

SCOTT TECHNOLOGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 29 February 2020

	Note	6 mths 29 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s (restated)	12 mths 31 Aug 19 (Audited) \$'000s
Revenue	2	101,835	111,426	225,093
Other income		195	1,237	2,441
Share of joint ventures' net surplus		72	182	444
Raw materials, consumables used and other expenses		(64,252)	(66,787)	(134,792)
Employee benefit expenses		(38,242)	(35,650)	(73,176)
OPERATING (LOSS)/EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (OPERATING EBITDA)		(392)	10,408	20,010
Impairment of assets	4	(10,391)	-	-
Restructuring provision	5	(1,429)	-	-
(LOSS)/EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		(12,212)	10,408	20,010
Depreciation and amortisation		(5,032)	(4,164)	(8,969)
Finance costs		(1,050)	(728)	(1,715)
Interest received		10	14	20
NET (LOSS)/SURPLUS BEFORE TAXATION		(18,284)	5,530	9,346
Tax credit – research & development tax credits (Australia)		1,168	1,112	1,112
Taxation credit/(expense)		3,441	(1,492)	(1,854)
NET (LOSS)/SURPLUS FOR THE PERIOD AFTER TAX		<u>(13,675)</u>	<u>5,150</u>	<u>8,604</u>
Other Comprehensive (Loss)/Income				
Cash flow hedges		-	370	370
Translation of foreign operations		422	(578)	765
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD NET OF TAX		<u>(13,253)</u>	<u>4,942</u>	<u>9,739</u>
Net (loss)/surplus for the period is attributable to:				
Members of the parent entity		(13,896)	5,010	8,690
Non controlling interest		221	140	(86)
		<u>(13,675)</u>	<u>5,150</u>	<u>8,604</u>
Total comprehensive (loss)/income is attributable to:				
Members of the parent entity		(13,484)	4,802	9,825
Non controlling interest		231	140	(86)
		<u>(13,253)</u>	<u>4,942</u>	<u>9,739</u>
Cents Per Ordinary Share				
Earnings per share (weighted average shares on issue):				
Basic		(17.8)	6.6	11.3
Diluted		(17.8)	6.6	11.3
Net tangible assets per ordinary share (at period end):				
Basic		32.9	50.9	50.4
Diluted		32.9	50.9	50.4

SCOTT TECHNOLOGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 29 February 2020

Six Months Ended 29 February 2020	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s	Foreign Currency Translation Reserve (Unaudited) \$'000s	Non Controlling Interest (Unaudited) \$'000s	Cash Flow Hedge Reserve (Unaudited) \$'000s	Total (Unaudited) \$'000s
Balance at 31 August 2019	80,073	31,949	(170)	(35)	-	111,817
Net loss for the period after tax	-	(13,896)	-	221	-	(13,675)
Other comprehensive income for the period net of tax	-	-	432	-	-	432
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

Six Months Ended 28 February 2019	Fully Paid Ordinary Shares (Unaudited) \$'000s	Retained Earnings (Unaudited) \$'000s (restated)	Foreign Currency Translation Reserve (Unaudited) \$'000s (restated)	Non Controlling Interest (Unaudited) \$'000s	Cash Flow Hedge Reserve (Unaudited) \$'000s	Total (Unaudited) \$'000s (restated)
Balance at 31 August 2018	75,647	31,335	(935)	51	(370)	105,728
Change in accounting policy	-	(451)	-	-	-	(451)
Net surplus for the period after tax	-	5,010	-	140	-	5,150
Other comprehensive income for the period net of tax	-	-	(578)	-	370	(208)
Dividends paid (6.0 cents per share)	-	(4,554)	-	-	-	(4,554)
Issue of ordinary shares under dividend reinvestment plan	2,590	-	-	-	-	2,590
Balance at 28 February 2019	78,237	31,340	(1,513)	191	-	108,255

Twelve Months Ended 31 August 2019	Fully Paid Ordinary Shares (Audited) \$'000s	Retained Earnings (Audited) \$'000s	Foreign Currency Translation Reserve (Audited) \$'000s	Non Controlling Interest (Audited) \$'000s	Cash Flow Hedge Reserve (Audited) \$'000s	Total (Audited) \$'000s
Balance at 31 August 2018	75,647	31,335	(935)	51	(370)	105,728
Change in accounting policy	-	(450)	-	-	-	(450)
Net surplus for the period after tax	-	8,690	-	(86)	-	8,604
Other comprehensive income for the period net of tax	-	-	765	-	370	1,135
Dividends paid (10 cents per share)	-	(7,626)	-	-	-	(7,626)
Issue of ordinary shares under dividend reinvestment plan	4,426	-	-	-	-	4,426
Balance at 31 August 2019	80,073	31,949	(170)	(35)	-	111,817

