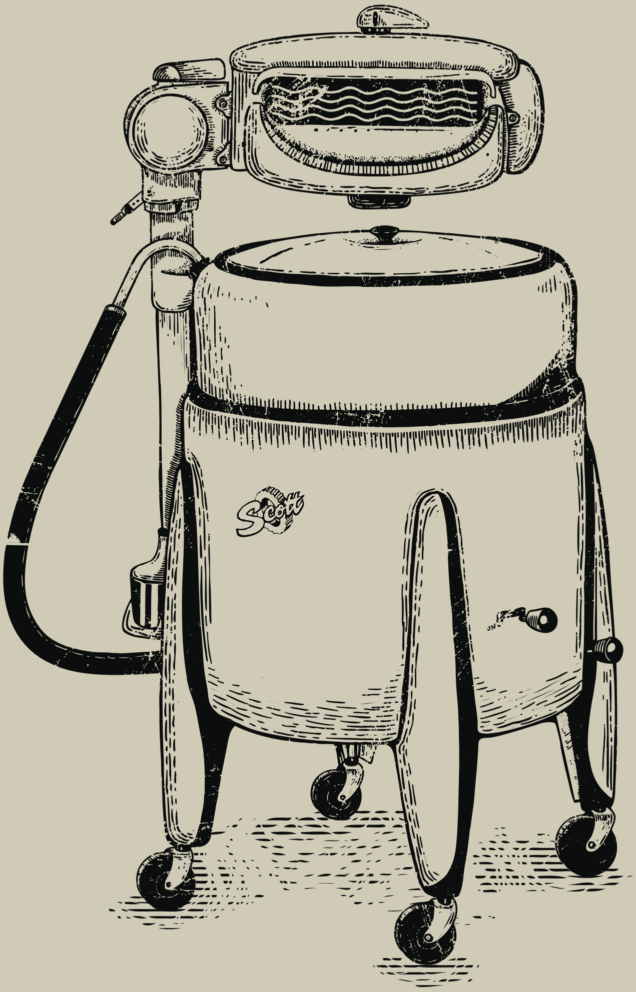
SCOTT

SCOTT TECHNOLOGY LTD.

2013 ANNUAL REPORT

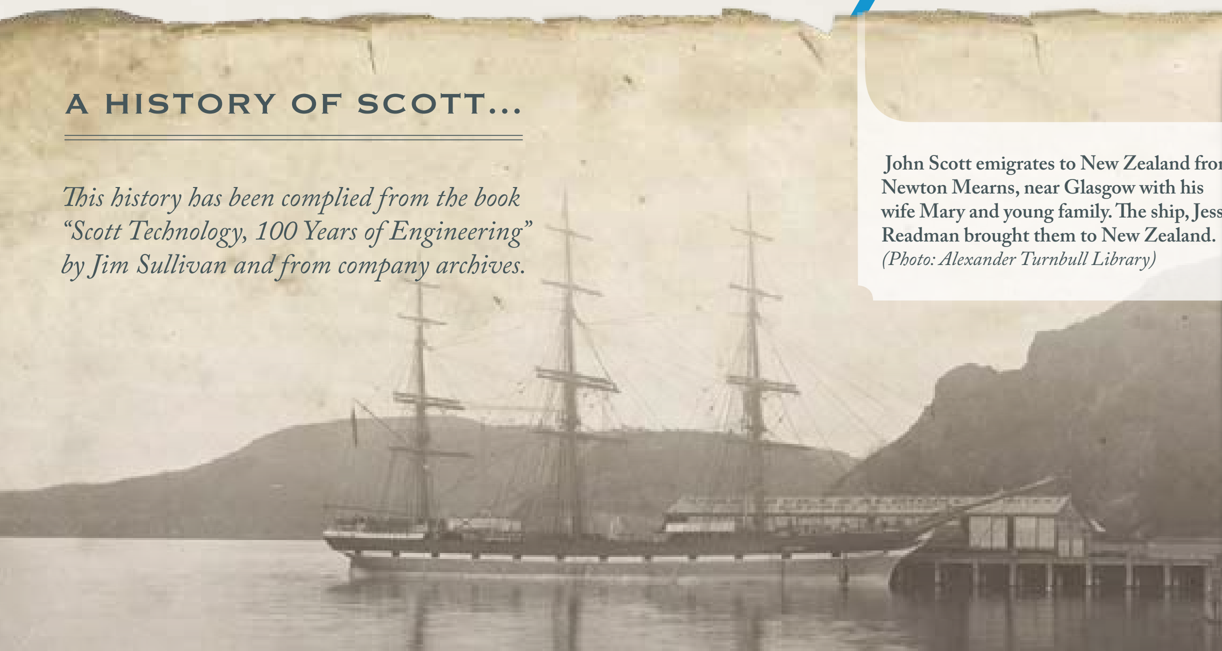


100 YEARS OF ENGINEERING

CONTENTS

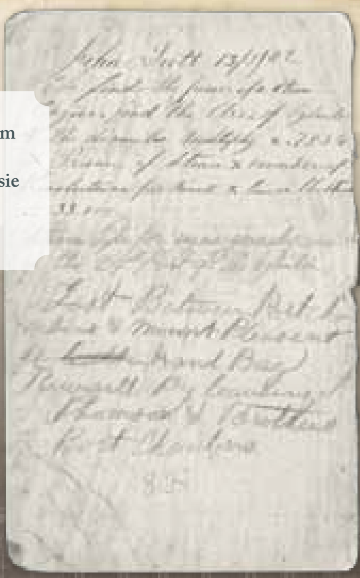
A HISTORY OF SCOTT...

This history has been complied from the book "Scott Technology, 100 Years of Engineering" by Jim Sullivan and from company archives.



1883

John Scott emigrates to New Zealand from Newton Mearns, near Glasgow with his wife Mary and young family. The ship, Jessie Readman brought them to New Zealand. *(Photo: Alexander Turnbull Library)*



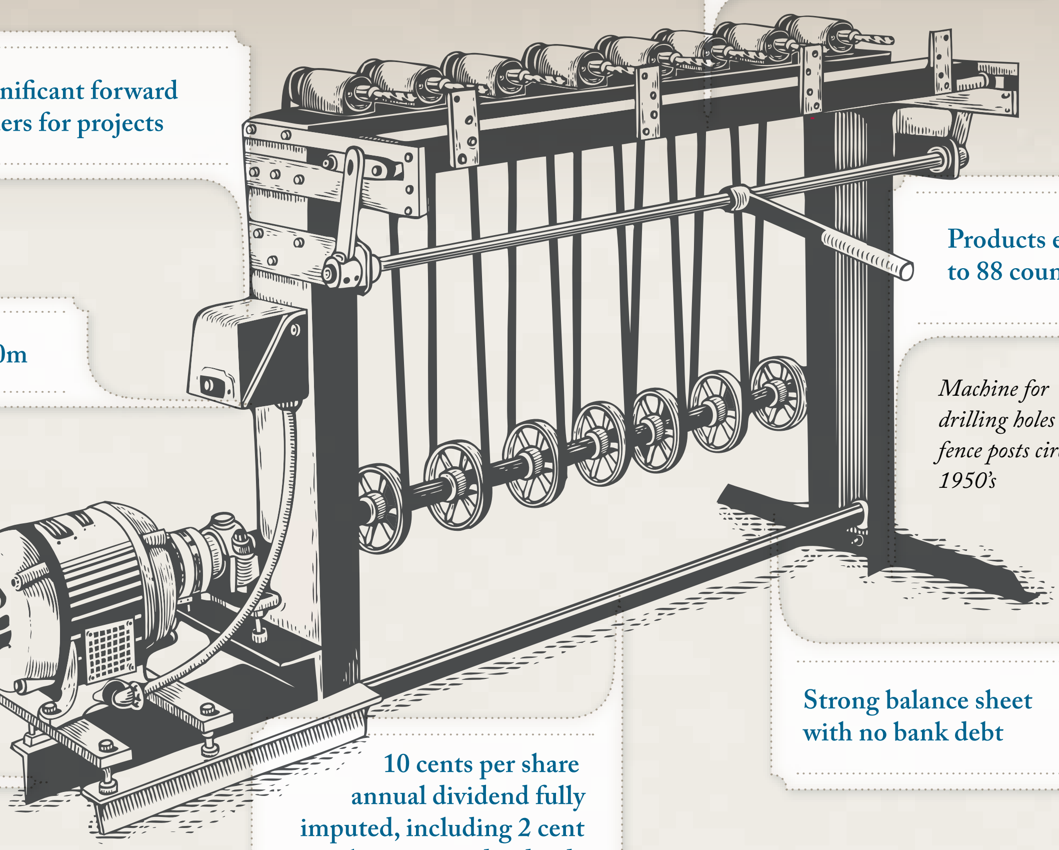
HIGHLIGHTS 2013

100 years in business

Significant forward orders for projects

Products exported to 88 countries

Revenue $60.0m



Machine for drilling holes in fence posts circa 1950's

Net profit before tax $7.1m

Strong balance sheet with no bank debt

10 cents per share annual dividend fully imputed, including 2 cent special centenary dividend

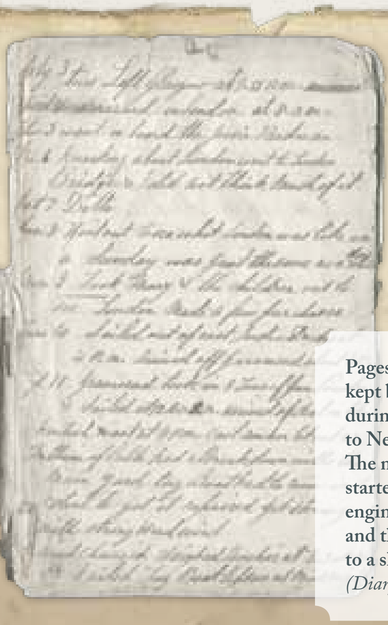
DIVIDEND

Special centenary dividend: 2.0 cents per share, fully imputed.
Final dividend: 5.5 cents per share, fully imputed.
Record date: 22 November 2013
Payment date: 3 December 2013
Dividend reinvestment plan applies.

ANNUAL MEETING

Friday 29 November 2013 at 1.00pm
at Scott Technology Limited, 630 Kaikorai Valley Road, Dunedin.
Proxies close Wednesday, 27 November 2013 at 1.00pm.

1900



Pages from the diary kept by John Scott during the voyage to New Zealand. The notebook started in 1882 as an engineering notebook and then converted to a shipboard diary. *(Diary: Judith Tromp)*

John Scott senior and two of his sons who were to later establish the business. *(Photos: Judith Tromp)*

John Scott

Andrew Paton Scott

John Scott junior

CHAIRMAN'S REPORT

YOUR DIRECTORS ARE PLEASED TO ANNOUNCE A SOLID RESULT IN OUR CENTENARY YEAR. TO RECOGNISE THIS AND, AS A DEMONSTRATION OF OUR CONFIDENCE IN THE FUTURE OF THE COMPANY, WE HAVE DECLARED A SPECIAL CENTENARY DIVIDEND OF 2.0 CENTS PER SHARE IN ADDITION TO A 5.5 CENTS PER SHARE FINAL DIVIDEND. THIS BRINGS THE TOTAL DIVIDEND FOR THE YEAR TO 10.0 CENTS PER SHARE.

We enter the start of our next 100 years with a full project order book and a strong balance sheet.

The company's profit before tax for the year to 31 August 2013 was $7.15 million. Whilst below our record result of the prior year, this does not in any way diminish what was still an excellent result that represents an earnings before tax to sales ratio of 11.9%.

Net profit after tax for the year was $5.14 million compared to $6.11 million in 2012. Total shareholders' equity at 31 August 2013 was $42.98 million, compared to $39.64 million at 31 August 2012.

2013 has seen a small decrease in revenues, while the continuing high New Zealand dollar has tightened margins and reduced profit. Despite this, we continue to develop new technologies and associated business opportunities. In the year to 31 August 2013, 87% or $51.96 million (2012: 86% or $54.77 million) of total revenues were derived outside New Zealand against the backdrop of a high New Zealand dollar and a slower mining sector.

