Scott Technology Limited

ANNUAL REPORT 2016

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Scott X-Ray, Primal and Middle Systems (left and rear) integrated into a customer's lamb boning room.

HIGHLIGHTS 2016

$112m REVENUE
An increase of 55% on the prior year

$11.0m NET SURPLUS BEFORE TAX
An increase of 36% on the prior year

ANNUAL DIVIDEND INCREASED TO 9.5 CENTS
per share fully imputed

Products exported to

72 COUNTRIES

ACQUISITION OF GERMAN AUTOMATION BUSINESS
providing a strategic base to grow our European market

400 EMPLOYEES
across eight countries

DIVIDEND

Final dividend: 5.5 cents per share, fully imputed.

Record date: 25 November 2016.

Payment date: 29 November 2016.

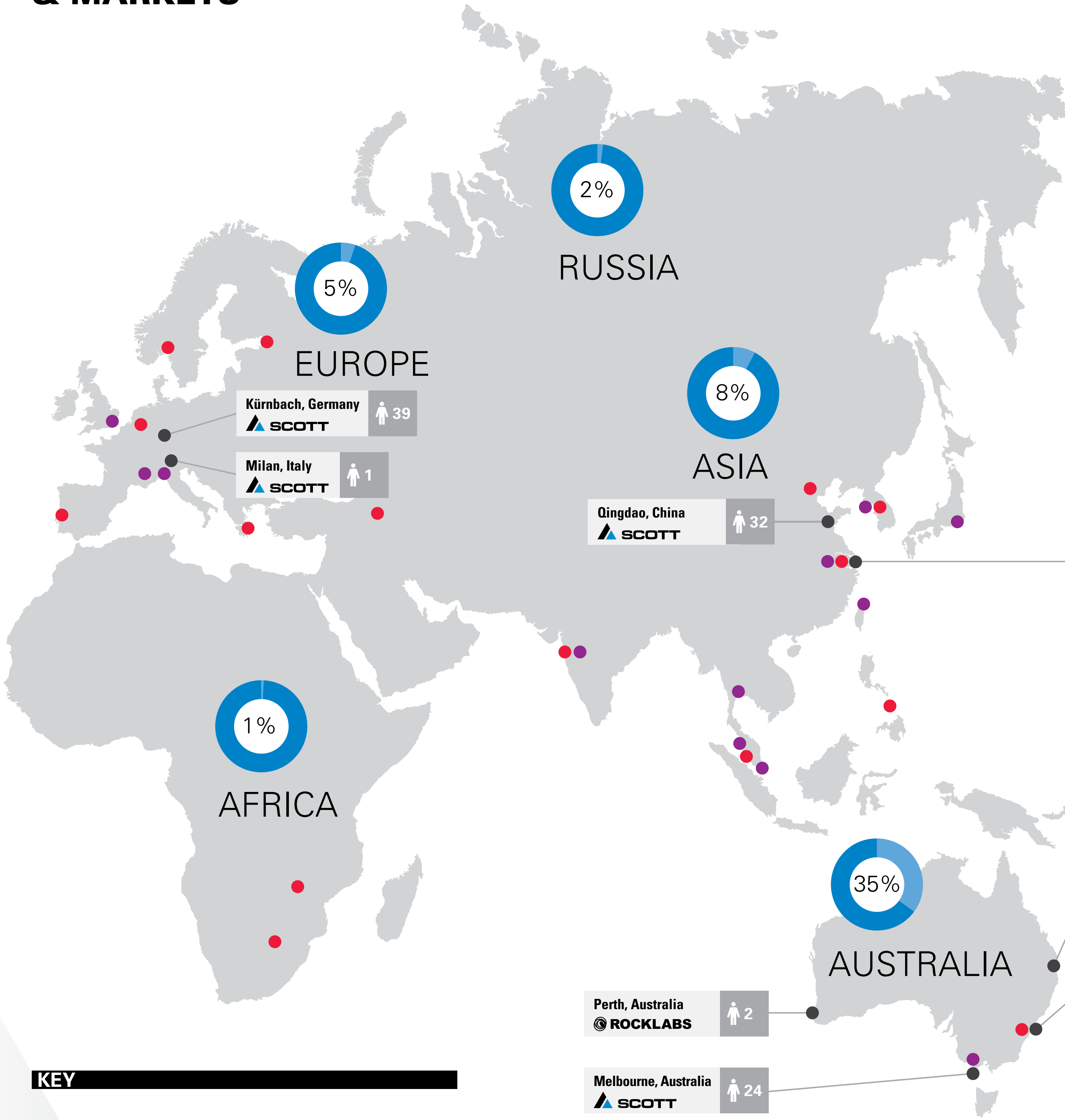
Dividend reinvestment plan does not apply to this payment.

ANNUAL MEETING

Thursday 1 December 2016 at 4:00pm
at Scott Technology Limited,
10 Maces Road, Christchurch.

Proxies close Tuesday,
29 November 2016 at 4:00pm.

GLOBAL PRESENCE & MARKETS



KEY

MARKETS

$112m

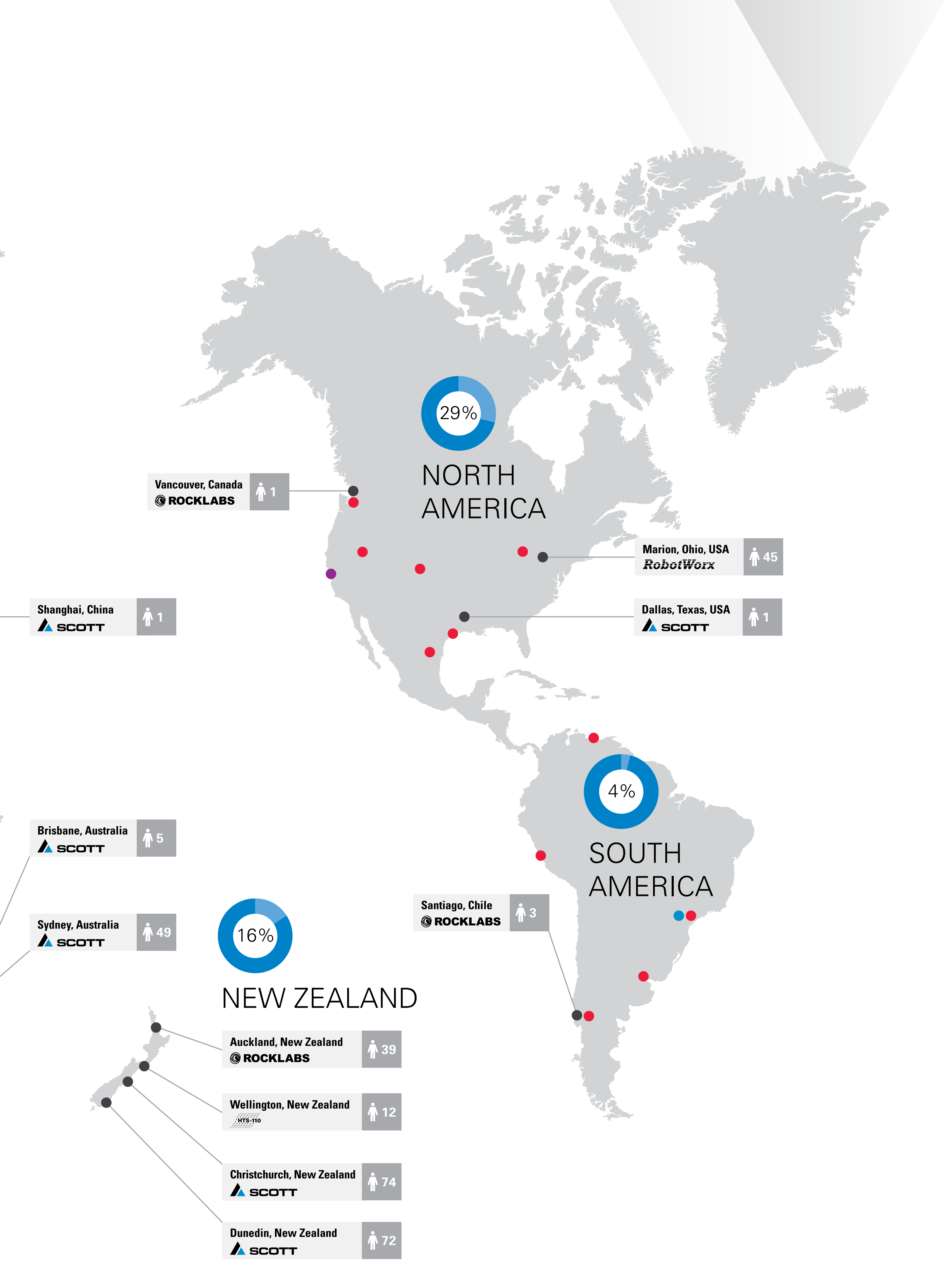
2016 Revenue

ACTIVITY

400 **Number of Staff**

Agents:

- SCOTT
- ROCKLABS
- HTS-110


29%
NORTH AMERICA
Vancouver, Canada
ROCKLABS
1
Marion, Ohio, USA
RobotWorx
45
Shanghai, China
SCOTT
1
Dallas, Texas, USA
SCOTT
1
4%
SOUTH AMERICA
Santiago, Chile
ROCKLABS
3
Brisbane, Australia
SCOTT
5
Sydney, Australia
SCOTT
49
16%
NEW ZEALAND
Auckland, New Zealand
ROCKLABS
39
Wellington, New Zealand
HTS-110
12
Christchurch, New Zealand
SCOTT
74
Dunedin, New Zealand
SCOTT
72

FIVE YEAR TREND

	2016 $000	2015 $000	2014 $000	2013 $000	2012 $000
Total revenue	112,044	72,298	60,316	60,034	63,778
Net surplus before tax	10,965	8,102	4,231	7,146	8,738
Cash flow from operating activities	16,108	9,987	121	(1,933)	5,378
Net cash / (overdraft)	34,244	1,285	(4,888)	1,327	6,060
Bank term loans	-	17,369	8,424	-	-
Total assets	113,811	84,445	77,026	58,158	57,584
Shareholders' equity	94,600	50,618	47,265	43,752	40,593
Dividends (Cents Per Share)					
Interim	4.0	2.5	2.5	2.5	2.5
Final	5.5	5.5	5.5	5.5	5.5
Special (Centenary)	-	-	-	2.0	-
Total	9.5	8.0	8.0	10.0	8.0
Employees (Number)					
New Zealand	197	194	221	212	210
Australia	80	70	17	4	4
Asia	33	52	51	50	50
Americas	50	45	34	1	1
Europe	40	1	1	1	1
Total	400	362	324	268	266

CHAIRMAN & MANAGING DIRECTOR'S COMMENTARY

$34.2M CASH

at bank to fund existing operations and future acquisition growth

The year to 31 August 2016 was a step change for Scott, with:

- the completion of a successful capital raising which saw JBS Australia Pty Limited ("JBS") become a 50.1% shareholder in Scott;
- the acquisition of a competitor based in Germany which gave us significant presence in the European market; and
- the manufacture and sale of multiple repeat X-Ray, Primal and Middle systems for meat processors in Australia and New Zealand.

