



SCOTT TECHNOLOGY LIMITED HALF YEAR REPORT  
For the six months ended 28 February 2006

## HIGHLIGHTS

Forward work in excess of  
\$20 million

New orders for the USA  
and Europe at favourable  
exchange rates

More favourable export climate  
with declining NZ dollar

Net working capital of  
\$3.8 million



## DIRECTORS' REPORT

### FINANCIAL COMMENTARY

The Directors of Scott Technology Limited advise that the unaudited result for the six months ended 28 February 2006 was a loss of \$933,000, compared to an unaudited profit for the six months ended 28 February 2005 of \$1,105,000. This result was foreshadowed at the Company's Annual General Meeting in December 2005. Scott Technology Limited Group operating revenue for the six months was \$12,272,000 compared to \$21,909,000 in the previous half year.

### DIVIDEND

The Directors have decided not to pay an interim dividend but will re-introduce half yearly dividends when the Company returns to targeted profit levels.



## DIRECTORS' REPORT Cont.

### REVIEW OF OPERATIONS

The Appliance Systems division operated at levels exceeding capacity in 2005 and this combined with the high value of the New Zealand dollar and a difficult local sub-contract market negatively impacted the Company's performance. Significant cost increases on a technically complex project had an impact on the operating results.

Over the past several months the company has secured major contracts, principally in the Company's traditional North American market with both existing and new customers. The current workload exceeds NZ\$20 million and project enquiries remain high.

Scott Technology Ltd has completed most of the contracts secured when the New Zealand dollar was around US\$0.70 and contracts currently



underway have been priced at near current exchange rates. Major contracts are being undertaken for a USA appliance manufacturer and for Bosch-Siemens of Germany.

The Automation Systems Division has had a good period of trading and is currently running acceptance trials of its robotic boning system at a PPCS Ltd plant. The first machine for an Australian meat processor has recently been shipped.

The current workload, the fall in the value of the NZ dollar, and the impact of the cost reduction programme referred to in the last Annual Report give Directors confidence that the half year to 31 August 2006 will see a return to profitability.

Scott Technology Ltd remains strong financially and since the end of the half year has received over \$6 million of cash from progress payments and completed contracts. The Company has no term debt and a restructured management team passionately keen to succeed.



Directors believe that the strong support from Appliance Manufacturers world wide, the continuing developments in automation of the meat industry, and a lower New Zealand dollar, are the key drivers of the Company's return to sustainable profits and dividends.

*Graeme J. Marsh .*

Graeme J. Marsh  
Chairman of Directors

*K. Kilpatrick*

Kevin J. Kilpatrick  
Chief Executive



## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

		<b>For the 6 months to</b>	12 Months to	
		<b>28 Feb 06</b>	28 Feb 05	31 Aug 05
		<b>\$000</b>	\$000	\$000
	<i>Note</i>	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
<b>Operating revenue</b>	3(a)	<u>12,272</u>	21,909	40,324
<b>Operating (deficit)/ surplus before tax</b>	3(b)	<b>( 1,407)</b>	1,677	459
Income tax benefit/(charge)		<b>474</b>	( 572)	( 144)
<b>Net (deficit)/surplus after tax</b>		<u><b>( 933)</b></u>	1,105	315

## CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

		<b>For the 6 months to</b>	12 Months to	
		<b>28 Feb 06</b>	28 Feb 05	31 Aug 05
		<b>\$000</b>	\$000	\$000
		<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
<b>Equity at beginning of period</b>		<b>14,722</b>	17,153	17,153
Net (deficit)/surplus after tax		<b>( 933)</b>	1,105	315
Dividends paid to owners				
- prior year final		-	( 1,747)	( 1,747)
- current year interim		-	-	( 999)
<b>Equity at end of period</b>		<u><b>13,789</b></u>	16,511	14,722

