SCOTT TECHNOLOGY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended 28 February 2019

	6 mths 28 Feb 19 (Unaudited) $'000s	6 mths 28 Feb 18 (Unaudited) $'000s	12 mths 31 Aug 18 (Audited) $'000s
Revenue	111,426	67,472	181,779
Other income	1,237	840	1,568
Share of joint ventures' net surplus	182	115	510
Raw materials, consumables used and other expenses	(68,719)	(39,308)	(109,381)
Employee benefits expense	(35,650)	(22,729)	(55,171)
OPERATING EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (OPERATING EBITDA)	8,476	6,390	19,801
Due diligence & acquisition costs	-	-	(496)
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	8,476	6,390	19,305
Depreciation and amortisation	(2,423)	(1,772)	(4,225)
Finance costs	(472)	(71)	(403)
Interest received	14	213	369
NET SURPLUS BEFORE TAXATION	5,595	4,760	15,046
Tax credit – research & development tax credits (Australia)	1,112	-	563
Taxation expense	(1,492)	(1,605)	(4,837)
NET SURPLUS FOR THE PERIOD AFTER TAX	5,215	3,155	10,772
Other Comprehensive Income			
Cash flow hedges	370	-	(370)
Translation of foreign operations	1,261	228	(1,449)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	6,846	3,383	8,953
Net surplus for the period is attributable to:			
Members of the parent entity	5,075	3,142	10,768
Non controlling interest	140	13	4
	5,215	3,155	10,772
Total comprehensive income is attributable to:			
Members of the parent entity	6,706	3,370	8,949
Non controlling interest	140	13	4
	6,846	3,383	8,953

	Cents Per Ordinary Share		
Earnings per share (weighted average shares on issue):			
Basic	6.6	4.2	14.3
Diluted	6.6	4.2	14.3
Net tangible assets per ordinary share (at period end):			
Basic	52.1	76.9	47.0
Diluted	52.1	76.9	47.0

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended 28 February 2019

Six Months Ended 28 February 2019	**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 2018	75,647	31,335	(3,716)	51	(370)	102,947
Change in accounting policy (refer note 2)	-	(451)	-	-	-	(451)
Net surplus for the period after tax	-	5,075	-	140	-	5,215
Other comprehensive income for the period net of tax	-	-	1,261	-	370	1,631
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	31,405	(2,455)	191	-	107,378

Six Months Ended 28 February 2018	**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 2017	71,312	28,064	(2,267)	47	-	97,156
Net surplus for the period after tax	-	3,142	-	13	-	3,155
Other comprehensive income for the period net of tax	-	-	228	-	-	228
Dividends paid (6.0 cents per share)	-	(4,481)	-	-	-	(4,481)
Issue of ordinary shares under dividend reinvestment plan	2,557	-	-	-	-	2,557
Balance at 28 February 2018	73,869	26,725	(2,039)	60	-	98,615

Twelve Months Ended 31 August 2018	**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 2017	71,312	28,064	(2,267)	47	-	97,156
Net surplus for the period after tax	-	10,768	-	4	-	10,772
Other comprehensive income for the period net of tax	-	-	(1,449)	-	(370)	(1,819)
Dividends paid (10 cents per share)	-	(7,497)	-	-	-	(7,497)
Issue of ordinary shares under dividend reinvestment plan	4,335	-	-	-	-	4,335
Balance at 31 August 2018	75,647	31,335	(3,716)	51	(370)	102,947