Scott is implementing its strategy to deliver ongoing growth. In addition to acquisitions that provide diversification or access to new markets, technologies and customers, the company is set to deliver strong organic growth. This is underpinned by a commitment to research and development designed to bring new products to existing markets and to develop technologies for new applications. The current year's growth has been greatly assisted by the commercial uptake of the company's own developed technologies.

STRONG BALANCE SHEET

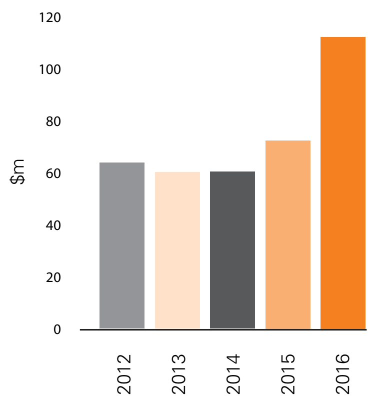
Total assets of $113.8m and shareholders' equity of $94.6m

FINANCIAL PERFORMANCE

For the year ended 31 August 2016 the company reported a record surplus before tax of $11.0m, an increase of 36% on the prior year surplus before tax of $8.1m. This was achieved on total revenues of $112.0m, which is a 55% increase on the prior year. This record result produced favourable operating cash flows of $16.1m which strengthened the balance sheet.

The company significantly increased output from our manufacturing bases in Australia and New Zealand. This was required to meet customer demands from a range of industries, including the meat processing and mining sectors, who were seeking advanced automation technology. The year's result includes a full 12 months contribution from our expanded Australian operations and four months of trading from Scott Germany following the acquisition of the business assets from Somako Hirsh & Attig GmbH.

Total Revenue



DIVIDEND

The Directors have declared a final dividend of 5.5 cents per share for the year ended 31 August 2016, payable on 29 November 2016. An interim dividend of 4.0 cents per share was paid in April 2016 bringing the total dividend for the year to 9.5 cents per share, an increase of 1.5 cents on the 8.0 cents per share paid in 2015. The increased full year dividend reflects the Directors' confidence in the future performance of the company. The dividend will be fully imputed, but with substantial cash holdings and a legislative requirement to re-write and re-issue the Dividend Reinvestment Plan the Directors have decided to suspend the Dividend Reinvestment Plan until further notice.

FINANCES

Scott maintains a very strong balance sheet with total shareholders' equity of $94.6m, an increase of $44.0m over the prior year, including $40.4m of new share capital. Term debt which had been taken on to fund the acquisition of RobotWorx (USA) in May 2014 and Machinery Automation & Robotics (Australia) in January 2015, was fully repaid in April 2016 from the new share capital. At balance date the company had $34.2m of cash in the bank to support planned organic and acquisition growth.

During the year, Scott continued its commitment to, and investment in, research and development. Across the group our total gross expenditure on research and development is in excess of $5.0m per annum. Where possible, the company continues to seek assistance from customers, industry bodies and the Governments of Australia and New Zealand in support of our research and development activities. This expenditure supports not only the development of new technology, but also research into new markets and new technologies.

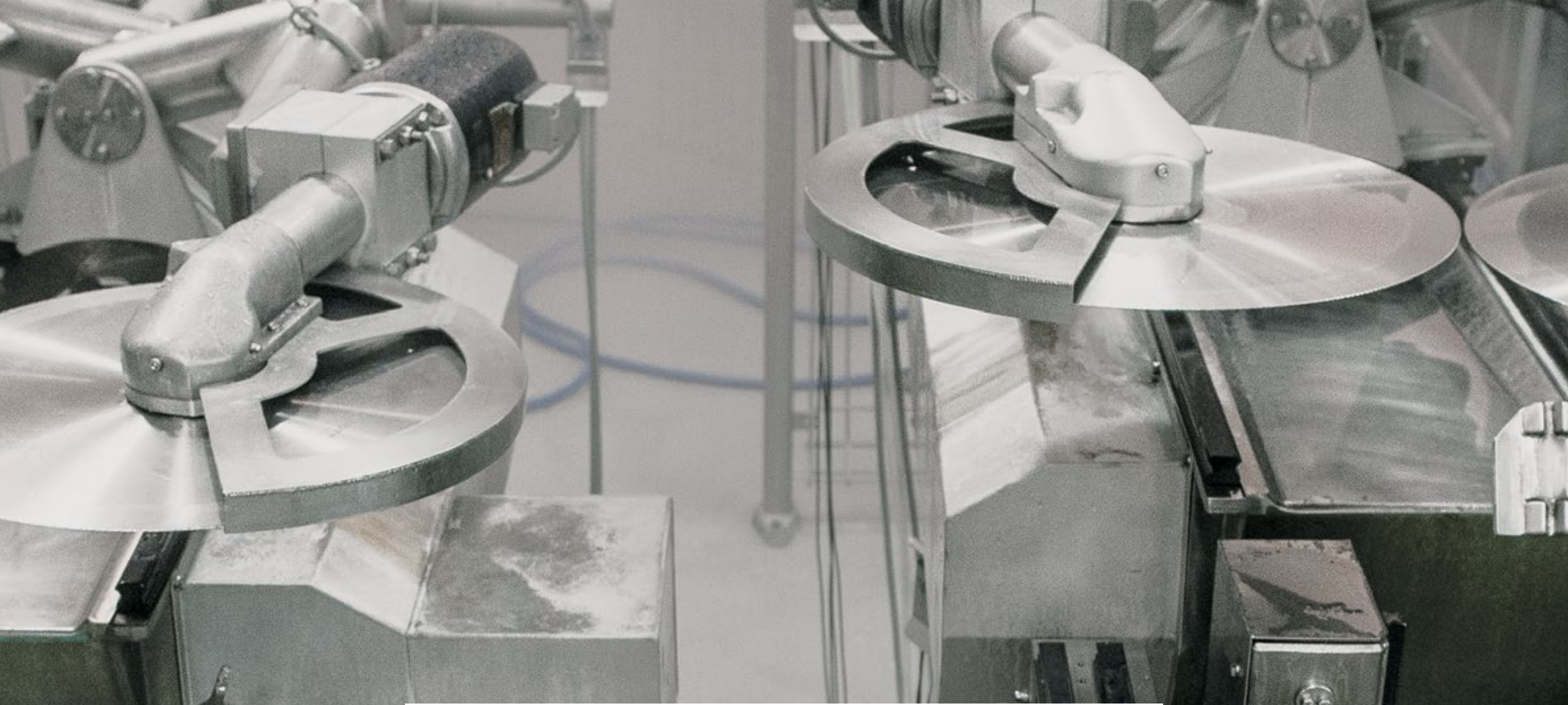
COMPLETED $40.4M CAPITAL RAISING

All bank debt repaid.

CAPITAL RAISING

The Scheme of Arrangement which completed in April 2016 provided existing shareholders with the opportunity to either sell down their shareholding to JBS, or to increase their shareholding by taking up their entitlements under the associated rights issue. On completion, JBS held a 50.1% shareholding in Scott. Feedback from stakeholders and from the investment community has been very positive and supportive of JBS' strategic shareholding in Scott.

The Board is very pleased to welcome JBS as a major shareholder and strategic partner. Scott provides JBS with a technology partner to help grow production efficiencies, while JBS, with more than 300 facilities globally, provides Scott the opportunity to scale up and significantly grow operations. Contracting with JBS is on an arms-length basis, while Scott maintains operational independence to contract with other meat companies, thereby providing benefits for the wider meat industry.



In April 2016, JBS Australia Pty Ltd acquired a 50.1% shareholding in Scott.

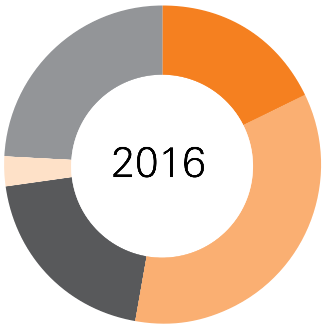
JBS Australia is a division of the JBS Global group of companies.

With a 60 year history, JBS is currently the largest protein processor in the world. The company operates in the processing of beef, pork, lamb and chicken.

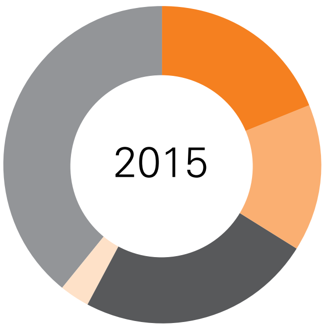
Globally, JBS has more than 300 production facilities and more than 215,000 employees focused on the company's success, supported by an entrepreneurial spirit and pioneering role. In addition the company has a diversified product portfolio, with dozens of recognised brands. This variety of products and a presence in 22 countries (from production platforms and offices) serves more than 300,000 customers in over 150 nations.

With a need for automation and robotics, JBS provides significant potential scale to support Scott's ambition to supply advanced automation equipment into the meat processing industry.

Revenue by Industry



- Appliances 18%
- Meat processing 35%
- Mining 20%
- Superconductors 3%
- Industrial automation & robotics 24%



- Appliances 19%
- Meat processing 15%
- Mining 24%
- Superconductors 3%
- Industrial automation & robotics 39%

BOARD

During the year three new Directors were appointed to the Scott Board: Brent Eastwood, the Chief Executive of JBS Australia; Edison Alvares, the Chief Financial Officer of JBS Australia; and Andre Nogueira, the Chief Executive of JBS USA. These appointees are based in the Australian and North American markets where we see the greatest opportunities for sales growth for our meat processing technologies, particularly into their large beef and pork markets. Having such high calibre and well connected appointments to the Scott Board demonstrates the high regard that JBS has for our technologies and their long term commitment to the Scott business.

In May 2016, Graham Batts retired from the Board after 60 years service to the company. Graham joined J & AP Scott as a 17 year old apprentice, working his way up to Managing Director from 1969 to 1999, and was a Director for 47 years. The Board and the company are indebted to Graham for his hard work and dedication to the business. The success of where the business is today is in part attributable to the building blocks and guidance provided by Graham.

HEALTH & SAFETY

The company is committed to maintaining the health and safety of our employees as they carry out their business around the world, as well as of our visitors while they are on our sites. In New Zealand we continue to meet ACC's Tertiary level accreditation for Workplace Safety Management Practices (its highest level), as well as a higher level mining industry accreditation in Australia. During the year we also voluntarily participated in the Safety Star Rating Scheme Pilot which is an injury prevention initiative that aims to lift the performance of health and safety practices in New Zealand businesses and is jointly run by Worksafe New Zealand, ACC and the Ministry of Business, Innovation and Employment. Our health and safety systems continue to operate effectively across all areas of the business and we look to establish consistent Scott health and safety practices across the globe as we expand into other geographies. We want our employees and visitors to be safe in the Scott environment and return home safely to their families.

MARKET FOCUS

Revenues from our target industries increased significantly with the largest increases coming from the meat processing industry, up 256% to $38.9m, and from the appliance industry, up 48% to $20.2m. For the first time, sales to the meat processing industry led the way which is an outstanding result for the technology that we started developing ten years ago.

Revenues from the mining industry increased 31% off the back of the sale of laboratory sample preparation equipment under the 'Rocklabs' brand, as well as newly commercialised robotic technology originating out of Scott Australia for refuelling, inspection and idler change systems for the extraction side of mining operations.