SCOTT TECHNOLOGY LIMITED
CONSOLIDATED BALANCE SHEET
As at 29 February 2020

	Note	29 Feb 20 (Unaudited) \$'000s	28 Feb 19 (Unaudited) \$'000s (restated)	31 Aug 19 (Audited) \$'000s
CURRENT ASSETS				
Trade debtors		30,339	32,611	38,993
Other financial assets	8	787	271	1,207
Sundry debtors		2,504	4,192	3,204
Inventories		22,931	21,130	22,559
Contract assets		23,758	32,402	32,863
Receivable from joint ventures and associates		1,069	1,516	1,552
Plant and equipment held for sale		-	345	345
Taxation receivable		2,302	-	-
		<u>83,690</u>	<u>92,467</u>	<u>100,723</u>
NON CURRENT ASSETS				
Property, plant and equipment		20,360	15,991	20,259
Capital work in progress		-	1,590	-
Investment in joint ventures and associates		1,444	1,109	1,371
Other investments		-	-	400
Other financial assets	8	-	51	9
Goodwill		57,473	54,722	57,951
Deferred tax asset		2,542	-	-
Intangible assets		14,072	14,639	15,405
Right of use asset		14,738	12,987	16,996
		<u>110,629</u>	<u>101,089</u>	<u>112,391</u>
TOTAL ASSETS		<u>194,319</u>	<u>193,556</u>	<u>213,114</u>
CURRENT LIABILITIES				
Bank overdraft		8,975	5,673	4,737
Trade creditors and accruals		31,853	24,138	31,057
Lease liabilities		3,910	3,281	4,081
Other financial liabilities	8	831	359	2,541
Contract liabilities		13,062	17,954	16,529
Employee entitlements		9,704	9,611	10,298
Provision for warranty		1,811	1,838	1,546
Payable to joint ventures		703	557	393
Taxation payable		-	610	218
Current portion of term loans		2,679	4,181	4,217
Deferred settlement on purchase of business		1,938	1,504	2,385
		<u>75,466</u>	<u>69,706</u>	<u>78,002</u>
NON CURRENT LIABILITIES				
Other financial liabilities	8	868	797	969
Employee entitlements		801	984	939
Lease liability		11,446	9,754	13,311
Deferred tax liability		-	1,060	626
Term loans		8,517	3,000	7,450
		<u>21,632</u>	<u>15,595</u>	<u>23,295</u>
EQUITY				
Share capital		81,822	78,237	80,073
Retained earnings		14,951	31,340	31,949
Foreign currency translation reserve		252	(1,513)	(170)
Equity attributable to equity holders of the parent		<u>97,025</u>	<u>108,064</u>	<u>111,852</u>
Non controlling interest		196	191	(35)
TOTAL EQUITY		<u>97,221</u>	<u>108,255</u>	<u>111,817</u>
TOTAL LIABILITIES & EQUITY		<u>194,319</u>	<u>193,556</u>	<u>213,114</u>

SCOTT TECHNOLOGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended 29 February 2020

	6 mths 29 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s (restated)	12 mths 31 Aug 19 (Audited) \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from/(applied to):			
Receipts from operations	115,326	105,936	213,712
Interest received	10	14	20
Net GST (paid)/received	(413)	(127)	109
Payments to suppliers and employees	(112,919)	(108,992)	(208,218)
Taxation paid	(1,080)	(3,230)	(4,897)
Net cash inflow/(outflow) from operating activities	3 924	(6,399)	726
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(applied to):			
Purchase of property, plant, equipment and intangible assets	(1,445)	(2,929)	(7,229)
Sale of property, plant and equipment	777	525	266
Advance from joint ventures	792	683	479
Purchase of business	(447)	(4,830)	(6,803)
Purchase of Investments	(20)	-	(400)
Net cash outflow from investing activities	(343)	(6,551)	(13,687)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/(applied to):			
Repayment of borrowings	(1,344)	(572)	(742)
Dividends paid	(1,353)	(1,964)	(3,200)
Proceeds from borrowings	907	-	5,000
Lease payments	(2,075)	(1,932)	(3,592)
Interest paid	(954)	(728)	(1,715)
Net cash (outflow) from financing activities	(4,819)	(5,196)	(4,249)
Net decrease in cash held	(4,238)	(18,146)	(17,210)
Add cash and cash equivalents at beginning of the period	(4,737)	12,473	12,473
Balance at end of the period	(8,975)	(5,673)	(4,737)
Comprised of:			
(Bank overdraft)	(8,975)	(5,673)	(4,737)

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2020

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).

