SCOTT 2012 ANNUAL REPORT

SCOTT TECHNOLOGY LIMITED

CONTENTS

Innovators in Automation

HIGHLIGHTS

- 100 YEARS IN BUSINESS
- REVENUE AND PROFIT UP 19% ON PRIOR YEAR
- EXPANSION OF AUSTRALIAN MARKET PRESENCE
- 8.0 CENTS PER SHARE ANNUAL DIVIDEND FULLY IMPUTED
- PRODUCTS SOLD TO 83 COUNTRIES
- STRONG BALANCE SHEET WITH NO BANK DEBT
- SIGNIFICANT FORWARD SALES FOR MEAT PROCESSING

FINAL DIVIDEND

5.5 cents per share, fully imputed.
Record date: 23 November 2012
Payment date: 4 December 2012
Able to participate in dividend reinvestment plan.

ANNUAL MEETING

Thursday 6 December 2012 at 3.00pm
at Scott Technology Limited, 10 Maces Road, Christchurch.
Proxies close Tuesday, 4 December 2012 at 3.00pm.

CHAIRMAN'S REPORT

Your Directors are pleased to report that the Company produced a profit before tax of $8.7 million, an increase of 19% on the prior year, on operating revenues that are also up 19% to $63.8 million for the year ended 31 August 2012.

Net profit after tax on operating results for the year was $6.1 million compared to $5.2 million in 2011. Total shareholders' equity at 31 August 2012 was $39.6 million, compared to $34.5 million at 31 August 2011.

After a successful capital raising in 2011, 2012 has seen continued growth in revenues and profit. In an environment where the global economy continues to be challenging, Scott Technology Limited ('Scott') has kept its focus on developing new technologies and associated business opportunities. Of total revenues, 86% ($54.8 million) are derived outside New Zealand against the backdrop of a high New Zealand dollar.

We have a very strong balance sheet and a strong cash position, allowing us to leverage opportunities that enhance our reputation and skills, as well as to position the Company for future growth.

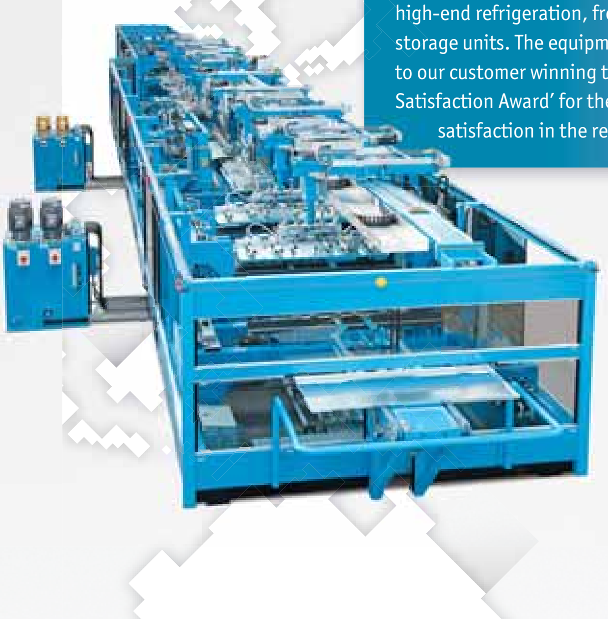
DIVIDEND

A fully imputed final dividend of 5.5 cents per share has been declared by the Directors for the year ended 31 August 2012, payable 4 December 2012. An interim dividend of 2.5 cents per share was paid in April 2012, bringing the total dividend to 8.0 cents per share for the year. The Dividend Reinvestment Plan applies to this payment and the full year's dividend represents a 14% increase on last year.

Appliance Systems

REFRIGERATOR DOOR & CABINET LINES (USA)

Scott has installed manufacturing equipment lines for refrigerator cabinets and refrigerator doors into an American plant that manufactures high-end refrigeration, freezer and wine-storage units. The equipment has contributed to our customer winning the USA 'J.D. Power Satisfaction Award' for the highest customer satisfaction in the refrigeration category.



OVERVIEW

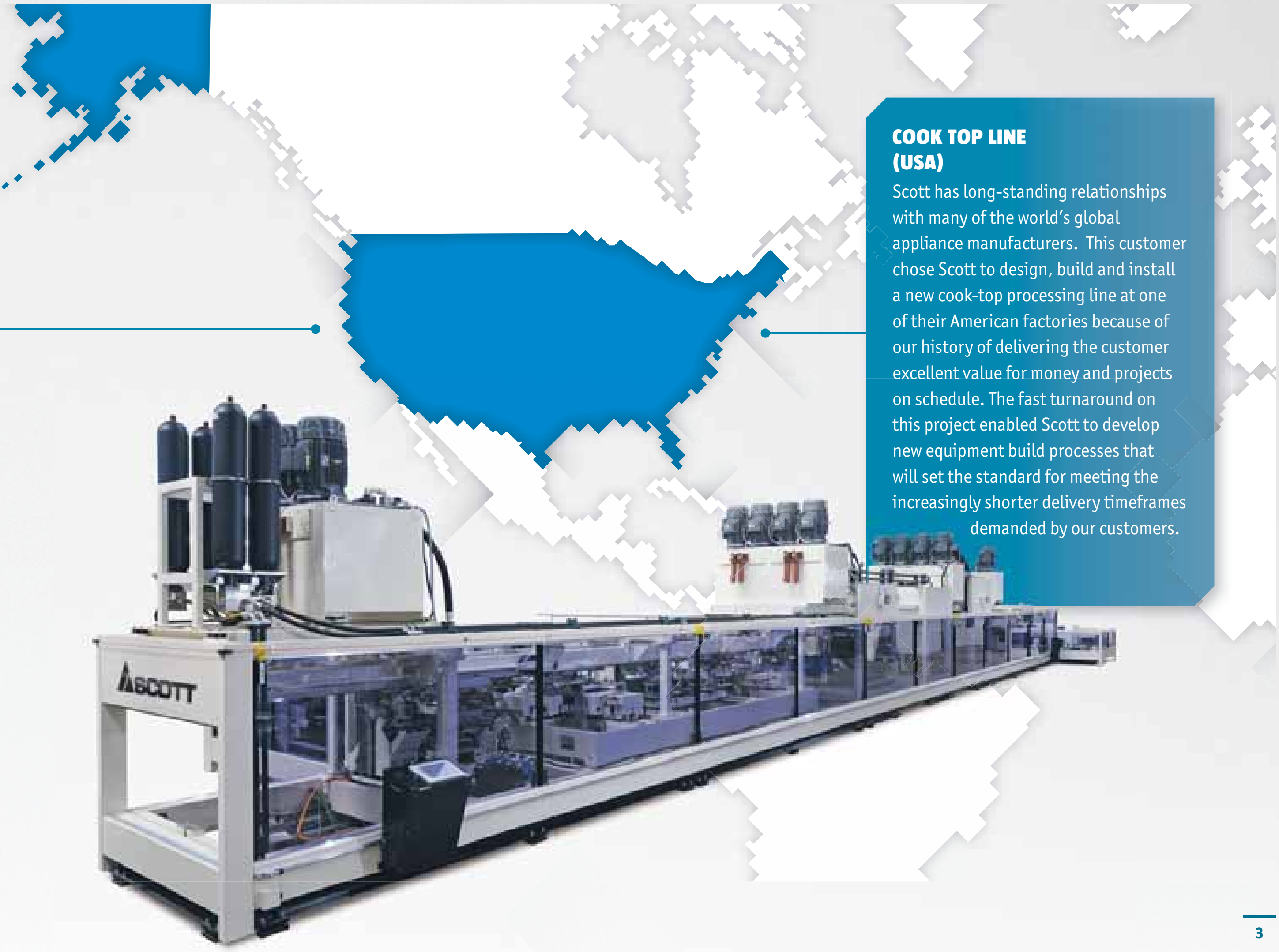
To leverage off our ongoing investment in research and development, we are focusing on converting our technology into standard products and technology offerings across all of our market sectors. This standardisation of products has reduced our reliance on one-off automation systems and has boosted revenues and profits. Many projects we undertake are now building on the standard products and this means that it is becoming increasingly difficult to classify projects as either standard products or one-off automated systems.

Our market for appliance systems is challenging and is expected to remain like this into the near future. New skills and technologies will assist us to win projects. Importantly, the skills and expertise we develop for large appliance systems provide the nucleus of our overall skill base.

We have continued to invest in and develop our meat processing automation technology during the year. Several successful commercial sales and numerous research and development projects have grown our reputation internationally for our high technology. With our recently announced projects for two large Australian meat processors, we expect that sales for this market sector will continue to grow. These projects will provide a solid base workload for the year ahead and will enable us to build on, and further develop, our standard product offerings for this market.

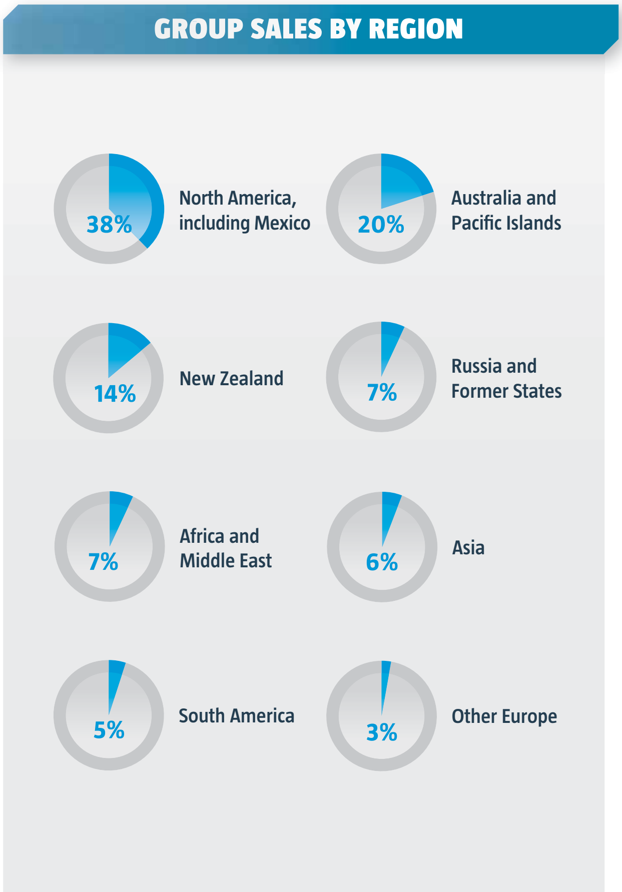
The mining sector has been particularly strong during the past year and has been a good contributor toward revenue and profit growth. We have added products and capabilities that, along with our joint venture with XRF Scientific, will ensure that we continue to grow our share of this market. With current high levels of demand, we have redirected resources into this market to capitalise on the opportunities.

Development of standard products for our electro magnet business utilising high temperature superconducting wire is nearing completion and the commercialisation has been progressing, albeit a little slower than originally planned. The global economic environment has not been conducive to introducing this technology into new application areas.



COOK TOP LINE (USA)

Scott has long-standing relationships with many of the world's global appliance manufacturers. This customer chose Scott to design, build and install a new cook-top processing line at one of their American factories because of our history of delivering the customer excellent value for money and projects on schedule. The fast turnaround on this project enabled Scott to develop new equipment build processes that will set the standard for meeting the increasingly shorter delivery timeframes demanded by our customers.



Our Chinese operations, covering both sales and manufacturing, have now been successfully established and integrated with the business. The focus for the next year is to leverage off our base and presence in this key growth market to boost revenues and profits across all of our market sectors.

