SCOTT TECHNOLOGY LIMITED

ANNUAL REPORT 2014

SCOTT™

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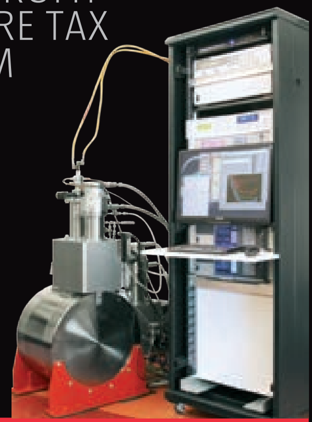
REVENUE
$60.3M

ACQUISITION OF ROBOTWORX, BASED IN OHIO, USA

NET PROFIT BEFORE TAX
$4.2M



8 CENTS PER SHARE ANNUAL DIVIDEND FULLY IMPUTED

HIGHLIGHTS 2014

STRONG BALANCE SHEET

ACQUISITION OF APPLIED SORTING TECHNOLOGIES, BASED IN MELBOURNE, AUSTRALIA

PRODUCTS EXPORTED TO 71 COUNTRIES

DIVIDEND

Final dividend: 5.5 cents per share, fully imputed.
Record date: 28 November 2014.
Payment date: 9 December 2014.
Dividend reinvestment plan applies.

ANNUAL MEETING

Thursday 4 December 2014 at 2:30pm
at Scott Technology Limited, 10 Maces Road, Christchurch.
Proxies close Tuesday, 2 December 2014 at 2:30pm.

GLOBAL PRESENCE AND MARKETS

KEY

MARKETS

$60.32m 2014 Revenue

End Customer Industry Concentrations:

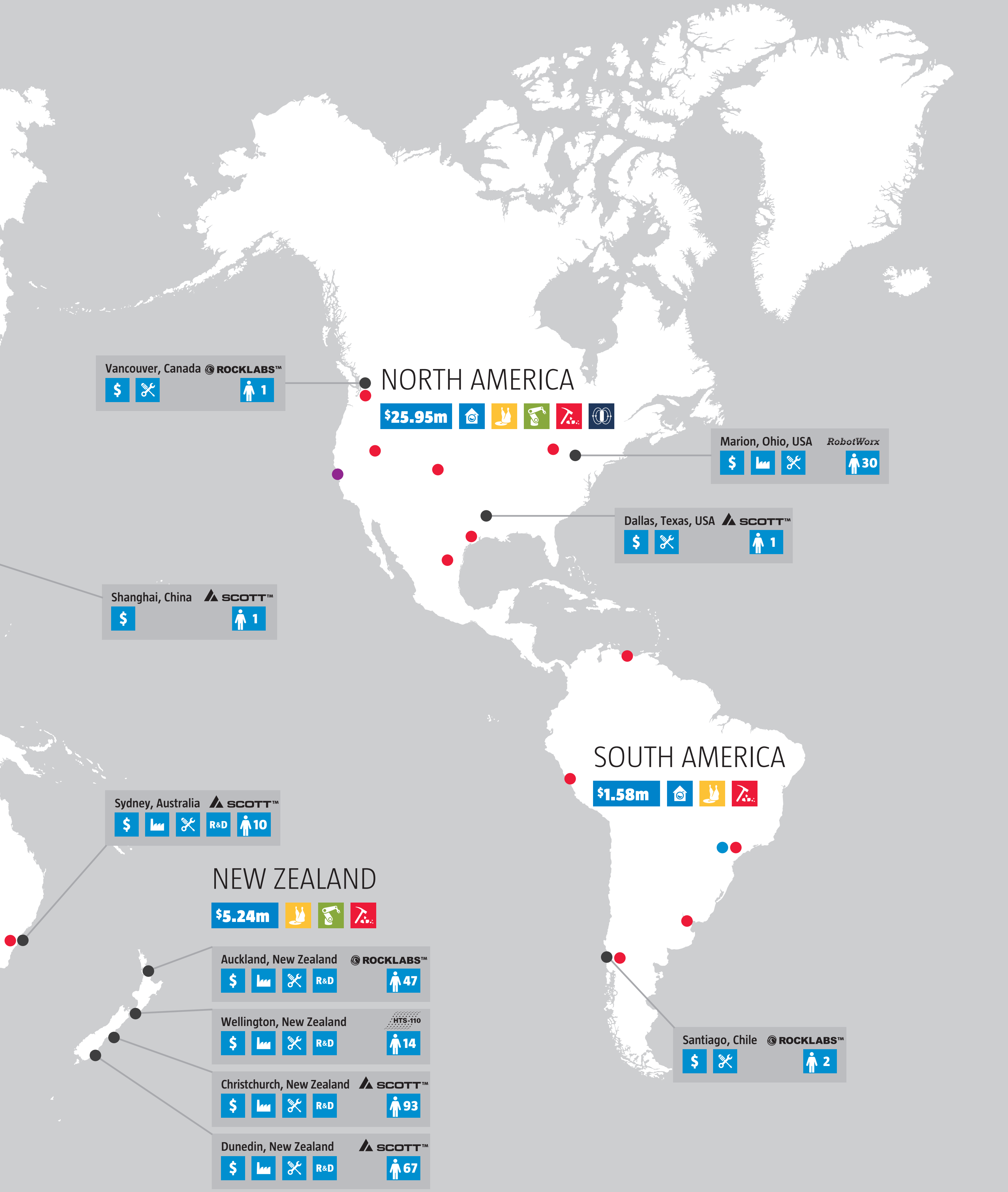
- Appliances
- Meat Processing
- Industrial Automation
- Mining
- Superconductivity

ACTIVITY

- $ Sales
- Manufacturing
- Service
- R&D Research & Development
- 324 Number of Staff

Agents:

- SCOTT™
- ROCKLABS™
- HTS-110


NORTH AMERICA
$25.95m
Vancouver, Canada ROCKLABS™
$
1
Marion, Ohio, USA RobotWorx
$
30
Dallas, Texas, USA SCOTT™
$
1
Shanghai, China SCOTT™
$
1
SOUTH AMERICA
$1.58m
Sydney, Australia SCOTT™
$
R&D
10
NEW ZEALAND
$5.24m
Auckland, New Zealand ROCKLABS™
$
R&D
47
Wellington, New Zealand HTS-110
$
R&D
14
Christchurch, New Zealand SCOTT™
$
R&D
93
Dunedin, New Zealand SCOTT™
$
R&D
67
Santiago, Chile ROCKLABS™
$
2

CHAIRMAN'S REPORT

The Company achieved a profit before tax of $4.2m on revenues totalling $60.3m which have slightly increased from the previous year. This year's profit before tax compares to $7.1m recorded in the previous year.

The Company responded well to the impact of the major slowdown in our mining sector markets and has shown a steady recovery within the second half of the year, producing a profit more than double the profit produced in the first half. A major lift in sales to the appliance and meat processing sectors assisted the Company in achieving this small increase in revenues. Competitive pressures, along with the high value of the New Zealand dollar, have put pressure on our manufacturing margins across all market sectors.

Two businesses acquired in the latter part of the year contributed well and further expanded Scott's capability and presence in key markets of North America and Australia.

Scott maintains a strong balance sheet with shareholders' equity of $47.2m, an increase over the year of $4.2m, and has an overall term debt to total assets ratio of 11%. During the year Scott took the decision to purchase the Auckland properties occupied by our business unit, Rocklabs, on favourable terms. This, along with the outlay for the two acquired businesses, are the reasons for the addition of debt to the balance sheet.

Globally, the demand for automation and robotics is expected to grow, driven by the trend of rising labour costs and the quest for greater productivity, consistency and quality. Scott's automation and robotics capability and skill is well recognised by our customers in our chosen field of application and continues to grow in other markets.

The Company's strategy is to use our standard offerings and base skills to underpin our operating performance. Growth will increasingly come from our use of research and development, combined with acquisitions to grow our offerings and increased presence in key markets that are increasingly looking for automation and robotics partners.

The markets we operate in have been highly volatile over the year. Our customers who operate in the mining sector have dramatically reduced expenditure on capital equipment in response to a fall in the price of their traded commodities, minerals and precious metals. Conversely, Scott customers who operate in the meat processing and the appliance sectors have increased their capital expenditure to achieve yield and productivity gains in a market that has more attractive prices, but still remains highly competitive. Many of our customers look to Scott, not only for productivity and smart technology in their manufacturing, but to help provide a competitive advantage through either these new technologies or through innovative process improvement.

With the purchase of RobotWorx, Scott now has international manufacturing and engineering facilities in China and the USA. These operations performed well during the year and provide a strong local presence to support our growth in these geographic regions.

Lower cost, whilst maintaining or improving quality and yield, will drive the growth of automation and robotics, particularly as smart new technologies become a reality. To ensure Scott remains a leader in this field, the Directors have committed to an extensive programme of research and development.

ROBOTWORX

Acquisition

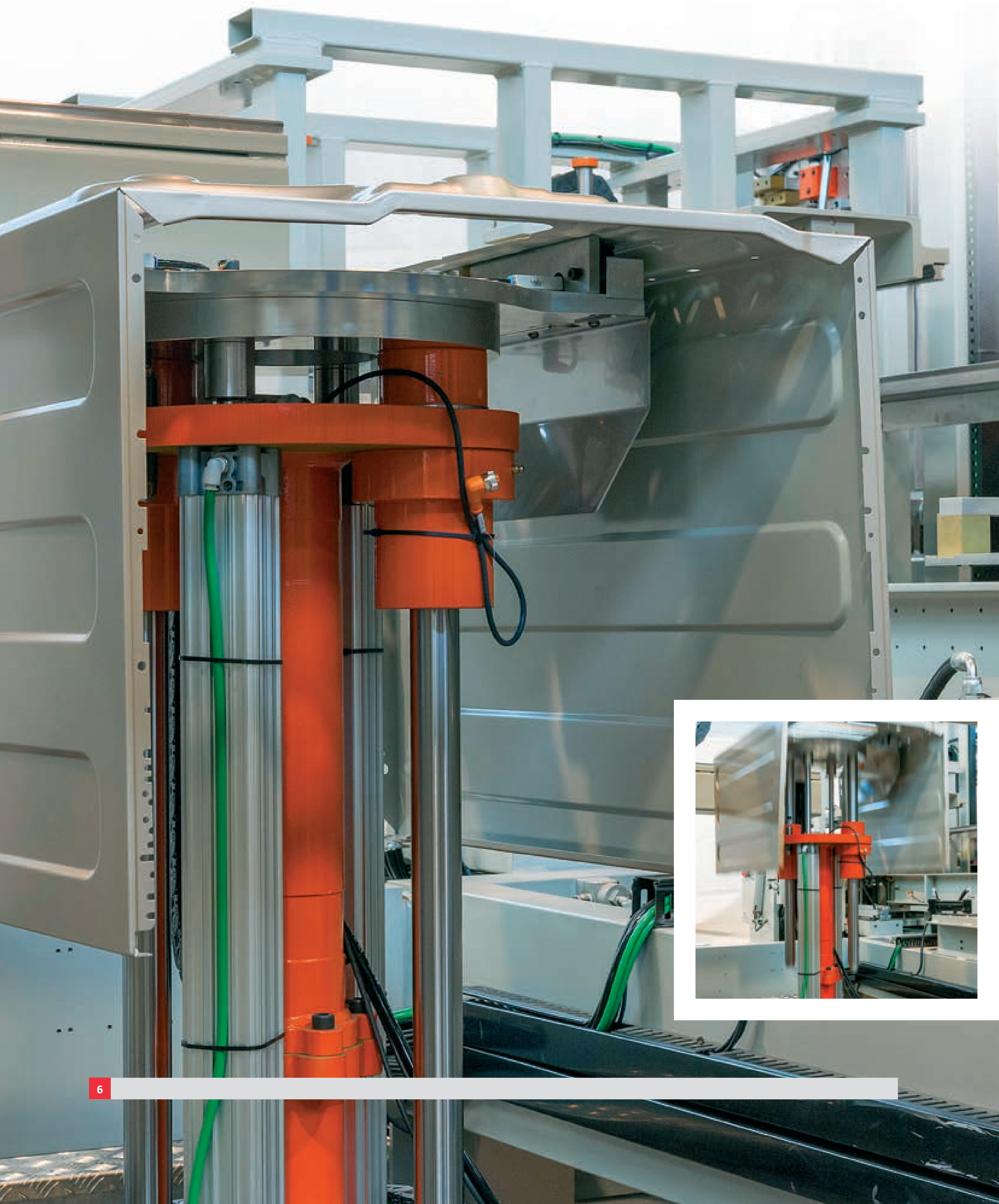
RobotWorx

In May Scott acquired the business of Robotworx, a seller and integrator of industrial robots, based in Marion, Ohio, USA.