SCOTT GERMANY

In April 2016, Scott purchased the business assets of a German engineering company that operates within Scott's appliance manufacturing industry sector.

Founded in 1981, the business produces automated equipment, primarily for the whitegoods industries, and is a leading supplier of flexible production lines and special machines for a range of sheet metal working industries.

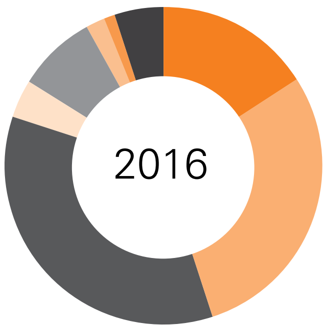
This acquisition enables Scott to design and build appliance production lines in Europe, as well as offer service, support and sales activities not just for the appliance industry, but for the meat processing and mining sectors.

As well as providing a strategic base for Scott to grow our European market, another key attraction of this business was that it came with existing projects, new product offerings and new customers.

A new Scott management team has been installed and, 39 employees had been engaged by Scott as at 31 August 2016.

The company has strong engineering and technical skills and its capability is very similar to Scott.

Geographical Revenue



OPERATIONS

During the year Scott again expanded operations through acquisition, as well as from strong organic growth. The company continues to benefit from the global rise in interest in automation and robotics, driven by the need to reduce costs, improve quality and improve productivity in a world where obtaining suitable workers is becoming increasingly difficult, even in countries such as China and Brazil. The future for the company's automation and mobile robotics capability, combined with our vision and sensing technologies, is increasingly in demand.

The company's business activities are organised around key geographic regions ("manufacturing segments") which strengthens our presence in key markets, ensuring we remain focused on our customers and their needs.

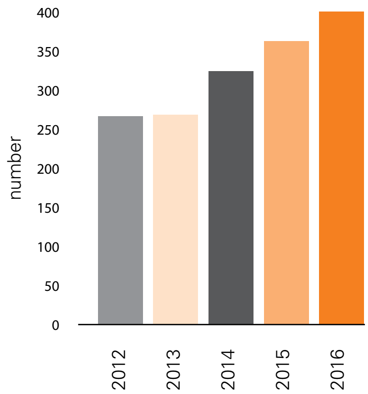
Our Australasia manufacturing segment has seen revenue grow to $88.2m in 2016, up from $48.6m in 2015. Included in this result are multiple repeat builds of our Lamb X-Ray, Primal and Middle systems for customers in both New Zealand and Australia, with the development of this technology now at a stage where it is almost an "off the shelf" product. The result also includes a full year's contribution from the Australian based Machinery Automation & Robotics business that we purchased in January 2015, with a strong contribution from the "Bladestop" bandsaw safety mechanism that our Australian business manufactures and sells under license. During the year we also announced repeat orders for eight extrusion and press systems from ASX listed Range International for the manufacture of shipping pallets out of recycled plastic. Repeat builds across all of our operations demonstrate customer confidence in our products and provide opportunities to gain manufacturing efficiencies.

In our Asia and Europe manufacturing segment, our four year manufacturing agreement with our 25% partner, Teknatool International Ltd, came to an end in October 2015 and we wound up those activities to concentrate on Scott's own business opportunities within China and the wider Asian region. New larger premises and a new operating company (Scott Systems (Qingdao) Co. Ltd) were set up to focus this operation solely on Scott's system and tooling builds, repeatable manufacturing, and procurement activities.

In April 2016 our Asia and Europe manufacturing segment expanded with the acquisition of the business assets of Somako Hirsch & Attig GmbH, based in Kürnbach, Germany, employing 39 people. This business had been in direct competition with Scott to supply equipment to the appliance industry, but now provides access to new customers and new product offerings. This acquisition has provided us with critical mass to deliver and support Scott's engineered solutions into the growing European market.

Within our Americas manufacturing segment, RobotWorx sold 235 robots during the year which was an increase of 25% on the prior year, although higher costs and the reduced availability of robots for refurbishment have impacted profitability.

Total Employees



PEOPLE AND PROCESS

In 2008 we embarked on a growth strategy which has resulted in us acquiring nine businesses in eight years. Prior to the acquisition of the Rocklabs business in July 2008 we employed 130 staff, almost all of whom were located in New Zealand. Our talent pool has now grown to 400 highly skilled and dedicated employees across eight countries. Their experience, creative flair, innovative ideas and dedication to achieve the best outcomes for our customers is what drives our success. Growth of the company internationally provides opportunities for the cross-fertilisation of ideas and provides a wide range of career paths for our employees. The company is dedicated to growing employee skills through training programmes, both internal and external, while high retention rates are achieved by providing interesting, challenging and diverse work, along with opportunities to move between geographies. It is the inherent combined knowledge and skills of our employees that creates value for our customers and for the company which is what we strive to preserve and grow.

FUTURE

The company is well positioned to take advantage of the increasing demand for our skills, our technology and our equipment. We have established critical mass in our key markets of Australasia, North America, China and Europe, which enables us to stay close to our customers and provide them with high quality solutions and service excellence. Commercialisation of the company's technologies will continue and will underpin organic growth, while potential acquisitions will be evaluated to further drive strategic growth where they provide strong value propositions for all stakeholders. The manufacturing environment in global economies is facing change that brings increased demand for our unique skills and technologies.

On behalf of the company and our colleagues, we thank the other Board members for their valuable support and encouragement throughout the year. We also thank the people at Scott for their commitment to, and efforts towards, achieving our mission and we thank all shareholders and other stakeholders for their support over many years which has helped place Scott in the strong position it is in today.

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

STUART MCLAUCHLAN

Chairman
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, Ngai Tahu Tourism 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 and Pro-Chancellor of the University of Otago.

MARK WALLER

Independent Director

BCom, FACA, FNZIM
Christchurch
Appointed Director 2004

Mark Waller was Chief Executive and Managing Director of EBOS Group Limited from 1987 to 30 June 2014, and was appointed Chairman of that company in October 2015. Mark Waller was the recipient of the Leadership Award in the 2014 INFINZ Industry Awards and the Chief Executive of the Year Award at the Deloitte Top 200 Business Awards in 2011.

CHRIS HOPKINS

Managing Director and CEO

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.

CHRISTOPHER 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.

ANDRE NOGUEIRA

Director

Greeley, Colorado, USA,
Appointed Director 2016

Andre Nogueira is President and Chief Executive Officer of JBS USA, the North American and Australian subsidiary of JBS SA, and the second largest global food company, being appointed on 1 January 2013. JBS USA also holds a majority interest in Pilgrim's Pride, the second largest poultry company in the U.S. Andre Nogueira began his career with JBS in 2007, serving as Chief Financial Officer through 2011. He then served as CEO of JBS Australia throughout 2012. Prior to working for JBS, Andre Nogueira worked for Banco do Brasil in corporate banking positions in the U.S. and Brazil. Andre Nogueira currently serves on the Pilgrim's Pride Corporation Board of Directors, the North American Meat Institute (NAMI) Board of Directors, the NAMI Executive Committee and Rabobank's North American Agribusiness Advisory Board. He has an MBA from Funcado Don Cabral, a Master's in Economics from Brasilia University, a B.A. in Economics from Federal Fluminese University, and has completed the Chicago Booth Advanced Management Program.

BRENT EASTWOOD

Director

Brisbane, Australia
Appointed Director 2016

Brent Eastwood was appointed Chief Executive Officer of JBS Australia in September 2012. Prior to this he was Chief Operating Officer for JBS Australia (Northern). Brent Eastwood has extensive international experience in business leadership, and the sales and marketing of animal protein. He has worked in executive roles within JBS USA including Head of JBS Trading Worldwide, Vice-President Beef Sales USA and President of JBS Carriers USA. His prior experience in Australia included time with JBS' predecessor company, Australia Meat Holdings, as General Manager of AMH Trading Division for five years, eight years in meat trading with the DR Johnson Group and three years as CEO of the ConAgra Trade Group in Sydney. Brent Eastwood entered the meat industry in New Zealand in 1984 and spent five years in management roles including Production, Quality Assurance, Cold Storage, Operations and Payroll.

EDISON ALVARES

Director

Brisbane, Australia
Appointed Director 2016

Edison Alvares has over 20 years experience in major companies within Brazil and on a global scale. He holds an Economics degree and Business Administration degree, and concluded his Executive Master of Business Administration (EMBA) in 2015 at Queensland University of Technology (QUT). His area of expertise is Finance and Controlling. For the past nine years Edison Alvares has led the Finance and Administration team of JBS Australia, from the first stages of JBS's ownership and expansion in 2007, through to the consolidated business today of over 13,000 employees and revenue in excess of AU$7b. Prior to joining JBS in 2005 in Brazil, he was employed in finance and controlling roles within the telecommunications and capital goods sectors.

CORPORATE GOVERNANCE *(CONT.)*

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 three non-executive independent Directors (Stuart McLauchlan (Chair), Mark Waller, and Chris Staynes), three Directors representing JBS Australia Pty Limited (Andre Nogueira, Brent Eastwood and Edison Alvares) who are not independent Directors 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 Mark Waller (Chair), Stuart McLauchlan, Chris Staynes, Edison Alvares and Chris Hopkins.

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, Edison Alvares 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.

ROBOTIC SAMPLE PREPARATION SYSTEM

A new Robotic Sample Preparation System was designed to process up to 600 samples per day with an input sample weight of between 1kg and 20kg. The system has the capability to handle Drill Core, Reverse Circulation and Blast Hole samples, providing great capability for commercial laboratories that support the mining exploration sector.

The system consists of two separated cells, with the first one capable of processing the initial dried sample at the Crushing Module consisting of a Big Boyd Crusher and three Boyd Elite Crushers all fitted with a Linear Sample Divider. The sample split is then transferred to the Pulverising Cell of five Batch Mill Modules that process (passing 95% - 150 mesh) and split in three sub-samples for further analysis.

The two robots are used to load and retrieve sample bins from various positions within the system, allowing for a complete automated sample preparation that allows consistency and safety in the workplace.

CORPORATE GOVERNANCE *(CONT.)*

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 20.

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

6. RISK MANAGEMENT

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

7. AUDIT

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

8. SHAREHOLDER RELATIONS

The Company maintains an up to date website (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 which operates periodically 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 2016.

	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 McLauchlan	10	10	2	2	1	1	3	2
M Waller	10	10	2	2	1	1	-	-
G Batts*	9	9	2	2	1	1	3	3
C Staynes	10	7	2	2	1	1	-	-
C Hopkins	10	10	2	2	-	-	12	12
A Nogueira	5	2	-	-	-	-	-	-
B Eastwood	5	5	-	-	-	-	-	-
E Alvares	5	5	1	1	-	-	-	-

*Up to retirement date 25 May 2016

COLLABORATIVE ROBOTS

Industrial robots move with great force and can easily injure as the worker enters a work space during operation. For this reason, robots are usually contained behind curtains, fencing, or other barriers for the safety and protection of human workers. This works well for many operations, but other automation businesses need more flexibility.