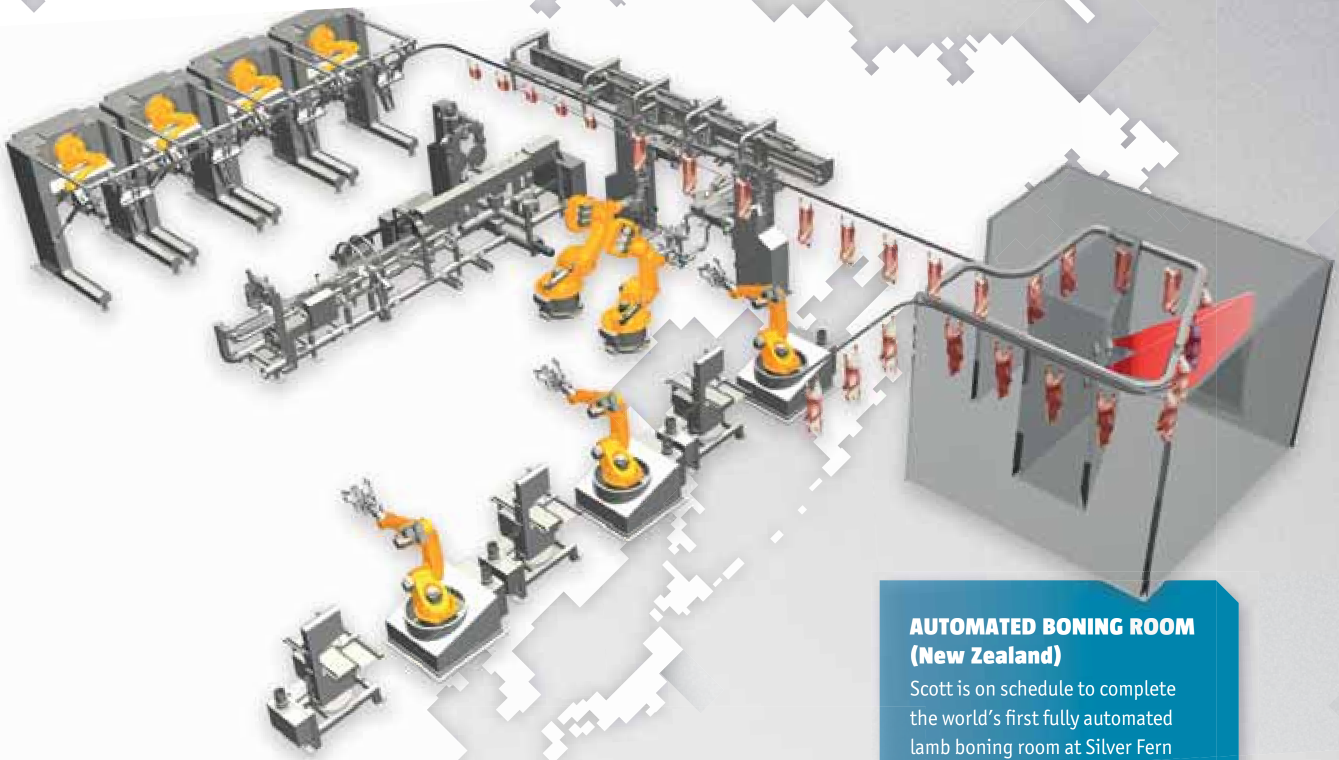
As Scott moves into its centennial year, many opportunities exist for business growth, both from existing internal initiatives and through possible external acquisitions and partnering. We have evaluated many opportunities over the past year and have already commenced with several that fit our skills and capabilities, where we can add value to our customers and which offer potential for growing our shareholders' investment in Scott.

The Scott Board thanks all of our shareholders for their continued support of the Company and we look forward to meeting shareholders attending this year's Annual Meeting in Christchurch.

Finally, I would like to thank the Board; our Managing Director, Chris Hopkins and his Executive; and all of our talented employees and strategic partners for their efforts and continued commitment to the Company over the past year.

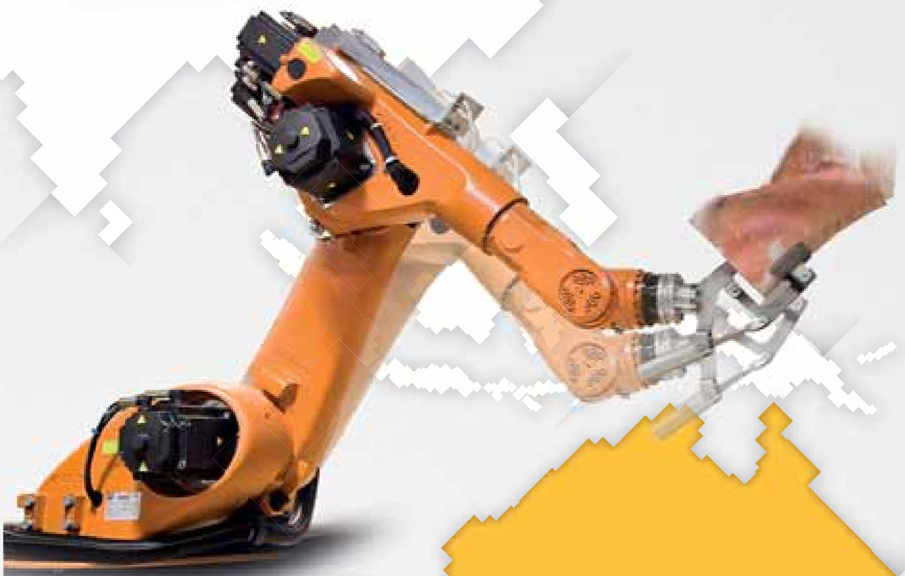
Stuart McLauchlan - CHAIRMAN

Meat Processing



AUTOMATED BONING ROOM (New Zealand)

Scott is on schedule to complete the world's first fully automated lamb boning room at Silver Fern Farms' Finegand plant. The system exemplifies the Scott capability in the design and manufacture of leading-edge machinery. The ability to demonstrate an operational system to prospective customers has been pivotal to driving recent sales in Australia.



X-RAY PRIMAL SYSTEM (Australia)

An Australian meat processor installed an X-Ray Primal System at their plant in Melbourne, commencing production in December 2011. X-Ray imaging has been proven to deliver greater cutting accuracy and is adaptable for smaller room configurations. This new generation Primal System has been designed to process Australian animals which are typically larger.

Industrial Automation

PLASTIC RECYCLING (Indonesia)
Scott is a preferred supplier of processing equipment to an Indonesian company that is focused on commercialising technology to convert multi-grade waste plastic into shipping pallets. Two systems are currently under construction and will be installed in Bali, with further systems proposed for various locations worldwide.

For the year ended 31 August 2012

The year to 31 August 2012 has been pleasing in many ways. Scott's strategy to diversify our income stream and to grow the overall business has again delivered results. Front line staff at Scott have strived to deliver a very strong result and to support them the Company has expanded and developed the management team. Training and development of Scott people continues to be vitally important for the Company. Our people are a key building block that enables us to execute our longer term strategy.

Over the past year, and in the year ahead, we continue to grow the Company both organically and through acquisition.

Organic growth has been underpinned by our research and development in which we continue to invest heavily. In key high risk areas of research or development the Company receives support and assistance, often co-funding, from Government agencies. Other development is either expensed by Scott or sold (fully or partially) to our customers. It is appropriate that we acknowledge the on-going support of both the New Zealand Government (through New Zealand Trade & Enterprise (NZTE) and the Ministry of Science & Innovation) and the Australian industry body, Meat & Livestock Australia, in assisting us with our research and development efforts.

Through this research and development the Company has been able to introduce new or enhanced products, along with developing exciting world leading technologies. We have also expanded our geographical markets, particularly for mining and meat processing, and the Company will continue to seek new ways to further expand our reach into global markets in the year ahead.

PALLETISING SYSTEM (New Zealand)
Scott has recently completed a system for palletising bagged animal feed that includes a robot and gripper, as well as a control system to operate the bag conveying and pallet-handling equipment. In building this stack, neatness and robustness are paramount to improve both safety and appearance.

Scott's development efforts have also enabled the Company to introduce additional new standard catalogue products during the year. These standard products assist us to build robust revenue streams and decrease the volatility of our revenue by reducing our dependence on bespoke systems. Additional standard products have been introduced in our meat processing markets in New Zealand and Australia and globally in our appliance and mining markets. Sales of commercial electro magnet products have also commenced within HTS-110.

Scott's strong skills and experience in automation and production engineering assist the Company in all areas of the business and we continue to leverage off these to provide unique and on time solutions to our customers.

The second major leg of the Company's strategy is growth through acquisition. We continue to target, consider and evaluate opportunities that will add to Scott's market and industry reach, or which will add new skills or technologies that further enhance Scott's automation and engineering offering to customers.

During the year the Company's focus has been to integrate recent acquisitions. We have also recently announced that the Company has initiated due diligence on an Australian business that designs and manufactures an innovative integrated conveyor system. This business and its products are targeted at the mining sector and are complementary to our laboratory equipment. Scott has entered into an agreement which allows us to undertake a longer period of due diligence to ensure that the business and its products will perform in the future as expected.

APPLIANCE SYSTEMS

The Company's appliance production systems performed well during the year, considering the difficult global market conditions that, in particular, affect this part of our business. Scott undertook multiple projects for Australia, North America, Mexico and China. New technologies and skills have also been developed that will enable Scott to offer unique solutions to our customers. In addition, the Company's ongoing drive for standardisation, will help to improve our competitiveness.

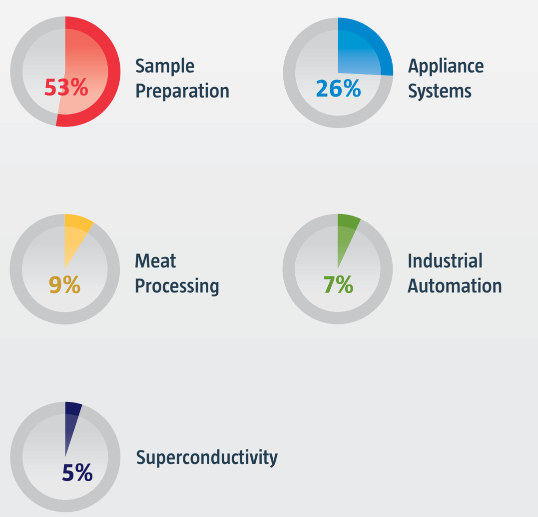
Looking ahead, we expect our global appliance customers to continue to be cautious in their capital expenditure programmes and we are planning for low growth in this market, although recent strong enquiries for new systems in China and North America, particularly for equipment upgrades and re-tooling, provides some confidence that this market is starting to recover. The New Zealand dollar exchange rate will continue to impact and make the achievement of target margins challenging. Strategic alliances, particularly in Asia, will play a key role and will have a major impact on the year ahead.

MEAT PROCESSING

Scott continues to develop and add further modules to the Company's fully automated lamb boning room vision. The Company, through Robotic Technologies Limited, our joint venture with Silver Fern Farms Limited, has now commercialised three modules and is in the process of preparing another two modules for future commercialisation.

Commercial sales of standard equipment and larger systems continue to increase. In the past year the Company achieved sales to New Zealand, Australia, Brazil and the United Kingdom. The Company's world leading x-ray technology has real potential to be used in the global beef and pork industries and preliminary discussions with major global companies have already commenced.

GROUP SALES BY INDUSTRY



A key milestone was achieved during the year with the successful installation of a commercial Lamb X-Ray Primal System for an Australian processor. This system has performed extremely well and has been a major catalyst behind the strong level of enquiry we are now receiving from the Australian market. Scott has two major projects contracted for delivery in 2013 and these projects, along with other developments, will see the Australian market lead our growth in the year ahead.

INDUSTRIAL AUTOMATION

A key strategy for our industrial automation division has been to leverage off our automation and production engineering skills and expertise to expand into new markets. Scott already has projects underway for a variety of industries with the potential for multiple repeat systems. The focus in 2013 will be to build on the existing customer relationships and to complete these commercial projects to secure future repeat work.

Our dairy automation project continues to progress. Working prototypes are currently being trialled and we expect commercialisation to begin in 2013 as planned.