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 2019. These Interim Financial Statements should be read in conjunction with the policies disclosed in the annual financial statements.

Restatement of Prior Period

For the period ending 31 August 2019, the Group early adopted NZ IFRS 16 *Leases*, (NZ IFRS 16), with an effective date of 1 September 2018. The Group has restated the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Note 3 and Note 7 as at 28 February 2019 to reflect the adoption of NZ IFRS 16. Refer to the audited financial statements of Scott Technology Limited for the year ended 31 August 2019 for a discussion on how the transitional provisions of NZ IFRS 16 have been applied.

For the period ending 31 August 2019, the Group restated the goodwill balances to recognise the foreign exchange impact of goodwill associated with entities purchased in foreign currencies. The Group has restated the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet as at 28 February 2019 to reflect the impact of this restatement.

Reclassification of Prior Period

For the year ended 31 August 2019, the Group reclassified interest paid in the Consolidated Statement of Cash Flows as a financing activity rather than an operating activity due to the impact of adopting NZ IFRS 16 and the increased level of debt the Group has entered into. This reclassification has been made to the Consolidated Statement of Cash Flows and Note 3 for the period ending 28 February 2019 to ensure that these balances have been reported on a consistent basis.

With the adoption of NZ IFRS 16, the Group has reclassified some balances previously noted as finance leases into term loans. These are loans that relate to the purchase of specific items of plant and equipment and do not meet the definition of a lease under NZ IFRS 16. This reclassification has been made to the Consolidated Balance Sheet for the period ending 28 February 2019 to ensure that these balances have been reported on a consistent basis.

Audit

The Interim Financial Statements for the six months ended 29 February 2020 are unaudited. Comparative balances for the six months ended 28 February 2019 are also unaudited, whilst the comparative balances for the 12 months ended 31 August 2019 are audited.

Authorisation

The Interim Financial Statements were authorised by the Board of Directors on 8 May 2020. The annual financial statements for the year ended 31 August 2019 were authorised by the Board of Directors on 24 October 2019.

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

Six months ended 29 February 2020 (Unaudited)

Australasia manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	18,783	12,777	8,149	39,709
Inter-segment revenue	(1,726)	(1,013)	(466)	(3,205)
Revenue from external customers	<u>17,057</u>	<u>11,764</u>	<u>7,683</u>	<u>36,504</u>
Timing of revenue recognition				
- At a point in time	-	11,764	7,683	19,447
- Over time	17,057	-	-	17,057
	<u>17,057</u>	<u>11,764</u>	<u>7,683</u>	<u>36,504</u>

Americas manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	9,906	5,591	8,470	23,967
Inter-segment revenue	1,726	898	(6)	2,618
Revenue from external customers	<u>11,632</u>	<u>6,489</u>	<u>8,464</u>	<u>26,585</u>
Timing of revenue recognition				
- At a point in time	-	6,489	8,464	14,953
- Over time	11,632	-	-	11,632
	<u>11,632</u>	<u>6,489</u>	<u>8,464</u>	<u>26,585</u>

Asia & Europe manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	29,243	5,099	3,817	38,159
Inter-segment revenue	-	115	472	587
Revenue from external customers	<u>29,243</u>	<u>5,214</u>	<u>4,289</u>	<u>38,746</u>
Timing of revenue recognition				
- At a point in time	-	5,214	4,289	9,503
- Over time	29,243	-	-	29,243
	<u>29,243</u>	<u>5,214</u>	<u>4,289</u>	<u>38,746</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2020

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont)

Total manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	57,932	23,467	20,436	101,835
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>57,932</u>	<u>23,467</u>	<u>20,436</u>	<u>101,835</u>
Timing of revenue recognition				
- At a point in time	-	23,467	20,436	43,903
- Over time	57,932	-	-	57,932
	<u>57,932</u>	<u>23,467</u>	<u>20,436</u>	<u>101,835</u>