Fortunately, manufacturers such as FANUC, Motoman, KUKA, and ABB are taking advantage of the new collaborative technologies that enable humans and robots to safely work together. The collaborative robot was designed with multiple advanced sensors, software, and EOATs (end of arm tooling) that work together to help avoid injuries and damage. These robots no longer require safety cages or barriers, and they provide cost efficiencies and the flexibility to easily move and reprogram the same robot for different production lines as required, making them ideal for small batch manufacturers.

Easily integrated into existing production environments and featuring six articulation points, and a wide scope of flexibility, the collaborative robot arms are designed to mimic the range of motion of a human arm.

The growth of collaborative robots will continue to be fuelled by three key markets: electronics manufacturers and electronics manufacturing services companies, small-to-medium manufacturers, and manufacturers seeking robotic solutions optimised to support agile production methodologies.

DIRECTORS' INTERESTS
For the Year Ended 31 August 2016

Directors' Shareholding as at 31 August 2016

	Beneficially Owned		Held by associated persons		Non-beneficially held *	
	2016	2015	2016	2015	2016	2015
G Batts**	n/a	276,657	-	-	-	-
C Hopkins***	127,761	113,566	5,534,410	5,413,410	17,779	22,222
S McLauchlan	375,096	333,419	-	-	17,779	22,222
M Waller	90,562	80,500	-	-	-	-
C Staynes	228,375	203,000	-	-	-	-
A Nogueira****	-	n/a	37,415,058	n/a	-	n/a
B Eastwood****	-	n/a	37,415,058	n/a	-	n/a
E Alvares****	-	n/a	37,415,058	n/a	-	n/a
	821,794	1,007,142				

* The non-beneficially held shares that are held jointly by C Hopkins and S McLauchlan are in their capacity as trustees for the Scott Technology Employee Share Purchase Scheme.
** Retired 25 May 2016.
*** 5,500,000 associated persons shares are in C Hopkins' capacity as a Director of Oakwood Group Limited.
**** Appointed 10 May 2016. The 37,415,058 associated persons shares are jointly attributed to A Nogueira, B Eastwood and E Alvares in their capacity as Directors representing JBS Australia Pty Limited.

Directors' Share Dealings

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

	Number of Shares Acquired	Date	Consideration Paid $'000s
M Waller	10,062	14 April 2016	14
S McLauchlan	41,677	14 April 2016	58
C Hopkins (beneficially)	14,195	14 April 2016	20
G Batts	34,581	14 April 2016	48
C Staynes	25,375	14 April 2016	35
Oakwood Securities Limited (associated with C Hopkins)	121,000	14 April 2016	168

The above share purchases were all in relation to the JBS Australia Pty Limited Scheme of Arrangement.

Use of Company Information

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

DIRECTORS' INTERESTS

For the Year Ended 31 August 2016

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 Staynes

Councillor	Dunedin City Council
Chairman	Cargill Enterprises
Director	Cancer Society Otago & Southland Branch
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

A Nogueira

Chief Executive	JBS USA
Director	Bertin USA
Director	JBS Canada Partners Inc
Director	JBS USA Food Company
Director	JBS USA Food Company Holdings
Director	Live Pork, LLC
Director	Pilgrims Pride Corporation
Director	Skippack Creek Corporation
Director	Swift Ventures North America Inc
Director	TO-RICOS Distribution Ltd
Director	TO-RICOS Ltd
Director	North American Meat Institute
Member	Rabobank's North American Agribusiness Advisory Board

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 General Partner Ltd
Director	QMT Machinery Technology (Qingdao) Co Ltd
Director	Rocklabs Ltd
Director	Rocklabs Automation Canada Ltd
Director	Scott Automation Ltd
Director	Scott Automation & Robotics Pty Ltd
Director	Scott LED Ltd
Director	Scott Milktech Ltd
Director	Scott Separation Technology Ltd
Director	Scott Systems International Inc
Director	Scott Systems (Qingdao) Co Ltd
Director	Scott Technology Australia Pty Ltd
Director	Scott Technology Euro Ltd
Director	Scott Technology NZ Ltd
Director	Scott Technology USA Ltd
Trustee	Scott Technology Employee Share Purchase Scheme
Shareholder	Penfold Transmission Ltd

M Waller

Chairman & Director	Ebos Group Ltd & Associated Companies

B Eastwood

Chief Executive & Director	JBS Australia Pty Ltd and Associated Companies
Director	Afoofa Development Pty Ltd
Director	Andrews Meat Industries Pty Ltd
Director	Enunga Enterprises Pty Ltd
Director	J & F Australia Pty Ltd
Director	JBS Holdings Hong Kong Co Ltd
Director	Premier Beehive NZ
Director	Primo Moraitis Fresh Pty Ltd
Director	SPM Fresh 2013 Pty Ltd
Director	SPM Fresh Holdings Pty Ltd
Member	Business Council of Australia

E Alvares

Director	JBS Australia Pty Ltd & Associated Companies
Director	Andrews Meat Industries Pty Ltd
Director	J & F Australia Pty Ltd
Director	JBS (Bejing) Co Ltd
Director	JBS Holdings Hong Kong Co Ltd
Director	Premier Beehive NZ

S McLauchlan

Pro-Chancellor	University of Otago
Chairman	Compass Agribusiness Management Ltd
Chairman	Dunedin International Airport Ltd
Chairman	Pharmac Ltd
Chairman	UDC Finance Limited
Chairman	University of Otago Foundation Studies Ltd
Partner/Director	GS McLauchlan & Co Ltd
Director	Analogue Digital Instruments Group
Director	BPCA Clinical Solutions Management Ltd
Director	Cargill Hotel 2002 Ltd
Director	Dunedin Casinos Ltd
Director	Dunedin City Council Subsidiaries
Director	Energy Link Limited
Director	Extra Eight Ltd
Director	Ngai Tahu Tourism Ltd
Director	QMT Machinery Technology (Qingdao) Co Ltd
Director	Scenic Circle Hotels & Subsidiaries
Director	Scott Technology NZ Ltd
Director	University of Otago Holdings Ltd
Board Member	Otago Southland Employers Assn
Trustee	Scott Technology Employee Share Purchase Scheme

DIRECTORS' INTERESTS
For the Year Ended 31 August 2016

Remuneration of Directors

During the year ended 31 August 2016, the total remuneration and other benefits attributed to the Directors of the Company were as follows:

	Directors' Fees $'000s	Director's Salary $'000s	Other Remuneration & Benefits (Short Term) $'000s	Other Remuneration & Benefits (Long Term) $'000s
G Batts*	31	-	11	-
C Hopkins**	-	333	200	279
S McLauchlan	82	-	-	-
M Waller	50	-	-	-
C Staynes	42	-	-	-
A Nogueira***	-	-	-	-
B Eastwood***	-	-	-	-
E Alvares***	-	-	-	-

* Up to retirement on 25 May 2016.
** Denotes an Executive Director who receives a salary.
*** Remuneration and meeting costs of Directors representing JBS Australia Pty Limited are paid directly by the JBS Group of Companies.

Directors' Indemnity & Insurance

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

Gender Composition

The gender composition of the Directors, Executive Officers and Senior Management of the Company as at 31 August was:

	2016 Male	2016 Female	2015 Male	2015 Female
Directors	7	-	5	-
Executive Officers	7	2	8	2
Senior Management	9	3	9	3
	23	5	22	5

Donations

The Company made donations of $11,000 during the year (2015: $20,000).

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 present fairly, in all material respects, the consolidated financial position of Scott Technology Limited and Group ("the Group") as at 31 August 2016 and the results of their operations and cash flows for the year ended 31 August 2016.

The Directors consider that the financial statements of the Group have been prepared using accounting policies appropriate to the 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 2013 and the Financial Markets Conduct Act 2013.

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 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 2016.

These financial statements are dated 13 October 2016 and are signed in accordance with a resolution of the Directors made pursuant to section 461(1)(b) of the Financial Markets Conduct Act 2013.

For and behalf of the Directors

Stuart J McLauchlan
Chairman

Chris C Hopkins
Managing Director

Scott is now using Automated Guided Vehicles ('AGVs') to replace complex conveyor systems and in automated container loading. AGVs are driverless vehicles used to transport goods and materials in a range of different applications where safety and system uptime are paramount.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 August 2016

	Note	Group 2016 $'000s	Group 2015 $'000s
Revenue		112,044	72,298
Other income	2(a)	2,471	2,548
Share of joint ventures' & associate's net surplus/(deficit)	11	378	(41)
Raw materials, consumables used & other expenses		(66,579)	(36,180)
Employee benefits expense		(34,920)	(27,689)
Depreciation & amortisation	10, 13	(1,744)	(1,636)
Finance costs		(685)	(1,198)
NET SURPLUS BEFORE TAXATION	2(b)	10,965	8,102
Taxation expense	3(a)	(2,831)	(1,989)
NET SURPLUS FOR THE YEAR AFTER TAX		8,134	6,113
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Net movement in cash flow hedge reserve		-	27
Translation of foreign operations		(201)	(1,376)
Other Comprehensive Deficit for the Year		(201)	(1,349)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		7,933	4,764
Net surplus for the year after tax is attributable to:			
Members of the parent entity (used in the calculation of earnings per share)		7,485	6,169
Non controlling interests	21	649	(56)
		8,134	6,113
Total comprehensive income is attributable to:			
Members of the parent entity		7,284	4,820
Non controlling interests	21	649	(56)
		7,933	4,764

		Group 2016 Cents Per Share	Group 2015 Cents Per Share
Earnings per share:			
Basic	5	13.3	13.8
Diluted	5	13.3	13.8
Net tangible assets per ordinary share:			
Basic	5	82.2	37.2
Diluted	5	82.2	37.2

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 August 2016

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 2014		28,804	18,495	(27)	(83)	76	47,265
Net surplus/(deficit) for the year after tax		-	6,169	-	-	(56)	6,113
Other comprehensive income for the year net of tax		-	-	27	(1,376)	-	(1,349)
Issue of ordinary shares under dividend reinvestment plan	20	1,078	-	-	-	-	1,078
Dividends paid (8.00 cents per share)		-	(3,550)	-	-	-	(3,550)
Issue of ordinary shares on acquisition of Machinery Automation & Robotics business		1,061	-	-	-	-	1,061
Balance at 31 August 2015		30,943	21,114	-	(1,459)	20	50,618
Net surplus for the year after tax		-	7,485	-	-	649	8,134
Other comprehensive income for the year net of tax		-	-	-	(201)	-	(201)
Dividends paid (9.50 cents per share)		-	(4,320)	-	-	-	(4,320)
Issue of ordinary shares under JBS Australia Pty Ltd Scheme of Arrangement	20	40,597	-	-	-	-	40,597
Share issue costs		(228)	-	-	-	-	(228)
Balance at 31 August 2016		71,312	24,279	-	(1,660)	669	94,600