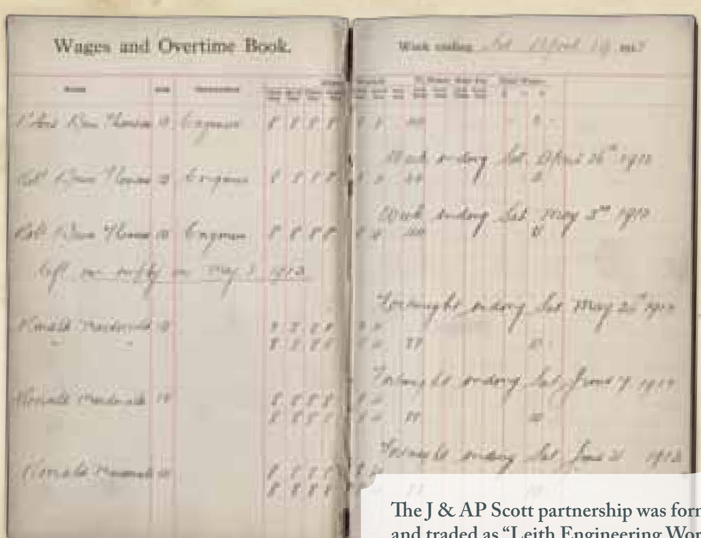
We continue to have a very strong balance sheet, although the demand for working capital has increased with some customers entering into our promotional "try before you buy" or leasing arrangements as they look to overcome their own capital constraints. Post balance date, our strong balance sheet has enabled us to purchase, for $3.2 million, the properties at 155 – 161 Neilson Street, Auckland which were leased by the Rocklabs division.

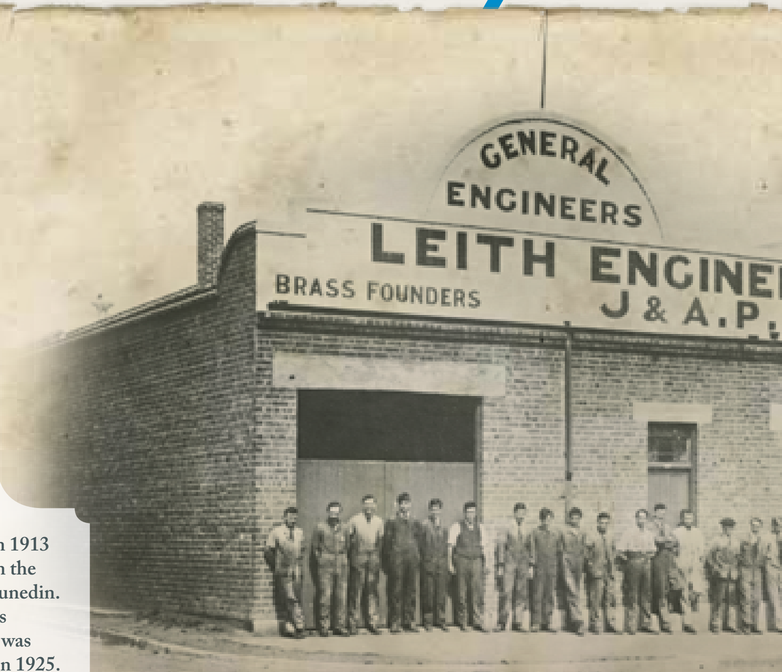
DIVIDEND

The special centenary dividend of 2.0 cents is fully imputed and will be added to the final dividend of 5.5 cents per

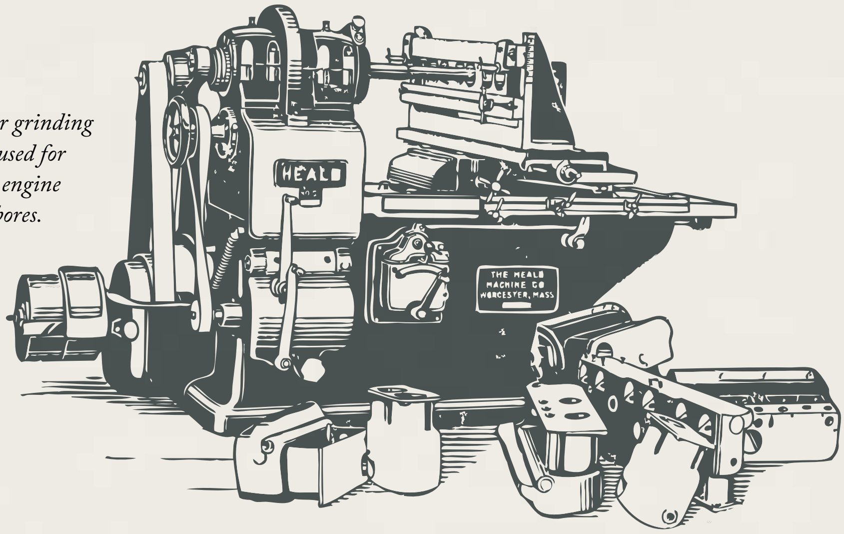
1913

1920





The J & AP Scott partnership was formed in 1913 and traded as "Leith Engineering Works" on the corner of Leith Street and Trent Avenue, Dunedin. Early work included maintenance of dredges and gas and steam engines. The partnership was incorporated as a limited liability company in 1925.



A cylinder grinding machine used for grinding engine cylinder bores.

share for the year ended 31 August 2013, payable on 3 December 2013. An interim dividend of 2.5 cents per share was paid in April 2013, bringing the total dividend to 10.0 cents per share for the year. The Dividend Reinvestment Plan applies to these distributions.

REVIEW OF OPERATIONS

We completed and shipped several large projects during the year. With a competitive environment for most of our products, combined with the higher value of the New Zealand Dollar, maintaining our target margins has been challenging. We have responded by seeking ways to provide enhanced value to our customers through our solutions and by promoting and leveraging our technology in areas where we lead the world.

We continue to see many opportunities arising from our customers' desire to implement automation that has the ability to drive increased productivity, improved quality, and lower cost within their business.

Our market for appliance systems continues to be challenging, although we are currently manufacturing four identical lines for a North American customer and prospects for further new work out of North America are high. We are also working on opportunities to supply equipment to China, along with other prospects.

The two significant meat processing systems that we announced last year are currently in their commissioning phase. An X-Ray Primal system is being commissioned in Australia for one of the customers using a combination of Scott New Zealand and Scott Australia staff, while the Middle Processing system will be shipped shortly. A Middle Processing system will also be shipped to the other customer to be integrated with the X-Ray Primal system that they purchased in the previous

1920

The J & AP Scott business grew with the evolution of the motor car and they undertook vehicle repairs and engine reconditioning. Below is a heavy duty tyre changer for pressing solid rubber truck tyres on or off the hubs. *(Photo: Ray Craig)*

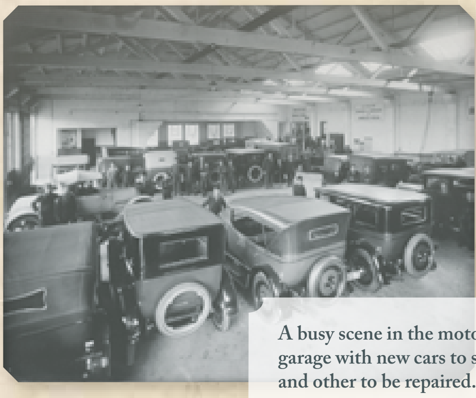
1920

J & AP Scott also became agents for popular makes of vehicle such as Chandler, Leyland and Nash as well as selling second hand vehicles. *(Advert: Otago Daily Times)*


MARVELLOUS RECORD
SPEED AND RELIABILITY TEST
AUCKLAND to BLUFF
At a speed averaging approximately 37 miles per hour for the whole run, and without one single mechanical stop of any kind, was performed in a
CHANDLER
SIX
The car with the marvellous engine. An absolute test of strength and reliability, and these features, combined with beauty and economy, have made the CHANDLER the most popular car wherever it is introduced.
AGENTS: J. & A. P. SCOTT, DUNEDIN.

Dennis trucks being assembled in the Albany Street workshop.

1925



A busy scene in the motor garage with new cars to sell and other to be repaired.

1928

CHAIRMAN'S REPORT

(Continued)

financial year. This illustrates the modularity of the meat processing systems that we build. These systems will provide further confidence and impetus to the meat industry for the continued adoption of our technology.

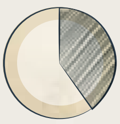
During the year, our business in the mining sector continued to perform well, although we were affected by a decrease in mining and exploration activity. We have continued to develop and improve existing and new technology, with new hydraulic crushers and a coal sample processing system being successfully completed during the year. The purchase of the Rocklabs properties illustrates our long term confidence and commitment to this sector.

Our electromagnet business, which utilises high temperature superconducting material, saw a slow down in project work for a large proportion of the year, but an increase in orders in the last quarter, coupled with some strong forward prospects, gives us confidence for 2014 and beyond.

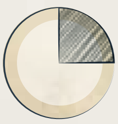
The Company's China factory continues to run at close to full production. Plans for the expansion required to support and service our China aspirations are progressing and will assist with several projects destined for China that are currently being designed and built in our Dunedin and Christchurch facilities.

Although our recorded sales to Asia in the year to August are lower than prior years, our forward work includes multiple appliance projects destined for China.

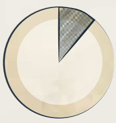
GROUP SALES BY REGION



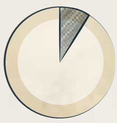
37%
North America, including Mexico



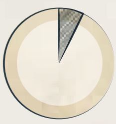
25%
Australia and Pacific Islands



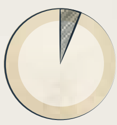
13%
New Zealand



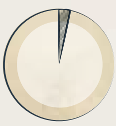
8%
Russia and Former States



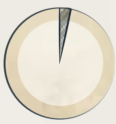
6%
Africa and Middle East



5%
South America



3%
Asia



3%
Other Europe

BUSINESS GROWTH

We continue to invest heavily in research and, more particularly, in the development of our range of products. This has been occurring across all market sectors. We take a conservative approach and typically write off most research and development costs incurred.

Opportunities for external acquisitions and partnering continue to be evaluated, with the focus being on adding value to both our customers' businesses and to our shareholders' investment in the Company.

The premises and staff at the corner of Albany and Leith Streets in January 1933.

1933

CENTENARY

2013 marks the centenary of the Scott business. The Scott Technology of today owes much to the shareholders, directors, management and staff of the last 100 years who have laid down a solid foundation and innovative ethos from which we now deliver products to customers in 89 countries across a variety of industries.

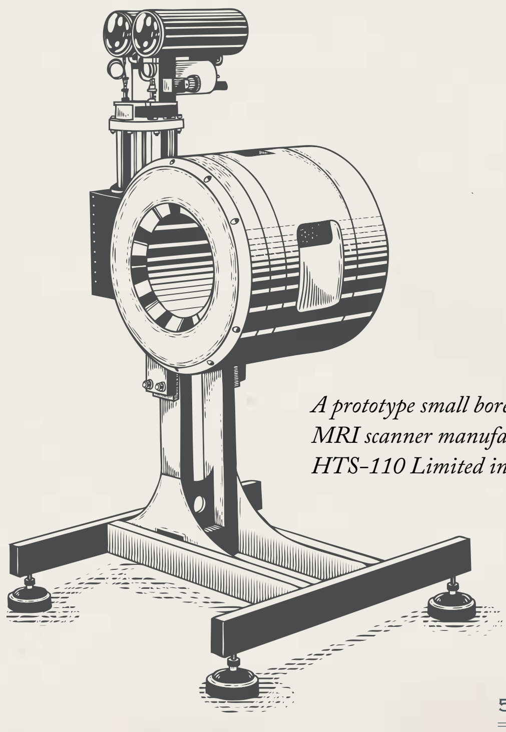
Products and industry focus have evolved with changing customer and consumer demands, while still maintaining an underlying core value of engineering excellence. The business has grown from supplying dredge equipment in its very early years, to being automotive engineers and spare parts suppliers aligned with the evolution of the motor car. During the war years the business manufactured munitions to assist the war effort and then following the war, manufactured whiteware for the domestic market. The 1970's saw the business begin designing and building production lines for the appliance industry, which is still a major part of the business today. In more recent years the business has diversified to provide automated solutions to the meat, mining and hard disk drive industries.

Current management and staff are committed to carrying on and enhancing this tradition.

The Scott Board thanks all of our shareholders for their continued support of the company and we look forward to meeting shareholders and past staff attending this year's Annual Meeting and centenary celebrations in Dunedin.

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. The Company is in a strong position as it enters the next one hundred years.

Stuart J McLauchlan - CHAIRMAN



A prototype small bore portable MRI scanner manufactured by HTS-110 Limited in 2013.

MANAGING DIRECTOR'S REPORT

I AM VERY PLEASED AND PRIVILEGED TO BE ABLE TO WRITE THIS REPORT TO SHAREHOLDERS AND STAFF IN OUR CENTENARY YEAR. THE COMPANY PLANS TO RECOGNISE THIS OCCASION IN A FITTING MANNER IN CONJUNCTION WITH THE ANNUAL MEETING OF SHAREHOLDERS.