Six months ended 28 February 2019 (Unaudited)

Australasia manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	26,195	20,068	5,442	51,705
Inter-segment revenue	296	(1,984)	146	(1,542)
Revenue from external customers	<u>26,491</u>	<u>18,084</u>	<u>5,588</u>	<u>50,163</u>
Timing of revenue recognition				
- At a point in time	-	18,084	5,588	23,672
- Over time	26,491	-	-	26,491
	<u>26,491</u>	<u>18,084</u>	<u>5,588</u>	<u>50,163</u>

Americas manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	4,650	11,316	288	16,254
Inter-segment revenue	-	1,694	-	1,694
Revenue from external customers	<u>4,650</u>	<u>13,010</u>	<u>288</u>	<u>17,948</u>
Timing of revenue recognition				
- At a point in time	-	13,010	288	13,298
- Over time	4,650	-	-	4,650
	<u>4,650</u>	<u>13,010</u>	<u>288</u>	<u>17,948</u>

Asia & Europe manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	31,230	2,941	9,296	43,467
Inter-segment revenue	(296)	290	(146)	(152)
Revenue from external customers	<u>30,934</u>	<u>3,231</u>	<u>9,150</u>	<u>43,315</u>
Timing of revenue recognition				
- At a point in time	-	3,231	9,150	12,381
- Over time	30,934	-	-	30,934
	<u>30,934</u>	<u>3,231</u>	<u>9,150</u>	<u>43,315</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2020

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont)

Total manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	62,075	34,325	15,026	111,426
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>62,075</u>	<u>34,325</u>	<u>15,026</u>	<u>111,426</u>
Timing of revenue recognition				
- At a point in time	-	34,325	15,026	49,351
- Over time	62,075	-	-	62,075
	<u>62,075</u>	<u>34,325</u>	<u>15,026</u>	<u>111,426</u>

Twelve months ended 31 August 2019 (Audited)

Australasia manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	54,666	38,583	13,251	106,500
Inter-segment revenue	(1,551)	(1,991)	(198)	(3,740)
Revenue from external customers	<u>53,115</u>	<u>36,592</u>	<u>13,053</u>	<u>102,760</u>
Timing of revenue recognition				
- At a point in time	-	36,592	13,053	49,645
- Over time	53,115	-	-	53,115
	<u>53,115</u>	<u>36,592</u>	<u>13,053</u>	<u>102,760</u>

Americas manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	10,578	20,906	2,091	33,575
Inter-segment revenue	74	1,954	27	2,055
Revenue from external customers	<u>10,652</u>	<u>22,860</u>	<u>2,118</u>	<u>35,630</u>
Timing of revenue recognition				
- At a point in time	-	22,860	2,118	24,978
- Over time	10,652	-	-	10,652
	<u>10,652</u>	<u>22,860</u>	<u>2,118</u>	<u>35,630</u>

Asia & Europe manufacturing

	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	62,690	4,310	18,018	85,018
Inter-segment revenue	1,477	37	171	1,685
Revenue from external customers	<u>64,167</u>	<u>4,347</u>	<u>18,189</u>	<u>86,703</u>
Timing of revenue recognition				
- At a point in time	-	4,347	18,189	22,536
- Over time	64,167	-	-	64,167
	<u>64,167</u>	<u>4,347</u>	<u>18,189</u>	<u>86,703</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2020

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont)

Total manufacturing	Long term contracts \$'000s	Standard equipment \$'000s	Short term projects and service work \$'000s	Total \$'000s
Segment revenue	127,934	63,799	33,360	225,093
Inter-segment revenue	-	-	-	-
Revenue from external customers	<u>127,934</u>	<u>63,799</u>	<u>33,360</u>	<u>225,093</u>
Timing of revenue recognition				
- At a point in time	-	63,799	33,360	97,159
- Over time	127,934	-	-	127,934
	<u>127,934</u>	<u>63,799</u>	<u>33,360</u>	<u>225,093</u>