SCOTT TECHNOLOGY LIMITED
BALANCE SHEET
As at 28 February 2019

	6 mths 28 Feb 19 (Unaudited) $'000s	6 mths 28 Feb 18 (Unaudited) $'000s	12 mths 31 Aug 18 (Audited) $'000s
CURRENT ASSETS			
Cash and cash equivalents	-	21,682	12,473
Trade debtors	32,611	20,053	37,064
Other financial assets	271	419	1,229
Sundry debtors and prepayments	4,192	2,429	3,523
Inventories	21,130	19,214	22,825
Contract work in progress	14,448	-	3,077
Receivable from joint ventures and associates	1,516	2,224	2,315
Plant and equipment held for sale	345	345	345
	74,513	66,366	82,851
NON CURRENT ASSETS			
Property, plant and equipment	15,991	14,071	16,845
Capital work in progress	1,590	254	254
Investment in joint ventures and associates	1,109	1,232	928
Other financial assets	51	-	350
Goodwill	53,780	29,987	53,780
Deferred tax asset	-	90	-
Intangible assets	14,639	10,536	15,103
	87,160	56,170	87,260
TOTAL ASSETS	161,673	122,536	170,111
CURRENT LIABILITIES			
Bank overdraft	5,673	-	-
Trade creditors and accruals	24,119	8,680	30,322
Finance lease liabilities	185	20	187
Other financial liabilities	359	210	2,013
Employee entitlements	9,611	5,323	11,286
Provision for warranty	1,838	1,291	1,857
Payable to joint ventures	557	1,167	673
Taxation payable	610	2,152	2,738
Contract work in progress	-	3,447	-
Current portion of term loans	3,996	-	3,321
Deferred settlement on purchase of business	1,504	-	6,275
	48,452	22,290	58,672
NON CURRENT LIABILITIES			
Other financial liabilities	797	-	964
Employee entitlements	984	1,612	1,643
Finance lease liability	98	19	159
Deferred tax liability	1,060	-	1,638
Term loans	2,904	-	4,088
	5,843	1,631	8,492
EQUITY			
Share capital	78,237	73,869	75,647
Retained earnings	31,405	26,725	31,335
Foreign currency translation reserve	(2,455)	(2,039)	(3,716)
Cash flow hedge reserve	-	-	(370)
Equity attributable to equity holders of the parent	107,187	98,555	102,896
Non controlling interest	191	60	51
TOTAL EQUITY	107,378	98,615	102,947
TOTAL LIABILITIES & EQUITY	161,673	122,536	170,111

SCOTT TECHNOLOGY LIMITED
STATEMENT OF CASHFLOWS
For the Six Months Ended 28 February 2019

	Notes	6 mths 28 Feb 19 (Unaudited) $'000s	6 mths 28 Feb 18 (Unaudited) $'000s	12 mths 31 Aug 18 (Audited) $'000s
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from/(applied to):				
Receipts from operations		105,936	73,307	178,338
Interest received		14	213	369
Net GST received/(paid)		(127)	(230)	(825)
Payments to suppliers and employees		(111,180)	(73,547)	(172,597)
Interest paid		(472)	(71)	(403)
Taxation paid		(3,230)	(2,265)	(4,267)
Net cash inflow/(outflow) from operating activities	3	(9,059)	(2,593)	615
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from/(applied to):				
Purchase of property, plant, equipment and intangible assets		(2,929)	(797)	(2,434)
Sale of property, plant and equipment		525	39	21
Advance from joint ventures		683	305	420
Purchase of business		(4,830)	-	(14,479)
Net cash outflow from investing activities		(6,551)	(453)	(16,472)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from/(applied to):				
Repayment of borrowings		(572)	(18)	(257)
Dividends paid		(1,964)	(1,924)	(3,162)
Proceeds from borrowings		-	-	5,079
Net cash inflow/(outflow) from financing activities		(2,536)	(1,942)	1,660
Net decrease in cash held		(18,146)	(4,988)	(14,197)
Add cash and cash equivalents at beginning of the period		12,473	26,670	26,670
Balance at end of the period		(5,673)	21,682	12,473
Comprised of:				
Cash and cash equivalents/(bank overdraft)		(5,673)	21,682	12,473

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 2018, except as detailed below. These interim financial statements should be read in conjunction with the policies disclosed in the annual financial statements.

Application of NZ IFRS-15 Revenue From Contracts With Customers

The Group adopted NZ IFRS-15 Revenue from Contracts with Customers for the first time on 1 September 2018. The Group applied NZ IFRS-15 retrospectively with the cumulative effect of applying the standard for the first time recognised at the initial date of application (1 September 2018). Comparative figures for the period ended 28 February 2018 have therefore not been restated.

Application of NZ IFRS-15 Revenue from Contracts with Customers, which became effective on 1 September 2018, resulted in certain long and short term projects being treated as the sale of standard equipment. This has resulted in an increase in revenue and expenses from operations, and an increase in net surplus before taxation for the six months ended 28 February 2019.

The Group recognises revenue from the following major sources:

- Long term contracts;
- Standard equipment;
- Short term projects
- Service work.