This acquisition will provide Scott with a strong strategic foundation to grow its market share in the Americas, through Robotworx' powerful internet presence and broad customer base of prominent North American industrial corporations.

North America has traditionally been Scott's biggest market, representing 43% of Scott's 2014 group sales, mainly to the appliance, mining and superconductor industries.

The robot industry is expected to grow substantially, due to it promising output of high quality products at a lower price. With the ability to offer robotic automation for a wide variety of industries RobotWorx, together with Scott, have significant ability to tap into this profitable growing market.



A portfolio that supports and protects the technologies, and more importantly, the application of our technologies, has been developed and continues to grow and will provide a foundation for the Company's future growth.

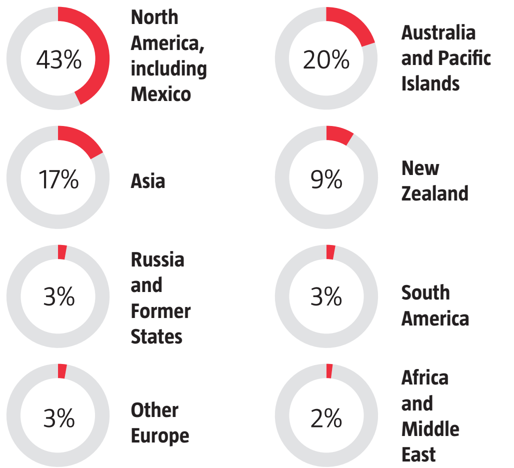
Dividend

The Directors have declared a final dividend of 5.5 cents per share for the year ended 31 August 2014 payable on 9 December 2014. An interim dividend of 2.5 cents per share was paid in May 2014, bringing the total dividend to 8.0 cents per share for the year. The Dividend is fully imputed and the Dividend Reinvestment Plan applies to these distributions.

Business Growth

The Company recognises the need to grow. Growth provides a platform for enhanced returns to all stakeholders, as well as opportunities for our staff to develop their careers and grow their expertise.

Group Sales by Region



Continuing research and development assists our organic growth, particularly as we diversify into a wider range of industry sectors and as we introduce new products and technologies.

In addition to organic growth, we also look for acquisitions that will add to our skill set or provide further depth to our experience. The Board has set rigid guidelines and criteria against which any acquisition is assessed to ensure the acquisition is the right one.

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

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

S J McLauchlan
CHAIRMAN

APPLIED SORTING

Acquisition

In May Scott acquired Applied Sorting Technologies Pty Ltd (AST), Australia's most established manufacturer of x-ray food inspection equipment.

AST is based in Melbourne Australia and has skills and expertise in advanced sensing and imaging technologies including X-ray, DEXA and CT scanning. These technologies are included in a range of x-ray inspection products and applications for the mining and meat processing sectors which complement and enhance Scott's portfolio of skills and capabilities.

As well as manufacturing and selling x-ray food inspection equipment, Applied Sorting also provides an x-ray food inspection service. Products suspected of containing contaminants can be inspected either at the Applied Sorting works in Bulleen, Victoria or at the customer's own premises.

AST

TERRITORIAL SERVICE

Community

Scott supports the New Zealand Defence Force Reserves by providing enlisted employees with time off for military training and overseas deployment. In 2013 Scott received an award for 'Employer Excellence in the Private Sector' from the Territorial Forces Employer Support Council.

Scott employee, John Aitken, is currently peace keeping with the NZ Territorials in Egypt, after previously being deployed in Timor.

As a part of the New Zealand Contingent to the Multinational Force and Observers (MFO), John departed New Zealand on 27 April 2014 to the Sinai Peninsula, Egypt.

John is based at the North Camp situated in El Gorah, Sinai – this is the main establishment that the MFO works from. The camp is approximately 12km from the Gaza Strip.

The MFO is a group of over 11 nations which works together to ensure peace is maintained between Israel and Egypt. The mission of the MFO is to "observe, verify and report" any Peace Treaty violations between the two countries.

Scott Employee and NZ Territorial Senior Instructor, John Aitken, on duty peace keeping in Sinai, Egypt.

MANAGING DIRECTOR'S REPORT

For Scott, a new century has begun. Although the Company is now 100 years old, we continue to grow and learn, as any organisation should. We have a clear focus on sustainable growth which is underpinned by our research and development targeted at bringing in new technologies that deliver new products and services to a diverse customer base.

Automation and engineering are key for Scott with an intent to automate the future. The production line machinery we design and build delivers productivity gains and exceptional reliability to many of the world's leading manufacturers. We also go a step beyond engineering production solutions to actually revolutionise entire industries – automating manual processes and creating genuine competitive advantage.

Our People

For Scott it is more than just our staff. It is their skills and experience, their aptitude and motivation, blended across diverse and often unique areas that come together to create an effective team. We have transitioned to being multi-skilled, underpinned by mechanical engineering but enhanced by our vision and sensing, digital image analysis, robotics, and software capabilities. Our professional skills have expanded to many disciplines, including mathematics, ICT, physics, science and marketing.

Our health and safety systems are first class and are accredited by Government agencies and customers in key industries. Our goal is to do no harm and this extends to all visitors and people we connect with.

Over the last 18 months we have encouraged all staff to participate in our Lean Six Sigma Continuous Improvement Programme. Within this programme there is a strong focus on improving our engineering and business processes, increasing quality and eliminating waste. The programme is ongoing and is becoming an instinctive way of doing business and a part of our strive for excellence.

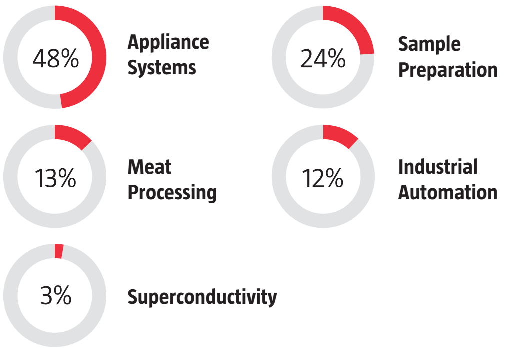
Our Markets

The challenges and fluctuations seen in some of our key market sectors have also driven the fortunes of the Company over the past year. Our customers who operate in the mining sector have been through a major commodity cycle downturn. Sales to these customers are down by around 50% on last year and returned to 2009, pre-boom levels. We are now starting to see signs of recovery in this market as our customers adjust to this stage of the cycle and shift their focus onto productivity and yield improvements, which are assisted by automation and robotics.

Our customers who operate in the appliance sector are also striving for productivity and quality improvements and these factors, combined with the launch of new products aimed at retaining or capturing market share, have seen our customers in the appliance industry place significant orders for our production line machinery.

Sales to customers in the appliance industry have increased 75% from 2013. Our increase in revenue to customers in the appliance market, combined with ongoing strong sales to customers in the meat processing sector, offset much of the reduction in revenue from our mining sector customers. The effect of the exchange rate on our revenue recorded in New Zealand dollars and the varying margin mixed between our different customer base, resulted in our major challenge which was maintaining overall margins.

Group Sales by Industry



Our recent acquisition of RobotWorx provides expansion into the robotics market in North America. RobotWorx' strong presence in our largest market, their highly effective marketing platform and an extensive customer base, provide opportunities to leverage Scott's expertise into new industry sectors.

Our Operations

Total research and development expenditure was in excess of $3.0m during the year with our research and development programme receiving very good assistance from both New Zealand and Australian Government agencies. The Company continues to develop and grow technologies and products that have been, or are about to be, taken to market. This includes Scott's joint venture robotic milking system, now in advanced production trials after successful pre-production running during the 2013 / 2014 Dairy season. These advanced production trials are a precursor to commercial installations targeted for 2015.

During the year we successfully implemented a formal programme to manage our development investments. Opportunities, ideas and aspirations for development investments exceed the resources available and our programme ensures that opportunities are prioritised to deliver maximum impact.

In addition to our investment in research and development we have expanded our skilled employee base in New Zealand and Australia. We continually seek to increase our skill levels which are required to develop new technologies and to take them to market.

Scott's business in China, which started off as a small part of a manufacturing joint venture in Qingdao, has matured and we are now in the process of transferring our operations to a wholly owned facility with a primary focus on serving our customers in Asia and Europe and realising the growth potential that is clearly evident.

In North America, through our RobotWorx acquisition, Scott now has significant operations in our key North American market. We are in the process of relocating senior Scott management to North America to work closely with the existing RobotWorx management team to capitalise on RobotWorx' strong presence. We have already received positive feedback from existing customers who are very interested in utilising our Ohio base for new areas of work.

Our global reach also continues to grow with the addition of a branch in Western Australia, which is a natural progression of our joint venture there, together with a move into larger premises in our Santiago, Chile office.

Our Finances

Diversification into a wider range of industry sectors is evident in the diversification of our revenue streams. We now have customers in many different market sectors with reduced concentration, leading to reduced risk. Our many customers are in widespread geographic regions. Of our total revenues over 90% is outside New Zealand. The geographic spread of customers, combined with our increasing ability to deliver products and services from our offshore facilities, reduces the impact of volatile currencies, and in particular the New Zealand dollar.

Our balance sheet looks significantly different than in the past with the addition of long term debt. Long term debt was taken on to acquire the Auckland property, where we exchanged a rent bill of $330,000 for an interest expense of $170,000, and for the recent business acquisitions. Our overall term debt to total assets ratio of 11% is low and very manageable.

Cashflow from operations was positive, but small, with much capital tied up in projects as work in progress, to be released on completion or final handover as in the case of our "Try Before You Buy" products.

Scott's joint ventures and partnerships successfully delivered on their goal of being a cost effective way of driving our sales and marketing efforts in new markets. As our presence and revenues increase in these markets, we will strengthen joint ventures and partnerships or transition them to wholly owned operations to enhance outcomes.