3. NOTES TO THE CASH FLOW STATEMENT

	6 mths 29 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s (restated)	12 mths 31 Aug 19 (Audited) \$'000s
Net (loss)/surplus for the period	(13,675)	5,150	8,604
Adjustments for non-cash items:			
Depreciation and amortisation	5,032	4,164	8,969
Net loss/(gain) on sale of property, plant and equipment	(115)	(36)	(237)
Deferred tax	(3,168)	(722)	(1,456)
Share of net surplus of joint ventures and associates	(72)	(182)	(444)
Movement due to IFRS 15 adjustment	-	-	(450)
Add/(less) movement in working capital:			
Trade debtors	8,655	4,453	(1,929)
Other financial assets - derivatives	429	1,257	363
Sundry debtors and prepayments	701	(669)	327
Inventories	(372)	1,243	265
Contract work in progress	5,638	(11,371)	(13,257)
Taxation payable	(2,521)	(2,128)	(2,520)
Trade creditors and accruals	968	(5,946)	734
Other financial liabilities - derivatives	(1,811)	(1,307)	1,046
Employee entitlements	(733)	(2,334)	(1,692)
Provision for warranty	265	(19)	(311)
Interest paid	1,050	728	1,715
Movements in working capital disclosed in investing/financing activities:			
Movement in foreign exchange translation reserve relating to working capital	422	1,261	(12)
Working capital relating to purchase of business and non controlling interest	231	59	1,011
Net cash inflow/(outflow) from operating activities	<u>924</u>	<u>(6,399)</u>	<u>726</u>

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 29 February 2020

4. IMPAIRMENT OF ASSETS

	6 mths 28 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s	12 mths 31 Aug 19 (Audited) \$'000s
Impairment of Scott LED assets	168	-	-
Impairment of Investment in Veritide Limited	420	-	-
Impairment of Scott Dairy development asset	3,715	-	-
Impairment of other development assets	6,088	-	-
	<u>10,391</u>	<u>-</u>	<u>-</u>

Scott LED is a company that sells LED lightbulbs. As a part of a review of the operations of the Group, this business activity has been identified as being non-core to the Scott strategy. As a result, the assets related to Scott LED Limited have been impaired and the business has ceased trading. The total amount of this provision at 29 February 2020 is \$168,000.

Scott holds 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 has 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 has been written down at 29 February 2020, totalling \$3,715,000.

Impairment of other development assets is related to two non-performing projects based in Australia and New Zealand that have been 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 current 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 have been included in the 2020 half year financial statements.

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.

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6. CONTINGENT LIABILITIES

	6 mths 28 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s	12 mths 31 Aug 19 (Audited) \$'000s
Payment guarantees and performance bonds	12,359	9,069	14,339
Stock Exchange bond	75	75	75
Maximum contract penalty clause exposure	7,967	7,417	6,865

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 IFRS-8 are:

- Australasia Manufacturing
- Americas Manufacturing
- Asia and Europe Manufacturing

Australasia is reported as a single segment due to the integrated nature of customers, manufacturing, sales and financing activities across New Zealand and Australia. Asia and Europe is reported as a single segment due to the integrated nature of customers, manufacturing and sales activities across Asia and Europe.

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

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 IFRS-8 allocations are based on the operating results by segment. The Group does not allocate certain resources (such as senior executive management time) and central administration costs by segment for internal reporting purposes and therefore these allocations may not result in a meaningful and comparable measure of profitability by segment.

Six Months Ended 29 February 2020 (Unaudited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Asia & Europe Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	36,504	26,585	38,746	-	101,835
Operating profit/(loss)	(137)	3,488	(134)	-	3,217
Impairment of assets	(10,391)	-	-	-	(10,391)
Restructuring provision	(1,429)	-	-	-	(1,429)
Depreciation and amortisation	(1,999)	(396)	(2,435)	(202)	(5,032)
Share of net profit of joint ventures	8	64	-	-	72
Interest revenue	1	-	6	3	10
Central administration costs	-	-	-	(3,681)	(3,681)
Finance costs	(111)	(106)	(236)	(597)	(1,050)
Net profit/(loss) before taxation	(14,058)	3,050	(2,799)	(4,477)	(18,284)
Taxation expense	5,476	(863)	(4)	-	4,609
Net profit/(loss) after taxation	(8,582)	2,187	(2,803)	(4,477)	(13,675)

SCOTT TECHNOLOGY LIMITED
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7. SEGMENT INFORMATION (Cont)

