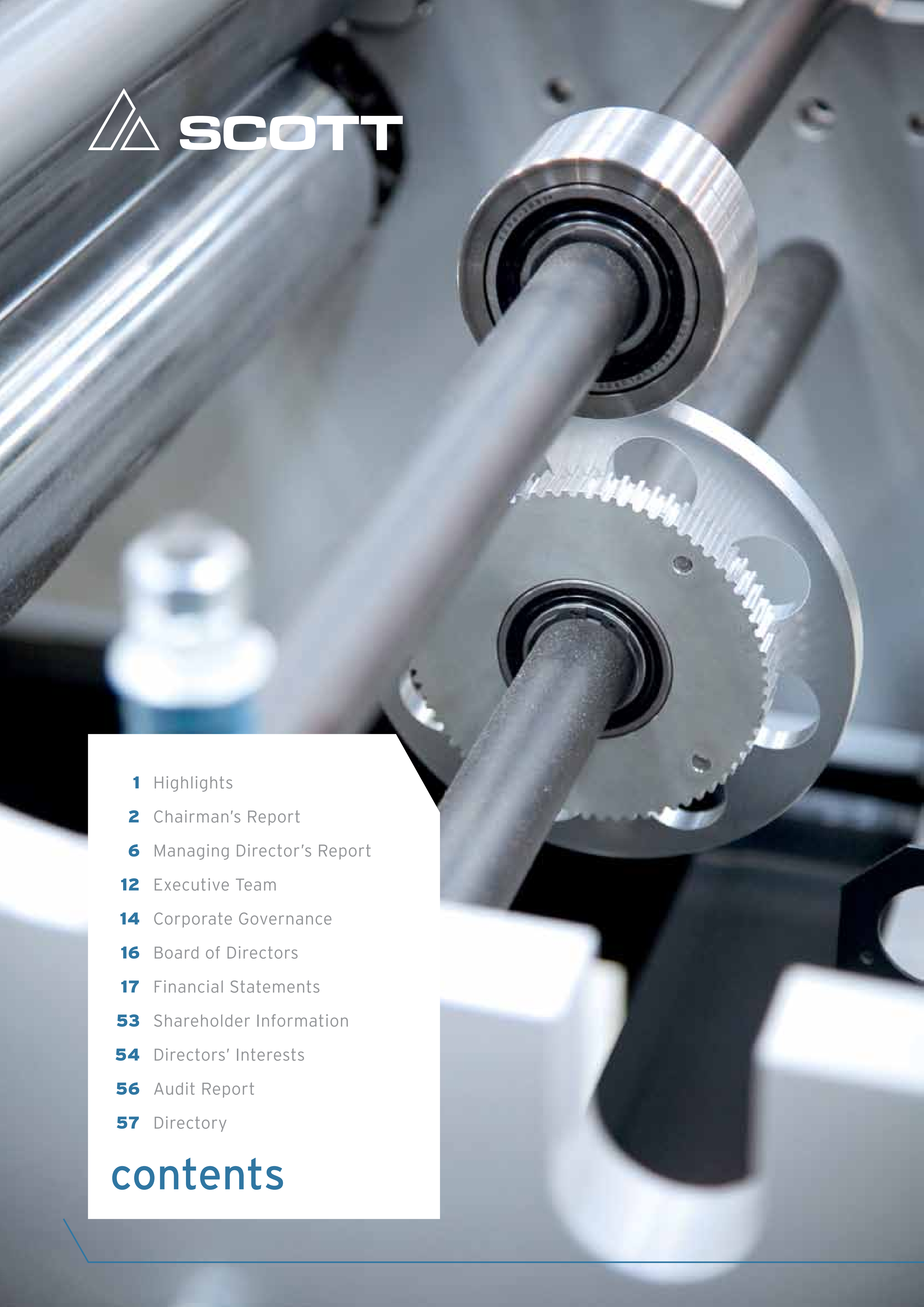
SCOTT

SCOTT TECHNOLOGY LIMITED
2010 ANNUAL REPORT



contents

Net surplus before tax of $5.5 million

Significant forward work
across the Group

Strong balance sheet

Growth in large automated system sales
for Rocklabs, drawing on Scott expertise

5.25 cents per share annual dividend
fully imputed

highlights

Wednesday 8 December 2010 at 4.00pm
at Scott Technology Limited,
10 Maces Road, Christchurch.
Proxies close Monday, 6 December
2010 at 4.00pm.

annual meeting

Four cents per share, fully imputed.
Record date: 29 November 2010
Payment date: 3 December 2010
Able to participate in dividend
reinvestment plan.

final dividend

Your Directors are pleased to report that the company produced a profit before tax of $5.5 million on operating revenues of $46.6 million for the year ended 31 August 2010. This result is particularly pleasing having been achieved during turbulent economic times. This year's profit compares to the previous year's profit before tax of $0.4 million and operating revenues of $31.3 million.

chairman's report

Our underlying net profit after tax on operating results for the year was $3.9 million compared to $0.3 million in 2009. The underlying profit in 2010 was reduced by a tax adjustment of $1.1 million for a tax change on building depreciation that accumulates over the next 50 or more years but is required to be adjusted in the current year. This adjustment is required by accounting standards, has not occurred in the past and is a non cash adjustment. The net result after this unusual tax adjustment is not indicative of the performance of the company.

Total shareholders' equity at 31 August 2010 was $21.4 million, compared to $19.2 million at 31 August 2009.

Operating cashflow of $4.5 million has enabled the company to reduce debt, purchase additional capital equipment and pay dividends. The company is supported by a strong balance sheet with total assets of $36.6 million, less total bank loans of $3.9 million.

DIVIDEND

A fully imputed final dividend of 4.0 cents per share was declared by the Directors in respect of the year ended 31 August 2010, payable 3 December 2010. An interim dividend of 1.25 cents per share was paid in March 2010, bringing the total to 5.25 cents per share for the year. This is in addition to a 1 for 10 non-taxable bonus issue during the year, which also participated in the dividends. The total dividend of 5.25 cents is an increase of 425% over prior year and represents a payout of 59%. This reflects the Directors' confidence in the growth and trading ability of the company, supported by the underlying strength of the company's balance sheet. We have also announced the implementation of a Dividend Reinvestment Plan. The final dividend of 4 cents per share will be eligible to participate in this Plan.

OVERVIEW

Last year we commented on survival, this year we have seen growth:

- Growth in revenue
- Growth in profits
- Growth in the markets for our products around the world

Scott Technology is a highly skilled engineering company which specialises in custom design and build of automated and robotic production systems. We are world leaders in our niche markets and we supply production systems to many of the leading international companies spread around the globe.

Continued on page 4

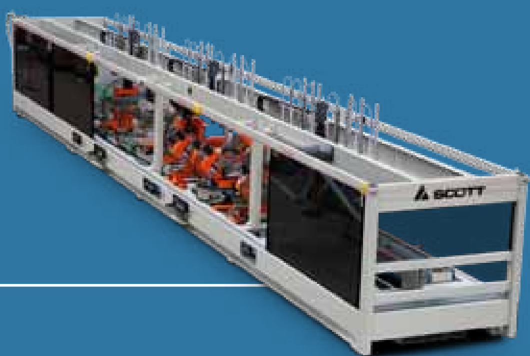
Progressive build of a door end forming line destined for Turkey.

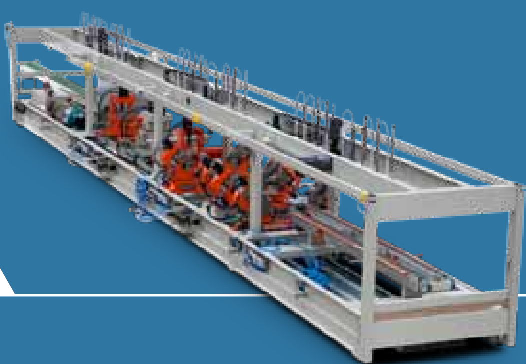
THE GLOBAL INNOVATOR IN...

appliance systems automation

Scott Technology specialises in the design and manufacture of large scale automated manufacturing systems for the world's major whitegoods manufacturers. Scott's automated systems are used by our customers to manufacture domestic appliances such as ovens, refrigerators, dishwashers and washing machines. 100% of production is exported, mainly to the United States, Mexico, China and Europe. Sales and marketing is co-ordinated from New Zealand, supported by local sales offices in Dallas, Texas, covering the Americas; Milan, Italy, covering Europe and the Middle East; and mainland China (Shanghai and Qingdao) covering Asia. During 2010 Appliance Systems worked on automated systems destined for the United States, Australia, Turkey, Brazil, Spain and China.

C-frame forming stations.





Each of our markets responded differently to the global economic crisis and this required us to be selective in our focus. Benefits of the company's diversification are now being realised and opportunities continue to arise in all our target markets through providing superior service and innovative solutions.

Our company vision, "To be the Global Innovator in Automation", has kept us focused on developing technology and smart solutions to build a sustainable business. Our commitment to innovation is most visible in our expenditure on research and development. Due to the unique nature of our business, much of our activity can be classified as research and development. The company spent close to $7.0 million on research and development over all activities during the year.

A key to our achievements over the past year has been our strategic relationships with customers. This has enabled us to work together, to innovate, and to drive successful outcomes for both our customers and ourselves.

During the year we focused on spreading activities across our multiple manufacturing sites to achieve effective resource utilisation and improved outcomes (shorter deliveries) for our customers.

We are confident of achieving further progress in the year ahead and taking advantage of growth opportunities that exist.

The Scott Board thanks all of our shareholders for their continued support of the company and looks forward to meeting shareholders attending the Annual Meeting. It is with great sadness that we record the passing of Ian Urquhart. Ian was our second largest shareholder and a great supporter of the company over the years. We will miss Ian's unique character and his regular contact with the company.

Finally, I would like to thank the Board, our Managing Director Chris Hopkins and all of our employees for their efforts and continued commitment to the company over the past year.

Stuart McLauchlan
CHAIRMAN

RIGHT: Prototype forequarter processing system.

BELOW: Automated saddle processing cell under development

ABOVE: Automated primal cutting system at Silver Fern Farms' Finegand plant.

THE GLOBAL INNOVATOR IN...

meat processing automation

Scott Technology works with meat processors to develop and build smart solutions for lamb and beef boning operations. Meat processing automation is focused on the key development markets of New Zealand and Australia, with Australian sales and marketing support based in Sydney. Through Robotic Technologies Limited, our joint venture with Silver Fern Farms Limited, we are developing a fully automated and integrated lamb boning room, using a combination of robotic technology and x-ray information system integration. We have already commercialised the x-ray, primal cut and hindquarter systems within the boning room, with the middle and forequarter sections currently in testing, prior to their full commercialisation. We have also entered into a joint venture with Northern Co-operative Meat Company Limited of Australia to develop meat processing equipment for the beef industry.

It has been a challenging but rewarding year. The company produced good results despite the lingering effects of the Global Financial Crisis. As a global exporter operating in diverse markets we were able to focus on the recovering markets.

managing director's report

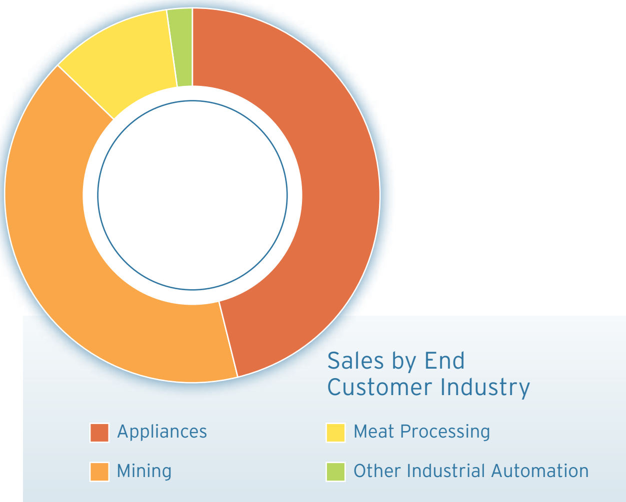
FOR THE YEAR ENDED 31 AUGUST 2010

The company saw an increase in enquiries during the first half of the year and we commented on this in our interim report. In some markets this has continued, but in others there remains economic uncertainty which, for Scott, limits the commitment to capital projects.

Scott's diversification, ongoing since 2001, is producing results. In line with the company's vision "To be the Global Innovator in Automation" we are starting to see direct benefits from our research and development. Scott is a world leader and the company's programme of applying innovative research and development is key to ensuring we remain recognised at the forefront of technology.

Scott's research and development spend is threefold:

1. Directly into Scott's own products.
2. Indirectly into enabling technologies we develop and apply to the solutions we sell to customers.
3. Specific research and development which is partly or fully funded by industry, Government or strategic partners.



Sales by End Customer Industry

OPERATIONAL REVIEW

Our activities are categorised into four distinct markets and it is appropriate to comment separately on these markets.

Appliance Manufacturing Systems

This market remains the most significant for our automation business activities. Our dedicated team of experienced and talented engineers keep us at the forefront of technology.