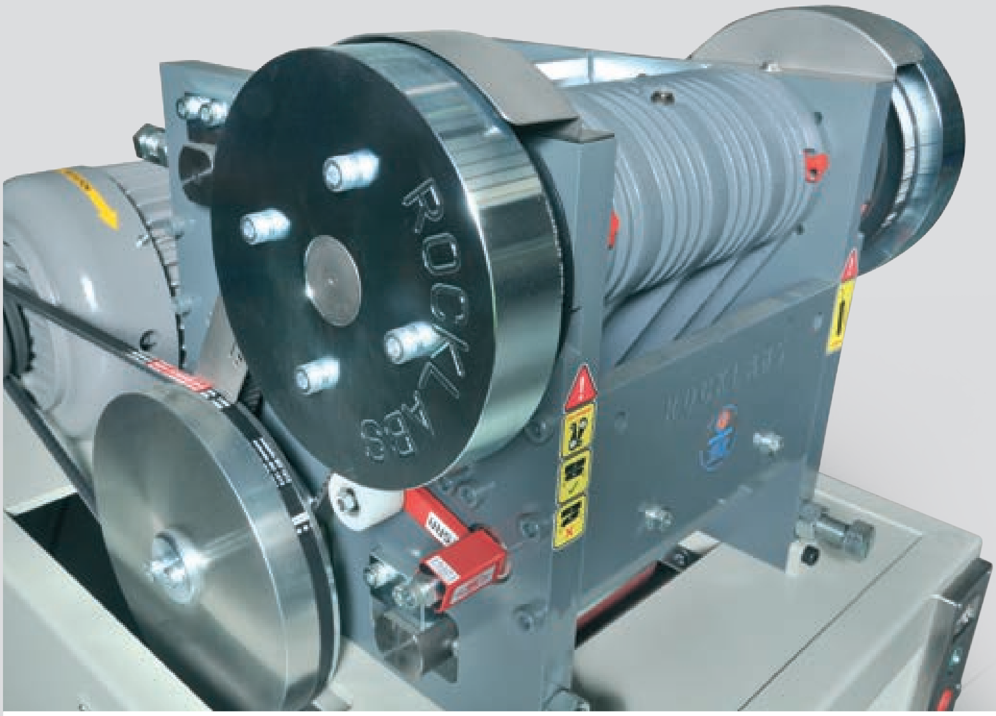
Our Future

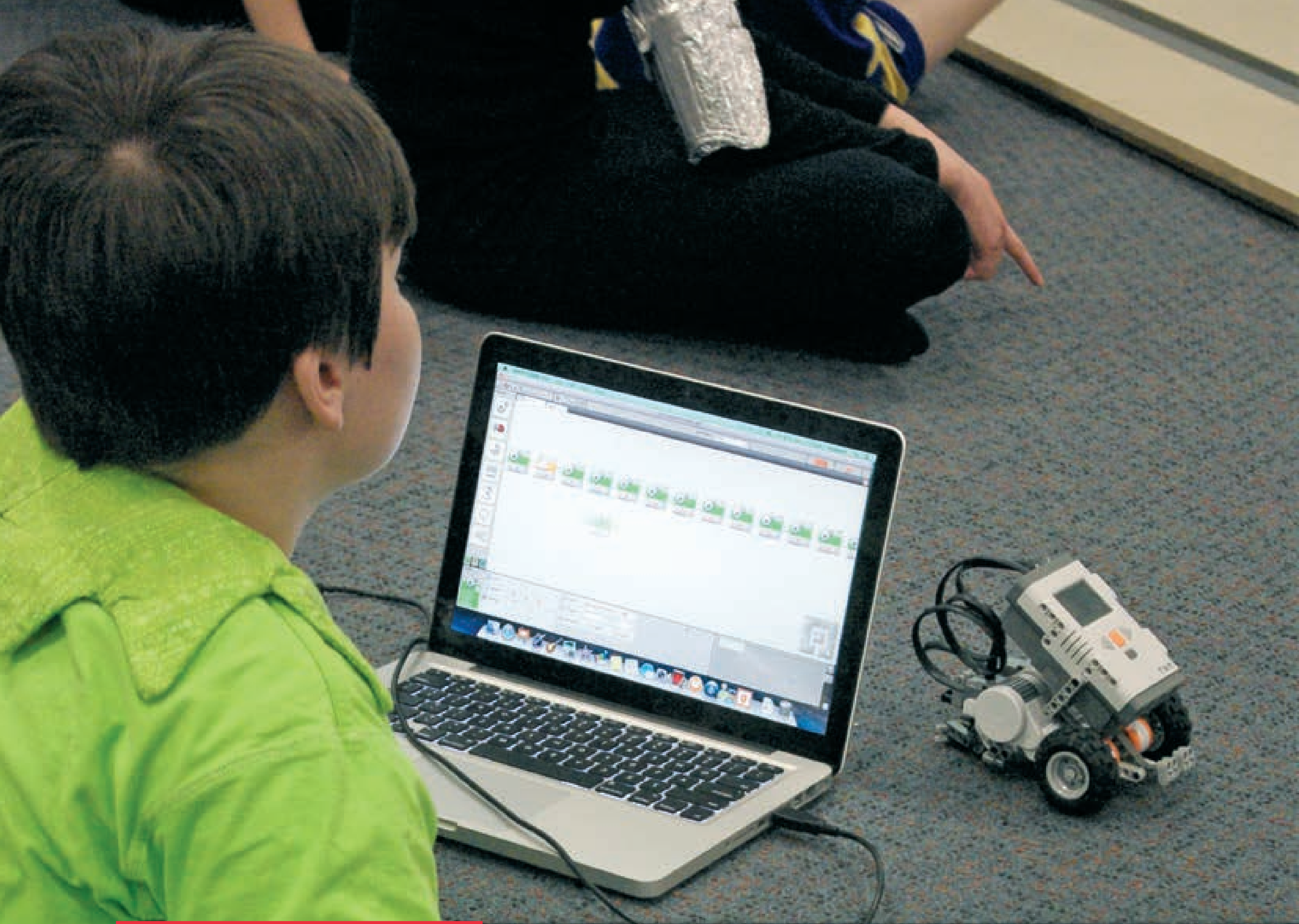
Scott continues to evolve. The future will be built upon our desire and ability to deliver growth in revenue and profit to enable a return to our stakeholders. This will be balanced by the need for ongoing investment in new technologies that will deliver long term results that support a healthy sustainable business.

On behalf of the Company and my fellow management team I thank the Board for their support and encouragement. I thank the people at Scott for their commitment and belief in our dreams and I thank all the stakeholders for their involvement and support as we embrace the next 100 years.

Chris Hopkins

Chris C Hopkins
MANAGING DIRECTOR





COMMUNITY RELATIONS AND GRADUATE PROGRAMME

Over the past year Scott has continued to support education and learning in the fields of Engineering and Innovation. Through this, the Company is building future relationships that will help attract quality employees.

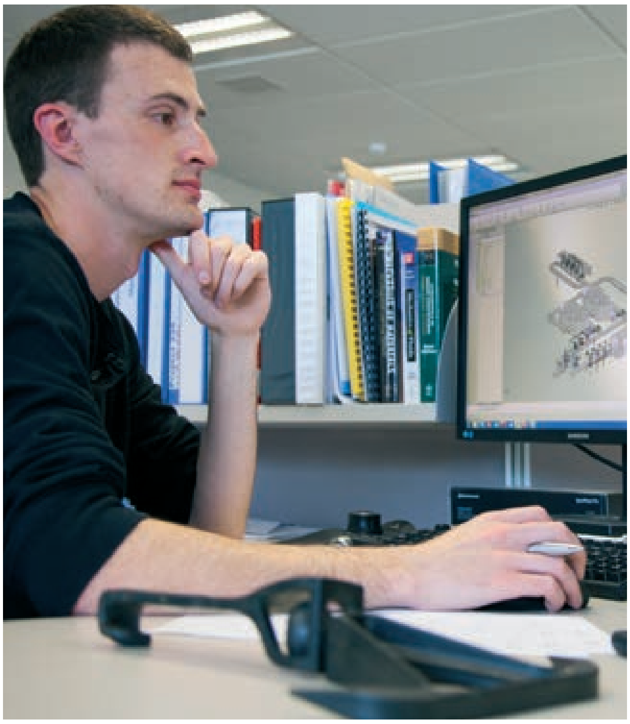
ROBOCUP

Scott supported the successful local and National RoboCup competitions for primary and secondary school children.

RoboCup is a unique event that excites and motivates students to simulate tasks in Robot Theatre, Rescue or Soccer.

RoboCup is an effective tool in identifying children with engineering talent and we have seen several move onto Mechatronics degrees based on their RoboCup experiences. Scott supports this initiative through both their lending library of Lego robots and staff expertise.

"They get to build and program automated robots within specific parameters to perform to specific functions to complete specified tasks. To achieve this they have to plan their time, allocate tasks and meet targets. These are all skills they need to be part of a robotics engineering team, but most of all they learn to have fun with engineering". Richard Aimers Chief Design Engineer.



GRADUATE RECRUITMENT PROGRAMMES

The 2014 recruitment drive for graduate engineers has been the most successful to date, with a smooth and efficient hiring process achieved. Candidates commented on how efficient and communicative Scott has been compared with other organisations they had applied to.

This year there were more Scott employees present at career expos and current Scott Graduate Engineers were included in the selection process to provide support to candidates and also assist in establishing the suitability of candidates.

All graduates at Scott are assigned an experienced engineer/mentor who provides the necessary support throughout the graduate programme. At the completion of the graduate programme, we work with graduates to determine the area and industry they wish to specialise in and endeavour to accommodate these ambitions.

KAIKORAI VALLEY COLLEGE

Scott's partnership with Kaikorai Valley College has seen further environmental enhancement of the Kaikorai Valley Road property in Dunedin. This unique opportunity allows students to gain hands on experience in a large scale environmental project over a long period of time.

"The innovative and forward thinking Scott Technology applies to its business is also manifest in its willingness to engage with this project. Kaikorai Valley College greatly appreciates the opportunity and support provided by Scott Technology" Simon McMillan, Head of Science, Kaikorai Valley College.

The students gain knowledge and experience in managing and planning projects, liaising with local authorities and stakeholders, preparing business cases to help fund plantings, as well as collecting and analysing biological and chemical data to monitor the water quality of the Kaikorai Stream that runs through our property.

CORPORATE GOVERNANCE

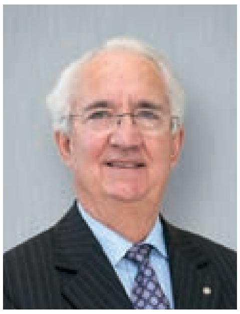
BOARD OF DIRECTORS

Stuart J Mclauchlan
Chairman and Independent Director
BCom, FCA(PP), CF 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.

Mark B Waller
Independent Director
BCom, ACA, FNZIM
Christchurch
Appointed Director 2004

Mark Waller was Chief Executive and Managing Director of EBOS Group Limited from 1987 to 30 June 2014, and he remains an Executive Director of that company. Mark Waller was the recipient of the Leadership Award in the 2014 INFINZ Industry Awards.



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.

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.

Chris C Hopkins
Managing Director
BCom, CA, CF Inst D
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.

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 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 17.

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 3 of the financial statements.

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 2014.