7.2 Segment Revenues and Results (Cont)

Six Months Ended 28 February 2019 (Unaudited)	Australasia Manufacturing \$'000s (restated)	Americas Manufacturing \$'000s (restated)	Asia & Europe Manufacturing \$'000s (restated)	Unallocated \$'000s	Total \$'000s (restated)
Revenue	50,163	17,948	43,315	-	111,426
Operating profit	6,136	2,804	4,423	-	13,363
Depreciation and amortisation	(1,816)	(101)	(1,996)	(251)	(4,164)
Share of net surplus/(deficit) of joint ventures	(84)	250	16	-	182
Interest revenue	-	-	6	8	14
Central administration costs and foreign exchange	-	-	-	(3,137)	(3,137)
Finance costs	(127)	(6)	(329)	(266)	(728)
Net profit/(loss) before taxation	4,109	2,947	2,120	(3,646)	5,530
Taxation expense	(633)	(451)	(321)	1,025	(380)
Net profit/(loss) after taxation	3,476	2,496	1,799	(2,621)	5,150

Twelve Months Ended 31 August 2019 (Audited)	Australasia Manufacturing \$'000s	Americas Manufacturing \$'000s	Asia & Europe Manufacturing \$'000s	Unallocated \$'000s	Total \$'000s
Revenue	102,760	35,630	86,703	-	225,093
Operating profit	16,426	4,915	6,048	-	27,389
Depreciation and amortisation	(3,720)	(323)	(4,416)	(510)	(8,969)
Share of net surplus of joint ventures	(216)	605	55	-	444
Interest revenue	-	-	10	10	20
Central administration costs and foreign exchange	-	-	-	(7,823)	(7,823)
Finance costs	(120)	(147)	(631)	(817)	(1,715)
Net profit/(loss) before taxation	12,370	5,050	1,066	(9,140)	9,346
Taxation expense	(3,152)	(959)	637	2,732	(742)
Net profit/(loss) after taxation	9,218	4,091	1,703	(6,408)	8,604

Revenue reported above represents revenue generated from external customers. Inter-segment sales were \$2.1 million for the six months ended 28 February 2020 (six months ended 28 February 2019: \$2.1 million; twelve months ended 31 August 2019: \$3.0 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.

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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.

Fair value of derivative financial instruments

	6 mths 29 Feb 20 (Unaudited) \$'000s	6 mths 28 Feb 19 (Unaudited) \$'000s	12 mths 31 Aug 19 (Audited) \$'000s
Assets:			
At fair value			
Foreign currency forward contracts held as effective fair value hedges	-	-	-
Fair value hedge of open firm commitments	787	322	1,216
Foreign exchange derivatives	-	-	-
	<u>787</u>	<u>322</u>	<u>1,216</u>
Represented by:			
Current financial assets	787	271	1,207
Non current financial assets	-	51	9
	<u>787</u>	<u>322</u>	<u>1,216</u>
Liabilities			
At fair value			
Foreign currency forward contracts held as effective fair value hedges	787	322	1,216
Fair value hedge of open firm commitments	-	-	-
Foreign exchange derivatives	44	88	1,334
Interest rate swap contracts	868	746	960
Foreign currency forward contracts held as cash flow hedges	-	-	-
	<u>1,699</u>	<u>1,156</u>	<u>3,510</u>
Represented by:			
Current financial liabilities	831	359	2,541
Non current financial liabilities	868	797	969
	<u>1,699</u>	<u>1,156</u>	<u>3,510</u>

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.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
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9. GOING CONCERN AND THE IMPACT OF COVID-19

COVID-19 is having a significant impact on the global economy during the 2020 calendar year. The Group continues to assess the likely impact on the business from the rapidly evolving COVID-19 situation.

At the date of signing these financial statements, the Group had put in place significant strategies to protect the health and safety of the employees and the financial integrity of the Group, including:

- 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,
- Stopping all capital expenditure and limiting all discretionary expenditure,
- Accessing available Government support for employees globally,
- Finalising negotiations with Scott's major banking partner, ANZ Bank, enabling the Group to have the ability to draw upon additional debt facilities if required, and
- Secured an additional funding line from our majority shareholder, JBS Australia.

Providing accurate forecasts in this rapidly evolving environment is challenging. As a result, the Group has announced restructuring to reduce its cost base, as detailed in Note 10.

The Board of Directors believe that the actions taken by the company, along with the continued support of ANZ Bank and JBS Australia, will ensure Scott is in a good position to successfully emerge from Covid-19.

10. SUBSEQUENT EVENTS

Strategy and Restructure

On 8 May 2020, the Group announced its new Scott 2020 – 2025 strategy. This includes a revised focus on growth segments to core strengths, enhanced controls around project risk, and a restructure of the Group's global operations to right-size the business and reduce the overall cost base. This restructure includes the closure or sale of operations which are no longer deemed to be a strategic fit for the Group.