Conversion of enquiries to orders has been good during the year following a very quiet previous two years. As and when we build our forward orders, we will build our capacity to suit.

There are some important worldwide trends that our customers face in their markets. These trends manifest into our customers' continual search for:

- Reduced costs;
- Increased flexibility of the equipment to match increased product variations and shorter product life cycles;
- Equipment that supports Lean Manufacturing; and
- Shorter equipment delivery times to respond to market demands.

Scott is rising to the challenge in all these areas which requires new thinking and smarter manufacturing, combined with new skills.

During the year, revenue was derived from projects destined for the United States, Turkey, China, Australia and Brazil. Enquiry levels remain high but economic uncertainty restricts the conversion to orders, especially in Europe and the United States. China's appliance industry is forecast to grow strongly and we are positioning ourselves to take advantage of this growth.

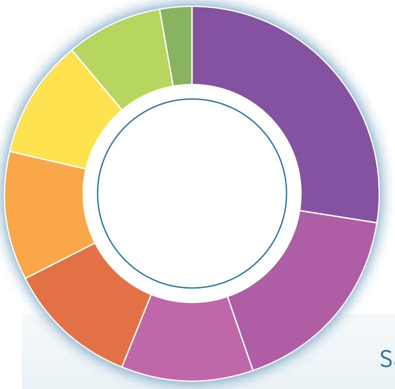
THE GLOBAL INNOVATOR IN...

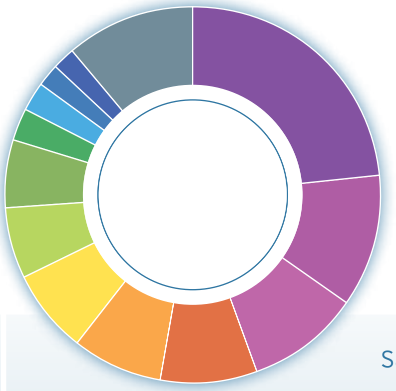
industrial automation

Scott Technology also designs and manufactures production equipment for industries that are outside of our other key focus areas of appliance systems, meat processing automation and laboratory sampling automation. Past projects include steel framing manufacturing lines, bracket assemblies for overhead doors, sheetmetal cabinet and welding systems for gaming machines, handling equipment for smelters and water heater fabrication systems. Scott Technology has entered into a number of strategic partnerships whereby Scott provides specialist design and manufacturing expertise to enable our customers to automate their production processes, while our partner provides expertise in their field of operations. Often these partnerships are established in the early stages of a customer's product development lifecycle where they are looking to develop an innovative and cost-effective solution, but where there is also the potential to provide Scott with repeat manufacturing in the future.

ABOVE: Steel frame flooring machine, designed and manufactured in partnership with FrameCAD.

LEFT: Automated robotic welding cell.





Scott Service International, our service arm, has again performed well, providing excellent service and upgrade support to our customers around the world.

Laboratory Sampling Automation

Trading under the "Rocklabs" brand, sales of our standard products have rebounded from low 2009 levels. This drives an associated increase in wear parts, spare parts and reference materials.

Our strategy to combine and leverage off Scott's extensive automation and robotics expertise has been very successful in securing substantial orders for automated systems during the year. Sales of automated systems will further boost the company's revenue in the near future. Automation of sample preparation within the precious metals industry has only just begun and we believe there will be major growth in this market over the next 5 - 10 years. Our challenge is to grow our market share and continue to deliver innovative technology and innovative applications to lead the world in this area.

Systems have been provided to, or are being worked on, for many of the world's largest mining and laboratory operators. Customers include three of the largest global laboratory groups and many of the worlds leading mining companies.

We recently announced the acquisition of our reference material manufacturer which is closely aligned with Rocklabs. As this business exclusively supplies Rocklabs, this acquisition will increase bottom line performance rather than add revenue. We believe there is an opportunity to further develop and grow the reference material market for the company.

Scott continues to add new products to our Rocklabs range and offer new technology to meet customers' needs.

Meat Processing Automation

The majority of the activity in this market is undertaken through our Joint Venture with Silver Fern Farms (Robotic Technologies Limited) and we have now commenced projects within our Joint Venture with Northern Co-operative Meat Company (NS Innovations Pty Ltd). Wider industry interest in our developed technology is growing rapidly. Most meat processing companies are conservative by nature and prefer to see new technology tried and proven prior to installing it into critical processing functions of the food processing environment. With systems running in full production and delivering promised benefits, the industry attitude is improving dramatically.

Our innovative world leading technology has now been operating successfully within meat processing facilities for over a year. We have two X-Ray and Primal cutting systems operating in our Joint Venture partner's (Silver Fern Farms) facilities and one system operating in Alliance Group's Lorneville facility.

The next area of technology development that takes us closer to our vision of a fully automated meat processing boning room is currently being

Meat industry open day held at Silver Fern Farms' Finegand plant.

completed. This new technology was showcased in June to all major New Zealand and Australian sheep meat processing companies and we are in detailed discussions for new projects, with four meat processors who believe in, and share, our vision. We expect to see at least two of these contracted in the year ahead.

Total revenues from our meat processing market were $4.9m in the year to August 2010, and are forecast to substantially increase in the year ahead.

The company has only recently started to develop beef processing solutions, which are being undertaken through our Joint Ventures, Robotic Technologies Ltd and NS Innovations Pty Ltd. Beef processing systems provide a major opportunity in both Australasia and, more importantly, in the global markets of North and South America.

Incubator for Industrial Automation

Strategic partnerships work best when both parties can benefit and both bring something unique to the partnership.

Through Scott's Incubator for Industrial Automation and with an eye to the future, we seek and develop these strategic partnerships.

In these relationships Scott provides precision engineering and automation excellence, while our partner provides expertise in their field of operations. A major benefit is the development of background intellectual property – our skill, expertise, and often new technology. In addition we utilise and sell our manufacturing capability which is among the best in Australasia. In some circumstances we share in the ownership of the intellectual property of the project or product being developed.

The company is currently contracted in six such partnerships and is investigating several others. These projects currently produce low revenues and consume high end resources but offer the prospect of substantial returns once their full potential is realised.

LOOKING FORWARD

We have survived and grown in the aftermath of the Global Financial Crisis. In such times, capital expenditure is often the first to be reduced. Ultimately though, to increase productivity and to compete in fast changing markets, companies around the world have to invest in the type of capital equipment and systems that Scott specialises in.

With an excellent reputation and proven quality, Scott is well positioned to capture increased market share. The challenge is to focus on what we can control and, at the same time, mitigate the impact of continuing global economic uncertainty and, in particular, the impact this may have on the value of the NZ dollar. With a dedicated, professional team, Scott Technology Ltd is up to the challenge.

Our capacity is fully committed for the first half of the year ahead and we are evaluating options to permanently increase engineering capacity and capability. Enquiries are very strong at present and the expected conversion to orders will provide us with the confidence to act.

The dedicated staff at Scott Technology are excited about the opportunities ahead and are well prepared for growth.

Chris Hopkins

MANAGING DIRECTOR

sample preparation process

Drilling / Core Sampling

Drilling

Core Sampling

Rocklabs Sample Preparation Equipment

Standard Equipment

Boyd Crusher (Crush)

Rotating Sample Divider (Split)

Benchtop Ring Mill (Pulverise)

Combo

Smart Boyd - RSD Combo

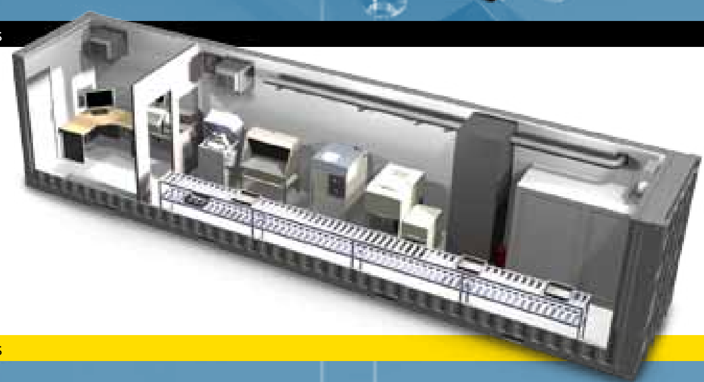
Combo

Continuous Flow Ring Mill Combo

Automated Systems

Automated Systems to handle a large number of samples

Container Labs



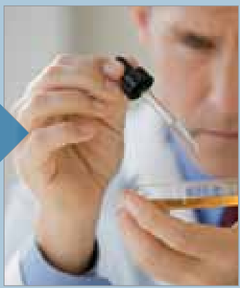
Container Labs

Data analysis drives mining decisions

Data Analysis

Fine Particle Samples

Analysis



THE GLOBAL INNOVATOR IN...

laboratory sampling automation

The Scott Group designs and manufactures laboratory sampling equipment under the "Rocklabs" brand, primarily for use within the mining industry. Rocklabs exports 98% of its manufactured equipment, with key markets being North and South America; Russia and the former Russian States; South America; and Australia. Rocklabs have traditionally manufactured standalone equipment which is used to crush, split and pulverise a representative sample so that it can then be analysed for its precious metal content. Following Scott's acquisition of Rocklabs in 2008, we have leveraged off Scotts' expertise to extend the Rocklabs range of products and automated systems offered. During 2010 large automated systems worked on were destined for the United States, Chile, Australia and New Caledonia.

Rocklabs also supplies pulverised rock with known gold content (reference materials) which are used as quality control aids to monitor the analytical process.

The Executive are the team of highly skilled and experienced senior staff that head up each of the Group's main activities. The Executive are responsible for the day to day operation of the Group and the development and implementation of the Group's strategy and business plans.

executive team

1

Ken Snowling

Head of Appliance Systems

Ken is responsible for the sales and development of appliance automation systems. He is supported by a highly experienced team of sales, engineering and technical support people based in New Zealand, USA, Italy and China. Ken has over 35 years' experience in engineering. He started as an apprentice toolmaker, moving through to mechanical design, industrial engineering, project management, and sales and marketing.

2

Tony Joyce

General Manager, Industrial Automation

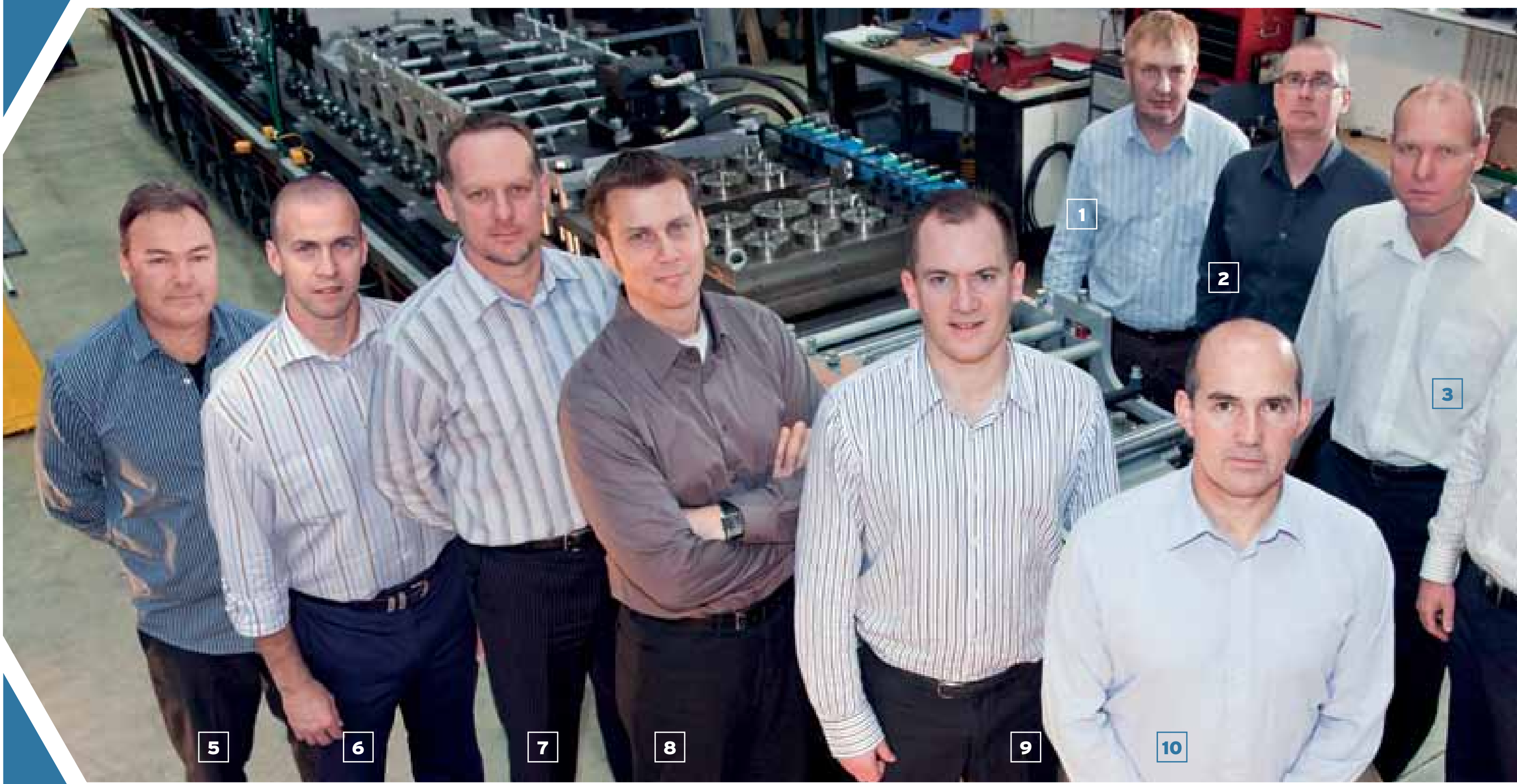
Tony heads the Industrial Automation team and spends much of his time working with local manufacturing industries, universities and government seed-funding bodies developing automated solutions for their businesses. Tony has recently returned from two years in China after setting up a sales and service office to support the Asian market. He has been with Scott for 22 years as a mechanical designer, spending much of the last 10 years working on sites supporting the appliance market.