	Board		**Audit Committee**		**Remuneration Committee**		**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	8	7
M B Waller	9	8	2	2	1	1	-	-
G W Batts	9	9	2	2	1	1	11	10
C J Staynes	9	9	2	2	1	1	-	-
C C Hopkins	9	9	2	2	-	-	23	21
G W Chiles*	9	8	2	2	-	-	15	14

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

Directors' Shareholding as at 31 August 2014

	Beneficially owned		Held by associated persons		Non-beneficially held * (jointly held)	
	2014	2013	2014	2013	2014	2013
G W Batts	276,657	276,657	-	-	-	-
C C Hopkins	107,859	102,553	5,411,680	5,410,073	124,273	120,339
S J McLauchlan	316,662	301,086	-	-	124,273	120,339
M B Waller	68,702	68,702	-	-	-	-
C J Staynes	203,000	203,000	-	-	-	-
	972,880	951,998	5,411,680	5,410,073		

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

Directors' Share Dealings

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

	Number of Shares Acquired	Date	Consideration Paid $'000s
SJ McLauchlan *	10,613	3 Dec 2013	21
CC Hopkins *	4,710	3 Dec 2013	9
SJ McLauchlan *	4,963	6 May 2014	7
CC Hopkins *	2,203	6 May 2014	3

* Dividend reinvestment plan

Use of Company Information

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

Remuneration of Directors

During the year ended 31 August 2014, 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
G W Batts	50	-	15	-
C C Hopkins *	-	303	56	(86)
S J McLauchlan	92	-	-	-
M B Waller	50	-	-	-
C J Staynes	42	-	-	-

* 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.

DIRECTORS' INTERESTS

Gender Composition

As at 31 August 2014 there were no female Directors of the Company (2013: 0 female) and three management positions were held by females (2013: 3 females).

Donations

The Company made donations of less than $1,000 during the year (2013: less than $1,000).

Disclosures of Interest by Directors

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

C J Staynes

Councillor	Dunedin City Council
Chairman Council	Cargill Enterprises
Member	Otago Polytechnic
Director	Otago Chamber of Commerce & Industry
Director	The Open Education Resource Foundation Ltd
Director	Wine Freedom Ltd
Trustee	4Trades Trust
Trustee	OSMA Trust
Trustee	Otago Museum Trust Board

C C Hopkins

Chairman	Robotic Technologies Ltd
Chairman	NS Innovations Pty Ltd
Director	Applied Sorting Technologies 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 LED Ltd
Director	Scott Milktech Ltd
Director	Scott Separation Technology Ltd
Director	Scott Systems International Inc
Director	Scott Technology Australia Pty Ltd
Director	Scott Technology Euro Ltd
Director	Scott Technology NZ Ltd
Director	Scott Technology USA Ltd
Director	XRock Automation Pty Ltd
Trustee	Scott Technology Employee Share Purchase Scheme
Shareholder	Penfold Transmission Ltd

S J McLauchlan

Pro- Chancellor	University of Otago
Chairman	Pharmac Ltd
Chairman	UDC Finance Limited
Chairman	Dunedin International Airport Ltd
Partner/Director	GS McLauchlan & Co Ltd
Director	Analogue Digital Instruments Group
Director	Cargill Hotel 2002 Ltd
Director	Dunedin Casinos Ltd
Director	Dunedin City Council Subsidiaries
Director	Energy Link Limited
Director	QMT Machinery Technology (Qingdao) Co Limited
Director	Scenic Circle Hotels & Subsidiaries
Director	Scott Technology NZ Ltd
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

M B Waller

Executive Director	Ebos Group Ltd
Director	Clinect NZ Pty Ltd
Director	Ebos Group Pty Ltd
Director	Ebos Health & Science Pty Ltd
Director	Mansa Investments Ltd
Director	Masterpet Corporation Ltd
Director	Natures Recipe Pet Foods (NZ) Ltd
Director	Pharmacy Retailing (NZ) Ltd
Director	PRNZ Ltd
Director	Quantum Scientific Ltd

FINANCIAL STATEMENTS

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 2014 and the results of their operations and cash flows for the year ended 31 August 2014.

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 2014.

These financial statements are dated 9 October 2014 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

S J McLauchlan
CHAIRMAN

C C Hopkins
MANAGING DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 August 2014

	Note	Group 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
Revenue		60,316	60,034	-	26,185
Other income	3(a)	1,596	2,577	1,009	1,546
Share of joint ventures' & associates' net surplus/(deficit)	12	(38)	132	-	-
Dividends from wholly owned subsidiaries		-	-	485	16,980
Raw materials, consumables used & other expenses		(35,810)	(35,427)	(65)	(12,703)
Employee benefits expense		(19,983)	(18,893)	-	(11,467)
Depreciation & amortisation	11, 14	(1,336)	(1,109)	(225)	(611)
Finance costs		(514)	(168)	(216)	(195)
NET SURPLUS BEFORE TAXATION	3(b)	4,231	7,146	988	19,735
Taxation expense	4	(1,205)	(2,006)	(121)	(859)
NET SURPLUS FOR THE YEAR AFTER TAX		3,026	5,140	867	18,876
Other Comprehensive Income					
Items that may be reclassified to profit or loss:					
Net movement in cash flow hedge reserve		72	(87)	-	-
Translation of foreign operations		(173)	210	-	-
Other Comprehensive Income/(Deficit) for the Year		(101)	123	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		2,925	5,263	867	18,876
Net surplus for the year is attributable to:					
Members of the parent entity (used in the calculation of earnings per share)		2,548	5,507	867	18,876
Non controlling interests	21	478	(367)	-	-
		3,026	5,140	867	18,876
Total comprehensive income is attributable to:					
Members of the parent entity		2,447	5,630	867	18,876
Non controlling interests	21	478	(367)	-	-
		2,925	5,263	867	18,876

	Note	Cents Per Share	Cents Per Share
Earnings per share:			
Basic	6	6.2	13.6
Diluted	6	6.2	13.6
Net tangible assets per ordinary share:			
Basic	6	61.6	74.7
Diluted	6	61.6	74.7

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2014

Group	Note	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Cash Flow Hedge Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non Controlling Interests $'000s	Total $'000s
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	21	-	-	-	-	188	188
Issue of ordinary shares under dividend reinvestment plan	20	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
Net surplus/(deficit) for the year after tax		-	2,548	-	-	478	3,026
Other comprehensive income for the year net of tax		-	-	72	(173)	-	(101)
Issue of ordinary shares under dividend reinvestment plan	20	1,092	-	-	-	-	1,092
Dividends paid (10.00 cents per share)		-	(4,121)	-	-	-	(4,121)
Issue of ordinary shares on acquisition of RobotWorx business	20	3,707	-	-	-	-	3,707
Acquisition of non controlling interest in subsidiary		-	1,083	-	-	(1,173)	(90)
Balance at 31 August 2014		28,804	18,495	(27)	(83)	76	47,265

Parent	Note	Fully Paid Ordinary Shares $'000s	Retained Earnings $'000s	Cash Flow Hedge Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non Controlling Interests $'000s	Total $'000s
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	20	971	-	-	-	-	971
Dividends paid (8.00 cents per share)		-	(3,263)	-	-	-	(3,263)
Balance at 31 August 2013		24,005	19,056	-	-	-	43,061
Net surplus for the year after tax		-	867	-	-	-	867
Issue of ordinary shares under dividend reinvestment plan	20	1,092	-	-	-	-	1,092
Dividends paid (10.00 cents per share)		-	(4,121)	-	-	-	(4,121)
Issue of ordinary shares on acquisition of RobotWorx business	20	3,707	-	-	-	-	3,707
Balance at 31 August 2014		28,804	15,802	-	-	-	44,606

BALANCE SHEET

As at 31 August 2014

	Note	Group 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
CURRENT ASSETS					
Cash and cash equivalents		1,370	1,327	-	-
Trade debtors	7	14,640	12,283	-	5,152
Other financial assets	8	1,179	594	42	561
Sundry debtors		652	1,553	150	1,022
Inventories	9	11,809	9,048	-	1,212
Receivable from joint ventures and associates	26	1,243	329	1,243	329
Contract work in progress	10	8,858	6,828	-	7,635
Tax refund due		-	-	-	678
		39,751	31,962	1,435	16,589
NON CURRENT ASSETS					
Property, plant and equipment	11	14,679	10,755	10,328	8,485
Investment in joint ventures and associates	12	759	855	307	362
Other financial assets	8	-	157	-	157
Goodwill	13	16,657	10,813	908	908
Deferred tax asset	4	1,751	2,034	-	317
Intangible assets	14	1,733	197	-	-
Receivable from joint ventures and associates	26	1,696	1,385	1,696	1,385
Investment in subsidiaries	25	-	-	6,109	6,020
Receivable from subsidiary companies	25	-	-	34,066	17,347
		37,275	26,196	53,414	34,981
TOTAL ASSETS		77,026	58,158	54,849	51,570
CURRENT LIABILITIES					
Bank overdraft		6,258	-	-	183
Trade creditors and accruals	16	9,230	7,612	21	3,650
Other financial liabilities	18	45	381	-	233
Employee entitlements		3,446	2,522	-	1,629
Provision for warranty	19	750	750	-	600
Taxation payable		968	912	155	-
Payable to associates	26	329	289	329	289
Current portion of bank loans	15	982	-	982	-
		22,008	12,466	1,487	6,584
NON CURRENT LIABILITIES					
Bank loans	15	7,442	-	7,442	-
Other financial liabilities	18	-	125	-	125
Employee entitlements		311	1,815	-	1,800
Deferred tax liability	4	-	-	1,314	-
		7,753	1,940	8,756	1,925
EQUITY					
Share capital	20	28,804	24,005	28,804	24,005
Retained earnings		18,495	18,985	15,802	19,056
Cash flow hedge reserve		(27)	(99)	-	-
Foreign currency translation reserve		(83)	90	-	-
Equity attributable to equity holders of the parent		47,189	42,981	44,606	43,061
Non controlling interest	21	76	771	-	-
TOTAL EQUITY		47,265	43,752	44,606	43,061
TOTAL LIABILITIES & EQUITY		77,026	58,158	54,849	51,570

STATEMENT OF CASHFLOWS

For the Year Ended 31 August 2014

	Note	Group 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from / (applied to):					
Receipts from operations		57,019	59,824	-	20,509
Interest received		98	68	87	62
Net GST received/(paid)		608	(277)	(153)	(195)
Payments to suppliers and employees		(56,263)	(57,811)	(65)	(24,816)
Interest paid		(490)	(168)	(192)	(195)
Taxation paid		(851)	(3,569)	(20)	(920)
Net cash inflow / (outflow) from operating activities	28	121	(1,933)	(343)	(5,555)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from / (applied to):					
Purchase of property, plant and equipment		(4,430)	(1,333)	(3,200)	(380)
Sale of property, plant and equipment		33	1	-	-
Net advances from/(to) subsidiaries			-	(496)	3,365
Net advances from/(to) joint ventures and associates		(1,055)	756	(1,058)	756
Purchase of business	23	(6,164)	-	-	-
Investment in subsidiaries		-	-	-	(814)
Purchase of non controlling interest in subsidiary		(90)	-	(90)	-
Repayment of advance to Employee Share Purchase Scheme		47	69	47	69
Investment in joint ventures and associates		(72)	(127)	(72)	-
Net cash inflow / (outflow) from investing activities		(11,731)	(634)	(4,869)	2,996
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from / (applied to):					
Repayment of borrowings		(10)	(62)	(10)	-
Dividends paid		(4,121)	(3,263)	(4,121)	(3,263)
Issue of share capital, net of issue costs		1,092	971	1,092	971
Issue of share capital in subsidiary to non-controlling interests		-	188	-	-
Loan draw down		8,434	-	8,434	-
Net cash inflow / (outflow) from financing activities		5,395	(2,166)	5,395	(2,292)
Net increase/(decrease) in cash held		(6,215)	(4,733)	183	(4,851)
Add cash and cash equivalents at start of period		1,327	6,060	(183)	4,668
Balance at end of period		(4,888)	1,327	-	(183)
Comprised of:					
Cash and bank balances		1,370	1,327	-	-
Bank overdraft		(6,258)	-	-	(183)
		(4,888)	1,327	-	(183)

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.