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>28 Feb 06</b> \$000 <i>unaudited</i>	As at 28 Feb 05 \$000 <i>unaudited</i>	As at 31 Aug 05 \$000 <i>audited</i>
<b>EQUITY</b>			
Share capital	7,629	7,629	7,629
Capital reserves	1,203	1,203	1,203
Revenue reserves	4,957	7,679	5,890
<b>Total shareholders' equity</b>	<b>13,789</b>	16,511	14,722
 <b>CURRENT LIABILITIES</b>			
Bank overdraft (secured)	4,651	6,544	3,093
Contract work in progress (net)	19	-	-
Trade creditors	847	1,730	1,878
Sundry creditors and accruals	1,093	607	632
Employee entitlements	883	1,028	1,063
Provision for warranty	200	200	200
Provision for tax	-	63	-
	<u>7,693</u>	<u>10,172</u>	<u>6,866</u>
	<b>21,482</b>	26,683	21,588
 <b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8,955	9,504	9,422
Investments in associates	10	7	10
Other investments	43	69	48
Deferred tax benefit	957	451	486
	<u>9,965</u>	<u>10,031</u>	<u>9,966</u>
 <b>CURRENT ASSETS</b>			
Trade debtors	10,471	5,582	4,361
Finance lease receivable	342	586	397
Sundry debtors and prepayments	25	508	81
Inventories	421	765	168
Contract work in progress (net)	-	9,211	5,920
Tax refund due	258	-	695
	<u>11,517</u>	<u>16,652</u>	<u>11,622</u>
	<b>21,482</b>	26,683	21,588

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the 6 months to</b>	<b>12 Months to</b>	
	<b>28 Feb 06</b>	28 Feb 05	31 Aug 05
	<b>\$000</b>	\$000	\$000
<i>Note</i>	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Receipts from operations	12,297	15,807	38,846
Interest received	40	50	61
Company taxes refunded	439	-	-
	12,776	15,857	38,907
Cash was applied to:			
Payments to suppliers and employees	14,100	21,887	39,428
Interest paid	217	68	300
Company taxes paid	-	464	832
	14,317	22,419	40,560
<b>Net cash used in operating activities</b>	4 (1,541)	(6,562)	(1,653)
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Sale of property, plant and equipment	5	39	69
Sale of Investments	5	19	40
	10	58	109
Cash was applied to:			
Purchase of property, plant and equipment	27	160	672
	27	160	672
<b>Net cash used in investing activities</b>	(17)	(102)	(563)
<b>Cash flows from financing activities</b>			
Cash was applied to:			
Dividends paid	-	1,747	2,746
<b>Net cash used in financing activities</b>	-	(1,747)	(2,746)
<b>Net movement in bank position</b>	(1,558)	(8,411)	(4,962)
Effect of exchange rate on foreign currency balance	-	(2)	-
Opening bank position	(3,093)	1,869	1,869
<b>Closing bank position</b>	(4,651)	(6,544)	(3,093)

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Financial statements

These interim financial statements have been prepared in accordance with Financial Reporting Standard No. 24 and generally accepted accounting practice and should be read in conjunction with the 2005 annual report. The half year financial statements are unaudited, however the 31 August 2005 comparatives have been extracted from audited financial statements.

### 2 Accounting policies

There have been no changes to the accounting policies, as disclosed in the 2005 annual report, in the preparation of these interim financial statements.

### 3 Operating revenue and Operating (deficit)/surplus

	<b>For the 6 months to</b>	12 Months to	
	<b>28 Feb 06</b>	28 Feb 05	31 Aug 05
	<b>\$000</b>	\$000	\$000
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>
<b>(a) Operating Revenue</b>			
Sales revenue	12,232	21,859	40,263
Interest received	40	50	61
	<u>12,272</u>	<u>21,909</u>	<u>40,324</u>
<b>(b) Operating (deficit)/surplus</b>			
Interest - bank overdraft	217	68	300