BALANCE SHEET
As at 31 August 2016

	Note	Group 2016 $'000s	Group 2015 $'000s
CURRENT ASSETS			
Cash and cash equivalents		34,244	2,106
Trade debtors	6	15,833	15,912
Other financial assets	7	1,377	1,645
Sundry debtors		1,125	1,107
Inventories	8	12,343	11,416
Receivable from joint ventures and associates	26	1,393	1,978
Contract work in progress	9	-	3,048
		66,315	37,212
NON CURRENT ASSETS			
Property, plant and equipment	10	12,831	11,468
Investment in joint ventures and associates	11	923	545
Other financial assets	7	99	3
Goodwill	12	29,911	29,758
Deferred tax asset	3(b)	1,603	2,221
Intangible assets	13	1,698	1,715
Receivable from joint ventures and associates	26	431	1,523
		47,496	47,233
TOTAL ASSETS		113,811	84,445
CURRENT LIABILITIES			
Bank overdraft	14	-	821
Trade creditors and accruals	15	8,362	8,872
Finance lease liabilities	16	32	34
Other financial liabilities	18	523	634
Employee entitlements		4,006	3,000
Provision for warranty	19	1,100	750
Taxation payable		1,912	1,162
Payable to joint ventures	26	346	430
Current portion of bank term loans	14	-	9,822
Contract work in progress	9	1,137	-
		17,418	25,525
NON CURRENT LIABILITIES			
Bank term loans	14	-	7,547
Other financial liabilities	18	99	3
Employee entitlements		1,639	658
Finance lease liability	16	55	94
		1,793	8,302
EQUITY			
Share capital	20	71,312	30,943
Retained earnings		24,279	21,114
Foreign currency translation reserve		(1,660)	(1,459)
Equity attributable to equity holders of the parent		93,931	50,598
Non controlling interests	21	669	20
TOTAL EQUITY		94,600	50,618
TOTAL LIABILITIES & EQUITY		113,811	84,445

STATEMENT OF CASHFLOWS

For the Year Ended 31 August 2016

	Note	Group 2016 $'000s	Group 2015 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from operations		118,880	77,480
Interest received		299	32
Net GST paid		(372)	(186)
Payments to suppliers and employees		(100,463)	(65,219)
Interest paid		(773)	(1,134)
Taxation paid		(1,463)	(986)
Net cash inflow from operating activities	28	16,108	9,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Purchase of property, plant and equipment		(2,984)	(1,091)
Sale of property, plant and equipment		481	4,025
Net advances from/(to) joint ventures and associates		1,593	(461)
Purchase of business		(880)	(13,103)
Repayment of advance to Employee Share Purchase Scheme		2	42
Disposal of joint ventures and associates		-	173
Net cash outflow from investing activities		(1,788)	(10,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Repayment of borrowings		(17,410)	(3,779)
Dividends paid		(4,320)	(3,550)
Issue of share capital, net of issue costs		40,369	1,078
Loans drawn down		-	12,852
Net cash inflow from financing activities		18,639	6,601
Net increase/(decrease) in cash held		32,959	6,173
Add/(less) cash and cash equivalents at start of period		1,285	(4,888)
Balance at end of period		34,244	1,285
Comprised of:			
Cash and bank balances		34,244	2,106
Bank overdraft		-	(821)
		34,244	1,285

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 August 2016

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The consolidated 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 FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and its annual financial statements comply with these Acts.

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 13 October 2016.

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 2016 and the comparative information presented in these financial statements for the year ended 31 August 2015.

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

The information is presented in thousands of New Zealand dollars, which is the functional currency of the Company and the presentation currency of the Group.

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.
- Warranty provisions – Warranty 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

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

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.

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 consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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.

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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate until the date it ceases to be an associate. On acquisition of the investment in an associate, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 August 2016

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

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.

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. At the point at which a project is expected to be loss making, losses would be recognised immediately in profit or loss.

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.

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

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.

Goods and Services Tax and Value Added Tax ("GST")

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

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

Inventories

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

Contract Work in Progress

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

Financial Instruments

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

(a) Cash & Cash Equivalents

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

(b) Trade Debtors

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

(c) Equity Instruments

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

(d) Trade Creditors

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

(e) Derivative Financial Instruments

The Group 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 re-measured 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).

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

Fair Value Hedge

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

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

Cash Flow Hedge

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

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

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

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

(f) Borrowings

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

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

Employee Benefits

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

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

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

Property, Plant and Equipment

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

Depreciation is provided on property, plant and equipment.

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

Buildings	40 years
Plant, equipment and vehicles	1 - 13 years

Research and Development Costs

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

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, 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

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

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.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and position of each group entity are expressed in New Zealand dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Zealand dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Statement of Cashflows

The Statement of Cashflows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income.

Definition of terms used in the Statement of Cashflows:

- 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, net of bank overdrafts.
- 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 manufacturing base, therefore under NZ IFRS-8 the Group's reportable segments are:

- Australasia manufacturing
- Americas manufacturing
- Asia and Europe manufacturing

Information regarding the Group's reportable segments is presented in Note 27.

Standards and Interpretations Effective in the Current Period

In the current year the Group adopted all mandatory new and amended Standards and Interpretations. None of the new and amended standards had a material impact on the amounts recognised in these 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, with the exception of:

- NZ IFRS 15 *Revenue from Contracts with Customers* which is effective for the financial year ending 31 August 2019. NZ IFRS 15 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.
- NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes the current NZ IAS 39 requirements for hedge accounting. The Group is yet to assess NZ IFRS 9's full impact. The Group intends to apply the standard from the period ending 31 August 2019.

1. SUMMARY OF ACCOUNTING POLICIES *(CONT.)*

- NZ IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group is yet to assess NZ IFRS 16's full impact. The Group intends to apply the standard for the period ending 31 August 2020.

Except for the three standards specified above, the Group does not expect the standards and amendments in issue and not yet adopted will have a material impact on the financial statements.

2. OTHER INCOME AND OPERATING EXPENSES

		Group	
		2016 $'000s	**2015 $'000s**
(a) Other income			
Gross insurance proceeds from property, plant and equipment		-	1,563
Government grants related to research and development		2,172	673
Interest received		299	32
Gain on sale of property, plant and equipment		-	280
		2,471	2,548
(b) Operating expenses			
The surplus is stated after charging:			
Auditor's remuneration	- audit of financial statements	121	102
	- other assurance services – research and development review engagement	11	5
	- due diligence	-	16
	- taxation services	24	14
The auditor of the Group is Deloitte.			
Directors' fees		205	216
Superannuation scheme contributions		1,345	746
Fair value losses on firm commitments		1,051	-
Leasing and rental costs		1,222	989
Foreign exchange losses		27	-
Fair value losses on derivatives held as fair value hedges		-	449
Unrealised fair value losses on foreign exchange derivatives		155	108
Loss on disposal of property, plant and equipment		215	-
Impairment of net assets (QMT Machinery Technology (Qingdao) Co Ltd		449	-
and after crediting:			
Fair value gains on derivatives held as fair value hedges		1,051	-
Foreign exchange gains		-	1,538
Fair value gains on firm commitments		-	449

3. INCOME TAXES

(a) Income tax recognised in net surplus

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

	Group	
	2016 $'000s	**2015 $'000s**
Net surplus before tax	10,965	8,102
Income tax expense calculated at 28% (2015: 28%)	3,070	2,269
Non assessable income/(non deductible expenses)	244	(242)
Over provision of income tax in previous year	(483)	(38)
Taxation expense	2,831	1,989

3. INCOME TAXES *(CONT.)*

	Group 2016 $'000s	Group 2015 $'000s
Represented by:		
Current tax	2,213	1,180
Deferred tax	618	809
	2,831	1,989

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 2016 income tax year.

(b) Deferred Tax Balances

Group	Opening Balance $'000s	Charged to Income $'000s	Closing Balance $'000s
2016			
Gross deferred tax assets:			
Trade debtors	98	31	129
Inventories	165	171	336
Employee entitlements	804	269	1,073
Provisions	364	6	370
Tax losses	2,283	(1,378)	905
	3,714	(901)	2,813
Gross deferred tax liabilities:			
Property, plant and equipment	1,186	(41)	1,145
Prepayments	307	(307)	-
Accruals	-	65	65
	1,493	(283)	1,210
	2,221	(618)	1,603

Group	Opening Balance $'000s	Charged to Income $'000s	Acquisition of Subsidiary $'000s	Closing Balance $'000s
2015				
Gross deferred tax assets:				
Trade debtors	77	21	-	98
Inventories	289	(124)	-	165
Other financial assets	19	(19)	-	-
Employee entitlements	592	(13)	225	804
Provisions	384	(20)	-	364
Tax losses	1,233	(4)	1,054	2,283
	2,594	(159)	1,279	3,714
Gross deferred tax liabilities:				
Property, plant and equipment	871	315	-	1,186
Accruals	(28)	335	-	307
	843	650	-	1,493
	1,751	(809)	1,279	2,221

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 August 2016

3. INCOME TAXES *(CONT.)*

(c) Imputation credit account balances

	Group	
	2016 $'000s	**2015 $'000s**
Imputation credits available to shareholders	2,385	7,913

4. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group	
	2016 $'000s	**2015 $'000s**
Short term benefits - employees	2,200	1,689
Short term benefits – executive Director	533	441
Short term benefits – non-executive Directors	216	231
Long term benefits – employees	614	10
Long term benefits – executive Director	279	5
	3,842	2,376

5. EARNINGS & NET TANGIBLE ASSETS PER SHARE

	Group	
	2016 Cents Per Share	**2015 Cents Per Share**
Earnings per share from continuing operations		
Basic	13.3	13.8
Diluted	13.3	13.8
Net tangible assets per ordinary share		
Basic	82.2	37.2
Diluted	82.2	37.2

	Group	
	2016 $'000s	**2015 $'000s**
Net surplus for the year used in the calculation of basic and diluted earnings per share from continuing operations	7,485	6,169
Net tangible assets (excluding goodwill, intangible assets and deferred tax)	61,388	16,924

5. EARNINGS & NET TANGIBLE ASSETS PER SHARE *(CONT.)*

	Group	
	2016 000s	**2015 000s**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share from continuing operations	56,327	44,844
Ordinary shares at year end used in the calculation of net tangible assets per ordinary share (note 20)	74,681	45,474

6. TRADE DEBTORS

	Group	
	2016 $'000s	**2015 $'000s**
Trade debtors	16,285	16,262
Allowance for doubtful debts (i)	(452)	(350)
	15,833	15,912

The credit period on sales of goods ranges from 30 to 120 days depending on the terms negotiated by the customer for large contracts. No interest is charged on the trade debtors.

(i) Allowance for doubtful debts

Balance at beginning of financial year	350	276
Impairment loss recognised on trade debtors	102	74
Balance at end of financial year	452	350

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. All doubtful debts are aged beyond 90 days (2015: all aged beyond 90 days).

(ii) Past due but not impaired

Included in the Group's trade debtors are debtors with a carrying amount of $4,762,000 (2015: $8,225,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are considered recoverable.

Ageing of past due but not impaired:

30 – 60 days	2,588	4,390
60 – 90 days	1,034	1,906
90 days +	1,140	1,929
	4,762	8,225

7. OTHER FINANCIAL ASSETS

	Group	
	2016 $'000s	2015 $'000s
Foreign currency forward contracts held as effective fair value hedges (i)	620	3
Foreign exchange collar option derivatives	479	-
Foreign exchange derivatives	377	1,211
Fair value hedge of open firm commitments	-	434
	1,476	1,648
Represented by:		
Current financial assets		
Foreign currency forward contracts held as effective fair value hedges	521	-
Foreign exchange collar option derivatives	479	-
Foreign exchange derivatives	377	1,211
Fair value hedge on open firm commitments	-	434
	1,377	1,645
Non current financial assets		
Foreign currency forward contracts held as effective fair value hedges	99	3

(i) Designated and effective hedging instrument.