3

Andrew Arnold

Head of Automation and Robotics

Andrew is responsible for the development and commercialisation of Scott's meat processing technology. He has been actively involved in this technology since it started seven years ago and is responsible for developing the patented technology which is recognised as world leading in the field. Andrew has 31 years' experience in working with automated machinery for Scott Technology. Andrew is also a Director of Robotic Technologies Limited and NS Innovations Pty Limited.



5

Alan Prince

General Manager, Scott Service International

Alan and his team of seven staff are responsible for providing maintenance, spare parts and warranty support to customers across the Group. They also assist customers with plant upgrades and plant relocations. Alan has been with Scott Technology for 19 years, including roles as a designer and project manager.

6

Sean Starling

General Manager, Australia

Sean is General Manager of Scott Technology Australia Pty Limited. Prior to joining Scott, Sean held a senior role with Meat & Livestock Australia which has provided him with valuable contacts in the Australasian meat industry. Australia is a key market for meat automation solutions, as well as providing back door access to the North and South American markets via large Australian producers. The Australian operations also provide sales and support services for Scott activities in the appliance and mining industries.

7

Kevin Kearney

Dunedin Operations Manager

Kevin is responsible for the project management, design and manufacture of meat automation systems. The Dunedin team of approximately 60 staff also assists the Group with the design and manufacture of appliance automation systems and laboratory sampling systems. Kevin joined Scott Technology in November 2009. He has 20 years' experience in large engineering and manufacturing businesses where he has held various senior operations and site management roles.

8

Steve Henshaw

Christchurch Operations Manager

Steve is responsible for the day to day operation of the Christchurch manufacturing facility which employs approximately 70 staff and includes project management, design, controls and workshop functions. The Christchurch facility is largely based around the manufacture of appliance systems, but also manufactures meat automation systems and laboratory sampling systems. Steve has been with the company for 8 years, starting as a project manager and developing into his current role two years ago.

9

Greg Chiles

Chief Financial Officer and Company Secretary

Greg is responsible for the accounting, treasury, IT and other backoffice functions across the Group. His role also involves undertaking due diligence on any businesses that the Group may be looking to acquire. Greg joined Scott Technology in February 2008, prior to which he spent 16 years with a large accounting firm in New Zealand and the UK in business advisory and corporate finance roles. Greg is also a Director of many of the Group's subsidiary companies.

Mike Peffers

General Manager, Rocklabs

Mike and his team of approximately 45 staff are responsible for the design, manufacture and sales of sample preparation equipment to laboratories and mining companies throughout the world. Mike has an extensive background in industrial sales and marketing, including 10 years' experience in developing export markets. He holds an MBA from the University of Auckland.

4

10

Chris Hopkins

Managing Director and Chief Executive

Chris is responsible for the overall day to day operation of the Group and implementation of strategy and business plans. He is the main point of contact for media and analysts and regularly visits the Group's key customers to build relationships and assist the sales and marketing process. Chris also leads the Group's search for potential acquisitions, joint ventures and strategic alliances that will help grow the Group in the future. Chris is a Director of Scott Technology and many of the Group's subsidiary companies.

scott service international

Scott Service International is responsible for the Group's international servicing. Scott Service International maintains a mobile and flexible workforce to provide a rapid response to customer needs. As well as service assistance, Scott Service International provides customers with spare parts, equipment upgrades, modifications, and assistance with plant relocations. Scott Service International is supported by Scott engineers based in our Dallas, Sydney and Qingdao offices, as well as technicians from our approved service partners in Turkey and Brazil.

Crane rails fabricated and installed by Scott Fabtech at Tecpak Industries.

Beef boning device.

scott fabtech

Scott Fabtech provides metal cutting and fabrication services to the Scott Group and to external customers. Scott Fabtech's equipment includes waterjet cutting technology that makes 'clean cuts' to steel and other materials which is particularly important for equipment destined for the meat processing and laboratory sampling industries.

The corporate governance processes set out in this statement do not materially differ from the principles set out in the NZSX Corporate Governance Best Practice Code. This statement follows the nine principles published by the Securities Commission and reports on how Scott Technology Limited seeks to comply with these principles.

corporate governance

1. ETHICAL STANDARDS

The Board has developed and implemented a code of conduct which contains expectations and policies for Directors and employees carrying out their duties.

The code of conduct covers such matters as;

- Obeying the applicable laws and regulations governing our business conducted worldwide;
- Being honest, fair and trustworthy in all activities and relationships;
- Avoiding all conflicts of interest between work and personal affairs;
- Striving to create a safe workplace and to protect the environment;
- Through leadership at all levels, sustain a culture where ethical conduct is recognised, valued and exemplified by all employees; and
- Details raising integrity concerns and the procedure for dealing with these.

The code of conduct was approved by the Board at its June 2004 meeting and has been made available to all staff. The Board monitors compliance with the code of conduct on a regular basis.

2. BOARD COMPOSITION AND PERFORMANCE

The Board comprises four non-executive Directors and one Executive Director. Each of the Directors brings a broad range of skills, knowledge and experience to the Board. The independent Directors on the Board are Graham Batts, Mark Waller, Chris Staynes and Stuart McLauchlan. The Board of Directors maintains effective control over the company, as well as monitoring executive management. The Directors formally meet a minimum of ten times throughout the year, plus additional meetings as required, and oversee all matters of corporate governance, development of long term strategic plans, financial management and reporting to shareholders. The process for the appointment of Directors is detailed in the company's constitution. Continuing professional development is encouraged for all Directors.

3. BOARD COMMITTEES

The Board has formally constituted committees, being the Audit, Remuneration and Nomination, and Treasury committees. These committees enhance its effectiveness in key areas whilst still retaining Board responsibility.

Audit Committee

The Audit Committee overviews internal controls and financial reporting and reviews the company's financial accounts, in conjunction with the company's auditors. It reviews the annual and interim reports prior to approval by the Board and deals with the appointment of external auditors. The Audit Committee comprises the full Board.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of the non-executive Directors. The purpose of the committee is to ensure that the company's Directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance. Due to the size and level of activity of this committee, it also includes the role of recommending Director appointments to the Board.

Treasury Committee

The Treasury Committee overviews the company's treasury practices, including foreign exchange cover and short term cash investments. The Treasury Committee comprises Stuart McLauchlan, Chris Hopkins and Greg Chiles, the Group's Chief Financial Officer.

4. REPORTING AND DISCLOSURE

Numerous safeguards are in place to ensure the integrity and quality of financial statements given to Directors. This includes an effective system of internal controls to ensure reliable financial reporting.

The Board Audit Committee and external auditors have a pivotal role in ensuring the integrity of the publicly released financial documents.

In addition to the annual report and interim results, continuous disclosure to the New Zealand Stock Exchange forms part of the reporting and disclosure of the group.

As part of these continuous disclosure obligations, there are formal procedures, including the Chairman's approval for the public release of company information.

5. REMUNERATION

As mentioned above, the Remuneration and Nomination Committee sets the remuneration of Directors, both Executive and Non Executive. Remuneration and other benefits paid to Directors are disclosed on page 55.

The company recognises the need to provide competitive remuneration to attract and retain high calibre executives and Directors.

6. RISK MANAGEMENT

The Board is responsible for the company's system of internal controls. A review of potential risks is carried out annually to determine a risk profile and to approve an appropriate response. The Board also considers the recommendations made by external auditors and acts on these accordingly. Processes are in place to identify, monitor and manage risks.

7. AUDIT

The Board, through the Audit Committee, ensures the quality and independence of the external audit process is maintained. To maintain auditor independence, the audit partner will be rotated at intervals not exceeding 5 years. Audit fees and other services primarily tax advice and other assurance services, performed by Deloitte, are disclosed in note 2 of the financial statements.

8. SHAREHOLDER RELATIONS

The company maintains an up to date website (www.scott.co.nz) providing a description of its business and financial statements for previous years. It also distributes or makes available the half yearly and annual reports to all shareholders and interested parties. All shareholders are encouraged to attend the annual meeting. Our auditors, along with the Board, attend the annual meeting for formal and informal interaction with shareholders.

9. STAKEHOLDER INTERESTS

Staff are recognised as a key stakeholder in the group. The company seeks to create and maintain a positive supporting environment for them to work in. The Directors have established an employee share purchase scheme to encourage staff to participate in the ownership of the company.

Customers' interests are catered for by sharing customer specific information via a private log-in to the Scott website.

board of directors

1
Chris C Hopkins
Managing Director

BCom, CA

Dunedin

Appointed Director 2001

Chris Hopkins joined the Donaghys Group, which included Scott Technology Ltd, in 1994 as Corporate Services Manager. In 1996, he assumed responsibility for finance and administration for the company and oversaw the transition to a public listed company in 1997. He was appointed a Director of Scott Technology Ltd in August 2001 and Managing Director in 2006.

2
Christopher J Staynes
Independent Director

BSc

Dunedin

Appointed Director 2007

Chris Staynes commenced his career in 1973, gaining experience in product design and production engineering. He advanced his career from senior product design engineer, to product engineering manager and lastly to General Manager for a local appliance manufacturer from 1980 until his retirement in 2006.

3
Stuart J McLauchlan
Chairman and Independent Director

BCom, FCA(PP), A.F.Inst.D

Dunedin

Appointed Director 2007

Stuart McLauchlan is a Senior Partner of GS McLauchlan & Co Business Advisors and Accountants, a prominent businessman and company director.

Stuart McLauchlan is a Director of Scenic Circle Hotels Ltd, Dunedin International Airport Ltd, Dunedin City Holdings Ltd, Dunedin Casinos Ltd, Aurora Energy Ltd, AD Instruments Pty Ltd, City Forests Ltd, Delta Utility Services Ltd and several other companies.

He is also Chairman of the NZ Sports Hall of Fame, Chairman of Pharmac Ltd, Pro-Chancellor of the University of Otago and a member of the National Executive of the Institute of Directors.

4
Mark B Waller
Independent Director

BCom, ACA, FNZIM

Christchurch

Appointed Director 2004

Mark Waller is Chief Executive and Managing Director of EBOS Group Ltd; and a Director of Health Support Ltd, EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd, Global Science & Technology Ltd and PRNZ Limited.

5
Graham W Batts
Independent Director

CEng., FIPENZ, Hon., NZCE

Dunedin

Appointed Director 1969

Graham Batts joined the company in 1956 and was Managing Director from 1969 to 1999. He spent a further 18 months in an executive role based in London assessing the European market. Since retirement from his executive role in October 2000, Mr Batts has remained a Consultant to the Company.

directors' responsibility statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Scott Technology Limited and Group as at 31 August 2010 and the results of their operations and cash flows for the year ended 31 August 2010.

The Directors consider that the financial statements of the Company and the Group have been prepared using accounting policies appropriate to the Company and Group circumstances, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2010.

