statements should be read in conjunction with the policies disclosed in the annual financial statements.

2. NOTES TO THE CASH FLOW STATEMENT

	6 mths 28 Feb 13 (Unaudited) $'000s	6 mths 29 Feb 12 (Unaudited) $'000s	12 mths 31 Aug 12 (Audited) $'000s
Net surplus for the period	2,197	2,080	6,110
Adjustments for non-cash items:			
Depreciation and amortisation	530	548	1,130
Net gain on sale of property, plant and equipment	-	(20)	(21)
Deferred tax, net of asset acquired on purchase of subsidiary and deferred tax on movement in cash flow hedge reserve	(299)	(942)	(1,136)
Share of net surplus of joint ventures and associates	(43)	(76)	(99)
Movement in exchange translation reserve	42	(47)	25
Add/(less) movement in working capital:			
Trade debtors	3,881	814	(3,425)
Other financial assets - derivatives	(297)	191	861
Sundry debtors and prepayments	(217)	(867)	(319)
Inventories	(563)	131	(2,680)
Contract work in progress	(205)	(2,539)	(692)
Taxation payable	(1,354)	(417)	701
Trade creditors and accruals	(4,681)	332	4,276
Other financial liabilities - derivatives	(13)	846	(845)
Employee entitlements	(715)	(501)	1,112
Working capital relating to purchase of business	-	130	130
Warranty provision	-	-	250
Net cash inflow/(outflow) from operating activities	(1,737)	(337)	5,378

3. CONTINGENT LIABILITIES

	6 mths 28 Feb 13 (Unaudited) $'000s	6 mths 29 Feb 12 (Unaudited) $'000s	12 mths 31 Aug 12 (Audited) $'000s
Payment guarantees and performance bonds	447	1,207	586
Stock Exchange bond	75	75	75
Maximum contract penalty clause exposure	2,827	580	862
Guarantee of joint venture's banking facilities	750	750	750
Guarantee of subsidiary's banking facilities	660	-	-
Guarantee of industry loan	41	124	62

Payment guarantees are provided to customers in respect of advance payments received by the Group for contract work in progress, while performance bonds are provided to some customers for a period of up to one year from final acceptance of the equipment.

Scott Technology Limited has a payment bond to the value of $75,000 in place with ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

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

Scott Technology Limited has provided a guarantee of up to $750,000 in respect of joint venture borrowings by Robotic Technologies Limited from the Bank of New Zealand Limited. These borrowings totalled $359,000 as at 28 February 2013 (29 February 2012: $755,000).

Scott Technology Limited has provided a guarantee of up to $660,000 in respect of QMT Machinery Technology (Qingdao) Co Limited's banking facilities. These borrowings totalled $Nil as at 28 February 2013 (29 February 2012: $Nil).

Scott Technology Limited has provided a guarantee of up to $41,000 in respect of an industry development loan to a subsidiary.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Ownership Interest			Carrying Value		
Name of Entity	Country of Incorporation	28 Feb 13 %	29 Feb 12 %	31 Aug 12 %	28 Feb 13 $'000s	29 Feb 12 $'000s	31 Aug 12 $'000s
Joint Ventures							
Robotic Technologies Limited (i)	New Zealand	50	50	50	404	314	348
Scott Technology Euro Limited (ii)	Ireland	50	50	50	60	52	60
NS Innovations Pty Limited (iii)	Australia	50	50	50	14	-	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	50	-	59	32
XRock Automation Pty Limited (v)	Australia	50	-	50	150	-	131
Associates							
Robot Vision Lab Limited (vi)	New Zealand	40	40	40	16	22	16
					644	447	601

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(i) Scott Technology Limited's joint venture with Silver Fern Farms Limited, Robotic Technologies Limited (RTL), was formed in October 2003 and has a balance date of 31 August. RTL's principal activity is the marketing and development of (primarily lamb) meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of RTL's net profit was $56,000 for the six months ended 28 February 2013 (six months ended 29 February 2012: net profit of $124,000).

(ii) Scott Technology Euro Limited (Scott Euro) is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. Scott Euro was formed in 2008 and has a balance date of 31 August. Scott Technology Limited's share of Scott Euro's net profit was $Nil for the six months ended 28 February 2013, (six months ended 29 February 2012: net profit of $24,000).

(iii) NS Innovations Pty Limited (NSIL) is a joint venture between Scott Technology Limited and Northern Co-Operative Meat Company Limited of Australia. NSIL was formed in August 2010 and has a balance date of 31 August. NSIL's principal activity is the marketing and development of (primarily beef) meat processing equipment and the management of the intellectual property associated with these developments. Scott Technology Limited's share of NSIL's net surplus was $Nil for the six months ended 28 February 2013 (six months ended 29 February 2012: $Nil).

(iv) Scott Separation Technology Limited (SSTL) is a joint venture between Scott Technology Limited and private individuals. SSTL was formed in December 2011 and has a balance date of 31 August. SSTL's principal activity is the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries. Scott Technology Limited's share of SSTL's net loss was $32,000 for the six months ended 28 February 2013 (six months ended 29 February 2012: net loss of $41,000).

(v) XRock Automation Pty Limited (XRA) is a joint venture between Scott Technology Limited and XRF Scientific Limited, an Australian publicly listed company. XRA commenced trading in July 2012 and has a balance date of 30 June. XRA's principal activity is the development and marketing of automated laboratory sampling equipment for the mining industry in Australia. Scott Technology Limited's share of XRA's net profit was $19,000 for the six months ended 28 February 2013 (six months ended 29 February 2012: $Nil).