8. INVENTORIES

	Group	
	2016 $'000s	2015 $'000s
Raw materials	2,687	3,056
Work in progress	1,288	522
Finished goods	8,368	7,838
	12,343	11,416

The cost of inventories recognised as an expense during the year includes $Nil (2015: $105,000) in respect of write downs of inventory to net realisable value.

9. CONTRACT WORK IN PROGRESS

	Group	
	2016 $'000s	2015 $'000s
Costs incurred and estimated earnings on uncompleted contracts	116,557	78,226
Progress claims received or receivable	(117,694)	(75,178)
	(1,137)	3,048
Represented by:		
Sales recognised to be recovered by invoices	16,178	13,793
Contracts invoiced in advance of sales recognised	(17,315)	(10,745)
	(1,137)	3,048

10. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Freehold Land at Cost $'000s	Freehold Buildings at Cost $'000s	Plant, Equipment & Vehicles at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2014	4,075	7,647	18,943	30,665
Acquisitions through business combinations	-	-	1,062	1,062
Additions	-	-	1,071	1,071
Disposals	(1,942)	(1,258)	(1,051)	(4,251)
As at 31 August 2015	2,133	6,389	20,025	28,547
Acquisitions through business combinations	-	-	802	802
Additions	296	591	2,097	2,984
Disposals	-	-	(3,003)	(3,003)
As at 31 August 2016	2,429	6,980	19,921	29,330
Accumulated depreciation & impairment				
As at 31 August 2014	-	1,394	14,592	15,986
Disposals	-	(60)	(445)	(505)
Depreciation expense	-	223	1,375	1,598
As at 31 August 2015	-	1,557	15,522	17,079
Disposals	-	-	(2,307)	(2,307)
Depreciation expense	-	199	1,528	1,727
As at 31 August 2016	-	1,756	14,743	16,499
Net book value				
As at 31 August 2015	2,133	4,832	4,503	11,468
As at 31 August 2016	2,429	5,224	5,178	12,831

	Group	
	2016 $'000s	2015 $'000s
Aggregate depreciation allocated, whether recognised as an expense or as part of the carrying amount of other assets during the year:		
Freehold buildings	199	223
Plant, equipment and vehicles	1,528	1,375
	1,727	1,598

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 properties at 630 Kaikorai Valley Road, Dunedin and 10 Maces Road, Christchurch.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Country of Incorporation	Ownership Interest 2016 %	Ownership Interest 2015 %	Carrying Value 2016 $'000s	Carrying Value 2015 $'000s
Joint Ventures					
Robotic Technologies Limited (i)	New Zealand	50	50	807	543
Scott Technology Euro Limited (ii)	Ireland	50	50	77	69
NS Innovations Pty Limited (iii)	Australia	50	50	-	14
Scott Separation Technology Limited (iv)	New Zealand	50	50	26	26
Scott Technology S.A. (v)	Chile	50	50	88	(66)
Rocklabs Automation Canada Limited (vi)	Canada	50	50	(75)	(41)
Balance at end of financial year				923	545

(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 $264,000 (2015: $Nil).

(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 $8,000 (2015: share of net surplus $4,000).

(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 deficit was $14,000 (2015: $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 surplus was $Nil (2015: share of net deficit $11,000).

(v) 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 $154,000 (2015: share of net deficit $18,000).

(vi) 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 $34,000 (2015: share of net deficit $54,000).

(vii) Robot Vision Lab Limited (RVL) was an Associate which was disposed of in the 2015 year.

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

Carrying value of equity accounted investments:

	Group	
	2016 $'000s	**2015 $'000s**
Balance at beginning of financial year	545	759
Share of net surplus/(deficit)	378	(41)
Share capital and final dividend repaid	-	(173)
Balance at end of financial year	923	545

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

	Joint Ventures		Associates	
	2016 $'000s	**2015 $'000s**	**2016 $'000s**	**2015 $'000s**
Income	14,542	1,337	-	107
Expenses	(13,786)	(1,505)	-	-
Net surplus/(deficit) and total comprehensive income	756	(168)	-	107
Group share of net surplus/(deficit)	378	(84)	-	43

Summarised balance sheets of joint ventures and associates:

Current assets	3,864	4,087	-	-
Non current assets	2,149	2,993	-	-
Current liabilities	(1,216)	(935)	-	-
Non current liabilities	(2,914)	(5,037)	-	-
Net assets	1,883	1,108	-	-
Group share of net assets	942	554	-	-

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

12. GOODWILL

	Group	
	2016 $'000s	**2015 $'000s**
Gross carrying amount		
Balance at beginning of financial year	29,758	16,657
Additional amounts recognised from business combinations occurring during the period (refer note 23)	153	13,101
Balance at end of financial year	29,911	29,758

There has been no impairment recognised during the year or in prior periods.

12. GOODWILL *(CONT.)*

Allocation of goodwill to cash-generating units

The Group's cash-generating units are:

Australasia manufacturing

Americas manufacturing

Asia and Europe manufacturing

Australasia is reported as a single cash-generating unit due to the integrated nature of customers, manufacturing, sales and financing activities across New Zealand and Australia.

Asia and Europe is reported as a single cash-generating unit due to the integrated nature of customers, management, manufacturing and sales activities across Asia and Europe.

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

	Group	
	2016 $'000s	2015 $'000s
Australasia manufacturing	23,975	23,975
Americas manufacturing	5,422	5,422
Asia and Europe manufacturing	514	361
	29,911	29,758

Australasia Manufacturing

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

Americas Manufacturing

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

Asia & Europe Manufacturing

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

13. INTANGIBLE ASSETS

	Group			
	URLs at Cost $'000s	Non-compete at Cost $'000s	HTS Technology at Cost $'000s	Total $'000s
Gross carrying amount				
As at 31 August 2014	1,492	69	251	1,812
Acquisitions through business combinations	-	-	-	-
Additions	-	-	20	20
As at 31 August 2015	1,492	69	271	1,832
Additions	-	-	-	-
As at 31 August 2016	1,492	69	271	1,832
Accumulated amortisation and impairment				
As at 31 August 2014	-	3	76	79
Amortisation expense	-	16	22	38
As at 31 August 2015	-	19	98	117
Amortisation expense	-	1	16	17
As at 31 August 2016	-	20	114	134
Net book value				
As at 31 August 2015	1,492	50	173	1,715
As at 31 August 2016	1,492	49	157	1,698

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 (URLs) 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 as the rights to the URLs are held indefinitely and are assessed for impairment annually.

14. BANK FACILITIES

The Group has a working capital facility from ANZ Bank New Zealand Limited with a total limit of $500,000 (2015: $9,250,000). As at 31 August 2016 the amount used was $Nil (2015: $821,000).

The Group has a financial guarantee facility and a trade performance bond facility from ANZ Bank New Zealand Limited with a total limit of $10,700,000 (2015: $3,075,000). As at 31 August 2016 the amount used was $6,146,000 (2015: $547,000). Refer note 25, Contingent Liabilities.

The Group has a secured credit card facility from ANZ Bank New Zealand Limited with a total limit of $750,000 (2015: $750,000). As at 31 August 2016 the total amount used was $76,000 (2015: $66,000). The total amount used is included in trade creditors and accruals.

14. BANK FACILITIES *(CONT.)*

The Group had three secured floating rate term loan facilities from ANZ Bank New Zealand Limited, all of which were repaid in full during the year:

i) Floating rate term loan facility of $Nil (2015: $2,990,000 – interest rate 5.31%), which was originally repayable in equal interest and principal repayments from 30 September 2014 over a 14 year period. The loan was repaid in April 2016.

ii) Floating rate term loan facility of US$Nil (2015: US$3,719,000 – interest rate 2.6935%), which was originally repayable in equal interest and principal repayments over a 7 year period, with a final repayment in 2021. The loan was repaid in April 2016.

iii) Floating rate term loan facility of $Nil (2015: $8,586,000 – interest rate 5.96%), which was on an interest only basis, with a final repayment date of 31 May 2016. The loan was repaid in April 2016.

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

	Group	
	2016 $'000s	**2015 $'000s**
Current liability	-	9,822
Non current liability	-	7,547
	-	17,369

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 and 10 Maces Road, Christchurch properties.

15. TRADE CREDITORS AND ACCRUALS

	Group	
	2016 $'000s	**2015 $'000s**
Trade creditors	4,466	5,477
Accruals	3,896	3,395
	8,362	8,872

All trade creditors are current and paid within the terms agreed with individual suppliers.

16. FINANCE LEASE LIABILITIES

	Minimum Future Lease Payments		Present Value of Minimum Lease Payments	
	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s
Not later than one year	35	39	32	35
Later than one year and not later than five years	56	91	55	86
Later than five years	-	7	-	7
Minimum future lease payments	91	137	87	128
Less future finance charges	(4)	(9)	-	-
Present value of minimum lease payments	87	128	87	128
Classified as:				
Current borrowings			32	35
Non current borrowings			55	93
			87	128

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	
	2016 $'000s	2015 $'000s
No longer than 1 year	1,151	1,291
Longer than 1 year and not longer than 2 years	1,151	1,212
Longer than two years and not longer than 5 years	1,572	2,430
Longer than 5 years	26	342
	3,900	5,275

18. OTHER FINANCIAL LIABILITIES

	Group	
	2016 $'000s	2015 $'000s
At fair value:		
Fair value hedge of open firm commitments	620	3
Advance from Employee Share Purchase Scheme (i)	2	-
Foreign currency forward contracts held as effective fair value hedges	-	434
Foreign exchange collar option derivatives	-	200
	622	637

18. OTHER FINANCIAL LIABILITIES *(CONT.)*

	Group	
	2016 $'000s	**2015 $'000s**
Represented by:		
Current financial liabilities		
Fair value hedge of open firm commitments	521	-
Advance from Employee Share Purchase Scheme	2	-
Foreign currency forward contracts held as effective fair value hedges	-	434
Foreign exchange collar option derivatives	-	200
	523	634
Non current financial liabilities		
Fair value hedge of open firm commitments	99	3

(i) Interest free, repayable on demand

19. PROVISION FOR WARRANTY

	Group	
	2016 $'000s	**2015 $'000s**
Balance at beginning of financial year	750	750
Additional provisions recognised	820	430
Reductions arising from payments	(470)	(430)
Balance at end of financial year	1,100	750

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		Group	
	2016 Number	**2015 Number**	**2016 $'000s**	**2015 $'000s**
Fully paid ordinary shares at beginning of financial year	45,473,890	44,009,178	30,943	28,804
Issue of shares on acquisition of Machinery Automation and Robotics business	-	704,952	-	1,061
Issue of shares under JBS Australia Pty Ltd Scheme of Arrangement	29,206,864	-	40,597	-
Less share issue costs	-	-	(228)	-
Shares issued under dividend reinvestment plan	-	759,760	-	1,078
Balance at end of financial year	74,680,754	45,473,890	71,312	30,943

Under the JBS Australia Pty Ltd Scheme of Arrangement:

- 27,231,246 new shares were issued to JBS Australia Pty Ltd for $1.39 per share;
- 1,975,618 new shares were issued to existing shareholders who participated in the rights issue at $1.39 per share; and
- 10,183,812 existing shares were transferred from existing shareholders to JBS Australia Pty Ltd at $1.39 per share.