This annual report is dated 8 October 2010 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and behalf of the Directors

S J McLauchlan	C C Hopkins
CHAIRMAN	**MANAGING DIRECTOR**

income statement

FOR THE YEAR ENDED 31 AUGUST 2010

		Group		Parent	
	Note	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Revenue		46,589	31,315	25,215	17,314
Other income	2	32	179	-	18
Raw materials & consumables used		(22,215)	(13,934)	(11,488)	(7,853)
Employee benefits expense		(14,185)	(11,454)	(9,645)	(8,126)
Depreciation	10	(958)	(875)	(730)	(723)
Finance costs		(414)	(543)	(146)	(151)
Other expenses		(3,309)	(4,298)	(387)	(866)
NET SURPLUS/(DEFICIT) BEFORE TAXATION	2	5,540	390	2,819	(387)
Taxation expense – operating activities	3	(1,650)	(125)	(850)	(264)
Taxation expense – deferred tax adjustment on buildings	3	(1,098)	-	(1,098)	-
Taxation expense		(2,748)	(125)	(1,948)	(264)
NET SURPLUS/(DEFICIT) FOR THE YEAR		2,792	265	871	(651)
Net surplus/(deficit) attributable to:					
Members of the parent entity		2,667	354	871	(651)
Minority interest	21	125	(89)	-	-
		2,792	265	871	(651)
Earnings per share:					
Basic (cents per share)	5	8.5	1.1		
Diluted (cents per share)	5	8.5	1.1		
Net tangible assets per ordinary share:					
Basic (cents per share)		47.3	44.4		
Diluted (cents per share)		47.3	44.4		

statement of comprehensive income

FOR THE YEAR ENDED 31 AUGUST 2010

	Note	Group 2010 $'000s	Group 2009 $'000s	Parent 2010 $'000s	Parent 2009 $'000s
Net surplus/(deficit) for the period attributable to:					
- Members of the parent entity	19	2,667	354	871	(651)
- Minority interest	21	125	(89)	-	-
Movement in cash flow hedge reserve	20	62	-	73	-
TOTAL COMPREHENSIVE INCOME		2,854	265	944	(651)
Comprehensive income attributable to:					
Members of the parent entity		2,729	354	944	(651)
Minority interest	21	125	(89)	-	-
		2,854	265	944	(651)

statement of changes in equity

FOR THE YEAR ENDED 31 AUGUST 2010

	Note	Group 2010 $'000s	Group 2009 $'000s	Parent 2010 $'000s	Parent 2009 $'000s
Equity at beginning of the period		19,238	18,821	16,111	16,610
Total comprehensive income		2,854	265	944	(651)
Dividends paid	19	(681)	-	(681)	-
Issue of shares to Employee Share Purchase Scheme	18	-	152	-	152
EQUITY AT END OF THE PERIOD		21,411	19,238	16,374	16,111

balance sheet

AS AT 31 AUGUST 2010

	Note	Group 2010 $'000s	Group 2009 $'000s	Parent 2010 $'000s	Parent 2009 $'000s
CURRENT ASSETS					
Cash and cash equivalents		-	1,535	-	1,011
Trade debtors	6	6,555	6,827	2,767	3,360
Other financial assets	7	2,857	1,326	2,845	1,326
Sundry debtors and prepayments		325	219	136	-
Inventories	8	3,487	4,000	349	251
Taxation receivable		-	93	-	3
Receivable from joint ventures	25	1,738	1,400	1,738	1,400
Contract work in progress	9	2,554	-	3,434	-
		17,516	15,400	11,269	7,351
NON CURRENT ASSETS					
Property, plant and equipment	10	10,409	10,361	9,307	9,818
Investment in joint ventures	11	192	103	115	115
Other financial assets	7	77	1,621	77	1,621
Goodwill	12	6,607	6,607	-	-
Deferred tax asset	3	-	411	-	69
Receivable from joint ventures	25	1,777	912	1,777	912
Investment in subsidiaries	24	-	-	10	10
Receivable from subsidiary companies	24	-	-	1,964	5,158
		19,062	20,015	13,250	17,703
TOTAL ASSETS		36,578	35,415	24,519	25,054
CURRENT LIABILITIES					
Net overdraft		325	-	859	-
Trade creditors and accruals	14	4,571	3,456	2,001	1,422
Other financial liabilities	16	2,638	4,535	2,621	4,535
Employee entitlements		1,755	1,051	1,236	795
Provision for warranty	17	350	350	200	200
Bank loans	13	646	603	-	-
Contract work in progress	9	-	493	-	229
Taxation payable		899	-	230	-
		11,184	10,488	7,147	7,181
NON CURRENT LIABILITIES					
Other financial liabilities	16	30	1,524	30	1,524
Employee entitlements		241	262	224	238
Bank loans	13	3,206	3,903	-	-
Deferred tax liability	3	506	-	744	-
		3,983	5,689	998	1,762
OWNERS EQUITY					
Share capital	18	11,781	11,781	11,781	11,781
Retained earnings	19	9,583	7,597	4,520	4,330
Cash flow hedge reserve	20	62	-	73	-
Minority interest	21	(15)	(140)	-	-
		21,411	19,238	16,374	16,111
TOTAL LIABILITIES & OWNERS EQUITY		36,578	35,415	24,519	25,054

statement of cashflows

FOR THE YEAR ENDED 31 AUGUST 2010

		Group		Parent	
	Note	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from/(applied to):					
Receipts from operations		44,525	29,681	22,990	16,455
Interest received		14	28	-	18
Net GST received/(paid)		(2)	273	(96)	134
Payments to suppliers and employees		(38,781)	(29,417)	(21,992)	(16,089)
Interest paid		(413)	(565)	(146)	(151)
Research and development tax credits received		60	-	-	-
Taxation refunded/(paid)		(899)	4	(897)	4
Net cash inflow/(outflow) from operating activities	27	4,504	4	(141)	371
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from/(applied to):					
Purchase of property, plant and equipment		(1,006)	(1,434)	(219)	(1,260)
Sale of property, plant and equipment		50	57	50	49
Advances from/(to) subsidiaries		-	-	3,194	(367)
Investment in joint ventures		-	(105)	-	(105)
Advances to joint ventures		(1,203)	(610)	(1,203)	(610)
Advance to Employee Share Purchase Scheme		-	(152)	-	(152)
Repayment of advance to Employee Share Purchase Scheme		53	47	53	47
Net cash inflow/(outflow) from investing activities		(2,106)	(2,197)	1,875	(2,398)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from/(applied to):					
Vehicle finance lease		-	(49)	-	(49)
Proceeds from borrowings		-	2,923	-	2,923
Repayment of borrowings		(3,577)	(458)	(2,923)	-
Dividends paid		(681)	-	(681)	-
Issue of share capital		-	152	-	152
Net cash inflow/(outflow) from financing activities		(4,258)	2,568	(3,604)	3,026
Net increase/(decrease) in cash held		(1,860)	375	(1,870)	999
Add cash and cash equivalents at start of period		1,535	1,160	1,011	12
Balance at end of period		(325)	1,535	(859)	1,011
COMPRISED OF:					
Cash and bank balances		534	1,535	-	1,011
Bank overdraft and short term money market borrowings		(859)	-	(859)	-
Cash and cash equivalents		(325)	1,535	(859)	1,011

Cash and cash equivalents include cash on hand and in banks, both in New Zealand and overseas, and investments in money market instruments, net of outstanding overdrafts and short term money market borrowings.

notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 AUGUST 2010

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The financial statements presented are those of Scott Technology Limited ("Company") and its subsidiaries ("Group").

The Group is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Group is an issuer for the purposes of the Financial Reporting Act 1993 and its annual financial statements comply with that Act.

The Group's principal activities are the design, manufacture, sales and servicing of automated production lines and processes for a wide variety of industries in New Zealand and overseas.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Board of Directors on 8 October 2010.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost except for the revaluation of certain financial instruments.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 August 2010 and the comparative information presented in these financial statements for the year ended 31 August 2009, the Group's comparative financial statements.

There have been no changes in accounting policy during the year.

The information is presented in thousands of New Zealand dollars.

Critical Judgements, Estimates and Assumptions

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year include:

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

The principal accounting policies applied in the preparation of the financial report are set out below. These policies have been consistently applied unless otherwise stated.

Consolidation of Subsidiaries

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined by NZ IAS-27 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

Accounting policies of subsidiaries are consistent with the policies of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Income Statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Group Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

In the Company's financial statements, investments in subsidiaries, joint ventures and associates are recognised at their cost, less any adjustment for impairment.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and identifiable intangible assets, liabilities and

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

contingent liabilities of the subsidiary recognised at the time of acquisition of a business or subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over these policies.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Group Balance Sheet at cost as adjusted for post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate legal entity in which each venturer has an interest are referred to as a jointly controlled entity. The Group reports its interests in jointly controlled entities using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with NZ IFRS-5 "Non Current Assets Held for Sale and Discontinued Operations". Under the equity method, the investment in jointly controlled entities carried in the balance sheet at cost are adjusted for post acquisition changes in the Group's share of net assets of the jointly controlled entity, less any impairment in the value of the individual investments.

Interests in jointly controlled entities are recognised in the Parent company's financial statements using the cost method.

Revenue Recognition

Profit on long term contracts is accounted for 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. Included in sales is the value attributed to work completed, which includes direct costs, overhead and profit. Provision is made for estimated future losses on the entire contract from the date that it is recognised that a contract loss may be incurred.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

Group Entity as Lessor
Amounts due from finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Group Entity as Leasee
Assets held under finance lease are initially recorded at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Current Tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred Tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantially enacted at reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

GST

All items in the Balance Sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the Income Statement are stated exclusive of GST.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Contract Work in Progress

Contract work in progress is recorded as an accumulation of the costs incurred to date, including overhead, plus any recognised profit less amounts received or receivable by way of progress payments on each particular contract.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

(a) Cash & cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(b) Trade debtors
Trade debtors are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(c) Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received.

(d) Trade creditors
Trade creditors are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(e) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Derivative Financial Instruments

The Group entity enters into derivative financial instruments to manage its exposure to foreign exchange rate risk.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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

The Group entity designates certain derivatives as hedges of the fair value of firm commitments (fair value hedge) or as hedges of forecast future sales (cash flow hedge).

Fair Value Hedge
Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the firm commitment that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires, or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The carrying amount of the firm commitment at that time continues to be recognised as a firm commitment until the forecast transaction ultimately impacts the Income Statement.

Cash Flow Hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other expenses line.

Amounts recognised in the hedging reserve are reclassified from equity to profit or loss (as a reclassification adjustment) in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset or liability (as a reclassification adjustment).

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in the hedging reserve is recognised immediately in profit or loss.

Property, Plant and Equipment

All items of Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of a purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment.

Depreciation is calculated on a straight line basis so as to write off the net cost of the asset over its expected useful life to its estimated residual value. The following estimated useful lives are used in the calculation of depreciation:

Buildings	40 years
Plant, equipment and vehicles	2 - 13 years

Research and Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- The technical feasibility of completing the asset so that it will be available for use or sale
- The intention to complete the asset and use or sell it
- The ability to use or sell the asset
- How the asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the asset during the development

Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit)

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash Flow Statement

The cash flow statement is prepared exclusive of GST, which is consistent with the method used in the Income Statement.

Definition of terms used in the cash flow statement:

Cash includes cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity.

Standards and Interpretations In Issue Not Yet Adopted

The following are the new or revised Standards or Interpretations in issue that are not yet required to be adopted by entities preparing financial statements for periods ending on 31 August 2010:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	*	31 August 2011
Amendments to NZ IFRS 2 'Share-Based Payment' – Group Cash-Settled Share-Based Payment Transactions	1 January 2010	31 August 2011
Amendment to NZ IAS 32 'Financial Instruments: Presentation' – Classification of Rights Issues	1 February 2010	31 August 2011
Amendments to NZ IAS 24 'Related Party Disclosures'	1 January 2011	31 August 2012
NZ IFRS 9 'Financial Instruments'	1 January 2013	31 August 2014
NZ IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010	31 August 2011
Amendments to NZ IFRIC 14 'Prepayments of a Minimum Funding Requirement'	1 January 2011	31 August 2012
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010		
- Improvements to NZ IFRS 3 and NZ IAS 27	1 July 2010	31 August 2011
- Improvements to other standards	1 January 2011	31 August 2012

*The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

None of the above Standards or Interpretations are expected to have any significant impact aside from some disclosure requirements.

The Standards and Interpretations listed below became mandatory for entities with August 2010 year ends since the last annual financial statements for August 2009 year ends.

NZ IFRS 8 Operating Segments – refer note 26

NZ IAS 1 Presentation of Financial Statements (2007) – only impacts disclosure

2. OTHER INCOME AND OPERATING EXPENSES

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
(a) Other income				
Government grants	18	70	-	-
Interest received	14	28	-	18
Research and development tax credits	-	81	-	-
	32	179	-	18
(b) Operating expenses				
The surplus/(deficit) is stated after charging:				
Auditors' remuneration - audit services	52	52	39	42
- taxation services	15	10	15	10
- other assurance services - IT	14	11	14	11
The auditor of the Group is Deloitte.				
Directors' fees	150	149	150	149
Fair value losses on firm commitments	2,474	2,428	2,457	2,428
Leasing and rental costs	420	432	-	51
Foreign exchange losses	-	273	-	794
Bad debts	-	1	-	-
Share of joint venturers' net deficit	-	18	-	-
and after crediting:				
Fair value gains on derivatives held as fair value hedges	2,474	2,428	2,457	2,428
Fair value gains on derivatives held for trading	109	-	103	-
Gain on sale of property, plant and equipment	50	27	50	27
Share of joint venturers' net surplus	89	-	-	-
Foreign exchange gains	994	-	1,176	-

3. INCOME TAXES

(a) Income tax recognised in surplus or deficit

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Net surplus/(deficit) before tax for the period	5,540	390	2,819	(387)
Income tax expense calculated at 30%	1,662	117	846	(116)
Non deductible expenses/(non assessable income)	(26)	(9)	-	4
Under/(over) provision of income tax in previous year	(22)	17	(22)	(3)
Effect of losses utilised by Group companies	-	-	-	379
Deferred tax adjustment on buildings	1,098	-	1,098	-
Effect of changes in tax rate (excluding buildings)	36	-	26	-
Taxation expense	2,748	125	1,948	264

3. INCOME TAXES *(continued)*

(a) Income tax recognised in surplus or deficit

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Group		Parent	
	2010 $'000s	**2009 $'000s**	**2010 $'000s**	**2009 $'000s**
Represented by:				
Current tax	1,831	1	1,135	-
Deferred tax – operating activities	(181)	124	(285)	264
Deferred tax - adjustment on buildings (i)	1,098	-	1,098	-
	2,748	125	1,948	264

The prima facie tax rate used in the above reconciliation is the corporate tax rate of 30% payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2010 income tax year. In the 2010 year, deferred tax was recalculated at the corporate tax rate of 28% applying from the 2011 income tax year onwards.