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 9 October 2014.

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 2014 and the comparative information presented in these financial statements for the year ended 31 August 2013.

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

The information is presented in thousands of New Zealand dollars.

Critical Judgements, Estimates and Assumptions

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

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

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

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

- Tax losses - The recognition of a deferred tax asset arising from current and prior year tax losses relies on the Directors estimating that sufficient future taxable amounts will be available against which unused tax losses can be utilised and upon maintaining at least minimum levels of shareholder continuity from the date the tax loss was incurred to the date of utilisation. If insufficient future taxable amounts are available the Directors could be overstating the deferred tax asset and consequently 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 fair value of these assets and liabilities. If fair value at the time of acquisition differs from the estimates completed by management, the Directors could be over or under estimating the fair values of assets and liabilities acquired.

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

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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

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

Consolidation of Subsidiaries

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined by NZ IFRS-10 "Consolidated 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. In assessing the Group's share of the profit or loss or other comprehensive income of the joint venture, the Group's share of any unrealised profits or losses on transactions between Group companies and the joint venture is eliminated. Dividends or distributions received from a joint venture reduce the carrying amount of the investment in that joint venture in the Group financial statements. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture until the date it ceases to be a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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 to date relative to the total forecast cost to complete. 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 as 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 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 to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

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.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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.

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.

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.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received (net of issue costs).

Trade creditors

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

Derivative Financial Instruments

The Group 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.

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,

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets that are acquired in a business combination and recognised separately from goodwill are initially recognised at fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are recognised on the same basis as intangible assets that are acquired separately.

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 and Non 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 the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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,

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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:

- 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 27.

Standards and Interpretations Effective in the Current Period

In the current year, the Group has applied for the first time NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities, NZ IAS 27 Separate Financial Statements (revised 2011), NZ IAS 28 Investments in Associates and Joint Ventures (revised 2011), and NZ IFRS 13 Fair Value Measurement.

NZ IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The initial application of NZ IFRS 10 Consolidated Financial Statements has had no impact on the financial statements.

NZ IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under NZ IFRS 11, there are only two types of joint arrangement – joint operations and joint ventures. The classification of joint arrangements under NZ IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangements. A joint venture is a joint arrangement whereby the parties that have control of the arrangement (ie joint venturers) have rights to the net assets of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. The initial application of NZ IFRS 11 Joint Arrangements has had no impact on the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

NZ IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or structured entities. In general, the application of NZ IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

NZ IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of NZ IFRS 13 apply to both financial instrument items and non-financial instrument items for which other NZ IFRS's require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of NZ IFRS 2 Share-based Payment, leasing transactions that are within the scope of NZ IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value. The initial application of NZ IFRS 13 Fair Value Measurement has had no impact on the financial statements.

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit entities update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Standards and Interpretations in Issue not yet Adopted

The Group has reviewed all standards and interpretations to existing standards in issue not yet adopted and, with the exception of NZ IFRS 15 Revenue from Contracts with Customers which is effective for the financial year ending 31 August 2018, does not expect these standards to have a material impact on the Group financial statements. NZ IFRS 15 Revenue from Contracts with Customers was issued on 3 July 2014 and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Group has not yet determined the potential impact of this standard.

2. PARENT COMPANY

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 transferred at book value as a common control transaction from the parent company, Scott Technology Limited, to the newly amalgamated subsidiary Scott Technology NZ Limited. All wholly owned New Zealand trading divisions, with the exception of HTS-110 Limited, operate 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.

3. OTHER INCOME AND OPERATING EXPENSES

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
(a) Other income				
Government grants related to research and development	1,498	2,509	-	1,484
Interest received	98	68	87	62
Rent received from wholly owned subsidiaries	-	-	922	-
	1,596	2,577	1,009	1,546

3. OTHER INCOME AND OPERATING EXPENSES *(continued)*

		Group 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
(b) Operating expenses					
The surplus is stated after charging:					
Auditor's remuneration	- audit	60	59	-	49
	- other assurance services	22	3	-	3
	- due diligence	36	1	-	1
	- taxation services	19	20	-	20
The auditor of the Group is Deloitte.					
Directors' fees		234	207	-	207
Fair value losses on firm commitments		324	-	-	-
Leasing and rental costs		487	675	-	90
Foreign exchange losses		118	117	65	-
Fair value losses on derivatives held as fair value hedges		-	507	-	397
Unrealised fair value losses 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		324	-	-	-
Unrealised fair value gains on foreign exchange derivatives		864	-	-	11
Gain on sale of property, plant and equipment		26	-	-	-
Foreign exchange gains		-	-	-	369
Fair value gains on firm commitments		-	507	-	397

4. 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 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
Net surplus before tax	4,231	7,146	988	19,735
Income tax expense calculated at 28% (2013: 28%)	1,185	2,001	277	5,526
Tax effect of non-assessable dividends from wholly-owned subsidiaries	-	-	(136)	(4,755)
Non assessable income	(16)	(66)	(20)	(9)
Under/(over) provision of income tax in previous year	36	71	-	97
Taxation expense	1,205	2,006	121	859
Represented by:				
Current tax	907	2,485	175	890
Deferred tax	298	(479)	(54)	(31)
	1,205	2,006	121	859

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 2014 income tax year.

4. INCOME TAXES *(continued)*

(b) Deferred tax balances

Group 2014	Opening Balance $'000s	Charged to Income $'000s	Acquisition of Subsidiary $'000s	Closing Balance $'000s
Gross deferred tax assets:				
Trade debtors	21	56	-	77
Inventories	133	156	-	289
Other financial assets	-	19	-	19
Employee entitlements	996	(419)	15	592
Accruals	-	28	-	28
Provisions	384	-	-	384
Tax losses	1,515	(315)	33	1,233
	3,049	(475)	48	2,622
Gross deferred tax liabilities:				
Property, plant and equipment	972	(134)	33	871
Prepayments	15	(15)	-	-
Other financial liabilities	28	(28)	-	-
	1,015	(177)	33	871
	2,034	(298)	15	1,751

Group 2013	Opening Balance $'000s	Charged to Income $'000s	Acquisition of Subsidiary $'000s	Closing Balance $'000s
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

4. INCOME TAXES *(continued)*

Parent 2014	Opening Balance $'000s	Charged to Income $'000s	Acquisition of Subsidiary $'000s	Closing Balance $'000s
Gross deferred tax assets:				
Trade debtors	21	(21)	-	-
Inventories	133	(133)	-	-
Employee entitlements	798	(798)	-	-
Provisions	342	(342)	-	-
	1,294	(1,294)	-	-
Gross deferred tax liabilities:				
Property, plant and equipment	934	434	(54)	1,314
Prepayments	15	(15)	-	-
Other financial liabilities	28	(28)	-	-
	977	391	(54)	1,314
	317	(1,685)	54	(1,314)

Parent 2013	Opening Balance $'000s	Charged to Income $'000s	Acquisition of Subsidiary $'000s	Closing Balance $'000s
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

(c) Imputation credit account balances	Group 2014 $'000s	Group 2013 $'000s
Imputation credits available to shareholders	8,491	8,441

5. 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	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Short term benefits - employees	1,776	2,119	-	1,056
Short term benefits – non-executive Directors	359	385	-	385
Short term benefits – Directors	249	226	-	226
Long term benefits – employees	(436)	552	-	340
Long term benefits – non-executive Directors	(86)	94	-	94
	1,862	3,376	-	2,101

The long term benefits reflect a decrease in a bonus scheme relating to specified performance indicators.

6. EARNINGS & NET TANGIBLE ASSETS PER SHARE

	Group	
	2014 Cents Per Share	2013 Cents Per Share
Earnings per share from continuing operations		
Basic	6.2	13.6
Diluted	6.2	13.6
Net tangible assets per ordinary share		
Basic	61.6	74.7
Diluted	61.6	74.7

	Group	
	2014 $'000s	2013 $'000s
Net surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	2,548	5,507
Net tangible assets (excluding goodwill and intangible assets and deferred tax asset)	27,124	30,708

	Group	
	2014 000s	2013 000s
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	41,107	40,549
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share	44,009	41,112

7. TRADE DEBTORS

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Trade debtors	14,916	12,359	-	5,228
Allowance for doubtful debts (i) (ii)	(276)	(76)	-	(76)
	14,640	12,283	-	5,152

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

(i) Allowance for doubtful debts

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Balance at beginning of financial year	76	76	76	76
Impairment loss recognised on trade debtors	200	-	(76)	-
Balance at end of financial year	276	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.

7. TRADE DEBTORS *(continued)*

(ii) Ageing of doubtful debts

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
90 days +	276	76	-	76

(iii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $4,146,000 (2013: $5,228,000) 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.

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Ageing of past due but not impaired:				
30 – 60 days	2,966	1,831	-	171
60 – 90 days	341	1,031	-	688
90 days +	839	2,366	-	1,457
	4,146	5,228	-	2,316

8. OTHER FINANCIAL ASSETS

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Advance to Employee Share Purchase Scheme (i)	42	89	42	89
Foreign currency forward contracts held as effective fair value hedges (ii)	18	-	-	-
Foreign exchange collar option derivatives	146	356	-	356
Foreign exchange derivatives	973	-	-	-
Fair value hedge of open firm commitments	-	306	-	273
	1,179	751	42	718
Represented by:				
Current financial assets				
Advance to Employee Share Purchase Scheme	42	57	42	57
Foreign currency forward contracts held as effective fair value hedges	18	-	-	-
Foreign exchange collar option derivatives	146	356	-	356
Foreign exchange derivatives	973	-	-	-
Fair value hedge on open firm commitments	-	181	-	148
	1,179	594	42	561
Non current financial assets				
Advance to Employee Share Purchase Scheme	-	32	-	32
Fair value hedge on open firm commitments	-	125	-	125
	-	157	-	157

(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.

9. INVENTORIES

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Raw materials	5,220	4,820	-	84
Work in progress	2,228	1,809	-	410
Finished goods	4,361	2,419	-	718
	11,809	9,048	-	1,212

10. CONTRACT WORK IN PROGRESS

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Costs incurred and estimated earnings on uncompleted contracts	70,246	60,882	-	46,500
Progress claims received or receivable	(61,388)	(54,054)	-	(38,865)
	8,858	6,828	-	7,635
Represented by:				
Sales recognised to be recovered by invoices	9,793	9,389	-	8,892
Contracts invoiced in advance of sales recognised	(935)	(2,561)	-	(1,257)
	8,858	6,828	-	7,635

11. 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 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
Acquisitions through business combinations	-	-	812	812
Additions	1,942	1,258	1,230	4,430
Disposals	-	-	(81)	(81)
As at 31 August 2014	4,075	7,647	18,943	30,665
Accumulated depreciation and impairment				
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
Disposals	-	-	(74)	(74)
Depreciation expense	-	225	1,086	1,311
As at 31 August 2014	-	1,394	14,592	15,986
Net book value				
As at 31 August 2013	2,133	5,220	3,402	10,755
As at 31 August 2014	4,075	6,253	4,351	14,679

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

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 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
Additions	1,942	1,258	-	3,200
Transfer to subsidiary	-	-	(13,050)	(13,050)
As at 31 August 2014	4,075	7,647	-	11,722
Accumulated depreciation and impairment				
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
Transfer to subsidiary	-	-	(11,918)	(11,918)
Depreciation expense	-	225	-	225
As at 31 August 2014	-	1,394	-	1,394
Net book value				
As at 31 August 2013	2,133	5,220	1,132	8,485
As at 31 August 2014	4,075	6,253	-	10,328

	Group 2014 $'000s	Group 2013 $'000s	Parent 2014 $'000s	Parent 2013 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:				
Freehold buildings	225	195	225	195
Plant, equipment and vehicles	1,086	891	-	416
	1,311	1,086	225	611

Assets Pledged as Security

The bank facilities from ANZ Bank New Zealand 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 Bank New Zealand Limited are also secured by mortgages over the 630 Kaikorai Valley Road, Dunedin;10 Maces Road, Christchurch; and 155 - 161 Neilson Street, Auckland properties. There is an insurance claim still remaining to be settled on the Maces Road, Christchurch property relating to the Christchurch earthquakes.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %	Carrying Value 2014 $'000s	Carrying Value 2013 $'000s
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	543	487
Scott Technology Euro Limited (ii)	Ireland	50	50	65	64
NS Innovations Pty Limited (iii)	Australia	50	50	14	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	37	38
XRock Automation Pty Limited (v)	Australia	50	50	158	180
Scott Technology S.A. (vi)	Chile	50	50	(48)	64
Rocklabs Automation Canada Limited (vii)	Canada	50	-	13	-
Associates					
Robot Vision Lab Limited (viii)	New Zealand	40	40	(23)	8
Balance at end of financial year				759	855

(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 $56,000, (2013: $139,000).