The dedication and skill of Scott people shone through in 2013. The Company rose to the occasion and produced a solid result whilst maintaining a strong, robust balance sheet. Challenges came from external, uncontrollable factors, such as the economic climate in the markets in which we operate and from the high value of the New Zealand dollar, which eroded our margins in key markets. Internal challenges from an increased cost to produce our goods and services also produced head winds to our continued growth.

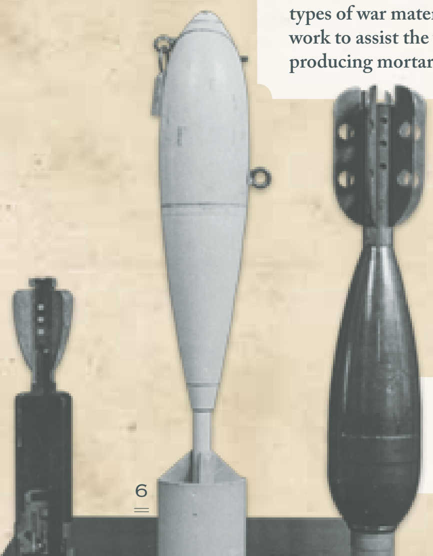
The Company's longer term strategy is to continue to diversify income streams and to introduce an expanded range of standard catalogue products and technologies that are protected by our growing portfolio of patents and trademarks.

Development and innovation have underpinned our performance and the Company's investment in research and development for the year totalled $5.6 million. The bottom line impact of our research and development expenditure was reduced by contributions from our customers and from New Zealand and Australian Government agencies. During the course of the year we added several new products to our growing range; identified, built and developed new skills and technologies; and positioned these to support our continued growth in our chosen markets. Our intellectual property portfolio now consists of 23 inventions covered by 58 patents, either granted or pending.

Our Company's management team has been strengthened during the year across all sectors and is driven by the need to manage and deliver on our research and development activities, including a new senior

1940

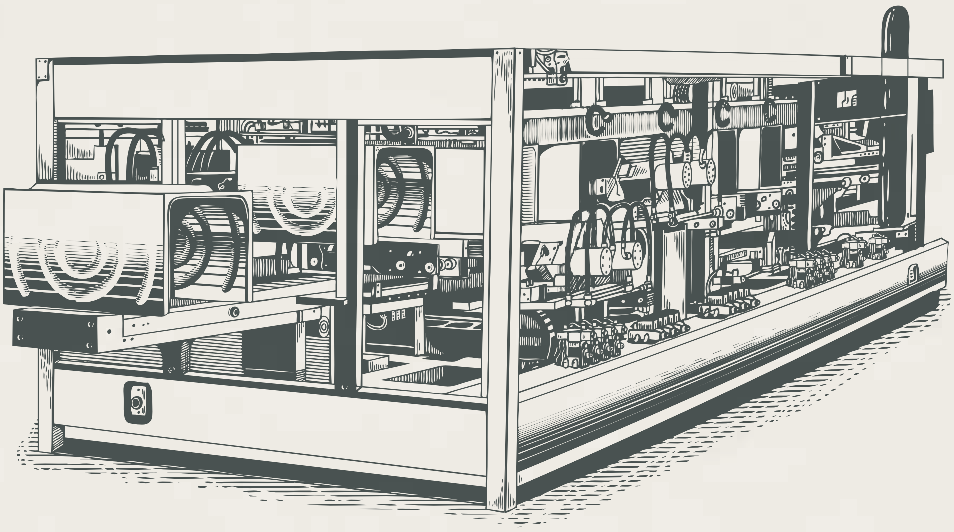
In 1940, factories around the country were directed to manufacture various types of war material. J & AP Scott's work to assist the war effort included producing mortar and practice bombs.



Shells made at J & AP Scott stacked ready for delivery.

1945

J & AP Scott's Chevrolet truck as a float in the August victory parade. *(Photo: Ray Craig)*



An automated system for producing washing machine cabinets

management position created to be responsible for our business development and innovation.

Within our internal operations we continue to grow our international presence. This was increased during the year with the establishment of new offices in Australia and Chile, and we expect to expand our presence in other key markets. The Company continues to seek, recruit and train high calibre staff with specialist skills and capabilities. Our systems and processes are being fine-tuned and improved wherever we are able as we seek to implement best practice in all that we do. Our drive for efficiency and productivity gains is being driven by our Lean Sigma programme, which blends lean manufacturing practices with six sigma quality initiatives. In addition, our health and safety systems are being reviewed to ensure they are world class.

Through diversification, the Company now exports to 88 countries, sells products and services to multiple industry segments and produces over 85% of our products in New Zealand for export.

APPLIANCE SYSTEMS

Over the past year we have seen a steady improvement in market demand and enquiry for our automated production lines. Demand from Europe and China was subdued but demand from North and South America increased during the year and continues at a high level.

With an eye to the future, we are researching and developing new technology that will keep us at the forefront of this industry. New technology and products, such as our flexible folder, which is capable of folding up and down and air bending, is revolutionary. In addition,

1946

1947

Continuing work for the automotive industry led to the growth of a spare parts department. At left is the department in Albany Street in 1946 before the move to new premises in Moray Place in 1947 (right).

Post the Second World War J & AP Scott set up a wringer washing machine manufacturing plant to supply the New Zealand market. Machines were originally sold under the "Scott" brand.

Strong local competition led to an association with American company, Whirlpool, and J & AP Scott manufactured various appliances under the Whirlpool brand. The photo above shows washing machines being rushed to Auckland by air freight to meet demand.

1949

1952

MANAGING DIRECTOR'S REPORT

(Continued)

we are capitalising on the vision and sensing capabilities developed over recent years within our meat processing and robotics activities. We are developing the capability to provide online, real time precise measurement of products as they are produced on our equipment. Our design, controls and software skills and capability will shape and define the future for Scott in this market.

Last year the Company noted that strategic alliances, particularly in Asia, would play a key role and have a major impact. This has occurred and with one strategic alliance formalised and others being discussed, we are confident that the year ahead will see an increase in volume, revenues and margin.

MEAT PROCESSING

Robotic Technologies Limited, our joint venture, enables us to combine world class engineering and automation from Scott, with world leading marketing and lamb processing know-how from our partner, Silver Fern Farms. Together we have developed and built a business that delivers world class solutions which are now recognised and sought after as industry best practice. Our aim is to produce equipment that gives our customers such a competitive advantage that the remainder of the industry must follow suit, purchase our equipment, or fall far behind.

Our vision of the fully automated lamb boning room is coming together much like a jigsaw – one piece at a time. During the year we added our middle system as a commercialised unit which connects to, and interfaces with, our x-ray primal cutting system. We have two more units to develop (the forequarter processing system and the hindquarter leg de-boner) and these systems are well into the final stages of their development.

Scott differentiates itself across the globe by our unique patented x-ray technology. To date our focus has been primarily on sheep and lamb and, although we have fielded enquiries for beef and pork, we have resisted new species until we have the capacity and experience to tackle these larger markets. For beef processors we have developed and commercialised our beef boning units and supplemented this with the recent release of our strip loin saw. Early indications are that the strip loin saw will be well sought after and we expect these to outsell our beef boning units. The Company has built and developed these stand-alone units for beef processing in order to build relationships in the industry and to test and verify the transferability of our expertise and skill from one species to the next. We expect to commence applying our x-ray technology to beef during 2014. To assist us in the beef and pork markets we have developed joint ventures, strategic alliances and collaborative arrangements with large Australian domicile processors and global processors who have operations in Australia.

From 1952 to 1958 the washing machine bowl shop was housed in a building leased from Methven's in Andersons Bay Road.

The production of Whirlpool appliances was discontinued in the early 1960s and the washing machine operation was bought by N R Cunningham of Masterton.

1954

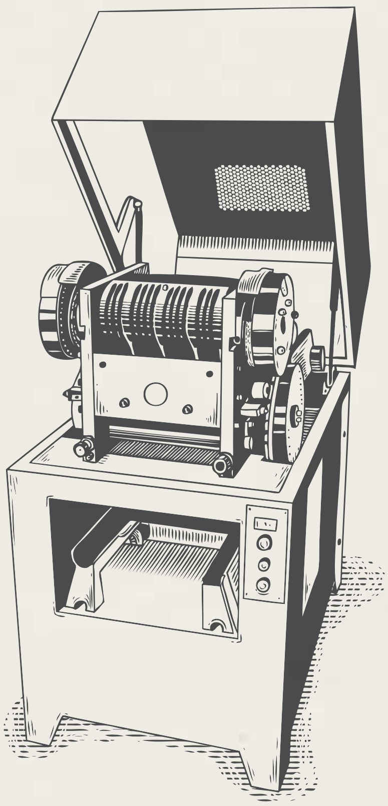
1961

SAMPLE PREPARATION

Our activities in the mining sector are currently concentrated on equipping laboratories, both commercial and mine site laboratories, with sample preparation equipment. The 2012 year saw a major peak in activity and this drove, in part, the results in the prior year. In the second half of the year to 31 August 2013 the mining sector slowed and this had a major impact on sales of our standard equipment.

With larger numbers of standard equipment in the field, and with a slow down in the rate at which our customers are replacing their capital equipment, the volume of spare parts and consumables sales has increased. In addition, we have seen mining companies seek to reduce costs, with a key cost for the mining sector being labour on remote mine sites. One way to reduce labour is to automate and this, we believe, is a reason why we have seen an increase in the level of enquiry in interest in our automated systems.

Sales of reference materials, which is ground rock with a certified known quantity of gold or other precious metals used by geologists and laboratories for calibrating and testing their analytical results of field samples, slowed in the year to 31 August 2013. As the mining sector reduces activity, exploration is one of the first areas to experience a slow down and our reference materials are predominantly used in exploration samples.



A Boyd rock crusher which has been a key product for the Rocklabs business

MANAGING DIRECTOR'S REPORT

(Continued)

HIGH TEMPERATURE SUPERCONDUCTING MAGNETS

During the year we have refocused management effort on our key product lines. Our portable, compact cryogen-free magnets are designed for use in analytical tools, such as nuclear magnetic resonance; hard disk drive development and quality analysis; and in Magnetic Resonance Imaging equipment ('MRI'). In addition to these core products we also undertake the design and build of custom electro magnets.

We have now built a sales pipeline with a high level of enquiries and prospects under a more streamlined business model and the Company is confident of achieving significant growth in the near future. In many cases we are applying new technology into new markets and the uptake is understandably slow and cautious initially, but has significant upside once the technology has been widely proven and adopted.

CHINA OPERATIONS

Our factory in Qingdao (China), partly owned by Teknatool International Limited, a woodworking machinery distribution company headquartered in Auckland, has delivered double digit growth in revenue and contribution and is becoming an integrated component of Scott's business.

In preparation for our planned growth in Scott's China based activity, we have expanded our workforce by the addition of skilled technicians and increased our marketing activities. The Company is in the final stages of planning a shift to larger premises and, once established in 2014, we will look to further develop and extend our activities and offerings to the local Chinese market.

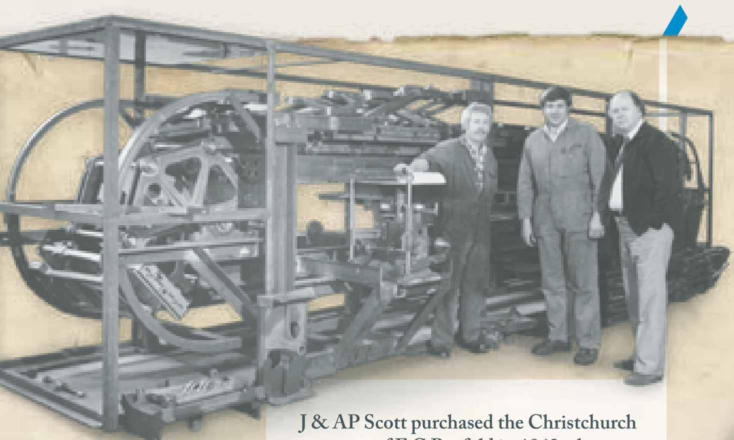
INTEGRATED CONVEYOR SYSTEMS (SCOTT ENCLOSED BELT)

We announced to the market in June that the Company would not be completing the acquisition of Integrated Conveyor Systems Limited. However, the agreement allowed us to acquire the manufacturing equipment and to retain a non-exclusive licence to distribute the product which we are promoting as 'Scott Enclosed Belt'. There are facilities already operating with the conveyor belt in two locations in Australia and we continue to develop and pursue opportunities, both within Australia and internationally. This technology has synergies with existing areas of the Scott business, as well as enabling a wider offering to other industries.