(i) During the year the New Zealand Government announced that tax depreciation on buildings will be abolished from the start of the 2012 income tax year. The deferred tax liability has been adjusted to reflect that tax depreciation will not be available on buildings owned by the Group for periods after 31 August 2011.

(b) Deferred tax balances

	Group				
2010	**Opening Balance $'000**	**Charged to Income $'000s**	**Prior Period Adjustment $'000s**	**Changes in Tax Rate $'000s**	**Closing Balance $'000s**
Gross deferred tax assets:					
Trade debtors	12	-	-	(1)	11
Inventories	80	(8)	-	(6)	66
Other financial assets	41	106	-	(10)	137
Employee entitlements	353	102	-	(29)	426
Provisions	135	90	-	(15)	210
Tax losses	195	(120)	22	(1)	96
	816	170	22	(62)	946
Gross deferred tax liabilities:					
Property, plant and equipment	391	1,142	-	(102)	1,431
Prepayments	14	8	-	(1)	21
	405	1,150	-	(103)	1,452
	411	(980)	22	41	(506)

	Group				
2009	**Opening Balance $'000**	**Charged to Income $'000s**	**Prior Period Adjustment $'000s**	**Changes in Tax Rate $'000s**	**Closing Balance $'000s**
Gross deferred tax assets:					
Trade debtors	12	-	-	-	12
Inventories	25	55	-	-	80
Other financial assets	21	48	(28)	-	41
Employee entitlements	331	31	(9)	-	353
Provisions	185	(50)	-	-	135
Tax losses	351	(176)	20	-	195
	925	(92)	(17)	-	816
Gross deferred tax liabilities:					
Property, plant and equipment	376	15	-	-	391
Prepayments	14	-	-	-	14
	390	15	-	-	405
	535	(107)	(17)	-	411

3. INCOME TAXES *(continued)*

2010	Opening Balance $'000	Charged to Income $'000s	Prior Period Adjustment $'000s	Changes in Tax Rate $'000s	Closing Balance $'000s
			Parent Company		
Gross deferred tax assets:					
Trade debtors	12	-	-	(1)	11
Inventories	-	31	-	(2)	29
Other financial assets	41	106	-	(10)	137
Employee entitlements	298	60	-	(23)	335
Provisions	90	120	-	(14)	196
Tax losses	33	(55)	22	-	-
	474	262	22	(50)	708
Gross deferred tax liabilities:					
Property, plant and equipment	391	1,142	-	(102)	1,431
Prepayments	14	8	-	(1)	21
	405	1,150	-	(103)	1,452
	69	(888)	22	53	(744)

2009	Opening Balance $'000	Charged to Income $'000s	Prior Period Adjustment $'000s	Changes in Tax Rate $'000s	Closing Balance $'000s
			Parent Company		
Gross deferred tax assets:					
Trade debtors	12	-	-	-	12
Other financial assets	21	48	(28)	-	41
Employee entitlements	278	29	(9)	-	298
Provisions	139	(49)	-	-	90
Tax losses	273	(280)	40	-	33
	723	(252)	3	-	474
Gross deferred tax liabilities:					
Property, plant and equipment	376	15	-	-	391
Prepayments	14	-	-	-	14
	390	15	-	-	405
	333	(267)	3	-	69

(c) Imputation credit account balances

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	2,358	2,362	2,355	2,362
Tax paid	905	3	903	-
Attached to dividends paid	(334)	-	(334)	-
Tax refunds received	(6)	(7)	(6)	(7)
Balance at end of financial year	2,923	2,358	2,918	2,355
Imputation credits available directly and indirectly to shareholders of the parent company, through:				
Parent company	2,918	2,355		
Subsidiaries	5	3		
	2,923	2,358		

4. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the Directors and executives, being the key management personnel of the entity is set out below:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Short term benefits - employees	1,278	924	936	633
Short term benefits – Directors *	512	436	512	421
Post-employment benefits - Directors	-	67	-	67
	1,790	1,427	1,448	1,121

* Includes executive and non-executive Directors

5. EARNINGS PER SHARE

	Group	
	2010	2009
Basic earnings per share		
From continuing operations (cents per share)	8.5	1.1
Diluted earnings per share		
From continuing operations (cents per share)	8.5	1.1

	Group	
	2010 $'000s	2009 $'000s
Net surplus/(deficit) for the year used in the calculation of basic and diluted earnings per share from continuing operations	2,667	354

	Group	
	2010 #'000s	2009 #'000s
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	31,322	31,142

6. TRADE DEBTORS

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Trade debtors	6,595	6,867	2,807	3,400
Allowance for doubtful debts (i), (ii)	(40)	(40)	(40)	(40)
	6,555	6,827	2,767	3,360

The credit period on sales of goods ranges from 30 to 90 days depending on the terms negotiated by the customer for large contracts. No interest is charged on the trade debtors.

(i) Allowance for doubtful debts

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	40	40	40	40
Impairment loss recognised on trade debtors	-	-	-	-
Balance at end of financial year	40	40	40	40

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

6. TRADE DEBTORS *(continued)*

(ii) Ageing of doubtful debts

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
90 days +	40	40	40	40

(iii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $2,544,000 (2009: $2,325,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are considered recoverable.

Ageing of past due but not impaired:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
30 – 60 days	1,015	1,472	19	-
60 – 90 days	898	648	3	27
90 days +	631	205	3	20
	2,544	2,325	25	47

7. OTHER FINANCIAL ASSETS

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Advance to Employee Share Purchase Scheme (i)	95	148	95	148
Foreign currency forward contracts held as effective fair value hedges (ii)	2,474	2,428	2,457	2,428
Foreign currency forward contracts held as cash flow hedges	62	-	73	-
Foreign currency forward contracts held for trading	109	-	103	-
Export Credit Office funding (iii)	194	371	194	371
	2,934	2,947	2,922	2,947
Represented by:				
Current financial assets				
Advance to employee share purchase scheme	48	51	48	51
Foreign currency forward contracts held as effective fair value hedges	2,474	1,098	2,457	1,098
Foreign currency forward contracts held as cash flow hedges	62	-	73	-
Foreign currency forward contracts held for trading	109	-	103	-
Export Credit Office funding	164	177	164	177
	2,857	1,326	2,845	1,326
Non current financial assets				
Foreign currency forward contracts held as effective fair value hedges	-	1,330	-	1,330
Advance to employee share purchase scheme	47	97	47	97
Export Credit Office funding	30	194	30	194
	77	1,621	77	1,621

7. OTHER FINANCIAL ASSETS *(continued)*

(i) Interest free, repayable on demand. The current/non-current split is shown on the basis of expected maturity. Refer note 25.

(ii) Designated and effective hedging instrument

(iii) The Group has provided long term financing to a customer whereby the customer makes payment for equipment purchased over six years. The discounted future payments have been sold to the ANZ National Bank Limited using a bill of exchange facility. An arrangement with the New Zealand Export Credit Office guarantees 90% of the customer's future payments. Utilising the guarantee the Group has discounted the future payments due from the customer and applied the receipt from the ANZ National Bank Limited to the outstanding debtor. If the customer defaults on its payments, the Group's maximum liability is 10% of the outstanding balance at that time. The total outstanding balance is $1,940,000 (2009: $3,710,000). The maximum exposure calculated at 10% of the outstanding balance at 31 August 2010 is $194,000 (2009: $371,000) and will reduce over the next two years as payments are made by the customer.

8. INVENTORIES

	Group		Parent	
	2010 $'000s	**2009 $'000s**	**2010 $'000s**	**2009 $'000s**
Raw materials	2,981	2,599	57	74
Work in progress	360	498	292	59
Finished goods	146	903	-	118
	3,487	4,000	349	251

9. CONTRACT WORK IN PROGRESS

	Group		Parent	
	2010 $'000s	**2009 $'000s**	**2010 $'000s**	**2009 $'000s**
Costs incurred and estimated earnings on uncompleted contracts	33,465	12,680	30,400	11,270
Progress claims received or receivable	(30,911)	(13,173)	(26,966)	(11,499)
	2,554	(493)	3,434	(229)
Represented by:				
Sales recognised to be recovered by invoices	5,065	2,854	4,131	2,854
Contracts invoiced in advance of sales recognised	(2,511)	(3,347)	(697)	(3,083)
	2,554	(493)	3,434	(229)

10. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Freehold Land at Cost $'000	Freehold Buildings at Cost $'000	Leasehold Buildings at Cost $'000	Plant & Vehicles at Cost $'000	Vehicles Under Finance Lease at Cost $'000	Assets Under Construction at Cost $'000	Total $'000
Gross carrying amount							
As at 31 August 2008	1,030	3,741	429	12,949	122	2,977	21,248
Reclassifications	1,103	1,874	-	122	(122)	(2,977)	-
Additions	-	663	-	771	-	-	1,434
Disposals	-	-	(429)	(323)	-	-	(752)
As at 31 August 2009	2,133	6,278	-	13,519	-	-	21,930
Additions	-	9	-	997	-	-	1,006
Disposals	-	-	-	(454)	-	-	(454)
As at 31 August 2010	2,133	6,287	-	14,062	-	-	22,482
Accumulated depreciation/ amortisation and impairment							
As at 31 August 2008	-	202	429	10,742	43	-	11,416
Reclassifications	-	-	-	43	(43)	-	-
Disposals	-	-	(429)	(293)	-	-	(722)
Depreciation expense	-	187	-	688	-	-	875
As at 31 August 2009	-	389	-	11,180	-	-	11,569
Disposals	-	-	-	(454)	-	-	(454)
Depreciation expense	-	190	-	768	-	-	958
As at 31 August 2010	-	579	-	11,494	-	-	12,073
Net book value							
As at 31 August 2009	2,133	5,889	-	2,339	-	-	10,361
As at 31 August 2010	2,133	5,708	-	2,568	-	-	10,409

10. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Parent						
	Freehold Land at Cost $'000	Freehold Buildings at Cost $'000	Leasehold Buildings at Cost $'000	Plant & Vehicles at Cost $'000	Vehicles Under Finance Lease at Cost $'000	Assets Under Construction at Cost $'000	Total $'000
Gross carrying amount							
As at 31 August 2008	1,030	3,741	429	12,185	122	2,977	20,484
Reclassifications	1,103	1,874	-	122	(122)	(2,977)	-
Additions	-	663	-	597	-	-	1,260
Disposals	-	-	(429)	(324)	-	-	(753)
As at 31 August 2009	2,133	6,278	-	12,580	-	-	20,991
Additions	-	9	-	210	-	-	219
Disposals	-	-	-	(454)	-	-	(454)
As at 31 August 2010	2,133	6,287	-	12,336	-	-	20,756
Accumulated depreciation/ amortisation and impairment							
As at 31 August 2008	-	202	429	10,507	43	-	11,181
Reclassifications	-	-	-	43	(43)	-	-
Disposals	-	-	(429)	(302)	-	-	(731)
Depreciation expense	-	187	-	536	-	-	723
As at 31 August 2009	-	389	-	10,784	-	-	11,173
Disposals	-	-	-	(454)	-	-	(454)
Depreciation expense	-	190	-	540	-	-	730
As at 31 August 2010	-	579	-	10,870	-	-	11,449
Net book value							
As at 31 August 2009	2,133	5,889	-	1,796	-	-	9,818
As at 31 August 2010	2,133	5,708	-	1,466	-	-	9,307

10. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:				
- Freehold buildings	190	187	190	187
- Plant, equipment and vehicles	768	688	540	536
	958	875	730	723

Assets Pledged as Security

The bank facilities from ANZ National Bank Limited and Bank of New Zealand Limited are secured by General Security Agreements over all the present and after acquired property of Scott Technology Limited and Rocklabs Limited, respectively, and therefore all property, plant and equipment assets are pledged as security for these facilities.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Ownership Interest		Carrying Value	
Name of Entity	Country of Incorporation	2010 %	2009 %	2010 $'000	2009 $'000
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	66	53
Scott Technology Euro Limited (ii)	Ireland	50	50	126	50
NS Innovations Pty Limited (iii)	Australia	50	50	-	-

(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. There are several intangible and development assets held within RTL. The Group's 50% interest in these assets at 31 August 2010 is $1,103,000 (2009 $1,464,000). The development assets comprise automated boning room equipment located at various sites and the intangible assets represent part of the recent investment in commercialising technologies now being made market ready. Scott Technology Limited's share of RTL's net surplus was $13,000, (2009: $37,000).