(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 $4,000, (2013: share of net surplus $9,000).

(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 30 June, in line with Australian tax rules. 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 (2013: $ Nil).

(iv) Scott Separation Technology Limited (SSTL) is a joint venture between Scott Technology Limited and private individuals. SSTL was formed in December 2011 and has a balance date of 31 August. SSTL's principal activity is the marketing and development of patented centrifuge technology which has particular application to the honey and fish processing industries. Scott Technology Limited's share of SSTL's net deficit was $1,000, (2013: share of net surplus $6,000).

(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, in line with Australian tax rules. 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 deficit was $22,000, (2013: share of net profit $49,000).

(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 2014 and has a balance date of 31 August. STSA is a sales agency for mining equipment in the Americas and is based in Chile. Scott Technology Limited's share of STSA's net surplus was $6,000 (2013: share of net deficit $63,000). In addition, part of the original investment, amounting to $118,000, was repaid during the year.

(vii) Rocklabs Automation Canada Limited (RAC) is a joint venture between Scott Technology Limited and Canadian private company STG Holdings Limited. RAC commenced trading in 2013 and has a balance date of 31 August. RAC is a sales agency for mining equipment in North America. Scott Technology Limited's share of RAC's net deficit was $50,000 (2013: share of net surplus $Nil). In addition, capital of $63,000 was contributed during the year.

(viii) Robot Vision Lab Limited (RVL) was established in 2011 to provide specialist vision and robotics services to its customers and has a balance date of 31 March, in line with the majority shareholder's tax balance date. 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 $31,000 (2013: share of net deficit $8,000).

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

Carrying value of equity accounted investments:

	Group		Parent	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Balance at beginning of financial year	855	601	362	235
Share of net surplus/(deficit)	(38)	132	-	-
Translation of foreign investments	(3)	(5)	-	-
Share capital contributed/(repaid)	(55)	127	(55)	127
Balance at end of financial year	759	855	307	362

Summarised statement of comprehensive income of joint ventures and associates from continuing operations:

	Joint Ventures		Associates	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Income	8,658	4,325	259	265
Expenses	(8,672)	(4,045)	(336)	(286)
Net surplus/(deficit) and total comprehensive income	(14)	280	(77)	(21)
Group share of net surplus/(deficit)	(7)	140	(31)	(8)

Summarised balance sheets of joint ventures and associates:

Current assets	3,969	3,332	19	62
Non current assets	3,066	3,537	31	34
Current liabilities	(1,171)	(1,694)	(107)	(103)
Non current liabilities	(4,369)	(3,674)	-	-
Net assets	1,495	1,501	(57)	(7)
Group share of net assets	748	751	(23)	(3)

RTL, STEL, NSIL, SSTL, XRA, STSA, RAC 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, STSA's, RAC's or RVL's liabilities.

13. GOODWILL

	Group		Parent	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Gross carrying amount				
Balance at beginning of financial year	10,813	10,813	908	908
Additional amounts recognised from business combinations occurring during the period (refer note 23)	5,844	-	-	-
Balance at end of financial year	16,657	10,813	908	908

There has been no impairment recognised during the year (2013: $Nil).

13. GOODWILL *(continued)*

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

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Mining	7,515	7,515	908	908
High Temperature Superconductors	2,937	2,937	-	-
China Manufacturing	361	361	-	-
Robotic Automation	5,422	-	-	-
X-ray Technology	422	-	-	-
	16,657	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 five year period, and sensitivities to a range of discount rates reflecting the current stage of its business lifecycle. Cashflows beyond the 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 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

Robotic Automation
At the time of acquisition of the RobotWorx business Scott Technology determined the forecast cashflows of the Robotic Automation cash-generating unit. The cashflows supported the carrying value of goodwill.

X-ray Technology
At the time of acquisition of Applied Sorting Technologies Pty Limited, Scott Technology determined the forecast cashflows of the X-ray Technology cash generating unit. The cashflows supported the carrying value of goodwill.

14. INTANGIBLE ASSETS

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Gross carrying amount				
Balance at beginning of financial year	251	232	-	-
Additions	1,561	19	-	-
Balance at end of financial year	1,812	251	-	-
Accumulated amortisation and impairment				
Balance at beginning of financial year	54	31	-	-
Amortisation expense	25	23	-	-
Balance at end of financial year	79	54	-	-
Carrying amount				
As at end of financial year	1,733	197	-	-

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, as well as domain names (URL's) and a non-compete arrangement resulting from the purchase of the RobotWorx business. Intangible assets associated with the HTS-110 technology are being amortised over a remaining useful life of eight years, while intangible assets associated with the RobotWorx non-compete arrangement are being amortised over a five year period. The amortisation expense has been included in the line item "depreciation and amortisation" in the Statement of Comprehensive Income. Intangible assets related to the URL's are indefinite life intangibles that are assessed for impairment annually.

15. BANK FACILITIES

The Group has a working capital facility from ANZ Bank New Zealand Limited with a total limit of $9,250,000 (2013: $8,000,000). As at 31 August 2014 the amount used was $6,258,000 (2013: $183,000).

The Group has a Stock Exchange Bond facility and payment guarantee facility from ANZ Bank New Zealand Limited with a total limit of $3,075,000 (2013: $3,075,000). As at 31 August 2014 the amount used was $75,000 (2013: $2,363,000). Refer note 24, Contingent Liabilities.

The Group has a secured credit card facility from ANZ Bank New Zealand Limited with a total limit of $750,000 (2013: $750,000). As at 31 August 2014 the total amount used was $87,000 (2013: $123,000). The total amount used is included in trade creditors and accruals.

The Group has the following secured bank loan facilities from ANZ Bank New Zealand Limited:

i) Floating rate term loan facility of $3,200,000, with an interest only period to 30 September 2014 and equal interest and principal repayments thereafter over a 14 year period. The interest rate on the loan was 5.94% as at 31 August 2014.

ii) Floating rate term loan facility of $US4,375,000, repayable in equal interest and principal repayments over a 7 year period, with a final repayment in 2021. The interest rate on the loan was 2.65% as at 31 August 2014.

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

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Current liability	982	-	982	-
Non current liability	7,442	-	7,442	-
	8,424	-	8,424	-

The bank facilities from ANZ Bank New Zealand 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 Bank New Zealand Limited are also secured by mortgages over the 630 Kaikorai Valley Road, Dunedin; 10 Maces Road, Christchurch; and 155-161 Neilson Street, Auckland properties.

16. TRADE CREDITORS AND ACCRUALS

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Trade creditors	4,624	4,195	-	2,022
Accruals	4,606	3,417	21	1,628
	9,230	7,612	21	3,650

17. LEASES

Non cancellable operating lease payments

Operating leases relate to manufacturing and 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 has an option to purchase the leased property used for the RobotWorx business.

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
No longer than 1 year	600	659	-	91
Longer than 1 year and not longer than 2 years	506	599	-	58
Longer than two years and not longer than 5 years	1,088	1,362	-	-
Longer than 5 years	63	674	-	-
	2,257	3,294	-	149

18. OTHER FINANCIAL LIABILITIES

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
At fair value:				
Fair value hedge of open firm commitments	18	-	-	-
Foreign currency forward contracts held as cashflow hedges	27	99	-	-
Foreign currency forward contracts held as effective fair value hedges	-	306	-	273
Foreign exchange derivatives	-	101	-	85
	45	506	-	358
Represented by:				
Current financial liabilities				
Fair value hedge of open firm commitments	18	-	-	-
Foreign currency forward contracts held as cashflow hedges	27	99	-	-
Foreign currency forward contracts held as effective fair value hedges	-	181	-	148
Foreign exchange derivatives	-	101	-	85
	45	381	-	233
Non current financial liabilities				
Foreign currency forward contracts held as effective fair value hedges	-	125	-	125

19. PROVISION FOR WARRANTY

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Balance at beginning of financial year	750	750	600	600
Additional provisions recognised	594	454		153
Reductions arising from payments	(594)	(454)		(153)
Transfer of business to subsidiary	-	-	(600)	-
Balance at end of financial year	750	750	-	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.

20. SHARE CAPITAL

	Group & Parent		Group & Parent	
	2014 Number	2013 Number	2014 $000s	2013 $000s
Fully paid ordinary shares at beginning of financial year	41,112,446	40,689,189	24,005	23,034
Issue of shares on acquisition of RobotWorx business	2,294,369	-	3,707	-
Shares issued under dividend reinvestment plan	602,363	423,257	1,092	971
Balance at end of financial year	44,009,178	41,112,446	28,804	24,005

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

21. NON CONTROLLING INTERESTS

	Group	
	2014 $'000s	2013 $'000s
Balance at beginning of financial year	771	950
Share of net surplus/(deficit) for the year	478	(367)
Acquisition of non controlling interest in subsidiary	(1,173)	-
Issue of shares in subsidiary	-	188
Balance at end of financial year	76	771

22. COMMITMENTS FOR EXPENDITURE

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Commitments for future capital expenditure for purchase of plant and equipment	230	-	-	-

23. ACQUISITION OF SUBSIDIARIES & BUSINESSES

(a) Subsidiaries & Business Acquired

Name	Principal Activity	Date of Acquisition	Proportion of Shares/Business Acquired	Cost of Acquisition $000
RobotWorx	Integrator and seller of new and reconditioned industrial robots	14/5/2014	100%	9,004
Applied Sorting Technologies Pty Limited	Develops, designs and manufactures advanced sensing and imaging technologies	16/6/2014	100%	1,292

(b) Analysis of Assets & Liabilities Acquired

	RobotWorx			Applied Sorting Technologies			Total
	Book Value $000s	Fair Value Adjustment $000s	Fair Value on Acquisition $000s	Book Value $000s	Fair Value Adjustment $000s	Fair Value on Acquisition $000s	Fair Value on Acquisition $000s
Assets & Liabilities							
Cash & bank balances	3	-	3	249	-	249	252
Trade & other receivables	381	-	381	220	-	220	601
Inventories	2,129	-	2,129	352	-	352	2,481
Intangible assets	-	1,561	1,561	-	-	-	1,561
Plant and equipment	529	165	694	7	111	118	812
Deferred tax asset	-	-	-	48	(32)	15	15
Trade & other payables	(1,186)	-	(1,186)	(84)	-	(84)	(1,270)
Total assets & liabilities	1,856	1,726	3,582	792	79	870	4,452
Goodwill on acquisition			5,422			422	5,844
Cost of acquisition			9,004			1,292	10,296

(c) Cost of Acquisition

The cost of acquisition of the RobotWorx business was paid in a combination of cash and shares in Scott Technology Limited, while the cost of acquisition of Applied Sorting Technologies Pty Limited was paid in a combination of cash and a deferred portion which is included in accruals.