Revenue recognition – long term contracts

The Group designs, manufactures and sells customised automation and robotic systems for use in a wide range of industries under fixed-price contracts. The contract period is in excess of three months and is often in excess of twelve months. Long term contracts contain an enforceable right to payment for performance completed to date.

Policy — *Revenue on long term contracts is recognised over the term of the contract period using the percentage of completion method. At balance date an assessment is made of the percentage of completion and costs associated with the work done to date relative to the total forecast cost to complete. Included in revenue is the value attributed to work completed, which includes direct costs, overhead and profit, where this is allowable under the contract. At the point at which a project is expected to be loss making, losses would be recognised immediately in profit or loss.*

A receivable is recognised and the customer is obligated to pay a fixed amount when a contractual milestone is met. If the revenue recognised by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the revenue recognised, a contract liability is recognised.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Judgement — *The estimation of percentage of completion relies on the Directors estimating future time and costs to complete long term contracts. If the actual time and costs incurred to complete the long term contracts differ from the estimates completed by management, the Directors could be over or under estimating the percentage of completion on the project, and consequently revenue and profit to date may also be over or under estimated.*

1. FINANCIAL STATEMENTS (Cont)

Revenue recognition – standard equipment

The Group manufactures and sells a range of standalone automation and robotic equipment for use in a wide range of industries, including:

- Rock crushers, pulverisers, ringmills and reference materials under the "Rocklabs" brand for use by mining companies and laboratories
- Bandsaw safety equipment under the "Bladestop" brand, primarily for use by meat processors
- High temperature superconductor current leads under the "HTS-110" brand
- New and refurbished industrial robots under the "RobotWorx" brand
- Spare parts and wear relating to equipment supplied by the Group

Policy

Revenue is recognised in full at a point in time when control of the products has transferred, being either when the products are shipped to or received by the customer, or installed at the customer's premises, depending on the terms of the contract.

A receivable is recognised when either a deposit is due on receipt of a customer's order or when the products are shipped to the customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Revenue recognition – short term projects

The Group undertakes short term projects (less than three months) for the design, manufacture and sale of customised small scale automation and robotic systems for use in a wide range of industries under fixed-price contracts. In some cases the short term project contracts contain an enforceable right to payment for performance completed to date.

Policy

Where the short term project contract contains an enforceable right to payment for performance completed to date, revenue for short term projects is recognised over time on the same basis as for long term contracts (as noted above).

Where the short term project contract does not contain an enforceable right to payment for performance completed to date, revenue for short term projects is recognised in full at a point in time when control of the products has transferred, being either when the products are shipped to or received by the customer, or installed at the customer's premises, depending on the terms of the contract. A receivable is recognised when either a deposit is due on receipt of a customer's order or when the products are shipped to the customer, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Revenue recognition – service work

The Group earns revenue from after sales service activities associated with the equipment manufactured and sold by the Group, including repairs, routine or scheduled maintenance, upgrades, remote monitoring and the operation of a 24/7 helpline. Most of these activities are on an ad hoc, as required basis, while some of these activities are covered by an agreement for services to be provided over a specified period of time.

Policy

Where the service contract contains an enforceable right to payment for performance completed to date, revenue for service is recognised over time on the same basis as for long term contracts (as noted above).

Where there is no formal service contract (eg where the service work is being undertaken on an ad hoc basis) or the service contract does not contain an enforceable right to payment for performance completed to date, revenue for service work is recognised in full at a point in time when the service is completed. A receivable is recognised when the service is completed as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1. FINANCIAL STATEMENTS (Cont)

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Refer to note 2 for further information on the impact of the adoption of NZ IFRS-15 on the period ended 28 February 2019.

NZ IFRS-9 (2014) Financial Instruments

Application of NZ IFRS-9 (2014) Financial Instruments, which became effective for the Group on 1 September 2018, requires an expected credit loss model, as opposed to an incurred credit loss model under NZ IAS-39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Under NZ IFRS-9 (2014), greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required.

Impairment - Financial assets measured at amortised cost being cash and cash equivalents and trade receivables are subject to the impairment provisions of NZ IFRS-9 (2014).