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

Scott Technology operates a dividend reinvestment plan under which shareholders may elect to reinvest all or part of their dividends in the Company. The dividend reinvestment plan is currently suspended.

21. NON CONTROLLING INTERESTS

	Group	
	2016 $'000s	2015 $'000s
Balance at beginning of financial year	20	76
Share of net surplus/(deficit) for the year	649	(56)
Balance at end of financial year	669	20

22. COMMITMENTS FOR EXPENDITURE

	Group	
	2016 $'000s	2015 $'000s
Commitments for future capital expenditure for purchase of plant and equipment	9	-

23. ACQUISITION OF BUSINESS

(a) Business Acquired

Name	Principal Activity	Date of Acquisition	Proportion of Shares Acquired	Cost of Acquisition $'000s
Somako Hirsch & Attig GmbH	Automation engineering based in Kurnbach, Germany	4 April 2016	100%	880

The business was purchased to provide an increased presence in the European market and to grow and better service European customers.

(b) Analysis of Assets & Liabilities Acquired

	Book Value $'000s	Fair Value Adjustment $'000s	Fair Value on Acquisition $'000s
Assets & Liabilities			
Inventories	118	(40)	78
Contract work in progress	234	(42)	192
Plant and equipment	528	274	802
Employee entitlements	-	(153)	(153)
Trade & other payables	-	(192)	(192)
Total assets & liabilities	880	(153)	727
Goodwill on acquisition			153
Cost of acquisition			880

(c) Cost of Acquisition

The cost of acquisition of the Somako business was fully paid in cash. The cash outflow on acquisition was $880,000.

(d) Goodwill Arising on Acquisition

The consideration paid for the acquisition of the Somako 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.

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

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

Included in the Group financial statements is revenue of $4,900,000 and a net loss after tax of $147,000 attributable to the purchase of the Somako business.

The business was purchased from administration and did not trade for a full year. Disclosure has not been made of the full year revenue or profit as if the acquisition had been effected at 1 September 2015 as doing so would not be a fair representation of the performance of the combined Group on an annualised basis.

24. SUBSIDIARIES

Name of Entity	Balance Date	Country of Incorporation	Ownership Interest & Voting Rights 2016 %	Ownership Interest & Voting Rights 2015 %
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	100
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	100
Rocklabs Limited	31 August	New Zealand	100	100
Overseas Subsidiaries				
Scott Technology Australia Pty Ltd (ix)	31 August	Australia	100	100
Applied Sorting Technologies Pty Ltd (x)	31 August	Australia	100	100
Scott Automation & Robotics Pty Ltd (xi)	31 August	Australia	100	100
QMT Machinery Technology (Qingdao) Co Limited (xii)	31 December (**)	China	70	70
Scott Systems International Incorporated (xiii)	31 August	USA	100	100
Scott Systems (Qingdao) Co Limited (xiv)	31 December (**)	China	95	95
Scott Technology GmbH (xv)	31 December (**)	Germany	100	-

(*) Determined by agreement between the shareholders on incorporation.

(**) Determined by local regulatory requirements.

24. SUBSIDIARIES *(CONT.)*

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.

(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" brand), the service and upgrade of Scott equipment worldwide (under the "Scott Service International" brand), the manufacture and sale of automated laboratory sampling equipment for the mining industry (under the "Rocklabs" brand) and development, design and manufacture of high temperature superconductor equipment (under the "HTS-110" brand).

(iii) HTS-110 Limited developed, designed and manufactured high temperature superconductor equipment. In 2015 these operations were transferred to Scott Technology NZ Limited.

(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.

(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 and sorting technology.

(xi) Scott Automation & Robotics Pty Limited is the main trading company for Australia operations, including the business of Machinery Automation and Robotics which was acquired on 31 January 2015.

(xii) QMT Machinery Technology (Qingdao) Co Limited is a general engineering business located in Qingdao, China. The woodworking lathes and parts business has ceased and the automation engineering business has been transferred to Scott Systems (Qingdao) Co Limited. Remaining net assets have been impaired as disclosed in Note 2.

(xiii) Scott Systems International Incorporated's principal activity is in North America for the sale of robot systems under the RobotWorx brand and undertaking sales and service for the wider Group.

(xiv) Scott Systems (Qingdao) Co Limited is a general engineering business located in Qingdao, China.

(xv) Scott Technology GmbH designs and manufactures automation systems and is located in Kurnbach, Germany.

25. CONTINGENT LIABILITIES

	Group	
	2016 $'000s	**2015 $'000s**
Payment guarantees and performance bonds	6,071	472
Stock Exchange bond	75	75
Maximum contract penalty clause exposure	1,431	1,636

25. CONTINGENT LIABILITIES *(CONT.)*

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.

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), 70% of QMT Machinery Technology (Qingdao) Co Limited (QMT), 50% of Scott Technology S.A. (STSA) and 50% of Rocklabs Automation Canada Limited (RAC). The Group also owned 40% of Robot Vision Lab Limited (RVL) which was disposed of during the 2015 year.

	Group	
	2016 $'000s	**2015 $'000s**
Joint Ventures		
Project work undertaken by the Group for RTL	12,767	1,201
Administration, sales and marketing fees charged by the Group to RTL	230	210
Sales revenue received by RTL from the Group	9,689	293
Advance from Scott Technology to RTL	431	2,023
Administration fees charged by the Group to STEL	6	6
Commission received by STEL from the Group	185	210
Advance from STEL to Scott Technology	346	430
Project work undertaken by the Group for SSTL	254	8
Advance from Scott Technology to SSTL	479	382
Advance from Scott Technology to NSI	11	147
Project work undertaken by the Group for STSA	759	258
Advance from Scott Technology to STSA	840	878
Project work undertaken by the Group for RAC	170	-
Advance from Scott Technology to RAC	63	71
Associates		
Project work undertaken by RVL for the Group	-	125

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 August 2016

26. RELATED PARTY TRANSACTIONS *(CONT.)*

(b) Directors

C C Hopkins and S J McLauchlan are trustees of the Scott Technology Employee Share Purchase Scheme. The balance of the interest free advance owing to the scheme at 31 August 2016 was $2,000 (2015: $Nil). During the year 3,279 shares vested with employees and 1,164 shares (2015: 10,264 shares) which had not vested with employees were disposed of at market value. As at 31 August 2016 17,779 shares were being held on trust which had vested with the Trustees upon the resignation of employees during the period of the Scheme and are available for sale. These shares have been treated as equity under share capital.

(c) Substantial Shareholders

C C Hopkins is a Director of Oakwood Group Limited, which owns Oakwood Securities Limited, a substantial shareholder of Scott Technology Limited. C C Hopkins has received Directors' fees of $17,000 from Oakwood Group Limited during the year (2015: $17,000).

JBS Australia Pty Limited acquired a 50.1% shareholding in Scott Technology Limited on 14 April 2016. Since acquisition date, the Group has recognised sales to JBS Companies of $307,000 and has made purchases from JBS Companies of $9,000.

27. SEGMENT INFORMATION

(a) Products & Services from which Reportable Segments Derive Their Revenues

The Group's reportable segments under NZ IFRS-8 are:

Australasia manufacturing

Americas manufacturing

Asia and Europe manufacturing

Australasia is reported as a single segment due to the integrated nature of customers, management, manufacturing, sales and financing activities across New Zealand and Australia.

Asia and Europe is reported as a single segment due to the integrated nature of customers, manufacturing and sales activities across Asia and Europe.

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. For the purposes of NZ IFRS-8 allocations are based on the operating results by segment. The Group does not allocate certain resources (such as senior executive management time) and central administration costs by segment for internal reporting purposes and therefore these allocations may not result in a meaningful and comparable measure of profitability by segment.

2016	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia & Europe Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	88,151	15,355	8,538	-	112,044
Segment profit	18,362	881	(1,092)	-	18,151
Impairment of net assets	-	-	(449)	-	(449)
Depreciation and amortisation	(1,150)	(150)	(141)	(303)	(1,744)
Share of profits of joint ventures	250	120	8	-	378
Interest revenue	5	-	2	292	299
Central administration costs	-	-	-	(4,985)	(4,985)
Finance costs	(346)	(241)	(2)	(96)	(685)
Net profit before taxation	17,121	610	(1,674)	(5,092)	10,965
Taxation expense	(4,599)	(110)	469	1,409	(2,831)
Net profit after taxation	12,522	500	(1,205)	(3,683)	8,134

27. SEGMENT INFORMATION *(CONT.)*

2015	Australasia Manufacturing $'000s	Americas Manufacturing $'000s	Asia & Europe Manufacturing $'000s	Unallocated $'000s	Total $'000s
Revenue	48,606	17,795	5,897	-	72,298
Segment profit	9,020	3,235	74	2,131	14,460
Depreciation and amortisation	(750)	(227)	(99)	(560)	(1,636)
Share of profits/(losses) of joint ventures	24	(69)	4	-	(41)
Interest revenue	20	-	1	11	32
Central administration costs	-	-	-	(3,515)	(3,515)
Finance costs	(881)	(171)	(3)	(143)	(1,198)
Net profit before taxation	7,433	2,768	(23)	(2,076)	8,102
Taxation expense	(1,789)	(1,030)	8	822	(1,989)
Net profit after taxation	5,644	1,738	(15)	(1,254)	6,113

Revenue reported above represents revenue generated from external customers. Inter-segment sales, which are eliminated on consolidation, were $1.4 million for the year ended 31 August 2016 (2015: $424,000).

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 and investment revenue.

(c) Industry Information

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

	Group	
	2016 $'000s	2015 $'000s
Appliances	20,181	13,606
Meat processing	38,875	10,924
Mining	22,357	17,023
High temperature superconductor products	3,335	2,059
Other industrial automation, including robotics	27,296	28,686
	112,044	72,298

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27. SEGMENT INFORMATION *(CONT.)*

(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	
	2016 $'000s	2015 $'000s
New Zealand (country of domicile)	17,548	7,236
North America, including Mexico	31,979	32,522
Australia and Pacific Islands	38,833	19,423
South America	5,043	1,483
Asia	9,155	4,656
Russia and former states	2,468	2,972
Africa and Middle East	1,478	1,914
Other Europe	5,540	2,092
	112,044	72,298

The Group holds $2.9 million of non-current assets in geographical areas outside of New Zealand, the country of domicile (2015: $2.4 million).

(e) Information About Major Customers

Sales to the Group's largest single customer, who is from the Australasia Manufacturing segment and the Meat industry, accounted for approximately 10.1% of total Group sales (2015: Australasia Manufacturing segment and Appliance Industry 8.5%).