AUTOMATED ROBOTIC MILKING DEVELOPMENT

Product development activities, which are undertaken through our Scott Milktech joint venture, are progressing towards commercialisation, albeit more slowly than we envisaged last year. Our system has moved from being a pilot test to a full production system operating in an 80 bail rotary dairy shed. Our target is to run this system in production for the remainder of this season to provide a platform to launch a full commercial system in 2014.

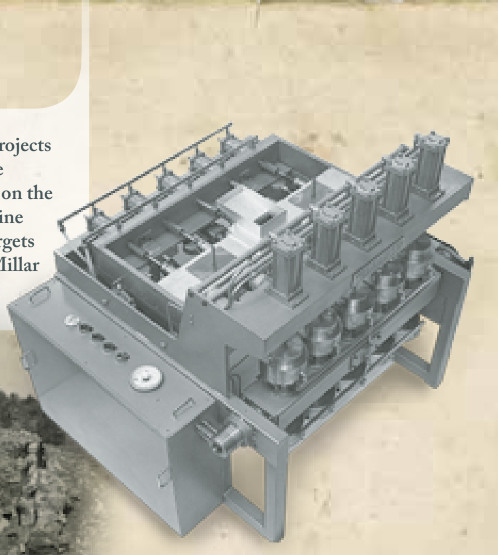
1962

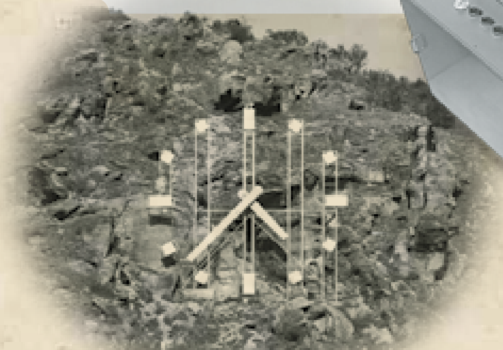


J & AP Scott purchased the Christchurch company of F C Penfold in 1962 who specialised in manufacturing gear boxes. Above is a machine manufactured about 1978 for making ice cream cones. The gear box division was later sold in a management buyout in 1999.
(Photo: Smith Photography / Phil Johnston)

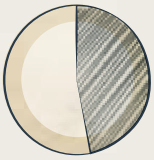
1968

Amongst J & AP Scott's many projects were the design and supply of the driving mechanism for the clock on the hill above Alexandra and a machine for automatically making clay targets for shotgun shooting for Allan Millar Gunsmiths.

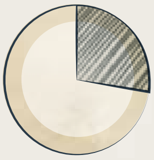




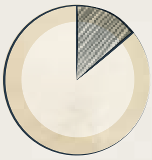
GROUP SALES BY INDUSTRY



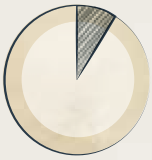
48%
Sample Preparation



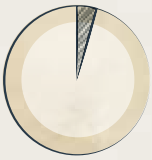
27%
Appliance Systems



13%
Meat Processing



9%
Industrial Automation



3%
Superconductivity

OUTLOOK

Scott has completed its first 100 years of engineering and enters the next 100 years in a strong position. We have a wide and growing range of products, diversified markets, a strong and balanced intellectual property portfolio and a number of opportunities that are currently being developed or assessed.

The Company continues to move further up the value chain with high technology solutions delivering real value to our customers. The skill base of Scott people now extends beyond engineering and into associated disciplines, such as mathematics, physics, materials science, chemical engineering and geology. Scott is a world leader in many of the niche markets that we operate within. We are building a global reputation with a strong and growing presence in global markets to support our international aspirations.

Scott Technology is a company that our staff should be proud to work for, our customers should benefit from their interaction with, and our shareholders should be pleased to own.

On behalf of the Company and my fellow management team, I would like to thank the Board for their support, the people at Scott for their passion in converting our dreams into reality, and all the stakeholders for their help and belief in the Company through our first 100 years. We look forward to the next 100 years with confidence, optimism and pride.

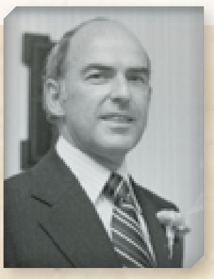
Chris C Hopkins - MANAGING DIRECTOR

1969

Graham Batts, pictured here with a 15 ton press for Temuka Pottery, was appointed Managing Director.

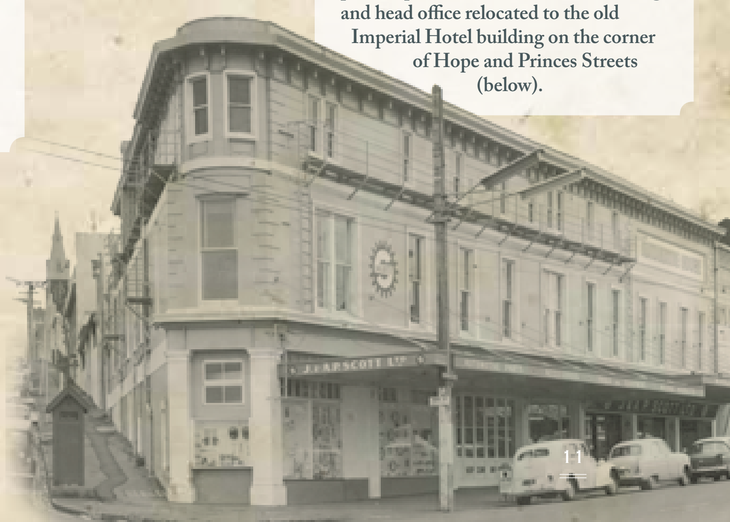
1970

Graeme Marsh of motor vehicle dealers Cooke Howlison purchased J & AP Scott as the company held a spark plug agency and the business later became part of the South Corp Group.



1972

In the early 1970s the Dunedin engineering division moved to new premises in Carroll Street, while the parts department, motor reconditioning and head office relocated to the old Imperial Hotel building on the corner of Hope and Princes Streets (below).







BOARD 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.

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 the National President of the Institute 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. Chris Hopkins is also an independent Director of Oakwood Group Limited.

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.

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, Graham Batts has remained a Consultant to the Company.

CORPORATE GOVERNANCE

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 ROLE

The Board is elected by the Shareholders of Scott Technology Limited. At each annual meeting at least one third of the Directors retire by rotation. The process for the appointment of Directors is detailed in the Company's constitution. The Board currently comprises four non-executive independent Directors (Stuart McLauchlan (Chair), Mark Waller, Graham Batts and Chris Staynes) and one Executive Director (Chris Hopkins) who is not an independent Director. Each of the Directors brings a broad range of skills, knowledge and experience to the Board. Responsibility for the day to day management of the Company has been delegated to the Managing Director/Chief Executive and his management team.

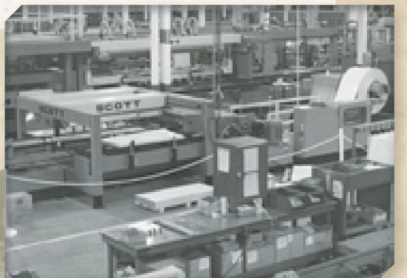
The Board of Directors maintains effective control over the Company, as well as monitoring executive management. The Directors formally meet a minimum of nine times throughout the year, plus additional meetings as required, and oversee all matters

1978

The demand for more space in Christchurch led to the construction of new premises in Maces Road, which the company continues to own and occupy today.

1978

In the 1970s the focus of the business changed to the design and manufacture of larger scale automated production lines with the first whiteware manufacturing machine being built for the Kelvinator plant in Adelaide in 1978.



1988

J & AP Scott Engineering Limited changed its name to Scott Technology Limited in 1987 and then the following year its parent company, South Corp Limited, was merged with the public company Donaghys. An office was established in Dallas, Texas with Graham Batts being responsible for sales, while Peter Whitehead was appointed CEO to lead the New Zealand manufacturing.

1989

In 1989 the company became 50% owned by Met-Coil Systems Corporation of the United States, but a difference in company cultures led to the arrangement only lasting 18 months.

of corporate governance, development of long term strategic plans, financial management, reporting to shareholders and regulatory compliance. 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, with Mark Waller as its Chair.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of the non-executive Directors, with Stuart McLachlan as its Chair. 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 (Chair), 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

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 16.

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.

1994

The Scott Motor Parts division relocated to Crawford Street in 1988, later being sold to Repco in 1991. The site was redeveloped in 1994 to house the manufacturing division.

1997


NZSE

This certifies that

Scott Technology Limited

was granted

Listing

on the

New Zealand Stock Exchange

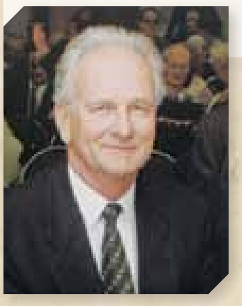
on

21 July 1997

On 21 July 1997 Scott Technology Limited separated from the Donaghys group and was listed on the New Zealand Stock Exchange through the issue of five Scott Technology shares for every eight Donaghys shares.

1999

Graham Batts moved to London to establish a European Marketing Office, while Peter Whitehead (pictured below) became Managing Director.



8. SHAREHOLDER RELATIONS

The Company maintains an up to date website (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.

ATTENDANCE

The following table shows attendances at the Board and committee meetings during the year ended 31 August 2013.

	Board		Audit		Remuneration		Joint Ventures and Subsidiaries	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
S J McLauchlan	9	9	2	2	1	1	13	11
M B Waller	9	7	2	2	1	1	-	-
G W Batts	9	7	2	2	1	1	15	12
C J Staynes	9	8	2	2	1	1	-	-
C C Hopkins	9	9	2	2	-	-	37	35
G W Chiles*	9	9	2	2	-	-	26	26

**In capacity as either Board Secretary or as a Director of various Joint Ventures and Subsidiaries.*

DIRECTORS' INTERESTS

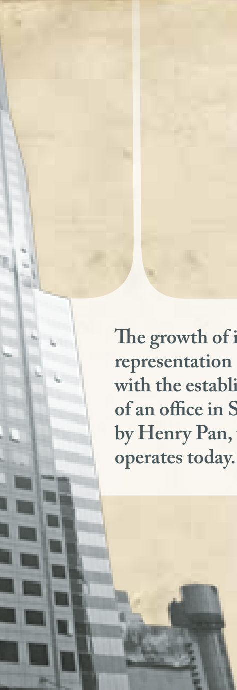
For the Year Ended 31 August 2013

Directors' Shareholding as at 31 August 2013

	Beneficially owned		Held by associated persons		Non-beneficially held* (jointly held)	
	2013	2012	2013	2012	2013	2012
G W Batts	276,657	276,657	-	-	-	-
C C Hopkins	102,553	99,247	5,410,073	30,071	120,339	124,588
S J McLauchlan	301,086	291,378	-	-	120,339	124,588
M B Waller	68,702	68,702	-	-	-	-
C J Staynes	203,000	203,000	-	-	-	-
	951,998	938,984	5,410,073	30,071		

** 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.*

2000



The growth of in-market representation continued with the establishment of an office in Shanghai by Henry Pan, which still operates today.

2000

The Company recognised the need to diversify by industry as well as globally. In 2000 a joint venture was established with PPCS (now Silver Ferm Farms) to look at automation in the meat industry, which is a core focus of the company today.
(Photo: Otago Daily Times)

2001

Robots emerged as a tool for integrating within some production lines. They are being used below in the manufacture of water cylinder wraps and dome ends.

DIRECTORS' INTERESTS

For the Year Ended 31 August 2013

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 *	6,640	4/12/2012	15,338
C C Hopkins *	2,946	4/12/2012	6,805
S J McLauchlan *	3,068	23/4/2013	6,934
C C Hopkins *	1,362	23/4/2013	3,078

** Dividend reinvestment plan*

Use of Company Information

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Remuneration of Directors

During the year ended 31 August 2013, 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 (Short Term) $'000s	Other Remuneration & Benefits (Long Term) $'000s
S J McLauchlan	82	-	-	-
G W Batts	49	-	18	-
M B Waller	42	-	-	-
C J Staynes	34	-	-	-
C C Hopkins *	-	288	97	94

** Denotes an Executive Director.*

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.