The Group applies the simplified approach to recognise lifetime expected credit losses for financial assets as required or permitted by NZ IFRS-9 (2014). In general, the application of the expected credit loss model of NZ IFRS-9 (2014) results in earlier recognition of credit losses and increases the amount of loss allowance recognised for those items.

Hedge Accounting - As the new hedge accounting requirements align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicated that they qualified as continuing hedging relationships upon application of NZ IFRS-9 (2014). Similar to the Group's current hedge accounting policy, the Directors do not intend to exclude the forward element of foreign currency forward contracts from designated hedging relationships.

No material impact on these financial statements has been recognised as a result of adopting this standard.

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2019

2. DISAGGREGATION OF 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 28 February 2019 (Unaudited)	**Australasia Manufacturing**				**Americas Manufacturing**			
	Long Term Contracts $'000s	**Standard Equipment $'000s**	**Short Term Projects & Service $'000s**	**Total $'000s**	**Long Term Contracts $'000s**	**Standard Equipment $'000s**	**Short Term Projects & Service $'000s**	**Total $'000s**
Segment revenue	26,195	20,068	5,442	51,705	4,650	11,316	288	16,254
Inter-segment revenue	296	(1,984)	146	(1,542)	-	1,694	-	1,694
Revenue from external customers	26,491	18,084	5,588	50,163	4,650	13,010	288	17,948
Timing of revenue recognition								
- At a point in time	-	18,084	5,588	23,672	-	13,010	288	13,298
- Over time	26,491	-	-	26,491	4,650	-	-	4,650
	26,491	18,084	5,588	50,163	4,650	13,010	288	17,948

	Asia & Europe Manufacturing				**Total**			
	Long Term Contracts $'000s	**Standard Equipment $'000s**	**Short Term Projects & Service $'000s**	**Total $'000s**	**Long Term Contracts $'000s**	**Standard Equipment $'000s**	**Short Term Projects & Service $'000s**	**Total $'000s**
Segment revenue	31,230	2,941	9,296	43,467	62,075	34,325	15,026	111,426
Inter-segment revenue	(296)	290	(146)	(152)	-	-	-	-
Revenue from external customers	30,934	3,231	9,150	43,315	62,075	34,325	15,026	111,426
Timing of revenue recognition								
- At a point in time	-	3,231	9,150	12,381	-	34,325	15,026	49,351
- Over time	30,934	-	-	30,934	62,075	-	-	62,075
	30,934	3,231	9,150	43,315	62,075	34,325	15,026	111,426

SCOTT TECHNOLOGY LIMITED
NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 28 February 2019

2. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont)

Six Months Ended 28 February 2018 (Unaudited)	Australasia Manufacturing				Americas Manufacturing			
	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s
Segment revenue	26,172	18,386	2,259	46,817	-	11,405	-	11,405
Inter-segment revenue	(47)	24	573	550	-	(24)	-	(24)
Revenue from external customers	26,125	18,410	2,832	47,367	-	11,381	-	11,381
Timing of revenue recognition								
- At a point in time	-	18,410	2,832	21,242	-	11,381	-	11,381
- Over time	26,125	-	-	26,125	-	-	-	-
	26,125	18,410	2,832	47,367	-	11,381	-	11,381

	Asia & Europe Manufacturing				Total			
	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s
Segment revenue	6,585	115	2,550	9,250	32,757	29,906	4,809	67,472
Inter-segment revenue	47	-	(573)	(526)	-	-	-	-
Revenue from external customers	6,632	115	1,977	8,724	32,757	29,906	4,809	67,472
Timing of revenue recognition								
- At a point in time	-	115	1,977	2,092	-	29,906	4,809	34,715
- Over time	6,632	-	-	6,632	32,757	-	-	32,757
	6,632	115	1,977	8,724	32,757	29,906	4,809	67,472

2. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (Cont)

Twelve Months Ended 31 August 2018 (Audited)	Australasia Manufacturing				Americas Manufacturing			
	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s
Segment revenue	53,416	40,010	8,575	102,001	2,473	22,945	-	25,418
Inter-segment revenue	1,189	(3,723)	1,025	(1,509)	-	3,723	-	3,723
Revenue from external customers	54,605	36,287	9,600	100,492	2,473	26,668	-	29,141
Timing of revenue recognition								
- At a point in time	-	36,287	9,600	45,887	-	26,668	-	26,668
- Over time	54,605	-	-	54,605	2,473	-	-	2,473
	54,605	36,287	9,600	100,492	2,473	26,668	-	29,141