SAMPLE PREPARATION

During the year we continued to expand our range of standard products used for sample preparation, as well as commencing work on a number of larger automated systems. With a substantial increase in the amount of our equipment installed at our customers' sites worldwide, sales of spare parts continues to increase in line with the market growth in this industry. In addition, we have seen strong demand for the Company's certified reference materials which are used primarily in the gold sector for quality assurance and benchmarking purposes. Steady production volumes and a strong level of exploration globally have underpinned the growth in this market during 2012.

Several new standard products are currently in development and these will be introduced progressively during the year ahead. Enquiries for automated solutions also continue to grow and these are expected to constitute a larger percentage of revenue in 2013. The growth in this area will be assisted by sales through XRock Automation Pty Limited, our joint venture with XRF Scientific Limited, an Australian listed company.

Through our relationships with existing customers Scott continues to expand globally and as a result we will invest to further expand our global network of sales agents.

ABM3000 (Canada)

Following extensive trialling, a global laboratory company has recently installed three ABM3000's at their new commercial geochemistry laboratory in one of their Canadian facilities and purchased a further three for another Canadian facility. The machines enable this laboratory company to completely control the pulverising step of sample preparation with fewer staff, yet still maintain throughput and quality.

SMART BOYD LSD (USA)

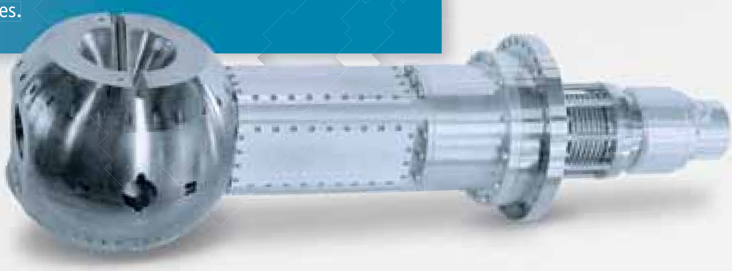
Rocklabs has recently completed the supply and installation of a Smart Big Boyd LSD, three Smart Boyd LSD's and two ABM3000's to a global mining company's Nevada site. The equipment reduces manual handling of the samples by operators, resulting in a safer and more efficient working environment, and use of the LSD's also ensures a very accurate sample split.

MRI CONTRAST AGENT SYSTEM (Taiwan)

In August 2012, a Taiwanese university installed a new MRI Contrast Agent System, technology that allows researchers to develop better contrast agents for more powerful MRI systems. The system was developed by HTS-110 Limited in collaboration with an Italian-based company who use our magnets to extend the range of their existing systems.

RESEARCH MAGNET (Spain)

HTS-110 Limited has recently installed an advanced research magnet at a world-class scientific facility near Barcelona. The customer operates a next-generation synchrotron – a vast circular installation that generates bright beams of synchrotron light used for a wide range of material analysis experiments. The magnet will be used for leading-edge research into materials with magnetic properties, with applications across engineering, chemistry and life sciences.



SUPERCONDUCTIVITY

HTS-110 Limited ('HTS-110'), our 51% owned subsidiary that designs and builds electro magnets for a range of industrial applications, has performed in line with expectations since we acquired this business. During the year HTS-110's processes and administration were integrated into Scott, while the focus on the commercialisation of its electro magnets has been enhanced by the recent appointment of a new joint CEO for HTS-110 to drive this business forward to achieve overall business goals.

Several products are now ready and available for commercialisation and early success has been achieved with sales of both the cryocooler for gas liquefaction and NMR systems. Scott has a clear, well defined business strategy for the HTS-110 business and is committed to delivering on the overall business goals.

OPERATIONS

The appointment of a Chief Operating Officer in August 2011 has enabled Scott to direct additional resources toward the operational effectiveness of the business as we strive towards being world class. The Company's China manufacturing base in Qingdao has also been successfully integrated within the wider Scott Group and is now well positioned to deliver expanded manufacturing, service and procurement from this base. Scott's head of appliance systems has relocated to Qingdao to oversee manufacturing within China, as well as to be closer to the key markets of China, Europe and USA.

As the Company grows we recognise that we need to continually review our performance and look for ways to improve on and deliver value added services to our customers. In order to increase our productivity, the Company is embarking on a Lean Six Sigma Programme. Historically, some of our customers have required us to be involved in Six Sigma and, with our continued growth and focus on productivity enhancements, combining Six Sigma with a lean manufacturing programme will help us to be world class.

OUTLOOK

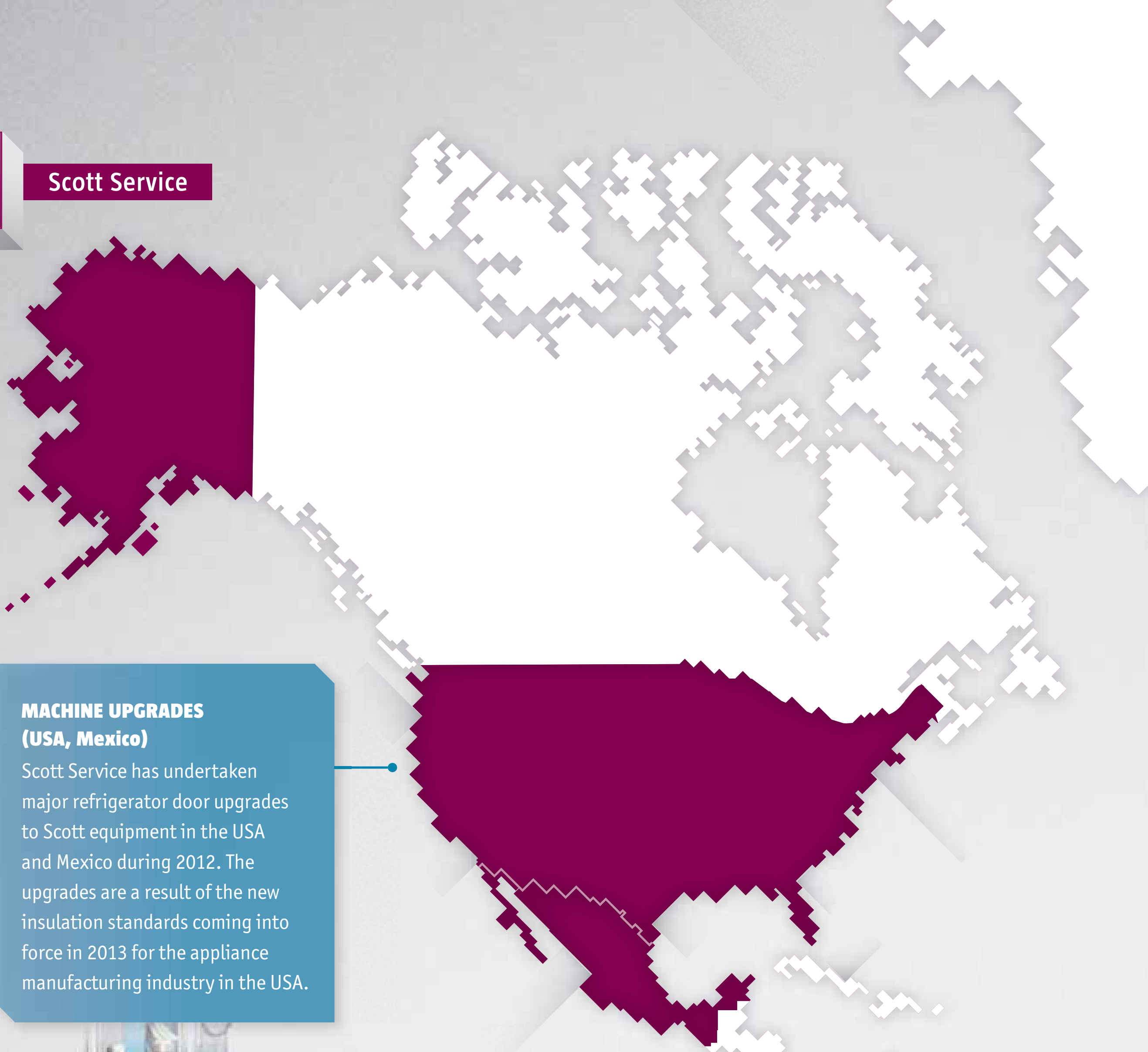
The Company expects that total revenues will grow with the continued roll out of the results of our research and development programme. From this development programme we will be introducing additional standard products into our range in key markets, while we have already received contracts for significant projects into the Australian red meat sector for 2013.

Scott also continues to modify its business approach through innovative sales offerings to customers. These options provide an opportunity for Scott to increase its overall returns and a means to grow the business in challenging markets.

With a good forward order book and a range of initiatives underway, the Company expects on-going growth to be achieved in 2013. Scott's skilled and dedicated team of people who work hard for the Company provides the foundation on which to build the future for Scott. The Company will continue to invest in staff training and development so that we are motivated to explore, find and develop opportunities that support our growth ambitions.

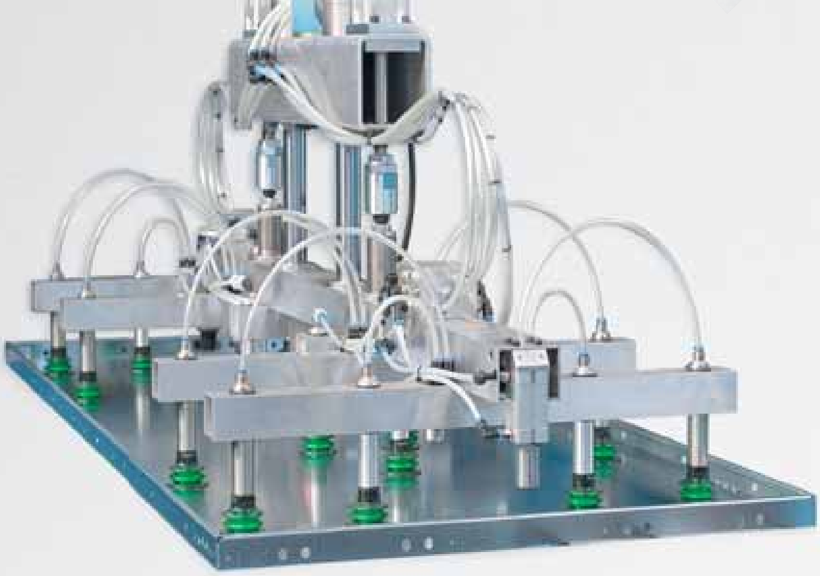
Chris Hopkins

Chris Hopkins - MANAGING DIRECTOR



MACHINE UPGRADES (USA, Mexico)

Scott Service has undertaken major refrigerator door upgrades to Scott equipment in the USA and Mexico during 2012. The upgrades are a result of the new insulation standards coming into force in 2013 for the appliance manufacturing industry in the USA.



BOARD OF DIRECTORS

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.

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. Chris Staynes is also a Councillor and Deputy Mayor of Dunedin City.

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, Aurora Energy Ltd, Delta Utility Services Ltd, Dunedin Casinos Ltd, AD Instruments Pty Ltd, and several other companies. He is also Chairman of the NZ Sports Hall of Fame, Chairman of Dunedin International Airport Ltd, Chairman of Pharmac Ltd, Chairman of UDC Finance Ltd, Pro-Chancellor of the University of Otago and a member of the National Executive of the Institute of Directors.

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 EBOS Group Pty Ltd, EBOS Health & Science Pty Ltd, PRNZ Limited and Masterpet Corporation Limited.

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.

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.

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 54.

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. The Company's 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.

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 2012 and the results of their operations and cash flows for the year ended 31 August 2012.

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 judgements 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 2012.