### 4 Reconciliation of net (deficit)/surplus after tax to net cash used in operating activities

<b>Net (deficit)/surplus for the period</b>	<b>( 933)</b>	1,105	315
<b>Add/(less) non cash items</b>			
Depreciation	494	557	1,103
Deferred tax benefit	( 471)	( 68)	( 103)
Share of associates' net deficit	-	-	( 3)
Net loss on foreign currency balance	-	2	-
	<u>23</u>	<u>491</u>	<u>997</u>
<b>Add/(less) movements in working capital items</b>			
Debtors, prepayments and finance lease receivables	( 5,999)	( 357)	1,480
Inventories	( 253)	( 411)	186
Contract work in progress	5,939	( 6,307)	( 3,016)
Creditors, accruals and provisions	( 750)	( 1,249)	( 1,041)
Tax refund due	437	174	( 584)
	<u>( 626)</u>	<u>( 8,150)</u>	<u>( 2,975)</u>
<b>Less items classified as investing</b>			
Loss/(gain) on sale of property, plant and equipment	( 5)	( 8)	10
<b>Net cash used in operating activities</b>	<b>( 1,541)</b>	<b>( 6,562)</b>	<b>( 1,653)</b>

## **NOTES TO THE FINANCIAL STATEMENTS** Cont.

### **5 Adoption of International Financial Reporting Standards**

In December 2002, the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for periods beginning on or after 1 January 2007, with the option to adopt early for periods beginning on or after 1 January 2005. The Group's first annual financial statements prepared under NZ IFRS will be for the year ended 31 August 2008.

The company will manage the transition to NZ IFRS by undertaking an analysis of the key impacts. This transition plan will be implemented during the 2006 financial year so that the company is in a position to calculate its opening balance sheet effective 1 September 2006.

Key differences in accounting policies that are expected from adopting NZ IFRS include the calculation of deferred taxation, provisions and financial instruments. The impact of these differences, and the verification of any other differences will be assessed as part of the company's NZ IFRS transition plan. At this stage the company is unable to quantify the impact on the financial statements.

The actual impact of adopting NZ IFRS may vary from the information presented and this variation may be material.

In the first year of compliance, entities are required to restate their comparative financial statements to reflect the new standards. The majority of adjustments required on transition to NZ IFRS will be to reserves.

# DIRECTORY

## Scott Technology Ltd – Head Office

Scott House  
123 Crawford Street  
Private Bag 1960  
Dunedin  
New Zealand  
Telephone +64 (3) 477 0975  
Facsimile +64 (3) 474 0934  
Group General  
Manager: C.C. Hopkins  
c.hopkins@scott.co.nz  
Financial Controller: M.A. Jackson

## Scott Appliance Systems

10 Maces Road  
P O Box 19667  
Christchurch  
New Zealand  
Telephone +64 (3) 384 2029  
Facsimile +64 (3) 384 3686  
Chief Executive  
Officer: K.J. Kilpatrick  
k.kilpatrick@scott.co.nz  
Manager: P.J. Johnston  
Marketing: K.J. Snowling

## Scott Technology – Dallas

Suite 214  
1611 North IH35E  
Carrollton, TX 75006  
United States of America  
Telephone +1 (972) 466 2543  
Facsimile +1 (972) 446 1157  
Sales: I.A. Ure  
i.ure@scott.co.nz

## Scott Technology – Shanghai

Shanghai Representative Office  
Suite 3006, Shanghai Information Tower  
211 Century Avenue, Pudong  
Shanghai  
China  
Telephone +86 (21) 5877 2675  
Facsimile +86 (21) 5877 2695  
Sales: H. Pan  
h.pan@scott.co.nz

## Scott Automation Systems

123 Crawford Street  
Private Bag 1960  
Dunedin  
New Zealand  
Telephone +64 (3) 477 0974  
Facsimile +64 (3) 474 0934  
Manager: A.R. Arnold  
a.arnold@scott.co.nz  
Operations: B.W. Rekitke

## Scott Package Handling Systems

48 Wharf Road  
Te Atatu  
Auckland  
New Zealand  
Telephone +64 (9) 834 2700  
Facsimile +64 (9) 834 3863  
Manager: P. Denton  
p.denton@scott.co.nz

## Solicitors

Galloway Cook Allan  
P O Box 143  
Dunedin

## Auditors

Deloitte  
P O Box 1245  
Dunedin

## Bankers

ANZ National Bank Ltd  
Moray Place  
Dunedin

## Share Registry

Link Market Services  
138 Tancred Street  
P O Box 384  
Ashburton  
Telephone +64 (3) 308 8887  
Facsimile +64 (3) 308 1311  
Email  
Imsenquiries@linkmarketservices.com