(ii) Scott Technology Euro Limited (STEL) is Scott Technology Limited's European sales agency and is a joint venture between Scott Technology Limited and Industrial Process Solution of Italy. STEL was formed in 2009 and has a balance date of 31 August. Scott Technology Limited's share of STEL's net surplus was $76,000, (2009: loss of $55,000).

(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 2009 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 deficit was $Nil (2009: $Nil).

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	103	16	115	10
Share of net surplus/(deficit)	89	(18)	-	-
Investment in STEL	-	105	-	105
Balance at end of financial year	192	103	115	115
Summarised balance sheets of joint ventures:				
Total assets	9,105	4,567		
Total liabilities	8,721	4,361		
Net assets	384	206		
Group share of net assets	192	103		

RTL, STEL and NSIL do not have any contingent assets, contingent liabilities or commitments for capital expenditure.

The Group is not jointly and severally liable for any of RTL's, STEL's or NSIL's liabilities.

12. GOODWILL

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Gross carrying amount				
Balance at beginning of financial year	6,607	6,607	-	-
Additional amounts recognised from business combinations occurring during the period	-	-	-	-
Balance at end of financial year	6,607	6,607	-	-

There has been no impairment recognised during the year (2009: $Nil).

Allocation of goodwill to cash-generating units

Goodwill has been fully allocated for impairment testing purposes to the Mining cash-generating unit.

The recoverable amount of the Mining cash-generating unit is determined based on a value in use calculation which uses cashflow projections based on financial budgets and forecasts covering a five-year period, and a discount rate of 12.2% p.a (2009: 10.5%).

Cashflow projections during the budget and forecast period for the Mining cash-generating unit are also based on historical gross margins during the budget and forecast period and a constant rate of materials price inflation during the budget period. Cashflows beyond that five year period have been extrapolated using a steady 3% p.a. growth rate. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Mining cash-generating unit.

13. BANK FACILITIES

The Group has a working capital facility from ANZ National Bank Limited with a total limit of $5,000,000 (2009: $5,000,000). As at 31 August 2010 the amount used was $859,000 (2009: $Nil).

The Group has a Stock Exchange Bond facility, a facility in respect of the Export Credit Office Financing and a secured bill acceptance and performance bond facility from ANZ National Bank Limited with a total limit of $10,375,000 (2009: $10,575,000). As at 31 August 2010 the amount used was $904,000 (2009: $3,475,000). Refer note 16, Other Financial Liabilities, and note 23, Contingent Liabilities.

The Group has a secured credit card facility from ANZ National Bank Limited with a total limit of $600,000 (2009: $600,000) and Rocklabs Limited has a secured credit card facility from Bank of New Zealand Limited of $100,000 (2009: $60,000). As at 31 August 2010 the total amount used was $69,000 (2009: $47,000). The total amount used is included in trade creditors and accruals.

Rocklabs Limited has the following secured bank loan facilities from Bank of New Zealand Limited:

(i) Fixed rate term loan facility with a limit of $2,000,000 (2009: $2,000,000), maturing on 1 July 2013 and repayable in full on maturity, although early repayments are allowed.

(ii) Fixed rate term loan facility with a limit of $1,903,000 (2009: $2,506,000), maturing on 10 June 2013 and repayable by monthly principal and interest instalments based on an amortisation period of four years.

The outstanding portion of the secured bank loan facilities are disclosed in the financial statements as:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Current liability	646	603	-	-
Non current liability	3,206	3,903	-	-
	3,852	4,506	-	-

The bank facilities from ANZ National Bank Limited and Bank of New Zealand Limited are secured by general security agreements over all the present and after acquired property of Scott Technology Limited and Rocklabs Limited, respectively, and therefore all property, plant and equipment assets are pledged as security for these facilities.

Refer note 28(f) for the maturity profile of the bank facilities.

14. TRADE CREDITORS AND ACCRUALS

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Trade creditors	3,638	1,960	1,445	799
Accruals	933	1,496	556	623
	4,571	3,456	2,001	1,422

15. LEASES

Non cancellable operating lease payments

Operating leases relate to warehouse facilities with original lease terms of between three and five years and an option to extend for a further three years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
No longer than 1 year	439	381	-	-
Longer than 1 year and not longer than 2 years	429	381	-	-
Longer than two years and not longer than 5 years	1,246	1,144	-	-
Longer than 5 years	1,916	2,122	-	-
	4,030	4,028	-	-

16. OTHER FINANCIAL LIABILITIES

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
At fair value:				
Fair value hedge of open firm commitments	2,474	2,428	2,457	2,428
Fair value hedge of closed firm commitments	-	337	-	337
At amortised cost:				
Export Credit Office financing (i)	194	371	194	371
Short term commercial bill (ii)	-	2,923	-	2,923
	2,668	6,059	2,651	6,059
Represented by:				
Current financial liabilities				
Fair value hedge of open firm commitments	2,474	1,098	2,457	1,098
Fair value hedge of closed firm commitments	-	337	-	337
Export Credit Office financing	164	177	164	177
Short term commercial bill	-	2,923	-	2,923
	2,638	4,535	2,621	4,535
Non current financial liabilities				
Export Credit Office financing	30	194	30	194
Fair value hedge of firm commitments	-	1,330	-	1,330
	30	1,524	30	1,524

(i) Refer note 7

(ii) Short term commercial bill facility from ANZ National Bank Limited of US$2,000,000 matured 18 September 2009, interest rate 3.11%.

17. PROVISION FOR WARRANTY

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	350	350	200	200
Additional provisions recognised	296	192	265	164
Reductions arising from payments/other sacrifices of future economic benefits	(296)	(192)	(265)	(164)
Balance at end of financial year	350	350	200	200

The provision for warranty reflects an obligation for after sales service work in relation to completed contracts. The provision is expected to be utilised within two years of balance date, however this timing is uncertain and dependent upon the actual level of after sales service work required.

18. SHARE CAPITAL

		Group		Parent	
	2010 Number	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Fully paid ordinary shares at beginning of financial year	28,474,743	11,781	11,629	11,781	11,629
1 for 10 non-taxable bonus issue	2,847,626	-	-	-	-
Issue of shares to Employee Share Purchase Scheme (i)	-	-	152	-	152
Balance at end of financial year	31,322,369	11,781	11,781	11,781	11,781

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the Group.
(i) Refer note 25

19. RETAINED EARNINGS

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	7,597	7,243	4,330	4,981
Net surplus/(deficit) attributable to members of the parent entity	2,667	354	871	(651)
Dividends paid	(681)	-	(681)	-
Balance at end of financial year	9,583	7,597	4,520	4,330
Dividend – cents per share	2.25c	-	2.25c	-

20. CASH FLOW HEDGE RESERVE

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Balance at beginning of financial year	-	-	-	-
Movement for year	62	-	73	-
Balance at end of financial year	62	-	73	-

21. MINORITY INTEREST

	Group	
	2010 $'000s	2009 $'000s
Balance at beginning of financial year	(140)	(51)
Share of net deficit for the year	125	(89)
Balance at end of financial year	(15)	(140)

22. COMMITMENTS FOR EXPENDITURE

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Commitments for future capital expenditure resulting from contracts entered into for:				
Proposed acquisition of business	1,500	-	-	-

On 28 July 2010 the Board of Directors announced that they had reached an agreement in principle to acquire the business assets of a key supplier to the Rocklabs business. The business is based in Auckland and manufactures gold reference materials. The acquisition and price is subject to due diligence with the intention that the transaction be completed and take effect from 1 November 2010.

23. CONTINGENT LIABILITIES

	Group 2010 $'000s	Group 2009 $'000s	Parent 2010 $'000s	Parent 2009 $'000s
Payment guarantees	635	2,669	194	2,669
Stock Exchange bond	75	75	75	75
Maximum contract penalty clause exposure	1,334	791	1,334	791
Guarantee of joint venture's banking facilities	750	-	750	-

Payment guarantees are provided to customers in respect of advance payments received by the Group for contract work in progress.

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

24. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2010 %	Ownership Interest & Voting Rights 2009 %
Parent Entity				
Scott Technology Limited (i)	31 August	New Zealand		
Subsidiaries				
Scott Systems International Incorporated (ii)	31 August	USA	100	100
Scott Service International Limited (iii)	31 August	New Zealand	100	100
Scott Automation Limited (iv)	31 August	New Zealand	100	100
Betts Engineering Limited (v)	31 August	New Zealand	100	100
Rocklabs Limited (vi)	31 August	New Zealand	100	100
Scott Fabtech Limited (vii)	31 August	New Zealand	100	100
Scott Milktech Limited (viii)	31 March	New Zealand	61	61
Scott Technology Australia Pty Ltd (ix)	31 August	Australia	100	-

(i) Scott Technology Limited is the ultimate parent entity within the Group. Its principal activity is the design and manufacture of automation systems.

(ii) Scott Systems International Incorporated's principal activity is sales and service.

(iii) Scott Service International Limited's principal activity is the service and upgrade of Scott equipment worldwide.

(iv) Scott Automation Limited's principal activity is the design and manufacture of automation systems.

(v) Non trading subsidiary.

(vi) Rocklabs Limited's principal activity is the manufacture and sale of automated laboratory sampling equipment for the mining industry.

(vii) Scott Fabtech Limited's principal activity is metal cutting and fabrication.

(viii) Scott Milktech Limited's principal activity is the development of automated solutions for the dairy industry

(ix) Scott Technology Australia Pty Limited was incorporated during the year. Its principal activity is sales and service.

24. SUBSIDIARIES *(continued)*

	Parent 2010 $'000s	Parent 2009 $'000s
The parent company's investment in subsidiary companies comprises:		
Shares at cost	10	10
Amounts owing from subsidiary companies	1,964	5,158
	1,974	5,168

The amounts owing from subsidiary companies are at call and interest free.

25. RELATED PARTY TRANSACTIONS

The Group owns 50% of Robotic Technologies Limited (RTL), 50% of Scott Technology Euro Limited (STEL) and 61% of Scott Milktech Limited (SML). RTL, STEL, and SML have paid the Group for administration services and for project work undertaken. STEL has received commission payments and RTL has received sales revenue from the Group.

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Project work undertaken by the Group for RTL	3,845	4,714	3,845	4,714
Administration, sales and marketing fees charged by the Group to RTL	147	176	147	176
Sales revenue received by RTL from the Group	182	-	-	-
Project work undertaken by the Group for SML	102	415	102	415
Administration fees charged by the Group to SML	12	12	12	12
Administration fees charged by the Group to STEL	6	8	6	8
Commission received by STEL from the Group	158	99	158	99

Included in trade debtors as at 31 August 2010 is $3,000 (2009: $18,000) for work undertaken on behalf of SML.

At 31 August 2010 Scott Technology Limited had advanced $3,494,000 (2009: $2,368,000) to RTL and $21,000 to STEL (2009: STEL advanced to Scott Technology Limited $56,000). Advances are unsecured, interest free and repayable on demand.

During the year Scott Technology Limited received capital charges and administration fees totalling $1,285,000 (2009: $1,009,000) from 100% owned subsidiary companies.

C C Hopkins and S J McLauchlan are trustees of the Scott Technology Employee Share Purchase Scheme. The balance of the loans owing from the scheme at 31 August 2010 was $95,000 (2009: $148,000). During the year 3,038 shares (2009: 41,790 shares) which had not vested with employees were disposed of at market value. In 2009 197,098 shares were issued to the scheme and are being held on trust for employees pending repayment of loans for the shares by the employees over a three year period. These shares have been treated as equity under share capital with a corresponding loan advance to the Scheme.

SJ McLauchlan is a Partner of GS McLauchlan & Co, Chartered Accountants, who provided services to the Group of $Nil during the year (2009: $18,000).

Rental payments of $331,000 (2009: $331,000) were paid to a substantial shareholder, Inchinnam Limited, during the year. At 31 August 2010 Inchinnam Limited had advanced $Nil (2009: $236,000) to Rocklabs Limited.

G W Batts is a Director and shareholder of Premidee Limited who provided engineering consulting services to the Group of $11,000 during the year (2009: $15,000).

26. SEGMENT INFORMATION

(a) Adoption of NZ IFRS 8 Operating Segments

The Group has adopted NZ IFRS-8 Operating Segments, with effect from 1 September 2009. NZ IFRS-8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (NZ IAS-14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of NZ IFRS-8, the identification of the Group's reportable segments has changed.

(b) 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 reportable segments is presented below. Amounts reported for the prior periods have been restated to conform to the requirements of NZ IFRS-8.

(c) Segment Revenues & 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 and Auckland), with projects being allocated to manufacturing sites based on available resources, rather than by segment. The Group does not allocate certain resources and central administration costs 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.