	Asia & Europe Manufacturing				Total			
	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s	Long Term Contracts $'000s	Standard Equipment $'000s	Short Term Projects & Service $'000s	Total $'000s
Segment revenue	45,624	1,396	7,340	54,360	101,513	64,351	15,915	181,779
Inter-segment revenue	(1,189)	-	(1,025)	(2,214)	-	-	-	-
Revenue from external customers	44,435	1,396	6,315	52,146	101,513	64,351	15,915	181,779
Timing of revenue recognition								
- At a point in time	-	1,396	6,315	7,711	-	64,351	15,915	80,266
- Over time	44,435	-	-	44,435	101,513	-	-	101,513
	44,435	1,396	6,315	52,146	101,513	64,351	15,915	181,779

The Group adopted NZ IFRS-15 Revenue from Contracts with Customers for the first time on 1 September 2018. The Group applied NZ IFRS-15 using the cumulative retrospective approach with the cumulative effect of applying the standard for the first time recognised at the initial date of application (1 September 2018). Application of NZ IFRS-15 Revenue from Contracts with Customers, which became effective on 1 September 2018, resulted in a change in timing of revenue recognition for certain short term projects previously recognised on a percentage of completion basis and now being recognised at a point in time and treated as the sale of standard equipment. This has resulted in an increase in revenue and expenses from operations, and an increase in net surplus before taxation for the six months ended 28 February 2019. The adjustments to revenue and expenses totalling a net profit increase of $451,000 were recognised in the prior period under NZ IAS-18 and have been adjusted through opening equity to allow the later revenue recognition in the current period to comply with the amended accounting policy under NZ IFRS-15.

The table below shows the amount by which the Statement of Comprehensive Income is affected in the current reporting period by NZ IFRS-15 as compared to NZ IAS-18 and the related interpretations that were in effect before the change.

	NZ IAS-18 28 Feb 19 (Unaudited) $'000s	Adjustment 28 Feb 19 (Unaudited) $'000s	NZ IFRS-15 28 Feb 19 (Unaudited) $'000s
Revenue	109,963	1,463	111,426
Other income and share of joint ventures' net surplus	1,419	-	1,419
Expenses from operations	(103,357)	(1,012)	(104,369)
	8,025	451	8,476

3. NOTES TO THE CASHFLOW STATEMENT

	6 mths 28 Feb 19 (Unaudited) $'000s	6 mths 28 Feb 18 (Unaudited) $'000s	12 mths 31 Aug 18 (Audited) $'000s
Net surplus for the period	5,215	3,155	10,772
Adjustments for non-cash items:			
Depreciation and amortisation	2,423	1,772	4,225
Net loss/(gain) on sale of property, plant and equipment	(36)	6	21
Deferred tax	(722)	879	1,541
Share of net surplus of joint ventures and associates	(182)	(115)	(510)
Add/(less) movement in working capital:			
Trade debtors	4,453	(2,220)	(19,231)
Other financial assets - derivatives	1,257	(275)	(1,435)
Sundry debtors and prepayments	(669)	(1,482)	(2,576)
Inventories (net of IFRS-15 adjustment)	1,244	(2,942)	(6,553)
Contract work in progress	(11,371)	7,555	1,031
Taxation payable	(2,128)	(1,539)	(953)
Trade creditors and accruals	(6,203)	(7,910)	13,732
Other financial liabilities - derivatives	(1,307)	209	2,463
Employee entitlements	(2,334)	95	6,089
Provision for warranty	(19)	(9)	557
Movements in working capital disclosed in investing/financing activities:			
Movement in foreign exchange translation reserve relating to working capital	1,261	228	(1,449)
Working capital relating to purchase of business and non controlling interest	59	-	(7,109)
Net cash inflow/(outflow) from operating activities	(9,059)	(2,593)	615

4. CONTINGENT LIABILITIES

	6 mths 28 Feb 19 (Unaudited) $'000s	6 mths 28 Feb 18 (Unaudited) $'000s	12 mths 31 Aug 18 (Audited) $'000s
Payment guarantees and performance bonds	8,791	15,068	12,432
Stock Exchange bond	75	75	75
Rental bonds	278	265	-
Maximum contract penalty clause exposure	7,417	3,181	6,979

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.