These financial statements are dated 11 October 2012 and are signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

Stuart J McLauchlan - CHAIRMAN

Chris Hopkins - MANAGING DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 August 2012

		Group		Parent	
	Note	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Revenue		63,778	53,603	24,978	25,048
Other income	2(a)	3,466	5,606	2,096	4,809
Share of joint ventures' & associates' net surplus	11	99	53	-	-
Raw materials, consumables used & other expenses		(37,157)	(33,043)	(12,276)	(13,744)
Employee benefits expense		(20,238)	(17,394)	(12,643)	(11,101)
Depreciation & amortisation	10, 13	(1,130)	(1,018)	(658)	(746)
Finance costs		(80)	(494)	(109)	(316)
NET SURPLUS BEFORE TAXATION	2(b)	8,738	7,313	1,388	3,950
Taxation expense	3	(2,628)	(2,096)	(459)	(1,077)
NET SURPLUS FOR THE YEAR AFTER TAX		6,110	5,217	929	2,873
Other Comprehensive Income					
Movement in cash flow hedge reserve		(11)	(63)	-	(73)
Translation of foreign operations		25	(145)	-	-
Other Comprehensive Income for the Year Net of Tax		14	(208)	-	(73)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		6,124	5,009	929	2,800
Net surplus for the year is attributable to:					
Members of the parent entity		6,711	5,326	929	2,873
Non controlling interest	20	(601)	(109)	-	-
		6,110	5,217	929	2,873
Total comprehensive income is attributable to:					
Members of the parent entity		6,725	5,118	929	2,800
Non controlling interest	20	(601)	(109)	-	-
		6,124	5,009	929	2,800
Earnings per share:					
Basic (cents per share)	5	16.7	16.6		
Diluted (cents per share)	5	16.7	16.6		
Net tangible assets per ordinary share:					
Basic (cents per share)	5	72.7	63.3		
Diluted (cents per share)	5	72.7	63.3		

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2012

Group	Note	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Cash Flow Hedge Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non Controlling Interest $'000s	Total $'000s
Balance at 31 August 2010		11,781	9,583	62	-	(15)	21,411
Net surplus/(deficit) for the year after tax		-	5,326	-	-	(109)	5,217
Other comprehensive income for the year net of tax		-	-	(63)	(145)	-	(208)
Issue of ordinary shares under rights issue	19	9,534	-	-	-	-	9,534
Share issue costs	19	(251)	-	-	-	-	(251)
Issue of ordinary shares under dividend reinvestment plan	19	527	-	-	-	-	527
Dividends paid (6.00 cents per share)		-	(1,885)	-	-	-	(1,885)
Acquisition of subsidiary		-	-	-	-	1,439	1,439
Balance at 31 August 2011		21,591	13,024	(1)	(145)	1,315	35,784
Net surplus/(deficit) for the year after tax		-	6,711	-	-	(601)	6,110
Other comprehensive income for the year net of tax		-	-	(11)	25	-	14
Issue of ordinary shares under dividend reinvestment plan	19	1,252	-	-	-	-	1,252
Dividends paid (7.50 cents per share)		-	(2,994)	-	-	-	(2,994)
Acquisition of subsidiary	23	-	-	-	-	236	236
Issue of ordinary shares to Employee Share Purchase Scheme		191	-	-	-	-	191
Balance at 31 August 2012		23,034	16,741	(12)	(120)	950	40,593

Parent	Note	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Cash Flow Hedge Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non Controlling Interest $'000s	Total $'000s
Balance at 31 August 2010		11,781	4,520	73	-	-	16,374
Net surplus for the year after tax			2,873	-	-	-	2,873
Other comprehensive income for the year net of tax			-	(73)	-	-	(73)
Issue of ordinary shares under rights issue	19	9,534	-	-	-	-	9,534
Share issue costs	19	(251)	-	-	-	-	(251)
Issue of ordinary shares under dividend reinvestment plan	19	527	-	-	-	-	527
Dividends paid (6.00 cents per share)		-	(1,885)	-	-	-	(1,885)
Balance at 31 August 2011		21,591	5,508	-	-	-	27,099
Net surplus for the year after tax		-	929	-	-	-	929
Issue of ordinary shares under dividend reinvestment plan	19	1,252	-	-	-	-	1,252
Dividends paid (7.50 cents per share)		-	(2,994)	-	-	-	(2,994)
Issue of ordinary shares to Employee Share Purchase Scheme		191	-	-	-	-	191
Balance at 31 August 2012		23,034	3,443	-	-	-	26,477

BALANCE SHEET

As at 31 August 2012

		Group		Parent	
	Note	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
CURRENT ASSETS					
Cash and cash equivalents		6,060	3,524	4,668	1,785
Trade debtors	6	12,069	8,644	2,746	2,406
Other financial assets	7	549	1,189	425	1,042
Deposit on purchase of business		-	293	-	293
Sundry debtors		830	511	70	-
Inventories	8	7,570	4,890	750	882
Receivable from joint ventures and associates	25	755	677	755	677
Contract work in progress	9	4,203	3,511	2,958	3,246
Tax refund due		-	-	648	-
		32,036	23,239	13,020	10,331
NON CURRENT ASSETS					
Property, plant and equipment	10	10,606	10,474	8,719	9,102
Investment in joint ventures and associates	11	601	224	235	115
Other financial assets	7	117	238	117	238
Goodwill	12	10,813	10,452	908	908
Deferred tax asset	3	1,555	419	286	-
Intangible assets	13	201	177	-	-
Receivable from joint ventures and associates	25	1,655	1,910	1,655	1,910
Investment in subsidiaries	24	-	-	5,333	4,423
Receivable from subsidiary companies	24	-	-	3,732	6,218
		25,548	23,894	20,985	22,914
TOTAL ASSETS		57,584	47,133	34,005	33,245
CURRENT LIABILITIES					
Trade creditors and accruals	15	9,391	5,115	3,184	2,120
Other financial liabilities	17	275	901	124	842
Employee entitlements		3,045	2,521	2,103	1,518
Provision for warranty	18	750	500	600	350
Taxation payable		1,996	1,295	-	16
Payable to associates	25	229	-	229	-
		15,686	10,332	6,240	4,846
NON CURRENT LIABILITIES					
Other financial liabilities	17	-	300	-	238
Employee entitlements		1,305	717	1,288	698
Deferred tax liability	3	-	-	-	364
		1,305	1,017	1,288	1,300
EQUITY					
Share capital	19	23,034	21,591	23,034	21,591
Retained earnings		16,741	13,024	3,443	5,508
Cash flow hedge reserve		(12)	(1)	-	-
Foreign currency translation reserve		(120)	(145)	-	-
Equity attributable to equity holders of the parent		39,643	34,469	26,477	27,099
Non controlling interest	20	950	1,315	-	-
TOTAL EQUITY		40,593	35,784	26,477	27,099
TOTAL LIABILITIES & EQUITY		57,584	47,133	34,005	33,245

STATEMENT OF CASHFLOWS

For the Year Ended 31 August 2012

	Note	Group 2012 $'000s	Group 2011 $'000s	Parent 2012 $'000s	Parent 2011 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from / (applied to):					
Receipts from operations		62,485	52,571	26,074	26,281
Realised fair value gain on foreign exchange derivatives		846	3,626	846	3,626
Interest received		62	103	50	83
Net GST paid		660	(716)	270	(242)
Payments to suppliers and employees		(55,532)	(49,330)	(22,695)	(23,665)
Interest paid		(80)	(519)	(109)	(316)
Taxation paid		(3,063)	(2,354)	(1,773)	(1,671)
Net cash inflow / (outflow) from operating activities	27	5,378	3,381	2,663	4,096
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from / (applied to):					
Purchase of property, plant and equipment		(702)	(1,062)	(282)	(502)
Sale of property, plant and equipment		48	166	28	53
Advances from/(to) subsidiaries		-	-	2,486	(4,254)
Purchase of business assets		-	(3,535)	-	(965)
Deposit paid on purchase of business		-	(293)	-	(293)
Advances from joint ventures and associates		406	928	406	928
Purchase of subsidiary		(573)	-	(617)	(4,411)
Advance to Employee Share Purchase Scheme		(190)	-	(190)	-
Repayment of advance to Employee Share Purchase Scheme		60	67	60	67
Investment in joint ventures and associates		(278)	-	(120)	-
Net cash inflow / (outflow) from investing activities		(1,229)	(3,729)	1,771	(9,377)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from / (applied to):					
Proceeds from borrowings		-	4,596	-	4,472
Repayment of borrowings		(62)	(8,324)	-	(4,472)
Dividends paid		(2,994)	(1,885)	(2,994)	(1,885)
Issue of share capital, net of issue costs		1,443	9,810	1,443	9,810
Net cash inflow / (outflow) from financing activities		(1,613)	4,197	(1,551)	7,925
Net increase in cash held		2,536	3,849	2,883	2,644
Add cash and cash equivalents at start of period		3,524	(325)	1,785	(859)
Balance at end of period		6,060	3,524	4,668	1,785
Comprised of:					
Cash and bank balances		6,060	3,524	4,668	1,785

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 2012

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 11 October 2012.

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 2012 and the comparative information presented in these financial statements for the year ended 31 August 2011, 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 the Directors are 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 the Directors 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 the Directors estimating future time and costs to complete long term contracts. If the actual time and costs incurred to complete the long term contracts differ from the estimates completed by management, the Directors could be over or under estimating the percentage of completion on the project, and consequently sales and profit to date may also be over or under estimated.

- Tax losses - The recognition of a deferred tax asset arising from current and prior year tax losses relies on the Directors estimating that sufficient future taxable amounts will be available against which unused tax losses can be utilised and upon maintaining at least minimum levels of shareholder continuity from the date the tax loss was incurred to the date of utilisation. If insufficient future taxable amounts are available the Directors could be overstating the deferred tax asset and consequently tax paid profit to date may also be overstated.

- Provisions - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
  The amount recognised as a provision is the Directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If actual time and costs incurred to complete the obligation differ from the estimates completed by management, the Directors could be over or under estimating the provision, and consequently expenses and profit to date may be under or over estimated.

- Fair values on acquisition - The determination of fair values for assets and liabilities (both tangible and intangible) acquired in a business combination relies on the Directors estimating the recoverable amounts of these assets and liabilities. If actual recoverable amounts at the time of acquisition differ from the estimates completed by management, the Directors could be over or under estimating the fair values of assets and liabilities acquired.

- Goodwill impairment - Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

- Recoverability of advance to Robotic Technologies Limited - The recoverability of the advance to joint venture company, Robotic Technologies Limited, is dependent on Robotic Technologies Limited continuing to trade as a going concern. If Robotic Technologies Limited is unable to trade in the future as a going concern and is unable to repay its shareholder advances, the Directors could be over estimating the recoverable amount of the advance.

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 profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Comprehensive Income 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 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 jointly controlled entities. 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.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

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 Lessee

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 depreciated on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

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 substantively enacted at reporting date. Deferred tax is charged or credited to profit or loss, 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 Statement of Comprehensive Income 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.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Derivative Financial Instruments

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

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 profit or loss 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 profit and loss 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 profit or loss.

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.

(f) 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 profit or loss over the period of the borrowings using the effective interest rate method.

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.

Provisions 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.

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	1 -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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Warranty Provision
The provision for warranty claims represents the present value of the Directors' best estimate of the future outflow of economic benefits that will be required under the Group's twelve month warranty programme for certain equipment. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Impairment of Financial Assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past an average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of Non Financial Assets
At each balance sheet date, the Group reviews the carrying amounts of its non financial tangible and intangible 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). Goodwill is tested for impairment annually. 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) 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. Impairment losses in relation to goodwill are not reversed.

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

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.

Segment Information
The group has adopted NZ IFRS-8 "Operating Segments". 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 (the Board) in order to allocate resources to the segments and to assess its performance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 August 2012

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

The Group's Board allocates resources and assesses performance of the Group by product type, therefore under NZ IFRS-8 the Group's reportable segments are:

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

Other operations include non-trading Group companies.

Information regarding the Group's reportable segments are presented in Note 26.

Standards and Interpretations Which Have Been Approved But Not Yet Effective
There are a number of Standards and Interpretations which have been approved but are not yet effective. These are not expected to have a material impact and will be adopted when they become mandatory.

Standards That Became Mandatory During The Year
In the current year, the Group adopted all mandatory new and amended Standards and Interpretations. None of the new and amended Standards and Interpretations had a material impact on these financial statements.