28. NOTES TO THE CASHFLOW STATEMENT

	Group	
	2016 $'000s	2015 $'000s
Net surplus for the year	8,134	6,113
Adjustments for non-cash items:		
Depreciation and amortisation	1,744	1,636
Net loss/(gain) on sale of property, plant and equipment	215	(280)
Deferred tax	618	809
Share of net deficit/(surplus) of joint ventures and associates	(378)	41
Impairment of net assets (QMT Machinery Technology (Qingdao) Co Ltd)	449	-
Add / (less) movement in working capital:		
Trade debtors	79	(1,272)
Other financial assets – derivatives	172	(511)
Sundry debtors	(18)	(455)
Inventories	(927)	393
Contract work in progress	4,185	5,810
Taxation payable	750	194
Trade creditors and accruals	(510)	(358)
Other financial liabilities – derivatives	(17)	619
Employee entitlements	1,987	(99)
Provision for warranty	350	-
Movements in working capital disclosed in investing/financing activities:		
Working capital relating to business purchases	(75)	(1,277)
Movement in foreign exchange translation reserve relating to working capital	(201)	(1,376)
Impairment of net assets (QMT Machinery Technology (Qingdao) Co Ltd)	(449)	-
Net cash inflow from operating activities	16,108	9,987

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 2015.

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 14. Where the Group requires funding for a significant capital acquisition, separate funding facilities are established, provided the Directors consider that the Group has adequate equity to support these facilities.

(c) Market risk

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

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

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amounts in New Zealand Dollars of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s
United States Dollar	9,618	7,550	1,143	5,653
Euros	1,255	390	710	-
Australian Dollar	7,492	8,323	1,239	3,025
Japanese Yen	8	9	-	-
Great Britain Pound	115	5	16	-
Chinese RMB	337	1,662	373	459
Canadian Dollar	40	-	-	-
	18,865	17,939	3,481	9,137

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 August 2016

29. FINANCIAL INSTRUMENTS *(CONT.)*

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	
	2016	2015	2016 FC'000s	2015 FC'000s	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s
Foreign currency forward contracts held as effective fair value hedges								
Sell United States Dollars								
Less than 3 months	0.6498	0.7318	1,215	621	1,870	849	188	(122)
3 to 6 months	0.6822	0.7260	754	962	1,105	1,325	58	(187)
6 to 12 months	0.6735	0.6816	136	999	202	1,466	12	(114)
1 to 2 years	0.6311	-	597	-	946	-	99	-
			2,702	2,582	4,123	3,640	357	(423)
Sell Euros								
0 to 3 months	0.5835	0.5998	69	47	118	78	11	(4)
3 to 6 months	-	0.5948	-	148	-	249	-	(14)
6 to 12 months	-	0.5883	-	185	-	314	-	(19)
			69	380	118	641	11	(37)
Sell Australian Dollars								
Less than 3 months	0.8828	0.8870	240	240	272	261	22	3
3 to 6 months	0.9055	0.8859	2,895	1,200	3,197	1,355	186	15
6 to 12 months	0.9053	0.8841	700	720	773	814	44	8
1 to 2 years	-	0.8828	-	240	-	282	-	3
			3,835	2,400	4,242	2,712	252	29
					8,483	6,993	620	(431)

Group	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2016	2015	2016 FC'000s	2015 FC'000s	2016 $'000s	2015 $'000s	2015 $'000s	2016 $'000s
Foreign exchange derivatives								
Sell United States Dollars								
Less than 3 months	0.6659	0.7046	3,166	2,990	4,754	4,244	367	(432)
Buy United States Dollars								
3 to 6 months	-	0.7958	-	4,000	-	5,026	-	1,263
Sell Euros								
Less than 3 months	-	0.6166	-	80	-	130	-	(11)
Sell Australian Dollars								
Less than 3 months	0.9160	0.7594	192	1,902	210	2,505	10	386
Buy Australian Dollars								
Less than 3 months	-	0.9075	-	440	-	441	-	5
					4,964	12,346	377	1,211

29. FINANCIAL INSTRUMENTS *(CONT.)*

Group	Average Exchange Rate		Foreign Currency		NZ$ Contract Value		Fair Value	
	2016	2015	2016 FC'000s	2015 FC'000s	2016 $'000s	2015 $'000s	2015 $'000s	2016 $'000s
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	0.6700	0.7035	4,000	1,000	5,970	1,421	439	1
Sell Australian Dollars								
Less than 3 months	-	0.9075	-	400	-	441	-	3
Sell Canadian Dollars								
Less than 3 months	0.8900	-	600	-	674	-	40	-
Group has the obligation below the exchange rate to:								
Sell United States Dollars								
Less than 3 months	0.5918	0.6818	8,000	2,000	13,518	2,933	-	(196)
Sell Australian Dollars								
Less than 3 months	-	0.8923	-	800	-	897	-	(8)
Sell Canadian Dollars								
Less than 3 months	0.8545	-	1,200	-	1,404	-	-	-
					21,566	5,692	479	(200)

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 equity where the New Zealand Dollar weakens 10% against the relevant currency.

	US Dollar Impact		Euro Impact		Australian Dollar Impact		Chinese RMB Impact	
	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s
Impact on profit or loss and equity:								
10% increase in New Zealand Dollar	(225)	(90)	(55)	(26)	(604)	(279)	(4)	(120)
10% decrease in New Zealand Dollar	225	90	55	26	604	279	4	120

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

29. FINANCIAL INSTRUMENTS *(CONT.)*

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 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, 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 $7,478,000 (2015: $7,623,000).

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

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

(f) Liquidity and interest rate risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 14 are details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

There is no reasonable movement in interest rates that could have a material impact on the financial statements.

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
2016								
Financial Liabilities								
Finance lease liabilities	3.88%	-	35	30	11	15	-	91
Payable to joint ventures	-	-	346	-	-	-	-	346
Trade creditors & accruals	-	8,362	-	-	-	-	-	8,362
		8,362	381	30	11	15	-	8,799

29. FINANCIAL INSTRUMENTS *(CONT.)*

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
2015								
Financial Liabilities								
Bank overdraft & money market borrowings	10.90%	-	821	-	-	-	-	821
Bank loans	4.78%	-	10,374	1,493	1,454	2,791	3,012	19,124
Finance lease liabilities	4.02%	-	39	39	30	22	7	137
Payable to joint ventures	-	-	430	-	-	-	-	430
Trade creditors & accruals	-	8,872	-	-	-	-	-	8,872
		8,872	11,664	1,532	1,484	2,813	3,019	29,384

The Group has access to financing facilities, of which the total unused amount is $5.7 million at the balance sheet date, (2015: $11.6 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.

Group	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
2016				
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective fair value hedges	-	620	-	620
Foreign exchange derivatives	-	377	-	377
Foreign exchange collar option derivatives	-	479	-	479
Financial liabilities at fair value through profit and loss				
Fair value hedge of open firm commitments	-	(620)	-	(620)
	-	856	-	856

29. FINANCIAL INSTRUMENTS *(CONT.)*

Group	Level 1 $'000s	Level 2 $'000s	Level 3 $'000s	Total $'000s
2015				
Financial assets at fair value through profit and loss				
Foreign currency forward contracts held as effective cash value hedges	-	3	-	3
Fair value hedge of open firm commitments	-	434	-	434
Foreign exchange derivatives	-	1,211	-	1,211
Financial liabilities at fair value through profit and loss				
Foreign exchange collar option derivatives	-	(200)	-	(200)
Foreign currency forward contracts held as effective fair value hedges	-	(434)	-	(434)
Fair value hedge of open firm commitments	-	(3)	-	(3)
	-	1,011	-	1,011

(h) Fair value

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

30. SUBSEQUENT EVENTS

Dividend

On 13 October 2016 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 2016 year (2015: five and a half cents per share). The Dividend Reinvestment Plan has been suspended for this dividend payment.

ADDITIONAL STOCK EXCHANGE INFORMATION
For the Year Ended 31 August 2016

Substantial Shareholders

Name of substantial security holder	Number of shares in which a relevant interest was held as at 16 September 2016
1. JBS Australia Pty Limited	37,415,058
2. Oakwood Securities Limited	5,500,000

The total number of issued voting securities of the company as at 16 September 2016 was 74,680,754 ordinary shares.

Distribution of Shares by Holding Size	# of Shareholders	% of Total	Number	% of Total
1 - 1,000	647	24.94	328,207	0.44
1,001 - 5,000	1,100	42.41	2,851,049	3.82
5,001 - 10,000	390	15.03	2,846,035	3.81
10,001 - 50,000	379	14.61	7,370,679	9.87
50,001 - 100,000	42	1.62	2,890,336	3.87
100,001 and over	36	1.39	58,394,448	78.19
Total and percentage	2,594	100.00	74,680,754	100.00

Twenty Largest Shareholders as at 16 September 2016	Shares	% of Total
1. JBS Australia Pty Limited	37,415,058	50.10
2. Oakwood Securities Limited	5,500,000	7.36
3. New Zealand Central Securities Depository Limited	2,786,974	3.73
4. Russell John Field & Anthony James Palmer (JI Urquart Family A/C)	2,000,000	2.68
5. JB Were (NZ) Nominees Limited	1,630,237	2.18
6. Investment Custodial Services Limited (R A/C)	1,330,217	1.78
7. Investment Custodial Services Limited (C A/C)	578,077	0.77
8. Forsyth Barr Custodians Limited	555,093	0.74
9. Leveraged Equities Finance Limited	531,526	0.71
10. Southern Capital Limited	510,000	0.68
11. Jarden Custodians Limited	479,982	0.64
12. Jack William Allan & Helen Lynette Allan	421,000	0.56
13. Rosebery Holdings Limited	375,096	0.50
14. Custodial Services Limited (4 A/C)	317,565	0.43
15. FNZ Custodians Limited	309,310	0.41
16. Kenneth William Wigley	303,512	0.41
17. Opito Investments Pty Ltd	280,000	0.37
18. Custodial Services Limited (3 A/C)	279,425	0.37
19. Margaret Ann Ring & Richard Arthur Prevett	270,000	0.36
20. Hamish Heathcote McCrostie	250,000	0.33
	56,123,072	75.11

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	23	$210,001 - $220,000	2
$110,001 - $120,000	14	$220,001 - $230,000	1
$120,001 - $130,000	8	$230,001 - $240,000	1
$130,001 - $140,000	8	$240,001 - $250,000	1
$140,001 - $150,000	10	$260,001 - $270,000	1
$150,001 - $160,000	12	$270,001 - $280,000	2
$160,001 - $170,000	6	$300,001 - $310,000	1
$170,001 - $180,000	6	$320,001 - $330,000	1
$180,001 - $190,000	6	$340,001 - $350,000	1
$190,001 - $200,000	2	$390,001 - $400,000	3
$200,001 - $210,000	1	$410,001 - $420,000	1

AUDIT REPORT

Deloitte.

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Scott Technology Limited and its subsidiaries ('the Group') on pages 22 to 58, which comprise the consolidated balance sheet as at 31 August 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

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

Other than in our capacity as auditor and the provision of taxation advice, due diligence and 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 consolidated financial statements on pages 22 to 58 present fairly, in all material respects, the financial position of Scott Technology Limited and its subsidiaries as at 31 August 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte Limited

Chartered Accountants
13 October 2016
Dunedin, New Zealand

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Chairman & Independent Director
Stuart McLauchlan

Independent Directors
Christopher Staynes
Mark Waller

Directors Representing JBS Australia Pty Ltd (not Independent Directors)
Andre Nogueira
Brent Eastwood
Edison Alvares

Managing Director/CEO
Chris Hopkins

Chief Financial Officer & Company Secretary
Greg Chiles

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