Gender Composition

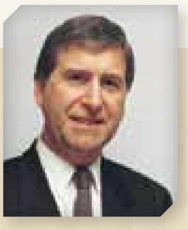
As at 31 August 2013, there were no female Directors of the Company (2012: 0 female) and three management positions were held by females (2012: 1 female).

Donations

The Company made donations of less than $1,000 during the year (2012: less than $1,000).

2001

Kevin Kilpatrick was appointed Managing Director in 2001, later retiring as Managing Director in 2006 and as Engineering Director in 2008.



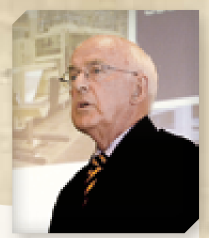
2006

As part of an industry diversification strategy, Scott bought an Auckland based business specialising in automatic palletising and depalletising systems. Scott Package Handling Systems was later sold in a management buyout in 2006.

2006

Chris Hopkins was appointed Managing Director, and continues to hold this role today.

2007



Graeme Marsh retired as a Director in 2007 after more than 30 years as Chairman.

DIRECTORS' INTERESTS

For the Year Ended 31 August 2013

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:

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	Dunedin City Council Subsidiaries
Director	Energy Link Limited
Director	HTS-110 Limited
Director	Lund South Ltd
Director	QMT Machinery Technology (Qingdao) Co Limited
Director	Roxdale Foods NZ Ltd
Director	Scenic Circle Hotels & Subsidiaries
Director	University of Otago Foundation Studies Ltd
Director	University of Otago Holdings Ltd
Director	XRock Automation Pty Ltd
Trustee	Scott Technology Employee Share Purchase Scheme

C J STAYNES

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

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

G W BATTS

Director	HTS-110 Limited
Director	Premidee Ltd

M B WALLER

CEO	Ebos Group Ltd & Subsidiaries
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

2007

Scott Service International was established to provide assistance to global customers through equipment servicing, upgrades, relocations and spare parts.

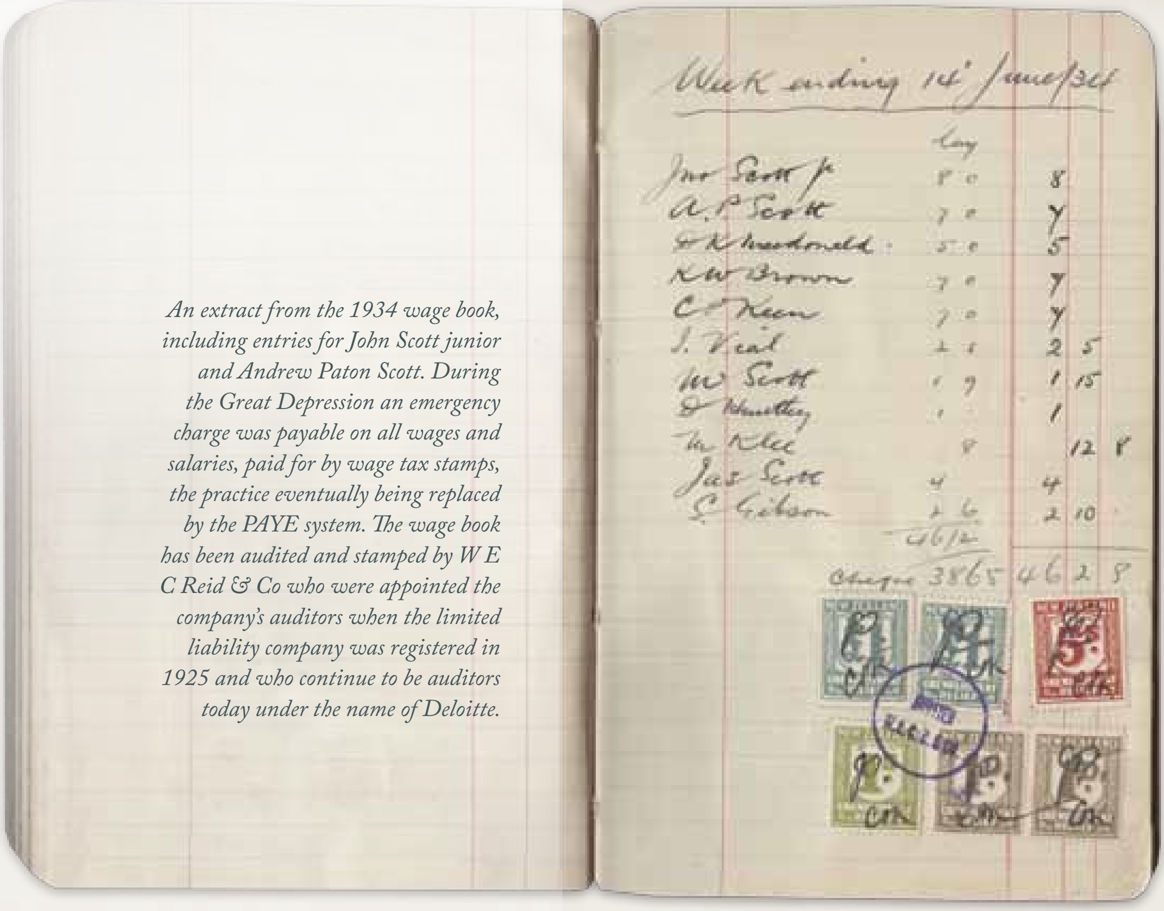
2008

Scott Technology began working with a group of prominent dairy farmers to jointly develop a robotic milking system that could be retrofitted to rotory dairy sheds.

2008

Further industry diversification occurred with the purchase of Auckland business Rocklabs who manufacture a range of rock crushers and sample dividers for use in mining laboratories. Today, approximately 50% of Scott's sales revenue is from the mining industry.

FINANCIAL STATEMENTS



An extract from the 1934 wage book, including entries for John Scott junior and Andrew Paton Scott. During the Great Depression an emergency charge was payable on all wages and salaries, paid for by wage tax stamps, the practice eventually being replaced by the PAYE system. The wage book has been audited and stamped by W E C Reid & Co who were appointed the company's auditors when the limited liability company was registered in 1925 and who continue to be auditors today under the name of Deloitte.

2008

The need for more space in Dunedin led to land being purchased in Kaikorai Valley Road and a new head office and manufacturing facilities being built. The company has sufficient land area to expand the buildings in future, if required.

2009

Scott Fabtech was established to provide fabrication and waterjet cutting services to external customers and to the rest of the group, particularly for meat projects which require precision cut stainless steel components.

2011

Growth of the business continued with the purchase of a 75% shareholding in a Chinese engineering business which will be used as a platform for future sales into Asia, as well as the purchase of a 51% shareholding in HTS-110 Limited who manufacture powerful electromagnets utilising high temperature superconducting material.

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 2013 and the results of their operations and cash flows for the year ended 31 August 2013.

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

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

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

The Directors present the financial statements of Scott Technology Limited for the year ended 31 August 2013. These financial statements are dated 10 October 2013 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 behalf of the Directors

Stuart J McLauchlan - CHAIRMAN

Chris C Hopkins - MANAGING DIRECTOR

2011

The company raised $9.5 million through an over-subscribed 1 for 4 rights issue which enabled it to repay bank debt taken on to fund recent acquisitions.

NZX

2011

Joint venture company Scott Separation Technology Limited was established to manufacture humma™ honey and wax separators which save time and labour for honey producers as well as producing honey with much lower levels of bacterial colony forming units.

2012

A joint venture company, XRock Automation Limited, was established with Australian listed company, XRF Scientific Limited, to offer an increased and more integrated range of sample preparation and analysis products to the mining industry.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 August 2013

		Group		Parent	
		2013	2012	2013	2012
	Note	$'000s	$'000s	$'000s	$'000s
Revenue		60,034	63,778	26,185	24,978
Other income	2(a)	2,577	3,466	1,546	2,096
Share of joint ventures' & associates' net surplus	11	132	99	-	-
Dividends from wholly owned subsidiaries		-	-	16,980	-
Raw materials, consumables used & other expenses		(35,427)	(37,157)	(12,703)	(12,276)
Employee benefits expense		(18,893)	(20,238)	(11,467)	(12,643)
Depreciation & amortisation	10, 13	(1,109)	(1,130)	(611)	(658)
Finance costs		(168)	(80)	(195)	(109)
NET SURPLUS BEFORE TAXATION	2(b)	7,146	8,738	19,735	1,388
Taxation expense	3	(2,006)	(2,628)	(859)	(459)
NET SURPLUS FOR THE YEAR AFTER TAX		5,140	6,110	18,876	929
Other Comprehensive Income					
Items that may be reclassified to profit or loss:					
Movement in cash flow hedge reserve		(87)	(11)	-	-
Translation of foreign operations		210	25	-	-
Other Comprehensive Income for the Year		123	14	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		5,263	6,124	18,876	929
Net surplus for the year is attributable to:					
Members of the parent entity (used in the calculation of earnings per share)		5,507	6,711	18,876	929
Non controlling interest	20	(367)	(601)	-	-
		5,140	6,110	18,876	929
Total comprehensive income is attributable to:					
Members of the parent entity		5,630	6,725	18,876	929
Non controlling interest	20	(367)	(601)	-	-
		5,263	6,124	18,876	929
Earnings per share:					
Basic (cents per share)	5	13.6	16.7		
Diluted (cents per share)	5	13.6	16.7		
Net tangible assets per ordinary share:					
Basic (cents per share)	5	74.7	68.9		
Diluted (cents per share)	5	74.7	68.9		

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2013

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 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
Net surplus/(deficit) for the year after tax		-	5,507	-	-	(367)	5,140
Other comprehensive income for the year net of tax		-	-	(87)	210	-	123
Issue of shares in subsidiary	20	-	-	-	-	188	188
Issue of ordinary shares under dividend reinvestment plan	19	971	-	-	-	-	971
Dividends paid (8.00 cents per share)		-	(3,263)	-	-	-	(3,263)
Balance at 31 August 2013		24,005	18,985	(99)	90	771	43,752

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 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
Net surplus for the year after tax		-	18,876	-	-	-	18,876
Other comprehensive income for the year net of tax							
Issue of ordinary shares under dividend reinvestment plan	19	971	-	-	-	-	971
Dividends paid (8.00 cents per share)		-	(3,263)	-	-	-	(3,263)
Balance at 31 August 2013		24,005	19,056	-	-	-	43,061

BALANCE SHEET

As at 31 August 2013

	Note	Group 2013 $'000s	Group 2012 $'000s	Parent 2013 $'000s	Parent 2012 $'000s
CURRENT ASSETS					
Cash and cash equivalents		1,327	6,060	-	4,668
Trade debtors	6	12,283	12,069	5,152	2,746
Other financial assets	7	594	549	561	425
Sundry debtors		1,553	830	1,022	70
Inventories	8	9,048	7,570	1,212	750
Receivable from joint ventures and associates	24	329	755	329	755
Contract work in progress	9	6,828	4,203	7,635	2,958
Tax refund due		-	-	678	648
		31,962	32,036	16,589	13,020
NON CURRENT ASSETS					
Property, plant and equipment	10	10,755	10,606	8,485	8,719
Investment in joint ventures and associates	11	855	601	362	235
Other financial assets	7	157	117	157	117
Goodwill	12	10,813	10,813	908	908
Deferred tax asset	3	2,034	1,555	317	286
Intangible assets	13	197	201	-	-
Receivable from joint ventures and associates	24	1,385	1,655	1,385	1,655
Investment in subsidiaries	23	-	-	6,020	5,333
Receivable from subsidiary companies	23	-	-	17,347	3,732
		26,196	25,548	34,981	20,985
TOTAL ASSETS		58,158	57,584	51,570	34,005
CURRENT LIABILITIES					
Bank overdraft		-	-	183	-
Trade creditors and accruals	15	7,612	9,391	3,650	3,184
Other financial liabilities	17	381	275	233	124
Employee entitlements		2,522	3,045	1,629	2,103
Provision for warranty	18	750	750	600	600
Taxation payable		912	1,996	-	-
Payable to associates	24	289	229	289	229
		12,466	15,686	6,584	6,240
NON CURRENT LIABILITIES					
Other financial liabilities	17	125	-	125	-
Employee entitlements		1,815	1,305	1,800	1,288
		1,940	1,305	1,925	1,288
EQUITY					
Share capital	19	24,005	23,034	24,005	23,034
Retained earnings		18,985	16,741	19,056	3,443
Cash flow hedge reserve		(99)	(12)	-	-
Foreign currency translation reserve		90	(120)	-	-
Equity attributable to equity holders of the parent		42,981	39,643	43,061	26,477
Non controlling interest	20	771	950	-	-
TOTAL EQUITY		43,752	40,593	43,061	26,477
TOTAL LIABILITIES & EQUITY		58,158	57,584	51,570	34,005