2. OTHER INCOME AND OPERATING EXPENSES

		Group		Parent	
		2012 $'000s	**2011 $'000s**	**2012 $'000s**	**2011 $'000s**
(a) Other income					
Government grants		2,558	1,877	1,200	1,100
Interest received		62	103	50	83
Realised fair value gain on foreign exchange derivatives		846	3,626	846	3,626
		3,466	5,606	2,096	4,809
(b) Operating expenses					
The surplus is stated after charging:					
Auditor's remuneration	- audit & assurance services	76	65	61	40
	- due diligence	-	31	-	31
	- taxation services	12	18	12	18
	- IT assurance services	7	12	7	12
The auditor of the Group is Deloitte.					
Directors' fees		199	150	199	150
Fair value losses on firm commitments		201	1,046	124	1,050
Leasing and rental costs		639	568	90	79
Foreign exchange losses		-	-	66	-
and after crediting:					
Fair value gains on derivatives held as fair value hedges		201	1,046	124	1,050
Unrealised fair value gains on foreign exchange derivatives		307	323	260	172
Gain on sale of property, plant and equipment		21	41	21	41
Foreign exchange gains		83	56	-	257

3. INCOME TAXES

(a) Income tax recognised in net surplus

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	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Net surplus before tax	8,738	7,313	1,388	3,950
Income tax expense calculated at 28% (2011: 30%)	2,447	2,194	389	1,185
Non deductible expenses	80	15	3	12
Under/(over) provision of income tax in previous year	101	(140)	67	(141)
Effect of changes in tax rate	-	27	-	21
Taxation expense	2,628	2,096	459	1,077
Represented by:				
Current tax	3,764	2,750	1,109	1,457
Deferred tax	(1,136)	(654)	(650)	(380)
	2,628	2,096	459	1,077

The prima facie tax rate used in the above reconciliation is the corporate tax rate of 28% payable by New Zealand corporate entities on taxable profits under New Zealand tax law for the 2012 income tax year.

(b) Deferred tax balances

	Group		
2012	Opening Balance $'000	Charged to Income $'000	Closing Balance $'000
Gross deferred tax assets:			
Trade debtors	11	10	21
Inventories	43	(21)	22
Other financial assets	47	(12)	35
Employee entitlements	596	196	792
Provisions	476	162	638
Tax losses	657	451	1,108
	1,830	786	2,616
Gross deferred tax liabilities:			
Property, plant and equipment	1,392	(349)	1,043
Prepayments	19	(1)	18
	1,411	(350)	1,061
	419	1,136	1,555

	Group			
2011	Opening Balance $'000	Charged to Income $'000	Acquisition of Subsidiary $'000	Closing Balance $'000
Gross deferred tax assets:				
Trade debtors	11	-	-	11
Inventories	66	(23)	-	43
Other financial assets	137	(90)	-	47
Employee entitlements	426	151	19	596
Provisions	210	266	-	476
Tax losses	96	257	304	657
	946	561	323	1,830
Gross deferred tax liabilities:				
Property, plant and equipment	1,431	(91)	52	1,392
Prepayments	21	(2)	-	19
	1,452	(93)	52	1,411
	(506)	654	271	419

3. INCOME TAXES (Continued)

		Parent Company	
2012	**Opening Balance $'000**	**Charged to Income $'000**	**Closing Balance $'000**
Gross deferred tax assets:			
Trade debtors	11	10	21
Inventories	55	(33)	22
Other financial assets	47	(12)	35
Employee entitlements	453	180	633
Provisions	434	162	596
	1,000	307	1,307
Gross deferred tax liabilities:			
Property, plant and equipment	1,345	(341)	1,004
Prepayments	19	(2)	17
	1,364	(343)	1,021
	(364)	650	286

		Parent Company	
2011	**Opening Balance $'000**	**Charged to Income $'000**	**Closing Balance $'000**
Gross deferred tax assets:			
Trade debtors	11	-	11
Inventories	29	26	55
Other financial assets	137	(90)	47
Employee entitlements	335	118	453
Provisions	196	238	434
	708	292	1,000
Gross deferred tax liabilities:			
Property, plant and equipment	1,431	(86)	1,345
Prepayments	21	(2)	19
	1,452	(88)	1,364
	(744)	380	(364)

(c) Imputation credit account balances

	Group		Parent	
	2012 $'000s	**2011 $'000s**	**2012 $'000s**	**2011 $'000s**
Balance at beginning of financial year	4,457	2,923	3,777	2,918
Tax paid	3,035	2,342	3,713	1,667
Attached to dividends paid	(1,283)	(808)	(1,283)	(808)
Tax refunds received	(16)	-	(16)	-
Balance at end of financial year	6,193	4,457	6,191	3,777

Imputation credits available directly and indirectly to shareholders of the parent company, through:

Parent company	6,191	3,777
Subsidiaries	2	680
	6,193	4,457

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	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Short term benefits – employees	2,358	1,836	1,430	1,193
Short term benefits – Directors *	692	579	692	579
Termination benefits – employees	-	25	-	-
Long term benefits – employees	436	180	284	111
Long term benefits – Directors *	65	28	65	28
	3,551	2,648	2,471	1,911

** Includes executive and non-executive Directors*

5. EARNINGS & NET TANGIBLE ASSETS PER SHARE

	Group	
	2012 Cents per Share	2011 Cents per Share
Earnings per share from continuing operations		
Basic	16.7	16.6
Diluted	16.7	16.6
Net tangible assets per ordinary share		
Basic	72.7	63.3
Diluted	72.7	63.3

	Group	
	2012 $'000s	2011 $'000s
Net surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	6,711	5,326
Net tangible assets (excluding goodwill and intangible assets)	29,579	25,155

	Group	
	2012 000s	2011 000s
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	40,285	32,178
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	40,689	39,722

6. TRADE DEBTORS

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Trade debtors	12,145	8,684	2,822	2,446
Allowance for doubtful debts (i) (ii)	(76)	(40)	(76)	(40)
	12,069	8,644	2,746	2,406

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

Balance at beginning of financial year	40	40	40	40
Impairment loss recognised on trade debtors	36	-	36	-
Balance at end of financial year	76	40	76	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.

(ii) Ageing of doubtful debts

90 days +	76	40	76	40

(iii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $6,096,000 (2011: $4,196,000) 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:

30 – 60 days	3,483	2,452	456	1,388
60 – 90 days	950	729	307	83
90 days +	1,663	1,015	115	28
	6,096	4,196	878	1,499

7. OTHER FINANCIAL ASSETS

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Advance to Employee Share Purchase Scheme (i)	158	28	158	28
Foreign currency forward contracts held as effective fair value hedges (ii)	201	1,046	124	1,050
Foreign exchange collar option derivatives	166	-	166	-
Foreign exchange derivatives	141	323	94	172
Export Credit Office funding (iii)	-	30	-	30
	666	1,427	542	1,280
Represented by:				
Current financial assets				
Advance to Employee Share Purchase Scheme	63	28	63	28
Foreign currency forward contracts held as effective fair value hedges	201	808	124	812
Foreign exchange collar option derivatives	144	-	144	-
Foreign exchange derivatives	141	323	94	172
Export Credit Office funding	-	30	-	30
	549	1,189	425	1,042
Non current financial assets				
Foreign currency forward contracts held as effective fair value hedges	-	238	-	238
Advance to Employee Share Purchase Scheme	95	-	95	-
Foreign exchange collar option derivatives	22	-	22	-
	117	238	117	238

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

(ii) Designated and effective hedging instrument.

(iii) The Group provided long term financing to a customer whereby the customer made payment for equipment purchased over six years. The discounted future payments were sold to the ANZ National Bank Limited using a bill of exchange facility. An arrangement with the New Zealand Export Credit Office guaranteed 90% of the customer's future payments. Utilising the guarantee the Group 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 defaulted on its payments, the Group's maximum liability was 10% of the outstanding balance at that time. The total outstanding balance at 31 August 2012 is $Nil (2011: $300,000). The maximum exposure calculated at 10% of the outstanding balance at 31 August 2012 is $Nil (2011: $30,000).

8. INVENTORIES

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Raw materials	4,442	3,303	127	101
Work in progress	736	1,100	292	332
Finished goods	2,392	487	331	449
	7,570	4,890	750	882

9. CONTRACT WORK IN PROGRESS

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Costs incurred and estimated earnings on uncompleted contracts	44,989	54,933	36,584	47,993
Progress claims received or receivable	(40,786)	(51,422)	(33,626)	(44,747)
	4,203	3,511	2,958	3,246
Represented by:				
Sales recognised to be recovered by invoices	6,130	7,081	4,051	5,066
Contracts invoiced in advance of sales recognised	(1,927)	(3,570)	(1,093)	(1,820)
	4,203	3,511	2,958	3,246

10. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Freehold Land at Cost $'000s	Freehold Buildings at Cost $'000s	Plant & Vehicles at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2010	2,133	6,287	14,062	22,482
Acquisitions through business combinations	-	-	138	138
Additions	-	70	992	1,062
Disposals	-	-	(264)	(264)
As at 31 August 2011	2,133	6,357	14,928	23,418
Acquisitions through business combinations	-	-	611	611
Additions	-	4	651	655
Disposals	-	-	(281)	(281)
As at 31 August 2012	2,133	6,361	15,909	24,403
Accumulated depreciation / amortisation and impairment				
As at 31 August 2010	-	579	11,494	12,073
Disposals	-	-	(139)	(139)
Depreciation expense	-	200	810	1,010
As at 31 August 2011	-	779	12,165	12,944
Disposals	-	-	(254)	(254)
Depreciation expense	-	195	912	1,107
As at 31 August 2012	-	974	12,823	13,797
Net book value				
As at 31 August 2011	2,133	5,578	2,763	10,474
As at 31 August 2012	2,133	5,387	3,086	10,606

	Parent			
	Freehold Land at Cost $'000s	Freehold Buildings at Cost $'000s	Plant & Vehicles at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2010	2,133	6,287	12,336	20,756
Acquisitions through business combinations	-	-	53	53
Additions	-	70	432	502
Disposals	-	-	(121)	(121)
As at 31 August 2011	2,133	6,357	12,700	21,190
Additions	-	4	278	282
Disposals	-	-	(252)	(252)
As at 31 August 2012	2,133	6,361	12,726	21,220
Accumulated depreciation / amortisation and impairment				
As at 31 August 2010	-	579	10,870	11,449
Disposals	-	-	(107)	(107)
Depreciation expense	-	200	546	746
As at 31 August 2011	-	779	11,309	12,088
Disposals	-	-	(245)	(245)
Depreciation expense	-	195	463	658
As at 31 August 2012	-	974	11,527	12,501
Net book value				
As at 31 August 2011	2,133	5,578	1,391	9,102
As at 31 August 2012	2,133	5,387	1,199	8,719

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets:				
Freehold buildings	195	200	195	200
Plant, equipment and vehicles	912	810	463	546
	1,107	1,010	658	746

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. The bank facilities from ANZ National Bank Limited are also secured by mortgages over the 630 Kaikorai Valley Road, Dunedin, and 10 Maces Road, Christchurch properties.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Ownership Interest		Carrying Value	
Name of Entity	Country of Incorporation	2012 %	2011 %	2012 $'000s	2011 $'000s
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	348	190
Scott Technology Euro Limited (ii)	Ireland	50	50	60	28
NS Innovations Pty Limited (iii)	Australia	50	50	14	-
Scott Separation Technology Limited (iv)	New Zealand	50	-	32	-
XRock Automation Pty Limited (v)	Australia	50	-	131	-
Associates					
Robot Vision Lab Limited (iv)	New Zealand	40	-	16	6
Balance at end of financial year				601	224

(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 2012 is $880,000 (2011: $1,201,000). 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 $158,000, (2011: $124,000).

(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 $3,000, (2011: share of net deficit $78,000).

(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 surplus was $14,000 (2011: $Nil).