	RobotWorx $000s	Applied Sorting $000s	Total $000s
Cash	5,297	1,119	6,416
Issue of shares in Scott Technology Limited	3,707	-	3,707
Accruals	-	173	173
	9,004	1,292	10,296

1,648,068 of the shares issued in part consideration for the RobotWorx business are held under an escrow arrangement to vest with the vendor over a period of three years if specified earnings targets are achieved.

(d) Net Cash Outflow on Acquisition

	Group 2014 $000s
Total purchase consideration paid in cash	6,416
Less cash and bank balances acquired	(252)
Net cash outflow on acquisition	6,164

23. ACQUISITION OF SUBSIDIARIES & BUSINESSES *(continued)*

(e) Goodwill Arising on Acquisition

The consideration paid for the acquisition of the RobotWorx business effectively included amounts in relation to the benefit of expected synergies, revenue growth, current product development and knowhow, future marketing development and its assembled workforce. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

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

Included in the Group financial statements is revenue of $2.6 million and a net profit after tax of $492,000 attributable to the additional margin generated by RobotWorx, and revenue of $113,000 and a net loss after taxation of $69,000 attributable to the purchase of Applied Sorting Technologies Pty Limited.

Had these acquisitions been effected at 1 September 2013, the revenue of the Group from continuing operations would have been approximately $67 million, and the profit for the year after taxation and non controlling interests from continuing operations would have been $3.25 million. The Directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

24. CONTINGENT LIABILITIES

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Payment guarantees and performance bonds	-	1,628	-	278
Stock Exchange bond	75	75	75	75
Maximum contract penalty clause exposure	2,719	2,361	-	2,152
Guarantee of joint venture's banking facilities	-	750	-	750
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 ANZ Bank New Zealand Limited in favour of the New Zealand Stock Exchange.

The Group has exposure to penalty clauses on its projects. These clauses relate to delivery criteria and are 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 had 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 $Nil as at 31 August 2014 (2013: $147,000). The guarantee arrangement ceased during the 2014 year.

In 2013 Scott Technology Limited had 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 2014. The guarantee arrangement ceased during the 2014 year.

25. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2014 %	2013 %
Parent Entity				
Scott Technology Limited (i)	31 August	New Zealand		
New Zealand Trading Subsidiaries				
Scott Technology NZ Limited (ii)	31 August	New Zealand	100	100
HTS-110 Limited (iii)	31 August	New Zealand	100	51
Scott Automation Limited (iv)	31 August	New Zealand	100	100
Scott Technology USA Limited (v)	31 August	New Zealand	100	100
QMT General Partner Limited (vi)	31 August	New Zealand	93	93
QMT New Zealand Limited Partnership (vii)	31 August	New Zealand	92	92
Scott Milktech Limited (viii)	31 March (*)	New Zealand	61	61
New Zealand Non Trading Subsidiaries				
Scott LED Limited	31 August	New Zealand	100	-
Rocklabs Limited (formerly Intex Silicon NZ Ltd)	31 August	New Zealand	100	-
Overseas Subsidiaries				
Scott Technology Australia Pty Ltd (ix)	31 August	Australia	100	100
Applied Sorting Technologies Pty Ltd (x)	30 June (**)	Australia	100	-
QMT Machinery Technology (Qingdao) Co Limited (xi)	31 December (***)	China	70	70
Scott Systems International Incorporated (xii)	31 August	USA	100	100
Amalgamated Subsidiaries No Longer Trading				
Scott Service International Limited (xiii)	31 August	New Zealand	-	100
Betts Engineering Limited (xiii)	31 August	New Zealand	-	100
Rocklabs Limited (xiii)	31 August	New Zealand	-	100
Scott Fabtech Limited (xiii)	31 August	New Zealand	-	100

(*) Determined by agreement between the shareholders on incorporation.
(**) Subsidiary acquired with an existing balance date of 30 June.
(***) Determined by local regulatory requirements.

New Zealand Trading Subsidiaries

(i) Scott Technology Limited is the ultimate parent entity within the Group. It is an investment holding company and owns all properties. Former activities of the design and manufacture of automation systems were transferred to 100% subsidiary, Scott Technology NZ Limited with effect from 3 September 2013.

(ii) Scott Technology NZ Limited is the main trading company for New Zealand operations, including the design and manufacture of automated systems (under the "Scott" band), the service and upgrade of Scott equipment worldwide (under the "Scott Service International" brand) and the manufacture and sale of automated laboratory sampling equipment for the mining industry (under the "Rocklabs" brand).

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

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

(v) Scott Technology USA Limited is a financing subsidiary for the USA businesses, as well as owning a number of domain names (URLs) associated with the RobotWorx business.

25. SUBSIDIARIES *(continued)*

(vi) 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.

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

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

Overseas Subsidiaries

(ix) Scott Technology Australia Pty Limited's principal activity is sales and service.

(x) Applied Sorting Technologies Pty Limited's principal activity is the manufacture and sale of x-ray technology.

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

(xii) Scott Systems International Incorporated's principal activity is sales and service, particularly in North America and for the Robotworx business.

Amalgamated Subsidiaries No Longer Trading

(xiii) Scott Service International Limited, Rocklabs Limited, Scott Fabtech Limited and Betts Engineering Limited were amalgamated into Scott Technology NZ Limited with effect from 2 September 2013.

	Parent	
	2014 $000s	**2013 $000s**
The parent company's investment in subsidiary companies comprises:		
Shares at cost	6,109	6,020
Amounts owing from subsidiary companies	34,066	17,347
	40,175	23,367

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

26. 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), 50% of XRock Automation Pty Limited (XRA), 70% of QMT Machinery Technology (Qingdao) Co Limited (QMT), 50% of Scott Technology S.A. (STSA), 50% of Rocklabs Automation Canada Limited (RAC) and 40% of Robot Vision Lab Limited (RVL). During the year the group acquired the remaining 49% shareholding in HTS-110 Limited (HTS) to give it 100% ownership.

26. RELATED PARTY TRANSACTIONS *(continued)*

	Group		Parent	
Joint Ventures	**2014 $'000s**	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Project work undertaken by the Group for RTL	2,820	1,702	-	1,441
Administration, sales and marketing fees charged by the Group to RTL	129	62	-	62
Sales revenue received by RTL from the Group	6,348	2,389	-	-
Advance from Scott Technology to RTL	1,695	1,385	1,695	1,385
Administration fees charged by the Group to STEL	6	6	-	6
Commission received by STEL from the Group	189	197	-	197
Advance from STEL to Scott Technology	329	289	329	289
Project work undertaken by the Group for XRA	236	496	-	-
Advance from Scott Technology to XRA	-	2	-	2
Project work undertaken by the Group for SSTL	460	53	-	-
Administration fees charged by the Group to SSTL	12	12	-	12
Advance from Scott Technology to SSTL	510	151	510	151
Advance from Scott Technology to NSI	147	147	147	147
Project work undertaken by the Group for STSA	391	-	-	-
Advance from Scott Technology to STSA	537	147	537	147
Associates				
Project work undertaken by RVL for the Group	249	265	249	265
Advance from Scott Technology to RVL	50	29	50	29
Subsidiaries				
Project work undertaken by the Group for SML	-	-	-	654
Administration fees charged by the Group to SML	-	-	-	12
Advance from Scott Technology to SML	-	-	684	684
Project work undertaken by the Group for HTS (up to 100% acquisition)	-	-	-	27
Advance from Scott Technology to HTS	-	-	-	663
Project work undertaken by QMT for the Group	-	-	-	183
Advance from Scott Technology to QMT	-	-	94	12
Capital charges and administration fees received by Scott Technology from 100% owned subsidiaries	-	1,681	-	1,681

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

(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 2014 was $42,000 (2013: $89,000). During the year no shares (2013: 5,000 shares) which had not vested with employees were disposed of at market value. As at 31 August 2014 124,273 shares were being held on trust for employees pending repayment of loans for the shares by the employees over a three year period (2013: 120,339 shares). These shares have been treated as equity under share capital with a corresponding loan advance to the Scheme.

G W Batts was a Director and shareholder of Premidee Limited who provided engineering consulting services to the Group of $Nil during the year (2013: $3,000).

(c) Substantial Shareholders

CC Hopkins is a Director of Oakwood Group Limited, which owns Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. CC Hopkins has received Directors' fees of $17,000 from Oakwood Group Limited during the year (2013: $8,000).

27. 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, USA 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.

2014	Standard Equipment $'000s	Automated Equipment $'000s	Unallocated $'000s	Total $'000s
Revenue	21,239	39,077	-	60,316
Segment profit	3,636	5,342	-	8,978
Depreciation and amortisation	(285)	(653)	(398)	(1,336)
Share of profits/(losses) of joint ventures	-	-	(38)	(38)
Interest revenue	-	-	98	98
Central administration costs	-	-	(2,957)	(2,957)
Finance costs	(87)	-	(427)	(514)
Net profit before taxation	3,264	4,689	(3,722)	4,231
Taxation expense	(930)	(1,335)	1,060	(1,205)
Net profit after taxation	2,334	3,354	(2,662)	3,026

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

Revenue reported above represents revenue generated from external customers. Inter-segment sales were $Nil for the year ended 31 August 2014 (2013: $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.

27. SEGMENT INFORMATION *(continued)*

(c) Industry Information

The Group focuses its marketing on customers that operate in 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	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Appliances	28,828	16,513	-	14,059
Meat processing	8,040	7,758	-	7,070
Mining	14,364	28,794	-	3,203
High temperature superconductor products	1,817	1,556	-	-
Other industrial automation	7,267	5,413	-	1,853
	60,316	60,034	-	26,185

(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	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
New Zealand (country of domicile)	5,241	8,078	-	4,386
North America, including Mexico	25,946	22,537	-	14,168
Australia and Pacific Islands	12,271	14,978	-	5,640
South America	1,585	3,081	-	481
Asia	10,097	1,624	-	365
Russia and former states	2,130	4,748	-	165
Africa and Middle East	1,456	3,354	-	730
Other Europe	1,590	1,634	-	250
	60,316	60,034	-	26,185

The Group holds $2.0 million 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 Appliance customer account for approximately 27.6% of total Group sales (2013: 13.1%).

28. NOTES TO THE CASHFLOW STATEMENT

	Group		Parent	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Net surplus for the year	3,026	5,140	867	18,876
Adjustments for non-cash items:				
Depreciation and amortisation	1,336	1,109	225	611
Net loss/(gain) on sale of property, plant and equipment	(26)	78	-	3
Deferred tax	298	(479)	(54)	(31)
Share of net deficit/(surplus) of joint ventures and associates	38	(132)	-	-
Dividends from wholly owned subsidiaries	-	-	(485)	(16,980)
Rent received from subsidiary	-	-	(922)	-
Add / (less) movement in working capital:				
Trade debtors	(2,357)	(214)	5,152	(2,406)
Other financial assets – derivatives	(475)	(154)	629	(245)
Sundry debtors	901	(723)	872	(952)
Inventories	(2,761)	(1,478)	1,212	(462)
Contract work in progress	(2,030)	(2,625)	7,635	(4,677)
Taxation payable	56	(1,084)	833	(30)
Trade creditors and accruals	1,618	(1,779)	(3,629)	466
Other financial liabilities – derivatives	(389)	206	(358)	234
Employee entitlements	(580)	(13)	(3,429)	38
Warranty provision	-	-	(600)	-
Working capital relating to business purchases/amalgamation	1,639	-	(8,291)	-
Movement in foreign exchange translation reserve relating to working capital	(173)	215	-	-
Net cash inflow/(outflow) from operating activities	121	(1,933)	(343)	(5,555)

29. 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 2013.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising 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 15. 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.