STATEMENT OF CASHFLOWS

For the Year Ended 31 August 2013

		Group		Parent	
		2013	2012	2013	2012
	Note	$'000s	$'000s	$'000s	$'000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from / (applied to):					
Receipts from operations		59,824	62,485	20,509	26,074
Realised fair value gain on foreign exchange derivatives		-	846	-	846
Interest received		68	62	62	50
Net GST paid		(277)	660	(195)	270
Payments to suppliers and employees		(57,811)	(55,532)	(24,816)	(22,695)
Interest paid		(168)	(80)	(195)	(109)
Taxation paid		(3,569)	(3,063)	(920)	(1,773)
Net cash inflow / (outflow) from operating activities	26	(1,933)	5,378	(5,555)	2,663
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from / (applied to):					
Purchase of property, plant and equipment		(1,333)	(702)	(380)	(282)
Sale of property, plant and equipment		1	48	-	28
Advances from/(to) subsidiaries		-	-	3,365	2,486
Advances from joint ventures and associates		756	406	756	406
Purchase of subsidiaries		-	(573)	-	(617)
Investment in subsidiaries and associates		-	-	(814)	-
Advance to Employee Share Purchase Scheme		-	(190)	-	(190)
Repayment of advance to Employee Share Purchase Scheme		69	60	69	60
Investment in joint ventures and associates		(127)	(278)	-	(120)
Net cash inflow / (outflow) from investing activities		(634)	(1,229)	2,996	1,771
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from / (applied to):					
Repayment of borrowings		(62)	(62)	-	-
Dividends paid		(3,263)	(2,994)	(3,263)	(2,994)
Issue of share capital, net of issue costs		971	1,443	971	1,443
Issue of share capital in subsidiary to non-controlling interests		188	-	-	-
Net cash inflow / (outflow) from financing activities		(2,166)	(1,613)	(2,292)	(1,551)
Net increase/(decrease) in cash held		(4,733)	2,536	(4,851)	2,883
Add cash and cash equivalents at start of period		6,060	3,524	4,668	1,785
Balance at end of period		1,327	6,060	(183)	4,668
Comprised of:					
Cash and bank balances		1,327	6,060	(183)	4,668

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.

For the Year Ended 31 August 2013

1. SUMMARY OF ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

The Company is a profit oriented entity, registered in New Zealand under the Companies Act 1993. The Company 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 10 October 2013.

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 2013 and the comparative information presented in these financial statements for the year ended 31 August 2012.

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.

Critical Judgements, Estimates and Assumptions cont.

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 net profit after tax 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.
- Recoverability of advance to Robotic Technologies Limited - The recoverability of the advance to joint venture company, Robotic Technologies Limited, is dependent on Robotic

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised other income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

(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.

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

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

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.

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:

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- 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 25.

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	
		2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
(a) Other income					
Government grants		2,509	2,558	1,484	1,200
Interest received		68	62	62	50
Realised fair value gain on foreign exchange derivatives		-	846	-	846
		2,577	3,466	1,546	2,096
(b) Operating expenses					
The surplus is stated after charging:					
Auditor's remuneration	- audit & assurance services	59	76	49	61
	- due diligence	1	-	1	-
	- taxation services	20	12	20	12
	- IT assurance services	3	7	3	7
The auditor of the Group is Deloitte.					
Directors' fees		207	199	207	199
Fair value losses on firm commitments		-	201	-	124
Leasing and rental costs		675	639	90	90
Foreign exchange losses		117	-	-	66
Fair value gains on derivatives held as fair value hedges		507	-	397	-
Unrealised fair value gains on foreign exchange derivatives		52	-	-	-
Loss on sale of property, plant and equipment		78	-	3	-
and after crediting:					
Fair value gains on derivatives held as fair value hedges		-	201	-	124
Unrealised fair value gains on foreign exchange derivatives		-	307	11	260
Gain on sale of property, plant and equipment		-	21	-	21
Foreign exchange gains		-	83	369	-
Fair value gains on firm commitments		507	-	397	-

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	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Net surplus before tax	7,146	8,738	19,735	1,388
Income tax expense calculated at 28% (2012: 28%)	2,001	2,447	5,526	389
Tax effect of non-assessable dividends from wholly-owned subsidiaries	-	-	(4,755)	-
Non deductible expenses	(66)	80	(9)	3
Under/(over) provision of income tax in previous year	71	101	97	67
Taxation expense	2,006	2,628	859	459
Represented by:				
Current tax	2,485	3,764	890	1,109
Deferred tax	(479)	(1,136)	(31)	(650)
	2,006	2,628	859	459

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 2013 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	21	-	21
Inventories	22	111	133
Other financial assets	35	(35)	-
Employee entitlements	792	204	996
Provisions	638	(254)	384
Tax losses	1,108	407	1,515
	2,616	433	3,049
Gross deferred tax liabilities:			
Property, plant and equipment	1,043	(71)	972
Prepayments	18	(3)	15
Other financial liabilities	-	28	28
	1,061	(46)	1,015
	1,555	479	2,034

	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

3. INCOME TAXES (CONTINUED)

	Parent Company		
2013	Opening Balance $'000	Charged to Income $'000	Closing Balance $'000
Gross deferred tax assets:			
Trade debtors	21	-	21
Inventories	22	111	133
Other financial assets	35	(35)	-
Employee entitlements	633	165	798
Provisions	596	(254)	342
	1,307	(13)	1,294
Gross deferred tax liabilities:			
Property, plant and equipment	1,004	(70)	934
Prepayments	17	(2)	15
Other financial liabilities	-	28	28
	1,021	(44)	977
	286	31	317

	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

(c) Imputation credit account balances

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Balance at beginning of financial year	6,193	4,457	6,191	3,777
Tax paid	3,606	3,035	3,608	3,713
Attached to dividends paid	(1,358)	(1,283)	(1,358)	(1,283)
Tax refunds received	-	(16)	-	(16)
Balance at end of financial year	8,441	6,193	8,441	6,191

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

Parent company	8,441	6,191
Subsidiaries	-	2
	8,441	6,193

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	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Short term benefits – employees	2,119	2,358	1,056	1,430
Short term benefits – Directors *	611	692	611	692
Long term benefits – employees	552	436	340	284
Long term benefits – Directors *	94	65	94	65
	3,376	3,551	2,101	2,471

* *Includes executive and non-executive Directors*

5. EARNINGS & NET TANGIBLE ASSETS PER SHARE

	Group	
	2013 Cents per Share	2012 Cents per Share
Earnings per share from continuing operations		
Basic	13.6	16.7
Diluted	13.6	16.7
Net tangible assets per ordinary share		
Basic	74.7	68.9
Diluted	74.7	68.9

	Group	
	2013 $'000s	2012 $'000s
Net surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	5,507	6,711
Net tangible assets (excluding goodwill and intangible assets)	30,708	28,024

	Group	
	2013 000s	2012 000s
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	40,549	40,285
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	41,112	40,689

6. TRADE DEBTORS

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Trade debtors	12,359	12,145	5,228	2,822
Allowance for doubtful debts (i) (ii)	(76)	(76)	(76)	(76)
	12,283	12,069	5,152	2,746

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

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	76	76	76

(iii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $5,228,000 (2012: $6,096,000) 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	1,831	3,483	171	456
60 – 90 days	1,031	950	688	307
90 days +	2,366	1,663	1,457	115
	5,228	6,096	2,316	878

7. OTHER FINANCIAL ASSETS

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Advance to Employee Share Purchase Scheme (i)	89	158	89	158
Foreign currency forward contracts held as effective fair value hedges (ii)	-	201	-	124
Foreign exchange collar option derivatives	356	166	356	166
Foreign exchange derivatives	-	141	-	94
Fair value hedge of open firm commitments	306	-	273	-
	751	666	718	542
Represented by:				
Current financial assets				
Advance to Employee Share Purchase Scheme	57	63	57	63
Foreign currency forward contracts held as effective fair value hedges	-	201	-	124
Foreign exchange collar option derivatives	356	144	356	144
Foreign exchange derivatives	-	141	-	94
Fair value hedge on open firm commitments	181	-	148	-
	594	549	561	425
Non current financial assets				
Advance to Employee Share Purchase Scheme	32	95	32	95
Foreign exchange collar option derivatives	-	22	-	22
Fair value hedge on open firm commitments	125	-	125	-
	157	117	157	117

(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.

8. INVENTORIES

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Raw materials	4,820	4,442	84	127
Work in progress	1,809	736	410	292
Finished goods	2,419	2,392	718	331
	9,048	7,570	1,212	750

9. CONTRACT WORK IN PROGRESS

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Costs incurred and estimated earnings on uncompleted contracts	60,882	44,989	46,500	36,584
Progress claims received or receivable	(54,054)	(40,786)	(38,865)	(33,626)
	6,828	4,203	7,635	2,958
Represented by:				
Sales recognised to be recovered by invoices	9,389	6,130	8,892	4,051
Contracts invoiced in advance of sales recognised	(2,561)	(1,927)	(1,257)	(1,093)
	6,828	4,203	7,635	2,958

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 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
Additions	-	28	1,286	1,314
Disposals	-	-	(213)	(213)
As at 31 August 2013	2,133	6,389	16,982	25,504
Accumulated depreciation/amortisation and impairment				
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
Disposals	-	-	(134)	(134)
Depreciation expense	-	195	891	1,086
As at 31 August 2013	-	1,169	13,580	14,749
Net book value				
As at 31 August 2012	2,133	5,387	3,086	10,606
As at 31 August 2013	2,133	5,220	3,402	10,755

	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 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
Additions	-	28	352	380
Disposals	-	-	(28)	(28)
As at 31 August 2013	2,133	6,389	13,050	21,572
Accumulated depreciation/amortisation and impairment				
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
Disposals	-	-	(25)	(25)
Depreciation expense	-	195	416	611
As at 31 August 2013	-	1,169	11,918	13,087
Net book value				
As at 31 August 2012	2,133	5,387	1,199	8,719
As at 31 August 2013	2,133	5,220	1,132	8,485

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:				
Freehold buildings	195	195	195	195
Plant, equipment and vehicles	891	912	416	463
	1,086	1,107	611	658

Assets Pledged as Security

The bank facilities from ANZ National Bank Limited are secured by General Security Agreements over all the present and after acquired property of Scott Technology Limited and its subsidiaries, 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

Name of Entity	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %	Carrying Value 2013 $'000s	Carrying Value 2012 $'000s
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	487	348
Scott Technology Euro Limited (ii)	Ireland	50	50	64	60
NS Innovations Pty Limited (iii)	Australia	50	50	14	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	38	32
XRock Automation Pty Limited (v)	Australia	50	50	180	131
Scott Technology S.A. (vi)	Chile	50	-	64	-
Associates					
Robot Vision Lab Limited (vii)	New Zealand	40	40	8	16
Balance at end of financial year				855	601

(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. Scott Technology Limited's share of RTL's net surplus was $139,000, (2012: $158,000).

(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 $9,000, (2012: share of net surplus $3,000).

(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 $Nil (2012: $14,000).

(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 surplus was $6,000, (2012: share of net deficit $68,000 for nine months).

(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 $49,000, (2012: share of net profit $2,000 for two months).

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

(vi) Scott Technology S.A. (STSA) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. STSA commenced trading in June 2013. STSA is a sales agency for mining equipment in the Americas. Scott Technology Limited's share of STSA's net deficit was $63,000 (2012: $Nil).

(vii) 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 $8,000 (2012: share of net deficit $10,000).

Carrying value of equity accounted investments:

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Balance at beginning of financial year	601	224	235	115
Share of net surplus	132	99	-	-
Translation of foreign investments	(5)	29	-	-
Share capital contributed	127	249	127	120
Balance at end of financial year	855	601	362	235

Summarised statement of comprehensive income of joint ventures and associates:

	Joint Ventures		Associates	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Income	4,325	6,287	265	193
Expenses	(4,045)	(6,069)	(286)	(218)
Net surplus / (deficit)	280	218	(21)	(25)
Group share of net surplus / (deficit)	140	109	(8)	(10)

Summarised balance sheets of joint ventures and associates:

Current assets	3,332	3,725	62	43
Non current assets	3,537	4,482	34	32
Current liabilities	(1,694)	(2,213)	(103)	(35)
Non current liabilities	(3,674)	(4,876)	-	-
Net assets	1,501	1,118	(7)	40
Group share of net assets	751	585	(3)	16

RTL, STEL, NSIL, SSTL, XRA, STSA 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 and loans as set out in note 22.