(vi) Robot Vision Lab Limited (RVL) was established in the 2011 financial year to provide specialised vision and robotics services to its customers. Scott Technology Limited's 40% shareholding in RVL provides the Group with preferred access to RVL's services. Scott Technology Limited's share of RVL's net profit was $Nil for the six months ended 28 February 2013 (six months ended 29 February 2012: net loss of $4,000).

5. CAPITAL COMMITMENTS

There were no capital commitments as at 28 February 2013 (29 February 2012: $Nil).

6. SEGMENT INFORMATION

6.1 Products & Services from which Reportable Segments Derive Their Revenues

The Group's reportable segments under NZ IFRS-8 are as follows:

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

Information regarding the Group's reporting segments is presented below. Amounts reported for the prior periods have been restated to conform to the requirements of NZ IFRS-8.

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the Six Months Ended 28 February 2013

6. SEGMENT INFORMATION *(Continued)*

6.2 Segment Revenues and Results

The following is an analysis of the Group's revenue and results by reportable segment. Design and manufacturing activities for all segments are undertaken at all of the Group's manufacturing sites (Dunedin, Christchurch, Wellington, Auckland and Qingdao, China), with projects being allocated to manufacturing sites based on available resources, rather than by segment. The Group does not allocate certain resources and shared support services by segment for internal reporting purposes. For the purposes of NZ IFRS-8 allocations are based on a combination of revenue contribution by segment, gross margin and senior management's contribution to the segment. These allocations may not result in a meaningful and comparable measure of profitability by segment.

	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Six Months Ended 28 February 2013				
Revenue	14,425	12,389	-	26,814
Segment profit	3,677	27	-	3,704
Depreciation and amortisation	(117)	(261)	(152)	(530)
Share of profits of joint ventures	-	-	43	43
Interest revenue	-	-	33	33
Government grants	-	-	1,097	1,097
Central administration costs	-	-	(1,290)	(1,290)
Finance costs	-	-	(99)	(99)
Net profit before taxation	3,560	(234)	(368)	2,958
Taxation expense	(916)	60	95	(761)
Net profit after taxation	2,644	(174)	(273)	2,197
Six Months Ended 29 February 2012				
Revenue	13,241	16,115	-	29,356
Segment profit	4,920	(300)	-	4,620
Depreciation and amortisation	(75)	(286)	(187)	(548)
Share of profits of joint ventures	-	-	76	76
Interest revenue	-	-	26	26
Government grants	-	-	600	600
Central administration costs	-	-	(1,902)	(1,902)
Finance costs	-	-	(49)	(49)
Net profit before taxation	4,845	(586)	(1,436)	2,823
Taxation expense	(1,275)	154	378	(743)
Net profit after taxation	3,570	(432)	(1,058)	2,080

NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

For the Six Months Ended 28 February 2013

6. SEGMENT INFORMATION *(Continued)*

6.2 Segment Revenues and Results *(Continued)*

	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Twelve Months Ended 31 August 2012				
Revenue	34,279	29,499	-	63,778
Segment profit	12,474	593	-	13,067
Depreciation and amortisation	(247)	(545)	(338)	(1,130)
Share of profits of joint ventures	-	-	99	99
Interest revenue	9	-	53	62
Central administration costs	-	-	(3,280)	(3,280)
Finance costs	-	-	(80)	(80)
Net profit before taxation	12,236	48	(3,546)	8,738
Taxation expense	(3,680)	(14)	1,066	(2,628)
Net profit after taxation	8,556	34	(2,480)	6,110

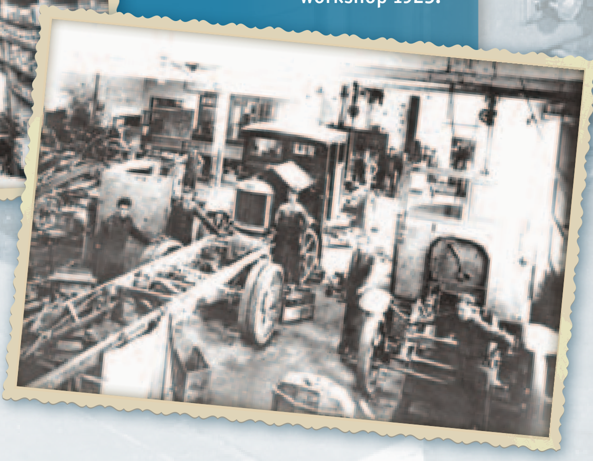
Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the six months ended 28 February 2013 (six months ended 29 February 2012: $Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs, share of profits of joint ventures and associates, investment revenue and finance costs.

7. SUBSEQUENT EVENTS

On 27 March 2013 the Board of Directors approved an interim dividend of two and a half cents per share with full imputation credits attached to be paid for the 2013 year (2012 interim dividend: two and a half cents per share).

J & A P Scott parts department in Albany Street, Dunedin, in 1946.



Trucks in the Albany Street workshop 1925.

SCOTT TECHNOLOGY LIMITED

630 Kaikorai Valley Road
Private Bag 1960
Dunedin 9054
New Zealand
Tel: +64 (3) 478 8110
info@scott.co.nz