This includes the closure of the manufacturing operations at Scott Automation GmbH, based in Germany. The operations will be consolidated into other existing facilities. The closure of the German operations will take place in the second half of the 2020 financial year. The estimated costs with closing the facility are \$3.5 million.

The majority of the restructuring is expected to take place over the second half of the 2020 financial year, with closures or sales of other operations likely to take place in the 2021 financial year.

Dividend

The board has resolved not to pay an interim dividend for the year ended 31st August 2020 (2019 interim dividend: 4 cents per share).

Directors

Andre Nogueira de Souza resigned as Director of Scott Technology Limited on 7 May 2020.

Alan Byers was appointed as Director of Scott Technology Limited, effective 8 May 2020.

SCOTT TECHNOLOGY LIMITED

STATUTORY INFORMATION

SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights	
			2020 %	2019 %
Parent Entity				
Scott Technology Limited (i)	31 August	New Zealand	n/a	n/a
New Zealand Trading Subsidiaries				
Scott Technology NZ Limited (ii)	31 August	New Zealand	100	100
Scott Automation Limited (iii)	31 August	New Zealand	100	100
Scott Technology USA Limited (iv)	31 August	New Zealand	100	100
QMT General Partner Limited (v)	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership (vi)	31 August	New Zealand	92	92
Scott Separation Technology (vii)	31 August(**)	New Zealand	-	100
Scott Technology Americas Limited (viii)	31 August	New Zealand	100	100
Scott Technology Europe Limited (ix)	31 August	New Zealand	100	100
New Zealand Non Trading Subsidiaries				
Scott LED Limited	31 August	New Zealand	100	100
Rocklabs Limited	31 August	New Zealand	100	100
Overseas Subsidiaries				
Scott Technology Australia Pty Ltd (x)	31 August	Australia	100	100
Applied Sorting Technologies Pty Ltd (xi)	31 August	Australia	100	100
Scott Automation & Robotics Pty Ltd (xii)	31 August	Australia	100	100
QMT Machinery Technology (Qingdao) Co Limited (xiii)	31 December (*)	China	-	70
Scott Systems International Incorporated (xiv)	31 August	USA	100	100
Scott Systems (Qingdao) Co Limited (xv)	31 December (*)	China	95	95
Scott Technology GmbH (xvi)	31 August	Germany	100	100
Scott Technology Belgium bvba (xvii)	31 August	Belgium	100	100
Scott Automation NV (xviii)	31 August	Belgium	100	100
FLS Group bvba (xix)	31 March	Belgium	100	100
FLS Systems NV (xx)	31 March	Belgium	100	100
Alvey do Brazil Comercio de Maquinas de Automacao (xxi)	31 December (*)	Brazil	100	100
Scott Automation a.s. (xxii)	31 August	Czech Republic	100	100
Scott Automation SAS (xxiii)	31 August	France	100	100
Scott Automation Limited (xxiv)	31 August	United Kingdom	100	100
Normaclass (xxv)	31 August	France	100	-
Rivercan S.A. (xxvi)	31 December (*)	Uruguay	100	-
Joint Ventures				
Robotic Technologies Limited	31 August	New Zealand	50	50
Scott Technology Euro Limited	31 August	Ireland	50	50
Scott Technology S.A.	31 August	Chile	50	50
Rocklabs Automation Canada Limited	31 August	Canada	50	50

(*) Determined by local regulatory requirements.

(**) Amalgamated into Scott Technology Limited on 31 March 2019.

SCOTT TECHNOLOGY LIMITED

STATUTORY INFORMATION (Cont)

DIRECTORS

Stuart McLauchlan	Chairman and Independent Director
Edison Alvares	Director
John Berry	Alternate Director
Alan Byers	Director (appointed 8 May 2020)
Derek Charge	Independent Director
Brent Eastwood	Director
Chris Hopkins	Director (retired 10 December 2019)
Andre Nogueira	Director (retired 7 May 2020)
John Thorman	Independent Director and Audit Committee Chair

EXECUTIVES' DETAILS

John Kippenberger	Group Chief Executive Officer
Kate Rankin	Group Chief Financial Officer

DIRECTORY

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

630 Kaikorai Valley Road
Private Bag 1960
Dunedin 9054
New Zealand

SHARE REGISTRY

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