(iv) Scott Separation Technology Limited (SSTL) is a joint venture between Scott Technology Limited and private individuals. SSTL was formed in December 2011 and has a balance date of 31 August. SSTL's principal activity is the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries. Scott Technology Limited's share of SSTL's net loss was $68,000 for the nine months since its incorporation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 August 2012

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(v) XRock Automation Pty Limited (XRA) is a joint venture between Scott Technology Limited and XRF Scientific Limited, an Australian publicly listed company. XRA commenced trading in July 2012 and has a balance date of 30 June. XRA's principal activity is the development and marketing of automated laboratory sampling equipment for the mining industry in Australia. Scott Technology Limited's share of XRA's net profit was $2,000 for its two months trading.

(vi) Robot Vision Lab Limited (RVL) was established in the 2011 financial year to provide specialist vision and robotics services to its customers and has a balance date of 31 March. Scott Technology Limited's 40% shareholding in RVL provides the Group with preferential access to RVL's services. Scott Technology Limited's share of RVL's net deficit was $10,000 (2011: share of net surplus $6,000).

Carrying value of equity accounted investments:

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Balance at beginning of financial year	224	192	115	115
Share of net surplus	99	53	-	-
Translation of foreign investments	29	(21)	-	-
Share capital contributed	249	-	120	-
Balance at end of financial year	601	224	235	115

Summarised statement of comprehensive income of joint ventures and associates:

	Joint Ventures		Associates	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Income	6,287	1,706	193	51
Expenses	(6,069)	(1,613)	(218)	(35)
Net surplus / (deficit)	218	93	(25)	16
Group share of net surplus / (deficit)	109	47	(10)	6

Summarised balance sheets of joint ventures and associates:

	Joint Ventures 2012 $'000s	Joint Ventures 2011 $'000s	Associates 2012 $'000s	Associates 2011 $'000s
Current assets	3,725	3,041	43	36
Non current assets	4,482	4,614	32	2
Current liabilities	(2,213)	(946)	(35)	(22)
Non current liabilities	(4,876)	(6,273)	-	-
Net assets	1,118	436	40	16
Group share of net assets	585	218	16	6

RTL, STEL, NSIL, SSTL, XRA and RVL 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, NSIL's, SSTL's, XRA's or RVL's liabilities, with the exception of the guarantee of RTL's banking facilities as set out in note 22.

12. GOODWILL

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Gross carrying amount				
Balance at beginning of financial year	10,452	6,607	908	-
Additional amounts recognised from business combinations occurring during the period	361	3,845	-	-
Acquisition of business during year	-	-	-	908
Balance at end of financial year	10,813	10,452	908	908

There has been no impairment recognised during the year (2011: $Nil).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Mining	7,515	7,515	908	908
High temperature superconductors	2,937	2,937	-	-
China manufacturing	361	-	-	-
	10,813	10,452	908	908

Mining

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 using Scott Technology's approximate weighted average cost of capital as the discount rate.

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.

High Temperature Superconductors

The recoverable amount of the High Temperature Superconductors cash-generating unit is determined based on a value in use calculation which uses cashflow projections based on financial budgets and forecasts covering a four-year period, and sensitivities to a range of discount rates reflecting the current stage of its business lifecycle. Cashflows beyond the four year period have been extrapolated using a steady 3% p.a. growth rate. Management believe 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 High Temperature Superconductors cash-generating unit.

China Manufacturing

At the time of acquisition, Scott Technology determined the forecast cashflows of the China Manufacturing cash-generating unit. The cashflows supported the carrying value of the goodwill.

13. INTANGIBLE ASSETS

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Gross carrying amount				
Balance at beginning of financial year	185	-	-	-
Acquisitions through business combinations	-	185	-	-
Additions	47	-	-	-
Balance at end of financial year	232	185	-	-
Accumulated amortisation and impairment				
Balance at beginning of financial year	8	-	-	-
Amortisation expense	23	8	-	-
Balance at end of financial year	31	8	-	-
Carrying amount				
As at 31 August	201	177	-	-

Intangible assets comprise intellectual property associated with current leads and flux pumps which were largely acquired on the purchase of the HTS-110 Limited subsidiary. Intangible assets are being amortised over a remaining useful life of eight years. The amortisation expense has been included in the line item "depreciation and amortisation" in the Statement of Comprehensive Income.

14.BANK FACILITIES

The Group has a working capital facility from ANZ National Bank Limited with a total limit of $6,000,000 (2011: $6,000,000). As at 31 August 2012 the amount used was $Nil (2011: $Nil).

The Group has a Stock Exchange Bond facility and trade finance facilities from ANZ National Bank Limited with a total limit of $9,115,000 (2011: $10,375,000). As at 31 August 2012 the amount used was $661,000 (2011: $1,582,000). Refer note 22, Contingent Liabilities.

The Group has a secured credit card facility from ANZ National Bank Limited with a total limit of $770,000 (2011: $600,000) and Rocklabs Limited has a secured credit card facility from Bank of New Zealand Limited of $105,000(2011: $100,000). As at 31 August 2012 the total amount used was $53,000 (2011: $61,000). The total amount used is included in trade creditors and accruals.

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. The bank facilities from ANZ National Bank Limited are also secured by mortgages over the 630 Kaikorai Valley Road, Dunedin and 10 Maces Road, Christchurch properties.

15. TRADE CREDITORS AND ACCRUALS

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Trade creditors	5,914	2,810	1,493	1,114
Accruals	3,477	2,305	1,691	1,006
	9,391	5,115	3,184	2,120

16. LEASES

Non cancellable operating lease payments

Operating leases relate to warehouse facilities with original lease terms of between three to 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	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
No longer than 1 year	587	571	90	90
Longer than 1 year and not longer than 2 years	562	559	90	90
Longer than two years and not longer than 5 years	1,448	1,575	77	167
Longer than 5 years	1,091	1,517	-	-
	3,688	4,222	257	347

17. OTHER FINANCIAL LIABILITIES

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
At fair value:				
Fair value hedge of open firm commitments	201	1,046	124	1,050
Foreign currency forward contracts held as cashflow hedges	12	1	-	-
At amortised cost:				
Export Credit Office financing (i)	-	30	-	30
Industry development loan (ii)	62	124	-	-
	275	1,201	124	1,080
Represented by:				
Current financial liabilities				
Fair value hedge of open firm commitments	201	808	124	812
Export Credit Office financing	-	30	-	30
Foreign currency forward contracts held as cashflow hedges	12	1	-	-
Industry development loan	62	62	-	-
	275	901	124	842
Non current financial liabilities				
Fair value hedge of firm commitments	-	238	-	238
Industry development loan	-	62	-	-
	-	300	-	238

(i) Refer note 7

(ii) An industry marketing and development organisation has provided an interest free loan to a subsidiary to assist with the commercialisation of a product.

18. PROVISION FOR WARRANTY

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Balance at beginning of financial year	500	350	350	200
Additional provisions recognised	770	376	640	260
Reductions arising from payments	(520)	(226)	(390)	(110)
Balance at end of financial year	750	500	600	350

The provision for warranty reflects an obligation for after sales service work in relation to completed contracts and products sold to customers. 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.

19. SHARE CAPITAL

	Group & Parent		Group & Parent	
	2012 Number	2011 Number	2012 $'000s	2011 $'000s
Fully paid ordinary shares at beginning of financial year	39,721,658	31,322,369	21,591	11,781
Issue of shares to Employee Share Purchase Scheme (i)	124,588	-	191	-
Rights issue (at $1.20 per share)	-	7,945,151	-	9,534
Less share issue costs	-	-	-	(251)
Shares issued under dividend reinvestment plan	842,943	454,138	1,252	527
Balance at end of financial year	40,689,189	39,721,658	23,034	21,591

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 to note 25

20. NON CONTROLLING INTEREST

	Group	
	2012 $'000s	2011 $'000s
Balance at beginning of financial year	1,315	(15)
Share of net deficit for the year	(601)	(109)
Acquisition of subsidiary	236	1,439
Balance at end of financial year	950	1,315

21. COMMITMENTS FOR EXPENDITURE

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Commitments for future capital expenditure resulting from contracts entered into for:				
Proposed acquisition of business (i)	-	683	-	683
Purchase of plant and equipment	43	180	40	110
	43	863	40	793

(i) As at 31 August 2011 the Company had entered into an agreement to acquire a 70% shareholding in a Chinese manufacturing business which was subject to consent by various Chinese authorities. A 30% deposit had been paid as at 31 August 2011, but consent had not been received from the Chinese authorities. Accordingly, the company did not have control of the business at 31 August 2011. The capital commitment of $683,000 represented the balance of the acquisition price which was payable when all necessary consents were received and control was achieved.

22. CONTINGENT LIABILITIES

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Payment guarantees and performance bonds	586	1,489	333	141
Stock Exchange bond	75	75	75	75
Maximum contract penalty clause exposure	862	1,507	527	1,507
Guarantee of joint venture's banking facilities	750	750	750	750
Guarantee of industry loan	62	124	62	124

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

Scott Technology Limited has a payment bond to the value of $75,000 in place with 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. These borrowings totalled $561,000 as at 31 August 2012 (2011: $940,000).

Scott Technology Limited has provided a guarantee of up to $62,000 (2011: $124,000) in respect of an industry development loan to a subsidiary.

23. ACQUISITION OF SUBSIDIARIES & BUSINESSES

(a) Subsidiaries & Businesses Acquired

Name	Principal Activity	Date of Acquisition	Proportion of Shares/ Business Acquired	Cost of Acquisition $'000s
QMT Machinery Technology (Qingdao) Co Limited (QMT)	General engineering	30/9/2011	70%	910

(b) Analysis of Assets & Liabilities Acquired

	Book Value $'000s	Fair Value Adjustment $'000s	Fair Value on Acquisition $'000s
Current Assets			
Cash & bank balances	44	-	44
Trade & other receivables	209	-	209
Inventories	416	-	416
Non Current Assets			
Plant and equipment	611	-	611
Current Liabilities			
Trade & other payables	(495)	-	(495)
Net assets	785	-	785
Non controlling interest on acquisition	(236)	-	(236)
Goodwill on acquisition	-	361	361
Cost of acquisition	549	361	910

(c) Cost of Acquisition

The cost of acquisition of QMT was paid in cash.

(d) Net Cash Outflow on Acquisition

	Group 2012 $'000s
Total purchase consideration paid in cash	910
Less cash and bank balances acquired	(44)
Net cash outflow on acquisition	866

(e) Goodwill Arising on Acquisition

Goodwill arose in the acquisition of QMT because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, the cost and length of time involved in establishing a business in China and future market development of the business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

(f) Impact of Acquisition on the Results of the Group

Included in the Group profit for the year is revenue of $2.1 million and a net loss after tax of $374,000 attributable to the purchase of QMT.

Had this acquisition been effected at 1 September 2011, the revenue of the Group from continuing operations would have been $64.9 million and the profit for the year after taxation and non controlling interests from continuing operations would have been $6.1 million. The Directors of the Group consider these numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

24. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2012 %	2011 %
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	100
HTS-110 Limited (x)	31 August	New Zealand	51	51
QMT General Partner Limited (xi)	31 August	New Zealand	93	93
Scott Technology Holdings Limited (v)	31 August	New Zealand	100	100
QMT New Zealand Limited Partnership (xii)	31 August	New Zealand	92	-
QMT Machinery Technology (Qingdao) Co Limited (xiii)	31 December	China	70	-
Intex Silicon NZ Limited (v)	31 August	New Zealand	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's principal activity is sales and service.

(x) HTS-110 Limited develops, designs and manufactures high temperature superconductor equipment.

(xi) QMT General Partner Limited is the general partner for the QMT New Zealand Limited Partnership and directly owns 1% of QMT New Zealand Limited Partnership.

(xii) QMT New Zealand Limited Partnership is an investment holding entity and owns 75% of QMT Machinery Technology (Qingdao) Co Limited.

(xiii) QMT Machinery Technology (Qingdao) Co Limited is a general engineering business located in Qingdao, China.