	2010			
	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Revenue	15,789	30,800	-	46,589
Segment profit	2,979	5,131	-	8,110
Depreciation	(92)	(723)	(143)	(958)
Share of profits of joint ventures	-	-	89	89
Interest revenue	-	-	14	14
Central administration costs	-	-	(1,301)	(1,301)
Finance costs	(267)	-	(147)	(414)
Net profit before taxation	2,620	4,408	(1,488)	5,540
Taxation expense	(780)	(1,313)	(655)	(2,748)
Net profit after taxation	1,840	3,095	(2,143)	2,792

26. SEGMENT INFORMATION *(continued)*

	2009			
	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Revenue	9,174	22,141	-	31,315
Segment profit	1,598	1,619	-	3,217
Depreciation	(23)	(741)	(111)	(875)
Share of profits of joint ventures	-	-	(18)	(18)
Interest revenue	-	-	28	28
Central administration costs	-	-	(1,419)	(1,419)
Finance costs	(392)	-	(151)	(543)
Net profit before taxation	1,183	878	(1,671)	390
Taxation expense	(379)	(281)	535	(125)
Net profit after taxation	804	597	(1,136)	265

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the year ended 31 August 2010 (2009: $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, investment revenue and finance costs.

(d) Industry Information

The Group focuses its marketing on four principal industries: appliances, meat processing, mining and other industrial automation. The Group's revenue from external customers by industry is detailed below:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Appliances	21,552	12,017	19,662	10,235
Mining	19,100	12,219	-	-
Meat processing	4,941	4,810	4,557	4,810
Other industrial automation	996	2,269	996	2,269
	46,589	31,315	25,215	17,314

26. SEGMENT INFORMATION *(continued)*

(e) Geographical Information

The Group operates in six principal geographical areas: New Zealand (country of domicile), North America, Asia, Australia, South America and Europe. The Group's revenue from external customers by geographical location (of the customer) is detailed below:

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
North America, including Mexico	12,938	6,335	7,211	1,760
South America	8,017	3,723	4,475	-
Other Europe	5,310	5,237	4,731	4,863
New Zealand	5,250	6,310	5,004	7,194
Australia and Pacific Islands	5,210	1,855	550	-
Asia	4,786	4,901	3,244	3,497
Russia and former states	3,835	1,798	-	-
Africa and Middle East	1,243	1,156	-	-
	46,589	31,315	25,215	17,314

There are no significant concentrations of non-current assets in geographical areas outside of New Zealand, the country of domicile.

(f) Information About Major Customers

Sales to the Group's largest customer account for approximately 14.5% of total Group sales (2009: 15.5%).

27. NOTES TO THE CASHFLOW STATEMENT

	Group		Parent	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
Net surplus / (deficit) for the year	2,792	265	871	(651)
Adjustments for non-cash items:				
Depreciation	958	875	730	723
Net gain on sale of property, plant and equipment	(50)	(27)	(50)	(27)
Deferred tax	917	124	813	264
Share of net loss/(surplus) of joint ventures	(89)	18	-	-
Settlement of debtors by way of advance to associate	-	(1,702)	-	(1,702)
Add / (less) movement in working capital:				
Trade debtors	272	(141)	593	1,191
Finance lease receivables	-	72	-	72
Other financial assets - derivatives	(155)	(2,359)	(132)	(2,359)
Sundry debtors and prepayments	(106)	208	(136)	103
Inventories	513	160	(98)	88
Contract work in progress	(3,047)	287	(3,663)	106
Taxation	992	(76)	233	4
Trade creditors and accruals	1,115	(154)	579	(100)
Other financial liabilities - derivatives	(291)	2,478	(308)	2,696
Employee entitlements	683	(24)	427	(37)
Net cash inflow / (outflow) from operating activities	4,504	4	(141)	371

Under certain debtor financing arrangements entered into by the Group, cashflows are receipted directly by the third party financier to the arrangement. Consequently the Balance Sheet movement related to financial assets and financial liabilities excludes the movements as a result of these non cash transactions.

28. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge certain of these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising bank debt, issued capital and retained earnings.

The Group has sufficient liquid assets to fund the operational assets. To the extent that additional working capital funding is required the Group has bank facilities available as disclosed in note 13. Where the Group requires funding for a significant capital acquisition, separate funding facilities are established, provided the Directors consider that the Group has adequate equity to support these facilities.

Part of the Group's credit risk policy is to ensure that all bank covenants, together with internally set margins, are met on an on-going basis. Rocklabs Limited's banking facilities require earnings before interest and tax to exceed interest expense by 1.5 times and require Rocklabs' equity (including shareholder advances) to not fall below 40% of its total assets. These covenants were met.

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export of manufactured products.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts in New Zealand dollars of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
United States dollars	5,267	6,782	241	3,551
Euros	1,196	87	37	-
Australian dollars	1,342	182	1	10
	7,805	7,051	279	3,561

28. FINANCIAL INSTRUMENTS *(continued)*

(i) Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions.

The following table details the forward foreign currency (FC) contracts outstanding as at reporting date:

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2010	2009	2010 FC'000	2009 FC'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Foreign currency forward contracts held as effective fair value hedges								
Sell United States dollars								
Less than 3 months	0.7088	-	3,298	-	4,653	-	(69)	-
3 to 6 months	0.7040	-	430	-	611	-	(9)	-
6 to 12 months	0.6831	0.6215	410	2,000	600	3,218	6	70
			4,138	2,000	5,864	3,218	(72)	70
Sell Euros								
Less than 3 months	0.4193	-	795	-	1,896	-	455	-
3 to 6 months	0.4087	0.4177	1,730	2,115	4,233	5,064	1,084	598
6 to 12 months	0.4179	0.4373	2,125	2,736	5,085	6,257	1,154	430
1 to 2 years	-	0.3968	-	4,140	-	10,432	-	1,330
			4,650	8,991	11,214	21,753	2,693	2,358
Sell Australian dollars								
Less than 3 months	0.8037	-	1,175	-	1,462	-	(26)	-
3 to 6 months	0.8119	-	1,172	-	1,443	-	(38)	-
6 to 12 months	0.8172	-	2,440	-	2,986	-	(83)	-
			4,787	-	5,891	-	(147)	-
					22,969	24,971	2,474	2,428
Foreign currency forward contracts held for trading								
Sell United States dollars								
Less than 3 months	0.6558	-	975	-	1,487	-	93	-
Sell Euros								
Less than 3 months	0.5344	-	294	-	550	-	19	-
Sell Australian dollars								
Less than 3 months	0.8160	-	70	-	86	-	(3)	-
					2,123	-	109	-

28. FINANCIAL INSTRUMENTS *(continued)*

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2010	2009	2010 FC'000	2009 FC'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Foreign currency forward contracts held as cash flow hedges								
Sell United States dollars								
Less than 3 months	0.7079	-	700	-	989	-	(11)	-
3 to 6 months	0.6829	-	300	-	439	-	7	-
6 to 12 months	0.6612	-	1,000	-	1,512	-	63	-
			2,000	-	2,940	-	59	-
Sell Australian dollars								
Less than 3 months	0.7763	-	350	-	451	-	7	-
3 to 6 months	0.7938	-	830	-	1,046	-	(3)	-
6 to 12 months	0.7983	-	225	-	282	-	(1)	-
			1,405	-	1,779	-	3	-
					4,719	-	62	-

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

(ii) Foreign currency sensitivity analysis

The Group is mainly exposed to the United States dollar, the Australian dollar and the Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the New Zealand dollar against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the New Zealand dollar weakens 10% against the relevant currency.

	US Dollar Impact		Euro Impact		Australian Dollar Impact	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Impact on profit or loss and equity:						
10% increase in New Zealand dollar	(365)	(28)	(61)	(8)	(126)	(16)
10% decrease in New Zealand dollar	365	35	61	10	126	19

These movements are mainly attributable to the exposure to outstanding foreign currency bank accounts, receivables and payables and derivatives at year end in the Group.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

28. FINANCIAL INSTRUMENTS *(continued)*

(e) Credit risk management

In the normal course of business, the Group and Company incur credit risk from trade receivables and transactions with financial institutions. The Group has a credit policy which is used to manage this exposure to credit risk, including requiring payment prior to shipping to high credit risk countries and customers, the use of Export Credit Office financing facilities and customer credit checks. The Group and Company, as a result of the industry they operate, can be exposed to significant concentrations of credit risk from trade receivables and counterparty risk with the bank in relation to the outstanding forward exchange contracts. They do not require any collateral or security to support financial instruments as these represent deposits with, or loans to, banks and other financial institutions with high credit ratings.

At year end the amount receivable from the five largest trade debtors is $2,798,000 (2009: $5,085,000).

The maximum credit risk of on balance sheet financial instruments is their carrying amount.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 13 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following table details the Group's sensitivity to a 50 basis point increase and decrease in variable interest rates on short and long term borrowings as at balance date. 50 basis points represent management's assessment of the reasonably possible change in variable interest rates. A positive number below indicates an increase in profit and other equity where the variable interest rates decrease by 50 basis points.

	Group Impact	
	2010 $'000	**2009 $'000**
Impact on profit or loss and equity:		
50 basis points increase in variable interest rates	(14)	(10)
50 basis points decrease in variable interest rates	14	10

These movements are mainly attributable to the exposure to outstanding bank overdraft, short term money market borrowings and variable interest rate term loans.

Liquidity and interest risk tables

The following table details the Group's expected maturity for its financial assets and the Group's remaining undiscounted contractual maturity for its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets (except where the Group anticipates that the cash flow will occur in a different period) and on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows.

28. FINANCIAL INSTRUMENTS *(continued)*

	Weighted Average Effective Interest Rate	Group On demand	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010								
Financial Assets								
Trade debtors	-	6,555	-	-	-	-	-	6,555
Other financial assets	-	-	2,857	77	-	-	-	2,934
Receivable from joint ventures	-	-	1,738	1,777	-	-	-	3,515
		6,555	4,595	1,854	-	-	-	13,004
Financial Liabilities								
Bank overdraft	4.75%	325	-	-	-	-	-	325
Trade creditors and accruals	-	4,571	-	-	-	-	-	4,571
Other financial liabilities	-	-	2,638	30	-	-	-	2,668
Bank loans	5.96%	-	866	866	2,599	-	-	4,331
		4,896	3,504	896	2,599	-	-	11,895

	Weighted Average Effective Interest Rate	Group On demand	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009								
Financial Assets								
Cash and cash equivalents	-	1,535	-	-	-	-	-	1,535
Trade debtors	-	6,827	-	-	-	-	-	6,827
Other financial assets	-	-	1,326	1,548	73	-	-	2,947
Receivable from joint ventures	-	-	1,400	912	-	-	-	2,312
		8,362	2,726	2,460	73	-	-	13,621
Financial Liabilities								
Trade creditors and accruals	-	3,456	-	-	-	-	-	3,456
Other financial liabilities	-	337	4,205	1,497	26	-	-	6,065
Bank loans	5.59%	-	852	852	852	2,603	-	5,159
		3,793	5,057	2,349	878	2,603	-	14,680

28. FINANCIAL INSTRUMENTS *(continued)*

	Parent							
	Weighted Average Effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010								
Financial Assets								
Trade debtors	-	2,767	-	-	-	-	-	2,767
Other financial assets	-	-	2,845	77	-	-	-	2,922
Receivable from subsidiary companies	-	1,964	-	-	-	-	-	1,964
Receivable from joint ventures	-	-	1,738	1,777	-	-	-	3,515
		4,731	4,583	1,854	-	-	-	11,168
Financial Liabilities								
Bank overdraft	4.75%	859	-	-	-	-	-	859
Trade creditors and accruals	-	2,001	-	-	-	-	-	2,001
Other financial liabilities	-	-	2,621	30	-	-	-	2,651
		2,860	2,621	30	-	-	-	5,511

	Parent							
	Weighted Average Effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009								
Financial Assets								
Cash and cash equivalents	-	1,011	-	-	-	-	-	1,011
Trade debtors	-	3,360	-	-	-	-	-	3,360
Other financial assets	-	-	1,326	1,548	73	-	-	2,947
Receivables from subsidiary companies	-	5,157	-	-	-	-	-	5,157
Receivable from joint ventures	-	-	1,400	912	-	-	-	2,312
		9,528	2,726	2,460	73	-	-	14,787
Financial Liabilities								
Trade creditors and accruals	-	1,422	-	-	-	-	-	1,422
Other financial liabilities	-	337	4,205	1,497	26	-	-	6,065
		1,759	4,205	1,497	26	-	-	7,487

28. FINANCIAL INSTRUMENTS *(continued)*

The Group has access to financing facilities, the total unused amount which is $14.2 million at the balance sheet date. (2009: $12.7 million) The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

(g) Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 on the degree to which fair value is observable:

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and;
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2010	Level 1 $'000	Group Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	2,474	-	2,474
Foreign currency forward contracts held as cashflow hedges	-	62	-	62
Foreign currency forward contracts held for trading	-	109	-	109
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(2,474)	-	(2,474)
	-	171	-	171

2009	Level 1 $'000	Group Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	2,428	-	2,428
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(2,428)	-	(2,428)
Fair value hedge of closed firm commitments	-	(337)	-	(337)
	-	(337)	-	(337)

28. FINANCIAL INSTRUMENTS *(continued)*

2010	Level 1 $'000	Parent Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	2,457	-	2,457
Foreign currency forward contracts held as cashflow hedges	-	73	-	73
Foreign currency forward contracts held for trading	-	103	-	103
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(2,457)	-	(2,457)
	-	176	-	176

2009	Level 1 $'000	Parent Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	2,428	-	2,428
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(2,428)	-	(2,428)
Fair value hedge of closed firm commitments	-	(337)	-	(337)
	-	(337)	-	(337)

29. SUBSEQUENT EVENTS

On 8 October 2010 the Board of Directors approved a dividend of four cents per share with full imputation credits attached to be paid for the 2010 year (2009: $0.01 per share).

shareholder information

FOR THE YEAR ENDED 31 AUGUST 2010

Substantial Shareholders

The following information is given in accordance with section 26 of the Securities Markets Act 1988.