5. SEGMENT INFORMATION

5.1 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.

5.2 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 28 February 2019 (Unaudited)	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia & Europe Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	50,163	17,948	43,315	-	111,426
Operating profit/(loss)	5,473	2,778	3,180	-	11,431
Depreciation and amortisation	(1,237)	(77)	(858)	(251)	(2,423)
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	-	(4)	(202)	(266)	(472)
Net profit/(loss) before taxation	4,152	2,947	2,142	(3,646)	5,595
Taxation expense	(633)	(451)	(321)	1,025	(380)
Net profit/(loss) after taxation	3,519	2,496	1,821	(2,621)	5,215

5. SEGMENT INFORMATION (Cont)

5.2 Segment Revenues and Results (Cont)

Six Months Ended 28 February 2018 (Unaudited)	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia & Europe Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	47,367	11,381	8,724	-	67,472
Operating profit/(loss)	7,600	716	254	-	8,570
Depreciation and amortisation	(1,242)	(70)	(217)	(243)	(1,772)
Share of net deficit of joint ventures	110	42	(37)	-	115
Interest revenue	1	-	1	211	213
Central administration costs and foreign exchange	-	-	-	(2,295)	(2,295)
Finance costs	(1)	-	-	(70)	(71)
Net profit/(loss) before taxation	6,468	688	1	(2,397)	4,760
Taxation expense	(2,107)	(185)	-	687	(1,605)
Net profit/(loss) after taxation	4,361	503	1	(1,710)	3,155

Twelve Months Ended 31 August 2018 (Audited)	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia & Europe Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	100,492	29,141	52,146	-	181,779
Operating profit/(loss)	19,029	3,459	1,745	-	24,233
Fair value gain on purchase of business	-	-	-	(496)	(496)
Depreciation and amortisation	(2,633)	(164)	(941)	(487)	(4,225)
Share of net surplus of joint ventures	268	240	2	-	510
Interest revenue	1	12	-	356	369
Central administration costs and foreign exchange	-	-	-	(4,942)	(4,942)
Finance costs	(1)	(8)	(187)	(207)	(403)
Net profit/(loss) before taxation	16,664	3,539	(619)	(5,776)	15,046
Taxation expense	(4,765)	(1,049)	(178)	1,718	(4,274)
Net profit/(loss) after taxation	11,899	2,490	(441)	(4,058)	10,772

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $2.1 million for the six months ended 28 February 2019 (six months ended 28 February 2018: $0.9 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.

6. 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 28 Feb 19 (Unaudited) $'000s**	**6 mths 28 Feb 18 (Unaudited) $'000s**	**12 mths 31 Aug 18 (Audited) $'000s**
Other financial assets - derivatives:			
Foreign currency forward contracts held as effective fair value hedges	-	210	-
Foreign exchange derivatives	-	145	-
Foreign exchange collar option derivatives	-	64	-
Fair value hedge of open firm commitments	322	-	1,579
Other financial liabilities - derivatives:			
Fair value hedge of open firm commitments	-	(210)	-
Foreign exchange derivatives	(88)	-	(271)
Foreign currency forward contracts held as cash flow hedges	-	-	(513)
Interest rate swap contracts	(746)	-	(614)
Foreign currency forward contracts held as effective fair value hedges	(322)	-	(1,579)
	(834)	209	(1,398)

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.

7. ACQUISITION ACCOUNTING

On 31 January 2019 the Company announced the purchase of certain assets of the spares and sundries part of the Milmeq Meat Slaughter business. The sale and purchase agreement was executed in March 2019 for the purchase of inventory, work in progress and plant for a total value of $0.3 million.

There has been no adjustments to the provisional fair values on acquisition of the Alvey and Transbotics businesses undertaken during the year ended 31 August 2018. These figures remain provisional as at 28 February 2019.

8. SUBSEQUENT EVENTS

On 3 April 2019 the Board of Directors approved an interim dividend of four cents per share with full imputation credits attached to be paid for the 2019 year (2018 interim dividend: four cents per share). The Dividend Reinvestment Plan reintroduced by the Company in 2017 will apply to this payment.