	Parent 2012 $'000s	Parent 2011 $'000s
The parent company's investment in subsidiary companies comprises:		
Shares at cost	5,333	4,423
Amounts owing from subsidiary companies	3,732	6,218
	9,065	10,641

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

25. RELATED PARTY TRANSACTIONS

(a) Group Companies

The Group owns 50% of Robotic Technologies Limited (RTL), 50% of NS Innovations Pty Limited (NSI), 50% of Scott Technology Euro Limited (STEL), 61% of Scott Milktech Limited (SML), 50% of Scott Separation Technology Limited (SST), 51% of HTS-110 Limited (HTS), 50% of XRock Automation Pty Limited (XRA), 70% of QMT Machinery Technology (Qingdao) Co Limited (QMT) and 40% of Robot Vision Lab Limited (RVL).

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Project work undertaken by the Group for RTL	2,012	1,857	1,600	1,600
Administration, sales and marketing fees charged by the Group to RTL	36	36	36	36
Sales revenue received by RTL from the Group	90	416	-	68
Advance from Scott Technology to RTL	2,089	2,372	2,089	2,372
Project work undertaken by the Group for SML	513	120	513	120
Administration fees charged by the Group to SML	12	12	12	12
Advance from Scott Technology to SML	-	-	455	102
Administration fees charged by the Group to STEL	6	6	6	6
Commission received by STEL from the Group	292	25	288	25
Advance from Scott Technology to STEL	-	215	-	215
Advance from STEL to Scott Technology	229	-	229	-
Project work undertaken by the Group for XRA	29	-	-	-
Commission received by XRA from the Group	102	-	-	-
Advance from Scott Technology to XRA	2	-	2	-
Project work undertaken by the Group for SSTL	123	-	-	-
Administration fees charged by the Group to SSTL	13	-	13	-
Advance from Scott Technology to SSTL	167	-	167	-
Project work undertaken by the Group for NSI	182	-	-	-
Advance from Scott Technology to NSI	147	-	147	-
Project work undertaken by the Group for HTS	-	-	187	-
Administration fees charged by the Group to HTS	-	-	10	-
Advance from Scott Technology to HTS	-	-	127	-
Project work undertaken by the Group for QMT	-	-	4	-
Commission received by QMT from the Group	-	-	38	-
Advance from Scott Technology to QMT	-	-	96	-
Project work undertaken by RVL for the Group	193	-	193	-
Advance from Scott Technology to RVL	5	-	5	-
Capital charges and administration fees received by Scott Technology from 100% owned subsidiaries	-	-	1,571	1,631

Advances to Group companies are unsecured, interest free and repayable on demand.

HTS-110 Limited is owned 35.78% by Industrial Research Limited and 13.57% by American Superconductor Corporation Inc. During the year, HTS-110 Limited purchased $Nil (2011: $278,000 for five months since acquisition) of components from American Superconductor Corporation Inc and purchased $1,006,000 (2011: $518,000 for five months since acquisition) of components and services from Industrial Research Limited. During the same period HTS-110 Limited received $1,573,000 (2011: $895,000) of grant and sales revenue from Industrial Research Limited.

(b) Directors

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 2012 was $158,000 (2011: $28,000). During the year 13,009 shares (2011: 17,014 shares) which had not vested with employees were disposed of at market value. Also during the year 124,588 new 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.

G W Batts is a Director and shareholder of Premidee Limited who provided engineering consulting services to the Group of $14,000 during the year (2011: $15,000).

25. RELATED PARTY TRANSACTIONS (Continued)

(c) Substantial Shareholders

Rental payments of $331,000 (2011: $331,000) were paid to Inchinnam Limited who ceased to be a substantial shareholder during the year.

During the year C C Hopkins was appointed a Director of Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. C C Hopkins has received no Directors' fees from Oakwood Securities Limited during the period since his appointment as a Director.

26. SEGMENT INFORMATION

(a) 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.

(b) 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, Wellington, Auckland and China), 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.

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

2011	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Revenue	21,453	32,150	-	53,603
Segment profit	6,396	4,235	-	10,631
Depreciation and amortisation	(108)	(728)	(182)	(1,018)
Share of profits of joint ventures	-	-	53	53
Interest revenue	16	-	87	103
Central administration costs	-	-	(1,962)	(1,962)
Finance costs	(271)	(65)	(158)	(494)
Net profit before taxation	6,033	3,442	(2,162)	7,313
Taxation expense	(1,729)	(987)	620	(2,096)
Net profit after taxation	4,304	2,455	(1,542)	5,217

26. SEGMENT INFORMATION (Continued)

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the year ended 31 August 2012 (2011: $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.

(c) Industry Information

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

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Appliances	16,455	15,596	13,739	13,471
Meat processing	5,571	6,376	4,196	5,170
Mining	34,046	28,407	4,668	5,397
High temperature superconductor products	3,113	2,334	-	-
Other industrial automation	4,593	890	2,375	1,010
	63,778	53,603	24,978	25,048

(d) Geographical Information

The Group operates in eight principal geographical areas. The Group's revenue from external customers by geographical location (of the customer) is detailed below:

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
New Zealand (country of domicile)	9,004	6,126	11,213	8,607
North America, including Mexico	24,347	15,656	9,646	5,380
Australia and Pacific Islands	12,476	13,056	1,894	4,514
South America	3,154	6,958	-	2,962
Asia	4,155	5,204	1,813	3,585
Russia and former states	4,566	3,807	-	-
Africa and Middle East	4,246	2,121	-	-
Other Europe	1,830	675	412	-
	63,778	53,603	24,978	25,048

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

(e) Information About Major Customers

Sales to the Group's largest customer account for approximately 11.1% of total Group sales (2011: 9.9%).

27. NOTES TO THE CASHFLOW STATEMENT

	Group		Parent	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Net surplus for the year	6,110	5,217	929	2,873
Adjustments for non-cash items:				
Depreciation and amortisation	1,130	1,018	658	746
Net gain on sale of property, plant and equipment	(21)	(41)	(21)	(41)
Deferred tax, net of asset acquired on purchase of subsidiary	(1,136)	(654)	(650)	(380)
Share of net surplus of joint ventures and associates	(99)	(53)	-	-
Add / (less) movement in working capital:				
Trade debtors	(3,425)	(2,089)	(340)	361
Other financial assets – derivatives	861	1,214	838	1,338
Sundry debtors	(319)	(186)	(70)	136
Inventories	(2,680)	(1,403)	132	(533)
Contract work in progress	(692)	(957)	288	188
Taxation payable	701	396	(664)	(214)
Trade creditors and accruals	4,276	544	1,064	119
Other financial liabilities – derivatives	(845)	(1,428)	(926)	(1,407)
Employee entitlements	1,112	1,242	1,175	756
Warranty provision	250	150	250	150
Working capital relating to business purchase	130	535	-	4
Movement in foreign exchange translation reserve relating to working capital	25	(124)	-	-
Net cash inflow from operating activities	5,378	3,381	2,663	4,096

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 2011.

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 14. 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.

(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.

28. FINANCIAL INSTRUMENTS (Continued)

(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	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
United States Dollar	5,788	5,123	212	613
Euros	590	837	33	-
Australian Dollars	3,932	3,403	183	483
Japanese Yen	88	24	18	-
Great Britain Pound	59	-	-	-
Chinese RMB	87	-	588	-
	10,544	9,387	1,034	1,096

(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	
	2012	2011	2012 FC'000s	2011 FC'000s	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Foreign currency forward contracts held as effective fair value hedges								
Sell United States Dollars								
Less than 3 months	0.7407	0.7421	2,588	1,250	3,493	1,684	241	210
3 to 6 months	0.7603	0.7168	483	610	635	850	24	128
6 to 12 months	-	0.7357	-	2,600	-	3,534	-	417
1 to 2 years	-	0.7314	-	1,515	-	2,071	-	238
			3,071	5,975	4,128	8,139	265	993
Buy United States Dollars								
Less than 3 months	0.7750	-	800	-	1,032	-	(27)	-
Sell Euros								
Less than 3 months	-	0.6082	-	123	-	202	-	(6)
6 to 12 months	-	0.5351	-	890	-	1,663	-	133
			-	1,013	-	1,865	-	127
Sell Australian Dollars								
Less than 3 months	0.7821	0.8214	540	2,460	690	2,995	(5)	(74)
3 to 6 months	0.7849	-	1,080	-	1,376	-	(10)	-
6 to 12 months	0.7854	-	180	-	229	-	(2)	-
			1,800	2,460	2,295	2,995	(17)	(74)
Buy Australian Dollars								
Less than 3 months	0.7722	-	1,147	-	1,485	-	(9)	-
6 to 12 months	0.7740	-	1,153	-	1,490	-	(11)	-
			2,300	-	2,975	-	(20)	-
					10,430	12,999	201	1,046

28. FINANCIAL INSTRUMENTS (Continued)

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2012	2011	2012 FC'000s	2011 FC'000s	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Foreign currency forward contracts held as cash flow hedges								
Sell United States Dollars								
Less than 3 months	0.8016	0.8536	1,000	1,500	1,247	1,757	(7)	(6)
6 to 12 months	-	0.8323	-	250	-	300	-	5
			1,000	1,750	1,247	2,057	(7)	(1)
Sell Australian Dollars								
Less than 3 months	0.7825	-	500	-	639	-	(5)	-
					1,886	2,057	(12)	(1)
Foreign exchange derivatives								
Sell United States Dollars								
Less than 3 months	0.7697	0.7657	1,144	1,488	1,487	1,944	51	196
3 to 6 months	0.7687	0.7397	45	451	58	609	2	77
6 to 12 months	-	0.8585	-	184	-	214	-	(4)
			1,189	2,123	1,545	2,767	53	269
Buy United States Dollars								
Less than 3 months	-	0.7263	-	33	-	45	-	(7)
Sell Euros								
Less than 3 months	0.5477	0.5396	347	256	634	474	89	41
3 to 6 months	-	0.5594	-	204	-	365	-	18
			347	460	634	839	89	59
Buy Euros								
Less than 3 months	0.6068	-	35	-	58	-	(3)	-
Sell Australian Dollars								
6 to 12 months	-	0.7823	-	186	-	237	-	7
Buy Japanese Yen								
Less than 3 months	61.4976	64.4691	9,900	24,665	161	382	2	(5)
3 to 6 months	61.4300	-	1,980	-	32	-	-	-
			11,880	24,665	193	382	2	(5)
					2,430	4,270	141	323
Foreign exchange collar option derivatives								
Company has the right (but not the obligation) above the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.7731	-	1,288	-	1,665	-	62	-
6 to 12 months	0.7731	-	1,030	-	1,332	-	60	-
1 to 2 years	0.7731	-	772	-	999	-	53	-
			3,090	-	3,996	-	175	-
Sell Australian Dollars								
Less than 3 months	0.7700	-	1,208	-	1,569	-	18	-
6 to 12 months	0.7700	-	4,229	-	5,492	-	120	-
1 to 2 years	0.7700	-	4,875	-	6,331	-	203	-
			10,312	-	13,392	-	341	-

28. FINANCIAL INSTRUMENTS (Continued)

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2012	2011	2012 FC'000s	2011 FC'000s	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Company has the obligation below the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.7325	-	2,575	-	3,515	-	(6)	-
6 to 12 months	0.7117	-	2,060	-	2,894	-	(22)	-
1 to 2 years	0.6918	-	1,545	-	2,233	-	(31)	-
			6,180	-	8,642	-	(59)	-
Sell Australian Dollars								
Less than 3 months	0.7583	-	2,416	-	3,186	-	(3)	-
6 to 12 months	0.7583	-	8,458	-	11,154	-	(85)	-
1 to 2 years	0.7583	-	9,750	-	12,858	-	(203)	-
			20,624	-	27,198	-	(291)	-
					53,228	-	166	-

The fair value of foreign exchange contracts outstanding are 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	
	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s	2012 $'000s	2011 $'000s
Impact on profit or loss and equity:						
10% increase in New Zealand Dollar	(367)	(306)	(10)	(36)	(311)	(292)
10% decrease in New Zealand Dollar	367	306	10	36	311	292

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.