12. GOODWILL

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Gross carrying amount				
Balance at beginning of financial year	10,813	10,452	908	908
Additional amounts recognised from business combinations occurring during the period	-	361	-	-
Balance at end of financial year	10,813	10,813	908	908

There has been no impairment recognised during the year (2012: $Nil).

Allocation of goodwill to cash-generating units

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

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Mining	7,515	7,515	908	908
High temperature superconductors	2,937	2,937	-	-
China manufacturing	361	361	-	-
	10,813	10,813	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 ten year period, and sensitivities to a range of discount rates reflecting the current stage of its business lifecycle.

Cashflows beyond the ten 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 High Temperature Superconductors cash-generating unit.

China Manufacturing

The recoverable amount of the China Manufacturing 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 China Manufacturing 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 China Manufacturing cash-generating unit.

13. INTANGIBLE ASSETS

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Gross carrying amount				
Balance at beginning of financial year	232	185	-	-
Additions	19	47	-	-
Balance at end of financial year	251	232	-	-
Accumulated amortisation and impairment				
Balance at beginning of financial year	31	8	-	-
Amortisation expense	23	23	-	-
Balance at end of financial year	54	31	-	-
Carrying amount				
As at 31 August 2013	197	201	-	-

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 $8,000,000 (2012: $6,000,000). As at 31 August 2013 the amount used was $183,000 (2012: $Nil).

The Group has a Stock Exchange Bond facility and payment guarantee facility from ANZ National Bank Limited with a total limit of $3,075,000 (2012: $9,115,000). As at 31 August 2013 the amount used was $2,363,000 (2012: $661,000). Refer note 22, Contingent Liabilities.

The Group has a secured credit card facility from ANZ National Bank Limited with a total limit of $750,000 (2012: $770,000) and Rocklabs Limited has a secured credit card facility from Bank of New Zealand Limited of $Nil (2012: $105,000). As at 31 August 2013 the total amount used was $123,000 (2012: $53,000). The total amount used is included in trade creditors and accruals.

The bank facilities from ANZ National Bank Limited are secured by general security agreements over all the present and after acquired property of Scott Technology Limited and its subsidiaries, 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	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Trade creditors	4,195	5,914	2,022	1,493
Accruals	3,417	3,477	1,628	1,691
	7,612	9,391	3,650	3,184

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	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
No longer than 1 year	659	587	91	90
Longer than 1 year and not longer than 2 years	599	562	58	90
Longer than two years and not longer than 5 years	1,362	1,448	-	77
Longer than 5 years	674	1,091	-	-
	3,294	3,688	149	257

17. OTHER FINANCIAL LIABILITIES

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
At fair value:				
Fair value hedge of open firm commitments	-	201	-	124
Foreign currency forward contracts held as cashflow hedges	99	12	--	
Foreign currency forward contracts held as effective fair value hedges	306	-	273	-
Foreign exchange derivatives	101	-	85	-
At amortised cost:				
Industry development loan (i)	-	62	-	-
	506	275	358	124

Represented by:

	Group 2013 $'000s	Group 2012 $'000s	Parent 2013 $'000s	Parent 2012 $'000s
Current financial liabilities				
Fair value hedge of open firm commitments	-	201	-	124
Foreign currency forward contracts held as cashflow hedges	99	12	-	-
Industry development loan	-	62	-	-
Foreign currency forward contracts held as effective fair value hedges	181	-	148	-
Foreign exchange derivatives	101	-	85	-
	381	275	233	124
Non current financial liabilities				
Foreign currency forward contracts held as effective fair value hedges	125	-	125	-

(i) 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	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Balance at beginning of financial year	750	500	600	350
Additional provisions recognised	454	770	153	640
Reductions arising from payments	(454)	(520)	(153)	(390)
Balance at end of financial year	750	750	600	600

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	
	2013 Number	2012 Number	2013 $'000s	2012 $'000s
Fully paid ordinary shares at beginning of financial year	40,689,189	39,721,658	23,034	21,591
Issue of shares to Employee Share Purchase Scheme (i)	-	124,588	-	191
Shares issued under dividend reinvestment plan	423,257	842,943	971	1,252
Balance at end of financial year	41,112,446	40,689,189	24,005	23,034

All shares have equal voting rights and participate equally in any dividend distribution or any surplus on the winding up of the Group.

(i) Refer note 24 (b)

20. NON CONTROLLING INTEREST

	Group	
	2013 $'000s	2012 $'000s
Balance at beginning of financial year	950	1,315
Share of net deficit for the year	(367)	(601)
Acquisition of subsidiary	-	236
Issue of shares in subsidiary	188	-
Balance at end of financial year	771	950

21. COMMITMENTS FOR EXPENDITURE

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Commitments for future capital expenditure resulting from contracts entered into for purchase of plant and equipment	-	43	-	40

22. CONTINGENT LIABILITIES

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Payment guarantees and performance bonds	1,628	586	278	333
Stock Exchange bond	75	75	75	75
Maximum contract penalty clause exposure	2,361	862	2,152	527
Guarantee of joint venture's banking facilities	750	750	750	750
Guarantee of industry loan	-	62	-	62
Guarantee of subsidiary's banking facilities under letter of credit	660	-	660	-

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 needs 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 $147,000 as at 31 August 2013 (2012: $561,000).

Scott Technology Limited provided a guarantee of an industry development loan to a subsidiary. The loan was repaid during the year (2012: balance outstanding $62,000).

Scott Technology Limited has provided a guarantee of up to $660,000 of QMT Machinery Technology (Qingdao) Co Limited's bank facilities under a letter of credit arrangement. These borrowings totalled $Nil as at 31 August, 2013 (2012: $Nil).

23. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2013 %	2012 %
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 NZ Limited (v)	31 August	New Zealand	100	100
QMT New Zealand Limited Partnership (xii)	31 August	New Zealand	92	92
QMT Machinery Technology (Qingdao) Co Limited (xiii)	31 December	China	70	70
Intex Silicon NZ Limited (v)	31 August	New Zealand	100	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 subsidiaries. Scott Technology Holdings Limited changed its name to Scott Technology NZ Limited during the year.

(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 2013 $'000s	2012 $'000s
The parent company's investment in subsidiary companies comprises:		
Shares at cost	6,020	5,333
Amounts owing from subsidiary companies	17,347	3,732
	23,367	9,065

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

24. 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), 50% of Scott Technology S.A. (STSA) and 40% of Robot Vision Lab Limited (RVL).

	Group		Parent	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Joint Ventures				
Project work undertaken by the Group for RTL	1,702	2,012	1,441	1,600
Administration, sales and marketing fees charged by the Group to RTL	62	36	62	36
Sales revenue received by RTL from the Group	2,389	90	-	-
Advance from Scott Technology to RTL	1,385	2,089	1,385	2,089
Administration fees charged by the Group to STEL	6	6	6	6
Commission received by STEL from the Group	197	292	197	288
Advance from STEL to Scott Technology	289	229	289	229
Project work undertaken by the Group for XRA	13	29	-	-
Commission received by XRA from the Group	496	102	-	-
Advance from Scott Technology to XRA	2	2	2	2
Project work undertaken by the Group for SSTL	53	123	-	-
Administration fees charged by the Group to SSTL	12	13	12	13
Advance from Scott Technology to SSTL	151	167	151	167
Project work undertaken by the Group for NSI	-	182	-	-
Advance from Scott Technology to NSI	147	147	147	147
Associates				
Project work undertaken by RVL for the Group	265	193	265	193
Advance from Scott Technology to RVL	29	5	29	5
Subsidiaries				
Project work undertaken by the Group for SML	-	-	654	513
Administration fees charged by the Group to SML	-	-	12	12
Advance from Scott Technology to SML	-	-	684	455
Project work undertaken by the Group for HTS	-	-	27	187
Administration fees charged by the Group to HTS	-	-	-	10
Advance from Scott Technology to HTS	-	-	663	127
Project work undertaken by the Group for QMT	-	-	-	4
Commission received by QMT from the Group	-	-	183	38
Advance from Scott Technology to QMT	-	-	12	96
Capital charges and administration fees received by Scott Technology from 100% owned subsidiaries	1,681	-	1,681	1,571

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

HTS-110 Limited is owned 35.78% by Callaghan Innovation Research Limited (formerly Industrial Research Limited) and 13.57% by American Superconductor Corporation Inc. During the year, HTS-110 Limited purchased $Nil (2012: $Nil for five months since acquisition) of components from American Superconductor Corporation Inc and purchased $694,000 (2012: $1,006,000 of components and services from Callaghan Innovation Research Limited. During the same period HTS-110 Limited received $1,025,000 (2012: $1,573,000) of grant and sales revenue from Callaghan Innovation 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 2013 was $89,000 (2012: $158,000). During the year 5,000 shares (2012: 13,009 shares) which had not vested with employees were disposed of at market value. As at 31 August 2013 120,339 shares were being held on trust for employees pending repayment of loans for the shares by the employees over a three year period (2012: 124,588 shares). 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 $3,000 during the year (2012: $14,000).

(c) Substantial Shareholders

CC Hopkins is a Director of Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. CC Hopkins has received Directors' fees of $8,000 from Oakwood Securities Limited during the year (2012: $Nil since date of appointment during the 2012 year).

25. 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.

25. SEGMENT INFORMATION (CONTINUED)

2013	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Revenue	27,695	32,339	-	60,034
Segment profit	7,694	3,457	-	11,151
Depreciation and amortisation	(252)	(539)	(318)	(1,109)
Share of profits of joint ventures	-	-	132	132
Interest revenue	3	-	65	68
Central administration costs	-	-	(2,928)	(2,928)
Finance costs	(4)	-	(164)	(168)
Net profit before taxation	7,441	2,918	(3,213)	7,146
Taxation expense	(2,089)	(819)	902	(2,006)
Net profit after taxation	5,352	2,099	(2,311)	5,140

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

25. SEGMENT INFORMATION (CONTINUED)

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the year ended 31 August 2013 (2012: $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	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
Appliances	16,513	16,455	14,059	13,739
Meat processing	7,758	5,571	7,070	4,196
Mining	28,794	34,046	3,203	4,668
High temperature superconductor products	1,556	3,113	-	-
Other industrial automation	5,413	4,593	1,853	2,375
	60,034	63,778	26,185	24,978

(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	
	2013	2012	2013	2012
	$'000s	$'000s	$'000s	$'000s
New Zealand (country of domicile)	8,078	9,004	4,386	11,213
North America, including Mexico	22,537	24,347	14,168	9,646
Australia and Pacific Islands	14,978	12,476	5,640	1,894
South America	3,081	3,154	481	-
Asia	1,624	4,155	365	1,813
Russia and former states	4,748	4,566	165	-
Africa and Middle East	3,354	4,246	730	-
Other Europe	1,634	1,830	250	412
	60,034	63,778	26,185	24,978

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 13.1% of total Group sales (2012: 11.1%).

26. NOTES TO THE CASHFLOW STATEMENT

	Group		Parent	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Net surplus for the year	5,140	6,110	18,876	929
Adjustments for non-cash items:				
Depreciation and amortisation	1,109	1,130	611	658
Net loss/(gain) on sale of property, plant and equipment	78	(21)	3	(21)
Deferred tax, net of asset acquired on purchase of subsidiary	(479)	(1,136)	(31)	(650)
Share of net surplus of joint ventures and associates	(132)	(99)	-	-
Dividends from wholly owned subsidiaries	-	-	(16,980)	-
Add / (less) movement in working capital:				
Trade debtors	(214)	(3,425)	(2,406)	(340)
Other financial assets – derivatives	(154)	861	(245)	838
Sundry debtors	(723)	(319)	(952)	(70)
Inventories	(1,478)	(2,680)	(462)	132
Contract work in progress	(2,625)	(692)	(4,677)	288
Taxation payable	(1,084)	701	(30)	(664)
Trade creditors and accruals	(1,779)	4,276	466	1,064
Other financial liabilities – derivatives	206	(845)	234	(926)
Employee entitlements	(13)	1,112	38	1,175
Warranty provision	-	250	-	250
Working capital relating to business purchase	-	130	-	-
Movement in foreign exchange translation reserve relating to working capital	215	25	-	-
Net cash inflow/(outflow) from operating activities	(1,933)	5,378	(5,555)	2,663

27. 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 2012.

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.