Names of substantial security holder	Number of shares in which a relevant interest was held as at 17 September 2010
1. Oakwood Group Limited	5,009,000
2. Estate of James Ian Urquhart	4,938,327
3. Inchinnam Limited	3,644,797

The total number of issued voting securities of the company as at 17 September 2010 was 31,322,369 ordinary shares.

Under the provisions of the Securities Markets Act 1988, more than one person can have a relevant interest in the same shares. Messrs G J Marsh and W J Marsh and Mrs E Marsh all have a relevant interest in the shares detailed in (1) above.

Distribution of Shares by Holding Size	Number	% of Total	Shares	% of Total
1 - 1,000	915	30.40	437,048	1.39
1,001 - 5,000	1,326	44.05	3,158,794	10.08
5,001 - 10,000	400	13.29	2,827,220	9.03
10,001 - 100,000	346	11.50	7,318,636	23.37
100,001 and over	23	0.76	17,580,671	56.13
Total and percentage	3,010	100.00	31,322,369	100.00

Twenty Largest Shareholders as at 17 September 2010	Shares	% of Total
1 Oakwood Group Limited	5,009,000	15.99
2 Estate of James Ian Urquhart	4,938,327	15.77
3 Inchinnam Limited	3,644,797	11.64
4 Forsyth Barr Custodians Limited (1 M a/c)	449,717	1.44
5 New Zealand Central Securities Depository Limited	399,138	1.27
6 Lynwash Holdings Limited	330,000	1.05
7 Jarden Custodians Limited (No. 6 a/c)	275,000	0.88
8 Sinclair Long Term Holdings Limited	238,686	0.76
9 Graham William Batts, Patricia Joy Batts & Roger Norman Macassey	220,492	0.70
10 Scott Technology Staff Share Purchase Scheme 2009	213,781	0.68
11 Jack William Allan & Helen Lynnette Allan	210,000	0.67
12 Rosebery Holdings Limited	205,168	0.66
13 Harry McMillan Hearsey Salmon	200,000	0.64
14 Eunice Marsh	165,000	0.53
15 University of Otago Foundation Trust	154,000	0.49
16 Kenneth William Wigley	147,841	0.47
17 Lloyd James Christie	132,413	0.42
18 Custodial Services Limited (4 a/c)	117,586	0.38
19 Custodial Services Limited (3 a/c)	116,107	0.37
20 McMahon Investments Limited	108,584	0.35
	17,275,637	55.16

Employee Remuneration

Remuneration and other benefits of $100,000 per annum or more, received or receivable by employees in their capacity as employees were:

Salary Range	Number of Employees	Salary Range	Number of Employees
$100,000 - $110,000	7	$160,001 - $170,000	2
$110,001 - $120,000	3	$170,001 - $180,000	2
$120,001 - $130,000	1	$180,001 - $190,000	1
$130,001 - $140,000	1	$350,001 - $360,000	1
$140,001 - $150,000	3		

The remuneration and other benefits of executive Directors are included in the Directors' interests.

directors' interests

FOR THE YEAR ENDED 31 AUGUST 2010

Directors' Shareholding as at 31 August 2010

	Beneficially owned		Held by associated persons		Non-beneficially held	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
G W Batts	275,492	250,447	-	-	-	-
C C Hopkins*	69,871	59,883	19,841	8,037	213,781	197,098
S J McLauchlan*	205,168	76,143	-	-	213,781	197,098
M B Waller	49,872	25,338	-	-	-	-
C J Staynes	148,872	35,338	-	-	-	-
	749,275	447,149	19,841	8,037		

* The non-beneficially held shares are held jointly by C C Hopkins and S J McLauchlan as trustees for the Scott Technology Employee Share Purchase Scheme.

Directors' Share Dealings

The details of disclosures by Directors of acquisitions or disposals of shares Directors held a relevant interest in were:

	Number of Shares Acquired (Disposed)	Date	Consideration Paid (Received)
SJ McLauchlan	75,000	20 October 2009	$63,750
MB Waller	20,000	20 October 2009	$17,000
CC Hopkins	10,000	20 October 2009	$8,500
CJ Staynes	100,000	9 December 2009 – 8 February 2010	$133,035
SJ McLauchlan	38,910	19 May - 8 July 2010	$46,596
CC Hopkins	4,000	7 – 9 July 2010	$4,440

The Directors' shareholdings also qualified for the one for ten bonus issue on 31 March 2010, resulting in 66,020 additional shares in total being issued to the Directors either beneficially or to associated persons.

Use of Company Information

There were no notices from Directors regarding the use of company information.

Disclosures of Interest by Directors

The following are general disclosures of interest given by Directors of the company under section 140 of the Companies Act 1993:

C J Staynes	
Chairman	Cargill Enterprises
Director	George Street Wines Ltd
Director	Otago Chamber of Commerce & Industry
Director	The Open Education Resource Foundation Ltd
Trustee	4Trades Trust
Trustee	OSMA Trust
Councillor	Dunedin City Council
Council Member	Otago Polytechnic

G W Batts	
Director	Premidee Ltd

C C Hopkins	
Chairman	Robotic Technologies Ltd
Chairman	NS Innovations Pty Ltd
Trustee	Scott Technology Employee Share Purchase Scheme
Director	Scott Automation Ltd
Director	Rocklabs Ltd
Director	Scott Systems International Inc
Director	Scott Technology Euro Ltd
Director	Scott Milktech Ltd
Director	Scott Fabtech Ltd
Director	Scott Technology Australia Pty Ltd
Shareholder	Penfold Transmission Ltd

directors' interests

FOR THE YEAR ENDED 31 AUGUST 2010

S J McLauchlan	
Chairman	Pharmac Ltd
Chairman	Helicopters (NZ) Ltd
Director	AD Instruments Pty Ltd
Director	Aurora Energy Ltd
Director	Cargill Hotel 2002 Ltd
Director	Citibus Ltd
Director	City Forests Ltd
Director	Delta Utility Services Ltd
Director	Dunedin Casinos Ltd
Director	Dunedin City Holdings Ltd
Director	Dunedin International Airport Ltd
Director	Otago University Foundation Studies Ltd
Director	Scenic Circle Hotels & Subsidiaries
Director	Lund South Ltd
Director	South Canterbury Subsidiaries
Pro-Chancellor	University of Otago
Trustee	Scott Technology Employee Share Purchase Scheme
Partner	GS McLauchlan & Co

M B Waller	
Chief Executive	Ebos Group Ltd
Director	Global Science & Technology Ltd
Director	Health Support Ltd
Director	Ebos Health & Science Pty Ltd
Director	Ebos Group Pty Ltd
Director	Mansa Investments Ltd
Director	PRNZ Ltd
Director	Pharmacy Retailing (NZ) Ltd
Director	Quantum Scientific Pty Ltd

Remuneration of Directors

During the year ended 31 August 2010, the total remuneration and other benefits attributed to the Directors of the company were as follows:

	Directors' Fees $'000s	Other Remuneration $'000s	Total $'000s
G W Batts	30	11	41
C C Hopkins *	-	352	352
S J McLauchlan	60	-	60
M B Waller	30	-	30
C J Staynes	30	-	30

* Denotes an Executive Director. Executive Directors are provided with a motor vehicle.

Directors' Indemnity and Insurance

The company has made insurance arrangements covering risks arising out of acts or omissions of Directors and officers in their capacity as such.

Deloitte.

AUDIT REPORT TO THE SHAREHOLDERS OF SCOTT TECHNOLOGY LIMITED

We have audited the financial statements on pages 18 to 52. The financial statements provide information about the past financial performance and financial position of Scott Technology Limited and group as at 31 August, 2010. This information is stated in accordance with the accounting policies set out on pages 22 to 26.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Scott Technology Limited and group as at 31 August, 2010 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of taxation advice and other assurance services, we have no relationship with or interests in Scott Technology Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by Scott Technology Limited as far as appears from our examination of those records; and
- the financial statements on pages 18 to 52:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of Scott Technology Limited and group as at 31 August, 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 8 October, 2010 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
Dunedin, New Zealand

directory

NEW ZEALAND

DUNEDIN & ROBOTIC TECHNOLOGIES LIMITED

630 Kaikorai Valley Road
Private Bag 1960
Dunedin 9054
New Zealand

Telephone: +64 (3) 478 8110
Facsimile: +64 (3) 488 0657
www.scott.co.nz

Managing Director/CEO:	Chris Hopkins Email: c.hopkins@scott.co.nz
Chief Financial Officer:	Greg Chiles Email: g.chiles@scott.co.nz
Automation & Robotics:	Andrew Arnold Email: a.arnold@scott.co.nz
Operations:	Kevin Kearney Email: k.kearney@scott.co.nz

CHRISTCHURCH

10 Maces Road
P O Box 19667
Christchurch 8241
New Zealand

Telephone: +64 (3) 384 2029
Facsimile: +64 (3) 384 3686

Appliance Systems:	Ken Snowling Email: k.snowling@scott.co.nz
Operations:	Steve Henshaw Email: s.henshaw@scott.co.nz

ROCKLABS LTD

161 Neilson Street
P O Box 18-142
Onehunga
Auckland 1743
New Zealand

Telephone: +64 (9) 634 7696
Facsimile: +64 (9) 634 6896
www.rocklabs.com

General Manager:	Mike Peffers Email: mike.peffers@rocklabs.com

SCOTT SERVICE INTERNATIONAL LTD

32A Tanya Street
P O Box 19667
Christchurch 8241
New Zealand

Telephone: +64 (3) 373 6019
Facsimile: +64 (3) 384 5648

General Manager:	Alan Prince Email: a.prince@scott.co.nz

SCOTT FABTECH LIMITED

66A Cumberland Street
Private Bag 1960
Dunedin 9054
New Zealand

Telephone: +64 (3) 477 0975

Managers:	Steve Wilson Peter Densem

AUSTRALIA

SCOTT TECHNOLOGY AUSTRALIA PTY LTD

Suite 23, Level 3
357-359 Military Road
PO Box 38
Cremorne NSW 2090
Australia

Telephone: +61 (2) 9927 0840
Facsimile: +61 (2) 9953 0943
www.scotttechnology.com.au

General Manager:	Sean Starling Email: s.starling@scotttechnology.com.au

NS INNOVATIONS PTY LTD

10615 Summerland Way
Casino, NSW 2470
Australia

Telephone: +61 (2) 666 22444

Company Secretary:	Troy Macdonald Email: tmacdonald@cassino.com.au

CHINA

QINGDAO

Room 1202
Building B
Ruinacondo,
No. 8 Haimen Road
Qingdao
Shandong
China 266071

Telephone: +86 532 8587 7761
Facsimile: +86 532 8587 7761

International:	Tony Joyce Email: t.joyce@scott.co.nz

SHANGHAI

1606 Ziguang Mansion
341 Shangcheng Road
Pudong, Shanghai
China

Telephone: +86 21 5840 1061
Facsimile: +86 21 3887 0861

Sales:	Henry Pan Email: h.pan@scott.co.nz

EUROPE

ITALY

Scott Technology Euro Ltd
Via Maironi da Ponte Nº6
CP 24123
Bergamo, Italy

Telephone: +39 (345) 393 1722
www.scotteuro.com

Sales:	Luciano Schiavi Email: l.schiavi@scotteuro.com

USA

DALLAS

Scott Systems International Inc
Suite 214
1611 North IH35E
Carrollton, TX 75006
United States of America

Telephone: +1 (972) 466 2543
Facsimile: +1 (972) 446 1157

Sales:	Iain Ure Email: i.ure@scott.co.nz

PROFESSIONAL SERVICES

AUDITORS	SOLICITORS
Deloitte P O Box 1245 Dunedin	**Gallaway Cook Allan** P O Box 143 Dunedin

BANKERS

ANZ National Bank Ltd Moray Place Dunedin	**Bank of New Zealand** Moray Place Dunedin

SHARE REGISTRY

Link Market Services P O Box 384 Ashburton 7740	Telephone: +64 (3) 308 8887 Facsimile: +64 (3) 308 1311 Email: lmsenquiries@linkmarketservices.com

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scott.co.nz