29. FINANCIAL INSTRUMENTS *(continued)*

(c) Market risk

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

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

(d) Foreign currency risk management

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

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

	Assets		Liabilities	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
United States Dollar	3,919	9,119	5,834	442
Euros	141	205	-	-
Australian Dollars	1,176	2,932	586	511
Japanese Yen	-	1	-	-
Great Britain Pound	16	9	-	-
Chinese RMB	608	301	303	418
	5,860	12,567	6,723	1,371

(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:

Group	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2014	2013	2014 FC'000s	2013 FC'000s	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Foreign currency forward contracts held as effective fair value hedges								
Sell United States Dollars								
Less than 3 months	0.8095	0.7783	148	54	183	69	5	-
3 to 6 months	0.7878	0.8072	548	1,412	696	1,749	31	(81)
6 to 12 months	0.8481	0.7853	128	2,125	151	2,706	(6)	(82)
1 to 2 years	-	0.7813	-	2,600	-	3,328	-	(124)
			824	6,191	1,030	7,852	30	(287)
Sell Euros								
0 to 3 months	0.6167	-	200	-	324	-	6	-
3 to 6 months	0.5829	0.5860	145	132	249	225	16	(1)
6 to 12 months	-	0.5838	-	781	-	1,338	-	(16)
1 to 2 years	-	0.5680	-	94	-	165	-	(2)
			345	1,007	573	1,728	22	(19)
Sell Australian Dollars								
Less than 3 months	0.9113	-	1,326	-	1,455	-	(29)	-
3 to 6 months	0.9027	-	327	-	362	-	(5)	-
			1,653	-	1,817	-	(34)	-
					3,420	9,580	18	(306)

29. FINANCIAL INSTRUMENTS *(continued)*

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2014	2013	2014 FC'000	2013 FC'000s	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Foreign currency forward contracts held as cash flow hedges								
Sell United States Dollars								
Less than 3 months	0.8388	0.7975	1,000	1,850	1,192	2,320	(11)	(66)
3 to 6 months	0.8371	0.7781	250	1,500	299	1,928	(3)	(20)
6 to 12 months	-	0.7733	-	2,500	-	3,233	-	(43)
			1,250	5,850	1,491	7,481	(14)	(129)
Sell Australian Dollars								
Less than 3 months	0.9202	0.8394	400	750	435	894	(13)	30
					1,926	8,375	(27)	(99)
Foreign exchange derivatives								
Sell United States Dollars								
Less than 3 months	0.7804	0.8038	2,642	3,274	3,385	4,073	213	(150)
3 to 6 months	0.7845	-	300	-	382	-	19	-
			2,942	3,274	3,767	4,073	232	(150)
Buy United States Dollars								
Less than 3 months	0.8220	-	4,000	-	4,866	-	(1)	-
Sell Euros								
Less than 3 months	-	0.5387	-	72	-	134	-	11
6 to 12 months	0.5596	-	10	-	17	-	2	-
			10	72	17	134	2	11
Sell Australian Dollars								
Less than 3 months	0.9193	0.8094	809	449	880	555	(25)	38
6 to 12 months	0.7643	-	4,252	-	5,563	-	765	-
			5,061	449	6,443	555	740	38
					15,093	4,762	973	(101)
Foreign exchange collar option derivatives								
Group has the right (but not the obligation) above the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.8100	-	2,705	-	3,340	-	100	-
3 to 6 months	0.8650	0.8110	1,500	900	1,734	1,110	6	15
6 to 12 months	0.8100	0.8216	3,607	2,700	4,453	3,286	144	40
			7,812	3,600	9,527	4,396	250	55
Sell Australian Dollars								
Less than 3 months	-	0.7700	-	623	-	809	-	80
6 to 12 months	-	0.7700	-	4,252	-	5,522	-	533
			-	4,875	-	6,331	-	613

29. FINANCIAL INSTRUMENTS *(continued)*

	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2014	**2013**	**2014 FC'000s**	**2013 FC'000s**	**2014 $'000s**	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Foreign exchange collar option derivatives (continued)								
Group has the obligation below the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.7417	-	5,410	-	7,294	-	(1)	-
3 to 6 months	0.8290	0.7715	3,000	1,800	3,619	2,333	(76)	(87)
6 to 12 months	0.6907	0.7496	7,214	5,400	10,445	7,204	(27)	(218)
			15,624	7,200	21,358	9,537	(104)	(305)
Sell Australian Dollars								
Less than 3 months	-	0.7583	-	1,246	-	1,643	-	-
6 to 12 months	-	0.7583	-	8,504	-	11,215	-	(7)
			-	9,750	-	12,858	-	(7)
					30,885	33,122	146	356

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

(ii) Foreign currency sensitivity analysis

The Group is mainly exposed to the United States Dollar, the Australian Dollar, the Chinese Renminbi 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		Renminbi Impact	
	2014 $'000s	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**	**2014 $'000s**	**2013 $'000s**
Impact on profit or loss and equity:								
10% increase in New Zealand Dollar	(192)	(100)	(14)	(7)	(59)	(97)	(31)	(12)
10% decrease in New Zealand Dollar	192	100	14	7	59	97	31	12

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 $10,449,000 (2013: $5,440,000).

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

29. FINANCIAL INSTRUMENTS *(continued)*

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

(f) Liquidity 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 15 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 decrease by 50 basis points.

	Group Impact		Parent Impact	
	2014 $'000s	2013 $'000s	2014 $'000s	2013 $'000s
Impact on profit or loss and equity:				
50 basis points increase in variable interest rates	(73)	-	(42)	-
50 basis points decrease in variable interest rates	73	-	42	-

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
2014								
Financial Liabilities								
Bank overdraft	11.40%	-	6,258	-	-	-	-	6,258
Bank loans	5.21%	-	1,295	1,280	1,246	2,390	4,025	10,236
Payable to associates	-	329	-	-	-	-	-	329
Trade creditors & accruals	-	9,056	-	-	-	-	-	9,056
		9,385	7,553	1,280	1,246	2,390	4,025	25,879
2013								
Financial Liabilities								
Payable to associates	-	289	-	-	-	-	-	289
Trade creditors & accruals	-	7,612	-	-	-	-	-	7,612
		7,901	-	-	-	-	-	7,901

29. FINANCIAL INSTRUMENTS *(continued)*

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
2014								
Financial Liabilities								
Bank Loans	5.21%	-	1,295	1,280	1,246	2,390	4,025	10,236
Payable to associates	-	329	-	-	-	-	-	329
Trade creditors and accruals	-	21	-	-	-	-	-	21
		350	1,295	1,280	1,246	2,390	4,025	10,586
2013								
Financial Liabilities								
Bank overdraft	-	-	183	-	-	-	-	183
Payable to associates	-	289	-	-	-	-	-	289
Trade creditors and accruals	-	3,650	-	-	-	-	-	3,650
		3,939	183	-	-	-	-	4,122

The Group has access to financing facilities, the total unused amount which is $6.7 million at the balance sheet date, (2013: $9.2 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).

The fair value of forward exchange contracts and options is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity and options of the contract using a market rate of interest.

29. FINANCIAL INSTRUMENTS *(continued)*

Group

2014	**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	-	18	-	18
Foreign exchange derivatives	-	973	-	973
Foreign exchange collar option derivatives	-	146	-	146
Financial liabilities at fair value through profit and loss				
Foreign currency forward contracts held as cashflow hedges	-	(27)	-	(27)
Fair value hedge of open firm commitments	-	(18)	-	(18)
	-	1,092	-	1,092
2013				
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

Parent

2014	**Level 1 $'000s**	**Level 2 $'000s**	**Level 3 $'000s**	**Total $'000s**
Financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-
	-	-	-	-
2013				
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

(h) Fair value

The fair value of financial instruments not already measured at fair value approximates their carrying value.

30. SUBSEQUENT EVENTS

On 9 October 2014 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 2014 year (2013: five and a half cents per share plus a special dividend of two cents per share which marked 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 19 September 2014
1. Oakwood Securities Limited	5,379,000
2. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	3,588,329
3. Fisher Funds Management Limited	3,473,381

The total number of issued voting securities of the company as at 19 September 2014 was 44,009,178 ordinary shares.

Distribution of Shares by Holding Size	Number	% of Total	Shares	% of Total
1 - 1,000	781	26.30	400,716	0.91
1,001 - 5,000	1,304	43.98	3,431,201	7.80
5,001 - 10,000	413	13.91	3,029,865	6.88
10,001 - 50,000	404	13.60	8,387,391	19.06
50,001 - 100,000	31	1.04	2,096,001	4.76
100,001 and over	37	1.25	26,664,004	60.59
Total and percentage	2,970	100.00%	44,009,178	100.00%

Twenty Largest Shareholders as at 19 September 2014		Shares	% of Total
1.	New Zealand Central Securities Depository Limited	5,703,522	12.96
2.	Oakwood Securities Limited	5,379,000	12.22
3.	Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	3,588,329	8.15
4.	AL Escrow 2014 Limited	1,648,068	3.74
5.	JB Were (NZ) Nominees Limited	1,371,064	3.12
6.	Investment Custodial Services Limited (R A/C)	1,055,027	2.40
7.	Investment Custodial Services Limited (C A/C)	646,478	1.47
8.	Thebesturls LLC	646,301	1.47
9.	Southern Capital Limited	510,000	1.16
10.	Jarden Custodians Limited	455,858	1.04
11.	SIL Long Term Holdings Limited	450,000	1.02
12.	Custodial Services Limited (4 A/C)	320,314	0.73
13.	Custodial Services Limited (3 A/C)	351,391	0.80
14.	Rosebery Holdings Limited	316,662	0.72
15.	Forsyth Barr Custodians Limited	310,960	0.71
16.	Jack William Allan & Helen Lynette Allan	300,000	0.68
17.	Opito Investments Pty Ltd	280,000	0.64
18.	Hamish Heathcote McCrostie	250,000	0.57
19.	Margaret Ann Ring & Richard Arthur Prevett	240,000	0.55
20.	Graham William Batts & Patricia Joy Batts & Roger Norman Macassey	220,492	0.50
		24,043,466	54.63

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	20	$150,001 - $160,000	1
$110,001 - $120,000	13	$160,001 - $170,000	1
$120,001 - $130,000	4	$180,001 - $190,000	1
$130,001 - $140,000	3	$200,001 - $210,000	2
$140,001 - $150,000	3	$220,001 - $230,000	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 57, which comprise the consolidated and separate balance sheets of Scott Technology Limited, as at 31 August 2014, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows 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 services, due diligence and other assurance services, we have no relationship with or interests in Scott Technology Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

In our opinion, the financial statements on pages 20 to 57:

- 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 2014, 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 2014:

- 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
9 October 2014
Dunedin, New Zealand

DIRECTORY

Parent Company

Registered 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

Solicitors
Gallaway Cook Allan

Auditor
Deloitte

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