(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:

27. FINANCIAL INSTRUMENTS (CONTINUED)

	Assets 2013 $'000s	Assets 2012 $'000s	Liabilities 2013 $'000s	Liabilities 2012 $'000s
United States Dollar	9,119	5,788	442	212
Euros	205	590	-	33
Australian Dollars	2,932	3,932	511	183
Japanese Yen	1	88	-	18
Great Britain Pound	9	59	-	-
Chinese RMB	301	87	418	588
	12,567	10,544	1,371	1,034

(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	
	2013	2012	2013 FC'000s	2012 FC'000s	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Foreign currency forward contracts held as effective fair value hedges								
Sell United States Dollars								
Less than 3 months	0.7783	0.7407	54	2,588	69	3,493	-	241
3 to 6 months	0.8072	0.7603	1,412	483	1,749	635	(81)	24
6 to 12 months	0.7853	-	2,125	-	2,706	-	(82)	-
1 to 2 years	0.7813	-	2,600	-	3,328	-	(124)	-
			6,191	3,071	7,852	4,128	(287)	265
Buy United States Dollars								
Less than 3 months	-	0.7750	-	800	-	1,032	-	(27)
Sell Euros								
3 to 6 months	0.5860	-	132	-	225	-	(1)	-
6 to 12 months	0.5838	-	781	-	1,338	-	(16)	-
1 to 2 years	0.5680	-	94	-	165	-	(2)	-
			1,007	-	1,728	-	(19)	-
Sell Australian Dollars								
Less than 3 months	-	0.7821	-	540	-	690	-	(5)
3 to 6 months	-	0.7849	-	1,080	-	1,376	-	(10)
6 to 12 months	-	0.7854	-	180	-	229	-	(2)
			-	1,800	-	2,295	-	(17)
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)
					9,580	10,430	(306)	201

27. FINANCIAL INSTRUMENTS (CONTINUED)

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2013	2012	2013 FC'000s	2012 FC'000s	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Foreign currency forward contracts held as cash flow hedges								
Sell United States Dollars								
Less than 3 months	0.7975	0.8016	1,850	1,000	2,320	1,247	(66)	(7)
3 to 6 months	0.7781		1,500		1,928		(20)	
6 to 12 months	0.7733		2,500		3,233		(43)	
			5,850	1,000	7,481	1,247	(129)	(7)
Sell Australian Dollars								
Less than 3 months	0.8394	0.7825	750	500	894	639	30	(5)
					8,375	1,886	(99)	(12)
Foreign exchange derivatives								
Sell United States Dollars								
Less than 3 months	0.8038	0.7697	3,274	1,144	4,073	1,487	(150)	51
3 to 6 months	-	0.7687	-	45	-	58	-	2
			3,274	1,189	4,073	1,545	(150)	53
Sell Euros								
Less than 3 months	0.5387	0.5477	72	347	134	634	11	89
Buy Euros								
Less than 3 months	-	0.6068	-	35	-	58	-	(3)
Sell Australian Dollars								
Less than 3 months	0.8094	-	449	-	555	-	38	-
Buy Japanese Yen								
Less than 3 months	-	61.4976	-	9,900	-	161	-	2
3 to 6 months	-	61.4300	-	1,980	-	32	-	-
			-	11,880	-	193	-	2
					4,762	2,430	(101)	141
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
3 to 6 months	0.7715	-	1,800	-	2,333	-	(87)	-
6 to 12 months	0.7496	0.7731	5,400	1,030	7,204	1,332	(218)	60
1 to 2 years	-	0.7731	-	772	-	999	-	53
			7,200	3,090	9,537	3,996	(305)	175
Sell Australian Dollars								
Less than 3 months	0.7700	0.7700	623	1,208	809	1,569	80	18
6 to 12 months	0.7700	0.7700	4,252	4,229	5,522	5,492	533	120
1 to 2 years	-	0.7700	-	4,875	-	6,331	-	203
			4,875	10,312	6,331	13,392	613	341

27. FINANCIAL INSTRUMENTS (CONTINUED)

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2013	2012	2013 FC'000s	2012 FC'000s	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Company has the obligation below the exchange rate to:								
Sell United States Dollars	-	0.7325	-	2,575	-	3,515	-	(6)
Less than 3 months	0.8110	-	900	-	1,110	-	15	-
6 to 12 months	0.8216	0.7117	2,700	2,060	3,286	2,894	40	(22)
1 to 2 years	-	0.6918	-	1,545	-	2,233	-	(31)
			3,600	6,180	4,396	8,642	55	(59)
Sell Australian Dollars								
Less than 3 months	0.7583	0.7583	1,246	2,416	1,643	3,186	-	(3)
6 to 12 months	0.7583	0.7583	8,504	8,458	11,215	11,154	(7)	(85)
1 to 2 years	-	0.7583	-	9,750	-	12,858	-	(203)
			9,750	20,624	12,858	27,198	(7)	(291)
					33,122	53,228	356	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	
	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s	2013 $'000s	2012 $'000s
Impact on profit or loss and equity:						
10% increase in New Zealand Dollar	(100)	(367)	(7)	(10)	(97)	(311)
10% decrease in New Zealand Dollar	100	367	7	10	97	311

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 $5,440,000 (2012: $4,394,000).

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.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity and interest rate 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	
	2013	2012
	$'000s	$'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
2013								
Financial Liabilities								
Trade creditors and accruals	-	7,612	-	-	-	-	-	7,612
2012								
Financial Liabilities								
Trade creditors and accruals	-	9,391	-	-	-	-	-	9,391
Industry development loan	-	-	62	-	-	-	-	62
		9,391	62	-	-	-	-	9,453

	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
2013								
Financial Liabilities								
Trade creditors and accruals		3,650	-	-	-	-	-	3,650
2012								
Financial Liabilities								
Trade creditors and accruals	-	3,184	-	-	-	-	-	3,184

27. FINANCIAL INSTRUMENTS (CONTINUED)

The Group has access to financing facilities, the total unused amount which is $9.2 million at the balance sheet date, (2012: $15.3 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			
2013	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	306	-	306
Foreign exchange collar option derivatives	-	356	-	356
Financial liabilities at fair value through profit and loss				
Foreign currency forward contracts held as cashflow hedges	-	(99)	-	(99)
Foreign exchange derivatives	-	(101)	-	(101)
Foreign currency forward contracts held as effective fair value hedges	-	(306)	-	(306)
	-	156	-	156

	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

27. FINANCIAL INSTRUMENTS (CONTINUED)

		Parent		
	Level 1	Level 2	Level 3	Total
2013	$'000s	$'000s	$'000s	$'000s
Financial assets at fair value through profit and loss				
Fair value hedge of open firm commitments	-	273	-	273
Foreign exchange collar option derivatives	-	356	-	356
Financial liabilities at fair value through profit and loss				
Foreign exchange derivatives	-	(85)	-	(85)
Foreign currency forward contracts held as effective fair value hedges	-	(273)	-	(273)
	-	271	-	271

		Parent		
	Level 1	Level 2	Level 3	Total
2012	$'000s	$'000s	$'000s	$'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	-	(124)	-	(124)
Fair value hedge of open firm commitments	-	260	-	260

28. SUBSEQUENT EVENTS

On 2 September, 2013 the wholly owned subsidiaries of Rocklabs Limited, Scott Service International Limited, Scott Fabtech Limited and Betts Engineering Limited were amalgamated into Scott Technology NZ Limited. On 3 September, 2013 the Dunedin, Christchurch and Reference Materials divisions were sold from the parent company, Scott Technology Limited, to the newly amalgamated subsidiary Scott Technology NZ Limited. From this date all wholly owned New Zealand trading divisions operated out of Scott Technology NZ Limited. These changes were made to simplify the New Zealand trading operations and to leave the parent company, Scott Technology Limited, as an investment holding company.

On 23 September, 2013 Scott Technology Limited entered into an unconditional agreement to purchase the properties at 155-161 Neilson Street, Onehunga, Auckland which were leased by Rocklabs Limited. The properties are to be purchased from Inchinnam Limited, the previous owner of the Rocklabs business, for a total price of $3.2 million and a settlement date of 30 September, 2013. The purchase price was fully funded by a bank loan.

On 10 October 2013 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 2013 year (2012: five and a half cents per share).

On 10 October 2013 the Board of Directors also approved a special dividend of two and a half cents per share with full imputation credits attached to mark the centenary of the Scott Technology Limited business.

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 23 September 2013
1. Oakwood Securities Limited	5,379,000
2. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	5,035,737
3. Fisher Funds Management Limited	3,650,947

The total number of issued voting securities of the company as at 23 September 2013 was 41,112,446 ordinary shares.

Distribution of Shares by Holding Size	Number	% of Total	Shares	% of Total
1 - 1,000	764	26.29%	383,782	0.93%
1,001 - 5,000	1,298	44.67%	3,322,911	8.08%
5,001 - 10,000	392	13.49%	2,835,443	6.90%
10,001 - 100,000	423	14.56%	9,891,633	24.06%
100,001 and over	29	0.99%	24,678,677	60.03%
Total and percentage	2,906	100.00%	41,112,446	100.00%

Twenty Largest Shareholders as at 23 September 2013	Shares	% of Total
1. New Zealand Central Securities Depository Limited	6,308,531	15.34%
2. Oakwood Securities Limited	5,379,000	13.08%
3. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	5,035,737	12.25%
4. JB Were (NZ) Nominees Limited	1,093,575	2.66%
5. Investment Custodial Services Limited (R A/C)	975,334	2.37%
6. Investment Custodial Services Limited (C A/C)	664,705	1.62%
7. Southern Capital Limited	510,000	1.24%
8. SIL Long Term Holdings Limited	450,000	1.09%
9. Jarden Custodians Limited	433,435	1.05%
10. Forsyth Barr Custodians Limited (1-33 A/C)	371,167	0.90%
11. Rosebery Holdings Limited	301,086	0.73%
12. Jack William Allan & Helen Lynette Allan	290,000	0.71%
13. Custodial Services Limited (3 A/C)	270,979	0.66%
14. Hamish Heathcote McCrostie	250,000	0.61%
15. Custodial Services Limited (4 A/C)	221,175	0.54%
16. Graham William Batts & Patricia Joy Batts & Roger Norman Macassey	220,492	0.54%
17. Eunice Marsh	206,250	0.50%
18. Kenneth William Wigley	205,592	0.50%
19. Harry McMillan Hearsey Salmon	200,000	0.49%
20. Lloyd James Christie	165,617	0.40%
	23,552,675	57.28%

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	$200,001 - $210,000	1
$110,001 - $120,000	9	$220,001 - $230,000	1
$120,001 - $130,000	3	$260,001 - $270,000	2
$130,001 - $140,000	1	$270,001 - $280,000	1
$150,001 - $160,000	2	$300,001 - $310,000	1
$160,001 - $170,000	1	$310,001 - $320,000	1
$170,001 - $180,000	1	$340,001 - $350,000	1
$180,001 - $190,000	1		

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 20 to 54, which comprise the consolidated and separate balance sheets of Scott Technology Limited, as at 31 August 2013, 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, due diligence 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 20 to 54:

- 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 2013 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 2013:

- 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
10 October 2013, Dunedin, New Zealand

DIRECTORY

PARENT COMPANY

REGISTERED & HEAD OFFICE
Scott Technology Limited
630 Kaikorai Valley Road
Dunedin 9011
New Zealand
T +64 3 478 8110
F +64 3 488 0657

MAILING ADDRESS
Scott Technology Limited
Private Bag 1960
Dunedin 9054
New Zealand

WEBSITE
scott.co.nz

CHAIRMAN & INDEPENDENT DIRECTOR
Stuart McLauchlan

INDEPENDENT DIRECTORS
Christopher Staynes
Mark Waller
Graham Batts

MANAGING DIRECTOR/CEO
Chris Hopkins

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY
Greg Chiles

REGIONAL CONTACTS

AUSTRALIA
Sean Starling
T +61 2 8096 9260
E s.starling@scotttechnology.com.au

EUROPE
Luciano Schiavi
T +39 35 014 6531
E l.schiavi@scotteuro.com

AMERICAS
Iain Ure
T +1 972 466 2543
E i.ure@scott.co.nz

ASIA
Ken Snowling
T +86 156 5323 6312
E k.snowling@scott.co.nz

PROFESSIONAL SERVICES

SHARE REGISTRY
Link Market Services
PO Box 91976
Auckland 1142
T +64 9 375 5998
F +64 3 375 5990
E enquiries@linkmarketservices.com

BANKERS
ANZ Bank New Zealand Ltd
Bank of New Zealand Ltd

SOLICITORS
Gallaway Cook Allan

AUDITOR
Deloitte