(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 industries in which 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 $4,394,000 (2011: $4,128,000).

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.

28. FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity and interest 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 14 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 represents 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 decreases by 50 basis points.

	Group Impact	
	2012 $'000s	2011 $'000s
Impact on profit or loss and equity:		
50 basis points increase in variable interest rates	-	-
50 basis points decrease in variable interest rates	-	-

The following table details the Group's remaining undiscounted contractual maturity for its non derivative financial liabilities. The tables below have been drawn up based 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.

	Group							
	Weighted Average Effective Interest Rate %	On demand $'000s	Less than 1 year $'000s	1-2 years $'000s	2-3 years $'000s	3-5 years $'000s	5+ years $'000s	Total $'000s
2012								
Financial Liabilities								
Trade creditors and accruals	-	9,391	-	-	-	-	-	9,391
Industry development loan	-	-	62	-	-	-	-	62
		9,391	62	-	-	-	-	9,453
2011								
Financial Liabilities								
Trade creditors and accruals	-	5,115	-	-	-	-	-	5,115
Export Credit Office financing	-	-	30	-	-	-	-	30
Industry development loan	-	-	62	62	-	-	-	124
		5,115	92	62	-	-	-	5,269

	Parent							
	Weighted Average Effective Interest Rate %	On demand $'000s	Less than 1 year $'000s	1-2 years $'000s	2-3 years $'000s	3-5 years $'000s	5+ years $'000s	Total $'000s
2012								
Financial Liabilities								
Trade creditors and accruals	-	3,184	-	-	-	-	-	3,184
2011								
Financial Liabilities								
Trade creditors and accruals	-	2,120	-	-	-	-	-	2,120
Export Credit Office financing	-	-	30	-	-	-	-	30
		2,120	30	-	-	-	-	2,150

28. FINANCIAL INSTRUMENTS (Continued)

The Group has access to financing facilities, the total unused amount which is $15.3 million at the balance sheet date, (2011: $17.4 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).

		Group		
2012	**Level 1 $'000s**	**Level 2 $'000s**	**Level 3 $'000s**	**Total $'000s**
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	201	-	201
Foreign exchange derivatives	-	141	-	141
Foreign exchange collar option derivatives	-	166	-	166
Financial liabilities at fair value through profit and loss				
Foreign currency forward contracts held as cashflow hedges	-	(12)	-	(12)
Fair value hedge of open firm commitments	-	(201)	-	(201)
	-	295	-	295

		Group		
2011	**Level 1 $'000s**	**Level 2 $'000s**	**Level 3 $'000s**	**Total $'000s**
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	1,046	-	1,046
Foreign exchange derivatives	-	323	-	323
Financial liabilities at fair value through profit and loss				
Foreign currency forward contracts held as cashflow hedges	-	(1)	-	(1)
Fair value hedge of open firm commitments	-	(1,046)	-	(1,046)
	-	322	-	322

28. FINANCIAL INSTRUMENTS (Continued)

2012	Level 1 $'000s	Parent Level 2 $'000s	Level 3 $'000s	Total $'000s
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	124	-	124
Foreign exchange derivatives	-	94	-	94
Foreign exchange collar option derivatives	-	166	-	166
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(124)	-	(124)
	-	260	-	260

2011	Level 1 $'000s	Parent Level 2 $'000s	Level 3 $'000s	Total $'000s
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	1,050	-	1,050
Foreign exchange derivatives	-	172	-	172
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(1,050)	-	(1,050)
	-	172	-	172

29. SUBSEQUENT EVENTS

On 19 September 2012 the Board of Directors announced that Scott Technology had entered into an agreement to acquire the assets and intellectual property of Integrated Conveyor Systems Limited ("ICSL"). The agreement allows Scott Technology time to complete due diligence on the technology whilst enabling Scott Technology to take effective control during the due diligence period. The due diligence period ends in June 2013, at which time Scott Technology has the option to acquire ICSL. The due diligence period can be extended at Scott Technology's option for a further 12 months. The initial commitment from Scott Technology is less than A$0.5 million.

On 24 September 2012 Scott Technology announced that it, in association with its joint venture with Silver Fern Farms (Robotic Technologies Limited ("RTL")), has been contracted to provide lamb boning room automation to two Australian meat processors, the Australian Lamb Company ("ALC") and JBS Australia ("JBS"). Supported by Meat and Livestock Australia and the Australian Meat Processor Corporation, the projects total $11 million sales to Scott Technology and are due to be installed and operational before the end of 2013.

On 11 October 2012 the Board of Directors approved a final dividend of five and a half cents per share with full imputation credits attached to be paid for the 2012 year (2011: five cents per share).

SHAREHOLDER INFORMATION

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 10 September 2012
1. Oakwood Securities Limited	5,379,000
2. Russell John Field & Anthony James Palmer (J I Urquhart Family A/c)	5,035,737
3. Tower Asset Management Limited	3,614,610

The total number of issued voting securities of the company as at 10 September 2012 was 40,689,189 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	742	25.60%	369,442	0.91%
1,001 - 5,000	1,291	44.55%	3,343,875	8.22%
5,001 - 10,000	403	13.91%	2,888,162	7.10%
10,001 - 100,000	434	14.97%	10,298,004	25.30%
100,001 and over	28	0.97%	23,789,706	58.47%
Total and percentage	2,898	100.00%	40,689,189	100.00%

Twenty Largest Shareholders as at 10 September 2012	Shares	% of Total
1. New Zealand Central Securities Depository Limited	6,123,723	15.05%
2. Oakwood Securities Limited	5,379,000	13.22%
3. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	5,035,737	12.38%
4. Investment Custodial Services Limited (C A/C)	1,105,981	2.72%
5. JB Were (NZ) Nominees Limited	1,056,456	2.60%
6. Southern Capital Limited	510,000	1.25%
7. Sinclair Long Term Holdings Limited	450,000	1.11%
8. Jarden Custodians Limited	419,460	1.03%
9. Forsyth Barr Custodians Limited (1-33 A/C)	409,984	1.01%
10. Rosebery Holdings Limited	291,378	0.72%
11. Jack William Allan & Helen Lynette Allan	279,165	0.69%
12. Graham William Batts & Patricia Joy Batts & Roger Norman Macassey	220,492	0.54%
13. Custodial Services Limited (3 A/C)	208,865	0.51%
14. Eunice Marsh	206,250	0.51%
15. Hamish Heathcote McCrostie	200,000	0.49%
16. Harry McMillan Hearsey Salmon	200,000	0.49%
17. Kenneth William Wigley	198,592	0.49%
18. Custodial Services Limited (4 A/C)	174,074	0.43%
19. Lloyd James Christie	165,517	0.41%
20. FNZ Custodians Limited	150,328	0.37%
	22,785,002	56.02%

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	13	$210,001 - $220,000	1
$110,001 - $120,000	6	$230,001 - $240,000	1
$120,001 - $130,000	2	$260,001 - $270,000	1
$130,001 - $140,000	2	$290,001 - $300,000	2
$140,001 - $150,000	3	$300,001 - $310,000	1
$150,001 - $160,000	1	$330,001 - $340,000	1
$160,001 - $170,000	1	$530,001 - $540,000	1
$200,001 - $210,000	2		

DIRECTORS' INTERESTS

For the Year Ended 31 August 2012

Directors' Shareholding as at 31 August 2012

	Beneficially owned		Held by associated persons		Non-beneficially held (jointly held)	
	2012	2011	2012	2011	2012	2011
G W Batts	276,657	276,657	-	-	-	-
C C Hopkins*	99,247	91,782	30,071	28,676	124,588	187,595
S J McLauchlan*	291,378	275,000	-	-	124,588	187,595
M B Waller	68,702	65,703	-	-	-	-
C J Staynes	203,000	200,000	-	-	-	-
	938,984	909,142	30,071	28,676		

** 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	Date	Consideration Paid $
S J McLauchlan *	9,076	2/12/2011	13,160
C C Hopkins *	3,975	2/12/2011	5,764
S J McLauchlan *	4,302	24/4/2012	6,797
C C Hopkins *	1,885	24/4/2012	2,978
S J McLauchlan	3,000	9/7/2012	5,010
C C Hopkins	3,000	9/7/2012	5,010
M B Waller	3,000	9/7/2012	5,010
C J Staynes	3,000	9/7/2012	5,010

** Dividend reinvestment plan*

Use of Company Information

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

DIRECTORS' INTERESTS

For the Year Ended 31 August 2012

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

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

G W Batts

Director	HTS-110 Limited
Director	Premidee Ltd

S J McLauchlan

Pro-Chancellor	University of Otago
Chairman	Pharmac Ltd
Chairman	UDC Finance Limited
Chairman	Dunedin International Airport Ltd
Partner/ Director	GS McLauchlan & Co Ltd
Director	AD Instruments Pty Ltd
Director	Cargill Hotel 2002 Ltd
Director	Dunedin Casinos Ltd
Director	Aurora Energy Ltd
Director	Delta Utility Services Ltd
Director	HTS-110 Limited
Director	Lund South Ltd
Director	QMT Machinery Technology (Qingdao) Co Limited
Director	Rosebery Holdings Ltd
Director	Roxdale Foods NZ Ltd
Director	Scenic Circle Hotels & Subsidiaries
Director	South Canterbury Finance Subsidiaries
Director	University of Otago Foundation Studies Ltd
Director	XRock Automation Pty Ltd
Trustee	Scott Technology Employee Share Purchase Scheme

C C Hopkins

Chairman	Robotic Technologies Ltd
Chairman	NS Innovations Pty Ltd
Director	HTS-110 Ltd
Director	Oakwood Group Ltd
Director	QMT Machinery Technology (Qingdao) Co Ltd
Director	Rocklabs Ltd
Director	Scott Automation Ltd
Director	Scott Fabtech Ltd
Director	Scott Separation Technology Ltd
Director	Scott Systems International Inc
Director	Scott Technology Euro Ltd
Director	Scott Milktech Ltd
Director	Scott Technology Australia Pty Ltd
Director	Robot Vision Lab Ltd
Director	XRock Automation Pty Ltd
Trustee	Scott Technology Employee Share Purchase Scheme
Shareholder	Penfold Transmission Ltd

M B Waller

Director/CEO	Ebos Group Ltd
Director	Ebos Health & Science Pty Ltd
Director	Ebos Group Pty Ltd
Director	Mansa Investments Ltd
Director	Mastergarden Corporation Ltd
Director	Masterpet Corporation Ltd
Director	Mastervet Products Ltd
Director	Natures Recipe Pet Foods (NZ) Ltd
Director	Pharmacy Retailing (NZ) Ltd
Director	PRNZ Ltd
Director	Ebos Shelf Company Pty Ltd

Remuneration of Directors

During the year ended 31 August 2012, the total remuneration and other benefits attributed to the Directors of the Company were as follows:

	Directors' Fees $'000s	Directors' Salary $'000s	Other Remuneration & Benefits $'000s
G W Batts	50	-	32
C C Hopkins *	-	461	79
S J McLauchlan	81	-	-
M B Waller	36	-	-
C J Staynes	32	-	-

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

Directors' Indemnity & 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SCOTT TECHNOLOGY LIMITED

Report on the Financial Statements

We have audited the financial statements of Scott Technology Limited and group on pages 17 to 51, which comprise the consolidated and separate balance sheets of Scott Technology Limited, as at 31 August 2012, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 17 to 51:

- 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 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 August 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Scott Technology Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
11 October 2012
Dunedin, New Zealand

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INDEPENDENT DIRECTORS
Christopher Staynes
Mark Waller
Graham Batts

MANAGING DIRECTOR/CEO
Chris Hopkins

CHIEF FINANCIAL OFFICER
Greg Chiles

CHIEF OPERATING OFFICER
Grant Bunting

GROUP SALES AND MARKETING
Graham Johnston

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